Energy Efficiency: Market of the Future

MVV Energie

MVV Energie
Annual Report 2007/2008

07/08

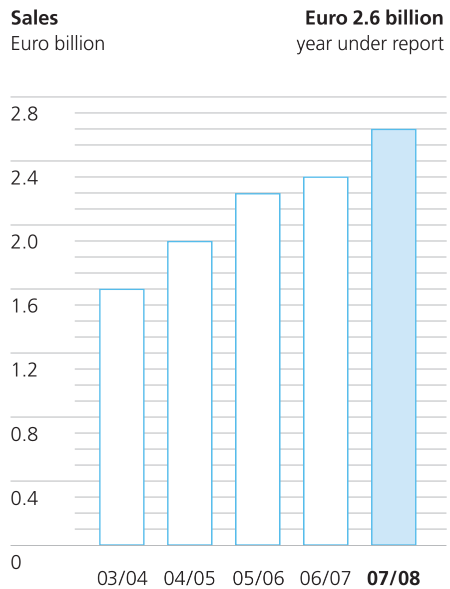
to the Key Figures >>

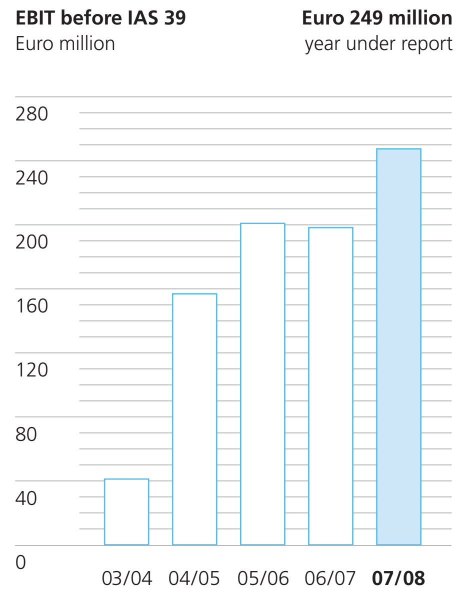
Company Profile

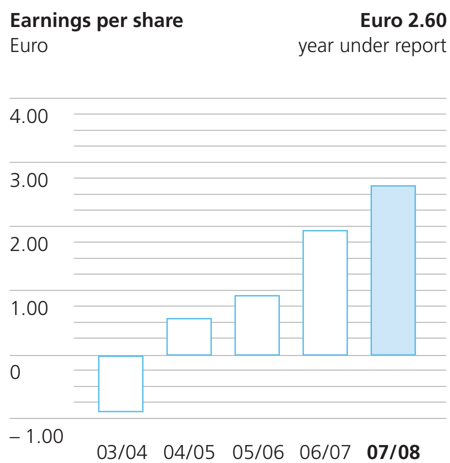
With consolidated sales of Euro 2.6 billion and around 5 900 employees, MVV Energie AG is Germany's largest publicly listed municipality network.

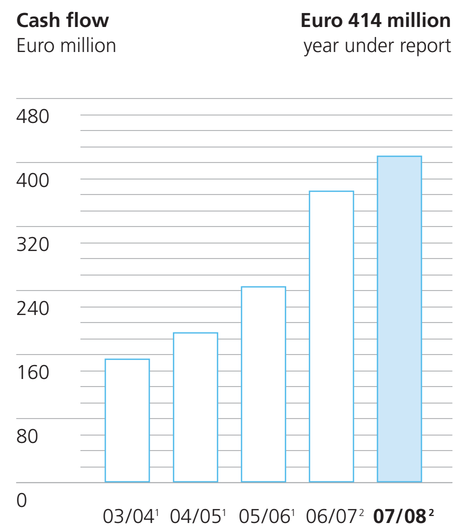
Our group of companies focuses on its core business of electricity, district heating, gas and water. Moreover, the MVV Energie Group is also promisingly positioned in its high-growth businesses of environmental energy (generating steam and electricity from non-recyclable waste and waste timber) and energy-related services (decentralised generation facilities based on renewable energies, contracting solutions). One outstanding feature of our well-balanced business model is its horizontal networking and integration of multidivisional municipal utility companies and energy companies.

By enhancing efficiency across the Group and pooling non-core service activities at joint subsidiaries ("24/7" shared service companies), we were early to prepare our group of companies for the new challenges presented by regulated competition on the energy markets. The advancing consolidation of the German municipal utility market and growing importance of renewable energies and energy efficiency provide us with future market opportunities, especially in the district heating, environmental energy and energy-related services businesses.









[1] as per DVFA/SG

[2] before working capital and taxes

Key Figures

MVV Energie Group Euro million	**2007/2008**	2006/2007	% change
Sales excluding electricity and natural gas taxes	2 636	2 259	+ 17
EBITDA	486	359	+ 35
EBITDA before IAS 39	398	344	+ 16
EBITA	337	216	+ 56
EBITA before IAS 39	249	200	+ 25
EBIT	337	215	+ 57
EBIT before IAS 39	249	199	+ 25
EBT	269	139	+ 94
EBT before IAS 39	181	123	+ 47
Annual net surplus	185	126	+ 47
Annual net surplus after minority interests	170	109	+ 56
Earnings per share[1] in Euro	2.60	1.96	+ 33
Cash flow before working capital and taxes	414	364	+ 14
Cash flow before working capital and taxes per share[1] in Euro	6.35	6.52	– 3
Free cash flow[2]	54	188	– 71
Total assets (as of 30. 9.)	3 787	3 278	+ 16
Equity (as of 30. 9.)	1 270	914	+ 39
Equity ratio[3] (as of 30. 9.)	33.5 %	27.9 %	+ 20
Capital employed before IAS 39[4]	2 482	2 390	+ 4
ROCE before IAS 39[5]	10.0 %	8.4 %	+ 19
WACC[6]	8.5 %	7.5 %	+ 13
Value spread before IAS 39[7]	1.5 %	0.9 %	+ 67
Investments[8]	241	255	– 5
Number of employees[9] (as of 30. 9.)	5 901	6 394	– 8

[1] increase in number of shares (weighted annual average) from 55.8 million to 65.3 million due to capital increase

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

[3] equity as a proportion of total assets

[4] equity plus financial debt plus provisions for pensions and similar obligations plus cumulative goodwill amortisation less tax-adjusted IAS 39 item (calculated as an annual average)

[5] return on capital employed before IAS 39 (EBITA before IAS 39 as a proportion of capital employed before IAS 39)

[6] weighted average cost of capital

[7] value spread (ROCE before IAS 39 less WACC)

[8] 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

[9] including external personnel at Mannheim energy from waste plant

Energy Efficiency: Market of the Future

Rising primary energy prices, finite fossil resources, ambitious climate protection targets – enormous tasks accompanied by substantial changes directly affecting the energy market. These challenges provide us with both the obligation and the motivation to contribute to a secure and sustainable energy supply by drawing on innovative new solutions. Saving energy, making more efficient use of energy, making greater use of renewable energies and doing this more economically – these all represent effective contributions towards protecting the environment and the climate. Municipal utility companies in particular stand to benefit from new growth opportunities arising in local and regional markets. Exploiting this market potential economically will open up a wealth of future opportunities for the environment, consumers and companies alike.

The image pages at the beginning of each chapter of our Annual Report provide illustrative examples of how the MVV Energie Group is already seizing these opportunities for the future.

Contents

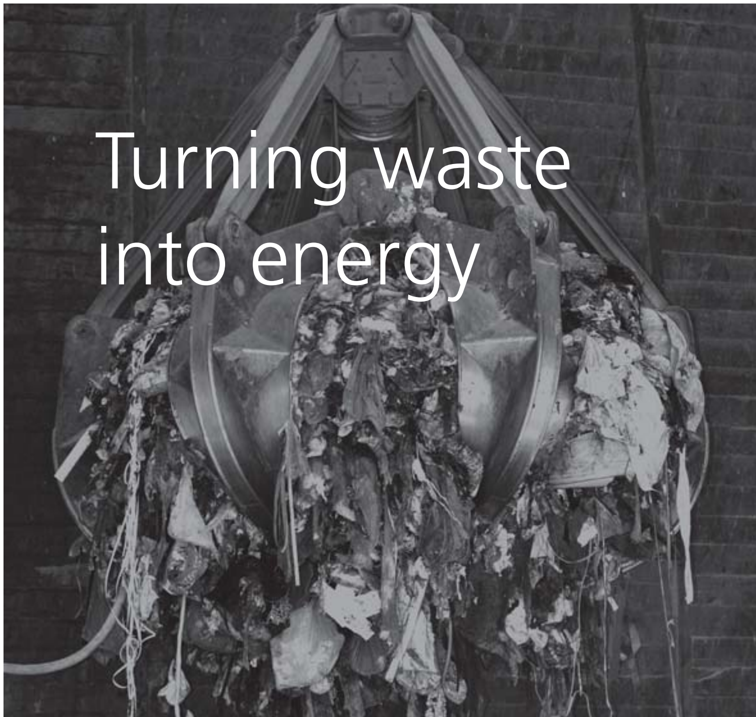
To Our Shareholders 1

Group Management Report 2

Business Segments 3

Consolidated Financial Statements 4

Turning waste into energy



The use of around 1.5 million tonnes of waste and waste timber a year for energy generation purposes is equivalent to around 540 000 tonnes of hard coal units (HCU) or 405 000 tonnes of heavy heating oil.

If you thought rubbish was simply there to be thrown away, then you could hardly be more mistaken. In today's world of high energy prices and climate protection, waste is anything but just a tiresome heap of rubbish to be disposed of as quickly as possible. It is a valuable raw material.

We exploit the material and energy potential available in the waste for sustainable and efficient steam and electricity generation, thus helping to preserve limited fossil fuel resources. MVV Umwelt GmbH has developed into one of Germany's market leaders in generating energy from waste.

We aim to maintain this successful growth course in foreign waste markets as well.

To Our Shareholders

1

1

To Our Shareholders

Letter from the CEO

Dear Shareholders,

Dr. Georg Müller
CEO of MVV Energie AG

It is a very great pleasure for me to address you directly in this Annual Report for the first time as the new CEO of MVV Energie AG. With its broad range of activities, manifold business opportunities and unique position in the energy market as Germany's only publicly listed municipal utility network, MVV Energie AG is a remarkable company.

The international financial crisis, the volatile development in primary and downstream energy prices and the slowdown in the global economy have all left their mark on the development of the overall economy in 2008. A further outstanding topic of public discussion has been the need to protect the climate, one which companies operating in our sector are especially bound to confront. Developments on the international crude oil markets have also raised awareness once again of the German economy's dependence on imports and the issue of supply reliability. The calls for climate protection and supply reliability on the one hand, and for economic viability and appropriate energy prices on the other, present companies in our industry with major challenges. Moreover, German electricity and gas markets have also witnessed increasing competition and a further reduction in grid utilisation fees by the regulatory authorities.

The MVV Energie Group has maintained its ground well in this difficult climate and met its financial targets for the 2007/08 financial year. External sales rose by 17 % compared with the previous year. The Group's earnings power also developed positively, with significant improvements in all key earnings figures. Adjusted to account for the non-cash special item resulting from the recognition of derivative financial instruments under IAS 39, the Group's sustainable operating earnings before interest and taxes (EBIT before IAS 39) rose from Euro 199 million in the previous year to Euro 249 million (+ 25 %). We therefore also met our target of posting double-digit earnings growth compared with the previous year. The Group's annual net surplus after minority interests grew from Euro 109 million to Euro 170 million.

All companies within our municipal utility network contributed to this improvement in operating earnings. That too reveals that the MVV Energie Group is superbly positioned in the market with its unique business portfolio consisting of the core business fields of electricity, district heating, gas and water and the high-growth fields of environmental energy and energy-related services.

We would like you to benefit from our successful business performance in the 2007/08 financial year. The Executive and Supervisory Boards will therefore be proposing an increase in the dividend from Euro 0.80 per share in the previous year to Euro 0.90 for the 2007/08 financial year for approval by the Annual General Meeting of MVV Energie AG on 13 March 2009. This is good news, especially in the light of the financial crisis and the downturn in the overall economy, which has led many companies to announce reductions or even cancellations of their dividends.

The share of MVV Energie AG proved to be very stable in an extraordinarily weak market severely impaired by the intensification in the financial crisis in the course of 2008 and by the first tangible impact on the real economy. Not only that, unlike in many other cases, the capital increase successfully executed by MVV Energie AG in November 2007 also had no negative implications for our share price. At Euro 33.20, the price of MVV Energie's share as of 30 September 2008 was Euro 3.71 (+ 12.6 %) higher than on 30 September 2007 (Euro 29.49). With an equity ratio of 33.5 % as of 30 September 2008 (previous year: 27.9 %), the MVV Energie Group also has a good foundation for continuing to achieve well-balanced financing on the capital markets for its investments focusing on sustainable growth.

To succeed, we need good managers and good employees. The Executive Board of MVV Energie AG would like to thank them all, as well as the employee representatives, at the companies in our Group for their superb work in the year under report. Together, we will also tackle and successfully master the challenges arising in the new financial year.

On behalf of the Executive Board, I would like to thank you for your support and would be pleased if you would continue to place your trust in MVV Energie AG and in me as its new CEO in the current 2008/09 financial year as well.

Mannheim, January 2009

Yours faithfully,

Dr. Georg Müller
Chief Executive Officer

The Executive Board of MVV Energie AG

The Executive Board (from left): Dr. Georg Müller (CEO), Hans-Jürgen Farrenkopf, Matthias Brückmann, Dr. Werner Dub

Brief Portraits of Executive Board Members

Dr. Georg Müller
born in 1963

CEO of MVV Energie AG
since 1 January 2009
Commercial Director

2008
CEO of RWE Rhein-Ruhr AG,
Essen

2003 to 2007
Member of Executive Board
of VSE AG, Saarbrücken

Matthias Brückmann
born in 1962

Member of Executive Board
of MVV Energie AG
since 1 August 2007
Sales Director

2003 to 2007
CEO of Energieversorgung
Offenbach AG

2000 to 2003
Head of Marketing
and Sales Division
at MVV Energie AG

Dr. Werner Dub
born in 1950

Member of Executive Board
of MVV Energie AG
since 1 January 2000
Technology Director

1996 to 1999
Managing Director
of Ferngas Nordbayern GmbH,
Bamberg

1982 to 1996
Management positions at
Ruhrgas AG, Essen

Hans-Jürgen Farrenkopf
born in 1949

Member of Executive Board
of MVV Energie AG
since 1 January 2003
Personnel Director

1994 to 2002
Chairman of the Group Works Council
of the MVV Energie Group and
Deputy Chairman of the Supervisory Board
of MVV Energie AG and MVV RHE AG,
Mannheim

Focus on Markets of the Future

Energy efficiency and renewable energies are the markets of the future

Environmental and climate protection have become prime topics of public debate. At the very latest since the explosion in commodity and energy prices in the first half of 2008, it has become apparent to everyone that the world not only has a climate problem, but is also confronted with the finite nature of its fossil resources. Not only that, developments on international crude oil markets have increased awareness once again of the German economy's dependence on imports, thus also bringing the question of energy supply security back into the foreground.

It is common sense to make more sparing use of commodities and energy in future and to find alternatives to fossil fuels. The future is therefore to be found in renewable energies and in innovative technologies capable of improving energy efficiency.

The Federal Government sets course for realignment of energy supply

The Federal Government intends to promote energy saving and efficient energy use and thus to substantially reduce emissions of greenhouse gases harmful to the climate. As part of its "Integrated Energy and Climate Programme", the Federal Government is relying on a massive expansion in renewable energies for generating electricity and heating energy, as well as on raising energy efficiency. The laws and legislative amendments due to take effect as of 1 January 2009 affect all levels of the value chain, from energy generation and conversion at power plants via energy transmission and distribution grids through to end energy consumption (please also see Energy Policy, Page 23).

The share of electricity generated from renewable energies is to be increased from 13 % (2007) to at least 30 % by 2020. Furthermore, the share of electricity generated using cogeneration is to be doubled to around 25 % over the same period.

How can energy generation at power plants be made more efficient?

Put simply, thermal electricity generation involves using fuel to generate steam which then drives a turbine. Linked to the turbine is a generator which converts the mechanical energy into electricity. Technical enhancements and innovative solutions enable the efficiency of the plant to be improved, thus reducing the volume of fuel required to generate electricity.

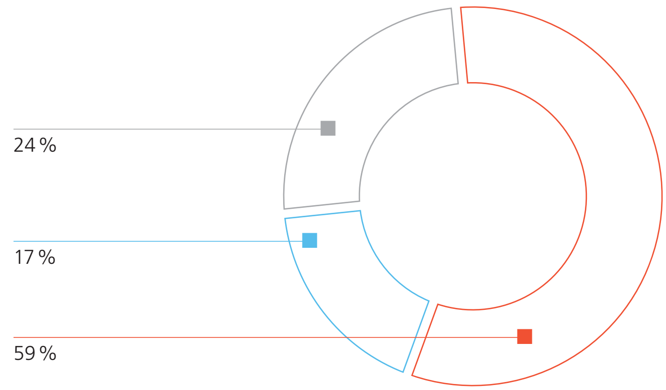
One solution for increasing efficiency is cogeneration, a process which exploits the waste heat emitted in the electricity generation process to produce heating water. The coupling out of district heating facilitates substantial reductions in the use of fuel and thus in the volume of CO_2 emissions per kilowatt hour compared with separate generation (please see Page 10 for information on the expansion of the large power plant in Mannheim – GKM).

What opportunities will arise in future for the MVV Energie Group?

Within the framework of its core business, its energy-related services relating to the core business and its generation of electricity and heating energy from non-recyclable waste and biomass, our group of companies invested at an early stage in renewable energies and energy-efficient processes, thus making a sustainable contribution towards climate protection.

In the 2007/08 financial year, 17 % of electricity volumes were generated from renewable energies (especially biomass and biogenous waste) and a further 24 % using cogeneration. The average figures for Germany in 2007, by contrast, were only 14 % in the case of electricity generated from renewable energies and 9 % for cogeneration (please see diagrams).

Electricity generation in Germany of the MVV Energie Group in the 2007/2008 financial year



We are expanding our district heating supply using energy-efficient cogeneration

In its plan to double the volume of electricity generated using cogeneration, the Federal Government is also relying on the expansion of district and local heating systems. From 2009, it will therefore be promoting the expansion of cogeneration plant and district heating grids with a total of Euro 750 million a year.

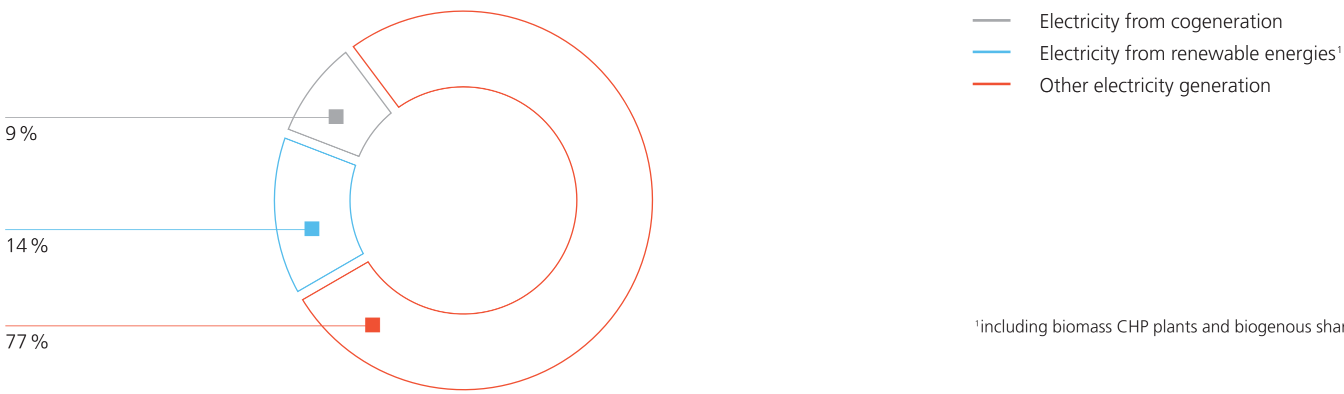
The Rhine/Neckar metropolitan region already has a high degree of energy efficiency. District heating resulting from efficient cogeneration makes a major contribution in this respect. Based on the findings of a regional district heating study, the share of the region's heating market covered by district heating and renewable energies is to be raised to more than 40 % over the next 20 years.

The planned construction of a new power plant block fired by hard coal (Block 9) at Grosskraftwerk Mannheim AG (GKM), which will have an electricity output of 911 MW and a district heating output of 500 MW_t and is due for completion in 2013, forms the basis for a secure long-term supply of electricity and for the energy-efficient expansion of the district heating supply in Mannheim and the Rhine/Neckar metropolitan region. Using cogeneration, the new block should have a fuel utilisation rate of 70 %, and thus be around 20 % more efficient than the existing Blocks 3 and 4, which are due to go offline for reasons of age in 2013. The higher output at Block 9 means that more tonnes of the greenhouse gas CO_2 will be emitted in absolute figures than today, but that for the same volume of electricity generated up to one million tonnes of CO_2 less will be emitted per year compared with older hard coal power plants. MVV Energie AG will participate in this major expansion project in line with the level of its shareholding in GKM (28 %).

We aim to exploit our energy efficiency expertise as a market advantage

MVV Energiedienstleistungen GmbH offers contracting agreements tailored to customers' specific needs. Municipalities, industrial companies, the housing and real estate sectors, hospitals, old people's homes and other public sector organisations and properties therefore have numerous possibilities of saving energy, and thus cutting their costs, by modernising outdated plant or by using energy-efficient technologies and services. The supply of utilities to industry parks, where companies are under particular pressure due to climate protection requirements and high energy prices, also harbours pleasing business opportunities for us. Here as well, it is a question of raising energy efficiency while simultaneously reducing energy costs and pollutant emissions. In Gersthofen and Korbach, we will operate power plants using refuse-derived fuel to supply large industrial locations on a decentralised basis.

Gross electricity generation in Germany in 2007



[1]including biomass CHP plants and biogenous share of waste

A further attractive and increasingly important business field is the use of the renewable fuels biomass and biogas. Our group of companies already has in-depth expertise gained at a large number of biomass heating plants used to generate heat and at heating power plants generating additional electricity using wood or wood chips in accordance with the German Renewable Energies Act (EEG). Long-term contracts with wood suppliers enable us to extend our value chain and secure an adequate supply of fuel. Since the 2007/08 financial year, we have also been active in the biogas business, a field in which we intend to expand further in coming years.

Future opportunities driven by new technologies

The political framework and changing customer needs call for and are also accelerating far-reaching technological changes in the energy sector.

We have pooled and promoted the research and development activities of our group of companies in the group department Technology and Innovation. New products and services are being developed, evaluated and integrated into our core and high-growth business fields. Cooperations with technology and process leaders provide a foundation for attractive new business opportunities. One of the seminal energy technologies in the field of sustainable energy conversion, and one which we are currently testing in large-scale field trials, is the micro-cogeneration house energy plant used to generate heating energy and electricity in detached and semi-detached houses. In parallel, product development work is continuing on the “Energy Butler”, an intelligent energy management system enabling customers to determine the origin of their electricity at short notice and thus to exploit the different rates to their advantage. Further successes and future opportunities involved in our research and development activities, which aim to enhance energy efficiency and sustainability, have been outlined in this Annual Report under Research and Development (Page 29) and Outlook (from Page 53).

Major Events in the Financial Year

Capital increase

In October 2007, MVV Energie AG increased its share capital by around Euro 25.9 million to Euro 168.7 million (+18.2 %) by issuing around 10.1 million new shares in return for cash contributions with subscription rights for shareholders. Having exercised its subscription rights, the City of Mannheim owns a 50.1 % stake and thus remains the majority shareholder in MVV Energie AG.

Energy market design

MVV Energie AG continued to play an active role in the year under report on all levels of the energy policy decision-making process for the future design of German and European energy markets.

In this, we have advocated creating a level playing field for all participants in the market, as well as campaigning for an energy mix which is both climate-friendly and conducive to innovation. Our most important energy policy activities included our involvement in drawing up the "Baden-Württemberg Energy Concept", numerous discussions with members of the federal parliament and ministry representatives in the run-up to the adoption of the "Integrated Energy and Climate Programme" and lobbying for pan-European transmission grid regulations to be as market-based as possible. We also actively accompanied the further development of a competition-friendly regulatory framework for the gas industry.

Success in nationwide sales activities

In the year under report, the MVV Energie Group achieved further notable market success with the electricity fund models it offers to industrial and commercial customers on a nationwide basis.

The beginning of March 2008 saw the nationwide marketing launch of our innovative Gas Fund product. Like the electricity fund models, the Gas Fund is designed specially for medium-sized customers and companies with multiple locations. These stand to benefit in future from our experience in the field of structured procurement.

Competing for private customers with green electricity

SECURA Energie GmbH, a company within the MVV Energie Group, has offered its own green electricity product nationwide since January 2008. Operating under the brand SECURA Ökostrom, the company aims to satisfy the growing demand for electricity which is environmentally-friendly in terms of its generation, yet inexpensive, while also meeting consumers' need for a reliable electricity supply. Energieversorgung Offenbach, Stadtwerke Ingolstadt and RheinEnergie AG, Cologne, have now also acquired stakes in SECURA Energie GmbH.

New block at large power plant in Mannheim (GKM)

On 24 June 2008, Mannheim City Council voted with a large majority in favour of the construction of the new Block 9 at the large power plant in Mannheim (GKM). With an electricity output of 911 MW and a district heating output of 500 MW_t, this new block should be completed by 2013. This decision was preceded on 11 June 2008 by the first public meeting on the subject in Mannheim, attended by around 1 200 people, where advocates and opponents of the project alike could exchange their arguments. The building application is expected to be approved by the regional authorities in Karlsruhe in the first half of 2009.

Expansion of district heating supply

MVV Energie AG will be implementing a district heating expansion and concentration programme in Mannheim in the coming years. The district heating study for the Rhine/Neckar metropolitan region presented in April 2008 revealed that significant potential for expansion could be exploited economically by increasing the density of the existing district heating grid and significantly expanding the district heating supply. Not only that, the possibility of building a 21 km district heating transport pipeline between Mannheim and Speyer is also being investigated within the Mannheim-Speyer District Heating Network project.

Entry into balancing energy market

MVV Energie AG qualified in the 2007/08 financial year to participate in the balancing energy market. The relevant high technical and process standards were therefore met. The balancing energy pool at MVV Energie AG enables partners interested in cooperating to participate in the balancing energy market. MVV Energie AG is thus the first provider in south-western Germany, other than large transmission grid operators, to offer balancing energy as a product.

MVV Umwelt maintains growth course

Work commenced in October 2007 on building the replacement boiler 6 at the energy from waste plant in Mannheim. Construction work is progressing on schedule. More than one million tonnes of waste have been incinerated for the first time in Mannheim and Leuna. MVV Umwelt GmbH now aims to extend its successful growth strategy to promising foreign waste markets. On 26 September 2008, the Supervisory Board of MVV Energie AG approved the establishment of a British subsidiary to probe market opportunities in the UK.

Expansion in energy-related services business

The most important investment projects in the year under report included the construction of biomass cogeneration plants in Pfalzgrafenweiler and Mertingen, a gas-powered heating plant at Industriepark Ludwigshafen, and refuse-driven cogeneration plants at Industriepark Gersthofen and in Korbach. These decentralised plants use timber, biogas or residues and waste to generate energy, converting them in most cases into steam and electricity for supply to companies on location. The acquisition of three biogas plants also underlines the increasing focus of our energy-related services business on renewable energies and energy efficiency.

To secure our fuel procurement for biomass projects on a long-term basis, in the year under report we acquired a 70 % shareholding in A+S Naturenergie GmbH, Pfaffenhofen.

In our real estate utilities business we were able to sign contracts to supply district heating over several years to a large-scale real estate portfolio and to more than 100 residential properties. In Berlin, four major energy-saving contracting projects are being implemented as part of a new energy-saving partnership with Berliner Energieagentur GmbH.

Major orders in international consulting business

The awarding of a planning contract in the US market represented a major success for our Group's international consulting business. The project involves the local heating supply for a new residential area in Toledo, Ohio. This is one of the first residential areas in the USA to draw on environmentally-friendly cogeneration. Abu Dhabi is also relying on our expertise for the supply of electricity to Yas Island. This consulting order involves one of the largest infrastructure projects in the United Arab Emirates. In September 2008, the World Bank placed a major order worth US$ 10 million with MVV Consulting GmbH to advise the Afghan government in building up that country's desolate electricity supply.

First prize in technology competition

In the "E-Energy" competition initiated by the Federal Ministry of Economics and Technology, a consortium of companies led by MVV Energie AG was awarded first prize in March 2008 for its seminal "Model City Mannheim" promotion project.

Family-friendly personnel policies

MVV Energie AG was awarded a certificate for its family-conscious personnel policies in the "audit berufundfamilie®" promoted by the federal families and economics ministries in June 2008. In this audit of compatibility between professional and family commitments, we received top marks in particular for the flexibility of our working hour model and the specific childcare facilities on offer.

The Share of MVV Energie AG

[1] pending approval by the Annual General Meeting on 13 March 2009
[2] based on closing price in XETRA trading on 30 September
[3] excluding minority interests, weighted annual average number of shares

Successful capital increase – Shareholder structure

In October 2007, MVV Energie AG increased its share capital from available authorised capital by 18.2 % to Euro 168.72 million by issuing 10.1 million new shares in return for cash contributions and with subscription rights for shareholders. The new shares furnish the same rights as existing shares and enjoyed dividend entitlement from 1 October 2006. It was possible to place the new shares in October 2007 without any problem or negative impact on the share price. The proceeds from the capital increase have enabled us to significantly reinforce our equity base to finance our further profitable growth. Having exercised its subscription rights and following the acquisition by RheinEnergie AG of 16.1 % of its indirect shareholding in MVV Energie AG on 11 October 2007, the City of Mannheim still owned a 50.1 % stake as of 30 September 2008 and thus remained the majority shareholder in MVV Energie AG. RheinEnergie AG and EnBW AG also exercised their subscription rights and respectively held 16.1 % and 15.1 % of the shares of MVV Energie AG as of 30 September 2008. The remaining 18.7 % of the shares are still in free float.

Ongoing turbulence on capital markets – Share maintains long-term upward trend

International financial markets were burdened by numerous negative economic and macroeconomic developments during the period under report and were correspondingly volatile with a clear downward trend. The implications of the financial crisis and resultant fears of recession, high commodity prices, enormous volatility in the oil price and high inflation rates in the euro area led the German DAX index to lose around 28 % of its value since the beginning of 2008. The share of MVV Energie AG held its ground extraordinarily well in this difficult market climate and maintained the upward trend seen since summer 2004. The year-end price rose by Euro 3.71 from Euro 29.49 at 30 September 2007 to Euro 33.20 at 30 September 2008 (+ 12.6 %). Including the arithmetic subscription right discount of Euro 1.09 per share due to the capital increase in October 2007 and the dividend distribution of Euro 0.80 per share in March 2008, the performance of our share even amounted to 20.0 % in the period under report (please see share chart). Our comparative indices, the SDAX and the DAXsector Utilities (previously Prime Utilities), which is dominated by the large groups E.ON and RWE, fell by 40.8 % and 17.0 % respectively. Our share thus outperformed the utility index and the SDAX by a clear margin.

Our share reached its highest closing price during the 2007/08 financial year on 9 June 2008 at Euro 33.75 in XETRA trading, while its lowest closing price was seen on 16 October 2007 at Euro 28.00.

Market capitalisation exceeds Euro 2 billion for the first time

Due to the pleasing share performance and following the capital increase, the market capitalisation of MVV Energie AG grew to around Euro 2 188 million as of 30 September 2008, equivalent to an increase of Euro 543 million on the previous year. The free float share of 18.7 % used for weighting the share within the SDAX was worth around Euro 409 million at the end of the 2007/08 financial year. The rise in the share price, and thus in the market capitalisation of MVV Energie AG to more than Euro 2 billion is an expression of the high degree of trust placed by the capital market in the growth strategy of the MVV Energie Group.

Higher trading volumes in spite of lower number of shares traded

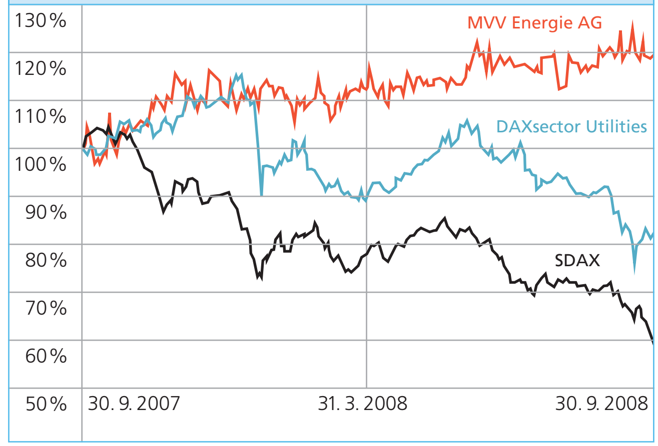
A total of 7.5 million shares in MVV Energie AG were traded across all German stock markets during the year under report. This represents a reduction of around 9 % compared with the previous year. Total trading volumes, on the other hand, rose to Euro 235 million due to the increase in the share price (previous year: Euro 233 million). Around 95 % of our stock market turnover now takes place on the XETRA trading platform (previous year: 86 %).

Improved ranking in market capitalisation index

Measured in terms of its free float market capitalisation, the share of MVV Energie AG occupied 51st position in the joint index statistics compiled for the MDAX and SDAX at the end of the financial year (previous year: 78th position). This improvement is attributable to the rise in the share price. Our share reached 85th position in terms of stock market trading volumes (previous year: 90th position).

Key Figures per Share	2007/2008	2006/2007
Earnings (Euro)	2.60	1.96
Price/earnings ratio	12.8	15.0
Dividend (Euro)	0.90[1]	0.80
Dividend yield[2] (%)	2.7[1]	2.7
Equity[3] (Euro)	17.67	14.32

Share of MVV Energie AG (ISIN DE000A0H52F5) Performance Comparison



Shareholder-friendly dividend policy

In view of the improvement in annual earnings in 2007/08, the Executive and Supervisory Boards will propose the distribution of a dividend of Euro 0.90 per share (previous year: Euro 0.80 per share) for approval by the 2009 Annual General Meeting. This is equivalent to a dividend yield of 2.7 % for our shareholders in terms of the closing price in XETRA trading on the reporting date on 30 September 2008. We aim to pay our shareholders an attractive dividend based on our earnings performance in future as well.

Active and successful investor relations activities

In May 2008 we reduced the list of analysts to those currently reporting on MVV Energie AG. This was due to a total of six equity analysts no longer issuing any publications about MVV Energie AG for a longer period in some cases or having discontinued their research coverage of the company. The seven remaining national and international research institutes, Lockhart Securities Ltd, Dexia, Kepler Capital Markets, LBBW, Sal. Oppenheim, Société Générale and UniCredit, were joined in June 2008 by an eighth bank, namely DZ Bank, the central institution for the cooperative finance association. This is a high figure for an SDAX company. The Investor Relations group department is working continuously on extending the research coverage for MVV Energie AG.

MVV Energie AG presented itself to large numbers of institutional investors, as well as private shareholders, at several investors' conferences and numerous one-to-one meetings. Over and above this, we held telephone and analysts' conferences to provide extensive commentaries on the latest earnings performance of our company.

One particular focus during the 2007/08 financial year was on road shows and talks with institutional investors in Germany and abroad. We visited investors in Basle, Boston, Brussels, Frankfurt, London, Milan, Munich, New York, Paris, Toronto, Vienna and Zurich. Our homepage at *www.mvv-investor.de* provides all interested parties with up-to-date information about our share.

Accolade for our annual report

Our annual report has yet again received internationally recognised awards. From among 3 161 companies participating in the "2007 Vision Awards Annual Report Competition" organised by the renowned League of American Communications Professionals (LACP) in San Diego, USA, the 2006/07 Annual Report of MVV Energie AG was singled out for the Gold Award for 2nd position in the "Utilities – Multiple/Water/Traders" category for companies with turnovers of more than one billion US dollars.

The German periodical "manager magazine" organises "The Best Annual Reports", an annual competition which is highly regarded on the capital market. The competition involves around 200 annual and interim reports of the most important German and European publicly listed companies being analysed and subsequently ranked. Assessed as "Good", the 2006/07 Annual Report of MVV Energie AG was ranked 4th among SDAX companies in the 2008 competition, thus once again reaching the top ten (previous year: 7th position).

Corporate Governance Report of the Executive and Supervisory Boards

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

Transparency

In the past, we have always fulfilled the relevant transparency requirements in the German Commercial Code (HGB) and the Securities Trading Act (WpHG) and also complied in full with the Code's recommendations in this respect. In future, we will continue to ensure that all of our stakeholders have access to the same information at the same time. For this, we provide information about our company and the latest developments at our Group on our website at *www.mvv-investor.de*, where we also publish a financial calendar with the dates for our regular financial reporting.

Group accounting is based on International Financial Reporting Standards (IFRS), while the separate financial statements of MVV Energie AG are prepared in accordance with the German Commercial Code (HGB).

Compensation report (Component of Group Management Report)

The Executive Board was paid compensation totalling Euro 2 316 thousand during the year under report. This was structured as follows:

Compensation Euro 000s	Fixed [1]	Variable [2]	Supervisory Board compensation [3]	**Total**
Dr. Rudolf Schulten	416	311	22	749
Matthias Brückmann	275	243	8	526
Dr. Werner Dub	263	243	17	523
Hans-Jürgen Farrenkopf	266	243	9	518
Total	**1 220**	**1 040**	**56**	**2 316**

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

[2] provisions

[3] supervisory board activities at shareholdings

The members of the Executive Board of MVV Energie AG also act as executive board members of MVV RHE AG. The relevant compensation is paid by MVV Energie AG and subsequently charged to MVV RHE AG. This compensation is accounted for in the above table.

Moreover, the CEO also acts as managing director of MVV GmbH. The relevant compensation of Euro 27 thousand is also paid by MVV Energie AG and subsequently charged to MVV GmbH. However, this compensation is not accounted for in the above table.

Variable compensation is calculated on the basis of two components – the annual net surplus of the MVV Energie Group after minority interests pursuant to IFRS adjusted for extraordinary items and the ROCE (Return on Capital Employed). A suitable cap is in place.

No compensation components of a long-term incentive nature were granted during the year under report.

No further payments were either committed or made by third parties. Upon reaching retirement age, the members of the Executive Board are entitled to receive pension benefits amounting to a certain percentage of their fixed compensation. This percentage rises by 2 % for every full year of service up to a maximum value of 70 % of fixed compensation. Pension payments are reduced by income earned elsewhere, benefits received under the state pension scheme and any other pension benefits attributable at least in half to employers' contributions. If the pension benefits are claimed prematurely, then the monthly pension paid is reduced by 0.5 % for every month by which the claimant falls short the applicable retirement age.

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

The pension obligations are structured as follows:

Pension Obligations Euro 000s	Value of final pension [1]	Benefit percentage [2]	Benefit percentage [3]	Allocation to pension provision Service cost	Allocation to pension provision Interest expenses
Dr. Rudolf Schulten	176	48 %	48 %	963 [4]	50
Matthias Brückmann	144	50 %	70 %	122	6
Dr. Werner Dub	98	56 %	66 %	103	41
Hans-Jürgen Farrenkopf	111	58 %	66 %	162	40
Total	**529**			**1 350**	**137**

[1] achievable claim to retirement pension aged 63, taking due account of amounts deducted

[2] total percentage pension rate achieved for retirement pension (in percent)

[3] benefit percentage achievable by the age of 63

[4] including additional service cost due to retirement of Dr. Rudolf Schulten from the Executive Board

Former members of the Executive Board received benefits of Euro 211 thousand during the year under report. Provisions totalling Euro 3 255 thousand have been stated for pension obligations towards former members of the Executive Board. A total of Euro 35 thousand was allocated to this item during the year under report. Pursuant to IAS 24, related parties also include management staff performing key functions. Alongside the Executive Board, the MVV Energie Group views this group as also including active heads of division and authorised company representatives of MVV Energie AG. Compensation totalling Euro 2 725 thousand was paid to this group of persons in the year under report, with the predominant share (Euro 2 627 thousand) involving payments with current maturities. Senior employees receive a company pension amounting to up to 8.6 % of their fixed compensation. This exclusively takes the form of a defined contribution plan. Within the channels of execution offered within the Group, senior employees are able to determine which biometric risks they would like to cover. The total expenses incurred for the aforementioned compensation schemes amounted to Euro 98 thousand in the year under report.

Compensation of Supervisory Board members

The compensation of our Supervisory Board members is commensurate to their duties and to the responsibilities they assume. The members of the Supervisory Board received annual compensation of Euro 10 thousand each in the 2007/08 financial year, with the Chairman of the Supervisory Board receiving twice and his deputy one and a half times this figure [1]. The Chairman of the

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

[2] the amount stated corresponds to the compensation settled as of the reporting date for current members of the Supervisory Board, as well as for those retiring during the year under report

[3] meeting allowance in all cases stated in brackets

Audit Committee received additional annual compensation of Euro 5 thousand and the other members of this committee received additional annual compensation of Euro 2.5 thousand. Moreover, a meeting allowance of Euro 300 was paid per person per meeting of the full Supervisory Board and of the committees. Total compensation amounted to Euro 285 027[2] and was distributed as follows: Dr. Peter Kurz: Euro 24 500 (including meeting allowance[3] of Euro 4 500); Johannes Böttcher: Euro 15 800 (Euro 3 300); Holger Buchholz: Euro 11 800 (Euro 1 800); Werner Ehret: Euro 13 000 (Euro 3 000); Detlef Falk: Euro 11 500 (Euro 1 500); Dr. Rudolf Friedrich: Euro 11 800 (Euro 1 800); Dr. Manfred Fuchs: Euro 18 300 (Euro 3 300); Dr. Stefan Fulst-Blei: Euro 13 000 (Euro 3 000); Reinhold Götz: Euro 15 800 (Euro 3 300); Dr. Karl Heidenreich: Euro 5 455 (Euro 900); Prof. Dr. Egon Jüttner: Euro 13 000 (Euro 3 000); Klaus Lindner: Euro 15 800 (Euro 3 300); Prof. Dr. Norbert Loos: Euro 15 500 (Euro 3 000); Manfred Lösch: Euro 21 700 (Euro 4 200); Dr. Reiner Lübke: Euro 11 800 (Euro 1 800); Barbara Neumann: Euro 12 100 (Euro 2 100); Wolfgang Raufelder: Euro 11 800 (Euro 1 800); Sabine Schlorke: Euro 11 200 (Euro 1 200); Dr. Rolf Martin Schmitz: Euro 6 372 (Euro 900); Uwe Spatz: Euro 13 000 (Euro 3 000); Christian Specht: Euro 11 800 (Euro 1 800). No performance-related compensation is paid to the members of the Supervisory Board.

Declaration of Conformity

The Executive and Supervisory Boards of MVV Energie AG hereby confirm that the company has complied with and continues to comply with the recommendations made by the Government Commission on the German Corporate Governance Code. In respect of the past, this Declaration refers to the version of the German Corporate Governance Code dated 14 June 2007 and published by the Federal Ministry of Justice in the official section of the electronic Federal Official Gazette on 20 July 2007. With regard to the future, it refers to the recommendations of the new version of the Code dated 6 June 2008 and published in the official section of the electronic Federal Official Gazette on 8 August 2008.

The following recommendations were not and are not complied with:

- **Deductible for D&O insurance – Point 3.8 (2):** "If the company takes out a D&O (directors' and officers' liability insurance) policy for the Management Board and Supervisory Board, a suitable deductible shall be agreed." The D&O insurance policy concluded by MVV Energie AG, which protects the insured parties against possible claims for damages, does not provide insurance cover for intentional wrongdoing or wilful negligence on the part of members of the Executive and Supervisory Boards, neither does it cover against their knowingly committing any dereliction of duty. The issue of deductibles therefore only applies to negligent behaviour. The Executive and Supervisory Boards see themselves as being committed without qualification to the motivation and responsibility with which they perform their duties and do not believe that this requires clarification in the form of a deductible.
- **Nomination committee – Point 5.3.3:** "The Supervisory Board shall form a nomination committee composed exclusively of shareholder representatives which proposes suitable candidates to the Supervisory Board for recommendation to the General Meeting". The Supervisory Board sees no need to form a nomination committee, which would oblige it to forego the tried-and-tested procedure of nominating candidates for the Supervisory Board at meetings of the full Supervisory Board.
- **Performance-related compensation for members of the Supervisory Board – Point 5.4.7 (2) Sentence 1:** "Members of the Supervisory Board shall receive fixed as well as performance-related compensation". The Articles of Incorporation of MVV Energie AG only provide for the fixed compensation of the Supervisory Board, plus a meeting allowance. MVV Energie AG already commented in the past that it was not convinced by models linking the compensation of Supervisory Board members to the level of the dividend or to the share price. We have therefore refrained from introducing any performance-related compensation components for members of the Supervisory Board.
- **Publication of consolidated financial statements – Point 7.1.2 Sentence 3:** "The consolidated financial statements shall be publicly accessible within 90 days of the end of the financial year; interim reports shall be publicly accessible within 45 days of the end of the reporting period." Due to the arrival of our new CEO, Dr. Georg Müller, the Annual Report of MVV Energie AG for the 2007/08 financial year will only be published on 2 January 2009 and thus three days later than recommended by the Code. Dr. Müller assumed his position on the Executive Board as of 1 January 2009.

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

Report of the Supervisory Board

Ladies and Gentlemen,

In the 2007/08 financial year, the Supervisory Board continued to perform the duties incumbent on it by law and under the Articles of Incorporation with due diligence. In line with our supervisory and control function, we monitored and advised the Executive Board in its management of the business on an ongoing basis and satisfied ourselves of the correctness of its actions. We were provided by the Executive Board with regular, prompt and comprehensive information about the performance and position of the company, as well as about all major business transactions. The information from the Executive Board included presentations of the company's business, sales and earnings performance, as well as of its net asset and financial position. The Executive Board also briefed us on the company's financial, investment and personnel budgets, its strategic planning and its risk situation and risk management.

Dr. Peter Kurz, Chairman

The Supervisory Board met on five occasions during the period under period, while the Personnel Committee and the Audit Committee each held four meetings. At our meetings, we carefully examined and held detailed discussions concerning the presentations and reports submitted by the Executive Board in respect of major events and resolutions. On the basis of this information, the Supervisory Board adopted resolutions, where appropriate prepared by its committees, on all decisions requiring its approval.

Main topics of our discussions

On 11 October 2007, the Supervisory Board committee formed to deal with the capital increase approved the resolution adopted by the Executive Board of MVV Energie AG to act on the authorisation granted to it by the Articles of Incorporation to strengthen the company's equity base by increasing the share capital by around Euro 25.96 million by issuing 10 139 506 new shares in return for cash contributions with shareholders' subscription rights.

Further major topics at the meetings of the Supervisory Board in the year under report included the disposal of shares in the Polish company KPEC Sp. z o.o., Bydgoszcz, and MVV Polska Sp. z o.o., the establishment of SECURA Energie GmbH for the nationwide sale of green electricity, the contribution of the shareholding held by MVV Energie AG in Stadtwerke Solingen GmbH to the Rheinisch/Bergisch Municipal Utility Association (RBSV GmbH) and the planned construction of Block 9 at the large power plant in Mannheim (GKM). The Supervisory Board dealt just as closely with the planned expansion of the district heating supply in Mannheim and the Rhine/Neckar metropolitan region, as well as with various regional projects in the energy-related services business, notably the construction and operation of biomass cogeneration plants.

On 26 September 2008, the Supervisory Board of MVV Energie AG approved the conversion of MVV RHE AG to the legal form of a limited liability company (GmbH) to provide an appropriate depiction of the existing functions of MVV RHE AG following the relocation of numerous business activities to other companies in the MVV Energie Group. This conversion is intended to reduce complexity and costs at the MVV Energie Group. In the course of the conversion, the company's 51 existing employees will be relocated to MVV Energie AG. The Supervisory Board of MVV RHE AG will be disbanded. At the same meeting, the Supervisory Board discussed the entry of MVV Umwelt GmbH into the British market and approved the foundation of the British subsidiary MVV Environment Ltd. In addition, the Supervisory Board approved the acquisition by MVV Energie AG or 24/7 Trading GmbH of a licence for the joint utilisation of a sustainable energy trading and risk management system together with RheinEnergie AG, Cologne.

Furthermore, the Supervisory Board approved the 2008/09 business plan, discussed the medium-term planning and dealt in detail with risk management and risk analysis.

The Audit Committee dealt at several meetings with the topics of "Audit plan and audit focuses for the group auditing department" and "Compliance management system". On the recommendation of the Audit Committee, the Supervisory Board appointed a compliance manager.

As part of the implementation of the German Corporate Governance Code, the Supervisory Board performed an efficiency review pursuant to Point 5.6 of the Code in the past year once again and adopted the resultant improvement measures in its work. Reference is made to the internet site www.mvv-investor.de for information about corporate governance at the MVV Energie Group and the Declaration of Conformity adopted in December 2008 for the past financial year.

Composition of the Supervisory and Executive Boards

Dr. Karl Heidenreich retired from his position on the Supervisory Board of MVV Energie AG as of the conclusion of the Annual General Meeting on 14 March 2008. Pursuant to the proposal submitted by the Supervisory Board, Dr. Rolf Martin Schmitz, CEO of RheinEnergie AG, Cologne, was elected as his successor by the Annual General Meeting of MVV Energie AG on 14 March 2008. We would like to thank Dr. Heidenreich for his constructive contributions to the work of our body.

Dr. Rudolf Schulten, CEO of MVV Energie AG, approached me in my function as Chairman of the Supervisory Board at the end of July 2008 to request the premature rescission of his employment contract, which ran until September 2013, to enable him to assume another management position in the energy industry. On 26 September 2008, the Supervisory Board of MVV Energie AG consented to Dr. Rudolf Schulten retiring from his position prematurely as of 30 September 2008. We would like to thank Dr. Schulten for the successful further development of the MVV Energie Group which occurred under his chairmanship.

On 25 August 2008, the Supervisory Board established the procedure for filling the position thereby becoming vacant with the most suitable candidate as quickly as possible. Responsibility for the Commercial Affairs executive board division has been assumed by Dr. Werner Dub (Technology Director) from the expiry of the financial year until the vacant position is filled. The other executive board divisions continue to be headed by Matthias Brückmann (Sales) and Hans-Jürgen Farrenkopf (Personnel).

Events after the balance sheet date

At an extraordinary meeting held on 23 October 2008, the Supervisory Board of MVV Energie AG appointed Dr. Georg Müller to the Executive Board of MVV Energie AG and as CEO for a five-year term. Dr. Müller, to date CEO of RWE Rhein-Ruhr AG, Essen, will assume this function as of the beginning of 2009. Dr. Müller convinced the Supervisory Board on account of his proven specialist competence, longstanding experience, high personal integrity and distinctly entrepreneurial and strategic approach.

Approval of the consolidated financial statements

The consolidated financial statements and group management report of the MVV Energie Group for 2007/08 were audited by Ernst & Young AG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Mannheim, pursuant to the resolution passed by the 2008 Annual General Meeting and the subsequent mandate by the Supervisory Board and were granted an unqualified audit opinion. Both the consolidated financial statements and the group management report were prepared in accordance with International Financial Reporting Standards (IFRS), taking due account *of Section 315a of the German Commercial Code (HGB). The annual financial statements of MVV Energie AG prepared in line with HGB and the accompanying management report for the 2007/08 financial year were also audited by the auditor and granted an unqualified audit opinion. The consolidated financial statements and group management report of the MVV Energie Group, the annual financial statements and management report of MVV Energie AG, the appropriation of profits proposed by the Executive Board and the auditor's audit report were all submitted to the Supervisory Board in good time for its respective meeting. These documents were carefully inspected by the Audit Committee and the Supervisory Board and were discussed in detail in the presence of the auditor. We endorse the findings of the audit performed by the auditor. At our meeting on 19 December 2008, we approved the consolidated financial statements and group management report of the MVV Energie Group and the annual financial statements and management report of MVV Energie AG. The annual financial statements are thus adopted. We endorse the appropriation of profits proposed by the Executive Board.*

The Executive Board further compiled a report for the 2007/08 financial year on the company's relationships with closely related companies (dependent company report). According to the report, MVV Energie AG was not disadvantaged by the legal transactions performed with associated companies outlined therein. The dependent company report was audited by the auditor, who granted the following audit opinion:
"Following the audit and assessment we have performed in accordance with our professional obligations, we confirm
- *that the factual disclosures made in the report are accurate*
- *that the compensation of the company in the transactions listed in the report was not incommensurately high based on the circumstances known at the time of such transaction being executed."*

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

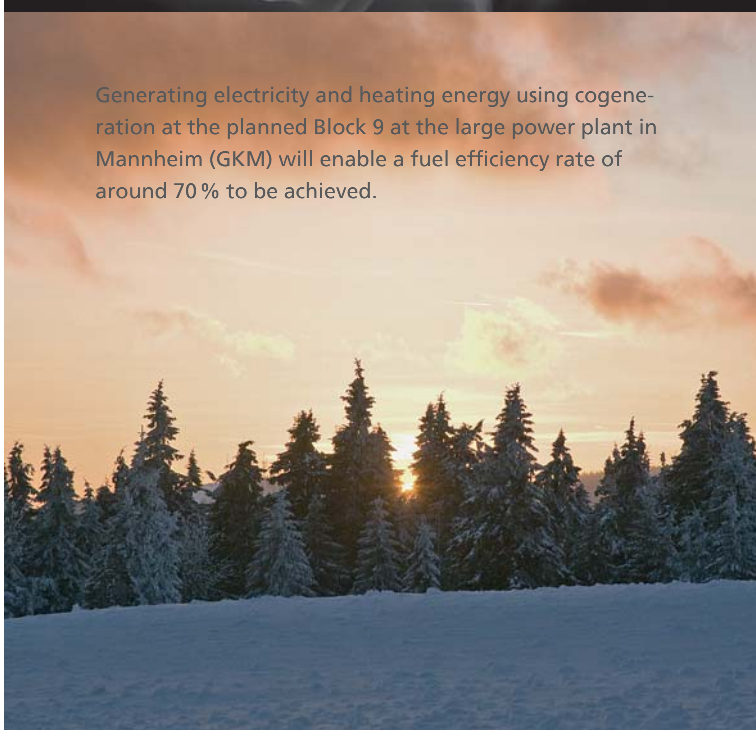
Moreover, Ernst & Young AG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Mannheim, also audited the early warning risk identification system at MVV Energie AG and was of the opinion that this system was suited to fulfil its legal obligations.

The Supervisory Board would like to thank the Executive Board, the executive boards and management teams at the shareholdings, as well as all employees, members of works councils and employee representatives for their active contributions to the success of our company in the 2007/08 financial year. With their expertise, innovation and drive, we will together be able to master the major new challenges in the energy market and maintain the company's successful performance.

Mannheim, December 2008
Supervisory Board

Dr. Peter Kurz, Chairman

Warming to district heating



Generating electricity and heating energy using cogeneration at the planned Block 9 at the large power plant in Mannheim (GKM) will enable a fuel efficiency rate of around 70 % to be achieved.

Cosy all-round warmth engenders a sense of well-being. This feels even better when you know the warmth is being generated efficiently and thus enabling costs to be reduced. This is possible, for example, at large power plants where electricity and heating energy are generated simultaneously using highly-efficient cogeneration for conurbations like Mannheim and Kiel.

The environment, our customers and we as a company benefit from the high efficiency levels at cogeneration plants, coupled with the low volume of heat lost due to the energy being generated close to our customers.

We intend to draw on the promotion of district heating and cogeneration by the government to expand the district heating supply at our group of companies.

Group Management Report

2

Group Management Report

Business Framework

Energy Policy

The MVV Energie Group aims to exploit its opportunities in the European energy market and is reliant on a competitive framework offering equal opportunities to all market players. As representatives of large municipal energy generation and supply companies, we contribute our ideas to energy policy discussions and, supported by our office in Berlin, are in permanent contact with representatives of the federal and state parliamentary parties and ministries. By participating closely in policy establishment procedures at the Federal Networks Agency, we contribute towards shaping market design in the German energy market.

The focus of our energy policy activities in the period under report was on new regulations relating to the "Integrated Energy and Climate Programme" (IECP), where we are campaigning, among other areas, for the promotion of renewable energies to be based more closely on competitive considerations. We investigated options for the institutional design of the European Energy market more closely within the framework of an expert report.

Federal Government forces pace of structural change

In June 2008, the German government adopted the most important implementation measures for the IECP resolved in Meseberg in 2007. This package of measures is intended to contribute significantly towards reducing German greenhouse gas emissions by up to 40 % by 2020.

In terms of electricity generated from renewable energies, the IECP provides greater incentives for small plants, as well as for offshore wind farms and geothermal projects. Incentives for integrating renewable energies more closely into energy markets remain in place. Companies generating electricity from renewable energies retain the right to have their generation activities subsidised in specific stages under the German Renewable Energies Act (EEG), or of offering such electricity on regular electricity markets. This so-called direct marketing option is to be clarified in greater detail in further ordinances, as is the reform of the EEG allocation mechanism for which the MVV Energie Group has campaigned.

As a result of the IECP, the coverage of a proportion of heating requirements from renewable energies will also become mandatory for new buildings and larger-scale building renovations. In Baden-Württemberg, the only state already to have issued renewable energy heating legislation, the requirements already applicable to existing buildings are expected to be maintained. The IECP has led to further political priority being accorded to district heating powered by the resource-efficient cogeneration process. Cogeneration-based district heating thus meets the legal requirements governing the minimum share of renewable energy required in building heating supplies. Moreover, the construction and modernisation of cogeneration plant and expansion of related district heating grids are due to be promoted with up to Euro 750 million a year.

To reduce primary energy consumption, a key prerequisite for German climate protection policy, building energy efficiency requirements have been tightened and the introduction of intelligent meters is being promoted. The IECP will significantly accelerate the structural change in the German (energy) industry towards achieving an electricity and heating energy supply involving lower CO_2 emissions.

EU reforms climate protection instruments

The same is true of the "Green Package" unveiled by the European Commission on 23 January 2008, which sets out proposals for the future structure of emissions certificate trading, the expansion of renewable energies and promotion of new CO_2 capture and storage technologies, among other features.

The MVV Energie Group welcomes the EU's ambitious targets and expects the reform of emissions trading to provide a more strongly harmonised and competitively neutral mechanism for allocating emissions certificates. However, the reform of the trading system should not impede the expansion of efficient technologies such as cogeneration.

The MVV Energie Group has relied on efficient cogeneration technology for years now and has consistently increased its commitment to renewable energies and energy-related services. Given this longstanding experience in activities now receiving political support, we believe that we are optimally prepared to meet the challenges ahead.

Brussels presses ahead with liberalisation of energy markets

The proposals made by the European Commission for further developing the single energy market in the EU ("Third Energy Market Package") have since met with a warm reception from the European Parliament and the Council of Ministers. The MVV Energie Group sees a majority of the proposals as being conducive to the creation of a more strongly integrated, competitive European energy market. In our opinion, this requires a strong role to be played by the agency for cooperation between national regulatory authorities to enable existing gaps in the regulation of cross-border issues to be closed.

On the eve of incentive regulation

Following the protracted first distribution grid fee approval round, the second round ran far more quickly, due in part to the extension of the first approvals. All fees for grid operators at the MVV Energie Group were thus approved until 31 December 2008. The total costs thereby acknowledged form the basis for the incentive regulation due to begin on 1 January 2009, and thus for grid revenues in the coming years.

Based on the Incentive Regulation Ordinance, the Federal Networks Agency performed an extensive cost and structural data enquiry at all grid operators in 2008 and referred to "best-in-industry" figures to set challenging efficiency requirements for individual grid operators for the next five years. Conclusive results are not yet available for individual companies. Median efficiency amounts to around 83 % at gas grid operators and around 92 % at electricity grid operators.

The companies in the MVV Energie Group benefit from the fact that they successfully implemented efficiency enhancement measures at an early stage and are now profiting from their longstanding experience.

Greater market opportunities and efficiency

The MVV Energie Group has long campaigned for the elimination of trade and sales-inhibiting obstacles to gas grid access. The Gas Exchange established in part on our initiative and the implementation of fair and efficient transport conditions represent milestones on the way towards a functioning gas market.

One focus of the work of the Federal Networks Agency and of sector associations, where the MVV Energie Group played an active role, in the past year was the improvement made to gas grid access with the dual-contract model. The new gas grid model in force since 1 October 2008 arose as the third version of the cooperation agreement concluded between gas industry associations based on requirements stipulated by the Federal Networks Agency.

As a result of these developments, especially the reduced number of gas market regions, a development we campaigned for intensively and which has already been implemented in part, the gas market now offers business opportunities which the MVV Energie Group will exploit. The high remaining number of gas market regions, however, coupled with contractual and procedural hurdles, still present logistical challenges.

As well as being involved in negotiating the cooperation agreement, we also participated in policy establishment procedures at the Federal Networks Agency. Particularly worthy of mention here is the more efficient design of control energy markets, where the Federal Networks Agency would like to introduce interregional netting between control areas in the largest financial segment, the secondary control reserve. The MVV Energie Group had long called for the elimination of the triple-digit million inefficiencies resulting from opposing regulations in the four control areas. We welcome the current procedure at the Federal Networks Agency and the discussions concerning the potential establishment of a German joint stock grid company which should allow further synergies to be achieved.

The energy policy demands discussed within this procedure, such as the establishment of a uniform, efficient German control energy market for electricity, are developments which MVV Energie has long called for and which the company has actively contributed to energy policy discussions.

Market Climate

Market position of the MVV Energie Group
Electricity: we are the seventh-largest German electricity supplier measured in terms of turnover with end customers (VDEW Ranking 2006).
District heating: with a turnover of around 5.3 billion kWh in Germany in 2007, the MVV Energie Group is the country's third-largest district heating company. We are also one of the top ten suppliers of district heating in Europe.
Energy-related services: with sales of Euro 277 million, we were one of Germany's leading providers of energy-related services in the year under report. The expansion of our decentralised structure across Germany enables us to be directly on location at our customers. Our business model and our market and product portfolio make it difficult to benchmark our activities with those of competitors.
Environmental energy: with an incineration capacity of 1.5 million tonnes a year at the CHP plants powered by waste and waste timber, the MVV Energie Group is Germany's third-largest operator of energy from waste plants.

Macroeconomic framework

The German economy reported a good start to the new year, with GDP growth of 1.4 % in the first quarter of 2008 compared with the fourth quarter of 2007. According to the Federal Statistics Office, economic output subsequently fell year-on-year by 0.4 % in the second quarter of 2008 (April – June) and by 0.5 % in the third quarter of 2008 (July – September). The last time that economic output declined in two consecutive quarters was in 2003. Experts saw this recession as being due to a corrective backlash following the strong performance at the beginning of the calendar year, which had been influenced by one-off factors, as well as to the impact of the slowdown in the global economy. Economic growth is expected to slow in 2009 in the wake of the financial and economic crisis (please see Outlook). Even though this development will not simply pass the energy industry by, macroeconomic developments are nevertheless generally of less significance for the MVV Energie Group than weather conditions.

According to figures released by the Czech CSU statistics office in August 2008, GDP in our Czech foreign market rose year-on-year by 4.5 % in spite of a slight decline in the pace of economic growth.

Energy industry framework

In December 2007, the government tightened up the regulations governing the supervision of price abuse in the energy sector. The German Act against Restraints of Competition (GWB) has a new Section 29, initially limited until 2012, which stipulates, taking due account of security margins, that market abuse can be assumed to exist as soon as the dominant utility company in the market exceeds the fees charged by other players. Competition experts, including the Monopolies Commission, have criticised the high degree of legal uncertainty and grave economic risks presented by this new requirement.

In the past financial year, the Federal Cartel Office already initiated abuse proceedings against 30 gas supply companies based on the new Section 29 of the aforementioned act. MVV Energie AG was not affected by these measures in the year under report.

The gas price increase resolved by MVV Energie AG as of 1 October 2008 is currently being reviewed by the state antitrust authorities. The results of the proceedings currently underway cannot be assessed at present.

Energy markets

Whereas price levels in the two previous financial years remained more or less constant, in the year under report prices on international energy markets surged to record highs.

Brent crude oil reached its highest price to date at more than US$ 145 per barrel in the second week of July 2008. The average price during the 2007/08 financial year was also markedly higher than in the two previous financial years. Similar developments were also seen in prices on the international natural gas and coal markets. According to the Federal Office of Economics and Export Control (BAFA), cross-border prices for natural gas and coal amounted to Euro 7 099/TJ (terrajoule) and Euro 106.01/tonne HCU (hard coal units) respectively in the second quarter of 2008. Commodity prices have eased once again since early/mid-July 2008. The reasons stated for this development are the financial crisis and the weakness of the global economy.

The rise in primary energy prices impacted on both spot and forward electricity markets and ensured that the upward trend in prices continued in the 2007/08 financial year. On the forward market, the average electricity price for orders placed in the 2007/08 financial year for supply in 2008 and 2009 amounted to Euro 68.34 Euro/MWh. This is equivalent to an increase in prices by around 25 % compared with the 2006/07 financial year (supply years: 2007 and 2008).

According to figures reported by the Federal Association of the German Energy and Water Industries (BDEW), around 21 % of households have now obtained a new tariff from their existing gas supplier or have switched supplier. The share of electricity customers changing supplier has risen from 47 % to 62 %. In view of the new gas grid access model, which has now already largely been implemented, the introduction of the control and balancing energy system as of 1 October 2008 and the resultant improvement in cost transparency, competition in the gas market is set to intensify further.

Electricity consumption in Germany amounted to around 277 billion kilowatt hours in the first half of 2008, an increase of 1.5 % on the same period in the previous year. According to the BDEW, around 0.6 % of this growth was due to the leap year day in February 2008, with the remainder being attributed by the BDEW to the then still pleasing development of the economy, and in particular to the year-on-year growth in industrial production by 4.7 % in the first half of 2008.

Corporate Strategy

The MVV Energie Group is Germany's largest publicly listed municipal utility group. We have a balanced portfolio of business fields and are superbly positioned in major German conurbations and important economic regions due to the horizontal networking and regional focus within our group of companies. Our successful business model enables us to continue to grow profitably and sustainably, even in an environment undergoing significant change.

We achieve this growth by constantly optimising and enhancing the efficiency of all business processes, as well as by means of forward-looking product and investment policies both in our solid core business of supplying electricity, district heating, gas and water and in the closely related business fields of environmental energy and energy-related services. This diversification means that the regulation of grid utilisation fees in the electricity and gas markets only affects us to a comparatively moderate extent.

The increasing relevance of climate protection issues, energy efficiency and renewable energies in both society and the energy policy framework provides us with new opportunities for the future. The MVV Energie Group sees this as confirming its strategy of investing at an early stage in energy-efficient and environmentally-friendly decentralised energy supply projects.

Strengthening the core business: expansion of nationwide sales

We successfully upheld our strong growth in the nationwide sale of electricity with our Electricity Fund product in the past year. Since April 2008, we have also offered nationwide industrial customers a Gas Fund product with basic features analogous to the Electricity Fund. The volumes acquired to date make us optimistic for the further expansion of this business field.

We aim to draw on our proven track record in our nationwide industrial and commercial customer business in our private customer business as well. Since March 2008, our subsidiary SECURA Energie GmbH has been marketing its "SECURA Ökostrom" green electricity product on a nationwide basis.

An important role in the future position of MVV Energie AG in its home market will also be played by the construction of Block 9 at the large power plant in Mannheim (GKM), where we hold a 28 % stake, which will secure a long-term competitive supply of electricity and heating energy in Mannheim.

At the same time, a further important component in our Group's further development is the expansion of our municipal utility network. The renewed increase in the number of sales and cooperation processes shows that the decline in grid utilisation revenues has impacted tangibly on many municipal utility companies. We will exploit this period of consolidation to further expand our network. We are monitoring developments on the market very closely so as to remain an attractive partner for many municipal utility companies in the long term. Alongside our expertise in terms of efficiency, we also have numerous climate protection products from which our network partners stand to benefit. We will exploit this competitive head start even more consistently in future.

By enhancing efficiency across the Group, we were early to prepare for the challenges of fee regulation and competition in the energy markets. With the assistance of shared service companies, we are reducing our cost base in non-core activities. The cooperation entered into with RheinEnergie AG in the 2007/08 financial year will enable even more far-reaching efficiency benefits to be achieved in future.

Strong position in environmental energy business field as basis for further growth

By making forward-looking investments, we have grown into Germany's third-largest operator of energy from waste plants in our high-growth environmental energy business field. These activities contribute substantially to the earnings of the MVV Energie Group. In view of the domestic market, which is now more or less saturated, we are investigating the extent to which we can leverage our extensive expertise to achieve further growth in other European countries. We are examining an entry into the British waste market, an economically interesting market with great growth opportunities. We therefore founded a British subsidiary, MVV Environment Ltd., at the end of the year under report.

Climate protection and energy efficiency as opportunities

In our high-growth energy-related services business field, we have established ourselves as one of the leading providers in Germany. By drawing on innovative concepts and securing long-term access to regenerative energy sources, we are benefiting from the great demand for energy-efficient contracting solutions, especially those based on regenerative raw materials.

For our private customers, we are also offering new climate-friendly heating concepts, working for example with pellets or with the WhisperGen micro-cogeneration plant, with its energy-efficient simultaneous generation of electricity and heating energy. The two-year field trials for this plant have now been successfully completed.

We acquired several biogas projects in the past financial year, thus securing a footing in this dynamically growing market. With regard to other forms of renewable energy, we are monitoring the market closely and examining numerous projects.

Moreover, we are pressing ahead with the expansion of energy-efficient district heating based on cogeneration. We are thus making an important contribution towards protecting the climate, competitive energy prices and strengthening our district heating business in the long term.

Value-driven management

Our company's overriding aim is to achieve long-term value growth. All entrepreneurial decisions are therefore assessed in terms of their impact on the value of the company (please see Page 35 for further information on developments in the year under report).

Overview of Shareholdings and Business Activities

Selection of direct and indirect shareholdings of MVV Energie AG

Core business: distribution of electricity, district heating, gas, water	
Shareholdings in the municipal utility network	Shared service and sales companies
MVV RHE AG (100 %)	24/7 Netze GmbH[2] Mannheim
Stadtwerke Kiel AG (51 %)	24/7 Trading GmbH[3] Mannheim
Köthen Energie GmbH (100 %)	24/7 IT-Services GmbH[4] Kiel
Stadtwerke Solingen GmbH (49.9 %)	24/7 Metering GmbH[5] Offenbach
Energieversorgung Offenbach AG (48.65 %)[1]	24/7 United Billing GmbH[6] Offenbach
Stadtwerke Ingolstadt Beteiligungen GmbH (48.4 %)	24/7 Insurance Services GmbH[7] Mannheim
Stadtwerke Buchen GmbH & Co. KG (25.1 %)	SECURA Energie GmbH[8] Mannheim
Stadtwerke Schwetzingen GmbH & Co. KG (10 %)	
MVV Energie CZ s.r.o. Czech Republic (100 %)	

Environmental energy and energy-related services	
MVV Umwelt GmbH (100 %)	MVV Energiedienstleistungen GmbH (100 %)
MVV O & M GmbH (100 %)	34 majority shareholdings in the business fields of:
MVV BioPower GmbH (100 %) — MVV TREA Leuna GmbH (100 %)	Municipal Solutions and Small Projects
MVV BMKW Mannheim GmbH (100 %)	Industry Parks and Large Projects
BHG Biomasse Handelsgesellschaft mbH (100 %)	Consulting
Biomasse Rhein-Main GmbH (33.33 %)	
MVV Environment Ltd. United Kingdom (100 %)	

Status: 30 September 2008

[1] majority of voting rights
[2] MVV Energie AG (70 %), Energieversorgung Offenbach AG (30 %)
[3] MVV Energie AG (54.9 %), Stadtwerke Kiel AG (25.1 %), Energieversorgung Offenbach AG (12.5 %), Stadtwerke Solingen GmbH (5 %), Stadtwerke Ingolstadt Energie GmbH (2.5 %)
[4] MVV Energie AG (50 %), Stadtwerke Kiel AG (50 %)
[5] MVV Energie AG (49 %), Energieversorgung Offenbach AG (51 %)
[6] Energieversorgung Offenbach AG (70 %), Stadtwerke Kiel AG (30 %)
[7] MVV Energie AG (68.4 %), Stadtwerke Kiel AG (14 %), Energieversorgung Offenbach AG (17.6 %)
[8] MVV Energie AG (80 %), Energieversorgung Offenbach AG (15 %), Stadtwerke Ingolstadt Energie GmbH (5 %)

Research and Development

The key factors determining our R&D activities are our corporate strategy and the challenges presented by the energy market with its changing legal framework. To meet increasing energy supply efficiency requirements, we are creating solutions by drawing on proactive market and technology screening, evaluating and developing new products and services and successfully integrating these into our core and high-growth businesses.

In the year under report, we thus achieved notable success in the fields of "Intelligent Energy Networks" and "Expansion of the District Heating Supply in the Rhine/Neckar Metropolitan Region" within our core business. The R&D performed on expanding renewable energies concentrated in particular on exploiting biomass. A further focus involved deploying innovative house energy plants driven by highly efficient Stirling motors. We are already making intensive use of the experience gained from this project in the nationwide Callux fuel cell project (please see Outlook from Page 53).

Micro-cogeneration systems for private customers

Unlike in the case of larger-scale properties, the cogeneration principle has so far not been able to assert itself in the market for supplying detached and semi-detached houses. MVV Energie AG is working on solutions enabling the as yet untapped potential of micro-cogeneration plants for private customers to be exploited. The fuel efficiency of these so-called "electricity-generating heating systems" is around one third higher than when the electricity and heating are generated separately.

MVV Energie AG has been undertaking practical trials with appliances of the WhisperGen type since October 2006. With around 40 appliances in the supply regions of the MVV Energie Group and the Rhine/Neckar metropolitan region, these are the largest practical trials of Stirling heating appliances currently underway in Germany. The results of the practical trials are positive and confirm that the WhisperGen appliances are suitable for everyday use and for use in detached houses. As well as meeting heating requirements in full, they also cover part of the electricity requirements. We are now preparing the market launch of the appliances in Germany.

Intelligent energy networks

During the year under report, we were awarded first prize in the "E-Energy" competition organised by the Federal Ministry of Economics and Technology. This strengthens us in our resolve to unite providers and customers on a regional platform in the longer term, and thus to contribute towards enhancing energy efficiency, environmental friendliness and supply reliability.

With our "Energy Butler", currently undergoing field trials, we already have Germany's only decentralised energy management system. In the "Smart Metering" field, we are one of the first companies to test multi-division meters, in this case in our Mannheim, Kiel and Offenbach supply regions. Both projects provide us with important insights for our future products and open up opportunities for extending our existing customer base.

Expansion of district heating in Mannheim

The findings of the "Rhine/Neckar Metropolitan Region District Heating Study" presented in April 2008 were distilled into a specific action plan in the year under report. This provides on the one hand for increasing the density of existing district heating grids and on the other for significantly expanding district heating in several districts of Mannheim. We expect this expansion, which is scheduled to begin in 2009, to lead to a further increase in the efficiency of the large power plant in Mannheim (GKM) and to improve the region's CO_2 balance.

The MVV Energie Group's expenditure on R&D activities totalled around Euro 9 million in the year under report, of which Euro 5 million was channelled into optimising processes, Euro 3 million into product development and Euro 1 million into technical enhancements. MVV Energie employed six technology and innovation managers in the period under report. Furthermore, more than 70 employees from other divisions commit a significant portion of their time to supporting us in our current innovation projects.

Sustainable Company Development

Earnings Position

The MVV Energie Group achieved substantial growth in sales and all of its key operating earnings figures in the 2007/08 financial year. Following the weaker previous year due to weather conditions, our group of companies has now returned to its growth course.

Double-digit sales growth

External sales (excluding electricity and natural gas taxes) rose year-on-year by Euro 377 million (+17 %) to Euro 2.6 billion in the 2007/08 financial year. We have therefore met our forecast of achieving double-digit growth in the sales of the MVV Energie Group compared with the previous year. This significant sales growth was driven by almost all business segments. Especially pleasing is the high double-digit sales growth in the highly competitive electricity business, which was mainly due to market success in the nationwide sale of electricity to industrial and commercial customers. Our district heating and gas businesses profited from cooler weather in the 2007/08 heating period compared with the unusually mild winter in the previous year. In the value-added services segment, the market success of our regional subsidiaries contributed to our sales growth. Sales in the environmental energy segment benefited from the first full year of operations at the second incineration line at the energy from waste plant in Leuna (TREA). Higher sales in the "Other" segment mainly involved companies and services which cannot be directly allocated to any particular segment, as well as consolidation items.

Of the total sales of our Group in the year under report, Euro 2.52 billion (96 %) were attributable to the German business and Euro 118 million (4 %) to the international business, with revenues have being classified based on the location of the companies' legal headquarters. Of these, Euro 92 million relate to the Czech Republic and Euro 26 million to the Polish market, from which we withdrew without loss in the second half of the 2007/08 financial year due to the difficult underlying framework and a lack of sustainable business success. The stake acquired in the municipal district heating company of the city of Bydgoszcz in 2001 (54.96 %) was bought back by the city of Bydgoszcz in the 3rd quarter of 2007/08. The remaining wholly-owned shareholdings in two district heating companies and one contracting company held via MVV Polska Sp. z o.o. were also deconsolidated.

Impact on earnings of IAS 39

The development in operating earnings was attributable to the pleasing overall operating business performance, the achievement of cost savings and to a significant extent to positive special items resulting from the recognition of derivative financial instruments under IAS 39 (2008). These relate in particular to the measurement as of the reporting date on 30 September 2008 of energy trading transactions (commodities futures) requiring physical delivery in the coming months. Given the rapid increase in commodity and energy prices, this special item amounted to Euro 88 million in the year under report and thus had a significantly more marked effect than in the previous year (Euro 16 million). At Euro 188 million, the impact on earnings of the IAS 39 valuation in the consolidated financial statements of the MVV Energie Group for the first nine months of 2007/08 was more than twice as high. The decline in the 4th quarter of 2007/08 was due to the lower electricity price as of 30 September 2008 compared with the high level on 30 June 2008.

Excluding the positive IAS 39 valuation item, electricity earnings improved year-on-year from Euro 38 million to Euro 64 million (+68 %) and the operating earnings (EBIT) of the MVV Energie Group from Euro 199 million to Euro 249 million (+25 %). As planned, we thus achieved double-digit growth in the operating EBIT before IAS 39 of the MVV Energie Group compared with the previous year. Alongside higher revenues in the nationwide industrial and commercial customer business, the factors affecting electricity earnings mainly included non-period credits and an appropriate allocation of cogeneration costs between the electricity and district heating segments. The improvement in earnings in the gas segment was chiefly driven by weather-related volume and sales growth in the end customer business compared with the previous year, which had shown substantial downturns due to unusually mild weather conditions. In the district heating segment, the positive effect of weather conditions was more than compensated for by higher procurement costs due to the rapid rise in coal prices, one-off charges in connection with a damaged turbine and the offsetting of generation costs with the electricity segment. In the value-added services segment, account has to be taken of one-off income in the previous year upon the initial consolidation of Industriepark Gersthofen Servicegesellschaft mbH & Co. KG (IGS). Excluding this special item (Euro 5 million), operating earnings (EBIT) in this segment would have improved by 43 %. Earnings in the environmental energy segment mainly benefited from the first full year of full-capacity operations at the Leuna II energy from waste plant (TREA).

External Sales of the MVV Energie Group by Segment

Euro million	External Sales 2007/2008	2006/2007	% change
Electricity	1 382	1 079	+ 28
District heating	303	272	+ 11
Gas	356	342	+ 4
Water	102	104	– 2
Value-added services	277	263	+ 5
Environmental energy	194	184	+ 5
Other/consolidation	22	15	+ 47
	2 636	2 259	+ 17

Development in further key items in the income statement

Own work capitalised (Euro 14 million) mainly relate to construction and extension measures on supply grids and power plants.

Other operating income rose from Euro 155 million to Euro 452 million. In the year under report, this item included positive non-cash valuation effects in connection with energy trading transactions, CO_2 emissions certificates and coal swaps amounting to Euro 379 million (previous year: Euro 86 million). Under IAS 39 (2008), pending transactions intended to hedge market prices also have to be recognised as financial instruments. This valuation-dependent income reported on a gross basis is countered by other operating expenses of Euro 286 million (previous year: Euro 67 million) partly compensating for the valuation effect. IAS 39 (2008) therefore resulted in a positive net earnings effect of Euro 88 million in the year under report (previous year: Euro 16 million). A further share of the increase in other operating income was due to the sale of non-current assets and the disposal of surplus emissions rights by our Czech subgroup.

The **cost of materials** rose by Euro 332 million (+ 22 %) to Euro 1.83 billion. This sharp increase was primarily due to higher volume and price-related energy procurement costs in the electricity, district heating and gas businesses. A further reason involved higher materials procurement costs due to a rise in overall market prices. However, these were mitigated in some cases by intensifying our supplier management and pooling activities across the locations within our municipal utility network on the basis of a lead buyer organisation. In our procurement, we are jointly drawing on the competencies available at the various locations, where employees have access to a uniform communications and transaction platform for this purpose.

Personnel expenses rose by a mere Euro 2 million (+ 1 %) to Euro 305 million in the year under report. This increase was largely the result of collectively agreed pay rises. Personnel expenses in the year under report were lessened by lower employee totals and by the statement of provisions in the previous year for the socially responsible reduction in personnel totals at the Kiel, Mannheim and Solingen locations (Euro 13 million). Following the deconsolidation of the Polish KPEC shareholding in Bydgoszcz (in July 2007) and MVV Polska (in August 2008), no personnel expenses have since been incurred for these employees at the MVV Energie Group.

EBIT of the MVV Energie Group by Segment

Euro million	EBIT 2007/2008	EBIT 2006/2007	EBIT % change	EBIT before IAS 39 2007/2008	EBIT before IAS 39 2006/2007	EBIT before IAS 39 % change
Electricity	143	54	+ 165	64	38	+ 68
District heating	39	42	– 7	38	42	– 10
Gas	43	11	+ 291	35	11	+ 218
Water	10	19	– 47	10	19	– 47
Value-added services	20	19	+ 5	20	19	+ 5
Environmental energy	81	71	+ 14	81	71	+ 14
Other/consolidation	1	– 1	—	1	– 1	—
	337	215	+ 57	**249**	199	+ 25

Mainly due to the deconsolidation of KPEC in Bydgoszcz and MVV Polska, the **number of employees** at the MVV Energie Group, including external personnel at the Mannheim energy from waste plant, fell by 8 % from 6 394 at the previous year's reporting date to 5 901. Further information can be found on Pages 38 and 45.

Other operating expenses rose by 81 % from Euro 273 million to Euro 494 million. This increase was predominantly due to the aforementioned expenses in connection with the measurement of energy trading transactions, CO_2 emissions certificates and coal swaps under IAS 39 (2008). By analogy with external sales, other operating expenses have been reported, as in the previous year, net of electricity and natural gas taxes.

In the interests of transparency, in our overview of key figures we have also reported our key earnings figures before IAS 39 for the year under report and the previous year in view of the scale of the IAS 39 valuation item. We believe that these adjusted earnings figures provide a more meaningful and sustainable indication of our earnings performance.

Operating earnings before interest, taxes, depreciation and goodwill amortisation (EBITDA) before IAS 39 rose year-on-year by 16 % from Euro 344 million in the previous year to Euro 398 million. After depreciation and goodwill amortisation and excluding the positive impact of energy trading transactions measured under IAS 39 (2008), our group of companies posted **operating earnings before interest and taxes (EBIT) before IAS 39** of Euro 249 million, as against Euro 199 million in the previous year. All companies in the Group contributed to this improvement in operating earnings.

Key earnings drivers were the electricity, gas and environmental energy segments. The regulated electricity and gas business accounted for 66 % of total sales and 40 % of the total sustainable EBIT before IAS 39 of the MVV Energie Group in the year under report. The non-regulated business in the district heating, water, environmental energy and valued-added services segments contributed 34 % of total sales and 60 % of total operating EBIT before IAS 39. This well-balanced business portfolio enables us to offset changes in individual segments and means that we are insulated against the increasing pressure on costs expected in the regulated electricity and gas businesses. Further information on developments in the individual segments can be found on Pages 59 to 71.

Sales Volumes of the MVV Energie Group[1]

	2007/2008	2006/2007	% change
Electricity in kWh million	22733	24443	– 7
of which wholesale[2]	11449	14248	– 20
of which retail[2]	11284	10195	+ 11
District heating[2] in kWh million	7006	6299	+ 11
Gas in kWh million	9166	9456	– 3
Wasser[2] in m^3 million	55.1	55.1	—
Combustible waste delivered in tonnes 000s	1550	1409	+ 10

[1] total volumes from all segments

[2] correction in previous year's figure

Financing expenses decreased to Euro 77 million, down by Euro 6 million on the previous year. This decline was mainly due to the lower interest expenses achieved by reducing financial debt. Financing expenses for the year under report include the distribution of annual earnings of Euro 10 million to minority shareholders in Stadtwerke Kiel AG, compared with a dividend of Euro 13 million in the previous year.

Financing income rose by Euro 2 million to Euro 9 million. This was chiefly due to higher interest income on the investment of the funds received from the capital increase and on contracting transactions, which are increasingly being based on finance lease agreements.

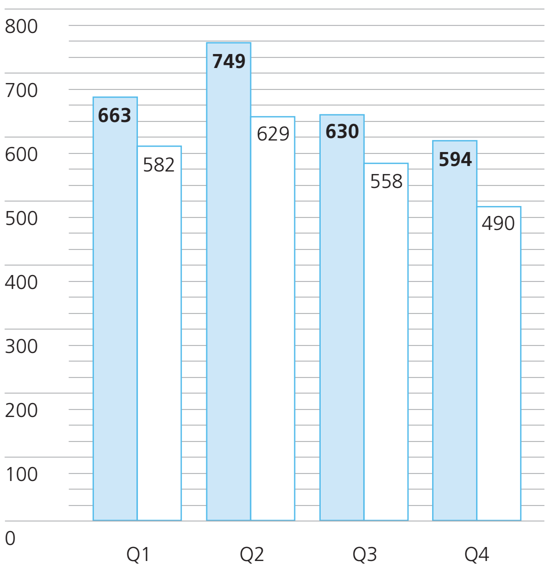
Earnings before taxes (EBT) increased year-on-year by Euro 130 million to Euro 269 million. Of this growth, Euro 72 million was attributable to positive valuation items under IAS 39.

The effective tax rate amounted to 31.2 % in the 2007/08 financial year, as against 9.0 % in the previous year. The low tax charge in the previous year was due to one-off deferred tax income of Euro 46 million resulting from the reduction in average tax rates from 39 % to 30 % as part of the 2008 corporate tax reform. Excluding this one-off factor, the effective tax rate in the previous year would have amounted to 42 %. The variance between the effective tax charge in the 2007/08 financial year (31.2 %) and the average tax rate (30 %) was mainly attributable to trade tax additions and non-deductible operating expenses. The income tax expenses of Euro 84 million (previous year: Euro 12 million) consist of current taxes (Euro 56 million) and deferred taxes (Euro 28 million). Of deferred tax expenses, around Euro 26 million related to IAS 39 valuation items (previous year: around Euro 5 million).

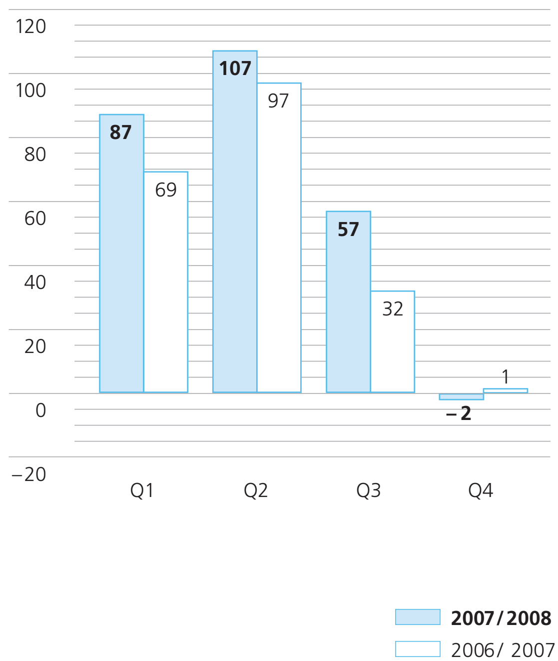
After taxes on income and lower minority interests, the MVV Energie Group posted an **annual net surplus after minority interests** of Euro 170 million for the 2007/08 financial year, compared with Euro 109 million in the previous year.

We have posted high **earnings per share** of Euro 2.60 for the year under report, up from Euro 1.96 a year earlier. Alongside the positive IAS 39 valuation item, it should be noted that the annual weighted average number of individual shares rose from 55.8 million to 65.3 million in the 2007/08 financial year due to the capital increase in October 2007.

Sales by Quarter
Euro million



EBIT before IAS 39 by Quarter
Euro million



Quarterly performance

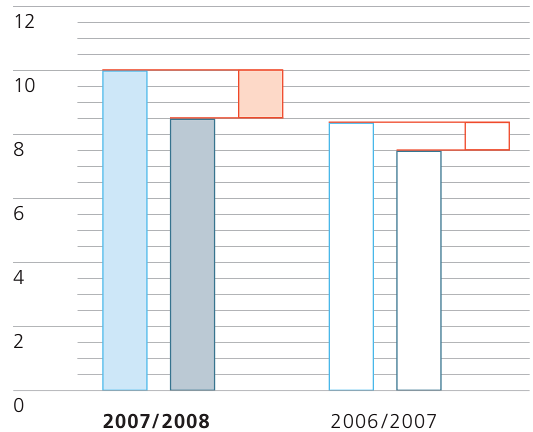
Our sales for the 4th quarter of 2007/08 (July to September 2008) rose year-on-year by 21 % to Euro 594 million. This growth was driven by the electricity, gas and environmental energy segments.

We have reported operating earnings (EBIT) of Euro –102 million in the income statement for the 4th quarter of 2007/08 (previous year: Euro +10 million). This figure includes a negative IAS 39 valuation item of Euro –100 million, compared with a positive valuation item of Euro 9 million in the 4th quarter of the previous year. The reason for the negative valuation item in the 4th quarter of 2007/08 is the sharp decline in the market prices of energy trading transactions requiring recognition on 30 September 2008 compared with the high levels at the reporting date for the first nine months of 2007/08 on 30 June 2008.

Sustainable EBIT before IAS 39 amounted to Euro –2 million in the 4th quarter of 2007/08, as against Euro +1 million in the equivalent period in the previous year. The MVV Energie Group traditionally posts a weak earnings performance in the 4th quarter due to the lack of earnings contributions from the heating energy business in the summer months and the fact that maintenance and inspection measures tend to be undertaken in this period.

Key Figures
in %

	2007/2008	2006/2007
	ROCE 10.0 %	ROCE 8.4 %
	WACC 8.5 %	WACC 7.5 %
	Value spread before IAS 39 1.5 %	Value spread before IAS 39 0.9 %



Value-based company management in 2007/08

The most important key figure in our value-based company management is the value spread. This key figure is equivalent to the difference between the period-specific return on capital employed (ROCE) and the weighted average cost of capital (WACC).

ROCE expresses operating earnings before interest, taxes and goodwill amortisation (EBITA) as a percentage of the capital employed to generate such earnings. The Group achieved an ROCE figure of 13.4 % in the year under report, compared with 9.0 % in the previous year. Excluding the positive IAS 39 valuation item, the ROCE for the year under report amounted to 10.0 % (previous year: 8.4 %).

The **WACC** figure, the second component in our key value spread figure, represents the long-term minimum economic return generated on operations. Capital costs are weighted on the basis of the shares of equity capital and debt capital in the capital employed.

The calculation of these capital shares is based not on the carrying values, but rather on the market values by which potential investors measure their investment alternatives. In the year under report, the WACC indicator was based on borrowing interest of 5.5 % (previous year: 5.0 %), a tax shield of 30 % (previous year: 40 %) and an equity ratio market value of 50 % (previous year: 30 %). The other parameters used to calculate the WACC figure were left unchanged (risk-free interest: 4.5 %; ß factor: 0.7; market risk premium: 5.0 %). The weighted costs of capital before taxes thus amounted to 8.5 % in the year under report (previous year: 7.5 %).

Subtracting the WACC of 8.5 % (previous year: 7.5 %) from the ROCE of 13.4 % (previous year: 9.0 %) produces a positive **value spread** of 4.9 % for the 2007/08 financial year (previous year: 1.5 %). Excluding the positive IAS 39 valuation item, the value spread for the year under report amounted to 1.5 % (previous year: 0.9 %). This increase in the adjusted value spread reflects the improved earnings power of the MVV Energie Group.

Earnings Position of Major Shareholdings

Our German municipal utility and foreign district heating shareholdings generated combined sales of Euro 1 138 million (previous year: Euro 977 million), operating earnings (EBIT) of Euro 114 million (previous year: Euro 84 million) and EBIT before IAS 39 of Euro 112 million (previous year: Euro 84 million) prior to consolidation in the year under report.

Stadtwerke Kiel AG (51 % shareholding)

The **Stadtwerke Kiel AG (SWK)** subgroup contributed sales of Euro 407 million (previous year: Euro 340 million) and operating earnings (EBIT) of Euro 36 million (previous year: Euro 25 million) to the overall results of the MVV Energie Group. The measurement of energy trading transactions at the reporting date pursuant to IAS 39 reduced earnings by Euro 1 million. Given the development in the oil price, gas prices were raised as of 1 March 2008 in the private and commercial customer segments. Moreover, clause-bound formulas also led to price adjustments for special gas contracts and district heating. Alongside these price factors, earnings were also affected by weather-related volume growth in the district heating and gas segments and by charges on earnings in the previous year due to the statement of personnel expense provisions (Euro 8 million). The systematic expansion of sales to key account and business customers outside the company's own grid region has shown its first success.

In response to strong regulatory intervention, Stadtwerke Kiel AG is consistently implementing strict cost management. It is thus pressing ahead with the "SWK 2015" project to make the company fit for the future.

The investment decision concerning the construction of a coal-fired power plant by SWK jointly with E.ON has been postponed by three years. Stadtwerke Kiel has thus followed the recommendations made in general studies of the construction of new power plants. The work begun in the previous year on the construction of a third natural gas cavern (investment volume: Euro 29 million; storage capacity: 500 000 m^3) is progressing on schedule. The possibility of building further gas caverns is currently under review. In line with its objective of becoming "the best municipal utility company in the North", Stadtwerke Kiel AG is strengthening and expanding its core business and intends to exploit growth opportunities offered by the consolidation expected in the sector.

Energieversorgung Offenbach AG (48.65 % shareholding)

Sales at **Energieversorgung Offenbach AG (EVO)** rose year-on-year by 16 % to Euro 399 million, while operating earnings (EBIT) declined by around Euro 2 million to Euro 36 million. Given high global demand for primary fuels, EVO was also obliged to raise its prices for electricity, gas and district heating. For EVO's futura customers, the price increase also involved a price guarantee at least until September 2008. This led more than 20 000 customers in the town and district of Offenbach to switch to this green electricity product. EVO's subsidiary Gasversorgung Offenbach GmbH has reacted to the competition in the gas market by supplying natural gas to customers in the district surrounding Offenbach for the first time since January 2008. More than 700 new customers have been acquired since then. This offer has the advantage that customers now obtain their electricity and natural gas from a single source and thus only receive one bill.

Following years of successful efficiency enhancement, EVO is now focusing its strategy on growth – in line with its motto of "People, Innovation and Growth". This involves new service concepts, testing innovative technologies such as micro-cogeneration plant and expanding renewable energies, especially biomass. In a first step, EVO acquired a 24.9 percent stake in IWO Pellet Rhein-Main GmbH, Offenbach, a company producing and marketing wood pellets. Its total output is budgeted to reach up to 25 000 tonnes per year. More than 250 private and commercial customers could already be acquired in the year under report. 42 residential units are now connected to a first wood pellet local heating grid. Together with MVV Energiedienstleistungen GmbH, EVO has founded Biokraft Naturbrennstoffe GmbH, a company manufacturing wood chips (please also see Page 49).

Stadtwerke Solingen GmbH (49.9 % shareholding)

Largely driven by higher electricity and gas revenues, proportionately consolidated sales at our shareholding in Stadtwerke Solingen GmbH (SWS) rose year-on year by 16 % to Euro 109 million. Operating earnings (EBIT) virtually doubled from Euro 8 million to Euro 14 million. Earnings benefited by Euro 1 million from the measurement of energy trading transactions with 24/7 Trading GmbH at the reporting date in line with IAS 39.

The merger of the municipal utility companies in Remscheid, Solingen and Velbert to form the Rheinish/Bergisch Municipal Utility Association will generate opportunities to cut costs, boost the companies' market positions and tap new business fields. The relevant resolutions were adopted by the executive and supervisory bodies of Stadtwerke Solingen in the 2007/08 financial year. The work on organising the necessary company law provisions, organisational structure and implementation plans is progressing on schedule. Following negotiations between employer representatives and the Works Council, the collective agreements governing industrial relations structures, personnel planning and development and the safeguarding of welfare rights were successfully concluded on 29 August 2008. The municipal utility association is set to commence operations on 1 January 2009.

Stadtwerke Ingolstadt Beteiligungen GmbH (48.4 % shareholding)

The proportionately consolidated sales of Stadtwerke Ingolstadt Beteiligungen GmbH (SWI) increased year-on-year by 8 % to Euro 92 million, while operating earnings (EBIT) grew by Euro 3 million to Euro 10 million. The measurement of energy trading transactions with 24/7 Trading GmbH at the reporting date pursuant to IAS 39 benefited earnings by Euro 1 million. The improvement in earnings was also due to a weather-related upturn in gas turnover, structured electricity procurement for industrial customers, the introduction of new gas products for private customers and the acquisition of two large refineries as customers in the gas business. In respect of the gas price lawsuits, in a resolution dated 20 June 2008 the Antitrust Senate at Munich Higher Regional Court rejected the appeal filed by gas price opponents as unfounded. The verdict passed by Ingolstadt District Court on 22 January 2008 is thus legally binding.

Köthen Energie GmbH (100 % shareholding)

Sales at Köthen Energie GmbH rose year-on-year by 21 % to Euro 13 million and operating earnings (EBIT) by 16 % to Euro 1 million. This growth was primarily due to higher gas turnover as a result of weather conditions. A total of 1 457 new customers were acquired for the Ökostrom green electricity product, equivalent to an annual volume of approximately 3.5 million kWh. Due to the development in heating oil prices, natural gas and district heating rates were raised as of 1 April 2008, as were contracting prices.

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

Alongside sales of Euro 25 million (previous year: Euro 23 million), **Stadtwerke Buchen (SWB)** reported an annual net surplus of Euro 1.6 million (previous year: Euro 1.6 million) for the 2007 financial year (reporting date: 31 December 2007). We received this as income from shareholdings in line with our level of shareholding. Accounting for 35 % of sales, gas is the largest business division at SWB, followed by electricity with a 32 % share of sales. Due largely to the expansion of photovoltaics activities, the value-added services business now accounts for 23 % of sales. The water division still contributes 10 % of the company's sales.

MVV Energie CZ s.r.o., Prague

Our Czech subgroup continues to report very pleasing developments. Sales rose by Euro 30 million to Euro 92 million (+ 48 %) in the 2007/08 financial year, while operating earnings (EBIT) improved by Euro 9 million to Euro 14 million (+ 180 %). The measurement of energy trading transactions at the reporting date pursuant to IAS 39 added Euro 1 million to earnings. The district heating company Teplárna Liberec a. s. and district heating systems in the adjacent towns of Litomerice, Louny and Mimon, all of which consolidated as of 1 January 2007, generated combined operating earnings (EBIT) of around Euro 5 million in the 2007/08 financial year. New management and reporting structures are being introduced and work processes standardised within the further integration of this company and the district heating systems.

The shareholdings of the wholly-owned subsidiary MVV Energie CZ s.r.o. were able to pass on higher procurement expenses resulting from the marked rise in coal, gas and oil prices, the ecological tax introduced on fuels in the Czech Republic at the beginning of 2008 and the simultaneous district heating VAT increase from 5 % to 9 % on the sales side. Based on the sale resolution adopted by the town of Česká Lípa, MVV Energie CZ s.r.o. will stock up its stake in the district heating company Českolipská teplárenská a.s. from 35 % to 94.99 %.

MVV Polska Sp. z o.o., Warsaw

MVV Energie AG has withdrawn from the Polish market in view of the difficult underlying framework. The shareholding acquired in KPEC, the municipal utility company of the city of Bydgoszcz, in 2001 (54.96 %) was bought back by the city of Bydgoszcz in the 3rd quarter of 2007/08. The remaining shareholdings in two municipal district heating companies and one contracting company held via our Polish holding company MVV Polska Sp. z o.o. were deconsolidated in the 4th quarter of 2007/08. The economic transfer to the new owner occurred in October 2008. All in all, we have retired from our engagement in Poland without incurring any losses.

Shared service companies

As a grid company, **24/7 Netze GmbH** is responsible for the sustainable operation of the grids leased from its parent companies, MVV Energie AG and EVO. This involves safeguarding the quality of the grids, while also generating the return expected by its shareholders. In view of regulation by the Federal Networks Agency, 24/7 Netze GmbH is facing growing pressure on costs. This has intensified further in the course of the approval of the second fee application for the electricity grids in Mannheim and Offenbach and the local gas distribution grid in Mannheim. The costs thereby approved also form the basis for the incentive regulation due to start on 1 January 2009. In future, grid operators will be measured against the most efficient operator and will receive revenue targets imposed by the regulatory authorities. 24/7 Netze GmbH has leased the 40 kilometres long electricity grid at Mannheim Commercial Port acquired by MVV Energie AG as of 1 July 2008.

The Mannheim-based company **24/7 Trading GmbH** occupies a strategic position as the exclusive energy trading unit for the MVV Energie Group and plays the lead role for energy procurement and sales on the wholesale market. It is well-positioned in the wholesale market and has successfully concluded framework agreements with a large number of national and international trading partners. Based on these contracts, the company trades in electricity, natural gas, certified green electricity products, CO_2 emissions rights, environmental certificates and financial products. Alongside the trading activities commissioned by group companies, 24/7 Trading GmbH also trades on its own account. The company is consistently pressing ahead with expanding it gas trading activities. Given the volatility in market prices for primary fuels and CO_2 emissions rights, price hedging transactions are increasingly gaining in significance for service customers.

Business developed positively at **24/7 Metering GmbH** in the year under report. The Federal Networks Agency approved the maximum price limits for metering and invoicing fees in the electricity and gas business fields, enabling 24/7 Metering GmbH to generate higher sales than planned. The "Metering at the MVV Energie Group" project is laying the strategic, process-related and technical foundations to enable marketable multidivisional metering products and services to be offered from 2009 onwards. With this measure, we are preparing for the revised legislative requirements aimed at liberalising metering point operation and the metering business.

The principal task of **24/7 IT-Services GmbH** involves structuring the IT division within the MVV Energie Group to meet future requirements. This objective is being achieved on the one hand by pooling expertise and technologies and on the other by consolidating and standardising IT infrastructures and applications. In future, 24/7 IT-Services GmbH will increasingly also be marketing its expertise outside the Group.

As Germany's fourth-largest energy invoicing service provider, **24/7 United Billing GmbH** is currently responsible for 15 utility companies and more than 1.1 million customer agreements a year. Among others, MVV Energie AG, EVO and Stadtwerke Kiel have pooled all of their customer service activities at 24/7 United Billing. Numerous measures have already been successfully initiated within the ELBRUS project, which was launched in 2007/08 to introduce a key figure and reporting system and to design and implement structural, personnel and process-related enhancements. Moreover, a quality and demand management system was designed in the year under report and is now being realised. The company is increasingly participating in German and European calls for tenders and has already acquired its first orders.

The insurance services of MVV Energie AG, Stadtwerke Kiel AG and EVO are pooled at **24/7 Insurance Services GmbH,** Mannheim. This company was founded in the year under report to act as an exclusive insurance service provider and broker within the MVV Energie Group.

Net Asset and Financial Position

Consolidated financial statements pursuant to IFRS

The consolidated financial statements of the MVV Energie Group have been prepared pursuant to Section 315a (1) of the German Commercial Code (HGB) in accordance with International Financial Reporting Standards (IFRS). The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have amended or newly adopted several standards and interpretations requiring mandatory application for the first time in the 2007/08 financial year. Apart from extended disclosures in the notes, the initial application of these revisions and new standards and interpretations has not had any material implications for the earnings, net asset and financial position of the MVV Energie Group. Further information can be found in the detailed notes to the 2007/08 consolidated financial statements (from Page 80).

Asset and capital structure

Total assets grew by Euro 509 million compared with 30 September 2007 to Euro 3.79 billion as of 30 September 2008 (+16 %).

On the asset side, **non-current assets** rose to Euro 2.73 billion, up 10 % (Euro +246 million) on the previous year's reporting date, while **current assets** increased by 33 % (Euro +263 million) to Euro 1.06 billion. The share of total assets involving non-current assets thus declined from 76 % at the previous year's reporting date to 72 % as of 30 September 2008.

At 52 % (previous year: 59 %), the high share of total assets accounted for by **property, plant and equipment** underlines the intensity of investment at our group of companies. Due to investments and additions on the one hand and disposals and depreciation on the other, property, plant and equipment showed a net increase of 1 % to Euro 1.96 billion. The sale of the Polish subgroup in the second half of the 2007/08 financial year led to the retirement of property, plant and equipment amounting to Euro 51 million and under **intangible assets** to the retirement of goodwill of Euro 2.3 million.

Other financial assets relate in particular to non-consolidated subsidiaries, other shareholdings and loans in connection with finance leases for contracting projects. The increase in other financial assets from Euro 166 million to Euro 175 million as of 30 September 2008 was chiefly due to additions to shareholdings in the energy-related services business, to loans in connection with finance leases and to other non-current loans. Details of changes in the scope of consolidation have been provided in the notes to the consolidated financial statements.

Non-current other receivables and assets surged to Euro 273 million as of 30 September 2008, an increase of Euro 230 million on the previous year's reporting date. This sharp growth was primarily due to the positive fair values of energy trading transactions requiring recognition under IAS 39 (2008). This in turn was attributable to the substantial rise in electricity and gas prices as of 30 September 2008 compared with market prices as of 30 September 2007. Moreover, derivative financial instruments also include interest derivatives and commodity derivatives for coal (coal swaps) to secure electricity procurement from the large power plant in Mannheim (GKM).

The increase in **current assets** by Euro 263 million (+33 %) was attributable on the one hand to a higher volume of **trade receivables** compared with the 2006/07 reporting date. The growth of 25 % in this item to Euro 536 million was mainly the result of increased sales volumes. Receivables were nevertheless Euro 35 million lower than at the end of the previous quarter on 30 June 2008. **Other receivables and assets** increased by 83 % to Euro 284 million. As was the case for non-current assets, this increase was also predominantly due to the positive fair values of current energy trading transactions requiring recognition under IAS 39 (2008).

The **assets held for sale** of Euro 37 million reported as of 30 September 2008 related in particular to the purchase price receivable agreed for the Polish subgroup. As approval by the Polish antitrust authority was still pending, this item had not yet been realised by the reporting date and was contributed to the newly established company MVV Nederland B.V., Netherlands. The proceeds on the sale were received in the 1st quarter of 2008/09.

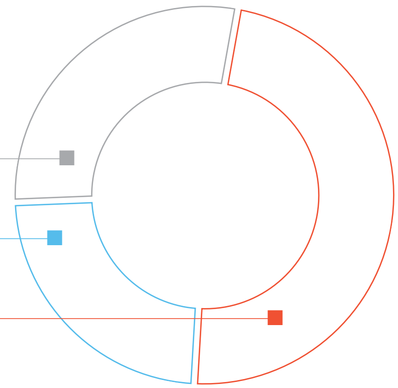
On the liabilities side, the **equity** of the MVV Energie Group amounted to Euro 1.27 billion, up Euro 356 million (+ 39 %) on 30 September 2007. The capital increase successfully concluded in November 2007 raised the share capital by Euro 26 million and the capital reserve by Euro 200 million. Over and above that, the increase in equity was attributable to the substantial improvement in annual earnings. The share of equity attributable to minority interests amounted to Euro 116 million as of 30 September 2008 (previous year: Euro 115 million).

Non-current debt rose to Euro 1.44 billion, up Euro 67 million (+5 %) on the previous year's reporting date, while **current debt** increased by Euro 86 million (+ 9 %) to Euro 1.07 billion. As on the asset side of the balance sheet, the development in other non-current liabilities and other current liabilities was determined by derivative financial instruments (energy trading transactions) requiring recognition under IAS 39. Other current liabilities include hedge deposits (Euro 44 million) bilaterally agreed with trading partners to mitigate the sharp fluctuations in the fair values of energy trading transactions. Non-current and current financial debt amounted to Euro 1.24 billion as of 30 September 2008 and had therefore been reduced by Euro 177 million compared with the previous year's reporting date.

The MVV Energie Group reported an improved equity ratio of 33.5 % as of 30 September 2008 (previous year: 27.9 %). **Non-current assets** are 100 % covered by equity and debt capital available on a long-term basis (previous year: 92 %).

Investments of the MVV Energie Group[1] in the 2007/2008 financial year

Euro 208 million



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

Substantial investment in high-growth business fields

The volume of investment amounted to Euro 241 million in the year under report (previous year: Euro 255 million). A total of Euro 208 million was invested in intangible assets, property, plant and equipment and investment property (previous year: Euro 165 million), while Euro 33 million was invested in the acquisition of fully and proportionately consolidated companies and other financial assets (previous year: Euro 90 million). The increase in investment in intangible assets, property, plant and equipment and investment property was due in particular to investments made in the high-growth environmental energy and value-added services segments.

Investments in the environmental energy segment focused on the construction of boiler 6 at the energy from waste plant in Mannheim. The investments made in the value-added services segment primarily related to the construction of the Korbach industrial power plant driven by refuse-derived fuel, which supplies the production site of Continental AG with process steam and electricity. Regular operations have now begun at this plant. Moreover, investments were also channelled into the construction of a boiler driven by refuse-derived fuel at Gersthofen Industrial Park, a gas-powered cogeneration plant at Ludwigshafen-South Industrial Park and a biogas plant in Mechau. The main focuses of investment in the core business fields involved optimising supply facilities and distribution grids. Work continued at the Kiel subgroup on the construction of a third gas cavern.

The investments made in joint facilities related in particular to the renovation work performed on the office building housing the central business administration of MVV Energie AG in Mannheim, which was completed on schedule in February 2008.

Investments in financial assets chiefly involved the acquisition of new subsidiaries in the energy-related services business.

Cash flow statement

According to the cash flow statement presented in detail in the 2007/08 consolidated financial statements on Page 78 of this Annual Report, the financial position of the MVV Energie Group has improved compared with the previous year.

The **cash flow before working capital and taxes** rose by Euro 50 million from Euro 364 million in the previous year to Euro 414 million. This increase was mainly driven by the higher annual net surplus in 2007/08, an improvement offset in part by a lower interest result and in particular by a higher negative net balance of other non-cash income and expenses.

Investments of the MVV Energie Group[1]

Euro million	2007/2008	2006/2007	% change
Electricity	29	22	+ 32
District heating	25	28	– 11
Gas	16	19	– 16
Water	10	12	– 17
Value-added services	49	30	+ 63
Environmental energy	59	34	+ 74
Other	20	20	—
	208	165	+ 26

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

The marked changes in other asset and liability items, which were chiefly due to higher **trade receivables,** led to a **cash flow from operating activities** of Euro 262 million in the 2007/08 financial year compared with Euro 353 million in the previous year. The deduction of the high volume of **investments in intangible assets, property, plant and equipment and investment property** amounting to Euro 208 million (previous year: Euro 165 million) resulted in a **free cash flow** of Euro 54 million in the 2007/08 financial year (previous year: Euro 188 million).

At Euro –90 million, the **cash flow from financing activities** was negative once again in the year under report, but less so than in the previous year (Euro –162 million). The outflow of funds of Euro 620 million for credit repayments, dividend payments and interest paid (previous year: Euro 762 million) was countered by inflows of funds of Euro 530 million from the taking up of loans and the capital increase (previous year: Euro 600 million). The capital increase concluded at MVV Energie AG in November 2007 resulted in an inflow of funds amounting to Euro 226 million.

Financial position and financial management

The MVV Energie Group reported cash and cash equivalents of Euro 97 million in its cash flow statement at the reporting date on 30 September 2008 (previous year: Euro 100 million). Our group of companies thus has sufficient funds to cover its liquidity requirements.

Our financing policy focuses on flexibility and the use of both short-term and long-term sources of financing. In the year under report, our financial funds predominantly came from our operating cash flow, the taking up of loans and the capital increase. MVV Energie AG and other companies within the Group have bilateral credit lines. **Current and non-current financial debt** was reduced year-on-year by Euro 177 million to Euro 1.24 billion. The net financial liabilities of the MVV Energie Group (financial debt less cash and cash equivalents) declined from Euro 1.31 billion at the previous year's reporting date to Euro 1.14 billion.

Our equity ratio of 33.5 % (previous year: 27.9 %) provides us with a solid foundation for maintaining a balanced mix of capital market financing for investments in our sustainable growth.

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

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

We have provided a summary of the basic features of the compensation system and disclosures concerning the compensation of members of the Executive and Supervisory Boards for the 2007/08 financial year in the Compensation Report. This takes due account of the requirements of the German Commercial Code (HGB) in the version amended by the Management Board Compensation Disclosure Act (VorstOG), as well as of the recommendations of the German Corporate Governance Code. The members of the Executive Board of MVV Energie AG are simultaneously members of the Executive Board of the group company MVV RHE AG; the CEO also acts as Managing Director of MVV GmbH. The compensation allocable to these functions is paid by MVV Energie AG and charged to the relevant companies. For its activity, the Executive Board receives total compensation divided into fixed and variable components. The compensation of the Executive and Supervisory Boards has been presented in the Compensation Report, which forms part of the Corporate Governance Report on Pages 16 to 18 and is also part of the combined Group Management Report. This component has therefore not been duplicated here.

Disclosures under § 289 (4) and § 315 (4) HGB

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

The company's share capital amounted to Euro 168.72 million in total at the reporting date on 30 September 2008 and was divided into 65.9 million individual registered shares with a prorated amount in the share capital of Euro 2.56 per share. Each share entitles its holder to one vote at the Annual General Meeting of MVV Energie AG. There are no restrictions on voting rights or the assignment of shares. There are also no shares with special rights lending powers of control, neither is there any control of voting rights as defined in Sections 289 (4) No. 5 and 315 (4) No. 5 of the German Commercial Code (HGB).

Capital shareholdings exceeding 10 % of voting rights

The City of Mannheim sold a 16.1 % share of its previous indirect shareholding of 66.2 % in MVV Energie AG to RheinEnergie AG, Cologne, on 11 October 2007. Having exercised its subscription rights in the capital increase in October 2007, the City of Mannheim held a 50.1 % stake at the 2007/08 reporting date and thus remained the majority shareholder in MVV Energie AG. RheinEnergie AG, Cologne, owned 16.1 % and EnBW AG, Karlsruhe, which also exercised its subscription rights, continued to hold 15.1 % of the shares. The remaining 18.7 % of the shares were in free float as of 30 September 2008.

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

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

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

Powers of the Executive Board to issue and buy back shares

The Annual General Meeting of MVV Energie AG authorised the Executive Board by resolution on 4 March 2005 to increase the company's share capital on one or several occasions by up to Euro 39.0 million, equivalent to around 30 % of existing share capital upon adoption of the resolution (Authorised Capital I). Following the capital increase from Authorised Capital I by almost 10 % (Euro 12.8 million) on 15 November 2005, which involved issuing 5.0 million new shares on the capital market by way of an accelerated book building process, there remained Authorised Capital I amounting to Euro 26.2 million (18.2 %).

On 11 October 2007, the Executive Board of MVV Energie AG resolved with the approval of the Supervisory Board to act on the authorisation granted to it by the Articles of Incorporation and to increase the share capital by Euro 25.96 million. This capital increase was successfully concluded at the beginning of November 2007. The share capital of MVV Energie AG was increased by 18.2 %, or Euro 25.96 million, to Euro 168.72 million from the available Authorised Capital I by issuing 10.1 million new shares in return for cash contributions with subscription rights for shareholders in MVV Energie AG. The new shares were offered to shareholders at a price of Euro 22.50 per share. These shares furnish the same rights as existing shares and enjoyed dividend entitlement from 1 October 2006.

The 2006 Annual General Meeting of MVV Energie AG authorised the Executive Board, subject to approval by the Supervisory Board, to increase the company's share capital within the framework of an employee share programme by issuing new shares from Authorised Capital II on one or several occasions up to 9 March 2011 up to a total of Euro 3.4 million to the exclusion of shareholders' subscription rights (Authorised Capital II). This was equivalent to 2.4 % of existing share capital upon adoption of the resolution. The Executive Board acted on this authorisation on 20 September 2006 by issuing 63 290 new shares amounting to Euro 162 thousand (0.1 % of the share capital). The Executive Board made no use of this authorisation during the 2007/08 financial year.

By resolution dated 14 March 2008, the Annual General Meeting authorised the Executive Board until 11 September 2009 to acquire treasury stock at an amount of the share capital allocable to these shares of up to Euro 16.87 million, equivalent to 10 % of the existing share capital upon adoption of the resolution. The Executive Board of MVV Energie AG made no use of this authorisation during the 2007/08 financial year.

Compensation agreements (change of control clauses)

No compensation agreements have been concluded either with the Executive Board or with employees for the event of a change of control due to a takeover, neither has the company concluded any compensation agreements with members of the Executive Board or employees for the event of a takeover offer.

Employees

Development in employee totals

The number of employees at the MVV Energie Group fell by 493 to 5 901 in the 2007/08 financial year. This reduction was chiefly due to MVV Energie's withdrawal from the Polish market and the resultant deconsolidation of our Polish companies, which had previously been proportionately consolidated in most cases. The number of employees at German shareholdings, by contrast, remained virtually unchanged at 3 784.

Personnel totals at MVV Energie AG and the municipal utility shareholdings continued to be reduced on schedule. As planned, our high-growth environmental energy and energy-related services businesses expanded their workforces over the same period, as did our shared service companies.

Personnel Figures at the Reporting Date	2007/2008	2006/2007	+/– change
MVV Energie AG[1]	1 527	1 559	– 32
Fully consolidated shareholdings	3 661	3 765	– 104
MVV Energie AG plus fully consolidated shareholdings	**5 188**	5 324	– 136
Proportionately consolidated shareholdings	685	1 031	– 346
MVV Energie Group[2]	**5 873**	6 355	– 482
External personnel at MHKW Mannheim	28	39	– 11
	5 901	6 394	– 493

[1] including 51 employees of MVV RHE AG (previous year: 55)

[2] including 433 trainees (previous year: 431)

Efficiency enhancement and optimisation

The efficiency enhancement and cost reduction programmes at the municipal utility companies are being implemented in a socially responsible manner, drawing in particular on potential for part-time early retirement, compensation and internal relocations accompanied by qualification measures.

Structures at the Mannheim location were altered in several reorganisations in the past financial year with the aim of optimising responsibilities and processes and better aligning them to future market requirements. This involved the Operations Management and Engineering divisions, which were merged to form the Infrastructure Service division as of 1 February 2008. Structures were realigned in the Sales division as of 1 April 2008 and at MVV Energiedienstleistungen GmbH as of 1 August 2008. With effect from 1 October 2007 already, the two divisions of Group Controlling and Business Controlling and Materials Management were created from three previous divisions.

As its response to the changing framework within regulated markets, Stadtwerke Kiel AG is also pressing consistently ahead with implementing the measures set out in its "SWK 2015" project, which include a planned socially responsible reduction in the workforce by 30 September 2009.

Change in corporate culture

The "move" programme launched in the 2006 calendar year, which is intended to change the corporate culture at MVV Energie AG, was also maintained in the year under report. Topics of current relevance were discussed at ten podium discussions and ten management cafés each held with a member of the Executive Board. A bottom-up appraisal of managers aimed at improving cooperation with employees was also held for the first time. Programmes aimed at changing the corporate culture are also underway at the subgroups in Offenbach and Kiel. These have been supplemented in Mannheim and Kiel by the drafting of new management guidelines. The growing together of the various companies in the MVV Energie Group is also being promoted within the "Living the Network" programme. A total of 45 colleagues have now been deployed at different locations for periods of between three days and four weeks, thus helping to boost employees' sense of belonging to one group.

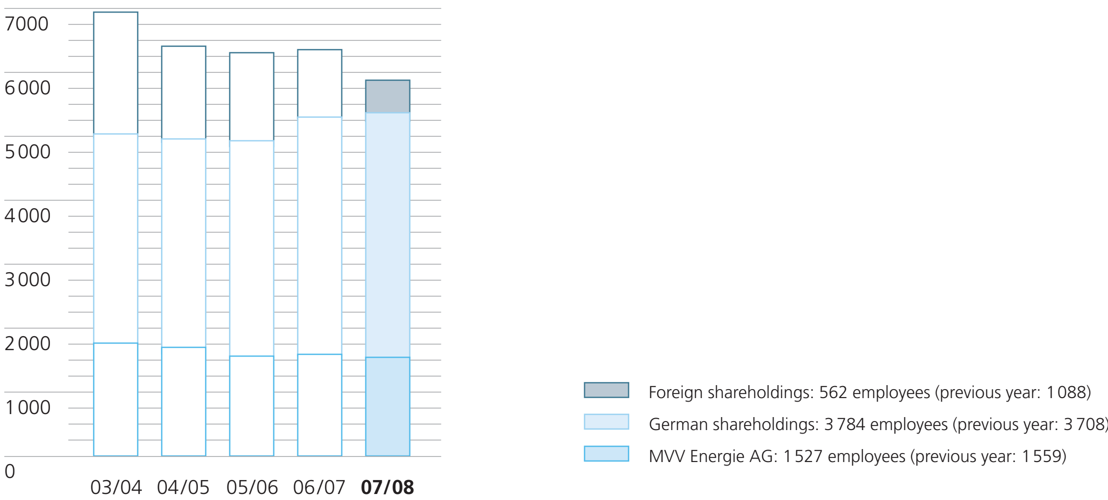
Forward-looking personnel policies

With our family-oriented personnel policies, we support our employees in combining their professional commitments with their family lives. We ensure that bearers of expertise are rapidly reintegrated into their professional lives following family-related leave, thus minimising their periods of absence from work. This enables the employees to avoid disadvantages for their careers and to cope better with the two key claims on their time. MVV Energie AG received an award in Berlin in June 2008 for its participation in audit berufundfamilie®, an audit of the possibilities of combining professional and family commitments sponsored by the federal family and economics ministries.

We will confront the challenges presented by a constantly changing corporate environment and demographic change with long-term programmes in future as well. MVV Energie AG thus intends to dedicate greater attention to the topic of employees with relatives dependent on nursing care.

Employees of the MVV Energie Group

as of 30. 9.



We have founded the "5 Star Health Programme" to support our employees in maintaining their health and ability to work. By offering various schemes for movement, nutrition, inner balance, medicine and interpersonal behaviour, we are helping our employees to stay fit. MVV Energie AG has thus also signed up to the "Luxembourg Declaration on Workplace Health Promotion in the European Union".

By introducing a scientifically accompanied health management programme and further improvements in terms of "work-life balance", Stadtwerke Kiel is also proactively meeting the challenges presented by demographic change.

Personnel development

Training and development remain an important factor in enabling us to cover our need for specialists and managers meeting high quality standards. As well as employing a large number of trainees, we also significantly increased the number of employees in our university graduate entry programme, the Junior Consulting Team.

At the same time, we modernised our existing personnel development programmes in the 2007/08 financial year. This applies both to the Management Development Programme for upper and middle management, as well as to our expert and upcoming management programme. We introduced a new programme for team and group leaders. With a view to of change processes, our personnel developers also designed the "Change Agent Training" programme.

Knowledge transfer

Knowledge transfer is important to ensure that the expertise of colleagues changing position with the company or leaving the company is passed on to other colleagues in good time. Together with select specialist divisions, the Junior Consulting Team has developed a knowledge transfer concept for this purpose and systematically accompanied the relevant processes. In future, the guidelines compiled in this way can also be transferred to and applied in all other organisational units.

All these measures serve to qualify our employees on an ongoing basis, thus preparing them to meet future challenges and master change effectively.

Social Commitment

We take responsibility

With strong roots in their regions, the companies of the MVV Energie Group act as reliable energy and water suppliers, employers, vocational trainers and investors at their respective locations. They therefore represent important motors in the economic development of their various locations and regions. This places a particular entrepreneurial responsibility on the MVV Energie Group as Germany's largest publicly listed municipal utility group, one of which all companies in our municipal utility network are aware at their respective locations. Their economic strength means that they can afford to make valuable contributions to the well-being of the people living in their individual regions.

One focus of our social commitment is the promotion of projects supporting young people and upcoming talent. We are committed to offering young people qualified training positions. We also make an important contribution to society by promoting education and science. This is also in our own interests, given our need to recruit high-quality upcoming managers. For this reason, we work closely together with Mannheim Technical College, the University of Mannheim and Mannheim Business School. For ten years now, MVV Energie AG has endowed an energy industry professorship in the industrial engineering faculty at Mannheim Technical College.

MVV Energie AG made funds of Euro 100 000 available to an emergency assistance fund in both 2007 and 2008. With these funds, the company works in liaison with independent welfare organisations and the City of Mannheim to assist private customers who through no fault of their own are in financial difficulties to cover their energy and water costs. Working under the motto "Strength for City and Region", since 2005 the Sponsoring Fund at MVV Energie AG has supported initiatives in the Rhine/Neckar metropolitan region twice a year with a total of Euro 100 000 per annum. In the seven application rounds since its launch three years ago, the fund has supported 186 projects in the fields of sport, culture, science and welfare with a total of Euro 350 000.

As far as our sports sponsorship activities are concerned, since 2007 we have cooperated within a five-year partnership with the record-holding German ice hockey league champions, the Mannheim Eagles (Adler). As part of this commitment, we continue to promote their next generation team, the Young Eagles.

At the Nationaltheater in Mannheim, we supported the nationally renowned "Junge Oper" once again in the year under report.

Energieversorgung Offenbach AG (EVO) extended its sponsorship agreement with the Offenbacher Kickers for a further year. EVO has thus acted as principal sponsor to this traditional football club for seven years now. In the year under report, EVO once again organised an art competition. Seven winners were selected from the 115 entries received. The prize consists of professionally organised exhibitions worth Euro 50 000 in total.

Stadtwerke Kiel AG supports research projects at the Leibniz Institute of Marine Sciences and at the Institute of Geosciences at Christian-Albrechts-Universität in Kiel. In terms of welfare, among other organisations the company supports Lichtblick e.V., a regional debtor and insolvency advice centre. Within its sports sponsorship activities, the organisation of the 24sieben sailing camp is an especially popular and successful project in Kiel.

Alongside two large sports clubs, namely the ERC Ingolstadt ice hockey club and the second-league football club FC Ingolstadt 04, **Stadtwerke Ingolstadt GmbH** also provides targeted support to smaller popular sport clubs. The company promotes upcoming talent by sponsoring schools and also provides assistance to welfare projects, such as the "Sternenhaus" child daycare centre and the Pedagogical Academy.

In its sponsorship activities, **Stadtwerke Solingen GmbH** has focused for many years now on supporting children and young people. The proceeds from the variety of events held in the "125 Years of Water Supply in Solingen" anniversary year were donated to a rehabilitation centre for disabled children and young people in Sri Lanka. It is hoped that the construction of a well to supply drinking water will help to promote the "self-help" principle.

Köthen Energie GmbH is committed above all to promoting education. It therefore supports pupils at the "Freie Schule Anhalt – Integrated Comprehensive School" in Osternienburg, as well as the Business Meets Schools project in the district of Köthen.

Environmental Protection

Our contribution to ecological sustainability

Given the political and societal will to improve climate protection and energy efficiency, ever greater significance is being accorded to environmentally-compatible energy generation, efficient power plant technology, the use of renewable energy sources, innovative technologies and energy-saving behaviour. The companies in the MVV Energie Group are making a substantial contribution in numerous ways towards achieving these climate protection targets and securing an energy supply focused on sustainability.

Reduction of CO_2 emissions in the environmental energy segment

In our environmental energy segment, we exploit the energy potential available in waste to generate steam and electricity, mainly using cogeneration. We treat both waste and biomass as a valuable raw material, thus helping to save limited fossil resources. We use around 1.5 million tonnes of non-recyclable waste and waste timber for energy generation every year, equivalent to around 540 000 tonnes of hard coal units (HCU) or around 405 000 tonnes of heavy heating oil. All in all, our energy from waste plants in Mannheim, Leuna and Offenbach and waste timber power plants enable an annual net total of 345 000 tonnes of CO_2 to be avoided.

The two waste timber power plants operated by MVV Umwelt GmbH in Mannheim and Königs Wusterhausen alone allow around 205 000 tonnes of CO_2 to be avoided per year compared with electricity generated at traditional power plants. This figure has also benefited from the high rate of plant availability, which has enabled the volume of electricity generated at the two waste timber power plants to be raised by a further 20 GWh (+ 6 %) to 330 GWh.

In July 2008, work began on building a new water treatment plant at the energy from waste plant in Mannheim. This is due for completion at the end of 2008. The existing water technology, more than 40 years old, will then be replaced by more effective equipment. The resultant reduction in the volumes of groundwater removed, wastewater produced, electricity required and chemicals used will contribute substantially towards protecting the environment and will also reduce operating costs.

Funds committed to environmental protection measures

The MVV Umwelt GmbH business division invested around Euro 54 million in measures to protect the environment during the year under report, of which 97 % involved disposing of waste and 3 % cleaning the air. Around Euro 43 million was spent on environmental protection measures in ongoing operations in the 2007/08 financial year. Of this 50 % related to waste disposal, 49 % to air cleaning and 1 % to water protection measures.

Sustainable climate protection in value-added services business

The decentralised energy generation projects at our energy-related services business also rely on efficient cogeneration and increasingly also on the use of biomass (wood, wood pellets) and biogas. This form of heating energy and electricity generation does not release any more CO_2 than that previously absorbed by the fuels.

To cover the entire value chain from fuel through to operations, in February 2008 MVV Energiedienstleistungen GmbH founded Biokraft Naturbrennstoffe GmbH together with Energieversorgung Offenbach AG. Based in Hessen, this company procures and prepares landscape conservation materials for use as regenerative fuels. Moreover, MVV Energiedienstleistungen GmbH also took over 70 % of A+S Natur Energie GmbH, Pfaffenhofen, thereby adding the production of fuels to the value chain in Baden-Württemberg, Rheinland-Pfalz and Saarland and thus supplying regenerative energy "from the region and for the region".

Savings contracting and the use of refuse-derived fuels and renewable energies in our energy-related services business enable around 245 000 tonnes of CO_2 to be avoided per year in the generation of electricity and heating energy compared with generation at conventional power plants.

Further expansion in district heating supply

Alongside renewable energies and energy saving, cogeneration in connection with district heating represents one of the key technologies for the future when it comes to solving the challenges presented by the heating supply. One prime example of this technology is the joint supply of district heating to the towns of Mannheim, Heidelberg, Schwetzingen, Brühl and Oftersheim, which now involves a district heating grid more than 500 kilometres long supplied by waste heat from electricity generation at the large power plant in Mannheim (GKM). This supply of district heating thus saves around 300 000 tonnes of CO_2 per year. The "Rhine/Neckar Metropolitan Region District Heating Study" documents further great opportunities and potential harboured by district heating and the use of renewable energies in the region.

Overall Summary of Business Performance

All in all, the MVV Energie Group has maintained its growth course in spite of a further intensification in the competition and regulation of grid utilisation fees in the electricity and gas businesses. All sustainable earnings figures (excluding IAS 39 valuation items) have improved compared with the previous year. Due to higher investments in property, plant and equipment and an increase in working capital, the free cash flow has reduced compared with the previous year. With our well-balanced business portfolio and promising new activities in our core business, as well as in our environmental energy and energy-related services businesses, we see our municipal utility network with its shared service companies as being well prepared for the increasing pressure on costs which we expect to accompany forthcoming incentive regulation. The measures to expand the use of renewable energies and enhance energy efficiency adopted by the German government within the framework of the Integrated Energy and Climate Programme provide our municipal utility network with promising opportunities and economic prospects, especially on a regional and municipal level.

Events After the Balance Sheet Date

Dr. Rudolf Schulten, CEO of MVV Energie AG since 2003, retired from his position on the Executive Board prematurely as of 30 September 2008 with the consent of the Supervisory Board.

At a meeting on 23 October 2008, the Supervisory Board of MVV Energie AG appointed Dr. Georg Müller to the Executive Board and as CEO of MVV Energie AG for a term of five years. Dr. Müller, previously CEO of RWE Rhein-Ruhr AG, Essen, assumed this position as of 1 January 2009. The Commercial Affairs board division was managed by Dr. Werner Dub (Technology Director) during the period from Dr. Schulten's retirement from office through to the position being newly occupied. The other board divisions continue to be headed by Hans-Jürgen Farrenkopf (Personnel) and Matthias Brückmann (Sales).

Risk Report

The management of opportunities and risks forms an integral component of corporate management at the MVV Energie Group. The foundation for risk management is provided by a systematic approach adopted by the Executive Board on the basis of legal requirements. This sets out risk policy guidelines, responsibilities, analysis and evaluation procedures and key risk figures enabling both risks and opportunities to be managed efficiently.

The functionality and sensitivity of our early warning risk identification procedures are regulated by a risk limit system imposed by the Executive Board. The limits are set so as to facilitate the detection of possible erroneous developments at the earliest possible stage.

The functionality of the risk management system is analysed and evaluated by both internal and external auditors in their annual audits.

Moreover, our organisational structure is conducive to the rapid transfer of information and transparent analysis of risk and opportunity factors. Decentralised risk controllers work closely together with the central Group Controlling unit to provide a comprehensive presentation of the risks and opportunities facing the companies and subsidiaries of the MVV Energie Group. Opportunities and risks with the potential to affect earnings are monitored especially closely. The central risk controlling department aggregates the opportunities and risks reported and compiles a risk/opportunity profile on group level and for individual subsidiaries, taking due account of budget and forecast data.

The data thereby calculated is reported to the Executive Board on a monthly basis, with the Board being informed immediately in urgent cases. Moreover, the individual companies in the MVV Energie Group also receive their risk/opportunity profiles on a monthly basis to enable them to control these directly. The Supervisory Board of MVV Energie AG is informed of the risk situation in quarterly written reports. In special cases, the Executive Board informs the Supervisory Board directly.

The most significant exogenous risks we face are still regulatory risks affecting electricity and gas grids and weather-related turnover risks mainly relevant during the heating period.

When analysing the uncertain factors which could impact on the business performance of the MVV Energie Group, we distinguish between six different risk groups, which we have presented below in order of significance.

Legislative risks

We see legislative risks as including both legal and regulatory risks.

Legal risks arise from potential legal proceedings, from erroneous or unenforceable contracts and from supply obligations and product liability. These risks are limited centrally by our Group Legal department, which is also responsible for the correct drafting of contracts and, if necessary, for managing legal proceedings.

Regulatory risk entails those risks arising due to the requirements of antitrust, patent, accounting and tax law, as well as approval procedures, special legal conditions, special public sector conditions and the provisions of environment law.

Of particular importance to the energy industry is the risk of falling grid fees. These fees, which are collected by grid operators for the use of their grids, are subject to mandatory approval by the Federal Networks Agency. The assessment notices received by companies in the MVV Energie Group from the Federal Networks Agency to date have led to cuts in the level of grid fees submitted. Incentive regulation will come into force from 1 January 2009, a development which may gradually lead to further reductions in grid fees. Any assessment of the future development in fees is therefore subject to corresponding risks. To be able to counter future regulatory risks adequately and in good time, we are monitoring developments in the energy industry constantly and are playing an active role in the energy policy opinion-forming process.

Volume risks

We define volume risks as involving those risks which could impact negatively on the turnover of our products.

Our greatest volume risk is the weather. Depending on the development in winter temperatures, weather conditions, especially outdoor temperatures, can influence sales volumes in our district heating and gas businesses in particular. A very mild winter can lead to a sharp reduction in revenues in these segments.

In terms of procurement, on the other hand, any deficiency in the quality and/or quantities of raw materials and supplies can have negative implications, as can supply bottlenecks, supplier dependencies and logistical problems. Sales volumes may fluctuate due to defective quality, substitution, customer dependency or new competitors in the liberalised market.

To reduce our volume risks, we deploy energy trading and are designing new, competitive products.

Price risks

Price risks are attributable to changes in market prices, typically those of electricity, CO_2 certificates or fossil fuels such as coal, gas and oil. The 2007/08 financial year saw an especially marked increase in the volatility of these prices due to the uncertain situation on global markets. As these prices cannot always be passed on to end consumers, or only following a certain delay, the margin of the MVV Energie Group may suffer as a result.

24/7 Trading GmbH, the energy trading company of the MVV Energie Group, is responsible for limiting price risks centrally and for optimising the exploitation of corresponding opportunities.

Exchange rate risks are also included under price risks, but currently only play a subordinate role at the MVV Energie Group. These risks are accounted for to a minor extent with forward exchange transactions. Information concerning foreign currency translation has been provided in the notes to the consolidated financial statements on Page 90.

Financing risks

Financing risks mainly comprise liquidity, interest rate and receivable default risks. The risk of interest rate changes is accounted for to a limited extent by means of interest swaps. We optimise our liquidity position by using internal group cash pooling, a system which also enables us to positively influence our net interest expenses.

The emerging risk of a global economic crisis has led to companies only obtaining credit financing on worse terms than in previous years. To optimise its refinancing costs, the MVV Energie Group obtains its debt capital by issuing broadly based invitations to tender on the banking market. Given the very good credit standing of the MVV Energie Group, this enables a wide group of banking partners to be addressed and creates a favourable competitive climate for determining the price.

To limit the risk of receivables default, we perform our transactions with banks and trading partners of high credit standing. Where necessary, we also agree the provision of security and guarantees.

Operating risks

Operating risks consist of operational, organisational, IT, personnel, security and model risks.

Operational risks are particularly significant for us as an energy supplier. Damages to generation facilities or technical difficulties could lead to breakdowns and thus to financial losses.

Energy supply projects often have comparatively long terms, a factor which calls for high project design and costing standards. We meet these requirements with stringent project and quality management and subject our internal instruments to continuous enhancement.

Furthermore, we also conclude suitable asset insurance policies for our plant to enable us to limit the financial damages suffered in the worst case.

Attracting and retaining qualified employees and managers is one of the most important factors in safeguarding our company's success. In view of this, we promote our employees with targeted personnel development programmes on all levels and provide them with ongoing training. We therefore see only a low risk of it not being possible to find suitable replacements in the event of key personnel leaving the company. The Employees chapter starting on Page 45 provides further information on our personnel development measures.

Strategic risks

We define strategic risk as involving investment risks which may arise on account of our growth focus. These include erroneous, poorly prepared or inaccurate strategic assessments concerning company takeovers, shareholdings in municipal utility companies, joint ventures, alliances, projects or new markets and technologies.

Our strategy is determined by the Executive Board in liaison with our specialist Group Strategy department and is subject to regular review. New investments are examined and approved by the Investment Committee, a body composed of representatives from various specialist departments.

Overall risk

The overall assessment of our current risk situation by the Executive Board found that there were and are no indications of any risks which could have endangered the continued existence of the company during the period under report, or which could do so in future.

Outlook

Macroeconomic and sector developments

In their autumn forecast published on 14 October 2008, the leading German economic research institutes expect domestic economic growth to slow significantly to a maximum of 0.2 % in 2009, compared with the growth of 2.2 % forecast for 2008. The main reasons for this downturn are seen in the international financial crisis and the resultant negative implications for the real economy, especially for new orders and industrial production. This situation is being exacerbated by companies only being able to obtain credit financing on worse terms than in previous years. This development can also be expected to impact on the energy industry in the course of 2009.

In the wake of the financial market crisis and the downturn in the global economy, crude oil prices have fallen substantially from their record levels of US$ 145 per barrel in July 2008 (North Sea Brent) to under US$ 50 per barrel as of 20 November 2008. Future crude oil prices will be determined by developments on the international financial markets and the performance of the global economy.

Alongside competition and grid regulation, the key challenges facing our sector include the threat of climate change, dependence on ever scarcer primary energy resources and the long-term rise in commodity and energy prices. The implementation of political climate protection targets (please see Page 9) will permanently change energy supply systems. Viewed realistically, it will not be possible to cover future energy requirements with renewable energies alone, at least in the medium term, even if we expand our share of regenerative energies, save energy and achieve efficiency enhancements.

Strategic alignment of the company

In terms of its strategy, the MVV Energie Group will maintain its focus on sustainable and profitable growth. As well as implementing further efficiency enhancement and cost-saving measures in our core business of electricity, district heating, gas and water, we will also pursue growth projects, especially in the nationwide sale of electricity and gas in Germany and in the supply of district heating based on energy-efficient cogeneration.

Our second strategic line of attack is the expansion of our municipal utility network. We remain on the lookout for possibilities of extending our company network by acquiring shareholdings and entering into cooperations in economically attractive regions in order to jointly increase efficiency, reduce costs and exploit new sales opportunities.

The third pillar in our corporate strategy consists of the high-growth business fields of environmental energy and energy-related services, in both of which our group of companies has built up a leading market position in recent years. In the light of the political climate protection targets, we will be focusing our business activities even more closely on renewable energies, as well as on energy-efficient technologies and energy-related services. In the environmental energy business, we are also looking into further growth opportunities abroad.

Future sales markets in core business

Competition in the electricity and gas markets is set to intensify further. In this climate, the MVV Energie Group is attracting new customers across Germany by offering attractive products. Via SECURA Energie GmbH, we offer 100 % green electricity together with an "Allround Carefree Package" including an insurance package integrated into the tariff (please also see Page 12).

We also see great growth potential in our nationwide industrial and commercial customer business. We have supplemented our successful Electricity Fund products with an attractive Gas Fund product specially designed for medium-sized customers and companies operating at several locations. As a result, gas customers also stand to benefit from our experience in structured procurement in future.

The Czech Republic is currently the only foreign market in our core business. Via the MVV Energie CZ s.r.o. subgroup, we aim to achieve ongoing further improvements in our efficiency and earnings power here too, as well as expanding our market share where opportunities arise.

Expansion of district heating supply using energy-efficient cogeneration

The district heating study published in April 2008 reveals considerable potential for economically viable expansion in the Rhine/Neckar metropolitan region. Since then, we have launched a multistage expansion programme for Mannheim.

The construction of the new Block 9 at the large power plant in Mannheim – Grosskraftwerk Mannheim AG (GKM) – forms the basis for a secure long-term electricity supply and for the maintenance and planned expansion of the supply of environmentally-friendly district heating in Mannheim and the Rhine/Neckar metropolitan region. GKM has filed the necessary application for approval of the construction of Block 9 with the regional authorities in Karlsruhe. The assessment notice is expected in the first half of 2009.

Market opportunities in environmental energy business

The first fire should be ignited at the newly built boiler 6 at the Mannheim location, which is due to replace two older boilers, in November 2009 already. We expect to be able to operate our energy from waste plants at full capacity at all locations in the 2008/09 financial year as well. Our waste activities at the three locations in Mannheim, Offenbach and Leuna are focusing on consolidating and optimising regional waste volumes using materials flow management, as well as on achieving further operational improvements at existing plants. Given the increasing formation of oligopolies in the marketing of waste, we plan to extend our value chain with cooperations and shareholdings aimed at securing access to the relevant fuels, waste and biomass, independently of large waste disposal companies.

Following the rapid growth of the waste incineration segment (waste and waste timber) in recent years, we see the German market as now only offering limited growth potential. We are therefore currently looking closely into extending the successful growth strategy of MVV Umwelt GmbH to foreign waste markets. The Supervisory Board of MVV Energie AG approved the foundation of the British subsidiary MVV Environment Ltd. on 26 September 2008 in order to investigate the opportunities available there. Based on our careful market analysis, the British waste market harbours substantial economically interesting potential for generating energy from waste.

Opportunities in the energy-related services business due to renewable energies and energy efficiency

The underlying framework for our energy-related services business has improved due to the extension of the legislation promoting renewable energies and the widespread rise in energy costs. Energy-efficient and environmentally-friendly technologies, concepts and services for the decentralised generation of electricity and heating energy based on bioenergy are in increasing demand in the industrial, commercial and municipal sectors.

To exploit growth opportunities and increase its profitability, MVV Energiedienstleistungen GmbH has optimised its organisational structure and is now relying even more heavily on regional companies to process the market. Particularly promising market segments for us include contracting for the housing industry, the construction of biomass cogeneration plants to provide industrial companies with a decentralised supply of heating energy and steam and the acquisition of industrial parks. Following a successful start-up phase, the new product field of biogas and the new healthcare and welfare customer group should also contribute more significantly to our growth in the next years.

Shared service companies provide a joint platform

Coming financial years will be affected by the entry into force of incentive regulation on 1 January 2009 and by ever more intense pressure on costs in the electricity and gas markets. By pooling internal services, the MVV Energie Group was early to prepare for the efficiency requirements involved in incentive regulation. The shared service companies now successfully established provide the entire group of companies with a joint platform for achieving further efficiency enhancements and offer other municipal utility companies a solid basis for promising partnerships and cooperations.

Expected development in key income and expense items

Assuming normal weather conditions, we expect to generate sales (excluding electricity and natural gas taxes) of Euro 2.8 billion in the new financial year. This single-digit percentage sales growth compared with the 2007/08 financial year will be driven in particular by the electricity, district heating, gas and value-added services segments. We expect to see further expansion in our nationwide sales of electricity and gas to industrial and commercial customers. We also expect the contracting business in the value-added services segment to generate higher sales with customers in the housing and industrial sectors.

Our energy procurement costs will largely be determined by the further development in primary energy prices. Changes in the oil price also affect natural gas prices following a certain delay. MVV Energie AG has announced a reduction in gas prices by 5 % as of 1 January 2009. In its procurement of natural gas, our group of companies will be relying on expanding its portfolio of suppliers. The new collectively agreed wage and salary rates will impact on personnel expenses from 1 January 2009 onwards. The rates in force since 1 October 2007 expire on 31 December 2008.

The earnings performance in the 2008/09 financial year will continue to be affected by current fair values of energy trading transactions requiring recognition under IAS 39 at the reporting dates. Should market prices fall compared with the high price levels seen in 2007/08, then IAS 39 may lead to negative valuation effects in the 2008/09 financial year. Excluding the impact of this measurement under IAS 39, we currently expect to achieve a slightly lower level of operating earnings (EBIT before IAS 39) in the 2008/09 financial year than in the 2007/08 financial year.

This downturn in EBIT will chiefly result from items in connection with the Rheinisch-Bergisch Municipal Utility Association (RBSV) at the towns of Solingen, Remscheid and Velbert, which is due to be launched on 1 January 2009. The planned contribution of Stadtwerke Solingen GmbH (SWS) to this municipal utility association and the resultant reduction in our shareholding to around 22 % of RBSV will lead to a change in the type of consolidation. Consolidated earnings for the 2008/09 financial year will be burdened by the impact of the change in the type of consolidation and by prorated restructuring expenses. Further factors negatively affecting earnings will result from the discontinuation of earnings contributions from Poland and the first full-year consolidation of SECURA Energie GmbH.

Expected financial position

The corporate strategy of the MVV Energie Group, coupled with its value-driven focus on growth, will also be reflected in the cash flow statement in the next financial years in the form of a continuous increase in cash flow from operating activities. Together with the funds received from the capital increase in the 2007/08 financial year, this growth in cash flow from operations means that our group of companies has sufficient scope for value-enhancing acquisition measures and investments in municipal utility companies and in the high-growth environmental energy and energy-related services divisions. Alternatively, these funds can be used to repay financial debt.

Investments in property, plant and equipment are budgeted at Euro 241 million for the 2008/09 financial year and at Euro 210 million for the 2009/10 financial year. In line with our growth strategy, the largest investment projects are in the environmental energy and value-added services segments.

We will be maintaining our shareholder-friendly dividend policies. The Executive and Supervisory Boards intend to propose increasing the dividend from Euro 0.80 to Euro 0.90 per share for the 2007/08 financial year for approval by the Annual General Meeting on 13 March 2009.

No change in risks and opportunities

Even accounting for the current financial and economic crisis, there are still no indications of any risks which could endanger the continued existence of the company. No further risks have been added to the six risk categories listed in our Risk Report for 2007/08 (strategic risks, legal risks, financing risks, price risks, volume risks and operating risks).

Research and development: enhancement of energy-efficient technologies

The provision of new energy technologies and use of renewable energy sources are gaining in importance. In this respect, the MVV Energie Group accords particular significance to cogeneration within its technology strategy.

We expect the changes in the energy industry to increase the influence of technological factors on the company's development. To enable us to exploit attractive new business possibilities, we are therefore increasingly open to cooperations with technology and process leaders, including companies from outside our own sector.

In the 2008/09 financial year, we will further develop energy-efficient fuel cell technology for use in house energy supplies. For this, the MVV Energie Group is taking part in the multi-year "Callux" group project organised by the Federal Government within the framework of the National Innovation Programme for Hydrogen and Fuel Cell Technology (NIP). Together with other energy supply companies and well-known producers, this project is intended to press ahead with preparing the market launch of natural gas-powered fuel cell heating appliances for use in house energy supplies. For this, MVV Energie will be stepping up its field trials with fuel cell heating appliances and commence operations with initial models at select customers.

The award for the "Model City Mannheim" project proposal submitted by the consortium led by MVV Energie AG in the federal "E-Energy" competition in March 2008 also involved an undertaking to implement the proposal. The subsidies of around Euro 10 million applied for from the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety were received at the end of September 2008. The implementation project was officially launched in October 2008. A new form of local energy marketplace will be built up and tested for the first time. The supply grids in Mannheim provide the real market background and will therefore act as role models for mapping the results onto other supply structures across the whole of Germany at a later date.

Overall summary of expected developments at Group

All in all, the 2008/09 financial year will be characterised by a further increase in pressure on costs and intensified competition in the business fields in which we operate and by a difficult macroeconomic climate. Our company will be focusing on further extending its profitable growth both in its core business and in its high-growth fields of environmental energy and energy-related services.

The air can breathe again

Savings contracting and the use of refuse-derived fuels and renewable energies to generate electricity and heating energy in our energy-related services business enable us to avoid around 245 000 tonnes of CO_2 emissions a year compared with energy generated at conventional power plants.

Saving energy, preserving fossil energy resources and reducing CO_2 emissions are some of the key challenges involved in the future energy supply.

With its decentralised energy supply solutions for large industrial locations, MVV Energiedienstleistungen GmbH chiefly relies on refuse-derived fuel and on a rapidly growing number of heating plants and cogeneration plants powered by the renewable fuels of biomass (especially timber and wood chips) and biogas. Our contracting solutions for municipalities, industrial companies, the real estate sector and hospitals are in great demand across Germany.

We are harnessing this great interest in the market and developing individual solutions for numerous new customers.

Business Segments

3

Business Segments

3

Electricity Segment

By extending its sales activities with innovative products on a nationwide basis, the MVV Energie Group has maintained its ground well in the highly competitive and regulated German electricity market. Electricity is the largest segment in terms of sales, accounting for 52 % of sales at our Group. Operating earnings (EBIT) in the electricity segment excluding the non-cash IAS 39 valuation item (EBIT before IAS 39) contributed 26 % of total sustainable operating earnings.

Market success in nationwide sale of electricity

We successfully increased our sales in the electricity business despite more intense competition and the reduction in grid utilisation fees by the regulatory authorities.

One of the key factors driving this positive performance was the 11 % volume growth in electricity turnover in the end customer business. This was chiefly due to the 15 % increase in electricity turnover with industrial and commercial customers (special contract customers) achieved with the Electricity Fund models offered nationwide. Since March 2008, our Electricity Fund customers (industrial and commercial customers with annual consumption of 300 000 kWh or more) have had the opportunity of combining the benefits of structured procurement with the supply of electricity from renewable energy plants. By the 2007/08 reporting date, Electricity Fund volumes of 3.9 billion had been acquired for the 2008 calendar year and combined volumes of 6.4 billion kWh for 2009 and 2010. Around 90 % of our customers have extended their contracts, thus expressing their confidence in the product and accompanying service package.

Electricity turnover with private and business customers (fixed-rate customers) fell by 4 %. Around 8 % of household customers changed supplier in the year under report. By comparison, according to the Federal Association of the German Energy and Water Industries (BDEW) the German average for the first half of the 2008 calendar year amounted to 17 %.

Due especially to the large downturn in volumes in the wholesale electricity and secondary distribution business (– 20 %), the overall electricity turnover of the MVV Energie Group fell year-on-year by 7 % to 22.0 billion kWh. The reduction in wholesale volumes was primarily due to the expiry of trading transactions at the Kiel subgroup.

Competitive pricing and product policies

We are confronting the tangible increase in competition in the private customer business by further enhancing our electricity products in line with customers' needs. Even though household customers' propensity to change provider is still largely determined by the price, other factors, such as service quality, supply reliability and ecological responsibility, are becoming increasingly important. With its innovative products and the moderate pricing policies offered in recent years, the MVV Energie Group aims to differentiate itself from competitors' offerings.

In its sales activities, the MVV Energie Group is also increasingly relying on green electricity products. We entered the national market for private customers in January 2008 by offering proprietary green electricity products via the company SECURA Energie. With our "SECURA Ökostrom" product, which offers electricity from energy sources certified by the technical inspection agency TÜV-Süd, we also offer an "Allround Carefree Package" with an insurance built into the standard rate, which covers house installation problems and damages up to Euro 250 a year. In addition, all SECURA customers receive a free power failure insurance policy covering damages up to Euro 2 600 per case of damage. This product is being marketed without costly advertising measures by cooperating with national partners, such as Medienclub Bertelsmann, Gardena, Automobilclub von Deutschland (AvD) and SodaClub.

Since March 2008, industrial and commercial customers have also been able to convert the electricity they procure from the MVV Energie Group to green electricity products, as have our public sector, multi-location and secondary distribution customers. By selecting the "Option Öko 100" product, these customers can procure 100 % of their electricity from renewable energies. The Öko-Institut in Freiburg provides the relevant quality guarantees. As part of the "Green Printing" sales cooperation agreed in the year under report, MVV Energie AG and Heidelberger Druckmaschinen AG aim to offer an economically attractive green electricity product to around 11 000 mostly medium-sized printing companies and service providers in Germany.

Electricity Turnover of the MVV Energie Group[1]

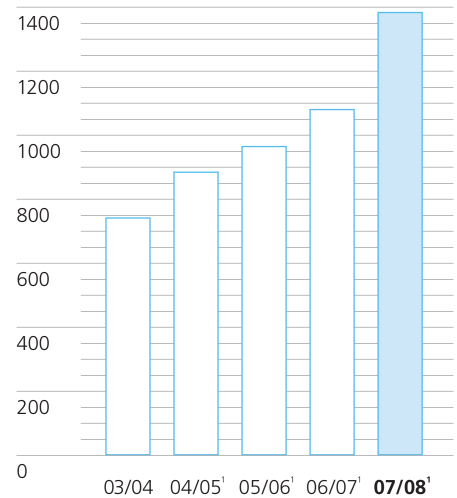
kWh million	2007/2008	2006/2007	% change
End customers			
of which industrial and commercial customers[2]	8 921	7 771	+ 15
of which private and business customers[2]	1 898	1 982	– 4
	10 819	9 753	**+ 11**
Wholesale electricity trading (including secondary distributors)[2]	11 156	13 960	– 20
	21 975	23 713	– 7
External sales in Euro million	1 382	1 079	+ 28
EBIT in Euro million	143	54	+ 165
EBIT before IAS 39 in Euro million	64	38	+ 68

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

[2] correction in previous year's figure

Electicity Sales

Euro million



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

Close cooperation between the sales units of our municipal shareholdings enables us to exploit synergies and achieve cost savings. As well as harmonising product ranges and marketing activities, this focuses on sales-related logistical services performed centrally by MVV Energie AG for the Offenbach, Ingolstadt and Köthen shareholdings on the basis of its nationwide sales activities, contractual relationships and communications channels.

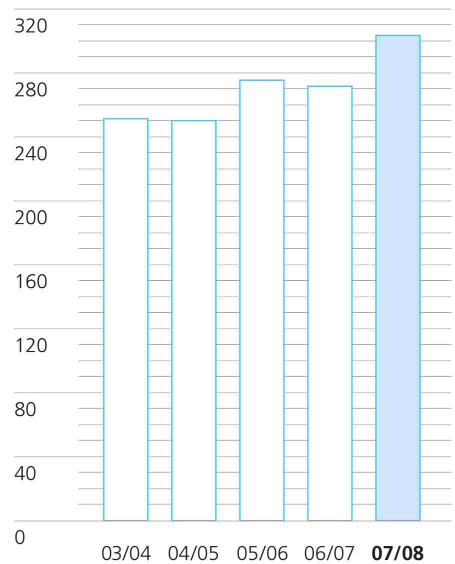
Positive sales and earnings performance

External sales (excluding electricity tax) grew year-on-year by Euro 303 million to Euro 1 382 million. This sharp increase by 28 % was chiefly due to substantial volume growth and higher prices in the nationwide sale of electricity, especially at MVV Energie AG and Stadtwerke Kiel AG. Moreover, sales were also affected by price increases in the electricity trading and private customer businesses at some of the municipal utility shareholdings.

Adjusted for the positive IAS 39 valuation item of Euro 79 million, operating earnings (EBIT) in the electricity segment rose year-on-year by Euro 26 million to Euro 64 million. Numerous individual factors contributed to this improvement. Electricity generation costs benefited firstly from non-period credits from the transmissions grid operator for the grid construction costs saved due to the operation of the decentralised power plant in Mannheim. Revenues were also boosted by the fair cause-based splitting of generation costs with the district heating segment. At power-operated power plants, steam has to be provided to produce district heating using the cogeneration process, thus reducing the output available for electricity generation. The resultant loss of revenues and costs on the electricity side are offset against district heating. Earnings at the Kiel subgroup benefited from non-period income from the delineation of consumption, as well as from the fact that, unlike in the previous year, no charge was incurred for the recognition of personnel provisions. Energy tax refunds and pricing factors also enabled the Offenbach, Ingolstadt and Solingen shareholdings to post improved earnings contributions compared with the previous year.

District Heating Segment

District Heating Sales
Euro million



District heating is the third-largest business segment of the MVV Energie Group in terms of sales and its operating earnings (EBIT) contribution before IAS 39. District heating based on cogeneration has witnessed a political renaissance due to the Federal Government's energy and climate programme. The construction and modernisation of cogeneration plant and expansion of related district heating grids are being subsidised by the Federal Government with up to Euro 750 million a year.

Volume growth in spite of downturns in Poland

Sales volumes in our district heating segment rose year-on-year by 7 % to 5.6 billion kWh. Of total district heating turnover, 94 % is attributable to district heating and 6 % to steam. In the district heating business, sharp weather-related volume growth in the 2007/08 heating period compared with the unusually mild winter in 2006/07 more than offset the reduction in volumes reported mainly in the private and business customer segment, not least due to the sale of our Polish shareholdings.

Sales volumes at the Czech subgroup, MVV Energie CZ s.r.o., Prague, showed substantial growth of 33 % to 0.9 billion kWh. This was mainly due to sales volumes at new district heating shareholdings consolidated for the first full year of operations in 2007/08.

The increased steam turnover was attributable to the Kiel and Czech subgroups. The steam and district heating resulting from the incineration of waste and biomass is reported in the environmental energy and value-added services segments.

District heating earnings burdened by higher generation costs

District heating sales rose year-on-year by Euro 31 million to Euro 303 million (+ 11 %). This was driven in particular by weather-related volume increases, external growth at the Czech subgroup and clause-related price adjustments, thus more than offsetting reduced sales in the Polish district heating business.

District Heating Turnover of the MVV Energie Group[1]

kWh million	2007/2008	2006/2007	% change
District Heating			
End customers			
of which industrial and commercial customers	1 638	1 511	+ 8
of which private and business customers	2 900	2 935	– 1
	4 538	**4 446**	**+ 2**
Secondary distributors	686	591	+ 16
	5 224	**5 037**	**+ 4**
Steam			
Industrial and commercial customers[2]	337	156	+ 116
	5 561	**5 193**	**+ 7**
External sales in Euro million	303	272	+ 11
EBIT in Euro million	39	42	– 7
EBIT before IAS 39 in Euro million	38	42	– 10

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

[2] correction in previous year's figure

Of total sales in the district heating segment, 61 % (Euro 185 million) related to the German market and 39 % (Euro 118 million) to the international business. Sales at the Czech subgroup increased year-on-year by Euro 30 million to Euro 92 million, while sales at the Polish subgroup fell by Euro 14 million to Euro 26 million.

District heating earnings before interest, taxes, depreciation and goodwill amortisation (EBITDA) fell year-on-year by Euro 5 million to Euro 67 million, while earnings before interest and taxes (EBIT) dropped by Euro 3 million to Euro 39 million. The positive impact on earnings of weather-related volume growth was more than offset by a series of negative factors. The rapid rise in coal prices led to higher generation costs at upstream suppliers. Our companies could only pass on the resultant rise in procurement costs to customers following a certain delay. Moreover, earnings were affected by a one-off special charge at the Offenbach subgroup due to a damaged turbine at its cogeneration plant and by higher procurement costs at MVV Energie AG due to the fair cause-based splitting of cogeneration costs with the electricity segment (please see Electricity Segment). District heating earnings at the Kiel subgroup were burdened in the year under report by the offsetting for the first time of the gas input used in district heating production.

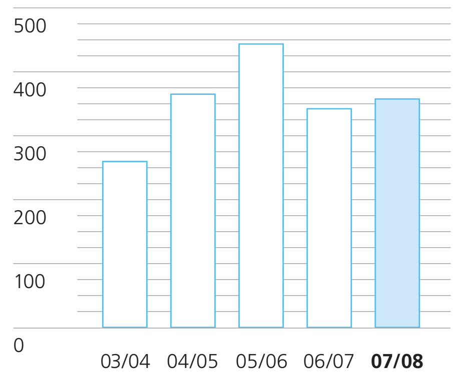
Despite this reduction, the district heating segment remains a key earnings driver at the MVV Energie Group. Of segment EBIT prior to consolidation, 42 % related to MVV Energie AG, 10 % to shareholdings in Germany and 48 % to international shareholdings.

Of total district heating volumes generated, 63 % are attributable to the large power plant in Mannheim (GKM) and the jointly owned power plant in Kiel, in which MVV Energie AG and Stadtwerke Kiel AG hold stakes of 28 % and 50 % respectively. The heat generated at proprietary waste incineration, heating and cogeneration plants contributed 30 % to the district heating output of the MVV Energie Group, while other generation or procurement volumes contributed 7 %.

In view of the discussions currently surrounding climate protection, the MVV Energie Group is planning a massive expansion in the district heating supply for the coming years (please see Environmental Protection on Page 49 and Outlook from Page 53).

Gas Segment

Gas Sales
Euro million



The performance of the gas segment was affected on the one hand by cooler weather conditions compared with the previous year and on the other by intense competition in the secondary distribution and wholesale customer market. This was accompanied by the rapid surge in crude oil prices to record levels by July 2008, which led procurement prices at all German gas supply companies to rise sharply due to the linking of international gas supply agreements to the oil price. With a 14 % share of consolidated sales, the gas segment is our second-largest business segment. The operating EBIT before IAS 39 of the gas segment also made up 14 % of total sustainable EBIT before IAS 39 at the MVV Energie Group.

Weather and competition as key factors affecting gas turnover

Despite cooler weather conditions, the gas turnover of the MVV Energie Group dropped year-on-year by 4 % to 8.6 billion kWh. This was chiefly due to substantially reduced volumes in the secondary distribution business. Following the liberalisation of the gas market, there has been a sharp increase in competition for secondary distribution companies, as well as for major customers favourably located in terms of the gas supply. This is especially the case following the construction of direct pipelines. The secondary distribution business only accounted for 7 % of total gas turnover in the year under report (previous year: 20 %). Our companies supplied six gas supply companies in their secondary distribution business in the year under report; in the previous year they had still supplied nine such companies.

Volume growth, mainly due to weather conditions, in our end customer business (+10 %), enabled us to make up for part of the supply volumes lost in the secondary distribution business. The end customer business accounted for 83 % of total natural gas turnover in the year under report (previous year: 73 %). The more marked volume growth reported for private and business customers than for industrial and commercial customers was due in part to the greater share of heating gas dependent on weather conditions among such customers and in part to a competition-related downturn in the industrial customer business.

Improved sales and earnings

Largely driven by weather-related volume growth in the end customer business, sales (net of natural gas tax) rose year-on-year by 4 % to Euro 356 million. MVV Energie AG, Mannheim, was one of the few providers in Germany not to adjust its gas rates for two years in spite of rising oil prices. The rapid rise in the oil price in the first half of 2008, which impacts on gas procurement prices at our companies following a contractual delay of three months, made price adjustments at the beginning of the new 2008/09 financial year unavoidable. Experience in other European countries shows that decoupling the gas price from the oil price would not lead to any notable benefits for customers. Given declining oil prices, MVV Energie AG has announced a reduction in gas prices by an average of 5 % as of 1 January 2009.

Gas Turnover of the MVV Energie Group[1]

kWh million	2007/2008	2006/2007	% change
End customers			
of which industrial and commercial customers	3 250	3 102	+ 5
of which private and business customers	3 907	3 418	+ 14
	7 157	**6 520**	**+ 10**
Gas wholesale	864	624	+ 38
Secondary distributors	610	1 812	– 66
	8 631	**8 956**	**– 4**
External sales in Euro million	356	342	+ 4
EBIT in Euro million	43	11	+ 291
EBIT before IAS 39 in Euro million	35	11	+ 218

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

Adjusted for the positive valuation item for recognising energy trading transactions under IAS 39 as of 30 September 2008 (Euro 8 million), segment operating earnings (EBIT) rose year-on-year by Euro 24 million to Euro 35 million. In the year under report, in which weather conditions corresponded to long-term averages, all companies in our Group active in the gas business made up once again for the reduced earnings in the previous year due to lower heating gas turnover on account of the unusually mild winter.

Alongside the impact on earnings of weather conditions compared with the weak previous year (base effect), segment earnings were also boosted by cost savings resulting from efficiency enhancement measures. Moreover, earnings also benefited from the fact that, unlike in the previous year, no charge was incurred for prorated personnel provisions at the Stadtwerke Kiel subgroup and at MVV Energie AG, as well as from income generated at the Kiel subgroup in the year under report on district heating gas supplied for heat generation.

The gas trading successfully launched on the EEX European Energy Exchange in July 2007 was expanded in the year under report. Amended grid access and utilisation regulations led to far-reaching changes in gas procurement and to an ever wider range of procurement options on the wholesale level.

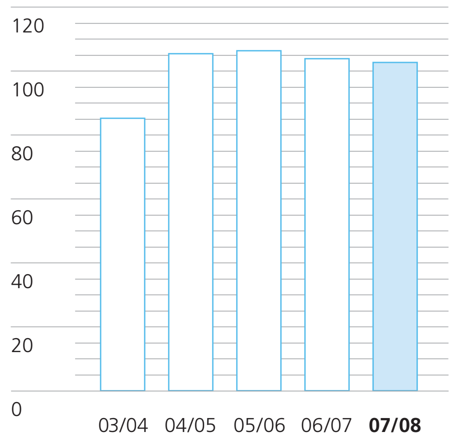
The Stadtwerke Kiel AG subgroup is increasingly relying on gas storage facilities to optimise its gas procurement. Kielspeicher 103 Verwaltungs GmbH, a subsidiary founded as a storage operator, already has storage capacities of 60 million m³, with a further 70 million m³ currently under construction.

Nationwide gas sales

Since April 2008, we have also offered our Gas Fund product, with basic features analogous to those of the Electricity Fund, to industrial customers with annual consumption in excess of 600 000 kWh. Customers' requirements are pooled at the Gas Fund and procured on the wholesale market. From 1 October 2008, MVV Energie AG will begin to supply industrial gas and multi-location customers.

Water Segment

Water Sales
Euro million



Drinking water is a staple resource. For customers in Germany, the reliability and quality of the supply are of utmost importance. Customers of the MVV Energie Group can rely on a supply of drinking water of superb quality and available at all times in sufficient quantities.

The companies in our Group meet these high drinking water quality standards in their respective supply regions, as their acquisition, treatment and distribution facilities conform to very high technical standards and thus ensure that the water reaches customers fresh and free of pollutants. The Group does justice to the high requirements placed in the quality of the water supply by drawing on its far-reaching quality measurement network and proprietary water laboratories. The water resources and water rights on hand, coupled with the high quality and sustainable handling of such resources by our companies, mean that the supply of clean drinking water to the population is also secure in the long term.

Water consumption stabilises at a low level

Our customers make careful use of their drinking water. Overall, sales volumes in the water segment in the 2007/08 financial year matched the previous year's level. The MVV Energie Group supplies around 90 % of its water turnover to end customers in 30 towns and municipalities and around 10 % to a current total of ten other water supply companies. Private and business customers make up by far the most important customer group. As in the previous year, they accounted for more than 82 % of total water turnover.

Decline in sales and earnings performance

Sales in the water segment decreased year-on-year by 2 % to Euro 102 million. Of segment sales, 52 % related to the MVV Energie AG parent company and 48 % to our municipal utility shareholdings in Kiel, Offenbach and Solingen. The Kiel subgroup is the shareholding reporting the highest sales in the water segment. Energieversorgung Offenbach AG (EVO) reduced its drinking water prices as of 1 July 2007, thus enabling its customers to benefit from the efficiency enhancements achieved. The sales of the water segment made up around 4 % of total sales at the MVV Energie Group.

Water Turnover of the MVV Energie Group[1]

m³ million	2007/2008	2006/2007	% change
End customers			
of which industrial and commercial customers	4.3	4.3	—
of which private and business customers	45.2	45.1	—
	49.5	**49.4**	—
Secondary distributors	5.3	5.4	– 2
	54.8	**54.8**	—
External sales in Euro million	102	104	– 2
EBIT in Euro million	10	19	– 47

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

Value-Added Services Segment

The earnings before interest, taxes, depreciation and amortisation (EBITDA) of the water segment dropped from Euro 30 million to Euro 20 million. Operating earnings before interest and taxes (EBIT) fell year-on-year by Euro 9 million to Euro 10 million. This decline was mainly due to increased restructuring costs at the MVV Energie AG parent company for the Mannheim distribution grid and higher maintenance expenses at the Kiel subgroup for accompanying development measures in redevelopment areas. Moreover, earnings at the Offenbach subgroup were affected by price reductions and the fact that, unlike in the previous year, no income was posted from the release of leasing provisions.

Operating earnings before interest and taxes (EBIT) accounted for 4 % of the sustainable consolidated EBIT before IAS 39 of the MVV Energie Group for 2007/08.

The MVV Energie Group has further strengthend its position as one of the top providers of energy-related services in Germany. We were early to invest in efficient energy generation, energy-saving technologies and the increasing use of renewable energies. The German climate protection package and the calls for energy savings and improved energy efficiency offer growth potential which we intend to exploit.

Improved management with new structures

To enable us to achieve and reliably manage the further growth in our energy-related services business, we optimised our business operating processes in the year under report and enhanced the decentralised structure of MVV Energiedienstleistungen GmbH. MVV Energiedienstleistungen GmbH has pooled its regional businesses at regional subsidiaries and outlets. We now have a workforce of 100 employees in the German capital.

Contracting: Energy and Water Turnover of the MVV Energie Group

	2007/2008	2006/2007	% change
Electricity turnover in kWh million	371	358	+ 4
Heating water turnover in kWh million	616	295	+ 109
Steam turnover in kWh million	414	417	– 1
Gas turnover in kWh million	535	500	+ 7
Water turnover[1] in m³ million	0.3	0.3	—
Combustible waste delivered in tonnes 000s	8	—	—

[1] correction in previous year's figure

Sustainable sales growth

Segment sales rose year-on-year by Euro 14 million to Euro 277 million (+5 %). This growth was chiefly attributable to the MVV Energiedienstleistungen subgroup. The market has granted a warm reception to our contracting offerings for the real estate sector, welfare institutions, industrial and commercial companies and municipalities, which are reported in the Municipal Solutions and Small Projects division. The sales growth reported here (+12 %) was largely driven by our success on the housing and real estate market. Four major savings contracting projects were implemented within the energy partnership with Berliner Energieagentur (Deutsche Oper, Moabit Prison, Berlin Children's, Youth and Family Centre (FEZ) in Wuhlheide and 30 schools and childcare facilities in Friedrichshain). Energy savings of up to 36 % have been achieved at Deutsche Oper alone. MVV Energiedienstleistungen GmbH will also be supplying heating energy to the Axel-Springer publishing house in Berlin and taking over the supply of cooling energy to the media company in Hamburg and Berlin until 2013. A further promising order involves supplying heating energy to a real estate portfolio encompassing 79 properties with around 500 000 square metres. Moreover, a five-year contract to supply and optimise the heating energy at 1 400 properties has been concluded with Deutsche Immobilien Verwaltung (DIV). This success is also due to the e:duo subsidiary jointly founded with ista Deutschland GmbH.

A five-year contract to supply electricity and gas, heating and cooling energy and to assume the overall energy management for 80 hospitals across Germany has also been concluded with Europe's largest private hospital group.

Operations were launched at a new biomass CHP plant in Pfalzgrafenweiler in May 2008. This plant works with efficient cogeneration powered by wood chips available in the region to supply heating energy and electricity to companies and private households. At a further new biomass heating plant in the district of Garmisch-Partenkirchen, untreated forest and non-recyclable timber is used for the environmentally-friendly generation of bio-heat for Ettal Monastery and a nearby hotel. In Mertingen, MVV Energiedienstleistungen GmbH is investing in a biomass CHP plant together with the Bavarian State Forestry Commission (investment cost: Euro 9 million). From May 2009, wood chips are to be used in their natural state to generate around 51 GWh of steam for the dairy company Grossmolkerei Zott GmbH & Co. KG and 9.4 GWh of electricity for the public grid.

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

Euro million	2007/2008	2006/2007	% change
Municipal solutions and small projects[1]	110	98	+ 12
Industry parks and large projects[1]	86	83	+ 4
Consulting	30	27	+ 11
MVV Energiedienstleistungen	**226**	208	+ 9
Energy-related services at municipal utility shareholdings	55	55	—
Energy-related services	**281**	263	+ 7
Other value-added services/ consolidation	– 4	—	—
	277	263	+ 5
External sales in Euro million	277	263	+ 5
EBIT in Euro million	20	19	+ 5

[1] reallocations – previous year's figures adjusted

In the biogas market, MVV Energiedienstleistungen GmbH is investing across Germany in plants with outputs ranging from 500 kW to 1000 kW. Operations commenced at the first biogas plant, which generates 4 600 MWh of electricity a year for the public grid, in Mechau, Sachsen-Anhalt, in January 2008. The useful heat thereby generated is supplied to an adjacent commercial company.

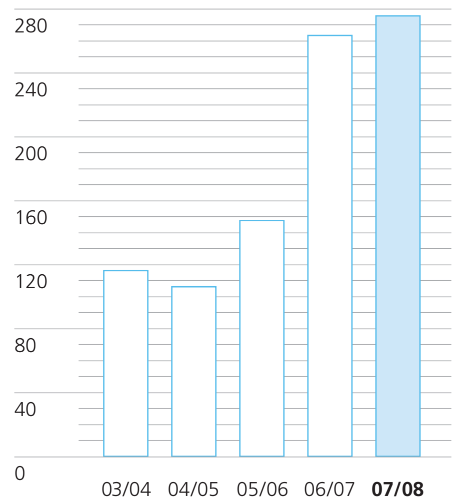
MVV Energiedienstleistungen GmbH took over the planning and project management for three building development areas with a total surface of 33 hectares and handed these over on schedule to the municipalities of Ilvesheim, Kirchheim and Sinsheim-Hilsbach. All in all, the company is managing 25 land improvement and development measures.

We have been able to further expand our activities in the Industry Parks and Large Projects division and are now represented with an extensive range of services on the market.

Of the annual sales of Euro 86 million generated in the Industry Parks and Large Projects division, Euro 59 million was attributable to Industriepark Gersthofen Servicegesellschaft mbH & Co. KG and Euro 18 million to the industrial power plant in Ludwigshafen. In July 2008, MVV Energiedienstleistungen GmbH launched operations at one of Germany's largest gas-powered heating plants at Industry Park South in Ludwigshafen. This plant has an output of three times 4.3 MW_e and 7 MW_t and feeds 40 GWh of electricity a year into the public grid. The simultaneous generation of steam enables around 15 GWh a year of process steam to be supplied to three large industrial customers.

In April 2008, the foundation stone was laid in Gersthofen for a refuse-derived fuel power plant, in which the company is investing around Euro 30 million. From mid-2009, this will supply the twelve companies at Gersthofen Industry Park with 130 GWh a year of process steam resulting from environmentally-friendly production. In May 2008, the first fire was ignited for a refuse-derived fuel power plant at the Korbach location. From December 2009, this plant will provide the automotive supplier Continental with 113 GWh of process steam and 12.3 GWh of electricity a year.

Value-Added Services Sales
Euro million



Sales in the consulting division rose by 11 % in the year under report. To strengthen its positioning in international markets, MVV Energiedienstleistungen GmbH has merged the consulting activities of its subsidiaries DECON Deutsche Energie-Consult Ingenieurgesellschaft mbH and MVV Consulting GmbH at MVV decon GmbH. With around 150 employees, the two companies handled more than 240 projects during the year under report and generated annual sales of Euro 25 million. Major consulting contracts were also acquired in the international consulting business in the year under report, including projects in Rumania, Abu Dhabi and the USA (please also see Major Events in the Financial Year on Page 13). The subsidiary BfE, Institut für Energie und Umwelt GmbH, which operates in the German consulting business, posted sales of Euro 7.5 million.

At Euro 55 million, the sales of the value-added services businesses at the municipal utility shareholdings in Kiel, Offenbach, Ingolstadt and Köthen, including the shared service companies 24/7 United Billing GmbH, Offenbach, 24/7 Metering GmbH, Offenbach, and 24/7 IT-Services GmbH, Kiel, matched the previous year's level.

Earnings performance affected by one-off item

Operating earnings (EBIT) in the segment improved year-on-year by Euro 1 million to Euro 20 million. Excluding the positive one-off item reported in the previous year in connection with the release of badwill upon the initial consolidation of Industriepark Gersthofen Servicegesellschaft mbH (Euro 5 million), the operating earnings (EBIT) of the value-added services segment rose year-on-year by Euro 6 million (+ 43 %). Around Euro 2 million of this adjusted improvement was attributable to contracting projects in the housing and real estate sector and to the industry park and consulting business of the MVV Energiedienstleistungen GmbH subgroup, while around Euro 4 million was due to the value-added services business of the Offenbach shareholdings. The earnings growth in Offenbach was primarily driven by the contracting business, by reduced expenditure on IT advisory services, and by the shared service companies reported there, namely 24/7 United Billing GmbH, Offenbach and 24/7 Metering GmbH, Offenbach.

Environmental Energy Segment

MVV Umwelt GmbH, a wholly-owned subsidiary of MVV Energie AG, has more than 40 years of experience in operating decentralised disposal and energy generation plants. With the launch of operations at the second large incineration line at the Leuna location, our Group now manages incineration capacities of 1.5 million tonnes of waste and waste timber a year and is thus one of the market leaders in the generation of energy from waste.

The environmental energy segment includes the energy from waste plants in Mannheim, Offenbach and Leuna, which have combined incineration capacities of around 1.2 million tonnes a year. Equipped with effective flue gas purification facilities, these three plants currently dispose of waste from 62 municipalities and rural districts across five federal states with more than 4.7 million inhabitants. Not only that, MVV Umwelt GmbH also acts as a reliable disposal partner for around 150 industrial and commercial customers. Moreover, the company has incineration capacities of around 0.3 million tonnes a year at the waste timber power plants in Mannheim and Königs Wusterhausen near Berlin.

The volume of waste and waste timber used to generate process steam and electricity at our power plants is equivalent to around 540 000 tonnes of hard coal units (HCU) or 405 000 tonnes of heavy heating oil. This enables 345 000 tonnes of CO_2 emissions a year to be avoided compared with electricity generated at conventional power plants.

With our regenerative and environmentally-friendly energy generation plants, we are making a sustainable contribution towards protecting the environment and the climate and are well-equipped to meet the requirements resulting from the climate protection efforts on the part of the Federal Government.

Successful materials flow management

Due to our successful materials flow management, incineration capacities at our energy from waste plants were fully utilised once again in the year under report. The capacity of our proprietary sorting and preparation facilities still amounts to 0.3 million tonnes a year. In the year under report, the energy from waste plant in Leuna also received 11 600 tonnes of waste by rail from Naples to help alleviate the waste emergency in that city.

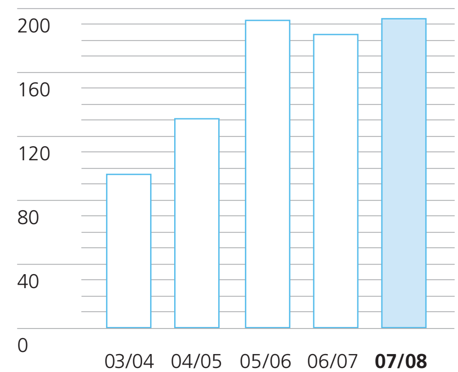
Sales growth due to Leuna II

Sales in the environmental energy segment rose year-on-year by 5 % to Euro 194 million. The price-driven decline in waste revenues was more than offset, especially by initial sales at the second incineration line at the energy from waste plant in Leuna (Leuna II), where operations commenced in September 2007.

Of total segment sales for the 2007/08 financial year, Euro 157 million was attributable to the incineration of waste at our locations in Mannheim, Offenbach and Leuna (previous year: Euro 151 million). We more than compensated for the reduction in prices with higher sales on increased volumes of waste. We generated sales of Euro 37 million in the energy business, i.e. from steam and electricity generation (previous year: Euro 33 million). Of this total, Euro 30 million related to the waste timber power plants in Mannheim and Königs Wusterhausen (previous year: Euro 28 million) and Euro 7 million to energy generated at energy from waste plants (previous year: Euro 5 million). The increase in sales in the energy business was driven by both volumes and prices.

Environmental Energy Turnover and Incineration Volume of the MVV Energie Group	2007/2008	2006/2007	% change
Electricity turnover in kWh million (including secondary distributors)	387	372	+ 4
Steam turnover in kWh million	415	394	+ 5
Combustible waste delivered in tonnes 000s	1 542	1 409	+ 9
External sales in Euro million	194	184	+ 5
EBIT in Euro million	81	71	+ 14

Environmental Energy Sales
Euro million



Improved operating earnings (EBIT)

Operating earnings before interest, taxes, depreciation and amortisation (EBITDA) rose year-on-year by Euro 12 million to Euro 117 million. After depreciation and amortisation, the environmental energy segment reported operating earnings (EBIT) of Euro 81 million, as against Euro 71 million in the previous year. This growth of Euro 10 million was chiefly due to the first full year of full-capacity operations at the new Leuna II energy from waste plant, as well as to cost savings achieved with optimisation measures and materials flow management.

The volume of combustible waste delivered rose by 10 % compared with the previous year. In periods of massive rises in commodity and natural gas prices, the economic significance of waste as an energy generating material increases. Our energy from waste plants were able to operate at full capacity at all locations again in the year under report. The resultant additional revenues were countered by higher expenses at the Leuna location due to the launch and first full year of operations at Leuna II. Earnings at the Mannheim location were also affected by higher expenses for additions to pensions and the construction of boiler 6 at the Mannheim energy from waste plant.

Accounting for 33 % of the sustainable operating earnings (EBIT before IAS 39) of the MVV Energie Group, the environmental energy segment was, as in the previous year, one of the Group's key earnings driver. Segment sales made up 7 % of total sales at the MVV Energie Group.

We are investigating market opportunities abroad

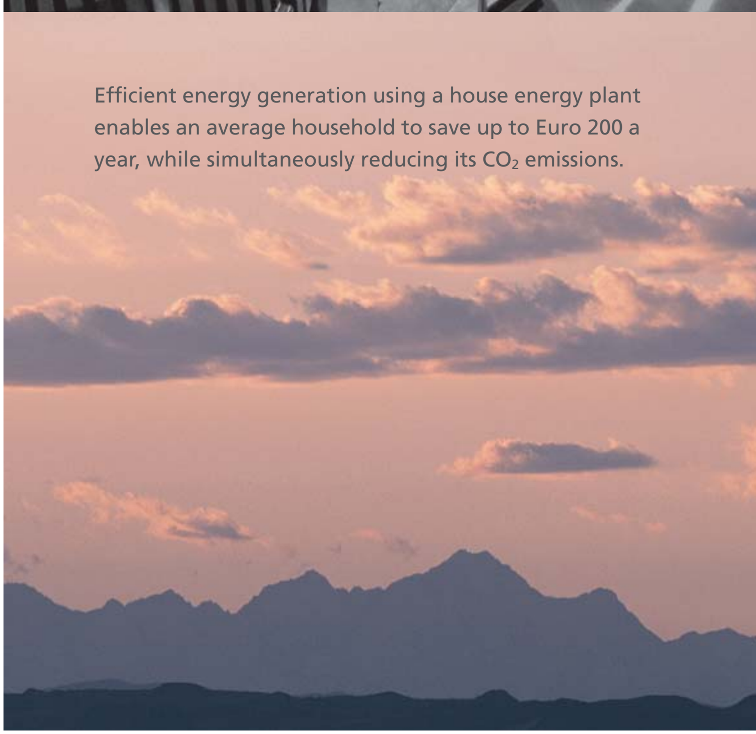
The use of waste for energy generation purposes is becoming ever more important in the waste industry. With its extensive expertise in generating energy from waste and its investment strength, our Group now aims to exploit market opportunities available internationally as well. MVV Umwelt GmbH carefully investigated the possibility of entering the British waste market, which has a great need for efficient and environmentally-friendly energy from waste plants. The British subsidiary, MVV Environment Ltd., was founded in September 2008 and already participated in two bidding processes for municipal disposal contracts in the UK in October 2008 (please see Outlook).

Construction of boiler 6 progressing on schedule

Work began at the Mannheim location in October 2007 on building boiler 6, which is due to replace older capacities from the end of 2009. This will lead to a further substantial enhancement in energy and cost efficiency at the Mannheim location.

Shaping the future with new technologies

Efficient energy generation using a house energy plant enables an average household to save up to Euro 200 a year, while simultaneously reducing its CO_2 emissions.



Decentralised energy generation facilities are set to play a major role in the energy systems of the future.

We are developing innovative energy technologies within the framework of prestigious research projects. In practical trials running over two years, for example, we have successfully tested the day-to-day viability of house energy plants powered by high-efficiency Stirling motors to generate heating energy and electricity on a decentralised basis (WhisperGen). This mini-CHP plant has now attained market maturity and is encountering high levels of customer acceptance due to the potential savings it offers.

In the field of private energy consumption, we are also currently testing fuel cell technology and multi-divisional meters enabling energy consumption to be controlled on an individual basis.

Consolidated Financial Statements

4

Consolidated Financial Statements

4

Balance Sheet

as of 30. 9. 2008

Balance Sheet of the MVV Energie Group Euro 000s	**30. 9. 2008**	30. 9. 2007	Notes
Assets			
Non-current assets			
Intangible assets	314 928	325 077	1
Property, plant and equipment	1 955 484	1 935 903	2
Investment property	6 583	6 853	3
Other financial assets	174 783	165 883	4
Other receivables and assets	272 500	42 784	5
Deferred tax assets	968	2 529	19
	2 725 246	**2 479 029**	
Current assets			
Inventories	57 088	53 758	6
Trade receivables	536 142	429 604	8
Other receivables and assets	284 395	155 817	5
Tax receivables	50 327	45 400	7
Securities	7	529	
Cash and cash equivalents	97 123	99 583	9
Assets held for sale	36 681	13 839	10
	1 061 763	**798 530**	
	3 787 009	**3 277 559**	
Equity and liabilities			
Equity			11
Share capital	168 721	142 764	
Capital reserve	455 241	255 523	
Retained earnings including unappropriated net profit	505 421	383 397	
Accumulated other comprehensive income	24 308	16 657	
Capital of the MVV Energie Group	**1 153 691**	**798 341**	
Minority interests	116 061	115 361	
	1 269 752	**913 702**	
Non-current debt			
Provisions	130 234	131 232	12, 13, 14
Financial debt	912 572	1 044 781	15
Other liabilities	213 798	42 164	16
Deferred tax liabilities	188 036	159 015	19
	1 444 640	**1 377 192**	
Current debt			
Other provisions	186 088	206 992	12, 14
Tax provisions	44 428	40 049	12
Financial debt	324 020	368 332	15
Trade payables	240 312	203 737	17
Other liabilities	249 026	143 927	16
Tax liabilities	28 743	23 628	18
	1 072 617	**986 665**	
	3 787 009	**3 277 559**	

Income Statement

from 1.10.2007 to 30.9.2008

Income Statement of the MVV Energie Group Euro 000s	**2007/2008**	2006/2007	Notes
Sales	2 809 372	2 405 219	
less electricity and natural gas taxes	173 629	145 961	
Sales after electricity and natural gas taxes	**2 635 743**	**2 259 258**	22
Change in inventories	6 553	– 7 568	
Own work capitalised	14 148	15 162	23
Other operating income	452 047	155 322	24
Cost of materials	1 832 376	1 500 776	25
Personnel expenses	304 900	303 259	26
Other operating expenses	493 591	272 605	27
Income from shareholdings recognised at equity	—	– 1 594	
Other income from shareholdings	8 456	15 207	28
EBITDA	**486 080**	**359 147**	
Depreciation	149 438	143 546	29
EBITA	**336 642**	**215 601**	
Goodwill amortisation	—	542	30
EBIT[1]	**336 642**	**215 059**	
Financing income	9 407	6 898	31
Financing expenses	77 269	83 282	32
EBT	**268 780**	**138 675**	
Taxes on income	83 764	12 441	33
Annual net surplus	**185 016**	**126 234**	
Minority interests	15 059	17 005	
Share of earnings allocable to shareholders in MVV Energie AG (net surplus after minority interests)	**169 957**	**109 229**	34
Basic earnings per share (Euro)	**2.60**	**1.96**	34

[1] EBIT before IAS 39: Euro 248 484 thousand in 2007/08 financial year (previous year: Euro 199 415 thousand)

Statement of Changes in Equity

Statement of Changes in Equity Euro 000s	Share capital of MVV Energie AG	Capital reserve of MVV Energie AG	Retained earnings, including unappropriated net profit	Accumulated other comprehensive income: Differential amount from currency translation	Accumulated other comprehensive income: Fair value measurement of financial instruments	**Capital of the MVV Energie Group**	Minority interests	**Total capital**
Balance at 1. 10. 2006	142 764	255 523	323 691	9 364	722	**732 064**	104 912	**836 976**
Income and expenses recognised directly in equity	—	—	—	3 806	2 765	6 571	996	7 567
Result of business operations	—	—	109 229	—	—	109 229	17 005	126 234
Comprehensive income for the period	—	—	109 229	3 806	2 765	**115 800**	18 001	**133 801**
Distribution of dividend	—	—	– 44 614	—	—	– 44 614	– 11 712	– 56 326
Change in scope of consolidation	—	—	– 4 909	—	—	– 4 909	4 160	– 749
Balance at 30. 9. 2007	142 764	255 523	383 397	13 170	3 487	**798 341**	115 361	**913 702**
Income and expenses recognised directly in equity	—	—	—	9 585	3 565	13 150	– 367	12 783
Result of business operations	—	—	169 957	—	—	169 957	15 059	185 016
Comprehensive income for the period	—	—	169 957	9 585	3 565	**183 107**	14 692	**197 799**
Distribution of dividend	—	—	– 52 725	—	—	– 52 725	– 10 415	– 63 140
Capital increase	25 957	199 718	—	—	—	225 675	—	225 675
Change in scope of consolidation	—	—	4 792	– 5 499	—	– 707	– 3 577	– 4 284
Balance at 30. 9. 2008	168 721	455 241	505 421	17 256	7 052	**1 153 691**	116 061	**1 269 752**

Further information about equity has been provided under Note 11

The statement of changes in equity was adapted to the customary international reporting format in the year under report

Segment Report

Income Statement by Segment	External Sales excluding energy taxes		Intercompany Sales excluding energy taxes		Scheduled Depreciation		Extraordinary Depreciation	
Euro 000s	**2007/2008**	2006/2007	**2007/2008**	2006/2007	**2007/2008**	2006/2007	**2007/2008**	2006/2007
Electricity	1 381 737	1 078 886	36 029	25 869	24 452	23 614	—	—
District heating	303 101	272 063	24 297	29 063	28 096	29 364	10	542
Gas	356 390	341 795	43 244	29 431	15 220	14 245	—	—
Water	102 496	103 667	380	3 533	10 572	10 721	—	—
Value-added services	276 737	262 956	84 887	71 683	11 185	10 433	183	250
Environmental energy	193 655	184 276	41 512	31 039	36 645	33 642	27	—
Other/consolidation	21 627	15 615	– 230 349	– 190 618	18 020	21 277	5 028	—
MVV Energie Group	**2 635 743**	2 259 258	**—**	—	**144 190**	143 296	**5 248**	792

Balance Sheet by Segment	Investments		Assets		Liabilities	
Euro 000s	**30. 9. 2008**	30. 9. 2007	**30. 9. 2008**	30. 9. 2007	**30. 9. 2008**	30. 9. 2007
Electricity	28 574	22 087	1 318 539	859 810	304 424	143 323
District heating	25 253	27 933	547 254	562 511	124 345	93 081
Gas	16 144	18 943	381 210	330 750	86 952	48 478
Water	10 559	11 526	288 438	281 693	58 467	39 218
Value-added services	48 622	29 767	249 140	285 378	133 866	78 514
Environmental energy	59 374	33 713	438 410	473 720	139 784	88 325
Other/consolidation	19 807	20 402	355 974	293 084	190 041	249 629
Unallocated (balance sheet)	—	—	208 044	190 613	1 479 378	1 623 289
MVV Energie Group	**208 333**	164 371	**3 787 009**	3 277 559	**2 517 257**	2 363 857

Further information about Segment Reporting has been provided under Note 35

EBIT		EBIT before IAS 39		Non-Cash Expenses	
2007/2008	2006/2007	**2007/2008**	2006/2007	**2007/2008**	2006/2007
143 672	53 698	64 522	38 054	6 358	6 657
38 723	41 869	38 106	41 869	4 943	2 683
43 462	10 928	35 071	10 928	2 101	2 076
9 574	19 001	9 574	19 001	680	637
19 858	19 115	19 858	19 115	2 985	3 503
80 741	71 257	80 741	71 257	2 955	1 992
612	– 809	612	– 809	14 369	16 230
336 642	215 059	**248 484**	199 415	**34 391**	33 778

Cash Flow Statement

Cash Flow Statement of the MVV Energie Group[1] Euro 000s	**2007/2008**	2006/2007
Annual net surplus before taxes on income	268 780	138 675
Amortisation of intangible assets, depreciation of property, plant and equipment and investment property	149 438	144 088
Net interest expenses	67 862	76 384
Interest received	9 497	7 787
Change in non-current provisions	– 550	335
Other non-cash income and expenses	– 76 437	– 2 009
Result generated from disposal of non-current assets	– 4 958	– 1 536
Cash flow before working capital and taxes	**413 632**	**363 724**
Change in other assets	– 151 668	– 34 874
Change in other liabilities	57 030	23 293
Change in current provisions	– 21 032	42 135
Income taxes paid	– 36 021	– 41 471
Cash flow from operating activities	**261 941**	**352 807**
Investments in intangible assets, property, plant and equipment and investment property	– 208 333	– 164 371
(Free cash flow)	**(53 608)**	**(188 436)**
Proceeds from disposal of intangible assets, property, plant and equipment and investment property	19 650	13 649
Proceeds from subsidy payments	12 143	13 481
Proceeds from sale of fully and proportionately consolidated companies	—	13 320
Proceeds from sale of other financial assets	42 173	3 519
Payments for acquisition of fully and proportionately consolidated companies[2]	237	– 72 971
Payments for other financial assets	– 32 909	– 17 379
Payments of cash and cash equivalents due to disposal of group companies	– 8 550	—
Cash flow from investing activities	**– 175 589**	**– 210 752**
Proceeds from taking up of loans	304 136	599 876
Payments for redemption of loans	– 485 115	– 636 753
Proceeds from capital increases	225 675	—
Dividend payment	– 63 140	– 56 326
Interest paid	– 71 502	– 69 296
Cash flow from financing activities	**– 89 946**	**– 162 499**
Cash-effective changes in cash and cash equivalents	– 3 594	– 20 444
Change in cash and cash equivalents due to currency translation	1 134	659
Cash and cash equivalents at 1. 10. 2007 (2006)	99 583	119 368
Cash and cash equivalents at 30. 9. 2008 (2007)[3]	**97 123**	**99 583**

Cash flow – aggregate depiction Euro 000s	**2007/2008**	2006/2007
Cash and cash equivalents at 1.10.2007 (2006)	**99 583**	**119 368**
Cash flow from operating activities	261 941	352 807
Cash flow from investing activities	– 175 589	– 210 752
Cash flow from financing activities	– 89 946	– 162 499
Change in cash and cash equivalents due to currency translation	1 134	659
Cash and cash equivalents at 30.9.2008 (2007) [3]	**97 123**	**99 583**

[1] Explanations of changes in the previous year's figures can be found under "Changes in Accounting Policies"

[2] Please see explanations under "Scope of Consolidation and Changes in Scope of Consolidation"

[3] Further information about the Cash Flow Statement has been provided under Note 36

Notes to the Consolidated Financial Statements

of the MVV Energie Group for the 2007/2008 Financial Year

General principles

The consolidated financial statements of the MVV Energie Group have been prepared pursuant to Section 315 (1) of the German Commercial Code (HGB) in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. Full application has been made of all of the standards of the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) requiring mandatory application as of 30 September 2008.

The consolidated financial statements have been prepared as of the reporting date for the annual financial statements of MVV Energie AG and refer to the 2007/08 financial year (1 October 2007 to 30 September 2008). MVV Energie AG has its legal domicile in Mannheim, Germany. The MVV Energie Group acts as an energy distributor and service provider in the fields of electricity, district heating, gas, water, environmental energy and value-added services. Activities in the environmental energy division focus on the incineration of waste. The consolidated financial statements have been compiled in euros. Unless otherwise indicated, all amounts have been stated in thousand euros (Euro 000s).

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

The Executive Board of MVV Energie AG is responsible for the preparation, completeness and accuracy of the consolidated financial statements and group management report. The consolidated financial statements and group management report were prepared by the Executive Board and approved on 26 November 2008 to be forwarded to the Supervisory Board for adoption and publication. The consolidated financial statements of MVV Energie AG (MVV Energie Group) are included in the consolidated financial statements of MVV GmbH, Mannheim, (MVV Group), which are published in the electronic Federal Official Gazette (Bundesanzeiger).

Changes in accounting policies

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have revised or newly adopted some standards and interpretations which require mandatory application for the first time in the 2007/08 financial year. The MVV Energie Group applied the following standards and interpretations for the first time in the 2007/08 financial year:

IAS 1:	Amendment (2005) Presentation of Financial Statements
IAS 39:	Amendment (2008) Financial Instruments: Recognition and Measurement
IFRS 7:	Financial Instruments: Disclosures
IFRIC 10:	Interim Financial Reporting and Impairment
IFRIC 11:	IFRS 2 – Group and Treasury Share Transactions

IAS 1 Amendment (2005) "Presentation of Financial Statements": This amendment has resulted in new disclosures allowing the reader of the financial statements to evaluate capital management objectives, methods and processes.

IAS 39 Amendment (2008) "Financial Instruments: Recognition and Measurement": In the course of the international financial crisis, IAS 39 was amended to allow companies to reclassify non-derivative financial instruments in specific circumstances. These instruments then no longer require measurement at fair value.

IFRS 7 "Financial Instruments: Disclosures": The new standard serves to summarise, revise and extend the disclosures made on financial instruments previously covered separately in IAS 32 and IAS 30. Among other requirements, disclosures have to be made on the significance of financial instruments for the Group's financial position and earnings power, as well as on the scope of the risks relating to financial instruments.

IFRIC 10 "Interim Financial Reporting and Impairment": This governs the impairment of goodwill pursuant to IAS 36 "Impairment of Assets" and of specific financial assets pursuant to IAS 39 "Financial Instruments: Recognition and Measurement" in the context of interim financial statements pursuant to IAS 34 "Interim Financial Reporting".

IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions": This answers the question as to how IFRS 2 is to be applied to share-based payment agreements which include proprietary company equity instruments or equity instruments at another company within the same group.

Apart from extended disclosures in the notes to the consolidated financial statements, the initial application of these new requirements did not have any material implications for the net asset, financial or earnings position of the MVV Energie Group. Note disclosures have increased substantially on account of IFRS 7.

The structure of the cash flow statement has been amended compared with the annual financial statements as of 30 September 2007. Starting in the 1st quarter of the 2007/08 financial year, interest received and paid, net interest expenses, income taxes paid and received 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 within the cash flow from operating activities. The previous year's figures have been adjusted accordingly.

Cash flow statement	Change in Euro 000s
Cash flow from operating activities	69 296
Cash flow from financing activities	– 69 296

Implications of new accounting standards not yet requiring application:

The IASB and the IFRIC have adopted the following standards and interpretations not yet requiring mandatory application in the 2007/08 financial year and of which no voluntary premature application has been made:

Improvements Project (2007):	Ombinus exposure draft with amendments to IFRS
IAS 1:	Amendment (2007) Presentation of Financial Statements
IAS 23:	Amendment (2007) Capitalisation of Borrowing Costs
IAS 32:	Financial Instruments: Presentation (puttable instruments)
IFRS 1/IAS 27:	Amendments (2008) First-time Adoption of International Financial Reporting Standards and Consolidated and Separate Financial Statements
IFRS 2:	Share-based Compensation (vesting conditions and cancellation)
IFRS 3/IAS 27:	Amendment (2008) Business Combinations and Consolidated and Separate Financial Statements
IFRS 8:	Operating Segments
IFRIC 12:	Service Concession Arrangements
IFRIC 13:	Customer Loyalty Programmes
IFRIC 14:	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction
IFRIC 15:	Agreements for the Construction of Real Estate
IFRIC 16:	Hedges of a Net Investment in a Foreign Operation
IAS 39 (2008):	Recognition and Measurement (suitable underlying transaction)

Improvement Project (2007) Omnibus exposure draft with amendments to IFRS: Within the framework of its annual improvement projects, the IASB has combined minor amendments and clarifications to various standards in an omnibus exposure draft. Examples of these amendments include the treatment of the sale of assets held for rental under IAS 16 "Property, Plant and Equipment" or the current and non-current classification of derivatives under IAS 1 "Presentation of Financial Statements".

IAS 1 Amendment (2007) "Presentation of Financial Statements": The amendments relate in particular to the introduction of a comprehensive income statement including both the earnings generated in a given period and as yet unrealised profits and losses previously recognised in equity. This statement is due to replace the income statement in its previous form. As a result of this amendment, non-owner-related changes in equity will in future be strictly separated from owner-related changes in equity. Extended disclosures will also have to be made on other comprehensive income (OCI).

IAS 23 Amendment (2007) "Capitalisation of Borrowing Costs": The revised version of IAS 23 has abolished the option previously permitted of recognising borrowing costs directly incurred on the acquisition, construction or production of qualifying assets immediately through profit or loss. In future, such borrowing costs will require mandatory capitalisation as costs of acquisition or manufacture.

IAS 32 "Financial Instruments: Presentation (Puttable Instruments)": This standard is of crucial importance for the delineation of equity and debt capital. The new version allows puttable instruments to be classified as equity in specific circumstances. This is dependent on it having been agreed that compensation will occur at fair value and that the contributions thereby made represent the most subordinate claim to the net assets of the company.

IAS 39 (2008): "Recognition and Measurement (suitable underlying transaction)": This standard specifies the application of hedge accounting to hedges of the unilateral risks involved in an underlying transaction and to hedged underlying transactions with inflation.

IFRS 1/IAS 27 Amendments (2008) "First-time Adoption of International Financial Reporting Standards" and "Consolidated and Separate Financial Statements": These amendments mainly involve the introduction of simplifications for the initial measurement of subsidiaries and for the separation of profits in the acquisition period.

IFRS 2 Amendment (2008) "Share-based Compensation (vesting conditions and cancellation)": This defines the vesting conditions for share-based compensation plans more precisely and specifies the regulations applicable in the event of the premature termination of compensation plans.

IFRS 3/IAS 27 Amendments (2008) "Business Combinations" and "Consolidated and Separate Financial Statements": As well as the option of measuring minority interests at fair value (full goodwill approach) or at prorated net assets upon a business acquisition, these amendments introduce the reassessment through profit or loss of shares held upon control ultimately being gained and the recognition directly in equity of changes in the level of shareholding not leading to a loss of control. Also worthy of mention are the mandatory recognition upon acquisition of any consideration dependent on future events and the recognition of transaction expenses through profit or loss.

IFRS 8 "Operating Segments": IFRS 8 replaces the previous standard IAS 14. This standard stipulates that operating segments must be identified on the basis of the company's internal reporting structures (management approach).

IFRIC 12 "Service Concession Arrangements": This interpretation governs the recognition of arrangements where the public sector concludes contracts with private companies involving the performance of public sector tasks. To perform these tasks, the private company uses infrastructure which remains at the disposal of the public sector. The private company is responsible for the construction, operation and maintenance of the infrastructure.

IFRIC 13 "Customer Loyalty Programmes": This interpretation governs the recognition of sales revenues in connection with customer loyalty programmes organised by the manufacturers and service providers themselves or by third parties.

IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction": This interpretation provides guidelines for determining the maximum surplus which may be recognised as an asset under IAS 19 "Employee Benefits" in connection with a defined benefit plan.

IFRIC 15 "Agreements for the Construction of Real Estate": This interpretation governs the applicability of the competing standards IAS 11 and IAS 18 in respect of real estate sales where the relevant contract is concluded with the buyer prior to completion of the construction work.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation": This governs the application of hedge accounting pursuant to IAS 39.71 et seq. to hedges of foreign business operations and clarifies doubtful questions concerning the hedging of a foreign operation.

The implications of the first-time application of IFRIC 13, IFRIC 14, IFRIC 15 and IFRIC 16 for the consolidated financial statements of the MVV Energie Group are currently under review. IAS 23 and IFRIC 12 will have implications for the net asset, financial and earnings position, but the extent of these implications cannot yet be reliably determined. The application of IFRS 8 will not result in any major changes to segment reporting. Apart from the amendments required in the presentation of the financial statements, the first-time application of the other requirements is not expected to have any material implications for the consolidated financial statements of the MVV Energie Group.

Scope of consolidation and changes in the scope of consolidation

In addition to MVV Energie AG, 53 German and foreign subsidiaries in which MVV Energie AG directly or indirectly holds a majority of the voting rights have been fully consolidated in the consolidated financial statements of the MVV Energie Group for the 2007/08 financial year (previous year: 52). The relevant control concept requires the parent company to exercise a controlling influence in the case of fully consolidated companies. This is the case for all companies fully consolidated.

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

Köthen Energie Netz GmbH, Köthen
MVV Nederland B.V., Amsterdam, Netherlands
SECURA Energie GmbH, Mannheim

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

Köthen Energie Netz GmbH, Köthen, constitutes a spin-off company due to legal requirements. SECURA Energie GmbH, Mannheim, is a newly established company.

MVV Nederland B.V. Amsterdam, Netherlands, was acquired in June 2008 at a purchase price of Euro 25 thousand. Upon the acquisition, the company had recognised amounts of Euro 18 thousand under receivables and equity respectively. The earnings contribution of MVV Nederland B.V. amounted to Euro 16 thousand in the 2007/08 financial year.

The companies of the Polish subgroup were removed from the scope of consolidation in the 2007/08 financial year.

The acquisitions made by the Czech subgroup in the 2006/07 financial year included the company Teplárna Liberec a.s., Liberec. The purchase price was reduced by Euro 237 thousand in the year under report within the framework of the company's integration. This item is reflected in other operating income and in the cash flow statement.

The asset held for sale reported as of 30 September 2007, amounting to Euro 13 839 thousand, related to Energy Innovations Portfolio AG & Co. KGaA, Mannheim. The purchase option was exercised by the buyer in December 2007 and the selling price of Euro 14 000 thousand was realised.

Based on a contract dated 30 May 2008, KPEC Komunalne Przedsiebiorstwo Energetyki Cieplnej Sp. z o.o., Bydgoszcz, Poland, was sold at a selling price of Euro 20 870 thousand. With effect from 1 July 2007, the shares held in the company were reported at fair value under other financial assets.

In the 2nd quarter of the 2007/08 financial year, the Executive Board of MVV Energie AG decided to discontinue all of its activities in Poland. The entire Polish subgroup was sold on the basis of a contract dated 31 July 2008. Due to approval not yet having been granted by the antitrust authority, the selling price of Euro 34 800 thousand agreed for the disposal had not been realised at the end of the financial year. The parties to the contract agreed a transitional contract with effect from 1 August 2008 which led to the MVV Energie Group losing its control over the Polish subgroup. This loss of control resulted in the deconsolidation of the Polish subgroup. The Polish subgroup was presented as an asset held for sale until the Polish antitrust authority reached its final decision. Further information concerning the amount recognised can be found under Note 10. Approval by the Polish antitrust authority and the inflow of funds both then materialised in the 1st quarter of the 2008/09 financial year. At the date of the sale, the cash and cash equivalents at the Polish subgroup amounted to Euro 8 550 thousand (please also see Events after the balance sheet date under Note 42).

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

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

Stadtwerke Solingen and Stadtwerke Ingolstadt constitute the Group's principal joint ventures. Their business divisions are congruent with those of MVV Energie AG.

The companies included in the consolidated financial statements of the MVV Energie Group as of 30 September 2008 have been listed in the following overview. A list of holdings has been published in the electronic Federal Official Gazette (please also see "List of shareholdings of the MVV Energie Group" on Pages 148 to 152).

Scope of Consolidation of the MVV Energie Group as of 30. 9. 2008

	Share of Capital[5] in % as per § 313 HGB
Companies fully consolidated	
Germany	
ABeG Abwasserbetriebsgesellschaft mbH, Offenbach am Main	24.81
BFE Institut für Energie und Umwelt GmbH, Mühlhausen	100.00
Biomassen-Heizkraftwerk Altenstadt GmbH, Altenstadt	67.00
DECON Deutsche Energie-Consult Ingenieurgesellschaft mit beschränkter Haftung, Bad Homburg v. d. Höhe	100.00
Energieversorgung Offenbach Aktiengesellschaft, Offenbach am Main[1]	48.65
ENSERVA GmbH, Solingen	62.93
eternegy GmbH, Mannheim	100.00
Gasversorgung Offenbach GmbH, Offenbach am Main	36.44
GeTeBe Gesellschaft für Technologieberatung mbH, Berlin	100.00
Industriepark Gersthofen Servicegesellschaft mbH & Co. KG, Gersthofen	100.00
Köthen Energie GmbH, Köthen	100.00
Köthen Energie Netz GmbH, Köthen[2]	100.00
MVV BioPower GmbH, Königs Wusterhausen	100.00
MVV BMKW Mannheim GmbH, Mannheim	100.00
MVV decon GmbH, Mannheim (previously: MVV Consulting GmbH, Mannheim)	100.00
MVV Energiedienstleistungen GmbH, Mannheim	100.00
MVV Energiedienstleistungen GmbH Berlin, Berlin	100.00
MVV Energiedienstleistungen GmbH IK Ludwigshafen, Mannheim	100.00
MVV Energiedienstleistungen GmbH IS Bayern, Gersthofen (previously: MVV Energiedienstleistungen Industrial Solutions Bayern GmbH, Ingolstadt)	100.00
MVV Energiedienstleistungen GmbH IS Südwest, Mannheim	100.00
MVV Energiedienstleistungen GmbH Südwest, Mannheim	100.00
MVV Energiedienstleistungen GmbH West, Solingen (previously: MVV Energiedienstleistungen GmbH IS West, Solingen)	100.00
MVV Energiedienstleistungen GmbH & Co. KG IK Korbach, Korbach	100.00
MVV Energiedienstleistungen Wohnen GmbH & Co KG, Berlin	51.00
MVV O&M GmbH, Mannheim	100.00
MVV RHE AG, Mannheim	100.00
MVV TREA Leuna GmbH, Leuna	100.00
MVV Umwelt GmbH, Mannheim	100.00
SECURA Energie GmbH, Mannheim[2]	89.72

[1] majority of voting rights
[2] added to scope of consolidation in year under report
[3] special purpose entity
[4] joint management pursuant to contractual agreement
[5] the share of capital is calculated from the perspective of MVV Energie AG and accounts for the respective levels of shareholding

Continued on Page 86

Continuation of list of fully consolidated companies in Germany:

Stadtwerke Kiel Aktiengesellschaft, Kiel	51.00
SWKiel Erzeugung GmbH, Kiel	51.00
SWKiel Netz GmbH, Kiel	51.00
SWKiel Service GmbH, Kiel	51.00
ZEDER Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Grünwald[3]	0.00
24sieben GmbH, Kiel	51.00
24/7 IT-Services GmbH, Kiel	75.50
24/7 Metering GmbH, Offenbach am Main	73.81
24/7 Netze GmbH, Mannheim	84.59
24/7 Trading GmbH, Mannheim	77.49
24/7 United Billing GmbH, Offenbach am Main	49.35

[1] majority of voting rights
[2] added to scope of consolidation in year under report
[3] special purpose entity
[4] joint management pursuant to contractual agreement
[5] the share of capital is calculated from the perspective of MVV Energie AG and accounts for the respective levels of shareholding

Scope of Consolidation of the MVV Energie Group as of 30. 9. 2008	Share of Capital[5] in % as per § 313 HGB
Companies fully consolidated	
International	
Českolipské teplo a.s. Česká Lípa, Czech Republic	100.00
CTZ s.r.o., Uherské Hradiště, Czech Republic	50.96
ENERGIE Holding a.s., Prague, Czech Republic	100.00
Jablonecká teplárenská a realitní a.s., Jablonec nad Nisou, Czech Republic	65.78
Městské inžnýrské sitě Studénka a.s., Studénka, Czech Republic	99.92
MVV Energie CZ s.r.o., Prague, Czech Republic	100.00
MVV enservis a.s., Česká Lípa, Czech Republic	100.00
MVV Nederland B.V., Amsterdam, Netherlands[2]	100.00
OPATHERM a.s., Opava, Czech Republic	100.00
POWGEN a.s., Prague, Czech Republic	100.00
Teplárna Liberec a.s., Liberec, Czech Republic	70.00
TERMO Děčín a.s., Děčín, Czech Republic	96.91
Zásobování teplem Vsetín a.s., Vsetín, Czech Republic	98.53

Scope of Consolidation of the MVV Energie Group as of 30. 9. 2008

Companies proportionately consolidated	Share of Capital[5] in % as per § 313 HGB
Germany	
reginova GmbH, Ingolstadt	48.40
Stadtwerke Ingolstadt Beteiligungen GmbH, Ingolstadt[4]	48.40
Stadtwerke Ingolstadt Energie GmbH, Ingolstadt	48.40
Stadtwerke Ingolstadt Netze GmbH, Ingolstadt	48.40
Stadtwerke Solingen GmbH, Solingen[4]	49.90
Stadtwerke Solingen Netz GmbH, Solingen	49.90

[1] majority of voting rights
[2] added to scope of consolidation in year under report
[3] special purpose entity
[4] joint management pursuant to contractual agreement
[5] the share of capital is calculated from the perspective of MVV Energie AG and accounts for the respective levels of shareholding

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

Balance Sheet Euro million	**30. 9. 2008**	30. 9. 2007
Assets		
Non-current assets	138.6	153.7
Current assets	41.0	33.5
	179.6	**187.2**
Equity and liabilities		
Equity	98.4	105.1
Non-current debt	42.1	43.7
Current debt	39.1	38.4
	179.6	**187.2**

Income Statement Euro million	**2007/2008**	2006/2007
Sales	201.1	209.8
Own work capitalised and change in inventories	2.0	1.3
Other operating income	11.1	6.1
Cost of materials	141.7	148.0
Personnel expenses	17.7	20.9
Other operating expenses	22.9	22.1
Other income from shareholdings	0.3	0.0
EBITDA	**32.2**	**26.2**
Depreciation	7.5	10.6
EBITA	**24.7**	**15.6**
Goodwill amortisation	0.0	0.0
EBIT	**24.7**	**15.6**
Financing income	0.1	0.4
Financing expenses	2.3	2.0
EBT	**22.5**	**14.0**
Taxes on income	7.1	2.2
Annual net surplus	**15.4**	**11.8**

Consolidation methods

The annual financial statements included in the consolidated financial statements have been compiled on the basis of uniform accounting policies as of 30 September 2008.

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

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

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

The proportionate consolidation of joint ventures is performed in accordance with the same principles. Shares in associated companies are accounted for using the equity method where the relevant requirements are met.

Associated companies not fulfilling the extended reporting obligations under IFRS are not included using the equity method pursuant to IAS 28, but are rather recognised in the consolidated balance sheet pursuant to IAS 39 (2008). Similarly, subsidiaries, joint ventures and associated companies which both individually and collectively are of immaterial significance for the consolidated financial statements in terms of their sales, total assets and earnings contributions are not included in the consolidated financial statements, but rather recognised pursuant to IAS 39 (2008).

Currency translation

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

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

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

1 Euro	Rate on reporting date		Average rate	
	30. 9. 2008	30. 9. 2007	**2007/2008**	2006/2007
Zloty, Poland (PLN)	—	3.773	3.516	3.831
Crown, Czech Republic (CZK)	24.660	27.532	25.317	28.072
Pound, UK (GBP)	0.7903	—	0.793	—

(Source: European Central Bank)

Due to the disposal of the Polish subgroup, the reporting date rates as of 30 September 2008 are omitted. The exchange rate upon the disposal of the Polish subgroup amounted to 3.206 (Euro/PLN). The average rate for the 2007/08 financial year was calculated up the date of deconsolidation.

Accounting policies

Assets and liabilities are measured at amortised cost in all cases with the exception of certain financial assets, financial liabilities and financial instruments which IAS 39 (2008) requires to be measured at fair value and where this can be reliably determined. Non-current receivables and debt are recognised at present value.

The underlying principles of recognition and measurement applied when preparing the consolidated financial statements of the MVV Energie Group are set out below.

Intangible assets

Intangible assets were acquired in return for payment and are recognised at cost. With the exception of goodwill, they are subject to scheduled straight-line amortisation on the basis of their respective useful lives. There are no intangible assets with useful lives classified as being indeterminate. CO_2 emissions rights with holding periods of more than one year requiring purchase by the MVV Energie Group are recognised at cost as intangible assets, while rights allocated free of charge are recognised at Euro 0.

Development expenses are capitalised in cases where a newly developed product or process can be clearly delineated, is technically feasible and is foreseen for proprietary use or sale. A further condition for capitalisation is that there should be sufficient likelihood of the development expenses being followed by future inflows of financial funds. Capitalised development expenses are subject to scheduled amortisation over the estimated period of sale of the respective products. Research expenses are not eligible for capitalisation and are recognised as expenses directly in the period in which they are incurred.

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

Property, plant and equipment

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

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

Property, plant and equipment are subject to straight-line depreciation on the basis of their economic useful lives. Prorated depreciation is applied in the year of addition. Scheduled depreciation is based on the following useful lives:

Useful lives in years

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

Investment property

The investment property item includes real estate held for the purpose of generating rental income or long-term value growth and which is not used for operating purposes. Such property is measured at amortised cost. Transaction costs are included in the initial measurement. The real estate thereby recognised is subject to straight-line depreciation over a period of 25 to 33 years. The fair values are determined in the context of regular impairment tests undertaken in the form of independent surveys based on internationally recognised methods.

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

The carrying amounts of intangible assets, property, plant and equipment and investment property are tested for impairment at each reporting date. An impairment test is undertaken pursuant to IAS 36 should there be any indication of impairment. Where the carrying amount of a given asset is higher than its recoverable amount (the higher of its fair value less disposal-related expenses or use in value), then the carrying amount is written down to the recoverable amount. The fair value represents a best estimate of the recoverable amount. The recoverable amount is to be determined for each asset, unless the asset does not generate any largely autonomous cash flows. In this case, the amount should be stated for which an independent third party would acquire the cash generating unit at the reporting date. The fair/use values of the cash generating units are determined on the basis of cash flow forecasts approved by the management and supervisory bodies. Such cash flow forecasts are based on the experience and results in previous financial years, as well as on expectations as to future market developments. The cash flow forecasts also refer to the expected development in key macroeconomic figures derived from economic and financial studies. The key assumptions used in the forecast concern the development of the price of crude oil, natural gas and coal on the global markets, the price of electricity and gas on the wholesale and end consumer markets and the development of market shares and of the relevant regulatory framework. The cash flow forecasts incorporate a detailed budgeting period of five years. The figures for subsequent financial years are based on an extrapolation of the results of the final year in the detailed budgeting period. Reference is made to current estimates of growth rates. These growth rates correspond to the average long-term growth rates on the markets in which the companies operate and are consistent with external sources of information concerning market expectations. Extraordinary write-downs are performed when the recoverable amount of the asset (use in value) falls short of its carrying amount. Where the recoverable amount exceeds the carrying amount in subsequent periods, then the relevant assets are written up to a maximum of their amortised cost.

No write-ups are undertaken on goodwill. Should the carrying amount of a cash generating unit to which the goodwill has been allocated exceed its recoverable amount, then the goodwill thereby allocated is written down first. Any further write-down requirement is then accounted for by means of a prorated reduction in the carrying amounts of the other assets at the cash generating unit.

Shareholdings recognised at equity

Shareholdings recognised using the equity method are initially recognised at cost and in subsequent periods at the amortised value of the prorated net assets. The carrying amounts are increased or reduced annually to account for prorated earnings, dividends distributed and other changes in equity. Any goodwill thereby recognised is not reported separately but is rather included within the value of the shareholding recognised. An extraordinary write-down is undertaken when the recoverable amount falls short of the carrying amount.

Other financial assets

Other financial assets consist of loans, leasing receivables, securities and other shareholdings, which are measured and classified as follows. The loans are classified under loans and receivables and the leasing receivables under leasing. These items are measured at amortised cost, less impairments where appropriate. Other shareholdings and non-consolidated subsidiaries are also classified as other financial assets. Non-consolidated subsidiaries and shareholdings are measured at amortised cost, corrected where necessary to account for impairment due to a reduction in expected cash flows or existing default risks. Finance leases where all risks and rewards involved in ownership are transferred to the lessee are recognised as a receivable in the amount of the present value of the minimum leasing payments (net investment value). Securities are recognised at fair value.

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

Receivables and other assets

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

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

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

Inventories

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and credit balances at banks.

Assets and liabilities held for sale

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

Non-current assets held for sale are no longer subject to scheduled depreciation and amortisation, but are rather recognised at fair value, less disposal-related expenses, where such is lower than their carrying amount. Any profits or losses resulting from the measurement of individual assets held for sale or disposal groups are reported under the earnings from ongoing activities until their ultimate disposal. Profits or losses resulting from the measurement of discontinued business divisions at fair value less disposal-related expenses are reported as earnings from discontinued activities.

Deferred taxes

Deferred taxes are stated for temporary differences between the tax balance sheets and IFRS balance sheets at individual companies arising from the measurement of assets and liabilities for tax purposes on the one hand and for external accounting pursuant to IFRS on the other, as well as from consolidation processes impacting on earnings. Moreover, deferred tax assets were also stated for tax reduction claims resulting from the expected utilisation in subsequent years of existing losses carried forward. Such claims are capitalised if the realisation of these losses carried forward can be assumed with adequate certainty on the basis of existing business plans. Deferred taxes have been calculated on the basis of the tax rates valid or expected at the individual organisational units at the time of such deferrals being realised. Account is taken of all tax regulations valid or already adopted at the reporting date. The calculation of deferred taxes in Germany is based on a tax rate of 30 % (previous year: 30 %). This results from the unchanged corporate income tax rate of 15 %, the solidarity surcharge amounting to 5.5 % and the average trade tax rate of 14 % (previous year: 14 %). The equivalent calculations for foreign companies are based on the respective national tax rates. Where the requirements of IAS 12 are met, deferred tax assets and liabilities are stated on a net basis for each company or fiscal unit.

Provisions

Provisions are stated for all legal or constructive obligations towards third parties existing at the reporting date which result from past events, are likely to lead to an outflow of resources in future and whose amount can be reliably estimated. Provisions are recognised at their expected repayment amounts and are not netted with refund claims. Provisions based on a large number of events of the same nature are recognised at the expected value of the potential results.

All non-current provisions have been recognised at their expected repayment amounts discounted as of the reporting date.

Provisions for pensions and similar obligations are stated exclusively for defined benefit plans. Pursuant to IAS 19, these pension provisions are calculated using the projected unit credit method. In addition to pensions and vested claims known at the reporting date, this method also takes account of salary and pension increases to be expected in future. Application is made in the calculation of the 2005 G mortality tables published by Prof. Dr. Klaus Heubeck. As the Group does not have any plan assets, its pension obligations are covered in full by provisions. To the extent that they exceed 10 % of the scope of the obligation, actuarial gains and losses resulting from changes in the assumptions underlying the calculation are recognised through profit or loss over the average remaining working life of the employees thereby entitled. The key parameters used in the calculation of the defined benefit plans as of 30 September 2008 are:

in %	**30. 9. 2008**	30. 9. 2007
Discount rate	6.00	5.00
Future salary increases	2.00 – 2.75	2.00 – 2.75
Future pension increases	1.00 – 2.75	2.00 – 2.75

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

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

Liabilities

Liabilities are recognised at their respective repayment amounts or, where necessary, at present value.

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

Trade payables are measured at amortised cost.

The other financial debt item includes the present value of payment obligations resulting from puttable instruments. According to the provisions of IAS 32, agreements involving an obligation to purchase an equity instrument represent a financial liability in the amount of the present value of the purchase price, irrespective of whether this obligation only requires fulfilment in the event of an option right being exercised by the contractual partner and of the probability of such right being exercised. Accordingly, minority interests are recognised as current or non-current debt in line with the details of the respective contracts. These financial obligations are measured at fair value in accordance with the provisions of IAS 39 (2008). The difference between the exercise price and the carrying amount of the minority interests is treated as a purchase price obligation dependent on future events by analogous application of the provisions governing the depiction of business combinations, unless application is to be made of other contractually agreed provisions. The earnings distributed to minority shareholders are recognised as financing expenses, as are changes in the present value of the potential payment obligations.

Contingent liabilities and financial obligations

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

Derivative financial instruments

Derivative financial instruments requiring recognition are recognised at fair value through profit or loss and reported as assets or liabilities as appropriate. Derivative financial instruments include interest and foreign currency derivatives, as well as derivative commodities contracts for electricity, gas and coal. The values recognised are derived from market values or with the assistance of generally recognised valuation methods (present value method or option pricing models based on current market parameters). Changes in the value of derivative financial instruments are recognised directly in equity under measurement of financial instruments at fair value in cases where such instruments serve to hedge future cash flows and form part of a hedging relationship with such.

Cash flow hedges serve to hedge against the risk of fluctuations in future cash flows relating to an asset recognised, a liability recognised or a planned transaction with a very high probability of occurrence. Where the financial instrument is a cash flow hedge, the unrealised profits and losses on the hedge are initially recognised in equity under measurement of financial instruments at fair value. Such profits and losses are then recognised in the income statement upon the underlying transaction thereby hedged taking effect through profit or loss. They therefore compensate for the impact of the underlying transaction on the income statement.

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

The Group makes no use of the fair value option.

Measurement uncertainties

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

Discretionary decisions in the application of accounting policies

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

Uncertainties involved in estimates

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

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

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

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

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

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

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

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

No major changes in the assumptions underlying the accounting policies were to be expected upon the preparation of these consolidated financial statements. In this respect, no noteworthy adjustments are currently to be expected in the assumptions and estimates or in the carrying amounts of the relevant assets and liabilities in the 2008/09 financial year.

Notes on the Balance Sheet

1 Intangible assets

Intangible assets include capitalised development expenses, concessions, industrial property rights and similar rights, goodwill and advance payments.

The requirements governing the capitalisation of development expenses were not met in the 2007/08 financial year. Like research expenses, these have therefore been recognised as expenses in the period in which they were incurred. The volume of expenses qualifying as research expenses under IFRS amounted to Euro 1 871 thousand in the 2007/08 financial year (previous year: Euro 1 731 thousand). Research and development expenses principally relate to activities aimed at achieving ongoing improvements in working processes, product development and technological enhancements.

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

Goodwill is subject to an impairment test at least once a year. As in the previous year, growth rates ranging from 0.5 % to 1.0 % were used in the budgets for the impairment test performed in the 2007/08 financial year.

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

The carrying amounts stated for goodwill are structured as follows:

Euro 000s	**30. 9. 2008**	30. 9. 2007
Energieversorgung Offenbach subgroup	65 066	65 066
Stadtwerke Solingen subgroup	59 472	59 472
Stadtwerke Ingolstadt subgroup	53 759	53 759
MVV Energiedienstleistungen Wohnen GmbH & Co. KG, Berlin	13 220	13 220
MVV Energiedienstleistungen GmbH, Berlin	12 346	12 346
MVV Czech subgroup	5 307	4 747
Biomassen-Heizkraftwerk Altenstadt GmbH, Altenstadt	3 343	3 343
MVV Polish subgroup	—	2 102
Other	7 003	6 996
	219 516	221 051

For the purposes of performing impairment tests, goodwill was allocated to cash generating units. The cash generating units basically correspond to the legal subgroups or individual companies. No impairment losses were recorded in the 2007/08 financial year. The complete sale of the Polish subgroup in the second half of the 2007/08 financial year led to the retirement of goodwill of Euro 2 324 thousand previously allocated to the district heating segment. This figure includes currency differences amounting to Euro 222 thousand. The acquisition of MVV Nederland B.V. resulted in goodwill of Euro 7 thousand, which has been reported under "Other" in the above overview of goodwill carrying amounts.

The write-down undertaken in the previous year involved the goodwill arising at the Czech subgroup upon the acquisition of Teplárna Liberec.

Intangible assets Euro 000s	Concessions, industrial property rights and similar rights and values	Goodwill	Advance payments	**Total**
Gross value at 1. 10. 2006	210 805	273 363	1 699	485 867
Change in scope of consolidation	17 151	14 262	3	31 416
Currency adjustments	54	359	—	413
Investments	4 610	—	1 669	6 279
Disposals	1 817	—	17	1 834
Reclassifications	– 13 873	—	– 1 138	– 15 011
Gross value at 30. 9. 2007	**216 930**	**287 984**	**2 216**	**507 130**
Amortisation at 1. 10. 2006	110 872	66 232	3	177 107
Change in scope of consolidation	363	—	—	363
Currency adjustments	46	159	—	205
Amortisation	14 241	542	—	14 783
Disposals	1 642	—	—	1 642
Reclassifications	– 8 763	—	—	– 8 763
Amortisation at 30. 9. 2007	**115 117**	**66 933**	**3**	**182 053**
Net value at 30. 9. 2007	**101 813**	**221 051**	**2 213**	**325 077**
Gross value at 1. 10. 2007	216 930	287 984	2 216	507 130
Change in scope of consolidation	– 521	– 7 312	—	– 7 833
Currency adjustments	225	1 081	3	1 309
Investments	2 299	—	3 093	5 392
Disposals	1 870	—	—	1 870
Reclassifications	2 688	5 454	– 1 403	6 739
Gross value at 30. 9. 2008	**219 751**	**287 207**	**3 909**	**510 867**
Amortisation at 1. 10. 2007	115 117	66 933	3	182 053
Change in scope of consolidation	– 352	– 4 995	0	– 5 347
Currency adjustments	168	299	0	467
Amortisation	15 051	—	—	15 051
Disposals	1 568	—	—	1 568
Reclassifications	– 171	5 454	—	5 283
Amortisation at 30. 9. 2008	**128 245**	**67 691**	**3**	**195 939**
Net value at 30. 9. 2008	**91 506**	**219 516**	**3 906**	**314 928**

Property, plant and equipment Euro 000s	Land, leasehold rights and buildings, including buildings on third-party land	Technical equipment and machinery	Other facilities, plant and office equipment	Advance payments and construction in progress	**Total**
Gross value at 1. 10. 2006	618 545	3 037 078	212 128	129 883	3 997 634
Change in scope of consolidation	84 490	44 568	7 235	1 667	137 960
Currency adjustments	4 105	4 141	167	117	8 530
Investments	19 589	58 151	6 872	73 286	157 898
of which subsidy payments	33	13 428	20	—	13 481
Disposals	9 340	19 609	11 895	5 248	46 092
Reclassifications	3 549	109 698	3 495	– 103 259	13 483
Gross value at 30. 9. 2007	**720 905**	**3 220 599**	**217 982**	**96 446**	**4 255 932**
Depreciation at 1. 10. 2006	246 321	1 736 921	143 363	236	2 126 841
Change in scope of consolidation	43 829	30 788	5 832	—	80 449
Currency adjustments	1 570	1 699	129	8	3 406
Scheduled depreciation	16 530	100 019	12 236	—	128 785
Extraordinary depreciation	—	241	—	9	250
Disposals	3 837	13 974	10 401	—	28 212
Reclassifications	—	8 397	113	—	8 510
Depreciation at 30. 9. 2007	**304 413**	**1 864 091**	**151 272**	**253**	**2 320 029**
Net value at 30. 9. 2007	**416 492**	**1 356 508**	**66 710**	**96 193**	**1 935 903**
Gross value at 1. 10. 2007	720 905	3 220 599	217 982	96 446	4 255 932
Change in scope of consolidation	– 35 393	– 23 275	– 1 281	– 1 387	– 61 336
Currency adjustments	13 938	11 136	338	377	25 789
Investments	8 840	49 733	11 938	132 430	202 941
of which subsidy payments	12	12 113	18	—	12 143
Disposals	21 658	25 955	19 930	365	67 908
Reclassifications	11 061	42 133	4 710	– 59 105	– 1 201
Gross value at 30. 9. 2008	**697 681**	**3 262 258**	**213 739**	**168 396**	**4 342 074**
Depreciation at 1. 10. 2007	304 413	1 864 091	151 272	253	2 320 029
Change in scope of consolidation	– 14 495	– 12 670	– 972	—	– 28 137
Currency adjustments	4 287	6 556	262	30	11 135
Scheduled depreciation	16 111	100 877	11 881	—	128 869
Extraordinary depreciation	3 071	1 772	395	10	5 248
Disposals	14 706	18 644	17 375	—	50 725
Reclassifications	—	171	—	—	171
Depreciation at 30. 9. 2008	**298 681**	**1 942 153**	**145 463**	**293**	**2 386 590**
Net value at 30. 9. 2008	**399 000**	**1 320 105**	**68 276**	**168 103**	**1 955 484**

2 Property, plant and equipment

The depreciation undertaken during the year under report includes extraordinary depreciation amounting to Euro 5 248 thousand (previous year: Euro 250 thousand). This mainly involved adjustments to the fair value of buildings (Euro 3 071 thousand) and of assets in the telecommunications division which are recognised under technical equipment (Euro 1 772 thousand). This was due to adjustments to prevailing market conditions or to a reduction in the earnings expected from future use.

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

Property, plant and equipment up to an equivalent value of Euro 82 million have been provided as security for financial liabilities (previous year: Euro 127 million). This mainly involves land and buildings.

3 Investment property

The fair value of investment property has been determined on the basis of the valuation undertaken by independent surveyors as of 30 September 2007 and amounted to Euro 7 289 thousand in total. The next valuation will be obtained as of 30 September 2010, unless any indications of potential impairment arise in the meantime. The fair value corresponds to the amount for which an asset could be exchanged between informed parties willing to reach agreement at arm's length on the reporting date. Rental income amounted to Euro 664 thousand in the financial year (previous year: Euro 656 thousand). Direct operating expenses (excluding scheduled depreciation) amounted to Euro 65 thousand (previous year: Euro 67 thousand). There were no changes in the holdings of investment property compared with the previous year. The investment property relates to an old people's home in Solingen and a residential and office building let out in Köthen.

Investment property Euro 000s	**2007/2008**	2006/2007
Gross value at 1. 10.	7 479	5 757
Investments	—	194
Reclassifications	—	1 528
Gross value at 30. 9.	**7 479**	**7 479**
Depreciation at 1. 10.	626	103
Depreciation	270	270
Reclassifications	—	253
Depreciation at 30. 9.	**896**	**626**
Net value at 30. 9.	**6 583**	**6 853**

4 Other financial assets

As well as subsidiaries not consolidated for reasons of materiality, other financial assets also include other shareholdings, loans, loans in connection with finance leases and securities.

Write-downs and the development in other financial assets have been reported in the table below, as well as under other income from shareholdings (Note 28), financing expenses (Note 32) and financing income (Note 31).

Loans and the loans in connection with finance leases have fixed interest rates, with an average interest rate of 5.5 % (previous year: 4.2 %). The average period for which the interest remains fixed amounts to 11 years (previous year: 10.5 years) in the case of fixed-rate loans and to 13 years in the case of finance leases.

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

Other financial assets Euro 000s	Non-consolidated subsidiaries	Other shareholdings	Loans general	Loans in connection with finance leases	Securities	**Total**
Gross value at 1. 10. 2007	14 276	118 667	15 178	25 695	3 583	177 399
Currency adjustments	—	1 918	—	—	—	1 918
Change in scope of consolidation	—	– 333	—	—	—	– 333
Investments/additions	11 798	3 449	6 881	8 501	2 280	32 909
Disposals	3 816	18 670	5 291	2 968	823	31 568
Reclassifications	– 796	796	– 4 492	4 574	—	82
Balance at 30. 9. 2008	**21 462**	**105 827**	**12 276**	**35 802**	**5 040**	**180 407**
Amortisation at 1. 10. 2007	5 066	1 579	4 823	—	48	11 516
Amortisation	—	1 997	—	—	531	2 528
Write-ups	—	—	—	—	—	—
Disposals	3 606	486	4 328	—	—	8 420
Reclassifications	—	—	—	—	—	—
Amortisation at 30. 9. 2008	**1 460**	**3 090**	**495**	**—**	**579**	**5 624**
Net value at 30. 9. 2007	9 210	117 088	10 355	25 695	3 535	165 883
Net value at 30. 9. 2008	**20 002**	**102 737**	**11 781**	**35 802**	**4 461**	**174 783**

The increase in non-consolidated subsidiaries is chiefly attributable to the investment in A+S Naturenergie GmbH, Pfaffenhofen, and to several shareholdings in biogas plants. Parts of these subsidiaries not yet consolidated are expected to be included in the scope of consolidation in the following financial year, once the introduction of IFRS has been successfully completed. In the case of A+S Naturenergie GmbH, Pfaffenhofen, there is already an obligation to acquire further shares, which will lead to an outflow of funds in two tranches in the 2008/09 financial year. The purchase price to be paid consists of both fixed and variable components. It will only be possible to determine the variable parameters in future.

Other shareholdings mainly relate to the shares held in ZVO Energie GmbH (carrying amount: Euro 28 138 thousand), Grosskraftwerk Mannheim AG (carrying amount: Euro 25 400 thousand), KielNet GmbH Gesellschaft für Kommunikation (carrying amount: Euro 11 570 thousand) and Gemeinschaftskraftwerk Kiel GmbH (carrying amount: Euro 9 673 thousand). The reduction by Euro 14 351 thousand is principally due to the sale of KPEC Komunalne Przedsiebiorstwo Energetyki Cieplnej Sp. z o.o., Bydgoszcz, Poland.

These associated companies are not recognised using the equity method, as no IFRS financial statements are available.

Securities chiefly consist of shareholdings held in funds.

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

Gross investments in leases Euro 000s	**30. 9. 2008**	30. 9. 2007
Present value of minimum leasing payments with maturities < 1 year	5 070	3 909
Present value of minimum leasing payments with maturities > 1 year		
one to five years	16 011	8 748
longer than five years	19 791	16 947
Present value of minimum leasing payments with maturities > 1 year	**35 802**	**25 695**
Total present value of minimum leasing payments	**40 872**	**29 604**
financing income not yet recognised	15 441	8 285
Gross investments in finance lease relationships	**56 313**	**37 889**

5 Other receivables and assets

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

Other receivables and assets Euro 000s	**30. 9. 2008 Non-current**	**30. 9. 2008 Current**	**30. 9. 2008 Total**	30. 9. 2007 Non-current	30. 9. 2007 Current	30. 9. 2007 Total
Derivative financial instruments	262 033	164 367	426 400	35 580	53 797	89 377
Loans	—	39 720	39 720	—	5 919	5 919
Deferred expenses and accrued income	2 596	20 566	23 162	5 642	10 700	16 342
Receivables from security deposits for energy trading transactions	—	11 396	11 396	—	3 200	3 200
Receivables and assets from contracting agreements without finance leases	7 468	462	7 930	—	6 321	6 321
Suppliers with debit balances	—	4 174	4 174	—	13 429	13 429
Emissions rights	—	3 481	3 481	—	—	—
Land reclamation refunds	—	3 227	3 227	—	1 539	1 539
Escrow accounts	—	500	500	—	5 797	5 797
Cash pool receivables	—	218	218	—	5 176	5 176
Receivables from the sale of shareholdings	—	—	—	—	6 024	6 024
Miscellaneous other assets	403	36 284	36 687	1 562	43 915	45 477
	272 500	**284 395**	**556 895**	**42 784**	**155 817**	**198 601**

Derivative financial instruments Euro 000s	**30. 9. 2008 Non-current**	**30. 9. 2008 Current**	**30. 9. 2008 Total**	30. 9. 2007 Non-current	30. 9. 2007 Current	30. 9. 2007 Total
Derivative financial instruments	262 033	164 367	426 400	35 580	53 797	89 377
of which without hedging relationships	254 745	160 183	414 928	30 326	52 551	82 877
of which cash flow hedges	7 288	4 184	11 472	5 254	1 246	6 500

The derivative financial instruments relate to interest rate derivatives and to foreign exchange and commodity derivatives for electricity, gas and coal. Further information about financial instruments has been provided under Note 21.

Other receivables and assets Euro 000s	**30. 9. 2008 Non-current**	**30. 9. 2008 Current**	**30. 9. 2008 Total**	30. 9. 2007 Non-current	30. 9. 2007 Current	30. 9. 2007 Total
Other receivables and assets						
from other shareholdings	—	352	352	—	14 050	14 050
from non-consolidated subsidiaries	83	2 724	2 807	—	7 046	7 046
from third parties	272 417	281 319	553 736	42 784	134 721	177 505
	272 500	**284 395**	**556 895**	42 784	155 817	198 601

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

Write-downs Euro 000s	**2007/2008**	2006/2007
Balance at 1. 10.	96	155
Utilised	—	61
Net additions	161	2
Balance at 30. 9.	**257**	**96**

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

Credit risk maturity structure Euro 000s	**30. 9. 2008**	30. 9. 2007
Neither overdue nor impaired	552 058	196 913
Overdue but not impaired		
up to six months	3 784	697
six months to one year	201	615
longer than one year	557	345
Net value of assets written down	295	31
	556 895	**198 601**

The items reported have been extended compared with the previous year to include receivables from security deposits for energy trading transactions and assets in connection with contracting agreements. In the interests of reducing counterparty risk, payments are made both on the EEX (European Energy Exchange) and within the framework of bilateral agreements. These are reflected in receivables from security deposits for energy trading transactions.

Security deposits are exchanged with the EEX (variation margins) in order to reduce the counterparty risk involved in highly fluctuating fair values of energy trading derivatives. Moreover, the Group has also entered into bilateral risk reduction agreements. Receivables from security deposits amount to Euro 11 396 thousand (previous year: Euro 3 200 thousand).

Loans mainly involve short-term loans to MVV GmbH (Euro 32 233 thousand/previous year: Euro 1 320 thousand). Receivables and assets from contracting agreements without finance leases involve investments in the value-added services segment leading to energy savings at customers and thus to a receipt of revenues at the Group in future.

Miscellaneous other assets largely involve other tax claims (Euro 11 495 thousand/previous year: Euro 3 095 thousand).

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

6 Inventories

Inventories Euro 000s	**30. 9. 2008**	30. 9. 2007
Raw materials and supplies	30 533	33 715
Unfinished and finished products and services	26 243	19 690
Advance payments	312	353
	57 088	53 758

There were no restrictions on disposal or other encumbrances. Extraordinary depreciation of Euro 499 thousand was undertaken on inventories (previous year: Euro 288 thousand). Write-downs were based on the inventory turnover rate of the assets in question. The share of inventories recognised at net disposal values is of subordinate significance as a proportion of the total volume of inventories reported.

7 Tax receivables

The tax receivables of Euro 50 327 thousand (previous year: Euro 45 400 thousand) mainly relate to refund claims in connection with corporate income tax and capital gains tax, as well as to input tax credits, and have been recognised at face value.

8 Trade receivables

Trade receivables Euro 000s	**30. 9. 2008**	30. 9. 2007
Trade receivables	536 142	429 604
of which due from associated non-consolidated companies	257	232
of which due from shareholdings	—	2 794

Trade receivables have terms of under one year.

Write-downs on trade receivables developed as follows:

Write-downs Euro 000s	**2007/2008**	2006/2007
Balance at 1.10.	19 449	21 459
Utilised	2 022	3 923
Net additions	5 311	1 913
Balance at 30. 9.	**22 738**	**19 449**

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

Credit risk maturity structure Euro 000s	**30. 9. 2008**	30. 9. 2007
Neither overdue nor impaired	403 141	354 184
Overdue but not impaired		
up to six months	88 795	37 649
six months to one year	10 347	5 035
longer than one year	7 446	10 028
Net value of receivables written down	26 413	22 708
	536 142	**429 604**

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

9 Cash and cash equivalents

Cash and cash equivalents primarily consist of credit balances at banks. Joint ventures account for a total of Euro 1 349 thousand (previous year: Euro 1 264 thousand). No cash or cash equivalents are subject to restrictions on disposal.

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

10 Assets held for sale

The amount of Euro 13 839 thousand reported under assets held for sale as of 30 September 2007 related to Energy Innovations Portfolio AG & Co. KGaA, Mannheim. The purchase option was exercised by the buyer and the selling price of Euro 14 000 recognised in December 2007.

The amount of Euro 36 681 thousand reported under assets held for sale as of 30 September 2008 related on the one hand to the shareholding in MVV Polska Sp. z o.o., Warsaw, Poland, which had been deposited at MVV Nederland B.V., Netherlands, (Euro 34 049 thousand) and on the other to a property previously required for operations which was due to be transferred to its new owner as of 1 October 2008. This property consists of an office building allocated to the “Other/Consolidation” reporting segment. Its carrying amount amounted to Euro 2 632 thousand at the end of the financial year. The disposal price had not yet been realised.

11 Equity

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

Share capital: On the basis of the resolution adopted on 11 October 2007 and following the resultant entry in the Commercial Register on 23 October 2007, the share capital of MVV Energie AG increased by Euro 25 957 thousand to Euro 168 721 thousand. The number of individual registered shares of Euro 2.56 each therefore increased from 10 139 506 to 65 906 796. The new shares were offered to existing shareholders at a subscription price of Euro 22.50 each and already enjoyed full dividend rights for the dividend distribution in March 2008. All individual registered shares are paid up in full. The City of Mannheim indirectly owned 50.1 % of the share capital as of 30 September 2008, while RheinEnergie AG held 16.1 % and EnBW Energie Baden-Württemberg AG 15.1 % of the shares. The remaining 18.7 % of the shares were in free float.

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

On 29 June 2007, the Supervisory Board approved a further capital increase involving the issue of 10.1 million new shares. The Executive Board made further use of this authorisation on 11 October 2007 and increased the share capital by Euro 25 957 thousand.

The authorisation dated 4 March 2005 was amended at the Supervisory Board meeting on 11 October 2007, taking due account of the previous utilisation of the authorisation, to empower the Executive Board to increase the share capital by an additional amount of up to Euro 243 thousand (Authorised Capital I).

Authorised Capital II: On the basis of a resolution adopted on 10 March 2006, the Annual General Meeting of MVV Energie AG authorised the Executive Board to increase the company's share capital on one or several occasions by a total of up to Euro 3 400 thousand within the framework of the employee share programme. The Executive Board acted on this authorisation with the consent of the Supervisory Board on 20 September 2006. As a result of the issue of 63 290 new shares, the share capital increased by 0.11 % from Euro 142 602 thousand to Euro 142 764 thousand. Shareholders' subscription rights were excluded. An amount of Euro 3 238 thousand of Authorised Capital II is therefore still available.

Capital reserve: The capital reserve relates to MVV Energie AG. This reserve includes external inflows of funds requiring inclusion under Section 272 of the German Commercial Code (HGB). The transaction costs of the capital increase undertaken on 11 October 2007, which are recognised as a reduction in equity (capital reserve), amount to Euro 2 464 thousand. The income tax relief of Euro 1 164 thousand in connection with the transaction costs has been accounted for in the capital reserve.

Retained earnings: In addition to the prorated retained earnings of MVV Energie AG and of the other consolidated companies since the date of initial consolidation, retained earnings also include accumulated changes recognised directly in equity as a result of the measurement of financial instruments at fair value, which mainly relate to hedging relationships recognised under IAS 39 (2008), as well as to currency translation differences arising upon the translation of foreign financial statements and accumulated annual results. An amount of Euro 3 565 thousand was transferred to the fair value reserve during the financial year (previous year: Euro 2 765 thousand).

Proposed appropriation of earnings: The Executive Board proposes appropriating the unappropriated net profit of MVV Energie AG for the 2007/08 financial year as follows:

Distribution of a dividend of Euro 0.90 per individual share for the 2007/08 financial year (total: Euro 59 316 116.40). The Annual General Meeting to be held on 13 March 2009 will decide on payment of the dividend.

12 Provisions

Provisions Euro 000s	30. 9. 2008 Non-current	30. 9. 2008 Current	30. 9. 2008 Total	30. 9. 2007 Non-current	30. 9. 2007 Current	30. 9. 2007 Total
Provisions for pensions and similar obligations	35 922	—	35 922	34 273	—	34 273
Tax provisions	—	44 428	44 428	—	40 049	40 049
Other provisions						
Personnel expenses	24 242	44 907	69 149	22 206	44 658	66 864
Early retirement	46 293	—	46 293	48 258	—	48 258
Services not yet invoiced	—	70 850	70 850	—	89 371	89 371
Restructuring	11 246	—	11 246	7 751	—	7 751
Miscellaneous contingencies	12 531	70 331	82 862	18 744	72 963	91 707
	130 234	**230 516**	**360 750**	131 232	247 041	378 273

Detailed explanations of the provisions can be found in the following notes.

13 Provisions for pensions and similar obligations

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

An amount of Euro 22 195 thousand was paid to defined contribution plans in the 2007/08 financial year (previous year: Euro 22 389 thousand). These contributions have been recognised as expenses and reported under personnel expenses.

Current payments to the municipal supplementary pension company (ZVK) represent expenses incurred within the respective financial year. These expenses amounted to Euro 13 912 thousand in the past financial year (previous year: Euro 13 969 thousand). The pension obligations of the ZVK as determined within the framework of an approximate calculation pursuant to IFRS for current and former members of the MVV Energie Group are Euro 261 million (previous year: Euro 284 million) above the proportion accruing to the MVV Energie Group from the policy reserve recognised at the ZVK (labour law obligation). The structure of the relevant contracts means that the policy reserve required pursuant to labour law obligations cannot be clearly allocated. The figures reported therefore correspond to the most probable values.

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

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

Expenses for pensions provisions Euro 000s	**2007/2008**	2006/2007
Service cost	2 013	1 149
Interest expenses	1 705	1 361
Adjustment due to retrospective service cost recognised	96	—
Adjustment due to actuarial gains and losses recognised	– 8	– 8
	3 806	**2 502**

The interest expenses relating to vested pension claims have been reported in the income statement under financing expenses (interest and similar expenses). Other expenses have been reported under personnel expenses. The year-on-year increase in service cost is principally due to the departure of Dr. Rudolf Schulten.

The present value of defined benefit obligations developed as follows:

Development in pension claims Euro 000s	**2007/2008**	2006/2007
Present value of pension claims as of 1.10.	**35 194**	32 444
Current service cost	2 109	1 149
Interest expenses	1 705	1 361
Payments made to beneficiaries	– 2 195	– 2 200
Actuarial gains/losses	– 1 285	– 2 282
Changes in the scope of consolidation	– 504	4 548
Other changes	– 128	174
Present value of pension claims as of 30. 9.	**34 896**	35 194

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

Amount recognised for pensions and similar obligations Euro 000s	**30. 9. 2008**	**30. 9. 2007**	30. 9. 2006	30. 9. 2005	30. 9. 2004
Present value of pensions claims	34 896	35 194	32 444	34 414	31 161
Actuarial gains/losses not yet settled	1 026	– 921	– 3 360	– 3 032	– 412
Provisions for pensions and similar obligations	**35 922**	34 273	29 084	31 382	30 749
Empirical adjustments (changes in assumptions)	– 881	542	669	n.a.	n.a.

The empirical adjustments to the present value of pension claims (changes in assumptions) represent part of the actuarial gains and losses allocable to the pension claims for the respective year. No data was collected for the reporting dates as of 30 September 2005 and 30 September 2004 as these disclosures were not mandatory at that time.

No plan assets have been created.

14 Other provisions

Other provisions Euro 000s	Balance at 1. 10. 2007	Change in scope of consolidation	Currency adjustments	Utilised	Released	Added	Interest portion	**Balance at 30. 9. 2008**
Non-current provisions								
Pensions and similar obligations	34 273	– 504	56	2 274	308	2 974	1 705	**35 922**
Other provisions								
Early retirement	48 258	—	—	8 827	66	4 624	2 304	46 293
Personnel expenses	22 206	—	—	5 389	904	7 438	891	24 242
Restructuring	7 751	—	—	400	—	3 670	225	11 246
Miscellaneous contingencies	18 744	—	—	5 322	5 269	3 718	660	12 531
Total other provisions	96 959	—	—	19 938	6 239	19 450	4 080	**94 312**
Total non-current provisions	131 232	– 504	56	22 212	6 547	22 424	5 785	**130 234**
Current provisions								
Tax provisions	40 049	– 560	88	14 901	178	19 930	—	**44 428**
Other provisions								
Personnel expenses	44 658	—	—	35 153	1 442	36 844	—	44 907
Services not yet invoiced	89 371	—	—	79 755	3 227	64 461	—	70 850
Miscellaneous contingencies	72 963	– 117	245	45 019	8 432	50 691	—	70 331
Total other provisions	206 992	– 117	245	159 927	13 101	151 996	—	**186 088**
Total current provisions	247 041	– 677	333	174 828	13 279	171 926	—	**230 516**
Total provisions	378 273	– 1 181	389	197 040	19 826	194 350	5 785	**360 750**

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

The provisions for early retirement expenses mainly relate to legal and constructive obligations towards employees as a result of part-time early retirement agreements. The actuarial assumptions correspond to those used in the measurement of pensions and comparable provisions. The decline in provisions for early retirement is the result of lower utilisation of part-time early retirement agreements.

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

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

Miscellaneous contingencies include provisions for energy supplies and for disposal and dismantling obligations. Furthermore, this item also includes provisions for litigation risks. These involve several individual risks for which the level of claim is uncertain. The valuation has been based on the most likely outcome of the litigation expected on the basis of the information currently available. The decline in this item is due among other factors to reduced provisions for legal disputes, deconsolidation effects in connection with the disposal of the Polish subgroup and dismantling obligations.

15 Financial debt

Financial debt Euro 000s	**30. 9. 2008** **Non-current**	**30. 9. 2008** **Current**	**30. 9. 2008** **Total**	30. 9. 2007 Non-current	30. 9. 2007 Current	30. 9. 2007 Total
Liabilities						
to banks	838 808	186 234	1 025 042	973 904	228 645	1 202 549
in connection with finance leases	4 015	946	4 961	4 435	1 089	5 524
to other shareholdings	—	3 425	3 425	—	9 966	9 966
to non-consolidated subsidiaries	—	—	—	—	564	564
Kiel put option	—	120 578	120 578	—	120 578	120 578
Partnership compensation liabilities	14 257	895	15 152	10 398	1 099	11 497
Other financial debt	55 492	11 942	67 434	56 044	6 391	62 435
	912 572	**324 020**	**1 236 592**	1 044 781	368 332	1 413 113

Unlike in the previous year, the Kiel put option and business partnership compensation liabilities have been reported separately from other financial debt. Corresponding adjustments have been made to the previous year's figures.

Maturities in years Euro 000s	**30. 9. 2008** **up to 1 year**	**30. 9. 2008** **1 to 5 years**	**30. 9. 2008** **longer than 5 years**	30. 9. 2007 up to 1 year	30. 9. 2007 1 to 5 years	30. 9. 2007 longer than 5 years
Liabilities						
to banks	186 234	520 625	318 183	228 645	484 416	489 488
in connection with finance leases	946	2 137	1 878	1 089	2 232	2 203
to shareholdings and non-consolidated subsidiaries	3 425	—	—	10 530	—	—
Other financial debt	133 415	13 723	56 026	128 068	13 000	53 442

Compared with the previous year, the disclosures have been extended to include the comparative period and supplemented with liabilities to shareholdings and non-consolidated subsidiaries.

The fixed-rate liabilities to banks amounting to Euro 627 million (previous year: Euro 646 million) have an average interest rate of 4.9 % (previous year: 4.8 %). The floating-rate liabilities to banks amounting to Euro 398 million (previous year: Euro 557 million) have an average interest rate of 4.6 % (previous year: 4.6 %). The basis for calculating average interest rates was improved in the past financial year. In the interests of transparency, corresponding adjustments have therefore also been made to the previous year's figures. As in the previous year, the average remaining period of the fixed rate in the case of fixed-rate liabilities amounts to seven years.

As of 30 September 2008, the MVV Energie Group had unutilised committed credit lines of Euro 268 million at its disposal (previous year: Euro 227 million).

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

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

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

Euro 000s	**30. 9. 2008**	30. 9. 2007
Present value of minimum leasing payments by maturity		
up to one year	946	1 089
one to five years	2 137	2 232
longer than five years	1 878	2 203
	4 961	**5 524**
Financing costs not yet recognised	1 779	2 236
Gross liabilities in connection with finance leases	**6 740**	**7 760**

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

Partnership compensation liabilities relate to the limited capital and annual earnings allocable to minority shareholders in MVV Energiedienstleistungen Wohnen GmbH & Co KG, Berlin. Account has thus been taken of IAS 32. This item has been recognised at fair value.

Other financial debt includes a liability of Euro 38 991 thousand due to MVV GmbH, Mannheim (previous year: Euro 40 585 thousand), which charged interest at an average of 5.6 % in the year under report (previous year: 4.8 %).

Of the financial debt, an amount of Euro 82 million is secured by the pledging of property, plant and equipment (previous year: Euro 127 million).

The disclosures have been extended compared with the previous year to include the comparative period.

16 Other liabilities

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

Other liabilities Euro 000s	**30. 9. 2008** **Non-current**	**30. 9. 2008** **Current**	**30. 9. 2008** **Total**	30. 9. 2007 Non-current	30. 9. 2007 Current	30. 9. 2007 Total
Derivative financial instruments	192 407	122 320	314 727	17 551	52 302	69 853
Liabilities for security deposits for energy trading transactions	—	44 386	44 386	—	275	275
Deferred income and accrued expenses	18 944	9 050	27 994	21 891	7 557	29 448
Advance payments received	523	25 572	26 095	615	23 827	24 442
Concession duties	—	11 665	11 665	—	13 282	13 282
Customer credit balances	—	4 380	4 380	—	2 746	2 746
Interest liabilities	—	4 098	4 098	—	8 430	8 430
Social security liabilities	—	294	294	—	231	231
Cash pool liabilities	—	—	—	—	3 038	3 038
Miscellaneous other liabilities	1 924	27 261	29 185	2 107	32 239	34 346
	213 798	**249 026**	**462 824**	**42 164**	**143 927**	**186 091**
Liabilities						
to third parties	213 798	245 181	458 979	42 032	140 759	182 791
to non-consolidated subsidiaries	—	3 844	3 844	—	3 038	3 038
to other shareholdings	—	1	1	132	130	262
	213 798	**249 026**	**462 824**	**42 164**	**143 927**	**186 091**
Derivative financial instruments	**192 407**	**122 320**	**314 727**	**17 551**	**52 302**	**69 853**
of which without hedging relationships	191 543	122 308	313 851	17 399	52 227	69 626
of which cash flow hedges	864	12	876	152	75	227

The derivative financial instruments relate to interest rate derivatives and to foreign exchange and commodity derivatives for electricity, gas and coal. Further information about financial instruments has been provided under Note 21.

The most significant item under deferred income and accrued expenses is an advance fee amounting to Euro 14 256 thousand received for the incineration of waste in conjunction with the takeover of an energy from waste plant by Energieversorgung Offenbach AG (previous year: Euro 16 971 thousand).

To reduce the counterparty risk involved in highly fluctuating fair values of energy trading derivatives, security deposits are exchanged with the EEX (variation margins). Moreover, the Group has also entered into bilateral risk reduction agreements. The liabilities for security deposits amount to Euro 44 386 thousand (previous year: Euro 275 thousand).

17 Trade payables

Trade payables Euro 000s	**30. 9. 2008**	30. 9. 2007
To suppliers	238 869	186 258
To non-consolidated subsidiaries	901	7 310
To other shareholdings	542	10 169
	240 312	203 737

All trade payables have terms of under one year.

18 Tax liabilities

The tax liabilities of Euro 28 743 thousand (previous year: Euro 23 628 thousand) mainly relate to energy taxes and value added tax.

19 Deferred taxes

The deferred taxes reported for 2007/08 relate to the following items:

Deferred taxes Euro 000s	**2007/2008** **assets**	**2007/2008** **liabilities**	2006/2007 assets	2006/2007 liabilities
Intangible assets	3 743	– 17 261	4 562	– 18 275
Property, plant and equipment, including investment property	2 804	– 130 304	2 160	– 136 911
Other financial assets	—	– 9 786	2	– 7 951
Inventories	1 708	– 562	2 476	– 118
Special item	—	– 7 997	—	—
Receivables and other assets	929	– 167 437	135	– 34 858
Provisions for pensions	2 998	—	2 187	—
Other non-current provisions	10 067	– 2	13 790	– 4
Other current provisions	3 194	– 1 682	1 990	– 390
Liabilities	131 441	– 7 405	25 061	– 11 139
Losses carried forward and tax credits	2 816	—	3 531	—
Consolidation	—	– 4 111	—	– 2 513
Deferred taxes (gross)	**159 700**	**– 346 547**	55 894	– 212 159
Value adjustment	– 221	—	– 221	—
Netting	– 158 511	158 511	– 53 144	53 144
Deferred taxes (net)	**968**	**– 188 036**	2 529	– 159 015

In addition to the aforementioned deferred tax claims relating to losses carried forward and tax credits, the company also has tax claims relating to losses carried forward not eligible for imputation for corporate income tax amounting to Euro 16.0 million (previous year: 19.4 million) and for trade tax amounting to Euro 17.7 million (previous year: Euro 13.9 million). Of these, Euro 0.2 million may only be used until 2013.

No deferred tax liabilities have been stated for temporary differences of Euro 992 thousand (previous year: Euro 510 thousand) between the value of shareholdings in subsidiaries in the tax balance sheet and those in the consolidated financial statements, as such differences are unlikely to be reversed by means of dividend distributions or by disposal of the respective companies in the foreseeable future.

Deferred taxes amounting to Euro 1 556 thousand (previous year: Euro 856 thousand) were recognised directly in equity in the 2007/08 financial year. Moreover, as a result of initial consolidation processes, deferred tax assets increased by Euro 5 thousand in the year under report (previous year: deferred tax liabilities of Euro 5.9 million).

20 Contingent liabilities and financial obligations

The volume of obligations listed below corresponds to the scope of liability pertaining at the reporting date. The company has such obligations in the form of guarantees and bills of exchange amounting to Euro 6.9 million (previous year: Euro 3.2 million). The company has also provided security amounting to Euro 10.8 million for third-party liabilities (previous year: Euro 4.5 million).

The purchase commitments of the MVV Energie Group in connection with orders placed for investments in intangible assets and property, plant and equipment amounted to Euro 12.2 million (previous year: Euro 19.0 million).

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

Minimum leasing payments for operating leases Euro 000s	**30. 9. 2008 Nominal value**	30. 9. 2007 Nominal value
Operating leases		
up to one year	9 884	15 460
one year to five years	25 066	22 627
longer than five years	14 321	6 948
	49 271	**45 035**

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

21 Financial instruments

Financial instruments are divided into primary and derivative financial instruments.

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

Financial assets are subsequently measured at either fair value or amortised cost. The subsequent measurement of financial assets in the "financial assets held for sale" category is generally based on their fair value. Pursuant to IAS 39 (2008), any changes in the fair value are recognised directly in equity, taking due account of deferred taxes. Upon their retirement, these are recognised through profit or loss. Should there be objective indications of any impairment in the value of an asset, then such asset is written down through profit or loss. Assets whose fair value cannot be reliably estimated are measured at amortised cost. The subsequent measurement of financial assets in the "loans and receivables granted by the company" and "financial investments held to maturity" categories has been based on amortised cost, with application of the effective interest rate method where appropriate. The amortised cost of a financial asset is equivalent to the fair value of the counterperformance provided, adjusted to account for any value impairments, interest payments and principal repayments. Write-downs are undertaken to account for any identifiable risks, particularly those resulting from expected payment defaults or from a reduction in expected cash flows. The write-downs are recognised directly in the results for the respective period.

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

Assets **Carrying amounts**	Not falling within the scope of IFRS 7		Loans and receivables		Held for trading		Available for sale	
Euro 000s	**30. 9. 2008**	30. 9. 2007	**30. 9. 2008**	30. 9. 2007	**30. 9. 2008**	30. 9. 2007	**30. 9. 2008**	30. 9. 2007
Financial assets	—	—	11 781	10 355	4 461	3 535	122 739	126 298
Trade receivables	—	—	536 142	429 604	—	—	—	—
Other receivables and assets	38 138	19 437	87 287	85 878	414 928	82 877	—	—
Cash, cash equivalents and securities	—	—	97 123	99 583	7	529	—	—
	38 138	19 437	**732 333**	625 420	**419 396**	86 941	**122 739**	126 298

Liabilities **Carrying amounts**	Not falling within the scope of IFRS 7		At amortised cost		Held for trading		Derivatives in hedge accounting	
Euro 000s	**30. 9. 2008**	30. 9. 2007	**30. 9. 2008**	30. 9. 2007	**30. 9. 2008**	30. 9. 2007	**30. 9. 2008**	30. 9. 2007
Financial debt	—	—	1 231 631	1 407 589	—	—	—	—
Trade payables	—	—	240 312	203 737	—	—	—	—
Other liabilities	54 409	54 121	93 688	62 117	313 851	69 626	876	227
	54 409	54 121	**1 565 631**	1 673 443	**313 851**	69 626	**876**	227

Derivatives in hedge accounting		Value recognised under IAS 17	
30. 9. 2008	30. 9. 2007	**30. 9. 2008**	30. 9. 2007
—	—	35 802	25 695
—	—	—	—
11 472	6 500	5 070	3 909
—	—	—	—
11 472	6 500	**40 872**	29 604

Value recognised under IAS 17	
30. 9. 2008	30. 9. 2007
4 961	5 524
—	—
—	—
4 961	5 524

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

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

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

Financial liabilities are retired upon the underlying obligation having been met, terminated or having expired.

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

Derivative financial instruments: Derivative financial instruments include interest rate derivatives and foreign exchange and commodities derivatives for electricity, gas and coal. The commodity derivatives are in most cases fulfilled by physical delivery.

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

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

Swaps also falling within the scope of cash flow hedge accounting have been used to limit fluctuations in future cash flows from the gas business resulting from variable market prices. In the field of interest hedges, existing underlying transactions have been included in cash flow hedges with terms of up to ten years as of 30 September 2008. The terms of planned underlying commodities transactions amount to up to four years. Both interest rate hedging instruments and derivative commodity contracts require net settlements to be paid at contractually fixed dates largely corresponding to the underlying transactions.

The ineffective portion of cash flow hedges did not result in any expenses in the 2007/08 financial year (previous year: Euro 15 thousand). The results of the ineffective portion of cash flow hedges are recognised as other operating income or expenses. For interest rate hedges, the results are recognised under other interest income and expenses.

The carrying amounts have been presented and broken down into the measurement categories set out in IAS 39 in the tables on Pages 120 to 121. The fair values are basically equivalent to the carrying amounts. The classes are based on the measurement categories defined in IAS 39.

Net results by measurement category: Financial instruments have been recognised in the income statement with the following net results (pursuant to IFRS 7). The interest income and interest expenses in connection with financial assets and financial liabilities measured at fair value are reported under total interest income and expenses:

Net results (IFRS 7) Euro 000s	**30. 9. 2008**	30. 9. 2007
Financial assets and financial liabilities held for trading	87 627	15 630
Financial assets available for sale	8 456	15 221
Loans and receivables	– 5 848	– 7 680
Financial liabilities measured at cost	—	—

The presentation of net results takes due account of standalone derivatives included in the "financial assets and financial liabilities held for trading" measurement category. The net profit in the "financial assets and financial liabilities held for trading" category largely results from fair value measurement under IAS 39.

The net results of the "available for sale" category chiefly involve income and distributions from shareholdings, as well as profits on disposal and value adjustments.

The net results of the "loan and receivables" category predominantly relate to write-downs and additions.

The development in financial liabilities measured at amortised cost is attributable to the total interest income and expenses presented below.

The write-downs undertaken on financial assets in the "available for sale" category amounted to Euro 1 997 thousand in the 2007/08 financial year (previous year: Euro 295 thousand). Financial assets amounting to Euro 8 560 thousand were written down in the "loans and receivables" category (previous year: Euro 8 579 thousand).

Total interest income and expenses Euro 000s	**30. 9. 2008**	30. 9. 2007
Total interest income	9 407	6 898
Total interest expenses	71 125	78 169

Part of net financial expenses is not subject to IFRS 7 disclosure obligations, which is the reason for the variance to the figures published here. Total interest income and expenses are attributable to financial assets and financial liabilities not measured at fair value. The interest income mainly results from credit balances at banks, overnight and fixed deposits and loans. The interest expenses largely relate to loan obligations. As in the previous year, total interest income does not include any interest on financial assets already impaired.

Release through profit or loss from measurement of financial instruments at fair value: Amounts withdrawn from equity in the context of cash flow hedges.

Euro 000s	**30. 9. 2008**
Included in EBIT	159
Included in financing expenses	1 013
Total amounts withdrawn	**1 172**

Financing and price risks: General information on financing and price risks: The MVV Energie Group is exposed to market price risks resulting from changes in interest rates and exchange rates, as well as in other prices. The Group is exposed to commodity price risks in terms of its procurement and sales activities. Furthermore, the MVV Energie Group is subject to credit risks resulting in particular from trade payables. Moreover, the Group also faces liquidity risks in connection with credit and market price risks or with a deterioration in its operating business or disturbances on financial markets.

Market price risks result in particular from fluctuations in prices on the energy markets, as well as from changes in interest rates. Apart from the US dollar, exchange rate risk is of subordinate significance for the MVV Energie Group. This is due to the fact that the international commitments of the MVV Energie Group are not sufficiently substantial as to be classified as material. The US dollar is the most important foreign currency at the Group, as this is the currency used to settle all key raw materials and fuels. The MVV Energie Group pursues the objective of covering itself against market price and credit risks by means of systematic risk management. This involves defining discretionary frameworks, responsibilities, separating functions and checks, all of which are based on internal guidelines.

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

Counterparty risks at 30. 9. 2007	**Total**				**of which up to 1 year**			
	Nominal value		Counterparty risk		Nominal value		Counterparty risk	
Euro 000s	**30. 9. 2008**	30. 9. 2007	**30. 9. 2008**	30. 9. 2007	**30. 9. 2008**	30. 9. 2007	**30. 9. 2008**	30. 9. 2007
Counterparty rating as per Standard & Poor's and/or Moody's								
AAA and Aaa to AA- and Aa3	184 637	43 390	20 759	10 833	130 388	33 662	16 083	2 479
AA- and A1 or A+ and Aa3 to A- and A3	1 552 153	743 613	67 347	11 099	964 104	462 208	18 841	3 940
A- and Baa1 or BBB+ and A3 to BBB- or Baa3	19 103	16 941	—	235	10 196	13 599	—	235
NBBB- and Ba1 or BB+ and Baa3 to BB- and Ba3	—	—	—	—	—	—	—	—
Other	1 193 452	982 004	38 858	12 094	643 496	707 360	14 688	7 332
	2 949 345	1 785 948	**126 964**	34 261	**1 748 184**	1 216 829	**49 612**	13 986

Credit risks: The risk of economic loss arising as a result of a counterparty failing to meet its contractual payment obligations is defined as credit risk. Credit risk encompasses both the direct default risk and the risk of reduced creditworthiness. The MVV Energie Group maintains its credit and trading relationships predominantly with banks and other trading partners of impeccable creditworthiness. The credit risks towards contractual partners are inspected upon the conclusion of the contract and monitored continuously. Credit risk is limited by setting trading limits for business partners and, where appropriate, by providing cash collateral. Where possible, default risk is already reduced in advance by means of suitable framework agreements with trading partners.

The MVV Energie Group is exposed to credit risks in its sales business, as customers may potentially fail to meet their payment obligations. We limit this risk by regularly inspecting the creditworthiness of our customer portfolio.

The maximum default risk for the financial assets reported in the balance sheet (receivables, derivatives and other assets, as well as cash and cash equivalents and assets held for sale) is equivalent to their carrying amounts. The volume of defaults was immaterial in the year under report and the previous year.

As derivatives are subject to substantial fluctuations in their fair values, the counterparty risk of the derivative financial assets has been presented in the following overview. In general, only recognised accounts have been included. For trading partners with which netting agreements are in place, the actual risk, i.e. net risk, has been presented. No account has been taken of counterparties with negative net balances, i.e. where there is no counterparty risk. In all other cases, the figures have not been netted against negative fair values.

of which 1 to 5 years				of which more than 5 years			
Nominal value		Counterparty risk		Nominal value		Counterparty risk	
30. 9. 2008	30. 9. 2007	**30. 9. 2008**	30. 9. 2007	**30. 9. 2008**	30. 9. 2007	**30. 9. 2008**	30. 9. 2007
54 249	9 728	4 676	8 354	—	—	—	—
579 627	281 405	48 261	7 159	8 422	—	245	—
8 907	3 342	—	—	—	—	—	—
—	—	—	—	—	—	—	—
549 956	274 644	24 170	4 762	—	—	—	—
1 192 739	569 119	**77 107**	20 275	**8 422**	—	**245**	—

A major share of the nominal derivative volume involves trading partners for which external ratings are available. Internal ratings are available for the nominal derivative volumes reported under "Other".

There were no default risks as of 30 September 2008 for trading transactions concluded with stock exchanges with a nominal value of Euro 496 549 thousand (30 September 2007: Euro 125 504 thousand).

Liquidity risks: Liquidity risk involves the risk of a company not being able to meet its financial obligations adequately. The MVV Energie Group is subject to liquidity risks as a result of its obligation to meet its liabilities in full and on time. Cash and liquidity management at the MVV Energie Group is responsible for maintaining the Group's solvency at all times. This involves calculating all cash requirements and cash surpluses. The major subgroups have a cash pooling process which enables bank transactions to be reduced to a reasonable limit.

A financial budget is compiled for liquidity management purposes. Any financing requirements arising are covered by means of suitable instruments within the framework of liquidity management. Alongside the liquidity available on a daily basis, the MVV Energie Group has further liquidity reserves in the form of committed credit lines. In view of its available liquidity and existing credit lines, the MVV Energie Group does not see itself as being exposed to any major liquidity risks.

Group companies within the MVV Energie Group are generally refinanced by local banks of impeccable creditworthiness, as well as by MVV Energie AG.

Contractually agreed outflows of funds for financial liabilities are presented in undiscounted form in the table on Page 127. The figures include the corresponding interest payments.

Interest rate risks: Interest rate risks relate to credit balances at banks on the asset side and to floating-rate liabilities to banks on the liabilities side of the balance sheet. Apart from these items, interest rate risks chiefly involve derivatives in the form of swap transactions. The interest rate risks mainly relate to the euro area.

The impact of changes in interest rates on annual earnings and equity are analysed below. The analysis has been based on the assumption that there are no changes in any other parameters, such as exchange rates. The analysis only includes financial instruments where interest rate risk could impact on equity or annual earnings. Reference has been made in the analysis to the median value of changes in the current yield in the past ten years.

Any variance in the level of interest rates in the euro area by 10 % in terms of nominal volumes as of 30 September 2008 would have increased/decreased annual earnings by a total of Euro 716 thousand/Euro 735 thousand (previous year: Euro 391 thousand/Euro 405 thousand).

Foreign currency risks: Foreign currency risks mainly arise in the context of procuring commodities and fuels settled in US dollars on international markets. These are procured by means of commodities futures intended to secure the commodity and fuel requirements known at a given point in time. The resultant payment obligations in US dollars whose amount and maturity have already been identified upon the conclusion of the commodities futures are subject to foreign currency risk. The major part of this risk is eliminated by concluding forward exchange contracts congruent with the flow of payments in US dollars.

Undiscounted cash flows Euro 000s	**30. 9. 2008 Maturities up to 1 year**	**30. 9. 2008 Maturities 1 to 5 years**	**30. 9. 2008 Maturities longer than 5 years**	30. 9. 2007 Maturities up to 1 year	30. 9. 2007 Maturities 1 to 5 years	30. 9. 2007 Maturities longer than 5 years
Non-derivative financial liabilities						
Liabilities to banks	227 026	626 990	380 399	283 189	647 001	476 914
Liabilities in connection with finance leases	946	3 479	2 315	1 089	3 587	3 084
Trade payables	240 312	—	—	203 737	—	—
Other financial debt	138 190	15 979	61 353	138 974	13 000	53 443
Other financial liabilities	91 789	1 555	344	60 009	1 558	550
Derivative financial liabilities	938 883	673 462	1 140	684 687	342 850	—
	1 637 146	**1 321 465**	**445 551**	1 371 685	1 007 996	533 991

Commodity price risks: Within the framework of our energy trading activities, energy trading contracts are concluded for the purposes of price risk management, adjustments to actual loads and margin optimisation. These proprietary trading contracts primarily serve economic hedging purposes and are only permitted within narrow, clearly defined limits.

Price change risks mainly arise in connection with the procurement and sale of electricity and gas and the procurement of coal and emissions rights. These price risks are hedged with suitable financial instruments with reference to continuously reviewed market price expectations. Use was made of derivative hedging instruments during the year under report. The hedging instruments used mainly involved forwards, futures, swaps and options.

The following section analyses the sensitivity in the measurement of electricity, coal, gas and emissions rights derivatives. The analysis has been based on the assumption that there are no changes in other parameters.

The analysis only includes derivatives for which fluctuations in market values could impact on equity or annual earnings. These involve derivatives requiring mandatory recognition. The analysis does not include derivatives earmarked for the physical delivery of non-financial items in line with the company's expected proprietary procurement, sale or utilisation requirements (own use). These do not require recognition under IAS 39. The sensitivities set out below therefore do not correspond to the actual economic risks and merely serve to meet IFRS 7 disclosure requirements.

If the market price at the reporting date on 30 September 2008 had been 10 % higher/lower (previous year: 10 %), then this would have increased/decreased annual earnings before taxes by Euro 49.6 million/Euro 49.2 million (previous year: Euro 23.3 million/Euro 22.8 million). Equity would have increased/reduced by Euro 51.2 million/Euro 50.7 million as of the same date (previous year: Euro 24.1 million/Euro 23.6 million).

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

Nominal volumes and fair values Euro 000s	**30. 9. 2008 Nominal volumes (total)**	**30. 9. 2008 With a remaining term of more than 1 year**	**30. 9. 2008 Fair values**	30. 9. 2007 Nominal volumes (total)	30. 9. 2007 With a remaining term of more than 1 year	30. 9. 2007 Fair values
Derivative interest rate contracts	286 178	247 530	2 769	165 422	151 043	5 174
Derivative commodity contracts	3 950 207	1 979 491	108 904	2 164 061	1 252 270	14 350
	4 236 385	**2 227 021**	**111 673**	**2 329 483**	**1 403 313**	**19 524**

Derivative interest rate contracts relate almost exclusively to interest swaps.

Derivative commodity contracts can be subdivided as follows:

Derivative commodity contracts Euro 000s	**30. 9. 2008 Nominal volumes**	**30. 9. 2008 Fair values**	30. 9. 2007 Nominal volumes	30. 9. 2007 Fair values
Electricity	3 826 852	82 263	2 048 146	4 433
Coal	57 209	22 250	100 627	10 137
Gas	66 146	4 391	15 288	– 220
	3 950 207	**108 904**	**2 164 061**	**14 350**
Futures transactions	3 725 157	72 106	2 048 146	9 730
Swaps	220 442	36 775	115 915	4 620
Swaptions	4 608	23	—	—
	3 950 207	**108 904**	**2 164 061**	**14 350**

The positive fair values amounting to Euro 426 400 thousand are countered by margining liabilities amounting to Euro 44 386 thousand (previous year: Euro 270 thousand). These are reported under other liabilities. There were no margining liabilities in the previous year. The negative fair values amounting to Euro 314 181 thousand are countered by cash collateral amounting to Euro 12 170 thousand (previous year: Euro 3 200 thousand).

Notes on the Income Statement

22 Sales after electricity and natural gas taxes

Sales include all revenues generated by the typical business activities of the Group. They are recognised upon the relevant risks and rewards being transferred to customers or upon the respective service having been performed, provided that payment can reliably be expected. The composition of sales broken down into individual segments can be found in the segment report under Note 35.

23 Own work capitalised

Own work capitalised chiefly involves construction and expansion measures relating to distribution grids and power plants.

24 Other operating income

Other operating income includes positive valuation items relating to energy trading transactions requiring measurement under IAS 39 (2008). Valuation items relating to energy trading transactions have been reported on a gross basis. This valuation-dependent income is countered by other operating expenses partly offsetting such income.

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

The previous year's figures have been supplemented by income from emissions rights. In the previous year, this item was reported under miscellaneous other operating income. This income arises either from the sale of emissions certificates above cost of acquisition or from the conclusion of derivative swap transactions.

The increase in income from the sale of assets was primarily due to the disposal of an office building and to the sale of technical equipment and machinery.

The increase in foreign currency effects was chiefly due to a higher volume of transactions performed in foreign currencies.

In the previous year, the income from the release of debit differences (badwill) primarily involved an amount of Euro 4 956 thousand in connection with the initial consolidation of Industriepark Gersthofen Servicegesellschaft mbH & Co. KG.

Other operating income Euro 000s	**2007/2008**	2006/2007
Income		
from energy trading transactions recognised under IAS 39	374 286	83 114
from the release of provisions	19 648	19 979
from agency agreements and personnel supplies	6 544	5 922
from the reimbursement of damages claims	4 458	4 386
from emissions rights	4 231	3 215
from the sale of assets	3 163	1 212
from the reversal of write-downs and receipts on receivables already retired	2 712	899
from benefits to employees	2 529	2 088
from the collection of outstanding receivables	2 467	1 167
from rental income	1 741	2 549
from credits	1 567	4 766
from foreign currency effects	1 420	374
from IT services and telecommunications	373	326
from the release of debit differences upon initial consolidation	—	4 978
Miscellaneous	26 908	20 347
	452 047	155 322

25 Cost of materials

Cost of materials Euro 000s	**2007/2008**	2006/2007
Raw materials, supplies and purchased goods	1 555 873	1 254 315
Purchased services	276 503	246 461
	1 832 376	1 500 776

The cost of materials includes write-downs on raw materials and supplies amounting to Euro 1 108 thousand (previous year: Euro 768 thousand). Write-backs of raw materials and supplies due to increased net disposal prices are also included at Euro 609 thousand (previous year: Euro 481 thousand).

Expenses for purchased services mainly relate to expenses for grid utilisation fees, third-party services for operating and maintaining plant and the provision of personnel.

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

26 Personnel expenses

Personnel expenses Euro 000s	**2007/2008**	2006/2007
Wages and salaries	238 342	243 436
Social security expenses and welfare expenses	42 223	42 526
Pension expenses	24 335	17 297
	304 900	303 259

The MVV Energie Group had an annual average of 6 180 employees (previous year: 6 670). This figure includes 388 trainees (previous year: 402). Of the total workforce, 1 022 individuals were employed at joint ventures (previous year: 1 044). The reduction in the number of employees was chiefly due to the sale of KPEC Komunalne Przedsiebiorstwo Energetyki Cieplnej Sp. z o.o., Bydgoszcz, Poland, as well as to the deconsolidation of the Polish subgroup. Reference is made to the information provided under "Scope of consolidation and changes in the scope of consolidation".

The increase in pension expenses was chiefly due to provisions, particularly for benefits in kind, recognised in the year under report.

27 Other operating expenses

Other operating expenses Euro 000s	2007/2008	2006/2007
Expenses for energy trading transactions recognised under IAS 39	286 128	67 470
Concession duty	56 915	57 257
Contributions, fees and duties	23 649	20 180
Legal, consulting and surveyor expenses	16 922	15 453
Rental and leasing expenses	16 916	15 192
Personnel and welfare expenses	12 889	11 235
Public relations expenses	12 347	11 601
Additions to write-downs and receivables defaults	8 487	8 038
Losses incurred on the sale of assets	8 003	5 635
Maintenance, repair and IT service expenses	5 738	8 784
Operating taxes (excluding energy taxes)	2 766	2 230
Accounting and year-end expenses	2 145	2 722
Office materials and specialist literature	1 682	1 838
Expenses for foreign currency effects	675	458
Damages expenses	587	367
Business hospitality	475	440
Other	37 267	43 705
	493 591	**272 605**

Other operating expenses include negative valuation items relating to energy trading transactions requiring measurement under IAS 39 (2008). Valuation items relating to energy trading transactions have been reported on a gross basis. These valuation-dependent expenses are countered by other operating income partly offsetting this item.

The increase in losses incurred on the disposal of assets largely related to the relocation of the MVV Customer Centre and the revitalisation of the MVV office building.

28 Other income from shareholdings

Other income from shareholdings Euro 000s	2007/2008	2006/2007
Income from shareholdings	7 910	9 381
Income from the sale of financial assets	1 928	5 959
Write-backs to financial assets	—	26
Income from the assumption of results	615	176
Write-downs of financial assets	– 1 997	– 335
	8 456	**15 207**

Income from shareholdings mainly involves distributions from associated companies.

29 Depreciation and amortisation

Depreciation and amortisation Euro 000s	2007/2008	2006/2007
Depreciation and amortisation	149 438	143 546
of which extraordinary	5 248	250

Extraordinary depreciation and amortisation mainly related to adjustments in the current values of buildings (Euro 3 071 thousand) and to assets in the telecommunications division which were capitalised under technical equipment (Euro 1 772 thousand). This was necessary due to adjustments in market conditions or to a reduction in the income expected from future use.

30 Amortisation of goodwill

Amortisation of goodwill Euro 000s	**2007/2008**	2006/2007
Czech subgroup	—	542
	—	**542**

The goodwill amortisation reported in the previous year included the amortisation of the goodwill arising upon the initial consolidation of Teplárna Liberec.

No amortisation of goodwill was performed in the 2007/08 financial year.

31 Financing income

Financing income Euro 000s	**2007/2008**	2006/2007
Interest income from finance leases	2 220	1 519
Income from loans	605	251
Other interest and similar income	6 582	5 128
	9 407	**6 898**

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

32 Financing expenses

Financing expenses Euro 000s	**2007/2008**	2006/2007
Kiel put option	10 231	12 740
Compounding of provisions	5 540	4 572
Interest expenses from minority ownership of commercial partnerships	3 866	1 100
Write-downs on current loans	73	541
Write-downs on loans and securities	531	—
Interest and similar expenses	57 028	64 329
	77 269	**83 282**

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

33 Taxes on income

Taxes on income Euro 000s	**2007/2008**	2006/2007
Actual taxes	55 581	47 664
Deferred taxes	28 183	– 35 223
	83 764	12 441

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

Actual taxes include net expenses of Euro 5.2 million relating to previous periods (previous year: income of Euro 2.8 million). Of this sum, Euro 5 thousand relates to expenses incurred in connection with the initial recognition of "existing equity 02" (Alt-EK 02) as of 31 December 2007 (previous year: income of Euro 4.7 million from the initial recognition of the corporate income tax credit). Due to an amendment in tax legislation introduced in November 2007, existing liabilities in connection with the tax imputation process are to be paid out in equal annual amounts over a period of ten years from 2008. The gross value of the liabilities recognised at present value in connection with Alt-EK 02 amounts to Euro 7 thousand. In the previous year, an amendment in tax legislation introduced in December 2006 led to the stating of a receivable in connection with the initial recognition of the corporate income tax credit to be paid out in equal annual amounts over a period of ten years from 2008. The gross amount of the credit recognised at present value amounts to Euro 6.1 million (previous year: Euro 5.9 million).

Of deferred tax expenses, an amount of Euro 27.5 million relates to the arising and/or reversal of temporary differences (previous year: tax income of Euro 38.4 million). The difference to overall deferred tax income is due to the recognition through profit or loss of losses carried forward. Deferred taxes include net income of Euro 5 million relating to previous periods.

Actual tax expenses were reduced by Euro 416 thousand by using tax losses carried forward not previously recognised. Deferred tax expenses were reduced by Euro 1 182 thousand due to the initial recognition of previously unstated tax losses carried forward from a previous period.

The transition from the tax expenses expected to those actually reported is depicted in the following table:

Transition to income tax rate Euro 000s	**2007/2008**	2006/2007
Earnings before taxes (EBT)	**268 780**	**138 675**
Expected tax expenses based on a tax rate of 30 % (previous year: 39 %)	**80 634**	**54 084**
Deviations resulting from the trade tax calculation base	3 328	4 731
Income from capitalisation of claims relating to corporate income tax credit	—	– 4 685
Deviations from expected tax rate	– 1 483	– 1 282
Change in tax rate and tax legislation	– 283	– 45 829
Change in write-downs for losses and losses for which no deferred taxes are recognised	– 1 598	1 181
Non-deductible expenses	3 904	4 312
Tax-exempt income	– 2 572	– 7 968
Earnings of shareholdings recognised at equity	—	622
Non-deductible goodwill amortisation and other consolidation measures	– 2 889	2 743
Non-deductible items resulting from the application of IAS 32 (2003)	4 229	5 551
Taxes for previous years	225	– 2 829
Effect of expenses relating to equity procurement	819	345
Miscellaneous	– 550	1 465
Effective tax expenses	**83 764**	**12 441**
Effective tax rate in %	**31.2**	9.0

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

Share of earnings allocable to shareholders in MVV Energie AG and earnings per share	**2007/2008**	2006/2007
Share of earnings allocable to shareholders in MVV Energie AG (Euro 000s)	169 957	109 229
Number of shares (weighted annual average in thousands)	65 297	55 767
Earnings per share (Euro)	2.60	1.96
Dividend per share (Euro)	0.90	0.80

The number of individual registered shares of MVV Energie AG has increased by 10 139 506 to 65 906 796 as a result of the capital increase executed in October 2007. The average weighted number of shares is calculated to the nearest day.

The dividend for the 2007/08 financial year is based on the proposal made by the Executive Board and is subject to approval by the Annual General Meeting on 13 March 2009. The proposal involves the distribution of a dividend totalling Euro 59 316 thousand. The appropriation of earnings proposed for the 2006/2007 financial year was approved by the Annual General Meeting on 14 March 2008. A total dividend of Euro 52 725 thousand was distributed. As no option rights to shares in MVV Energie AG were effective at the reporting date, it is not necessary to account for any dilution effects.

35 Segment reporting

The segmentation of the MVV Energie Group is based on the internal reporting structures to the Executive Board and the Supervisory Board. Of segment sales with external customers, 95.5 % are generated in Germany (previous year: 95.8 %). The total carrying amount of the assets located in Germany amounts to Euro 3 617 290 thousand, or 95.5 % of total assets (previous year: Euro 3 071 968 thousand or 93.7 %). The MVV Energie Group does not exceed the limits set out in IAS 14.69 in terms of its volume of sales, assets and investments and has therefore foregone disclosures on geographical segmentation.

The electricity segment includes the value creation stages involved in the generation, trading, distribution and sale of electricity. The gas and district heating segments include the value creation stages involved in the procurement, distribution and sale of gas and of heating water and steam. As well as procurement, distribution and sale, the water segment also includes the value creation stage of production (waterworks). In addition to the activities of the MVV Energiedienstleistungen subgroup, the value-added services segment also includes the value-added services business at the municipal utility companies, and in particular the shared service companies for IT, billing and metering. The environmental energy segment includes the activities relating to the generation of energy from waste (household and commercial waste and waste timber).

The other/consolidation line item depicts both consolidation items and those activities not allocable to the business segments. The carrying amounts of shareholdings are also reported in the segment earnings and segment assets of the other/consolidation section in cases where they basically cannot be allocated to one of the business segments.

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

Operating earnings (EBIT) have been selected to represent segment earnings. We have refrained from depicting the transition to unappropriated net profit in our segment report as this is already depicted in the income statement.

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

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

36 Cash flow statement

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

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

The structure of the cash flow statement has been amended compared with the annual financial statements as of 30 September 2007. Starting 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 cash flow as per DVFA/SG has been omitted. The cash flow before working capital and taxes has been reported within the cash flow from operating activities. Corresponding adjustments have been made to the previous year's figures.

Major non-cash transactions include the measurement of derivatives recognised under IAS 39 (2008), with changes in these items being portrayed within the cash flow from operating activities under other non-cash income and expenses.

The cash flow before working capital and taxes for the 2007/08 financial year is higher than in the previous year due to the increase in the net surplus. This was countered in part by the increase in non-cash changes, which were mainly attributable to the derivatives thereby recognised (measurement under IAS 39).

The cash flow from operating activities was affected by the substantial increase in trade receivables, other receivables and other assets. The increase in the volume of capital tied up in current and non-current assets was considerably higher in the year under report than in the previous year. Overall, this resulted in a significantly lower level of cash flow from operating activities than in the previous year. This effect was exacerbated by the decline in current provisions.

As a result of the substantial increase in investments in intangible assets, property, plant and equipment and investment property, the free cash flow of the MVV Energie Group reduced compared with the previous year. In return, the cash flow from investing activities was considerably less negative than in the previous year due to the absence of company acquisitions and an increased inflow of funds from the sale of other financial assets. The cash flow from financing activities was negative as a result of dividend payments and substantial loan repayments. Due to a capital increase in the 2007/08 financial year, however, the cash flow from financing activities was markedly less negative than in the previous year.

37 Capital management

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

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

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

The key figure used in the value-based management of the company and the capital management thereby required is the value spread. This key figure is calculated as the difference between the period-based return on capital employed (ROCE) and the weighted average cost of capital (WACC).

There were no changes in the underlying capital management requirements compared with the previous year.

38 Relationships to related companies, individuals and entities

Business transactions performed between the parent company and its subsidiaries and shareholdings, which constitute related parties, are not outlined in this section, as they have been eliminated in the course of consolidation.

The City of Mannheim is the sole shareholder of MVV GmbH. MVV GmbH owns 99.99 % of the shares in MVV Verkehr AG, which in turn has a 50.1 % shareholding in MVV Energie AG. The City of Mannheim and the companies which it controls therefore represent related parties as defined in IFRS.

	Goods and services provided	
	Income	
Euro 000s	**2007/2008**	2006/2007
Abfallwirtschaft Mannheim	754	657
ABG Abfallbeseitigungs-gesellschaft mbH	23 608	36 135
GBG Mannheimer Wohnungsbau-gesellschaft mbH	10 038	9 631
m:con – Mannheimer Kongress- und Touristik GmbH	3 985	2 551
MVV GmbH	925	1 009
MVV OEG AG	445	439
MVV Verkehr AG	1 769	2 264
Rhein-Neckar-Verkehr GmbH	7 554	9 229
Stadtentwässerung Mannheim	2 968	1 883
City of Mannheim	13 902	16 829
Proportionately consolidated companies	77 723	55 288
Other companies controlled by the City of Mannheim	9 108	5 016
	152 779	140 931

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

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

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

In the interests of enhanced transparency, the supplies and services have not been reported as aggregate sums as in the previous year, but have rather been broken down into income and expenses.

MVV Energie AG has compiled a dependent company report in accordance with Section 312 of the German Stock Corporation Act (AktG) for the financial year ending on 30 September 2008.

Goods and services provided					
Expenses		Receivables		Liabilities	
2007/2008	2006/2007	**2007/2008**	2006/2007	**2007/2008**	2006/2007
3 597	12	282	34	—	—
3 474	—	26	3 230	8	—
35	—	2 059	778	—	—
3 175	—	5 676	7	—	2 846
2 293	3 295	164	140	38 991	41 533
—	5	52	52	—	—
60	105	1 079	1 143	1	—
—	213	5 384	802	—	—
1 671	681	966	291	—	—
21 039	19 971	1 445	14 559	19	10 509
22 181	7 239	3 861	1 278	4 135	10 207
92	4	5 171	309	151	—
57 617	31 525	**26 165**	22 623	**43 305**	65 095

The Executive Board was paid compensation totalling Euro 2 316 thousand in the year under report. This was structured as follows:

Compensation Euro 000s	Fixed [1]	Variable [2]	Supervisory Board compensation [3]	**Total**
Dr. Rudolf Schulten	416	311	22	749
Matthias Brückmann	275	243	8	526
Dr. Werner Dub	263	243	17	523
Hans-Jürgen Farrenkopf	266	243	9	518
Total	**1 220**	**1 040**	**56**	**2 316**

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

[2] provisions

[3] supervisory board activities at shareholdings

The members of the Executive Board of MVV Energie AG also act as executive board members of MVV RHE AG. The relevant compensation is paid by MVV Energie AG and subsequently charged to MVV RHE AG. This compensation is accounted for in the above table.

Moreover, the CEO also acts as managing director of MVV GmbH. The relevant compensation of Euro 27 thousand is also paid by MVV Energie AG and subsequently charged to MVV GmbH. However, this compensation is not accounted for in the above table.

Variable compensation is calculated on the basis of two components – the annual net surplus of the MVV Energie Group after minority interests pursuant to IFRS following adjustment for one-off items and the ROCE (return on capital employed). A suitable cap is in place.

No compensation components of a long-term incentive nature were granted during the year under report.

No further payments were either committed or made by third parties.

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

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

The pension obligations are structured as follows:

Pension obligation	Value of	Benefit	Benefit	Allocation to pension provision	
Euro 000s	final pension [1]	percentage [2]	percentage [3]	Service cost	Interest expenses
Dr. Rudolf Schulten	176	48 %	48 %	963 [4]	50
Matthias Brückmann	144	50 %	70 %	122	6
Dr. Werner Dub	98	56 %	66 %	103	41
Hans-Jürgen Farrenkopf	111	58 %	66 %	162	40
Total	**529**			**1 350**	**137**

[1] achievable claim to retirement pension aged 63, taking due account of amounts deducted
[2] total percentage rate achieved for retirement pension
[3] pension percentage achievable by the age of 63
[4] including additional service cost due to the retirement of Dr. Rudolf Schulten from the Executive Board

Former members of the Executive Board received benefits of Euro 211 thousand during the year under report. Provisions totalling Euro 3 255 thousand have been stated for pension obligations towards former members of the Executive Board. A total of Euro 35 thousand was allocated to this item during the year under report.

Pursuant to IAS 24, related parties also include management staff performing key functions. Alongside the Executive Board, the MVV Energie Group views this group as also including active heads of division and authorised company representatives of MVV Energie AG. Compensation totalling Euro 2 725 thousand was paid to this group of persons in the year under report, with the predominant share (Euro 2 627 thousand) involving payments with current maturities.

Senior employees receive a company pension amounting to up to 8.6 % of their fixed compensation. This exclusively takes the form of a defined contribution plan. Within the channels of execution offered within the Group, senior employees are able to determine which biometric risks they would like to cover. The total expenses incurred for the aforementioned compensation schemes amounted to Euro 98 thousand in the year under report.

The members of the Supervisory Board received annual compensation of Euro 10 thousand each in the 2007/08 financial year, with the Chairman of the Supervisory Board receiving twice and his deputy one and a half times this figure. The Chairman of the Audit Committee received additional annual compensation of Euro 5 thousand and the other members of this committee received additional annual compensation of Euro 2.5 thousand. Moreover, a meeting allowance of Euro 300 was paid per person per meeting of the full Supervisory Board and of the committees. Total compensation amounted to Euro 285 thousand.

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

The members of the Supervisory Board and the Executive Board have been presented in a separate overview.

39 Auditor's fee

The following fees were recognised as expenses for the services performed by the auditor of the consolidated financial statements, Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Mannheim, in the 2007/08 financial year:

Auditor's fee Euro 000s	**2007/2008**	2006/2007
Audit	818	728
Other auditing services	153	533
Tax advisory services	1	19
Other services	484	169
	1456	**1449**

40 Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG)

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

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

41 Information on concessions

In addition to the concession agreement concluded between the City of Mannheim and MVV Energie AG (please see "Relationships to related companies, individuals and entities"), further concession agreements have also been concluded between companies of the MVV Energie Group and local and regional authorities. The remaining terms of these agreements range from one to 21 years. In these agreements, responsibility has been assigned for operating the respective supply networks and providing for their maintenance. Should these agreements not be extended upon their expiry, the facilities for supplying the respective utility service must be taken over by the municipalities upon payment of commensurate compensation.

42 Events after the balance sheet date

Dr. Georg Müller will become the new Chairman of the Executive Board (CEO) of MVV Energie AG as of 1 January 2009 and will thus succeed Dr. Rudolf Schulten.

The approval by the Polish antitrust authority for the sale of the Polish subgroup still outstanding as of 30 September 2008 was granted in October 2008. Significant portions of the resultant inflow of funds have also been received.

The gas price increase resolved by MVV Energie AG as of 1 October 2008 is currently being reviewed by the state antitrust authorities. The results of the proceedings currently underway cannot be assessed at present.

Mannheim, 26 November 2008

MVV Energie AG
Executive Board

Brückmann   Dr. Dub   Farrenkopf

Responsibility Statement

"To the best of our knowledge, and in accordance with the accounting principles applicable to annual reporting, the consolidated financial statements give a true and fair view of the net asset, financial and earnings position of the Group, and the group management report 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."

Mannheim, 26 November 2008

MVV Energie AG
Executive Board

Brückmann   Dr. Dub   Farrenkopf

Directors & Officers

[1] Reference is made to Note 42 "Events After the Reporting Date"

Executive Board of MVV Energie AG

Dr. Georg Müller[1]
since 1 January 2009
Chairman
Commercial Director

Dr. Rudolf Schulten
until 30 September 2008
Chairman
Commercial Director

Matthias Brückmann
Sales

Dr. Werner Dub
Technology

Hans-Jürgen Farrenkopf
Personnel

Supervisory Board of MVV Energie AG

Dr. Peter Kurz
Chairman
Lord High Mayor of the City of Mannheim

Manfred Lösch
Deputy Chairman
Chairman of the Works Council of the MVV Energie Group

Johannes Böttcher
Chairman of the Works Council of Energieversorgung Offenbach AG

Holger Buchholz
Trade Union Secretary at ver.di Kiel

Werner Ehret
Deputy Chairman of the Works Council of MVV Energie AG

Detlef Falk
Deputy Chairman of the Works Council of Stadtwerke Kiel AG

Dr. Rudolf Friedrich
Retired Job Centre Director

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

Dr. Stefan Fulst-Blei
Vocational Training College Lecturer

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

Dr. Karl Heidenreich
until 14 March 2008
Former Member of the Executive Board of Landesbank Baden-Württemberg

Prof. Dr. Egon Jüttner
University Professor

Klaus Lindner
Trade Union Secretary at ver.di Rhine/Neckar

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

Dr. Reiner Lübke
Head of Infrastructure Service Division at MVV Energie AG

Barbara Neumann
Chairman of the Works Council of Stadtwerke Kiel AG

Wolfgang Raufelder
Architect and Town Planner

Sabine Schlorke
Trade Union Secretary at ver.di Rhine/Neckar

Dr. Rolf Martin Schmitz
since 14 March 2008
Chairman of the Executive Board of RheinEnergie AG, Cologne

Uwe Spatz
Works Council of MVV Energie AG

Christian Specht
First Mayor of the City of Mannheim

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

Members of the Supervisory Board of MVV Energie AG

Name Occupation	Positions held on other statutory supervisory boards of German companies	Membership of comparable German and foreign company supervisory bodies
Dr. Peter Kurz **Chairman** Lord High Mayor of the City of Mannheim	Faculty of Clinical Medicine at the University of Heidelberg Klinikum Mannheim GmbH University Hospital, Mannheim (Chairman) MVV GmbH, Mannheim (Chairman) MVV OEG AG, Mannheim (Chairman) MVV RHE AG, Mannheim (Chairman) MVV Verkehr AG, Mannheim (Chairman)	GBG Mannheimer Wohnungsbaugesellschaft mbH, Mannheim (Chairman) m:con – Mannheimer Kongress- und Touristik GmbH, Mannheim (Chairman) Popakademie Baden-Württemberg GmbH, Mannheim Rhein-Neckar-Verkehr GmbH, Mannheim (Chairman) Sparkasse Rhein Neckar Nord, Mannheim Stadtmarketing Mannheim GmbH, Mannheim
Manfred Lösch **Deputy Chairman** Chairman of the Works Council of the MVV Group	Energieversorgung Offenbach AG (EVO), Offenbach MVV GmbH, Mannheim	
Johannes Böttcher Chairman of the Works Council of Energieversorgung Offenbach AG	Energieversorgung Offenbach AG, Offenbach MVV GmbH, Mannheim (until 17 June 2008)	
Holger Buchholz Trade Union Secretary at ver.di Kiel	MVV GmbH, Mannheim (since 17 June 2008) Stadtwerke Kiel AG, Kiel	
Werner Ehret Deputy Chairman of the Works Council of MVV Energie AG	MVV GmbH, Mannheim	
Detlef Falk Deputy Chairman of the Works Council of Stadtwerke Kiel AG	Stadtwerke Kiel AG, Kiel	

Name Occupation	Positions held on other statutory supervisory boards of German companies	Membership of comparable German and foreign company supervisory bodies
Dr. Rudolf Friedrich Retired Job Centre Director	MVV Verkehr AG, Mannheim	BBS Bau- und Betriebsservice GmbH Mannheim Fleischversorgungszentrum Mannheim GmbH, Mannheim
Dr. Manfred Fuchs Deputy Chairman of the Supervisory Board of Fuchs Petrolub AG, Mannheim	Fuchs Petrolub AG, Mannheim (Deputy Chairman)	Hilger u. Kern GmbH, Mannheim
Dr. Stefan Fulst-Blei Vocational Training College Lecturer	MVV GmbH, Mannheim MVV OEG AG, Mannheim	m:con – Mannheimer Kongress- und Touristik GmbH, Mannheim Stadtmarketing Mannheim GmbH, Mannheim
Reinhold Götz Graduate in Commercial Training 2nd Authorised Representative of IG Metall Mannheim	DEUTZ Power Systems GmbH & Co. KG, Mannheim	Rhein-Neckar Flugplatz GmbH, Mannheim Stadt Mannheim Beteiligungsgesellschaft mbH, Mannheim
Dr. Karl Heidenreich (until 14 March 2008) Former Member of the Executive Board of Baden-Württemberg	K+S Aktiengesellschaft, Kassel	
Prof. Dr. Egon Jüttner University Professor	MVV GmbH, Mannheim MVV RHE AG, Mannheim	Sparkasse Rhein Neckar Nord, Mannheim Haus-, Wohnungs- und Grundeigentümerverein Mannheim e.V., Mannheim

Name Occupation	Positions held on other statutory supervisory boards of German companies	Membership of comparable German and foreign company supervisory bodies
Klaus Lindner Trade Union Secretary at ver.di Rhine/Neckar	MVV GmbH, Mannheim	
Prof. Dr. Norbert Loos Managing Partner of Loos Beteiligungs-GmbH	BHS tabletop AG, Selb (Chairman) Dürr AG, Stuttgart (Deputy Chairman) Hans R. Schmidt Holding AG, Offenburg (Chairman) LTS Lohmann Therapie-Systeme AG, Andernach (Chairman) TRUMPF GmbH + Co. KG, Ditzingen	LTS Corp. West Caldwell, NJ, USA (Chairman) m:con – Mannheimer Kongress- und Touristik GmbH, Mannheim Stadt Mannheim Beteiligungsgesellschaft mbH, Mannheim
Dr. Reiner Lübke Head of Infrastructure Service Division at MVV Energie AG	MVV GmbH, Mannheim (until 17 June 2008)	Stadtwerke Schwetzingen GmbH & Co. KG Stadtwerke Schwetzingen Verwaltungsgesellschaft mbH
Barbara Neumann Chairman of the Works Council of Stadtwerke Kiel AG	MVV GmbH, Mannheim (since 17 June 2008) Stadtwerke Kiel AG, Kiel	
Wolfgang Raufelder Architect and Town Planner	MVV Verkehr AG, Mannheim	Mannheimer Parkhausbetriebe GmbH, Mannheim
Sabine Schlorke Trade Union Secretary at ver.di Rhine/Neckar	MVV GmbH, Mannheim (until 17 June 2008)	

Name Occupation	Positions held on other statutory supervisory boards of German companies	Membership of comparable German and foreign company supervisory bodies
Dr. Rolf Martin Schmitz (since 14 March 2008) Chairman of the Executive Board of RheinEnergie AG, Cologne	Bergische Licht-, Kraft- und Wasserwerke (BELKAW) GmbH, Bergisch Gladbach NetCologne Gesellschaft für Telekommunikation mbH, Cologne (Chairman) rhenag Rheinische Energie Aktiengesellschaft, Cologne	AggerEnergie GmbH, Gummersbach, (Chairman) AVG Abfallentsorgungs- und Verwertungsgesellschaft Köln mbH, Cologne AWB Abfallwirtschaftsbetriebe Köln GmbH & Co. KG, Cologne BRUNATA-METRONA Wärmemesser-GesellschaftSchultheiß GmbH & Co, Hürth Energie- und Wasserversorgung Bonn/Rhein-Sieg GmbH, Bonn evd energieversorgung dormagen GmbH, Dormagen Energieversorgung Leverkusen GmbH & Co. KG (EVL), Leverkusen Gasversorgungsgesellschaft mbH Rhein-Erft, Hürth Kölner Außenwerbung GmbH, Cologne Stadtwerke Troisdorf GmbH, Troisdorf
Uwe Spatz Works Council of MVV Energie AG	MVV Umwelt GmbH, Mannheim MVV GmbH, Mannheim (since 17 June 2008)	
Christian Specht First Mayor of the City of Mannheim	MVV GmbH, Mannheim MVV RHE AG, Mannheim MVV Verkehr AG, Mannheim	BBS Bau- und Betriebsservice GmbH, Mannheim GBG Mannheimer Wohnungsbaugesellschaft mbH, Mannheim Mannheimer Stadtreklame GmbH, Mannheim Rhein-Neckar Flugplatz GmbH, Mannheim (since 3 August 2008)

Division Heads at MVV Energie AG[1]

Dr. Christoph Helle
General Director
Energy Business and Group Strategy

Hans-Georg Hägele
Group Controlling

Dr. Hans-Heinrich Kleuker
Business Controlling and
Materials Management

Gunter Kühn
Personnel, Social and Welfare Services

Dr. Reiner Lübke
Infrastructure Service

Ralph Rischmüller
Real Estate Management

Bernhard Schumacher
Sales

[1] not a governing body of the company

The Shareholdings of the MVV Energie Group

Scope of Consolidation of the MVV Energie Group as of 30. 9. 2008	Share of capital [14] in %	Equity 000s (local currency)	Annual result 000s (local currency)	Local currency
Associated Companies (fully consolidated subsidiaries)				
Germany				
ABeG Abwasserbetriebsgesellschaft mbH, Offenbach am Main[13]	24.81	299	49	EUR
BFE Institut für Energie und Umwelt GmbH, Mühlhausen[5]	100.00	700	1 291	EUR
Biomassen-Heizkraftwerk Altenstadt GmbH, Altenstadt[13]	67.00	2 045	– 1 160	EUR
DECON Deutsche Energie-Consult Ingenieurgesellschaft mit beschränkter Haftung, Bad Homburg v. d. Höhe	100.00	988	628	EUR
Energieversorgung Offenbach Aktiengesellschaft, Offenbach am Main[1]	48.65	127 952	23 270	EUR
ENSERVA GmbH, Solingen[9]	62.93	2 470	49	EUR
eternegy GmbH, Mannheim	100.00	– 9 155	2 474	EUR
Gasversorgung Offenbach GmbH, Offenbach am Main[13]	36.44	12 375	2.083	EUR
GeTeBe Gesellschaft für Technologieberatung mbH, Berlin	100.00	13 982	2 032	EUR
Industriepark Gersthofen Servicegesellschaft mbH & Co. KG, Gersthofen	100.00	12 733	1 960	EUR
Köthen Energie GmbH, Köthen	100.00	4 442	275	EUR
Köthen Energie Netz GmbH, Köthen[2, 5]	100.00	24	– 436	EUR
MVV BioPower GmbH, Königs Wusterhausen	100.00	22 111	10 379	EUR
MVV BMKW Mannheim GmbH, Mannheim[5]	100.00	12 304	3 515	EUR
MVV decon GmbH, Mannheim (previously: MVV Consulting GmbH, Mannheim)	100.00	413	51	EUR
MVV Energiedienstleistungen GmbH, Mannheim[5, 13]	100.00	71 643	– 8 748	EUR
MVV Energiedienstleistungen GmbH Berlin, Berlin[5, 9]	100.00	565	1 559	EUR
MVV Energiedienstleistungen GmbH IK Ludwigshafen, Mannheim	100.00	1 140	– 173	EUR
MVV Energiedienstleistungen GmbH IS Bayern, Gersthofen (previously: MVV Energiedienstleistungen Industrial Solutions Bayern GmbH, Ingolstadt)[5, 9]	100.00	– 180	– 100	EUR
MVV Energiedienstleistungen GmbH IS Südwest, Mannheim[5]	100.00	3 990	480	EUR
MVV Energiedienstleistungen GmbH Südwest, Mannheim[5]	100.00	1 525	2 195	EUR
MVV Energiedienstleistungen GmbH West, Solingen (previously: MVV Energiedienstleistungen GmbH IS West, Solingen)[5, 9]	100.00	520	185	EUR
MVV Energiedienstleistungen GmbH & Co. KG IK Korbach, Korbach	100.00	7 762	– 134	EUR
MVV Energiedienstleistungen Wohnen GmbH & Co. KG, Berlin[9, 11]	51.00	2 277	– 380	EUR
MVV O&M GmbH, Mannheim[5]	100.00	1 226	6 195	EUR
MVV RHE AG, Mannheim[5]	100.00	56 390	5 484	EUR
MVV TREA Leuna GmbH, Leuna[5]	100.00	5 280	12 299	EUR
MVV Umwelt GmbH, Mannheim[5]	100.00	49 473	31 820	EUR

SECURA Energie GmbH, Mannheim [2, 5, 11, 13]	89.72	1 000	– 1 679	EUR
Stadtwerke Kiel Aktiengesellschaft, Kiel	51.00	148 851	25 933	EUR
SWKiel Erzeugung GmbH, Kiel [5]	51.00	25	– 1 913	EUR
SWKiel Netz GmbH, Kiel [5]	51.00	25	– 13 133	EUR
SWKiel Service GmbH, Kiel [5]	51.00	25	– 3 143	EUR
ZEDER Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Grünwald [3, 9]	0.00	– 6 348	– 1 520	EUR
24sieben GmbH, Kiel [5]	51.00	1 000	19 936	EUR
24/7 IT-Services GmbH, Kiel	75.50	2 278	1 346	EUR
24/7 Metering GmbH, Offenbach am Main [13]	73.81	3 024	2 710	EUR
24/7 Netze GmbH, Mannheim [5]	84.59	5 999	– 7 135	EUR
24/7 Trading GmbH, Mannheim [5, 13]	77.49	10 493	262	EUR
24/7 United Billing GmbH, Offenbach am Main [13]	49.35	1 062	906	EUR

Scope of Consolidation of the MVV Energie Group as of 30. 9. 2008	Share of capital [14] in %	Equity 000s (local currency)	Annual result 000s (local currency)	Local currency
Associated Companies (fully consolidated subsidiaries)				
International				
Českolipské teplo a.s. Česká Lípa, Czech Republic	100.00	59 016	– 56	CZK
CTZ s.r.o., Uherské Hradiště, Czech Republic	50.96	92 724	8 706	CZK
ENERGIE Holding a.s., Prague, Czech Republic	100.00	464 446	45 466	CZK
Jablonecká teplárenská a realitní a.s., Jablonec nad Nisou, Czech Republic	65.78	344 869	30 945	CZK
Městské inžnýrské sitě Studénka a.s., Studénka, Czech Republic	99.92	80 974	11 920	CZK
MVV Energie CZ s.r.o., Prague, Czech Republic	100.00	1 558 496	88 794	CZK
MVV enservis a.s., Česká Lípa, Czech Republic	100.00	– 6 480	– 7 746	CZK
MVV Nederland B.V., Amsterdam, Netherlands [2, 6]	100.00	—	—	EUR
OPATHERM a.s., Opava, Czech Republic	100.00	83 905	17 639	CZK
POWGEN a.s., Prague, Czech Republic	100.00	11 140	9 185	CZK
Teplárna Liberec a.s., Liberec, Czech Republic	70.00	399 153	528	CZK
TERMO Děčín a.s., Děčín, Czech Republic	96.91	294 263	58 915	CZK
Zásobování teplem Vsetín a.s., Vsetín, Czech Republic	98.53	199 934	43 385	CZK

Scope of Consolidation of the MVV Energie Group as of 30. 9. 2008	Share of capital [14] in %	Equity 000s (local currency)	Annual result 000s (local currency)	Local currency
Associated Companies (non-consolidated subsidiaries)				
Germany				
A+S Naturenergie GmbH, Pfaffenhofen [2, 7]	70.00	1 438	– 35	EUR
BHG Biomasse Handelsgesellschaft mbH, Mannheim [8]	100.00	1 294	112	EUR
Bioenergie Pfalzgrafenweiler GmbH, Pfalzgrafenweiler [2, 9]	51.00	637	– 23	EUR
Biokraft Naturbrennstoffe GmbH, Offenbach am Main [2, 13]	74.84	298	– 717	EUR
Erschließungsträgergesellschaft St. Leon-Rot mbH, St. Leon-Rot [9]	80.00	25	0	EUR
Erschließungsträgergesellschaft Weeze mbH, Weeze [9]	75.00	18	1	EUR
Gersthofen Verwaltungs GmbH, Gersthofen	100.00	29	1	EUR
Kielspeicher 103 GmbH & Co. KG, Kiel [2, 12]	26.01	—	—	EUR
Kielspeicher 103 Verwaltungs-GmbH, Kiel [9] (previously: 24sieben Kielspeicher GmbH, Kiel)	26.01	34	– 5	EUR
MVV Alpha neun GmbH, Gersthofen [2, 9]	50.10	24	– 1	EUR
MVV Energiedienstleistungen GmbH Nord, Hamburg [2, 5, 12]	100.00	—	—	EUR
MVV Industriekraftwerk Gengenbach GmbH (MVV IKG), Mannheim [9]	92.20	507	– 156	EUR
Nordland Energie GmbH, Kiel [2, 12]	51.00	—	—	EUR
REGIOPLAN Projekt GmbH, Mannheim [9] (previously: 81FÜNF Vertriebs- und Bauträger GmbH, Mannheim)	100.00	28	0	EUR
voltwerk Energy Park 6 GmbH & Co. KG, Hamburg [2, 8]	100.00	– 7	– 6	EUR
Zweckverband Wasserversorgung Kurpfalz (ZWK), Heidelberg [8]	52.60	7 071	—	EUR
24solution S-H GmbH, Kiel [9]	45.90	69	38	EUR
24/7 Insurance Services GmbH, Mannheim [9]	84.10	71	46	EUR
International				
BFE Institut für Energie und Umwelt GmbH, Romanshorn, Switzerland [9]	100.00	44	2	CHF
BFE Nederland B.V., Oosterhout, Netherlands [2, 11, 12]	100.00	—	—	EUR
East-West-Energy-Agency (EWEA), Moscow, Russian Federation [8]	100.00	570	5	RUB
MVV Environment Limited, London, UK [2, 11, 12]	100.00	—	—	GBP
Regioplan Ingenieure Salzburg GmbH, Salzburg, Austria [9]	100.00	66	5	EUR

Scope of Consolidation of the MVV Energie Group as of 30. 9. 2008	Share of capital [14] in %	Equity 000s (local currency)	Annual result 000s (local currency)	Local currency
Jointly-Owned Companies (proportionate consolidation)				
Germany				
reginova GmbH, Ingolstadt [5, 13]	48.40	500	– 301	EUR
Stadtwerke Ingolstadt Beteiligungen GmbH, Ingolstadt [4, 13]	48.40	41 549	15 468	EUR
Stadtwerke Ingolstadt Energie GmbH, Ingolstadt [5, 13]	48.40	1 048	7 801	EUR
Stadtwerke Ingolstadt Netze GmbH, Ingolstadt [5, 13]	48.40	25 834	10 527	EUR
Stadtwerke Solingen GmbH, Solingen [4]	49.90	67 300	14 617	EUR
Stadtwerke Solingen Netz GmbH, Solingen [5]	49.90	250	– 13 734	EUR
Associated Companies (Other)				
Germany				
ADG Abwasser Dietzenbach GmbH, Dietzenbach [8]	12.16	76	8	EUR
BAS-Bergsträßer Aufbereitungs- und Sortierungsgesellschaft mbH, Heppenheim [12]	49.00	—	—	EUR
beka ebusiness GmbH, Cologne [8]	15.30	151	30	EUR
BioKraft Hennstedt/Dithmarschen GmbH & Co. KG, Hennstedt [2, 10]	23.56	– 2 175	– 2 456	EUR
Biomasse Rhein-Main GmbH, Flörsheim-Wicker [9]	33.33	11 466	435	EUR
e:duo GmbH, Essen [9]	50.00	– 212	– 312	EUR
Energiedienstleistungen Dannenberg (Elbe) GmbH, Dannenberg [9]	49.00	304	117	EUR
EnergieSystemeNord GmbH, Schwentinental [8]	12.75	2 249	508	EUR
Fernwärme Rhein-Neckar GmbH, Mannheim [8]	50.00	3 302	1 513	EUR
Gemeinschaftskraftwerk Kiel GmbH, Kiel [8]	25.50	17 770	1 457	EUR
Grosskraftwerk Mannheim AG, Mannheim [8]	28.00	114 142	6 647	EUR
HEN HolzEnergie Nordschwarzwald GmbH, Nagold [2, 10]	21.00	743	7	EUR
itec Informationstechnologie Solingen GmbH, Solingen [8]	24.45	1 337	590	EUR
iwo Pellet Rhein-Main GmbH, Offenbach am Main [2, 11, 13]	12.12	– 548	– 160	EUR
KielNET GmbH Gesellschaft für Kommunikation, Kiel [8]	25.50	7 542	2 542	EUR
Kommunaler Windenergiepark Schleswig-Holstein GbR, Neumünster [10]	10.20	806	295	EUR
Main-Kinzig-Entsorgungs- und Verwertungs GmbH, Hanau [8]	23.84	232	5	EUR
Maintal-Werke Gesellschaft mit beschränkter Haftung, Maintal [8]	23.84	11 230	1 405	EUR
Management Stadtwerke Buchen GmbH, Buchen [8]	25.20	32	1	EUR
ÖPP Rhein Neckar GmbH, Mannheim [9]	50.00	36	5	EUR
ServiceHaus Service-GmbH für modernes Wohnen und Leben, Mannheim [8]	50.00	668	110	EUR
Stadtwerke Buchen GmbH & Co. KG, Buchen [8]	25.10	6 698	1 632	EUR
Wasserversorgungsverband „Neckargruppe“, Edingen-Neckarhausen [10]	25.00	377	0	EUR
Wasserwerk Baumberg GmbH, Solingen [8]	24.95	1 614	– 1 161	EUR
WVE Wasserversorgungs- und -entsorgungsgesellschaft Schriesheim mbH, Schriesheim [8]	24.50	1 025	0	EUR
ZVO Energie GmbH, Timmendorfer Strand [8]	25.45	53 933	3 316	EUR
24sieben aqua nord GmbH, Kiel [9]	25.50	87	– 13	EUR

Scope of Consolidation of the MVV Energie Group as of 30. 9. 2008	Share of capital [14] in %	Equity 000s (local currency)	Annual result 000s (local currency)	Local currency
Associated Companies (other)				
International				
Českolipské teplárenská a.s., Česká Lípa, Czech Republic [8]	35.00	169 366	19 444	CZK
Other Shareholdings in Large Corporations				
Germany				
Stadtwerke Langen Gesellschaft mit beschränkter Haftung, Langen [8]	4.86	21 395	3 553	EUR
Stadtwerke Schwetzingen GmbH & Co. KG, Schwetzingen [8]	10.00	14 782	1 491	EUR
Stadtwerke Schwetzingen Verwaltungsgesellschaft mbH, Schwetzingen [8]	10.00	23	– 13	EUR
Companies Held for Sale				
International				
Energetyka Cieplna Miasta Skarzyska Kamienna Sp. z o.o., Skarzysko-Kamienna, Poland [1]	46.06	24 572	1 145	PLN
MVV EPS Sp. z o.o., Warsaw, Poland (previously: MVV EPS SA, Warsaw, Poland)	100.00	7 451	1 215	PLN
MVV Polska Sp. z o.o., Warsaw, Poland	100.00	104 187	12 799	PLN
SEC Sp. z o.o., Szczecin, Poland [4]	33.18	156 252	13 397	PLN

[1] majority of voting rights
[2] additions in year under report
[3] special purpose entity
[4] joint management pursuant to contractual agreement
[5] profit transfer agreement, result before transfer
[6] first annual financial statements as of 31. 12. 2008
[7] annual financial statements as of 30. 6. 2007
[8] annual financial statements as of 31. 12. 2007
[9] annual financial statements as of 30. 9. 2007
[10] annual financial statements as of 31. 12. 2006
[11] financial statements for short financial year
[12] first annual financial statements as of 30. 9. 2008 not available
[13] preliminary figures
[14] the indirect share of capital is calculated from the perspective of MVV Energie AG and accounts for the respective levels of shareholding at the reporting date on 30. 9. 2008

Audit Opinion

We have issued the following opinion on the consolidated financial statements and the group management report:

"We have audited the consolidated financial statements prepared by the MVV Energie AG, Mannheim, comprising the balance sheet, the income statement, statement of changes in equity, segment report, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 October 2007 to 30 September 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ("Handelsgesetzbuch": "German Commercial Code") are the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Mannheim, 26 November 2008

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Appel	Wilhelm
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Multi-Year Overview

Income Statement (Euro million)	2003/2004 [1]	2004/2005 [2]	2005/2006	2006/2007	**2007/2008**
Sales excluding electricity and natural gas taxes	1 568 [4]	1 864 [4]	2 170 [4]	2 259 [4]	2 636 [4]
EBITDA	209	287	370	359	486
EBITDA before IAS 39	209	287	370	344	398
EBITA	55	156	223	216	337
EBITA before IAS 39	55	156	223	200	249
EBIT	41	158	201	215	337
EBIT before IAS 39	41	158	201	199	249
EBT	– 23	80	128	139	269
EBT before IAS 39	– 23	80	128	123	181
Annual net surplus	– 38	41	64	126	185
Annual net surplus after minority interests	– 44	28	50	109	170

External Sales (Euro million)	2003/2004 [1]	2004/2005 [2]	2005/2006	2006/2007	**2007/2008**
Electricity	744 [3, 4]	882 [3, 4]	966 [3, 4]	1 079 [3, 4]	1 382 [3, 4]
District heating	252	250	276	272	303
Gas	263	366	447 [3]	342 [3]	356 [3]
Water	86	106	107	104	103
Value-added services	117	107 [3]	149 [3]	263 [3]	277 [3]
Environmental energy	97	131	193	184	194
Other/consolidation	9	22	32	15	21
MVV Energie Group	**1 568**	**1 864**	**2 170**	**2 259**	**2 636**

EBIT before IAS 39 (Euro million)	2003/2004 [1]	2004/2005 [2]	2005/2006	2006/2007	**2007/2008**
Electricity	32	39	20	38 [5]	64 [5]
District heating	32	40	51	42	38
Gas	17	35	31	11	35 [5]
Water	12	15	21	19	10
Value-added services	– 63	16	12	19	20
Environmental energy	12	27	68	71	81
Other/consolidation	– 1	– 14	– 2	– 1	1
MVV Energie Group	**41**	**158**	**201**	**199**	**249**

Assets (Euro million)	2003/2004 [1]	2004/2005 [2]	2005/2006	2006/2007	**2007/2008**
Electricity	716	734	845	860	1 319
District heating	601	474	505	562	547
Gas	377	331	318	331	381
Water	309	288	273	282	289
Value-added services	162	145	159	285	249
Environmental energy	438	445	468	474	438
Other/consolidation	274	230	395	293	356
Unallocated (balance sheet)	—	273	190	191	208
MVV Energie Group	2 877	2 920	3 153	3 278	**3 787**

Investments (Euro million)	2003/2004 [1]	2004/2005 [2]	2005/2006	2006/2007	**2007/2008**
Electricity	21	22	18	22	29
District heating	27	24	19	28	25
Gas	17	17	22	19	16
Water	12	13	12	12	10
Value-added services	10	8	18	30	49
Environmental energy	62	64	81	34	59
Other/consolidation	17	14	20	20	20
Investments in property, plant and equipment	166	162	190	165	**208**
Investments in financial assets	141	52	29	90	33
MVV Energie Group	307	214	219	255	**241**

R&D Expenditure (Euro million)	2003/2004 [1]	2004/2005 [2]	2005/2006	2006/2007	**2007/2008**
Process optimisation	1	1	1	2	5
Product development	2	2	1	4	3
Technical enhancement	1	1	1	3	1
MVV Energie Group	4	4	3	9	**9**

Balance Sheet Figures (Euro million)	2003/2004 [1]	2004/2005 [2]	2005/2006	2006/2007	**2007/2008**
Non-current assets	2 331	2 339	2 361	2 479	2 725
Current assets	546	579	792	799	1 062
Share capital	130	130	143	143	169
Capital reserve	178	178	255	255	455
Retained earnings	197	246	237	237	236
Unappropriated net profit	104	78	97	163	293
Minority interests	240	105	105	116	117
Equity	849	737	837	914	1 270
Non-current debt	1 147	1 397	1 366	1 377	1 445
Current debt	881	784	950	987	1 072
Total assets	**2 877**	**2 918**	**3 153**	**3 278**	**3 787**

Key Balance Sheet Figures and Ratios

Cash flow (Euro million)	158 [6]	188 [6]	246 [6]	364 [7]	414 [7]
Free cash flow [8] (Euro million)	– 18	53	– 52	188	54
Equity ratio [9] in %	29.5	25.3	26.5	27.9	33.5
Capital employed before IAS 39 [10]	2 055	2 263	2 293	2 390	2 482
ROCE before IAS 39 in % [11]	2.7	6.9	9.7	8.4	10.0
WACC [12] in %	8.0	7.5	7.5	7.5	8.5
Value spread before IAS 39 [13] in %	– 5.3	– 0.6	2.2	0.9	1.5

Employees (at 30. 9.)

MVV Energie AG including MVV RHE AG	1 769	1 728	1 569	1 559	1 527
Fully consolidated shareholdings	3 492	3 114	3 156	3 765	3 661
MVV Energie AG with fully consolidated shareholdings	5 261	4 842	4 725	5 324	**5 188**
Proportionately consolidated shareholdings	1 632	1 550	1 562	1 031	685
MVV Energie Group	6 893	6 392	6 287	6 355	**5 873**
External personnel at Mannheim energy from waste plant	64	57	51	39	28
	6 957	6 449	6 338	6 394	**5 901**

[1] including expenses for streamlining of portfolio and restructuring measures

[2] starting in the 2005/06 financial year: initial recognition of put option at Stadtwerke Kiel (previous year`s figures adjusted)

[3] excluding electricity and natural gas taxes

[4] energy trading sales reported net, i.e. only showing the gross margin actually realised

[5] starting in the 2006/07 financial year: before IAS 39

[6] pursuant to the German Association for Financial Analysis and Asset Management/Schmalenbach-Gesellschaft

[7] starting in the 2006/07 financial year: before working capital and taxes

Share and Dividend	2003/2004 [1]	2004/2005 [2]	2005/2006	2006/2007	2007/2008
Closing price on 30. 9. (Euro)	14.40	19.29	23.23	29.49	33.20
Annual high[14] (Euro)	17.16	19.50	25.40	34.24	33.75
Annual low[14] (Euro)	11.67	13.90	17.40	22.00	28.00
Market capitalisation on 30. 9. (Euro million)	730	978	1 295	1 645	2 188
No. of individual shares on 30. 9. (million)	50.702	50.704	55.767	55.767	65.907
No. of shares entitled to dividends (million)	50.702	55.704	55.767	55.767	65.907
Dividend per share (Euro)	0.75	0.75	0.80	0.80	0.90 [15]
Total dividend (Euro million)	38.0	41.8	44.6	52.7 [16]	59.3 [15]
Earnings per share (Euro)	– 0,86	0.55	0.91	1.96	2.60 [17]
Cash flow per share (Euro)	3.11 [6]	3.71 [6]	4.47 [6]	6.52 [7]	6.35 [7, 17]
Equity per share[18] (Euro)	12.02	12.46	13.29	14.32	17.67 [17]
Price/earnings ratio	—	35.1	25.5	15.0	12.8 [17, 19]
Price/cash flow ratio	4.6 [6]	5.2 [6]	5.2 [6]	4.5 [7]	5.2 [7, 17, 19]
Dividend yield[19] in %	5.2	3.9	3.4	2.7	2.7 [15]
Sales Volumes[20]					
Electricity (kWh million) of which:	14 539	18 402	20 484	24 443	22 733
wholesale including secondary distributors (kWh million)	5 587 [21]	9 454 [21]	10 565 [21]	14 248 [21]	11 449 [21]
retail (kWh million)	8 952	8 948	9 920	10 195	11 284
District heating (kWh million)	7 504	7 446	7 343	6 299	7 006
Gas (kWh million)	8 906	11 096	11 513	9 456	9 166
Water (m^3 million)	48	58	58	55	55
Combustible waste delivered (tonnes 000s)	518	872	1 229	1 409	1 550

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

[9] equity as a proportion of total assets

[10] equity plus financial liabilities plus provisions for pensions and similar obligations plus accumulated goodwill amortisation less tax-adjusted IAS 39 item (calculated as an annual average)

[11] return on capital employed before IAS 39 (EBITA before IAS 39 as a percentage of capital employed before IAS 39)

[12] weighted average cost of capital

[13] value spread (ROCE before IAS 39 less WACC)

[14] variable XETRA trading

[15] pending approval by the Annual General Meeting on 13 March 2009

[16] entitled to dividend from 23 October 2007: 65 906 796 individual shares

[17] weighted number of individual shares: 65 297 317

[18] excluding minority interests, weighted annual average number of shares

[19] basis: closing price in XETRA trading on 30 September

[20] total volume for all segments

[21] reported on a net basis and excluding group-internal supplies

Financial Calendar

27. 1. 2009	Annual Results Press Conference and Analysts' Conference
13. 2. 2009	Financial Report 1st Quarter of 2008/2009
13. 3. 2009	Annual General Meeting
16. 3. 2009	Payment of Dividend
15. 5. 2009	Financial Report 2nd Quarter of 2008/2009
15. 5. 2009	Press Conference and Analysts' Conference 2nd Quarter of 2008/2009
14. 8. 2009	Financial Report 3rd Quarter of 2008/2009 Analysts' Conference
19. 11. 2009	Publication of Preliminary Results for the 2008/2009 Financial Year
30. 12. 2009	2008/2009 Annual Report

Image Credits

F1online digitale Bildagentur GmbH
Images on Pages 22, 58, 72 (bottom left in each case)

Corbis
Image on Page 4 (bottom left)

MVV Energie AG
Images on Pages 19, 22, 58, 72 (top left in each case)
Gennaro Vitale, Image on Page 4

Imprint

Editorial responsibility	MVV Energie AG Wilfried Schwannecke Tel: ++49 (0) 621 290 - 2392 Fax: ++49 (0) 621 290 - 3075 *w.schwannecke@mvv.de*
Editing and project coordination	Bettina von Rebenstock Tel: ++49 (0) 621 290 - 3614 Fax: ++49 (0) 621 290 - 3075 *b.rebenstock@mvv.de* Petra Wandernoth Tel: ++49 (0) 621 290 - 3417 Fax: ++49 (0) 621 290 - 3075 *p.wandernoth@mvv.de*
Conception and design, creative direction, consulting and project management	Anja Patricia Helm 745 Agentur für Gestaltung Düsseldorf
Translation	Daniel Clark Business Communication Services Berlin
Photography	Ingo Boddenberg Düsseldorf

Published by:

MVV Energie AG
Luisenring 49
D-68159 Mannheim

Postal address
D-68142 Mannheim

Tel: ++49 (0) 621 290-0
Fax: ++49 (0) 621 290-2324

www.mvv-energie.de
energie@mvv.de

Contact

Investor Relations
Tel: ++49 (0) 621 290-3708
Fax: ++49 (0) 621 290-3075
www.mvv-investor.de
ir@mvv.de

Internet

Both the German and the English editions of this Annual Report can be accessed as interactive online reports on the internet and may also be downloaded as pdf-files.

www.mvv-investor.de

Contact
Annual Report

Wilfried Schwannecke
Tel: ++49 (0) 621 290-2392
Fax: ++49 (0) 621 290-3075
w.schwannecke@mvv.de

Frank Nagel
Tel: ++49 (0) 621 290-2692
Fax: ++49 (0) 621 290-3075
f.nagel@mvv.de

Contact
Investor Relations

Marcus Jentsch
Head of Group Department
Investor Relations
Tel: ++49 (0) 621 290-2292
Fax: ++49 (0) 621 290-3075
m.jentsch@mvv.de

MVV Energie Annual Report 2007/2008