MVV ENERGIE – ENERGISING THE FUTURE

ANNUAL REPORT 2010/11

ENERGY
RENEWED

MVV Energie

MVV Energie at a Glance

Trading and Portfolio Management

Sales:
Euro 800 million (22 %)
Adjusted EBIT:
Euro 26 million (11 %)

Generation and Infrastructure

Sales:
Euro 320 million (9 %)
Adjusted EBIT:
Euro 123 million (51 %)

Sales and Services

Sales:
Euro 2 095 million (59 %)
Adjusted EBIT:
Euro 51 million (21 %)

Strategic Investments

Sales:
Euro 371 million (10 %)
Adjusted EBIT:
Euro 37 million (15 %)

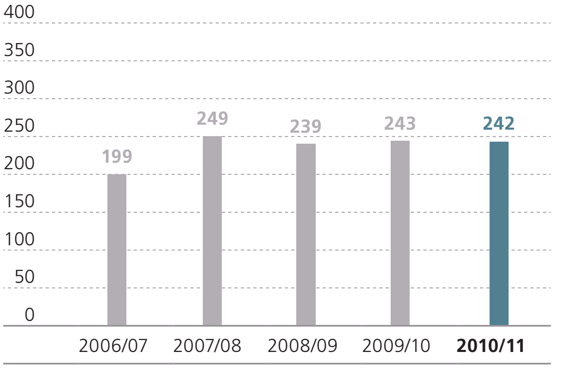
Other Activities

Sales:
Euro 4 million (< 1 %)
Adjusted EBIT:
Euro 5 million (2 %)

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

External sales[1] in Euro billion

Adjusted EBIT in Euro million

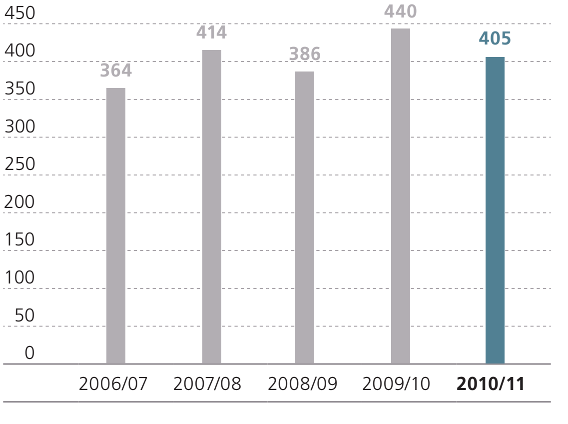


1 excluding electricity and natural gas taxes

Investments[1] in Euro million

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

Cash flow[1] in Euro million



1 before working capital and taxes

Key Figures

MVV Energie Group

Euro million	2010/11	2009/10	% change
Sales excluding electricity and natural gas taxes	3 590	3 359	+ 7
Adjusted EBITDA [1]	394	406	− 3
Adjusted EBITA [1]	242	247	− 2
Adjusted EBIT [2]	242	243	0
Adjusted EBT [2, 3]	179	165	+ 8
Adjusted annual net surplus [2, 3]	125	105	+ 19
Adjusted annual net surplus after minority interests [2, 3]	108	95	+ 14
Adjusted earnings per share [2, 3] in Euro	1.63	1.44	+ 13
Cash flow before working capital and taxes	405	440	− 8
Cash flow before working capital and taxes per share in Euro	6.15	6.68	− 8
Free cash flow	163	154	+ 6
Adjusted total assets (at 30.9.) [4]	3 489	3 457	+ 1
Adjusted equity (at 30.9.) [4]	1 378	1 233	+ 12
Adjusted equity ratio (at 30.9.) [4]	39.5 %	35.7 %	+ 11
Capital employed [5]	2 646	2 688	− 2
ROCE [6]	9.2 %	9.1 %	+ 1
WACC	8.5 %	8.5 %	0
Value spread [7]	0.7 %	0.6 %	+ 17
Investments	247	240	+ 3
Number of employees (at 30.9.)	5 923	6 068	− 2

1 excluding non-operating IAS 39 derivative measurement items and including interest income from finance leases (previous year's figure adjusted)

2 excluding non-operating IAS 39 derivative measurement items and restructuring expenses and including interest income from finance leases (previous year's figure adjusted)

3 impact of expiry of Kiel put option (please see Business Performance for details)

4 excluding non-operating IAS 39 derivative measurement items

5 adjusted equity plus financial debt plus provisions for pensions and similar obligations (calculated as annual average, previous year's figure adjusted)

6 return on capital employed (adjusted EBIT as percentage of capital employed, previous year's figure adjusted)

7 previous year's figure adjusted

MVV Energie – Energising the Future

The MVV Energie Group, a network of companies with municipal and regional roots, is a leading player in the German energy market. Its publicly listed parent company MVV Energie AG is based in Mannheim. Our Group had around 5 900 employees and generated sales of Euro 3.6 billion in the 2010/11 financial year.

Key characteristics of the MVV Energie Group are the growth-driven cooperation it promotes between its subsidiaries with local and regional operations and its well-balanced overall business portfolio. With our segments of Generation and Infrastructure, Trading and Portfolio Management, Sales and Services and Strategic Investments, we see ourselves as a modern energy service provider. Our operations cover electricity, heating energy, gas and water, as well as energy from waste and energy-related services.

To energise the future, MVV Energie is building on sustainability, efficiency and regionalism. Renewable energies (onshore wind power and biomass), district heating, cogeneration, energy efficiency and energy from waste – these are key components of our strategy, which focuses on generating profitable growth in the medium and long term.

Contents

Detailed lists of contents can be found at the beginning of each chapter.

Major Events in the 2010/11 Financial Year

The expansion of district heating grids at the Mannheim, Kiel, Offenbach and Ingolstadt locations is progressing on schedule. Operations began with the **DISTRICT HEATING JOINT PROJECT** in Ingolstadt on 6 July 2011. Stadtwerke Ingolstadt Energie GmbH is using district heating generated from waste heat to supply local key account and private customers.

Energieversorgung Offenbach AG is investing in the construction of 23 **WIND TURBINES** at its Kirchberg location in the Rhine/Hunsrück district. Total output will amount to almost 53 MW. The turbines are due to start operations by late December 2011.

The major order to plan, build and operate an **ENERGY FROM WASTE PLANT** in the British port of Plymouth will enable us to document our experience in putting waste to ecological use on an international level as well.

Energieversorgung Offenbach AG (EVO) launched operations with its new **WOOD PELLET PLANT** in May 2011. EVO operates 40 local heating grids in its region, 18 of which are powered by wood pellets.

Following a pan-European tender, our subsidiary MVV Umwelt Ressourcen GmbH was awarded municipal **WASTE INCINERATION** orders by the cities of Mannheim and Heidelberg and the Rhine/Neckar district.

The investment in a **BIOMETHANE PLANT** in Klein Wanzleben in Sachsen-Anhalt marks the MVV Energie Group's successful entry into the biomethane generation market.

With its takeover of a waste-fired **COGENERATION PLANT** in the city of Liberec, MVV Energie CZ a.s. has extended its position as one of the leading district heating suppliers in the Czech Republic.

Dear Shareholders,
Dear Ladies and Gentlemen,

Seizing opportunities

I am delighted that you are interested in our 2010/11 Annual Report, one in which we can look back on an exceptional period. The underlying framework for the entire German energy sector has changed fundamentally with the announcement of the energy turnaround. We are heading for a new energy era! In this Annual Report, we would like to review what we have achieved, while also showing you how MVV Energie is preparing for the changes in its environment and seizing the resultant opportunities. Merely the title of this report – "Energy Renewed" – makes it clear that we intend to play an active role in helping to shape the future of the energy industry.

In the wake of the devastating natural disaster in Japan and its aftermath, the Federal Parliament and Federal Council adopted the nuclear energy exit and resultant conversion of the energy supply in Germany. Now it is a question of rapidly and sensibly implementing the legislative package thereby introduced. If the political objectives of the energy turnaround are to be achieved, then the right incentives must also be set for forthcoming investments. Key factors here include further promoting cogeneration, expanding transmission and distribution grids to integrate electricity generated from renewable energy sources and flexible management of the power plant portfolio and grids. We are also campaigning for these objectives on a political level. You can find details about the Energy Turnaround Package and its implications for MVV Energie in the "Energy Policy Changes" chapter in this Annual Report.

On the right course

With our strategy, which we devised in 2009 already and have since been pursuing, we are on the right track. This course has now been confirmed by the energy turnaround – energy efficiency and renewable energies will be the guiding principles in the energy supply in coming years. Consistent with our claim of energising the future, we have been developing innovative solutions and products for years now. We aim to offer our customers a secure, environmentally-friendly supply of energy in future as well, while also supporting them in putting energy to more efficient use.

Investments of Euro 3 billion budgeted

We have set ourselves ambitious investment targets. By 2020, we intend to invest Euro 3 billion in total in modernising our existing plants and grids and in our company's strategic high-growth business fields. Renewable energies are at the centre of our growth strategy. Here, we are focusing on biomass, biogas, energy from waste and especially on onshore wind power plants – a proven, economically viable technology. Intelligent reforms to onshore wind power subsidies will enable companies to tap the market potential necessary to implement the energy turnaround as planned.

Our growth investments have gained momentum. Here, I would like to highlight the successful expansion of district heating in Mannheim, Offenbach and Ingolstadt, the major order to build an energy from waste plant in Plymouth, the takeover of a heating energy plant in the Czech Republic and the construction of a large biomethane plant and of 23 wind turbines in the state of Rheinland-Pfalz. You can find out more about these projects in the Corporate Strategy and Sustainability chapters in this Annual Report.

DR. GEORG MÜLLER

CEO of
MVV Energie AG

We concluded the 2010/11 financial year on a pleasing note in financial terms as well. At Euro 242 million, our operating earnings (adjusted EBIT) matched the previous year's figure and were thus absolutely on target. I see this stable performance as offering clear proof of our Group's performance capacity. In a difficult political and economic climate, our efforts have therefore paid off. Further evidence of our economic strength is offered by our external sales, which we managed to boost year-on-year by 7 % to Euro 3.6 billion – thus even clearly exceeding our original target of Euro 3.4 billion!

Earnings target met

Our employees contributed decisively to this successful performance. I would therefore like to offer my sincere thanks to all of our managers, employees and employee representatives for their great commitment! They accepted the necessary and in some cases difficult restructuring measures and changes to processes and played a key role in their rapid implementation.

As a publicly listed group of companies with municipal roots, MVV Energie is, I believe, well positioned to exploit the economic opportunities the energy turnaround presents to generate further profitable growth. We are on the right course and are consistently implementing our forward-looking strategy. In view of this, we would also like our shareholders to participate sustainably in our success. The Executive and Supervisory Boards will be proposing an unchanged dividend of Euro 0.90 per share for the 2010/11 financial year for approval by the Annual General Meeting of MVV Energie AG on 16 March 2012.

I would like to thank you on behalf of the entire Executive Board for the trust you placed in our company in the 2010/11 financial year. Energy Renewed – that is an important task! We would be delighted if you would continue to accompany us on this course.

Mannheim, December 2011

With kind regards.

Yours faithfully,

Dr. Georg Müller
CEO

Energy Renewed

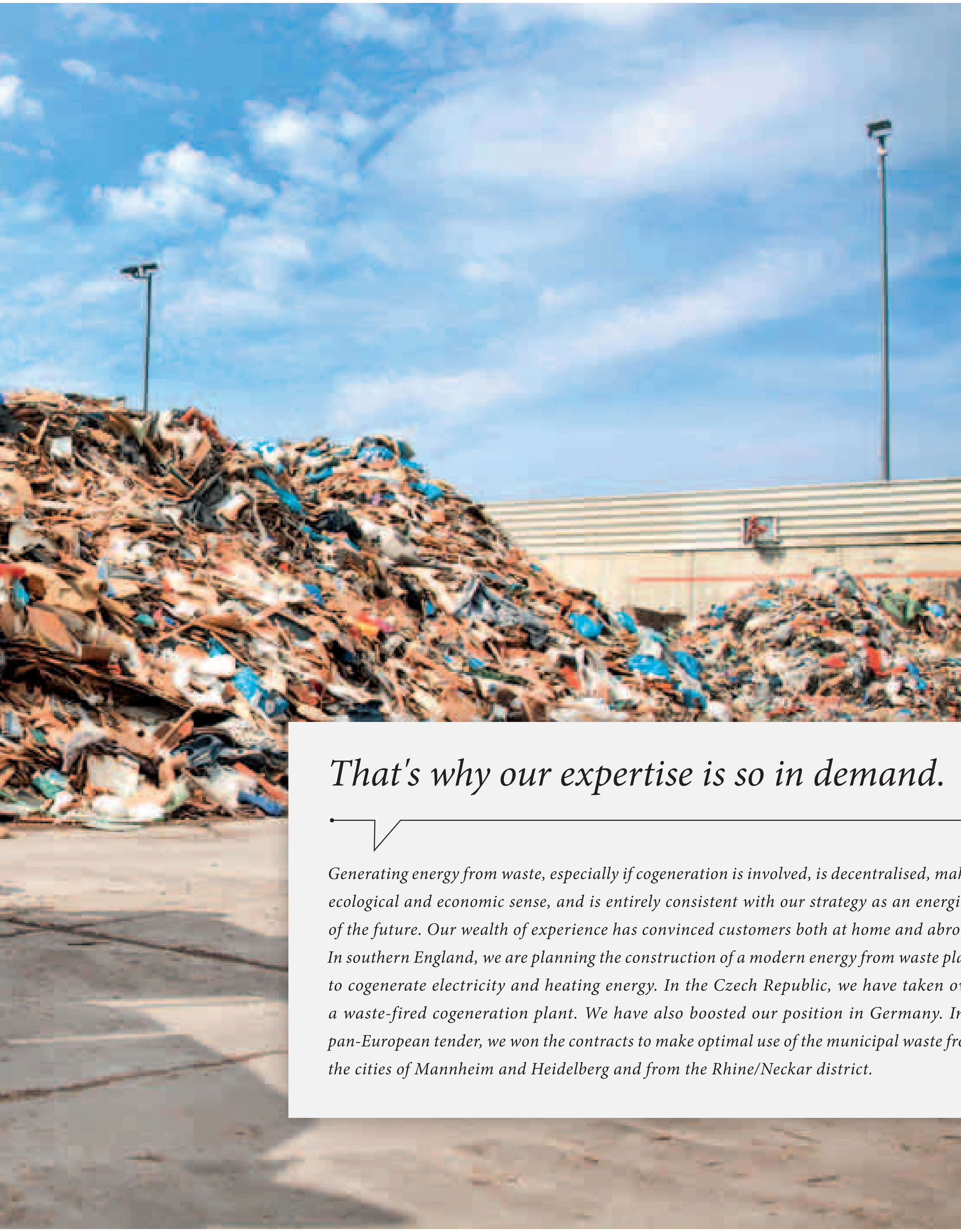
The energy turnaround legislation has ushered in a new era in our energy supply. The energy of the future will be increasingly decentralised in terms of generation and will be green. Over time, regenerative energies will become the lead system within our energy supply.

Long before the Japanese nuclear catastrophe in Fukushima, MVV Energie had already set the right course with its MVV 2020 strategy. The energy turnaround now called for by the public at large confirms us in this course.

With our growth investments in renewable energies and energy efficiency, we have made further progress in building the energy supply of the future. The following pages provide you with an overview of our successful course as an energiser of the future.

Energy Renewed – that is the task.

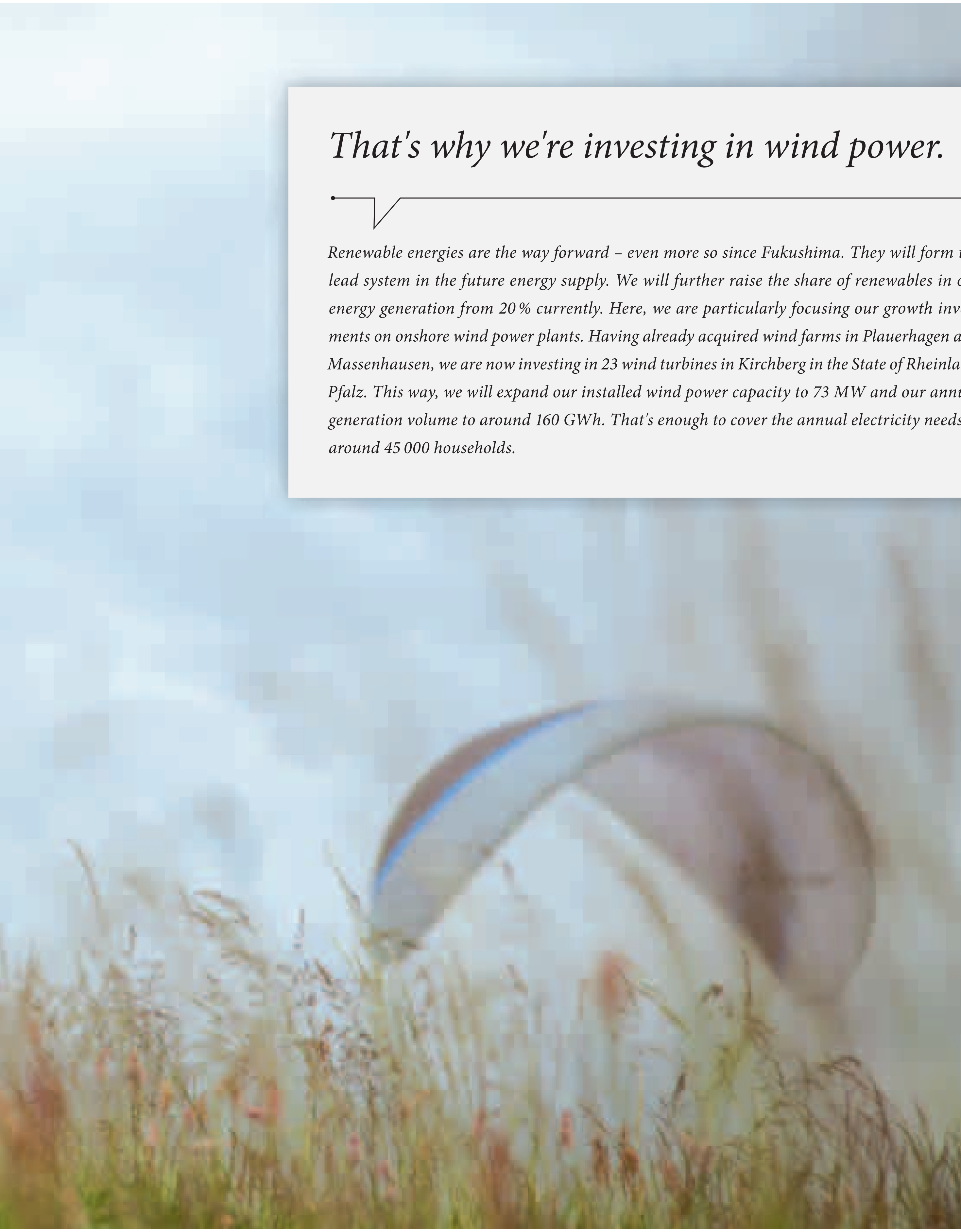
For us, waste is by no means just rubbish!



That's why our expertise is so in demand.

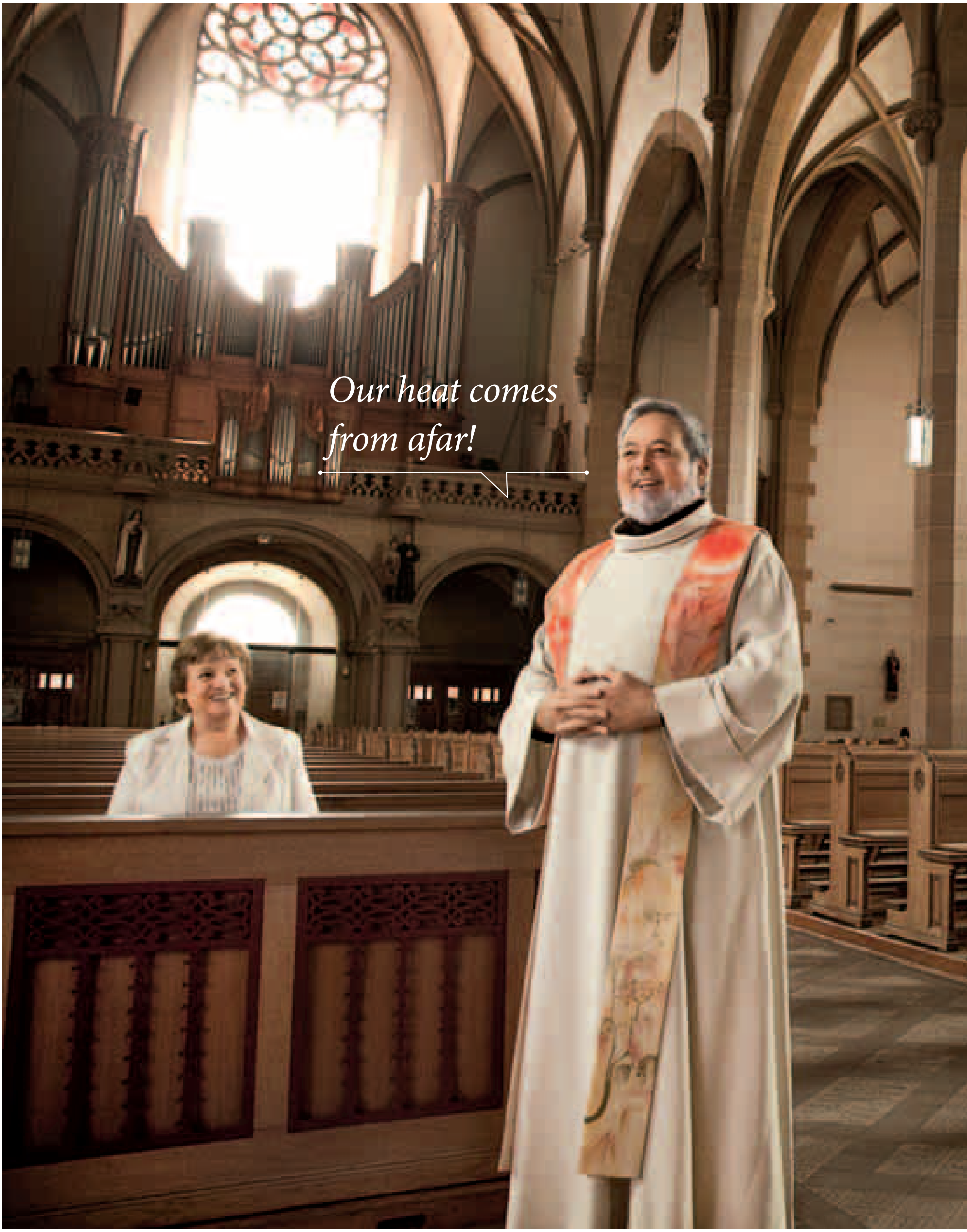
Generating energy from waste, especially if cogeneration is involved, is decentralised, makes ecological and economic sense, and is entirely consistent with our strategy as an energiser of the future. Our wealth of experience has convinced customers both at home and abroad. In southern England, we are planning the construction of a modern energy from waste plant to cogenerate electricity and heating energy. In the Czech Republic, we have taken over a waste-fired cogeneration plant. We have also boosted our position in Germany. In a pan-European tender, we won the contracts to make optimal use of the municipal waste from the cities of Mannheim and Heidelberg and from the Rhine/Neckar district.

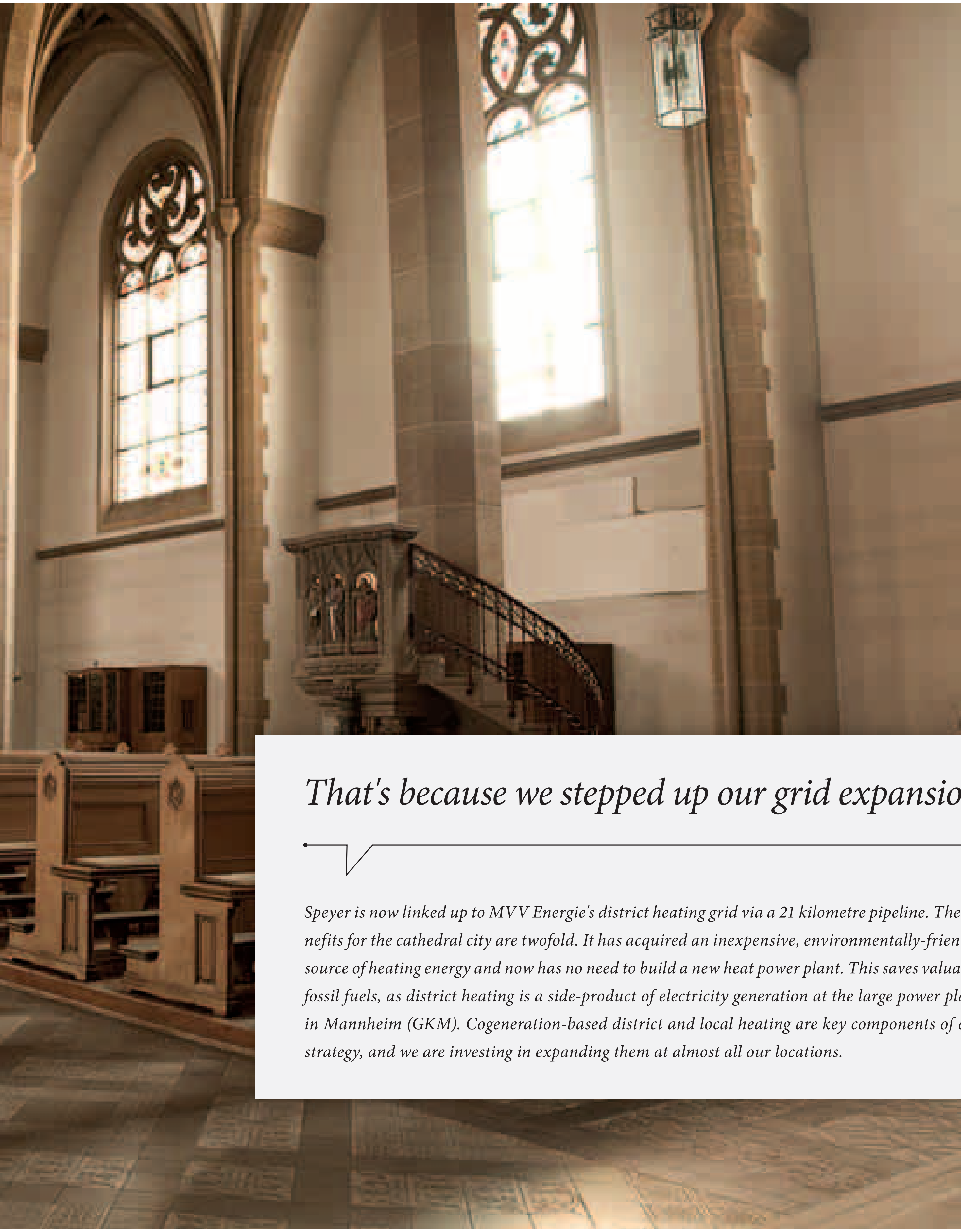

It's blowing a gale in the renewables sector!



That's why we're investing in wind power.

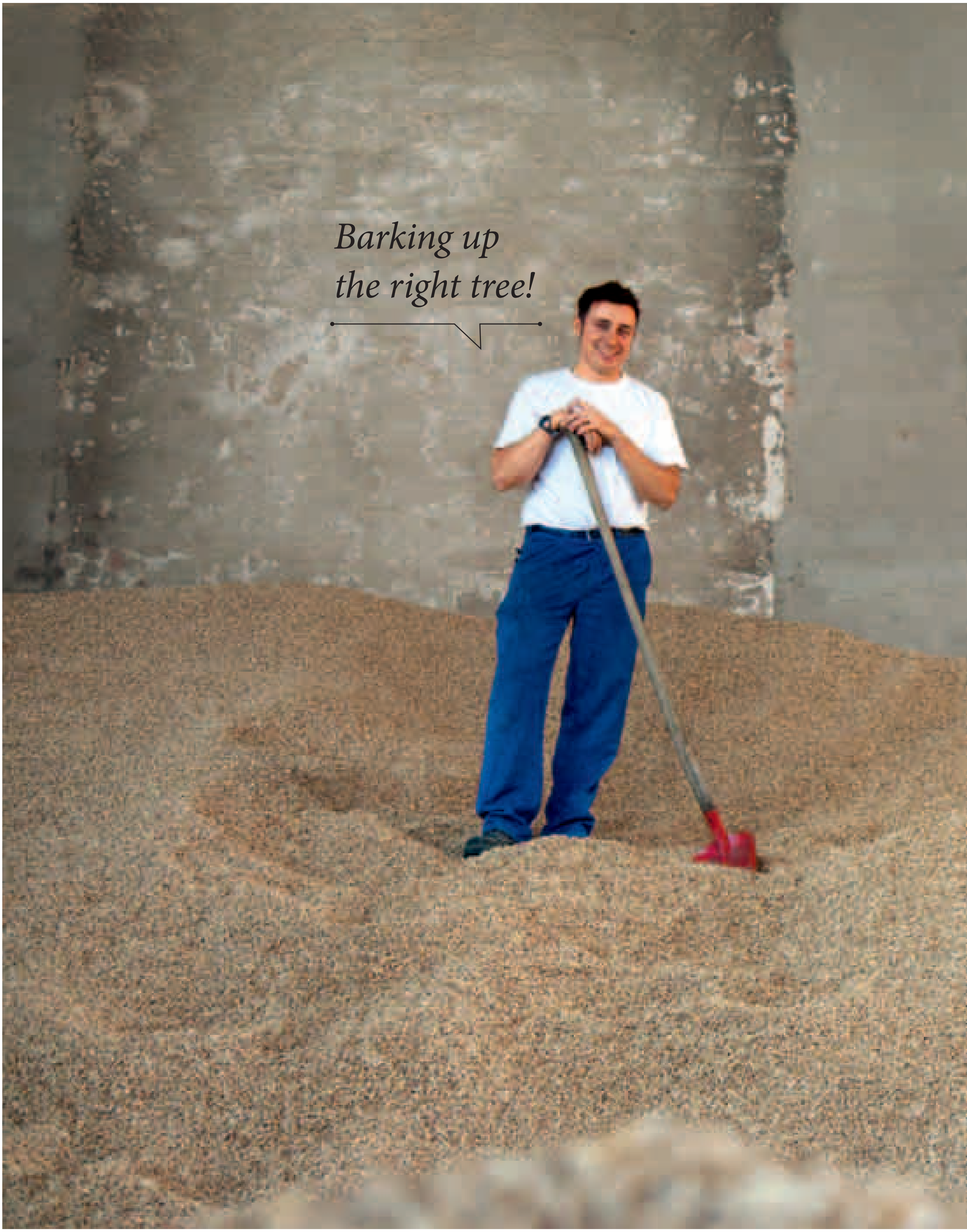
Renewable energies are the way forward – even more so since Fukushima. They will form the lead system in the future energy supply. We will further raise the share of renewables in our energy generation from 20 % currently. Here, we are particularly focusing our growth investments on onshore wind power plants. Having already acquired wind farms in Plauerhagen and Massenhausen, we are now investing in 23 wind turbines in Kirchberg in the State of Rheinland-Pfalz. This way, we will expand our installed wind power capacity to 73 MW and our annual generation volume to around 160 GWh. That's enough to cover the annual electricity needs of around 45 000 households.


Our heat comes from afar!



That's because we stepped up our grid expansion.

Speyer is now linked up to MVV Energie's district heating grid via a 21 kilometre pipeline. The benefits for the cathedral city are twofold. It has acquired an inexpensive, environmentally-friendly source of heating energy and now has no need to build a new heat power plant. This saves valuable fossil fuels, as district heating is a side-product of electricity generation at the large power plant in Mannheim (GKM). Cogeneration-based district and local heating are key components of our strategy, and we are investing in expanding them at almost all our locations.


Barking up
the right tree!

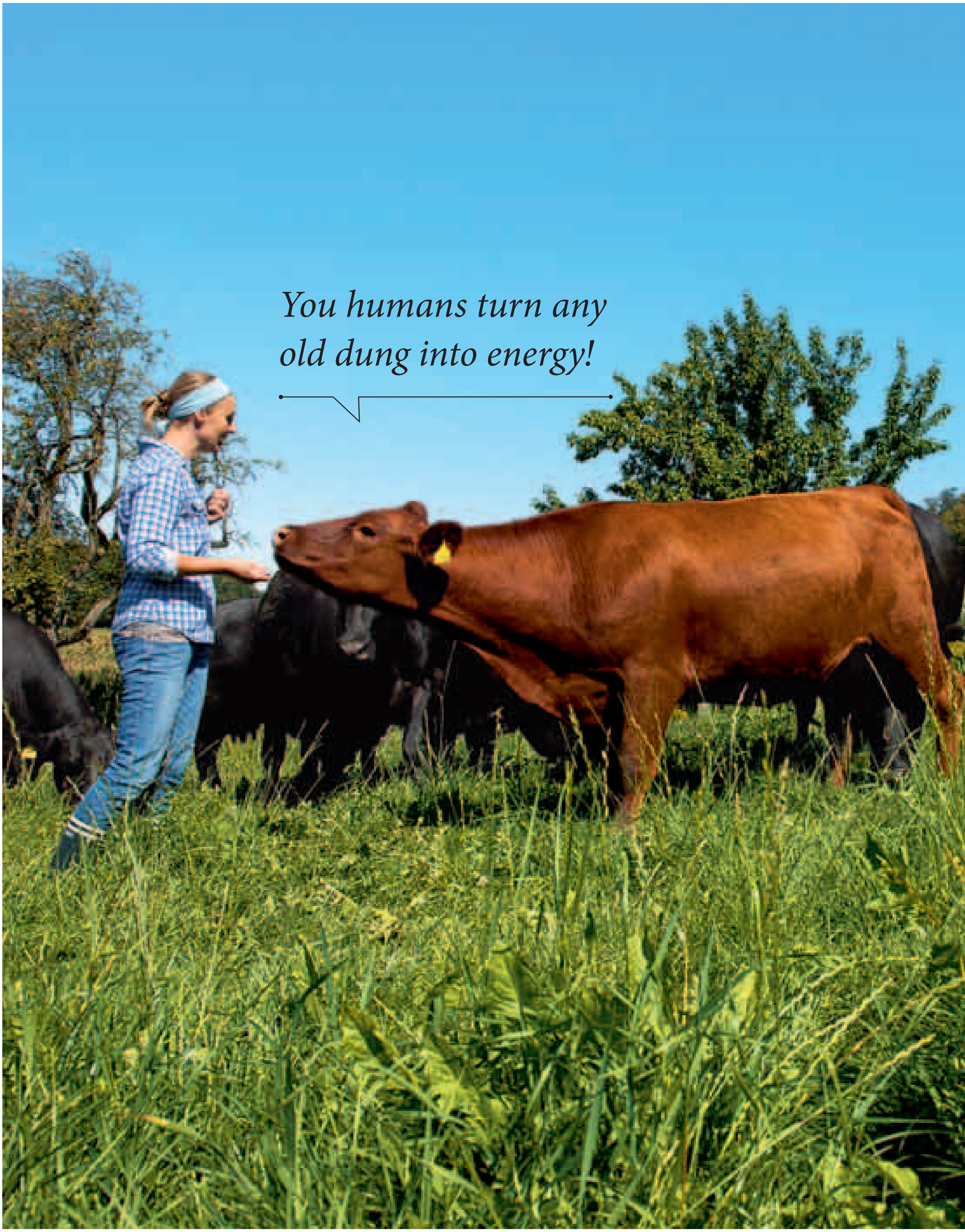
A passion for pellets.

For Energieversorgung Offenbach AG (EVO), timber is one of the fuels of the future. Here, a pellet plant and a biomass cogeneration plant work hand in hand. At the pellet plant, wood shavings and waste timber are processed into 65 000 tonnes of pellets a year. If need be, the capacity can be doubled. The cogeneration plant next door supplies environmentally-friendly heat to dry the timber. With the industrial pellets thereby produced, EVO reduces the use of hard coal at its heating energy plant, thus at the same time cutting its CO_2 emissions by 80 000 tonnes a year. Together with Hainburg local council, EVO is going to set up a unique regional business cycle. Pressed into pellets, the waste timber from the council's landscape management activities will provide the heating for 100 residential buildings.


*Optimised procurement,
calculable prices,
that's real added value!*

That way, our customers can plan better.

In difficult economic times and volatile markets, energy procurement is a crucial competitive factor for energy-intensive companies when it comes to securing locations and jobs. For this, high-volume consumers need a reliable partner. Given fluctuating energy prices, the way in which electricity and gas purchases are structured is decisive in determining whether procurement costs are high or low. With its Energy Monitor, MVV Energie has extended its service for key account customers, such as Heidelberger Druckmaschinen AG. This application provides procurement boss Stephan Hartmann with prompt, relevant information about energy markets, forecasts and analyses, as well as about the company's proprietary procurement portfolio.


You humans turn any old dung into energy!

Right, we even use slurry to produce biogas.

One of MVV Energie's new strategic focuses is the market potential for biogas. Since mid-2010, our biogas plant in Oehna has used 50 % pig and cow slurry to generate biogas. Biogas can be substituted for fossil fuels in the decentralised generation of electricity and heating energy. We are building and operating a biomethane plant in Klein Wanzleben in Sachsen-Anhalt. From summer 2012, this plant will generate around 6.3 million cubic metres of biomethane a year and feed this into the natural gas grid. That's enough to cover the heating energy needs of more than 3 000 family homes a year.

To Our Shareholders

Dr. Georg Müller CEO and Commercial Director

Matthias Brückmann Sales Director

The Executive Board of MVV Energie AG

Dr. Werner Dub Technology Director

Hans-Jürgen Farrenkopf Personnel Director

Report of the Supervisory Board

Ladies and Gentlemen,

The energy industry was confronted by far-reaching changes in the 2010/11 financial year. Subsequent developments have shown that MVV Energie has set the right course with its forward-looking, sustainable strategy.

The Supervisory Board performed the duties incumbent on it by law and under the Articles of Incorporation with great care in the 2010/11 financial year. We advised the Executive Board in its management of the company and consistently monitored it in its business activities. The Executive Board provided us with regular, prompt and comprehensive information about the performance and position of the company, as well as about its further strategic development. The regular reports from the Executive Board included presentations of the company's business, sales and earnings performance, its net asset and financial position, and its risk situation and risk management. Furthermore, the Executive Board also reported to us on all relevant matters of business policy and corporate planning. Any variances in the actual business performance to previous budgets and targets were reported and explained to the Supervisory Board in detail. The Supervisory Board was directly involved at an early stage in all decisions of fundamental significance for the company. Exceptional matters were reported by the Executive Board to the Supervisory Board without delay. The Supervisory Board Chairman and the CEO were in close contact, also outside the framework of meetings, to exchange views on current issues and developments.

Main topics of discussion in full Supervisory Board

The Supervisory Board held a total of eight meetings in the year under report. At our meetings, we carefully examined and held detailed discussions about the reports and draft resolutions submitted by the Executive Board. Based on this information, the Supervisory Board held its discussions and reached its decisions.

In the year under report, the energy industry framework within which the MVV Energie Group operates was particularly affected by the severe accident at the Fukushima nuclear power plant in Japan, a development which led the Federal Government to renounce the use of nuclear power for electricity generation in Germany. The Executive Board presented the contents of the legislative package adopted on federal level to the Supervisory Board and evaluated the significance of the gradual phasing out of all nuclear power plants by the end of 2022 and the implications of the new legal framework for the Group. Further key topics on which the Executive Board regularly reported included the development in prices on energy and waste markets, changes in the competitive and regulatory environment and draft legislation and antitrust procedures.

DR. PETER KURZ
Chairman of the Supervisory Board of MVV Energie AG

On this basis, in the year under report the Supervisory Board dealt in detail with the investment and acquisition projects presented by the Executive Board to boost the Group's high-growth business fields and maintain its existing grids and plants within the framework of the MVV 2020 corporate strategy. Here, the Supervisory Board held in-depth discussions with the Executive Board about economic, technical and strategic aspects of the individual projects.

At its meeting on 18 October 2010, the Supervisory Board approved the submission of a binding offer by MVV Umwelt GmbH to the South West Devon Waste Partnership for the construction and operation of an energy from waste plant in Plymouth/UK. The Board thus laid a foundation for the MVV Energie Group's most significant single investment. The Supervisory Board based its decision on the great expertise at MVV Umwelt GmbH in the field of waste incineration, as well as in planning, building and operating power plants.

Furthermore, at its meeting on 31 January 2011 the Supervisory Board approved the acquisition by MVV Energie CZ a.s. of a waste-fired cogeneration plant in the North Bohemian city of Liberec. The Supervisory Board believes that the takeover and modernisation of this cogeneration plant will expand the supply of environmentally-friendly district heating at an existing location and boost the Czech subgroup's market position.

Given the pending election of Supervisory Board members at the Annual General Meeting on 18 March 2011, as well as the constitutive meetings due to be held directly afterwards for the newly elected Board and its committees, the preparations for this meeting were a particularly weighty item in the past year. At its meeting on 17 December 2010, the Supervisory Board approved the agenda for the Annual General Meeting and, based on the proposals submitted by the Nomination Committee, listed the candidates for election as shareholder representatives to the Supervisory Board. All candidates thereby proposed were elected by the Annual General Meeting to the Supervisory Board, which at its subsequent meeting reconstituted itself with the election of the Supervisory Board Chairman and his Deputy and by determining committee membership.

The main focus of the Supervisory Board meeting on 30 March 2011 was the further development of MVV Energie's strategic positioning against the backdrop of long-term development trends on energy markets, including the growing efforts being made by the state to promote climate protection, the increased expansion in renewable energies and the enhancement of energy efficiency. Here, the Executive Board provided the Supervisory Board with a presentation of the Group's long-term overall strategy, as well as of the strategies for individual business fields. The Supervisory Board held discussions with the Executive Board concerning the implications of the developments presented. These confirm the course already taken with MVV 2020.

At its meeting on 22 September 2011 the Supervisory Board approved the business plan of the MVV Energie Group for the 2011/12 financial year and acknowledged the three-year budget submitted by the Executive Board. Further topics addressed by the Supervisory Board in the year under report included the implementation of the "Once Together" group programme and the establishment of Shared Services Center GmbH, the progress made with restructuring MVV Energiedienstleistungen GmbH and the foundation of an asset company at the environmental energy subgroup.

Committee meetings

The Supervisory Board has formed four committees to prepare topics and resolutions for the full Supervisory Board.

The Audit Committee met on five occasions in the year under report. Much time was dedicated to advance discussions of the quarterly, half-year and annual financial statements of MVV Energie AG and the Group, which the Committee discussed in detail with the Executive Board. The Committee agreed the audit focuses with the auditors, reviewed the fee agreement and submitted corresponding recommendations to the Supervisory Board. It discussed the 2011/12 business plan and medium-term budget with the Executive Board. It also addressed the company's risk situation and risk management system, reviewed the internal controlling system and took receipt of the compliance report and internal audit plan from the Group Internal Audit department. The Committee closely examined the one-off items incurred at the MVV Energiedienstleistungen subgroup in the 2009/10 financial year and addressed the strategic alignment of this business field. Further focuses of its work included examining reports from the Executive Board on the further development in value-based management at the MVV Energie Group, the company's financing and developments in prices on the electricity generation market.

The Personnel Committee held three meetings. It dealt in particular with the revision of the Executive Board compensation system and the adjustment of current employment contracts with Executive Board members to the amended legal requirements. We reported in the previous year already on the amendments thereby introduced. Moreover, the Personnel Committee prepared the extension of Matthias Brückmann's appointment and handled the conclusion of his employment contract.

The Nomination Committee met twice. It drew up a requirements profile for the composition of the Supervisory Board and on this basis nominated candidates to the Supervisory Board for its own proposal to the Annual General Meeting concerning the election of Supervisory Board members.

The Mediation Committee pursuant to § 27 (3) of the German Codetermination Act (MitbestG) did not require convening.

Corporate governance

Given the stricter requirements now placed by the German Corporate Governance Code in the composition of the Supervisory Board and the qualifications of its members, the Supervisory Board established a Nomination Committee and commissioned this to draw up specific requirements for its composition.

Building on these, the Supervisory Board has set itself the target of raising the share of female members on the Board to 20 % by the next regular election at the Annual General Meeting in 2016.

The Supervisory Board reviewed the efficiency of its activities once again in the 2010/11 financial year. The findings of this efficiency review and the measures identified as a result were dealt with at the meeting on 22 September 2011.

This year's Declaration of Conformity with the German Corporate Governance Code was adopted at the meeting on 22 September 2011. The Corporate Governance Report was approved at the meeting on 8 December 2011. The Supervisory Board held a review and ascertained that the Board included a sufficient number of independent members. No conflicts of interest arose in the year under report. Prior to her retirement from the Supervisory Board, Sabine Schlorke attended fewer than half of the meetings.

Corporate governance as practised by the MVV Energie Group has been presented in detail from Page 30 of this Annual Report onwards.

Changes in composition

Following the scheduled expiry of its previous term in office, the Supervisory Board was newly composed in the past financial year. It consists of 20 members, of which, consistent with the German Codetermination Act (MitbestG), half are shareholder and half are employee representatives. The term in office of the newly elected Supervisory Board amounts to five years and thus expires upon the conclusion of the Annual General Meeting following the 2014/15 financial year.

The Annual General Meeting held on 18 March 2011 elected the following individuals to the Supervisory Board: Dr. Stefan Fulst-Blei, Member of Baden-Württemberg State Parliament, Reinhold Götz, 1st Representative of IG Metall Mannheim, Prof. Dr. Egon Jüttner, Member of Federal Parliament, Dr. Lorenz Näger, Member of Executive Board of HeidelbergCement AG, Wolfgang Raufelder, Member of Baden-Württemberg State Parliament, Dr. Dieter Steinkamp, CEO of RheinEnergie AG, Carsten Südmersen, Management Consultant, and Heinz-Werner Ufer, Graduate in Economics. In line with the Articles of Incorporation, the Lord High Mayor of the City of Mannheim, Dr. Peter Kurz, and the First Mayor of the City of Mannheim, Christian Specht, were assigned to the Supervisory Board by the City of Mannheim.

The employees of the MVV Energie Group elected the following individuals to the Supervisory Board: Johannes Böttcher, Chairman of Works Council of Energieversorgung Offenbach AG, Peter Dinges, Chairman of Group Works Council of MVV Energie AG, Peter Erni, Trade Union Secretary at ver.di Rhine/Neckar, Detlef Falk, Deputy Chairman of Works Council of Stadtwerke Kiel AG, Gunter Kühn, Head of Personnel, Social and Welfare Services Division at MVV Energie AG, Antje Mohr, Trade Union Secretary at ver.di Kiel, Barbara Neumann, Chairman of Works Council of Stadtwerke Kiel AG, Uwe Spatz, Deputy Chairman of Works Council of MVV Energie AG, Katja Udluft, Trade Union Secretary at ver.di Rhine/Neckar, and Jürgen Wiesner, Works Council of MVV Energie AG.

At the constitutive meeting on 18 March 2011, the new Supervisory Board members elected Dr. Peter Kurz as Supervisory Board Chairman and Peter Dinges as Deputy Supervisory Board Chairman. Furthermore, the Supervisory Board members elected the committee members from among their number. Carsten Südmersen and Uwe Spatz were elected as members of the Mediation Committee. Moreover, by virtue of their offices the Supervisory Board Chairman Dr. Peter Kurz and his Deputy Peter Dinges are also members of this committee, acting as Committee Chairman and Deputy Committee Chairman respectively.

The Audit Committee was chaired by Dr. Manfred Fuchs through to the conclusion of the Annual General Meeting on 18 March 2011 and his retirement from the Supervisory Board. The former CEO of RWE Energy AG, Heinz-Werner Ufer, was elected as the new Audit Committee Chairman. The other members of this committee are the Deputy Committee Chairman Peter Dinges, Dr. Lorenz Näger, Carsten Südmersen, Barbara Neumann and Uwe Spatz.

The Personnel Committee is chaired by the Supervisory Board Chairman, Dr. Peter Kurz, while his deputy Peter Dinges is Deputy Committee Chairman. The other members of this committee are Dr. Stefan Fulst-Blei, Uwe Spatz, Carsten Südmersen and Jürgen Wiesner. The following individuals were elected to the Nomination Committee, which is also chaired by the Supervisory Board Chairman, Dr. Peter Kurz: Dr. Stefan Fulst-Blei, Wolfgang Raufelder, Dr. Dieter Steinkamp, Carsten Südmersen und Heinz-Werner Ufer.

Apart from Dr. Manfred Fuchs, four further members retired from the Supervisory Board, namely Holger Buchholz, Trade Union Secretary at ver.di Kiel, Werner Ehret, Works Council of MVV Energie AG, Hans-Peter Herbel, Works Council of MVV Energie AG, and Sabine Schlorke, Trade Union Secretary at ver.di Rhine/Neckar. We would like to thank all retiring members for their commitment and constructive contributions to the work of the Supervisory Board.

At the end of the financial year, the Supervisory Board resolved to extend Matthias Brückmann's appointment as a member of MVV Energie's Executive Board. His term in office was extended for a period of five years as of 1 August 2012. Alongside sales and trading, Matthias Brückmann is also responsible for the environmental energy and energy-related services business fields.

Audit of annual and consolidated financial statements

In line with the resolution adopted by the Annual General Meeting on 18 March 2011, the Supervisory Board awarded the assignment to audit the separate and consolidated financial statements of MVV Energie AG for the 2010/11 financial year to PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft. The auditor submitted a declaration of independence to the Supervisory Board.

The management report accompanying the separate financial statements of MVV Energie AG for the 2010/11 financial year and the group management report of the MVV Energie Group for the 2010/11 financial year have been presented in combined form pursuant to § 315 (3) and § 298 (3) HGB and published in this 2010/11 Annual Report of the MVV Energie Group. The annual financial statements, consolidated financial statements and the combined management report for the 2010/11 financial year are published in the electronic Federal Official Gazette (Bundesanzeiger).

The consolidated financial statements of MVV Energie AG for the 2010/11 financial year prepared on the basis of International Financial Reporting Standards (IFRS), the combined management report and the annual financial statements of MVV Energie AG for the 2010/11 financial year prepared in line with HGB requirements have been audited by PricewaterhouseCoopers and granted unqualified audit opinions.

The consolidated financial statements, combined management report and annual financial statements of MVV Energie AG were submitted to the Supervisory Board in good time ahead of the relevant meeting, as were the appropriation of profits proposed by the Executive Board and the auditor's audit reports. These documents were exhaustively examined by the Audit Committee and the Supervisory Board and discussed in detail in the presence of the auditor. At its meeting on 8 December 2011, the Supervisory Board approved the consolidated financial statements, combined management report and annual financial statements of MVV Energie AG. The annual financial statements are thus adopted. The Supervisory Board endorses the appropriation of profits proposed by the Executive Board.

The Executive Board further compiled a report for the 2010/11 financial year on the company's relationships with affiliated companies (dependent company report). According to the report, MVV Energie AG was not disadvantaged by the legal transactions performed with affiliated companies outlined therein. The dependent company report was audited by the auditor, who granted the following audit opinion:

"Following our audit and assessment performed in accordance with professional obligations, we confirm that the factual disclosures made in the report are accurate and 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 transactions being executed."

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

Our Group's employees are working together, with dedication and success, to master the challenges presented by the changing market climate. For this, 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.

Mannheim, December 2011

Supervisory Board

Dr. Peter Kurz
Chairman

Corporate Governance

Corporate governance is the term used to describe the framework of regulations and practices underpinning corporate management and supervision. It thus covers the duties of the Executive and Supervisory Boards – within the competencies granted to them by stock corporation law – to determine the company's organisational structure, compile and implement the principles and guidelines underlying business policy and ensure adequate internal and external control and supervision of the company. High-quality corporate governance is the foundation for responsible corporate management focused on sustainable value creation. It creates transparency and gains and retains the trust of shareholders, customers and employees, as well as of the general public.

For MVV Energie, high-quality corporate governance is at the same time a self-imposed commitment, as well as the basis for and the standard by which we measure our actions. The Executive and Supervisory Boards are expressly committed to managing the MVV Energie Group in line with the principles of the social market economy and aim to achieve sustainable growth in the company's value. This chapter informs you about corporate governance at MVV Energie. It begins with the Report of the Executive and Supervisory Boards, followed by the Corporate Governance Declaration, including the Declaration of Conformity with the German Corporate Governance Code, and concludes with the Compensation Report, which is also a component of the combined Management Report.

Report of the Executive and Supervisory Boards

Generally accepted standards of high-quality, transparent and responsible corporate management are summarised in the German Corporate Governance Code. The German Corporate Governance Code Government Commission, which published the first version of the Code in February 2002, reviews the Code each year to account for national and international developments. Publicly listed companies are advised to comply with the recommendations made in the Code. MVV Energie AG complies with these recommendations with one exception explained in the Declaration of Conformity with the German Corporate Governance Code. We also comply with virtually all of the suggestions made in the Code.

The current version of the German Corporate Governance Code, which was published in the official section of the electronic Federal Official Gazette on 2 July 2010, includes the amendments introduced by the government commission on 26 May 2010. In May 2011, the government commission issued a press release informing the public that it did not deem any further amendments necessary in 2011.

Shareholders and Annual General Meeting

Each share in MVV Energie AG basically entitles its holder to one vote. Shareholders are able to exercise their rights at the Annual General Meeting. Shareholders have various possibilities of exercising their voting rights – they may exercise them in person at the Annual General Meeting or be represented by a proxy of their choice. They may also be represented by a voting proxy appointed by the company to act in line with shareholders' instructions, a bank or a shareholders' association. All shareholders are entitled to participate in the Annual General Meeting, to comment there on agenda items and submit relevant questions and motions.

In line with the requirements of stock corporation law, we publish the invitation to the Annual General Meeting, as well as the proposals, reports and information relevant to resolutions, on our internet site at **www.mvv-investor.de**, where they are available in German and English. During the Annual General Meeting itself, all interested parties are able to follow the introductory words by the chairman of the meeting and the presentation by the CEO live and in full on our internet site, where the CEO's presentation and the voting results are also available following the meeting.

Transparency

By offering prompt, comprehensive information, we aim to retain the trust placed in us by our shareholders, financial analysts, fund managers, customers, employees, as well as by the media and general public, on a permanent basis. The Executive and Supervisory Boards of MVV Energie AG accord great importance to transparent company management. In the past, we have always met the relevant obligations in the German Commercial Code (HGB), the German Stock Corporation Act (AktG) and the German Securities Trading Act (WpHG) and also complied in full with the Code’s transparency recommendations. We will also ensure that all interested parties have access to the same information at the same time in future as well.

We publish our interim and annual reports, voting rights notifications pursuant to § 21 (1) WpHG and further information about our company and the latest developments at our Group on our website at **www.mvv-investor.de**, where we also publish our financial reporting dates in a financial calendar. In line with legal requirements, any developments at MVV Energie AG outside the regular reporting framework that are likely to influence the company’s share price significantly are published in ad-hoc announcements.

Reporting and audit of the annual financial statements

MVV Energie AG prepares its separate financial statements on the basis of the German Commercial Code (HGB). Our shareholders and other interested parties are primarily informed of our results by the consolidated financial statements of the MVV Energie Group. During the financial year, we also inform our shareholders and third parties about our performance in our financial reports for the 1st and 3rd quarters and in the half-year financial report. The consolidated financial statements (full-year consolidated financial statements and abridged consolidated financial statements in the half-year and quarterly financial reports) are prepared in line with International Financial Reporting Standards (IFRS) in the form requiring application in the European Union. The consolidated financial statements prepared by the Executive Board are audited by the auditor and subsequently approved by the Supervisory Board. The quarterly and half-year financial reports are discussed by the Executive Board with the Audit Committee prior to publication.

The HGB separate financial statements of MVV Energie AG, the IFRS consolidated financial statements of the MVV Energie Group, the combined management report and the early warning risk identification system have been audited by PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, the auditing company elected by the 2011 Annual General Meeting.

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

MVV Energie is committed to transparency towards its shareholders. This Annual Report of the MVV Energie Group therefore also includes – as part of the Corporate Governance Report – that Corporate Governance Declaration which § 289a of the German Commercial Code (HGB) requires to be published in the management report in the separate financial statements or on the internet. As well as the Declaration of Conformity with the German Corporate Governance Code required by § 161 of the German Stock Corporation Act (AktG), we have also reported here on corporate governance practices applied at our company over and above legal requirements. Furthermore, we explain the mode of operation of the Executive and Supervisory Boards and the composition and mode of operation of their committees. The Corporate Governance Declaration was published on our website at **www.mvv-investor.de** on 11 October 2011. Furthermore, in the interests of transparency we also publish this declaration as part of the Corporate Governance Report in the Annual Report of the MVV Energie Group.

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

The Executive and Supervisory Boards adopted the following Declaration of Conformity with the German Corporate Governance Code in September 2011: The Executive and Supervisory Boards of MVV Energie AG hereby declare that the company has complied with and continues to comply with the recommendations made by the German Corporate Governance Code Government Commission in the version of the Code dated 26 May 2010 and published in the official section of the electronic Federal Official Gazette on 2 July 2010.

The following recommendation was not and is not complied with:

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

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

Disclosures on corporate governance practice

Our **Management Guidelines** provide the foundation for the successful interaction between management and employees on a basis of trust. They create a mandatory framework for the management of employees at our company and enable us to secure the quality of personnel management. Our bottom-up appraisal system represents another tool we use in the ongoing enhancement of management at our company.

Our **MVV Energie Compliance Management System (CMS)** serves to ensure compliance with legal requirements, in-house guidelines and those ethical standards to which we are committed. This system covers all business activities and processes at MVV Energie and is applicable to all of the company's directors and officers, managers and employees. We have laid down the material contents, necessary organisational structures, processes and responsibilities, as well as the reporting system, in an extensive Compliance Handbook. As part of our MVV Energie Management Handbook, this is available to all employees on the intranet. The Compliance Handbook is binding for all MVV Energie Group companies and requires mandatory application by all of these companies' employees. The head of our group legal department also acts as the Group Compliance Officer. The key tasks of our Compliance Officer include working together with the relevant business units to compile compliance-related regulations, training managers and employees, performing or monitoring CMS processes and reporting on compliance with these. All management staff have received instruction on the MVV Energie Compliance System and also receive ongoing training concerning general compliance regulations and the specific legal requirements relevant to their business units. Furthermore, the Compliance Officer supports the Executive Board and group internal audit department in avoiding and, where necessary, investigating any infringements of the law, corruption and deliberate acts harmful to the company.

We provide our employees with contact to customers in the sales, energy-related services and environmental energy businesses in particular with in-depth training as to how corruption is to be combated and instruct them on the correct forms of behaviour when offered gratuities and invitations. These are recorded without exception. Adherence to the requirements relevant to compliance is systematically and regularly checked in all business fields, divisions, group departments and subsidiaries. Employees wishing to inform the Compliance Officer anonymously about any misconduct can use the "Whistleblower Hotline" we have set up.

All management staff must submit an extensive Compliance Management Declaration at the end of each financial year. Here, they confirm that specifically stipulated legal requirements have been complied with in their area of responsibility and that their staff have been instructed, trained and inspected. For this purpose we use questionnaires based on the requirements and circumstances at each specific business unit. We provide systematic instruction not only to newly appointed managing directors, but also to all upcoming management staff in all areas of responsibility. To this end, the group compliance, personnel development, group organisation and technical divisions have jointly prepared a seminar to inform participants extensively on basic features of management responsibility at the MVV Energie Group. This seminar has been obligatory for all levels from section manager upwards since April 2010.

It is important for us to ensure that **women are present on all hierarchical levels** at the company. We motivate and support our female employees systematically and comprehensively on all levels by offering them challenging tasks, accompanied by numerous development measures, and making targeted efforts to boost internal and external networks of women in management positions within MVV Energie.

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

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

Responsibility for managing the company and its business lies with the **Executive Board**, which manages the company independently and in the interests of the company with the objective of sustainable value creation. It takes due account in its decisions of the interests of shareholders, employees and other stakeholders. The Executive Board also determines the company's strategic alignment and business policy, agrees these with the Supervisory Board and ensures their implementation.

The Executive Board of MVV Energie AG consists of four members. Its Chairman is Dr. Georg Müller. The CEO coordinates the work of the Executive Board members and represents the Executive Board externally. The Supervisory Board has imposed a Code of Procedure governing the activities of the Executive Board. The Code of Procedure sets out divisional responsibilities, as well as the duties and decisions incumbent on the overall Executive Board, the duties of the Chief Executive Officer, the way in which resolutions are adopted and those transactions requiring Supervisory Board approval. All members of the Executive Board enjoy equal rights and bear joint responsibility for managing the company. Each Executive Board member nevertheless manages the division assigned to him under his own responsibility. Executive Board members are required to subordinate the specific interests of their division to the overriding interests of the company as a whole. The Executive Board as a whole and each individual Executive Board member manage the company's business in accordance with the requirements of the law, the Articles of Incorporation and the Code of Procedure. They work together with the Supervisory Board and representatives of the company's employees on a basis of trust.

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

The Executive Board is appointed by the Supervisory Board of MVV Energie AG. The Supervisory Board is responsible for advising and monitoring the Executive Board in its management of the company and in decisions of fundamental significance for the company. Consistent with § 111 (4) Sentence 2 of the German Stock Corporation Act (AktG), the Code of Procedure includes a catalogue of transactions for which the Executive Board requires Supervisory Board approval.

The **Supervisory Board** of MVV Energie AG comprises 20 members, of which ten shareholder representatives and ten employee representatives. Shareholder representatives are elected by the Annual General Meeting. The City of Mannheim delegates the Lord Chief Mayor and the relevant head of department to the Supervisory Board, with such members being imputed to the ten Supervisory Board members to be elected by the Annual General Meeting, to the extent that MVV GmbH directly or indirectly holds more than half of the share capital. Ten members are elected by employees pursuant to the German 1976 Codetermination Act (MitbestG). The terms in office are identical. Three of the current Supervisory Board members are women.

The Supervisory Board Chairman coordinates the work of the Supervisory Board. The Supervisory Board Chairman is the Lord High Mayor, Dr. Peter Kurz. The Supervisory Board has a self-imposed Code of Procedure governing its activities. In the year under report, the Supervisory Board once again subjected the efficiency of its activities to an in-depth review pursuant to Point 5.6 of the German Corporate Governance

Code. When selecting the candidates for election as Supervisory Board members by the Annual General Meeting on 18 March 2011, due account was taken of the knowledge, ability and experience necessary to perform the duties involved, as well as of diversity considerations. Extensive information about the duties and activities of the Supervisory Board and its committees in the 2010/11 financial year can be found in the Report of the Supervisory Board.

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

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

The **Personnel Committee** also comprises six members, in this case the Supervisory Board Chairman, who also chairs the Committee, his deputy, and four Supervisory Board members, of which two shareholder and two employee representatives. The duties of the Personnel Committee relate in particular to preparing Supervisory Board resolutions concerning the conclusion, amendment and rescission of employment contracts with Executive Board members. The Executive Board compensation system was restructured following the findings of the review of the compensation system performed by an external compensation expert in line with the requirements of the German Management Board Compensation Act (VorstAG). Further details about this can be found in the Compensation Report.

The **Nomination Committee** also consists of six members, with the Supervisory Board Chairman as Committee Chairman and five further shareholder representative Supervisory Board members. The purpose of this committee is to propose suitable candidates to the Supervisory Board for its own election proposals to the Annual General Meeting, accounting as appropriate for legal requirements and the recommendations and suggestions made in the German Corporate Governance Code. The Nomination Committee should compile specific targets for the composition of the Supervisory Board, taking due account of the company's specific situation. At its meeting on 18 October 2010, it reached agreement on a requirements profile for Supervisory Board members. This lays down specific requirements for the specialist knowledge, ability and experience, as well as for the personality of future Supervisory Board members. The following aspects are crucial in this respect: a good general understanding of the energy industry, and especially of the business fields in which MVV Energie operates, an ability to assess complex economic and technical matters, specialist knowledge in select areas of MVV Energie's activities and personal integrity. It is acknowledged that not every Supervisory Board member can satisfy the whole spectrum of specialist requirements. The members of the Supervisory Board should nevertheless complement one another to ensure that the whole range of targeted expertise, abilities and experience are represented within the Supervisory Board.

The Nomination Committee held detailed discussions about the recommendation made by the German Corporate Governance Code concerning the suitable level of participation by women, as did the Supervisory Board subsequently. The Supervisory Board has set itself the target of ensuring that 20 % of its members are women by the beginning of the term in office following the expiry of the Supervisory Board's current term in office.

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

The Audit Committee and the Personnel Committee meet several times a year. The Mediation Committee and Nomination Committee are convened when necessary.

This complete Corporate Governance Declaration is also available on the internet at **www.mvv-investor.de.**

Compensation Report
(Component of Combined Management Report)

Compensation of Executive Board members

At the instigation of the Supervisory Board, the Executive Board compensation system was reviewed by an external compensation specialist in the 2009/10 financial year. This review found that the overall compensation paid to Executive Board members is appropriate. The compensation system was adjusted in line with the German Management Board Compensation Act (VorstAG) at the beginning of the 2010/11 financial year.

The Executive Board was paid compensation totalling Euro 2 368 thousand in the year under report. This was structured as follows:

Compensation

Euro 000s	Fixed[1]	Variable[2]	Supervisory Board compensation[3]	Total
Dr. Georg Müller	468	327	17	812
Matthias Brückmann	296	218	10	524
Dr. Werner Dub	285	218	15	518
Hans-Jürgen Farrenkopf	287	218	9	514
Total	**1 336**	**981**	**51**	**2 368**

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

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

The variable compensation paid to Executive Board members is calculated on the basis of two components. Executive Board members receive an annual bonus in line with the operating performance of the MVV Energie Group. This is based on the adjusted EBIT of the MVV Energie Group, here nevertheless excluding restructuring expenses. Furthermore, Executive Board members receive a sustainability bonus to compensate any increase in the company's profitability measured over a period of three years. This bonus is based on the average ROCE (Return On Capital Employed) before IAS 39 items of the MVV Energie Group for the past financial year and two preceding financial years. Suitable minimum thresholds and caps are in place for both components. The sustainability bonus accounted for the overwhelming share of variable compensation in the 2010/11 financial year.

No further payments were either committed or made by third parties.

The previous overall pension commitment made to the Executive Board members Dr. Georg Müller and Matthias Brückmann has been replaced by a pension commitment whose volume is based on the balance on virtual pension accounts at the time at which the benefits are claimed. The virtual pension accounts have been credited with so-called initialisation components and will be credited with annual insurance pension contributions. The initialisation components serve to settle pension claims already vested. Annual interest is paid on both the initialisation components and the annual pension contributions. The pension commitment also includes a claim to benefits due to permanent inability to work and a claim to provision for surviving dependants.

The pension obligations for the Executive Board members Dr. Georg Müller and Matthias Brückmann are structured as follows:

Pension obligations

Euro 000s	Development in virtual pension accounts			Pension provision	Allocation to pension provision		
	Balance 1.10.2010[1]	**Pension contribution**	**Balance 30.9.2011**[2]	**Balance 30.09.2011**[3]	**Service cost**	**Interest expenses**	**Retrospective service cost**[4]
Dr. Georg Müller	766	145	951	874	118	43	527
Matthias Brückmann	1 079	104	1 240	1 146	85	60	683
Total	**1 845**	**249**	**2 191**	**2 020**	**203**	**103**	**1 210**

1 initialisation component
2 including interest
3 equivalent to present value of vested claims
4 due to conversion of pension system

The overall pension commitment made to the Executive Board members Dr. Werner Dub and Hans-Jürgen Farrenkopf continues to be based on pensionable compensation, as both members have already reached the age of 60 and can thus be deemed to be approaching retirement age. The pension commitment amounts to a maximum of 70 % of pensionable compensation, other income from employment, benefits received under the state pension scheme and other pension benefits attributable at least in half to employers' contributions. One component of the pension commitment also involves a claim to benefits in the event of reduced working capacity and a claim to provision for surviving dependants.

The pension obligations for the Executive Board members Dr. Werner Dub and Hans-Jürgen Farrenkopf are structured as follows:

Pension obligations

Euro 000s	Value of final pension[1]	Benefit percentage[2]	Benefit percentage[3]	Allocation to pension provision		
				Service cost	Interest expenses	Retrospective service cost[4]
Dr. Werner Dub	102	62 %	66 %	110	62	–57
Hans-Jürgen Farrenkopf	117	62 %	62 %	181	74	–2
Total	**219**			**291**	**136**	**–59**

1 achievable claim to retirement pension aged 63, taking due account of amounts deducted
2 total percentage pension rate achieved for retirement pension
3 benefit percentage achievable by the age of 63
4 due to update based on pensionable compensation

Former members of the Executive Board received benefits of Euro 216 thousand in the year under report. Provisions totalling Euro 5 380 thousand have been stated for pension obligations towards former members of the Executive Board. A total of Euro 287 thousand was allocated to this item in the financial year.

Pursuant to IAS 24, related parties also include management staff performing key functions. Alongside the Executive Board, this group of persons at the MVV Energie Group also includes active heads of division and authorised company representatives of MVV Energie AG. This group of persons receives its compensation exclusively from MVV Energie AG. Compensation totalling Euro 2 513 thousand was paid to this group of persons in the year under report, with the predominant share (Euro 2 432 thousand) involving payments with current maturities. Senior employees receive a company pension of up to 8.6 % of their fixed compensation. This exclusively takes the form of a defined contribution plan. Within the channels of execution offered within the Group, senior employees can determine which biometric risks they would like to cover. Total expenses incurred for the aforementioned compensation schemes amounted to Euro 82 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 10 000 each in the 2010/11 financial year, with the Chairman of the Supervisory Board receiving twice and his deputy one and a half times this figure.[1] The Chairman of the Audit Committee received additional annual compensation of Euro 5 000 and other members of this committee received additional annual compensation of Euro 2 500. Moreover, a meeting allowance of Euro 1 000 was paid per person per meeting of the full Supervisory Board and of the committees. The Chairman of the Supervisory Board receives double the meeting allowance for meetings of the Supervisory Board, as does the Chairman of the Audit Committee for meetings of the Audit Committee.

Total compensation paid to Supervisory Board members amounted to Euro 472 660[2] and was distributed as follows:

Supervisory Board compensation

Euro	Supervisory Board compensation	Meeting allowances		Supervisory Board compensation	Meeting allowances
Dr. Peter Kurz	20 000	27 000	Antje Mohr	5 361	4 000
Johannes Böttcher	11 167	11 000	Dr. Lorenz Näger	6 701	7 000
Holger Buchholz	4 667	5 000	Barbara Neumann	11 340	10 000
Peter Dinges	17 500	16 000	Wolfgang Raufelder	10 000	10 000
Werner Ehret	4 667	6 000	Sabine Schlorke	4 667	2 000
Peter Erni	5 361	3 000	Uwe Spatz	12 500	17 000
Detlef Falk	10 000	7 000	Christian Specht	10 000	11 000
Dr. Manfred Fuchs	7 000	11 000	Dr. Dieter Steinkamp	10 000	9 000
Dr. Stefan Fulst-Blei	10 000	13 000	Carsten Südmersen	12 500	16 000
Reinhold Götz	10 000	7 000	Katja Udluft	5 361	4 000
Hans-Peter Herbel	4 667	5 000	Heinz-Werner Ufer	13 840	17 000
Prof. Dr. Egon Jüttner	10 000	7 000	Jürgen Wiesner	5 361	6 000
Gunter Kühn	10 000	9 000			

1 Supervisory Board members joining or retiring from the Supervisory Board during the financial year receive prorated compensation in line with the duration of their membership.
2 The amount reported corresponds to the precise settlement of compensation in the year under report.

The Share of MVV Energie AG

Turbulence on capital markets in 2011

Following the sharp recovery in the DAX, Germany's lead index, from its low of 3 666 points in March 2009 in the wake of the global economic and financial crisis to 6 914 points by the end of 2010, the rate at which share prices rose slowed significantly in the first months of 2011. International financial and stock markets then witnessed massive falls in prices in August 2011 due to the sovereign debt crisis in Europe and the USA. By the end of September 2011, the DAX was listed at 5 502 points, 20.4 % down on the beginning of 2011.

Share price: long sideways movement followed by sharp decline

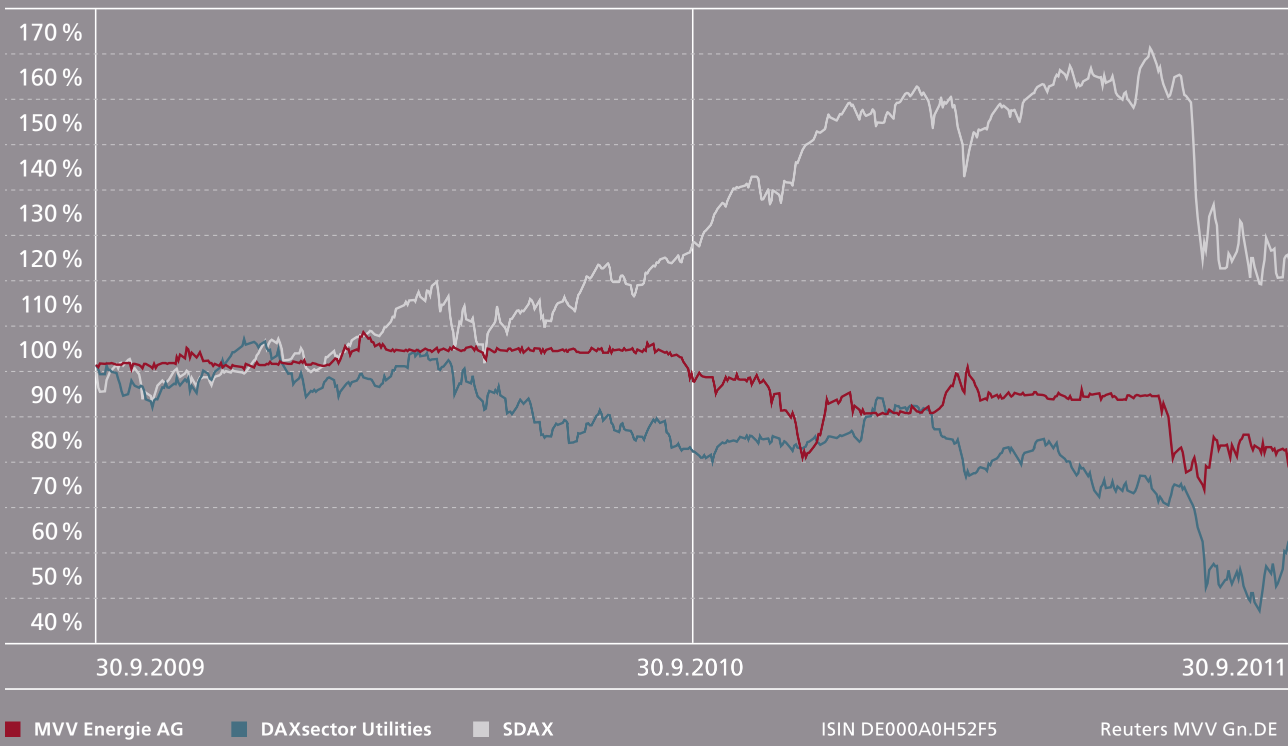
MVV Energie's share price performed negatively in the period under report. The share closed at Euro 23.86 on 30 September 2011, 17.7 % down on the share price on 30 September 2010. Including the distribution of a dividend of Euro 0.90 per share in March 2011, our share price dropped by 15.1 % in the year under report. A performance comparison of the past two years, i.e. including the dividend payments in 2010 and 2011, reveals a 17.9 % reduction in the share price (see share performance chart). Over this period, MVV Energie's share outperformed the DAXsector Utilities, but fell short of the SDAX index. It should be noted that all stocks had great potential for recovery following the severe losses in the 2008 crisis year. MVV Energie's share had maintained a clear sideways course during this time, followed by a downturn in the share price towards the end of the period.

Key figures on share and dividend of MVV Energie AG

	2010/11	2009/10
Closing price [1] on 30.9. (Euro)	23.86	29.00
Annual high [1]	29.90	33.00
Annual low [1]	18.85	29.00
Market capitalisation on 30.9. (Euro million)	1 573	1 911
Average daily turnover (no. of shares)	8 431	6 108
Number of shares on 30.9. (000s)	65 907	65 907
Number of shares in 000s (weighted annual average)	65 907	65 907
Number of shares with dividend entitlement (000s)	65 907	65 907
Dividend per share (Euro)	0.90 [2]	0.90
Dividend total (Euro million)	59.3 [2]	59.3
Adjusted earnings per share [3, 4] (Euro)	1.63	1.44
Cash flow before working capital and taxes per share [4] (Euro)	6.15	6.68
Adjusted carrying amount per share [4, 5, 6] (Euro)	17.61	16.94
Price/earnings ratio [7]	14.6	20.1
Price/cash flow ratio [7]	3.9	4.3
Dividend yield [7] (%)	3.8 [2]	3.1

1 XETRA trading
2 subject to approval by Annual General Meeting on 16 March 2012
3 excluding non-operating IAS 39 derivative measurement items and restructuring expenses and including interest income from finance leases
4 number of shares (weighted annual average)
5 excluding non-operating IAS 39 derivative measurement items
6 excluding minority interests
7 basis: closing price in XETRA trading on 30 September

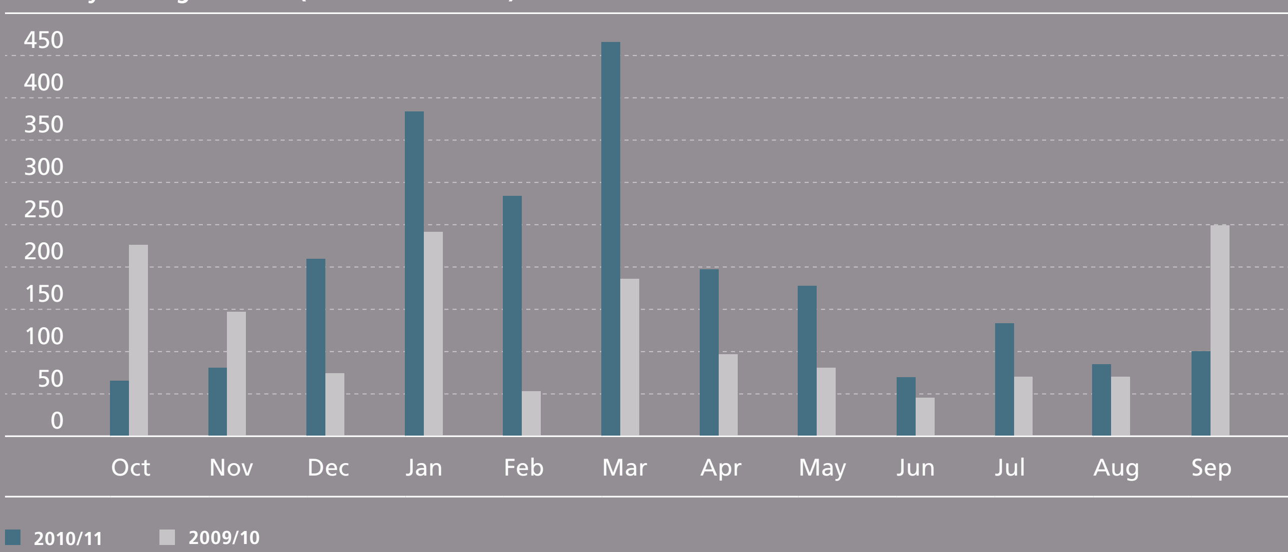
Share of MVV Energie AG: performance comparison



ISIN DE000A0H52F5
WKN A0H52F
XETRA MVV1

Reuters MVV Gn.DE
Bloomberg MVV1 GR

Monthly trading volumes (no. of shares 000s)



Decline in market capitalisation and trading volume

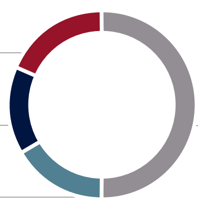
The negative share price performance at the end of the 2010/11 financial year also impacted on our market capitalisation. This amounted to Euro 1 573 million as of 30 September 2011 (previous year: Euro 1 911 million). The 18.5 % free float share relevant for the stock's weighting in the SDAX was valued at around Euro 291 million (previous year: Euro 354 million). The MVV Energie AG share was ranked 60th in the joint statistics for the MDAX and SDAX indices (previous year: 54th). The ranking is based on the free float market capitalisation at the end of the financial year. This development was also indirectly attributable to the share price performance of other index members, whose share prices had significantly greater potential for recovery due to high discounts previously. In terms of its stock market trading volumes, our share occupied 102nd position in the index statistics (previous year: 93rd). A total of around 2.2 million MVV Energie AG shares were traded on all German marketplaces in the 2010/11 financial year (see monthly stock turnover chart). This corresponds to an increase of around 22 % on the previous year. Despite the decline in the share price, the higher number of shares traded meant that trading volumes rose to Euro 59 million (previous year: Euro 48 million). Around 68 % of our stock market turnover took place on the XETRA trading platform.

Continuity in shareholder-friendly dividend policy

The Annual General Meeting of MVV Energie AG held on 18 March 2011 approved the distribution of a dividend of Euro 0.90 per share for the 2009/10 financial year, thus following the proposal made by the Executive and Supervisory Boards. Based on a total of 65.9 million shares, the distribution sum thus amounted to Euro 59.3 million. We intend to pay our shareholders an appropriate dividend consistent with our earnings performance in future as well. In view of this, the Executive and Supervisory Boards also plan to propose a dividend of Euro 0.90 per share for the year under report. This will be decided by the Annual General Meeting on 16 March 2012. This is equivalent to a dividend yield of 3.8 % in terms of the share's closing price in XETRA trading on the balance sheet date on 30 September 2011.

Our shareholder structure

Shareholder structure of MVV Energie AG at 30 September 2011



During the 2010/11 financial year, we received a series of voting right notifications from Deka International S.A., Luxembourg, and Barclays Securities Ltd., UK, whose shareholdings exceeded and fell short of the 3 % and 5 % threshold values on several occasions. Based on the latest voting right notifications in the year under report, Allianz Global Investors S.A., Luxembourg, owned 2.62 % (notification dated

15 October 2010), Deka International S.A. held around 1.0 % (notification dated 28 October 2010) and Barclays Securities Ltd. held 4.98 % (notification dated 5 September 2011) of the shares in MVV Energie AG. The shares held by all of these companies are allocated to the free float. In connection with the acquisition by the State of Baden-Württemberg of the shares held in EnBW Energie Baden-Württemberg AG by EDF INTERNATIONAL S.A., Paris, France, we were notified by NECKARPRI-Beteiligungsgesellschaft mbH i.Gr., Stuttgart, on 6 April 2011 that its stake in MVV Energie AG amounted to 15.05 % as of 5 April 2011. The voting rights attributed to NECKARPRI-Beteiligungsgesellschaft mbH i.Gr. are held directly by EnBW Energie Baden-Württemberg AG. The latest voting right notifications received since the balance sheet date can be found at **www.mvv-investor.de**.

Investor relations – detailed communication of strategic alignment

MVV Energie is currently analysed by six banks: Baader Bank, Cheuvreux, HSBC, Kepler Capital Markets, LBBW and Macquarie. This is a high figure for an SDAX company. Our Investor Relations team is making consistent efforts to expand the research coverage for MVV Energie's share. The year under report brought further opportunities to present our company and our strategic alignment at investors' conferences and in one-to-one talks with institutional and private shareholders. In telephone and analysts' conferences we provided extensive commentaries on our company's latest earnings performance. One focus of our activities in the 2010/11 financial year involved road shows and talks with institutional investors in Germany and abroad (Amsterdam, Brussels, Frankfurt am Main, London, Munich, Oslo, Paris and Stockholm). At our **www.mvv-investor.de** website, we publish recordings of our teleconferences, conference fact books (download section) and up-to-date information about our share.

Our consistent, transparent communications have been warmly received on the capital markets. In the "Best Investor Relations in Germany 2010 (BIRD)" competition organised by the business journal "Börse Online", we were ranked 1st among the 50 SDAX companies for the second year running. The BIRD survey of private investors and readers of the magazine led to more than 700 individual assessments of the 160 largest German publicly listed stock corporations. The most important factor for successful IR activities has proven to be up-to-date information, followed by credibility, comprehensibility and contact to the IR department.

Annual report yet again singled out for award

In the "Best Annual Reports 2011" competition organised by the business journal "manager magazin", MVV Energie's 2009/10 Annual Report was awarded 5th position among SDAX companies, thus once again reaching the top ten with an overall assessment of "Good". Our 2009/10 Annual Report also received an internationally acknowledged award at the "2010 Vision Awards Annual Report Competition" hosted by the renowned League of American Communications Professionals (LACP) in San Diego, USA. As in the previous year, our report received the Platinum Award for top position in the "Utilities" category for companies with turnover in excess of US$ 100 million. In the overall ranking of more than 5 000 entrants across all categories, the report was ranked 33rd, and thus among the top 100.

Notes to the Combined Management Report

In this combined management report, the group management report of the MVV Energie Group for the 2010/11 financial year prepared in accordance with International Financial Reporting Standards (IFRS) and the management report accompanying the separate financial statements of MVV Energie AG for the 2010/11 financial year prepared in line with the German Commercial Code (HGB) have for the first time been presented in combined form pursuant to § 315 (3) and § 298 (3) of the German Commercial Code (HGB). The business framework and corporate strategy apply equally both for the MVV Energie Group as a whole and for the MVV Energie AG parent company. The business performance, including the results and situation of the MVV Energie Group and MVV Energie AG are also largely consistent with each other. Any material variances are pointed out in the Business Performance chapter. We report on the specific results and situation of MVV Energie AG in the separate Notes to the Annual Financial Statements of MVV Energie AG (HGB) chapter.

The annual financial statements of MVV Energie AG, consolidated financial statements of the MVV Energie Group and combined management report for the 2010/11 financial year are published together in the electronic Federal Official Gazette. The Annual Report for the 2010/11 financial year is also available for downloading on the internet at **www.mvv-investor.de**.

Combined Management Report

Corporate Strategy

Energising the Future

Energy industry undergoing fundamental change

With the energy turnaround adopted by the Federal Parliament and Federal Council, the way forward is now clearly marked out. In Germany, the future of the energy market lies in environmentally-friendly, more highly decentralised energy generation. To implement the nuclear energy exit, it will be necessary on the one hand to make greater use of renewable energy sources and enhance energy efficiency. On the other hand, flexible conventional generation capacities will also be needed.

We closely accompanied the energy policy decision-making process for the energy turnaround and the legislative amendments involved. Some of the demands we supported have been accounted for in the design of the future energy industry framework. Detailed comments about the Energy Turnaround Package can be found in the Energy Policy Changes chapter.

The energy turnaround involves a fundamental system change for the energy industry in technological, economic and regulatory terms. Within the electricity supply, primary energy consumption is set to fall significantly. Conventional generation will increasingly be replaced by the use of renewable energies. This means that fewer fossil fuels will be used and conversion losses in the overall system will reduce. In the heating energy supply, the consumption of end energy in particular will fall sharply, as greater use will be made of low-grade heat. What's more, the renovation of existing buildings and new construction will significantly enhance building energy efficiency. The expansion of cogeneration will also continue to play a key role in terms of heating energy generation.

As a publicly listed group of companies with municipal roots, MVV Energie is well positioned to exploit the opportunities and possibilities arising from the energy turnaround called for by politicians and society alike.

Our claim: Energising the Future

We are an innovative, market-oriented company and aim to help shape Germany's future energy supply. Consistent with our "Energising the Future" claim and our maxim of "always think and act for the long term", in our strategy we are building on regionalism, efficiency and sustainability. We aim to guarantee a reliable, economical and environmentally-friendly energy supply for our current total of around 1.1 million industrial, commercial and private customers in future as well. Furthermore, we aim to offer our shareholders good prospects and to be able to provide secure, attractive jobs to the Group's total of around 5 900 employees in future as well.

Energy turnaround affirms our course

Our corporate strategy was already aligned towards a climate-friendly, environmentally-compatible and nuclear-free future well before the nuclear catastrophe in Fukushima in March 2011. With the MVV 2020 project launched in 2009, we set out the right course with clear strategic focuses. We thus acted early to start expanding the use of renewable energy sources and enhancing energy efficiency.

Our strategic focuses are:

- Expanding the use of onshore wind power and of biomass and biogas
- Expanding district heating, cogeneration and the generation of energy from waste
- Boosting energy-related services and enhancing our customers' energy efficiency
- Expanding our nationwide energy sales with industrial and commercial customers.

The energy turnaround has confirmed our strategic course. We have set the right focuses and believe the turnaround harbours great market opportunities for our Group. The coming years will see tough competition for attractive locations and available resources. We aim to exploit opportunities arising due to the restructuring of German generation capacities and will make investments that offer long-term growth potential and complement our portfolio.

In parallel, we will develop further innovative, energy-efficient products and offer our customers an attractive service in connection with our energy-related services.

In our expansion of onshore wind power, we are setting targeted regional focuses. We therefore welcome the announcement made by numerous state governments that they will be making more land available for this proven, economical technology.

Alongside onshore wind power, we have identified biomass as a particular focus in our use of renewable energies. Specifically, we will actively exploit the market potential offered by the local generation of electricity and heating energy from biogas and contribute our expertise in this field. Not only that, feeding biomethane into the natural gas grid is a further area offering substantial development potential.

Investments in the future implemented

We have ambitious investment targets. By 2020, we intend to invest around Euro 1.5 billion in modernising and securing our plants and grids, and a further Euro 1.5 billion in expanding renewable energies and environmentally-friendly cogeneration, i.e. in our company's strategic high-growth business fields.

We are already well on course towards reaching our growth targets. This is especially true for the expansion in our wind power portfolio. With its wind farms in Plauerhagen in Mecklenburg-Vorpommern and Massenhausen in Nordhessen, our Group has successfully entered the wind power market. Via our Energieversorgung Offenbach subsidiary, we are currently investing in a large wind power project involving 23 wind turbines at the Kirchberg location in the state of Rheinland-Pfalz. With the help of these wind turbines, which are due to be connected to the grid in the 1st quarter of 2011/12, our Group's installed wind power capacity will rise to 73 MW, while the annual volume generated from wind power will increase to around 160 GWh.

We have also made progress in the use of biomass. In May 2011, Energieversorgung Offenbach launched operations with its new wood pellet plant, one of the largest pellet production facilities in Germany. This plant currently manufactures 65 000 tonnes of pellets a year.

Not only that, in the year under report we also managed to enter the bio-natural gas production market. This is a new business field and one we will be expanding jointly with partners. We have acquired a stake in a biomethane plant already under construction. This plant in Klein Wanzleben (Sachsen-Anhalt) is expected to generate biomethane and feed it into the natural gas grid from summer 2012 already. Using around 60 000 tonnes of maize silage and sugar beet chips, the plant should produce around 6.3 million cubic metres of biomethane a year.

District heating and cogeneration are and will remain key components of our long-term growth strategy. We currently produce 28 % of our electricity using cogeneration. We have thus already exceeded the nationwide expansion target of 25 % by 2020! We even generate around 90 % of our heating energy using cogeneration.

With the construction of Block 9 at the large power plant in Mannheim (GKM), we are creating a basis to safeguard supply reliability and the expansion and further concentration of district heating in the Rhine / Neckar metropolitan region in the long term. Block 9 is one of Germany's most modern hard coal blocks. Thanks to efficient cogeneration, it will achieve a fuel efficiency rate of up to 70 %.

We are further expanding our cogeneration-based district and local heating and the district heating grids at our locations in Mannheim, Kiel, Offenbach and Ingolstadt. Operations began in July 2011 with the new waste heat and district heating joint project in Ingolstadt. The first groundbreaking ceremony for the expansion of district heating to Brühl took place in June.

At our Czech subgroup, we are also investing in technological extensions to existing heating energy generation plants and in the construction of gas-assisted cogeneration plants in Česká Lípa. MVV Energie CZ a.s. managed to take over a heating energy plant with a waste incineration facility in the City of Liberec in July 2011, thus further boosting its position in the Czech heating energy market.

In our environmental energy business we have successfully entered the British market. We were awarded the contract for the construction and long-term operation of an energy from waste plant in Plymouth. Based on our extensive expertise in putting waste to ecological use, we will now be able to position ourselves in the British market. From 2014 onwards, the new plant should use around 245 000 tonnes of household, commercial and industrial waste a year to generate electricity and heating energy.

In our energy-related services business, we are focusing above all on projects and measures aimed at enhancing efficiency and optimising energy consumption for industrial, commercial, real estate and healthcare players, as well as on the operation of industrial parks. We have presented details of specific construction and investment projects in the Sustainability chapter.

Within the Rhine/Neckar metropolitan region we have acquired a 25.1 % stake in Stadtwerke Walldorf GmbH, a municipal utility company with annual sales of around Euro 18 million. This new strategic partnership, due to take effect as of January 2012, represents an important step for us in boosting and expanding our commitment in this core region.

Another cornerstone of our growth strategy involves further expanding our nationwide electricity and gas sales with industrial and corporate customers. Our successful Electricity/Gas Energy Fund product provides smaller and medium-sized industrial and commercial companies as well with easy and inexpensive access to structured procurement. Further details about this can be found in the Forward-looking Sales Strategy chapter below.

Solid financial foundation for investments

The MVV Energie Group has a strong equity base, with an adjusted equity ratio of 39.5 % as of 30 September 2011. By building on this solid foundation, we can sustainably finance future investments by taking up additional debt capital. Further details about this can be found in the Outlook.

Consistently optimising existing business

By enhancing the efficiency of our structures and processes, we aim to become better and faster and generate sustainable cost savings. This way, we are laying a foundation enabling us to finance and implement all of the steps necessary to achieve our targeted strategic growth. To this end, we compiled numerous measures within our "Once Together" group programme. We consistently implemented these in the year under report. The measures to optimise internal processes in our existing business are focused on companies in Mannheim, Kiel and Offenbach, as well on the MVV Energiedienstleistungen and MVV Umwelt subgroups. Restructuring expenses of around Euro 31 million were recognised for this purpose in the 1st quarter of 2010/11.

WHAT STRUCTURAL CHANGES HAVE BEEN IMPLEMENTED?

We have amended organisational structures and reallocated tasks at several organisational units at the Mannheim location of MVV Energie AG. In our newly created Generation division, we have pooled the management of existing power plants and the development of additional generation capacities chiefly based on renewable energies. By introducing a new organisational structure, we have also optimised processes, improved efficiency and enhanced the competitiveness of the Infrastructure Service and Sales divisions.

We restructured our MVV Energiedienstleistungen subgroup in strategic, organisational and personnel terms with economic effect as of the beginning of the year under report. We reduced the number of legal entities and thus also cut jobs. Together with leaner structures and standardised processes, these measures will sustainably improve cost structures – a precondition for being able to exploit positive developments in the energy-related services market in the coming years.

We will achieve further efficiency enhancements by enabling our shared service companies 24/7 United Billing GmbH, 24/7 Metering GmbH and 24/7 IT-Services GmbH to work together more closely under uniform mangement. These units were pooled at the newly founded company Shared Services Center GmbH (SSC) at the beginning of 2011. Ensuring that our shared service companies offer competitive costs and high-quality operating services will make an indispensible contribution towards the competitiveness of the MVV Energie Group. These companies also represent a core aspect of our target of retaining the entire energy industry value chain within our group of companies. This way, we can react more rapidly to new requirements.

In the final quarter of the year under report, we transferred executive board responsibility for the MVV Energiedienstleistungen subgroup to the executive board sales division. At the same time, the executive board technology division assumed responsibility for all strategic investments.

WHAT COST SAVINGS HAVE WE ALREADY ACHIEVED?

The annual cost savings from the "Once Together" group programme are set to rise in the coming reporting periods. Compared with the equivalent budget figures for the 2009/10 financial year, we aim to achieve savings with a volume of between Euro 20 million and Euro 30 million a year by the 2012/13 financial year. As we have agreed to implement personnel cuts in a socially responsible way, mainly by drawing on part-time early retirement agreements, the personnel cost savings will be realised, as planned, over a longer period of time.

By 2020, we will cut a net total of 450 jobs at our Group in a socially responsible manner, of which almost 300 jobs by 2012 already. We will cut jobs no longer required, eliminate vacant positions and implement further measures. Information about our current employee totals can be found in the Our Social Responsibility chapter.

WHAT ADDITIONAL MEASURES HAVE WE INITIATED?

Our "Energising the Future" claim also includes a claim to achieve permanent enhancements. Within the "Professional Optimisation (Pro!)" group programme that is being integrated at our Mannheim, Kiel and Offenbach locations, we aim to permanently improve documented internal processes in our existing business. Procurement makes a key contribution towards value creation within our group of companies. We have used our risk management to consistently enhance our network of suppliers in times of rising commodity prices. At the same time, we have optimised the procurement interfaces at our company and improved cross-location cooperation. We require our suppliers also to call for the sustainability criteria relevant for our business.

"Setting Course for the Future" programme launched

Having successfully completed the "Once Together" group programme, our next step involves sustainably intensifying the degree of cooperation within the MVV Energie Group. To this end, we introduced the "Setting Course for the Future" change programme in the year under report.

As independent municipal companies, all of the energy supply and municipal utility companies within our Group also generate their own momentum in their own regions. By working together with our municipal partners on location closely and on a basis of trust, we aim to safeguard and further strengthen these local and regional roots and identities, as well as the associated regional brands and partnerships.

We make the enhancement of our Group's efficiency the core focus of our entrepreneurial actions. We aim to exploit the expertise available at our companies to the mutual benefit of all and to learn from one another. To this end, we work in a targeted manner to identify common solutions and enhance our operational excellence. We set ourselves ambitious targets and work consistently to achieve these.

This provides a solid foundation for exploiting future opportunities by drawing on our shared strengths. We aim to find the best solution irrespective of location. This way, we boost the competitiveness and growth capability at each individual company – and at our Group as a whole.

Alongside regionalism and efficiency, our actions to "energise the future" also focus on sustainability. We aim to consistently increase the value of our companies and develop our business model in such a way as to facilitate long-term economic success. To achieve this, we are pursuing economic, ecological and social objectives in equal measure. Over and above this, we see sustainability as finding a good balance between proven and new approaches, short-term contingencies and longer-term perspectives, optimisation and growth, and security and innovation.

New planning and control approach implemented

In parallel with our strategic realignment, we also developed a new internal planning and control approach. Starting in the year under report, the MVV Energie Group has planned and controlled its business in line with all stages of the value chain – from generation and grids via trading through to sales and energy-related services. This way, we can clearly evaluate business-related opportunities and risks, exploit key success factors and levers to enhance efficiency in individual value chain stages and improve our overall management of the Group.

Since the beginning of the year under report, we have reported on the sales and earnings performance of the MVV Energie Group by reference to the new reporting segments, which have replaced the previous product-based segments of electricity, district heating, gas, water, energy-related services and environmental energy.

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

Generation and Infrastructure

Trading and Portfolio Management

Sales and Services

Strategic Investments

Other Activities

- The **GENERATION AND INFRASTRUCTURE** reporting segment includes the conventional power plants, energy from waste plants and biomass power plants at the MVV Energie AG, Stadtwerke Kiel AG (SWK), Energieversorgung Offenbach AG (EVO) and MVV Umwelt GmbH subgroups, as well as the waterworks and the new wind power portfolio. Furthermore, it also includes grid facilities for electricity, heating energy, gas and water (assets) and the technical service units allocated to the grids business field.
- The **TRADING AND PORTFOLIO MANAGEMENT** reporting segment consists of energy procurement and portfolio management, as well as the energy trading business at MVV Trading GmbH.
- The **SALES AND SERVICES** reporting segment contains the retail business at the MVV Energie AG, SWK and EVO subgroups, as well as at SECURA Energie GmbH. It includes supplies of electricity, heating energy, gas and water to end customers, as well as the energy-related services business at the MVV Energiedienstleistungen GmbH and EVO subgroups.
- **STRATEGIC INVESTMENTS** includes the Stadtwerke Ingolstadt GmbH, Köthen Energie GmbH, MVV Energie CZ a.s. and Stadtwerke Solingen GmbH subgroups. The Ingolstadt and Solingen subgroups are proportionately recognised.
- **OTHER ACTIVITIES** relates to the new company Shared Services Center GmbH and cross-divisional activities.

Significance of Central Energy Trading

The economic framework in the energy trading business has also been affected by the substantial structural changes in energy markets and political climate protection requirements, with their implications for emission rights trading.

With MVV Trading GmbH, our group of companies is optimally positioned in a dynamically changing marketplace. This company, which until 30 September 2011 operated under the name 24/7 Trading GmbH, has become a key component of the MVV Energie Group's central value chain. Within the Trading and Portfolio Management segment, it now plays a far more active role than previously. MVV Trading GmbH pools energy procurement and energy product trading for the Group as a whole and is also responsible for the related portfolio management. It covers all of the commodities relevant to our Group – electricity, natural gas and emission rights with the associated physical and financial products, as well as oil price hedging transactions for coal and oil.

With its new name, MVV Trading GmbH will be able to benefit more clearly on the energy markets from the strong market position of its MVV Energie parent company.

The research teams at MVV Trading GmbH permanently monitor developments in global, national and regional markets. Their findings provide an important basis for our strategic positioning, and thus for our operational actions. Wind and temperature analyses assist in short-term portfolio management and optimisation and are also used to develop new products on the sales side. As a forward-looking energy supplier, this enables us to operate successfully in energy markets characterised by ever greater complexity and intensity of competition. Based on energy market analysis, MVV Trading GmbH works closely together with the other units in the MVV Energie Group to develop strategies to optimise the value of our energy portfolio. On this basis, we derive measures and implement them in our energy trading transactions, both on the off-market bilateral OTC market and on the energy exchanges. MVV Trading GmbH also manages and minimises commodity risks and acts as an interface between the wholesale market and individual companies within the MVV Energie Group.

The established risk management system at MVV Trading GmbH intended to permanently monitor our commodity positions has proven itself, not least during the turbulence on wholesale energy markets following the reactor catastrophe in Fukushima and during the subsequent nuclear energy moratorium. Based on predefined risk limits, extensive limit structures have been developed to enable the company to manage the risk contents of its business activities in operational terms.

To secure our generation margin, our energy trading company performs an integrated analysis of all revenue and cost drivers in order to manage the clean dark spread. We take this as representing the difference between the electricity price on the one hand and the fuel price (coal) and price of CO_2 emission rights on the other. Consistent with regulations valid across the Group, we begin our hedging several years prior to delivery already, as a result of which a major share of electricity production has already been sold on the forward market at the beginning of the relevant supply period. This way, we reduce the dependence of our earnings on short-term changes in the clean dark spread. Positions for major customers are covered directly after the signing of the respective deals (back-to-back). These positions are therefore not affected by future price developments. Procurement in the tariff customer segment is organised in tranches for several years in advance.

Proactive trading in gas market as well

Underlying conditions on the German gas market changed further during the year under report. Global markets are growing together, not least on account of liquid natural gas trading. The number of market regions in Germany was reduced further, while spot market trading on the EEX energy exchange is now offered around the clock and seven days a week. In terms of price structures for end customers, the oil price link has largely been replaced by fixed prices and gas market indexing. By drawing on proactive portfolio management via MVV Trading GmbH, our Group is exploiting the opportunities presented by this period of transition. We are thus structuring and optimising our procurement portfolio in line with our sales portfolio. Our sales department offers customers structured procurement, for example via our Electricity/Gas Energy Fund. Company-specific synergy effects and benefits of our scale at our shareholdings are being consistently implemented on the market. Our procurement consists of forward market products and flexible supply agreements. Moreover, we also use storage facilities and the spot market to offset fluctuations in volumes and optimise positions in the short term.

Forward-looking Sales Strategy

We acted early to lay foundations for the energy supply of the future in our sales business as well, and long before the energy turnaround resolutions adopted by the Federal Parliament and Federal Council. With our green electricity products we offer electricity from environmentally-friendly production both for private customers and for industrial and commercial customers. The sale of electricity and gas to nationwide industrial and commercial customers via our Energy Funds has become an important pillar of our growth strategy. We aim to expand our market share in this area consistently and with a focus on profitability.

Green electricity in great demand

One special focus for us, particularly since we see ourselves as "Energising the Future", is to ensure customer satisfaction as a basis for sustainable customer retention. Our sales division maintains direct contact with our customers. This customer proximity, accompanied by close market surveillance, enables us to learn a great deal about their individual needs. We make targeted use of these findings to develop smart products meeting the needs of our various target groups. We have offered our customers a range of environmentally-friendly "green energy" products for several years already. Private and business customers alike have shown consistently great interest in ecologically generated electricity. More than anything, the accident at the nuclear power plant in Fukushima triggered a significant sudden boost in demand for green electricity, especially from private households. Many private customers have permanently opted for guaranteed green products, even though they are slightly more expensive. MVV Energie procures most of its green electricity from hydroelectric plants in Scandinavia and the Alpine region. Among large customers, demand for green electricity is rising continuously due to both economic and societal considerations. MVV Grünenergie, a wholly-owned subsidiary of MVV Energie, supplies industrial and commercial customers with a current total of around 943 million kWh of green electricity, more than 50 % of which is procured from German plants covered by renewable energies legislation (EEG).

Electricity/Gas Energy Fund on growth course

Our Electricity/Gas Energy Fund has maintained its success story. Nationwide, we currently supply more than 1 000 customers. So what is it about our approach that increasing numbers of industrial and commercial customers appreciate? It is customer-focused and supports customers in implementing smart, risk-minimised procurement strategies while offering a high degree of transparency and competent, personal customer support.

Competition is intensifying in the nationwide gas sales market, with ever greater importance being attached here as well to service and innovation leadership. Alongside the market benefits offered by our nationwide field sales structure, we also see the cross-selling approach we have adopted in the key account, chain location and real estate customer segments, as well as among industrial and commercial companies, as harbouring great opportunities. We have managed to establish ourselves with our existing nationwide Electricity Energy Fund customers as a gas supply service provider as well. This way, we have exceeded the 2 billion kWh mark for gas supplies in the 2012 supply year. We aim to expand this position in a targeted way.

Our forward-looking sales strategy also involves offering innovative value-adding services close to customers' needs – chiefly in the field of direct marketing for proprietary producers and real estate management. MVV Energie is a member of two major umbrella organisations in the real estate sector. With our growing customer base, we are now firmly established in this sector. We can supply electricity and gas to all locations managed by property managers, significantly simplify invoicing procedures and also assist in managing unoccupied properties. We thus help our customers reduce their costs and save money.

Optimising procurement with MVV Energiemonitor

Competitive energy procurement and energy efficiency are key factors, especially for energy-intensive companies. Given price fluctuations on the energy markets, the timing of electricity and gas procurement may be decisive in determining whether the companies save or lose large sums. With MVV Energiemonitor, we have enhanced our service for key account customers. MVV Energiemonitor provides procurement managers at companies that cover all or part of their energy needs on the energy exchange with all relevant information about latest developments on the energy markets promptly and at a glance. The data provided includes forecasts, analyses and information about the companies' proprietary procurement portfolios.

Overview of Shareholdings and Business Activities

Selection of direct and indirect shareholdings of MVV Energie AG

Municipal utility shareholdings	Jointly owned companies
MVV RHE GmbH (100 %)	24/7 Netze GmbH Mannheim
Stadtwerke Kiel Aktiengesellschaft (51 %)	MVV Trading GmbH [2] Mannheim
Energieversorgung Offenbach Aktiengesellschaft (48.56 %)[1]	Shared Services Center GmbH [3] Mannheim
Stadtwerke Solingen GmbH (49.9 %)	– 24/7 IT-Services GmbH [4] Kiel
Stadtwerke Ingolstadt Beteiligungen GmbH (48.4 %)	– 24/7 Metering GmbH [4] Offenbach
Köthen Energie GmbH (100 %)	– 24/7 United Billing GmbH [4] Offenbach
Stadtwerke Sinsheim Versorgungsgesellschaft mbH & Co. KG (30 %)	24/7 Insurance Services GmbH [5] Mannheim
Stadtwerke Buchen GmbH & Co. KG (25.1 %)	SECURA Energie GmbH [6] Mannheim
Stadtwerke Schwetzingen GmbH & Co. KG (10 %)	
MVV Energie CZ a.s. Czech Republic (100 %)	

Environmental energy and renewable energies	Energy-related services
MVV Umwelt GmbH (100 %)	MVV Energiedienstleistungen GmbH (100 %)
– MVV O & M GmbH (100 %)	– 19 majority shareholdings in the fields of:
– MVV Umwelt Asset GmbH (100 %)	Contracting and Energy Efficiency
– Biomasse Rhein-Main GmbH (33.33 %)	Industrial Parks
– MVV ENVIRONMENT DEVENPORT Ltd., UK (100 %)	Consulting
– MVV Umwelt Ressourcen GmbH (100 %)	
MVV Windenergie GmbH (100 %)	

1 majority of voting rights
2 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 %)
3 MVV Energie AG (51 %), Stadtwerke Kiel AG (24.5 %), Energieversorgung Offenbach AG (24.5 %)
4 Shared Services Center GmbH (100 %)
5 MVV Energie AG (68.4 %), Stadtwerke Kiel AG (14 %), Energieversorgung Offenbach AG (17.6 %)
6 MVV Energie AG (54.9 %), RheinEnergie AG (25.1 %), Energieversorgung Offenbach AG (15 %), Stadtwerke Ingolstadt Energie GmbH (5 %)

Status: 30 September 2011

Business Framework

Energy Policy Changes

The year under report witnessed drastic changes in energy policy and the energy industry framework. In this chapter, we will comment in detail on the key changes – legislative amendments in connection with the Energy Turnaround Package and the latest developments in emissions trading and on the electricity and gas markets.

The nuclear energy exit resolved by the Federal Government is highly significant for the economic development of the MVV Energie Group, as are the following components of the Energy Turnaround Package:

- Expansion in decentralised energy supply
- Expansion in energy generation from renewable energy sources
- Energy efficiency enhancement
- Greater appreciation of role played by district heating and high-efficiency cogeneration.

All in all, we expect the Energy Turnaround Package to generate positive momentum for our company's growth.

Transformation in the energy industry accelerated

The catastrophe at the Fukushima nuclear power plant in Japan marked a turning point in the assessment of nuclear energy. The safety of nuclear technology facilities was scrutinised and the role to be played by nuclear energy in future energy generation was reviewed. The German Federal Government reacted with a nuclear energy moratorium and an Energy Turnaround Package, thus accelerating the process of transformation in the energy industry in Germany and Europe.

While politicians face the substantial task of defining the legal framework to promote an energy supply that is both sustainable and economical, companies such as MVV Energie are called on to implement the new requirements. We are committed to promoting a market climate that offers equal opportunities to all market participants. We are helping to shape the process of transformation in the energy industry and are playing an active role in the energy policy opinion-forming process, including participating in debates with politicians, associations and authorities such as the Federal Network Agency (BNetzA). In the following sections, we provide further details of what we are specifically calling for.

Positive momentum expected from Energy Turnaround Package

On 30 June 2011, the German Federal Parliament adopted the Energy Turnaround Package, which has amended or newly introduced a series of laws relevant to the energy industry. The core component of the package is the **ACCELERATED NUCLEAR ENERGY EXIT**, which met with cross-party political support and reflects the consensus within society. Based on this resolution, the eight nuclear power plants already switched off in March 2011 on a temporary basis or due to inspection work, are to remain permanently switched off. The other plants will be gradually switched off at fixed dates through to 2022. The other objectives set out in the Federal Government's Energy Concept from the end of 2010 still apply without change. These include reducing greenhouse gases, expanding renewable energies and increasing energy efficiency.

Compared with the 2010 Energy Concept, the 2011 Energy Turnaround Package takes greater account of high-efficiency cogeneration and district heating. An **AMENDMENT TO THE GERMAN COGENERATION ACT** (KWKG) provides for extending subsidies for new plants, originally limited to 2016, through to 2020. The restriction in the subsidy to a maximum of four or six years has also been lifted. Furthermore, a "major" KWKG amendment is to be adopted as of 2012. We will be campaigning above all to ensure that more targeted and effective support is provided to expand and concentrate district heating grids and modernise and convert existing plants.

The **NEW VERSION OF THE GERMAN RENEWABLE ENERGIES ACT** (EEG) provides greater incentives for integrating so-called EEG plants into regular electricity markets. Based on a market premium model, which we support, plant operators will be able to market their electricity themselves from 2012, thus offering an alternative to fixed EEG remuneration. In addition to the relevant sales revenues, they receive a premium based on the technology used and current market prices. The market premium model will be mandatory for large biogas plants from 2014 onwards. On the other hand, the Federal Government has imposed significant restrictions on use of the so-called green electricity privilege. It remains to be seen whether this, to date the only functional market integration instrument, can be put to economic use in future as well. We had called for the green electricity privilege to be enhanced particularly so as to promote the integration of fluctuating EEG electricity generation methods (wind power and photovoltaics).

WIND POWER SUBSIDIES will be limited in the medium term. The annual degression of compensation rates will increase, while the system service bonus will be discontinued from 2015 onwards. We are calling in particular for increased support for less windy locations in southern Germany. To this end, we proposed a "qualified compression model" based on the equivalent regulations governing the use of offshore wind power. Our proposal was warmly received by numerous energy policy decision-makers – the Federal Council expressed substantially similar demands – but it nevertheless failed to be accepted by the Federal Parliament.

A restructured **SUBSIDY FRAMEWORK FOR BIOMASS PLANTS** was also introduced together with the EEG amendment. It is positive in particular that many of the bonuses have been reduced, while the option has been introduced of simultaneously using various fuels. However, the minimum heating utilisation obligation in the form currently foreseen in the EEG amendment could prove to be an investment hurdle for many projects.

With its **AMENDMENT TO THE GERMAN ENERGY INDUSTRY ACT** (EnWG), the German government has implemented key aspects of the EU's Third Energy Package. We are affected only indirectly by the most important regulations, such as the new unbundling requirements for transmissions grid operators. The numerous new amendments will nevertheless result in implementation expenses on all stages of the value chain.

We welcome the fact that the EnWG Amendment now permits the Federal Network Agency to determine uniform control areas. This should help enhance the efficiency of the electricity supply system. We are positive in our assessment of the increased use of industrial loads by transmission grid operators for grid regulation purposes, but believe it would have been more appropriate to integrate loads capable of being switched on or off into the competitively organised balancing energy market. We are critical in our assessment of the fact that distribution grid operators are now obliged to control, and if appropriate disconnect private and business customers upon request and in return for reduced grid fees. We believe the decision as to whether, and if so which consumers might contribute effectively towards relieving the grid by way of control or disconnection should be left to distribution grid operators.

Given the accelerated nuclear energy exit, it must be ensured that the necessary **EXPANSION OF GENERATION CAPACITIES FROM RENEWABLE ENERGY SOURCES** is implemented rapidly. At the same time, the construction of new, flexible conventional plants will also be needed to balance out the fluctuating volumes of electricity fed in by wind power and photovoltaics plants. To guarantee this, various options, including a power plant modernisation programme within the Energy and Climate Fund, are currently in discussion.

In the EnWG Amendment, the government also stipulated clear requirements for **FEED-IN MANAGEMENT**. Renewable energies and cogeneration plants basically have priority over conventional generation plants in terms of feed-in management and may only be compulsorily excluded in the event of technical grid bottlenecks.

German Greenhouse Gas Emissions Trading Act (TEHG) amended

The key parameters of emissions trading in the trading period 2013 to 2020 are set out in the TEHG Amendment, thus also implementing the relevant European requirements. These key parameters also include a definition of those plants subject to emissions trading requirements. We had called for both the generation of energy from waste and fossil ignition firing and co-firing at biomass plants to be exempted from emissions trading requirements. The law now exempts co-firing from these requirements. It is also deemed probable that energy from waste plants will be exempted. This decision was still outstanding upon the preparation of this Combined Management Report.

EU Energy Efficiency Directive presented

The European Commission has presented a proposal as to how energy suppliers could implement far-reaching efficiency measures. For example, energy suppliers should be obliged to reduce energy turnover with end customers by 1.5 % a year. Moreover, tradeable savings certificates should be introduced as well as a cogeneration obligation for new power plants. Furthermore, national energy efficiency targets should be systematically planned for electricity, gas and district heating grids. We welcome the fact that additional incentives to enhance energy efficiency are to be introduced and expect these to generate positive momentum for our high-growth energy-related services business. In terms of the design of the energy policy framework, however, we believe that market-based approaches should be adopted to achieve efficiency enhancements by way of economic incentives.

Further development of gas market design

The Federal Network Agency has set itself the target of further promoting competition in the gas market by enhancing the regulatory framework. The Gas Capacity Management Regulation (KARLA) has, among other requirements, prescribed an auction platform for gas transmission capacities since 1 October 2011. The Federal Network Agency has also launched an evaluation and consultation process for the so-called Equalization and Accounting Regulations Gas (GABi). Within the cross-quality merger of market zones, on 24 February 2011 the Federal Network Agency issued an advance regulation concerning the conversion of H-gas with high calorific value to L-gas with low calorific value and vice versa. The fourth version of the Gas Cooperation Agreement, which governs cooperation between gas grid operators, came into effect on 1 October 2011. We expect the enhancement of the gas market to create improved sales opportunities for the gas we sell nationwide.

Grid regulation

Since 1 January 2009, the grid fees permitted for electricity and gas grid operators have been subject to incentive regulation. The Federal Network Agency has determined individual revenue caps for each grid operator. These are valid until 2012 for gas grid fees and until 2013 for electricity. They will be followed in both cases by a second regulation period with a five-year term.

The base levels for gas grid fees in the second regulation period are currently being determined. Furthermore, preparations are also underway for the equivalent process for electricity in the 2011/12 financial year. Our grid companies in Mannheim and Kiel have accepted the offer made by the Federal Network Agency and will implement the verdict issued by the Federal Court of Justice (BGH) on revenue caps accordingly. As a result, these will rise over the coming years compared with the respective budget figures.

For electricity, quality regulation is due to be introduced as of 1 January 2012. We expect the pressure on grid operators to increase overall, but not to any significantly greater extent than already expected. We are campaigning to ensure that, in its further development, grid regulation will nevertheless create suitable economic conditions for expanding and converting grids.

Market Climate and Competition

Market position of the MVV Energie Group

ELECTRICITY GENERATION FROM RENEWABLE ENERGIES accounted for a 20 % share of total electricity generation at the MVV Energie Group in the year under report. The national average for the share of renewable energies in gross electricity generation amounted to 17 % in 2010.

Our Group is one of the market leaders in Germany when it comes to **ENERGY GENERATION FROM BIOMASS**. Our environmental energy and energy-related services business fields operate 16 biomass and biogas plants in total, at which 433 million kWh of electricity and 84 million kWh of heating energy were generated in the year under report.

COGENERATION, i.e. the simultaneous generation of electricity and heating energy, is gaining in significance in the course of the energy turnaround. Our Group produced 28 % of its electricity using cogeneration in the year under report, as against the national average of 14 %. We generate around 90 % of our heating energy using cogeneration.

With **DISTRICT HEATING TURNOVER** of 6.3 billion kWh in the year under report, the MVV Energie Group is one of Germany's largest district heating suppliers.

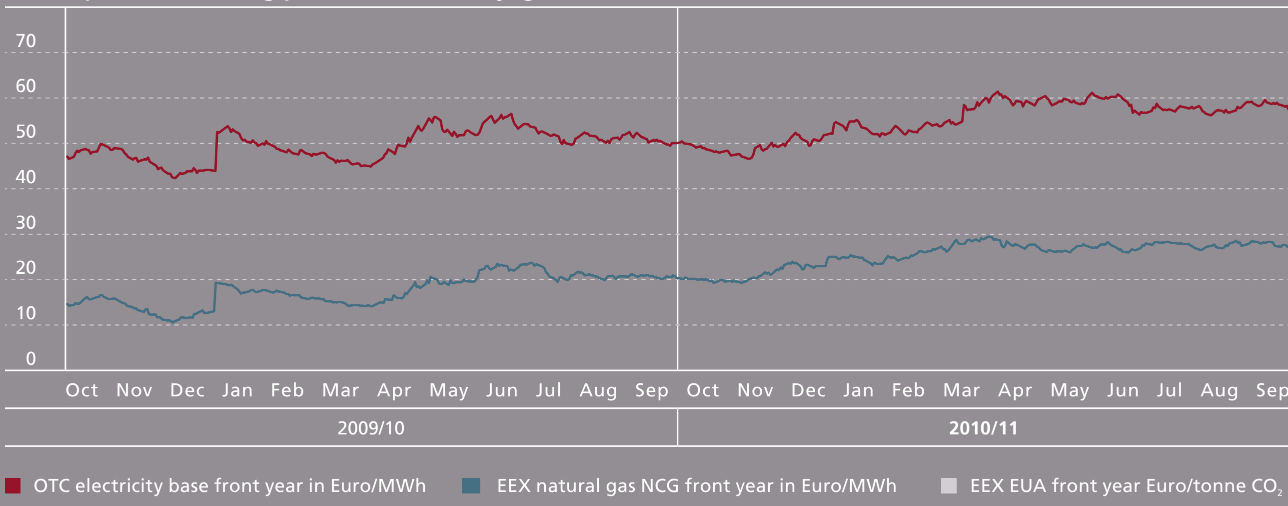
Furthermore, our Group is also one of the largest operators of **ENERGY FROM WASTE AND BIOMASS PLANTS**. In the year under report, 1.8 million tonnes of waste, refuse-derived fuel and timber were incinerated to generate energy at our locations.

In the **CZECH HEATING ENERGY MARKET**, our MVV Energie CZ a.s. subgroup now operates in 17 cities. By investing in cogeneration plants and taking over a waste-fired heating energy plant in Liberec (incineration capacity: around 0.1 million tonnes a year), we are further expanding our stable position in the Czech Republic.

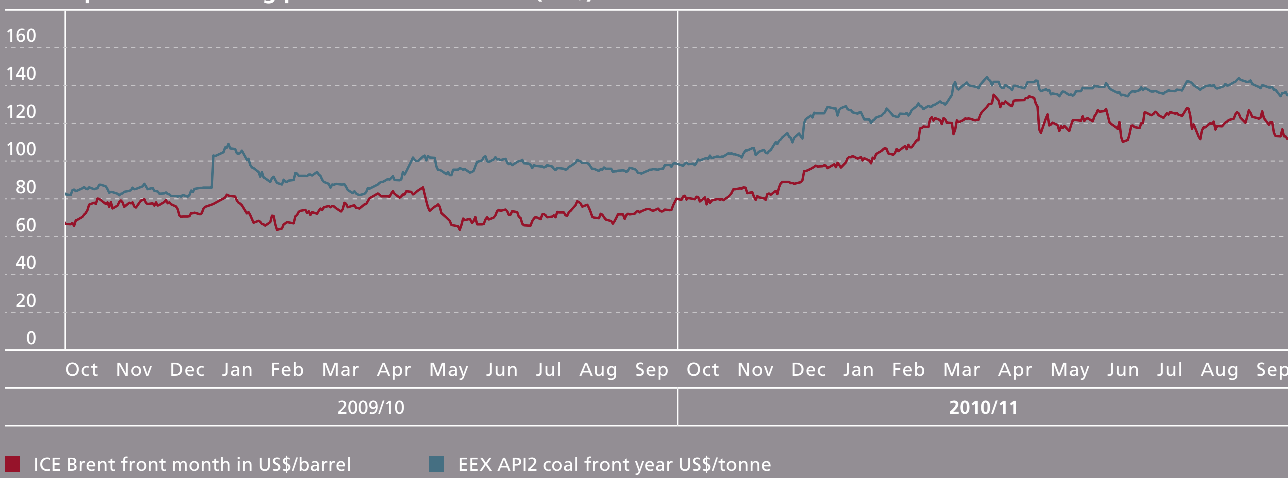
German economy with strong growth in 2011

Based on calculations by the Federal Statistics Office, gross domestic product in Germany grew year-on-year by 4.6 % in the 1st quarter of 2011 (January to March 2011) and by 2.8 % in the 2nd quarter of 2011 (April to June 2011). Even though the pace of growth ebbed in the 2nd quarter, Germany has, unlike many other industrialised economies, witnessed a strong economic upturn in 2011 to date, and that in spite of the currency and sovereign debt crisis in several euro area member states and the USA and the turbulence on the stock markets in August 2011. According to the autumn survey published by leading German research institutes on 13 October 2011, Germany's real-term gross domestic product (GDP) for 2011 as a whole is expected to grow by 2.9 % compared with 2010. Significantly weaker economic growth is expected in 2012 (see Outlook).

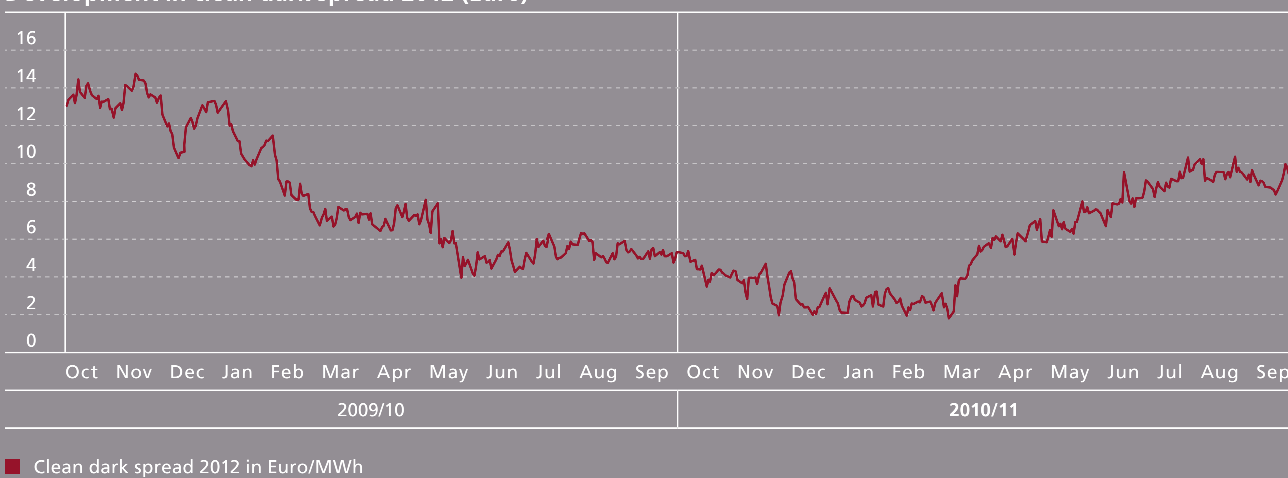
Development in trading prices for electricity, gas and CO_2 certificates (Euro)



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



Development in clean dark spread 2012 (Euro)



German energy balance is changing

Germany's energy balance already clearly reflects the transformation in the energy industry. Despite strong economic growth, primary energy consumption fell by 3.2 % in the 1st half of 2011 compared with the same period in the previous year according to figures compiled by the Energy Balance Working Group. This is due to two main reasons. On the one hand, natural gas consumption reduced by 8.6 % on account of mild weather conditions. On the other hand, the contribution made by nuclear energy declined by 14.9 % due to the switching off of seven German nuclear power plants within the nuclear energy moratorium and the fact that a further plant was closed for inspection. At 9.3 % the share of nuclear energy in the 1st half of 2010/11 was for the first time smaller than that of renewable energies, which contributed 10.2 % to total energy consumption. The Executive Board of MVV Energie expects the structure of the German energy balance to show further sustainable changes in the course of the energy turnaround.

Energy prices on the rise

Whereas energy consumption volumes reduced in the year under report due to the short winter, prices on energy markets increased by analogy with the positive development in the overall economy.

Listed prices for Brent North Sea oil for supply in the following month ranged between US$ 81 and US$ 127 per barrel. At US$ 105 per barrel, the average price in the year under report was US$ 28 higher per barrel than in the previous year. This increase was driven on the one hand by the political unrest in North Africa and the Middle East and on the other hand by the strong performance of the euro against the US dollar in the 1st half of the 2011 calendar year.

Natural gas prices for products in the Net Connect Germany (NCG) market region for supply in the following year were listed at an average of Euro 25/MWh in the year under report, and thus Euro 7/MWh higher than in the previous year. This was attributable above all to conditions on the energy markets, and especially on the oil market. Not only that, following the catastrophe in Japan it was expected that liquid natural gas tankers destined for Europe would be diverted to Japan to offset the loss of nuclear power plant generation capacity there.

In line with developments in primary energy prices, the price of base load electricity for supply in the following year also increased, with an average price of Euro 55/MWh in the year under report. This corresponds to an increase of Euro 6/MWh compared with the previous year.

The coal market also witnessed a strong upward trend in the year under report. Front year prices for hard coal in the ARA region (Amsterdam, Rotterdam, Antwerp) rose year-on-year by US$ 29 per tonne to US$ 121 per tonne. The reasons for this increase on the one hand involved production and transport difficulties in the world's largest export countries and related on the other hand to exchange rate movements in the 1st half of the 2011 calendar year. A further factor driving prices upwards was the increase in demand following the announcement of the nuclear energy moratorium.

Emission rights prices for supply in the following year averaged Euro 15 per tonne of CO_2 in the 2010/11 financial year, up by Euro 0.5 per tonne of CO_2 on the previous year's figure. Demand for certificates increased, especially for conventional power plants, on account of the nuclear energy debate in Germany. The sharp drop in prices at the end of June 2011 was chiefly triggered by the energy efficiency enhancement proposals made by the European Commission.

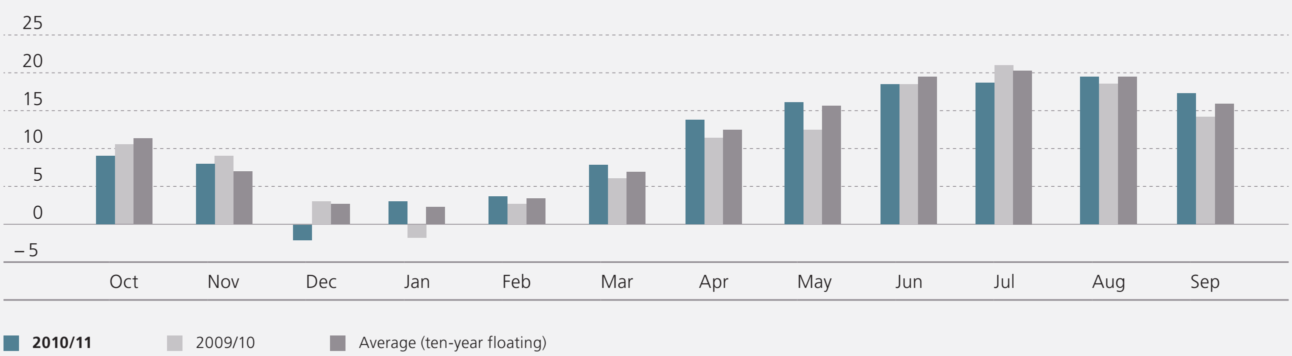
The so-called clean dark spread, the generation margin for electricity, recovered following the nuclear energy moratorium in the 2nd half of the year under report, as is apparent from the chart on the previous page.

Impact of Weather Conditions in Year under Report

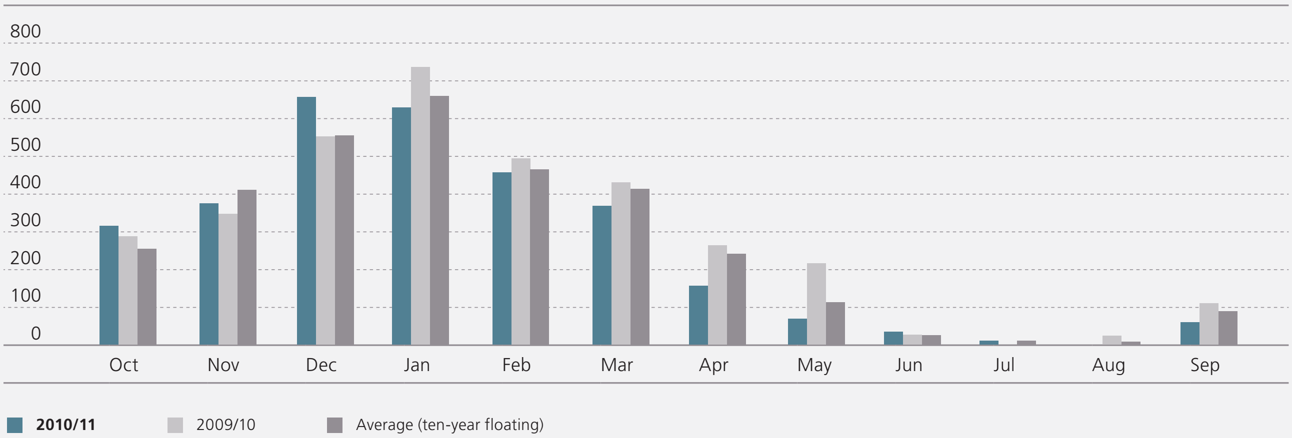
Our district heating and natural gas turnover is heavily influenced by weather conditions during the heating period. In the summer months, by contrast, our Group's natural gas turnover is more dependent on economic factors in the industrial sector. Sustained high temperatures in the summer months benefit our water turnover. However, this factor is of considerably less significance for our company earnings than the district heating and gas businesses. Degree day figures are the temperature-based indicator we refer to when assessing heating energy requirements at our customers – a definition of this key figure can be found in the Glossary. In the calculation of this key figure, low outdoor temperatures lead to high figures, with these in turn being accompanied by intense use of heating systems.

With a cumulative figure of 24 918, the degree day figures for our Group in the year under report were 7 % lower than the previous year's figure of 26 751. Weather conditions differed between our locations, but it was nevertheless milder on the whole in the year under report than in the previous year. The very cold winter weather in the 1st quarter of 2010/11 (October to December 2010) was followed by rather mild weather in the 2nd and 3rd quarters of 2010/11. Temperatures in April and May in particular were considerably higher than in the previous year. This factor had a tangible impact on our heating energy and gas turnover, and thus also on our operating earnings. July 2011 was comparatively cool and rainy. Only in September 2011 was it relatively mild again. The following charts show the monthly development in degree day figures, based on mean daily outdoor temperatures, at our Mannheim location:

Average daily outdoor temperature in ° C



Degree day figures



COMBINED MANAGEMENT REPORT

Business Performance

Earnings Position of the MVV Energie Group

Summary: The consolidated financial statements of MVV Energie AG (MVV Energie Group) are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with the supplementary provisions of commercial law requiring application pursuant to § 315a (1) of the German Commercial Code (HGB).

New reporting structure: From the 2010/11 financial year onwards we are planning and controlling our Group's business in line with uniformly structured business fields across the individual subgroups. The new reporting segments structured by value chain stage also form the basis for our segment reporting. Due to this amended reporting structure, segment-specific sales and segment-specific adjusted EBIT are no longer directly comparable with the previous year's figures. To nevertheless ensure a high degree of comparability, we have derived the previous year's figures in line with the new structure. These are reported as pro forma figures. We provide more detailed information about this in the notes to the consolidated financial statements.

Executive Board summary: MVV Energie maintained its ground very well in the year under report in a difficult economic and political climate, one in which many energy companies faced reductions in their sales and earnings. Defying this trend, we managed to generate further year-on-year growth in our external sales. We thus clearly exceeded the sales forecast for the 2010/11 financial year published at the beginning of the year and confirmed in the 2010/11 financial reports. Consistent with our forecasts in the course of the year, our operating earnings (adjusted EBIT) of Euro 242 million for the 2010/11 financial year virtually matched the previous year's figure. The Executive Board sees these results, achieved in a difficult economic and competitive framework, as representing a success. MVV Energie can report a stable earnings situation.

Sales performance: Despite the highly competitive market climate, our external sales (excluding electricity and natural gas taxes) grew year-on-year by Euro 231 million (+ 7 %) to Euro 3 590 million in the year under report (October 2010 to September 2011). Of total sales for 2010/11, 97 % were attributable to the domestic business and 3 % to the Czech subgroup.

In our Generation and Infrastructure reporting segment, the new wind farms in Plauerhagen and Massenhausen enabled us to generate additional revenues. Sales in the environmental energy business also rose due expanded capacity at the cogeneration plant in Mannheim, which benefited from the first full-year operations with its new boiler no. 6. These positive developments were more than offset by lower sales volumes due to market prices and a downturn in the grid business.

We reported our strongest sales growth in the Trading and Portfolio Management segment, where we successfully exploited volume and price factors. This reporting segment manages the deployment of power plants, procures energy volumes for the Group and optimises our entire portfolio.

Sales in our Sales and Services reporting segment, which accounts for 58 % of total sales, grew year-on-year by 6 %. This growth was chiefly driven by volume and price-related increases in sales in the nationwide electricity and gas sales business with corporate customers, as well as by a slight increase in sales in the energy-related services business. These factors enabled us to more than offset the loss of sales suffered in the district heating and gas business with private customers as a result of milder overall weather conditions.

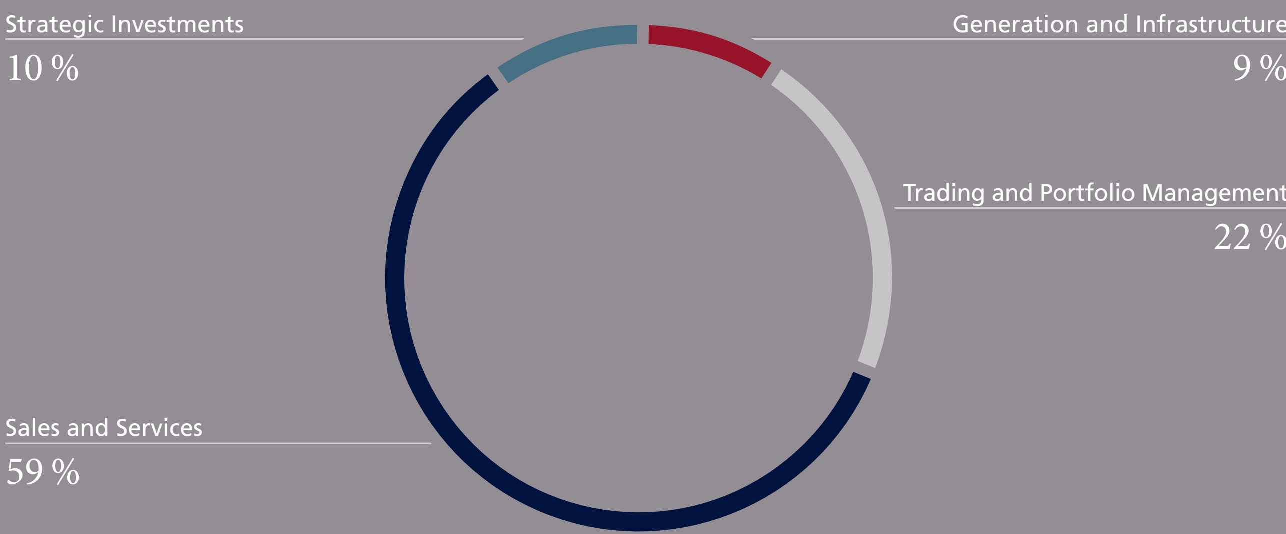
The increase in sales in the Strategic Investments segment is also pleasing to note. This was driven above all by growth at Stadtwerke Ingolstadt and at the Czech subgroup.

External sales of the MVV Energie Group from 1.10. to 30.9.

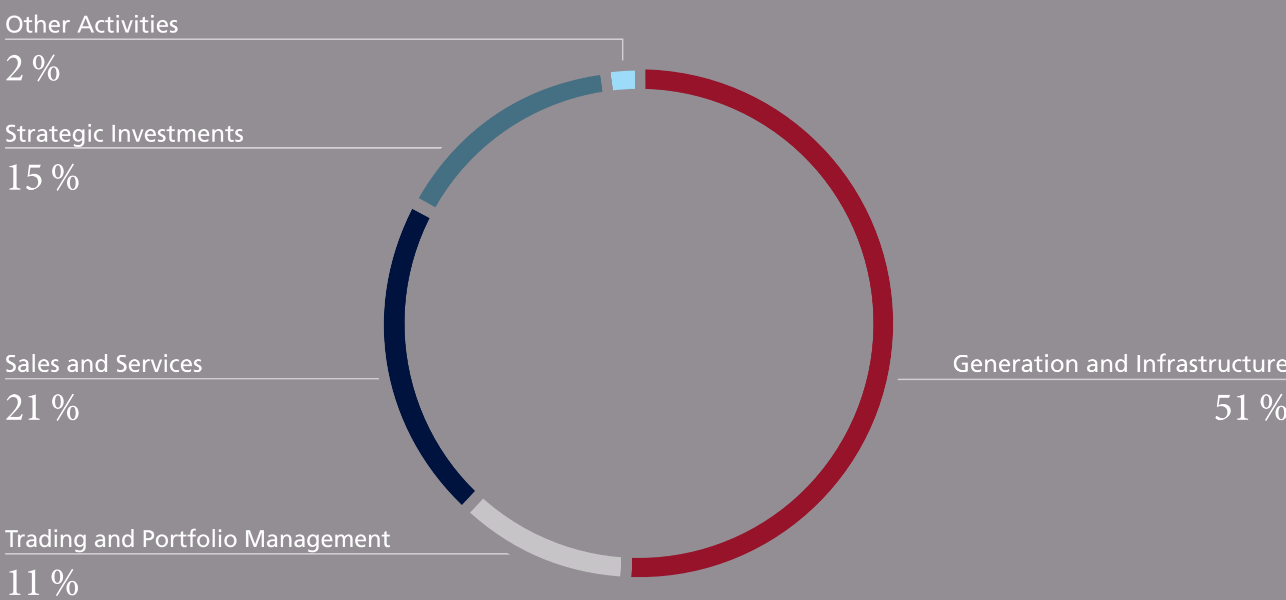
Euro million	**2010/11**	2009/10 [1]
Generation and Infrastructure	320	329
Trading and Portfolio Management	800	684
Sales and Services	2 095	1 984
Strategic Investments	371	356
Other Activities	4	6
Total	**3 590**	**3 359**
of which electricity sales	2 302	2 082
of which heating energy sales	423	419
of which gas sales	432	440
of which water sales	110	106

1 previous year's figures represent calculated pro forma values

External sales of the MVV Energie Group by reporting segment



Adjusted EBIT of the MVV Energie Group by reporting segment



Development in turnover

We have determined our sales volumes for the year under report in line with the new reporting segments. The previous year's figures have been calculated and allocated as appropriate.

Electricity turnover of the MVV Energie Group from 1.10. to 30.9.

kWh million	2010/11	2009/10	% change
Generation and Infrastructure	155	334	– 54
Trading and Portfolio Management	12 855	10 771	+ 19
Sales and Services	11 678	11 510	+ 1
of which industrial and commercial customers/secondary distributors	9 534	9 310	+ 2
of which private and business customers	1 617	1 652	– 2
of which services customers	527	548	– 4
Strategic Investments	1 405	1 276	+ 10
Total	**26 093**	**23 891**	**+ 9**

The increase in electricity turnover (+ 9 %) was primarily the result of more active management of our electricity portfolio.

In our sales business, we managed to increase our electricity turnover with industrial and commercial customers/secondary distributors by 2 %, and that in spite of intense competition. This was due to the volume growth achieved with nationwide electricity sales. In the private and business customer business, the higher electricity turnover from nationwide sales was countered by downturns due to competition in proprietary grid regions, a factor which more than offset the gains in the nationwide business. The marked growth in the Strategic Investments reporting segment was chiefly attributable to increased volumes at Stadtwerke Ingolstadt, which supplied four locations of a key account customer for the first time in its nationwide electricity business.

The development in electricity turnover in the Generation and Infrastructure segment was characterised above all by structural changes. Since January 2011, electricity generation volumes from the biomass power plants in Mannheim and Königs Wusterhausen have been marketed directly to third parties via sales departments at MVV Energie AG. This factor more than compensated for the increased volumes fed into the grid due to the expansion in the volume of electricity generated with wind power from 5 million kWh to 36 million kWh (wind farms in Plauerhagen and Massenhausen).

Heating energy turnover of the MVV Energie Group from 1.10. to 30.9.

kWh million	2010/11	2009/10	% change
Generation and Infrastructure	141	305	– 54
Trading and Portfolio Management	669	721	– 7
Sales and Services	5 226	5 239	—
of which industrial and commercial customers/secondary distributors	733	714	+ 3
of which private and business customers	2 442	2 558	– 5
of which services customers	2 051	1 967	+ 4
Strategic Investments	1 253	1 321	– 5
Total	**7 289**	**7 586**	**– 4**

Total heating energy turnover declined by 4 %. This was mainly the result of developments in the Generation and Infrastructure reporting segment, where a customer of MVV Umwelt procured less steam due to production downtime. Developments in the Sales and Services and Strategic Investments reporting segments were mainly determined by district heating turnover. We generated volume growth with industrial and commercial customers/secondary distributors; the figures here benefited from the first deliveries of district heating to Stadtwerke Speyer (48 million kWh) following the launch of operations with the new transit pipeline. The downturn in the private and business customer business was due above all to lower district heating turnover due to weather conditions in the year under report. The increase in heating energy turnover with services customers was primarily due to the positive development in the housing contracting business.

Gas turnover of the MVV Energie Group from 1.10. to 30.9.

kWh million	2010/11	2009/10	% change
Generation and Infrastructure	—	—	—
Trading and Portfolio Management	1 700	2 313	– 27
Sales and Services	7 759	7 356	+ 5
of which industrial and commercial customers/secondary distributors	4 655	3 921	+ 19
of which private and business customers	2 604	2 950	– 12
of which services customers	500	485	+ 3
Strategic Investments	1 429	2 106	– 32
Total	**10 888**	**11 775**	**– 8**

Gas turnover reduced by 8 % overall. This downturn was due in particular to the Trading and Portfolio Management and Strategic Investments reporting segments. The development in the Trading and Portfolio Management segment was driven above all by lower volumes at a secondary distributor at Stadtwerke Kiel. The sharp decline in gas turnover in the Strategic Investments reporting segment was chiefly the result of reduced volumes at Stadtwerke Ingolstadt due in particular to the loss of two industrial key account customers.

Within the Sales and Services reporting segment we generated substantial volume growth with industrial and commercial customers/secondary distributors. This growth was driven in particular by nationwide gas sales to industrial and commercial customers. This was countered by a reduction in gas turnover with private and business customers, a development due on the one hand to milder weather conditions and on the other to a competition-related loss of volumes.

The increased gas turnover in the energy-related services business was attributable to the industry park business.

Water turnover of the MVV Energie Group from 1.10. to 30.9.

m³ million	2010/11	2009/10	% change
Generation and Infrastructure	—	—	—
Trading and Portfolio Management	—	—	—
Sales and Services	46.7	47.0	−1
of which industrial and commercial customers/secondary distributors	7.0	7.6	−8
of which private and business customers	39.3	39.1	+1
of which services customers	0.4	0.3	+33
Strategic Investments	7.0	7.2	−3
Total	**53.7**	**54.2**	**−1**

The slight decline in water turnover seen for years now continued in the year under report. This trend reflects consumers' more thrifty consumption patterns and their use of water-saving appliances. Our water business is mainly characterised by the Sales and Services reporting segment, which accounts for 87 % of our total water turnover. Private and business customers are the main customer group here. Dry weather conditions in April and May 2011 led to a slight rise in water turnover in this group. The decline in volumes in the Strategic Investments reporting segment relates to Stadtwerke Solingen and the Czech subgroup.

Combustible waste delivered at the MVV Energie Group from 1.10. to 30.9.

Tonnes 000s	2010/11	2009/10	% change
Generation and Infrastructure	1 620	1 582	+2
Trading and Portfolio Management	—	—	—
Sales and Services	151	144	+5
Strategic Investments	64	36	+78
Total	**1 835**	**1 762**	**+4**

The 4 % growth in the volume of combustible waste delivered reflects our Group's successful expansion of its energy from waste business. Of the total volume delivered, 88 % was attributable to Generation and Infrastructure. The figures for this reporting segment include the higher volume of waste for the new boiler no. 6 in Mannheim, which is supplied via our subsidiary MVV Umwelt Ressourcen GmbH. The significant increase in the Strategic Investments segment was mainly attributable to the Czech subgroup.

Development in further key income statement items

The **COST OF MATERIALS** rose year-on-year by Euro 240 million (+ 9 %) to Euro 2 821 million. This increase is largely consistent with the level of sales growth. On account of the new management approach, from the year under report onwards we have reported the concession duty under cost of materials and no longer under other operating expenses. We have adjusted the previous year's figures accordingly.

At Euro 328 million, **PERSONNEL EXPENSES** for the 2010/11 financial year were 2 % higher than the previous year's figure. The personnel expense savings arising due to a year-on-year reduction in the number of employees were more than offset by collectively agreed pay increases as of 1 January 2011.

Year-on-year, **OTHER OPERATING INCOME** excluding IAS 39 items decreased from Euro 116 million to Euro 111 million. The main reason for this reduction was the lower volume of income from emission rights, an item that is opposed by corresponding expenses under other operating expenses.

OTHER OPERATING EXPENSES excluding IAS 39 items rose year-on-year from Euro 190 million to Euro 205 million. This development was largely due to higher allocations to allowances, higher operating taxes and accounting losses arising upon the disposal of assets. These items more than offset the reduction in consulting expenses.

The net balance of the IAS 39 measurement items recognised under other operating income and other operating expenses resulted in a positive IAS 39 item of Euro 46 million for the 2010/11 financial year (previous year: Euro 69 million). The development in IAS 39 items reflects the development in prices on the commodity and energy markets. For MVV Energie as a net buyer, the spot measurement of energy trading derivatives as of the balance sheet date pursuant to IAS 39 resulted in more positive fair values in the year under report. Current market prices as of the balance sheet date were higher than when the respective hedges were concluded. The IAS 39 measurement item is not cash-effective, has no impact on our operating business and also does not influence the dividend.

INCOME FROM ASSOCIATES increased year-on-year from Euro 11 million to Euro 15 million. The figure for the year under report was affected by the addition of companies consolidated at equity for the first time.

At Euro 152 million, **DEPRECIATION AND AMORTISATION** were Euro 7 million lower than in the previous year. One key reason for this reduction was the lower volume of impairment losses recognised on property, plant and equipment (reduction from Euro 18 million to Euro 5 million). Impairments mainly related to the MVV Energiedienstleistungen subgroup in the previous year and to the Czech subgroup MVV Energie CZ in the year under report. This factor was partly countered by a higher volume of scheduled depreciation and amortisation in the year under report due to investment activities.

The **RESTRUCTURING EXPENSES** of Euro 31 million, which we have reported as a separate line item in the consolidated financial statements for the 2010/11 financial year, result from a restructuring provision recognised in the 1st quarter of 2010/11 in connection with the measures implemented within the "Once Together" group programme.

The MVV Energie Group generated **ADJUSTED EBITDA** of Euro 394 million in the year under report, compared with Euro 406 million in the previous year (–3 %). After depreciation and amortisation, our Group posted **ADJUSTED EBIT** of Euro 242 million for the year under report, thus matching the previous year's figure.

Reconciliation with adjusted EBIT

For internal management purposes, we refer to **ADJUSTED EBIT**, i.e. to operating earnings before interest and taxes on income. By analogy with the procedure adopted in the quarterly financial reports published during the 2010/11 financial year, to determine this key earnings figure we eliminate the impact on earnings of the fair value measurement of commodity derivatives as of the balance sheet date pursuant to IAS 39, as well as restructuring expenses, and – since the year under report – we also add interest income from finance leases. Interest income from finance leases, recognised below EBIT in the income statement, results from contracting projects and is thus attributable to our operating business. In the table below we show how we reconcile the EBIT reported in the income statement with the more meaningful adjusted EBIT figure.

Reconciliation of EBIT (Income Statement) with adjusted EBIT from 1.10. to 30.9.

Euro million	2010/11	2009/10	+/– change
EBIT as reported in income statement	253	308	–55
Financial derivatives measurement item	–46	–69	+23
Restructuring expenses	+31	—	+31
Interest income from finance leases [1]	+4	+4	—
Adjusted EBIT [1]	**242**	**243**	**–1**

1 previous year's figure adjusted

The table below presents the earnings contributions from individual reporting segments:

Adjusted EBIT of the MVV Energie Group by reporting segment from 1.10. to 30.9.

Euro million	2010/11	2009/10 [1]
Generation and Infrastructure	123	122
Trading and Portfolio Management	26	40
Sales and Services	51	39
Strategic Investments	37	37
Other Activities	5	5
Total	**242**	**243**

1 previous year's figures represent calculated pro forma figures

In a weak overall market climate, we managed to generate **ADJUSTED EBIT** at the same level as in the previous year in the 2010/11 financial year.

In Generation and Infrastructure, our strongest reporting segment in terms of earnings, we were able to post improved earnings in the environmental energy business in particular. Above all, this was due to the first full-year operations with boiler no. 6 at the energy from waste plant in Mannheim, as well as to the first earnings contributions from the wind farms in Plauerhagen and Massenhausen. These factors more than compensated for the decline in earnings in the grid business.

The Trading and Portfolio Management reporting segment includes the energy procurement and generation portfolio of our group of companies. This is structured by MVV Trading GmbH and optimised to account for developments on international energy markets. The decline in earnings in this segment was chiefly due to the reduction in the generation margin (clean dark spread) and increased performance prices.

Within the Sales and Services reporting segment, earnings improved at the energy-related services business, thus more than offsetting the slight drop in earnings in the sales business. With regard to the earnings performance of the energy-related services business, it should be noted that the previous year's earnings figures were negatively affected by impairment losses.

In the Strategic Investments reporting segment, the slightly higher earnings contribution from the Czech subgroup was opposed by slightly lower earnings contributions from the Solingen and Ingolstadt subgroups. Earnings in the Other Activities segment were mainly determined by cross-divisional functions and shared services.

FINANCING EXPENSES fell from Euro 83 million to Euro 68 million. Of this reduction, Euro 10 million resulted from the amended recognition of the prorated dividend payment to the City of Kiel on account of the expiry of the put option. This item was recognised as dividend payments for minority interests within equity for the first time in the 2010/11 financial year. The put option held by the City of Kiel for the sale of the remaining 49 % stake in Stadtwerke Kiel AG to MVV Energie AG was not exercised by 6 November 2010 and lapsed as of this date. Furthermore, the reduction in financing expenses was also due to lower loan interest. Net of slightly lower financing income, net financing expenses improved year-on-year by Euro 15 million in the 2010/11 financial year.

As a result, the **ADJUSTED EBT** of Euro 179 million for the 2010/11 financial year were higher than the equivalent figure of Euro 165 million for the previous year. The tax rate for the 2010/11 financial year based on adjusted EBT amounts to 30.1 % (previous year: 36.4 %). The lower tax rate is chiefly due to the higher volume of non-deductible operating expenses in the previous year. Furthermore, the tax rate benefited from the discontinuation of the Kiel put option and the utilisation of tax loss carryovers.

Net of adjusted taxes on income of Euro 54 million (previous year: Euro 60 million), the **ADJUSTED ANNUAL NET SURPLUS** amounted to Euro 125 million in the 2010/11 financial year, as against Euro 105 million in the previous year.

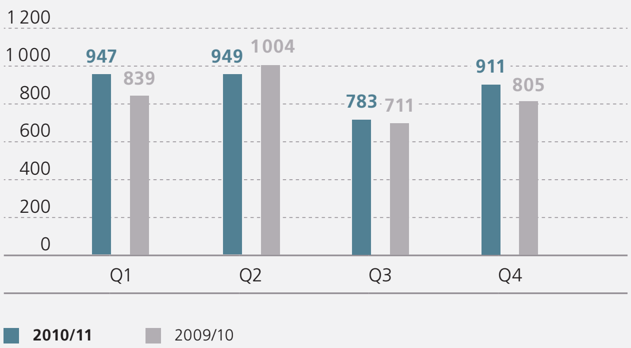
The adjusted share of earnings attributable to minority shareholders rose year-on-year from Euro 10 million to Euro 17 million. This increase was mainly due to increased minority interests on account of the City of Kiel not exercising its put option.

Net of the share of earnings attributable to minority shareholders, the MVV Energie Group can report an **ADJUSTED ANNUAL NET SURPLUS AFTER MINORITY INTERESTS** of Euro 108 million for the 2010/11 financial year (previous year: Euro 95 million). Calculated on this basis, **ADJUSTED EARNINGS PER SHARE** for the 2010/11 financial year amounted to Euro 1.63. The equivalent figure for the previous year amounted to Euro 1.44 per share. As in the previous year, the weighted annual average number of shares amounted to 65.9 million in the 2010/11 financial year.

Quarterly performance

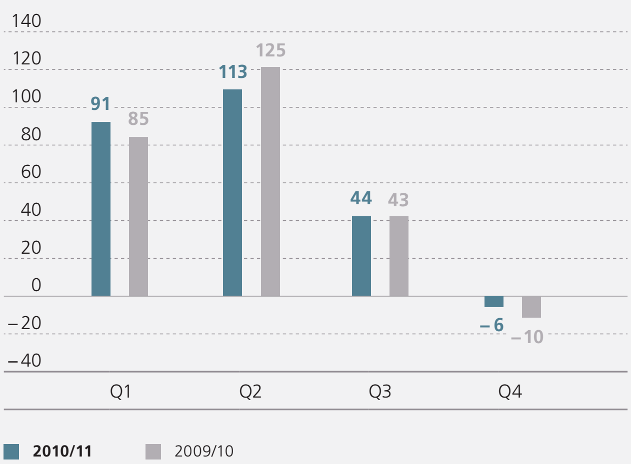
Our sales in the 4th quarter of 2010/11 (July to September 2011) grew year-on-year by 13 % to Euro 911 million. This increase was driven in particular by volume growth in the electricity business.

Sales of the MVV Energie Group by quarter in Euro million



Our adjusted EBIT is traditionally weaker in the 4th quarter due to the lack of earnings contributions from the heating energy business in the summer months. Moreover, we prefer to perform maintenance and inspection measures during this period. In the 4th quarter of 2010/11, we generated a loss of Euro 6 million on an adjusted EBIT basis. The higher quarterly loss of Euro 10 million in the previous year was chiefly the result of impairment losses and write-downs at the MVV Energiedienstleistungen GmbH subgroup.

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



Value-based company management in 2010/11

The MVV Energie Group bases its strategy and corporate targets on value-based principles. The most important key figure in our value-based company management and the related capital management is the value spread. This key figure corresponds to the difference between the period-specific return on capital employed (ROCE) and the weighted average cost of capital (WACC).

ROCE expresses adjusted operating earnings before interest and taxes on income (adjusted EBIT) as a percentage of the capital employed to generate such earnings (capital employed). In the previous year, we still calculated ROCE by reference to adjusted EBITA. This conversion has increased the ROCE of 8.9 % reported in the previous year to 9.1 %. Excluding negative IAS 39 measurement items and restructuring expenses and including interest income from finance leases, the adjusted ROCE figure for the year under report amounts to 9.2 %.

The WACC key figure, the second component in our key value spread figure, represents the long-term minimum economic return we must generate on operations. The weighting is based on the respective shares of equity and debt capital within capital employed. The calculation of these capital shares is based not on the carrying amounts, but rather on the market values by which potential investors measure their investment alternatives.

There were no changes in basic capital management requirements compared with the previous year. As in the previous year, the weighted average cost of capital before taxes amounted to 8.5 % in the year under report.

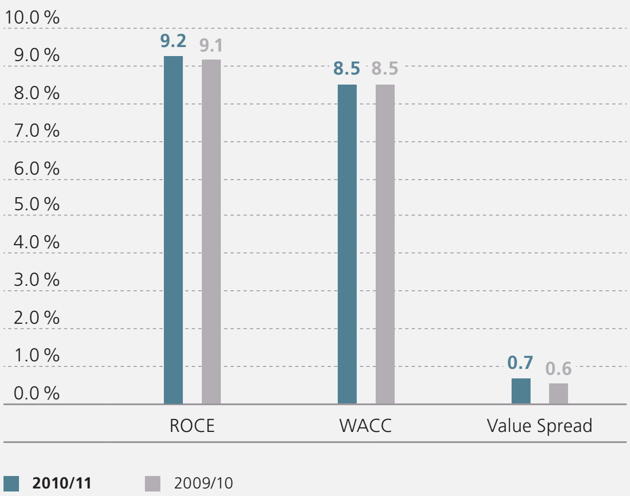
WACC parameters of the MVV Energie Group

	2010/11	2009/10
Borrowing interest	5.5 %	5.5 %
Tax shield	30 %	30 %
Equity ratio market value	50 %	50 %
Risk-free interest rate	4.5 %	4.5 %
Market risk premium	5.0 %	5.0 %
ß factor	0.7	0.7

Subtracting the WACC of 8.5 % (previous year: 8.5 %) from the adjusted ROCE of 9.2 % (previous year: 9.1 %) produces a positive adjusted value spread of 0.7 % for the 2010/11 financial year (previous year: 0.6 %).

We recalculated the Group WACC figure in the year under report. From the coming 2011/12 financial year, we will base our calculation on a weighted average cost of capital before taxes of 8.6 %.

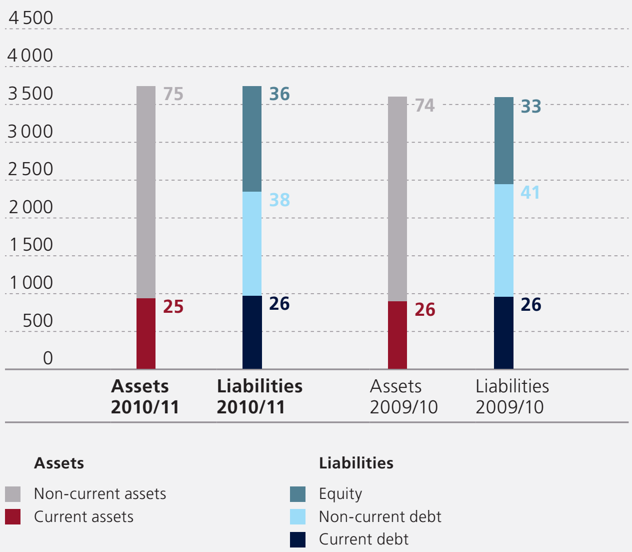
Key figures of the MVV Energie Group in %



Net Asset Position

Executive Board summary: With increased total assets, the MVV Energie Group can report a solid adjusted equity ratio of 39.5 % as of 30 September 3011 (previous year: 35.7 %). Non-current assets are fully covered by equity and non-current debt capital. The MVV Energie Group is thus characterised by a stable financing structure.

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



At Euro 3.70 billion, the **TOTAL ASSETS** of the MVV Energie Group at the balance sheet date on 30 September 2011 were Euro 68 million (+ 2 %) higher than the equivalent figure at the previous year's balance sheet date (Euro 3.64 billion).

Of total assets, 75 % involved **NON-CURRENT ASSETS**. These rose to Euro 2.80 billion, up Euro 111 million (+ 4 %) on the previous year's balance sheet date. This increase was chiefly due to higher property, plant and equipment, which account for more than half of total assets. The increase in property, plant and equipment by Euro 79 million corresponds to the net balance of investments and changes in the scope of consolidation on the one hand and disposals, depreciation, amortisation and impairment losses on the other. The high share of property, plant and equipment underlines the intensity of investment at our group of companies.

The increase in the amount recognised for associates was due above all to positive at-equity measurement, as well as to the addition of companies included for the first time using the equity method. Other financial assets include other majority shareholdings, other shareholdings, loans and securities. Details of changes in the scope of consolidation can be found in the notes to the consolidated financial statements.

Non-current other receivables and assets, which rose by Euro 13 million compared with the previous year's balance sheet date, were chiefly influenced by the higher fair values measured for energy trading transactions recognised under IAS 39. This factor was countered by a lower reduction in those energy trading derivatives with delivery dates in the 2011 calendar year which were reclassified from non-current to current items.

CURRENT ASSETS fell to Euro 910 million, down Euro 43 million (– 5 %) on the previous year's balance sheet date. The main reason for this decrease was the decline in other receivables and assets by Euro 77 million. Here, current loans and security deposit receivables in particular were lower than at the previous year's balance sheet date. The security deposits (so-called margins) exchanged within energy trading transactions to reduce counterparty risk with external trading partners dropped from Euro 69 million at the previous year's balance sheet date to Euro 40 million as of 30 September 2011. Trade receivables increased by Euro 16 million compared with 30 September 2010 (Euro 432 million). This item was influenced above all by the Group's sales growth, and in particular by the expansion in the nationwide electricity and gas sales business. Compared with the previous quarter (reporting date on 30 June 2011: Euro 527 million), the volume of receivables was Euro 79 million lower as of 30 September 2011.

Cash and cash equivalents were reported at Euro 169 million at the balance sheet date, Euro 21 million higher than the equivalent figure as of 30 September 2010. Further information about the change in this item can be found in the comments below on the Group's financial position.

On the liabilities side, the **EQUITY** of the MVV Energie Group grew to Euro 1.35 billion, up Euro 159 million (+ 13 %) compared with 30 September 2010. Alongside full-year earnings (Euro 117 million), less dividends distributed for the previous year (Euro 83 million including minorities), this increase was chiefly due to the higher share of equity held by minority interests. The contractually agreed period in which the City of Kiel could have offered its 49 % stake in Stadtwerke Kiel AG for purchase by MVV Energie AG (put option) expired upon the conclusion of 6 November 2010. Due to the lapsing of this put option, the fair value of the option, amounting to Euro 121 million, which was previously recognised as a liability under current financial debt was reclassified to minority interests. Our shareholding in Stadtwerke Kiel AG is accordingly recognised under equity (51 %) and minority interests (49 %).

For Group management purposes, we also eliminate cumulative IAS 39 measurement items from our balance sheet. On the asset side, we eliminate the positive fair values of financial derivatives and attributable deferred taxes, amounting to a total of Euro 218 million as of 30 September 2011 (30 September 2010: Euro 180 million). On the equity and liabilities side, we eliminate the negative fair values of Euro 250 million recognised under liabilities as of 30 September 2011 (30 September 2010: Euro 226 million) and the resultant net balance of Euro 32 million recognised under equity (30 September 2010: Euro 46 million). On this basis, the adjusted equity ratio amounted to 39.5 % as of 30 September 2011, compared with 35.7 % as of 30 September 2010.

NON-CURRENT DEBT reduced by Euro 115 million from Euro 1.50 billion on the previous year's balance sheet date to Euro 1.39 billion on the balance sheet date for the year under report. This development was chiefly due to a lower volume of non-current financial debt on account of scheduled repayment, as well as to the reclassification of IAS 39 financial derivatives with delivery dates in the 2011 calendar year from non-current to current other liabilities. This item was countered in particular by an increase in non-current restructuring provisions and higher deferred tax liabilities for energy trading transaction measurement items.

CURRENT DEBT rose to Euro 974 million, up Euro 24 million compared with 30 September 2010 (Euro 950 million). This increase was due to higher current financial debt and higher current other liabilities. Within current financial debt, new borrowing and the reclassifications of previously non-current items more than offset the reduction resulting from reclassification of the fair value of the option to minority interests upon the expiry of the Kiel put option (see Equity). Due to the lapsing of the put option, the purchase price obligation previously liable on a daily basis has expired. Further details can be found in the notes to the balance sheet in the consolidated financial statements.

The increase in current other liabilities was mainly the result of the reclassification of financial derivatives already outlined above. The current other liabilities recognised as of 30 September 2011 include security deposits of Euro 3 million to reduce counterparty risk. The equivalent figure as of 30 September 2010 amounted to Euro 12 million.

Investments in growth

The MVV Energie Group invested a total of Euro 247 million in the year under report (previous year: Euro 240 million). Of this sum, Euro 212 million involved intangible assets, property, plant and equipment and investment property (previous year: Euro 202 million), while Euro 35 million was channelled into the acquisition of fully and proportionately consolidated companies and into investments in other financial assets (previous year: Euro 38 million).

The Generation and Infrastructure segment was the main focus of our investments in intangible assets, property, plant and equipment and investment property. Investments here primarily related to the construction of two gas turbines at the Kiel subgroup, the Optima energy efficiency project at the energy from waste plant in Mannheim, the acquisition of wind power plants, the completion of wood pellet production at Energieversorgung Offenbach and the expansion of district heating grids in Mannheim and Offenbach. The joint district heating project in Ingolstadt and the work on extending and building heating energy generation and cogeneration plants at the Czech subgroup are included in the figures for the Strategic Investments segment.

Investments of the MVV Energie Group[1] in the 2010/11 financial year

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

Investments of the MVV Energie Group in the 2010/11 financial year

Euro million	2010/11	2009/10[1] pro forma
Generation and Infrastructure	146	119
Trading and Portfolio Management	2	0
Sales and Services	13	36
Strategic Investments	30	28
Other Activities	21	19
Investments in property, plant and equipment[2]	**212**	**202**
Investments in financial assets	35	38
Total	**247**	**240**

1 previous year's figures represent calculated pro forma figures
2 investments in intangible assets, property, plant and equipment and investment property

Financial Position

Executive Board summary: We were able to cover all of our investments from our cash flow from operating activities. With a solid **ADJUSTED EQUITY RATIO** of 39.5 % (previous year: 35,7 %), we have a good foundation for maintaining a balanced mix of financing for our investments in our sustainable growth.

Cash flow statement

The **CASH FLOW FROM OPERATING ACTIVITIES** rose year-on-year by Euro 20 million to Euro 376 million in the year under report. The positive cash flow from operating activities resulted from opposing developments. The reduction in the cash flow before working capital and taxes was more than offset by changes in working capital and current provisions. The working capital items were affected above all by changes in other assets and liabilities, with these in turn mainly relating to changes in security deposits (so-called margining payments) and other loans.

Notwithstanding increased investments of Euro 212 million in intangible assets, property, plant and equipment and investment property (previous year: Euro 202 million), the higher cash flow from operating activities enabled us to improve our free cash flow to Euro 163 million in the year under report (previous year: Euro 154 million). Our investments are thus covered by the funds generated from operating activities. Sufficient funds also remain to pay the dividends.

At Euro – 144 million, the cash flow from financing activities remained negative, but significantly less so than the previous year's figure (Euro – 329 million). The year under report was characterised in particular by a lower volume of net loan repayment than in the previous year. The increase in dividend payments to minorities was chiefly attributable to the lapsed Kiel put option. The corresponding outflows of funds in the previous year were recognised under interest payments.

Non-current and current financial debt reduced to Euro 1.26 billion, down Euro 93 million compared with the balance sheet date on 30 September 2010. This was principally due to the reclassification of the lapsed Kiel put option, as is explained under "Equity". Net financial debt (financial debt less cash and cash equivalents) also decreased, falling by Euro 115 million compared with 30 September 2010 to Euro 1.09 billion.

Joint financial management

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

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

Rating

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

Overall Summary of Business Performance and Economic Position

The Executive Board assesses the economic position of the MVV Energie Group and MVV Energie AG as being stable – based on the information contained in the 2010/11 consolidated and separate financial statements and accounting for our current business performance up to the preparation of the 2010/11 combined management report. We managed to increase the MVV Energie Group's sales even further following the high previous year's figure. In terms of our sustainable operating earnings (adjusted EBIT), we virtually matched the previous year's figure in spite of the difficult economic climate, thus meeting the forecast communicated during the financial year.

The energy turnaround legislation offers confirmation that we have set the right strategic course. We thus believe that we are well positioned as a group of companies with municipal roots. We aim to seize the possibilities and opportunities arising from the energy turnaround called for by society at large and in the political arena and to play an active role in shaping the transformation in the energy industry. With efficient structures and processes, together with our forward-looking growth investments, we are laying a foundation to achieve sustainably positive company growth.

Notes to the Annual Financial Statements of MVV Energie AG (HGB)

MVV Energie AG, Mannheim, the publicly listed parent company of the MVV Energie Group, prepares its annual financial statements in accordance with the requirements of the German Commercial Code (HGB) and the supplementary requirements of the German Stock Corporation Act (AktG) and the German Energy Industry Act (EnWG). For the reporting year ending on 30 September 2011, first-time application was also made of the financial reporting requirements in the German Accounting Law Modernisation Act (BilMoG). The main effects of the amended requirements are presented in the notes to the respective balance sheet items in the 2010/11 annual financial statements of the MVV Energie AG parent company.

In the consolidated financial statements of MVV Energie AG prepared in line with International Financial Reporting Standards (IFRS) the income and expenses at consolidated subsidiaries are, unlike in the HGB separate financial statements, included in individual income and expenses items in the consolidated income statement. Further differences between the separate and consolidated financial statements of MVV Energie AG relate in particular to between the requirements of commercial law and those of IFRS international accounting standards in terms of the recognition and measurement of items.

The 2010/11 annual financial statements of MVV Energie AG and the management report of MVV Energie AG – combined with that prepared for the Group – are published in the electronic Federal Official Gazette (Bundesanzeiger). The complete 2010/11 annual financial statements of MVV Energie AG can be downloaded from our internet site at **www.mvv-investor.de** and may also be forwarded to interested parties upon request.

Earnings performance of MVV Energie AG

The MVV Energie AG parent company generated **SALES** of Euro 1 731 million in Germany alone in the 2010/11 financial year (previous year: Euro 1 569 million). Neither figure includes the electricity and energy taxes charged on to customers. The growth of Euro 162 million, or 10 %, compared with the previous year was chiefly driven by the electricity business, which accounts for 74 % of total sales. We also boosted sales in our gas business. This growth was primarily attributable to higher sales in the nationwide electricity and gas businesses due to volume and price factors. The cost of materials grew year-on-year by 11 %, and thus largely in line with the development in sales. Other operating income and expense items changed in such a way that they had a total negative impact of Euro 20.2 million on annual earnings. Key factors here included a reduction in other operating income, higher personnel expenses and higher depreciation and amortisation. The reduction in other operating income was mainly due to lower volumes of reversals of provisions. Alongside collectively agreed pay rises, the increase in personnel expenses was also driven by amounts allocated to the restructuring provision. The increase in depreciation and amortisation resulted almost exclusively from the amended recognition of income from the reversal of income grants. Since the year under report, this income has been recognised as sales, whereas in the previous year it was deducted from depreciation and amortisation.

Income statement of MVV Energie AG from 1.10.2010 to 30.9.2011

Euro 000s	**2010/11**	2009/10
Sales	1 838 204	1 667 396
less electricity and natural gas taxes	– 106 820	– 98 495
Sales after electricity and natural gas taxes	**1 731 384**	**1 568 901**
Own work capitalised / changes in inventories	6 602	5 391
Other operating income	164 443	168 574
Cost of materials	1 608 520	1 444 237
Personnel expenses	115 051	103 811
Depreciation and amortisation	23 740	20 395
Other operating expenses	95 950	94 500
Net financing expenses	58 696	41 209
Result from ordinary operations	**117 864**	**121 132**
Extraordinary expenses	– 698	—
Taxes on income	– 24 804	– 27 862
Annual net surplus	**92 362**	**93 270**
Profit carried forward from previous year	40 000	43 454
Allocation to other revenue reserves	33 046	37 408
Unappropriated net profit	**99 316**	**99 316**

These negative factors within operations were partly offset by the improvement in net financing expenses. The improvement here by Euro 17.5 million was attributable above all to the lower volume of expenses incurred for the assumption of losses at subsidiaries, especially at MVV Energiedienstleistungen GmbH. Net financing expenses include net interest expenses, which also showed a year-on-year improvement, in this case due in particular to the scheduled repayment of financial liabilities.

At Euro 117.9 million, the **RESULT FROM ORDINARY OPERATIONS** almost matched the previous year's figure.

The extraordinary expenses recognised in the year under report are due to the conversion to the new requirements of the German Accounting Law Modernisation Act (BilMoG) and almost exclusively involve pension provisions.

Net of income taxes, MVV Energie generated an **ANNUAL NET SURPLUS** of Euro 92.3 million in the year under report, thus falling slightly short of the previous year's figure. In line with § 58 (2) of the German Stock Corporation Act (AktG), an amount of Euro 33.0 million was allocated from the annual net surplus for the year under report to other revenue reserves (previous year: Euro 37.4 million). Including the profit carried forward from the previous year, MVV Energie AG posted – as in the previous year – **UNAPPROPRIATED NET PROFIT** of Euro 99.3 million.

The Annual General Meeting will be held on 16 March 2012 and will pass resolution on the dividend proposal to be resolved by the Executive and Supervisory Boards on 8 December 2011. The dividend for the 2009/10 financial year amounted to Euro 0.90 per share.

Net asset and financial position of MVV Energie AG

The presentation of our net asset position changed in the year under report due to the first-time application of the requirements of the German Accounting Law Modernisation Act (BilMoG). The figures recognised in individual balance sheet items are therefore not comparable with the previous year's figures. In line with Art. 67 (8) Sentence 2 of the Introductory Act to the German Commercial Code (EGHGB), we have foregone adjusting the previous year's figures. We have explained details of the amendments in the notes to the separate financial statements of MVV Energie AG.

Total assets fell slightly by 0.7 % compared with the previous year. The net asset position of MVV Energie AG is largely determined by its financial assets. These amounted to Euro 1 328.4 million as of 30 September 2011 (previous year: Euro 1 311.6 million), thus accounting for 66 % of total assets (previous year: 65 %). This increase was largely driven by higher interests in and loans to associates. Alongside loans to subsidiaries, financial funds were also granted in the form of capital increases to finance the construction of the energy from waste plant in Plymouth.

Of the increase in property, plant and equipment, Euro 27.3 million was due to investments in the year under report and Euro 34.2 million to the reclassification of income grants received to the liabilities side of the balance sheet.

Balance sheet of MVV Energie AG as of 30.9.2011

Euro 000s	**30.9.2011**	30.9.2010
ASSETS		
Non-current assets		
Intangible assets	1 499	3 424
Property, plant and equipment	293 143	253 796
Financial assets	1 328 406	1 311 632
	1 623 048	**1 568 852**
Current assets		
Inventories	5 704	4 175
Receivables and other assets	322 130	379 629
Liquid funds	44 118	55 993
	371 952	**439 797**
Deferred expenses and accrued income	**2 589**	**3 647**
	1 997 589	**2 012 296**
EQUITY AND LIABILITIES		
Equity	**926 756**	**893 710**
Income grants received	34 150	—
Provisions	123 032	128 541
Liabilities	913 611	988 584
Deferred income and accrued expenses	40	1 461
	1 997 589	**2 012 296**

Current assets fell to Euro 372 million, down Euro 68 million compared with the previous year's balance sheet date. This decline was primarily due to the lower volume of other assets, which in the previous year still included short-term cash investments of Euro 65 million, as well as to a reduction in liquid funds.

The Euro 33 million increase in equity reflects the annual net surplus of Euro 92.3 million generated, less the dividend of Euro 59.3 million distributed for the previous year. The change in provisions is due to opposing items. While tax provisions decreased on account of the tax audit completed in the year under report, other provisions increased, largely in connection with the restructuring provision recognised in the year under report. These items were opposed by the utilisation of a provision recognised in the previous year for the renewable energies (EEG) settlement mechanism. Liabilities dropped by Euro 75 million. This was due in part to scheduled repayments of liabilities to banks. Alongside this, the liabilities resulting from the assumption of losses at associates also reduced. The higher equity ratio of 46 % as of the balance sheet date (previous year: 44 %) reflects the solid equity resources at MVV Energie AG.

The financial position of MVV Energie AG is substantially determined by the financing role the company plays for associates in the MVV Energie Group. Within this function, MVV Energie AG secures the operating liquidity of various companies and supplies these companies with shareholder loans, thus providing the long-term capital necessary for investments. Among others, these companies include: MVV RHE GmbH, MVV Energiedienstleistungen GmbH, MVV Umwelt GmbH, MVV Windenergie GmbH, MVV Trading GmbH, 24/7 Netze GmbH and SECURA Energie GmbH. Liquidity is safeguarded by an adequate volume of committed credit lines, funds which we have not yet utilised.

2010/11 activity statements

On 30 June 2011, the German Federal Parliament adopted an amendment to the electricity and gas supply legislation (German Energy Industry Act – EnWG). This was subsequently published in the Federal Law Gazette on 3 August 2011. To avoid discrimination, vertically integrated energy suppliers are required to maintain separate accounts and to prepare separate activity statements for each of activity pursuant to § 6b (3) of the German Energy Industry Act (EnWG). On the one hand, the areas of activity include electricity transmission, electricity distribution, long-distance gas transmission, gas distribution, gas storage and the operation of liquid natural gas (LNG) plants. On the other hand, activities also include all aspects of economic utilisation of ownership rights to electricity and gas grids, gas storage facilities or LNG plants. The activity statements have to be submitted to the Federal Official Gazette (Bundesanzeiger) for publication with the audited annual financial statements.

With its 2010/11 activity statements, MVV Energie AG has met the reporting obligation pursuant to § 6b of the 2011 EnWG Amendment. In line with the aforementioned requirement, in our internal financial reporting we maintain separate accounts for electricity and gas distribution, for other activities within the electricity and gas sector, and for other activities outside the electricity and gas sector. Furthermore, we also prepare a balance sheet and an income statement for our electricity and gas distribution activities.

Measured in terms of total electricity sector sales of Euro 1.3 billion, the electricity distribution activity field reported comparatively low sales of Euro 1.8 million in the year under report. With sales of around Euro 1 million in the year under report, the gas distribution activity field is also of subordinate significance compared with the total sales of Euro 217 million in the gas sector.

Earnings in the electricity and gas distribution activity fields at MVV Energie AG are determined by income from the leasing of their electricity and gas grids to 24/7 Netze GmbH. 24/7 Netze GmbH manages, operates and maintains the distribution facilities and grids of MVV Energie AG. The other operating income resulting from the charging on of the concession duty to 24/7 Netze GmbH is opposed by corresponding other operating expenses. Electricity distribution generated an annual net surplus of Euro 0.5 million for the year under report (previous year: Euro 12 million). The gas distribution activity field generated an annual net surplus of Euro 0.7 million in the year under report (previous year: Euro 3 million).

Total assets in the electricity distribution activity field amounted to Euro 119 million at the balance sheet date on 30 September 2011 (previous year: Euro 98 million), thus accounting for around 39 % of total assets in the electricity sector at MVV Energie AG (previous year: 31 %). Property, plant and equipment rose to Euro 95 million, up Euro 20 million on the previous year's balance sheet date. This increase was primarily due to the amended recognition of income grants, which in the previous year were still deducted from costs and in the year under report have been recognised as liability items. The investments made in electricity distribution (Euro 12 million) mainly involve grid infrastructure. Liabilities, which account for 46 % of total liabilities and equity, rose from Euro 47 million to Euro 55 million.

With total assets of Euro 80 million (previous year: Euro 78 million), the gas distribution activity contributed 60 % (previous year: 57 %) of total assets in the gas sector at MVV Energie AG. Property, plant and equipment (Euro 63 million) accounted for 79 % of total assets. Investments amounted to Euro 2.7 million in the year under report. On the equity and liabilities side of the balance sheet, liabilities reduced from Euro 33 million to Euro 28 million.

Corporate Governance Declaration (§ 289a HGB)

Listed companies are obliged pursuant to § 289a of the German Commercial Code (HGB) to submit a Corporate Governance Declaration. In this Declaration, they report on their latest Declaration of Conformity with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG) and on corporate governance practices applied over and above legal requirements. Furthermore, they report on the mode of operation of the Executive and Supervisory Boards and on the composition and mode of operation of their committees.

We published our Corporate Governance Declaration on the internet at **www.mvv-investor.de** on 11 October 2011. This declaration has also been reproduced in the Corporate Governance chapter of this Annual Report.

The basic features of the company's compensation system for its directors and officers are presented in the Compensation Report. This forms part of the Corporate Governance Report and is a component of the Combined Management Report.

Declaration pursuant to § 312 AktG

The Executive Board has compiled a report on its relationships to associate companies for the 2010/11 financial year pursuant to § 312 of the German Stock Corporation Act (AktG). In this report, it declares that "MVV Energie AG received commensurate compensation for each of the transactions listed in its report on its relationships with the City of Mannheim and associate companies based on the circumstances known to the Executive Board at the time at which the transactions were performed."

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

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

The company's share capital amounted to Euro 168.72 million in total at the balance sheet date on 30 September 2011 and was divided into 65.9 million individual registered shares with a prorated amount in the share capital of Euro 2.56 per share. Each share entitles its holder to one vote at the Annual General Meeting of MVV Energie AG.

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

There are no restrictions on voting rights or the assignment of shares. There are also no shares with special rights lending powers of control, neither is there any control of voting rights as defined in § 289 (4) No. 5 and § 315 (4) No. 5 of the German Commercial Code (HGB).

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

In line with 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 period of five years, with repeated appointments permitted.

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

Powers of Executive Board to issue and buy back shares

By resolution on 10 March 2006, the Annual General Meeting 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 (0.11 % of the share capital). Since then, no use was made of this authorisation.

By resolution on 12 March 2010, the Annual General Meeting authorised the Executive Board until 11 March 2015 to acquire treasury stock up to an amount of Euro 16.87 million. This was equivalent to 10 % of existing share capital upon adoption of the resolution.

The Executive Board of MVV Energie AG has not yet made any use of this authorisation.

Compensation agreements and change of control clauses

There are no provisions in material agreements governing any change of control due to a takeover bid (change of control clauses).

The company has also not concluded any compensation agreements with members of the Executive Board or employees for the event of a takeover bid.

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

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

Objectives and area of application of control system

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

Basic financial reporting principles

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

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

Structure: uniform standards across Group

The commercial division at MVV Energie AG is responsible for preparing the separate financial statements of MVV Energie AG, the consolidated financial statements of the MVV Energie Group and for the internal control system in respect of the financial reporting process. The MVV Energie Group is pursuing the objective of bringing its internal control systems in line with uniform standards for the entire Group. To meet the demand for an IKS that is documented and comprehensible in all of its stages, MVV Energie AG successfully implemented a standardised approach to document the relevant processes and checks in the 2009/10 financial year already. MVV Energie AG is centrally managing the project organisation for the introduction of a uniform IKS system across the MVV Energie Group. In the year under report, it supported the Stadtwerke Kiel AG and Energieversorgung Offenbach AG subgroups in introducing and implementing the IKS. This way, the expertise and experience gained by employees familiar with the IKS at MVV Energie AG could be put to sensible and cost-effective use at the subsidiaries in Kiel and Offenbach. Both subgroups managed to implement the internal control system and complete the documentation of the relevant checks based on this standardised process by 30 September 2011.

The structure of the relevant processes is visually supported in the departments preparing the financial statements at MVV Energie AG using a special software that is also available on the intranet. Regulations governing individual cases and describing the relevant processes in greater detail are deposited as additional information within the process description. The financial statements are prepared within a set schedule that covers all divisions required to supply data for the preparation of the financial report. The punctual delivery of information within the respective deadlines is permanently monitored and the data thereby submitted is documented. Both processes are standardised and comprehensible in all of their stages.

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

Basic Features of Compensation System for Executive and Supervisory Boards

IFRS consolidated financial statements

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

Investment controlling and reporting

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

Internal control and risk management system

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

As the superordinate bodies, the Supervisory Board and Audit Committee of MVV Energie AG and the supervisory boards of consolidated shareholdings also monitor the internal control and risk management system. The risk management system is described separately in the Opportunity and Risk Report chapter.

We have presented the basic features of the compensation system and disclosures concerning the compensation of members of the Executive and Supervisory Boards for the 2010/11 financial year in the Compensation Report. This takes due account of the requirements of the German Commercial Code (HGB) and the recommendations of the German Corporate Governance Code.

For its activity, the Executive Board receives total compensation that is divided into fixed and variable components. In the year under report, the compensation system for the Executive Board was adapted in line with the new legal requirements, which require variable compensation to be aligned to the company's sustainable performance and based on multiyear targets.

The Compensation Report forms part of the Corporate Governance Report and is a component of the Combined Management Report. This component has therefore not been duplicated here.

Sustainability

We believe companies can only act successfully in future if they manage to maintain a good balance between long-term economic, ecological and social objectives in their daily business. Sustainability is becoming an increasingly decisive factor in successful business activity. The Executive Board of MVV Energie is committed to acting responsibly and to sustainable business operations in order to retain natural resources and maintain flexibility for future generations.

For us, sustainable business operations mean:

- Achieving continuous growth in the value of our companies and consistently enhancing our business model to secure our long-term economic success
- Making a credible contribution to the necessary restructuring of the energy industry along ecological lines as well as to climate and environmental protection
- Maintaining a balance between profitable growth and social responsibility
- Creating and retaining sustainable jobs and training positions for our employees.

Our Economic Basis

The MVV Energie Group is one of Germany's leading municipal energy suppliers. Our strategy focuses on generating sustainable, profitable growth. Our economic strength and the potential harboured by our group of companies are reflected, among other factors, in the key figures we achieved in the year under report. With sales of Euro 3.6 billion, adjusted EBIT of Euro 242 million, total assets of Euro 3.7 billion, total investments of Euro 247 million and a workforce of around 5 900 employees, our Group was solidly placed in terms of its economic strength in the 2010/11 financial year. This is underlined by the value added statement below. Our companies are major economic players at their respective locations and make a key social and ecological contribution to the lives of the people in their regions.

Our earnings strength and profitable growth thus provide a key basis for doing justice to our social and ecological responsibilities.

Further growth in value added

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

The value added corresponds to the company's performance net of input costs, such as costs of materials, other expenses and other taxes, and less depreciation and amortisation. In the year under report, the adjusted value added of the MVV Energie Group rose year-on-year by 4 % from Euro 825 million to Euro 859 million. This increase was chiefly due to the growth in the company's performance, which more than compensated for the increase in input costs. The rise in the company's performance was driven above all by sales.

At 38 %, a large share of our value added benefited our employees (previous year: 39 %). Of the value added for local, regional and national authorities, a sum of Euro 228 million, largely consisting of energy taxes, is attributable to the Federal Government (previous year: Euro 197 million). This corresponds to a 27 % share (previous year: 24 %). The remaining Euro 113 million (previous year: Euro 116 million) is attributable to local authorities (taxes and concession fees). Their share of value added amounts to 13 % (previous year: 14 %). Lenders account for 7 % of the value added (previous year: 8 %). Like in the previous year, our shareholders received an unchanged 7 % share of value added. The remaining 8 % share, also unchanged on the previous year, remains at the MVV Energie Group to finance the company's further growth.

Value added statement of the MVV Energie Group

Euro million	**2010/11**	2009/10	% change
Company performance [1]	3 966	3 702	+ 7
Input costs	– 2 955	– 2 706	+ 9
Depreciation/amortisation [1]	– 152	– 171	– 11
Value added [1]	**859**	**825**	**+ 4**
to Employees	328	323	+ 2
to Shareholders [2]	59	59	—
to Lenders [1]	62	67	– 5
to State authorities	341	313	+ 9
to the MVV Energie Group [1]	69	63	+ 10

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

Our Ecological Responsibility

The energy turnaround adopted by the Federal Government has significantly upgraded the role to be played by renewable energies in terms of energy generation. Not only that, measures aimed at cutting greenhouse gas emissions have also risen further in significance. As a traditionally emissions-intensive sector, the energy industry has a particular responsibility to find credible answers to the large number of questions arising on account of the Energy Turnaround Package. Climate change, finite resources, political dependencies and rising fossil fuel prices require us to completely rethink our approach to energy – from generation via supply through to consumption. It is clear that we aim to cut CO_2 emissions and find new solutions enabling us to offer a reliable, efficient, economical and environmentally-friendly supply of energy to households, industry, business, retailers, hospitals and schools in future as well. A further important topic for the future involves ensuring an adequate supply of clean drinking water.

As an “Energiser of the Future”, we are making forward-looking investments in energy supply forms that spare resources and help protect the environment. With our research and development measures and our innovative, forward-looking products and services, we are already working today to prepare tomorrow’s energy supply.

Consistent with the wishes of a great majority of the population, the Federal Parliament and Federal Council have resolved a rapid exit from nuclear energy. The politicians aim to enable Germany to develop a climate-neutral energy supply based on renewable energies by 2050. As a share of gross electricity consumption, renewable energies should rise from 16.8 % in 2010 to 35 % by 2020, 50 % by 2030 and 80 % by 2050. This transformation process involves enormous economic, social and technological challenges. Details about the Energy Turnaround Package can be found in the Energy Policy Changes chapter.

Exploiting the challenges presented by the energy turnaround

The municipal utility and energy companies at the MVV Energie Group are making important contributions towards meeting the climate protection requirements involved in the energy turnaround. To this end, we have set ourselves specific targets:

- The MVV Energie Group will invest around Euro 1.5 billion by 2020 to expand the use of renewable energies, district heating, cogeneration, the generation of energy from waste and efficient energy-related services
- We aim to significantly raise the share of the electricity generated from renewable energies at the MVV Energie Group from its current level of 20 %
- In Mannheim, the share of households we supply with district heating should increase from 59 % in 2010 to 70 % by 2020
- Stadtwerke Ingolstadt will invest around Euro 30 million by 2020 in expanding district heating
- Energieversorgung Offenbach (EVO) is increasingly relying on wind power and the regional resource of timber in its use of regenerative energy for proprietary generation
- In its energy and climate protection concept, Stadtwerke Kiel is building on energy savings, energy efficiency measures and renewable energy sources.

Expansion of renewable energies, climate-friendly generation and energy-related services

To achieve the ambitious climate protection requirements involved in the energy turnaround, we have initiated specific measures. These are set out below.

Increasing volumes of electricity generated from renewable energies and cogeneration

In its generation of electricity and heating energy, MVV Energie is increasingly drawing on renewable energy sources and cogeneration, which enables the fuels consumed to be put to efficient use.

Overall, the MVV Energie Group generated total electricity volumes of 3 896 GWh in the year under report (previous year: 3 848 GWh). Of this total, 3 765 GWh was attributable to Germany (previous year: 3 745 GWh) and 131 GWh (previous year: 103 GWh) to our Czech subgroup, which thus contributed a 3.4 % share of the total electricity generated at the MVV Energie Group in the year under report (previous year: 2.7 %). Energy generation volumes at our shareholdings have been accounted for in line with the respective percentage shareholdings. As in the previous year, to ensure comparability of the MVV Energie Group's electricity generation figures with the German average figures, the table below does not include electricity generation data for the Czech subgroup.

The volume of electricity generated by our Group from renewable energy sources in Germany rose year-on-year by 10 % to 768 GWh. As a percentage of the Group's slightly higher total electricity generation volumes, the share attributable to renewable energies thus grew from 19 % in the previous year to 20 %. Increases were seen in particular in proprietary generation volumes at our waste incineration and refuse-derived fuel (RDF) plants (biogenic share) and in wind power. The higher share of biogenic volumes from waste and RDF power plants is chiefly due to the first full year of operations with the new boiler no. 6 and new turbine at the Mannheim location. The higher wind power volumes are due above all to the first full year of generation at Plauerhagen Wind Farm. The electricity generated in photovoltaics systems relates in particular to the systems in place at the Offenbach, Solingen and Ingolstadt shareholdings.

A total of 1 045 GWh of electricity was generated using cogeneration in the year under report, 6 % more than in the previous year. The share of our total electricity generation volumes in Germany attributable to cogeneration thus grew year-on-year from 26 % to 28 %.

Electricity generation from renewable energies and biogenic share of waste/RDF at the MVV Energie Group in Germany

in GWh	2010/11	2009/10	% change
Biomass plants	417	430	– 3
Biogas plants	16	16	—
Subtotal for biomass	**433**	**446**	**– 3**
Biogenic share of waste/RDF	281	244	+ 15
Wind power	36	5	+ 620
Hydroelectricity	5	3	+ 67
Photovoltaics	13	—	+ 100
	768	**698**	**+ 10**

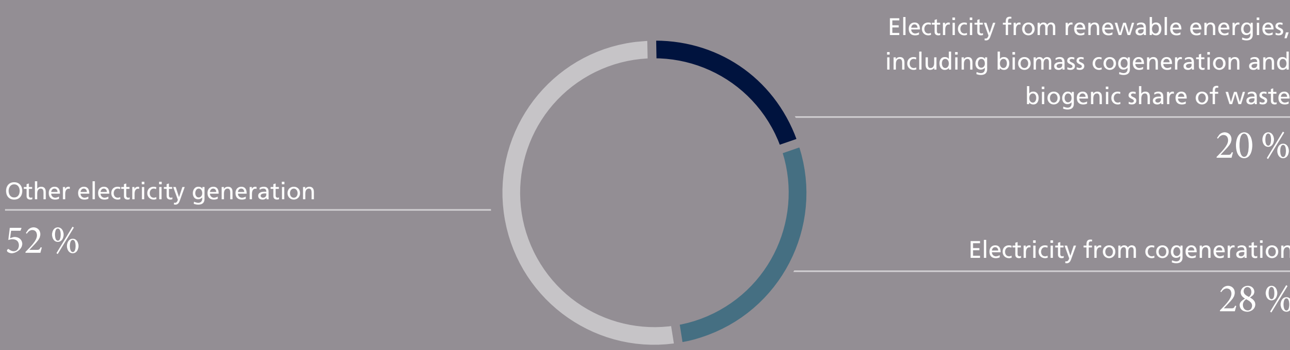
If we combine the shares of electricity volumes generated from renewable energies and cogeneration, then 48 % of the electricity we produced in the year under report was attributable to environmentally-friendly and efficient renewable energies and cogeneration, as against 45 % in the previous year. The national average for gross electricity volumes generated from renewable energies and cogeneration, by contrast, amounted to 31 % in the 2010 calendar year, as against 27 % in the 2009 calendar year.

The share of our total electricity generation attributable to other electricity generation fell year-on-year from 55 % to 52 %. This figure mainly includes electricity generated in turbines driven by hard coal at the large power plant in Mannheim (GKM) and the jointly owned power plant in Kiel (GKK). We are optimising electricity production at both of these power plants to account for the development in prices on fuel and electricity markets.

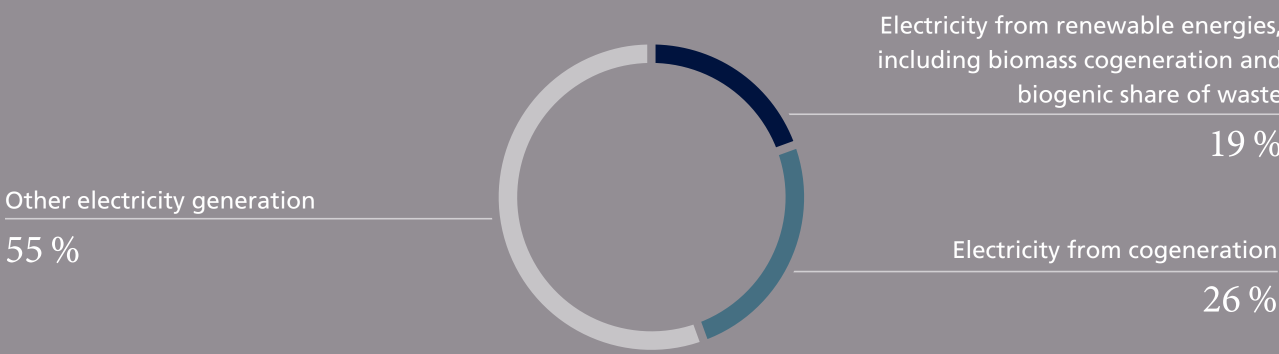
The table below presents the installed capacity for renewable energy generation plants, which showed an overall year-on-year decline. This reduction was mainly due to the fact that two older turbines at the energy from waste plant in Mannheim were decommissioned following the launch of operations with boiler no. 6 and a new, more efficient turbine. Not only that, we also sold our biomass power plants in Altenstadt and Gengenbach.

Installed capacity for wind power and photovoltaics increased due to the reasons outlined above.

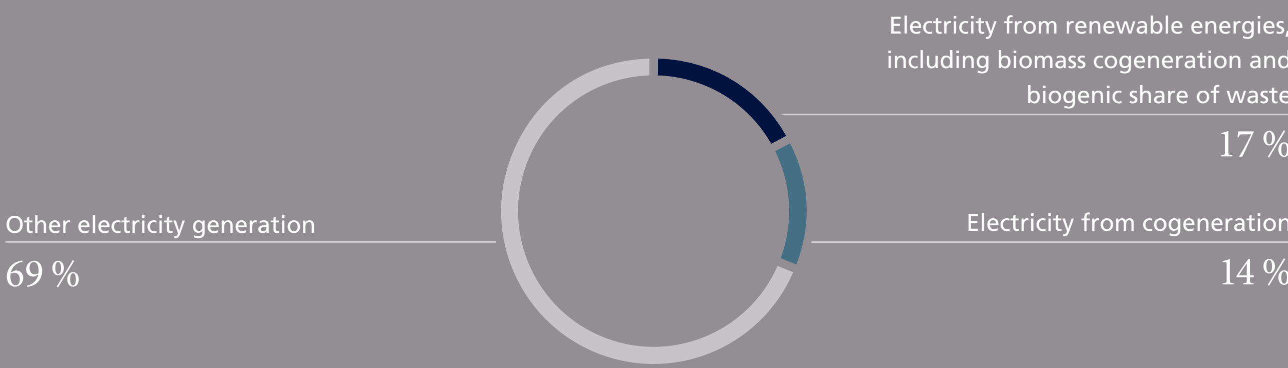
Electricity generated at the MVV Energie Group in Germany 2010/11: 3.8 TWh



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



Net electricity generation in Germany in 2010: 584 TWh [1]



1 preliminary total

Source: Renewable Energies Statistics Working Group (AGEE-Stat), Association of the German Energy and Water Industries (BDEW), Berliner Energieagentur GmbH/Prognos AG and own calculations

Installed capacity for renewable energies and biogenic share of waste/RDF at the MVV Energie Group in Germany

in MW_{el}	30.9.11	30.9.10	% change
Biomass plants	58	60	– 3
Biogas plants	3	3	—
Subtotal for biomass	**61**	**63**	**– 3**
Biogenic share of waste/RDF	123	140	– 12
Wind power	20	16	+ 25
Hydroelectricity	2	2	—
Photovoltaics	4	—	+ 100
	210	**221**	**– 5**

CO_2 emissions down on previous year

The heating and electricity generation plants subject to emission trading at MVV Energie in Germany emitted around 3.3 million tonnes of CO_2 in the 2010 calendar year (previous year: 3.4 million tonnes). This figure is partly based on estimates. The year-on-year drop in CO_2 emissions was mainly due to lower volumes of electricity generated at the GKM and GKK power plants in Mannheim and Kiel, both of which are fired by hard coal.

In line with EU emission trading disclosure obligations, these figures refer to calendar years. For the same reason, the disclosures in the table below are also based on calendar years.

CO_2 emission rights

million tonnes	2010	2009	% change
CO_2 emission rights purchased[1]	1.1	1.2	– 8
CO_2 emission rights sold[1]	1.0	1.1	– 9

1 by MVV Trading GmbH for the MVV Energie Group

Wind power business expanded

In the year under report, we generated 36 GWh of electricity from wind power and fed this into the public grid, thus significantly exceeding the previous year's figure (5 GWh). As of 30 September 2011, installed wind power plant capacity totalled 20 MW (previous year: 16 MW).

The wind farm in Plauerhagen was in full-year operation for the first time (installed capacity: 16 MW). Furthermore, operations at the wind farm in Massenhausen also began in February 2011 (installed capacity: 4 MW).

Generation volumes and capacities at our wind farms are set to rise substantially in the 2011/12 financial year. In July 2009, Energieversorgung Offenbach joined forces with the juwi Group, Wörrstadt, to found the Offenbach-based subsidiary Cerventus Naturenergie GmbH. All in all, this company intends to implement wind power projects in Hessen and neighbouring states with a total nominal output of 100 MW in the coming years. One key milestone here involves the 23 wind turbines currently under construction in five districts at the Kirchberg location in the state of Rheinland-Pfalz. These plants have a total installed capacity of 53 MW and are expected to enter service by December 2011. With an annual electricity generation volume of 125 GWh, they can cover the requirements of around 35 000 households. These plants will enable around 100 000 tonnes of CO_2 a year to be avoided. The MVV Energie Group's electricity generation from wind power will thus increase to an installed capacity of 73 MW and a total generation volume of 160 GWh a year. This corresponds to the annual electricity needs of around 45 000 households. Further wind power projects are currently in the planning stage.

Generation from biomass on the increase

Biomass power plants, biomass cogeneration plants and biogas plants accounted for 56 %, and thus the largest share of the electricity volumes generated from renewable energies in the year under report. When it comes to generating energy from biomass, our Group is one of the German market leaders. We operate biomass power plants at various locations. The biomass power plants in Mannheim and Königs Wusterhausen near Berlin form part of our environmental energy business. Furthermore, we are also the co-operator and operations manager at the biomass power plant in Flörsheim-Wicker near Wiesbaden. Our biomass power plants use waste timber as their fuel. Overall, we operate twelve biomass plants in total in our Group's environmental energy and energy-related services business fields. These plants deployed around 0.4 million tonnes of solid biomass for energy generation in the 2010/11 financial year, using this to generate around 417 million kWh of CO_2-neutral electricity. Compared with electricity generated from fossil fuels, these efficient power plants thus enable us to save fossil fuels and reduce our carbon dioxide emissions.

At its biomass heating energy and biomass cogeneration plants, our MVV Energiedienstleistungen subgroup mostly uses fresh timber, wood chips and wood pellets as fuels. Our value chain also includes manufacturing fuels. We secure a permanent adequate supply of fuels by concluding long-term contracts with timber suppliers.

Our cogeneration plants in Gersthofen and Kornbach work with treated commercial waste. The biomass cogeneration plant in Mertingen uses local timber to generate steam for the dairy plant operated by Molkerie Zott and electricity for 2 500 households. In cooperation with Stadtwerke Ludwigsburg-Kornwestheim, our MVV Energiedienstleistungen GmbH subgroup supplies ARENA Ludwigsburg with heating energy from biomass. In Breuberg, we operate the biomass heating energy plant at the AHG Klinik Hardberg hospital. Here, we have also taken over maintenance of the new heating system, the local heating grid and in-house wards for a total term of 15 years.

MVV Energiedienstleistungen GmbH will be supplying Tübingen University Hospital (UKT) with environmentally-friendly heating energy. Here it planned to convert UKT's 40 year-old heating energy plant to operations with wood pellets by the end of 2012. Previously, the plant was powered by oil and gas. Improving the hospital's energy efficiency and using timber will enable us to cut its CO_2 emissions by up to 20 000 tonnes a year, or by up to 98 %. This trailblazing concept will also enable our customer to reduce its energy costs by around 20 %.

In its use of renewable energies, Energieversorgung Offenbach (EVO) is also increasingly relying on the local resource of timber and on expanding its biomass-powered decentralised energy supply. At the new wood pellet plant, where operations were officially launched in May 2011, wood shavings and waste timber are processed into 65 000 tonnes of pellets a year. If need be, the plant can double its capacity. The neighbouring biomass cogeneration plant supplies the heating energy to dry the timber. Up to 50 000 tonnes of hard coal will be replaced by industrial pellets generated at this plant in the 2011/12 heating period. As a result, EVO's cogeneration plant will be able to avoid CO_2 emissions of up to 80 000 tonnes a year.

EVO also plans to launch a unique regional business cycle in cooperation with Hainburg District Council. Pressed into pellets, the waste timber from the council's landscape management activities will in future be used as a fuel in the heating systems of around 100 detached houses. Energieversorgung Offenbach is now operating a total of 40 local heating networks in the Rhine/Main region. In 22 of these grids, the heating energy is generated with natural gas, while 18 of the local heating grids use energy generated from wood pellets. In Raunheim in the state of Hessen, Energieversorgung Offenbach has launched operations with one of Germany's largest pellet heating systems. With a thermal output of 4.4 MW, this generates sufficient heating energy to supply around 2 600 apartments via a local heating energy network.

Investment focus on biogas and biomethane

We have been investing in the biogas business more intensively since the 2007/08 financial year, and here in plants with output of between 500 kW and 1 000 kW. Our MVV Energiedienstleistungen GmbH subsidiary now operates four biogas plants – in Oehna / Brandenburg, Mechau / Sachsen-Anhalt, Karow / Mecklenburg-Vorpommern and Vosshöhlen / Schleswig-Holstein. As in the previous year, these generated a total of around 16 GWh of electricity in the year under report and fed this into the respective public grid. We also use the waste heat arising upon electricity generation to provide nearby industrial and commercial companies with inexpensive process and heating energy.

Since the year under report, we have also been making targeted investments in biomethane projects. The German Energy Agency (dena), a competence centre for energy efficiency, renewable energies and smart energy systems supported by the Federal Republic of Germany and private investors, sees biomethane as one of the most efficient forms of bio-energy, and one that offers great climate protection potential. Following treatment and having been fed into the grid, bio-natural gas can be distributed across Germany and used in decentralised heating energy / steam generation at bio-cogeneration plants or as fuel for natural gas vehicles in the transport sector. This opens up numerous options for us in terms of offering a sustainable range of products.

In July 2011, we acquired a stake in our first biomethane feed-in plant in Klein Wanzleben in the state of Sachsen-Anhalt. Starting in summer 2012, this plant will generate 63 million kWh of biogas a year and feed this into the natural gas grid. Our partners here are the project developer RES Projects and the listed companies KWS SAAT AG and Nordzucker AG. We aim to expand this business field on the basis of this cooperation project. To exploit synergies, we plan to develop a regional cluster of several plants.

Energy-efficient generation and waste disposal using cogeneration

In Germany, we operate waste-fired energy plants at our locations in Mannheim, Offenbach and Leuna. We safeguard capacity utilisation rates at our waste incineration and biomass plants by working with efficient materials flow management pooled at MVV Umwelt Ressourcen GmbH. We exploit the energy potential harboured by household and commercial waste. With the energy thereby released, we generate industrial steam, electricity and district heating using efficient, environmentally-friendly cogeneration. As in the previous year, our companies dispose of the non-recyclable waste for 21 local authorities in Germany with a total population of around 4.9 million inhabitants in their catchment areas. Furthermore, our energy from waste plants also use industrial and commercial waste.

The largest energy from waste plant we operate is at our Mannheim location. Since launching operations with boiler no. 6 in December 2009, we have been able to dispose of 650 000 tonnes of waste a year in Mannheim. Compared with before, the greater energy efficiency of boiler no. 6 and the new turbine enable us to achieve a higher electricity yield. We will further enhance our energy efficiency with our Optima investment project, scheduled for gradual implementation by mid-2012.

Following separate, pan-European tenders, the cities of Mannheim and Heidelberg and the Rhine/Neckar district awarded the contracts to incinerate their waste to our subsidiary MVV Umwelt Ressourcen GmbH. The previous contracts are due to expire in December 2012. The new contracts, with a term of at least six years, will come into effect in January 2013 and secure a supply of around 200 000 tonnes of non-recyclable waste a year. We will continue to guarantee the economically and ecologically efficient disposal of waste for the entire region. The geographical proximity of our energy from waste plant also means that long-distance transport harmful to the environment can be avoided.

Our longstanding experience in the environmental energy and disposal business has also been internationally recognised with our successful entry into the British waste market. We have won the contract to plan, build and operate a waste-fired cogeneration plant in the coastal city of Plymouth in the south of the UK. From 2014, this modern energy from waste plant should incinerate around 245 000 tonnes of household, commercial and industrial waste a year to generate electricity and heating energy. The power plant will have a net electricity output of 22 MW_{el} and a thermal energy output of around 23 MW_{th}.

In July 2011, our Czech subgroup MVV Energie CZ a.s. took over a waste-fired cogeneration plant in Liberec, a city of around 100 000 inhabitants in northern Bohemia. In the previous year, around 98 000 tonnes of municipal waste were incinerated at the Termizo plant in Liberec, which generates 8.2 million kWh of electricity and around 194 million kWh of heating energy a year. The heating energy is distributed in Liberec by the district heating company Teplarna Liberec, a 70 % subsidiary of MVV Energie CZ.

District heating grid expansion progresses

At our Mannheim location, we are increasing the density of our district heating grid in individual districts and further expanding the grid as a whole. Via a new 21 kilometre transit pipeline from Mannheim to Speyer, we have been supplying Stadtwerke Speyer since the 2010/11 heating period with environmentally-friendly district heating produced using highly efficient cogeneration at the large power plant (GKM) in Mannheim. Since October 2011, we have also been supplying customers in the district of Brühl via the new district heating pipeline.

At Energieversorgung Offenbach AG (EVO), one focus of the expansion in the district heating grid involves the town of Heusenstamm. Having already connected the swimming pool and Campus Heusenstamm business park to the grid, in the year under report EVO added two schools and several homes and apartment blocks via a 1 200 metre pipeline.

Ingolstadt has witnessed the implementation of Bavaria's largest waste heat and district heating project. Stadtwerke Ingolstadt Energie GmbH invested around Euro 23 million in expanding its district heating grid and converting and extending existing plants. Here, waste heat from the Petroplus Ingolstadt GmbH refinery and the energy from waste plant operated by the City of Ingolstadt is used to supply district heating to numerous large customers, including Audi AG. In future, private customers will also benefit from the district heating generated in this resource-efficient, environmentally-friendly way. Thanks to the expansion to the district heating grid completed in June 2011, the volume of district heating fed into the grid is set to rise by 130 million kWH to up to 300 million kWh a year.

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

Efficient energy-related services

One key factor in protecting resources and cutting CO_2 emissions is energy efficiency. Outdated plants and buildings harbour considerable savings potential. The will to modernise these plants and buildings is even greater when economic benefits are involved. Industrial and commercial companies can tap their energy savings potential by financing modernisation measures with the energy costs thereby saved, as can local authorities and municipalities. In our contracting business, we specialise in efficiency enhancement and energy optimisation measures that also pay off for our customers. As examples of this, we can refer to several projects our energy-related services subgroup is currently implementing in the Rhine/Neckar metropolitan region. We have taken over the supply of utility energy and energy management for the SAP ARENA in Mannheim. We also perform energy supply contracting for the Wirsol Rhein-Neckar-Arena in Sinsheim. We supply the Miramar leisure pool in Weinheim with ecological geothermal heating energy. Within the framework of a savings contracting agreement, we are also supplying eight schools in the Neckar / Odenwald district.

Living environmental and climate protection

As well as focusing our growth investments on renewable energies and technologies intended to raise energy efficiency levels, we also attach high priority to active environmental and climate protection in our existing business. This not only involves initiating ongoing measures to improve environmental and climate protection within our company. Over and above these, we also offer close support to sustainability projects in our core regions.

Safeguarding a sustainable water supply

No other foodstuff is checked as often as drinking water. Our companies operate the local water supply in Mannheim, Kiel, Offenbach and Solingen. To ensure consistently high drinking water quality, the entire water supply system and water quality are systematically checked and investigated by our laboratories – from wells via grids through to our customers' house connections. We perform investment and scheduled maintenance measures at our waterworks and on our water grids to maintain the infrastructure on a long-term basis. The drinking water our companies supply falls many times short of the threshold values set out in the relevant drinking water ordinance.

With extensive measures to protect groundwater and bodies of water, we are helping to safeguard drinking water for future generations as well. The catchment areas surrounding our drinking water acquisition plants are therefore signposted as drinking water protection areas. These protected zones are subject to preventive groundwater protection measures. No harmful substances may come into contact with the water. Any damages arising must be remedied as quickly as possible. This is also consistent with the precautionary principle set out in the EU's Water Framework Directive and associated Groundwater Directive. Our companies monitor compliance with these strict regulations.

Environmental protection investments and expenses

According to the investments survey by the Federal Statistics Office, we invested Euro 5.1 million in environmental protection at our locations in Mannheim, Leuna and Königs Wusterhausen in the year under report. At around 67 %, the main share involved waste disposal optimisation measures. Air pollution measures accounted for a share of around 33 %, while water protection and noise control accounted for less than 1 %.

Current expenses for environmental protection measures in the environmental energy business amounted to Euro 89 million. As in the previous year, waste disposal accounted for around 60 %, air pollution measures for around 40 % and water protection and noise control for less than 1 %.

We support sustainability initiatives

As an "Energiser of the Future", we aim to play an active role in converting the energy system. Among other measures, we are participating in the development of specific solutions for the future energy supply and efficient energy use at the Business Sustainability Initiative (WIN) in Baden-Württemberg, where numerous companies and state associations and ministries work together. The effects of demographic change for companies in the region, and its implications for future jobs, form a further focus of activity at this initiative.

Furthermore, we are also taking part in the climate protection programme of the City of Mannheim. This includes expanding district heating and improving the energy efficiency of public sector buildings. Our Climate Protection Fund forms part of this programme. Together with the City of Mannheim and the Climate Protection Agency, we are promoting select projects over ten years with a total of around Euro 10 million. The measures supported include installing so-called micro-cogeneration plants at customers in areas mainly supplied by gas. The Climate Protection Agency also advises small and medium-sized companies, schools, associations and individual citizens as to how to save energy, enhance energy efficiency and use renewable energies.

Energieversorgung Offenbach is supporting the climate protection concept of the City of Offenbach. This involves reducing CO_2 emissions by making greater use of renewable energies and expanding district heating based on efficient cogeneration. Emissions are to be reduced from 1.2 million tonnes in 2005 to under 800 000 tonnes by 2020.

Ecological products in demand

One aspect of our "Energising the Future" mission involves offering green electricity products to customers at all of our locations. By 30 September 2011, around 96 000 private customers in Mannheim, Offenbach, Kiel, Ingolstadt, Solingen and Köthen had taken up this offer. Customers with green electricity tariffs thus account for 15 % of all household customers at the MVV Energie Group. We also assist retail, commercial and industrial customers in converting to environmentally-friendly green electricity as an option accompanying all basic electricity products.

MVV Energie's green product range also includes environmentally-friendly NATURA Biogas, which enables our customers in Mannheim and the surrounding region to heat their houses and apartments. By opting for this product, they also meet the requirements of the Utilisation of Renewable Heating Energy in Baden-Württemberg Act (EWärmeG) in force since 2011 without having to convert their heating systems.

Alongside SECURA Ökostrom green electricity, SECURA Energie GmbH, a majority shareholding of the MVV Energie Group, also offers SECURA Naturgas, a CO_2-neutral natural gas product, on a nationwide basis.

Research and Development

Given the energy turnaround called for by politicians and society at large, smart energy use has become an increasingly important factor. Discussions here are focusing on the question as to how energy generation and energy consumption can be intelligently balanced. Grid operators also face new challenges due to the increasing volumes of regenerative energies fed into medium-voltage and low-voltage grids. Significantly greater grid automation will be required in these voltage ranges. MVV Energie was early to recognise this factor. With various research and development (R&D) projects described below, such as "Smart Grid" and "Model City Mannheim", we have played an active role in influencing these developments. After all, as an "Energiser of the Future", our aim is to help shape these necessary changes.

Major R&D projects

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

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

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

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

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

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

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

Model City Mannheim and Smart Grid

The "Model City Mannheim" e-energy project promoted by the Federal Ministries of Economics and Technology and the Environment, Nature Conservation and Reactor Safety is investigating how the integration of renewable energies into the grid and energy efficiency can be improved with the assistance of information and communications technology. The innovative approach we took in Model City Mannheim was very positively received in the media. We drew on this to attract further private customers for our third round of field trials in autumn 2011. This involves equipping up to 1 000 customers in Mannheim with an energy management system to investigate the impact of modern information and communications technology in terms of energy efficiency improvements and load shifting possibilities.

Practical trials with smart meters completed

In a three-year project promoted by the Federal Ministry of Economics, MVV Energie cooperated with manufacturers and research partners to test the development of modern meter infrastructure in practical trials. Of more than 500 field trial customers, the great majority reported positive experiences with the smart meters. To make optimal use of the detailed information in their everyday lives, however, numerous customers would like to see clear recommendations for putting energy to efficient use. This demand has also been confirmed by the accompanying academic research. After all, merely using smart meters does not in itself achieve any recognisable energy savings. Only when smart metering and billing systems, efficient, controllable consumption appliances, decentralised energy generation plants and variable tariffs are integrated into a comprehensive energy management system will smart meters be able to contribute effectively to the energy turnaround.

We received subsidies of around Euro 1 million for research and development in the year under report. Details of R&D expenses can be found in the notes to the balance sheet. As in the previous year, eight technology and innovation managers (such as engineers, business engineers, process engineers, electrical engineers) worked for MVV Energie in the year under report. An unchanged total of more than 35 employees from other departments also dedicated a significant portion of their time to current innovation projects. These mainly involved the projects presented in the overview.

Our Social Responsibility

Employees

Our employees are tremendously important to us – not least due to our aim to "energise the future". Their work and commitment represent a key pillar of our company's success, especially in a difficult overall market climate.

Promoting diversity at our company

Given demographic change, competition for high-quality employees is set to intensify significantly in future. Not only that, employers are also called on to successfully manage changes in their workforces' qualification and age structures.

We are meeting these challenges with sustainable personnel management. Among other objectives, our forward-looking personnel activities aim

- To promote social diversity and equality of opportunity
- To improve the structural framework for women in terms of their training and working lives, thus making targeted efforts to qualify women for management positions
- To structure recruitment and training processes so as to retain a well-balanced age and qualification structure
- Despite its rising average age to keep the workforce fit and motivated in terms of its performance and innovative capacity and its willingness to accept change.

To meet these objectives, we coordinate and agree the personnel measures and programmes in place at individual companies within the MVV Energie Group across our various locations. We will further enhance those measures that have proven effective in previous years and adapt them to the company's current needs.

Personnel totals developed on schedule

In line with the relevant budgets, the total workforce decreased by 140 employees in the year under report. Overall, the MVV Energie Group had a total of 5 919 employees, not including the four external personnel employed at the cogeneration plant in Mannheim (previous year: nine). As of 30 September 2011, our companies in Germany had a total of 5 278 employees (previous year: 5 444). The 641 individuals employed abroad (previous year: 615) include the workforce at our Czech subgroup.

Personnel figures (headcount) at balance sheet date on 30.9.

	2010/11	2009/10	+/– change
MVV Energie AG	1 455	1 495	– 50
Fully consolidated shareholdings	3 785	3 882	– 97
MVV Energie AG with fully consolidated shareholdings	**5 240**	**5 377**	**– 137**
Proportionately consolidated shareholdings	679	682	– 3
MVV Energie Group [1]	**5 919**	**6 059**	**– 140**
External personnel at Mannheim cogeneration plant	4	9	– 5
	5 923	**6 068**	**– 145**

1 including 391 trainees (previous year: 404)

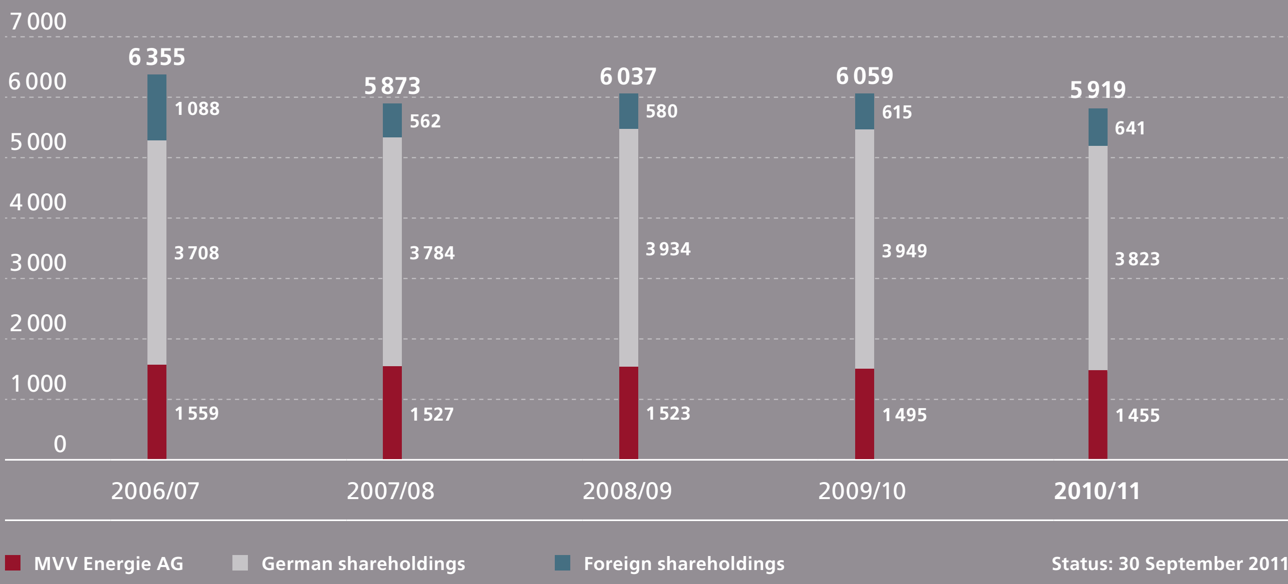
Our companies' employees have an average age of 42.8 and an average company affiliation of 14.7 years. MVV Energie AG and its largest shareholdings in Kiel and Offenbach clearly met the statutory severe disability quota of 5 %.

The chart on the opposite page presenting the age structure of employees at the MVV Energie Group provides information about the age structure and proportion of women within our workforce. It is striking that the share of female employees is higher in younger age groups. With our targeted promotion of women, we aim to ensure that this higher proportion of female employees rises consistently in all age groups in future, and that the same applies for women in management positions.

Increased promotion of women

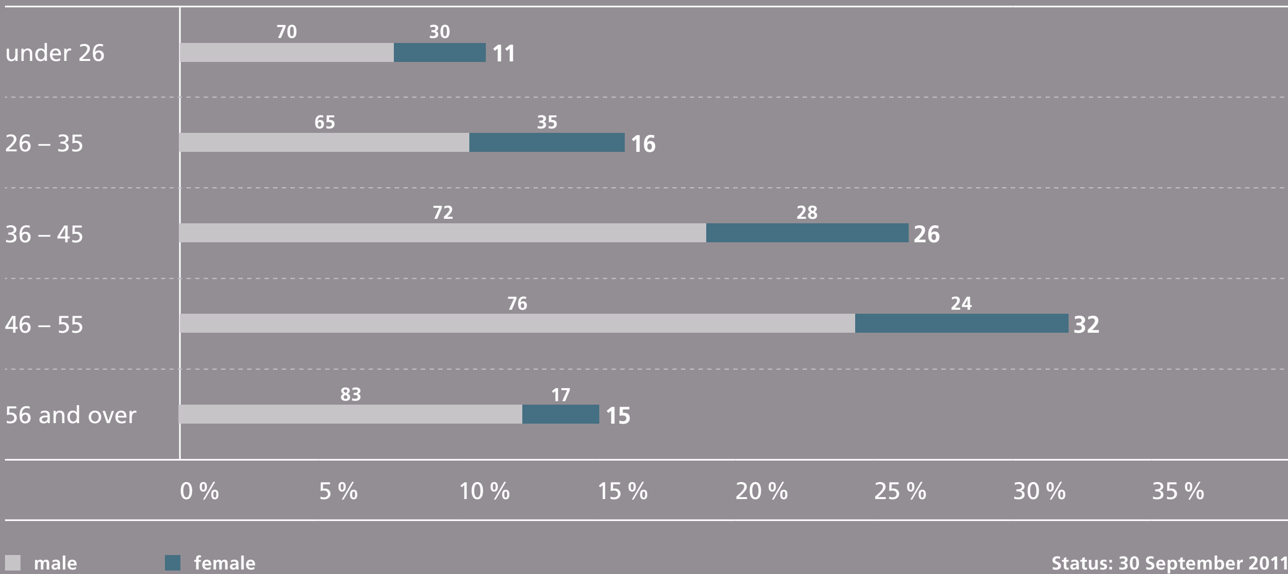
To satisfy the various requirements of our business, we need employees with a variety of qualifications, training and professional backgrounds. In particular, our group of companies aims to promote its female employees more closely and increase the share of women managers in the coming years. In view of this, we are encouraging and promoting talented female employees systematically and comprehensively on all hierarchical levels. In the year under report, we began to implement targeted measures to promote women. We see the establishment of women's networks as a very important factor. MVV Energie has therefore joined the European Women's Management Development International Network (EWMD) as a corporate member in order to share its experience with and learn from others. To build up internal networks as well, we have founded a lecture series. Around 40 women meet at regular intervals for talks on topics such as self-marketing, career planning and employee

Employees of the MVV Energie Group



Status: 30 September 2011

Age structure of employees of the MVV Energie Group in %



Status: 30 September 2011

management, followed by discussions and the opportunity to exchange opinions. Alongside this, we are currently also introducing a mentoring scheme for female employees. Together with other measures already practised for years now, such as flexible working hours, we assist women in combining their professional interests with their family commitments.

Share of women employees at the MVV Energie Group

in % Status: balance sheet date 30.9.2011	Mannheim location	Offenbach location	Kiel location
Total	**27**	**31**	**26**
In management positions (section head upwards)	16	19	11
Trainees	34	18	19
Junior Consulting Team/trainees	40	—	50

Family-friendly personnel policies singled out

With our family-friendly personnel policies, we support our employees at all of our locations in combining their work and family commitments. Over and above this, we help parents working in Mannheim to look after their children by offering a parent and child room, holiday camps, emergency supervision and a crèche facility with close links to the company. The re-audit performed under the familieundberuf® programme at the Hertie Foundation confirmed our family-friendly personnel policies. Energieversorgung Offenbach AG also received the familieundberuf® certificate from the Hertie Foundation in the previous year. Stadtwerke Kiel is preparing for this audit. Alongside this, Stadtwerke Kiel is also taking part in an initiative called "Family-Friendly – A Key Location Factor".

By offering flexible working hours and a variety of working time models, we provide our employees with a high degree of flexibility in structuring their time. Around 10 % of the MVV Energie Group's employees work on a part-time basis. With our life work-time accounts model, we are also reacting circumspectly to the change in underlying conditions. Employees covered by corresponding company agreements concerning life work-time accounts may finance leaves of absence from their jobs with their own funds. As employers, we support employees in this by continuing to grant specific additional payments.

With regard to nursing care for close relatives, we offer our employees access to an intranet portal providing information about household-related services. In Kiel, there are also free advisory services for employees and family members living in their households.

We have established company health management programmes in Mannheim, Offenbach and Kiel. Not only that, with our company integration management programme we help employees previously unable to work for longer periods of time to return to working life.

Solid training and up-to-date entry programmes

All companies within the MVV Energie Group take their social responsibility as employers seriously. They train significantly more trainees than required, thus also covering their need for specialist employees. At the balance sheet date on 30 September 2011, a total of 391 young people were being trained at the Group. Via events such as "Training Forum" and "Girls' Day", we offer young people the opportunity to obtain extensive information about training opportunities at MVV Energie AG and help motivate young women to opt for a technical vocation. Stadtwerke Kiel also presents its training vocations at an annual information day held at its training centre. By directly addressing all schools in Kiel, Stadtwerke Kiel has consistently managed to attract high numbers of applications for trainee positions.

The training vocations and study programmes at the DHBW Baden-Württemberg Cooperative State University, Mannheim, are being adapted in line with the company's changing qualification requirements. By offering a special promotion programme for the best trainees in each year and various training platforms, we prepare trainees and students in a targeted manner for what is expected of them in their future working roles. With "Junior Consulting Team", we have created a proprietary entry programme for university graduates. In a team project on which all members of the Junior Consulting Team work together over a one-year period, the team members not only address value-adding topics but also hone their social and methodical skills. We also offer attractive entry opportunities for university graduates in Kiel and Offenbach. The 18-month trainee programme for young engineers at the Kiel location has proven its worth as an entry opportunity.

High-quality further training programmes

We consistently align our wide range of further training courses to our company's needs. In personnel development meetings held once a year, the skills of individual employees are on the one hand compared with the requirements of their given positions, with further training needs identified on this basis. On the other hand, personal development options over and above the needs of the specific position are addressed and opportunities for promotion discussed. Alongside traditional seminars, MVV Energie also offers numerous additional qualifications obtainable while continuing to work full time, such as Graduate in Energy and Water Management or the long-distance Energy Management study programme. We also support various MBA programmes.

Key components of our personnel development activities include our group-wide internal programmes to prepare employees for specialist and management careers, as well as for change processes. This way, we are able to fill numerous management positions with internal programme graduates. Alongside the hard skills thereby trained, internal networking also plays a key role, particularly between colleagues at the various locations. During the year under report, female employees accounted for 31 % of the participants in these cross-location promotion programmes.

Putting knowledge management systems to targeted use

MVV Energie provides all of its employees with access to an extensive range of e-learning services. This way, all employees can obtain further training at their own individual pace and in their own time. The training on offer includes IT programmes, business-related topics and foreign languages. We are making ever greater use of user-friendly internet-based platforms (so-called wikis). These represent a suitable medium to store knowledge and make it available to all employees, or just to a defined user group. Such platforms can be used, for example, to help employees learn about new jobs, as project databases, to facilitate interactive exchange or to provide access to presentations and other documents.

The "After Work Academy" devised by our Junior Consulting Team in Mannheim in 2009 has now become a fixed aspect of our knowledge management activities. At the end of the working day, internal experts offer lectures to colleagues on a variety of company-related topics in their various specialisms. Stadtwerke Kiel has devised specialist entry and exit programmes. These serve to promote knowledge transfer and assist new employees in quickly becoming accustomed to new roles.

"Setting Course for the Future" programme launched

In the period under report we successfully completed the group-wide "Once Together" programme intended to safeguard competitive and efficient business processes and cut costs. Based on this programme, we defined personnel targets and a new organisational structure. We are organising the necessary reduction in staff totals in a socially responsible manner.

In the year under report we launched a follow-up project to accompany the change process. With "Setting Course for the Future", we aim to improve the cohesion and cooperation between Mannheim, Kiel and Offenbach and to boost this by engendering a shared sense of belonging while at the same time upholding individual location identities. Via our internal job market, we have been able to advertise and fill positions at all three locations that were vacant to date or created by the new organisational structure.

Active, systematic occupational health and safety

Occupational health and safety within the MVV Energie Group is organised by way of a health and safety system based on the relevant guidelines issued by the Federal Ministry of Labour and Social Affairs (BMAS). In line with the basic framework of this management system at MVV Energie for its wholly-owned subsidiaries, the integrated management system at MVV Umwelt GmbH has been implemented and certified for Quality Management (ISO 9001), Environmental Management (ISO 14001), Energy Management Systems (EN 16001) and Occupational Health and Safety (BS/OHSAS 18001). The operations management company MVV O&M GmbH has been certified by analogy with MVV Umwelt GmbH.

As part of occupational health and safety at the MVV Energie Group, within the "Once Together" programme we implemented location-specific adjustments at our shareholdings and wholly-owned subsidiaries in the year under report so as to exploit synergy effects in this area as well. The Group's health and safety and environmental protection officers meet once a year to share their experiences. Furthermore, there is an Occupational Health and Safety Committee (ASA) on group level.

We have been able to report relatively low numbers of accidents at MVV Energie AG. At twelve accidents per 1 000 employees and eight accidents per million working hours, the accident statistics for MVV Energie AG in the 2010 calendar year were significantly lower than the sector average. We also for the first time evaluated the accidents (from one day of work lost) not subject to reporting requirements. With five work-related accidents per million working hours (LTIF), our figures here are basically in line with the average for energy supply companies.

The number of statistically recorded accidents during work-related journeys in Germany is currently on the increase, a trend which MVV Energie AG has also been unable to escape. In the Rhine/Neckar metropolitan region, the "Safe Journey to Work" initiative is addressing this topic. In a joint poster campaign organised by large companies and associations, for example, employees are made aware of typical dangers on the way to work.

Based on the cooperation of specialist occupational health and safety officers within the company health management structures, we have implemented the statutory prevention regulations relevant to occupational health and safety in line with our specific requirements.

Compliance with codes of conduct and ethical standards

MVV Energie has an extensive compliance management system. This serves not only to ensure compliance with legal requirements, but also sets out in-house codes of conduct and the ethical standards by which we wish our actions to be judged. We have provided extensive information about our compliance system in our Corporate Governance Declaration, which forms part of the Corporate Governance chapter.

We aim to ensure that our suppliers also comply with those codes of conduct that are relevant to us. To this end, for major tenders and contracts our procurement department works, among other instruments, with supplier self-registration and supplier questionnaires. Here, suppliers are asked, for example, about their own compliance and anticorruption regulations and about whether these also apply for upstream suppliers and subcontractors. It is also asked whether their working conditions are consistent with the relevant national legislation and ordinances, as well as with internationally recognised employment standards. Furthermore, we also enquire about non-monetary company objectives, such as voluntary environmental protection measures, or educational, cultural and sports sponsorship.

Our Commitment to Society

Young talent as focus of regional sponsorship

As energy suppliers, we maintain close links at our locations with the surrounding regions and the people who live there. Providing targeted support to projects in the fields of sport, culture, science and welfare forms part of how we see ourselves and our responsibility towards society. Here, we focus in particular on promoting young people. As "Energisers of the Future", we are committed above all to ensuring that children and young people receive support and are promoted in their development.

We support a very wide range of projects. Since 2005, the Sponsoring Fund at MVV Energie AG has supported initiatives in the Rhine/Neckar metropolitan region selected twice a year and funded with a total of Euro 100 000 a year. To date, just under 300 projects have been sponsored with a total of Euro 650 000 following 13 selection rounds. We have once again made an amount of Euro 100 000 available for an emergency assistance fund. Here, we work together 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.

In terms of professional sport, MVV Energie is committed for the fifth season to the Mannheim Eagles (Adler), the record-holding German ice hockey league champions. Our partnership with the top-league football team 1899 Hoffenheim has also evolved over many years. We also sponsor Verena Sailer and Anne Möllinger, two successful athletes at Mannheim's MTG athletics club and medal winners at the World and European Championships.

Energieversorgung Offenbach AG supports and sponsors cultural activities, sports clubs and welfare initiatives in the city and district of Offenbach with Euro 20 000 a year. EVO has acted as principal sponsor to the Offenbach Kickers football club for ten years now. In the year under report, the sponsoring agreement was extended for a further three years.

Stadtwerke Kiel AG focuses its commitment on children, young people and education. At the 24|sieben camp supported by the company, more than 50 000 children and young people have gained their first experience of sailing.

Stadtwerke Ingolstadt Beteiligungen GmbH assists sports clubs, cultural organisations and welfare and charity organisations.

In its sponsoring activities, Stadtwerke Solingen GmbH focuses on sports and culture at schools and for young people.

Events After the Balance Sheet Date

Over and above the factors outlined below, no material changes arose in the underlying framework for our business between the balance sheet date on 30 September 2011 and the preparation of the 2010/11 consolidated financial statements.

To promote the generation of green electricity, the German Renewable Energies Act (EEG) requires electricity consumers to pay an allocation. This so-called EEG allocation is calculated by the four transmission grid operators on the basis of legal requirements. As published on 14 October 2011, from January 2012 the EEG allocation will amount to 3.592 cents per kWh and thus rise slightly. The allocation was previously increased from 2.047 cents per kWh to 3.53 cents per kWh at the beginning of 2011. We will charge the higher allocation on to our customers from 2012, as a result of which this development will not have any economic implications for our business.

At the request of the Federal Network Agency and the Baden-Württemberg state government, Block 3 at the large power plant in Mannheim (GKM), which has a capacity of 220 MW, will be held available for reserve output from November 2011 if required. This so-called cold reserve is intended to avoid any potential bottlenecks in the electricity supply in the next two winters following the switching off of nuclear power plant blocks.

MVV Energie AG will acquire a 25.1 % stake in Stadtwerke Walldorf GmbH in 2012. The Federal Cartel Office has approved the participation. For MVV Energie, this new strategic partnership represents an important step towards expanding and boosting its regional network.

In the context of an advance enquiry by the Federal Network Agency concerning implementation of the verdict passed by the Federal Court of Justice (BGH), our subsidiaries 24/7 Netze GmbH and SWKiel Netz GmbH have decided to conclude a public-law contract. As a result, the maximum electricity and gas revenue caps authorised will increase from the 2012 financial year. Furthermore, there are indications that the scheduled inspection work on the jointly owned power plant in Kiel will probably last well into the 2011/12 heating period. To safeguard the supply of heating energy in Kiel, production will be undertaken at more cost-intensive gas power plants.

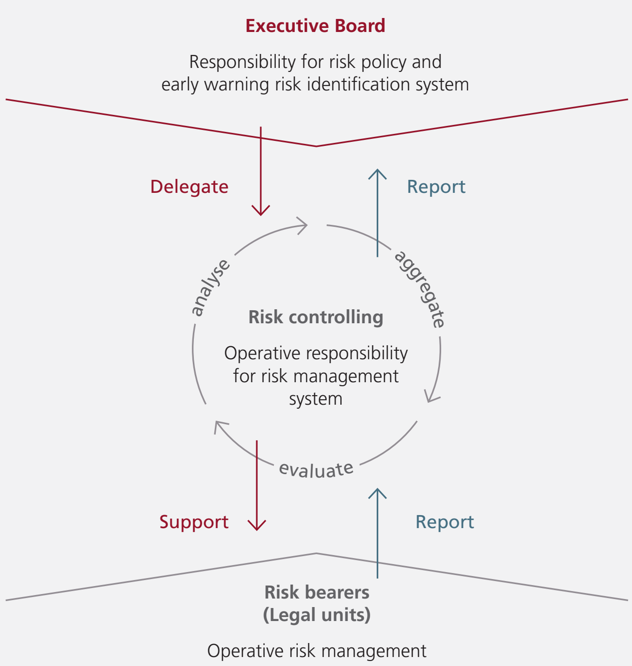
Opportunity and Risk Report

The energy industry is currently affected by major changes in energy policy, great competitive and regulatory pressure and ongoing technological change. Within this climate, all entrepreneurial activity involves opportunities and risks. Systematically identifying, evaluating and managing such opportunities and risks is therefore crucial for our group of companies. Risk management – a key component of any company's sustainable success – therefore represents a management task.

In this report, we inform you about the risk management system in place at the MVV Energie Group and comment both on our overall risk situation and on our six major categories of risk.

Risk management system

Risk management system at the MVV Energie Group



In assessing our opportunities and risks, we are assisted by our central risk management system. This is based on a systematic approach adopted by the Executive Board which sets out our risk policies, responsibilities and analytical and evaluative procedures. Moreover, it also includes those key risk figures relevant to the management of the company on which our risk limit system is based. The risk management system reacts very sensitively to any potential threats to the company's continued existence, enabling us to react at an early stage in the event of any change in the risk situation. We are consistently improving our standards, processes and instruments.

We have met all of the organisational requirements to facilitate the early detection of potential threats and opportunities, the rapid transfer of relevant information and the transparent analysis of our current opportunity/risk situation. Each unit with risk exposure reports uncertainties to the central risk controlling department on a monthly basis. We analyse and aggregate the data and then perform risk and opportunity assessments on group level. Where necessary, we initiate measures to avert, reduce or pass on risks. The Executive Board and individual companies are informed on a monthly basis and the Supervisory Board on a quarterly basis. They receive risk reports concerning the company's risk and opportunity situation from a legal perspective, as well as from the perspective of the management of the respective business fields. In special cases, the Executive Board is informed immediately and itself then reports directly to the Supervisory Board.

The effectiveness of this system is audited annually by both internal and external auditors. Specifically, the auditors check that the system meets the requirements of § 91 (2) of the German Stock Corporation Act (AktG).

Overall risk

Although the industry climate was characterised by greater uncertainties in the year under report than in earlier financial years, from the perspective of the Executive Board of the MVV Energie Group there are no indications that any risks, either individually or aggregately, could have endangered the continued existence of the company in the year under report or which could do so in future. The overall risk situation of our group of companies was stable in the 2010/11 financial year.

The following factors are particularly significant for our business results:

- Weather conditions
- Price fluctuations on procurement and sales markets
- Changes in the legislative framework
- Interventions by regulatory authorities.

We distinguish between the following six key risk categories that could influence our business performance and our net asset, financial and earnings position.

Price risks and opportunities

Prices may fluctuate significantly both on the procurement side and on the sales side. Taken together with open positions, prices may thus positively or negatively affect our Group's earnings.

To actively manage energy price risks and opportunities, we conclude appropriate hedging transactions via our energy trading subsidiary, which was renamed MVV Trading GmbH as of the end of September 2011 (previously 24/7 Trading GmbH). Within its risk management, MVV Trading monitors market price risks using a multilevel limit system. In this, the company works with customary procedures, such as value at risk, stress tests and capital at risk measurements. Further information about this company can be found in the Significance of Central Energy Trading chapter.

One factor with a potentially significant impact on our earnings performance is the development in the clean dark spread (CDS). The CDS corresponds to the difference between the revenues generated from electricity sales and the generation costs thereby incurred. Generation costs chiefly consist of fuel procurement costs (coal, gas) and emission rights (CO_2). Prices on commodity markets can fluctuate substantially. Additional uncertainties result from the fact that fuel procurement dates often deviate from the dates on which the electricity is sold. In the year under report, generation costs (especially coal) rose more sharply than electricity prices, thus leading to a reduction in the CDS.

In general, rising procurement costs may result in reduced earnings on sales, unless such price increases can be passed on to customers in full. This may also be the case when higher electricity prices are not enforceable in the given market climate, a development that would lead to reduced margins.

We are now also active in the UK in our waste incineration business. As a result, the risks and opportunities associated with exchange rate movements will also become a more significant factor for our Group in future. In the year under report, we developed a suitable hedging strategy against the main risks involved, as well as taking the necessary precautions in terms of our operating risk management.

Operating risks and opportunities

The operation of energy generation plants is a source of substantial operating risk. Downtime at any such plant could mean that we are unable to produce the planned volumes. In this case, account would also have to be taken of potential repair costs. Moreover, it might be necessary to supply substitute deliveries to customers, a factor which generally also increases costs. We act systematically to avert such risks. On the one hand, we perform regular maintenance work on our plants and maintain them at high quality levels for as long as possible. On the other hand, we conclude suitable breakdown insurance policies. Opportunities for higher generation volumes and lower costs result, for example, from inspection periods not lasting as long as scheduled or from plant availability exceeding the budgeted number of hours of use.

Both our waste incineration plants and our biomass plants are exposed to the risk that poor-quality fuel may result in lower output for equal input. Conversely, better quality results in higher output. We perform permanent quality management and monitor the fuel delivered.

Large projects, such as the construction of new high-capacity generation facilities, often involve long planning and construction periods. As a result, the design and costing standards for these projects are especially high. Our Investment Committee, supported by several in-house specialist departments acting in an advisory capacity, therefore reviews such projects in advance. We nevertheless cannot exclude the risk of projects being delayed or of actual costs exceeding the budgeted levels due to developments on the ground.

We attach great priority to attracting and retaining well-qualified employees at our company. For this reason, we offer targeted personnel development programmes on all levels at MVV Energie. We accord particular attention to promoting women in management positions. We are making detailed preparations for the impact of demographic change and are committed to helping employees achieve a satisfactory work/life balance. We only see a low risk of not being able to find suitable replacements for key personnel. Further detailed information about our personnel policies and our various personnel-related measures can be found in the Sustainability chapter.

IT, model, organisational and security risks and opportunities are also assessed within this risk category, but currently only play a subordinate role. The same applies for risks associated with the expiry of concession agreements.

Volume risks and opportunities

Earnings from our business activities may be positively or negatively affected by fluctuations in volumes both on the procurement side and on the sales side.

As we supply large numbers of customers with heating energy (district heating, gas), weather conditions during the heating period (October to April) are a key factor for our business. Colder temperatures, such as those seen in December 2010, enable us to turn over significantly higher volumes. Warmer temperatures, such as in April 2011, have the opposite effect – customers heat less, our sales volumes and earnings reduce. All in all, the heating period in the year under report was slightly cooler than we expected, but nevertheless milder than in the previous year.

Volume fluctuations may also result from any changes in consumption patterns due to thermal insulation or comparable efficiency measures or from any changes in the underlying economic framework.

Further changes in volumes may result from our customers switching to competitors within the liberalised energy market. We counter this risk, for example, by developing innovative, competitive products such as the Electricity/Gas Energy Fund.

Our business is only indirectly influenced by developments in the overall economy. One example here is when companies we supply curtail their production due to the economic situation and thus procure less energy from us.

Legislative risks

We summarise the potential impact on our business performance of regulation or legal risks under "legislative risks".

Regulatory risks mainly result from the relevant authorities, such as the Federal Network Agency (BNetzA) or cartel offices, intervening in the company's price structures. To date, this chiefly involved grid utilisation fees, which were fixed by the BNetzA.

The possibility that we could be required, for example, to reduce water prices for our customers in line with requirements stipulated by the cartel authorities cannot be excluded. Were costs to remain unchanged, this would impact negatively on our margin, and thus on our earnings. Equally, legal requirements, such as those governing the compensation of renewable energies under the German Renewable Energies Act (EEG), might have a negative effect on our existing business or planned growth.

To counter these risks, we play an active role in the political opinion-forming process. Further details about this can be found in the Energy Policy Changes chapter.

Legal risks chiefly result from court cases, product liability or onerous or unenforceable contracts. These risks are limited by the Group's legal department, which negotiates and drafts the relevant contracts.

Financing risks

The main risks in this category are receivables default risk and liquidity risk.

Receivables default risk arises when customers fail to settle receivables due from them, or settle them only in part. To limit this risk, we select our business partners with due commercial prudence. We ensure that our portfolio remains diversified by avoiding risk clusters. We only perform transactions with customers of good credit standing. Where necessary, we additionally agree the provision of security and guarantees. We can nevertheless not exclude the possibility that our business partners' financial positions will deteriorate over time, or are poorer than we originally assessed, factors which could impact negatively on our earnings.

With regard to liquidity risks, we benefit from our organisational form as a group of companies. Our internal group cash pooling enables us to minimise liquidity risk and positively influence our net interest expenses. We increased our liquidity as a precautionary measure by taking up two promissory note bonds in the 2008/09 financial year. Here, we agreed a covenant based on the equity ratio of the MVV Energie Group. The lenders would be entitled to terminate the facility prematurely should we fail to comply with this covenant. Given our comparatively strong equity resources, however, we only see a low risk of non-compliance with this contractual requirement.

Country risks resulting, for example, from a state being unable or unwilling to meet its payment obligations, currently only play a subordinate role for our Group.

Strategic risks and opportunities

The growth of the MVV Energie Group is largely determined by which markets, technologies and companies it invests in, as well as by the timing and scope of such investments. Strategic decisions that subsequently prove to be inappropriate could impact negatively on our business earnings. Correct decisions, by contrast, have a positive effect on our earnings performance.

Our strategic alignment is therefore continually monitored by our group strategy department and adjusted in liaison with the Executive Board. Potential new business is defined in the strategic planning process. Investments are carefully reviewed by the Investment Committee together with the relevant in-house specialist departments. The possibility of inappropriate assessments resulting in a loss of earnings nevertheless cannot be excluded.

With our MVV 2020 and "Once Together" strategy projects, we acted in past financial years to optimise our management of strategic risks. We completed the "Once Together" project in the year under report. In view of the 2011 Energy Turnaround Package, renewable energies and energy efficiency have gained yet further in significance. This represents a major strategic opportunity for us. We have longstanding experience and great technical expertise in these areas being promoted by the government. This head start over the competition provides the MVV Energie Group with good opportunities in the market.

Outlook

Executive Board summary of future company development

Converting the energy supply towards increased generation from renewable energy sources and greater energy efficiency will significantly change the underlying framework and means that energy markets will remain volatile. Our Group acted early to expand renewable energies and environmentally-friendly cogeneration. The energy turnaround has confirmed this course. These new challenges in the energy market, the consistent implementation of our growth strategy and a tough competitive climate will all play a role in determining our future economic performance.

Future macroeconomic framework

In their autumn survey published on 13 October 2011, Germany's leading research institutes forecast significantly weaker growth of 0.8 % for 2012 compared with the growth of 2.9 % expected in the 2011 calendar year. The situation on the financial markets is currently characterised by great uncertainty. From a current perspective, it is difficult to predict how the sovereign debt crises in several euro area member states and the USA and the current turbulences on global stock and financial markets will impact on the German economy. Thanks to the MVV Energie Group's broad-based business portfolio, however, the impact of macroeconomic developments on our company can be expected to remain moderate.

Future situation in the sector

The German energy supply is currently undergoing fundamental change. This conversion process will be further accelerated by the nuclear energy exit adopted by the government. Due to the expansion in energy generation from wind and solar power – with fluctuating capacities – the electricity supply system as a whole will have to become significantly more flexible to be able to guarantee supply reliability at all times. This will require grids, storage facilities and flexible conventional generation capacities to be expanded. Furthermore, the system as a whole will have to be controlled by smarter grids and demand-side measures leading to lower energy consumption.

Competition on electricity and gas markets is set to intensify further. Increasing intervention by cartel authorities has also been seen in the German water sector. We expect energy prices to remain high. Should the situation in the Middle East deteriorate, then oil prices can be expected to increase. Coal prices are also expected to rise further given high demand in emerging economies and the increased use of coal to generate electricity following the nuclear catastrophe in Japan. Higher coal prices, the accelerated nuclear energy exit and the expansion in renewable energies and the electricity transmission grids thereby required – all these factors can also be expected to impact on electricity prices.

We have adopted the right strategy

The energy turnaround offers us opportunities which we intend to exploit. MVV Energie has long set out towards a new energy future and is consistently maintaining this course. The energy turnaround decisions offer us confirmation that we have laid the right strategic foundation. With efficient structures and processes and with our forward-looking investment programme, we are creating a basis for sustainable profitable growth at our company. In this, we are building on renewable energies and energy efficiency as the lead systems for the future energy supply in Germany. Further details can be found in the Corporate Strategy chapter in this Annual Report.

Expansion in renewable energies

As a group of utility and energy supply companies with municipal and regional roots, and given its strategic focuses, MVV Energie is well positioned to expand the decentralised generation of energy from renewable sources.

Onshore wind plants form one key component in our expansion in the share of renewable energies in our electricity generation. By investing in 23 wind turbines at the Kirchberg location in the state of Rheinland-Pfalz, due to commence operations by the end of 2011, we have made important progress in our wind power business. Our municipal utility and energy supply companies are on the lookout for further investment opportunities. We see great potential for wind power in Baden-Württemberg, which the new state government would like to transform into a leading energy and climate protection region. Onshore wind power plants represent a proven, economical technology that also open up new opportunities and possibilities for small-scale investors from within the region, such as local councils, agriculture and forestry, municipal utility companies and private investors.

Our other focuses in expanding renewable energies involve using biomass for energy generation, an area in which MVV Energie is already one of the market leaders, and the generation of biomethane. In summer 2012 we will launch operations at our first jointly operated biomethane plant in Klein Wanzleben, Sachsen-Anhalt. Furthermore, our Group currently operates four biogas plants generating electricity and heating energy for neighbouring industrial and commercial customers.

Future market of energy efficiency and cogeneration

Primary energy sources can be put to more efficient use on the generation side by working with cogeneration, i.e. simultaneously generating electricity and heating energy. On the consumer side, the possibilities include optimising energy use in industrial production processes and renovating existing buildings.

MVV Energie is already one of Germany's largest district heating suppliers. We will work consistently to further expand our generation of district and local heating using cogeneration at our locations in Mannheim, Kiel, Offenbach and Ingolstadt, as well as in the Czech Republic.

The construction of Block 9 at the large power plant in Mannheim (GKM), in which we hold a 28 % stake, will create the basis necessary to ensure long-term supply reliability and the expansion of district heating in the Rhine/Neckar metropolitan region. Due to technical, sales and organisational reasons, the expansion and concentration programme at the Mannheim location extends over a period of several years. Construction work on Block 9 has been delayed and operations are now only expected to begin during the 2015 calendar year. These delays will have no impact on the reliability of GKM's electricity and district heating supplies, but could involve additional costs for MVV Energie.

On 27 July 2011, the 10th Senate of Baden-Württemberg State Administration Court (VGH Mannheim) dismissed the lawsuit filed by Friends of the Earth Germany (BUND) against the air pollution approval granted to Block 9 at GKM. According to the court, GKM was legally entitled to the granting of an approval as the construction and operation of Block 9 did not infringe any public sector requirements. The court granted permission for an appeal to be filed at the Federal Administration Court in Leipzig. The deadline for filing such appeal had not expired by the editorial cut-off for this report.

The waste heat and district heating joint project in Ingolstadt commenced operations on 6 July 2011. We expect this use of waste industrial heat to increase the volume of district heating fed into the grid by an additional amount of 130 million kWh to up to 300 million kWh a year. In July 2011, Stadtwerke Kiel AG began construction work on the business park in Kiel-Suchsdorf (65 000 m²). District heating and electricity supplies are scheduled to begin in January 2012.

Our Czech subgroup is investing in technological extensions to existing heating energy generation plants and the construction of gas-assisted cogeneration plants at several locations. This construction work within the COGEN II project is expected to be completed in the 2012/13 financial year. With its takeover of the waste-fired cogeneration plant in the City of Liberec, MVV Energie CZ a.s. has further expanded its position as one of the leading district heating suppliers in the Czech Republic. Information about current district heating projects at our locations in Mannheim, Kiel, Offenbach and Ingolstadt can also be found in our Corporate Strategy and Sustainability chapters.

Opportunities in the waste market

With our MVV Umwelt GmbH subsidiary, we are one of the leading German and European companies in the waste market when it comes to the forward-looking technology of generating energy from waste. We exploit the energy potential available in household and commercial waste as an important resource for simultaneously generating heating energy and electricity. The planned energy from waste plant in the port of Plymouth in the south of the UK offers us the opportunity of contributing to the British market our extensive experience in planning, building and operating power plants and of putting waste to ecological use. Starting in 2014, the plant should use around 245 000 tonnes of waste a year to generate electricity and heating energy.

The new contracts governing the incineration of non-recyclable waste from the cities of Mannheim and Heidelberg and the Rhine/Neckar district will take effect from the beginning of 2013 (200 000 tonnes a year). These contracts, which were acquired in separate pan-European tenders, offer sustainable proof of our competence in generating energy from waste.

Energy-related services and sales products

The energy turnaround offers us improved market opportunities as an experienced provider of energy-related services. With our energy-efficient solutions and customised products, we are focusing among others on medium-sized industrial customers and real estate customers.

In our sales business, we intend to consistently maintain the successful course we have taken with our innovative products, such as the Electricity/Gas Energy Fund. To this end, in the coming years we will be further expanding our electricity and gas sales to nationwide industrial and commercial customers.

Future research and development activities

We drew on the positive media reception for our "Model City Mannheim" E-Energy project to acquire further trial customers for the third round of field trials begun in autumn 2011. In the course of these, we will be equipping up to 1 000 customers in Mannheim with energy management systems. Our aim here is to enhance energy efficiency and the possibilities of shifting loads with the assistance of modern information and communications technology. Furthermore, we are investigating how the fluctuating volumes of electricity generated with renewable energies can be intelligently balanced with electricity needs. This way, we aim to ensure that MVV Energie is in the best possible starting position in terms of the requirements placed in smart grids.

Future sales and earnings performance

During the process of converting the German energy supply towards renewable energies, we expect underlying conditions to be unstable and energy markets to remain volatile in the coming years. These changes in the energy market make it more difficult to issue any reliable forecast concerning our future sales and earnings.

The MVV Energie Group plans its sales and earnings on a uniform basis across its various subgroups. In terms of sales (excluding energy taxes), assuming that weather conditions are normal we expect to generate slight growth in a low single-digit percentage range in the 2011/12 financial year compared with the previous year's figure (Euro 3.59 billion).

This growth will chiefly be driven by nationwide electricity and gas sales, the expansion of district heating at our locations in Germany and the Czech Republic and the wind business. The price increases for district heating and gas which took effect as of 1 October 2011 will also contribute to the expected sales growth. Furthermore, from a current perspective we also assume that our sales will show further slight growth in the subsequent 2012/13 financial year due to the successful implementation of our growth strategy.

Many energy companies are struggling with substantial downturns in sales and earnings in the difficult current economic and political climate. Our balanced business portfolio covering large sections of the value chain helps us better absorb energy policy changes and fluctuations in individual business fields.

Key factors influencing the earnings of the MVV Energie Group are its generation margin (clean dark spread), waste prices, weather conditions and the development in competition in our industry. Further significant factors include the regulatory framework for grids and trading, the costs of implementing unbundling requirements, and the costs arising due to the energy turnaround. The clean dark spread at the power plants in Mannheim and Kiel is determined on the one hand by electricity prices on the wholesale markets and fuel prices (coal) and on the other by CO_2 emission right prices and the euro/dollar exchange rate. We expect to see a low clean dark spread in the 2011/12 budget year, as a large share of the electricity production for delivery in the 2011/12 financial year was already sold on a forward basis several years ago. Due to our hedging strategy, any increase in the clean dark spread would only have any effect from the following 2012/13 financial year.

Furthermore, our future earnings will also be heavily influenced by our investments in the future, which will only generate positive EBIT contributions following the launch of operations. The future investments already committed today are presented in the table on the next page.

Given these factors, in the 2011/12 financial year we do not expect to be able to match the high level of earnings posted for the 2010/11 year under report (Euro 242 million). We nevertheless hope to be able to offset a large part of the aforementioned charges on earnings with positive earnings contributions from our high-growth businesses and cost savings generated by internal optimisation and efficiency enhancement measures. Overall, however, we expect our adjusted EBIT for the 2011/12 financial year to fall slightly short of the previous year's figure.

Further challenges will arise in the second 2012/13 budget year on account of the development in CO_2 emission rights. Starting in the 2013 calendar year, emission rights will have to be auctioned in full. Furthermore, the lower waste prices agreed in the new contracts with municipalities in the Rhine/Neckar metropolitan region will also take effect from 2013. We have set ourselves the target of offsetting these charges on earnings with earnings contributions from our high-growth business activities.

The construction of the new Block 9 at the large power plant in Mannheim (GKM) represents a special factor. Under IFRS, the expenses resulting from recognition of construction interest are recognised in the consolidated financial statements. In the separate financial statements of the MVV RHE GmbH subsidiary, which owns the stake in GKM, however, they are charged to cost of materials. In the separate financial statements of MVV Energie AG prepared in accordance with the German Commercial Code (HGB), this factor will reduce the profit transferred from MVV RHE GmbH. From a current perspective, we therefore expect the annual net surplus after taxes at MVV Energie AG for the coming 2011/12 and 2012/13 financial years based on the requirements of the German Commercial Code (HGB) not quite to match the figure reported for the 2010/11 financial year. In terms of sales (excluding energy taxes) at MVV Energie AG calculated in line with the German Commercial Code (HGB), assuming normal weather conditions we expect to see slight growth in the 2011/12 and 2012/13 financial years compared with the year under report (Euro 1.7 billion).

Dividend continuity

Thanks to the consistent implementation of its corporate strategy, our group of companies is well positioned to absorb short-term negative factors while at the same time successfully exploiting the medium-term opportunities offered by the energy turnaround. We are upholding a dividend policy based on continuity to offer our shareholders a solid return in future as well. Details of the dividend proposal for the 2010/11 financial year can be found in the Letter from the CEO. MVV Energie paid its shareholders a dividend of Euro 0.90 per share for the 2009/10 financial year.

Budgeted investments

We have budgeted an investment volume of around Euro 0.7 billion for the 2011/12 and 2012/13 financial years. Half of the growth investments included in this total are already fixed, while the rest relate to investments in our existing business. Consistent with our strategic alignment, our growth investments will focus on the business fields of generation (renewable energies), environmental energy (energy from waste) and energy-related services. The investments budgeted for our existing business relate above all to energy efficiency enhancements at our energy from waste plant in Mannheim (environmental energy business field) and to grid expansion measures (grids business field).

Significant growth investments

	Investment volume Euro million	Expected operations launch
Energy from waste plant in Plymouth Capacity: 245 000 tonnes p.a. (Environmental Energy business field)	250	2014/2015
Kirchberg wind farm/Hunsrück 52.9 MW (Generation business field)	84	December 2011
Klein Wanzleben biomethane plant Natural gas generation volume: 58 million m³ p.a. (Generation business field)	12	Summer 2012
Waste-fired cogeneration plant Liberec, CZ Capacity 106 000 tonnes p.a. (Strategic Investments business field)	44	Already in operation

Future net asset and financial position

Our group of companies has sufficient funds to meet its future liquidity requirements. We currently see no financial restrictions for our Group due to rising borrowing costs. It remains to be seen whether new borrowing terms will deteriorate due to the implications of any difficult overall situation in the financial sector.

Our investment and financial planning for the coming financial years will be affected by the implementation of our growth strategy. We will make efficient use of our financing potential, investing in a targeted manner in value-adding growth projects consistent with our strategic framework and meeting our project-specific profitability requirements. With an adjusted equity ratio of 39.5 %, we have a solid financial foundation enabling us to achieve a well-balanced mix of financing for the investments we have budgeted both with funds generated internally and with funds obtained via the capital market. We will fund the investments budgeted in our existing business with internal operating financing from depreciation. Investments in our high-growth business will be financed both from our operating cash flow and with optimised project-specific financing facilities. Moreover, we will pool structurally similar projects with comparable terms. Funds for these projects will be taken up on the capital market.

As guidelines for our debt-financed growth we have defined various key financial figures in our strategic financial planning and also comply with these. This way, we will continue to ensure an implicit ranking on a strong investment grade level for the MVV Energie Group.

Future opportunities and risks

The future challenges resulting from the energy turnaround and the resultant confirmation of our strategic alignment harbour opportunities for our group of companies to generate profitable growth in the medium and long term. No further risks have been added to the six categories (price risks and opportunities, operating risks and opportunities, volume risks and opportunities, legislative risks, financing risks, strategic risks and opportunities) listed in our 2010/11 Opportunity and Risk Report. From a current perspective, there are no indications of any risks that could endanger the company's continued existence in the course of the 2011/12 financial year or beyond.

Forward-looking statements and forecasts

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

Consolidated Financial Statements

Income Statement
from 1.10.2010 to 30.9.2011

Income statement of the MVV Energie Group

Euro 000s	1.10.2010 to 30.9.2011	1.10.2009 to 30.9.2010	Notes
Sales	3 804 452	3 548 371	
less electricity and natural gas taxes	213 978	189 156	
Sales after electricity and natural gas taxes	**3 590 474**	**3 359 215**	1
Changes in inventories	5 602	– 603	
Own work capitalised	18 917	15 338	2
Other operating income	242 607	505 759	3
Cost of materials[1]	2 820 633	2 580 394	4
Personnel expenses	328 423	323 118	5
Other operating expenses[1]	290 037	510 402	6
Income from associates	14 895	11 085	7
Other income from shareholdings	2 410	– 6 221	7
EBITDA	**435 812**	**470 659**	
Depreciation	151 593	159 007	8
EBITA	**284 219**	**311 652**	
Goodwill amortisation	—	3 343	9
Restructuring expenses	30 926	—	10
EBIT	**253 293**	**308 309**	
of which result of IAS 39 derivative measurement	46 304	68 890	
of which EBIT before result of IAS 39 derivative measurement	206 989	239 419	
Financing income	8 239	8 599	11
Financing expenses	67 548	82 634	12
EBT	**193 984**	**234 274**	
Taxes on income	58 362	80 801	13
Annual net surplus	**135 622**	**153 473**	
of which minority interests	18 394	14 452	
of which share of earnings attributable to shareholders in MVV Energie AG (annual net surplus after minority interests)	**117 228**	**139 021**	14
Basic and diluted earnings per share in Euro	**1.78**	**2.11**	

1 previous year's figures adjusted

Statement of Income and Expenses Recognised in Group Equity
from 1.10.2010 to 30.9.2011

Statement of income and expenses recognised in group equity of the MVV Energie Group

Euro 000s	1.10.2010 to 30.9.2011	1.10.2009 to 30.9.2010
Annual net surplus	**135 622**	**153 473**
Cash flow hedges	– 17 868	671
Differential amounts from currency translation	– 542	2 181
Other income and expenses	**– 18 410**	**2 852**
Comprehensive income	**117 212**	**156 325**
Minority interests	18 217	16 359
Comprehensive income attributable to shareholders in MVV Energie AG	**98 995**	**139 966**

Balance Sheet

as of 30.9.2011

Balance sheet of the MVV Energie Group

Euro 000s	30.9.2011	30.9.2010	Notes
Assets			
Non-current assets			
Intangible assets	309 682	310 946	15
Property, plant and equipment	2 136 810	2 057 796	16
Investment property	5 885	6 058	17
Associates	101 428	92 960	18
Other financial assets	93 502	91 900	19
Other receivables and assets	135 264	121 989	20
Deferred tax assets	12 746	2 907	33
	2 795 317	**2 684 556**	
Current assets			
Inventories	65 923	57 448	21
Trade receivables	448 056	432 151	22
Other receivables and assets[1]	219 690	296 674	20
Tax receivables[1]	6 346	17 968	23
Securities	1 425	1 495	
Cash and cash equivalents	168 518	147 101	24
	909 958	**952 837**	
	3 705 275	**3 637 393**	
Equity and liabilities			
Equity			25
Share capital	168 721	168 721	
Capital reserve	455 241	455 241	
Accumulated net income	512 030	452 089	
Accumulated other comprehensive income	– 2 549	15 684	
Capital of the MVV Energie Group	**1 133 443**	**1 091 735**	
Minority interests	212 649	95 395	
	1 346 092	**1 187 130**	
Non-current debt			
Provisions	123 285	114 395	26, 27, 28
Financial debt	933 270	1 055 804	29
Other liabilities	177 068	183 077	30
Deferred tax liabilities	151 495	147 171	33
	1 385 118	**1 500 447**	
Current debt			
Other provisions	184 746	181 872	26, 28
Tax provisions	16 289	23 010	26, 28
Financial debt	322 197	293 009	29
Trade payables	246 203	251 979	31
Other liabilities[1]	204 141	198 100	30
Tax liabilities[1]	489	1 846	32
	974 065	**949 816**	
	3 705 275	**3 637 393**	

1 previous year's figures adjusted

Statement of Changes in Equity

Statement of changes in equity of the MVV Energie Group

	Equity contributed		**Equity generated**							
			Accumulated net income			**Accumulated other comprehensive income**				
Euro 000s	Share capital of MVV Energie AG	Capital reserve of MVV Energie AG	Statutory reserve of MVV Energie AG	IAS reserve	Group equity generated	Differential amount from currency translation	Fair value measurement of financial instruments	**Capital of the MVV Energie Group**	Minority interests	**Total capital**
Balance at 1.10.2009	**168 721**	**455 241**	**1 278**	**171 385**	**198 746**	**16 351**	**– 1 612**	**1 010 110**	**103 029**	**1 113 139**
Income and expenses recognised in equity	—	—	—	—	—	1 963	– 1 018	945	1 907	2 852
Result of business operations	—	—	—	—	139 021	—	—	139 021	14 452	153 473
Comprehensive income	—	—	—	—	**139 021**	**1 963**	**– 1 018**	**139 966**	**16 359**	**156 325**
Dividend distribution	—	—	—	—	– 59 316	—	—	– 59 316	– 11 921	– 71 237
Capital increase/ reduction at subsidiaries	—	—	—	—	—	—	—	—	– 854	– 854
Change in scope of consolidation	—	—	—	—	975	—	—	975	– 11 218	– 10 243
Balance at 30.9.2010	**168 721**	**455 241**	**1 278**	**171 385**	**279 426**	**18 314**	**– 2 630**	**1 091 735**	**95 395**	**1 187 130**
Balance at 1.10.2010	**168 721**	**455 241**	**1 278**	**171 385**	**279 426**	**18 314**	**– 2 630**	**1 091 735**	**95 395**	**1 187 130**
Income and expenses recognised in equity	—	—	—	—	—	– 471	– 17 762	– 18 233	– 177	– 18 410
Result of business operations	—	—	—	—	117 228	—	—	117 228	18 394	135 622
Comprehensive income	—	—	—	—	**117 228**	**– 471**	**– 17 762**	**98 995**	**18 217**	**117 212**
Sale of minority interests not leading to loss of control	—	—	—	—	—	—	—	—	120 578	120 578
Dividend distribution	—	—	—	—	– 59 316	—	—	– 59 316	– 24 036	– 83 352
Capital increase/ reduction at subsidiaries	—	—	—	—	—	—	—	—	– 152	– 152
Change in scope of consolidation	—	—	—	—	2 029	—	—	2 029	2 647	4 676
Balance at 30.9.2011	**168 721**	**455 241**	**1 278**	**171 385**	**339 367**	**17 843**	**– 20 392**	**1 133 443**	**212 649**	**1 346 092**

Cash Flow Statement

Cash flow statement of the MVV Energie Group[1]

Euro 000s	**1.10.2010 to 30.9.2011**	1.10.2009 to 30.9.2010
Annual net surplus before taxes on income	193 984	234 274
Amortisation of intangible assets, depreciation of property, plant and equipment and investment property	151 593	162 350
Net financial result	59 309	74 035
Interest received	8 155	8 494
Change in non-current provisions	21 252	11 707
Other non-cash income and expenses	– 35 525	– 54 120
Result of disposal of non-current assets	6 279	3 302
Cash flow before working capital and taxes	**405 047**	**440 042**
Change in other assets	– 76 782	– 27 237
Change in other liabilities	109 654	– 14 725
Change in current provisions	– 9 484	13 738
Income taxes paid	– 52 723	– 56 199
Cash flow from operating activities	**375 712**	**355 619**
Investments in intangible assets, property, plant and equipment and investment property	– 212 475	– 201 943
(Free cash flow)	**(163 237)**	**(153 676)**
Proceeds from disposals of intangible assets, property, plant and equipment and investment property	10 104	17 435
Proceeds from subsidy payments	17 160	13 042
Proceeds from sale of other financial assets	2 837	5 734
Payments for acquisition of fully and proportionately consolidated companies[2]	– 22 573	– 9 946
Payments for other financial assets	– 12 013	– 28 386
Cash flow from investing activities	**– 216 960**	**– 204 064**
Proceeds from taking up of loans	162 476	128 216
Payments for redemption of loans	– 163 054	– 308 693
Dividend payment	– 59 316	– 59 316
Dividend payment to minority shareholders	– 24 036	– 11 921
Change due to changes in capital at minority shareholders	1 110	– 854
Interest paid	– 61 154	– 76 394
Cash flow from financing activities	**– 143 974**	**– 328 962**
Cash-effective changes in cash and cash equivalents	14 778	– 177 407
Change in cash and cash equivalents due to currency translation	– 486	708
Change in cash and cash equivalents due to changes in scope of consolidation	7 125	2 630
Cash and cash equivalents at 1.10.2010 (2009)	147 101	321 170
Cash and cash equivalents at 30.9.2011 (2010)	**168 518**	**147 101**

Cash flow – aggregate presentation

Euro 000s	1.10.2010 to 30.9.2011	1.10.2009 to 30.9.2010
Cash and cash equivalents at 1.10.2010 (2009)	**147 101**	**321 170**
Cash flow from operating activities	375 712	355 619
Cash flow from investing activities	– 216 960	– 204 064
Cash flow from financing activities	– 143 974	– 328 962
Change in cash and cash equivalents due to currency translation	– 486	708
Change in cash and cash equivalents due to changes in scope of consolidation	7 125	2 630
Cash and cash equivalents at 30.9.2011 (2010)	**168 518**	**147 101**

1 further information about the cash flow statement can be found in Note 37
2 please see explanations under "Scope of Consolidation and Changes in Scope of Consolidation"

Segment Report

Income statement of the MVV Energie Group by segment from 1.10.2010 to 30.9.2011

Euro 000s	External sales excluding energy taxes	Intercompany sales excluding energy taxes	Scheduled depreciation	Impairment losses and restructuring
Generation and Infrastructure	320 087	663 050	96 457	1 149
Trading and Portfolio Management	799 823	1 170 673	290	—
Sales and Services	2 095 279	320 247	17 490	89
Strategic Investments	370 752	11 264	18 611	2 908
Other Activities	4 533	29 262	14 110	31 415
Consolidation	—	−2 194 496	—	—
Total	**3 590 474**	**—**	**146 958**	**35 561**

Euro 000s	Non-cash income and expenses	Adjusted EBIT	Income from associates	Investments
Generation and Infrastructure	2 165	122 975	11 538	145 547
Trading and Portfolio Management	1 164	25 894	—	2 256
Sales and Services	6 783	50 776	−337	12 984
Strategic Investments	915	36 925	—	30 287
Other Activities	10 858	5 566	3 694	21 401
Consolidation	—	60	—	—
Total	**21 885**	**242 196**	**14 895**	**212 475**

The conversion of reporting segments to the respective value creation stages has led to amendments in the presentation of the segment report. Further details can be found in Note 36.

For information purposes, the previous year's figures for the reporting segments have been derived and calculated in line with the new structure. The previous year's figures thus represent pro forma figures.

Income statement of the MVV Energie Group by segment from 1.10.2009 to 30.9.2010

Euro 000s	External sales excluding energy taxes	Intercompany sales excluding energy taxes	Scheduled depreciation	Impairment losses and restructuring
Generation and Infrastructure	329 178	710 418	90 165	1 710
Trading and Portfolio Management	683 926	1 760 630	299	—
Sales and Services	1 983 727	275 036	18 216	16 847
Strategic Investments	356 442	9 600	17 717	2 863
Other Activities	5 942	25 681	14 170	363
Consolidation	—	−2 781 365	—	—
Total	**3 359 215**	**—**	**140 567**	**21 783**

Euro 000s	Non-cash income and expenses	Adjusted EBIT	Income from associates	Investments
Generation and Infrastructure	7 272	122 365	5 470	118 880
Trading and Portfolio Management	2 296	39 902	—	96
Sales and Services	13 620	39 297	−333	36 364
Strategic Investments	1 457	36 541	—	27 907
Other Activities	3 087	8 039	5 948	18 696
Consolidation	—	−2 591	—	—
Total	**27 732**	**243 553**	**11 085**	**201 943**

Notes to the 2010/2011 Consolidated Financial Statements

of the MVV Energie Group

General principles

The consolidated financial statements of the MVV Energie Group have been prepared pursuant to § 315a (1) of the German Commercial Code (HGB) in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union. Full application has been made of all of the standards of the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union and requiring mandatory application as of 30 September 2011.

The consolidated financial statements have been prepared as of the balance sheet date for the annual financial statements of MVV Energie AG and refer to the 2010/11 financial year (1 October 2010 to 30 September 2011). MVV Energie AG has its legal domicile in Mannheim, Germany. The MVV Energie Group acts as an energy distributor and service provider in its reporting segments based on value chain stages, namely Generation and Infrastructure, Trading and Portfolio Management, Sales and Services and Strategic Investments. 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 income statement, the statement of income and expenses recognised in equity and the balance sheet, the statement of changes in equity, the segment report and the cash flow statement have been presented separately. The income statement has been prepared in accordance with the total cost method. In the interests of clarity, individual items have been presented in summarised form in the income statement and balance sheet and broken down and outlined separately in the notes.

The Executive Board of MVV Energie AG is responsible for the preparation, completeness and accuracy of the consolidated financial statements and the combined management report. The consolidated financial statements and combined management report were approved for publication by the Executive Board on 11 November 2011 and forwarded to the Supervisory Board for adoption.

Changes in accounting polices

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (previously IFRIC) have revised or newly adopted some standards and interpretations which require mandatory application for the first time in the 2010/11 financial year. The MVV Energie Group applied the following standards and interpretations for the first time in the 2010/11 financial year:

Improvement Project (2009/2010)	Omnibus Standard Amending Various IFRSs
IAS 32 Amendment (2009)	Financial Instruments: Presentation: Classification of Rights Issues
IFRS 1 Amendment (2010)	Limited Exemption from IFRS 7 Disclosures for First-time Adopters
IFRS 1 Amendment (2009)	Additional Exemptions for First-time Adopters
IFRS 1 (R evised 2008)	First-time Adoption of International Financial Reporting Standards
IFRS 2 Amendment (2009)	Clarification of Accounting for Group Cash-settled Share-based Payment Transactions
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
IFRIC 19/IFRS 1	Extinguishing Financial Liabilities with Equity Instruments; First-time Application of International Financial Reporting Standards

IMPROVEMENT PROJECT (2009) AND (2010) "IMPROVEMENT TO IFRSs": Within the framework of annual adjustments, the IASB pooled minor amendments and clarifications to various standards in an omnibus standard. These amendments are intended to specify requirements and to eliminate unintended inconsistencies between the standards. The amendments require first-time application in financial years beginning on or after 1 January 2010, 1 July 2010 and 1 January 2011 respectively. EU endorsement was provided in March 2010 for the 2009 amendments and in February 2011 for the 2010 amendments.

IAS 32 AMENDMENT (2009) "FINANCIAL INSTRUMENTS: PRESENTATION: CLASSIFICATION OF RIGHTS ISSUES": This amendment refers to the recognition of subscription rights issued in currencies other than the issuer's functional currency. In specified circumstances, these are to be classified as equity, irrespective of the currency in which they are issued. This amendment requires first-time application in financial years beginning on or after 1 February 2010. It was endorsed by the EU in December 2009.

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

IFRS 1 AMENDMENT (2009) "ADDITIONAL EXEMPTIONS FOR FIRST-TIME ADOPTERS": This amendment sets out additional exemptions for first-time adopters, e.g. for companies operating in the crude oil and natural gas sectors. The amendment to the standard requires first-time application in financial years beginning on or after 1 January 2010. It was endorsed by the EU in June 2010.

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

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

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

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

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

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

The first-time application of these amendments did not have any material implications for the net asset, financial or earnings position of the MVV Energie Group.

Implications of new accounting standards not yet requiring application:

The IASB and the IFRIC have published the following standards and interpretations not yet requiring mandatory application in the 2010/11 financial year and of which no voluntary premature application has been made:

Improvement Project (2010)	Omnibus Standard Amending Various IFRSs
IAS 1 Amendment (2011)	Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income
IAS 12 Amendment (2010)	Income Taxes: Deferred Tax – Recovery of Underlying Assets
IAS 19 (Revised 2011)	Employee Benefits
IAS 24 (Revised 2009)	Related Party Disclosures
IAS 27 (Revised 2011)	Separate Financial Statements
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
IFRS 1 Amendment (2010)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
IFRS 7 Amendment (2010)	Financial Instruments: Disclosures – Transfers of Financial Assets
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRIC 14 Amendment (2009)	Prepayment of a Minimum Funding Requirement

IMPROVEMENT PROJECT (2010) "OMNIBUS STANDARD AMENDING VARIOUS IFRSs": Within the framework of annual adjustments, the IASB pooled minor amendments and clarifications to various standards in an omnibus standard. These amendments are intended to specify requirements and to eliminate unintended inconsistencies between the standards. The amendments require first-time application in financial years beginning on or after 1 July 2010 and 1 January 2011 respectively. EU endorsement was provided in February 2011.

IAS 1 AMENDMENT (2011) "PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME (OCI)": This amendment requires items recognised within other comprehensive income to be broken down in future into items due to be reclassified to the income statement in subsequent periods (so-called recycling) and items not due to be reclassified to the income statement. This amendment requires first-time application in financial years beginning on or after 1 July 2012. EU endorsement was still outstanding as of 30 September 2011.

IAS 12 AMENDMENT (2010): "INCOME TAXES: DEFERRED TAX – RECOVERY OF UNDERLYING ASSETS": This amendment applies to investment properties measured at fair value. In future, the deferred taxes recognised for these items must generally be based on the tax consequences of the property being sold, unless there is clear evidence that the carrying amount of the assets will be fully consumed through use. This amendment requires first time application in financial years beginning on or after 1 January 2012. EU endorsement was still outstanding as of 30 September 2011.

IAS 19 (REVISED 2011) "EMPLOYEE BENEFITS": The amendment in the revised version of IAS 19 refers to the recognition and measurement of expenses for defined benefit plans and termination benefits. The amendment requires first-time application in financial years beginning on or after 1 January 2013. EU endorsement was still outstanding as of 30 September 2011.

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

IAS 27 (REVISED 2011) "SEPARATE FINANCIAL STATEMENTS": The consolidation requirements previously included in IAS 27 (2008) have been revised and are now included in IFRS 10 "Consolidated Financial Statements". IAS 27 is intended to set standards applicable to the recognition of subsidiaries, associates and joint ventures in cases when a company decides to present separate financial statements. This standard requires first-time application in financial years beginning on or after 1 January 2013. EU endorsement was still outstanding as of 30 September 2011.

IAS 28 (REVISED 2011) "INVESTMENTS IN ASSOCIATES AND JOINT VENTURES": This version supersedes the previous IAS 28 (2003) version. The objective of IAS 28 (Revised 2011) is to stipulate the accounting treatment of investments in associates and issue regulations governing application of the equity method in cases where investments in associates and joint ventures are accounted for. This standard requires first-time application in financial years beginning on or after 1 January 2013. EU endorsement was still outstanding as of 30 September 2011.

IFRS 1 AMENDMENT (2010) "SEVERE HYPERINFLATION AND REMOVAL OF FIXED DATES FOR FIRST-TIME ADOPTERS": The amendment deals with the question as to how a company should apply IFRS following periods in which it was not possible to apply IFRS as its functional currency was exposed to severe hyperinflation. The amendment requires first-time application in financial years beginning on or after 1 July 2011. EU endorsement was still outstanding as of 30 September 2011.

IFRS 7 AMENDMENT (2010) "FINANCIAL INSTRUMENTS: DISCLOSURES – TRANSFERS OF FINANCIAL ASSETS": The amendment addresses disclosure obligations in connection with transfers of financial assets aimed at enhancing the user's understanding of such transactions and of the potential effects of remaining risks. The amendment requires first-time application in financial years beginning on or after 1 July 2011. EU endorsement was still outstanding as of 30 September 2011.

IFRS 9 "FINANCIAL INSTRUMENTS": The standard published represents the first stage of the three-part project to replace IAS 39 "Financial Instruments". In the first stage, the requirements governing the categorisation and measurement of financial assets and financial liabilities were set out. These amendments require first-time application in financial years beginning on or after 1 January 2013. On 4 August 2011, the IASB published an exposure draft for IFRS 9 intended to push back the mandatory effective date of IFRS 9 to financial years beginning on or after 1 January 2015. The comment period for the exposure draft ran until 21 October 2011. EU endorsement of IFRS 9 was still outstanding as of 30 September 2011.

IFRS 10 "CONSOLIDATED FINANCIAL STATEMENTS": This standard introduces a uniform definition for the concept of control, and thus a uniform basis for the existence of a parent/subsidiary relationship and the resultant delineation of the scope of consolidation. IFRS 10 supersedes the previously relevant control and consolidation guidelines set out in IAS 27 and SIC 12. The standard requires first-time application in financial years beginning on or after 1 January 2013. EU endorsement was still outstanding as of 30 September 2011.

IFRS 11 "JOINT ARRANGEMENTS": This standard governs the accounting treatment of situations in which a company exercises joint control over a joint venture or a joint operation. IFRS 11 supersedes the previously relevant requirements governing the accounting treatment of joint ventures set out in IAS 31 and SIC 13. The most significant amendment in IFRS 11 compared with IAS 31 is the abolition of proportionate consolidation for joint ventures. In future, these will in all cases have to be accounted for using the equity method. This standard requires first-time application in financial years beginning on or after 1 January 2013. EU endorsement was still outstanding as of 30 September 2011.

IFRS 12 "DISCLOSURE OF INTERESTS IN OTHER ENTITIES": This standard stipulates the disclosures required of companies that report in accordance with the two new standards IFRS 10 "Consolidated Financial Statements" and IFRS 11 "Joint Arrangements". This standard requires first-time application in financial years beginning on or after 1 January 2013. EU endorsement was still outstanding as of 30 September 2011.

IFRS 13 "FAIR VALUE MEASUREMENT": This standard deals with fair value measurement and the relevant note disclosures and is intended to achieve further convergence between IFRS and US accounting standards (US GAAP). The standard offers assistance for determining fair value to the extent that this is prescribed by other IFRSs as the measurement method to be used. The standard requires first-time application in financial years beginning on or after 1 January 2013. EU endorsement was still outstanding as of 30 September 2011.

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

The implications of the first-time application of the new standards for the consolidated financial statements of the MVV Energie Group are currently under review.

No retrospective application was made of any accounting policies in the 2010/11 financial year.

Scope of consolidation and changes in the scope of consolidation

In addition to MVV Energie AG, all material German and foreign subsidiaries in which MVV Energie AG directly or indirectly holds a majority of the voting rights have been included in the consolidated financial statements of the MVV Energie Group for the 2010/11 financial year. The relevant control concept requires the parent company to exercise a controlling influence in the case of full consolidation. This is the case for all companies fully consolidated. Material associates have been accounted for at equity, while material joint ventures have been proportionately consolidated.

Scope of consolidation

	Companies fully consolidated	Companies recognised at equity	Companies proportionately consolidated
30.9.2010	61	12	7
Mergers	7	—	—
Additions	18	2	—
30.9.2011	**72**	**14**	**7**

The list of shareholdings of the MVV Energie Group can be found in the annex to these notes and has also been published in the electronic Federal Gazette (Bundesanzeiger).

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

- Cerventus Naturenergie GmbH, Offenbach am Main
- Dabit Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Wiesbaden
- Biomethananlage Klein Wanzleben GmbH & Co. KG, Mannheim
- Biomethananlage Klein Wanzleben Verwaltungs GmbH, Mannheim
- MVV ENVIRONMENT DEVONPORT LIMITED, Plymouth, UK
- MVV Grünenergie GmbH, Mannheim
- MVV Umwelt UK GmbH, Mannheim
- Shared Services Center GmbH, Mannheim
- TERMIZO a.s., Liberec, Czech Republic
- Umspannwerk Kirchberg GmbH & Co. KG, Wörrstadt
- Windpark Kappel Nord GmbH & Co. KG, Wörrstadt
- Windpark Kappel Süd GmbH & Co. KG, Wörrstadt
- Windpark Kirchberg GmbH & Co. KG, Wörrstadt
- Windpark Kludenbach GmbH & Co. KG, Wörrstadt
- Windpark Metzenhausen GmbH & Co. KG, Wörrstadt
- Windpark Reckershausen GmbH & Co. KG, Wörrstadt
- Windpark Reich GmbH & Co. KG, Wörrstadt
- Windpark Staatsforst GmbH & Co. KG, Wörrstadt

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.

MVV ENVIRONMENT DEVONPORT LIMITED, MVV Umwelt UK GmbH, Windpark Kirchberg GmbH & Co. KG, Windpark Kappel Nord GmbH & Co. KG, Windpark Staatsforst GmbH & Co. KG, Windpark Reckershausen GmbH & Co. KG, Windpark Reich GmbH & Co. KG, Windpark Kappel Süd GmbH & Co. KG, Windpark Kludenbach GmbH & Co. KG, Windpark Metzenhausen GmbH & Co. KG and Umspannwerk Kirchberg GmbH & Co. KG are all newly founded companies. MVV Grünenergie GmbH and Shared Services Center GmbH involve shelf companies already existing within the MVV Energie Group.

Cerventus Naturenergie GmbH was founded in the previous year and recognised under other majority shareholdings. Dabit Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG was founded in the previous year and recognised under other shareholdings. These companies were included in the scope of consolidation of the MVV Energie Group from the time at which material business operations began.

MVV Energiedienstleistungen GmbH Nord, Hamburg, MVV Energiedienstleistungen GmbH Süd, Gersthofen, and MVV Energiedienstleistungen GmbH West, Solingen, were merged into MVV Energiedienstleistungen Regional GmbH, Mannheim, in the 2010/11 financial year. The receiving company is a group company. These mergers had no implications for the net asset, financial and earnings position of the Group.

MVV Trea Leuna GmbH, Leuna, and MVV BMKW Mannheim GmbH, Mannheim, were merged into MVV BioPower GmbH, Königs Wusterhausen, in the 2010/11 financial year. MVV BioPower GmbH, Königs Wusterhausen, was subsequently renamed as MVV Umwelt Asset GmbH, Mannheim. The receiving company is a group company. These mergers had no implications for the net asset, financial and earnings position of the Group.

Shared Services Center GmbH now owns the shareholdings in the shared service companies 24/7 IT-Services GmbH, Kiel, 24/7 Metering GmbH, Offenbach am Main, and 24/7 United Billing GmbH, Offenbach am Main. The inclusion of these companies had no implications for the net asset, financial and earnings position of the MVV Energie Group.

At the Czech subgroup, Vodovody a kanalizace Studénka s.r.o., Studénka, Czech Republic, was merged with Zásobování teplem Vsetín a.s., Vsetín, Czech Republic, and IROMEZ s.r.o., Pelhřimov, Czech Republic, was merged with Pelhřimovské teplo s.r.o., Prague, Czech Republic. Pelhřimovské teplo s.r.o., Prague, Czech Republic, was subsequently renamed as IROMEZ s.r.o., Pelhřimov, Czech Republic. The receiving companies are group companies. These mergers had no implications for the net asset, financial and earnings positon of the Group.

The Group acquired 100 % of the shares in TERMIZO a.s., Liberec, Czech Republic, in the 2010/11 financial year. The fair values of the assets and liabilities identifiable at the company upon acquisition are presented in the table below. The purchase price allocation for the company thereby acquired has currently not yet been completed; the figures stated in the table are therefore still subject to amendment. The valuation of the company did not give rise to any debit difference. The costs directly attributable to the acquisition, amounting to Euro 844 thousand, were directly expensed.

Identifiable assets and liabilities

	TERMIZO a.s.		Biomethananlage Klein Wanzleben GmbH & Co. KG	
Euro 000s	Recognised upon acquisition	Carrying amount	Recognised upon acquisition	Carrying amount
Intangible assets	16	16	—	—
Property, plant and equipment	47 402	52 913	331	331
Inventories, receivables, other assets	1 872	1 872	531	531
Cash and cash equivalents	4 626	4 626	2 080	2 080
Provisions	18	18	4	4
Other liabilities	33 048	33 048	538	538
Deferred tax liabilities	176	176	—	—
Fair value of net assets	**20 674**	**26 185**	**2 400**	**2 400**
Share acquired in company	20 674	26 185	1 798	1 798
Goodwill	—	—	101	—
Earnings contribution since date of initial consolidation	– 341	—	408	—

In the 2010/11 financial year, the Group acquired 74.9 % of the shares in Biomethananlage Klein Wanzleben GmbH & Co. KG, Mannheim, and in Biomethananlage Klein Wanzleben Verwaltungs GmbH, Mannheim. The fair values of the assets and liabilities identifiable upon acquisition are presented in the above table. The purchase price allocation has currently not yet been completed; the figures stated in the table are therefore still subject to amendment. The relevant measurement gave rise to a debit difference of Euro 101 thousand. The costs directly attributable to the acquisition, amounting to Euro 2 thousand, were directly expensed.

The purchase prices for the acquisition of companies consolidated in the MVV Energie Group for the first time were settled with liquid funds. Since their initial consolidation, the companies thereby acquired have contributed Euro 821 thousand to the sales and Euro 67 thousand to the earnings of the MVV Energie Group.

The purchase price allocation for the company acquisitions made in the previous year was completed in the 2010/11 financial year. No changes arose compared with the figures presented in the previous year's report. A total of 70 % of the shares in A+S Naturenergie GmbH were acquired in return for payment in the 2008/09 financial year. The remaining 30 % of the shares are being acquired in two further tranches in 2011 and 2012, with the purchase price having a variable structure. A liability has been recognised for this portion of the purchase price. Future changes may therefore arise in the goodwill recognised for these portions.

The implications of changes in the scope of consolidation have been reported in the notes to the consolidated financial statements of the MVV Energie Group in cases where they are of material significance.

Apart from MVV Nederland B.V., Amsterdam, MVV ENVIRONMENT DEVONPORT LIMITED, Plymouth, UK, and Dabit Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Wiesbaden, all companies included in the consolidated financial statements have 30 September as their uniform balance sheet date. The annual financial statements of the companies included in the consolidated financial statements of the MVV Energie Group have been based on uniform accounting policies.

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

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

Balance sheet

Euro million	30.9.2011	30.9.2010
Assets		
Non-current assets	158.2	148.9
Current assets	47.1	62.5
	205.3	**211.4**
Equity and liabilities		
Equity	88.0	87.4
Non-current debt	56.0	57.7
Current debt	61.3	66.3
	205.3	**211.4**

Income statement

Euro million	2010/2011	2009/2010
Sales	262.8	253.3
Own work capitalised and changes in inventories	1.0	1.4
Other operating income	14.1	10.2
Cost of materials	211.4	192.4
Personnel expenses	19.4	18.4
Other operating expenses	16.7	27.4
Other income from shareholdings	0.1	0.2
EBITDA	**30.5**	**26.9**
Depreciation	8.0	7.7
EBITA	**22.5**	**19.2**
Goodwill amortisation	—	—
EBIT	**22.5**	**19.2**
Financing income	0.2	0.2
Financing expenses	2.1	2.4
EBT	**20.6**	**17.0**
Taxes on income	6.8	6.2
Annual net surplus	**13.8**	**10.8**

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

- TradeSoft RM GmbH, Cologne
- Fernwärme Rhein Neckar GmbH, Mannheim

TradeSoft RM GmbH was founded in the 2010/11 financial year. Fernwärme Rhein Neckar GmbH was recognised under other shareholdings in previous years.

The companies included in the consolidated financial statements of the MVV Energie Group as of 30 September 2011 have been presented in the list of shareholdings in the annex to these notes.

Consolidation methods

The annual financial statements included in consolidation have been prepared on the basis of uniform accounting policies as of 30 September 2011.

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

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

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

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

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

Currency translation

Transactions in foreign currencies at consolidated companies are recognised at the spot rate applicable at the time of the transaction. Monetary assets and liabilities stated in a foreign currency are translated at each balance sheet date at the rate valid on the balance sheet date. Any resultant exchange rate gains and losses are recognised directly through profit or loss as other operating income or other operating expenses.

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

Currency translation has been based on the following exchange rates:

Currency translation

	Reporting date rate		Average rate	
1 Euro	**30.9.2011**	30.9.2010	**1.10.2010 to 30.9.2011**	1.10.2009 to 30.9.2010
Czech crown (CZK)	24.754	24.600	24.476	25.896
British pound (GBP)	0.867	0.860	0.868	0.869

Accounting policies

Assets and liabilities are measured at amortised cost in all cases with the exception of certain financial assets, financial liabilities and derivative financial instruments which IAS 39 requires to be measured at fair value and where this can be reliably determined. Non-current receivables and debt are recognised at present value. Assets and liabilities are netted where the relevant requirements are met. Assets and liabilities with different dates of transaction and financial performance are recognised as of the transaction date. Income and expenses derived from assets or liabilities are recognised under earnings from operations or net financing expenses depending on the respective balance sheet item. Period deferrals are accounted for where necessary. Items are recognised directly in equity where International Accounting Standards so require and are presented separately in the statement of changes in equity.

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

Intangible assets

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

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

Goodwill is not subject to scheduled amortisation, but is rather tested for impairment annually or more frequently should any specific indications of impairment arise. Goodwill is allocated for this purpose to cash generating units on the level of the legal subgroups consisting of legal entities belonging together in geographical or material terms.

Property, plant and equipment

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

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

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

Useful lives in years

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

Investment property

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

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

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

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

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

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

Associates

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

Other financial assets

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

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

Receivables and other assets

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

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

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

Customer-specific construction contracts

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

Inventories

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

Cash and cash equivalents

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

Assets and liabilities held for sale

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

Where the relevant specific standards do not require application, non-current assets held for sale are no longer subject to scheduled depreciation and amortisation, but are rather recognised at fair value, less expected disposal costs, where this is lower than the carrying amount. Gains or losses resulting from the measurement of individual assets held for sale or disposal groups are recognised under earnings from continuing operations until their ultimate disposal. Gains or losses resulting from the measurement of discontinued operations at fair value less disposal costs are recognised as earnings from discontinued operations.

Deferred taxes

Deferred taxes are stated for temporary differences between the tax balance sheets and IFRS balance sheets at individual companies arising from the measurement of assets and liabilities for tax purposes on the one hand and for external IFRS accounting on the other, as well as from consolidation processes impacting on earnings. Moreover, deferred tax assets have also been recognised for tax reduction claims resulting from the expected utilisation in subsequent years of existing losses carried forward. Such claims are capitalised if the realisation of these losses carried forward can be assumed with adequate certainty on the basis of existing business plans. Deferred taxes have been calculated based on the tax rates valid or expected at the individual organisational units upon realisation. Account is taken of the tax regulations valid or already adopted at the balance sheet date. The calculation of deferred taxes in Germany has been based on a tax rate of 30 % (previous year: 30 %). This results from the unchanged corporate income tax of 15 %, the unchanged solidarity surcharge of 5.5 % and the Group's average trade tax rate of 14 % (previous year: 14 %). The equivalent calculations for foreign companies are based on the respective 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 recognised for all legal or constructive obligations to third parties at the balance sheet date as a result of past events, when it is probable that a future outflow of resources will be required to settle the obligations and the amounts can be reliably estimated. Provisions are recognised at their expected performance amounts and are not netted with refund claims. Provisions based on a large number of events of the same nature are recognised at the expected value of the potential results.

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

Provisions for pensions and similar obligations are stated exclusively for defined benefit plans. Pursuant to IAS 19, these pension provisions are calculated using the projected unit credit method. As well as pensions and vested claims known at the balance sheet date, this method also accounts for salary and pension increases expected in the future. The calculation made application of the 2005 G mortality tables published by Prof. Dr. Klaus Heubeck. As the Group does not have any plan assets, its pension obligations are covered in full by provisions. To the extent that they exceed 10 % of the scope of the obligation, actuarial gains and losses resulting from changes in the assumptions underlying the calculation are recognised through profit or loss over the average remaining working life of the employees entitled. The key parameters used in the calculation of the defined benefit plans as of 30 September 2011 are:

	30.9.2011	30.9.2010
Discount rate	5.70 %	5.10 %
Future salary increases	1.0 – 3.0 %	0.0 – 3.25 %
Future pension increases	1.0 – 2.0 %	0.0 – 2.25 %

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

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

Liabilities

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

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

Trade payables are measured at amortised cost.

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

Contingent liabilities and financial obligations

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

Derivative financial instruments

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

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

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

The Group makes no use of the fair value option.

Measurement uncertainties

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

Discretionary decisions in the application of accounting policies

The exercising of discretion in the application of accounting policies has not had any material influence on the values of the assets and liabilities as reported in the financial statements.

Uncertainties involved in estimates

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

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

The MVV Energie Group tests its carrying amounts and goodwill for impairment at least once a year and when any events or changes in circumstances indicate that this might by the case. This requires an estimation of the value in use of the cash generating unit to which the goodwill is allocated. To estimate the value in use, the MVV Energie Group has to estimate the cash flow surpluses expected to be generated by the cash generating unit in future and furthermore to select an appropriate discount rate to calculate the present value of the cash flow. All assumptions and estimates are based on circumstances and assessments at the balance sheet date or at the date during the financial year on which event-specific impairment becomes necessary. Any deviation in the development of the underlying framework could result in differences arising between such estimates and actual values. Appropriate amendments are made in such cases to the assumptions and if necessary to the carrying amount of the goodwill. Further details can be found in Note 15.

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

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

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

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

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

No material changes in the assumptions underlying the accounting policies were to be expected upon the preparation of these consolidated financial statements. In this respect, no noteworthy adjustments are currently to be expected in the assumptions and estimates or in the carrying amounts of the relevant assets and liabilities in the 2011/12 financial year.

Notes to the Income Statement

1 Sales after electricity and natural gas taxes

Sales include all revenues generated by the typical business activities of the Group. They are recognised upon the transfer of significant risks and rewards to customers or upon performance of the respective services, provided that payment can reliably be expected. The composition of sales broken down into individual segments can be found in the Segment Report in Note 36.

2 Own work capitalised

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

3 Other operating income

Other operating income

Euro 000s	**2010/2011**	2009/2010
Income from derivatives recognised under IAS 39	131 345	389 817
Reversals of provisions	16 733	21 445
Income from emission rights	11 477	23 770
Reversals of write-downs and receipts of receivables already retired	9 390	6 151
Agency agreements and personnel supplies	6 693	9 085
Credits and refunds	3 719	4 924
Reimbursements of damages claims	3 348	4 879
Benefits to employees	3 078	2 844
Foreign exchange income	2 995	2 316
Income from collections of outstanding receivables	2 917	2 739
Rental income	2 143	1 824
Income from sales of assets	2 139	752
Income from IT services and telecommunications	900	1 004
Other	45 730	34 209
	242 607	**505 759**

Other operating income includes positive measurement items for energy trading transactions requiring measurement under IAS 39. Measurement items relating to energy trading transactions have been reported on a gross basis. This valuation-dependent income is offset by corresponding expenses.

The other operating income from emission rights is countered by other operating expenses that compensate for this item. This income arises from the sale of emission rights above cost of acquisition or from the conclusion of derivative swap transactions.

The reduction in income from agency agreements and personnel supplies was due to the lower volume of services performed.

4 Cost of materials

Cost of materials

Euro 000s	**2010/2011**	2009/2010
Raw materials, supplies and purchased goods	2 394 216	2 165 166
Purchased services	426 417	415 228
	2 820 633	**2 580 394**

As part of the new control approach, in the 2010/11 financial year we reported the concession duty under cost of materials and not, as in previous years, under other operating expenses. The figures reported for the previous year have been adjusted accordingly. This results in a deviation of Euro 56 221 thousand to the cost of materials reported in the previous year.

Cost of materials includes write-downs on raw materials and supplies amounting to Euro 24 thousand (previous year: Euro 250 thousand). The item also includes write-ups of Euro 11 thousand recognised for raw materials and supplies due to an increase in the net sale price (previous year: Euro 60 thousand).

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

The rise in cost of materials was primarily driven by higher business volumes due to volume and price factors and the resultant increase in energy procurement costs.

5 Personnel expenses

Personnel expenses

Euro 000s	2010/2011	2009/2010
Wages and salaries	261 210	258 602
Social security expenses and welfare expenses	47 772	46 605
Pension expenses	19 441	17 911
	328 423	**323 118**

The MVV Energie Group had an annual average of 5 912 employees (previous year: 6 028). This figure includes 359 trainees (previous year: 404). Of the total workforce, 676 individuals are employed at proportionately consolidated companies (previous year: 681). As planned, our total workforce reduced by 112 employees in the year under report.

6 Other operating expenses

Other operating expenses

Euro 000s	2010/2011	2009/2010
Expenses for derivatives recognised under IAS 39	85 041	320 927
Additions to write-downs and receivables defaults	25 444	15 798
Contributions, fees and duties	22 841	20 938
Maintenance, repair and IT service expenses	17 973	18 333
Rental, leasehold and leasing expenses	17 698	19 739
Expenses for emission rights	17 315	22 040
Legal, consulting and surveyor expenses	14 602	20 271
Operating taxes (including energy taxes)	14 472	7 719
Public relations expenses	12 548	11 671
Personnel and welfare expenses	10 212	10 459
Losses incurred on sales of assets	8 418	4 054
Foreign exchange expenses	2 546	1 954
Accounting and year-end expenses	2 312	2 411
Office materials and specialist literature	1 409	1 895
Other	37 206	32 193
	290 037	**510 402**

As part of the new control approach, in the 2010/11 financial year we reported the concession duty under cost of materials and not, as in previous years, under other operating expenses. The figures reported for the previous year have been adjusted accordingly. This results in a deviation of Euro 56 221 thousand compared with the other operating expenses stated in the previous year's report.

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

The other operating expenses for emission rights are countered by other operating income partly offsetting this item. These expenses arise from the sale of emission rights below cost of acquisition or from the conclusion of derivative swap transactions.

The increase in other operating expenses for additions to write-downs and receivables defaults is attributable to the deterioration in the age structure in some sections of the receivables on hand.

7 Income from associates and other income from shareholdings

Income from associates and other income from shareholdings

Euro 000s	2010/2011	2009/2010
Income from associates	14 895	11 085
Income from other shareholdings	2 775	3 196
Expenses/income from sales of financial assets	– 365	158
Expenses from assumption of results	—	– 669
Write-downs on other shareholdings	—	– 8 906
	17 305	**4 864**

8 Depreciation and amortisation

Depreciation and amortisation

Euro 000s	2010/2011	2009/2010
Depreciation and amortisation	151 593	159 007
of which impairment losses	4 635	18 440

Impairment losses mainly related to adjustments to current market values amounting to Euro 3 213 thousand for buildings (previous year: Euro 7 194 thousand), to Euro 1 322 thousand for technical equipment and machinery (previous year: Euro 10 702 thousand) and to Euro 100 thousand for plant and office equipment (previous year: Euro 80 thousand). These were necessary due to adjustments to market conditions or to a reduction in the income expected from future use.

9 Goodwill amortisation

No goodwill amortisation was recognised in the 2010/11 financial year.

The impairment test was based on costs of capital after taxes of 5.34 % (previous year: 5.55 %).

10 Restructuring expenses

Within its "Once Together" project, the MVV Energie Group enhanced its control approach and identified and approved substantial cost savings measures. To this end, a restructuring plan was compiled and approved in the 1st quarter of the 2010/11 financial year.

Restructuring expenses amounted to Euro 30 926 thousand in the 2010/11 financial year and mainly related to the recognition of restructuring provisions for socially responsible personnel cuts. A further share involved restructuring provisions for material expenses.

In the interests of transparency, these have been reported in a separate line item within operating earnings. These expenses are not included in the adjusted EBIT figure used for management purposes, and thus do not affect this key operating earnings figure.

11 Financing income

Financing income

Euro 000s	2010/2011	2009/2010
Interest income from finance leases	4 281	4 134
Interest income from current account, overnight and fixed-term deposits	1 866	2 007
Income from general loans	215	176
Write-backs to securities	16	69
Other interest and similar income	1 861	2 213
	8 239	**8 599**

12 Financing expenses

Financing expenses

Euro 000s	2010/2011	2009/2010
Interest expenses on overdraft facilities, non-current and current loans	52 754	57 742
Compounding of provisions	5 529	6 107
Expenses for interest derivatives recognised under IAS 39	430	—
Kiel put option	—	9 611
Interest and similar expenses	8 835	9 174
	67 548	**82 634**

The contractually agreed period in which the City of Kiel could have offered its 49 % share in Stadtwerke Kiel AG for purchase by MVV Energie AG (put option) expired upon the conclusion of 6 November 2010.

The share of the dividend distribution relating to the City of Kiel, amounting to Euro 12 740 thousand, was recognised under dividend distributions at minority interests for the first time in the 2010/11 financial year. In the previous year, this item had been recognised as interest expenses (Euro 9 611 thousand). Further details can be found in Note 25.

13 Taxes on income

Taxes on income

Euro 000s	2010/2011	2009/2010
Actual taxes	56 532	59 548
Deferred taxes	1 830	21 253
	58 362	**80 801**

Current tax expenses include the trade and corporate income tax charge (including the solidarity surcharge), as well as foreign taxes on income.

Of deferred tax expenses, an amount of 2 379 thousand (previous year: Euro 16 517 thousand) relates to the arising and/or reversal of temporary differences. The difference to overall deferred tax expenses is due to tax income of Euro 549 thousand resulting from changes in the write-down on losses carried forward and the utilisation through profit or loss of losses carried forward.

Actual tax expenses were reduced by Euro 264 thousand by using tax losses not previously recognised (previous year: Euro 464 thousand).

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

Transition to income tax expenses

Euro 000s	2010/2011	2009/2010
Earnings before taxes (EBT)	**193 984**	**234 274**
Expected tax expenses based on tax rate of 30 %	**58 195**	**70 282**
Deviations resulting from trade tax assessment base	2 928	2 794
Deviations from expected tax rate	– 1 514	– 1 725
Change in write-downs for losses and losses for which no deferred taxes are recognised	– 549	4 736
Non-deductible expenses	1 984	5 747
Tax-exempt income	– 5 330	– 1 492
Earnings from shareholdings recognised at equity	– 2 244	– 2 184
Non-deductible goodwill amortisation and other consolidation measures	81	3 418
Non-deductible items resulting from application of IAS 32 (2003)	—	2 883
Taxes for previous years	2 721	– 1 922
Other	2 090	– 1 736
Effective tax expenses	**58 362**	**80 801**
Effective tax rate in %	**30.1**	**34.5**

14 Share of earnings attributable to shareholders in MVV Energie AG and earnings per share

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

	2010/2011	2009/2010
Share of earnings attributable to shareholders in MVV Energie AG in Euro 000s	117 228	139 021
Number of shares (weighted average in 000s)	65 907	65 907
Earnings per share (Euro)	1.78	2.11
Dividend per share (Euro)	0.90	0.90

The number of individual registered shares in MVV Energie AG amounts to 65 906 796. The weighted annual average is calculated to the nearest day.

The dividend for the 2010/11 financial year is based on the proposal made by the Executive Board and is subject to approval by the Annual General Meeting on 16 March 2012. This proposal involves the distribution of a dividend totalling Euro 59 316 thousand. The appropriation of earnings proposed for the 2009/10 financial year was approved by the Annual General Meeting on 18 March 2011. A total dividend of 59 316 thousand was distributed. As there were no option rights to shares in MVV Energie AG at the balance sheet date, it is not necessary to account for any dilution effects.

Notes to the Balance Sheet

15 Intangible assets

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

The requirements governing the capitalisation of development expenses were not met in the 2010/11 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 and development expenses under IFRS amounted to 5 184 thousand in the 2010/11 financial year (previous year: Euro 3 007 thousand). Research and development expenses mainly relate to activities aimed at achieving ongoing improvements in working processes, product development and technological enhancements.

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

Goodwill is tested for impairment at least once a year. A growth rate of 0.5 % was used in the budgets for the impairment test performed in the 2010/11 financial year.

The recoverable amount/value in use was determined by discounting the cash flows expected at shareholdings using discount rates (weighted cost of capital) averaging 7.7 % before taxes (previous year: 7.9 %). The discount rates have been determined on the basis of available market data. The budget period for the underlying cash flows amounts to between three and five years.

The carrying amounts stated for goodwill are structured as follows:

Euro 000s	**30.9.2011**	30.9.2010
Energieversorgung Offenbach subgroup	65 066	65 066
Stadtwerke Solingen subgroup	59 472	59 472
Stadtwerke Ingolstadt subgroup	53 759	53 759
Energy-related services subgroup	36 611	36 611
MVV Czech subgroup	6 606	6 527
Environmental energy subgroup	5 540	5 540
Other subgroups	926	825
	227 980	**227 800**

For the purposes of performing impairment tests, goodwill was allocated to cash generating units. The cash generating units basically correspond to the legal subgroups. No goodwill impairment was recognised in the 2010/11 financial year. The inclusion of the Klein Wanzleben biomethane plant in the scope of consolidation of the MVV Energie Group gave rise to goodwill of Euro 101 thousand. Furthermore, currency translation effects of Euro 79 thousand were reported for the MVV Czech subgroup.

Intangible assets

Euro 000s	Concessions, industrial property rights and similar rights and values	Goodwill	Advance payments	**Total**
Gross value at 1.10.2009	230 083	262 821	20 523	513 427
Change in scope of consolidation	1 035	6 689	—	7 724
Currency adjustments	41	265	– 1	305
Investments	7 712	—	7 329	15 041
Disposals	4 299	—	234	4 533
Reclassifications	– 13 845	—	– 22 622	– 36 467
Gross value at 30.9.2010	**220 727**	**269 775**	**4 995**	**495 497**
Amortisation at 1.10.2009	145 002	38 575	—	183 577
Change in scope of consolidation	151	—	—	151
Currency adjustments	36	57	—	93
Scheduled amortisation	12 283	—	—	12 283
Impairment losses	464	3 343	—	3 807
Disposals	2 049	—	—	2 049
Reclassifications	– 13 311	—	—	– 13 311
Amortisation at 30.9.2010	**142 576**	**41 975**	**—**	**184 551**
Net value at 30.9.2010	**78 151**	**227 800**	**4 995**	**310 946**
Gross value at 1.10.2010	220 727	269 775	4 995	495 497
Change in scope of consolidation	43	101	—	144
Currency adjustments	– 12	63	– 7	44
Investments	4 448	—	7 872	12 320
Disposals	2 102	—	19	2 121
Reclassifications	3 842	—	– 4 887	– 1 045
Gross value at 30.9.2011	**226 946**	**269 939**	**7 954**	**504 839**
Amortisation at 1.10.2010	142 576	41 975	—	184 551
Change in scope of consolidation	27	—	—	27
Currency adjustments	– 11	– 16	—	– 27
Scheduled amortisation	11 144	—	—	11 144
Impairment losses	—	—	—	—
Disposals	538	—	—	538
Reclassifications	—	—	—	—
Amortisation at 30.9.2011	**153 198**	**41 959**	**—**	**195 157**
Net value at 30.9.2011	**73 748**	**227 980**	**7 954**	**309 682**

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

16 Property, plant and equipment

Property, plant and equipment

Euro 000s	Land, leasehold rights and buildings, including buildings on third-party land	Technical equipment and machinery	Other assets, plant and office equipment	Advance payments and construction in progress	**Total**
Gross value at 1.10.2009	720 228	3 374 450	209 657	197 698	4 502 033
Change in scope of consolidation	3 784	5 612	1 507	23 860	34 763
Currency adjustments	2 725	3 028	55	5	5 813
Investments	17 916	52 036	7 296	109 654	186 902
Subsidy payments received	144	12 768	130	—	13 042
Disposals	2 593	31 445	14 930	12 023	60 991
Reclassifications	23 898	216 480	1 611	– 205 522	36 467
Gross value at 30.9.2010	**765 814**	**3 607 393**	**205 066**	**113 672**	**4 691 945**
Depreciation at 1.10.2009	315 930	2 046 819	143 640	—	2 506 389
Change in scope of consolidation	2 177	4 999	1 159	—	8 335
Currency adjustments	985	1 816	50	—	2 851
Scheduled depreciation	16 575	102 194	9 256	—	128 025
Impairment losses	7 194	10 702	80	—	17 976
Disposals	1 159	26 913	14 666	—	42 738
Reclassifications	– 119	13 387	43	—	13 311
Depreciation at 30.9.2010	**341 583**	**2 153 004**	**139 562**	**—**	**2 634 149**
Net value at 30.9.2010	**424 231**	**1 454 389**	**65 504**	**113 672**	**2 057 796**
Gross value at 1.10.2010	765 814	3 607 393	205 066	113 672	4 691 945
Change in scope of consolidation	27 230	46 503	129	2 594	76 456
Currency adjustments	– 1 042	– 1 352	– 17	– 3	– 2 414
Investments	5 484	60 001	7 228	127 364	200 077
Subsidy payments received	4	17 106	50	—	17 160
Disposals	10 682	62 611	12 564	2 209	88 066
Reclassifications	22 058	90 229	3 617	– 114 859	1 045
Gross value at 30.9.2011	**808 858**	**3 723 057**	**203 409**	**126 559**	**4 861 883**
Depreciation at 1.10.2010	341 583	2 153 004	139 562	—	2 634 149
Change in scope of consolidation	6 430	18 545	118	—	25 093
Currency adjustments	– 369	– 717	– 15	—	– 1 101
Scheduled depreciation	16 790	108 776	9 997	—	135 563
Impairment losses	3 213	1 322	100	—	4 635
Disposals	7 481	53 971	11 814	—	73 266
Reclassifications	3	200	– 203	—	—
Depreciation at 30.9.2011	**360 169**	**2 227 159**	**137 745**	**—**	**2 725 073**
Net value at 30.9.2011	**448 689**	**1 495 898**	**65 664**	**126 559**	**2 136 810**

Impairment losses mainly involve land and buildings and technical equipment and machinery. These were due to adjustments to prevailing market conditions or to a reduction in the earnings expected from future use.

Borrowing costs of Euro 1 076 thousand were capitalised in the 2010/11 financial year (previous year: Euro 2 557 thousand). The financing cost rates thereby assumed ranged from 1.75 % to 4.37 % (previous year: from 3.48 % to 5.13 %).

Rented or leased items of property, plant and equipment in which economic ownership was attributable to the MVV Energie Group as a result of the relevant contractual terms are of immaterial significance.

Property, plant and equipment up to an equivalent value of Euro 167 million (previous year: Euro 119 million) has been provided as security for financial debt. This mainly involves land and buildings.

An amount of Euro 8 469 thousand was recognised as advance payments and construction in progress in the 2010/11 financial year for the energy from waste plant in Plymouth, UK.

17 Investment property

The fair value of investment property was determined on the basis of the valuations performed by independent surveyors as of 30 September 2010 and amounts to Euro 7 220 thousand in total. Unless there are indications of impairment in the meantime, new surveys will be obtained for the next time as of 30 September 2013. Rental income amounted to Euro 665 thousand in the financial year (previous year: Euro 659 thousand). Direct operating expenses (excluding scheduled depreciation) amounted to Euro 116 thousand (previous year: Euro 137 thousand). The holdings of investment property changed by Euro 78 thousand compared with the previous year. This was due to retrospective capitalisation. The investment property relates to a retirement home in Solingen and a residential and office building let out in Köthen.

Investment property

Euro 000s	**2010/2011**	2009/2010
Gross value at 1.10.	7 479	7 479
Investments	78	—
Gross value at 30.9.	**7 557**	**7 479**
Depreciation at 1.10.	1 421	1 162
Depreciation	251	259
Depreciation at 30.9.	**1 672**	**1 421**
Net value at 30.9.	**5 885**	**6 058**

18 Associates

As in the previous year, the associates recognised under reclassifications were transferred from other financial assets to associates. The following overviews present the development in the carrying amounts of associates and in key items in their balance sheets and income statements.

Shareholdings measured at equity

Euro 000s	**2010/2011**	2009/2010
Gross value at 1.10.	97 267	76 395
Change in scope of consolidation	– 50	2 780
Measurement at equity	7 480	7 280
Additions	1 640	—
Disposals	1 497	—
Reclassifications	895	10 812
Gross value at 30.9.	**105 735**	**97 267**
Amortisation at 1.10.	4 307	1 257
Amortisation	—	3 050
Amortisation at 30.9.	**4 307**	**4 307**
Net value at 30.9.	**101 428**	**92 960**

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

Euro 000s	30.9.2011	30.9.2010
Non-current assets	1 105 686	964 113
Current assets	360 954	581 112
Provisions	569 998	614 103
Liabilities	634 593	605 196
Equity	262 049	325 926

Euro 000s	2010/2011	2009/2010
Sales	761 574	868 393
Annual net surplus	45 591	50 347

The investment income received by the MVV Energie Group from these associates in the 2010/11 financial year amounted to Euro 7 415 thousand (previous year: Euro 14 135 thousand).

Our share of the contingent liabilities of companies measured at equity amounts to Euro 1 264 thousand (previous year: 916 thousand).

Apart from Biomasse Rhein-Main GmbH, Flörsheim-Wicker, and Nordland Energie GmbH, Kiel, the associates included here have deviating financial years ending on 31 December. The results for shareholdings recognised at equity have been derived accordingly. As in the previous year, no publicly listed market prices were available.

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

19 Other financial assets

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

Write-downs and the development in other financial assets have been reported in the table below, as well as under income from associates and other income from shareholdings (Note 7), financing income (Note 11) and financing expenses (Note 12).

Loans and loans in connection with finance leases have fixed interest rates, with an average interest rate of 5.1 % (previous year: 3.5 %). The average period for which interest rates remain fixed amounts to five years in the case of fixed-rate loans (previous year: seven years) and to 16 years in the case of finance leases (previous year: 14 years). The reclassifications mainly involve the reclassification of the aforementioned items to current financial assets in line with their respective maturities.

Further information about financial instruments can be found in Note 35.

Other financial assets

Euro 000s	Other majority shareholdings	Other shareholdings	Loans general	Loans in connection with finance leases	Securities	**Total**
Gross value at 1.10.2009	14 794	31 275	8 580	48 375	3 810	106 834
Currency adjustments	11	—	—	—	—	11
Change in scope of consolidation	– 10 294	—	9	—	—	– 10 285
Investments/additions	6 139	168	1 320	21 305	2 294	31 226
Disposals	771	338	2 991	263	1 372	5 735
Reclassifications	10 674	– 21 487	– 143	– 6 215	39	– 17 132
Balance at 30.9.2010	**20 553**	**9 618**	**6 775**	**63 202**	**4 771**	**104 919**
Amortisation at 1.10.2009	3 022	233	—	33	169	3 457
Currency adjustments	10	—	—	—	—	10
Change in scope of consolidation	—	—	—	—	—	—
Amortisation	8 906	—	715	—	—	9 621
Write-ups	—	—	—	—	69	69
Disposals	—	—	—	—	—	—
Reclassifications	—	—	—	—	—	—
Amortisation at 30.9.2010	**11 938**	**233**	**715**	**33**	**100**	**13 019**
Net value at 30.9.2010	**8 615**	**9 385**	**6 060**	**63 169**	**4 671**	**91 900**
Gross value at 1.10.2010	20 553	9 618	6 775	63 202	4 771	104 919
Currency adjustments	– 3	—	—	—	—	– 3
Change in scope of consolidation	– 563	– 5	—	—	—	– 568
Investments/additions	268	—	1 380	7 098	1 627	10 373
Disposals	981	140	1 012	617	1 478	4 228
Reclassifications	– 25	– 870	– 44	– 4 552	70	– 5 421
Balance at 30.9.2011	**19 249**	**8 603**	**7 099**	**65 131**	**4 990**	**105 072**
Amortisation at 1.10.2010	11 938	233	715	33	100	13 019
Currency adjustments	– 3	—	—	—	—	– 3
Change in scope of consolidation	—	—	—	—	—	—
Amortisation	—	—	—	—	11	11
Write-ups	—	—	—	—	16	16
Disposals	615	111	715	—	—	1 441
Reclassifications	—	—	—	—	—	—
Amortisation at 30.9.2011	**11 320**	**122**	**—**	**33**	**95**	**11 570**
Net value at 30.9.2011	**7 929**	**8 481**	**7 099**	**65 098**	**4 895**	**93 502**

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

The reduction in other majority shareholdings is chiefly due to the change in the scope of consolidation resulting from the initial consolidation of Cerventus Naturenergie GmbH, Offenbach am Main.

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

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

Euro 000s	**30.9.2011**	30.9.2010
Present value of minimum leasing payments with maturities < 1 year	6 356	4 882
Present value of minimum leasing payments with maturities > 1 year		
1 to 5 years	22 601	20 890
longer than 5 years	36 441	42 227
Present value of minimum leasing payments with maturities > 1 year	**59 042**	**63 117**
Total present value of minimum leasing payments	**65 398**	**67 999**
Financing income not yet realised	36 868	33 622
Gross investments in finance leases	**102 266**	**101 621**

20 Other receivables and assets

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

Other receivables and assets

	30.9.2011			30.9.2010		
Euro 000s	**Non-current**	**Current**	**Total**	Non-current	Current	Total
Derivative financial instruments	120 847	82 997	203 844	107 454	70 159	177 613
Other tax receivables[1]	—	60 449	60 449	—	55 677	55 677
Receivables from security deposits for energy trading transactions	—	39 632	39 632	—	68 732	68 732
Deferred expenses and accrued income	4 650	4 795	9 445	5 017	5 747	10 764
Receivables and assets from contracting agreements without finance leases	6 399	99	6 498	6 581	463	7 044
Receivables in connection with finance leases	—	5 292	5 292	—	4 905	4 905
Refund claims	438	2 762	3 200	1 364	31	1 395
Suppliers with debit balances	—	1 468	1 468	—	2 010	2 010
Loans	—	1 250	1 250	—	66 544	66 544
Receivables from employees	245	855	1 100	218	796	1 014
Escrow accounts	—	513	513	—	774	774
Emission rights	—	—	—	—	2 044	2 044
Miscellaneous other assets[1]	2 685	19 578	22 263	1 355	18 792	20 147
	135 264	**219 690**	**354 954**	**121 989**	**296 674**	**418 663**

1 previous year's figures adjusted

Derivative financial instruments

	30.9.2011			30.9.2010		
Euro 000s	**Non-current**	**Current**	**Total**	Non-current	Current	Total
Derivative financial instruments	120 847	82 997	203 844	107 454	70 159	177 613
of which without hedges	103 941	79 947	183 888	104 936	70 110	175 046
of which cash flow hedges	16 906	3 050	19 956	2 518	49	2 567

Derivative financial instruments involve interest, currency and commodity derivatives, mainly for electricity, gas and coal.

Further information about financial instruments can be found in Note 35.

Other receivables and assets

	30.9.2011			30.9.2010		
Euro 000s	Non-current	Current	Total	Non-current	Current	Total
Other receivables and assets						
from other shareholdings	—	556	556	54	439	493
from associates	230	106	336	—	89	89
from other majority shareholdings	—	—	—	73	195	268
from third parties	135 034	219 028	354 062	121 862	295 951	417 813
	135 264	**219 690**	**354 954**	**121 989**	**296 674**	**418 663**

The write-downs and maturity structures for other receivables and assets have been presented in Note 35.

Other tax receivables mainly involve input tax credits. In the previous year, other tax receivables of Euro 26 043 thousand were reported under tax receivables. In the current financial year, these have been reported for the first time under other assets. The comparative figure for the previous year has been adjusted accordingly. Furthermore, additional input tax amounts of Euro 29 634 thousand for the previous year have been reclassified from miscellaneous other assets to other tax receivables.

To minimise the counterparty risk involved in highly fluctuating fair values of energy trading derivatives, security deposits are exchanged with external trading partners. These involve margins. To reduce counterparty risks, payments are made both on the European Energy Exchange (EEX) and in some cases within the framework of bilateral agreements. These are reflected in the receivables from security deposits for energy trading transactions item. Receivables from security deposits amounted to Euro 39 632 thousand (previous year: Euro 68 732 thousand). Other receivables and assets up to an equivalent value of Euro 8 172 thousand have been provided as security for financial debt (previous year: Euro 4 732 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 MVV Energie Group in future.

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.

21 Inventories

Inventories

Euro 000s	30.9.2011	30.9.2010
Raw materials and supplies	40 568	37 634
Unfinished and finished products and services and merchandise	25 348	19 611
Advance payments	7	203
	65 923	**57 448**

There were no restrictions on disposal or other encumbrances (apart from retentions of title). Write-downs of Euro 24 thousand were recognised for inventories (previous year: Euro 250 thousand).

22 Trade receivables

Trade receivables

Euro 000s	**30.9.2011**	30.9.2010
Trade receivables	448 056	432 151
of which due from other majority shareholdings	1 234	1 919
of which due from associates	12 320	4 247
of which due from other shareholdings	1 119	2 987

Trade receivables have terms of under one year.

The trade receivables recognised as of 30 September 2011 include receivables of Euro 8 744 thousand (previous year: Euro 9 075 thousand) for the settlement of construction contracts in line with their percentage of completion. Advance payments of Euro 2 853 thousand received for these projects have already been accounted for (previous year: Euro 4 952 thousand). Revenues of Euro 2 430 thousand were recognised for construction contracts in the year under report (previous year: Euro 4 430 thousand). Total costs incurred as of the balance sheet date amounted to Euro 7 810 thousand (previous year: Euro 9 875 thousand). Construction contracts thus resulted in a loss of Euro 467 thousand (previous year: gain of Euro 721 thousand).

The write-downs and maturity structures for trade receivables have been presented in Note 35. Receivables are written down on the basis of their actual age. Furthermore, large receivables are assessed individually to determine their specific write-down requirements. There were no indications of write-down requirements for non-impaired trade receivables.

23 Tax receivables

The tax receivables of Euro 6 346 thousand (previous year: Euro 17 968 thousand) mainly relate to refund claims for corporate income tax and capital gains tax, which have been recognised at face value and where necessary at present value. In the previous year, other tax receivables (mainly input tax credits) were also reported as tax receivables in this item. In the current financial year, these have been reported under other assets. The comparative figure for the previous year has accordingly been adjusted by Euro 26 043 thousand.

24 Cash and cash equivalents

Cash and cash equivalents primarily consist of credit balances at banks. Proportionately consolidated companies account for Euro 4 901 thousand (previous year: Euro 4 478 thousand). No cash or cash equivalents are subject to restrictions on disposal.

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

25 Equity

The structure and development of equity have been presented in the Statement of Changes in Equity.

The contractually agreed period in which the City of Kiel could have offered its 49 % stake in Stadtwerke Kiel AG for purchase by MVV Energie AG (put option) expired upon the conclusion of 6 November 2010.

Consistent with International Financial Reporting Standards, this put option represented a financial obligation (debt capital) that was reported under current financial debt until 6 November 2010 (please also see Note 29). The expiry of the put option and resultant discontinuation of the purchase price payments previously due on a daily basis has been treated as a sale of minority interests not leading to a loss of control. The fair value of the purchase price payment, amounting to Euro 120 578 thousand, has therefore been allocated to minority interests. This item had no implications for the cash flow of the MVV Energie Group.

SHARE CAPITAL: The share capital of MVV Energie AG amounts to Euro 168 721 thousand and is divided into 65 906 796 individual registered shares of Euro 2.56 each. All registered shares are paid up in full. The City of Mannheim indirectly owned 50.1 % of the share capital as of 30 September 2011, while RheinEnergie AG held 16.3 % and EnBW Energie Baden-Württemberg AG 15.1 % of the shares. The remaining 18.5 % of the shares were in free float.

AUTHORISED CAPITAL II: By resolution adopted on 10 March 2006, the Annual General Meeting of MVV Energie AG authorised the Executive Board until 9 March 2011 to increase the company's share capital on one or several occasions by a total of up to Euro 3 400 thousand in order to issue shares to employees of MVV Energie AG and its associates. The Executive Board acted on this authorisation with the consent of the Supervisory Board in 2006. Since then, Authorised Capital II amounting to Euro 3 238 thousand was still available. No further use was made of this authorisation.

AUTHORISATION TO BUY BACK TREASURY STOCK: By resolution dated 12 March 2010, the Annual General Meeting authorised the Executive Board until 11 March 2015 to acquire treasury stock up to a prorated portion of the company's share capital amounting to Euro 16.87 million attributable to these shares. That corresponds to 10 % of existing share capital upon adoption of the resolution. The Executive Board of MVV Energie AG has not yet made any use of this authorisation.

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

EQUITY GENERATED: In addition to the prorated revenue reserves of MVV Energie AG and of the other consolidated companies since the date of initial consolidation, equity generated also includes accumulated changes recognised directly in equity as a result of the fair value measurement of financial instruments, mainly relating to hedging relationships recognised under IAS 39 (2008), as well as currency translation differences arising upon the translation of foreign financial statements and accumulated net income. Expenses of Euro 17 762 thousand were recognised directly in equity in the financial year under report in connection with the fair value measurement of financial instruments (previous year: Euro 1 018 thousand).

PROPOSED APPROPRIATION OF EARNINGS: The Executive Board proposes appropriating the unappropriated net profit of MVV Energie AG for the 2010/11 financial year as follows:

Distribution of a dividend of Euro 0.90 per individual share for the 2010/11 financial year (total: Euro 59 316 116.40). The Annual General Meeting to be held on 16 March 2012 will decide on payment of the dividend.

26 Provisions

Provisions

	30.9.2011			30.9.2010		
Euro 000s	Non-current	Current	Total	Non-current	Current	Total
Provisions for pensions and similar obligations	40 195	—	40 195	37 611	—	37 611
Tax provisions	—	16 289	16 289	—	23 010	23 010
Other provisions						
Personnel expenses	25 754	41 568	67 322	26 243	41 088	67 331
Early retirement	29 748	7 515	37 263	34 197	7 372	41 569
Services not yet invoiced	—	42 559	42 559	—	51 558	51 558
Restructuring obligations	10 687	18 461	29 148	—	139	139
Refurbishment measures	7 696	525	8 221	7 260	315	7 575
Miscellaneous contingencies	9 205	74 118	83 323	9 084	81 400	90 484
Total	**123 285**	**201 035**	**324 320**	**114 395**	**204 882**	**319 277**

Detailed explanations of provisions can be found in Notes 27 and 28.

27 Provisions for pensions and similar obligations

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

An amount of Euro 25 229 thousand was paid into the state pension system in the 2010/11 financial year (previous year: Euro 24 650 thousand). The payments made to municipal supplementary pension companies (ZVK) and the state pension system are viewed as payments to defined contribution pension plans. These contributions have been recognised as expenses and reported under personnel expenses.

Current payments to the municipal supplementary pension company (ZVK) represent expenses incurred in the given financial year. These expenses amounted to Euro 15 542 thousand in the past financial year (previous year: Euro 15 518 thousand). The pension obligations of the ZVK as determined in an approximate calculation pursuant to IFRS for current and former employees of the MVV Energie Group are Euro 272 million (previous year: Euro 294 million) above the proportion accruing to the MVV Energie Group from the policy reserve recognised at ZVK (labour law obligation). The structure of the relevant contracts means that the policy reserve required pursuant to labour law obligations cannot be clearly allocated. The figures stated therefore correspond to the most probable values.

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

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

Pension provision expenses

Euro 000s	2010/2011	2009/2010
Service cost	1 180	1 601
Interest expenses	1 908	1 921
Adjustment due to retrospective service cost recognised	1 614	—
Adjustment due to actuarial gains/losses recognised	63	– 114
	4 765	**3 408**

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

The present value of defined benefit obligations developed as follows:

Development in pension claims

Euro 000s	**2010/2011**	2009/2010
Present value of pension claims at 1.10.	**38 411**	**36 584**
Current service cost	1 180	1 601
Interest expenses	1 908	1 921
Payments made to beneficiaries	– 2 181	– 2 364
Actuarial gains/losses	– 2 588	669
Retrospective service cost	1 614	—
Present value of pension claims at 30.9.	**38 344**	**38 411**

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	**30.9.2011**	30.9.2010	30.9.2009	30.9.2008	30.9.2007
Present value of pension claims	38 344	38 411	36 584	34 896	35 194
Actuarial gains/losses not yet settled	1 851	– 800	– 17	1 026	– 921
Provisions for pensions and similar obligations	**40 195**	**37 611**	**36 567**	**35 922**	**34 273**
Experience adjustments (changes in assumptions)	– 2 679	708	1 157	–881	542

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

Pension payments of Euro 2 158 thousand are forecast for existing pension obligations for the following financial year.

No plan assets have been created.

28 Other provisions

Other provisions

Euro 000s	Balance at 1.10.2010	Change in scope of consolidation	Currency adjust-ments	Utilised	Reversed	Added	Re-classified	Interest portion	Balance at 30.9.2011
Non-current provisions									
Pensions and similar obligations	**37 611**	**—**	**—**	**2 181**	**—**	**2 857**	**—**	**1 908**	**40 195**
Other provisions									
Early retirement	34 197	—	—	703	384	6 204	– 11 470	1 904	29 748
Personnel expenses	26 243	—	—	570	1 088	569	– 682	1 282	25 754
Refurbishment	7 260	—	—	318	1 636	2 449	– 210	151	7 696
Miscellaneous contigencies	9 084	—	—	475	505	11 504	0	284	19 892
Total other provisions	**76 784**	**—**	**—**	**2 066**	**3 613**	**20 726**	**– 12 362**	**3 621**	**83 090**
Total non-current provisions	**114 395**	**—**	**—**	**4 247**	**3 613**	**23 583**	**– 12 362**	**5 529**	**123 285**
Current provisions									
Tax provisions	**23 010**	**—**	**—**	**18 150**	**335**	**11 764**	**—**	**—**	**16 289**
Other provisions									
Early retirement	7 372	—	—	11 352	8	33	11 470	—	7 515
Personnel expenses	41 088	19	– 3	38 416	573	38 771	682	—	41 568
Services not yet invoiced	51 558	—	—	41 712	2 964	35 677	—	—	42 559
Refurbishment	315	—	—	355	—	355	210	—	525
Miscellaneous contingencies	81 539	8	– 28	52 905	9 575	73 540	—	—	92 579
Total other provisions	**181 872**	**27**	**– 31**	**144 740**	**13 120**	**148 376**	**12 362**	**—**	**184 746**
Total current provisions	**204 882**	**27**	**– 31**	**162 890**	**13 455**	**160 140**	**12 362**	**—**	**201 035**
Total provisions	**319 277**	**27**	**– 31**	**167 137**	**17 068**	**183 723**	**—**	**5 529**	**324 320**

Tax provisions include provisions for taxes on income, such as corporate income tax including the solidarity surcharge, and trade tax. The amount utilised is chiefly due to the completion of the tax audit for previous years.

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

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

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

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

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

29 Financial debt

Financial debt

	30.9.2011			30.9.2010		
Euro 000s	**Non-current**	**Current**	**Total**	Non-current	Current	Total
Liabilities						
to banks	905 102	308 438	1 213 540	1 023 086	147 112	1 170 198
in connection with finance leases	4 501	1 839	6 340	4 697	958	5 655
to other shareholdings	—	170	170	—	300	300
to other majority shareholdings	—	271	271	—	172	172
to shareholdings consolidated at equity	—	3 377	3 377	—	867	867
Kiel put option	—	—	—	—	120 578	120 578
Other financial debt	23 667	8 102	31 769	28 021	23 022	51 043
	933 270	**322 197**	**1 255 467**	**1 055 804**	**293 009**	**1 348 813**

Maturities in years

	30.9.2011			30.9.2010		
Euro 000s	**< 1 year**	**1 – 5 years**	**> 5 years**	< 1 year	1 – 5 years	> 5 years
Liabilities						
to banks	308 438	599 802	305 300	147 112	704 926	318 160
in connection with finance leases	1 839	3 747	754	958	3 661	1 036
to other shareholdings and majority shareholdings	3 818	—	—	1 339	—	—
Other financial debt	8 102	13 295	10 372	143 600	14 384	13 637
	322 197	**616 844**	**316 426**	**293 009**	**722 971**	**332 833**

The fixed-rate liabilities to banks amounting to Euro 1 052 million (previous year: Euro 1 053 million) have an average interest rate of 4.7 % (previous year: 4.2 %). The floating-rate liabilities to banks amounting to Euro 162 million (previous year: Euro 117 million) have an average interest rate of 2.6 % (previous year: 2.3 %). The average remaining period for which the rate remains fixed in the case of fixed-rate liabilities amounts to eight years (previous year: seven years). In the case of floating-rate liabilities, the average period by which the interest rate structure is fixed has reduced from five to three years.

As of 30 September 2011, the MVV Energie Group had unutilised committed credit lines of Euro 297 million at its disposal (previous year: Euro 360 million).

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

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

Present value of minimum leasing payments

Euro 000s	30.9.2011	30.9.2010
Present value of minimum leasing payments by maturity		
up to 1 year	1 832	961
1 to 5 years	3 489	3 642
longer than 5 years	754	1 036
Total	**6 075**	**5 639**
Financing costs not yet recognised	1 608	1 567
Gross liabilities in connection with finance leases	**7 683**	**7 206**

The contractually agreed period in which the City of Kiel could have offered its 49 % share in Stadtwerke Kiel AG for purchase by MVV Energie AG (put option) expired upon the conclusion of 6 November 2010.

Consistent with the relevant International Financial Reporting Standards, this put option represented a financial obligation (debt capital) until 6 November 2010. Until this date, this item was recognised at fair value under current financial debt. The expiry of the put option and resultant discontinuation of the purchase price payment liable on a daily basis has been treated as a sale of minority interests not leading to a loss of control. The fair value of the purchase price payment, amounting to Euro 120 578 thousand, has therefore been allocated to minority interests.

Of financial debt, an amount of Euro 167 million is secured by the pledging of property, plant and equipment (previous year: Euro 119 million).

30 Other liabilities

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

Other liabilities

	30.9.2011			30.9.2010		
Euro 000s	**Non-current**	**Current**	**Total**	Non-current	Current	Total
Derivative financial instruments	155 832	93 429	249 261	157 784	85 335	243 119
Liabilities for other taxes[1]	—	44 389	44 389	—	41 740	41 740
Deferred income and accrued expenses	9 646	7 522	17 168	13 324	10 350	23 674
Advance payments received	—	12 292	12 292	—	12 015	12 015
Customer credit balances	—	8 949	8 949	—	7 112	7 112
Interest liabilities	—	6 671	6 671	—	6 816	6 816
Liabilities for security deposits for energy trading transactions	—	3 307	3 307	—	12 212	12 212
Concession duties	—	1 776	1 776	—	1 943	1 943
Social security liabilities	—	267	267	—	231	231
Miscellaneous other liabilities	11 590	25 539	37 129	11 969	20 346	32 315
	177 068	**204 141**	**381 209**	**183 077**	**198 100**	**381 177**

1) previous year's figures adjusted

Liabilities

	30.9.2011			30.9.2010		
Euro 000s	**Non-current**	**Current**	**Total**	Non-current	Current	Total
Liabilities						
to third parties[1]	176 847	185 748	362 595	183 077	183 126	366 203
to other majority shareholdings	—	218	218	—	669	669
to associates	221	25	246	—	506	506
to other related parties	—	5 858	5 858	—	1 778	1 778
to other shareholdings	—	—	—	—	6	6
Advance payments received for orders	—	12 292	12 292	—	12 015	12 015
	177 068	**204 141**	**381 209**	**183 077**	**198 100**	**381 177**

1) previous year's figures adjusted

Derivative financial instruments involve interest, currency and commodity derivatives for electricity, gas and coal. Further details about financial instruments can be found in Note 35.

Derivative financial instruments

	30.9.2011			30.9.2010		
Euro 000s	**Non-current**	**Current**	**Total**	Non-current	Current	Total
Derivative financial instruments	155 832	93 429	249 261	157 784	85 335	243 119
of which without hedge	105 995	90 625	196 620	150 569	83 086	233 655
of which cash flow hedges	49 837	2 804	52 641	7 215	2 249	9 464

To reduce the counterparty risk involved in highly fluctuating fair values of energy trading derivatives, security deposits (margins) are exchanged with the EEX. Moreover, the Group has also entered into bilateral risk reduction agreements in some cases. The Group had liabilities of Euro 3 307 thousand in connection with security deposits as of the balance sheet date (previous year: Euro 12 212 thousand).

The most significant item under deferred income and accrued expenses is an advance fee amounting to Euro 6 109 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 8 825 thousand).

Liabilities for taxes mainly involve value added tax liabilities. In the previous year, these liabilities were reported under tax liabilities. In the current financial year, these items have been reported for the first time under other liabilities. The comparative figure for the previous year has accordingly been adjusted by Euro 41 740 thousand.

31 Trade payables

Trade payables

Euro 000s	**30.9.2011**	30.9.2010
Trade payables	246 203	251 979
to other majority shareholdings	539	223
to associates	9 463	6 095
to other shareholdings	480	678

All trade payables have terms of under one year.

32 Tax liabilities

The tax liabilities of Euro 489 thousand (previous year: Euro 1 846 thousand) mainly consist of income tax liabilities at foreign subsidiaries. In the previous year, other tax liabilities (mainly VAT liabilities) were also reported here under tax liabilities. In the current financial year, these have been recognised under other liabilities. The comparative figure of Euro 41 740 thousand for the previous year has been adjusted accordingly.

33 Deferred taxes

The deferred taxes reported for 2010/11 relate to the following items:

Deferred taxes

	30.9.2011		30.9.2010	
Euro 000s	**Deferred tax assets**	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
Intangible assets	2 992	– 14 023	1 230	– 13 317
Property, plant and equipment, including investment property	8 140	– 143 266	9 864	– 140 242
Inventories	1 842	– 188	1 752	– 747
Special item	—	– 6 019	—	– 4 837
Other assets and positive fair values of derivatives	6 464	– 130 641	6 676	– 141 311
Provisions for pensions	2 946	—	2 912	—
Non-current other provisions	5 529	– 643	12 217	– 4 219
Current other provisions	7 413	– 4 550	1 784	– 14 793
Liabilities and negative fair values of derivatives	130 885	– 6 490	143 609	– 2 657
Losses carried forward	5 209	—	1 447	—
Miscellaneous items	—	– 2 558	—	– 1 363
Deferred taxes (gross)	**171 420**	**– 308 378**	**181 491**	**– 323 486**
Value adjustment	– 1 791	—	– 2 269	—
Netting	– 156 883	156 883	– 176 315	176 315
Deferred taxes (net)	**12 746**	**– 151 495**	**2 907**	**– 147 171**

Of the (net) deferred taxes presented above, Euro 7 753 thousand relate to non-current deferred tax assets (previous year: Euro 2 418 thousand) and Euro 122 227 thousand to non-current deferred tax liabilities (previous year: Euro 137 966 thousand).

No deferred tax assets have been stated for corporate income tax loss carryovers of Euro 28 708 thousand (previous year: Euro 45 608 thousand) or for trade tax loss carryovers of Euro 27 802 thousand (previous year: Euro 43 780 thousand).

No deferred tax liabilities have been stated for temporary differences of Euro 2 533 thousand (previous year: Euro 2 695 thousand) between the value of shareholdings in the tax balance sheet and their respective value in the consolidated financial statements, as such differences are unlikely to be reversed by means of dividend distributions or by disposal of the respective companies in the foreseeable future.

Deferred taxes amounting to Euro 8 995 thousand were recognised directly in equity in the 2010/11 financial year.

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

	30.9.2011		30.9.2010	
Euro 000s	**Income tax**	**Gross**	Income tax	Gross
Cash flow hedges	7 490	– 25 358	– 205	876
Currency translation difference	—	– 542	—	2 181

34 Contingent claims, contingent liabilities and financial obligations

The volume of obligations listed below corresponds to the scope of liability pertaining at the balance sheet date. The company has such obligations in the form of guarantees amounting to Euro 6.6 million (previous year: Euro 113.4 million). As in the previous year, no collateral has been provided for third-party liabilities.

The purchase commitments of the MVV Energie Group in connection with orders placed for investments in intangible assets and property, plant and equipment amounted to Euro 216.9 million (previous year: Euro 25.0 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:

Financial obligations for operating leases

	Nominal value	
Euro 000s	**30.9.2011**	30.9.2010
Operating leases		
up to 1 year	11 578	11 172
1 to 5 years	25 904	22 757
longer than 5 years	17 198	16 325
	54 680	**50 254**

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

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

The Group has a contingent claim from the State of Baden-Württemberg and the City of Mannheim in connection with a land decontamination measure. The contingent claim has a cash value of Euro 2.8 million.

35 Financial instruments

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

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

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

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

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

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

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

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

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

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

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

Pending transactions intended to secure market prices in the field of energy trading fall within the scope of IAS 39 and have to be recognised as financial instruments, while the hedged items (sales contracts) are generally not covered by IAS 39. The accounting treatment under IAS 39 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. To limit fluctuations in future cash flows, cash flow hedge accounting is applied in numerous cases, particularly in the electricity business.

In the field of interest hedges, existing underlying transactions have been included in cash flow hedges with terms of up to 15 years as of 30 September 2011 (previous year: nine years). In the field of commodity hedges, the terms of planned hedged items amount to up to four years (previous year: up to five years). Both interest rate hedging instruments and commodity derivatives require net settlements to be paid at contractually fixed dates largely congruent with the hedged items. The hedging instruments involve swaps which generate cash flows throughout the contractual term.

Expenses of Euro 17 868 thousand (previous year: income of Euro 671 thousand) were recognised directly in equity in the 2010/11 financial year.

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

Euro 000s	**2010/2011**	2009/2010
Included in EBIT	66	– 29
Included in net financial expenses and taxes	– 81	65
Total amounts withdrawn	**– 15**	**– 64**

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

Euro 000s	**2010/2011**	2009/2010
Cash flow hedges	– 17 868	671
of which changes recognised in equity	– 17 883	607
of which reclassified to income statement	15	64
Currency translation difference	– 542	2 181
of which changes recognised in equity	– 542	2 181

Income of Euro 42 thousand was recognised in connection with the ineffective portion of cash flow hedges in the 2010/11 financial year (previous year: income of Euro 0 thousand). The results of ineffective portions of cash flow hedges are recognised as other operating income or expenses. For interest rate hedges, the results are recognised under other interest income and expenses.

The carrying amounts have been presented and broken down into IAS 39 measurement categories in the following tables. The classes presented are based on the balance sheet. To meet all of the IFRS 7 requirements, these items have been presented in greater detail in the 2010/11 financial year. The previous year's figures have been adjusted accordingly. As in the previous year, there were no reclassifications between IAS 39 measurement categories in the 2010/11 financial year.

IAS 39 measurement categories for carrying amounts

Assets

at 30.9.2010 Euro 000s	IAS 39 measurement categories	Carrying amounts	of which not within scope of IFRS 7
Financial assets			
of which unconsolidated shareholdings	available for sale	18 000	—
of which loans excluding finance leases	loans and receivables	72 604	—
of which loans in connection with finance leases	not applicable	68 074	—
of which securities	held for trading	6 151	—
	available for sale	15	—
Trade receivables	loans and receivables	432 151	—
Other assets			
of which derivatives outside hedge accounting	held for trading	175 046	—
of which derivatives within hedge accounting	not applicable	2 567	—
of which other operating assets	loans and receivables	169 601	77 584
Cash and cash equivalents	loans and receivables	147 101	—
		1 091 310	**77 584**

Liabilities

at 30.9.2010 Euro 000s	IAS 39 measurement categories	Carrying amounts	of which not within scope of IFRS 7
Financial debt			
of which financial debt in connection with finance leases	not applicable	5 655	—
of which other financial debt	amortised cost	1 343 158	—
Trade payables	amortised cost	251 979	—
Other liabilities			
of which derivatives outside hedge accounting	held for trading	233 655	—
of which derivatives within hedge accounting	not applicable	9 464	—
of which other operating liabilities	amortised cost	138 058	77 662
		1 981 969	**77 662**

IAS 39 measurement categories for carrying amounts

Assets

at 30.9.2011 Euro 000s	**IAS 39 measurement categories**	**Carrying amounts**	**of which not within scope of IFRS 7**
Financial assets			
of which unconsolidated shareholdings	available for sale	16 410	—
of which loans excluding finance leases	loans and receivables	8 349	—
of which loans in connection with finance leases	not applicable	70 390	—
of which securities	held for trading	6 306	—
	available for sale	14	—
Trade receivables	loans and receivables	448 056	—
Other assets			
of which derivatives outside hedge accounting	held for trading	183 888	—
of which derivatives within hedge accounting	not applicable	19 956	—
of which other operating assets	loans and receivables	144 568	78 704
Cash and cash equivalents	loans and receivables	168 518	—
		1 066 455	**78 704**

Liabilities

at 30.9.2011 Euro 000s	**IAS 39 measurement categories**	**Carrying amounts**	**of which not within scope of IFRS 7**
Financial debt			
of which financial debt in connection with finance leases	not applicable	6 340	—
of which other financial debt	amortised cost	1 249 127	—
Trade payables	amortised cost	246 203	—
Other liabilities			
of which derivatives outside hedge accounting	held for trading	196 620	—
of which derivatives within hedge accounting	not applicable	52 641	—
of which other operating liabilities	amortised cost	131 948	74 116
		1 882 879	**74 116**

The carrying amounts of the financial assets and liabilities are basically equivalent to their fair values.

The following table presents the key measurement parameters for financial instruments measured at fair value as of 30 September 2011. Pursuant to IFRS 7, the individual levels are defined as follows:

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

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

LEVEL 3: Measurement based on factors not observable on the market.

MEASUREMENT AT COST: This category includes those financial instruments which IAS 39 requires to be measured at cost as their fair values cannot be reliably determined. These items mainly involve other shareholdings and other majority shareholdings.

Fair value hierarchy

at 30.9.2010 Euro 000s	Level 1	Level 2	Level 3	At cost
Financial assets				
Unconsolidated shareholdings	—	—	—	18 000
Securities	247	5 904	—	15
Derivatives outside hedge accounting	2 778	162 480	9 788	—
Derivatives within hedge accounting	1 497	1 070	—	—
Financial liabilities				
Derivatives outside hedge accounting	20 602	211 951	1 102	—
Derivatives within hedge accounting	2 542	6 922	—	—

Fair value hierarchy

at 30.9.2011 Euro 000s	**Level 1**	**Level 2**	**Level 3**	**At cost**
Financial assets				
Unconsolidated shareholdings	—	—	—	16 410
Securities	252	6 054	—	14
Derivatives outside hedge accounting	44 093	138 678	1 117	—
Derivatives within hedge accounting	10 577	9 379	—	—
Financial liabilities				
Derivatives outside hedge accounting	57 845	137 865	910	—
Derivatives within hedge accounting	9 164	43 477	—	—

The following reconciliation account presents the development in financial instruments recognised in Level 3.

Development in financial instruments recognised in Level 3

Euro 000s	Balance at 1.10.2009	Gains/losses in income statement	Balance at 30.9.2010
Financial assets			
Derivatives outside hedge accounting	—	9 788	9 788
Financial liabilities			
Derivatives outside hedge accounting	—	– 1 102	1 102

Development in financial instruments recognised in Level 3

Euro 000s	**Balance at 1.10.2010**	**Gains/losses in income statement**	**Balance at 30.9.2011**
Financial assets			
Derivatives outside hedge accounting	9 788	– 8 671	1 117
Financial liabilities			
Derivatives outside hedge accounting	1 102	192	910

Gains and losses in income statement for Level 3 financial instruments

2009/2010 Euro 000s	Total	of which still held at 30.9.2010
Other operating income	9 788	9 788
Other operating expenses	– 1 102	– 1 102
	8 686	**8 686**

Gains and losses in income statement for Level 3 financial instruments

2010/2011 Euro 000s	**Total**	**of which still held at 30.9.2011**
Other operating income	192	—
Other operating expenses	– 8 671	—
	– 8 479	**—**

Impairments of financial assets

2009/2010 Euro 000s	Unconsolidated shareholdings	Loans	Trade receivables	Other operating assets
Balance at 1.10.2009	3 255	139	33 054	119
Utilised	—	—	7 439	—
Net additions	8 916	2 110	5 895	589
Balance at 30.9.2010	**12 171**	**2 249**	**31 510**	**708**

2010/2011 Euro 000s	**Unconsolidated shareholdings**	**Loans**	**Trade receivables**	**Other operating assets**
Balance at 1.10.2010	12 171	2 249	31 510	708
Utilised	726	715	10 714	10
Net additions	– 3	—	9 788	634
Balance at 30.9.2011	**11 442**	**1 534**	**30 584**	**1 332**

The impairment losses recognised in the 2010/11 financial year for individual IFRS 7 categories amounted to Euro 0 thousand for unconsolidated shareholdings (previous year: Euro 8 906 thousand), Euro 0 thousand for loans (previous year: Euro 1 395 thousand), Euro 24 663 thousand for trade receivables (previous year: Euro 15 157 thousand) and Euro 781 thousand for other operating assets (previous year: Euro 641 thousand).

NET RESULTS BY MEASUREMENT CATEGORY

Financial instruments have been recognised in the income statement with the following net results (pursuant to IFRS 7). The interest income and interest expenses in connection with financial assets and financial liabilities not measured at fair value are reported below under total interest income and expenses.

Net results (IFRS 7)

Euro 000s	**2010/2011**	2009/2010
Financial assets and financial liabilities held for trading	45 754	68 798
Financial assets available for sale	1 529	– 6 221
Loans and receivables	– 15 878	– 10 981
Financial liabilities measured at amortised cost	333	296

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

The net result in the "available for sale" category chiefly involves income and distributions from shareholdings, as well as disposal gains and write-downs.

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

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

Total interest income and expenses

Euro 000s	**2010/2011**	2009/2010
Total interest income	8 213	8 528
Total interest expenses	61 524	75 132

Total interest income and expenses are attributable to financial assets and financial liabilities not measured at fair value. The net financing result also includes interest components for provisions not covered by IFRS 7 disclosure requirements, as a result of which the figures published here differ from the net financing result. The interest income reported here mainly results from credit balances at banks, overnight and fixed-term deposits and loans. The interest expenses largely relate to loan obligations. As in the previous year, total interest income does not include any interest on financial assets already impaired.

FINANCING AND PRICE RISKS

GENERAL INFORMATION ABOUT FINANCING AND PRICE RISKS: The MVV Energie Group is exposed to market price risks resulting from changes in interest rates and exchange rates, as well as in other prices. The Group is exposed to commodity price risks in terms of its procurement and sales activities. Furthermore, the MVV Energie Group is subject to credit risks resulting in particular from trade receivables. Moreover, the Group also faces liquidity risks in connection with credit and market price risks or with a deterioration in its operating business or disturbances on financial markets. Financing risks include liquidity and interest rate risks, as well as receivables default risks and risks resulting from non-compliance with key figures agreed in connection with the taking up of debt capital (financial covenants).

Market price risks result in particular from fluctuations in prices on the energy markets, as well as from changes in interest rates. The exchange rate risk in respect of the euro/sterling exchange rate has gained in significance for the MVV Energie Group since implementation began on the project to build and operate an energy from waste plant in the British port of Plymouth. The Group also faces a low level of exchange rate risk in terms of the US dollar, as the raw materials and fuels relevant to the MVV Energie Group are partly settled in this currency. The MVV Energie Group pursues the objective of covering itself against risks by means of systematic risk management. To this end, discretionary frameworks, responsibilities, separations of functions and checks are laid down in internal guidelines.

Derivative financial instruments are used to cover against market price risks. For interest rate risks, these mainly involve interest swaps. Commodity derivatives are deployed in the field of energy trading. The use of commodity derivatives for proprietary energy trading purposes is only permitted within narrow limits and is monitored and managed with a separate limit system.

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

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

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

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

Counterparty risk at 30.9.2011

Euro 000s	Total		of which < 1 year		of which 1 to 5 years	
Counterparty rating as per Standard & Poor's and/or Moody's	**Nominal value**	**Counterparty risk**	**Nominal value**	**Counterparty risk**	**Nominal value**	**Counterparty risk**
AAA and Aaa to AA – and Aa3	146 757	8 546	97 218	6 733	49 539	1 813
AA – and A1 or A + and Aa3 to A – and A3	1 083 942	58 509	519 953	21 410	563 989	37 099
A – and Baa1 or BBB – and A3 to BBB – or Baa3	135 935	6 594	67 642	4 695	68 293	1 899
BBB – and Ba1 or BB + und Baa3 to BB – and Ba3	—	—	—	—	—	—
Other	1 294 195	71 290	356 351	33 845	937 844	37 445
	2 660 829	144 939	1 041 164	66 683	1 619 665	78 256

Counterparty risk at 30.9.2010

Euro 000s	Total		of which < 1 year		of which 1 to 5 years	
Counterparty rating as per Standard & Poor's and/or Moody's	Nominal value	Counterparty risk	Nominal value	Counterparty risk	Nominal value	Counterparty risk
AAA and Aaa to AA – and Aa3	19 112	648	2 227	209	16 885	439
AA – and A1 or A + and Aa3 to A – and A3	346 911	20 974	137 135	10 940	209 776	10 034
A – and Baa1 or BBB – and A3 to BBB – or Baa3	35 887	1 906	18 844	1 400	17 043	506
BBB – and Ba1 or BB + und Baa3 to BB – and Ba3	—	—	—	—	—	—
Other	475 366	48 376	169 144	22 700	306 222	25 676
	877 276	**71 904**	**327 350**	**35 249**	**549 926**	**36 655**

As in the previous year, there were no counterparty risks with terms longer than five years. Major shares of the nominal derivative volume in question involve trading partners for which external ratings are available. Internal ratings are available for the nominal derivative volume reported under "Other".

As in the previous year, there was no credit risk as of 30 September 2011 for trading transactions concluded with stock exchanges, as the relevant net balances only had negative fair values.

The credit risks involved in financial assets and their maturities broken down by category are structured as follows:

Credit risks and maturity

at 30.9.2010 Euro 000s	Loans	Trade receivables	Other operating assets
Neither overdue nor impaired	140 678	343 107	83 013
Overdue but not impaired			
≤ 6 months	—	62 902	7 417
> 6 months ≤ 1 year	—	888	460
> 1 year	—	1 476	345
Net value of assets written down	—	23 778	782
	140 678	**432 151**	**92 017**

Credit risks and maturity

at 30.9.2011 Euro 000s	**Loans**	**Trade receivables**	**Other operating assets**
Neither overdue nor impaired	78 440	339 922	56 185
Overdue but not impaired			
≤ 6 months	299	68 073	7 902
> 6 months ≤ 1 year	—	16 624	515
> 1 year	—	8 795	1 262
Net value of assets written down	—	14 642	—
	78 739	**448 056**	**65 864**

LIQUIDITY RISKS: Liquidity risk involves the risk of a company being unable to meet its financial obligations adequately. The MVV Energie Group is subject to liquidity risks as a result of its obligation to meet its liabilities in full and on time, as well as its obligation to service security payments (margins) from energy trading partners. Cash and liquidity management at the MVV Energie Group is responsible for maintaining the Group's solvency at all times. This involves calculating all cash requirements and all cash surpluses. The major subgroups have a cash pooling process which enables bank transactions to be reduced to a reasonable limit.

A financial budget is compiled for liquidity management purposes. Any financing requirements arising are covered by means of suitable liquidity management instruments. Alongside the liquidity available on a daily basis, the MVV Energie Group has further liquidity reserves in the form of committed credit lines. The volume of contractually committed credit lines is structured in such a way as to ensure that the Group has adequate liquidity reserves available at all times, even in a difficult market climate. In view of its available liquidity and existing credit lines, the MVV Energie Group does not see itself as being exposed to any material liquidity risks.

Group companies within the MVV Energie Group are generally refinanced by local banks of good credit standing, as well as by MVV Energie AG.

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

Undiscounted cash flows

Euro 000s	at 30.9.2011 Maturities < 1 year	at 30.9.2011 Maturities 1–5 years	at 30.9.2011 Maturities > 5 years	at 30.9.2010 Maturities < 1 year	at 30.9.2010 Maturities 1–5 years	at 30.9.2010 Maturities > 5 years
Non-derivative financial liabilities						
Liabilities to banks	354 869	704 550	352 904	196 845	827 526	368 260
Liabilities in connection with finance leases	2 318	4 492	873	1 394	4 574	1 239
Trade payables	246 203	—	—	251 979	—	—
Other financial debt	12 679	15 693	12 962	145 716	17 972	17 475
Other financial liabilities	46 268	3 051	8 538	48 437	3 441	8 534
Derivative financial liabilities	125 403	202 058	166	111 356	181 148	52
	787 740	**929 844**	**375 443**	**755 727**	**1 034 661**	**395 560**

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

The impact of changes in interest rates on annual earnings and equity are analysed below. This analysis has been based on the assumption that there are no changes in any other parameters, such as exchange rates. The analysis only includes financial instruments where interest rate risk could impact on equity or annual earnings.

Any upward or downward variance in the level of interest rates in the euro area by 10 % as of the balance sheet date on 30 September 2011 would have led the annual net surplus to deteriorate/improve by a total of Euro 188 thousand/Euro 70 thousand (previous year: deteriorate by Euro 413 thousand/Euro 748 thousand). This variance would have reduced/increased equity by a total of Euro 3 640 thousand/Euro 1 199 thousand (previous year: Euro 325 thousand/Euro 964 thousand).

FOREIGN CURRENCY RISKS: Foreign currency risks are increasingly relevant on account of the project to build and operate an energy from waste plant in Plymouth, UK. Here, project development and construction costs will initially be invoiced partly in British pounds. During the operating stage, future cash flows will be generated exclusively in British pounds. The resultant foreign currency risks are hedged by natural hedges in the form of currency-congruent financing and by using derivative financial instruments. Further foreign currency risks relate to the procurement of raw materials and fuels settled in US dollars on international markets. These are procured by means of commodities futures intended to secure the commodity and fuel requirements known of at a given point in time. The resultant payment obligations in US dollars whose amounts and maturities are already known when the commodities futures are agreed are subject to foreign currency risk. The major part of this risk is eliminated by concluding forward exchange contracts congruent with the cash flows in US dollars.

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

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

The sensitivity involved in the measurement of electricity, coal, gas and emission rights derivatives is analysed in the following section. The analysis has been based on the assumption that there are no changes in the other parameters and that there is mutual dependency between the commodities. The analysis only includes derivatives for which fluctuations in market values could impact on equity or on annual earnings. These involve derivatives requiring mandatory recognition. The analysis does not include derivatives earmarked for the physical delivery of non-financial items in line with the company's expected proprietary procurement, sale or utilisation (own use). These do not require recognition under IAS 39. The sensitivities set out below therefore do not correspond to the actual economic risks and merely serve to meet IFRS 7 disclosure requirements.

If the market price at the balance sheet date on 30 September 2011 had been 10 % higher/lower, then this would have increased/decreased the annual net surplus by Euro 47 529 thousand/Euro 58 437 thousand (previous year: Euro 39 685 thousand/Euro 40 969 thousand). Equity would have increased/reduced by Euro 65 793 thousand/Euro 76 702 thousand as of the same date (previous year: Euro 42 326 thousand/Euro 43 610 thousand).

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

Nominal volumes and fair values

	30.9.2011			30.9.2010		
Euro 000s	**Nominal volumes**		**Fair values**	Nominal volumes		Fair values
	Total	**of which with remaining terms of more than 1 year**		Total	of which with remaining terms of more than 1 year	
Interest derivatives	409 831	352 203	– 33 235	132 962	114 945	– 8 480
Commodity derivatives	4 684 182	1 529 146	– 12 271	3 215 468	1 086 761	– 57 043
Currency derivatives	3 984	55	89	18 344	—	17
	5 097 997	**1 881 404**	**– 45 417**	**3 366 774**	**1 201 706**	**– 65 506**

Interest derivatives almost exclusively involve interest swaps. The currency derivatives are intended to hedge financial coal in US dollars.

Commodity derivatives can be subdivided as follows:

Commodity derivatives

	30.9.2011		30.9.2010	
Euro 000s	**Nominal volumes**	**Fair values**	Nominal volumes	Fair values
Commodity derivatives				
Electricity	3 842 251	– 11 946	2 778 271	– 54 220
Coal	7 893	6 210	9 585	928
Gas	805 700	– 40	376 211	– 13 162
CO_2 rights	23 240	– 5 052	42 773	11 007
Other	5 098	– 1 443	8 628	– 1 596
	4 684 182	**– 12 271**	**3 215 468**	**– 57 043**
Commodity derivatives				
Futures	4 662 842	– 17 593	3 121 511	– 67 424
Swaps	21 340	5 322	93 957	10 381
	4 684 182	**– 12 271**	**3 215 468**	**– 57 043**

The positive fair values amounting to Euro 203 844 thousand (previous year: Euro 177 613 thousand) were countered by margining liabilities of Euro 3 307 thousand (previous year: Euro 12 212 thousand). These are reported under other liabilities. The negative fair values of Euro 249 261 thousand (previous year: Euro 243 119 thousand) were countered by cash collateral amounting to Euro 39 632 thousand (previous year: Euro 68 732 thousand).

36 Segment reporting

In the course of our new planning and control approach, both our internal controlling structures and our external reporting have been amended since the 2010/11 financial year. This realignment was intended to group units in line with their individual performance factors in such a way that the pooling of suitable specialist competence under one roof forms the basis for stringent portfolio management at the Group.

Business fields based on the respective stages of the value chain have been allocated to the new reporting segments of "Generation and Infrastructure", "Trading and Portfolio Management", Sales and Services", "Strategic Investments" and "Other Activities".

For analytical purposes, the business fields can be further broken down by subgroup and individual company with their products.

- The Generation and Infrastructure reporting segment comprises the conventional power plants, energy from waste plants and biomass power plants at the MVV Energie AG, Stadtwerke Kiel AG, Energieversorgung Offenbach AG and MVV Umwelt GmbH subgroups, as well as the waterworks and wind farm portfolio. Moreover, this segment also includes grid facilities for electricity, district heating, gas and water and technical service units allocated to the grids business field for the grid-based distribution of electricity, district heating, gas and water.
- The Trading and Portfolio Management reporting segment includes energy procurement and portfolio management and the energy trading business at 24/7 Trading GmbH.
- The Sales and Services reporting segment includes the retail business at the MVV Energie AG, Stadtwerke Kiel AG and Energieversorgung Offenbach AG subgroups. It encompasses supplies of electricity, district heating, gas and water to end customers and the energy-related services business at the MVV Energiedienstleistungen GmbH and Energieversorgung Offenbach AG subgroups.
- The Strategic Investments reporting segment consists of the Stadtwerke Solingen GmbH, Stadtwerke Ingolstadt GmbH, Köthen Energie GmbH and MVV Energie CZ a.s. subgroups. The Solingen GmbH and Stadtwerke Ingolstadt GmbH subgroups are proportionately reported.
- The Other Activities reporting segment consists in particular of the newly founded company Shared Services Center and of cross-divisional functions. Consolidation includes figures relating to transactions with other reporting segments that are eliminated for consolidation purposes.

Given the scope and complexity of the structural changes introduced as of 1 October 2010 and the resultant substantial change in group-internal supply relationships within the business fields, no fundamental basis of data is available to calculate the previous year's figures. In view of this, for information purposes we have derived the previous year's figures on aggregate level in line with the new reporting structure and calculated these in some cases; these thus represent proforma figures.

Intercompany sales represent the volume of sales between segments. The transfer prices applied to transfers between the segments correspond to customary market terms. Segment sales are equivalent to the total of intercompany and external sales.

The income statement segment report presented in accordance with IFRS 8 is based on the segment earnings (adjusted EBIT) used for internal management purposes. The segment earnings of individual business segments do not include the results of non-operating IAS 39 measurement items in connection with financial derivatives (Euro 46 304 thousand; previous year: Euro 68 890 thousand). The figures also do not include any restructuring expenses. On segment level, the figures also do not include any income from shareholdings held in fully and proportionately consolidated companies. These adjusted EBIT figures are supplemented by income in connection with finance leases forming part of our business model (especially contracting) which we therefore believe forms parts of operating earnings contributions.

Of segment sales with external customers, 96.9 % were generated in Germany (previous year: 96.6 %). The regional breakdown of sales is based on the geographical location of the customers.

No individual customers of the MVV Energie Group account for or exceed 10 % of the Group's total sales.

37 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, on the other hand, has been derived indirectly. The amount of cash and cash equivalents stated in the cash flow statement is consistent with the corresponding figure in the balance sheet.

Inflows of funds from the acquisition and disposal of consolidated companies are included in the cash flow from investing activities. The cash and cash equivalents thereby acquired (disposed of) have been reported separately.

The cash flow before working capital and taxes for the 2010/11 financial year declined compared with the previous year, as earnings before taxes (EBT) adjusted for IAS 39 were lower than the previous year's figure. Significant year-on-year changes can be seen in the annual net surplus before taxes on income, in net interest expenses and in depreciation and amortisation of intangible assets, property, plant and equipment and investment property. The marked decline in the annual net surplus before taxes on income was due on the one hand to IAS 39 measurement items eliminated in the context of changes in working capital and on the other hand to the restructuring expenses incurred in the 2010/11 financial year.

The slight increase in the cash flow from operating activities was largely attributable to the change in other working capital. The changes in other assets and liabilities were largely due to non-cash changes, mainly as a result of the derivatives recognised in the accounts (IAS 39 measurement), as well as of changed margining payments and other loans. Due to the significant items within working capital, the cash flow from operating activities is clearly positive overall.

Notwithstanding higher investments in intangible assets, property, plant and equipment and investment property, the increase in the cash flow from operating activities meant that the free cash flow of the MVV Energie Group was slightly higher than in the previous year and clearly positive. The negative cash flow from investing activities showed a slight year-on-year increase. The main changes in this respect were the higher volume of investments in property, plant and equipment and increased payments for the acquisition of fully and proportionately consolidated companies, a factor nevertheless partly offset by lower investments in financial assets.

As in the previous year, the cash flow from financing activities was clearly negative. The significantly lower negative cash flow from financing activities was due to the lower volume of net loan repayments.

38 Capital management

MVV Energie AG is not subject to any statutory minimum capital requirements, but pursues its internal objective of using effective financial management to maintain its equity ratio at a level necessary to attain a good rating in the banking market. This enables the costs of capital to be optimised.

The equity ratio represents consolidated shareholders' equity as a proportion of total assets. Shareholders' equity consists of share capital, the capital reserve, accumulated net income, accumulated other comprehensive income and minority interests.

Measures to comply with the targeted equity ratio initially take place within the business planning process and within the framework of investment budgeting in the case of major (unplanned) investment measures. By issuing shares, the company is able to adjust its equity ratio to requirements.

The key figure used in the value-based management of the company and the capital management thereby required is the value spread. This key figure is calculated as the difference between the period-based return on capital employed (ROCE) and the weighted average cost of capital (WACC).

There have been no changes in the underlying capital management requirements compared with the previous year.

39 Related party disclosures

Business transactions performed between the parent company and its consolidated subsidiaries, which constitute related parties, are not outlined in this section, as they have been eliminated in the course of consolidation.

The City of Mannheim is the sole shareholder in MVV GmbH. MVV GmbH owns 99.99 % of the shares in MVV Verkehr AG, which in turn has a 50.1 % shareholding in MVV Energie AG. The City of Mannheim and the companies it controls therefore represent related parties as defined in IFRS.

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

The concession duties to the City of Mannheim amounted to Euro 19 766 thousand (previous year: Euro 19 158 thousand).

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

Related party disclosures

	Goods and services provided				Receivables		Liabilities	
	Income		Expenses					
Euro 000s	**1.10.2010 to 30.9.2011**	1.10.2009 to 30.9.2010	**1.10.2010 to 30.9.2011**	1.10.2009 to 30.9.2010	**30.9.2011**	30.9.2010	**30.9.2011**	30.9.2010
Abfallwirtschaft Mannheim	1 995	275	3 864	3 332	22	346	3 055	792
ABG Abfallbeseitigungs-gesellschaft mbH	28 885	29 256	4 751	5 134	—	300	2 006	315
GBG Mannheimer Wohnungsbaugesellschaft mbH	10 404	10 578	129	89	96	5	—	—
m:con – Mannheimer Kongress- und Touristik GmbH	3 505	3 479	376	308	4 037	8 121	—	—
MVV GmbH	442	697	218	3 222	14	154	—	2
MVV Verkehr GmbH	293	842	9	5	127	397	9	1
Rhein-Neckar-Verkehr GmbH	7 989	8 992	606	1 332	2 720	5 293	954	1 170
Stadtentwässerung Mannheim	2 435	2 600	542	651	129	168	116	53
City of Mannheim	11 376	10 279	22 479	21 419	1 028	1 743	3 215	1 807
Other companies controlled by the City of Mannheim	4 414	5 248	215	254	207	261	745	190
Associates	71 120	56 234	227 901	188 566	13 527	4 671	13 086	7 468
Proportionately consolidated companies	112 813	95 708	16 670	11 646	31 391	32 491	8 004	15 274
Other majority shareholdings	3 676	5 074	4 026	3 350	4 289	4 375	1 028	1 064
	259 347	**229 262**	**281 786**	**239 308**	**57 587**	**58 325**	**32 218**	**28 136**

Furthermore, customer contracts concerning the supply of electricity, gas, water and district heating have been concluded between MVV Energie AG and members of its Executive and Supervisory Boards and individuals in key management positions (division heads, authorised representatives). These have also been concluded on customary market terms and do not differ from other customer contracts.

The MVV Energie Group has otherwise not concluded or performed any material related party transactions.

MVV Energie AG has compiled a dependent company report in accordance with § 312 of the German Stock Corporation Act (AktG) for the financial year ending on 30 September 2011.

At the instigation of the Supervisory Board, the Executive Board compensation system was reviewed by an external compensation specialist in the 2009/10 financial year. This review found that the overall compensation paid to Executive Board members is appropriate. The compensation system was adjusted in line with the German Management Board Compensation Act (VorstAG) at the beginning of the 2010/11 financial year.

The Executive Board was paid compensation totalling Euro 2 368 thousand in the year under report. This was structured as follows:

Compensation

Euro 000s	**Fixed**[1]	**Variable**[2]	**Supervisory Board compensation**[3]	**Total**
Dr. Georg Müller	468	327	17	812
Matthias Brückmann	296	218	10	524
Dr. Werner Dub	285	218	15	518
Hans-Jürgen Farrenkopf	287	218	9	514
Total	**1 336**	**981**	**51**	**2 368**

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

2 provisions

3 supervisory board activities at shareholdings

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

The variable compensation paid to Executive Board members is calculated on the basis of two components. Executive Board members receive an annual bonus in line with the operating performance of the MVV Energie Group. This is based on the adjusted EBIT of the MVV Energie Group, here nevertheless excluding restructuring expenses. Furthermore, Executive Board members receive a sustainability bonus to compensate any increase in the company's profitability measured over a period of three years. This bonus is based on the average ROCE (Return On Capital Employed) before IAS 39 items of the MVV Energie Group for the past financial year and two preceding financial years. Suitable minimum thresholds and caps are in place for both components. The sustainability bonus accounted for the overwhelming share of variable compensation in the 2010/11 financial year.

No further payments were either committed or made by third parties.

The previous overall pension commitment made to the Executive Board members Dr. Georg Müller and Matthias Brückmann has been replaced by a pension commitment whose volume is based on the balance on virtual pension accounts at the time at which the benefits are claimed. The virtual pension accounts have been credited with so-called initialisation components and will be credited with annual insurance pension contributions. The initialisation components serve to settle pension claims already vested. Annual interest is paid on both the initialisation components and the annual pension contributions.

The pension commitment also includes a claim to benefits due to permanent inability to work and a claim to provision for surviving dependants.

The pension obligations for the Executive Board members Dr. Georg Müller and Matthias Brückmann are structured as follows:

Pension obligations

Compensation Euro 000s	Development in virtual pension accounts			Pension provision	Allocation to pension provision		
	Balance 1.10.2010[1]	Annual contribution	Balance 30.9.2011[2]	Balance 30.9.2011[3]	Service cost	Interest expenses	Retrospective service cost[4]
Dr. Georg Müller	766	145	951	874	118	43	527
Matthias Brückmann	1 079	104	1 240	1 146	85	60	683
Total	**1 845**	**249**	**2 191**	**2 020**	**203**	**103**	**1 210**

1 initialisation component
2 including interest
3 equivalent to present value of vested claims
4 due to conversion of pension system

The overall pension commitment made to the Executive Board members Dr. Werner Dub and Hans-Jürgen Farrenkopf continues to be based on pensionable compensation, as both members have already reached the age of 60 and can thus be deemed to be approaching retirement age. The pension commitment amounts to a maximum of 70 % of pensionable compensation, other income from employment, benefits received under the state pension scheme and other pension benefits attributable at least in half to employers' contributions. One component of the pension commitment also involves a claim to benefits in the event of reduced working capacity and a claim to provision for surviving dependants.

The pension obligations for the Executive Board members Dr. Werner Dub and Hans-Jürgen Farrenkopf are structured as follows:

Pension obligations

Euro 000s	Value of final pension[1]	Benefit percentage[2]	Benefit percentage[3]	Allocation to pension provision		
				Service cost	Interest expenses	Retrospective service cost[4]
Dr. Werner Dub	102	62 %	66 %	110	62	–57
Hans-Jürgen Farrenkopf	117	62 %	62 %	181	74	–2
Total	**219**			**291**	**136**	**–59**

1 achievable claim to retirement pension aged 63, taking due account of amounts deducted
2 total percentage pension rate achieved for retirement pension
3 benefit percentage achievable by age of 63
4 due to update based on pensionable compensation

Former members of the Executive Board received benefits of Euro 216 thousand in the year under report. Provisions totalling Euro 5 380 thousand have been stated for pension obligations towards former members of the Executive Board. A total of Euro 287 thousand was allocated to this item in the financial year.

Pursuant to IAS 24, related parties also include management staff performing key functions. Alongside the Executive Board, this group of persons at the MVV Energie Group also includes active heads of division and authorised company representatives of MVV Energie AG. This group of persons receives its compensation exclusively from MVV Energie AG. Compensation totalling Euro 2 513 thousand was paid to this group of persons in the year under report, with the predominant share (Euro 2 432 thousand) involving payments with current maturities.

Senior employees receive a company pension of up to 8.6 % of their fixed compensation. This exclusively takes the form of a defined contribution plan. Within the channels of execution offered within the Group, senior employees can determine which biometric risks they would like to cover. Total expenses incurred for the aforementioned compensation schemes amounted to Euro 82 thousand in the year under report.

The members of the Supervisory Board received annual compensation of Euro 10 thousand each in the 2010/11 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 other members of this committee received additional annual compensation of Euro 2.5 thousand. Moreover, a meeting allowance of Euro 1 thousand was paid per person per meeting of the full Supervisory Board and of the committees. The Chairman of the Supervisory Board receives double the meeting allowance for meetings of the Supervisory Board, as does the Chairman of the Audit Committee for meetings of the Audit Committee. Total compensation amounted to Euro 473 thousand.

The members of the Supervisory Board and the Executive Board have been presented in a separate overview.

40 Auditor's fee

The following fees were recognised as expenses for the services performed by the auditor of the consolidated financial statements, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Stuttgart, in the 2010/11 financial year:

Auditor's fees

Euro 000s	**2010/2011**	2009/2010
Audit	1 002	996
Other auditing services	81	63
Tax advisory services	90	127
Other services	700	613
	1 873	**1 799**

41 Utilisation of exemption under § 264 (3) HGB

The following German subsidiaries will draw on the disclosure exemption provided for under § 264 (3) of the German Commercial Code (HGB) for the 2010/11 financial year:

- 24/7 Netze GmbH, Mannheim
- BFE Institut für Energie und Umwelt GmbH, Mühlhausen
- Industriepark Gersthofen Servicegesellschaft mbH, Gersthofen
- MVV Energiedienstleistungen GmbH, Mannheim
- MVV Energiedienstleistungen GmbH IK Korbach, Korbach
- MVV Energiedienstleistungen Mitte GmbH, Berlin
- MVV Energiedienstleistungen Regional GmbH, Mannheim
- MVV O&M GmbH, Mannheim
- MVV RHE GmbH, Mannheim
- MVV Umwelt GmbH, Mannheim
- MVV Umwelt Asset GmbH, Mannheim
- MVV Umwelt Ressourcen GmbH, Mannheim
- MVV Umwelt UK GmbH, Mannheim
- MVV Windenergie GmbH, Mannheim
- SECURA Energie GmbH, Mannheim

42 Declaration of Conformity under § 161 AktG

The Executive and Supervisory Boards of MVV Energie AG have submitted their Declaration of Conformity with the recommendations of the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG) and made it available to the company's shareholders.

The complete declaration has been published on the internet at **www.mvv-investor.de**.

43 Information on concessions

In addition to the concession agreement between the City of Mannheim and MVV Energie AG (please see Note 39 Related Party Disclosures), further concession agreements have also been concluded between companies of the MVV Energie Group and local and regional authorities. The remaining terms range from one to 19 years. These agreements assign responsibility for operating the respective distribution grids and providing for their maintenance. Should these agreements not be extended upon expiry, the facilities for supplying the respective utility service must be taken over by the municipalities upon payment of commensurate compensation.

44 Events after the balance sheet date

We are not aware of any events after the balance sheet date.

Mannheim, 11 November 2011

MVV Energie AG

Executive Board

Dr. Müller | Brückmann | Dr. Dub | Farrenkopf

Responsibility Statement

“We affirm that, to the best of our knowledge, the consolidated financial statements give a true and fair view of the net asset, financial and earnings position of the Group in accordance with applicable accounting principles and the group management report provides a fair view 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, 11 November 2011

MVV Energie AG

Executive Board

Dr. Müller | Brückmann | Dr. Dub | Farrenkopf

Directors & Officers

Executive Board of MVV Energie AG

Dr. Georg Müller
Chairman and
Commercial Director

Matthias Brückmann
Sales

Dr. Werner Dub
Technology

Hans-Jürgen Farrenkopf
Personnel

Additional positions held by members of the Executive and Supervisory Boards on supervisory boards or comparable supervisory bodies are listed in detail on the following pages.

1 employee representative

Supervisory Board of MVV Energie AG

Dr. Peter Kurz
(Chairman)

Lord High Mayor of City of Mannheim

Peter Dinges[1]
(Deputy Chairman)

Chairman of MVV Group Works Council

Johannes Böttcher[1]
Chairman of Works Council of
Energieversorgung Offenbach AG

Holger Buchholz[1]
(until 18 March 2011)

Trade Union Secretary at ver.di Kiel

Werner Ehret[1]
(until 18 March 2011)

Works Council of MVV Energie AG

Peter Erni[1]
(since 18 March 2011)

Trade Union Secretary at ver.di Rhine/Neckar

Detlef Falk[1]
Deputy Chairman of Works Council of
Stadtwerke Kiel AG

Dr. Manfred Fuchs
(until 18 March 2011)

Deputy Chairman of Supervisory Board of
FUCHS PETROLUB AG, Mannheim

Dr. Stefan Fulst-Blei
Member of Baden-Württemberg
State Parliament

Reinhold Götz
1st Representative IG Metall Mannheim

Hans-Peter Herbel[1]
(until 18 March 2011)

Commercial Employee at
MVV Energie AG

Prof. Dr. Egon Jüttner
Member of Federal Parliament (MdB)

Gunter Kühn[1]
Director of Personnel, Social and Welfare
Services Division at MVV Energie AG

Antje Mohr [1]
(since 18 March 2011)

Trade Union Secretary at ver.di Kiel

Dr. Lorenz Näger
(since 18 March 2011)

Member of Management Board of
HeidelbergCement AG

Barbara Neumann[1]
Chairman of Works Council of
Stadtwerke Kiel AG

Wolfgang Raufelder
Member of Baden-Württemberg
State Parliament

Sabine Schlorke[1]
(until 18 March 2011)

Trade Union Secretary at ver.di Rhine/Neckar

Uwe Spatz[1]
Deputy Chairman of Works Council of
MVV Energie AG

Christian Specht
First Mayor of City of Mannheim

Dr. Dieter Steinkamp
CEO of RheinEnergie AG, Cologne

Carsten Südmersen
Management Consultant

Katja Udluft[1]
(since 18 March 2011)

Trade Union Secretary at ver.di Rhine/Neckar

Heinz-Werner Ufer
Graduate in Economics

Jürgen Wiesner[1]
(since 18 March 2011)

Works Council of MVV Energie AG

Membership of Supervisory Board Committees at MVV Energie AG as of 30 September 2011

Committee	Name
Audit Committee	• Heinz-Werner Ufer (since 18 March 2011 – Chairman) • Peter Dinges (Deputy Chairman) • Johannes Böttcher (until 18 March 2011) • Dr. Manfred Fuchs (until 18 March 2011 – Chairman) • Dr. Lorenz Näger (since 18 March 2011) • Barbara Neumann (since 18 March 2011) • Uwe Spatz • Carsten Südmersen
Personnel Committee	• Dr. Peter Kurz (Chairman) • Peter Dinges • Werner Ehret (until 18 March 2011) • Dr. Stefan Fulst-Blei • Uwe Spatz • Carsten Südmersen • Jürgen Wiesner (since 18 March 2011)
Nomination Committee	• Dr. Peter Kurz (Chairman) • Dr. Manfred Fuchs (until 18 March 2011) • Dr. Stefan Fulst-Blei • Wolfgang Raufelder • Dr. Dieter Steinkamp • Carsten Südmersen • Heinz-Werner Ufer (since 18 March 2011)
Mediation Committee	• Dr. Peter Kurz (Chairman) • Peter Dinges • Uwe Spatz • Carsten Südmersen

Members of Executive Board of MVV Energie AG

Name	Positions held on other statutory supervisory boards of German companies	Membership of comparable German and foreign company supervisory boards
Dr. Georg Müller	• Energieversorgung Offenbach AG, Offenbach (Chairman) • Grosskraftwerk Mannheim AG, Mannheim • MVV Energiedienstleistungen GmbH, Mannheim • MVV Trading GmbH, Mannheim[1] • Saarschmiede GmbH, Völklingen • Stadtwerke Kiel AG, Kiel (Chairman)	• Shared Services Center GmbH, Mannheim (since 4 April 2011 – Chairman)
Matthias Brückmann	• Energieversorgung Offenbach AG, Offenbach • MVV Energiedienstleistungen GmbH, Mannheim • MVV Trading GmbH, Mannheim (Chairman)[1] • MVV Umwelt GmbH, Mannheim (Chairman) • SECURA Energie GmbH, Mannheim (Chairman) • Stadtwerke Ingolstadt Beteiligungen GmbH, Ingolstadt (Deputy Chairman) • Stadtwerke Kiel AG, Kiel	• MVV Energie CZ a.s., Prague, Czech Republic (until 29 September 2011 – Chairman) • Shared Services Center GmbH, Mannheim (since 4 April 2011)
Dr. Werner Dub	• 24/7 Netze GmbH, Mannheim (Chairman) • Energieversorgung Offenbach AG, Offenbach • Grosskraftwerk Mannheim AG, Mannheim • MVV Energiedienstleistungen GmbH, Mannheim (until 30 September 2011 – Chairman) • MVV Umwelt GmbH, Mannheim (Deputy Chairman) • Stadtwerke Kiel AG, Kiel • Stadtwerke Solingen GmbH, Solingen • Stadtwerke Ingolstadt Beteiligungen GmbH, Ingolstadt (since 1 October 2011)	• MVV Energie CZ a.s., Prague, Czech Republic (since 29 September 2011)
Hans-Jürgen Farrenkopf	• 24/7 IT-Services GmbH, Kiel (until 15 April 2011 – Chairman) • Energieversorgung Offenbach AG, Offenbach • SECURA Energie GmbH, Mannheim • Stadtwerke Ingolstadt Beteiligungen GmbH, Ingolstadt • Stadtwerke Kiel AG, Kiel	• Management Stadtwerke Buchen GmbH, Buchen (Deputy Chairman) • Shared Services Center GmbH, Mannheim (since 4 April 2011)

1 24/7 Trading GmbH was renamed as MVV Trading GmbH as of 1 October 2011.

Members of Supervisory Board of MVV Energie AG

Name and occupation	Positions held on other statutory supervisory boards of German companies	Membership of comparable German and foreign company supervisory boards
Dr. Peter Kurz (Chairman) Lord High Mayor of City of Mannheim	• BGV Versicherung AG, Karlsruhe • Faculty of Clinical Medicine at University of Heidelberg, Klinikum Mannheim GmbH University Hospital, Mannheim (Chairman) • MVV GmbH, Mannheim (Chairman)	• GBG Mannheimer Wohnungsbaugesellschaft mbH, Mannheim (Chairman) • m:con – Mannheimer Kongress- und Touristik GmbH, Mannheim (Chairman) • Popakademie Baden-Württemberg GmbH, Mannheim • Sparkasse Rhein Neckar Nord, Mannheim • Stadtmarketing Mannheim GmbH, Mannheim
Peter Dinges (Deputy Chairman) Chairman of MVV Group Works Council	• 24/7 Netze GmbH, Mannheim • MVV GmbH, Mannheim • MVV Umwelt GmbH, Mannheim • SECURA Energie GmbH, Mannheim	• —
Johannes Böttcher Chairman of Works Council of Energieversorgung Offenbach AG	• Energieversorgung Offenbach AG, Offenbach	• —
Holger Buchholz (until 18 March 2011) Trade Union Secretary at ver.di Kiel	• Stadtwerke Kiel AG, Kiel	• —
Werner Ehret (until 18 March 2011) Works Council of MVV Energie AG	• —	• —
Peter Erni (since 18 March 2011) Trade Union Secretary at ver.di Rhine/Neckar	• —	• —
Detlef Falk Deputy Chairman of Works Council of Stadtwerke Kiel AG	• Stadtwerke Kiel AG, Kiel	• —
Dr. Manfred Fuchs (until 18 March 2011) Deputy Chairman of Supervisory Board of FUCHS PETROLUB AG, Mannheim	• FUCHS PETROLUB AG, Mannheim (Deputy Chairman)	• —

Name and occupation	Positions held on other statutory supervisory boards of German companies	Membership of comparable German and foreign company supervisory boards
Dr. Stefan Fulst-Blei Member of Baden-Württemberg State Parliament	• —	• GBG Mannheimer Wohnungsbau-gesellschaft mbH, Mannheim • Mannheimer Abendakademie und Volkshochschule GmbH, Mannheim • Rhein-Neckar-Verkehr GmbH, Mannheim (until 28 September 2010) • Sparkasse Rhein Neckar Nord, Mannheim • Stadtmarketing Mannheim GmbH, Mannheim
Reinhold Götz 1st Representative IG Metall Mannheim	• EVO Bus GmbH, Mannheim • Wabco GmbH, Hanover (since June 2011)	• —
Hans-Peter Herbel (until 18 March 2011) Commercial Employee at MVV Energie AG	• —	• —
Prof. Dr. Egon Jüttner Member of Federal Parliament (MdB)	• MVV GmbH, Mannheim	• Haus-, Wohnungs- und Grundeigentümer-verein Mannheim e.V., Mannheim
Gunter Kühn Director of Personnel, Social and Welfare Services Division at MVV Energie AG	• —	• —
Antje Mohr (since 18 March 2011) Trade Union Secretary at ver.di Kiel	• Provinzial NordWest Holding AG, Münster • Stadtwerke Kiel AG, Kiel	• —

Name and occupation	Positions held on other statutory supervisory boards of German companies	Membership of comparable German and foreign company supervisory boards
Dr. Lorenz Näger (since 18 March 2011) Member of Management Board of HeidelbergCement AG	• —	• Castle Cement Limited, Maidenhead, UK • Cimenteries CBR S.A., Brussels, Belgium • ENCI Holding N.V., 's-Hertogenbosch, Netherlands • Hanson Limited, Maidenhead, UK • Hanson Pioneer España, S.L., Madrid, Spain • HeidelbergCement Canada Holding Limited, Maidenhead, UK • HeidelbergCement Holding S.à.r.l., Luxembourg • HeidelbergCement India Limited, Karnataka (Tumkur District), India • HeidelbergCement International Holding GmbH, Heidelberg, Germany • HeidelbergCement Netherlands Holding B.V., 's-Hertogenbosch, Netherlands • HeidelbergCement UK Holding Limited, Maidenhead, UK • HeidelbergCement UK Holding II Limited, Maidenhead, UK • Lehigh B.V., 's-Hertogenbosch, Netherlands • Lehigh Hanson, Inc., Irving, TX, USA • Lehigh Hanson Materials Limited, Calgary, Canada • Lehigh UK Limited, Maidenhead, UK • Palatina Insurance Limited, Sliema, Malta • PT. Indocement Tunggal Prakarsa Tbk., Jakarta, Indonesia • PHOENIX Pharmahandel GmbH & Co. KG, Mannheim, Germany • RECEM S.A., Luxembourg
Barbara Neumann Chairman of Works Council of Stadtwerke Kiel AG	• Stadtwerke Kiel AG, Kiel	• Shared Services Center GmbH, Mannheim (since 4 April 2011)
Wolfgang Raufelder Member of Baden-Württemberg State Parliament	• MVV GmbH, Mannheim	• Mannheimer Parkhausbetriebe GmbH, Mannheim • Rhein-Neckar Flugplatz GmbH, Mannheim • Rhein-Neckar-Verkehr GmbH, Mannheim

Name and occupation	Positions held on other statutory supervisory boards of German companies	Membership of comparable German and foreign company supervisory boards
Sabine Schlorke (until 18 March 2011) Trade Union Secretary at ver.di Rhine/Neckar	• —	• —
Uwe Spatz Deputy Chairman of Works Council of MVV Energie AG	• 24/7 Netze GmbH, Mannheim • MVV Trading GmbH, Mannheim[1] • MVV Umwelt GmbH, Mannheim • SECURA Energie GmbH, Mannheim	• —
Christian Specht First Mayor of City of Mannheim	• MVV GmbH, Mannheim • MVV Verkehr GmbH, Mannheim (Chairman)	• GBG Mannheimer Wohnungsbaugesellschaft mbH, Mannheim • Mannheimer Stadtreklame GmbH, Mannheim • Rhein-Neckar Flugplatz GmbH, Mannheim • Rhein-Neckar-Verkehr GmbH, Mannheim
Dr. Dieter Steinkamp CEO of RheinEnergie AG, Cologne	• NetCologne Gesellschaft für Telekommunikation mbH, Cologne • rhenag Rheinische Energie Aktiengesellschaft, Cologne	• AggerEnergie GmbH, Gummersbach (until 31 December 2010 – Chairman) (since 1 January 2011 – Deputy Supervisory Board Chairman) • AVG Abfallentsorgungs- und Verwertungs-gesellschaft mbH, Cologne • AWB Abfallwirtschaftsbetriebe Köln GmbH & Co. KG, Cologne • Bergische Licht-, Kraft- u. Wasser-Werke (BELKAW) GmbH, Bergisch Gladbach (Deputy Supervisory Board Chairman) • BRUNATA Wärmemesser-Gesellschaft Schultheiss GmbH & Co., Hürth • Energieversorgung Leverkusen GmbH & Co. KG (EVL), Leverkusen • Gasversorgungsgesellschaft mbH Rhein-Erft, Hürth (Supervisory Board Chairman) • METRONA Wärmemesser-Gesellschaft Schultheiß GmbH & Co. KG, Hürth • Stadtwerke Leichlingen GmbH, Leichlingen • Stadtwerke Troisdorf GmbH, Troisdorf • Unternehmensverwaltungsgesellschaft Metrona mbH, Hürth • Verwaltungsgesellschaft Schultheiss mit beschränkter Haftung, Hürth

1 24/7 Trading GmbH was renamed as MVV Trading GmbH as of 1 October 2011.

Name and occupation	Positions held on other statutory supervisory boards of German companies	Membership of comparable German and foreign company supervisory boards
Carsten Südmersen Management Consultant	• MVV GmbH, Mannheim • MVV Verkehr GmbH, Mannheim	• m:con – Mannheimer Kongress- und Touristik GmbH, Mannheim • Rhein-Neckar Flugplatz GmbH, Mannheim • Rhein-Neckar-Verkehr GmbH, Mannheim • Sparkasse Rhein Neckar Nord, Mannheim • Stadt Mannheim Beteiligungsgesellschaft mbH, Mannheim • Stadtmarketing Mannheim GmbH, Mannheim
Katja Udluft (since 18 March 2011) Trade Union Secretary at ver.di Rhine/Neckar	• —	• —
Heinz-Werner Ufer Graduate in Economics	• Amprion GmbH, Dortmund (since 22 November 2010 – Chairman)	• —
Jürgen Wiesner (since 18 March 2011) Works Council of MVV Energie AG	• —	• —

Scope of Consolidation of the MVV Energie Group

Scope of consolidation of the MVV Energie Group

at 30.9.2011	Share of capital[1] in %	Equity 000s (local currency)	Annual net surplus/ deficit 000s (local currency)	Local currency
Associates (fully consolidated subsidiaries) Germany				
24/7 IT-Services GmbH, Kiel	100.00	929	65	EUR
24/7 Metering GmbH, Offenbach am Main	100.00	1 182	506	EUR
24/7 Netze GmbH, Mannheim[5]	100.00	5 999	0	EUR
24/7 United Billing GmbH, Offenbach am Main	100.00	273	110	EUR
24sieben GmbH, Kiel[5]	100.00	1 000	0	EUR
A+S Naturenergie GmbH, Pfaffenhofen[14]	70.00	–1 989	–1 255	EUR
ABeG Abwasserbetriebsgesellschaft mbH, Offenbach am Main	51.00	457	34	EUR
BFE Institut für Energie und Umwelt GmbH, Mühlhausen[5]	100.00	700	0	EUR
Biomassen-Heizkraftwerk Altenstadt GmbH, Altenstadt	100.00	–9 970	1 121	EUR
Biomethananlage Klein Wanzleben GmbH & Co. KG, Mannheim[6, 7, 8]	74.90	–26	–27	EUR
Biomethananlage Klein Wanzleben Verwaltungs GmbH, Mannheim[6, 7, 12,]	74.90	0	0	EUR
Cerventus Naturenergie GmbH, Offenbach am Main	50.00	841	–123	EUR
Dabit Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Wiesbaden[10]	94.00	–1	–5	EUR
Energieversorgung Offenbach Aktiengesellschaft, Offenbach am Main[2]	48.56	128 480	17 431	EUR
eternegy GmbH, Mannheim	100.00	–9 145	–184	EUR
Gasversorgung Offenbach GmbH, Offenbach am Main	74.90	16 279	3 598	EUR
Götzfried + Pitzer Entsorgung GmbH, Ulm	100.00	1 883	20	EUR
Industriepark Gersthofen Servicegesellschaft mbH, Gersthofen[5]	100.00	11 803	30	EUR
Köthen Energie GmbH, Köthen	100.00	3 988	682	EUR
Köthen Energie Netz GmbH, Köthen[5]	100.00	24	0	EUR
MVV decon GmbH, Mannheim	100.00	–2 082	–2 385	EUR
MVV Energiedienstleistungen GmbH, Mannheim[5]	100.00	73 160	0	EUR
MVV Energiedienstleistungen GmbH IK Korbach, Korbach[5]	100.00	1 767	0	EUR
MVV Energiedienstleistungen GmbH Solingen, Solingen	51.00	2 398	–231	EUR
MVV Energiedienstleistungen IK Ludwigshafen GmbH, Mannheim	100.00	–3 821	–214	EUR
MVV Energiedienstleistungen Mitte GmbH, Berlin[5]	100.00	23 926	0	EUR
MVV Energiedienstleistungen Regional GmbH, Mannheim[5]	100.00	46 145	0	EUR
MVV Grünenergie GmbH, Mannheim[6]	100.00	832	807	EUR
MVV O&M GmbH, Mannheim[5]	100.00	1 226	0	EUR
MVV RHE GmbH, Mannheim[5]	100.00	56 390	0	EUR
MVV Trading GmbH, Mannheim (previously: 24/7 Trading GmbH, Mannheim)[5]	92.50	15 745	2 961	EUR
MVV Umwelt Asset GmbH, Mannheim (previously: MVV BioPower GmbH, Königs Wusterhausen)[5]	100.00	26 489	0	EUR
MVV Umwelt GmbH, Mannheim[5]	100.00	73 087	0	EUR
MVV Umwelt Ressourcen GmbH, Mannheim[5]	100.00	5 566	0	EUR
MVV Umwelt UK GmbH, Mannheim[5, 6]	100.00	37 025	0	EUR
MVV Windenergie GmbH, Mannheim[5]	100.00	7 525	0	EUR
MVV Windpark Plauerhagen GmbH & Co. KG, Rerik	100.00	5 403	548	EUR

Scope of consolidation of the MVV Energie Group

at 30.9.2011	Share of capital[1] in %	Equity 000s (local currency)	Annual net surplus/ deficit 000s (local currency)	Local currency
SECURA Energie GmbH, Mannheim[5]	69.90	1 000	0	EUR
Shared Services Center GmbH, Mannheim[6]	100.00	17	– 8	EUR
Stadtwerke Kiel Aktiengesellschaft, Kiel	51.00	147 161	22 666	EUR
SWKiel Erzeugung GmbH, Kiel[5]	100.00	25	0	EUR
SWKiel Netz GmbH, Kiel[5]	100.00	25	0	EUR
SWKiel Service GmbH, Kiel[5]	100.00	25	0	EUR
Umspannwerk Kirchberg GmbH & Co. KG, Wörrstadt[6]	100.00	– 83	– 85	EUR
Waldenergie Bayern GmbH, Gersthofen	100.00	– 1 184	2 148	EUR
Windpark Kappel Nord GmbH & Co. KG, Wörrstadt[6]	100.00	– 40	– 42	EUR
Windpark Kappel Süd GmbH & Co. KG, Wörrstadt[6]	100.00	– 48	– 50	EUR
Windpark Kirchberg GmbH & Co. KG, Wörrstadt[6]	100.00	– 40	– 43	EUR
Windpark Kludenbach GmbH & Co. KG, Wörrstadt[6]	100.00	– 30	– 32	EUR
Windpark Metzenhausen GmbH & Co. KG, Wörrstadt[6]	100.00	– 25	– 28	EUR
Windpark Reckershausen GmbH & Co. KG, Wörrstadt[6]	100.00	– 48	– 51	EUR
Windpark Reich GmbH & Co. KG, Wörrstadt[6]	100.00	– 27	– 29	EUR
Windpark Staatsforst GmbH & Co. KG, Wörrstadt[6]	100.00	– 71	– 73	EUR
ZEDER Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach[3, 9]	0.00	– 8 753	– 420	EUR
Associates (fully consolidated subsidiaries) International				
Českolipská teplárenská a.s., Česká Lípa, Czech Republic	94.99	37 533	16 199	CZK
Českolipské teplo a.s., Prague, Czech Republic	100.00	124 492	37 969	CZK
CTZ s.r.o., Uherské Hradiště, Czech Republic	50.96	110 807	10 065	CZK
ENERGIE Holding a.s., Prague, Czech Republic	100.00	398 207	10 426	CZK
G–LINDE s.r.o., Prague, Czech Republic	100.00	5 780	– 316	CZK
G–RONN s.r.o., Prague, Czech Republic	100.00	55 849	5 888	CZK
IROMEZ s.r.o., Pelhřimov, (previously: Pelhřimovské teplo s.r.o., Prague) Czech Republic	100.00	33 273	– 150	CZK
Jablonecká teplárenská a realitní a.s., Jablonec nad Nisou, Czech Republic	65.78	328 204	15 253	CZK
MVV Energie CZ a.s., Prague, Czech Republic	100.00	2 239 724	299 534	CZK
MVV enservis a.s., Česká Lípa, Czech Republic	100.00	6 130	7 208	CZK
MVV ENVIRONMENT DEVONPORT LIMITED, Plymouth, UK[6, 12]	100.00	0	0	GBP
MVV Nederland B.V., Amsterdam, Netherlands[8]	100.00	38 012	1 137	EUR
OPATHERM a.s., Opava, Czech Republic	100.00	127 176	17 434	CZK
POWGEN a.s., Prague, Czech Republic	100.00	158 770	45 481	CZK
Teplárna Liberec a.s., Liberec, Czech Republic	70.00	322 761	19 773	CZK
TERMIZO a.s., Liberec, Czech Republic[6]	100.00	619 317	14 940	CZK
TERMO Děčín a.s., Děčín, Czech Republic	96.91	133 647	44 107	CZK
Zásobování teplem Vsetín a.s., Vsetín, Czech Republic	98.82	214 217	54 797	CZK

Scope of consolidation of the MVV Energie Group

at 30.9.2011	Share of capital[1] in %	Equity 000s (local currency)	Annual net surplus/ deficit 000s (local currency)	Local currency
Other majority shareholdings Germany				
24/7 Insurance Services GmbH, Mannheim[9]	100.00	22	–198	EUR
24sieben Nordwatt GmbH, Kiel[6, 9]	50.00	25	0	EUR
Biokraft Naturbrennstoffe GmbH, Offenbach am Main[9]	100.00	–1 116	–466	EUR
Cerventus Naturenergie Verwaltungs GmbH, Offenbach am Main[6]	100.00	21	–4	EUR
Erschließungsträgergesellschaft St. Leon-Rot mbH i.L., St. Leon-Rot[9]	80.00	4	–2	EUR
Erschließungsträgergesellschaft Weeze mbH, Weeze[9]	75.00	–819	–55	EUR
KielNET GmbH Gesellschaft für Kommunikation, Kiel[8]	50.00	7 861	2 860	EUR
Kielspeicher 103 Verwaltungs-GmbH, Kiel[9]	51.00	85	15	EUR
MVV Energiedienstleistungen GmbH Regioplan, Mannheim[5, 9]	100.00	1 023	0	EUR
MVV Windpark Verwaltungs GmbH, Mannheim[9]	100.00	26	0	EUR
REGIOPLAN Projekt GmbH, Mannheim[9]	100.00	25	0	EUR
RNE Rhein-Neckar Energie GmbH, Sinsheim[9]	50.10	42	–103	EUR
Other majority shareholdings International				
BFE Institut für Energie und Umwelt GmbH, Romanshorn, Switzerland[9]	100.00	25	8	CHF
East-West-Energy-Agency (EWEA), Moscow, Russian Federation[10]	100.00	–122	–647	RUB
EMB Instituut voor Energie en Milieu B.V., Oosterhout, Netherlands[9]	100.00	–416	–85	EUR
MVV ENVIRONMENT LIMITED, London, UK[9]	100.00	188	54	GBP
Jointly owned companies (proportionate consolidation) Germany				
Kielspeicher 103 GmbH & Co. KG, Kiel	51.00	7 164	–2 537	EUR
reginova GmbH, Ingolstadt[5, 15]	100.00	500	0	EUR
Stadtwerke Ingolstadt Beteiligungen GmbH, Ingolstadt[4]	48.40	43 035	16 840	EUR
Stadtwerke Ingolstadt Energie GmbH, Ingolstadt[5, 15]	100.00	1 048	0	EUR
Stadtwerke Ingolstadt Netze GmbH, Ingolstadt[5, 15]	100.00	25 834	0	EUR
Stadtwerke Solingen GmbH, Solingen[4]	49.90	79 038	7 046	EUR
Stadtwerke Solingen Netz GmbH, Solingen[5, 15]	100.00	250	0	EUR
Associates (at equity) Germany				
Biomasse Rhein-Main GmbH, Flörsheim-Wicker[9]	33.33	11 160	183	EUR
ESN EnergieSystemeNord GmbH, Schwentinental[8]	25.00	3 133	668	EUR
Fernwärme Rhein-Neckar GmbH, Mannheim[8]	50.00	4 109	2 319	EUR
Gemeinschaftskraftwerk Kiel GmbH, Kiel[8]	50.00	18 591	1 534	EUR
Grosskraftwerk Mannheim AG, Mannheim[8]	28.00	114 142	6 647	EUR
Maintal-Werke Gesellschaft mit beschränkter Haftung, Maintal[8]	49.00	15 175	1 645	EUR
Naunhofer Transportgesellschaft mbH, Parthenstein-Großsteinberg[10, 14]	24.90	578	181	EUR
Nordland Energie GmbH, Kiel[9]	39.80	434	–848	EUR

Scope of consolidation of the MVV Energie Group

at 30.9.2011	Share of capital[1] in %	Equity 000s (local currency)	Annual net surplus/ deficit 000s (local currency)	Local currency
Stadtwerke Buchen GmbH & Co. KG, Buchen[8]	25.10	6 648	1 552	EUR
Stadtwerke Sinsheim Versorgungs GmbH & Co. KG, Sinsheim[8]	30.00	11 773	175	EUR
TradeSoft RM GmbH, Cologne[6, 12]	50.00	0	0	EUR
W.T.A. Wertstoff Transport Agentur GmbH, Lichtentanne[10, 14]	24.90	473	240	EUR
ZVO Energie GmbH, Timmendorfer Strand[8]	49.90	55 289	4 672	EUR
Zweckverband Wasserversorgung Kurpfalz (ZWK), Heidelberg[8]	51.00	7 071	0	EUR
Other shareholdings Germany				
BAS – Bergsträßer Aufbereitungs- und Sortierungsgesellschaft mbH, Heppenheim[8]	49.00	47	86	EUR
e:duo GmbH, Essen[9]	50.00	–317	152	EUR
Energiedienstleistungen Dannenberg (Elbe) GmbH, Dannenberg[9]	49.00	253	–4	EUR
enserva GmbH, Solingen[5, 9, 15]	100.00	500	0	EUR
HEN HolzEnergie Nordschwarzwald GmbH, Nagold[10]	30.00	127	– 223	EUR
itec Informationstechnologie Solingen GmbH, Solingen[9, 15]	100.00	983	483	EUR
iwo Pellet Rhein-Main GmbH, Offenbach am Main[9]	24.92	–1 946	–949	EUR
Klimaschutzagentur Mannheim gemeinnützige GmbH, Mannheim[8]	40.00	25	0	EUR
Kommunaler Windenergiepark Schleswig-Holstein GbR, Neumünster[10]	20.00	780	269	EUR
Main-Kinzig-Entsorgungs- und Verwertungs GmbH, Hanau[8]	49.00	246	7	EUR
Management Stadtwerke Buchen GmbH, Buchen[8]	25.20	36	1	EUR
RBSV GmbH i.L., Solingen[11, 13]	21.40	595	–2	EUR
Stadtwerke Langen Gesellschaft mit beschränkter Haftung, Langen[5, 8]	10.00	30 472	0	EUR
Stadtwerke Schwetzingen GmbH & Co. KG, Schwetzingen[8]	10.00	14 782	4 112	EUR
Stadtwerke Schwetzingen Verwaltungsgesellschaft mbH, Schwetzingen[8]	10.00	33	–1	EUR
Stadtwerke Sinsheim Verwaltungs GmbH, Sinsheim[8]	30.00	22	–1	EUR
Wasserversorgungsverband Neckargruppe, Edingen-Neckarhausen[8]	25.00	377	0	EUR
Wasserwerk Baumberg GmbH, Solingen[8, 15]	50.00	1 052	337	EUR
WVE Wasserversorgungs- und -entsorgungsgesellschaft Schriesheim mbH, Schriesheim[8]	24.50	1 955	0	EUR

1 share of capital pursuant to § 16 (4) of the German Stock Corporation Act (AktG)
2 majority of voting rights
3 special purpose entity
4 joint management pursuant to contractual agreement
5 profit transfer agreement
6 addition in current financial year
7 Biomethananlage Klein Wanzleben GmbH & Co. KG and Biomethananlage Klein Wanzleben Verwaltungs GmbH were merged to form Biomethananlage Klein Wanzleben GmbH with retrospective economic effect as of 1.7.2011. This merger had not yet been entered in the Commercial Register as of 30.9.2011. As of 30.9.2011, the equity of Biomenthananlage Klein Wanzleben GmbH, which was already fully consolidated in the year under report, amounted to Euro 1 856 thousand and its annual net deficit amounted to Euro 547 thousand (financial statements for short financial year).
8 annual financial statements as of 31.12.2010
9 annual financial statements as of 30.9.2010
10 annual financial statements as of 31.12.2009
11 financial statements for short financial year
12 no information available
13 annual financial statements as of 24.11.2009
14 purchase options available
15 subsidiary of proportionately consolidated companies

Auditor’s Report

We have audited the consolidated financial statements prepared by MVV Energie AG, Mannheim, comprising the balance sheet, the income statement, statement of income and expenses recognised in group equity, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from October 1, 2010 to September 30, 2011, which is combined with the management report of the company.

The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and/or the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB (“Handelsgesetzbuch“: German Commercial Code) is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined 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 combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined 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, November 14, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Claus Banschbach
German Public Auditor

Rolf Küpfer
German Public Auditor

Other Disclosures

Multiyear Overview

Multiyear overview of the MVV Energie Group

	2006/07 [1]	2007/08 [1]	2008/09 [1]	2009/10 [1]	**2010/11 [1]**
Income statement (Euro million)					
Sales excluding electricity and natural gas taxes	2 259	2 636	3 161	3 359	3 590
Adjusted EBITDA	344	398	385	406	394
Adjusted EBITA	200	249	239	247	242
Adjusted EBIT	199	249	239	243	242
Adjusted EBT	123	181	165	165	179
Adjusted annual net surplus	126	123	112	105	125
Adjusted annual net surplus after minority interests	109	110	98	95	108
External sales excluding electricity and natural gas taxes (Euro million)					
Generation and Infrastructure	—	—	—	329	320
Trading and Portfolio Management	—	—	—	684	800
Sales and Services	—	—	—	1 984	2 095
Strategic Investments	—	—	—	356	371
Other Activities/consolidation	—	—	—	6	4
Total	**2 259**	**2 639**	**3 161**	**3 359**	**3 590**
Adjusted EBIT (Euro million)					
Generation and Infrastructure	—	—	—	122	123
Trading and Portfolio Management	—	—	—	40	26
Sales and Services	—	—	—	39	51
Strategic Investments	—	—	—	37	37
Other Activities/consolidation	—	—	—	5	5
Total	**199**	**249**	**239**	**243**	**242**
Investments (Euro million)					
Generation and Infrastructure	—	—	—	119	146
Trading and Portfolio Management	—	—	—	—	2
Sales and Services	—	—	—	36	13
Strategic Investments	—	—	—	28	30
Other Activities	—	—	—	19	21
Investments in property, plant and equipment	**165**	**208**	**238**	**202**	**212**
Investments in financial assets	90	33	17	38	35
Total	**255**	**241**	**255**	**240**	**247**

Multiyear overview of the MVV Energie Group

	2006/07 [1]	2007/08 [1]	2008/09 [1]	2009/10 [1]	**2010/11 [1]**
Balance sheet figures (Euro million)					
Non-current assets	2 479	2 725	2 795	2 684	2 795
Current assets	799	1 062	1 159	953	910
Share capital	143	169	169	169	169
Capital reserve	255	455	455	455	455
Accumulated net income	383	506	371	452	512
Accumulated other comprehensive income	17	24	15	16	– 3
Minority interests	116	116	103	95	213
Equity	914	1 270	1 113	1 187	1 346
Non-current debt	1 377	1 445	1 698	1 500	1 385
Current debt	987	1 072	1 143	950	974
Total assets	3 278	3 278	3 954	3 637	3 705
Key balance sheet figures and ratios					
Cash flow (Euro million)	364	414	386	440	405
Free cash flow [2] (Euro million)	188	54	20	154	163
Adjusted equity ratio [3] in %	27.9	35.5	33.9	35.7	39.5
Capital employed [4]	2 390	2 444	2 649	2 688	2 646
ROCE [5] in %	8.4	10.2	9.0	9.1	9.2
WACC [6] in %	7.5	8.5	8.5	8.5	8.5
Value spread [7] in %	0.9	1.7	0.5	0.6	0.7
Share and dividend					
Closing price [8] on 30.9. (Euro)	29.49	33.20	30.83	29.00	23.86
Annual high [8] (Euro)	34.24	33.75	34.04	33.00	29.90
Annual low [8] (Euro)	22.00	28.00	26.55	29.00	18.85
Market capitalisation at 30.9. (Euro million)	1 645	2 188	2 032	1 911	1 573
Average daily trading volume (no. of shares)	32 396	29 575	19 162	6 108	8 431
No. of individual shares at 30.9. (000s)	55 767	65 907	65 907	65 907	65 907
No. of shares with dividend entitlement (000s)	55 767	65 907	65 907	65 907	65 907
Dividend per share (Euro)	0.80	0.90	0.90	0.90	0.90 [9]
Total dividend [10] (Euro million)	52.7	59.3	59.3	59.3	59.3 [9]
Adjusted earnings per share (Euro)	1.96	1.69	1.48 [11]	1.44 [11]	1.63 [11]
Cash flow per share (Euro)	6.52	6.33	5.86 [11]	6.68 [11]	6.15 [11]
Adjusted book value per share [12] (Euro)	14.32	16.53 [13]	16.52 [13]	16.94 [11, 13]	17.61 [11, 13]
Price/earnings ratio [14]	15.0	19.6	20.8 [11]	20.1 [11]	14.6 [11]
Price/cash flow ratio [14]	4.5	5.2	5.3 [11]	4.3 [11]	3.9 [11]
Dividend yield [14] in %	2.7	2.7	2.9	3.1	3.8 [9]

Multiyear overview of the MVV Energie Group

	2006/07	2007/08	2008/09	2009/10	**2010/11**
Sales volumes					
Electricity turnover (kWh million)	14 302	18 188	19 582	23 891	26 093
of which Generation and Infrastructure (kWh million)	—	—	—	334	155
of which Trading and Portfolio Management (kWh million)	—	—	—	10 771	12 855
of which Sales and Services (kWh million)	—	—	—	11 510	11 678
of which Strategic Investments (kWh million)	—	—	—	1 276	1 405
Heating energy turnover (kWh million)	6 299	7 006	7 217	7 586	7 289
Gas turnover (kWh million)	9 456	9 166	10 851	11 775	10 888
of which Trading and Portfolio Management (kWh million)	—	—	—	2 313	1 700
of which Sales and Services (kWh million)	—	—	—	7 356	7 759
of which Strategic Investments (kWh million)	—	—	—	2 106	1 429
Water turnover (m^3 million)	55	55	53	54	54
Combustible waste delivered (tonnes 000s)	1 409	1 550	1 599	1 762	1 835
Employees (headcount) at 30.9.					
MVV Energie AG	1 559	1 527	1 523	1 495	1 455
Fully consolidated shareholdings	3 765	3 661	3 833	3 882	3 785
MVV Energie AG with fully consolidated shareholdings	**5 324**	**5 188**	**5 356**	**5 377**	**5 240**
Proportionately consolidated shareholdings	1 031	685	681	682	679
MVV Energie Group	**6 355**	**5 873**	**6 037**	**6 059**	**5 919**
External personnel at Mannheim cogeneration plant	39	28	16	9	4
	6 394	**5 901**	**6 053**	**6 068**	**5 923**

1 excluding non-operating IAS 39 derivative measurement items; since 2008/09 financial year: excluding restructuring expenses; since 2010/11 financial year: including interest income from finance leases (previous year's figures adjusted)
2 inflow of funds from operating activities, less investments in intangible assets, property, plant and equipment and investment property
3 since 2007/08 financial year: adjusted equity as percentage of adjusted total assets
4 until 2008/09 financial year: adjusted equity plus financial debt plus provisions for pensions and similar obligations plus accumulated goodwill amortisation (calculated as annual average); since 2010/11 financial year: adjusted equity plus financial debt plus provisions for pensions and similar obligations (calculated as annual average; previous year's figures adjusted)
5 until 2008/09 financial year: return on capital employed (adjusted EBITA as percentage of capital employed); since 2010/11 financial year: adjusted EBIT as percentage of capital employed (previous year's figures adjusted)
6 weighted average cost of capital
7 value spread (ROCE less WACC)
8 XETRA trading
9 pending approval by Annual General Meeting on 16 March 2012
10 since 23 October 2007: 65 906 796 individual shares with dividend entitlement
11 since 2008/09 financial year: weighted number of individual shares: 65 906 796
12 excluding minority interests, weighted annual average number of shares
13 excluding non-operating IAS 39 derivative measurement items
14 basis: closing price in XETRA trading on 30 September

Glossary

ADJUSTED EARNINGS PER SHARE

Earnings per share represent the annual net surplus after minority interests divided by the number of shares. Adjusted earnings per share are based on the adjusted net surplus after minority interests. This key earnings figure is stated net of the earnings and tax impact of IAS 39 derivative measurement items as of the balance sheet date and net of restructuring expenses. The number of shares corresponds to the weighted average number of our shares in circulation in the year under report.

ADJUSTED EBIT

The abbreviation EBIT stands for Earnings Before Interest and Taxes. For internal management purposes we use adjusted EBIT, i.e. EBIT excluding the impact on earnings of the IAS 39 measurement of derivatives at fair value as of the balance sheet date and restructuring expenses and including income from finance leases.

ADJUSTED EQUITY RATIO

For internal management purposes, we adjust both sides of our balance sheet to eliminate the cumulative measurement items for derivatives measured under IAS 39. We adjust equity to exclude the relevant net balance of positive fair values on the asset side and negative fair values on the liabilities side, as well as the resultant implications for deferred taxes.

ASSET IMPAIRMENTS

International accounting standards require assets to be periodically assessed for impairment. Asset impairments are extraordinary write-downs potentially required following the performance of impairment tests on assets.

AT EQUITY RECOGNITION

Method used to account for shareholdings not included in the consolidated financial statements by way of full consolidation of all assets and liabilities. The carrying amounts of shareholdings recognised at equity are updated in line with the development in the prorated equity of the shareholding. This change is accounted for in the income statement at the owner company.

BALANCING ENERGY

Within the electricity supply, balancing energy is required to offset unforeseeable load fluctuations and power plant outages. To ensure the necessary volume of energy can be supplied immediately, output is reserved at easily controllable power plants. Throttled steam, water storage, pump water storage and gas turbine power plants are used as sources of balancing energy.

BARREL

Global trading unit for crude oil.
1 US barrel = 158.987 litres.

BASE LOAD

Level of output permanently required in an energy supply system. Term mainly used for the electricity energy sector. In Germany, the daily base load amounts to around 50 GW.

BETA FACTOR

The beta factor (ß) portrays the relative risk harboured by an individual share compared with an index. A beta factor higher than one means that the share involves greater risk than its comparative market. The reverse is the case for a beta factor lower than one.

BIOGAS

As defined in the German Renewable Energies Act (EEG 2012), biogas involves gas obtained from biomass by way of fermentation in the absence of oxygen (anaerobic fermentation). The raw materials used for this purpose are fermentable residues (e.g. organic waste or sewage sludge), farm fertilisers (e.g. slurry) and plant remains, as well as deliberately cultivated energy plants, so-called regenerative fuels. Biogas is used in the decentralised generation of electricity and heating energy or is refined into biomethane.

BIOMASS

The renewable fuel of biomass is used in solid, liquid and gaseous state to generate electricity and heating energy. Our biomass power plants, biomass heating energy plants and biomass cogeneration plants are mostly fuelled by waste timber, wood chips and wood pellets.

BIOMETHANE

Biogas has to be purified before it can be put to use in ways largely similar to natural gas. This process involves rinsing out a majority of the incombustible and corrosive components of biogas. The end product is referred to as biomethane, which satisfies quality standards similar to those for natural gas. Biomethane can be fed into the natural gas grid, for example, and thus transported over long distances. It is mostly used to produce electricity and heating energy at combined heat and power (CHP) units or as vehicle fuel.

CAPITAL EMPLOYED

This is the capital used by a company on which external providers of capital are entitled to a return.

CASH FLOW

The cash flow presents all inflows and outflows of cash and cash equivalents in a given period.

CLEAN DARK SPREAD

Difference between the electricity price on the one hand and the fuel price (coal) and price of CO_2 emission rights on the other.

CLUSTER

Term used in an economic context to describe a geographical concentration of several companies showing similar features in terms of the sector they operate in or the materials they use.

CO_2 EMISSION RIGHTS

An environmental policy instrument aimed at cutting CO_2 emissions at the lowest possible cost to the economy. To achieve this goal, a market is created for CO_2. The price signals emitted by this market provide participating companies with an incentive to reduce their CO_2 emissions. Upon implementation, a cap first has to be set on a political level for specified emissions within a specified area (regional, national, international) in a specified period (e.g. calendar year) and for a specified group of participants (e.g. energy industry, heavy industry). Based on this cap, so-called CO_2 rights entitling their holders to emit specific volumes of CO_2 are then issued. There are penalties for emissions not covered by emission rights. As CO_2 rights are freely tradable, their price is determined by demand. By lowering the cap step by step, the incentive to cut CO_2 emissions can gradually be increased.

COGENERATION

Denotes the simultaneous generation at a plant of electrical energy and heating energy useable for heating purposes (district heating) or production processes (process heat). Cogeneration reduces the primary energy sources required, and thus also the volume of CO_2 emissions compared with the separate generation of electricity (in condensation power plants) and heating energy (at heating power plants). As an efficient generation technology, cogeneration thus represents an indispensable component of the energy turnaround. The Federal Government aims to achieve a 25 % share of cogeneration within electricity generation by 2020.

COMMODITY

Designation for a standardised tradable good, such as electricity, gas, coal or CO_2 rights.

COMPLIANCE

Adherence to all legislative and legal requirements, guidelines and ethical standards relevant to the company.

CONTRACTING

This is taken to mean the takeover by a third party – the contractor – of part or all of the supply and conversion of utilities (electricity, heating energy, cooling energy, compressed air). A distinction is made between energy supply contracting (e.g. supply of heating energy by constructing and operating a heating energy plant tailored to the customer's needs and remaining within ownership of the contractor), operations contracting (the contractor operates the customer's plant and ensures optimal operations) and savings contracting (the contractor guarantees energy savings and may possibly take over the investments in the plant or application technology thereby required). The objective of contracting is to achieve economic and ecological benefits by optimising processes.

CONTROL AREA

The German electricity grid is divided into four control areas. The transmission grid operator responsible for each control area guarantees stable grid operations by correcting fluctuations in generation and consumption by means of balancing energy.

CROSS-SELLING

Marketing term used to refer to the sale of complementary products or services.

DEGREE DAY FIGURES

Degree day figures are a weather indicator used to assess temperature-dependent heating energy requirements. According to VDI Guideline 4710, the calculation of degree day figures is based on the difference between an indoor room temperature of 20 degrees Celsius and the average daily outdoor temperature below the so-called heating threshold of 15 degrees Celsius. This is the temperature below which heating is required according to the degree day method.

DIVIDEND YIELD

Key figure portraying the dividend distribution made by a stock corporation as a percentage of its share price.

EEG ALLOCATION

Enables the costs of promoting renewable energy forms to be distributed uniformly to end customers nationwide. These costs mainly consist of the difference between the revenues from the sale of EEG electricity on the exchange and the expenses incurred to pay EEG remuneration to plant operators. The transmission grid operators responsible for managing the EEG settlement mechanism set the EEG allocation at a uniform cent per kWh price on 15 October each year for the following calendar year. As the EEG allocation is always based on forecasts concerning expected volumes generated at renewable energies plants and the revenues expected from the sale of EEG electricity, any incorrect amounts have to be charged or credited retrospectively in subsequent years. Despite the significant expansion in renewable energies, the EEG allocation will rise only moderately from 3.530 cents per kWh to 3.592 cents per kWh as of 1 January 2012.

EEG SETTLEMENT MECHANISM

Plant operators subsidised under the Renewable Energies Act (EEG) receive remuneration for the electricity volumes generated from renewable energies. The electricity volumes themselves are accepted by the transmission grid operators and sold on specified terms on the electricity exchange.
The additional costs resulting from the difference between the sales revenues and the EEG remuneration payments are uniformly allocated to electricity customers nationwide (EEG allocation). This procedure is set out in the National Settlement Mechanism Enhancement Ordinance (AusglMechV) in force since 1 January 2010.

E-LEARNING

Designates all forms of learning in which electronic or digital media are used to present and distribute teaching materials and/or support interpersonal communication.

ENERGY TRADING DERIVATIVES

Energy trading derivatives are futures transactions (structured as fixed or options transactions) whose price directly or indirectly depends on the exchange or market price of a reference value. Such instruments are characterised by the future date of performance and the dependence of the derivative price on an exchange or market price. We mainly trade in derivatives in the primary fuels of gas and coal and the energy product of electricity.

EUROPEAN ENERGY EXCHANGE (EEX)

The EEX operates a marketplace for a wide range of energy and energy-related products: electricity, natural gas, CO_2 emission rights and coal. Admission to the exchange enables companies to trade in all products on the spot and futures market of the EEX. The German-Austrian, French and Swiss day-ahead and intraday electricity market, however, is operated by EPEX Spot SE.

FREE CASH FLOW

The free cash flow portrays the extent to which a company is able to cover its investments in intangible assets, property, plant and equipment and investment property from its cash flow from operating activities.

FUTURES MARKET

All products tradable on the EEX which are physically or financially fulfilled at future dates (e.g. months, quarters, years) are traded on the futures market. This type of transaction serves to hedge prices.

GREEN ELECTRICITY PRIVILEGE

Operators of wind, solar, biomass and hydroelectricity power plants normally receive feed-in remuneration under the Renewable Energies Act (EEG). This electricity is sold on the regular electricity market by transmission grid operators and forms part of so-called grey electricity volumes. In cases where producers forego this feed-in remuneration and sell their electricity directly, then this electricity may only be marketed as green electricity. In this so-called green electricity privilege (GSP) model, the electricity thereby marketed is 100 % exempt from the EEG allocation if it includes no less than 50 % directly marketed green electricity (from EEG-eligible plants). The restrictive new requirements included in the EEG 2012 legislation make it considerably harder to draw on the green electricity privilege.

GRID FEES

In the liberalised energy market, grid fees, also known as grid utilisation fees, are the fees collected by electricity and gas grid operators from the respective users as consideration for grid use.

HEDGING

Denotes strategies used to secure prices. These can involve the conclusion of futures transactions in which the electricity generation position, for example, is sold several years in advance.

INCENTIVE REGULATION

Incentive regulation is intended to ensure that grid operators keep their fees low, so as to reduce energy prices for consumers. To this end, since 2009 the Federal Network Agency has set co-called revenue caps for electricity and gas. Based on a nationwide efficiency comparison, all grid operators should be able to bear up to comparison with the most efficient grid operator ten years following the launch of incentive regulation. Permissible revenues for all other grid operators are set on this basis. Where a grid operator’s actual costs deviate from these revenue caps, the grid operator must itself pay for the higher costs. On the other hand, grid operators can keep any potential profits resulting from lower costs.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

International accounting regulations issued by the International Accounting Standards Board (IASB). Based on a Regulation adopted by the European Union (EU), parent companies with a capital market orientation in the EU have been obliged since 1 January 2005, and at the latest since 2007, to apply IFRS when preparing their consolidated financial statements. These regulations aim to achieve an international harmonisation of accounting requirements and thus to enhance the comparability of consolidated financial statements.

LNG

Abbreviation for Liquid Natural Gas. Denotes natural gas liquefied by being cooled to around –161 degrees Celsius. LNG has around 1/600th of the volume of gaseous natural gas.

LOCAL HEATING GRID

Local heating grids supply several customers with heating energy. The heating energy is centrally supplied from a heating station (purely heating energy) or from a combined heat and power (CHP) plant for the cogeneration of electricity and heating energy. What distinguishes local heating grids from district heating grids is their lower output of around 50 KW to 300 KW and lower temperature profile, generally below 95 degrees Celsius.

MARKET DESIGN IN THE ENERGY MARKET

Detailed definitions of rules in the energy market governing the interaction between the regulated value chain stage of grid operation and the competitive value chain stages of generation, trading and sales.

MARKET RISK PREMIUM

Represents the additional return which the market as a whole or a specific share must offer over and above the risk-free interest rate to reward the additional risk assumed by the investor.

MATERIALS FLOW MANAGEMENT

Systematic process in which input and output waste flows are continually optimised in order to satisfy specific plant capacities with the best materials composition (e.g. calorific value, waste properties) and maximum efficiency. Also denotes the development of cross-regional concepts aimed at guaranteeing an appropriate supply of waste to specific disposal plants in line with individual customers' requirements and the different types of waste involved.

ONSHORE WIND POWER PLANTS

Onshore wind energy plants represent the original type for all subsequent wind power plants.

OTC MARKET

The OTC (over the counter) market is an off-market trading emporium where trades are agreed directly between trading participants, i.e. without supervision by the exchange.

PEAK LOAD

Term used to describe a short-term peak in demand in an electricity or gas grid in excess of medium or base load requirements. To satisfy these peaks in demand, power plants that can be managed especially fast and are capable of supplying high volumes of output within seconds or minutes are added to the electricity supply. Typical examples of peak load power plants are pump storage power plants, compressed air storage power plants and gas turbine power plants.

PRICE / CASH FLOW (P/CF) RATIO

The price/cash flow ratio is calculated by dividing the share price by the cash flow per share. This ratio thus presents the multiple at which the cash flow of a share is valued on the stock market.

PRICE / EARNINGS (P/E) RATIO

Also known as the P/E ratio. This key figure places the earnings of a company in relation to its current stock market valuation. An important key figure when comparing the earnings power of a company with one or several other companies.

RATING

In the world of finance, a rating, or credit rating, represents an assessment of a debtor's creditworthiness. Ratings are often issued by specialist rating agencies in the form of rating codes ranging from A to D.

RDF

Abbreviation for refuse-derived fuels produced from household, industrial and commercial waste of high calorific value. RDF is partly substituted for coal, natural gas and heating oil at conventional power plants and cement factories.

RENEWABLE ENERGIES ACT (EEG)

Law dated 29 March 2009 which accords priority to renewable energies, most recently amended with effect as of 1 January 2012 (EEG 2012). The EEG legislation is the key instrument to expand the share of renewable energies in electricity generation. Renewable energies include biomass, including biomethane and biogas, hydroelectricity, wind power, photovoltaics, geothermal energy and the biogenic share of waste.

RISK-FREE INTEREST RATE

The return which an investor can expect on a risk-free investment.

ROCE

Abbreviation for Return On Capital Employed. This key figure shows how effectively and profitably a company uses the capital it employs. The ROCE presents operating earnings before interest and taxes on income (adjusted EBIT) as a proportion of capital employed.

SMART GRIDS

By working with the latest technologies and developments, smart grids offer extended possibilities of actively and flexibly adjusting generation, grid control, storage and consumption to the constantly changing needs of the energy markets.

SMART METERING

A smart meter is an electronic meter that will enable consumption data for electricity, gas, heating energy and water to be recorded and automatically read and processed by energy suppliers in future. The latest smart metering technology provides customers with detailed information on their current consumption and costs.

SPOT MARKET

On the spot market at the European Energy Exchange (EEX), electricity is traded for short-term needs (generally for the next day). This market is mainly used by energy markets and large companies to optimise their electricity portfolios in the short term, e.g. to adjust products to weather conditions or to compensate for power plant outages.

SUSTAINABILITY

Sustainability means using natural resources in such a way that future generations will also be able to meet their needs. From a company perspective, sustainable business activity involves taking due account of economic, ecological and social aspects.

SWAPS (COMMODITY SWAPS)

A (commodity) swap is an agreement governing the exchange of a series of fixed commodity price payments (fixed amount) and variable commodity price payments (market price). This only involves an exchange of cash (settlement amount).

TAX RATE

The tax rate corresponds to actual tax expenses as a proportion of earnings before taxes.

TAX SHIELD

Term used in the calculation of costs of capital to account for the beneficial impact of borrowing interest on the tax liability.

VALUE SPREAD

Principal key figure used in our value-based company management. It is calculated by subtracting the weighted average cost of capital (WACC) from the return on capital employed (ROCE).

WACC

Abbreviation for Weighted Average Cost of Capital (WACC). This key figure represents the long-term minimum economic return generated on operations based on the ratio of debt capital and equity. Equity costs are calculated at the risk-free interest rate, a risk premium for market risk and the beta factor. Debt capital costs are calculated using the risk-free interest rate plus a premium for default risk. This key figure may be calculated both before taxes and after taxes. As a pre-tax figure, it represents the minimum economic ROCE.

WORKING CAPITAL

Corresponds to current assets less current liabilities. This key figure portrays the extent to which current debt is covered by current assets. It is thus equivalent to the share of current assets with long-term financing. This differential amount serves as a key liquidity figure for a company, as does the respective quotient (current assets divided by current liabilities), and is thus particularly important in assessing the company's creditworthiness.

XETRA

Abbreviation for Exchange Electronic Trading. This is the electronic stock market trading system for shares and options at Deutsche Börse AG. It is characterised by automatic order handling, an open order book, i.e. transparent to all market participants, and equal access for all market participants irrespective of their location.

In producing this Annual Report, MVV Energie has promoted sustainable environmental protection. We have used Circlesilk Premium White, a 100% recycled paper with FSC (Forestry Stewardship Council) certification for responsible forestry. The report was printed using the climate-neutral natureOffice method. All CO_2 emissions directly or indirectly caused by printing this report have been calculated and offset by investments in renowned climate protection projects.

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Financial Calendar

15.12.2011	Annual Financial Report 2010/11 (Annual Report)
15.12.2011	Annual Results Press Conference and Analysts' Conference
15.2.2012	Financial Report for 1st Quarter of 2011/12
16.3.2012	Annual General Meeting
19.3.2012	Dividend Payment
15.5.2012	Half-Year Financial Report 2011/12
15.5.2012	Press Conference and Analysts' Conference for 1st Half of 2011/12
15.8.2012	Financial Report for 3rd Quarter of 2011/12

Imprint

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All financial reports of the MVV Energie Group can be downloaded from our internet sites. The German and English editions of this Annual Report can also be accessed in Flash format.

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