MVV ENERGIE
ENERGISING THE FUTURE

RETHINKING ENERGY

ANNUAL REPORT 2011/12

MVV Energie

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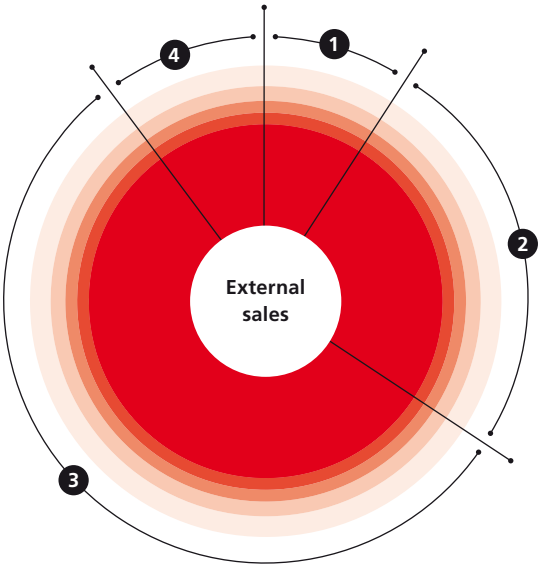
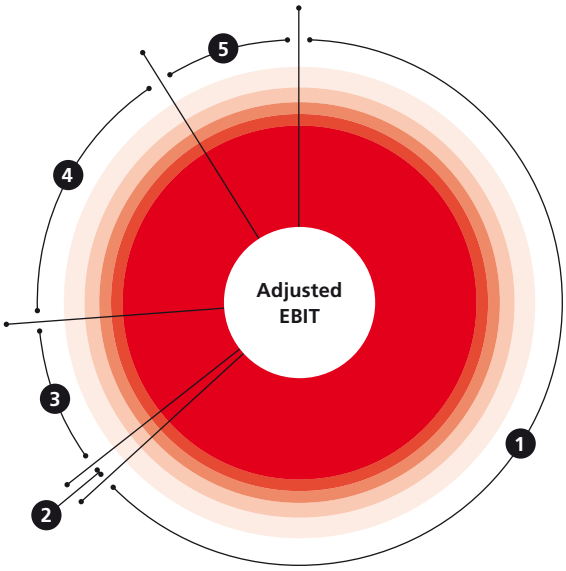
MVV ENERGIE AT A GLANCE

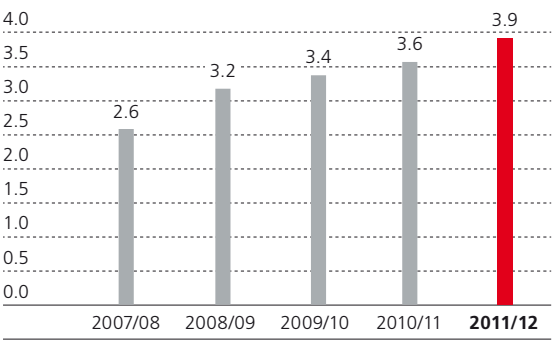




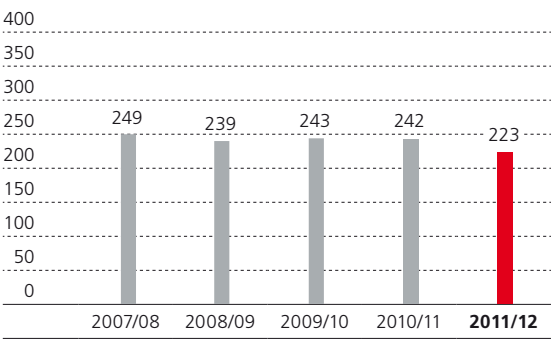
Share of reporting segments in 2011/12 financial year

		in External sales Euro million	in External sales in %	in Adjusted EBIT Euro million	in Adjusted EBIT in %
1	Generation and Infrastructure	354	9	141	63
2	Trading and Portfolio Management	976	25	3	1
3	Sales and Services	2 162	56	21	10
4	Strategic Investments	398	10	38	17
5	Other Activities	5	< 1	20	9
	Total	**3 895**	**100**	**223**	**100**

External sales[1] in Euro billion



Adjusted EBIT in Euro million



1 excluding electricity and natural gas taxes

KEY FIGURES

Key figures of the MVV Energie Group

Euro million	**2011/12**	2010/11	% change
External sales excluding electricity and natural gas taxes [1]	3 895	3 600	+ 8
Adjusted EBITDA [1, 2]	399	404	– 1
Adjusted EBITA [1]	223	242	– 8
Adjusted EBIT [3]	223	242	– 8
Adjusted EBT [3]	151	179	– 16
Adjusted annual net surplus [3]	98	125	– 22
Adjusted annual net surplus after minority interests [3]	80	108	– 26
Adjusted earnings per share [3] in Euro	1.21	1.63	– 26
Cash flow before working capital and taxes [1]	418	415	+ 1
Cash flow before working capital and taxes per share [1] in Euro	6.35	6.29	+ 1
Free cash flow	23	163	– 86
Adjusted total assets (at 30.9.) [1, 4]	3 854	3 658	+ 5
Adjusted equity (at 30.9.) [4]	1 396	1 378	+ 1
Adjusted equity ratio (at 30.9.) [1, 4]	36.2 %	37.7 %	– 4
Capital employed [5]	2 485	2 489	0
ROCE [6]	9.0 %	9.7 %	– 7
WACC	8.6 %	8.5 %	+ 1
Value spread	0.4 %	1.2 %	– 67
Investments	287	247	+ 16
Number of employees (at 30.9.)	5 541	5 923	– 6

1 previous year's figure adjusted. Details in Business Performance chapter

2 excluding non-operating IAS 39 derivative measurement items, before restructuring expenses in previous year and including interest income from finance leases

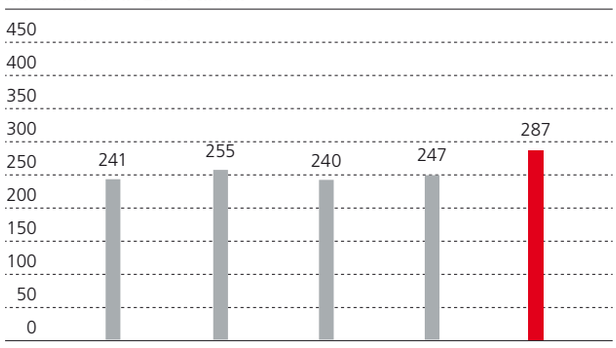
3 excluding non-operating IAS 39 derivative measurement items, excluding restructuring expenses in previous year and including interest income from finance leases

4 excluding non-operating IAS 39 derivative measurement items

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

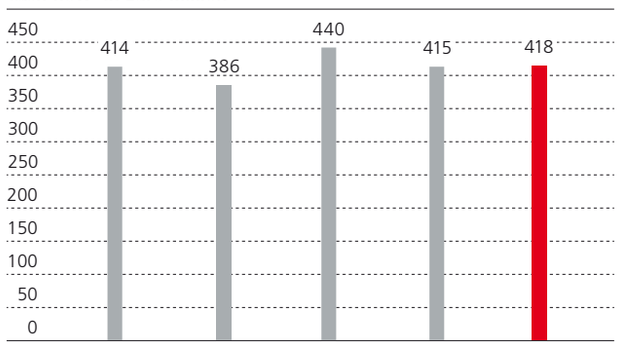
6 return on capital employed (adjusted EBIT as percentage of capital employed)

Investments[1] in Euro million



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

Cash flow[1] in Euro million



1 before working capital and taxes

WHY ARE WE THINKING ABOUT MEGATRENDS?

Anyone wishing to succeed in the long term must look ahead to see what changes are to be expected. Companies find it helpful to analyse megatrends in order to detect medium and long-term opportunities and risks for their businesses. Depending on the industry they operate in and the way they see themselves, different megatrends may be of strategic significance. Consistent with its ambitious claim of "Energising the Future", the MVV Energie Group has identified below those megatrends that will have the greatest impact on its business. It goes without saying that these firstly include the major changes resulting from the fundamental conversion in the German energy supply from conventional to renewable energy sources. This paradigm shift towards the energy system of the future requires a new way of thinking about energy. Based on the clear strategic focuses we laid down in our MVV 2020 programme, we have been on the right course since 2009 already. We have documented this in our Annual Report, with current examples in this Supplement and with the title – **"Rethinking Energy"**.

1

Upheavals in energy and resources
> Onshore wind farms

2

Climate change and environmental impacts
> OptiMa project at Mannheim cogeneration plant

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> In digital dialogue with our customers

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Reorganisation of healthcare systems
> Our five-star health programme

ONSHORE WIND FARMS

1

UPHEAVALS IN ENERGY AND RESOURCES

European Union member states dared to think of fundamentally changing course towards a new energy system in 2007 already. The historic resolutions on the 2020 Climate Agenda addressed no less a challenge than fundamentally rebuilding industrialised economies. After all, sufficient goods and services need to be available in 2050 as well – and that for a global population set to grow to more than 9 billion. That this conversion would only be possible with ambitious improvements in energy efficiency and a massive expansion in the use of renewable energies for electricity and heating energy generation was already clear when the resolutions were adopted. The Federal Government codified this in its "Integrated Energy and Climate Programme" in 2007. Only after the Fukushima reactor accident in Japan, however, did the new energy approach gain broad-based political and social acceptance. The way was paved for energy generation from mainly regenerative energy sources. Fossil fuels will continue to dominate energy production for the foreseeable future. However, their increasing scarcity and cost will promote the use of regenerative energies across the board in the coming decades.

▶

The challenge we face:
Accelerating the expansion in renewable energies

Climate change, rising energy demand due to global population growth, the industrialisation of emerging economies and the finite nature of fossil fuels – all these factors make a change of course in terms of energy generation and the resources used inevitable. Germany has also decided to bring forward its nuclear energy exit. The Federal Government has set ambitious targets. In Germany, the share of gross electricity consumption covered by electricity produced from renewable energies should amount to at least 35 % by 2020. By 2030, the Federal Government aims to achieve a 50 % share, and by 2050 this should even rise to 80 %. According to statistics released by the Association of the German Energy and Water Industries (BDEW), wind power was – at 9.2 % – the renewable energy form accounting for the highest share of gross electricity generation in the 1st half of 2012, followed by biomass at 5.7 %, photovoltaics at 5.3 % and hydroelectricity at 4.0 %.

With onshore wind farms – such as the wind turbines operated by EVO in Kirchberg – MVV Energie is on the right track

53

MEGAWATT – THAT IS THE INSTALLED CAPACITY OF THE 23 WIND TURBINES IN KIRCHBERG

Our contribution:
Investment focus on renewable energies

Given the rethinking in German energy policy, all of the country's leading energy suppliers are working on concepts to transform the energy supply system along ecological lines. In this, however, they are starting out from different places. According to its CEO, Dr. Georg Müller, MVV Energie "has been on the right track from the outset". Now it is a question of exploiting the great benefits arising from the fact that we took the right course earlier than others. We acted early to focus our corporate strategy on expanding energy generation from regenerative energy sources – that means we can simply continue to make targeted investments. We will be investing a total of Euro 3 billion between 2010 and 2020. Half of this will be invested in our growth fields of renewable energies and energy efficiency, while the other half will be channelled into maintaining and optimising existing plants and grids.

Wind farm with highest capacity in south-western Germany

Generating electricity close to where it will be consumed avoids costly conduction losses, which in Germany still average 4.3 %. That is why MVV Energie produces its electricity wherever possible in the region and for the region. One exemplary project is the new wind farm in Kirchberg in the Hunsrück region, the highest-capacity wind farm of its kind in south-western Germany. The 23 Enercon E-82 type wind turbines with a capacity of 2.3 MW each, a rotor diameter of 82 meters and a hub height of 138 meters, have peak combined capacity of 53 MW. That is enough to generate 125 million kWh of electricity each year for 35 000 three-person households in the region. What's more, this project, which was jointly implemented by our Energieversorgung Offenbach AG subsidiary and the juwi Group in Wörrstadt, was designed with the interests of the local population in mind. Together with regional savings banks, two savings certificates were introduced enabling members of the public to invest directly in the project. These climate savings certificates, offering an attractive return, were sold out within a few days or even within a few hours – thus documenting the high acceptance levels among the general public for this forward-looking sustainability project.

Assembly work in Kirchberg – generating clean wind power

BRIEF INTERVIEW

with Philipp Leckebusch,
Head of Generation Division at MVV Energie

Mr. Leckebusch, everyone is talking about gigantic offshore wind farms. MVV Energie, on the other hand, is relying on onshore wind power. Why?

LECKEBUSCH: Onshore wind power plants can supply energy on a regional, decentralised basis. Not only that, they are a proven, economically viable technology. One of the main problems with offshore wind turbines is that of transporting the electricity generated to consumer centres in the south of the republic. That will require additional investments worth billions, without even thinking of the costly conduction losses involved.

For efficiency reasons, MVV Energie is relying entirely on its proximity to consumers. By offering innovative investment models, you deliberately aim to bring local people and local government partners on board in the future expansion of wind power. What benefits do you see in this?

LECKEBUSCH: Renewable energies have to be used where they are economically viable and where they are actually needed. By offering participation models in which local people can invest in wind farms, we are raising acceptance levels for decentralised energy generation. Not only that, we are also bringing additional value creation to the region. "Citizens' wind farms" therefore play a major role for us in transforming the energy landscape, as do municipal and regional partnerships.

What does the future hold for MVV Energie's wind power business?

LECKEBUSCH: We offer our partners the development, construction and operation of wind farm projects from a single source. We also take care of marketing the electricity produced from renewable energy sources. These services will gain enormously in significance, particularly in future when there are no guaranteed feed-in compensation schemes.

OPTIMA PROJECT AT MANNHEIM COGENERATION PLANT

2

CLIMATE CHANGE AND ENVIRONMENTAL IMPACTS

The 21st century is increasingly characterised by emerging environmental problems with global implications. Rising emissions of so-called greenhouse gases, such as carbon dioxide (CO_2), are thought to be responsible for global warming. With this in mind, numerous industrialised economies have committed to reducing greenhouse gas emissions in international environment agreements, such as the Kyoto Protocol. Politicians and business have the great responsibility of finding suitable measures to counter negative environmental effects and climate changes. Energy companies in particular are called on to be involved in this process.

The challenge we face:
Significantly improving power plant efficiency

Media reports on the transformation of energy supply systems along ecological lines tend to focus above all on using and expanding renewable energy sources. However, one key aspect of the energy policy transformation is virtually ignored – improving the efficiency of existing power plants. And yet the increase in commodity prices and targeted reduction in CO_2 emissions mean that more efficient power plants are a highly significant factor. After all, efficiency enhancements enable valuable resources to be saved in generation processes, thus also reducing the burden on the environment.

Our contribution:
Project OptiMa increases efficiency rate at cogeneration plant

Efficiency, economic viability and competitiveness – these factors will shape the future of energy from waste plants. In recent years, the market for household and commercial waste has been characterised, among other factors, by increased competition for waste volumes suitable for energy generation purposes. This has also led to a reduction in disposal prices.

Given consistent optimisation, the systems at the cogeneration plant in Mannheim already had very high availability levels with low specific costs. MVV Umwelt nevertheless identified efficiency improvements in the energy generation systems as a suitable way to further boost the plant's competitiveness. In summer 2010, MVV Umwelt initiated the OptiMa project with a total volume of around Euro 18 million. After just two years, the OptiMa project was successfully completed in August 2012. That is all the more remarkable given that the work was performed during ongoing operations - open-heart surgery, so to speak.

The starting point was an efficiency rate of 41.2 % at the cogeneration-based power plant – already good when compared with other players in the sector. The ambitious target in the OptiMa project was to significantly raise the volume of electricity generated, and thus also the efficiency rate. Out of eight technical

One of the two back-pressure steam turbines in the OptiMa project (here Turbine D0) shortly before trial operations

scenarios in total, our planners chose an option that provided, among other aspects, for two steam turbines to be replaced with new high-efficiency aggregates. While maintaining district heating steam output at the same level, this boosted the electrical output by 5.1 MW. The efficiency rate was thus raised by 2.3 percentage points to 43.5 %. While this might not sound so spectacular to the layman, among power plant experts it is seen as an improvement that sets new standards. After all, based on the same amount of fuel input, the volume of electricity generated has increased by 12 % – enough to cover the annual needs of 10 000 further three-person households. At the same time, it has saved 33 000 tonnes of CO_2! There is clearly still a long way to go until we realise our vision of doubling power plant efficiency. OptiMa nevertheless represents a first step in the right direction. Not only that, the cogeneration plant in Mannheim has lived up to its reputation as one of Germany's most modern and efficient energy from waste plants.

12 %

HIGHER ELECTRICITY YIELD FROM SAME VOLUME OF WASTE

Brewing beer is an energy-intensive matter. Our photo shows brewing kettles at Privatbrauerei Eichbaum in Mannheim

3

BUSINESS ECOSYSTEMS

Business ecosystems is a term derived from the biological context. By analogy with the natural world, company network systems can also arise in the business world, networks from which all participants derive benefits and advantages. Virtual platforms, for example, help optimise business processes, help integrate customers into processes or enable them to participate in product developments and help establish completely new services.

INNOVATIVE ENERGY PROCUREMENT WITH MVV ENERGIE

The challenge we face: Optimal energy procurement for energy-intensive companies

For companies operating in energy-intensive sectors, access to favourably priced electricity is a crucial factor. Energy markets, on the other hand, are highly volatile. Only those players who permanently observe the markets and know the relevant indicators are in a position to procure large volumes of energy at optimised prices. At the same time, growing competitive and cost pressure is obliging companies to concentrate on their core competencies. Within their business ecosystem, they therefore need a partner from the energy sector, one capable of supporting them with great specialist competence and smart virtual instruments.

Our contribution: Energy procurement …

As an "Energiser of the Future", MVV Energie has recognised the potential harboured by integrated business ecosystems. We aim to give our customers the opportunity of having our specialists' market expertise work effectively on their behalf – and that much faster than via traditional channels. With our Electricity/Gas Energy Fund and MVV Energiemonitor, we have developed innovative products and tools to optimise energy procurement for industrial companies from medium-sized players upwards.

… in tranches

MVV Energie has been supporting its customers in their energy procurement since 2004 already. The formula is simple – we procure energy for them in tranches on the energy market. This way, our energy trading division can optimally exploit price fluctuations. This structured procurement concept has been so successful in the market that it has become a profitable option for medium-sized companies as well. The Electricity Fund product was already introduced one year later. In the more complex gas market, MVV Energie has also succeeded in introducing its Gas Fund across the board in Germany – a pioneering achievement in the sector!

At the beginning of 2010, MVV Energie merged its Electricity and Gas Funds to form its Electricity/Gas Energy Fund. This means that customers have at their disposal a uniformly structured, single transparent instrument to manage their entire energy procurement. This is an advantage our customers appreciate, as is clear from the total of more than 4 billion kWh of electricity and 2.5 billion kWh of gas we procured for these customers for the 2012 supply year alone.

… via iPad

Technically speaking, MVV Energiemonitor is based on the Apple iPad and provides procurement managers with all of the information relevant for their energy procurement at a glance – from information about the latest developments on the energy markets, including forecasts and analyses, through to their own company's procurement situation. Thanks to this permanently available, up-to-date information, customers can optimally structure their procurement. We presented MVV Energiemonitor at E-World 2011 and the practical application is now used by several of our key account customers. It was thus only right that the MVV Energiemonitor was awarded a special prize for outstanding innovation at the 2012 Stadtwerke Awards.

The benefits have convinced our customers

One customer using our Energiemonitor and our Electricity/Gas Energy Fund is Privatbrauerei Eichbaum, a private brewery synonymous with traditional brewing skills in the Kurpfalz region. Over more than 330 years, this company, the oldest in Mannheim, has developed into one of Baden-Württemberg's largest, top-performing breweries. Here, 220 employees produce around 1.6 million hectolitres of beer each year. Modern, effective and efficient production steps are the be-all and end-all of energy-intensive beer brewing. And that is where MVV Energie can help with its Electricity/Gas Energy Fund and its Energiemonitor. This way, the brewers can focus all of their attention on their craft.

"We need steam boilers capable of achieving the comparatively high temperatures of 110° to 160° Celsius necessary to boil down the "raw beer". This process uses a great deal of energy. Around 45 % of total energy consumption at our private brewery is required for this so-called seasoning. The ability to procure energy on the best terms possible is thus absolutely crucial to our economic viability! The Electricity/Gas Energy Fund and MVV Energiemonitor enable us to optimally exploit price fluctuations on the energy market to our advantage."

Jochen Keilbach, Shareholder and Managing Director
of Privatbrauerei Eichbaum GmbH

Heidelberger Druckmaschinen AG was the first key account customer to which MVV Energie made its Energiemonitor available. Stephan Hartmann, Head of General Procurement, expresses his satisfaction:

"Not only can I access my entire portfolio at any time and in any place, but I also receive market data and analyses. That means I can take decisions to procure energy at any given time on a much more informed basis."

BRIEF INTERVIEW

with Prof. Dr. Claus E. Heinrich
Member of Executive Board of sovanta AG

Professor Heinrich, your company – sovanta AG – acted as MVV Energie's technical partner in developing the Energiemonitor application for the iPad. What particular challenges did that involve?

HEINRICH: For companies operating in energy-intensive sectors, electricity procurement is a factor considerably influencing their profitability. Procurement managers must decide when and in what quantities they wish to order electricity capacities for the future. By analogy with securities option trading, it is crucial that they should be able to forecast future prices on the basis of historic and current data. That is why this application not only offers procurement managers extensive information that is always up-to-date, but also enables them to perform interactive analyses and simulations.

And what is the benefit for MVV Energie?

HEINRICH: Well, Energiemonitor enables MVV Energie to offer key account customers greater transparency in reaching their procurement decisions. This results in higher customer satisfaction and increased customer retention in the highly competitive energy market. That represents a substantial competitive advantage. Particularly in such a complex environment, it was absolutely crucial to ensure that the application could still be used intuitively without in any way restricting its added value for users.

4

DIGITAL CULTURE

The internet and modern communications technologies are everywhere and have significantly changed virtually everyone's patterns of media consumption. These days, life without mobile phones, computers and navigation systems would be unimaginable for most private consumers. Working life is increasingly shaped by e-mails, smart phones and numerous data processing systems. This ever greater "virtual penetration" of day-to-day life has triggered a change of culture – one made possible and promoted by the fact that both existing and new needs can now be met easily and uncomplicatedly with digital technologies.

Energy at a glance – MVV's Energiemonitor

IN DIGITAL DIALOGUE WITH OUR CUSTOMERS

The challenge we face:
Using the new digital world

Within the transformation of the energy industry along ecological lines, there are numerous areas of development where we can exploit the increasing degree of digitalisation to find innovative solutions to urgent problems. These include:

- Developing smart grids to optimally balance energy supply and demand;
- Efficiently integrating and managing decentralised generation plants, especially renewable energies, to reduce conduction losses by ensuring short transmission routes;
- Growing demand from our customers for energy-efficient solutions both for private households (smart homes) and for business customers (energy supply contracting and/or savings contracting).

Our contribution:
We are researching and developing with digital means

As a modern energy supplier and service provider, we feel bound to remain in constant dialogue with our customers, business partners, shareholders and employees. Our internet presence offers extensive information and communications opportunities. Not only that, we also work with platforms such as Facebook, Xing and YouTube. Here, for example, short videos keep consumers informed about energy saving opportunities.

We are focusing on the increasing digitalisation of the energy industry in our research activities in particular. In the E-Energy project "Model City Mannheim" (moma), we are investigating how information and communications technologies can promote the grid integration of renewable energies and energy efficiency enhancements. Here, it is important for us that our customers should generate added value by managing their consumption efficiently. Not only that, we also see user-friendly surfaces as a decisive factor. We have already successfully implemented the same requirements – user-friendliness, technical innovations, added value creation – in an application for our business customers. With MVV Energiemonitor, we offer these customers an innovative tool helping them to optimise their energy procurement. We have presented our Energiemonitor on the previous pages.

5

DEMOGRAPHIC CHANGE

Demographic change will be one of the key challenges facing German society over the next decades. Falling birth rates and rising life expectancy mean that our society is aging. The number of over-sixties is increasing rapidly. As a result, ever fewer people of working age will have to support ever more pensioners. That will be a real test for our social security system, based as it is on a "contract between the generations".

GENERATION M
PERSONNEL DEVELOPMENT PROGRAMME

The challenge we face:
Achieving a demographically balanced age structure

Demographic trends present great challenges for many companies' personnel policies. Consistent with developments in society at large, company workforces are also aging. The planned raising in the retirement age to 67 will additionally increase the number of older employees, while the total number of people in employment will simultaneously reduce. As there will be fewer potential employees available, a future lack of specialist workers is already foreseeable. In view of this, it will be crucial to promote older employees in particular. If these employees can continue to be deployed productively, then they can help secure the company's economic success.

Our contribution:
Supporting and retaining older employees

With its forward-looking personnel planning, MVV Energie aims to achieve a balanced age structure for its workforce, one consistent with the demographic situation. That also means ensuring adequate representation of employees older than 45. Why is that so important for us? Our longstanding employees have a great wealth of experience and important skills that are highly valuable for our company and its competitiveness. It is therefore about maintaining their performance capacity and motivation in their working lives and promoting their ability to learn new skills. Those are precisely the areas we are supporting with our new Generation M personnel development programme. We are certain that the Generation M programme is a further aspect of what makes MVV Energie an attractive employer – alongside management and support programmes, our commitment to promoting our employees' health and the assistance we offer employees in combining their work and family commitments.

Generation M: People in the middle of their lives

The Generation M personnel development programme was kicked off in early April 2012. This pilot project is being managed by the personnel development department at MVV Energie AG in cooperation with RheinEnergie, Cologne. A total of 18 employees from various units and hierarchical levels at MVV Energie took part in the project over a ten-week period. Given the positive feedback from participants, the programme is being continued from October 2012.

Generation M refers to people in the middle of their lives, i.e. to people older than 45. With the pilot project, we aim to investigate possibilities as to how we can help maintain older employees' performance capacity and innovative strength. We are taking measures to sustainably promote our employees' physical and mental agility and maintain their ability and motivation to work, and that through to the legal retirement age and beyond. This also means that age-related periods of leave can be reduced. Within a career stocktaking process, we point out available professional opportunities and give examples as to how careers can be structured in line with age considerations. The managers of programme participants are also involved. This helps raise their awareness of the implications of demographic change in their section or department as well.

What benefits does the Generation M programme involve for employees? In general, they are promoted in terms of their personal development, identify individual ways of shaping their career, pay greater attention to their health and to prevention measures and see that their input is appreciated by their employer. In short, their quality of life is enhanced. The Generation M concept was so warmly received by the human resource professionals at Selbst GmbH that they awarded it their "Employability Award 2012". •

Sailing through the health and fitness check: Ursula Seitz and Klaus Dürr took part in the Generation M pilot programme

"Generation M is a fantastic programme and offers many opportunities to people in our age range. Anyone seizing these opportunities stands to benefit clearly in terms of their wellbeing and to enjoy their working life for a long time to come."

Ursula Seitz, participant in the Generation M pilot programme

"The review of my career was of great help to me personally. The wealth of information about prevention-based healthcare and healthy nutrition were also helpful. After all, we want to stay fit to work for a good few years yet!"

Klaus Dürr, participant in the Generation M pilot programme

Generation M
personnel development programme:

1. Career stocktaking	**4.** Physical agility
2. Medical check-up	**5.** Mental agility
3. Health-related behaviour	**6.** Healthy nutrition

BRIEF INTERVIEW

with Thorsten Echterhof,
Head of Personnel Competence Centre
at MVV Energie AG

Mr. Echterhof, how is MVV Energie meeting the challenges presented by demographic change?

ECHTERHOF: We are already well prepared – and that on several levels. High-quality vocational training, numerous study programmes at the Baden-Württemberg Cooperative State University in Mannheim and an excellent entry programme for university graduates – all these factors help us to cover our future need for specialist employees in most cases with internal candidates. By offering numerous further training programmes, we help keep our employees' skills right up-to-date. One particular priority here is boosting management competence. Our family-friendly policies help parents better combine their family and work commitments. We also have special programmes for employees caring for relatives. Demand for these is set to rise in the near future due to demographic trends. To account for this, we will be further expanding these programmes. Also worthy of note is our Generation M pilot programme intended to make even better use of the expertise available among our older employees.

What benefits does MVV Energie hope to gain from all these personnel policy measures?

ECHTERHOF: We are convinced that our employee-based corporate culture makes us a very attractive employer. We challenge and support our employees. We offer them a variety of activities and individual development possibilities – and thus opportunities with perspectives for the future. That in turn is honoured by specialist and management staff. We are better able to recruit such employees and retain them at our company on a long-term basis. And precisely that is our objective.

6

REORGANISATION OF HEALTHCARE SYSTEMS

German society is aging. Fewer children are being born than previously and life expectancy is on the increase. Health-related matters are becoming an ever greater priority for people wishing to remain fit and active well into old age. Health spending in Germany will have doubled by 2020 – and that in just 20 years. New markets are emerging for healthcare products and lifestyle medicine. Here, prevention-based healthcare, exercise, wellbeing and nutrition are the catchwords.

OUR FIVE-STAR HEALTH PROGRAMME

The challenge we face:
Maintaining performance capacity and motivation

Today's working world places ever greater requirements in us. Ever increasing numbers of ever more complex tasks have to be dealt with in ever shorter periods. A workforce with a rising average age is expected to shoulder the increasingly tough burden of day-to-day working life. Employee health is an increasingly important factor for companies. In view of this, company health promotion schemes can contribute significantly towards boosting employees' performance capacity and willingness to accept change, and thus towards sustainable company success.

Our contribution:
All-round health management

Employers bear responsibility for their employees. They must ensure that their employees remain healthy, able to perform and motivated. MVV Energie AG promotes its employees' health within a comprehensive, integrated health management scheme. We underlined our commitment by signing up to the "Luxembourg Declaration on Workplace Health Promotion in the European Union". Our five-star health programme has been singled out for prizes and received the Seal of Excellence of the Corporate Health Award in 2009 already.

So what is it about our company health management programme that makes it one of the best in Germany? As employer, we help boost our employees' physical and mental wellbeing in their working lives. We encourage them to take exercise, whether in the form of Nordic Walking or Tai Chi Chuan. The medical support we provide via the ambulant company doctor includes prevention programmes, such as flu vaccinations, and direct help with acute health problems. We support our employees in maintaining their inner balance, or mental equilibrium, despite rising workloads and stress. Physical wellbeing also requires high-quality nutrition. Alongside the balanced range of dishes available in our canteens, we also offer "Job&Fit" cookery courses to all employees interested in a healthy diet. We know that a positive working climate has a beneficial impact on employees' health. To account for that, we are also available as contact partners to discuss employees' individual professional development and offer special programmes to help employees return to the world of work after longer periods of illness.

MVV ENERGIE IN FOCUS

With total sales of almost Euro 4 billion, the publicly listed MVV Energie Group is one of Germany's leading energy players. Our group of companies with local and regional roots offers attractive, sustainable jobs to around 5 500 employees.

Our Group covers key stages of the value chain – from energy generation, energy trading, energy distribution with proprietary grids through to sales and energy-related services. Not only that, we are also one of Germany's largest operators of energy from waste and biomass plants.

We provide our customers with a reliable supply of electricity, heating energy, gas and clean drinking water while offering a broad range of green electricity products to private, industrial and commercial customers alike. In parallel to these activities, we develop innovative technologies, products and services and help our customers to put energy to more efficient use.

Our corporate strategy focuses on generating profitable medium and long-term growth. In this, we are building on regionalism, efficiency and sustainability. We acted early to set our key strategic focuses on expanding renewable energies and enhancing energy efficiency. The political decisions on the conversion of the German energy system have confirmed our strategic course.

TO OUR SHAREHOLDERS

»The best way
to predict the future
is to create it.«

Willy Brandt, 1913 – 1992,
Federal Chancellor and Nobel Peace Prize Winner

DR. GEORG MÜLLER

CEO of MVV Energie AG

Dear Shareholders, Dear Ladies and Gentlemen,

New energy system → New approach

This year's Annual Report appears under the motto "Rethinking Energy", and that for good reason. The paradigm change in the energy industry requires us all to adopt a fundamentally new approach. This has become ever more apparent, and increasingly so in recent months. We are still at the very beginning of this difficult, long-term process. The most urgent task is to expand renewable energies and boost energy efficiency. At the same time, many additional individual components are involved, not least the use of the latest technologies and process and product innovations. We need to gain a comprehensive overview of central value chain stages. The objective must be to establish a new market-based energy system in Germany, one that takes due account of ecological interests and supply reliability. Finally, energy has to stay affordable for consumers and companies alike.

Planning reliability for investments

Renewable energies form one cornerstone. These will gradually assume the leading role in the new energy system. In parallel, flexible conventional generation capacities and reserve power plants will still be necessary for many years to balance out fluctuating wind and solar power generation volumes. Plants operated on a cogeneration basis are particularly well suited to perform this role. The government must create a reliable framework to compensate electricity from these "backup capacities". Only this way can they effectively complement green electricity. Transmission and distribution grids have to be expanded and converted. Energy suppliers need planning reliability for all these tasks. Political and regulatory intervention can and must create incentives to invest. We need an overall concept and high-quality project management to enable the energy system conversion to be structured along targeted, sustainable lines.

I am often asked whether we see these developments as beneficial or detrimental for MVV Energie. My answer to that question is clear. We are convinced our company is on the right strategic course – also in the new energy policy climate! We are making targeted investments to expand energy generation from renewable energy sources, optimise and enhance our plant efficiency, expand our distribution grids and find new solutions to facilitate a forward-looking energy supply. In May 2012, we launched operations at the wind farm in Kirchberg in Rheinland-Pfalz. With 23 wind turbines, this is one of the highest-capacity wind farms in south-western Germany. Construction work on our new waste-powered cogeneration plant in Plymouth/UK – to date our single largest investment – is progressing on schedule. The same is true of the expansion in district heating at all of our locations. Since September 2012, our first biomethane plant in Klein Wanzleben has also been feeding natural gas into the public gas grid.

Our growth programme is gaining momentum!

The period covered by our financial year from October 2011 to September 2012 was a momentous time for the entire energy industry. Our market and regulatory framework has begun to change fundamentally. For MVV Energie, it was a year of great challenges from a financial perspective as well. Given the deterioration in the overall framework and a number of negative one-off items, we are satisfied with our business results. In terms of our external sales, we set a new record of almost Euro 4 billion. In line with expectations, our operating earnings (adjusted EBIT) reduced compared with the previous year. At Euro 223 million, adjusted EBIT nevertheless slightly exceeded the earnings forecast published in our financial reports in the course of the year. We continued to press consistently ahead with implementing our internal group programmes and made organisational adjustments in our energy-related services business. This way, we have strengthened our economic foundation for the next two years until our growth investments generate their first earnings contributions.

With our sustainable strategy, we are well on the way to mastering these new topics and seizing the business opportunities presented by the system transformation. With forward-looking business fields where we already operate successfully and have great expertise, our overall company is well positioned.

We have a solid foundation and strong prospects

We can look to the future with confidence. We owe that above all to our employees, whose efforts and dedication, and that day in day out, form the basis for our Group's successful development. I therefore offer my sincere thanks to all managers, employees and employee representatives for their tremendous commitment!

Our aim is to generate long-term profitable growth. That will secure and create jobs for our employees. Not only that, it will also enable our shareholders to participate in our company's value growth in future as well. With this in mind, the Executive and Supervisory Boards will once again be proposing a dividend of Euro 0.90 per share for the 2011/12 financial year for approval by the Annual General Meeting of MVV Energie AG on 8 March 2013. On behalf of the entire Executive Board, I would like to thank you for the trust you have placed in us and would be delighted if you would accompany us in future as well.

With kind regards.

Yours faithfully,

Dr. Georg Müller
CEO

Mannheim, December 2012

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DR. GEORG MÜLLER

CEO and Commercial Director

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MATTHIAS BRÜCKMANN

Sales Director

•

EXECUTIVE BOARD OF MVV ENERGIE AG

DR. WERNER DUB

Technology Director

HANS-JÜRGEN FARRENKOPF

Personnel Director

SUPERVISORY BOARD REPORT

DR. PETER KURZ

Chairman of the Supervisory Board
of MVV Energie AG

Ladies and Gentlemen,

The 2011/12 financial year was dominated by the pending renewal of the energy system in Germany. Initial measures were compiled to implement the energy policy decisions taken in the past year in the wake of the catastrophe in Japan. Developments in the year under report showed that MVV Energie's strategy, already adopted in the form of MVV 2020 in 2009, is both forward-looking and sustainable.

The Supervisory Board diligently performed the duties incumbent on it by law and under the Articles of Incorporation once again in the 2011/12 financial year. We advised the Executive Board in its management of the company and consistently monitored it in its business activities. We received regular, prompt and comprehensive information from the Executive Board about the company's performance and situation, as well as about its further strategic development. The Executive Board also informed us extensively in regular reports about the company's business, sales and earnings performance, its net asset and financial position, and its risk situation and risk management. Furthermore, we were also informed by the Executive Board of all relevant matters of business policy and corporate planning. Where the company's actual business performance deviated from previous budgets and targets, the reasons for this were presented to the Supervisory Board in detail. The Supervisory Board was directly involved in all decisions of fundamental significance for the company. Between meetings, the Supervisory Board Chairman and the CEO were in close contact to exchange views on current issues and developments.

Main topics of discussion in full Supervisory Board

The Supervisory Board held five meetings in the year under report, of which four were regular scheduled meetings and one was a special meeting held to address training topics in line with the corresponding recommendation made by the German Corporate Governance Code. We reached our decisions on the basis of extensive reports and draft resolutions submitted by the Executive Board.

In the 2011/12 financial year, the Supervisory Board once again dealt closely with the economic, legal and political framework in which the MVV Energie Group operates. The business climate in the energy industry has been and continues to be shaped by the transformation in the energy system initiated by the Federal Government. This is intended to convert the energy supply in Germany along ecological lines and to ensure that electricity, gas and heating energy are put to more efficient use.

Against this backdrop, in the year under report the Executive Board kept the Supervisory Board regularly updated on the latest status of substantial items of draft legislation relevant to the energy supply and waste disposal industries. These included the amendment to the German Renewable Energies Act (EEG), the new legislation governing cogeneration, the amendments to the German Closed Substance Cycle Act (KrWG) and the introduction of a premium model for marketing electricity generated from renewable energies. Furthermore, it reported on the development in factors significantly influencing the earnings of the MVV Energie Group, such as the generation margin for conventional power plants (clean dark spread), waste prices and weather-dependent gas and heating energy sales.

One regular object of discussion involved the status reports from the Executive Board on the scheduled progress made with those current investment and acquisition projects with which MVV Energie is implementing its MVV 2020 corporate strategy. Key milestones on which the Executive Board reported were the granting of building and operating permits for the energy from waste plant in Plymouth/UK and the subsequent launch of main construction work, the launch of operations at Kirchberg Wind Farm, the progress made with expanding district heating in Mannheim and the Rhine/Neckar metropolitan region and delays in construction work on Block 9 at the large power plant in Mannheim (Grosskraftwerk Mannheim – GKM).

At its meeting on **8 DECEMBER 2011**, the Supervisory Board adopted the agenda for the Annual General Meeting on 16 March 2012 together with the necessary draft resolutions. To simplify structures and processes and optimise the management of the environmental energy subgroup, the Supervisory Board consented to Mannheim Cogeneration Plant being carved out of MVV RHE GmbH and transferred together with the steam grid from MVV Umwelt GmbH to MVV Umwelt Asset GmbH.

On **15 MARCH 2012**, the Supervisory Board dealt in detail at its meeting with the consequences of the energy supply conversion and the resultant implications for the strategic alignment of MVV Energie and its business fields. From the perspective of the Supervisory Board, the energy supply system change confirms the strategic course adopted by MVV Energie, which provides for key group investment focuses in the fields of onshore wind power, biomass and biogas, cogeneration, district heating and the environmentally-friendly generation of energy from waste.

In connection with the construction of the biomethane plant in Klein Wanzleben, Sachsen-Anhalt, the Supervisory Board approved the construction of a further biomethane plant in Kroppenstedt, Sachsen-Anhalt. The Supervisory Board sees the development of a biomethane cluster as suitably complementing the MVV Energie Group's existing biomass-based activities.

To hold more in-depth discussions on energy and business-related topics relating to the energy supply transformation process, the Supervisory Board held a special meeting on **19 APRIL 2012**. By holding this meeting, MVV Energie also followed a recommendation made by the German Corporate Governance Code, according to which the company should provide adequate support for training and development measures for the Supervisory Board.

At its meeting on **29 JUNE 2012**, the Supervisory Board awarded the assignment as auditor and group auditor for the 2011/12 financial year to PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Mannheim, and stipulated the relevant audit focuses and audit fee. Furthermore, the Supervisory Board approved the planned renaming of the shared service companies, the grid company and further subsidiaries, a measure intended to sharpen the profile of the respective companies.

On **19 SEPTEMBER 2012**, the Supervisory Board dealt at its meeting with the repurchase of shares in Stadtwerke Solingen (SWS) by the city of Solingen. The Supervisory Board acknowledged the city of Solingen's intention to terminate the partnership between SWS and MVV Energie and endorsed the agreed sale of the shareholding. Moreover, at the same meeting the Supervisory Board approved the MVV Energie Group's business plan for the 2012/13 financial year and acknowledged the three-year plan submitted by the Executive Board.

Further topics addressed by the Supervisory Board in the year under report included status reports submitted by the Executive Board on activities in the sales business field, the progress made with restructuring the energy-related services subgroup in personnel and organisational terms, and the Group's participation in concession processes.

Committee meetings

The Supervisory Board has formed four committees to prepare topics and resolutions for the full Supervisory Board. The composition of these committees has been presented in the chapter ▶ *Corporate Governance on Pages 102 to 103* and in the chapter ▶ *Directors and Officers on Page 166* of this Annual Report. The committee chairmen regularly informed the Supervisory Board about their work.

The **AUDIT COMMITTEE** met five times in the year under report. Regular topics of discussion were the company's situation as of each respective quarter, including the Group's results and financial reports, as well its risk situation and risk management. Furthermore, the Committee dealt in particular with the annual financial statements of MVV Energie AG and of the Group, which it discussed extensively with the Executive Board and the auditor. In connection with the execution of the audit of the annual financial statements of MVV Energie AG and of the Group for the 2011/12 financial year, the Committee submitted proposals to the Supervisory Board concerning the selection of the auditor for the annual financial statements, the setting of audit focuses, and the fee agreement. The Committee further discussed the 2012/13 business plan and medium-term budget with the Executive Board and recommended that the Supervisory Board should approve the budget for the coming financial year. Furthermore, the Committee addressed the audit findings and audit plan submitted by the group internal audit department, reviewed the internal controlling system and took receipt of the compliance manager's report. Other topics dealt with by the Committee included the revision of investment guidelines at MVV Energie AG, the progress made with the restructuring and further strategic development of MVV Energiedienstleistungen GmbH, the financial status and long-term financing strategy of the MVV Energie Group, the development in working capital and reports on energy trading and investor relations activities.

The **PERSONNEL COMMITTEE** held five meetings. In its deliberations in the year under report, it focused on the appointment of a new Executive Board Personnel Director and Labour Director, which the Committee prepared on the basis of a requirements profile compiled in advance. Furthermore, the Committee addressed compensation matters relating to Executive Board members and dealt with the conclusion of the employment contract with the new Executive Board member, Udo Bekker.

The **NOMINATION COMMITTEE** held one meeting, at which it prepared the Supervisory Board's election proposal to the Annual General Meeting concerning the by-election of one Supervisory Board member.

The **MEDIATION COMMITTEE** pursuant to § 27 (3) of the German Codetermination Act (MitbestG) did not require convening.

Corporate governance

In the 2011/12 financial year, MVV Energie complied with virtually all of the recommendations made by the German Corporate Governance Code government commission concerning high-quality, transparent and responsible company management. The only recommendation not applied related to payment of performance-related compensation to members of the Supervisory Board pursuant to Point 5.4.6 (2) Sentence 1 of the Code in its version dated 26 May 2010. This recommendation was withdrawn in the current version of the Code dated 15 May 2012, as a result of which we are now in full compliance with the Code recommendations. The Supervisory Board sees the withdrawal of this recommendation as confirming its previous approach.

At its meeting on **19 SEPTEMBER 2012**, the Supervisory Board followed the Executive Board in approving the Declaration of Conformity with the German Corporate Governance Code. This declaration was published on the internet on 2 October 2012. The Corporate Governance Report was adopted at the meeting on **7 DECEMBER 2012**. No conflicts of interest arose in the year under report. The Supervisory Board conducted a review and concluded that its number included an adequate number of independent members.

The chapter ▶ *Corporate Governance can be found on Pages 96 to 105* of this Annual Report.

Changes in composition

At the recommendation of the Personnel Committee, at its meeting on 15 March 2012 the Supervisory Board appointed Udo Bekker to the Executive Board as Personnel and Labour Director at MVV Energie AG for a five-year term as of 1 January 2013. Bekker, a qualified lawyer born in 1959, was previously Personnel and Labour Director at Vattenfall Europe AG, Berlin, and had been a member of that company's Executive Board since 2009. He will succeed Hans-Jürgen Farrenkopf, who is retiring on 31 December 2012 after a total of 45 years' service at the company, of which ten as an Executive Board member. The Supervisory Board thanks Hans-Jürgen Farrenkopf for his longstanding activities and for his contribution to the MVV Energie Group's successful development.

Dr. Stefan Fulst-Blei, a member of the State Parliament of Baden-Württemberg, retired from his position on the Supervisory Board of MVV Energie AG as of the end of the Annual General Meeting on 16 March 2012. In line with the proposal made by the Supervisory Board, the Annual General Meeting elected Ralf Eisenhauer, a graduate in geology and industrial engineering and construction manager, to the Supervisory Board as a shareholder representative. Among employee representatives, Barbara Neumann, Chairman of the Works Council at Stadtwerke Kiel AG, retired from the Supervisory Board as of 31 December 2011. She was succeeded by Timo Carstensen, Deputy Chairman of the Works

Council at Stadtwerke Kiel AG, as a new member of the Supervisory Board. Uwe Spatz, Deputy Chairman of the Works Council at MVV Energie AG, retired from his position as of 30 September 2012. He in turn was succeeded on the Supervisory Board as of 1 October 2012 by Heike Kamradt, a member of the Works Council of MVV Energie AG. The Supervisory Board thanks all of the retired members for their committed and constructive involvement.

Audit of annual and consolidated financial statements

In line with the resolution adopted by the Annual General Meeting on 16 March 2012, the Supervisory Board awarded the assignment to audit the separate and consolidated financial statements of MVV Energie AG for the 2011/12 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 2011/12 financial year and the group management report of the MVV Energie Group for the 2011/12 financial year have been presented in combined form pursuant to § 315 (3) and § 298 (3) HGB and published in this 2011/12 Annual Report. The annual financial statements, consolidated financial statements and the combined management report for the 2011/12 financial year are published in the electronic Federal Official Gazette (Bundesanzeiger).

The consolidated financial statements of the MVV Energie Group for the 2011/12 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 2011/12 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 7 December 2012, the Supervisory Board approved the consolidated financial statements, combined management report and annual financial statements of MVV Energie AG. The annual financial statements are therefore adopted. The Supervisory Board endorses the appropriation of profits proposed by the Executive Board.

The Executive Board further compiled a report for the 2011/12 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.

Thanks to all MVV Energie Group employees

The MVV Energie Group's employees work together as partners, with a focus on finding solutions and with great dedication. They are successfully meeting the challenges presented by a dynamic 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.

Dr. Peter Kurz
Chairman
Supervisory Board

Mannheim, December 2012

SHARE OF MVV ENERGIE AG

Share prices rise amid great volatility on stock markets

The DAX, Germany's lead index, closed at 7 216 points on 30 September 2012, 31.2 % up on 30 September 2011. Share prices showed great volatility between these two dates. From August 2011, the sovereign debt crises in Europe and the USA led to massive losses, from which share prices nevertheless recovered in subsequent months. At present, financial markets are mainly influenced by the measures taken to support countries particularly affected by the debt crisis and by central bank monetary policies.

Performance of MVV Energie AG share price

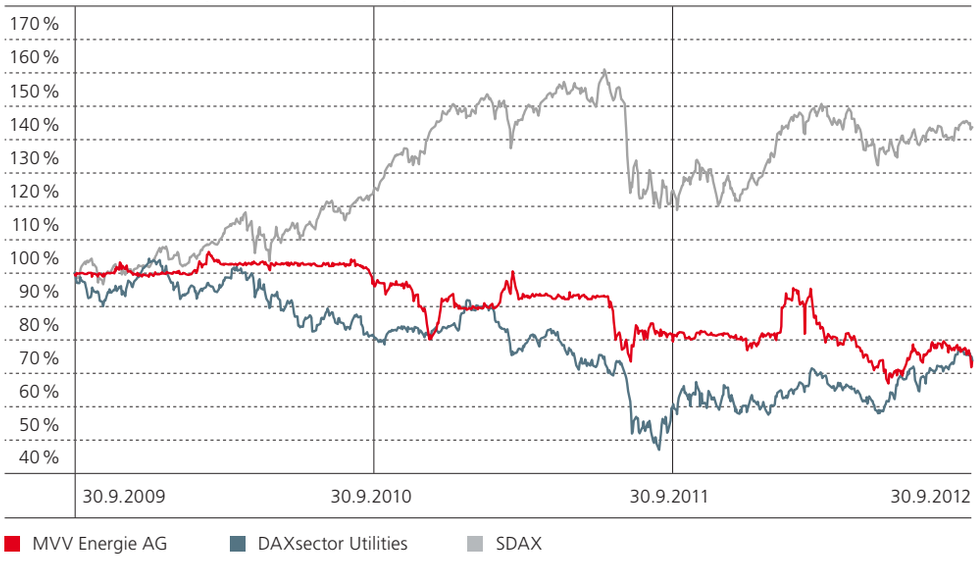
Given the conversion in the energy system currently underway in Germany and the difficulties in predicting the political framework, the MVV Energie AG share posted an acceptable performance. The share price amounted to Euro 21.39 at the balance sheet date on 30 September 2012, compared with Euro 23.86 one year earlier. Our three-year share price performance chart accounts for the dividends of Euro 0.90 per share paid in 2010, 2011 and 2012 respectively. Over this period, MVV Energie's share price declined by 26.0 %, while the DAXsector Utilities fell by 26.4 % due to the catastrophe in Japan and the resolutions adopted to accelerate the nuclear energy exit in Germany. The SDAX, by contrast, grew by 43.2 % in the comparative period, thus reflecting the better economic performance reported by many small-cap companies.

Key figures on share and dividend of MVV Energie AG

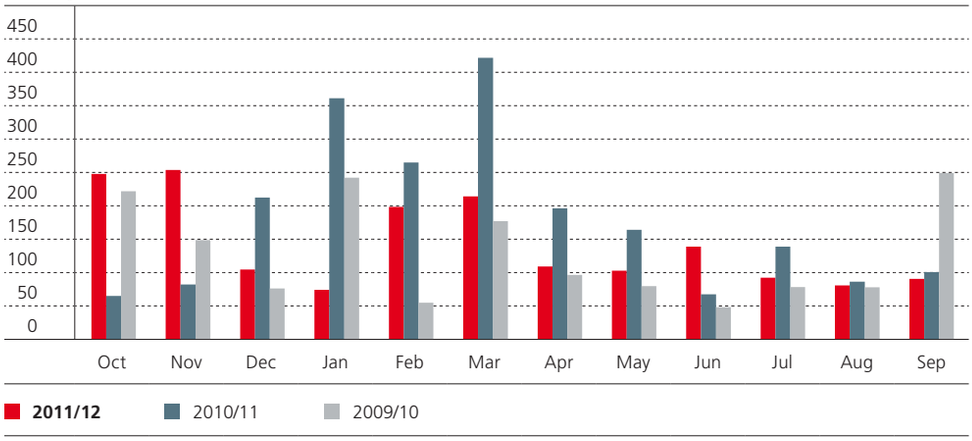
	2011/12	2010/11
Closing price[1] on 30.9. (Euro)	21.39	23.86
Annual high[1] (Euro)	27.96	29.90
Annual low[1] (Euro)	19.50	18.85
Market capitalisation on 30.9. (Euro million)	1 410	1 573
Average daily turnover (no. of shares)	6 707	8 431
Number of shares on 30.9. (000s)	65 907	65 907
Number of shares in 000s (weighted 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)	1.21	1.63
Cash flow before working capital and taxes per share[4, 5] (Euro)	6.35	6.29
Adjusted carrying amount per share[4, 6, 7] (Euro)	17.88	17.61
Price/earnings ratio[8]	17.7	14.6
Price/cash flow ratio[5, 8]	3.4	3.8
Dividend yield[8] (%)	4.2[2]	3.8

1 XETRA trading
2 subject to approval by Annual General Meeting on 8 March 2013
3 excluding non-operating IAS 39 derivative measurement items, excluding restructuring expenses in previous year and including interest income from finance leases
4 number of shares (weighted annual average)
5 previous year's figure adjusted
6 excluding non-operating IAS 39 derivative measurement items
7 excluding minority interests
8 basis: closing price in XETRA trading on 30 September

MVV Energie AG share price performance comparison



Monthly share turnover (no. of shares in 000s)



ISIN DE000A0H52F5
WKN A0H52F
XETRA MVV1
Reuters MVV Gn.DE
Bloomberg MVV1 GR

Decline in market capitalisation and trading volume

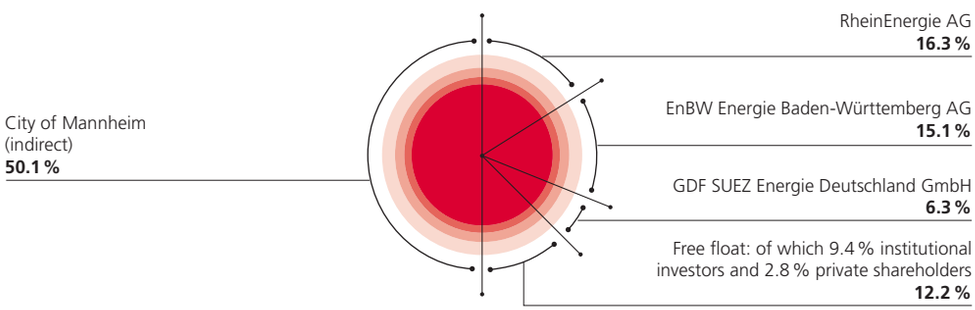
Due to the reduction in the share price, our market capitalisation amounted to Euro 1 410 million as of 30 September 2012 (previous year: Euro 1 573 million). The 12.2 % free float share on which the share's SDAX weighting is based was valued at Euro 173 million (previous year: Euro 291 million based on free float share of 18.5 %). In terms of its market capitalisation, the MVV Energie AG share was ranked 78th in the joint statistics for the MDAX and SDAX indices (previous year: 60th). With its stock market trading volumes, our share occupied 101st position in the index statistics (previous year: 102nd). A total of around 1.7 million MVV Energie AG shares were traded on all German marketplaces in the 2011/12 financial year. This corresponds to a 21.1 % reduction, a development not entirely surprising given the voting right notifications from EnBW Energie Baden-Württemberg, Karlsruhe, dated 29 February 2012, and from GDF SUEZ Energie Deutschland GmbH, Berlin, dated 3 February 2012. Due above all to the lower number of shares traded, the value of trading volumes amounted to around Euro 40 million (previous year: Euro 59 million).

Continuity in shareholder-friendly dividend policy

The Annual General Meeting of MVV Energie AG held on 16 March 2012 approved the distribution of a dividend of Euro 0.90 per share for the 2010/11 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 amounted to Euro 59.3 million. We intend to continue to pay our shareholders an appropriate dividend consistent with our earnings performance. The dividend proposal to be submitted to the Annual General Meeting on 8 March 2013 was adopted at the Supervisory Board meeting on 7 December 2012. The Executive and Supervisory Boards plan to propose a dividend of Euro 0.90 per share for the year under report. This is equivalent to a dividend yield of 4.2 % in terms of the share's closing price in XETRA trading on the balance sheet date on 30 September 2012.

Our shareholder structure

Shareholder structure of MVV Energie AG as of 30 September 2012



Voting right notifications (WpHG)

We received the following voting right notifications in the year under report: GDF SUEZ Energie Deutschland GmbH notified us pursuant to § 21 of the German Securities Trading Act (WpHG) that on 3 February 2012 its share of the voting rights in MVV Energie AG amounted to 6.3 %. Of this total, 3.4 % was attributable to financial instruments exercised in February 2012. GDF SUEZ Energie Deutschland GmbH acquired these shares via the market in connection with the disposal of shares by the City of Mannheim in 2007 and the subsequent capital increase. EnBW Energie Baden-Württemberg AG notified us on 29 February 2012 that, alongside the direct shareholding of 15.1 % already known

of since 2004, it also had the possibility via a swap transaction of acquiring a further 7.43 % of the shares in MVV Energie AG.

Following publication of these two voting right notifications, the City of Mannheim explicitly confirmed that, with its 50.1 % shareholding, it would remain the majority shareholder in MVV Energie AG, thus continuing to guarantee our company's stable, forward-looking development.

Barclays plc, London, United Kingdom (UK), notified us pursuant to § 21 of the German Securities Trading Act (WpHG) that its share of the voting rights in MVV Energie AG amounted to 4.38 % on 2 April 2012 and to 2.71 % on 23 April 2012, thus falling short of the 5 % and 3 % disclosure thresholds respectively. In a further notification dated 4 July 2012, Barclays notified the company that its share of voting rights had exceeded the 3 % threshold once again on 3 July 2012 and amounted to 3.58 %.

With Barclays plc, London, EnBW Energie Baden-Württemberg AG, Karlsruhe, has found a follow-up solution for the swap transaction which expired in September 2012.

The latest voting right notifications received since the balance sheet date on 30 September 2012 can be found at our internet site at ▶ **www.mvv-investor.de.**

Investor relations – detailed communication of strategic alignment

MVV Energie is currently analysed by eight banks: Baader Bank, Cheuvreux, Deutsche Bank, M.M. Warburg & Co, Kepler Capital Markets, LBBW, Metzler Equities and Macquarie. Two banks newly took up research into our share in the year under report, namely M.M. Warburg & Co (November 2011) and Deutsche Bank (15 August 2012). Having discontinued reporting in February 2007, Metzler Equities resumed coverage of our share on 24 April 2012.

This is a high figure for an SDAX company. Our Investor Relations team is consistently working on expanding the research coverage for MVV Energie's share. Overall, as of 30 September 2012 analysts had issued four recommendations to hold and four recommendations to sell MVV Energie's share. The share price targets issued by the analysts for our share ranged between Euro 18.00 and Euro 25.50.

In the year under report, we once again acted on 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. At our website, we publish recordings of our teleconferences, conference fact books (download section) and up-to-date information about our share. Further details at ▶ **www.mvv-investor.de.**

Further prizes for annual report

In "Best Annual Reports 2012", a prestigious competition organised by the business journal "manager magazin", MVV Energie's 2010/11 Annual Report was for the first time awarded 3rd position in the SDAX category. With its title "Energy Renewed", our 2010/11 Annual Report clearly convinced the appraisers and jurors. In Germany, this competition is seen as providing an important indicator of quality of content, transparency and credibility of reporting and attractiveness of design for annual reports. Within the SDAX group, MVV Energie was already awarded top ten positions in the four previous years – 5th position (2011), 4th position (2010), 7th position (2009) and 4th position (2008). The quality of the annual report is a key component of high-quality investor relations activities, and is thus accorded high priority at our company.

Our annual report was also singled out yet again for an award at the "2011 Vision Awards Annual Report Competition" hosted by the League of American Communications Professionals (LACP) in San Diego, USA. As in the previous year, our report once again received the Platinum Award, thus being ranked 1st, in the "Utilities Companies with Annual Turnover > US$ 100 Million" category. In the "Best Letter to Shareholders" category, MVV Energie also received the Platinum Award, i.e. came 1st, in the Europe, Middle East and Africa region and the Silver Award, i.e. 3rd position, in the worldwide contest.

COMBINED MANAGEMENT REPORT

Notes to Combined Management Report

In this combined management report, the group management report of the MVV Energie Group for the 2011/12 financial year and the management report accompanying the separate financial statements of MVV Energie AG for the 2011/12 financial year prepared in line with the German Commercial Code (HGB) have, as in the previous year, 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 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 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 2011/12 financial year are published together in the electronic Federal Official Gazette. The 2011/12 Annual Report is also available for downloading on the internet at **www.mvv-investor.de.**

OVERVIEW OF BUSINESS PERFORMANCE OF MVV ENERGIE GROUP

	RESULTS IN 2011/2012	OUTLOOK
Electricity turnover	8 % increase, driven in particular by more active management of electricity portfolio	Further expansion in nationwide electricity sales to industrial and commercial customers Opposing items: increasingly tough competition and rising impact of energy efficiency measures ↗
Heating energy turnover	6 % reduction, due above all to impact of weather conditions and expiry of contracts in energy-related services business	Dependent on weather conditions; nevertheless accompanied by expansion in district heating grids at all locations ↗
Gas turnover	60 % increase, weather-related reductions offset by more active management of gas portfolio	Dependent on weather conditions; ongoing active management of gas portfolio, expansion in nationwide gas sales ↗
Water turnover	Slight year-on-year reduction (– 1 %)	Dependent on weather conditions and progress in household appliance efficiency; overall downward trend in water turnover ↘
Share of renewable energies and cogeneration in electricity generation	Increase due to our growth programme: • operations launched at: wind farm in Kirchberg, biomethane plant in Klein Wanzleben	Implementation of growth projects leads to substantial increase from 2013/14 financial year: • in construction stage: energy from waste plant in Plymouth, wind farm in Dirlammen • in planning stage: further wind farms, biomethane plant in Kroppenstedt ↗
Sales performance	8 % increase to Euro 3.9 billion	Further slight growth compared with high level reported for 2011/12 financial year ↗
Adjusted EBIT	Adjusted EBIT of Euro 223 million slightly ahead of forecast despite difficult market climate	Adjusted EBIT of around Euro 220 million remains an ambitious target in a challenging climate →

	RESULTS IN 2011/2012	OUTLOOK
Adjusted earnings per share	Euro 1.21 per share	Previous year's level →
Dividend	Dividend proposal by Executive and Supervisory Boards to 2013 Annual General Meeting decided in December 2012: Euro 0.90 per share	Further continuity →
Free cash flow	Reduction due to lower cash flow from operating activities and higher investments	Further improvements in working capital Opposing item: ongoing high volume of investment ↗
Adjusted equity ratio	36.2 %	High share of debt-financed projects within growth programme reduces equity ratio: Target ratio > 30 % ↘
Net financial debt	Euro 1.03 billion	Comparable level expected due to primarily debt-financed investments ↗
ROCE	9.0 %	We do not yet expect to see any significant improvement in the next two years ↘
Investments	Investments total Euro 287 million in 2011/12 financial year (of which growth investments of Euro 184 million and replacement investments of Euro 103 million)	Total investment measures of Euro 1.1 billion planned over a period of up to three years (2012/13 to 2014/15) ↗
Employees	Total number of employees falls by 382 to 5 541 as of 30 September 2012; this due in particular to implementation of group programmes, sale of shares in Stadtwerke Solingen and reduction in staff totals in energy-related services business	Reduction in personnel totals due to ongoing implementation of group programmes through to 2020 Opposing item: rising staff totals in growth fields →

BUSINESS FRAMEWORK

Energy Policy Changes

Energy industry undergoing process of transformation

For energy suppliers, successful performance is crucially linked to developments in energy policy and the energy industry framework. The previous year was dominated by the catastrophe at the Fukushima nuclear power plant in Japan and the subsequent energy policy turnaround. Building on this, in the year under report a variety of measures aimed at implementing the decisions taken were on the political agenda.

For the MVV Energie Group, the following changes in particular were of key significance:

- The expansion in high-efficiency cogeneration and district heating will receive further political support.
- Wind power generation is to be expanded nationwide, and in particular also in Baden-Württemberg.
- New framework legislation from the EU aims to enhance energy efficiency.
- The expansion and conversion in the grid infrastructure is to be further promoted.
- Various measures aimed at guaranteeing long-term supply reliability have been agreed or initiated.

On company level, we are contributing towards the transformation in energy supply systems – by expanding our nationwide electricity and gas sales, with key investment focuses on renewable energies, high-efficiency cogeneration and district heating and with our energy-related services business. Not only that, within the energy policy arena we are playing an active role in the opinion-forming process – in terms of both politics and energy industry associations and of authorities such as the Federal Network Agency (BNetzA).

New momentum from amendment to cogeneration legislation

With the amendment to the German Cogeneration Act (KWKG) effective as of 19 July 2012, the German government created new momentum for expanding the highly efficient technologies of cogeneration and district heating. The amendment increases the financial incentives to build cogeneration plants and expand district and local heating grids, and in particular also to increase the density of existing grids. Promotion for the construction of heating energy storage facilities was also included for the first time. These facilities enable cogeneration plants to react more flexibly to the increasingly volatile volume of electricity fed in from renewable energy sources.

MVV Energie took part in the discussions surrounding the KWKG amendment from an early stage, not least by commissioning "Cogeneration and District Heating Pact 2025", an expert report on the KWKG amendment, and by holding numerous meetings with members of federal parliament, ministries, representatives of industry associations, scientists and other decision makers. We welcome the amendment and expect it to provide fresh momentum for expanding our district heating and cogeneration activities.

Better conditions for wind power expansion

The adoption of the Wind Power Decree and State Planning Act in May 2012 has significantly improved conditions for investing in wind power plants in Baden-Württemberg. In subordinate authorities, the Wind Power Decree should provide guidelines for administrative practice more favourable to wind power. The key change in the amendment to the State Planning Act involves a departure from the previously highly restrictive practice concerning the designation of additional land for wind power plants.

Now it is a question of local authorities actually drawing on their new discretionary powers to designate land. Given our expertise as a municipal wind power developer and wind plant operator, we participated proactively both in the wind power policy discussion in Baden-Württemberg and in the run-up to the decisions taken in the official consultation procedure. We welcome the fact that numerous suggestions made by MVV Energie have been accounted for.

Energy Efficiency Directive adopted

The compromise negotiated in May with regard to the Energy Efficiency Directive was formally confirmed by the European Parliament as well on 11 September 2012. Subject to approval by the Council of Ministers, this Directive has thus been adopted. The Directive aims to improve energy efficiency in the EU by 20 % by 2020. Among other requirements, it stipulates that member states have to document savings of 1.5 % a year in their end energy consumption. This figure applies for the years from 2014 to 2020.

Given the heterogeneous nature of the status quo, member states are relatively free in their selection of the instruments best suited to achieve this savings target. Moreover, the Directive provides for numerous further measures aimed at enhancing energy efficiency on both demand and supply sides. As the Directive allows for great discretionary scope, its specific implementation in individual countries will be highly dependent on the respective national legislation.

MVV Energie will exploit the opportunities arising, particularly in its energy-related services business field, on account of the amended framework.

Initiatives to expand and convert grid infrastructure

In a keynote paper published on 30 April 2012, the Federal Ministry of Economics and Technology (BMWi) set out the next steps for expanding and converting Germany's grid infrastructure. Among other measures, it is planned to take greater account of distribution grids and to review existing investment conditions. To do justice to the urgent need for expansion and conversion, the evaluation of incentive regulation is to be brought forward from 2016 to 2014. Not only that, a study will be performed to determine expansion and conversion requirements in the distribution grids for the introduction of so-called smart grids. Although we welcome the measures announced, from our perspective a more targeted approach would be desirable and possible.

Furthermore, the adoption of the decisive framework legislation governing the development of smart grids is due to be initiated before the end of 2012. We will play an active role in helping define the proposals. In the relevant energy policy discussion, we will continue to call for greater account to be taken of conversion and expansion needs on distribution grid level.

With the Electricity Grid Development Plan published in draft form on 30 May 2012, Germany's transmission grid operators made their plans for the expansion of German electricity grids available to market participants for consultation purposes. The draft accounts for an investment volume of around Euro 20 billion by 2022. This figure includes both measures to maintain and fortify grids as well as the construction of four high-voltage direct current transmission line routes.

In principle, we welcome the new process, which enables all market players to participate in the further development of the grid infrastructure. However, account should also be taken – particularly in the interests of finding a solution that is as cost-effective as possible – of measures capable of reducing the extent of grid expansion requirements.

Focus on supply reliability

In its report dated 3 May 2012 concerning supply reliability in the 2011/12 winter period, the Federal Network Agency (BNetzA) analysed the critical supply phase in February 2012. According to the report, the at times highly tense situation was due to several unusual events occurring simultaneously. In particular, these included extremely cold weather in combination with cutbacks in gas supplies from Russia. The report proposes a series of measures for the 2012/13 winter period in order to guarantee supply reliability in the short term as well. These include the renewed securing of cold reserves and a reform of the balancing energy system. In the long term, incentives for new and available power plant capacities would seem to be necessary to guarantee Germany's electricity supply.

MVV Energie has actively participated in consultations on federal level, as well in the intensive discussions held in Baden-Württemberg. We are calling for reasonable solutions that intervene as little as possible in existing competitive structures.

Efficiency gains in EEG marketing

The evaluation report published by the Federal Network Agency in March 2012 concerning the settlement mechanism ordinance reveals that the transition to purely financial handling of EEG costs introduced in 2009 has produced considerable efficiency gains. It thus shows how important greater transparency and efficiency incentives, both of which MVV Energie had long called for, actually are in EEG marketing. We share the assessment by the Federal Network Agency that no fundamental conversion of the system is necessary at present. We rather recommend retaining and enhancing the direct marketing options provided for in the EEG legislation, especially the market premium model.

Reasonable financial market regulation required

Based on the experience gained in the financial market crisis, the EU is currently reviewing financial market regulation with the aim of increasing transparency and stability and of avoiding abuse. The European Market Infrastructure Regulation (EMIR) that came into effect in August 2012 has introduced clearing and information obligations for over-the-counter (OTC) transactions. The Regulation on Energy Market Integrity and Transparency (REMIT), which prohibits sector-specific market abuse and insider trading, already came into effect in December 2011. The EMIR offers clearing obligation exemptions for market players not allocable to the financial sector, such as municipal energy companies. Whether it will actually be possible to use these nevertheless depends on several structural features of the MiFID financial market directive, currently subject to amendment. The MiFID amendment is expected to be adopted in 2013 and will then have to be implemented in national law by around 2015. The REMIT transparency regulation is due to be implemented on national level by way of the German Market Transparency Agency Act. While we in principle welcome greater transparency as to market developments, the government's draft version of the Market Transparency Agency Act dated 21 June 2012 far exceeds the REMIT requirements and establishes extensive and potentially duplicate disclosure obligations. We are critical in our assessment of the significant operating expense these would involve.

Grid regulation progressing as expected

Within incentive regulation, since mid-2011 the starting levels for grid fees in the second regulatory period have been in preparation (gas from 2013 and electricity from 2014). In the gas segment, the cost review already performed in autumn 2012 is now being followed by an efficiency comparison in order to set the definitive revenue cap for the coming regulatory period. Results are expected in 2013. In the electricity segment, the cost applications submitted as of 29 June 2012 are currently being reviewed. The setting of the definitive revenue cap for electricity is expected at the end of 2013, once the efficiency comparison is completed in autumn 2013.

Market Climate and Competition

Market position of the MVV Energie Group

ELECTRICITY GENERATION FROM RENEWABLE ENERGIES accounted for a 20 % share of the MVV Energie Group's total electricity generation in the year under report. Our share is thus slightly lower than the (national average) renewable energies share of gross electricity generation in 2011, which increased to 21 % due to the rapid addition of new photovoltaics systems.

COGENERATION, i.e. the simultaneous generation of electricity and heating energy, is gaining in significance as the conversion of energy generation along ecological lines progresses. Our Group produced 29 % 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 5.9 billion kWh in the year under report, our Group is one of Germany's largest district heating suppliers. Together with our Czech subgroup, our district heating turnover totalled 6.9 billion kWh in the year under report.

The MVV Energie Group is one of Germany's market leaders when it comes to **GENERATING ENERGY FROM BIOMASS**. Our generation, environmental energy and energy-related services business fields operate a total of 17 biomass, biomethane and biogas plants at which 326 million kWh of electricity and 106 million kWh of heating energy were generated in the year under report.

Furthermore, our Group is one of Germany's three largest operators of **ENERGY FROM WASTE PLANTS**. In the year under report, a total of 1.9 million tonnes of waste and refuse-derived fuel were delivered to all of the MVV Energie Group's 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 106 000 tonnes a year), we are further expanding our stable position in the Czech Republic.

German economy with slight growth in 2012

The German economy maintained its course of slight growth in the 2nd calendar quarter of 2012 (April to June 2012), albeit with significantly lower growth rates than in the past. According to the Federal Statistical Office, gross domestic product in Germany grew by 0.5 % compared with the previous year's quarter and by 0.3 % compared with the 1st calendar quarter of 2012 (January to March). Despite this loss of momentum, the German economy is still in good shape compared with other euro area countries. According to the Centre for European Economic Research (ZEW) in Mannheim, expectations as to macroeconomic developments in the 2nd half of 2012 have deteriorated on account of the euro crisis.

Further details of expected future developments can be found in the chapter ▶ *Outlook on Page 92*.

Fall in electricity and gas consumption in Germany

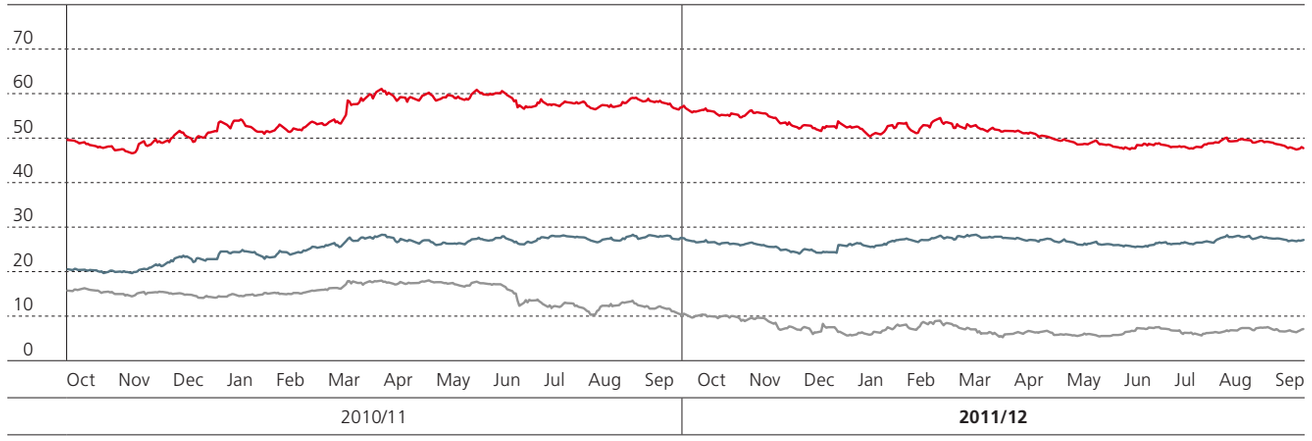
Based on figures released by the Association of the German Energy and Water Industries (BDEW) on 29 October 2012, total electricity consumption fell year-on-year by almost 2 % in the 1st to 3rd quarters of 2012 (January to September 2012). This was chiefly due to the decline in volumes in electricity-intensive industrial sectors as a result of macroeconomic factors. According to BDEW figures, natural gas consumption also fell year-on-year by around 2 % in the first three quarters. Higher consumption in February and April 2012, which in terms of national average figures were comparatively cold months, were insufficient to offset the decline in natural gas volumes used to generate electricity and heating energy at power plants.

Competition in the electricity and gas markets has intensified even further. According to the BDEW Customer Focus dated June 2012, the national average rates of customers switching supplier amounted to 28 % in the case of private electricity customers and to 18 % for private gas customers.

Renewable energies gain in significance

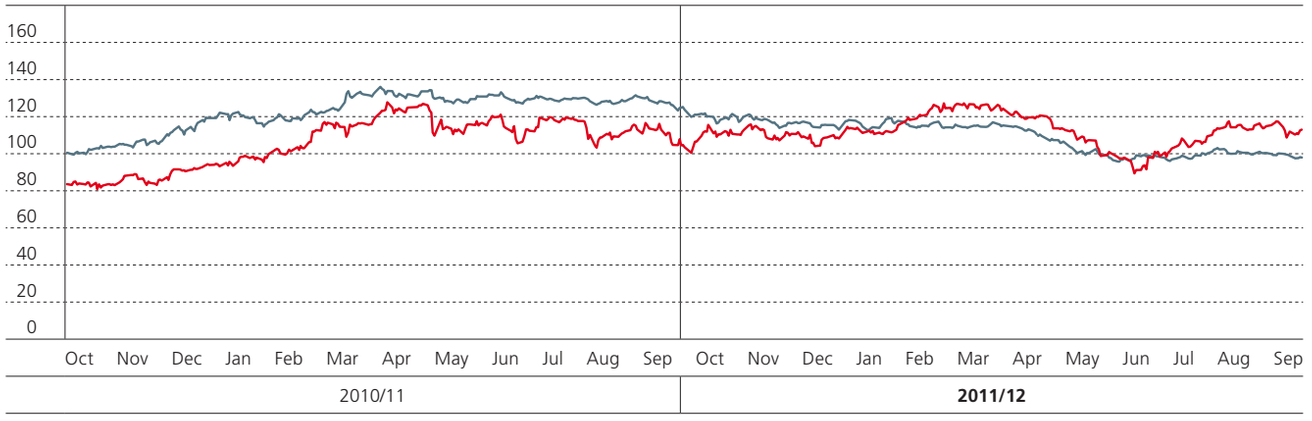
The volume of electricity generated from renewable energy sources has increased significantly. Based on initial estimates compiled by the BDEW, renewable energies covered more than 25 % of electricity needs in the 1st calendar half of 2012, compared with 21 % in the same period in the previous year. With a 9.2 % share (previous year: 7.7 %), wind power is the most important source of renewable energy, followed by biomass with 5.7 % (previous year: 5.3 %). Year-on-year, photovoltaics boosted its existing contribution by 47 % in the 1st half of the year. With a 5.3 % share (previous year: 3.6 %), it now occupies 3rd position. In terms of its structure, the German energy balance is set to shift further in favour of renewable energies.

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



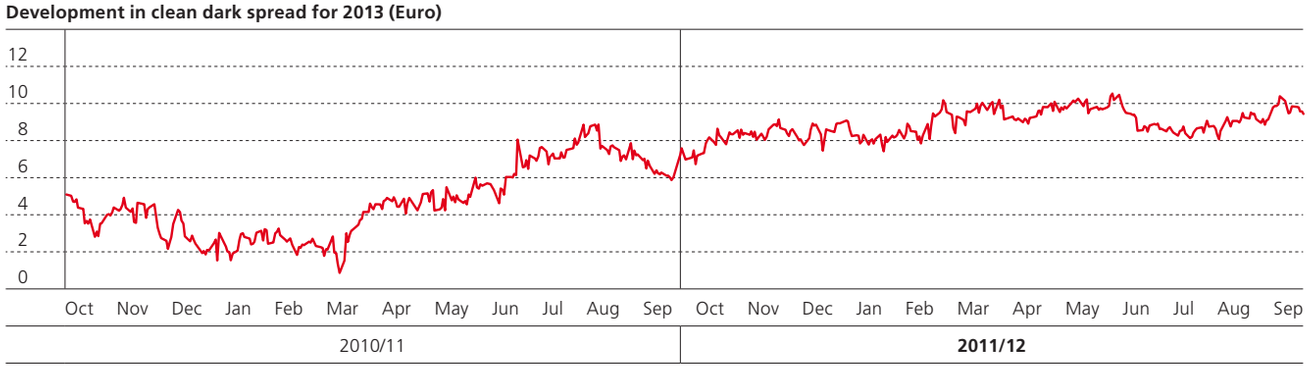
OTC electricity base front year (Euro/MWh) EEX natural gas NCG front year (Euro/MWh) EEX EUA front year (Euro/tonne CO_2)

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



ICE Brent front month (US$/barrel) EEX API2 coal front year (US$ dollar/metric tonne)

Development in clean dark spread for 2013 (Euro)



Clean dark spread for 2013 (Euro/MWh)

Uneven developments in energy prices

Energy prices showed disparate developments. While wholesale electricity, coal and emission prices reduced compared with the previous year, oil and gas prices increased over the same period.

Listed prices for Brent North Sea oil for supply in the following month ranged between US$ 89.23 and US$ 126.22 per barrel in the year under report. The average price in the year under report was US$ 5.99 per barrel higher than the previous year's figure of US$ 105.42 per barrel. This increase was due above all to the oil embargo imposed by the European Union on Iran in reaction to the Iran conflict. Not only that, prices were also boosted by monetary policy measures taken to avert any slowdown in global growth.

Natural gas prices for the front year product in the NetConnect Germany (NCG) market region were listed at an average of Euro 26.44/MWh in the year under report, and thus Euro 1.27/MWh higher than in the previous year. This was mostly attributable to the development in the oil price given the high degree of correlation between the two markets.

The price of base load electricity for supply in the following year (base load) fell due to the euro crisis and the development in coal and emission prices. In the year under report, the average price amounted to Euro 51.12/MWh, corresponding to a reduction of 6.7 % compared with the previous year.

Coal market prices have shown a downward trend that began in the first half of 2011 and continued through to the end of the year under report. Front year prices for hard coal in the ARA region (Amsterdam, Rotterdam, Antwerp) fell year-on-year by US$ 12.92 per tonne to US$ 108.45 per tonne. This development was driven above all by stocks being full, moderate demand in Europe and the excess supply of coal from Columbia, Russia and the USA. Moreover, coal demand in Europe was reduced by mild winter temperatures and the higher volumes of electricity generated from renewable energy sources.

Emission right prices for supply in the following year averaged Euro 7.92 per tonne of CO_2 in the year under report, Euro 6.78 per tonne of CO_2 down on the previous year. This decline in prices on the emissions market was chiefly triggered by EU climate policy, the debt and euro crisis in several European countries and the excess supply of emission rights. Climate policy measures impacting on the development in prices include in particular the Energy Efficiency Directive and the decisions taken concerning the reduction in the supply of emission rights. Unlike originally planned, these are now not due to be introduced into circulation.

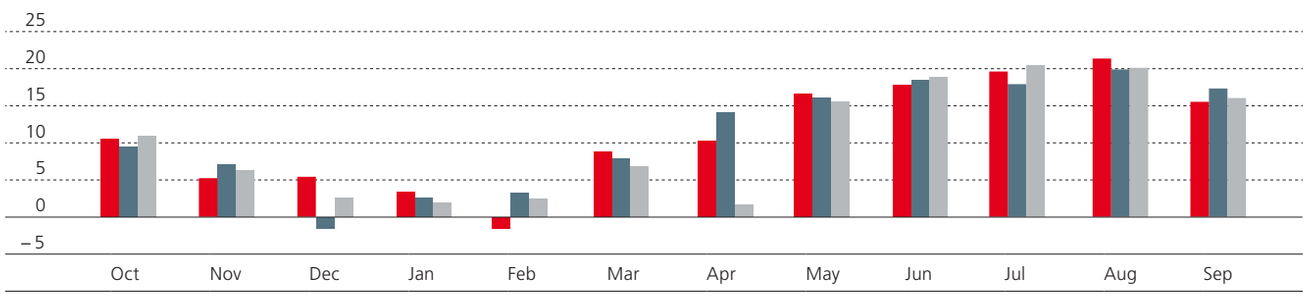
The clean dark spread, i.e. the margin from generating electricity from hard coal, has recovered slightly since the beginning of 2011 but nevertheless remains low. Despite the slightly positive trend, hard coal power plants are currently not profitable in Germany.

Impact of Weather Conditions in Year under Report

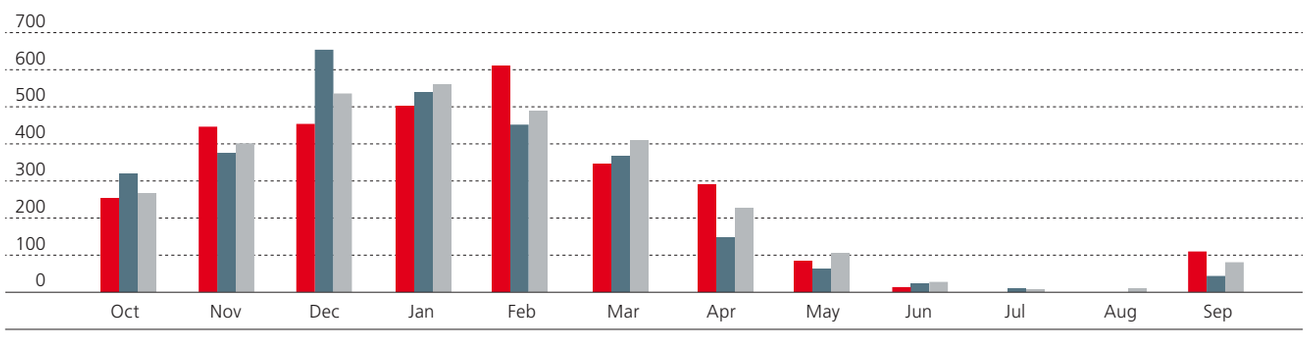
The MVV Energie Group's business performance is significantly affected by weather conditions during the heating period, as these impact in particular on district heating and gas turnover. The correlation between weather conditions and sales volumes is generally closer for district heating than for gas. Gas turnover with industrial customers is influenced not only by weather conditions but also by macroeconomic factors. We use the degree day figure as a temperature-based indicator for assessing heating system use at our customers. Low outdoor temperatures during the heating period lead to high degree day figures, with these in turn being accompanied by higher heating energy requirements at our customers. A definition of the degree day key figure can be found in the ▶ *Glossary on Page 183*. Sustained high temperatures and low volumes of precipitation 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.

In the year under report, it was slightly milder overall at our locations than in the previous year. Having said this, there were significant variances both between individual regions and in terms of monthly temperature figures. The 1st reporting quarter of 2011/12 (October to December 2011) was characterised by unusually warm weather conditions at all locations, particularly in December 2011. By contrast, December 2010 had been very cold. In the further course of the 2011/12 heating period, the months of January and March were milder than in the previous year, while February and April were significantly colder. August 2012 was characterised by higher temperatures and lower volumes of precipitation than in the previous year. Overall, with a cumulative total of 24 406 the degree day figures for our group of companies in the 2011/12 financial year fell 2.1 % short of the previous year's total of 24 918. The following charts show the monthly development in degree day figures, based on mean outdoor temperatures, at our Mannheim location.

Average daily outdoor temperature in °C



Degree day figures



CORPORATE STRATEGY

Energising the Future

New energy system requires new approach to energy

Germany has decided to transform its energy system towards an energy supply based on renewable energies. The legislation governing the nuclear energy exit from 2000 was confirmed with only minor alterations in 2011. The expansion in renewable energies has gained great momentum over the past decade.

However, insufficient efforts have been made over the past ten years to secure a fully functional overall system. As a result, alongside ecological effects the economic and technical/physical implications of this transformation are also gradually becoming apparent:

- Wholesale prices for electricity on the spot and futures market are falling so sharply that the economic viability of investments in new power plants, industrial-scale electricity storage facilities and existing power plants is under threat.
- The number of interventions in electricity grid operations in order to guarantee supply reliability is on the increase.
- The subsidies expended on renewable energies are rising sharply.

From our perspective, this shows that the energy supply will have to be thought out and practised in a more integrated way once again in future. Liberalisation, deregulation and unbundling mean that for power plant operators it is no longer relevant how the kilowatt hours they generate are transported through the grid. Grid operators were long uninterested in where new power plants – whether conventional or renewable – were built. Not only that, the current market design is also reaching its limits in terms of ensuring an ecological, reliable and affordable energy supply.

The challenge – and thus the key to a successful transformation – lies in accounting for and integrating all elements into a sensible overall system.

We have the right strategic alignment

Our corporate strategy has not changed compared with the previous year. The political decisions concerning the energy system transformation have confirmed us in our strategic course.

MVV Energie is unreservedly committed to the process of transforming the energy industry. We intend to play an active role in shaping the transformation along market-based lines. As a group of companies with municipal and regional roots, we believe we are well positioned to exploit the economic opportunities harboured by the transition to a new energy system to generate profitable growth.

With the MVV 2020 project launched in 2009, we therefore acted early as a group of companies to rethink our approach to energy. For us, this means we are an energy supplier that thinks and acts in a highly integrated way – from the generator through to our customers' power sockets. We aim to assume a pioneering role with our strategy, with its focus on expanding renewable energies and boosting energy efficiency.

The corporate strategy of the MVV Energie Group builds on regionalism, efficiency and sustainability. We are making targeted investments in onshore wind power, biomass and biogas, cogeneration, district heating and the environmentally-friendly generation of energy from waste. In parallel to this, we are developing further innovative solutions, products and services. We will provide our customers with a reliable and environmentally-friendly supply of affordable energy in future as well. We will also support them in putting energy to more efficient use.

Our strategic focuses are:

- Using onshore wind power as well as biomass and biogas
- Expanding district heating, cogeneration and the generation of energy from waste
- Boosting energy-related services and increasing energy efficiency for our customers
- Expanding energy sales activities.

Progress with investments

A core pillar of our strategy involves an investment programme of Euro 3 billion. By 2020, we intend to invest around Euro 1.5 billion in modernising and securing our plants and grids; a further amount of Euro 1.5 billion is to be channelled into the growth fields listed above. We will be focusing on investments offering medium and long-term growth potential and which complement our portfolio. In this, we are not subject to any specific schedule. Opportunities often arise on the market at short notice, and we review these closely before investing.

Expansion in onshore wind power

One key component for expanding our generation of electricity from renewable energy sources relates to onshore wind plants – a proven, economically viable technology. Here, we are setting targeted regional focuses. The new wind farm in Kirchberg/Hunsrück has been linked up to the grid since February 2012 and was officially opened in the presence of Kurt Beck, Minister President of Rheinland-Pfalz, in May 2012. This wind farm is operated by Cerventus Naturenergie GmbH, a joint venture between our Energieversorgung Offenbach subsidiary and the juwi Group. It consists of 23 wind turbines with a total installed capacity of 53 MW. Planned annual production amounts to 125 million kWh.

We are now also developing wind power projects under our own steam. In this, we are building on cooperation with regional partners – with town and district councils interested in getting newly involved in wind power or expanding their existing involvement, with state and private landowners as well as with municipal utility companies aiming to increase their share of renewable energies. With our innovative participation models, we aim to help increase acceptance of wind turbines on location.

Investment focus on biomass and biomethane

Alongside onshore wind power, we have set a further key focus on using biomass, a business field in which we can contribute our expertise.

Feeding biomethane into the natural gas grid is an area with potential for development. In September 2012, we launched operations at our first biomethane plant in Klein Wanzleben near Magdeburg (Sachsen-Anhalt). We have thus laid a foundation for our growth in this forward-looking field. Putting biomethane to decentralised use is efficient and politically desired. In the year under report, we acquired 74.9 % of the shares in Biomethanlage Kroppenstedt GmbH and thus initiated work on the construction of a second biomethane plant in Sachsen-Anhalt. Further details can be found in the chapter ▶ *Outlook on Page 93*.

Expanding district heating and cogeneration plants

District heating and cogeneration are also and will remain core components of our long-term growth strategy. We currently generate 29 % (previous year: 28 %) of our electricity using cogeneration – we have thus already exceeded the nationwide expansion target of 25 % by 2020. As in the previous year, we even generated around 90 % of our heating energy using cogeneration!

We are investing in expanding cogeneration-based district heating at our Mannheim, Kiel, Offenbach and Ingolstadt locations. Details concerning the development in the Ingolstadt district heating association can be found in the chapter ▶ *Sustainability on Page 77*.

With the construction of Block 9 at the large power plant in Mannheim (GKM), we are laying a foundation to secure long-term supply reliability in Mannheim and the Rhine/Neckar metropolitan region, as well as to expand and further increase the density of the district heating supply. Block 9 is one of Germany's most modern hard coal blocks. Thanks to efficient cogeneration, it will achieve a fuel utilisation rate of up to 70 %.

Growth in energy from waste

The business field of generating energy from waste also forms parts of our growth strategy. This is an area where we are one of the market and technology leaders in Germany. We have also managed to position ourselves in the British market with our all-round expertise in putting waste to ecological use. With a volume of Euro 250 million, the planned cogeneration-based energy from waste plant in Plymouth is currently our largest investment project. This project at our MVV Umwelt subsidiary received distinguished accolades in the prestigious Partnerships Award organised by Partnerships Bulletin, a specialist British journal. As well as winning the "Projects Grand Prix", our project partner also came first in the "Best Local Government Project Team" category. Furthermore, we also received awards in the "Best Waste/Energy/Water Project" and the "Best Sustainability in a Project" categories.

Realignment of energy-related services business

Having restructured 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 and real estate customers, as well as on the operation of industrial parks.

Expansion in nationwide electricity and gas sales

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 this chapter ▶ *on Page 50*.

Development in strategic investments

Our Czech subgroup MVV Energie CZ is developing very well. It has acquired a modern cogeneration plant with an energy from waste facility. By making targeted investments, it has also significantly improved the efficiency of its existing plants. Today, our Czech subgroup is one of the five largest district heating providers in the Czech Republic, where it operates in 17 towns and cities.

Stadtwerke Ingolstadt can also report positive developments. Investments, the further expansion in the environmentally-friendly district heating association, and the continuation of the company's cooperation with the refinery have placed the district heating supply in Ingolstadt on a broad, sustainable footing.

Solingen City Council decided on 27 September 2012 to buy back the 49.9 % share MVV Energie acquired in Stadtwerke Solingen in 2001 as of the end of the 2011/12 financial year. The respective shares have been sold to Beteiligungsgesellschaft Solingen mbH and Stadtsparkasse Solingen. Following the sale of this shareholding, MVV Energie remains equally committed to its municipal utility companies model and to acquiring municipal utility companies when these are of interest for the further development of our group of companies. The company is also open to cooperations with or without equity participations.

New regional partnerships

In the Rhine/Neckar metropolitan region we acquired a 25.1 % stake in Stadtwerke Walldorf GmbH, a company with annual sales of around Euro 18 million, as of 1 January 2012. In the year under report, we managed to acquire electricity concessions in the districts of Ilvesheim (9 000 inhabitants) and Ketsch (13 000 inhabitants). We see these regional partnerships as providing evidence of the trust placed by our region in our company's work.

Cost savings and efficiency targets achieved

As of the 2010/11 financial year we had already saved around Euro 23 million, thus reaching the target corridor of between Euro 20 million and Euro 30 million we had set for two years later, namely by the 2012/13 financial year. Of the amount saved, more than two thirds are attributable to materials expense savings. We upheld our efforts in this respect in the 2011/12 financial year.

In terms of personnel reductions, the cost savings are distributed as planned over a longer period. This is because we agreed to cut jobs in a socially responsible manner mainly involving part-time early retirement agreements. By 2020, we aim to cut around 450 full-time positions at the Mannheim, Kiel and Offenbach locations. Details of our current employee totals can be found in the chapter ▶ *Sustainability on Page 81.*

We are countering future charges on earnings due to increasing competitive and regulatory pressure by taking measures to permanently improve and optimise our operations, thus also strengthening our economic foundation for growth investments.

To promote a continuous process of improvement, in our "Pro!" process optimisation programme we are working together with employees to identify and implement optimisation and cost-cutting potential in all business fields and cross-divisional operations. We aim to place the ability to exploit potential for improvement and harmonisation on a permanent and sustainable footing at our company. The projects implemented in 2011 and 2012 dealt with the harmonisation of grid operator and grid service processes, with personnel processes with the group-wide deployment of SAP-HCM and with optimising and accelerating financial closing processes (fast close).

Solid financial basis for investments

Our adjusted equity ratio amounted to 36.2 % as of 30 September 2012. The MVV Energie Group thus has a strong equity base enabling it to achieve a balanced mix of financing even for large-scale investment projects, such as the wind farm in Kirchberg or the energy from waste plant in Plymouth. On the financial market, MVV Energie benefits from its strong creditworthiness, its attractive business portfolio and its strategic focus on sustainable growth. It thus remains a good address for many capital providers. Further information can be found in the chapter ▶ *Outlook on Page 95.*

Value spread as key controlling figure

The value spread, i.e. the return on capital employed, is the key figure we use in controlling our value-based company management and the related capital management. Further details can be found in the extensive comments in the chapter ▶ *Earnings Performance on Page 58.*

We are on course for the future

The ongoing, far-reaching transformation in the energy market requires a willingness and ability to change from companies and all of their employees. With our "Setting Course for the Future" programme, we are now accompanying the implementation of our strategy with a change programme at all locations and companies. Details can be found in the chapter ▶ *Sustainability on Page 84.*

Significance of Central Energy Trading

The economic framework in the energy trading business has been affected both by substantial structural changes in energy markets and by political climate protection requirements, with their implications for emission rights trading. With its MVV Trading GmbH subsidiary, the MVV Energie Group is superbly positioned in these dynamically changing markets.

MVV Trading GmbH is a key component in the MVV Energie Group's value chain. It manages and optimises the entire energy procurement and generation portfolio. In this, it relies on careful market surveillance and on meteorological and other in-depth analyses of those energy markets relevant to the MVV Energie Group. These analyses are used not only for portfolio management purposes, but also in order to develop new sales products.

Furthermore, MVV Trading GmbH is responsible for energy product trading and associated portfolio management activities on behalf of the entire MVV Energie Group. Here, it covers all relevant commodities – electricity, natural gas, emissions rights with the associated physical and financial products and price hedging transactions for coal and oil. Energy trading transactions are executed both on the energy exchanges and on the off-market bilateral OTC (over-the-counter) market.

In the course of the sale of the 49.9 % shareholding in Stadtwerke Solingen GmbH (SWS), the 5 % stake in MVV Trading GmbH previously held by SWS was transferred to MVV Energie AG.

Proven risk management

Within our well-established risk management system, commodity positions are subject to permanent monitoring. We manage the risk contents of our business activities with the help of predefined risk limits and extensive limit structures. In this, we work with customary methods, such as value at risk, stress tests and scenario analyses.

One key factor influencing the MVV Energie Group's operating earnings is the clean dark spread (CDS), i.e. the margin achieved when generating electricity from hard coal. We take this as the difference between the electricity price on the one hand and the prices of fuel (coal, including transport), CO_2 emission rights and the euro/US dollar exchange rate on the other. To make earnings less dependent on short-term changes in the clean dark spread, MVV Trading GmbH secures the generation margin on a long-term basis. It begins this several years prior to delivery, 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. As emission right prices have reduced, the clean dark spread has recently improved slightly. In the short to medium term, however, we do not expect to see any radical improvement in earnings for companies with hard coal power plants.

MVV Trading GmbH procures the electricity volumes for our tariff customers in tranches several years in advance. Positions for major customers are covered directly after the signing of the respective deals (back-to-back). These positions are thus not affected to any significant extent by future price developments.

Opportunities due to changes in gas market

The development of the German gas market progressed further in the year under report. Price finding structures for end customers are now based virtually entirely on wholesale market prices. Contracts linked to the oil price no longer play any significant role in the market and have been replaced by fixed prices and gas market indexing. Via MVV Trading GmbH, we have seized the opportunities presented by this period of transition and significantly expanded our gas portfolio management activities. In this, MVV Trading GmbH structures and optimises its procurement portfolio based on sale-side customer requirements. This way, our sales department is able to offer customers structured procurement via our Electricity/Gas Energy Fund. Synergy effects and benefits of scale achievable with our shareholdings are consistently implemented on the market.

Changes in financial market regulation

The European Union intends to amend the regulatory framework for companies involved in energy trading, a measure which should affect trading with both physical and financial products.

The latest status of this legislation and further details can be found in the comments in the chapter ▶ *Business Framework on Page 41*.

Forward-looking Sales Strategy

We provide our customers with a reliable supply of electricity, heating energy, gas and drinking water and intend to do so in future as well. One of the MVV Energie Group's key competitive advantages is its proximity to its customers. Our subsidiaries are companies with firm municipal and regional roots. We retain our customers on a long-term basis by ensuring that they are satisfied with our services. We aim to continue meeting our customers' expectations, and that on a high level. To sustainably enhance our customer service, in May 2012 we launched our group-wide "Customer Service Optimisation" project, which we aim to complete by the end of the 2012/13 financial year.

Innovative sales products

We see our innovative sales products and range of services, as well as our cross-selling approach for large industrial customers, commercial customers, multi-location customers and real estate customers, as offering great competitive opportunities. Our customers appreciate the fact that, as an energy supplier with nationwide operations, MVV Energie is able to offer cross-location solutions. The nationwide sale of electricity and gas to industrial and commercial customers via our Electricity/Gas Energy Fund product is just as much an important pillar of our growth strategy as are our solution-based services for real estate and multi-location customers. Structured procurement is in great demand from customers, as it enables these companies to exploit the opportunities offered by the liberalised energy market and benefit from the advantages of procurement via the exchange.

Ever more customers wish to be supplied with electricity generated on an environmentally-friendly basis. We offer a broad range of green electricity products both to private and to commercial and industrial customers. Many private customers have permanently switched to our green products. Commercial and industrial customers increasingly see the procurement of energy from renewable sources as harbouring competitive advantages, as it enables them to boost their ecological credentials. Alongside our green electricity option consisting entirely of Scandinavian hydroelectricity and recognised by the TÜV Süd Technical Inspection Agency, customers also have the option of selecting individual green energy supply solutions. Here, our product range includes green electricity solutions offering different qualities.

Direct marketing of renewable energies

Since the start of 2012, the new version of the German Renewable Energies Act (EEG) has provided for the market premium model as an alternative to traditional EEG compensation. This model offers incentives for selling renewable energies directly on the energy exchange.

In addition to sales revenues – i.e. the difference between traditional EEG feed-in compensation and the average electricity price on the exchange – companies feeding in electricity from renewable energies also receive a management premium. This is based on the technology used and current market prices.

With MVV Trading GmbH, our Group has great expertise available in terms of key account customer sales and the energy trading business. This means we are able to exploit the economic benefits offered by the market premium model and generate higher income than with EEG feed-in compensation. We have migrated the Group's own plants to the market premium model and directly sold green electricity volumes of 1 440 million kWh in the 2011/12 financial year (previous year: almost 1 000 million kWh).

Furthermore, we offer direct marketing as a service to a growing number of external customers, most of which proprietary energy generators. At the end of the year under report we had contracted the following capacities: 670 MW from wind power plants, 570 MW from solar power plants and 200 MW from biomass plants.

MVV Energiemonitor: a success story

The internet has fostered the virtualisation of business processes. With MVV Energiemonitor, we have developed an application for tablet computers which is now in widespread use among our corporate customers. This way, we have successfully enhanced our service for key account customers. Via this virtual platform, we provide procurement managers at companies covering all or part of their energy needs on the market promptly and at a glance with all information relevant to their energy procurement. In these times of volatile energy markets, finding the right time to procure electricity and gas is becoming an ever more important factor. The MVV Energiemonitor was thus rightly awarded a special prize for outstanding innovation at the "Stadtwerke Award 2012" municipal utility company awards.

Overview of Shareholdings and Business Activities

Major direct and indirect shareholdings of MVV Energie AG

Municipal utility shareholdings	Environmental energy and renewable energies
MVV RHE GmbH (100 %)	MVV Umwelt GmbH (100 %)
Stadtwerke Kiel Aktiengesellschaft (51 %)	• MVV Umwelt Asset GmbH (100 %)
Energieversorgung Offenbach Aktiengesellschaft (48.53 %) [1]	• MVV Umwelt O&M GmbH (100 %) [8]
Stadtwerke Ingolstadt Beteiligungen GmbH (48.4 %)	• MVV Umwelt Ressourcen GmbH (100 %)
Köthen Energie GmbH (100 %)	• MVV ENVIRONMENT DEVONPORT Ltd., UK (100 %)
Stadtwerke Sinsheim Versorgungsgesellschaft mbH&Co.KG (30 %)	• Biomasse Rhein-Main GmbH (33.33 %)
Stadtwerke Buchen GmbH & Co. KG (25.1 %)	Biomethananlage Klein Wanzleben GmbH (74.9 %)
Stadtwerke Walldorf GmbH & Co. KG (25.1 %)	Biomethananlage Kroppenstedt GmbH (74.9 %)
Stadtwerke Schwetzingen GmbH & Co. KG (10 %)	MVV Windenergie GmbH (100 %)
MVV Energie CZ a.s. Czech Republic (100 %)	Cerventus Naturenergie GmbH (50 %) [2]

Jointly owned companies	Energy related services
Netrion GmbH, Mannheim [3, 8]	MVV Energiedienstleistungen GmbH (100 %) [9]
MVV Trading GmbH, Mannheim [4]	• 16 majority shareholdings in the fields of:
Soluvia GmbH, Mannheim [5, 8]	Contracting and Energy Efficiency
• Soluvia Billing GmbH, Offenbach [6, 8]	Industrial Parks
• Soluvia IT-Services GmbH, Kiel [6, 8]	Consulting
• Soluvia Metering GmbH, Offenbach [6, 8]	
MVV Insurance Services GmbH, Mannheim [7, 8]	

1 majority of voting rights
2 Energieversorgung Offenbach AG (50 %), juwi renewable IPP GmbH & Co. KG (50 %)
3 MVV Energie AG (70 %), Energieversorgung Offenbach AG (30 %)
4 MVV Energie AG (59.9 %), Stadtwerke Kiel AG (25.1 %), Energieversorgung Offenbach AG (12.5 %), Stadtwerke Ingolstadt GmbH (2.5 %)
5 MVV Energie AG (51 %), Stadtwerke Kiel AG (24.5 %), Energieversorgung Offenbach AG (24.5 %)
6 Soluvia GmbH (100%)
7 MVV Energie AG (68.4 %), Energieversorgung Offenbach AG (17.6 %), Stadtwerke Kiel AG (14 %)
8 the following companies were renamed at the beginning of the 2012/13 financial year:
- 24/7 Netze GmbH into Netrion GmbH
- Shared Services Center GmbH into Soluvia GmbH
- 24/7 United Billing GmbH into Soluvia Billing GmbH
- 24/7 IT-Services GmbH into Soluvia IT-Services GmbH
- 24/7 Metering GmbH into Soluvia Metering GmbH
- 24/7 Insurance Services GmbH into MVV Insurance Services GmbH
- MVV O & M GmbH into MVV Umwelt O & M GmbH

9 MVV Energiedienstleistungen GmbH will be renamed MVV Enamic GmbH as of 1 January 2013. Six of its majority shareholdings will also operate under the shared "MVV Enamic" brand in future.

Status: 30 September 2012

BUSINESS PERFORMANCE

Earnings Performance of MVV Energie Group

Executive Board summary

The MVV Energie Group maintained its ground well in difficult conditions in the year under report. We managed to further increase our external sales (excluding energy taxes) from Euro 3.6 billion in the previous year to a new record level of almost Euro 4 billion. We thus clearly surpassed our sales forecast for the 2011/12 financial year. Our target was to achieve "slightly higher sales compared with the previous year". At Euro 223 million, our operating earnings (adjusted EBIT) slightly exceeded the earnings forecast we published at the beginning of the year and then specified in subsequent financial reports to "on a scale of around Euro 220 million". The Executive Board is satisfied with the 2011/12 operating earnings. Together with additional savings measures, the consistent implementation of our corporate strategy and our "Once Together" group programme enabled us to mitigate the negative effects of charges on earnings in the year under report.

Sales performance

The **EXTERNAL SALES** of the MVV Energie Group excluding electricity and natural gas taxes rose year-on-year by Euro 295 million to Euro 3 895 million in the reporting period from October 2011 to September 2012. This is equivalent to an increase of 8 %. The table shows the sources of this sales growth. Alongside sales contributions from our reporting segments, we have also presented the development in sales with our electricity, heating energy, gas and water products.

Of total sales for the financial year, 97 % were attributable to the domestic business and 3 % to the Czech subgroup. The sales generated in Germany for the last time included sales at Stadtwerke Solingen GmbH. We sold our 49.9 % stake in Stadtwerke Solingen GmbH to the city of Solingen at the end of September 2012.

Of the MVV Energie Group's sales growth in the year under report, the largest share was due to the expansion in portfolio management in the electricity and gas businesses. In Trading and Portfolio Management, whose activities are structured and optimised by MVV Trading GmbH to account for developments on the international energy markets, we managed to exploit volume and price factors and thus boost sales in this reporting segment by 22 %.

Sales rose by Euro 27 million in our Generation and Infrastructure reporting segment, which includes the capital-intensive business fields of generation, environmental energy and grids. This 8 % growth was mainly driven by the expansion in electricity generation in our wind power business. Sales in our environmental energy business fell short of the previous year's figure. This was due above all to lower electricity prices, lower waste volumes and cutbacks in production as a result of inspection and conversion measures.

Sales and Services is our largest reporting segment in terms of sales. In a highly competitive climate, we managed to increase our sales in this customer-focused segment to around Euro 2.2 billion, up 3 % compared with the previous year. This was chiefly due to further strong growth in our nationwide electricity and gas sales, higher revenues from directly marketing electricity generated at plants subsidised under the EEG legislation and price adjustments. These positive factors more than offset the downturn in sales we faced in the 1st half of 2011/12 due to milder weather conditions and the loss of customers and projects.

The 7 % sales growth in our Strategic Investments reporting segment was partly the result of volume and price factors. Not only that, sales also benefited from more active management of the gas trading portfolio at Stadtwerke Ingolstadt. At the Czech subgroup, the cogeneration plant with an energy from waste facility acquired in the city of Liberec in the previous year contributed to consolidated sales for the first time.

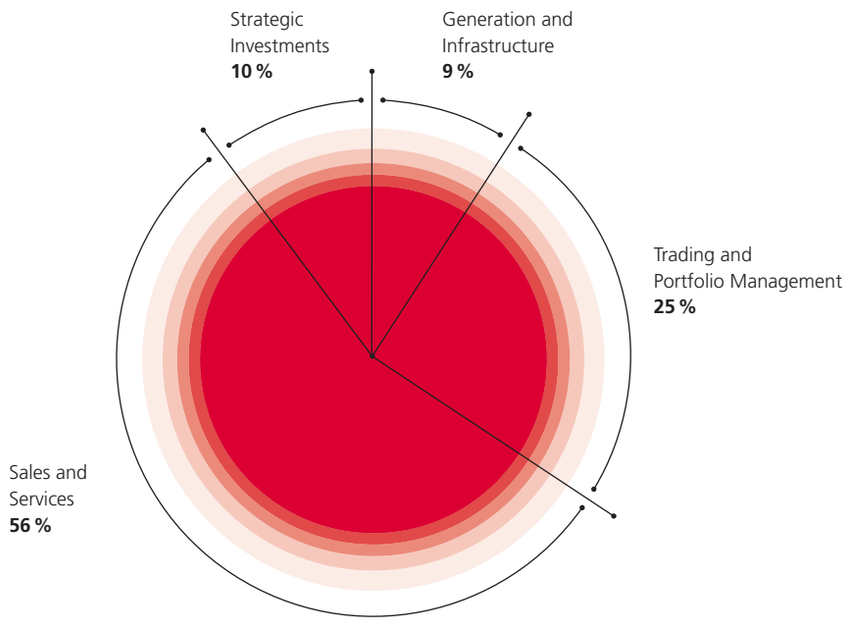
External sales of the MVV Energie Group from 1.10. to 30.9.

Euro million	**2011/12**	2010/11[1]	% change
Generation and Infrastructure	354	327	+8
Trading and Portfolio Management	976	800	+22
Sales and Services	2 162	2 096	+3
Strategic Investments	398	373	+7
Other Activities	5	4	+25
Total	**3 895**	**3 600**	**+8**
of which electricity sales	2 407	2 307	+4
of which heating energy sales	428	425	+1
of which gas sales	614	433	+42
of which water sales	107	111	–4

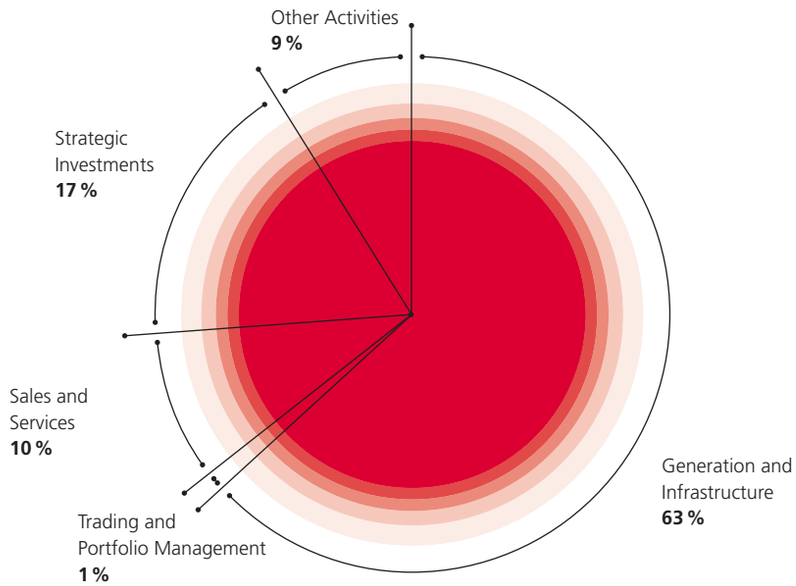
1 previous year's figures adjusted

Since the year under report, we have reported construction expense grants for house connection costs as liabilities. To facilitate comparison, we have adjusted the previous year's figures. As a result, the previous year's sales reported in the above table are Euro 10 million higher than the figure in the 2010/11 Annual Report.

External sales of the MVV Energie Group by reporting segment in the 2011/12 financial year



Adjusted EBIT of the MVV Energie Group by reporting segment in the 2011/12 financial year



Development in turnover

As in previous years, we report on the development in our turnover by reference to individual products. To this end, we allocate the electricity, heating energy, gas and water volumes sold to reporting segments in line with their respective value chain stage.

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

kWh million	2011/12	2010/11	% change
Generation and Infrastructure	93	155	– 40
Trading and Portfolio Management	15 750	12 855	+ 23
Sales and Services	11 071	11 678	– 5
of which industrial and commercial customers/secondary distributors	9 184	9 534	– 4
of which private and business customers	1 539	1 617	– 5
of which services customers	348	527	– 34
Strategic Investments	1 369	1 405	– 3
Total	**28 283**	**26 093**	**+ 8**

Electricity turnover showed substantial year-on-year growth of 8 % to 28.3 billion kWh. This was chiefly due to MVV Trading GmbH managing the electricity portfolio more actively by optimising its hedge book. As a result, the share of total electricity turnover attributable to the Trading and Portfolio Management reporting segment rose to 56 %, up from 49 % in the previous year.

The substantial reduction in volumes in the Generation and Infrastructure reporting segment by 40 % had mainly structural causes. Since January 2011, the electricity volumes generated at plants covered by EEG legislation at the MVV Umwelt subgroup have been marketed via the sales department at MVV Trading GmbH. These volumes are thus no longer included in Generation and Infrastructure, but rather in the turnover figures for the Sales and Services segment. Furthermore, electricity production also reduced on account of boiler inspection and conversion measures in particular within the OptiMa project at the environmental energy subgroup. There was a sharp increase, by contrast, in electricity volumes generated in the strategically important field of wind power. Thanks to the expansion in the wind farm portfolio, volumes here grew year-on-year by 41 million kWh to 77 million kWh. The 23 wind power plants at the Kirchberg location, connected to the grid since February 2012, fed a total of 57 million kWh into the public grid in the 2011/12 financial year. Our wind power plants in Plauerhagen and Massenhausen sold 12 million kWh and 8 million kWh respectively to third parties in the year under report.

Electricity turnover in the Sales and Services reporting segment decreased year-on-year by 5 %. The 4 % reduction in turnover with industrial and commercial customers/secondary distributors shows that the volume growth in the nationwide sale of electricity to industrial and commercial customers was insufficient to compensate for the downturn in our proprietary grid regions due among other factors to the loss of two major customers. In our private and business customer business, where volumes declined by 5 %, we are also feeling the effects of increasingly tough competition. The 34 % reduction in volumes with value-added services customers was mostly due to the absence of the biomass cogeneration plant in Altenstadt, which was sold at the end of the 2010/11 financial year. Furthermore, this figure was also affected by lower volumes in the green electricity contracting business.

The main reason for the 3 % downturn in electricity turnover in the Strategic Investments reporting segment was the loss of secondary distribution volumes reported by Stadtwerke Solingen.

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

kWh million	2011/12	2010/11	% change
Generation and Infrastructure	274	141	+ 94
Trading and Portfolio Management	673	669	+ 1
Sales and Services	4 772	5 226	– 9
of which industrial and commercial customers/secondary distributors	657	733	– 10
of which private and business customers	2 376	2 442	– 3
of which services customers	1 739	2 051	– 15
Strategic Investments	1 169	1 253	– 7
Total	**6 888**	**7 289**	**– 6**

The 6 % reduction in heating energy turnover was mainly due to lower district heating turnover in the 1st half of 2011/12 on account of unusually mild weather conditions.

The sharp volume growth of 94 % in the Generation and Infrastructure reporting segment was the result of steam supplied by MVV Umwelt GmbH to an industrial customer whose production plant had been out of use in the previous year due to a fire.

Volumes with industrial and commercial customers/secondary distributors fell by 10 %, and thus to an above-average extent. Here, the weather factor was exacerbated by lower volumes of heating energy supplied to the US Army due to the start of its withdrawal from the Rhine/Neckar metropolitan region. The 3 % decline in volumes with private and business customers was the result of weather-related downturns in the 1st half of 2011/12. Comparatively high volumes of district heating turnover in the 2nd half of 2011/12 due in particular to cold weather in April 2012 were insufficient to make up for this reduction.

Among value-added services customers, part of the 15 % reduction in heating energy volumes was due to downturns in real estate contracting, a further weather-dependent area. Moreover, some supplies were discontinued following the termination of projects.

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

kWh million	2011/12	2010/11	% change
Generation and Infrastructure	4	—	+ 100
Trading and Portfolio Management	7 762	1 700	+ 357
Sales and Services	7 567	7 759	– 2
of which industrial and commercial customers/secondary distributors	4 649	4 655	0
of which private and business customers	2 416	2 604	– 7
of which services customers	502	500	0
Strategic Investments	2 085	1 429	+ 46
Total	**17 418**	**10 888**	**+ 60**

The fact that gas turnover could nevertheless be increased by 60 %, and thus significantly, was due above all to the more active management of our gas portfolio by our MVV Trading GmbH subsidiary. As a result, the share of total gas volumes attributable to the Trading and Portfolio Management reporting segment grew year-on-year from 16 % to 45 %.

Previously, it was Sales and Services that had contributed the largest share of total gas turnover. In the year under report, this segment accounted for 43 %, as against 71 % in the previous year. Gas turnover here slipped year-on-year by 2 %. This was mainly due to the 7 % reduction in gas turnover with private and business customers as a result of both weather-related downturns in the 1st half of 2011/12 and competition-related customer losses. Gas turnover with industrial and commercial customers/secondary distributors virtually matched the high previous year's figure in the year under report. Here, the volume growth in the nationwide gas sales business almost made up for the downturn in volumes in the Group's own grid regions and the secondary distribution business on account of weather and competition-related factors. In the Strategic Investments segment, negative weather and competition-related factors were more than offset by increased volume growth at Stadtwerke Ingolstadt, which managed its gas portfolio more actively.

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

m³ million	2011/12	2010/11	% change
Generation and Infrastructure	—	—	—
Trading and Portfolio Management	—	—	—
Sales and Services	46.4	46.7	– 1
of which industrial and commercial customers/secondary distributors	6.9	7.0	– 1
of which private and business customers	39.1	39.3	– 1
of which services customers	0.4	0.4	—
Strategic Investments	6.5	7.0	– 7
Total	**52.9**	**53.7**	**– 1**

Our water turnover continued to fall, reducing by 1 % in the year under report. This persistent decline shows that all customer groups are making more sparing use of water. The development in volumes at our Group is consistent with the overall trend. According to the Association of the German Energy and Water Industries (BDEW), water turnover with customers in Germany dropped in 2011 to its lowest level since 1990. We reported increased water turnover in August 2012 on account of the dry, persistently favourable summer weather. This was insufficient, however, to compensate for the reduction in previous months.

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

tonnes 000s	2011/12	2010/11	% change
Generation and Infrastructure	1 587	1 620	– 2
Trading and Portfolio Management	—	—	—
Sales and Services	163	151	+ 8
Strategic Investments	147	64	+ 130
Total	**1 897**	**1 835**	**+ 3**

The volume of combustible waste delivered to the MVV Energie Group grew year-on-year by 62 thousand tonnes, or 3 %, to around 1.9 million tonnes. This growth was attributable above all to the Strategic Investments reporting segment. Full-year figures here benefited for the first time from the municipal and commercial waste delivered at the Czech subgroup to the cogeneration plant with an energy from waste facility in Liberec, which was taken over by MVV Energie CZ in September 2011.

The lower volume of waste in the Generation and Infrastructure reporting segment, which accounted for 84 % of total waste volumes (previous year: 88 %), was due to extensive conversion measures implemented at the Mannheim location. Within the OptiMa project, the energy from waste plant here was optimised in terms of its energy efficiency. The increase in waste volumes in the Sales and Services segment was due to higher deliveries to the refuse-derived fuel power plants in Gersthofen und Korbach.

Development in further key income statement items

COST OF MATERIALS rose year-on-year by 10 % to Euro 3 103 million. Consistent with the expansion in electricity and gas procurement trading portfolios, this led to significant additional expense due not least to several months of downtime at a power plant at the Kiel subgroup. As a result, cost of materials rose disproportionately compared with sales. The generation volumes thereby lost had to be procured at higher prices on the market.

PERSONNEL EXPENSES amounted to Euro 333 million in the year under report, as against Euro 328 million in the previous year. Despite staff cuts, personnel expenses thus rose by 1 %, largely as a result of the initial consolidation of companies and of collectively agreed pay rises and staff promotions. Further details about the development in our human resources can be found in the chapter ▶ *Sustainability on Page 81*.

Year-on-year, **OTHER OPERATING INCOME** excluding IAS 39 measurement items for energy trading transactions decreased by Euro 6 million to Euro 105 million. This was mainly due to lower income from the sale of emission rights and reversals of write-downs. These items more than offset the higher income from reversals of provisions and foreign currency measurement. Increased activity on the construction of the energy from waste plant in Plymouth and exchange rate movements in the course of the year led to higher exchange rate gains.

OTHER OPERATING EXPENSES – also excluding IAS 39 measurement items – reduced to Euro 199 million, down from Euro 205 million in the previous year. This was chiefly due to lower expenses for the purchase of emission rights, lower write-downs on receivables and reduced losses on disposals of assets.

The net balance of the IAS 39 measurement items recognised under other operating income and other operating expenses in the income statement resulted in a negative IAS 39 measurement item of Euro – 20 million in the year under report. This contrasted with a positive measurement item of Euro 46 million in the previous year. Movements in IAS 39 items reflect the development in prices on the 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 negative fair values in the year under report. Current market prices as of the balance sheet date on 30 September 2012 were lower than when the respective hedges were concluded. IAS 39 measurement is not cash-effective, neither does it impact on our operating business or influence our dividend.

INCOME FROM ASSOCIATES rose year-on-year from Euro 15 million to Euro 23 million. This increase was due in particular to the sale by Energieversorgung Offenbach AG of 24.9 % of the shares in Maintal-Werken GmbH.

Including the items in the reconciliation account set out below, the MVV Energie Group generated **ADJUSTED EBITDA** of Euro 399 million in the year under report, thus falling 1 % short of the equivalent figure of Euro 404 million for the previous year.

At Euro 176 million, by contrast, **DEPRECIATION AND AMORTISATION** were Euro 15 million higher than in the previous year. This increase was attributable above all to impairment losses in the Sales and Services reporting segment, as well as to higher scheduled depreciation and amortisation on account of the investments made. Impairment losses related to fair value adjustments for property, plant and equipment at the MVV Energiedienstleistungen subgroup to account for reduced earnings expectations and a deterioration in market conditions.

Reconciliation with adjusted EBIT

For internal management purposes, we continue to refer to **ADJUSTED EBIT**. This key operating earnings figure before interest and taxes on income excludes the impact on earnings of the fair value measurement of derivatives as of the balance sheet date pursuant to IAS 39 and includes interest income from finance leases. In the previous year the impact of restructuring expenses was also eliminated. 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	2011/12	2010/11	+/– change
EBIT as reported in income statement	198	253	– 55
Financial derivatives measurement item	+ 20	– 46	+ 66
Restructuring expenses	—	+ 31	– 31
Interest income from finance leases	+ 5	+ 4	+ 1
Adjusted EBIT	**223**	**242**	**– 19**

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	2011/12	2010/11	% change
Generation and Infrastructure	141	138	+ 2
Trading and Portfolio Management	3	24	– 88
Sales and Services	21	39	– 46
Strategic Investments	38	35	+ 9
Other Activities	20	6	+ 233
Total	**223**	**242**	**– 8**

Our group of companies generated **ADJUSTED EBIT** of Euro 223 million in the year under report, thus falling Euro 19 million short of the previous year's figure (Euro 242 million). As communicated in the course of the year, a number of one-off negative factors meant that we were unable to match the previous year's high level of earnings in the year under report. The following factors contributed to the disparate development in sales and adjusted EBIT:

- The sales growth was driven above all by more active management of the electricity and gas portfolios, as well as by the expansion in nationwide electricity and gas sales to industrial and commercial customers/secondary distributors. These business fields are characterised by comparatively low earnings margins.
- Turbine damage at the joint power plant in Kiel (Gemeinschaftskraftwerk Kiel – GKK) in the 1st quarter of 2011/12 impacted negatively on adjusted EBIT to the tune of Euro 10 million. Several months of downtime at the power plant led to higher procurement costs, as the missing electricity volumes had to be additionally procured at higher prices on the market. District heating needs had to be covered by substitute power plants. The GKK power plant resumed operations on 8 January 2012.
- Furthermore, earnings were negatively affected by the lower electricity generation margin (clean dark spread) given that electricity prices on the wholesale market fell more sharply than coal prices. The trend towards a slight improvement in the clean dark spread due to declining CO_2 emission right prices has not led to any notable improvement in earnings at our Group. This is because, consistent with our hedging concept, we already market electricity volumes well ahead of their respective delivery dates.
- Mild weather conditions in the 1st half of 2011/12 led to significant reductions in district heating and gas turnover and sales. The negative weather factor, which was more marked at Kiel than at other locations, eased in the 2nd half of 2011/12.
- In the Sales and Services reporting segment, adjusted EBIT for the year under report was negatively affected by impairment losses of Euro 10 million in the energy-related services business field. A reassessment of market risks and market potential in the energy-related services business led to fair value adjustments in the 2011/12 consolidated financial statements and to a fundamental realignment of the operating business at the MVV Energiedienstleistungen subgroup.
- Earnings for the year under report were positively affected by income at our Energieversorgung Offenbach AG subsidiary from the sale of a 24.9 % shareholding in Maintal-Werken, as well as by operating enhancements at the shared service companies and SECURA Energie. These are reflected in the Other Activities reporting segment.
- Our strategic investments are bearing fruit. The CO_2-free wind farm portfolio, significantly expanded at our Group in the year under report with the launch of operations at Kirchberg Wind Farm, for the first time contributed around Euro 4 million to operating earnings for the 2011/12 financial year.

FINANCING EXPENSES rose year-on-year by Euro 10 million to Euro 77 million. These were influenced in particular by higher interest expenses. On the one hand, the Group took up more loans to finance its investments, while on the other hand provisions were compounded. These expenses were partly offset by financing income, which rose by around Euro 2 million.

Our pre-tax earnings figure **ADJUSTED EBT** amounted to Euro 151 million in the 2011/12 financial year, thus falling Euro 28 million short of the previous year's figure. The tax rate based on adjusted EBT amounted to 35.1 % (previous year: 30.1 %). This increase in the tax rate was mainly attributable to various items not deductible for tax purposes, higher trade tax multipliers and permanent differences between the carrying amounts recognised in the IFRS and tax balance sheets.

Net of adjusted taxes on income of Euro 53 million (previous year: Euro 54 million), the **ADJUSTED ANNUAL NET SURPLUS** for the year under report amounted to Euro 98 million, as against Euro 125 million in the previous year. At Euro 18 million, the adjusted share of earnings attributable to minority interests was marginally higher in the year under report than in the previous year (Euro 17 million).

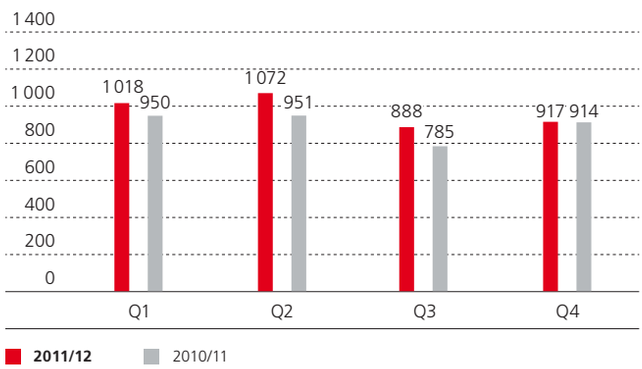
Net of the adjusted share of earnings attributable to minority shareholders, the MVV Energie Group can report an **ADJUSTED ANNUAL NET SURPLUS AFTER MINORITY INTERESTS** of Euro 80 million for the year under report, thus falling Euro 28 million short of the figure of Euro 108 million reported for the 2010/11 financial year.

Calculated on this basis, **ADJUSTED EARNINGS PER SHARE** amounted to Euro 1.21 for the year under report, as against Euro 1.63 in the previous year. As in the previous year, the number of shares totalled 65.9 million.

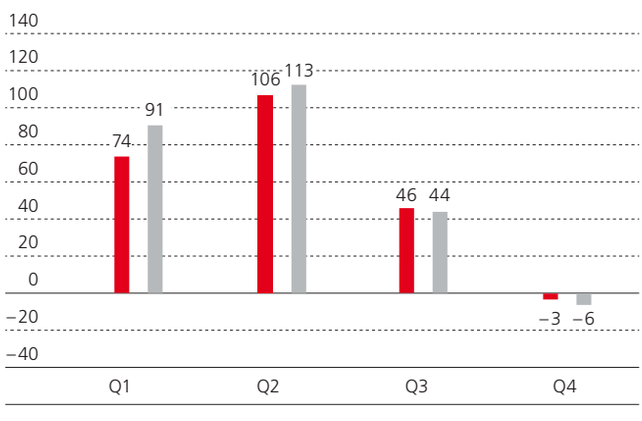
Quarterly performance

Sales in the 4th quarter of our 2011/12 financial year (July to September 2012) rose year-on-year by Euro 3 million to Euro 917 million. At Euro – 3 million, adjusted EBIT for this period was once again negative, but nevertheless improved on the previous year's period, in which it had amounted to Euro –6 million. Both consolidated sales and group operating earnings are traditionally lower in the 4th quarter than in preceding quarters. This is due to the lack of sales contributions from the heating energy business. Moreover, we prefer to perform maintenance and inspection measures in the 4th quarter.

External sales of the MVV Energie Group by quarter in Euro million



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



Value-based company management in 2011/12

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 less cash and cash equivalents). Excluding negative IAS 39 measurement items and restructuring expenses and including interest income from finance leases, we generated adjusted ROCE of 9.0 % in the year under report. Due to the reduction in adjusted EBIT and the charges on capital employed resulting from extensive investments, this key figure in our management of the Group thus fell short of the previous year's figure of 9.7 %.

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.

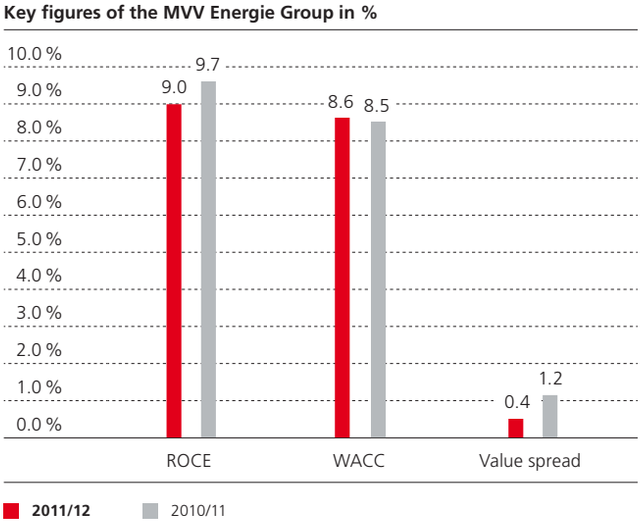
In the year under report, we recalculated the Group's WACC figure and derived a weighted cost of capital before taxes of 8.6 % (previous year: 8.5 %). Subtracting the WACC of 8.6 % (previous year: 8.5 %) from the adjusted ROCE of 9.0 % (previous year: 9.7 %) produces an adjusted value spread of 0.4 % for the year under report, compared with a figure of 1.2 % in the previous year.

WACC parameters of the MVV Energie Group

	2011/12	2010/11
Borrowing interest	5.2 %	5.5 %
Tax shield [1]	30 %	30 %
Equity ratio market value	50 %	50 %
Risk-free interest rate	4.5 %	4.5 %
Market risk premium	5.0 %	5.0 %
Beta (ß) factor [1]	0.84	0.70

1 for definition see ▶ *Glossary from page 182 onwards*

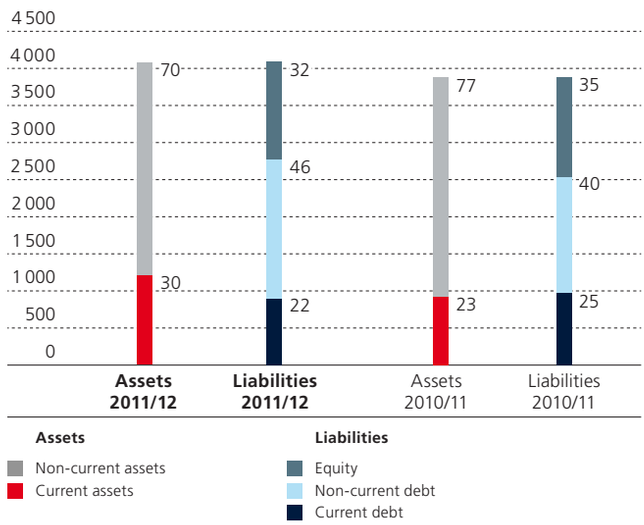
Key figures of the MVV Energie Group in %



Net Asset Position

EXECUTIVE BOARD SUMMARY: With increased total assets, the MVV Energie Group can report a solid adjusted equity ratio of 36.2 % as of 30 September 2012. 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



Balance sheet development

The International Accounting Standards Board (IASB) and the International Financial Interpretations Committee (IFRIC) amended some existing and introduced some new standards and interpretations requiring first-time mandatory application in the 2011/12 financial year. Here, we implemented some amendments by exercising a specific option. To ensure comparability, we have adjusted the previous year's figures accordingly. As a result, the total assets for the previous year have been adjusted to Euro 3.87 billion, up from the figure of Euro 3.71 billion reported as of 30 September 2011 in the 2010/11 Annual Report.

The **TOTAL ASSETS** of the MVV Energie Group amounted to Euro 4.08 billion at the balance sheet date on 30 September 2012 and were thus Euro 203 million, or 5 %, higher than the equivalent figure at the previous year's reporting date.

The 2011/12 financial year at our company was characterised by high volumes of investments in growth, as well as by the expansion and modernisation of our plants and grids and the related financing measures that are reflected in our 2011/12 balance sheet. Furthermore, the balance sheet also shows the effects of first-time consolidation and deconsolidation. Among the companies included for the first time were Frassur GmbH with its wholly-owned subsidiary AVA Abwasser- und Verwertungsanlagen GmbH, the Czech subsidiary TERMIZO a.s., Liberec, and the wind farms at the Kirchberg location, where operations began in the year under report. These items were opposed by the sale of shares in Stadtwerke Solingen GmbH, which was executed before the end of the year under report. This company, previously proportionately consolidated, was no longer included in the scope of consolidation of the MVV Energie Group at the balance sheet date on 30 September 2012.

The asset side of the 2011/12 balance sheet is dominated by **NON-CURRENT ASSETS,** which accounted for around 70 % of total assets as of 30 September 2012. Compared with the previous year's reporting date, non-current assets reduced by Euro 97 million, or 3 %, to Euro 2.87 billion. Intangible assets, which decreased by Euro 54 million to Euro 256 million, were affected by the reduction in goodwill due to the sale of shares in Stadtwerke Solingen GmbH. Despite increased investment, property, plant and equipment declined by Euro 51 million to Euro 2.26 billion and thus now make up 55 % of total assets, as against 59 % in the previous year. Asset retirements due to the sale of the Solingen shares and depreciation more than offset the investment-driven addition of new assets. We have described the development in investments on the following pages.

Non-current other receivables and assets were Euro 5 million higher than at 30 September 2011. This item was affected above all by the higher fair value measurement of energy trading transactions recognised under IAS 39.

Compared with the balance sheet date on 30 September 2011, **CURRENT ASSETS** rose by Euro 300 million to Euro 1.21 billion. This increase was chiefly driven by higher trade receivables, increased other receivables and assets and a higher volume of cash and cash equivalents. When compared with the sales growth of 8 %, trade receivables showed a relatively moderate increase of 6 % from Euro 448 million to Euro 475 million. The volume of receivables as of 30 September 2012 reduced, mainly due to enhanced receivables management, by Euro 170 million compared with the previous quarter (Euro 645 million at the balance sheet date on 30 June 2012).

Other receivables and assets increased by Euro 48 million compared with 30 September 2011. At Euro 72 million, current receivables from security deposits in particular were higher at the 2011/12 balance sheet date than the figure of Euro 40 million reported one year earlier. Security deposits (so-called margins) are exchanged within energy trading transactions to reduce counterparty risk with external trading partners.

The development in current assets was significantly influenced by cash and cash equivalents, which at Euro 378 million reached a relatively high level compared with the figure of Euro 169 million reported as of 30 September 2011. This high volume as of the 2011/12 balance sheet date was attributable above all to the inflow of funds received at the end of September 2012 due to the sale of shares in Stadtwerke Solingen GmbH. Furthermore, this item was also affected by active liquidity protection measures implemented by building up reserve positions.

KielNet GmbH was recognised as "held for sale" due to the intention to sell this other shareholding.

Developments on the liabilities side of the balance sheet were shaped above all by the increase in non-current financial debt.

Due mainly to the lower volume of annual earnings and the lower share of earnings attributable to minority interests, the **EQUITY** of the MVV Energie Group amounted to around Euro 1.31 billion and thus reduced by Euro 40 million compared with 30 September 2011.

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 derivatives and attributable deferred taxes. As of 30 September 2012, these amounted to Euro 247 million, as against a figure of Euro 218 million as of 30 September 2011. On the equity and liabilities side, we eliminate the negative fair values from liabilities, amounting to Euro 336 million as of 30 September 2012 (30 September 2011: Euro 250 million). Under equity, we eliminate the resultant net balance; this amounted to Euro 89 million, compared with Euro 32 million as of 30 September 2011. Calculated on this basis, adjusted equity amounted to Euro 1.40 billion (previous year: Euro 1.38 billion), adjusted total assets amounted to Euro 3.85 billion at the 2011/12 balance sheet date (previous year: Euro 3.66 billion) and the adjusted equity ratio amounted to 36.2 % as of 30 September 2012, as against 37.7 % as of 30 September 2011.

NON-CURRENT DEBT rose to Euro 1.87 billion, up Euro 321 million compared with the figure of Euro 1.55 billion reported for the balance sheet date on 30 September 2011. This increase was mainly due to higher non-current financial debt, which rose year-on-year by Euro 280 million to Euro 1.21 billion. The volume of new borrowing taken up to finance investments, to build up reserve positions and to restructure short-term loans as long-term loans exceeded the scheduled repayments of non-current financial debt. Particularly due to a higher volume of non-current financial derivatives requiring recognition under IAS 39, non-current other liabilities increased by Euro 52 million to Euro 398 million. Non-current provisions also rose, but this increase was countered by lower deferred tax liabilities for energy trading transaction measurement items.

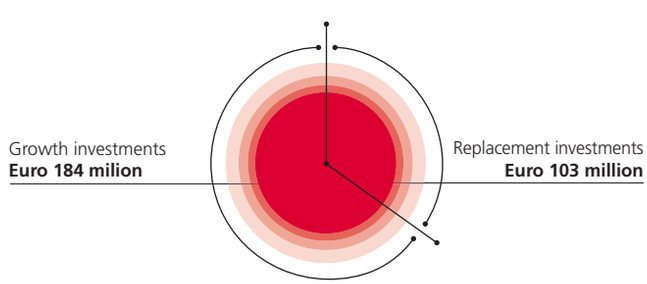
CURRENT DEBT reduced to Euro 0.90 billion, down Euro 77 million compared with 30 September 2011. This reduction resulted from current financial debt being restructured as non-current financial debt, as well as from current provisions with lower levels of uncertainty being reclassified as liabilities. These items more than offset the increase in trade payables. As of 30 September 2012, current other liabilities included security deposits of Euro 6 million to reduce counterparty risk, as against Euro 3 million as of 30 September 2011. Further details can be found in ▶ *Notes to Balance Sheet from Page 128 onwards.*

Current and non-current financial debt increased to Euro 1.41 billion at the balance sheet date for the year under report, up Euro 151 million on the balance sheet date for the 2010/11 financial year. Net financial debt, i.e. current and non-current financial debt less cash and cash equivalents, decreased over the same period by Euro 59 million to Euro 1.03 billion.

Investments in growth fields

The MVV Energie Group invested Euro 287 million in the year under report, and thus significantly more than in the 2010/11 financial year (Euro 247 million). Of total investments, an amount of Euro 184 million, equivalent to a 64 % share, was channelled into growth, while an amount of Euro 103 million, corresponding to the remaining 36 %, was invested in existing assets. In keeping with the Group's strategy, key investment focuses in the year under report were on expanding the renewable energies generation portfolio, energy from waste and district heating grids. The largest single investments related to the construction of Kirchberg Wind Farm, the biomethane plant in Klein Wanzleben and the energy from waste plant in Plymouth. Further major investment projects involved expanding and modernising the grid infrastructure, building two new gas turbines at the Kiel subgroup and the OptiMa energy efficiency project at the energy from waste plant at the Mannheim location.

Investments of the MVV Energie Group[1] in the 2011/12 financial year



Total: Euro 287 million

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

Of the total investment volume of Euro 287 million in the year under report, Euro 262 million was invested in intangible assets, property, plant and equipment and investment property (previous year: Euro 212 million). We invested a total of Euro 25 million in the acquisition of fully and proportionately consolidated companies and other financial assets (previous year: Euro 35 million). The shares newly acquired in companies have been listed in ▶ *Notes to Consolidated Financial Statements from Page 115 onwards*.

Investments of the MVV Energie Group in Euro million

	2011/12	2010/11
Generation and Infrastructure	214	146
Trading and Portfolio Management	4	2
Sales and Services	13	13
Strategic Investments	16	30
Other Activities	15	21
Investments in property, plant and equipment[1]	**262**	**212**
Investments in financial assets	25	35
Total	**287**	**247**

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

Financial Position

EXECUTIVE BOARD SUMMARY: In implementing our investment programme, with its focus on sustainable growth, we have been able to draw to a considerable extent on internal financing (depreciation, working capital optimisation and retained earnings). Moreover, we benefit from our creditworthiness when taking up new borrowing. The inflow of funds from the sale of shares in Stadtwerke Solingen at the end of September 2012 has improved our liquidity and increased our financing scope.

Cash flow statement

Comparison of the 2011/12 and 2010/11 financial years shows that the **CASH FLOW BEFORE WORKING CAPITAL AND TAXES** rose slightly from Euro 415 million to Euro 418 million. This item was not affected by IAS 39 measurement items as reflected in the reduced annual net surplus before taxes on income, as these measurement items were eliminated under other non-cash income and expenses. The slight increase resulted in particular from the net financial result and interest received.

Due in particular to increased working capital, the **CASH FLOW FROM OPERATING ACTIVITIES**, on the other hand, fell year-on-year from Euro 376 million to Euro 285 million as of 30 September 2012. This development was driven above all by changes in other assets and liabilities, and in particular by increased receivables from security deposits and higher trade receivables.

Net of intangible assets, property, plant and equipment and investment property of Euro 262 million (previous year: Euro 213 million), we reported a positive **FREE CASH FLOW** of Euro 23 million for the 2011/12 financial year. In the previous year, we reported a higher free cash flow of Euro 163 million. This reduction was mainly attributable to higher investments and a lower cash flow from operating activities compared with the previous year.

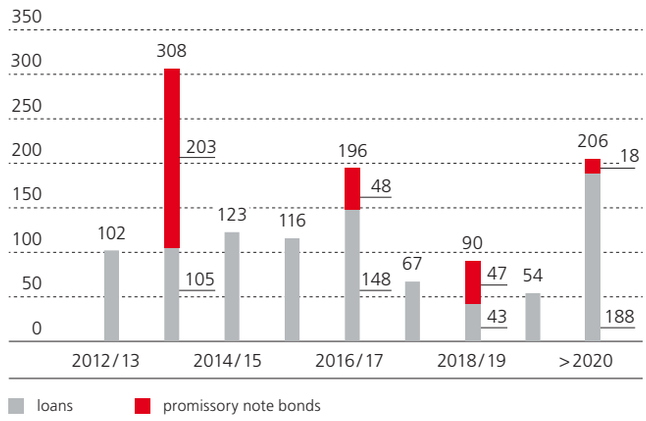
Despite higher outlays for investments in expanding generation from renewable energy sources, the **CASH FLOW FROM INVESTING ACTIVITIES** increased from Euro –217 million in the previous year to Euro –113 million in the year under report. This improvement was driven above all by the proceeds from the sale of shares in Stadtwerke Solingen and in Maintal Werke.

The **CASH FLOW FROM FINANCING ACTIVITIES** rose year-on-year from Euro –144 million to Euro 37 million. Net borrowing was higher in the year under report than in the previous year, particularly due to the financing of large-scale investment projects and the building up of reserve positions. The MVV Energie Group's cash flow statement as of 30 September 2012 shows cash and cash equivalents of Euro 378 million (previous year: Euro 169 million). This higher volume of liquid funds in the year under report primarily resulted from the inflow of funds from the sale of shares in Stadtwerke Solingen and from measures taken to secure liquidity.

Professional financial management

The MVV Energie Group has good access to the financial markets and has no problem in covering its liquidity needs. On the capital market, our Group benefits from its strong creditworthiness, its diversified business portfolio and its corporate strategy focused on sustainable growth. We renegotiated and agreed a number of financing contracts with several banks in the year under report. This has helped safeguard our liquidity. At the same time, we have managed to even out our maturity profile and to secure the favourable interest rates currently available on a long-term basis.

Repayment profile of the MVV Energie Group in Euro million



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 by way of shareholders' loans. MVV Energie AG and the other companies within our Group have bilateral credit lines.

One particular task involved financing our largest investment project – the construction of a cogeneration-based energy from waste plant in Plymouth/UK. In the year under report, we successfully agreed the overall financing for this project and secured this on a long-term basis. Part of the investment total is being financed via a banking consortium. The European Investment Bank (EIB) is also making a long-term investment loan available for this key project.

As a result of this large-scale construction project in the UK, the development in the euro/sterling exchange rate now also plays a more significant role in terms of our company earnings. We developed a hedging strategy during the bidding phase already and implemented this in operational terms upon the project launch. The suppliers involved in construction receive consideration for their work in their respective national currencies (euros or pounds). The respective loan funds are drawn down in the corresponding currency. At the beginning of the operating phase, the credit volumes drawn down in euros are transferred to pounds, as from this point onwards the interest and principal payment obligations have to be covered exclusively from the cash flow generated in pounds. In economic terms, the exchange rate risk is thus mostly focused on the date of this currency transfer. The forward exchange rate for the date of the planned currency transfer at the beginning of the operating phase is being monitored on a daily basis. Should the predetermined forward exchange rate arise, then a forward currency transaction as of this date will be concluded by the financing consortium banks.

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 insights gained from the 2011/12 consolidated and separate financial statements and accounting for our current business performance up to the time at which the 2011/12 combined management report was prepared. We managed to increase the MVV Energie Group's sales even further compared with the high previous year's figure. In terms of our sustainable operating earnings (adjusted EBIT), we achieved the operating earnings of Euro 220 million forecast during the financial year, and that despite the difficult economic climate, our extensive investment programme and a number of factors negatively affecting earnings.

We are on the right course with our forward-looking growth investments and our internal measures to further enhance our structures and processes. This way, we are laying foundations enabling us to seize those opportunities for sustainable, profitable company growth arising on account of the energy system conversion.

Notes to 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 Energy Industry Act (EnWG).

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

The 2011/12 annual financial statements of MVV Energie AG, the consolidated financial statements of MVV Energie AG and the combined management report of the MVV Energie Group are published in the electronic Federal Gazette (Bundesanzeiger). The complete 2011/12 annual financial statements of MVV Energie AG can be downloaded from our internet site at ▶ **www.mvv-investor.de** and may also be forwarded upon request.

Earnings performance of MVV Energie AG

The MVV Energie AG parent company generated **SALES** of Euro 1 859 million net of energy taxes in the year under report (previous year: Euro 1 731 million). These sales were generated exclusively in Germany. The growth of Euro 128 million, or 7 %, compared with the previous year was primarily driven by higher electricity and gas sales. The increase in electricity sales was due above all to higher sales volumes in the nationwide sale of electricity to industrial and commercial customers, as well as to higher revenues from directly marketing electricity generated at plants subsidised under the German Renewable Energies Act (EEG). With a 74 % share of total sales, the electricity business is the largest division in terms of sales at MVV Energie AG.

Income statement of MVV Energie AG from 1.10.2011 to 30.9.2012

Euro 000s	2011/12	2010/11
Sales	1 983 454	1 838 204
less electricity and natural gas taxes	– 124 825	– 106 820
Sales after electricity and natural gas taxes	**1 859 169**	**1 731 384**
Own work capitalised/ changes in inventories	3 673	6 602
Other operating income	175 647	164 443
Cost of materials	1 742 241	1 608 520
Personnel expenses	105 957	115 051
Depreciation and amortisation	25 134	23 740
Other operating expenses	107 821	95 950
Net financial result	37 319	58 696
Result from ordinary operations	**94 655**	**117 864**
Extraordinary income	16 977	—
Extraordinary expenses	—	698
Extraordinary result	**16 977**	**– 698**
Taxes on income	– 21 436	– 24 804
Annual net surplus	**90 196**	**92 362**
Profit carried forward from previous year	40 000	40 000
Allocation to other revenue reserves	30 880	33 046
Unappropriated net profit	**99 316**	**99 316**

The increase in gas sales was on the one hand also due to successful developments in turnover in the nationwide sale of gas to industrial and commercial customers. On the other hand, the increase also resulted from the gas business received from MVV RHE GmbH in the course of the splitting off of the "Gas" and "Gas Grids" operations and their transfer to MVV Energie AG. This is described in further detail below. These two factors more than offset the decline in volumes due to weather conditions. Heating energy revenues were affected by lower sales volumes due to mild weather in the 2011/12 heating period, as well as by the US Army beginning its withdrawal from the Rhine/Neckar metropolitan region.

Cost of materials grew year-on-year by 8 % to Euro 1 742 million, and thus largely in line with the development in sales.

The reduction in personnel expenses by Euro 9.0 million to Euro 106.0 million was mainly attributable to the restructuring expenses included in the previous year's figure, as well as to the reduction in the annual average number of employees at MVV Energie AG by 14 to 1 442.

Depreciation and amortisation rose year-on-year by Euro 1.4 million to Euro 25.1 million. No impairment losses were recognised on property, plant and equipment at MVV Energie AG in the year under report.

The earnings performance of MVV Energie AG in the year under report was significantly influenced by the net financial result, which fell year-on-year by Euro 21.4 million to Euro 37.3 million. This substantial reduction was due above all to a lower volume of income from shareholdings, higher expenses for the assumption of losses and one-off impairments of financial assets. These items were opposed by, among other factors, higher income from profit transfer agreements and lower interest expenses.

The wholly-owned subsidiary MVV Nederland B.V. was merged into MVV RHE GmbH in the year under report. In the course of this merger, MVV RHE GmbH distributed pre-merger revenue reserves to MVV Energie AG.

The higher volume of expenses for the assumption of losses related in particular to MVV Energiedienstleistungen GmbH, whose earnings in the year under report were negatively affected by impairment losses.

The extraordinary income reported in the income statement resulted from the merger of the shelf company MVV Alpha GmbH into MVV Energie AG.

Net of taxes, MVV Energie AG generated an annual net surplus of Euro 90.2 million in the year under report, compared with Euro 92.4 million in the previous year. The tax charge was lower in the year under report, as non-period taxes were incurred in the previous year. Based on the profit utilisation resolution adopted by the Annual General Meeting on 16 March 2012, an amount of Euro 59.3 million was distributed to shareholders, while the remainder of unappropriated profit as of 30 September 2012, amounting to Euro 40.0 million, was carried forward. In line with § 58 (2) of the German Stock Corporation Act (AktG), an amount of Euro 30.9 million was allocated from the annual net surplus for the year under report to other revenue reserves (previous year: Euro 33.0 million).

Overall, MVV Energie AG reported, as in the previous year, **UNAPPROPRIATED NET PROFIT** of Euro 99.3 million for the year under report.

The Annual General Meeting will be held on 8 March 2013 and will pass resolution on the dividend proposal adopted by the Executive and Supervisory Boards on 7 December 2012. The dividend for the 2010/11 financial year amounted to Euro 0.90 per share.

Net asset and financial position of MVV Energie AG

As the requirements of the German Accounting Law Modernisation Act (BilMoG) were applied in the previous year already, there have been no changes in the accounting presentation of the net asset and financial position of MVV Energie AG. Total assets grew year-on-year by Euro 148 million, or 7 %, to Euro 2 146 million.

The asset side of the balance sheet is largely shaped by financial assets. As of 30 September 2012, these were reported at Euro 1 193 million (previous year: Euro 1 328 million) and thus accounted for 56 % (previous year: 66 %) of total assets. This reduction was chiefly due to lower carrying amounts for shareholdings on account of the retirement of shareholdings, thus reflecting the impact of the deconsolidation of Stadtwerke Solingen GmbH in the consolidated financial statements as of 30 September 2012. Loans to associates, by contrast, were slightly higher. Due to the splitting off of the "Environmental Energy" operation from MVV RHE GmbH and transfer to MVV Umwelt GmbH, the carrying amount of the shareholding in MVV RHE GmbH reduced by around Euro 16 million, while the carrying amount of the shareholding in MVV Umwelt GmbH increased to the same extent.

Alongside the aforementioned items within financial assets, developments on the asset side of the balance sheet in the year under report were also affected by additions and depreciation and amortisation resulting from the splitting off of the "Gas", "Gas Grid" and "District Heating Production Plants and Grids" operations, as well as of the "Head Office Building" operation from MVV RHE GmbH. These operations were initially split off into a shelf company as of 1 October 2011 and subsequently merged into MVV Energie AG. These transfers of operations accounted for the changed focus of activities due to market developments. At the same time, this measure enabled numerous processes characterised by a high degree of complexity in the gas and district heating businesses to be pooled and streamlined at MVV Energie AG.

Property, plant and equipment rose year-on-year by Euro 32 million to Euro 325 million. This is because additions exceeded depreciation. The development in this item primarily reflects the asset transfers of Euro 141 million in the context of the split-off and investments of Euro 27 million. These additions were countered by disposals of assets and depreciation resulting from investments and the split-off.

Current assets grew to Euro 622 million, up Euro 250 million compared with the previous year's balance sheet date. This growth was driven above all by higher volumes of liquid funds resulting from the inflow of funds from the sale of shares in Stadtwerke Solingen. Furthermore, the increase was also due in part to higher receivables, which in the year under report included receivables from former gas customers at MVV RHE GmbH.

Balance sheet of MVV Energie AG at 30.9.2012

Euro 000s	30.9.2012	30.9.2011
Assets		
Non-current assets		
Intangible assets	1 357	1 499
Property, plant and equipment	324 913	293 143
Financial assets	1 193 101	1 328 406
	1 519 371	**1 623 048**
Current assets		
Inventories	3 747	5 704
Receivables and other assets	371 811	322 130
Liquid funds	246 372	44 118
	621 930	**371 952**
Deferred expenses and accrued income	4 417	2 589
	2 145 718	**1 997 589**
Equity and liabilities		
Equity		
Share capital	168 721	168 721
Capital reserve	458 946	458 946
Revenue reserves	230 652	199 773
Unappropriated net profit	99 316	99 316
	957 635	**926 756**
Income grants received	37 844	34 150
Provisions	92 002	123 032
Liabilities	1 057 972	913 611
Deferred income and accrued expenses	265	40
	2 145 718	**1 997 589**

The increase in equity reflects the higher volume of revenue reserves and the annual net surplus generated, less the dividend of Euro 59.3 million distributed for the previous year. The reduction in provisions was the result of opposing items. Here, the increase in tax provisions contrasted with a reduction in other provisions due above all to lower provisions for third-party services not yet invoiced and to the reclassification of current provisions as liabilities. Liabilities rose by Euro 144 million to Euro 1.1 billion. The taking up of new loans to finance investments and to build up reserve positions more than offset scheduled repayments. Trade payables also increased. The ongoing high equity ratio of 44.6 % as of the balance sheet date (previous year: 46.4 %) 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. In this capacity, MVV Energie AG secures the operating liquidity of numerous 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 (renamed as Netrion GmbH from the 2012/13 financial year) and SECURA Energie GmbH. Liquidity is safeguarded by an adequate volume of committed credit lines, funds which we have not yet utilised.

2011/12 activity statements

The legislation governing the electricity and gas supply (German Energy Industry Act – EnWG) requires vertically integrated energy supply companies to maintain separate accounts and prepare separate activity statements for each area of activity pursuant to § 6b (3) of the German Energy Industry Act (EnWG). These activities on the one hand 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 Gazette (Bundesanzeiger) for publication with the audited annual financial statements.

With its 2011/12 activity statements, MVV Energie AG has met its reporting obligation. In line with § 6b of the German Energy Industry Act (EnWG), in our internal financial reporting we maintain separate accounts for the activities of 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. In our activity statements, we have taken due account of the transfer outlined above of the "Gas Sales", "Gas Grid" and "District Heating Grid" operations from MVV RHE GmbH to MVV Energie AG.

Electricity distribution

Measured in terms of total electricity sector sales of Euro 1.4 billion (previous year: Euro 1.3 billion), the electricity distribution activity field once again reported comparatively low sales of Euro 1.6 million in the year under report (previous year: Euro 1.8 million). Earnings in the electricity distribution activity field at MVV Energie AG were determine by the income from the leasing of its electricity grids to 24/7 Netze GmbH, which was renamed as Netrion GmbH at the beginning of the 2012/13 financial year. The grid company manages, operates and maintains the distribution facilities and grids at MVV Energie AG. The other operating income resulting from the charging on of the concession duty to 24/7 Netze GmbH through to 30 September 2012 was opposed by corresponding other operating expenses. Electricity distribution generated an annual net surplus of Euro 6.4 million in the year under report (previous year: Euro 0.5 million).

Total assets in the electricity distribution activity field amounted to Euro 122 million at the balance sheet date on 30 September 2012 (previous year: Euro 120 million), thus accounting for around 33 % of total assets in the electricity sector at MVV Energie AG (previous year: 39 %). Property, plant and equipment in the electricity distribution field rose to Euro 101 million, up Euro 5 million on the previous year's balance sheet date. The investments of Euro 9.0 million made in electricity distribution (previous year: Euro 12 million) were mainly channelled into grid infrastructure. On the equity and liabilities side, electricity distribution liabilities, accounting for 42 % of total assets as of the balance sheet, reduced from Euro 55 million to Euro 51 million. The electricity distribution grid region of MVV Energie AG had a length of 3 719 km as of the balance sheet date.

Gas distribution

Measured in terms of total gas sector sales of Euro 261 million (previous year: Euro 217 million), the gas distribution activity field is also of subordinate significance. At around Euro 1 million, sales remained unchanged on the previous year. All existing gas transactions within the "Gas" and "Gas Grid" operations at MVV RHE GmbH were split off in the year under report and transferred to MVV Energie AG. As in the electricity sector, earnings in the gas distribution activity field at MVV Energie AG were determined by income from the leasing of its grids through to 30 September 2012 to 24/7 Netze GmbH (from 1 October 2012: Netrion GmbH). The other operating income resulting from the charging on through to 30 September 2012 of the concession duty to 24/7 Netze GmbH (from 1 October 2012: Netrion GmbH) was opposed by correspondingly higher other operating expenses. The gas distribution activity generated an annual net surplus of Euro 4.2 million in the year under report (previous year: Euro 0.7 million). This increase was driven above all by higher operating income mainly resulting from the splitting off of the "Gas" and "Gas Grid" operations and merger into MVV Energie AG. Following the split-off and merger of the "Gas Grid" operation from MVV RHE GmbH, the total length of the gas grid at MVV Energie AG increased to 1 774 km as of 30 September 2012 (previous year: 1 149 km).

With total assets of Euro 97 million at the balance sheet date on 30 September 2012 (previous year: Euro 80 million), the gas distribution activity contributed 62 % (previous year: 58 %) of total assets in the gas sector at MVV Energie AG. At Euro 77 million, property, plant and equipment in the gas distribution activity field at the 2011/12 balance sheet date exceeded the previous year's figure of Euro 63 million and accounted for 80 % of total assets (previous year: 79 %). This increase was chiefly due to the addition of assets resulting from the splitting off of non-current assets from MVV RHE GmbH. Investments amounted to Euro 4.1 million in the year under report (previous year: Euro 2.7 million). On the equity and liabilities side of the balance sheet, gas distribution liabilities rose from Euro 28 million to Euro 37 million.

Corporate Governance Declaration (§ 289a HGB)

Listed companies are obliged by § 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 with the Declaration of Conformity with the German Corporate Governance Code on the internet at **www.mvv-investor.de** on 5 November 2012. This Declaration has also been reproduced in the chapter ▶ *Corporate Governance from Page 99 onwards.*

Declaration pursuant to § 312 AktG

The Executive Board has compiled a report on its relationships to associate companies for the 2011/12 financial year ("dependent company report") 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 of Executive Board as per § 289 (4) and § 315 (4) HGB

Composition of share capital

The company's share capital amounted to Euro 168.7 million in total at the balance sheet date on 30 September 2012 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 exercise one vote at the Annual General Meeting of MVV Energie AG.

Direct or indirect capital shareholdings exceeding 10 % of voting rights

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 Energie Baden-Württemberg AG, Karlsruhe, still directly held 15.1 % of the shares. Furthermore, as of the balance sheet date 6.3 % of the shares were owned by GDF SUEZ Energie Deutschland GmbH, Berlin, and 12.2 % were in free float.

There are no restrictions on voting rights or the assignment of shares, neither are there any shares with special rights lending powers of control.

Control of voting rights

There is no 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 also 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 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 16.9 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 at MVV Energie AG governing any change of control due to a takeover bid (change of control clauses). The company also has 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

An internal control system (IKS) has been established within the MVV Energie Group. This is intended to ensure the correctness and reliability of internal and external financial reporting, including the preparation of the consolidated financial statements and management reports.

Furthermore, we also have a uniform risk management system (RMS) across the Group to identify, analyse, evaluate and manage opportunities and risks. We report on this in the chapter ▶ *Opportunity and Risk Report from Page 87 onwards*.

Comprehensive scope of application of internal 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. Alongside the principles of proper accounting, these include the requirements of the German Commercial Code (HGB) and the German Stock Corporation Act (Akt), as well as the supplementary requirements of the Articles of Incorporation. As MVV Energie AG is a publicly listed company, application is also made of the German Corporate Governance Code in its latest version. Moreover, compliance management declarations confirming compliance with legal requirements are submitted annually by all subsidiaries, divisions and group divisions. Information about these can be found in the ▶ *Corporate Governance Declaration in the Corporate Governance Report from Page 99 onwards.* Members of the Executive Board, managing directors at 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.

IKS supported by internal communication system

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:

- dual control principle
- consistent implementation of the separation of functions
- guidelines, process instructions and approval processes supported by an internal information and communication system.

To avoid or detect any errors, system-based and manual controls are integrated into the relevant processes and supervisory checks are also stipulated within the responsibility of section heads, heads of department, heads of division and the Executive Board.

Uniform standards across the Group

The commercial division at MVV Energie AG is responsible for the internal control system in respect of the financial reporting process, as well as for preparing the separate financial statements of MVV Energie AG and the consolidated financial statements. Equivalent internal control systems based on uniform standards are in application across the MVV Energie 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. The most important companies have their own IKS managers to monitor IKS documentation on company level in line with a standardised process and to report regularly to the IKS managers at MVV Energie AG. Compliance with this standardised approach is monitored by MVV Energie AG. The results are summarised in a report that then serves as the basis for IKS reporting to the Audit Committee.

The structure of processes in the departments involved in preparing the financial statements at MVV Energie AG is presented using a special software and published 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 firmly fixed schedule. This schedule, which covers all divisions required to supply data for the preparation of the financial report, must be strictly adhered to. 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. Moreover, the ERP system includes a user authorisation concept intended to exclude the possibility of any unauthorised access to data and systems, or to system settings, entry and reporting functions.

Consolidated financial statements centrally prepared in line with IFRS

MVV Energie prepares its consolidated financial statements 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.

Regular reporting

The group controlling department regularly monitors compliance with the targets set in the business plans adopted by the Supervisory Board, as well as identifying variances to the previous year's business performance. To this end, an extensive report is prepared for the Executive Board each month in which the business performance is presented in detail by reference to the comments received from individual business fields. Based on the insights thereby gained, measures are proposed to enable the Executive Board to manage the MVV Energie Group's business on this basis.

Responsible supervision of IKS and RMS

The Executive Board members and the managing directors of consolidated subsidiaries are responsible for implementing, maintaining and supervising the internal control and risk management system. They are supported in this by the group internal audit department. Within its risk-based audit planning, this 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 check each year whether the internal control and risk management system is appropriate in terms of its structure and functionality. They thus form a key component of the internal monitoring system within the MVV Energie Group.

Basic Features of Compensation System for Executive and Supervisory Boards

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 2011/12 financial year in the Compensation Report published in the Corporate Governance Report and in the Notes to the 2011/12 Consolidated Financial Statements in this Annual Report. This takes due account of the requirements of the German Commercial Code (HGB) and of International Financial Reporting Standards (IFRS), as well as of the recommendations of the German Corporate Governance Code.

The Executive Board compensation system conforms to the legal requirement that variable compensation should be aligned to the company's sustainable performance and based on multiyear targets. For its activity, the Executive Board receives total compensation that is divided into fixed and variable components. Variable compensation is calculated on the basis of two components. Executive Board members are granted an annual bonus to account for the operating performance of the MVV Energie Group. This is based on adjusted EBIT. Furthermore, Executive Board members receive a sustainability bonus to compensate any increase in the company's profitability measured over a three-year period. This is based on the average ROCE (Return On Capital Employed) before IAS 39 items of the MVV Energie Group for the year under report and the two preceding financial years. Both components are subject to suitable minimum thresholds and caps.

SUSTAINABILITY

"Sustainability is not a problem that has to be solved, but rather a future that has to be shaped". (Peter M. Senge, MIT – Massachusetts Institute of Technology, 2011)

The model of sustainable development was devised by the Brundtland Commission in 1987. The underlying idea that today's business and behaviour should not encroach on the needs of future generations has since become a matter of key political, social and economic importance.

Sustainable development faces a wide variety of challenges – local, regional, national and global issues. One such global issue is climate change. These problems will increasingly impact on the underlying social and economic framework in which we operate.

Sustainable business requires companies to do justice to their entrepreneurial and social responsibilities and satisfy the expectations of their stakeholders. After all, customers, employees, shareholders, politicians and the general public all expect company policies to account for other factors alongside pure profit maximisation. Companies must rather meet their responsibility to help master the social and ecological challenges in the 21st century and thus make an active contribution to sustainability.

Environmentally-friendly growth as a common task

Responsible energy policy is more than ever a matter of great public interest and an object of national and international discussion. People's awareness of environmental protection and the efficient use of resources has increased.

In Germany, we are currently in the midst of a far-reaching transformation in the energy system towards more decentralised energy supply structures and a dominant role for renewable energies. There is consensus within society that we should discontinue the use of nuclear energy and accelerate the expansion of energy generation from renewable sources. This is all the more necessary given the finite nature of fossil fuels. Not only that, this process will make Germany less dependent on supplier countries.

The political targets are ambitious, but achievable if politicians, the energy industry and society as a whole pull together and make a joint effort. Compared with 1990 levels, greenhouse gas emissions in Germany are targeted to reduce by 40 % by 2020, and by between 80 % and 95 % by 2050. Furthermore, the Federal Government aims to increase the use of electricity generated from renewable energies as a share of gross electricity consumption to 35 % by 2020 and to 80 % by 2050.

These energy policy targets do not in principle contradict Germany's status as a key industrial player, one capable of sustainably securing jobs and continuing to safeguard its population's material wellbeing and social security. We are convinced that by boosting our culture of innovation and making substantial investments in transforming the energy system it will be possible to achieve ongoing high-quality economic growth that strengthens rather than weakens Germany's position. However, this will require strict project management on the part of those with political responsibility. This task can only be solved in close collaboration with all stakeholders within society and will require prolonged efforts over many years and decades.

MVV Energie is committed to entrepreneurial responsibility

For MVV Energie, responsible action and entrepreneurial sustainability mean:

- Maintaining a balance between profitable growth and social responsibility
- Consistently enhancing our business model and thus securing our long-term economic success
- Increasing awareness of the ecological impact of our own business operations and reducing our impact on the natural world
- Creating and retaining sustainable jobs and training positions for our employees
- Credibly contributing to converting the energy industry along ecological lines and to climate and environmental protection.

We see our commitment to a sustainable energy industry not only as an obligation towards society, but rather as an opportunity for us to successfully position our business in a changing environment. The MVV Energie Group acted early to prepare for the transformation in our industry towards an efficient energy supply largely based on renewable energies. MVV Energie has been investing for years, for example, in expanding its generation of electricity from biomass and resource-efficient cogeneration. Sustainability is a core component of the MVV 2020 corporate strategy we compiled in 2009.

We will specify our approach towards entrepreneurial sustainability more closely and further anchor this approach at our Group by way of a cross-location project structure. This will enable existing and future sustainability-related activities on both operating and strategic levels to be better coordinated with each other within our Group. We are identifying potential for improvement at our companies and implementing the resultant measures step by step.

Our Economic Basis

Our earnings strength and our corporate strategy, with its focus on long-term profitable growth, are key foundations enabling us to meet our responsibilities towards society and the environment.

The MVV Energie Group is one of Germany's leading municipal-based energy suppliers. Our economic strength is reflected in the key figures we achieved – even in a difficult business climate – in the year under report. With sales of Euro 3.9 billion, adjusted EBIT of Euro 223 million, total assets of Euro 4.1 billion, total investments of Euro 287 million and a total workforce of 5 541 employees at the balance sheet date on 30 September 2012, the MVV Energie Group is solidly placed in economic terms.

Value added

Our value added statement shows the contribution made by the MVV Energie group to the aggregate economy, i.e. to society, in Germany. Moreover, this statement also shows which groups and players benefited from the value added thereby generated. In arithmetic terms, 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 declined by 1 % from Euro 859 million in the previous year to Euro 851 million. This reduction was chiefly due to increased input costs and higher depreciation and amortisation on account of unscheduled items. These more than offset the growth in the company's performance. The growth in the company's performance was in turn driven above all by higher sales.

At 41 % (previous year: 40 %), the largest share of our value added benefited local, regional and national authorities. Within this item, Euro 242 million (previous year: Euro 228 million) related to taxes paid to the state. This corresponds to a 28 % share (previous year: 27 %). The remaining Euro 106 million (previous year: Euro 113 million) is attributable to local authorities in the form of taxes and concession duties. As in the previous year, this item accounted for a 13 % share of value added. A 39 % share benefited our employees (previous year: 38 %). The share attributable to lenders grew from 7 % in the previous year to 8 %. As in the previous year, our shareholders received an unchanged 7 % share of value added. The remaining 5 % share (previous year: 8 %) remains at the MVV Energie Group to finance the company's further growth.

Value added statement of the MVV Energie Group

Euro million	2011/12	2010/11	% change
Company performance [1]	4 266	3 976	+ 7
Input costs	– 3 239	– 2 955	+ 10
Depreciation/amortisation [1]	– 176	– 161	+ 9
Value added	**851**	**859**	**– 1**
to Employees	333	328	+1
to Shareholders [2]	59	59	0
to Lenders	66	62	+ 8
to State authorities	348	341	+ 2
to the MVV Energie Group	45	69	– 35

1 previous year's figures adjusted
2 dividend paid in financial year

Our Ecological Responsibility

The interest shown by politicians and the general public in matters relating to climate protection, the efficient use of resources and a sustainable energy supply rose sharply in the wake of the reactor accident in Fukushima in March 2011. As a consequence, this has led to a far-reaching transformation in the German energy industry. Decisions have been taken to accelerate the nuclear energy exit and press ahead with transforming the energy supply towards renewable energies and energy efficiency – an enormous economic, social and technological task. A fundamental change in the approach to energy will be required on all levels, from generation and distribution through to consumption. The energy supply will be increasingly decentralised in future. It is a question of generating energy with ever fewer commodities and reducing CO_2 emissions ever further, as well as of putting energy to more sparing and efficient use. The future is therefore to be found in the use of renewable energies and innovative technologies to enhance energy efficiency.

In their local and regional markets, the municipal utility companies and shareholdings within our Group are making their contributions towards converting the energy system. Here, our strategy is focusing on making greater use of renewable energy sources and on expanding the use of environmentally-friendly cogeneration-based district heating and energy from waste. In our sales and energy-related services businesses we are developing forward-looking products and services, as well as energy-efficient solutions tailored to our customers' individual needs. Our ecological responsibility also includes providing the population with an adequate supply of clean drinking water.

As an "Energiser of the Future", we are on the lookout for new solutions, not least in the context of our research and development projects. With these solutions, we aim to tackle the great challenge of securing an environmentally-friendly, reliable, economical and affordable supply of energy in future as well.

We have set ourselves specific targets

- The MVV Energie Group plans to invest around Euro 1.5 billion in growth in the period from 2010 to 2020. Above all, we intend to expand our use of renewable energies, district heating, cogeneration, energy from waste and efficient energy-related services.
- We aim to consistently raise the share of electricity generated from renewable energies as a percentage of total electricity generation at the MVV Energie Group.
- In Mannheim, the share of households we supply with environmentally-friendly district heating is planned to increase from 59 % in 2010 to 70 % by 2020.
- Energieversorgung Offenbach aims to raise the share of electricity it sells resulting from proprietary renewables generation from 15 % currently to 30 % in the medium term.
- Stadtwerke Kiel intends to expand the share of total heating energy requirements in the state capital of Kiel covered by cogeneration-based district heating from its current level of 39 %. The target set in the heating energy concept is to achieve a share of at least 60 % by 2030 for cogeneration as a percentage of the district and local heating energy market.
- Stadtwerke Ingolstadt will continue to invest heavily in growth in the coming years. Alongside the generation of energy from renewable sources, the company intends to focus above all on expanding district heating. By 2030, at least 50 % of heating energy requirements in Ingolstadt are to be covered by district heating resulting from cogeneration or waste industrial heat.
- In its heating energy production, the MVV Energie Czech subgroup aims to consistently raise the share attributable to cogeneration and renewable energy sources, such as biomass, geothermal energy and the incineration of the biogenic share of waste. This share currently amounts to 37 %. By 2022, around 45 % of heating energy is to be produced using environmentally-friendly cogeneration and renewables.

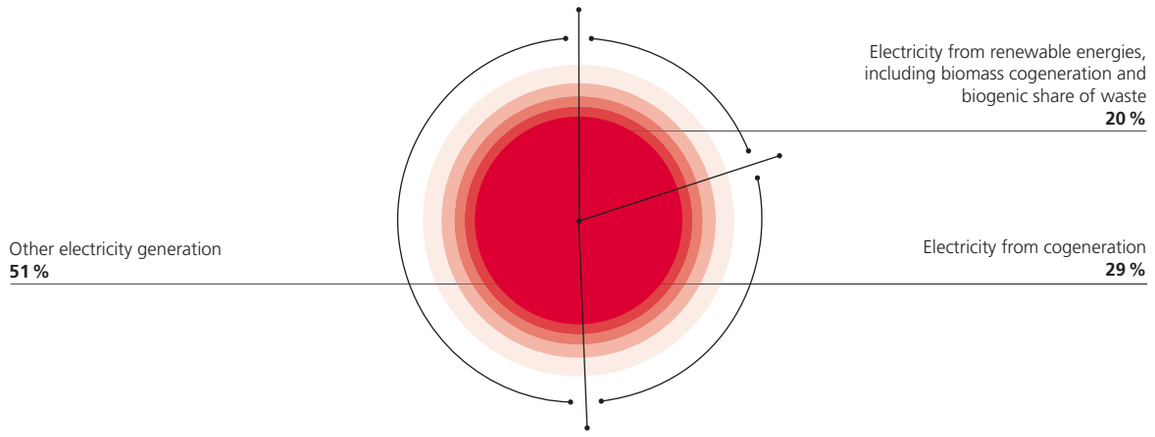
Share of electricity generated from renewables and cogeneration rises to 49 %

Making greater use of renewable energy sources and cogeneration in our electricity production has been a key focus of our corporate strategy for years now. Onshore wind power, biomass and biomethane play an ever greater role at our company. Using regenerative energies enables us to reduce our use of fossil fuels and to contribute towards protecting the environment and the climate.

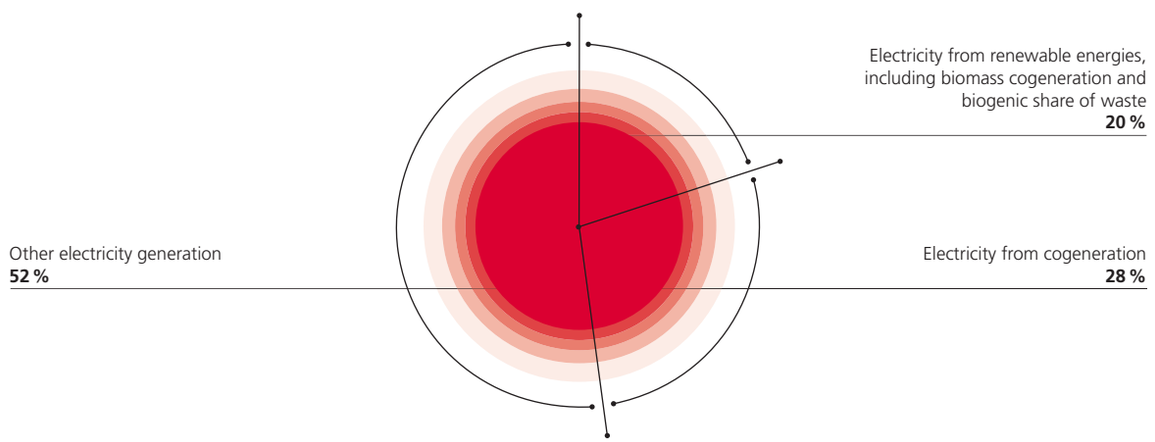
The MVV Energie Group generated total electricity volumes of 3 683 million kWh in the 2011/12 financial year (previous year: 3 880 million kWh). Of this total, 3 516 million kWh were attributable to Germany (previous year: 3 752 million kWh) and 167 million kWh (previous year: 128 million kWh) to our Czech subgroup, which thus contributed 4.5 % of the total electricity generated at the MVV Energie Group (previous year: 3.3 %). The main reasons for the reduction in total electricity generation volumes were several months of downtime at the joint power plant in Kiel (Gemeinschaftskraftwerk Kiel – GKK) and a lower generation margin at the energy from waste plant in Mannheim due to conversion and inspection measures. As in the previous year, to facilitate comparison of our electricity generation figures with the German averages, the tables below do not include electricity generation data for the Czech subgroup.

Despite the expansion in the wind farm portfolio, the **TOTAL VOLUME OF ELECTRICITY** we generated from renewable energies (including the biogenic share of waste and refuse-derived fuels) fell year-on-year by 6 % to 712 million kWh. This reduction is due in particular to the sale of the biomass cogeneration plant in Altenstadt, which had failed to meet our earnings expectations, in the 2010/11 financial year. This led to the loss of 61 million kWh of electricity generated from biomass and installed capacity of 11 MW_e in the year under report. Furthermore, electricity generation volumes also reduced at the biomass power plants in Mannheim and Königs Wusterhausen. Thanks above all to the substantial expansion in our wind power portfolio, we managed to offset these volume reductions, as a result of which the share of total electricity generation at the MVV Energie Group attributable to climate-friendly and environmentally-friendly renewable energies amounted, as in the previous year, to 20 %. Electricity generation volumes at our wind power plants grew to 119 million kWh, up from 36 million kWh in the previous year, and thus accounted for 17 % of our total electricity generated from renewable energies in the year under report (previous year: 5 %). Of the electricity we generate from renewable energies, the largest share, at 46 % (previous year: 57 %), is attributable to biomass. This relates above all to the use of untreated waste timber, wood pellets and green waste at our biomass power plants, biomass cogeneration plants and biogas plants. The biogenic share of waste and refuse-derived fuels incinerated accounted for 36 % (previous year: 37 %), and thus for the second-largest share of the electricity we generate from renewable energies.

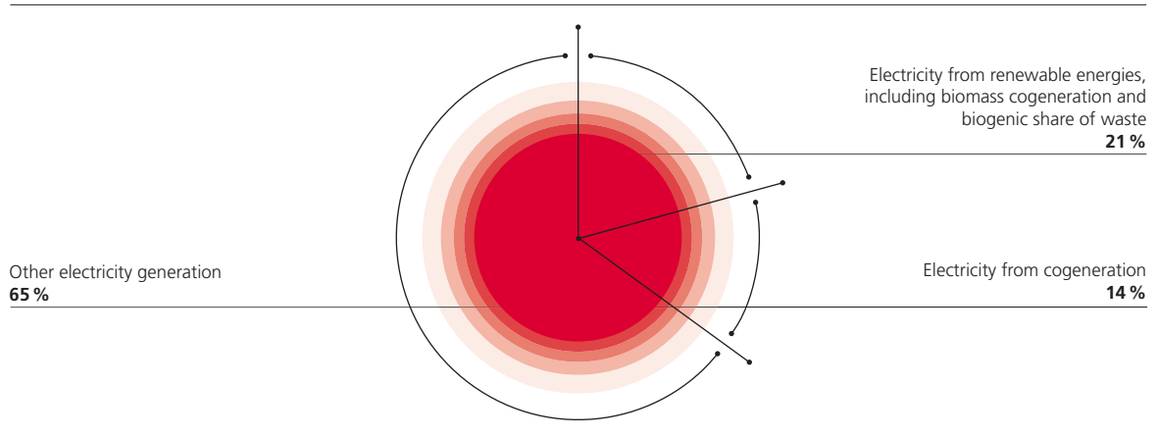
Electricity generated at the MVV Energie Group in Germany 2011/12: 3.5 billion kWh



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



Net electricity generation in Germany in 2011: 579 billion kWh



Source: Association of the German Energy and Water Industries (BDEW), Berliner Energieagentur GmbH/Prognos AG, Federal Environment Agency and own calculations

Overall, the generation of electricity from hydraulic power and photovoltaics plays a subordinate role at our company.

We generated electricity volumes of 1 027 million kWh by way of cogeneration in the year under report (previous year: 1 045 million kWh). Despite this reduction, cogeneration's share of total electricity generation volumes rose year-on-year from 28 % to 29 %. This is because our total electricity generation volumes fell more sharply than the respective cogeneration volumes. We generate more than 90 % of our heating energy using cogeneration.

If we combine the shares of electricity volumes generated from renewable energies and cogeneration, then 49 % – and thus almost half – of the electricity we produced in the year under report was attributable to environmentally-friendly and efficient sources, up from 48 % in the previous year. The national average for gross electricity volumes generated from renewable energies and cogeneration, by contrast, amounted to 35 % in the 2011 calendar year, as against 31 % in the 2010 calendar year. An overview can be found in the ▶ *charts on Page 73.*

The share of our total electricity generation attributable to other electricity generation fell year-on-year from 52 % to 51 %. This was mainly the result of several months of downtime at the joint power plant in Kiel (Gemeinschaftskraftwerk Kiel – GKK) in the 1st quarter of 2011/12 and lower electricity generation volumes at the large power plant in Mannheim (Grosskraftwerk Mannheim – GKM). We are optimising electricity production at both these power plants to account for the development in prices on fuel and electricity markets. We have included the electricity volumes generated in condensation turbines driven by hard coal at GKM and GKK in line with our shareholdings in these power plants, amounting to 28 % and 50 % respectively.

Electricity generation from renewable energies and biogenic share of waste/RDF at the MVV Energie Group in Germany[1]

kWh million	2011/12	2010/11	% change
Biomass plants	312	417	–25
Biogas/biomethane plants	15	16	–6
Subtotal for biomass	**327**	**433**	**–25**
Biogenic share of waste/RDF	259	281	–8
Wind power	119	36	+231
Hydroelectricity	6	5	+20
Photovoltaics[2]	1	0	+100
	712	**755**	**–6**

1 excluding Czech subgroup

2 correction in previous year's figure

Our plants' **ELECTRICITY GENERATION CAPACITY** (installed capacity) from renewable energies and waste/refuse-derived fuel grew year-on-year by 23 % to 253 MW. A large share of this increase was due to the launch of operations at the wind farm in Kirchberg. The biomass plant figures were negatively affected by the sale of the biomass power plant in Altenstadt.

Installed capacity for renewable energies and biogenic share of waste/RDF at the MVV Energie Group in Germany[1]

MW_e	2011/12	2010/11	% change
Biomass plants	48	58	–17
Biogas/biomethane plants	6	3	+100
Subtotal for biomass	**54**	**61**	**–11**
Biogenic share of waste/RDF	123	123	—
Wind power	73	20	+265
Hydroelectricity	2	2	—
Photovoltaics[2]	1	0	+100
	253	**206**	**+23**

1 excluding Czech subgroup

2 correction in previous year's figure

Our wind power portfolio is growing

Our group of companies successfully entered the wind power business two years ago. The wind power projects in Plauerhagen in Mecklenburg-Vorpommern (generation capacity: 16 MW; generation volume: around 35 million kWh p.a.) and Massenhausen in Northern Hessen (generation capacity: 4 MW; generation volume: around 9 million kWh p.a.) were followed in the year under report by the wind farm at Kirchberg in Rheinland-Pfalz. This wind farm has a generation capacity of 53 MW and is thus one of the highest-capacity wind farms in south-western Germany. Its 23 wind turbines, distributed across five local districts, gradually started operations from October 2011. Since February 2012, all of the turbines have been connected to the grid. In future, they will generate a combined total of 125 million kWh of electricity a year. The wind farm is operated by Cerventus Naturenergie GmbH, a joint venture between Energieversorgung Offenbach AG and the juwi Group, Wörrstadt. Cerventus Naturenergie GmbH has now begun construction work on a wind farm with three wind turbines and a total capacity of 7.6 MW in Dirlammen, a district in the Lautertal municipality in Vogelsberg/Hessen.

The wind farm in Kirchberg has increased the total installed wind power capacity at our Group to 73 MW at the balance sheet date. This enables an annual electricity volume of 169 million kWh to be generated on a CO_2-free basis, enough to cover the electricity needs of around 45 000 three-person households. The increased volume of electricity generated using wind power has enabled around 100 000 tonnes of CO_2 to be saved each year by avoiding the use of conventional fuels. Depending on which kind of generation plant is replaced by wind power, the specific saving amounts to between 500 grammes and 1 000 grammes of CO_2 per kWh.

We plan wind turbines in locations offering the necessary wind potentiality and where the turbines make both economic and ecological sense. We inform the local population at an early stage and with great transparency about all projects, and always in close cooperation with our municipal and regional partners on location. Furthermore, we are always open to various public participation models where our project partners also wish to work with such.

Pioneering role in the field of biomass

The MVV Energie Group's largest biomass plants are those in Mannheim (20 MW) and in Königs Wusterhausen near Berlin (20 MW). We are also co-owners and operations manager at the biomass power plant in Flörsheim-Wicker near Wiesbaden (15 MW). All three of these biomass power plants use waste timber as their fuel. Overall, we operate 11 biomass plants in total in our Group's environmental energy and energy-related services business fields (previous year: 12). These plants deployed around 0.4 million tonnes of solid biomass for energy generation in the 2011/12 financial year, using this to generate around 312 million kWh of CO_2-neutral electricity (previous year: 417 million kWh). These efficient power plants enable us to save fossil fuels and reduce CO_2 emissions.

Alongside wind power, Energieversorgung Offenbach AG (EVO) focuses on the local resource of timber and correspondingly on expanding its biomass-powered decentralised energy supply. EVO launched operations at its wood pellet plant, one of Germany's largest pellet production plants, in May 2011. This plant currently produces around 65 000 tonnes a year of so-called DINplus pellets and industrial pellets from untreated regional waste timber from sawmills, landscape conservation material and other waste timber. These pellets are put to use, among other areas, in 44 local heating grids and at EVO's neighbouring biomass cogeneration plant. The timber is dried with the assistance of the heating energy thereby generated on an environmentally-friendly basis.

In Raunheim in the state of Hessen, Energieversorgung Offenbach operates one of Germany's largest pellet heating systems with a thermal output of 4.4 MW. The conversion to environmentally-friendly wood pellets enables around 4 500 tonnes of CO_2 a year to be saved compared with the previous gas heating system. Pellet incineration is viewed as CO_2-neutral, as the timber only emits the same amount of CO_2 that it previously absorbed during its growth.

Biogas and biomethane harbour development potential

Our MVV Energiedienstleistungen GmbH subsidiary currently operates four biogas plants with an installed capacity totalling 2.6 MW. These plants are located in Oehna/Brandenburg, Mechau/Sachsen-Anhalt, Karow/Mecklenburg-Vorpommern and Voßhöhlen/Schleswig-Holstein. These biogas plants, which use pig and cow slurry, among other sources, to produce biogas, generated total electricity of around 15 million kWh in the year under report (previous year: 16 million kWh) and fed this into the public grid. Biogas can be substituted for fossil fuels in the decentralised generation of electricity and heating energy. We use the waste heat emitted upon electricity generation to provide nearby industrial and commercial companies with inexpensive process and heating energy.

Since the year under report, we have been making targeted investments in biomethane projects. The German Energy Agency sees biomethane as one of the most efficient forms of bio-energy, and one that offers great climate protection potential. When treated and fed into the grid, bio-natural gas offers new possibilities in terms of the heating energy supply in cases where biomass cogeneration plants do not have the option of generating heating energy turnover on location. It is flexible, capable of a variety of uses and can also be stored. This makes it one of the most attractive forms of renewable energy. In terms of raw materials, we focus on regenerative commodities and residual agricultural materials. No use is made of foodstuffs or genetically modified food.

We launched operations at our first biomethane feed-in plant in Klein Wanzleben in Sachsen-Anhalt in September 2012. This plant, which has an installed capacity of 7 MW HS (equivalent to 3 MW_e), can generate around 63 million kWh of bio-natural gas a year and feed this into the natural gas grid. This corresponds to the annual heating energy needs of around 3 000 detached houses. 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. In the year under report, we acquired 74.9 % of the shares in Biomethanlage Kroppenstedt GmbH and thus initiated the construction of a second biomethane plant on the same scale. In the previous tables, we accounted for the Klein Wanzleben biomethane plant with an installed capacity of 3 MW_e. As this plant produces bio-natural gas that is fed into the public grid, it is not accounted for in the table presenting electricity generation from renewable energies.

High-value generation of energy from waste extended

What used to be left unused at the rubbish dump is now used as a fuel to generate energy. Our companies incinerate industrial, commercial and municipal waste while exploiting the energy potential of the waste to generate high-value steam. In the cogeneration process, this is then put to efficient, environmentally-friendly use to generate electricity, process steam and district heating for our customers. The waste incinerated thus replaces the use of fossil fuels and enables CO_2 to be avoided. We are one of the pioneers of this forward-looking concept in Germany.

We operate energy from waste plants in Mannheim, Offenbach and Leuna with eight incineration lines in total. At these plants, we currently dispose of the non-recyclable waste for 22 local authorities (previous year: 21) with a total population of around 5.4 million in their catchment areas (previous year: 4.9 million). We secure capacity utilisation rates at our energy from waste plants, biomass power plants fired with waste timber in Mannheim and Königs Wusterhausen and refuse-derived fuel power plants by working with efficient materials flow management pooled at MVV Umwelt Ressourcen GmbH.

We operate our largest plant in Mannheim, at which we can incinerate up to 700 000 tonnes of waste a year. With our "OptiMa" investment project, which we gradually implemented through to the end of the year under report, we have enhanced the energy efficiency and electricity yield at the entire plant. By operating the energy from waste plant and the neighbouring biomass power plant at the Mannheim location, we are able to save up to 100 000 tonnes of CO_2 a year at the Mannheim location compared with the use of fossil fuels.

Our waste from energy plant in Mannheim is an important cornerstone for the disposal of waste from the entire region. The existing contracts governing the removal and treatment of municipal waste for the cities of Mannheim and Heidelberg and the Rhine/Neckar district waste company (AVR) expire in December 2012. The new contracts these local authorities have concluded with our MVV Umwelt Ressourcen GmbH subsidiary will take effect in January 2013. These contracts have terms of at least six years and secure around 200 000 tonnes of non-recyclable waste a year for our plant. The geographical proximity of our energy from waste plant means that long-distance transport harmful to the environment can be avoided.

This ideal combination of waste disposal and energy generation not only enables us to contribute towards protecting the environment and the climate, but also safeguards sustainable jobs at our respective locations.

With its MVV Umwelt GmbH subsidiary, the MVV Energie Group is one of Germany's technology leaders in the field of energy from waste. The contract to plan, build and operate a waste-fired cogeneration plant in Plymouth for the towns of Plymouth, Torbay and Teignmouth, as well as the district of South Hams, with a total population of around 645 000 inhabitants, enables us to demonstrate our longstanding experience and technological expertise in putting waste to ecological use in the British market as well. As the building permit and operations approval are now definitive, we could begin construction work in August 2012. Starting in the 2014/15 financial year, this plant will use 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_e and a steam output of 23 MW_t. This contract has confirmed our innovative ecological concept.

MVV Energie CZ a.s., our Czech subgroup, successfully entered the Czech waste incineration market at the end of the 2010/11 financial year by acquiring a cogeneration plant with an energy from waste facility in the city of Liberec (approximately 100 000 inhabitants). This plant has an incineration capacity of up to 106 000 tonnes a year and can generate 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.

Refuse-derived fuels replacing fossil fuels in electricity and steam generation

At the industrial parks in Gersthofen and Korbach, where major industrial companies are located, we work with the efficient cogeneration process to produce steam and electricity. To this end, we exploit the energy potential contained in commercial waste. Refuse-derived fuel partly consists of regenerative commodities (especially timber and paper). Working with refuse-derived fuels (RDF) enables us to save fossil resources in limited supply, such as coal, crude oil and natural gas. RDF-fired power plants capable of covering the base load will play a more important role in the future energy system, which will be characterised by fluctuating feed-in volumes from wind power and photovoltaics systems. For energy-intensive industrial companies, it has to be ensured that no supply bottleneck arises either during the day or at night.

The RDF power plant in Gersthofen currently has the capacity to incinerate around 90 000 tonnes of refuse-derived fuel a year and to generate around 40 tonnes of steam an hour on this basis. The RDF power plant in Korbach works with around 75 000 tonnes of refuse-derived fuel a year to generate 43 tonnes of steam an hour. Surplus steam arising on a seasonal basis is used to generate electricity for industrial park operations and is in some cases supplied to companies on location. The conversion in the steam supply from fossil to refuse-derived fuels has enabled CO_2 emissions to be significantly reduced. Both of the RDF power plants meet the strict emissions limits set out in the 17th Federal Immisions Protection Regulation. The environmental declarations for 2011 have been published on the internet.

Efficient energy concepts implemented

The need to protect the climate and resources and not least the rise in commodity and energy prices mean that the efficient use of commodities and energy is becoming an ever more important factor. Similarly, innovative technologies, processes and products aimed at enhancing energy efficiency are also gaining in significance.

Our MVV Energiedienstleistungen subgroup has specialised in

- Designing, operating and implementing measures aimed at optimising energy use and enhancing energy and resource efficiency at industrial parks (Gersthofen, Korbach and Ludwigshafen);
- National and international energy efficiency consulting, such as the services provided by BFE Institut für Energie und Umwelt GmbH and MVV decon GmbH;
- Product-based and service-oriented contracting business for the real estate sector and industrial customers.

At Tübingen University Hospital we have invested in a new biomass power plant with two boilers and a thermal output of 10 MW each. We are converting the 40 year-old heating energy plant previously powered by oil and gas to biomass in the form of wood chips (green waste and residual forest timber). The first biomass boiler has been in trial operations since January 2012 and the second is expected to follow in December 2012. By enhancing energy efficiency and using timber, this project will reduce CO_2 emissions in Tübingen by 20 000 tonnes a year, i.e. by up to 98 %! At the same time, this forward-looking concept will reduce our customer's energy costs by around 20 %.

In the real estate supply business, MVV Energiedienstleistungen Mitte GmbH has positioned itself as a specialist energy and service partner for the real estate sector and mainly works with housing companies. The company offers its customers in the real estate management, retail, commercial and services segments a comprehensive portfolio of energy and heating energy supplies, as well as energy-related and efficiency services. Our contracting services for the housing sector demonstrate the great energy potential capable of future exploitation. In our real estate supply business, we supplied heating energy to a total of 100 000 apartments in 2 100 properties nationwide as of 30 September 2012. Of this total, 90 000 residential units are in Berlin and Brandenburg, where we are now the market leader in the regional heating energy contracting business.

District heating grid expansion progressing

The Federal Government has recognised the importance of environmentally-friendly district heating produced using the energy-efficient cogeneration process and has improved the legal framework with its amendment to the German Cogeneration Act (KWKG). District heating is a market of the future. At our Mannheim location, we are increasing the density of the district heating grid and further expanding the area it covers. The district heating grid operated by MVV Energie AG currently has a total length of 553 kilometres and is thus one of the largest such grids in Germany. Around 12 000 houses are currently connected to this climate-friendly energy form, corresponding to around 61 % of all households in Mannheim. Via a 21 kilometre transit pipeline from Mannheim to Speyer, since the 2010/11 heating period we have been supplying the municipal utility company in Speyer with environmentally-friendly district heating produced using highly efficient cogeneration at the large power plant in Mannheim (Grosskraftwerk Mannheim – GKM). Since October 2011, we have also been supplying customers in the district of Brühl via the new district heating pipeline. One key focus of the district heating expansion programme at Energieversorgung Offenbach AG (EVO) involves the town of Heusenstamm.

Stadtwerke Kiel is also modernising its local district heating supply. In coming years, the district heating grid in Kiel will be converted from heating steam to more up-to-date heating water technology. The structure of the buildings in the defined priority district heating areas will allow significant expansion in the supply of district and local heating in the coming years. Since the beginning of 2012, Stadtwerke Kiel has been supplying district heating and electricity to the business park in Kiel-Suchsdorf (65 000 square meters).

The new waste heat and district heating association in Ingolstadt, the largest project of its kind in Bavaria, began operations in summer 2011. This successful cross-sector cooperation between Stadtwerke Ingolstadt, the City of Ingolstadt and Audi AG is a model example as to how the energy system can be restructured along ecological lines. Following a brief period of uncertainty due to the insolvency at the Petroplus refinery operator, the heating energy supply has now been secured on a long-term basis with the Gunvor Group, the new owner of the refinery. Thanks to the expansion in the district heating grid at Stadtwerke Ingolstadt, waste heat from the 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. The district heating grid has been and is being further expanded to enable increasing numbers of private customers as well to benefit from the district heating generated in this resource-efficient, environmentally-friendly way. This way, the waste heat and district heating association in Ingolstadt enables an additional 35 000 tonnes of CO_2 a year to be saved. It therefore comes as no surprise that this exemplary ecological concept was singled out as the "Official Lead Project 2011" by the Bavarian Center of Competence in Environmental Affairs.

CO_2 emissions down on previous year

The heating and electricity generation plants subject to emissions trading at MVV Energie in Germany emitted around 3.1 million tonnes of CO_2 in the 2011 calendar year (previous year: 3.3 million tonnes). This figure is partly based on estimates. The year-on-year drop in CO_2 emissions was mainly due to reduced electricity generation volumes on account of several months of downtime at the joint power plant in Kiel (Gemeinschaftskraftwerk – GKK). The year-on-year increase in CO_2 emission rights purchased was due in part to the strategic procurement of rights for future supply periods. Moreover, we have increasingly replaced the CO_2 rights of the European Allowances (EUA) type previously distributed free of charge by the German Emissions Trading Authority (DEHSt) with CO_2 rights of the Certified Emission Reductions (CER) type that are generated by climate protection projects in developing economies. In line with EU emission trading disclosure obligations, all CO_2 emission disclosures 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	**2011**	2010	% change
CO_2 emission rights purchased[1]	1.7	1.1	+ 54
CO_2 emission rights sold[1]	1.0	1.0	—

1 by MVV Trading GmbH for the MVV Energie Group

Securing high-quality drinking water supply

We protect the groundwater and safeguard the quality of drinking water resources so as to be able to supply the population with drinking water as a basic commodity in as natural a quality as possible and without costly purification. The MVV Energie Group operates the local water supply in Mannheim, Kiel and Offenbach. The drinking water we supply is of superb quality and falls many times short of the threshold values set out in the relevant drinking water ordinance.

To ensure consistently high quality, we systematically check the entire water supply system and water quality at our locations – from wells via grids through to customers' house connections. In Mannheim, for example, we test the drinking water in our laboratories in line with up to around 470 physical/chemical and microbiological parameters before supplying it to our customers.

We maintain our water supply infrastructure on a long-term basis by performing extensive investment and scheduled maintenance measures at our waterworks and water grids. With extensive measures to protect groundwater and bodies of water, we are helping to safeguard drinking water for future generations as well. As a result, our supply of drinking water is free of problems either in terms of its quantity or its quality.

Environmental protection investments and expenses

In our environmental energy business field, we invested Euro 12.5 million and bore expenses of Euro 83 million for environmental protection measures at our Mannheim, Leuna, Königs Wusterhausen and Flörsheim-Wicker locations in the year under report. These mostly involved waste disposal/ground pollution and air pollution measures. A smaller amount was channelled into water protection and noise control measures.

At the industrial park in Gersthofen, MVV Energiedienstleistungen GmbH is investing around Euro 2.2 million in an innovative water purification plant. The aim is to protect drinking water from deep groundwater as a resource for future generations. The construction of a reverse osmosis ultrafiltration plant means that it will be possible to use surface water from the Lech Canal, thus replacing 300 000 m^3 to 400 000 m^3 of valuable drinking water from the deep well.

Energy concept for the Rhine/Neckar metropolitan region

At a regional conference of the "Energy and Environment" cluster held in June 2012, the Rhine/Neckar Region Association (VRRN) presented a comprehensive energy concept for the Rhine/Neckar metropolitan region to around 380 representatives from the worlds of business, science and politics. This is the first regional concept in Europe to include specific targets and approaches for the future development in the energy supply. The energy concept covers the entire energy sector and analyses it in terms of supply reliability, economic viability and climate protection. It has for the first time recorded generation and consumption and calculated the potential harboured by efficient energy use.

The objective of this joint model is to become a pioneering region within Europe in terms of energy efficiency and renewable energies by 2020. This ambitious vision is backed up by specific measures. Public building heating energy consumption, for example, is to be cut by more than 20 % and electricity consumption by more than 10 %. At the same time, private households, commercial, retail and service businesses should reduce their heating energy and electricity consumption by 18 % and 10 % respectively. The transport sector has also undertaken to reduce its energy consumption by more than 10 %. To achieve these targets, a total of 75 individual measures have been derived for the Rhine/Neckar region. To be able to measure their impact, the 2006 calendar year has been set as the basis for comparison. The measures identified relate in particular to expanding wind power, photovoltaics and geothermal energy, as well as using heating energy pumps, solar thermal energy and biomass.

To underline the importance of this topic, a specialist "Energy and Environment" department has been set up under the aegis of MRN GmbH. Alongside several universities and chambers of industry and commerce, this active cooperation network currently includes around 250 partner companies in the Rhine/Neckar metropolitan region, one of which is MVV Energie AG.

Customised ecological supply solutions

Given rising prices and growing environmental awareness, energy has become a decisive cost and market factor for many companies. An environmentally-friendly energy supply has become an important aspect of how many companies see themselves and present themselves in the market.

MVV Energie has prepared for this trend. As a longstanding supplier to small and medium-sized companies, we are familiar with the needs of these business customers and can offer a suitable range of energy supply products and services. Our Electricity/Gas Energy Fund enables companies to benefit from strategic procurement without themselves being active on the electricity market. Further details about our Electricity/Gas Energy Fund and about the MVV Energiemonitor appliance can be found in ▶ *the Supplement on Pages 12 to 14.* When customers select the "green option", which works exclusively with electricity from renewable energy sources, then they convert their procurement from electricity generated conventionally to green electricity procurement. Not only that, they simultaneously receive an extensive customised marketing package for their own corporate communications.

Today, everyone can make a personal contribution towards protecting the environment by selecting their electricity and gas tariffs accordingly. We offer green electricity products to our private customers at all locations. As of 30 September 30 2012, around 82 000 private customers in Mannheim, Offenbach, Kiel, Ingolstadt and Köthen had taken up this offer. Given the decline in overall customer totals, the share of household customers with green electricity tariffs within the MVV Energie Group thus remained constant at 15 %. Our range of ecological products also includes environmentally-friendly NATURA Biogas, with which our customers in Mannheim and the region can heat their houses and apartments. These customers thus meet the requirements of the "Utilisation of Renewable Heating Energy Act" in Baden-Württemberg (EWärmeG) in force since 2011 without having to convert their heating systems. Alongside SECURA Ökostrom green electricity, SECURA Energie GmbH, a wholly-owned subsidiary of MVV Energie AG, also offers SECURA Naturgas, a CO_2-neutral natural gas product, on a nationwide basis.

Customer as focus of attention

Satisfied, loyal customers represent an important key to sustainable business success. We offer individual solutions to larger-scale industrial customers with high energy needs. Alongside electricity, these solutions also cover process heat. We develop most of these solutions together with our customers, in many cases directly on location. Here, we have gained good experience with heating energy plants and cogeneration plants producing energy from biomass.

Public climate savings certificates

Members of the general public in Offenbach and Mannheim have the opportunity to participate directly in the expansion of renewable energies by acquiring climate or ecological savings certificates. These two climate savings certificates offered by Energieversorgung Offenbach AG in cooperation with regional banks combine an attractive cash investment with an ecological investment in the future. The first savings certificate was sold out within days and the second even within hours. MVV Energie presented its first ecological savings certificate on the occasion of Mannheim's May Fair in 2012. Here, the investment funds are invested directly in new projects and plants in the field of renewable energies.

MVV Energie launches energy saving campaign

Saving electricity is the best source of energy. As part of an energy saving campaign, MVV Energie is rewarding its private customers in Mannheim with bonuses if they reduce their electricity consumption or buy new energy-saving household appliances. Customers reducing their electricity consumption by at least 5 % in the next year receive a bonus of Euro 15. The bonus rises to Euro 25 for electricity savings of 10 % upwards. What's more, in four changing campaigns within ten months, MVV Energie is granting customers who purchase energy-efficient household appliances an allowance of Euro 100.

Sustainability in supplier relationships

Our sustainability approach also covers our relationships with suppliers. In its procurement activities, our procurement department accords high priority to ensuring that our suppliers and service providers comply with the applicable laws, ordinances and internationally recognised labour standards. Further details can be found in the Corporate Governance Declaration in the chapter ▶ *Corporate Governance from Page 99 onwards.*

Research and Development

Entrepreneurial sustainability means being fit for the future. Innovation has a key role to play in this respect. As an energy company with a regional and sustainable focus, the MVV Energie Group is making intense efforts in its research and development activities to help shape the future energy supply.

The conversion of the German energy supply system along ecological lines has also provided notable momentum for research and development activities at the MVV Energie Group. We have been developing solutions for use in the future energy supply for many years already. Following the catastrophe in Fukushima, however, a number of questions became even more important. Examples here include the question as to how a higher share of energy generated from renewable energy sources can be integrated efficiently into the existing grid infrastructure or the question as to how district heating can be transported more efficiently, thus saving energy. For MVV Energie as an "Energiser of the Future", these topics can be found in particular on its research and development (R&D) agenda. Referring to key R&D projects, we have presented below the main focuses of our process and product innovations in the year under report.

Positive reception for Model City Mannheim project

How will the future energy supply be structured? That is a crucial issue for energy suppliers and energy consumers alike, as are the questions as to how energy can be put to intelligent use and how energy generation and consumption can be brought into a highly efficient balance. Our Model City Mannheim (moma) project, part of the nationwide E-Energy programme, is investigating how regional energy markets for generation plants based on renewable energy sources can be used with the assistance of information and communications technologies.

This innovative Mannheim solution model involving practical trials with smart energy grids was launched in 2008 and was on the home stretch at the end of the year under report. The last of three extensive field trials, this time involving 700 end customers, has been underway since 1 March 2012. Participants in the trials have been fitted out with an automated energy management system and are testing to see whether it is possible to manage their energy consumption in line with electricity generation factors. Here, the link to the energy supplier is provided by an application on a mobile end appliance. Initial feedback from customers has awarded good marks for the user-friendly surface of the automated energy management system and indicates that the system has met with high acceptance levels. The practical trials have now been completed.

Further enhancement in house fuel cell

Given their high energy efficiency levels, fuel cells powered by natural gas could play a major role in the future house energy supply. Since 2008, we have installed 19 fuel cells at customers within our "Callux – Practical Trials for House Fuel Cells" project. The project was promoted by the Federal Ministry of Transport, Building and Urban Development as part of the national innovation programme. We were able to achieve high customer satisfaction levels in terms of efficiency and reliability. We will be operating nine further efficiency-enhanced fuel cells in private households through to 2016. The aim is to factor the cost savings achieved in the project into business models. This should facilitate an assessment of the contribution to be made by fuel cells in the future energy system.

Energy savings in district heating transport

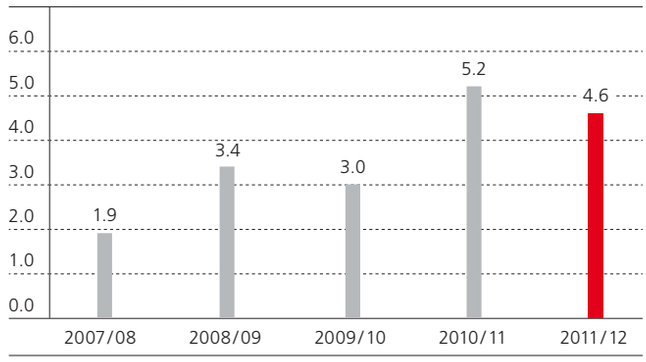
The economic appeal of district heating produced using the environmentally-friendly cogeneration process can be enhanced by achieving savings in terms of its transport. A project at MVV Energie is intended to identify potential savings in this respect. Attention is being given on the one hand to variable uses for transport pipelines. On the other hand, the efficiency of the district heating supply can be enhanced by putting it to more widespread use in a given area.

Electro-mobility South-West as model cluster

The Electro-mobility South-West cluster was awarded the title "model cluster" by the Federal Ministry of Education and Research in January. In parallel to its Future Fleet project, MVV Energie has helped shape the alignment and strategy of this cluster in recent years and contributed to its design in terms of energy industry involvement. The awarding of this title for the cluster also involves promotion totalling Euro 40 million.

R&D expenses as per IFRS amounted to around Euro 4.6 million in the year under report. As in the previous year, eight technology and innovation managers, such as engineers, process engineers and electrical engineers, worked for MVV Energie in the period under report. Furthermore, more than 60 employees from other departments (previous year: 35) dedicated a significant portion of their time to R&D projects.

R&D expenses (IFRS) in Euro million



Our Social Responsibility

As an "Energiser of the Future", we can only succeed if we have a committed workforce able and willing to offer peak performance. After all, the climate in which our company operates is subject to dynamic change and becoming ever more complex. In view of this, we pay particular attention to the needs of our employees. We closely review which current and future challenges, not least given demographic developments, we need to work together to master.

In the year under report, our personnel management activities focused on the following areas:

- Family-oriented personnel policies
- Health promotion
- Training and modern entry programmes
- High-quality further training
- Promoting women employees
- Bottom-up appraisal of management staff.

Alongside these key focuses, a large number of individual measures, such as the promotion of employees' individual development, also contributed towards making our company and its workforce "fit for the future".

Decline in personnel totals

Staff totals at the MVV Energie Group reduced further in the year under report. We implemented the "Once Together" group programme on schedule and in the year under report also made further adjustments in the energy-related services business field. We will continue with these staff cuts in a socially responsible manner, working in particular with part-time early retirement agreements.

The MVV Energie Group had 5 541 employees in total as of 30 September 2012, and thus 382 employees fewer than at the previous year's balance sheet date (including third-party staff at Mannheim cogeneration plant). The reduction in staff totals was chiefly due to the loss of personnel upon the sale of shares in Stadtwerke Solingen GmbH (SWS) in September 2012. This also impacted on the number of employees at our German companies, which reported an overall workforce of 4 900 individuals as of 30 September 2012 (previous year: 5 278). The increase in the workforce at MVV Energie AG is due above all to the expansion in the growth fields of renewable energies generation and sales. As in the previous year, the Group had 641 employees abroad at the balance sheet date, of which 638 employees at the Czech subgroup and 3 employees at the British subsidiary of the environmental energy subgroup.

Personnel figures (headcount) at balance sheet date

	30.9.2012	30.9.2011	+/– change
MVV Energie AG	1 476	1 455	+21
Fully consolidated shareholdings	3 775	3 785	–10
MVV Energie AG with fully consolidated shareholdings	**5 251**	**5 240**	**+11**
Proportionately consolidated shareholdings	290	679	–389
MVV Energie Group [1]	**5 541**	**5 919**	**–378**
External personnel at Mannheim cogeneration plant	—	4	–4
	5 541	**5 923**	**–382**

1 including 374 trainees (previous year: 391)

Our companies' employees have an average age of 43.0 years (previous year. 42.4) and, as in the previous year, have an average length of company affiliation of 14.7 years. Women accounted for 26.5 % of our workforce in the year under report (previous year: 26.3 %). We expect to continue to be able to recruit and retain the well-qualified employees we need for our company to succeed, not least on account of the variety of long-term personnel measures outlined in this chapter.

We significantly exceed the statutory severe disability quota of 5 % of the workforce at MVV Energie AG and our large municipal utility company shareholdings in Kiel and Offenbach.

Demographic change as key challenge

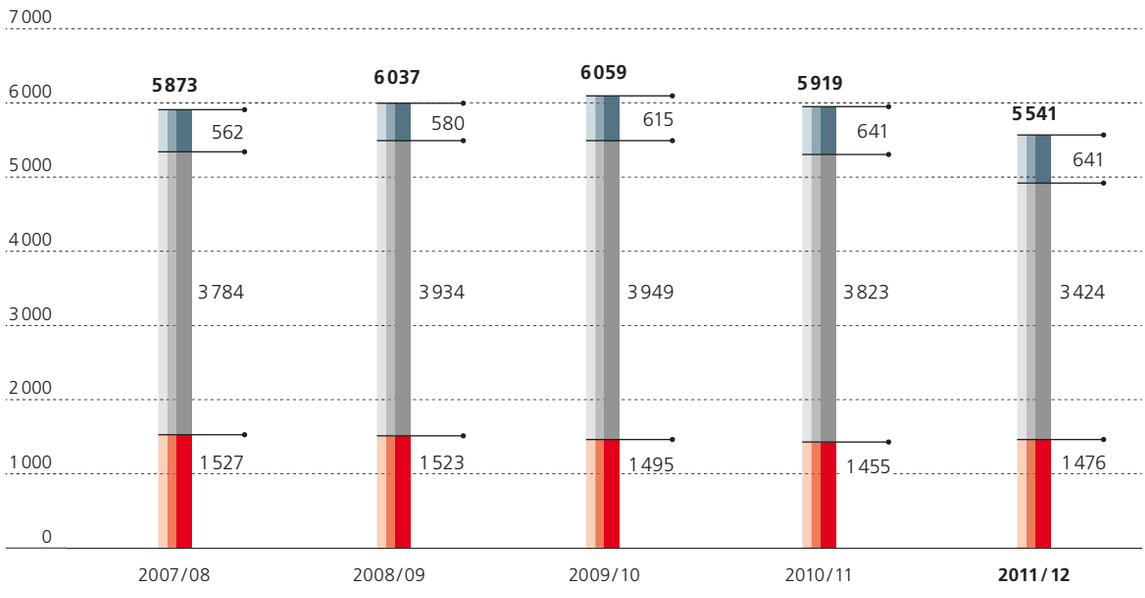
The German population grew once again in 2011 for the first time in nine years. This development was due to immigration, but nevertheless does not signal any turnaround in the trend. The number of births is set to fall so sharply in future that it will no longer be possible in the longer term for this to be offset by immigration. Specialists continue to expect Germany to have only between 65 million and 70 million inhabitants by 2060 compared with its current population of 82 million.

In parallel, the population is increasingly aging. The decline in the overall population and increased rates of life expectancy mean that the number of young people, and thus of those in employment, is set to reduce. The pool of potential employees will contract especially rapidly over the next three decades. This development will also involve significant changes for employers. Competition for high-quality employees is set to intensify sharply in the coming years.

To meet the challenges presented by demographic change, we are closely aligning our personnel policies to the needs of our employees. After all, our aim is to attract employees and retain them at our company.

We coordinate cross-location personnel measures and programmes across the individual companies within the MVV Energie Group and further develop those measures and programmes that have proven effective in the past.

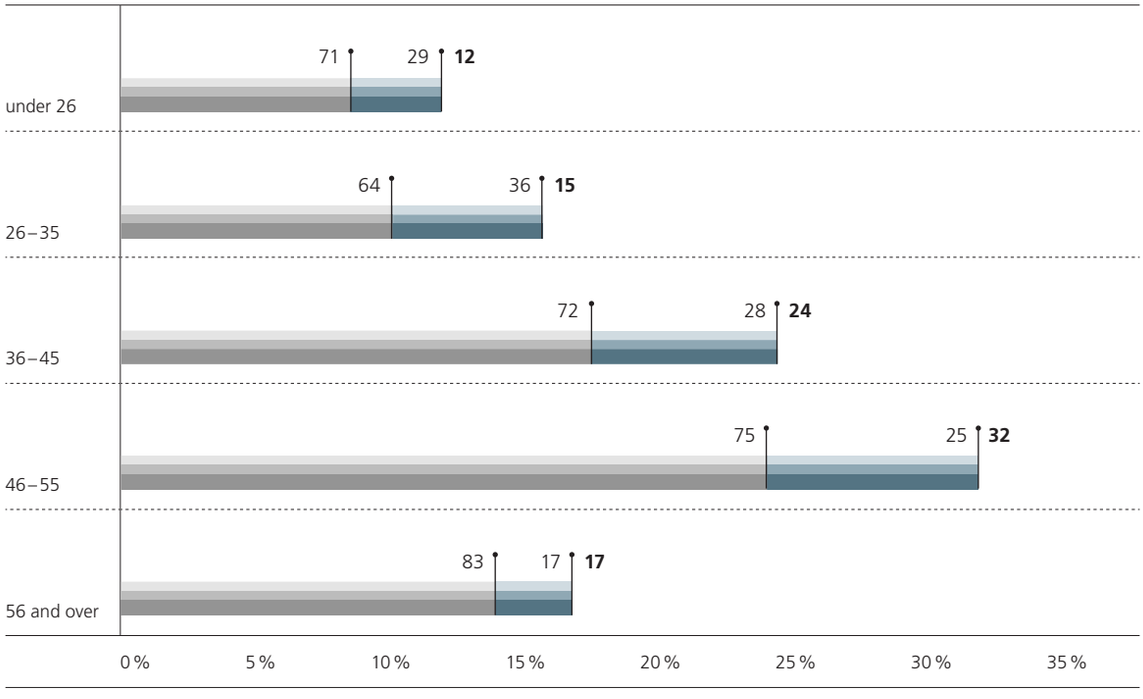
Employees of the MVV Energie Group



MVV Energie AG | German shareholdings | Foreign shareholdings

Status: 30 September 2012

Age structure of employees of the MVV Energie Group in %



male | female

Status: 30 September 2012

COMBINED MANAGEMENT REPORT

Further extension in family-oriented personnel policies

We support our employees in better combining their family and work commitments. This is an area we have been committed to for several years now and we gladly take up valuable ideas and suggestions from outside the company. Our commitment has been recognised. Our three large companies in Mannheim, Kiel and Offenbach have now been awarded the familieundberuf® certificate by the Hertie Foundation. Stadtwerke Kiel was certified for the first time on 11 June 2012.

By offering flexible working hours and a variety of work time models, we provide our employees with great flexibility. As in the previous year, around 10 % of the MVV Energie Group's employees currently work on a part-time basis.

Furthermore, we offer targeted support to parents, for example in Mannheim, where employees have the possibility of reducing their working hours during periods of parental leave. One important component of our family-oriented personnel policies is a local crèche facility supported by MVV Energie. This facility was founded by parents employed at MVV Energie AG. It has been so warmly received that it is due to be extended in 2013.

In cooperation with other companies, a crèche facility was opened close to our Offenbach subsidiary in January 2012. This too has met with a very warm reception from employees. Not only that, we have for many years also helped organise summer holiday camps for our employees' school children at several locations.

In our aging society, caring for elderly relatives is also an increasingly important topic for our employees. We aim to support employees across the Group during this period of their lives. In cooperation with an external partner we have offered a "care competence course" for employees in Mannheim since September 2012. Furthermore, we have made a wide variety of information about nursing care available on the intranet. At our Kiel location, we also offer free advisory services to employees, as well as to family members living in their households.

In parallel to these measures, employees at MVV Energie AG, MVV Energiedienstleistungen GmbH, MVV Umwelt GmbH, Netrion GmbH (previously: 24/7 Netze GmbH), MVV Insurance Services GmbH (previously: 24/7 Insurance Services GmbH), MVV Trading GmbH and SECURA Energie GmbH have the possibility of financing periods of leave from work with their own funds by way of life worktime accounts. This possibility can be drawn on both during and at the end of their working lives, i.e. prior to retirement. As employers, we support our employees here by continuing to grant various payments, such as one-off payments.

Health promotion as key focus

To make it easier for our employees to stay fit and able to work we have established a company health management (CHM) programme and are consistently working to develop this further.

The CHM programme in Offenbach is called "Long-term Energy Replenishment!" In Ingolstadt, we offer a bundle of measures covering areas such as nutrition, exercise and health awareness under the motto "Swing active".

In the year under report we performed our "Wellbeing Barometer" with external support for the second time in Mannheim. Based on the findings of this survey, we are further enhancing our "Five-Star Health Programme". This has been awarded prestigious prizes for the second time already. Not only that, we are working in close cooperation with health insurance companies on prevention concepts. Our programme aimed at helping industrial employees strengthen their spines/necks, for example, met with high acceptance levels, with 95 % of the employees addressed participating. The skin screening programme which we made available to employees in return for only a small charge was also very well received.

By offering individually tailored measures, our company integration management programme enables employees previously unable to work for longer periods of time to return to working life.

Solid training and entry programmes on offer

Our company accords high priority to training. This is also reflected particularly clearly in the fact that our municipal utility shareholdings train significantly more trainees than required. Offering training at very high quality levels enables us on the one hand to meet our responsibility towards society and on the other hand to cover a large share of our future specialist employee requirements from among our own staff. At the balance sheet date at the end of the year under report, a total of 374 young people were in training programmes at the company or studied at the DHBW Baden-Württemberg Cooperative State University. To fill this large number of training positions, we take part in campaigns such as "Girls' Day" or "Training Night" in Mannheim and Offenbach, thus giving potentially interested young people the opportunity to inform themselves on site. By participating in open days at schools in Kiel and in training fairs, Stadtwerke Kiel AG also proactively approaches young people.

This level of engagement at our various locations ensures that we receive large numbers of applications. From these, we recruit those young people meeting the variety of requirements for our training and study programmes, for example those at the DHBW Baden-Württemberg Cooperative State University.

The best trainees each year in Mannheim still have the opportunity of preparing themselves even better for future challenges in special promotion programmes. One key focus here involves improving their skills and competencies in the field of project management.

The Junior Consulting Team, our university graduate entry programme, also addresses cross-divisional topics over longer periods in an interdisciplinary team. As well as honing project management skills, this also enhances the team's social and methodical competencies. The Junior Consulting Team in Mannheim has been awarded the graduate programme quality seal by the Absolventa job exchange. We also offer attractive entry opportunities for university graduates in Kiel and Offenbach. In Kiel, for example, the 18-month trainee programme for young engineers has proven its worth.

High-quality further training on offer

Individual training measures are based on personnel development meetings held once a year. At these meetings between the respective managers and employees, the current and future requirements of the employee's given position are compared with his or her qualifications, with individual measures being derived on this basis. Furthermore, development opportunities over and above specific job requirements are addressed.

We offer our employees the opportunity to extend their qualifications and prepare themselves to tackle new challenges – either with training on the job or individual, needs-based training measures also offered within the framework of our group-wide personnel development programmes. We aim to point to career prospects within the Group so as to retain employees at the company in the long term. We therefore have the target of filling a high share of management positions with internal candidates.

Our E-Learning programme, available to all employees, has also proven its worth. Here, employees can learn about IT programmes, foreign languages and various general topics at their own individual pace and in their own time.

We have introduced our "Generation M" personnel development programme aimed at employees older than 45. Key components of this programme are health and nutrition topics, the promotion of mental and physical agility and employee career assessments. In the year under report we implemented the programme in a pilot group of 18 employees. The experience gained will be factored into the next round. The jury at Selbst GmbH, a network of human resources professionals, found the all-round approach taken by Generation M to be so innovative and effective that it singled out MVV Energie together with RheinEnergie AG for the 2012 Employability Award.

Since 2009, employees in Mannheim have had the opportunity to attend an "After Work Academy" at the end of the working day. Here, internal experts offer lectures to colleagues on their specific areas of specialism, thus sharing their skills with other areas of our company.

Dialogue with Executive Board members about "Setting Course for the Future"

The transformation in the energy supply system confronts the German energy industry with great challenges. The MVV Energie Group has adopted an offensive, market-driven approach both in its sustainable business fields, where we already successfully operate with great expertise, and in high-growth fields such as renewable energies. With our "Setting Course for the Future" programme launched in the previous year we are accompanying the implementation of our strategy with a variety of measures, including closer communications between Executive Board members and the workforce at various locations. In Mannheim, for example, discussion rounds are held with Executive Board members in the "In Dialogue" event series held monthly except in the summer. Here, employees can inform themselves about the latest developments at the company and address those topics which interest, worry or excite them. Not only that, we also hold an "Employees Breakfast", at which each member of the Executive Board invites ten employees and gives them opportunity to discuss current topics with him.

Promoting women in management positions

The age distribution of employees is presented in the ▶ *chart on Page 82*. The chart shows that the share of female employees is higher in the younger age groups. This will fundamentally change the structure of our workforce in future. Our aim is to provide more effective promotion to women across all age groups at our Group.

We also aim to support women in management positions. In the year under report, around 40 women met at regular intervals for a series of lectures on the latest management topics. Alongside knowledge transfer, networking is a further core component of our measures to promote women. For this reason, MVV Energie joined the European Women's Management Development International Network (EWMD) as a corporate member. This way, we aim to promote the sharing of experience with managers at other companies and mutually learn from these experiences. To this end, a mentoring concept is being developed by a project group.

Share of women employees at the MVV Energie Group in %

Status: Balance sheet date 30.9.2012	Mannheim location	Offenbach location	Kiel location
Total	**26**	**31**	**26**
In management positions (section head upwards)	13	17	10
Trainees	35	17	17
Junior Consulting Team/trainees	40	—	—

We intend to increase the share of women in management positions in the medium term. This is to be achieved on the one hand due to the higher share of women employees in younger age groups and on the other hand by means of our family-oriented personnel policies and targeted measures to promote women.

Commitment to enhancing management competence

The success of our Group is decisively dependent on team-based, solution-driven cooperation. Management staff are responsible for ensuring that we achieve our corporate targets together. By offering consistent management, they support their teams in performing their tasks. With their conduct, managers significantly influence the output and commitment of their employees. By enhancing management competence, companies can better master the challenges resulting from demographic developments.

We revised our management guidelines in the year under report; these are now applicable on a group-wide basis.

In Mannheim, we performed a bottom-up appraisal for the second time between April and September 2012. Here, managers were appraised by their employees in an anonymous process. The findings of the appraisal are communicated to managers and subsequently discussed in a joint workshop. With the specific measures derived on this basis, we support our managers in extending their management skills. At Stadtwerke Kiel, the second round of management feedback aimed at enhancing communication took place between June and July 2012. In future, we will be performing the bottom-up appraisal on a standardised basis at our three locations in Mannheim, Kiel and Offenbach.

Compliance with codes of conduct and ethical standards

We have reported on our compliance management system and the requirements we place in major suppliers and service providers in our ▶ *Corporate Governance Declaration in the Corporate Governance Report from Page 99 onwards.*

Active occupational health and safety measures

Our occupational health and safety measures are organised on the basis of a management system consistent with the guidelines issued by the Federal Ministry of Labour and Social Affairs. Following the implementation of integrated management systems at our wholly-owned subsidiaries, the integrated management system at MVV Umwelt GmbH has now been recertified for Quality Management (ISO 9001), Environmental Protection (ISO 14001), Energy Management Systems (EN 16001) and Occupational Health and Safety (BS/OHSAS 18001). Management systems have also been implemented at further subsidiaries. Here, we perform the respective internal audits in the form of revised integrated occupational health and safety/environmental protection audits.

Our occupational health and safety specialists and company doctors work together to make employees aware of statutory prevention requirements in terms of health protection in the workplace and implement measures in line with requirements.

Accident statistics at MVV Energie AG remained relatively low once again in the period under report. At 11.8 accidents per 1 000 employees and 7.6 accidents per million working hours, the number of accidents requiring report was significantly lower in the 2011 calendar year than at industry peers. The evaluation of accidents from one day of work lost for every million working hours (lost time incident frequency – LTIF) resulted in 7.1 work-related accidents. There were no fatal accidents in the year under report.

The number of accidents on the way to work has risen in Germany, and also at our company. Together with large companies and associations in our metropolitan region, we have therefore taken part in further campaigns within the "Safe Journey to Work" initiative.

Our Commitment to Society

Young talent as focus of regional sponsorship

The companies within the MVV Energie Group meet their responsibility towards society at their respective locations and provide significant momentum to their local and regional economies.

We are committed to our regions and the people who live there and provide targeted support in the fields of sport, culture, welfare, education and science. As an "Energiser of the Future", we focus in particular on promoting upcoming talent. This is always sustainable promotion – after all, the young people will shape our future.

MVV Energie AG supports projects with the aim not only of promoting a positive image for the company outside its region and nationwide, but also of demonstrating its commitment to the region. At the 98th German Catholic Convention held in Mannheim in May 2012, for example, we acted as one of the premium sponsors and contributed towards an environmentally-friendly energy supply by offering Futura green electricity.

In the sporting arena, we have supported the Mannheim Eagles (Adler) team in the German ice hockey league since 2007. We extended our principal sponsor contract at the beginning of 2012. Verena Sailer and Anne Cibis, two athletes at Mannheim's MTG athletics club, where we also act as principal sponsor, won the gold medal for sprint relay at this year's European Championships in Helsinki. The longstanding successful cooperation between MVV Energie AG and MTG both in professional sport and in young people's and popular sport is being continued with a premature extension in the relevant agreement. The support provided to SV Waldhof Mannheim, a football team in the regional league, and Mannheim Riding Club form part of our regional sport sponsorship activities.

The range of projects MVV Energie AG supports with its Sponsoring Fund is very broad in terms of its social spectrum. Since 2005, we have supported organisations and initiatives in Mannheim and the Rhine/Neckar metropolitan region twice a year with donations totalling Euro 100 000. These activities mostly benefit young people. To date, the Fund has supported 334 projects in the fields of culture, sport, science and welfare with a total of Euro 750 000 in 15 selection rounds.

In the year under report, MVV Energie AG once again made Euro 100 000 available via an emergency assistance fund for private customers who through no fault of their own find themselves in need. Here, in cooperation with independent welfare organisations and the City of Mannheim, these customers are assisted in paying their energy and water bills.

Acting under the motto of "Strong for the Region", Energieversorgung Offenbach AG (EVO) supported seven associations active in the cultural, ecological, welfare and sporting arenas with sponsorship funds in the year under report. Overall, an amount of around Euro 20 000 was paid out. EVO's jersey sponsoring activities have now entered their fourth round.

Stadtwerke Kiel AG sees a commitment to ensuring high quality of life in its region as part of its responsibility as a company and has supported numerous projects, campaigns and initiatives in Kiel and the surrounding area for many years now. Key focuses involve promoting children and young people and in the field of education. The 24|sieben camp plays a special role here. This project, the only one of its kind in Germany, has to date already introduced more than 60 000 children and young people to sailing.

Stadtwerke Ingolstadt Beteiligungen GmbH promotes social and charitable organisations and associations, while also supporting sporting and cultural events.

OPPORTUNITY AND RISK REPORT

Our industry is currently being reshaped by major energy policy changes. As a company, we face tough competition and a thicket of regulatory requirements, as well as ongoing technological change. Within this climate, the risks involved in entrepreneurial activity in existing business fields have on the one hand increased. On the other hand, the further development of our business model is giving rise to additional opportunities.

Systematically identifying, evaluating and managing opportunities and risks is therefore crucial for our group of companies. We see opportunities and risks as involving all factors which could result in significant variances from our budgeted earnings. Our opportunity/risk management activities thus aim to minimise these variances in earnings. We see this as representing an important management task at any sustainably successful company.

In this report, we inform you about the risk management system in place at the MVV Energie Group, about our overall risk situation and about the six major categories in which we have summarised potential opportunities and risks. Information about our internal control system in respect of the financial reporting process can be found in the chapter ▶ *Business Performance from Page 68 onwards*.

Risk management system

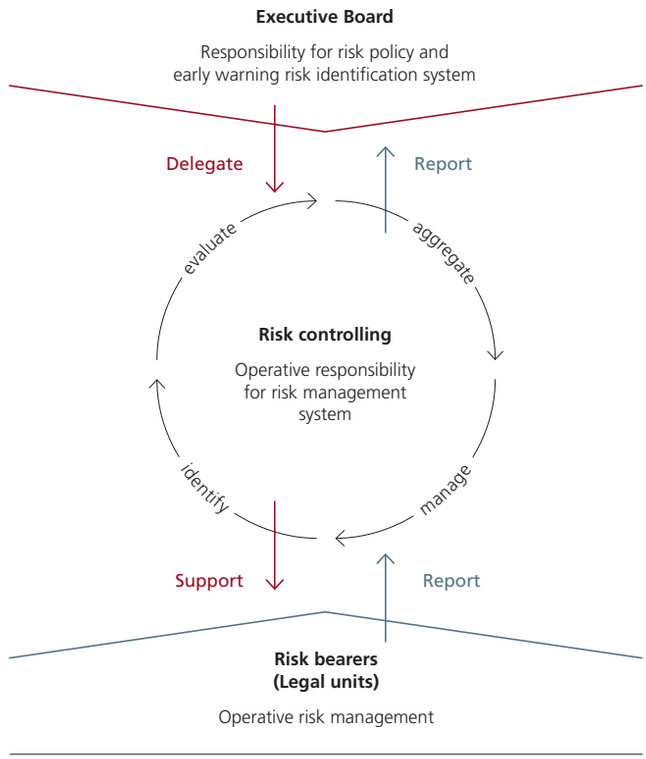
The risk management system established across our Group is based on a systematic approach adopted by the Executive Board, which forms the framework for risk policies, processes, responsibilities and evaluative procedures. Implementation of this system is based on continuous cooperation between the central risk controlling department and risk managers at business units, who are responsible for operative risk management.

This involves regularly reviewing the current business situation and identifying major opportunities and risks. The opportunities and risks thereby identified are evaluated in terms of their potential financial implications for our earnings targets and reported in standardised form to the central risk controlling department. This department aggregates the opportunity/risk profiles of the Group and its subgroups, as well as the largest individual threats. The Group's opportunity/risk situation is reported in detail to the Executive Board on a monthly basis and to the Supervisory Board each quarter. In special cases, the Executive Board is informed immediately and itself then reports to the Supervisory Board.

One component of risk management involves developing and implementing measures enabling risks to be avoided, reduced or passed on. The deliberate assumption of risks may also be pursued as a risk strategy, provided that such risks are offset by corresponding opportunities or other compensation possibilities. The risk management system is thus an important component facilitating in-depth assessment and deliberate management of the Group's opportunities and risks.

The effectiveness of the risk management 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).

Risk management system at the MVV Energie Group



Overall risk

The uncertainties within our sector framework have increased, a development we too have been unable to escape. Compared with earlier financial years, we have observed that our company's business activities now involve greater risks. Given the weighting of risks in the year under report compared with the previous year, however, the overall risk situation has remained substantially unchanged, even though risks have increased in individual risk categories. We have accordingly designated the overall situation as unchanged in the charts on the following page.

From the perspective of the Executive Board of the MVV Energie Group, there are and were no indications that any risks, either individual or aggregate, could have endangered the company's continued existence in the period under report or could do so in future.

The following factors are particularly significant for our business results:

- Weather conditions;
- Stable operations at our plants;
- Price and volume fluctuations on procurement and sales markets;
- Changes in the legislative framework;
- Interventions by regulatory authorities.

On Group level, we had to absorb significant unplanned downtime at our generation plants in the year under report. We acted early to cushion the potential impact on earnings by way of group-wide efforts, such as extensive material cost savings.

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 on both procurement and sales markets, and thus positively or negatively affect our Group's earnings. Exchange rate and interest rate movements may also influence our earnings.

Fluctuations in the clean dark spread (CDS)

The CDS is the difference between sales revenues for electricity and the generation costs thereby incurred. The latter chiefly consist of the costs of coal, gas and CO_2 emission rights.

To be able to better observe, evaluate and manage the potential impact of price fluctuations on our generation portfolio management, we introduced a group-wide systematic approach in the year under report. The findings of these evaluations are reported to the Executive Board within the monthly risk reporting framework.

The CDS remained persistently low in the 2011/12 financial year. This impacted negatively on the earnings we generated from marketing power plant capacities.

Changes in market prices

The predominant share of the volumes our sales department requires for supplies to customers are procured on the energy trading market. To this end, consistent with its applicable hedging regulations our energy trading subsidiary MVV Trading GmbH concludes corresponding transactions up to three calendar years in advance. This enables us to increase our earnings consistency and act early to reduce uncertainties in subsequent financial years. Further details can be found in the chapter ▶ *Corporate Strategy on Page 49*.

Exchange rate movements

Risks and opportunities in connection with exchange rate movements still played a subordinate role in the year under report. The construction of the energy from waste plant in Plymouth/UK, however, means that the development in the euro/sterling exchange rate is set to become a more important factor for our earnings in the coming years. We developed a hedging strategy during the bidding phase already. This was adopted and implemented on operative level at the beginning of the project.

Interest rate movements

Interest rate risks, which potentially result above all in connection with the financing of large projects, are monitored and hedged by our finance department. In cases where derivative financial instruments are used, the derivatives have been documented in detail in the ▶ *Notes to Consolidated Financial Statements on Pages 123, 144 and 150*.

Year-on-year development in the risk situation of the MVV Energie Group in the 2011/12 financial year

OVERALL DEVELOPMENT IN RISK SITUATION	Price risks	Operating risks	Volume risks	Legislative risks	Financing risks	Strategic risks
	• Market prices (incl. clean dark spread) • Exchange rates • Interest rates	• Plant operation • Construction projects • Personnel • IT/model/ organisation/ security risks	• Fluctuation in volumes due to: – Weather factors – Competition – Efficiency • Procurement (incl. fuel quality)	• Regulation • Legal risks	• Receivables default • Liquidity • Refinancing • Countries	• Strategic decisions (incl. investments)
→	↗	↗	→	→	→	↗

→ unchanged ↗ increased ↘ reduced

Operating risks and opportunities

The operating risks and opportunities faced by our company chiefly result from the construction and operation of energy generation plants.

Uncertainties resulting from plant operation

The operation of energy generation plants is a source of significant operating uncertainties for our Group. Downtime at any such plant could mean we are unable to produce the planned volumes. The resultant outlays might be supplemented by costs of repairing the plant. Further costs would arise if we had to supply our customers with substitute deliveries. To avoid the risk of downtime, we ensure that plant operations are regularly maintained and monitored and budget for investments in retrofitting measures. The possibility of unplanned periods of downtime nevertheless cannot be excluded. To counter this risk, we have concluded suitable insurance policies to limit the potential damages.

Due to turbine damage, the joint power plant in Kiel (GKK) suffered downtime in the 1st quarter of 2011/12. The supply of district heating to the city of Kiel was secured by deploying other power plants (mainly gas-fired power plants). Alongside repair expenses, this also led to higher procurement costs, a factor which impacted negatively on our 2011/12 annual earnings.

A turbine in Block 3 at the large power plant in Mannheim (GKM) had to be switched off in June 2012 due to a steam pipeline bursting. Given the other blocks available, however, there were no bottlenecks in terms of electricity and district heating generation in this case.

Damage arose in July 2012 in the turbine in Boiler 6 at the waste-fired cogeneration plant in Mannheim. We expect this damage to be remedied by mid-November 2012. This too led to repair costs and higher procurement costs impacting on our annual earnings for 2011/12 and 2012/13.

Risks resulting from progress with construction projects

Major construction projects such as new generation plants often require long planning and construction periods. In liaison with the relevant in-house specialist departments, we therefore carefully check the design and costing of these projects in advance. However, we cannot exclude the risk of such projects being delayed or of actual costs exceeding budgeted levels due to developments on the ground.

In the case of the construction of the new Block 9 at the large power plant in Mannheim (Grosskraftwerk Mannheim – GKM), production-related delays have arisen which will result in higher costs and a later completion date. Since the year under report, specialists from all of the shareholders have been consistently involved in the management and controlling of this project.

A member of the public filed a lawsuit against the approval by the relevant authority of our energy from waste plant in Plymouth. This lawsuit was rejected by the appeals courts, as a result of which the approval is now legally binding. We limit potential delays during the construction period by working with strict project management.

Personnel developments

Well-qualified employees form the basis of our company's success. We see only a low risk of being unable to find suitable replacements for key personnel. Information about the measures we have taken to minimise personnel risks, such as personnel development and measures to assist employees in combining their family and work commitments, can be found in the chapter ▶ *Sustainability from Page 83 onwards.* Information about our pension obligations can be found in the ▶ *Notes to 2011/12 Consolidated Financial Statements from Page 137 onwards* (Provisions for pensions and similar obligations). Factors which could potentially result in pension obligation risks were already accounted for in pension surveys and have been factored into our budgets.

IT, model, organisation and security risks/opportunities

We avoid potential IT risks by means of extensive technical and organisational measures, such as permanent data reflections between production computers and the geographically separate backup computers. We set up redundant copies for the most important hardware components and established a backup computer centre. IT risks are therefore only of subordinate significance for us.

Model, organisation and security risks and opportunities currently also only play a subordinate role for our Group. Given our traditionally strong, partnership-driven cooperation with our municipal owners, the same also 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.

Fluctuations in volumes due to changes in economic conditions

Macroeconomic developments influence our Group indirectly, such as when companies we supply scale back their production due to the economic situation. This may mean that they require less energy from us or lead to lower volumes of commercial waste. We counter potential volume risks at our plants by working with a materials flow management strategy enabling us to react flexibly to changes in regional market conditions. High levels of capacity utilisation at our energy from waste plants may nevertheless be accompanied by lower revenues than planned.

For the same reason, sales volumes sometimes fall short of expectations in some areas. One example here is the processing of biomass. Capacities at those power plants intended to accept the wood chips or treated green waste turned out lower than planned.

Impact on earnings due to fuel quality

Fuel quality has the capacity to affect earnings at our energy from waste plants. The calorific value of the waste deployed at the cogeneration plant in Mannheim was thus lower than expected. This meant that higher volumes could be incinerated. As waste prices are based on weight, however, this led to higher waste revenues.

Fluctuations in turnover due to weather conditions

We supply many of our customers with heating energy (district heating, gas). Weather conditions during the heating period (October to April) are therefore a very significant factor for our business. In the year under report, the heating period was characterised by marked temperature fluctuations. The months of December 2011 and March 2012 were very warm, while February and April 2012 were very cold. All in all, temperatures in the heating period were slightly milder than in the previous year. This led to a year-on-year reduction in district heating and gas turnover, as well as in the resultant EBIT.

Fluctuations in turnover due to competition or efficiency

Customers switching to competitors within the liberalised energy market leads to changes in volumes. We successfully counter this factor by developing and consistently marketing innovative, competitive products, such as the Electricity/Gas Energy Fund.

Efficiency measures, such as heat insulation, may also change purchase behaviour and lead to fluctuations in volumes.

Legislative risks

Legislative risks include those factors resulting from regulation or legal risks which could influence our business performance. These played a subordinate role in the year under report.

Regulatory 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 affected grid utilisation fees, which were fixed by the BNetzA. As is generally the case in the water industry, the possibility of our water prices also being reviewed and of cartel authorities imposing a reduction in prices also cannot be excluded. Equally, amended 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 chapter ▶ *Business Framework from Page 40 onwards*.

Legal risks

Legal risks chiefly result from court cases, product liability or onerous or unenforceable contracts. These risks are limited by our group legal department, which negotiates and drafts the relevant contracts. Information about our compliance management system, which also serves to avoid infringements of the law, can be found in the chapter ▶ *Corporate Governance from Page 99 onwards*.

Financing risks

The financing risks category chiefly consists of receivables default risk and liquidity risks.

Receivables default risks

Receivables default risks arise when customers or business partners fail to settle receivables due from them, or only in part. To limit these risks, we select our business partners with due commercial prudence. We also ensure that our portfolio remains diversified in order to avoid risk clusters. We only perform transactions with customers of good credit standing. Where necessary, we additionally agreed the provision of security and guarantees.

Following prolonged economic difficulties, Petroplus, the refinery operator in Ingolstadt, was obliged to file for insolvency in the year under report. As a precautionary measure, we recognised individual allowances for part of the outstanding receivables. Due to standby operations at the refinery, supply obligations within the Ingolstadt district heating association had to be secured with other capacities, and that at higher costs. The refinery has now been bought by Gunvor Group, an international commodities trading company.

Based on a long-term contract with the new owner, Stadtwerke Ingolstadt has secured the heating energy supply on a sustainable basis, as a result of which the district heating association can be continued as planned.

Liquidity risks

Our internal group cash pooling enables us to benefit from our organisational structure as a group in respect of liquidity risks. Cash pooling enables us to minimise liquidity risk and also impacts positively on our interest result. We use promissory note bonds, among other instruments, to cover our long-term capital requirements.

Further information about our financing and price risks can be found under financial instruments in the ▶ *Notes to Consolidated Financial Statements from Page 143 onwards*.

Country risks

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

Strategic risks and opportunities

One major factor in the sustainable success of the MVV Energie Group involves the strategic decisions it takes as to which markets, technologies and companies it invests in, as well as the timing and scope of such investments.

In liaison with the Executive Board, our group strategy department therefore continually monitors and adjusts our strategic alignment. Within the strategic planning process, the potential harboured by new markets and technologies is identified and targeted new business transactions are prioritised in line with the investment funds available. Investments are carefully reviewed and critically assessed by the specialist departments in accordance with the company's internal investment guidelines. The possibility nevertheless remains that inappropriate assessments in terms of the future profitability and risk profile of business fields or individual projects may lead to charges on earnings in future financial years. Following a reassessment of A+S Naturenergie GmbH and Waldenergie Bayern GmbH in the year under report, it was necessary to recognise impairment losses at the MVV Energiedienstleistungen subgroup in the year under report. Further details about the strategic alignment of the MVV Energie Group can be found in the chapter ▶ *Corporate Strategy from Page 46 onwards*. Information about the opportunities our company faces can also be found in the chapter ▶ *Outlook from Page 92 onwards*.

EVENTS AFTER 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 2012 and the preparation of the 2011/12 consolidated financial statements.

Market position boosted with new names

Since 1 October 2012, the shared service companies have operated under a new common brand name – "Soluvia". Details about the new names of the Soluvia GmbH parent company and its subsidiaries, and about the renaming as of 1 October 2012 of the grid company, insurance services company and operations management subsidiary of the environmental energy subgroup can be found in the ▶ *Overview of Shareholdings and Business Activities on Page 51*. From 1 January 2013, MVV Energiedienstleistungen GmbH and six of its majority shareholdings will operate under the common brand name "MVV Enamic". These name changes are aimed at sharpening our shareholdings' profiles and boosting their position in the energy market.

Electricity prices to rise as of 1.1. 2013 due to state duties

The German Renewable Energies Act (EEG) allocation will increase as of 1 January 2013 from 3.59 cents per kWh to 5.277 cents per kWh. This will be accompanied by simultaneous increases in the allocations also set by the government under § 19 of the German Electricity Grid Fee Ordinance for the grid fee exemption for electricity-intensive companies and the promotion of cogeneration. These allocations will rise by 0.2 cents per kWh and 0.1 cents per kWh respectively. Furthermore, a new state duty of 0.25 cents per kWh is also due to be introduced as of 1 January 2013. This offshore liability allocation is intended to support the grid connection of offshore wind farms. The four large transmission grid operators have raised their grid fees by up to 50 % and this is due to be followed by a nationwide increase in state-approved grid utilisation fees from the start of the new year as well. Electricity suppliers have no influence on these state-set duties. The companies of the MVV Energie Group cannot offset these cost increases and will pass them on to their customers.

Investments in first district heating storage facility

In October 2012, the Executive Board of MVV Energie AG approved the construction of a district heating storage facility in the grounds of the large power plant in Mannheim (GKM). This storage facility, due to commence operations in autumn 2013, will enable us to react more flexibly to fluctuating volumes of solar and wind power fed into German electricity grids and to generate heating energy more flexibly in line with developments in electricity prices on the market.

Sale of shareholding

The sale of the shareholding in KielNet GmbH Gesellschaft für Kommunikation, Kiel, took effect on 25 October 2012.

OUTLOOK

Executive Board summary of the future alignment of the MVV Energie Group

The latest resolutions adopted with regard to the conversion in the German energy supply system also show that we are on the right strategic course. We have created a foundation for sustainable company growth – with efficient structures and processes and our forward-looking investment programme. Here, we are building on the assumption that renewable energies and energy efficiency will be the leading factors within the future energy supply and have aligned our investment focuses accordingly.

Future macroeconomic framework

In their autumn survey published on 11 October 2012, Germany's leading economic research institutes forecast economic growth in Germany of 0.8 % in 2012 and 1.0 % in 2013. The research institutes point to substantial risks. In particular, it is currently not possible to predict the extent to which the German economy will be affected by the high levels of sovereign debt and weakening economic performance of some euro area member states in the wake of the euro crisis.

We too are unable to foresee what implications this could have for the MVV Energie Group. In principle, however, our business portfolio is more dependent on weather conditions than on macroeconomic developments.

Future situation in the sector

The conversion in the German energy supply is only at the very beginning of a long, difficult path. The energy industry is set to change fundamentally in the course of the nuclear energy exit and the conversion to renewable energies as energy sources. Not only that, enhancing energy efficiency will also play a major role. Conventional generation capacities will remain indispensable in the foreseeable future, as wind power and photovoltaics systems are unable to cover electricity demand at all times of the day and night and insufficient electricity and heating energy storage capacities are available.

As well as securing sufficient generation capacities, it will also be necessary to expand transmission and distribution grids to transport the electricity volumes generated from renewable energies on an increasingly decentralised basis and supply these to customers. Moreover, we need a new market design to enable those power plant capacities necessary to secure the base load to be managed profitably and retained in the market. On the demand side, energy saving and energy enhancement measures will lead to lower energy consumption.

Electricity prices will be influenced both by the high volume of investment required to convert the energy system and by the increase as of 1 January 2013 in the EEG allocation intended to promote the expansion in green electricity from its current level of 3.592 cents per kWh to 5.277 cents per kWh. The discussions surrounding the costs of converting the energy system and the allocation of such costs can be expected to form a focus of energy policy in the coming financial year. We therefore expect to see further legislative and regulatory amendments influencing our business activities.

Competition in electricity and gas markets is becoming increasingly intense. Not only that, future challenges also include the second stage of incentive regulation due to begin from 2013 for gas and from 2014 for electricity. The second period for emission right trading is due to expire at the end of 2012. From 2013, it will be necessary to buy CO_2 rights previously allocated free of charge.

Increasing intervention by cartel authorities has also been seen in the German water and district heating markets.

Overall, it is apparent that the MVV Energie Group will face challenging conditions in terms of the macroeconomic and energy industry framework in the 2012/13 financial year and beyond.

Ongoing consistent implementation of our strategy

As a publicly listed group of companies with municipal roots, the MVV Energie Group is well positioned to exploit those opportunities arising upon the conversion in the German energy system. Our corporate strategy has not changed compared with the previous year. Our growth will continue to focus on:

- Expanding energy generation from renewable energy sources, especially by using onshore wind power, biomass and biomethane
- Expanding district heating, cogeneration and energy from waste
- Boosting energy-related services and enhancing energy efficiency for our customers
- Expanding energy sales
- Product innovation to satisfy our customers' rising needs.

Future markets, products and services

In our **WIND POWER BUSINESS**, we still see great potential in Germany. The MVV Energie Group is currently working closely on expanding its wind farm portfolio, especially in Hessen and Baden-Württemberg. As we intend to operate wind power plants successfully over several decades, we enable regional partners – citizens, local councils and municipal utility companies – to participate in transparent project planning and implementation processes.

Our first **BIOMETHANE PLANT**, located in Klein Wanzleben (Sachsen-Anhalt), was connected to the grid in September 2012. In nearby Kroppenstedt, we will shortly be starting work on building a second biomethane plant with our partner RES Projects. Both plants should produce around 63 million kWh of biomethane a year each in future and feed this into the natural gas grid.

In the **DISTRICT HEATING MARKET**, MVV Energie is already one of Germany's largest providers. Simultaneously generating electricity and heating energy via cogeneration enables the primary fuels to be put to more efficient use. We will work consistently to further expand the generation of district and local heating using cogeneration at our locations in Mannheim, Kiel, Offenbach and Ingolstadt, as well as in the Czech Republic. Further details about district heating projects can be found in the chapter ▶ *Sustainability on Page 77*.

Our wholly-owned subsidiary MVV Energie CZ is one of the five largest district heating suppliers in the Czech Republic. With the cogeneration plant with an energy from waste facility acquired by MVV Energie CZ in the city of Liberec in the 2010/11 financial year, we have successfully entered a new business field. This will offer our subsidiary growth opportunities in the still young Czech market for energy from waste.

At the large power plant in Mannheim (Grosskraftwerk Mannheim – GKM), in which we hold a 28 % stake, construction work is currently underway on a state-of-the art hard coal block with electrical energy output of 911 MW_e and thermal energy output of a maximum of 500 MW_t. Block 9 will create the basis necessary to secure the expansion and concentration of the district heating supply in the Rhine/Neckar metropolitan region in the long term. GKM currently expects operations at Block 9 to begin in 2015. Details about the construction of the planned district heating storage facility can be found in the chapter ▶ *Events After Balance Sheet Date on Page 91*.

With our MVV Umwelt GmbH subsidiary, we are one of the leading companies in Germany and Europe in the field of **ENERGY FROM WASTE**. With its longstanding experience, MVV Umwelt GmbH remains well positioned in the German waste market.

As part of the measures taken to optimise energy efficiency at the energy from waste plant in Mannheim, operations with a second ultra-modern turbine began in August 2012. This measure, implemented while operations continued at the plant, has enhanced the efficiency of the cogeneration process in terms of district heating steam extraction and electricity generation. At the environmental energy subgroup, the existing "Umwelt" operation at MVV RHE GmbH was transferred to MVV Umwelt Asset GmbH. This will enable us to exploit synergies and react faster and more effectively to market needs.

The contract to build and operate an energy from waste plant in the British port of Plymouth enables us to document our extensive experience and technical competence in operating power plants and putting waste to ecological use in the international arena as well. Starting in 2014, this plant should use around 245 000 tonnes of household, commercial and industrial waste a year to generate electricity and heating energy.

The nationwide market for energy-related services has developed more slowly than expected. We have therefore reviewed our **ENERGY-RELATED SERVICES** business field in terms of its cost effectiveness and value orientation. By implementing adjustments in terms of organisational and personnel structures, as well as streamlining the existing business, we have created the basis necessary to sustainably improve cost structures at the MVV Energiedienstleistungen subgroup. This will also enable us to better exploit those opportunities arising due to the energy system conversion in the energy-related services market as well. In our product portfolio, we are concentrating on our core competencies, i.e. in particular on services for industrial parks, the contracting business for the real estate sector and small and medium-sized industrial companies, as well as on national and international consulting.

In our **SALES BUSINESS**, we offer electricity generated from environmentally-friendly sources to both private customers and industrial and commercial customers. We aim to retain our position in this market and consistently further expand the market share we have built up via our successful Electricity/Gas Energy Fund in the nationwide sale of electricity and gas to industrial and commercial customers.

Future research and development activities

In a research project supported by the Federal Ministry of Economics and Technology, MVV Energie is investigating and evaluating the economic prospects harboured by greater use of inexpensive, environmentally-friendly heating energy from cogeneration and other surplus energy sources in district heating systems. The determination of potential cost savings in terms of district heating transport represents a key factor in the economic viability of cogeneration expansion measures.

We will complete and evaluate the field trials for our Model City Mannheim (moma) project by the end of 2012. This project has met with a positive reception. We are continually reassessing the resultant business opportunities. However, we do not yet expect to see any notable value contributions in the next two to three years. Details about the "Callux – Practical Trials with Home Fuel Cells" project and the award received for the "Model Cluster: Electro-mobility South-West" project can be found in the ▶ *Sustainability chapter on Page 80*.

Expected earnings position

It is difficult to issue reliable, longer-term forecasts in these times of the financial and euro crisis and the far-reaching transformation in the German energy system. The ongoing instability in the underlying framework and volatile situation on the energy markets will shape not only our 2012/13 financial year, but also the following 2013/14 and 2014/15 financial years. It is especially difficult to issue sales and earnings forecasts for this budget horizon in the energy industry. We nevertheless aim to do justice to the increasing desire for information and transparency and are therefore providing an assessment for the following three financial years.

Expected sales performance

Assuming normal weather conditions, we expect the sales (excluding electricity and natural gas taxes) of the MVV Energie Group for the 2012/13 financial year to further exceed the high level of Euro 3.89 billion already achieved in the 2011/12 financial year. We expect to be able to compensate for the loss of sales in the 2012/13 financial year due to the sale of the 49.9 % shareholding in Stadtwerke Solingen. Our sales growth will be driven above all by increased volumes generated by electricity and gas portfolio management at our MVV Trading GmbH subsidiary, by nationwide electricity and gas sales and by the expansion in district heating at our German and Czech locations. We also expect higher sales to result from the expansion of onshore wind power, the extension in our biomethane business and price adjustments.

From a current perspective, we expect to see slight sales growth in the 2013/14 and 2014/15 financial years as well. Electricity and gas portfolio management, the further expansion in nationwide electricity and gas sales, district heating grids and the wind power and biomethane businesses will be the key sales drivers here as well. The third budget year, 2014/15, will benefit for the first time from sales at the new energy from waste plant in Plymouth. We currently expect to be able to launch operations at the new plant in the second half of the 2014 calendar year. Operations at Block 9 at the large power plant in Mannheim (Grosskraftwerk Mannheim – GKM) are expected to begin during 2015.

Expected earnings performance

Like the entire industry, the MVV Energie Group faces great challenges due to the transformation in the German energy system. These will significantly impact on our earnings performance as well in the coming years. The key factors influencing our adjusted EBIT are the margin achieved from generating electricity from hard coal, waste prices, weather conditions and the development in competition. Further significant factors include the regulatory climate in the grid, sales and trading businesses and the costs resulting from implementing legislative requirements. The margin from hard coal electricity generation (clean dark spread) is mainly influenced by electricity prices on wholesale markets on the one hand and coal procurement expenses, including the euro/dollar exchange rate and emission right prices, on the other.

We do not expect to see any notable change in margins from hard coal electricity generation (clean dark spread) in the 2012/13 financial year, as most of the electricity production due for supply in the 2012/13 financial year was already marketed in forward deals several years ahead. Given our hedging strategy, any rise in the clean dark spread would only have any impact from the 2013/14 financial year.

From the 2012/13 financial year the allocation of CO_2 emission rights, previously free of charge, will be discontinued in its existing form. Starting in January 2013, all emission rights will have to be acquired in return for payment in auctioning processes. This will impact negatively on our earnings. Furthermore, the new contracts governing the disposal and treatment of municipal waste from the cities of Mannheim and Heidelberg and the Rhine/Neckar district waste company (Abfallverwertungsgesellschaft des Rhein-Neckar-Kreises mbH – AVR) with an incineration volume of 200 000 tonnes a year will take effect in the 2012/13 financial year. The agreed prices, effective from January 2013, are lower than previously.

We intend to offset the aforementioned charges by way of internal optimisation and efficiency enhancement measures, as well as with positive earnings contributions from our high-growth businesses. Overall, we expect to achieve adjusted EBIT on a scale of around Euro 220 million on an operating level in the 2012/13 financial year.

We expect to generate earnings contributions on this scale in the 2013/14 financial year as well. In 2014/15, the third budget year, the adjusted EBIT of the MVV Energie Group will be positively affected by the launch of operations at the energy from waste plant in Plymouth. The construction of this plant in the UK means that the euro/sterling exchange rate will become a more important factor in our earnings performance in the coming years. We have hedged the exchange rate risk. Further details can be found ▶ *on Page 62*.

Expected development in key income statement items

The construction of the new Block 9 at the GKM power plant in Mannheim represents a special factor in this respect. The expenses resulting from recognition of borrowing interest are capitalised in the IFRS consolidated financial statements. In the separate financial statements of the MVV RHE GmbH subsidiary, which owns the shareholding in GKM, by contrast, these expenses are charged to cost of materials. This item also impacts on the separate financial statements of MVV Energie AG prepared in line with the German Commercial Code (HGB) in the form of reduced profit transfers from MVV RHE GmbH. We currently do not expect the HGB annual net surplus after taxes of MVV Energie AG to fully match the level seen in previous years in the 2012/13 and 2013/14 financial years. Due in particular to higher income from shareholdings, we expect to see an improvement in the 2014/15 financial year. In terms of the HGB sales (excluding energy taxes) of MVV Energie AG, assuming normal weather conditions we expect to see slight increases in the 2012/13 and 2013/14 financial years compared with the year under report (Euro 1.86 billion).

Future dividend

MVV Energie AG is committed to maintaining its shareholder-friendly dividend policy in future as well. We accord great importance to basing our dividend policy on continuity and granting our shareholders a solid return in future too. Details of the dividend proposal to be submitted to the 2013 Annual General Meeting, which was adopted by the Executive and Supervisory Boards in December 2012, can be found in the ▶ *Letter from the CEO on Pages 22 and 23*. MVV Energie paid its shareholders a dividend of Euro 0.90 per share for the 2010/11 financial year. Further details about the development in our dividend can be found in the ▶ *Ten-Year Overview on Pages 178 and 179*.

Budgeted investments

We have budgeted total investments of around Euro 1.1 billion for the 2012/13, 2013/14 and 2014/15 financial years. Of this sum, around Euro 800 million is earmarked for growth investments, while the rest will be channelled into our existing business. The growth investments are consistent with our strategic focuses – the largest investment projects are in the Generation and Infrastructure reporting segment and relate in particular to the construction of the energy from waste plant in Plymouth and the expansion in onshore wind plants, in this case both with partners and as proprietary project developments. Further focuses of investment involve expanding proprietary energy generation from biomass (e.g. with biomethane and wood pellet production plants), extending and increasing the density of district heating grids at the Mannheim and Offenbach subgroups, building a district heating storage facility in Mannheim and contracting projects in the energy-related services business. Investments in the existing business focus in particular on optimising supply plants and grids and maintaining their substance.

Significant growth investments at the MVV Energie Group

	Investment volume Euro million	Expected operations launch
Energy from waste plant in Plymouth Capacity: 245 000 tonnes p.a. (Environmental Energy business field)	250	2014/15
Kirchberg wind farm/Hunsrück Output capacity: 52.9 MW (Generation business field)	84	already in operation
District heating storage facility Mannheim	27	2012/13
Kroppenstedt biomethane plant Natural gas generation volume: 63 million kWh p.a. (Generation business field)	13	2013/14

Expected financial position

Our comparatively high equity ratio of 36.2 % and the funds received at the end of September 2012 from the sale of shares in Stadtwerke Solingen mean we have a strong financial foundation enabling us to achieve a balanced mix of financing for the investments budgeted for the 2012/13 financial year. We fund investments in our existing business from depreciation. In our growth business, we draw on the operating cash flow and optimised project-specific financing facilities. Moreover, we pool structurally similar projects with comparable terms and take up the necessary funds on the capital market. To optimise our financing costs, we are permanently monitoring other sources of financing as alternatives to the bank market. We have thus further stepped up our activities in the bond market.

The tense current situation on the financial markets is reflected in the bank market by shorter average terms for individual financing facilities and higher lending margins. However, persistently low interest rates mean that financing costs have remained more or less constant and thus at attractive levels.

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 rating on investment grade level for MVV Energie.

Future opportunities and risks

The fundamental transformation of the energy industry harbours opportunities for profitable medium and long-term growth. Alongside the basic risks which could impact on our group earnings, such as fluctuations in prices, we see the completion on schedule of our large-scale investment projects as a particular source of uncertainty in the coming financial years. These projects include the energy from waste plant in Plymouth and Block 9 at the GKM power plant in Mannheim. In the case of Block 9, measures have been taken to stabilise the project schedule. No further risks have been added to the six categories listed in the ▶ *Opportunity and Risk Report from Page 88 onwards*, namely price risks and opportunities, operating risks and opportunities, volume risks and opportunities, legislative risks, financing risks, strategic risks and opportunities.

From a current perspective, there are no indications of any risks that could endanger the company's continued existence.

Forward-looking statements and forecasts

Our combined management report for the MVV Energie Group (IFRS) and MVV Energie AG (HGB) 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.

Corporate governance encompasses the framework of regulations and practices underpinning a company's management, supervision and organisation. Within the competencies granted to them by stock corporation law, the Executive and Supervisory Boards are thus bound to compile and implement business policy principles and guidelines. Furthermore, they must safeguard the company's internal and external control and supervision mechanisms. High-quality corporate governance is the foundation for responsible corporate management and control based on sustainable value creation.

CORPORATE GOVERNANCE

» The future has many names.
For the weak, it means the unattainable.
For the fearful, it means the unknown.
For the courageous, it means opportunity. «

Victor Hugo, 1802 – 1885,
French Writer

CORPORATE GOVERNANCE REPORT

MVV Energie accords great importance to responsible corporate governance. For the Executive and Supervisory Boards, it 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 manage MVV Energie in line with the principles of the social market economy and work to sustainably increase the company's value. We are convinced that high-quality corporate governance is the means to gain and permanently retain the trust of our shareholders, customers and employees, as well as of the general public.

In this chapter we begin by reproducing the Report of the Executive and Supervisory Boards. This is followed by the Corporate Governance Declaration published on the internet on 5 November 2012, which also includes the Declaration of Conformity with the German Corporate Governance Code. The chapter concludes with the Compensation Report.

Report of Executive and Supervisory Boards

The German Corporate Governance Code sets out nationally and internationally recognised standards of high-quality, transparent and responsible company management. The German Corporate Governance Code Government Commission published the first version of the Code in February 2002 and reviews this each year to account for national and international developments. Having not made any amendments in the previous year, on 15 May 2012 the Government Commission adopted a small number of material amendments and adjustments to account for legislative amendments. The current version of the German Corporate Governance Code was published in the official section of the electronic Federal Gazette on 15 June 2012. The amendments mainly focused on the recommendations concerning the composition of the Supervisory Board and the independence of its members. The recommendation to pay performance-related compensation to Supervisory Board members was withdrawn. Like many other companies, MVV Energie had not followed this recommendation in the past and sees its withdrawal as confirming the company's previous approach. Furthermore, the Government Commission issued more precise formulations for numerous recommendations and suggestions. In the preamble, the Government Commission has now explicitly underlined that a well-substantiated deviation from a Code recommendation may also be in the interests of high-quality corporate governance.

As is apparent in the ▶ *Declaration of Conformity with the German Corporate Governance Code on Page 100*, MVV Energie AG now complies with all of the Code's recommendations. We also adhere to virtually all of the suggestions made in the Code.

Shareholders and Annual General Meeting

Each share in MVV Energie AG entitles its holder to one vote. Shareholders are able to exercise their voting rights at the Annual General Meeting. There are various possibilities of exercising these rights. Shareholders may exercise their voting rights in person at the Annual General Meeting or be represented by a proxy of their choice. Shareholders also have the possibility of being represented by a proxy appointed by the company to act in line with their instructions, a bank or a shareholders association. All shareholders are entitled to participate in the Annual General Meeting, to comment there on all agenda items and submit relevant questions and motions. Shareholders unable to attend the Annual General Meeting in person were also able to exercise their votes in writing – by way of a postal ballot – for the first time at the 2012 Annual General Meeting. Only those shareholders registering with the company within the respective deadlines are permitted to exercise their voting rights by way of postal ballot.

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, where they are available in German and English. Further details at ▶ **www.mvv-investor.de**. 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 published following the meeting.

Transparency

The Executive and Supervisory Boards of MVV Energie AG accord great importance to transparent company management. By offering prompt, comprehensive information, we aim to permanently retain and strengthen the trust placed in us by our stakeholders – our shareholders, financial analysts, fund managers, our customers and employees, as well as the media and general public. 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.

On our internet site, we publish our quarterly financial reports, half-year financial reports and annual reports, voting right notifications pursuant to § 21 (1) WpHG and extensive further information about our company and the latest developments at our Group. Further details at ▶ **www.mvv-investor.de**. Moreover, we also publish our financial reporting dates in a financial calendar on this site. In line with legal requirements, we publish ad-hoc announcements when any developments likely to significantly influence the company's share price arise at MVV Energie AG outside the regular reporting framework.

Reporting and audit of annual financial statements

We prepare the separate financial statements of MVV Energie AG on the basis of the German Commercial Code (HGB). Our shareholders in particular, as well as other parties interested in our company, are primarily informed by means of MVV Energie's consolidated financial statements. During the financial year, we keep our shareholders and third parties informed about our performance by way of our financial reports for the 1st quarter, the 1st half and the 3rd quarter/ 1st nine months.

These consolidated financial statements (the consolidated financial statements, the abridged interim 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 auditor audits the consolidated financial statements prepared by the Executive Board and these are subsequently approved by the Supervisory Board. The quarterly financial reports and the half-year financial report are prepared by the Executive Board and discussed 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, Mannheim, the auditing company elected by the 2012 Annual General Meeting.

Corporate Governance Declaration with Declaration of Conformity

In our Corporate Governance Declaration, we report – alongside the Declaration of Conformity with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG) – on corporate governance practices applied at our company over and above legal requirements. According to § 289a of the German Commercial Code (HGB), the Corporate Governance Declaration must be published in the management report accompanying the separate financial statements or on the internet. To ensure maximum transparency of information, we have also included the Corporate Governance Declaration in our Corporate Governance Report. Here, we also explain the mode of operation of the Executive and Supervisory Boards, as well as the composition and mode of operation of Supervisory Board committees. The Corporate Governance Declaration was published on our internet site at ▶ **www.mvv-investor.de** on 5 November 2012.

Disclosures on corporate governance practices

Good management is an expression of high-quality corporate culture. With our shared Management Guidelines, we have created a basis for managers and their employees within the MVV Energie Group to work together successfully and on a basis of trust. These provide a binding framework for the management of employees at our company and also enable us to safeguard the quality of management activities. To boost constructive cooperation between managers and their employees, we enable both sides to share their impressions and to provide open feedback on management conduct. At our Mannheim location, we carried out a bottom-up appraisal of management staff by employees for the second time in April 2012. Overall, employees evaluated the conduct of management staff positively. Satisfaction levels have risen compared with the evaluation in the first bottom-up appraisal in 2008.

Our MVV Energie Compliance Management System (CMS), covering all of MVV Energie's business activities and processes, serves on the one hand to ensure compliance with legal requirements. On the other hand, it also assists us in implementing our in-company guidelines and ensuring compliance with those ethical standards to which we are committed. All directors and officers, managers and employees are integrated within our CMS. We have laid down the material contents, necessary organisational structures, processes and personal responsibilities, as well as the reporting system, in an extensive Compliance Handbook mandatory for all MVV Energie Group companies. As part of our Management Handbook, the Compliance Handbook is simultaneously available to all MVV Energie employees on the intranet. No severe infringements of compliance requirements were identified in the 2011/12 financial year. MVV Energie's compliance system is structured in such a way as to enable relevant processes to be reviewed in advance already. This way, corrective measures can already be taken on a preventative basis if need be.

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 2012:

The Executive and Supervisory Boards of MVV Energie AG hereby declare that, apart from the one exception outlined below, the company complied in the past with the recommendations made by the German Corporate Governance Code Government Commission, and that the company now complies with all of the recommendations without exception. For the past, this Declaration refers to the version of the German Corporate Governance Code dated 26 May 2010 and published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette on 2 July 2010. For the future, the Declaration refers to the recommendations made in the new version of the Code dated 15 May 2012 and published in the official section of the electronic Federal Gazette on 15 June 2012.

No application was made in the past of the following recommendation now withdrawn:

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 provide for fixed compensation of Supervisory Board members, plus a meeting allowance. We consistently pointed out in the past that we were not convinced either by models linking the compensation of Supervisory Board members to the dividend or by models based on the share price. We therefore refrained from introducing any performance-related compensation components for Supervisory Board members. The withdrawal of the recommendation by the Government Commission now confirms us in this assessment.

The head of our group legal, compliance and materials division 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, documenting these, training managers and employees, performing or monitoring CMS processes and reporting on compliance with these. All management staff receive regular training concerning general compliance requirements and the specific legal requirements relevant to their business unit. Furthermore, the Compliance Officer supports the Executive Board in taking preventative measures to avoid and, where necessary, investigate any infringements of the law, corruption and deliberate acts harmful to the company.

We provide all employees working in sales, sales-related areas and procurement with specific additional corruption prevention training. We offer precise instruction as to which forms of behaviour are correct when offered non-monetary gifts and invitations. Gratuities and invitations are recorded and checked without exception. Adherence to compliance requirements is systematically and regularly checked in all business fields, divisions, group departments and subsidiaries. To enable us to receive information about misconduct anonymously as well, we have set up a "Whistleblower Hotline", via which employees can reach the Compliance Officer.

In an extensive, detailed Compliance Management Declaration, all managers must confirm at the end of each financial year that specific stipulated legal requirements have been complied with in their area of responsibility. They also declare that all employees have met the training requirements and have been instructed and trained as appropriate. We collect all relevant information using special questionnaires taking particular account of circumstances at the respective 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. In a seminar jointly prepared to this end by the group compliance, personnel development, group organisation and technical divisions, we inform participants extensively about basic requirements for assuming management responsibility at the MVV Energie Group. Attendance at this seminar is obligatory for management staff on all levels from section manager upwards.

It is important to us that our suppliers and service providers should also comply with those forms of conduct to which we too accord priority. For major tenders and contracts, our procurement department works with supplier self-registration and supplier surveys. Among other questions, these enquire as to which compliance and anticorruption regulations are in place at the supplier, and whether these also apply for upstream suppliers and subcontractors. Furthermore, the information requested also includes enquiring whether working conditions are consistent with the relevant national laws and ordinances and whether internationally recognised working standards are complied with. We also enquire about non-monetary company objectives, such as voluntary environmental protection measures or educational, cultural or sports sponsorship activities.

Another important topic in our company management, and a particular focus of our Executive Board, involves ensuring that women are present on all hierarchical levels at the company. To this end, we motivate and support female employees systematically and comprehensively on all levels by offering them challenging tasks, accompanied by numerous development measures. Not only that, we are 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

All stock corporations in Germany are governed by the legally required dual management system, which is characterised in particular 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.

The **EXECUTIVE BOARD** is responsible for managing the company and its business. It manages the company independently and in the interests of the company with the objective of sustainable value creation. The Executive Board determines the company's strategic alignment and business policy, coordinates these with the Supervisory Board and ensures their implementation. In its decisions, it takes due account of the interests of the company's stakeholders – shareholders, employees and other groups associated with the company.

The Executive Board as a whole and each individual Executive Board member manage the company's business in accordance with the requirements of law, the Articles of Incorporation and the Code of Procedure. The Code of Procedure governing the work of the Executive Board is imposed by the Supervisory Board and sets out divisional responsibilities, the duties and decisions incumbent on the overall Executive Board, the duties of the Chief Executive Officer and the ways in which resolutions may be adopted. Furthermore, consistent with § 111 (4) Sentence 2 of the German Stock Corporation Act (AktG) the Code of Procedure includes a detailed catalogue of those transactions for which the Executive Board is obliged to seek Supervisory Board approval. The Executive Board of MVV Energie AG consists of four members. As Chief Executive Officer, Dr. Georg Müller coordinates the work of the Executive Board members and represents the Executive Board externally. 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. 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. 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 specialist 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. The terms in office are identical. Three of the current Supervisory Board members are women.

The Supervisory Board Chairman, Dr. Peter Kurz, coordinates the work of the Supervisory Board. The Supervisory Board has a self-imposed Code of Procedure governing its activities. In its proposal to the Annual General Meeting held on 16 March 2012 in respect of the election of a Supervisory Board member, the Supervisory Board took due account of the knowledge, ability and specialist experience necessary to perform the duties involved. Extensive information about the tasks and activities of the Supervisory Board and its committees in the 2011/12 financial year can be found in the ▶ *Supervisory Board Report from Page 26 onwards*. The current composition of the Supervisory Board and of the committees it has formed to enhance the efficiency of its activities has been presented in the chapter ▶ *Directors and Officers from Page 165 onwards*. The compensation of Supervisory Board members is presented below in the ▶ *Compensation Report on Page 105*.

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. The Audit Committee deals with corporate planning and fundamental financial reporting issues. Furthermore, its duties also include preparing the selection of the auditor, advising on and discussing the annual and consolidated financial statements, as well as the interim consolidated financial statements prepared for each quarter and for the first half of the year. Moreover, it monitors the effectiveness of the internal control system, internal audit, organisational precautions to ensure compliance with legal requirements and 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 has been restructured in line with the findings of the review of the compensation system by an external compensation expert and consistent with the requirements of the German Management Board Compensation Act (VorstAG).
- 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. To this end, it has presented a requirements profile for Supervisory Board members laying 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. The members of the Supervisory Board should complement one another to ensure that the whole range of targeted expertise, abilities and experience are represented within the Supervisory Board. It is thus acknowledged that not every Supervisory Board member can meet the whole spectrum

of specialist requirements. An upper age limit of 70 years should be complied with and the Supervisory Board should also include an adequate number of independent members. We already meet this objective. Both the Nomination Committee and subsequently the Supervisory Board have held detailed discussions about the recommendation made by the German Corporate Governance Code concerning the suitable level of participation by women. 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 also 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 Personnel Committee meet several times a year. The Mediation Committee and Nomination Committee are convened when necessary.

Independence: In respect of Point 5.4.2 of the new version of the Code, we are of the opinion that the Supervisory Board members assigned by the City of Mannheim and potentially attributable to such nevertheless constitute independent members pursuant to the German Corporate Governance code, as these members do not maintain any personal or business, i.e. commercial, links with the company or its executive and supervisory boards.

This complete Corporate Governance Declaration has also been published on the internet. Further details at ▶ **www.mvv-investor.de.**

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Compensation Report

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In this Compensation Report we set out the principles of our compensation structure, as well as the structure and level of compensation for the Executive and Supervisory Boards of MVV Energie AG. Furthermore, we explain which benefits are foreseen for Executive Board members should they terminate their activity or retire.

The basic principles of the compensation system and the disclosures concerning the compensation of Executive and Supervisory Board members for the 2011/12 financial year take due account of the requirements of the German Commercial Code (HGB) and of the recommendations made by the German Corporate Governance Code. Our compensation system is designed in such a way as to incentivise the successful, sustainable management of the company.

Compensation of Executive Board members

The Executive Board was paid compensation totalling Euro 2 518 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	472	372	18	862
Matthias Brückmann	300	248	9	557
Dr. Werner Dub	286	248	19	553
Hans-Jürgen Farrenkopf	289	248	9	546
Total	**1 347**	**1 116**	**55**	**2 518**

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 are granted an annual bonus to account for 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 the 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 2011/12 financial year.

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

The Executive Board members Dr. Georg Müller and Matthias Brückmann have been granted 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 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 1.10.2011	Pension contribution	Balance 30.9.2012[1]	Balance 30.9.2012[2]	Service cost	Interest expenses	Retrospective service cost
Dr. Georg Müller	951	149	1 150	1 524	113	50	—
Matthias Brückmann	1 240	112	1 417	1 875	84	65	—
Total	**2 191**	**261**	**2 567**	**3 399**	**197**	**115**	**—**

1 including interest

2 equivalent to present value of vested claims

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 are imputed. 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 obligation

Euro 000s	Value of final pension[1]	Benefit percentage[2]	Benefit percentage[3]	Allocation to pension provision		
				Service cost	Interest expenses	Retrospective service cost
Dr. Werner Dub	103	64 %	66 %	105	71	—
Hans-Jürgen Farrenkopf	118	62 %	62 %	175	89	—
Total	**221**			**280**	**160**	**—**

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

Former members of the Executive Board received benefits of Euro 223 thousand in the year under report. Provisions totalling Euro 6 870 thousand have been stated for pension obligations towards former members of the Executive Board. A total of Euro 300 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 2 910 thousand was paid to this group in the year under report, with the predominant share (Euro 2 795 thousand) involving payments with current maturities.

Unless they are still insured via municipal supplementary pension companies (ZVK), these individuals 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, they can determine which biometric risks they would like to cover. Total expenses incurred for the aforementioned compensation schemes amounted to Euro 115 thousand in the year under report.

Compensation of Supervisory Board members

The compensation of our Supervisory Board members is commensurate to their duties and to the responsibilities they assume. The members of the Supervisory Board received annual compensation of Euro 10 thousand each in the 2011/12 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 420 thousand. The compensation for the employee representatives in the Supervisory Board (excluding Supervisory Board compensation) amounted to Euro 950 thousand in the year under report.

The composition of the Supervisory and Executive Boards has been presented in a separate overview ▶ *on Page 165*.

Supervisory Board compensation

Euro	Supervisory Board compensation	Meeting allowances
Dr. Peter Kurz	20 000	21 000
Johannes Böttcher	10 000	6 000
Timo Carstensen	7 500	5 000
Peter Dinges	17 500	16 000
Ralf Eisenhauer	5 417	4 000
Peter Erni	10 000	6 000
Detlef Falk	11 875	10 000
Dr. Stefan Fulst-Blei	4 611	4 000
Reinhold Götz	10 000	5 000
Prof. Dr. Egon Jüttner	10 000	4 000
Gunter Kühn	10 000	6 000
Dr. Antje Mohr	10 000	6 000
Dr. Lorenz Näger	12 500	9 000
Barbara Neumann	3 125	1 000
Wolfgang Raufelder	10 000	4 000
Uwe Spatz	12 500	16 000
Christian Specht	10 000	7 000
Dr. Dieter Steinkamp	10 000	7 000
Carsten Südmersen	12 500	17 000
Katja Udluft	10 000	5 000
Heinz-Werner Ufer	15 000	17 000
Jürgen Wiesner	10 000	11 000
Total	**232 528**	**187 000**

CONSOLIDATED FINANCIAL STATEMENTS

»The most reliable way to forecast the future is to try to understand the present.«

John Naisbitt,
American Trend Researcher

INCOME STATEMENT

from 1.10.2011 to 30.9.2012

Income statement of the MVV Energie Group

Euro 000s	1.10.2011 to 30.9.2012	1.10.2010 to 30.9.2011	Notes
Sales[1]	4 128 654	3 814 180	
less electricity and natural gas taxes	234 120	213 978	
Sales less electricity and natural gas taxes	**3 894 534**	**3 600 202**	1
Changes in inventories	–9 354	5 602	2
Own work capitalised	10 355	18 917	3
Other operating income	238 641	242 607	4
Cost of materials	3 103 410	2 820 633	5
Personnel expenses	332 571	328 423	6
Other operating expenses	352 878	290 037	7
Income from associates	22 718	14 895	8
Other income from shareholdings	5 941	2 410	8
EBITDA[2]	**373 976**	**445 540**	
Depreciation[1]	175 727	161 321	9
EBITA	**198 249**	**284 219**	
Restructuring expenses	—	30 926	
EBIT	**198 249**	**253 293**	
of which result of IAS 39 derivative measurement	–20 113	46 304	
of which EBIT before result of IAS 39 derivative measurement	218 362	206 989	
Financing income	9 916	8 239	10
Financing expenses	77 163	67 548	11
EBT	**131 002**	**193 984**	
Taxes on income	46 977	58 362	12
Annual net surplus	**84 025**	**135 622**	
of which minority interests	21 122	18 394	
of which share of earnings attributable to shareholders in MVV Energie AG (annual net surplus after minority interests)	**62 903**	**117 228**	13
Basic and diluted earnings per share in Euro	**0.95**	**1.78**	13

1 previous year's figures adjusted. Further details can be found under ▶ *Accounting policies*
2 before restructuring

STATEMENT OF INCOME AND EXPENSES RECOGNISED IN GROUP EQUITY

from 1.10.2011 to 30.9.2012

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

Euro 000s	1.10.2011 to 30.9.2012	1.10.2010 to 30.9.2011
Annual net surplus	**84 025**	**135 622**
Cash flow hedges	–46 589	–17 868
Differential amounts from currency translation	–2 057	–542
Other income and expenses	**–48 646**	**–18 410**
Comprehensive income	**35 379**	**117 212**
Minority interests	13 464	18 217
Comprehensive income attributable to shareholders in MVV Energie AG	**21 915**	**98 995**

BALANCE SHEET

at 30.9.2012

Balance sheet of the MVV Energie Group

Euro 000s	30.9.2012	30.9.2011	Notes
Assets			
Non-current assets			
Intangible assets	255 950	309 682	14
Property, plant and equipment[1]	2 255 191	2 306 173	15
Investment property	305	5 885	16
Associates	102 493	101 428	17
Other financial assets	97 519	93 502	18
Other receivables and assets	140 222	135 264	19
Deferred tax assets	16 401	12 746	33
	2 868 081	**2 964 680**	
Current assets			
Inventories	59 609	65 923	20
Trade receivables	474 896	448 056	21
Other receivables and assets	267 860	219 690	19
Tax receivables	20 389	6 346	22
Securities	1 990	1 425	
Cash and cash equivalents	378 368	168 518	23
Assets held for sale	7 225	—	24
	1 210 337	**909 958**	
	4 078 418	**3 874 638**	
Equity and liabilities			
Equity			25
Share capital	168 721	168 721	
Capital reserve	455 241	455 241	
Accumulated net income	517 363	512 030	
Accumulated other comprehensive income	–42 968	–2 549	
Capital of the MVV Energie Group	**1 098 357**	**1 133 443**	
Minority interests	208 048	212 649	
	1 306 405	**1 346 092**	
Non-current debt			
Provisions	138 237	123 285	26, 27, 28
Financial debt	1 212 801	933 270	29
Other liabilities[1]	398 001	346 431	30
Deferred tax liabilities	126 322	151 495	33
	1 875 361	**1 554 481**	
Current debt			
Other provisions	102 240	184 746	26, 28
Tax provisions	14 302	16 289	26, 28
Financial debt	193 288	322 197	29
Trade payables	336 583	246 203	31
Other liabilities	249 933	204 141	30
Tax liabilities	306	489	32
	896 652	**974 065**	
	4 078 418	**3 874 638**	

1 previous year's figures adjusted. Further details can be found under ▶ *Accounting policies*

STATEMENT OF CHANGES IN EQUITY

from 1.10.2011 to 30.9.2012

Statement of changes in equity of the MVV Energie Group

	Equity contributed		Equity generated					
				Accumulated other comprehensive income				
Euro 000s	Share capital of MVV Energie AG	Capital reserve of MVV Energie AG	Revenue reserves and unappropriated net income	Differential amount from currency translation	Fair value measurement of financial instruments	**Capital of the MVV Energie Group**	Non-controlling interests	**Total capital**
Balance at 1.10.2010	**168 721**	**455 241**	**452 089**	**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**	**512 030**	**17 843**	**–20 392**	**1 133 443**	**212 649**	**1 346 092**
Balance at 1.10.2011	**168 721**	**455 241**	**512 030**	**17 843**	**–20 392**	**1 133 443**	**212 649**	**1 346 092**
Income and expenses recognised in equity	—	—	—	–1 886	–39 102	–40 988	–7 658	–48 646
Result of business operations	—	—	62 903	—	—	62 903	21 122	84 025
Comprehensive income	—	—	**62 903**	**–1 886**	**–39 102**	**21 915**	**13 464**	**35 379**
Dividend distribution	—	—	–59 316	—	—	–59 316	–24 028	–83 344
Capital increase/ reduction at subsidiaries	—	—	—	—	—	—	7 474	7 474
Change in scope of consolidation	—	—	1 746	—	569	2 315	–1 511	804
Balance at 30.9.2012	**168 721**	**455 241**	**517 363**	**15 957**	**–58 925**	**1 098 357**	**208 048**	**1 306 405**

CASH FLOW STATEMENT

from 1.10.2011 to 30.9.2012

Cash flow statement of the MVV Energie Group

Euro 000s	**1.10.2011 to 30.9.2012**	1.10.2010 to 30.9.2011
Annual net surplus before taxes on income	131 002	193 984
Amortisation of intangible assets, depreciation of property, plant and equipment and investment property[1]	175 727	161 321
Net financial result	67 248	59 309
Interest received	9 364	8 155
Change in non-current provisions	28 633	21 252
Other non-cash income and expenses	20 172	–35 525
Result of disposal of non-current assets	–13 833	6 279
Cash flow before working capital and taxes	**418 313**	**414 775**
Change in other assets	–203 327	–76 782
Change in other liabilities[1]	221 561	99 926
Change in current provisions	–86 416	–9 484
Income taxes paid	–64 884	–52 723
Cash flow from operating activities	**285 247**	**375 712**
Investments in intangible assets, property, plant and equipment and investment property	–261 678	–212 475
(Free cash flow)	**(23 569)**	**(163 237)**
Proceeds from disposals of intangible assets, property, plant and equipment and investment property	24 813	10 104
Proceeds from subsidy payments	21 189	17 160
Proceeds from sale of fully and proportionately consolidated companies	116 510	—
Proceeds from sale of other financial assets	11 843	2 837
Payments for acquisition of fully and proportionately consolidated companies	–3 417	–22 573
Payments for other financial assets	–21 890	–12 013
Cash flow from investing activities	**–112 630**	**–216 960**
Proceeds from taking up of loans	349 499	162 476
Payments for redemption of loans	–166 770	–163 054
Dividend payment	–59 316	–59 316
Dividend payment to non-controlling interests	–24 027	–24 036
Change due to changes in capital at minority shareholders	4 349	1 110
Interest paid	–66 738	–61 154
Cash flow from financing activities	**36 997**	**–143 974**
Cash-effective changes in cash and cash equivalents	209 614	14 778
Change in cash and cash equivalents due to currency translation	94	–486
Change in cash and cash equivalents due to changes in scope of consolidation	142	7 125
Cash and cash equivalents at 1.10.2011 (2010)	168 518	147 101
Cash and cash equivalents at 30.9.2012 (2011)	**378 368**	**168 518**

1 previous year's figures adjusted. Further details can be found under ▶ *Accounting policies*

Cash flow – aggregate presentation

Euro 000s	**1.10.2011 to 30.9.2012**	1.10.2010 to 30.9.2011
Cash and cash equivalents at 1.10.2011 (2010)	**168 518**	**147 101**
Cash flow from operating activities	285 247	375 712
Cash flow from investing activities	– 112 630	– 216 960
Cash flow from financing activities	36 997	– 143 974
Change in cash and cash equivalents due to currency translation	94	– 486
Change in cash and cash equivalents due to changes in scope of consolidation	142	7 125
Cash and cash equivalents at 30.9.2012 (2011)	**378 368**	**168 518**

NOTES TO 2011/12 CONSOLIDATED FINANCIAL STATEMENTS

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of MVV Energie Group

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Information about the company

MVV Energie AG has its legal domicile in Mannheim, Germany. Its registered company headquarters is at: Luisenring 49, 68159 Mannheim, Germany. As the parent company of the MVV Energie Group, MVV Energie AG acts as an energy distribution company and service provider in its value creation stages of Generation and Infrastructure, Trading and Portfolio Management, Sales and Services and Strategic Investments.

Basis of preparation

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 IFRS Interpretations Committee (previously IFRIC). The consolidated financial statements thus fully conform with the IFRS and IFRIC published by the IASB to the extent that these had been adopted by the European Union by the end of the period under report and required mandatory application as of 30 September 2012.

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 2011/12 financial year (1 October 2011 to 30 September 2012). The consolidated financial statements have been compiled in euros. Unless otherwise indicated, all amounts have been stated in thousand euros (Euro 000s).

Alongside the income statement, statement of income and expenses recognised in group equity and balance sheet, the statement of changes in equity 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 prepared by the Executive Board on 13 November 2012 and subsequently forwarded to the Supervisory Board for adoption.

Changes in accounting policies

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 2011/12 financial year.

The standards and interpretations accounted for by the MVV Energie Group for the first time in the 2011/12 financial year are presented in the following overview:

AMENDED STANDARDS AND INTERPRETATIONS		EU ENDORSEMENT	EFFECTIVE DATE[1]	CONTENT	IMPLI-CATIONS
IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	outstanding	1.7.2011	The amendments deal with the question as to how a company should apply IFRS following a period in which it was unable to do so as its functional currency was exposed to severe hyperinflation.	none
IFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets	23.11.2011	1.7.2011	The amendment extends the disclosure obligations in connection with transfers of financial assets aimed at enhancing the user's understanding of such transactions and of the impact of risks potentially remaining.	none
IFRIC 14	Prepayment of a Minimum Funding Requirement	20.7.2010	1.1.2011	Where a defined benefit plan is subject to a minimum funding requirement, the amendment to IFRIC 14 requires this prepayment to be treated like any other prepayment as an asset.	none
IAS 24	Related Party Disclosures	20.7.2010	1.1.2011	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 disclosures on related party transactions.	none
Improvement project 2010 and "Omnibus Standard Amending Various IFRSs"		19.2.2011	1.7.2010	Within the framework of annual adjustments, the IASB pooled minor amendments and clarifications to various standards in an omnibus standard.	none

1 applicable in financial years beginning on or after the date stated

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 2011/12 financial year and of which no voluntary premature application has been made:

AMENDED STANDARDS AND INTERPRETATIONS		EU ENDORSEMENT	EFFECTIVE DATE[1]	CONTENT
IFRS 9	Financial Instruments	outstanding	1.1.2015	This amendment involves new requirements for the recognition and measurement of financial instruments, write-downs and hedge accounting.
IFRS 7	Financial Instruments – Disclosures Offsetting Financial Assets and Financial Liabilities	outstanding	1.1.2013	New disclosure obligations in respect of offsetting financial liabilities and financial assets.
IAS 32	Financial Instruments – Presentation Offsetting Financial Assets and Financial Liabilities	6.6.2012	1.1.2014	The amendments specify more detailed requirements for the offsetting of financial assets and financial liabilities.
IAS 19	Employee Benefits	outstanding	1.1.2013	The amendments in the revised version of IAS 19 refer to the recognition and measurement of expenses for defined benefit plans and termination benefits.
IAS 27	Separate Financial Statements	outstanding	1.1.2013	The consolidation requirements previously included in IAS 27 (2008) have been revised and are now included in IFRS 10 "Consolidated Financial Statements". The requirements for separate financial statements remain unchanged.
IAS 28	Investments in Associates and Joint Ventures	outstanding	1.1.2013	The revised version of IAS 28 includes follow-up amendments resulting from the publication of IFRS 10, IFRS 11 and IFRS 12.
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	outstanding	1.1.2013	This amendment addresses the recognition of stripping costs at active mining operations.
IFRS 1	First-time Adoption of International Financial Reporting Standards – Government Loans	outstanding	1.1.2013	The amendment deals with the recognition of interest-free government loans upon first-time adoption of International Financial Reporting Standards.
IFRS 10	Consolidated Financial Statements	outstanding	1.1.2013	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.
IFRS 11	Joint Arrangements	outstanding	1.1.2013	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 previous 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.
IFRS 12	Disclosures of Interests in Other Entities	outstanding	1.1.2013	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".

AMENDED STANDARDS AND INTERPRETATIONS		EU ENDORSEMENT	EFFECTIVE DATE[1]	CONTENT
IFRS 13	Fair Value Measurement	outstanding	1.1.2013	This standard deals with fair value measurement and the relevant note disclosures. It offers assistance for determining fair value to the extent that this is prescribed by other IFRSs as the measurement method to be used.
Improvement project 2009-11 and "Omnibus Standard Amending Various IFRSs"		outstanding	1.1.2012	Within the framework of annual adjustments, the IASB pooled minor amendments and clarifications to various standards in an omnibus standard.
IAS 12	Income Taxes, Deferred Tax: Recovery of Underlying Assets	outstanding	1.1.2012	This amendment applies to investment properties measured at fair value. In future, 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.
IAS 1	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	6.6.2012	1.7.2012	Breakdown of other comprehensive income (OCI) into items due to be recycled to the income statement in later years and items due to remain in equity.

1 applicable in financial years beginning on or after the date stated

The implications of the first-time application of the other standards not yet requiring mandatory application 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 2011/12 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 2011/12 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
30.9.2011	72	14	7
Mergers	3	—	—
Additions	5	—	—
Disposals	1	1	2
30.9.2012	**73**	**13**	**5**

The companies included in the consolidated financial statements of the MVV Energie Group as of 30 September 2012 are presented in the list of shareholdings in Note 40.

The Group's principal joint ventures relate to the companies at Stadtwerke Ingolstadt. 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 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	**30.9.2012**	30.9.2011
Assets		
Non-current assets	95.0	158.2
Current assets	34.3	47.1
	129.3	**205.3**
Equity and liabilities		
Equity	34.0	88.0
Non-current debt	46.1	56.0
Current debt	49.2	61.3
	129.3	**205.3**

Income statement		
Euro million	**2011/12**	2010/11
Sales	297.0	262.8
Own work capitalised and changes in inventories	2.6	1.0
Other operating income	14.8	14.1
Cost of materials	243.4	211.4
Personnel expenses	19.8	19.4
Other operating expenses	26.2	16.7
Other income from shareholdings	0.1	0.1
EBITDA	**25.1**	**30.5**
Depreciation	11.0	8.0
EBITA	**14.1**	**22.5**
Goodwill amortisation	—	—
EBIT	**14.1**	**22.5**
Financing income	0.1	0.2
Financing expenses	2.2	2.1
EBT	**12.0**	**20.6**
Taxes on income	4.6	6.8
Annual net surplus	**7.4**	**13.8**

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

- e.services s.r.o., Děčín
- Cerventus Naturenergie Verwaltungs GmbH, Offenbach am Main
- Frassur GmbH, Mörfelden-Walldorf, with its subsidiary AVA Abwasser- und Verwertungsanlagen GmbH, Mörfelden-Walldorf
- Biomethananlage Kroppenstedt GmbH, Munich

MVV Nederland B.V., Amsterdam, was merged into MVV RHE GmbH, Mannheim, as of 1 October 2011. The merger did not have any implications for the Group's net asset, financial and earnings position.

SWKiel Erzeugung GmbH, Kiel, was merged into 24sieben GmbH, Kiel, as of 1 October 2011. The merger did not have any implications for the Group's net asset, financial and earnings position.

e.services s.r.o., Děčín, a company internally founded, was included in the consolidated financial statements for the first time in the 2011/12 financial year. The accounting activities of the Czech subgroup are centralised at e.services s.r.o.

In the 1st half of 2011/12, the company acquired 100 % of the shares in Frassur GmbH, Mörfelden-Walldorf, and its subsidiary AVA Abwasser- und Verwertungsanlagen GmbH, Mörfelden-Walldorf. Accordingly, these companies were fully consolidated for the first time in the consolidated financial statements of the MVV Energie Group. The purchase price was paid in April 2012. The acquisition of these companies will ensure that capacity utilisation rates remain high at the energy from waste plant at Energieversorgung Offenbach AG.

In the 3rd quarter of 2011/12, the company acquired 74.9 % of the shares in Biomethananlage Kroppenstedt GmbH, Munich. Accordingly, this company was fully consolidated for the first time in the consolidated financial statements of the MVV Energie Group. The purchase price was settled upon acquisition of the shares. This acquisition will further expand our activities in the biomethane business field.

The company sold its 49.9 % stakes respectively in the companies Stadtwerke Solingen GmbH, Beteiligungsgesellschaft Solingen mbH and Stadtsparkasse Solingen as of the end of the 2011/12 financial year. Prorated payment of the sale price was made upon the conclusion of the current financial year. In the course of this transaction, the 5.0 % shareholding in MVV Trading GmbH, Mannheim, was transferred to MVV Energie AG, Mannheim.

On the basis of the same contract, the shares in MVV Energiedienstleistungen GmbH Solingen, Solingen, previously owned by MVV Energiedienstleistungen GmbH were also sold to Stadtwerke Solingen GmbH, Solingen.

The company sold 24.1 % of the shares in Maintal-Werken GmbH, Maintal, as of the end of the 2011/12 financial year. To account for the loss of significant influence, the remaining stake of 24.9 % was recognised under other shareholdings.

Furthermore, the remaining minority shares in Zásobování teplem Vsetín a.s., Vsetín, amounting to 1.18 %, were acquired at the end of the 2011/12 financial year. This company has thus been included at 100 % in the consolidated financial statements of MVV Energie AG.

The option to purchase the remaining shares in A+S Naturenergie GmbH, Pfaffenhofen, was exercised in the 2011/12 financial year. Furthermore, the respective shareholdings in SECURA Energie

GmbH, Mannheim, held by Energieversorgung Offenbach AG, Offenbach am Main, Stadtwerke Ingolstadt Energie GmbH, Ingolstadt, and RheinEnergie Aktiengesellschaft, Cologne, were taken over. Moreover, MVV Umwelt Ressourcen GmbH, Mannheim, acted on the options to acquire a further 25.1 % of the shares in the two companies Naunhofer Transportgesellschaft mbH, Parthenstein-Großsteinberg, and W.T.A. Wertstoff Transport Agentur GmbH, Lichtentanne.

The fair value upon acquisition of the identifiable assets and liabilities at the companies consolidated for the first time in the period under report is presented in the following table. Changes in the initial consolidation of Frassur GmbH, Mörfelden-Walldorf, and its subsidiary AVA Abwasser- und Verwertungsanlagen GmbH, Mörfelden-Walldorf, arose in the course of the 2011/12 financial year.

Identifiable assets and liabilities

	Biomethananlage Kroppenstedt GmbH, Munich		Frassur GmbH, Mörfelden-Walldorf, AVA Abwasser- und Verwertungsanlagen GmbH, Mörfelden-Walldorf	
Euro 000s	Recognised upon acquisition	Carrying amount	Recognised upon acquisition	Carrying amount
Intangible assets	—	—	609	11
Property, plant and equipment	1 276	551	3 148	3 148
Financial assets	—	—	26	26
Inventories, receivables, other assets	105	105	3 475	3 475
Cash and cash equivalents	4	4	396	396
Provisions	—	—	634	634
Other liabilities	619	619	5 466	5 466
Deferred tax liabilities	223	6	19	19
Fair value of net assets	**543**	**—**	**1 535**	**—**
Share acquired in net assets of company	406	—	1 535	—
Goodwill	99	—	1 376	—

The purchase prices were settled with liquid funds. Since their initial consolidation, the companies thereby acquired have contributed sales of Euro 6 654 thousand and earnings of Euro 156 thousand.

Neither the transfer nor the acquisition of shares had any material implications for the Group's net asset, financial or earnings position.

Consolidation methods

The annual financial statements included in consolidation have been prepared on the basis of uniform accounting policies as of 30 September 2012.

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 value upon acquisition. Any remaining credit difference is recognised 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 at a given cash generating unit upon deconsolidation is accounted for in the proceeds on disposal. Any debit differences arising are recognised through profit or loss following a renewed review of the purchase price allocation.

Non-controlling interests represent the share of earnings and net assets not attributable to the Group. Non-controlling 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.

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.

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

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 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 businesses 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 revenue reserves (differential amount from currency translation).

Currency translation has been based on the following exchange rates:

Currency translation

	Reporting date rate		Average rate	
1 Euro	**30.9.2012**	30.9.2011	**1.10.2011 to 30.9.2012**	1.10.2010 to 30.9.2011
Czech crown (CZK)	25.141	24.754	25.176	24.476
British pound (GBP)	0.798	0.867	0.823	0.868

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 in the net financial result 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. Where subsequent measurement is required, application is made of the floating average method.

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 directly 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. Such costs are recognised as soon as the asset in question requires a significant period of time to be prepared for its intended use or sale.

The costs of assets are reduced by public subsidies received (investment grants). 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.

Since the 2011/12 financial year, construction cost grants for house connection costs have been recognised as liabilities, as a result of which these items now impact on sales rather than depreciation. To facilitate comparison, the previous year's figures have been adjusted.

Items of property, plant and equipment have been subject to straight-line depreciation consistent with their pattern of consumption. Depreciation is undertaken pro 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 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.

Impairments 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 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 in 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 goodwill has been allocated exceed its recoverable amount, then the goodwill thereby allocated is written down first. Any further write-down requirement is then accounted for by means of a prorated reduction in the carrying amounts of the other assets at the cash generating unit.

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 finance 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 to 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 in the net financial result.

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. Where subsequent measurement is required, application is made of the floating average method.

Customer-specific construction contracts

Customer-specific construction contracts are recognised at percentage of completion. This means that prorated sales and the cost 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. Risks resulting from any impairment in utility are accounted for by way of suitable deductions.

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 the tax rates applicable at individual companies. For corporations, this tax rate results from the unchanged corporate income tax of 15 %, the unchanged solidarity surcharge of 5.5 % and the respectively applicable trade tax rate of approximately 14 % to 17 %. 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. The discount rate is set on a group-wide basis at 1.0 % for provisions with terms of between one and five years and at 1.3 % for provisions with terms of five years or more.

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 of at the balance sheet date, this method also accounts for salary and pension increases expected in 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 2012 are:

	30.9.2012	30.9.2011
Discount rate	3.8 %	5.7 %
Future salary increases	1.0 – 3.0 %	1.0 – 3.0 %
Future pension increases	1.0 – 3.0 %	1.0 – 2.0 %

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 rates 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. Process optimisations implemented in the year under report led to the reclassification of provisions as liabilities. This has increased the meaningfulness of the presentation of the Group's net asset and financial position.

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, non-controlling 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 non-controlling 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

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 other assets or other 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 revenue reserves. 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 circumstances indicate that this might be 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 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.

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 asset, 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 date for trade receivables and payables already incurred but not yet invoiced.

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

When assessing these measurement uncertainties, reference is always made to the best information available concerning circumstances 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 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.

The sales of our foreign subsidiaries amounted to Euro 112 418 thousand in group currency.

2 Changes in inventories

Changes in inventories chiefly result from the launch of operations on two contracting projects in which the MVV Energie Group acts as lessor within the framework of finance leases.

3 Own work capitalised

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

4 Other operating income

Other operating income

Euro 000s	**2011/12**	2010/11
Income from IAS 39 derivatives	133 399	131 345
Reversals of provisions	18 962	16 733
Exchange rate gains	12 040	2 995
Income from emission rights	9 278	11 477
Reversals of write-downs and receipts of receivables already retired	6 931	9 390
Credits and refunds	6 715	3 719
Income from sales of assets	4 647	2 139
Reimbursements of damages claims	3 821	3 348
Benefits to employees	3 113	3 078
Agency agreements and personnel supplies	2 820	6 693
Income from collections of outstanding receivables	2 571	2 917
Rental income	2 467	2 143
Other	31 877	46 630
	238 641	**242 607**

Other operating income particularly relates to 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.

Given the increasing activities in Plymouth, UK, and exchange rate movements during the year, foreign currency income increased to Euro 12 040 thousand in the period under report (previous year: Euro 2 995 thousand). By analogy, foreign currency expenses also increased to Euro 7 795 thousand (previous year: Euro 2 546 thousand).

5 Cost of materials

Cost of materials		
Euro 000s	**2011/12**	2010/11
Raw materials, supplies and purchased goods	2 672 890	2 394 216
Purchased services	430 520	426 417
	3 103 410	**2 820 633**

Cost of materials includes write-downs on raw materials and supplies amounting to Euro 102 thousand (previous year: Euro 24 thousand). The item also includes write-ups of Euro 57 thousand recognised for raw materials and supplies due to an increase in the net sale price (previous year: Euro 11 thousand).

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

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

6 Personnel expenses

Personnel expenses		
Euro 000s	**2011/12**	2010/11
Wages and salaries	266 656	261 210
Social security expenses and welfare expenses	47 585	47 772
Pension expenses	18 330	19 441
	332 571	**328 423**

The MVV Energie Group had an annual average of 5 878 employees (previous year: 5 912). This figure includes 341 trainees (previous year: 359). Of the total workforce, 677 individuals are employed at proportionately consolidated companies (previous year: 676).

7 Other operating expenses

Other operating expenses		
Euro 000s	**2011/12**	2010/11
Expenses for IAS 39 derivatives	153 512	85 041
Additions to write-downs and receivables defaults	27 230	25 444
Maintenance, repair and IT service expenses	24 720	17 973
Contributions, fees and duties	20 783	22 841
Rental, leasehold and leasing expenses	19 435	17 698
Legal, consulting and surveyor expenses	15 118	14 602
Expenses for emission rights	14 600	17 315
Public relations expenses	10 792	12 548
Personnel and welfare expenses	9 826	10 212
Exchange rate losses	7 795	2 546
Operating taxes (including energy taxes)	7 614	14 472
Losses incurred on sales of assets	3 267	8 418
Accounting and year-end expenses	3 042	2 312
Office materials and specialist literature	1 115	1 409
Other	34 029	37 206
	352 878	**290 037**

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.

8 Income from associates and other income from shareholdings

Income from associates and other income from shareholdings

Euro 000s	2011/12	2010/11
Income from associates	22 718	14 895
Income from other shareholdings	2 098	2 775
Expenses/income from sales of financial assets	3 866	–365
Write-downs on other shareholdings	–23	—
	28 659	**17 305**

9 Depreciation and amortisation

Depreciation and amortisation

Euro 000s	2011/12	2010/11
Depreciation and amortisation	175 727	161 321
of which impairment losses	10 156	4 635

Impairment losses mainly related to adjustments to current market prices amounting to Euro 2 172 thousand for buildings (previous year: Euro 3 213 thousand) and to Euro 7 951 thousand for technical equipment and machinery (previous year: Euro 1 322 thousand). These were necessary due to adjustments made to account for reductions in the income expected from future use or for market conditions.

10 Financing income

Financing income

Euro 000s	2011/12	2010/11
Interest income from finance leases	4 981	4 281
Interest income from current account, overnight and fixed-term deposits	1 264	1 866
Income from general loans	124	215
Write-backs to securities	27	16
Other interest and similar income	3 520	1 861
	9 916	**8 239**

11 Financing expenses

Financing expenses

Euro 000s	2011/12	2010/11
Interest expenses on overdraft facilities, non-current and current loans	55 061	52 754
Compounding of provisions	10 781	5 529
Expenses for interest derivatives recognised under IAS 39	—	430
Interest and similar expenses	11 321	8 835
	77 163	**67 548**

12 Taxes on income

Taxes on income

Euro 000s	2011/12	2010/11
Actual taxes	50 019	56 532
Deferred taxes	–3 042	1 830
	46 977	**58 362**

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

Of deferred tax income, an amount of Euro 6 142 thousand (previous year: tax expenses of Euro 2 379 thousand) relates to the arising and/or reversal of temporary differences. The difference to total deferred tax income is due to tax expenses of Euro 3 100 thousand (previous year: 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 1 088 thousand by using tax losses not previously recognised (previous year: Euro 264 thousand).

The reconciliation of expected tax expenses with those actually reported is presented in the following table. The tax rate of 30.3 % applicable for the tax reconciliation (previous year: 30.0 %) consists of the unchanged corporate income tax of 15.0 %, the unchanged solidarity surcharge of 5.5 % and an average trade tax rate of 14.5 % (previous year: 14.0 %).

Reconciliation of income tax expenses

Euro 000s	2011/12	2010/11
Earnings before taxes (EBT)	**131 002**	**193 984**
Expected tax expenses based on tax rate of 30.3 % (previous year: 30.0 %)	**39 694**	**58 195**
Deviations resulting from trade tax assessment base	3 287	2 928
Deviations from expected tax rate	– 1 226	– 1 514
Utilisation of losses carried forward, change in write-downs for losses and losses for which no deferred taxes are recognised	4 547	– 549
Non-deductible expenses	2 257	1 984
Tax-exempt income	– 15 614	– 5 330
Earnings from shareholdings recognised at equity	– 1 336	– 2 244
Permanent differences	13 645	81
Taxes for previous years	3 348	2 721
Other	– 1 625	2 090
Effective tax expenses	**46 977**	**58 362**
Effective tax rate in %	**35.9**	**30.1**

The increase in the "Utilisation of losses carried forward, change in write-downs for losses and losses for which no deferred taxes are recognised" item was mainly due to a reassessment of the ongoing value of deferred tax assets recognised on losses carried forward, as well as to losses in the current financial year for which no deferred tax assets were recognised.

Tax-exempt income mostly results from the tax-exempt disposal of shareholdings in corporations (Stadtwerke Solingen and Maintal-Werke), from the tax-exempt merger gain from the restructuring of MVV RHE GmbH and from tax-exempt dividend income.

The "Permanent differences" item pools both the items reported in the previous year in the "Non-deductible goodwill amortisation and other consolidation measures" item and the permanent effects resulting from write-downs. The year-on-year increase was due in particular to one-off items upon the revaluation of financial assets and to permanent differences between the commercial and tax balance sheets.

13 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

	2011/12	2010/11
Share of earnings attributable to shareholders in MVV Energie AG (Euro 000s)	62 903	117 228
Number of shares (weighted average in 000s)	65 907	65 907
Earnings per share (Euro)	0.95	1.78
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 2011/12 financial year is based on the proposal made by the Executive Board and is subject to approval by the Annual General Meeting on 8 March 2013. This proposal involves the distribution of a dividend of Euro 59 316 thousand. The appropriation of earnings proposed for the 2010/11 financial year was approved by the Annual General Meeting on 16 March 2012. A total dividend of Euro 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 Balance Sheet

14 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 2011/12 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 Euro 4 594 thousand in the 2011/12 financial year (previous year: Euro 5 184 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. Growth rates of at least 0.5 % were used in the budgets for the impairment test performed in the 2011/12 financial year.

The calculation is based on costs of capital after taxes of 5.34 % (previous year: 5.34 %).

The recoverable amount/value in use was determined by discounting the cash flows expected at shareholdings using discount rates (weighted costs of capital) averaging 7.6 % before taxes (previous year: 7.7 %). The discount rates have been determined on the basis of available market data. The budget period for the underlying cash flows generally amounts to three years.

Within the framework of a sensitivity analysis, the impairments resulting from any increase/reduction by 0.5 % were calculated. This did not result in any notable changes in the ongoing values.

The carrying amounts stated for goodwill are structured as follows:

Goodwill carrying amounts

Euro 000s	**30.9.2012**	30.9.2011
Energieversorgung Offenbach subgroup	65 796	65 066
Stadtwerke Solingen subgroup	—	59 472
Stadtwerke Ingolstadt subgroup	53 759	53 759
Energy-related services subgroup	36 611	36 611
MVV Czech subgroup	6 490	6 606
Environmental energy subgroup	5 540	5 540
Other subgroups	1 018	926
	169 214	**227 980**

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 2011/12 financial year. The goodwill of Euro 59 472 thousand attributable to Stadtwerke Solingen GmbH was retired upon the sale of shares in that company. The inclusion of the shares in Frassur GmbH in the scope of consolidation of the MVV Energie Group gave rise to goodwill of Euro 729 thousand. The inclusion of Cerventus Naturenergie Verwaltungs GmbH in the scope of consolidation of the MVV Energie Group resulted in goodwill of Euro 1 thousand, while the inclusion of the shares in Biomethananlage Kroppenstedt GmbH in the scope of consolidation of the MVV Energie Group led to goodwill of Euro 99 thousand. Furthermore, currency translation effects of Euro –115 thousand were reported for the MVV Czech subgroup (previous year: Euro 79 thousand).

Intangible assets

Euro 000s	Concessions, industrial property rights and similar rights and values	Goodwill	Advance payments	**Total**
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
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**
Gross value at 1.10.2011	226 946	269 939	7 954	504 839
Change in scope of consolidation	–3 584	–78 297	–216	–82 097
Currency adjustments	–27	–154	–11	–192
Investments	17 311	—	1 911	19 222
Disposals	–1 324	—	–210	–1 534
Reclassifications	5 864	—	–5 864	—
Gross value at 30.9.2012	**245 186**	**191 488**	**3 564**	**440 238**
Amortisation at 1.10.2011	–153 198	–41 959	—	–195 157
Change in scope of consolidation	3 605	19 646	—	23 251
Currency adjustments	26	39	—	65
Scheduled amortisation	–12 830	—	—	–12 830
Disposals	383	—	—	383
Reclassifications	—	—	—	—
Amortisation at 30.9.2012	**–162 014**	**–22 274**	**—**	**–184 288**
Net value at 30.9.2012	**83 172**	**169 214**	**3 564**	**255 950**

15 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 1.10.2010[1]	765 846	3 917 854	205 066	113 672	5 002 438
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	**808 890**	**4 033 518**	**203 409**	**126 559**	**5 172 376**
Depreciation at 1.10.2010[1]	– 341 664	– 2 284 325	– 139 562	—	– 2 765 551
Change in scope of consolidation	– 6 430	– 18 545	– 118	—	– 25 093
Currency adjustments	369	717	15	—	1 101
Scheduled depreciation[1]	– 16 790	– 118 504	– 9 997	—	– 145 291
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	**– 360 250**	**– 2 368 208**	**– 137 745**	**—**	**– 2 866 203**
Net value at 30.9.2011	**448 640**	**1 665 310**	**65 664**	**126 559**	**2 306 173**
Gross value at 1.10.2011	808 890	4 033 518	203 409	126 559	5 172 376
Change in scope of consolidation	– 20 318	– 225 953	– 8 939	50	– 255 160
Currency adjustments	– 2 129	– 2 640	– 27	582	– 4 214
Investments	3 541	127 744	8 673	103 213	243 171
Subsidy payments received	– 55	– 8 401	– 23	—	– 8 479
Disposals	– 8 815	– 44 740	– 6 446	– 6 846	– 66 847
Reclassifications	2 284	77 242	1 005	– 80 531	—
Gross value at 30.9.2012	**783 398**	**3 956 770**	**197 652**	**143 027**	**5 080 847**
Depreciation at 1.10.2011	– 360 250	– 2 368 208	– 137 745	—	– 2 866 203
Change in scope of consolidation	11 011	139 870	7 865	—	158 746
Currency adjustments	752	1 449	34	—	2 235
Scheduled depreciation	– 17 394	– 124 650	– 10 458	—	– 152 502
Impairment losses	– 2 172	– 7 951	– 33	—	– 10 156
Disposals	4 461	31 882	5 881	—	42 224
Reclassifications	—	—	—	—	—
Depreciation at 30.9.2012	**– 363 592**	**– 2 327 608**	**– 134 456**	**—**	**– 2 825 656**
Net value at 30.9.2012	**419 806**	**1 629 162**	**63 196**	**143 027**	**2 255 191**

1 previous year's figures adjusted. Further details can be found under ▶ *Accounting policies*

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

Borrowing costs of Euro 1 849 thousand were capitalised in the 2011/12 financial year (previous year: Euro 1 076 thousand). The financing cost rates thereby assumed ranged from 4.7 % to 5.0 % (previous year: from 1.75 % to 4.37 %).

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 104 million (previous year: Euro 167 million) has been provided as security for financial debt. This mainly involves land and buildings.

An amount of Euro 42.1 million was recognised as advance payments and construction in progress in the 2011/12 financial year for the energy from waste plant in Plymouth, UK (previous year: Euro 8.5 million).

16 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 320 thousand in total. There were no indications of impairment in the 2011/12 financial year. A new survey will therefore be commissioned for the 2012/13 annual financial statements. Given the disposal of the shares held in MVV Energiedienstleistungen GmbH Solingen, the old people's home in Solingen is no longer included in the scope of consolidation of the MVV Energie Group. Investment property therefore now relates solely to a residential and commercial property let out in Köthen. Rental income amounted to Euro 624 thousand in the financial year (previous year: Euro 665 thousand). Direct operating expenses (excluding scheduled depreciation) amounted to Euro 407 thousand (previous year: Euro 116 thousand).

Investment property

Euro 000s	**2011/12**	2010/11
Gross value at 1.10.	7 557	7 479
Change in scope of consolidation	–7 122	—
Investments	13	78
Gross value at 30.9.	**448**	**7 557**
Depreciation at 1.10.	–1 672	–1 421
Change in scope of consolidation	1 768	—
Scheduled depreciation	–239	–251
Depreciation at 30.9.	**–143**	**–1 672**
Net value at 30.9.	**305**	**5 885**

17 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.

Investments in associates (at equity)

Euro 000s	**2011/12**	2010/11
Gross value at 1.10.	105 735	97 267
Change in scope of consolidation	–6 946	–50
Investments	—	1 640
Measurement at equity	8 648	7 480
Disposals	—	–1 497
Reclassifications	—	895
Gross value at 30.9.	**107 437**	**105 735**
Amortisation at 1.10.	–4 307	–4 307
Amortisation at 30.9.	**–4 944**	**–4 307**
Net value at 30.9.	**102 493**	**101 428**

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

Balance sheet

Euro 000s	**30.9.2012**	30.9.2011
Assets		
Non-current assets	1 404 349	1 105 686
Current assets	260 404	360 954
	1 664 753	**1 466 640**
Equity and liabilities		
Equity	279 586	262 049
Provisions	546 355	569 998
Liabilities	838 812	634 593
	1 664 753	**1 466 640**

Income statement

Euro 000s	**2011/12**	2010/11
Sales	755 110	761 574
Annual net surplus	47 852	45 591

The investment income received by the MVV Energie Group from these associates in the 2011/12 financial year amounted to Euro 6 101 thousand (previous year: Euro 7 415 thousand).

Our share of the contingent liabilities of companies measured at equity amounts to Euro 1 355 thousand (previous year: Euro 1 264 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.

18 Other financial assets

Other financial assets

Euro 000s	Other majority shareholdings	Other shareholdings	Loans general	Loans in connection with finance leases	Securities	**Total**
Gross value at 1.10.2010	20 553	9 618	6 775	63 202	4 771	104 919
Change in scope of consolidation	–563	–5	—	—	—	–568
Currency adjustments	–3	—	—	—	—	–3
Investments	268	—	1 380	7 098	1 627	10 373
Subsidy payments received	—	—	–1 012	—	—	–1 012
Disposals	–981	–140	—	–617	–1 478	–3 216
Reclassifications	–25	–870	–44	–4 552	70	–5 421
Gross value 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
Change in scope of consolidation	—	—	—	—	—	—
Currency adjustments	3	—	—	—	—	3
Scheduled amortisation	—	—	—	—	–11	–11
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**
Gross value at 1.10.2011	19 249	8 603	7 099	65 131	4 990	105 072
Change in scope of consolidation	25	–1 937	–194	–4 126	–277	–6 509
Currency adjustments	–7	—	—	—	—	–7
Investments	169	8 206	491	19 728	949	29 543
Subsidy payments	—	—	—	—	—	—
Addition/disposal partners	—	—	—	—	—	—
Addition/disposal split-off	–56	—	—	—	—	–56
Disposals	–150	–368	–1 320	–413	–1 429	–3 680
Reclassifications	–11 620	—	–200	–7 774	–565	–20 159
Gross value at 30.9.2012	**7 610**	**14 505**	**5 876**	**72 546**	**3 668**	**104 204**
Amortisation at 1.10.2011	–11 320	–122	—	–33	–95	–11 570
Change in scope of consolidation	—	—	—	—	33	33
Currency adjustments	7	—	—	—	—	7
Scheduled amortisation	—	—	—	—	—	—
Write-ups	—	—	—	—	27	27
Impairment losses	—	–23	–394	—	—	–417
Addition/disposal partners	—	—	—	—	—	—
Disposals	—	64	—	—	—	64
Reclassifications	5 170	—	—	—	—	5 170
Amortisation at 30.9.2012	**–6 143**	**–81**	**–394**	**–33**	**–35**	**–6 686**
Net value at 30.9.2012	**1 467**	**14 424**	**5 482**	**72 513**	**3 633**	**97 519**

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 8), financing income (Note 10) and financing expenses (Note 11).

Loans and loans in connection with finance leases have fixed interest rates, with an average interest rate of 4.9 % (previous year: 5.1 %). The average period for which interest rates remain fixed amounts to 5.6 years in the case of fixed-rate loans (previous year: 5.0 years) and to 12.7 years in the case of finance leases (previous year: 16.0 years). The reclassifications mainly involve the reclassifications 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.

The other shareholding held in KielNET GmbH Gesellschaft für Kommunikation, Kiel, has been recognised as held for sale due to the intention to sell this shareholding.

The other shareholdings recognised under other financial assets involve associates and majority shareholdings not included in MVV Energie's consolidated financial statements due to materiality considerations.

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 reconciliation of these payments with gross investments in leases is as follows:

Reconciliation

Euro 000s	**30.9.2012**	30.9.2011
Present value of minimum leasing payments with maturities < 1 year	6 134	6 356
Present value of minimum leasing payments with maturities > 1 year		
1 to 5 years	19 838	22 601
longer than 5 years	37 748	36 441
Present value of minimum leasing payments with maturities > 1 year	**57 586**	**59 042**
Total present value of minimum leasing payments	**63 720**	**65 398**
Financing income not yet realised	50 567	36 868
Gross investments in finance leases	**114 287**	**102 266**

19 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

	30.9.2012			30.9.2011		
Euro 000s	**Non-current**	**Current**	**Total**	Non-current	Current	Total
Derivative financial instruments	131 418	76 903	208 321	120 847	82 997	203 844
Other tax receivables	230	66 562	66 792	—	60 449	60 449
Receivables from security deposits for energy trading transactions	—	72 140	72 140	—	39 632	39 632
Deferred expenses and accrued income	5 642	8 466	14 108	4 650	4 795	9 445
Receivables in connection with finance leases	—	7 017	7 017	—	5 292	5 292
Refund claims	—	4 786	4 786	438	2 762	3 200
Suppliers with debit balances	—	2 547	2 547	—	1 468	1 468
Emission rights	—	2 069	2 069	—	—	—
Loans	—	816	816	—	1 250	1 250
Receivables from employees	201	363	564	245	855	1 100
Escrow accounts	—	87	87	—	513	513
Miscellaneous other assets	2 731	26 104	28 835	9 084	19 677	28 761
	140 222	**267 860**	**408 082**	**135 264**	**219 690**	**354 954**

Derivative financial instruments

	30.9.2012			30.9.2011		
Euro 000s	**Non-current**	**Current**	**Total**	Non-current	Current	Total
Derivative financial instruments	131 418	76 903	208 321	120 847	82 997	203 844
of which without IAS 39 hedges	108 163	69 216	177 379	103 941	79 947	183 888
of which cash flow hedges	23 255	7 687	30 942	16 906	3 050	19 956

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

	30.9.2012			30.9.2011		
Euro 000s	**Non-current**	**Current**	**Total**	Non-current	Current	Total
Other receivables and assets						
from other shareholdings	—	116	116	—	556	556
from associates	370	128	498	230	106	336
from other majority shareholdings	—	329	329	—	—	—
from third parties	139 852	267 287	407 139	135 034	219 028	354 062
	140 222	**267 860**	**408 082**	**135 264**	**219 690**	**354 954**

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.

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. Receivables from security deposits amounted to Euro 72 140 thousand (previous year: Euro 39 632 thousand). Other receivables and assets up to an equivalent value of Euro 104 879 thousand have been provided as security for financial debt (previous year: Euro 8 172 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.

20 Inventories

Inventories		
Euro 000s	**30.9.2012**	30.9.2011
Raw materials and supplies	40 424	40 568
Finished and unfinished products and services and merchandise	17 619	25 348
Advance payments	1 566	7
	59 609	**65 923**

There were no restrictions on disposal or other encumbrances (apart from retentions of title). Write-downs of Euro 102 thousand were recognised for inventories (previous year: Euro 24 thousand).

21 Trade receivables

Trade receivables		
Euro 000s	**30.9.2012**	30.9.2011
Trade receivables	474 896	448 056
of which due from other majority shareholdings	952	1 234
of which due from associates	10 271	12 320
of which due from other shareholdings	657	1 119

Trade receivables have terms of under one year.

The trade receivables recognised as of 30 September 2012 include receivables of Euro 7 630 thousand (previous year: Euro 8 744 thousand) for the settlement of construction contracts in line with their percentage of completion. Revenues of Euro 353 thousand were recognised for construction contracts in the year under report (previous year. Euro 2 430 thousand). Total costs incurred as of the balance sheet date amounted to Euro 536 thousand (previous year: Euro 7 810 thousand). Construction contracts resulted in a loss of Euro 907 thousand (previous year: loss of Euro 467 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.

22 Tax receivables

The tax receivables of Euro 20 389 thousand (previous year: Euro 6 346 thousand) mainly relate to refund claims for corporate income tax and capital gains taxes, which have been recognised at face value and where necessary at present value.

23 Cash and cash equivalents

Cash and cash equivalents primarily consist of credit balances at banks. Proportionately consolidated companies account for Euro 979 thousand (previous year: Euro 4 901 thousand). Cash and cash equivalents amounting to Euro 80 thousand are subject to restrictions on disposal (previous year: Euro 0 thousand).

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.

24 Assets held for sale

The other shareholding KielNET GmbH Gesellschaft für Kommunikation, Kiel, was reported as held for sale in the 2011/12 financial year.

25 Equity

The structure and development of equity have been presented in the Statement of Changes in Equity.

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 2012, while RheinEnergie AG held 16.3 %, EnBW Energie Baden-Württemberg AG held 15.1 % and GDF SUEZ Energie Deutschland GmbH held 6.3 % of the shares. The remaining 12.2 % of 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.

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 39 102 thousand were recognised directly in equity in the 2011/12 financial year in connection with the fair value measurement of financial instruments (previous year: Euro 17 762 thousand).

PROPOSED APPROPRIATION OF EARNINGS: The Executive Board proposes appropriating the unappropriated net profit of MVV Energie AG for the 2011/12 financial year as follows:

Distribution of a dividend of Euro 0.90 per individual share for the 2011/12 financial year (total: Euro 59 316 116.40). The Annual General Meeting to be held on 8 March 2013 will pass resolution on the dividend proposal.

26 Provisions

Provisions

	30.9.2012			30.9.2011		
Euro 000s	**Non-current**	**Current**	**Total**	Non-current	Current	Total
Provisions for pensions and similar obligations	40 768	—	40 768	40 195	—	40 195
Tax provisions	—	14 303	14 303	—	16 289	16 289
Personnel expenses	29 943	23 712	53 655	25 754	41 568	67 322
Early retirement	27 176	7 675	34 851	29 748	7 515	37 263
Services not yet invoiced	—	9 198	9 198	—	42 559	42 559
Restructuring obligations	10 760	16 889	27 649	10 687	18 461	29 148
Refurbishment measures	8 847	357	9 204	7 696	525	8 221
Miscellaneous contingencies	20 743	44 408	65 151	9 205	74 118	83 323
Total	**138 237**	**116 542**	**254 779**	**123 285**	**201 035**	**324 320**

Process optimisations implemented in the year under report led to the reclassification of provisions to liabilities. This has resulted in changes in current liabilities. Provisions are commented on in detail 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 25 637 thousand was paid into the state pension system in the 2011/12 financial year (previous year: Euro 25 229 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 15 946 thousand in the 2011/12 financial year (previous year: Euro 15 542 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 331 million (previous year: Euro 272 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.

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

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

Pension provision expenses

Euro 000s	**2011/12**	2010/11
Service cost	1 130	1 180
Interest expenses	2 116	1 908
Adjustment due to retrospective service cost recognised	—	1 614
Adjustment due to actuarial gains/losses recognised	–122	63
	3 124	**4 765**

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 the defined benefit obligations developed as follows:

Development in pension claims

Euro 000s	**2011/12**	2010/11
Present value of pension claims at 1.10.	38 344	38 411
Current service cost	1 130	1 180
Interest expenses	2 116	1 908
Payments made to beneficiaries	–1 947	–2 181
Actuarial gains/losses	10 319	–2 588
Retrospective service cost	—	1 614
Changes in scope of consolidation	–801	—
Present value of pension claims at 30.9.	**49 161**	**38 344**

The amount recognised for claims relating to pensions and similar obligations can be reconciled with the present value of pension claims as follows:

Amount recognised for pensions and similar obligations

Euro 000s	**30.9.2012**	30.9.2011	30.9.2010	30.9.2009	30.9.2008
Present value of pension claims	49 161	38 344	38 411	36 584	34 896
Actuarial gains/losses not yet settled	–8 393	1 851	–800	–17	1 026
Provisions for pensions and similar obligations	**40 768**	**40 195**	**37 611**	**36 567**	**35 922**
Experience adjustments (changes in assumptions)	9 152	–2 679	708	1 157	–881

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 2 243 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 1.10.2011	Change in scope of consolidation	Currency adjustments	Utilised	Reversed	Added	Reclassified	Interest portion	**Balance at 30.9.2012**
Non-current provisions									
Pensions and similar obligations	**40 195**	**–682**	**—**	**4 745**	**1**	**3 885**	**—**	**2 116**	**40 768**
Other provisions									
Early retirement	29 748	–1 260	—	506	2	6 179	–9 419	2 436	27 176
Personnel expenses	25 754	–344	—	517	211	1 478	–748	4 531	29 943
Restructuring obligations	10 687	—	—	—	—	—	–840	913	10 760
Refurbishment measures	7 696	—	—	108	—	1 059	–120	320	8 847
Miscellaneous contingencies	9 205	—	—	79	16	11 433	–265	465	20 743
Total other provisions	**83 090**	**–1 604**	**—**	**1 210**	**229**	**20 149**	**–11 392**	**8 665**	**97 469**
Total non-current provisions	**123 285**	**–2 286**	**—**	**5 955**	**230**	**24 034**	**–11 392**	**10 781**	**138 237**
Current provisions									
Tax provisions	**16 289**	**–1 219**	**–3**	**12 305**	**36**	**11 576**	**—**	**—**	**14 302**
Other provisions									
Early retirement	7 515	—	—	9 681	—	422	9 419	—	7 675
Personnel expenses	41 568	–1 339	–4	39 295	1 214	23 248	748	—	23 712
Services not yet invoiced	42 559	–1 557	—	37 465	3 172	8 833	—	—	9 198
Restructuring obligations	18 461	—	—	2 412	—	—	840	—	16 889
Refurbishment measures	525	—	—	288	—	—	120	—	357
Miscellaneous contingencies	74 118	–4 675	–64	40 282	14 328	29 375	265	—	44 409
Total other provisions	**184 746**	**–7 571**	**–68**	**129 423**	**18 714**	**61 878**	**11 392**	**—**	**102 240**
Total current provisions	**201 035**	**–8 790**	**–71**	**141 728**	**18 750**	**73 454**	**11 392**	**—**	**116 542**
Total provisions	**324 320**	**–11 076**	**–71**	**147 683**	**18 980**	**97 488**	**—**	**10 781**	**254 779**

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

The provisions for early retirement expenses mainly relate to legal and constructive obligations towards employees as a result of part-time early retirement agreements. The actuarial assumptions correspond to those used in the measurement of pensions and comparable provisions. The decline in provisions for early retirement results from the 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 restructuring obligations date back to the restructuring plan compiled and approved in the context of the "Once Together" programme in the 2010/11 financial year. These provisions were recognised to cover socially responsible personnel cuts and material expenses.

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

Miscellaneous contingencies include provisions for energy supplies and 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

	30.9.2012			30.9.2011		
Euro 000s	**Non-current**	**Current**	**Total**	Non-current	Current	Total
Liabilities						
to banks	1 184 931	171 487	1 356 418	905 102	308 438	1 213 540
in connection with finance leases	3 969	2 124	6 093	4 501	1 839	6 340
to other shareholdings	—	440	440	—	170	170
to other majority shareholdings	—	294	294	—	271	271
to shareholdings consolidated at equity	—	1 377	1 377	—	3 377	3 377
Other financial debt	23 901	17 566	41 467	23 667	8 102	31 769
	1 212 801	**193 288**	**1 406 089**	**933 270**	**322 197**	**1 255 467**

Maturities in years

	30.9.2012			30.9.2011		
Euro 000s	**< 1 year**	**1–5 years**	**> 5 years**	< 1 year	1–5 years	> 5 years
Liabilities						
to banks	171 487	770 563	414 368	308 438	599 802	305 300
in connection with finance leases	2 124	3 552	418	1 839	3 747	754
to other shareholdings, majority shareholdings and shareholdings consolidated at equity	2 111	—	—	3 818	—	—
Other financial debt	17 566	13 305	10 595	8 102	13 295	10 372
	193 288	**787 420**	**425 381**	**322 197**	**616 844**	**316 426**

The fixed-rate liabilities to banks amounting to Euro 1 251 million (previous year: Euro 1 052 million) have an average interest rate of 3.4 % (previous year: 4.7 %). The floating-rate liabilities to banks amounting to Euro 105 million (previous year: Euro 162 million) have an average interest rate of 2.2 % (previous year: 2.6 %). The average remaining period for which the rate remains fixed in the case of fixed-rate liabilities amounts to five years (previous year: eight years). In the case of floating-rate liabilities, the average period by which the interest rate structure remains fixed has risen from three to four years.

As of 30 September 2012, the MVV Energie Group had unutilised committed credit lines of Euro 368 million at its disposal (previous year: Euro 297 million).

Liabilities in connection with finance leases are recognised at the present value of future leasing payments. The fair values of 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	30.9.2012	30.9.2011
Present value of minimum leasing payments with maturities		
up to 1 year	3 127	1 832
1 to 5 years	3 099	3 489
longer than 5 years	412	754
Total	**6 638**	**6 075**
Financing costs not yet realised	489	1 608
Gross liabilities in connection with finance leases	**7 127**	**7 683**

Of financial debt, an amount of Euro 104 million is secured by the pledging of property, plant and equipment (previous year: Euro 167 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

	30.9.2012			30.9.2011		
Euro 000s	**Non-current**	**Current**	**Total**	Non-current	Current	Total
Derivative financial instruments	226 098	109 826	335 924	155 832	93 429	249 261
Liabilities for other taxes	—	41 747	41 747	—	44 389	44 389
Deferred income and accrued expenses[1]	162 101	8 062	170 163	179 009	7 522	186 531
Liabilities to employees	—	17 909	17 909	—	2 538	2 538
Advance payments received	—	14 423	14 423	—	12 292	12 292
Customer credit balances	—	11 808	11 808	—	8 949	8 949
Interest liabilities	—	9 921	9 921	—	6 671	6 671
Liabilities for security deposits for energy trading transactions	—	5 947	5 947	—	3 307	3 307
Concession duties	—	303	303	—	1 776	1 776
Social security liabilities	—	875	875	—	267	267
Miscellaneous other liabilities	9 802	29 112	38 914	11 590	23 001	34 591
	398 001	**249 933**	**647 934**	**346 431**	**204 141**	**550 572**

1 previous year's figures adjusted. Further details can be found under ▶ *Accounting policies*

Liabilities

	30.9.2012			30.9.2011		
Euro 000s	**Non-current**	**Current**	**Total**	Non-current	Current	Total
Liabilities[1]						
to third parties	397 633	227 631	625 264	346 210	185 748	531 958
to other majority shareholdings	—	557	557	—	218	218
to associates	368	1 413	1 781	221	25	246
to other related parties	—	5 231	5 231	—	5 858	5 858
to other shareholdings	—	678	678	—	—	—
Advance payments received for orders	—	14 423	14 423	—	12 292	12 292
	398 001	**249 933**	**647 934**	**346 431**	**204 141**	**550 572**

1 previous year's figures adjusted. Further details can be found under ▶ *Accounting policies*

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

	30.9.2012			30.9.2011		
Euro 000s	**Non-current**	**Current**	**Total**	Non-current	Current	Total
Derivative financial instruments	226 098	109 826	335 924	155 832	93 429	249 261
of which without IAS 39 hedges	107 115	97 750	204 865	105 995	90 625	196 620
of which cash flow hedges	118 983	12 076	131 059	49 837	2 804	52 641

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 5 947 thousand in connection with security deposits as of the balance sheet date (previous year: Euro 3 307 thousand).

Liabilities for other taxes mainly involve energy tax and value added tax liabilities.

31 Trade payables

Trade payables

Euro 000s	**30.9.2012**	30.9.2011
Trade payables	336 583	246 203
to other majority shareholdings	263	331
to associates	9 134	9 463
to other shareholdings	238	480

All trade payables have terms of under one year.

32 Tax liabilities

The tax liabilities of Euro 306 thousand (previous year: Euro 489 thousand) consist of income tax liabilities.

33 Deferred taxes

The deferred taxes reported for 2011/12 relate to the following items:

Deferred taxes

	30.9.2012		30.9.2011	
Euro 000s	**Deferred tax assets**	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
Intangible assets	2 581	– 12 768	2 992	– 14 023
Property, plant and equipment, including investment property	13 106	– 151 814	8 140	– 143 266
Inventories	840	– 198	1 842	– 188
Special item	—	– 3 981	—	– 6 019
Other assets and positive fair values of derivatives	12 236	– 156 586	6 464	– 130 641
Provisions for pensions	1 554	—	2 946	—
Non-current other provisions	14 987	—	5 529	– 643
Current other provisions	4 482	– 12 333	7 413	– 4 550
Liabilities and negative fair values of derivatives	181 175	– 4 678	130 885	– 6 490
Losses carried forward	4 632	—	5 209	—
Miscellaneous items	—	—	—	– 2 558
Deferred taxes (gross)	**235 593**	**– 342 358**	**171 420**	**– 308 378**
Value adjustment	– 3 156	—	– 1 791	—
Netting	– 216 036	216 036	– 156 883	156 883
Deferred taxes (net)	**16 401**	**– 126 322**	**12 746**	**– 151 495**

Of the (net) deferred taxes presented above, Euro 10 412 thousand relate to non-current deferred tax assets (previous year: Euro 7 753 thousand) and Euro 100 440 thousand to non-current deferred tax liabilities (previous year: Euro 122 227 thousand).

No deferred tax assets have been recognised for corporate income tax loss carryovers of Euro 39 728 thousand (previous year: Euro 28 708 thousand) or for trade tax loss carryovers of Euro 38 662 thousand (previous year: Euro 27 802 thousand).

No deferred tax liabilities have been stated for temporary differences of Euro 3 084 thousand (previous year: Euro 2 533 thousand) between the value of shareholdings in the tax balance sheet and their respective values 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 30 373 thousand (previous year: Euro 8 995 thousand) were recognised directly in other income and expenses within group equity in the 2011/12 financial year.

Income tax items within other income and expenses can be broken down into their respective components as follows:

Income tax items

	30.9.2012		30.9.2011	
Euro 000s	**Income tax**	**Gross**	Income tax	Gross
Cash flow hedges	21 378	– 67 967	7 490	– 25 358
Currency translation difference	—	– 2 057	—	– 542

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 4.6 million (previous year: Euro 6.6 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 amounted to Euro 2.9 million for investments in intangible assets (previous year: Euro 2.2 million) and to Euro 152.6 million for investments in property, plant and equipment (previous year: Euro 214.7 million).

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

Financial obligations for operating leases

	Nominal value	
Euro 000s	**30.9.2012**	30.9.2011
Operating leases		
up to 1 year	6 806	11 578
1 to 5 years	12 426	25 904
longer than 5 years	10 427	17 198
	29 659	**54 680**

In leases where economic ownership remains with the lessor (operating leases), 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 present 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 if there are 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, CO_2 rights, green electricity rights and coal.

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.

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. This has led to increased earnings volatility. To limit such fluctuations, use is often made of the own use exemption or of cash flow hedge accounting, 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 2012 (previous year: 15 years). In the field of commodity hedges, the terms of planned hedged items amount to up to three years (previous year: up to four 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 mostly involve swaps which generate cash flows throughout the contractual term.

Expenses of Euro 46 589 thousand (previous year: expenses of Euro 17 868 thousand) were recognised directly in equity in the 2011/12 financial year.

The amounts reclassified from equity and recognised through profit or loss in the income statement in connection with cash flow hedge accounting were as follows:

Euro 000s	**2011/12**	2010/11
Included in EBIT	–9 226	66
Included in net financial result and tax result	549	–81
Total amounts withdrawn	**–9 775**	**–15**

The amounts recognised directly in equity and attributable reclassification amounts are presented in the following table:

Euro 000s	**30.9.2012**	30.9.2011
Cash flow hedges	–46 589	–17 868
of which changes recognised in equity	–56 364	–17 883
of which reclassified to income statement	9 775	15
Currency translation difference	–2 057	–542
of which changes recognised in equity	–2 057	–542

Expenses of Euro 248 thousand were recognised in connection with the ineffective portion of cash flow hedges in the 2011/12 financial year (previous year: income of Euro 42 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. In the 2011/12 financial year, the other shareholding held in KielNET GmbH Gesellschaft für Kommunikation, Kiel, was reclassified as "held for sale". The carrying amount amounted to Euro 6 400 thousand. The gains resulting from measurement at fair value, amounting to Euro 825 thousand, have been posted as income directly in group equity.

IAS 39 measurement categories for carrying amounts

		30.9.2012		30.9.2011	
Euro 000s	IAS 39 measurement categories	**Carrying amounts**	**of which not within scope of IFRS 7**	Carrying amounts	of which not within scope of IFRS 7
Assets					
Financial assets					
of which unconsolidated shareholdings	available for sale	15 891	—	16 410	—
of which loans excluding finance leases	loans and receivables	6 298	—	8 349	—
of which loans in connection with finance leases	not applicable	79 530	—	70 390	—
of which securities	held for trading	5 609	—	6 306	—
	available for sale	14	—	14	—
Trade receivables	loans and receivables	474 896	—	448 056	—
Other assets					
of which derivatives outside hedge accounting	held for trading	177 379	—	183 888	—
of which derivatives within hedge accounting	not applicable	30 942	—	19 956	—
of which other operating assets	loans and receivables	191 928	83 533	144 568	78 704
Cash and cash equivalents	loans and receivables	378 368	—	168 518	—
		1 360 855	**83 533**	**1 066 455**	**78 704**
Liabilities					
Financial debt					
of which financial debt in connection with finance leases	not applicable	6 093	—	6 340	—
of which other financial debt	amortised cost	1 399 996	—	1 249 127	—
Trade payables	amortised cost	336 583	—	246 203	—
Other liabilities					
of which derivatives outside hedge accounting	held for trading	204 865	—	196 620	—
of which derivatives within hedge accounting	not applicable	131 059	—	52 641	—
of which other operating liabilities[1]	amortised cost	312 010	227 208	301 311	243 479
		2 390 606	**227 208**	**2 052 242**	**243 479**

1 previous year's figures adjusted. Further details can be found under ▶ *Accounting policies*

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 2012. 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

	30.9.2012				30.9.2011			
Euro 000s	**Level 1**	**Level 2**	**Level 3**	**At cost**	Level 1	Level 2	Level 3	At cost
Financial assets								
Unconsolidated shareholdings	—	—	—	15 891	—	—	—	16 410
Securities	33	5 576	—	14	252	6 054	—	14
Derivatives outside hedge accounting	31 693	145 659	27	—	44 093	138 678	1 117	—
Derivatives within hedge accounting	6 886	24 056	—	—	10 577	9 379	—	—
Financial liabilities								
Derivatives outside hedge accounting	56 506	145 572	2 787	—	57 845	137 865	910	—
Derivatives within hedge accounting	28 268	102 791	—	—	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

	30.9.2011			**30.9.2012**		
Euro 000s	Balance at 1.10.2010	Gains/losses in income statement	Balance at 30.9.2011	**Balance at 1.10.2011**	**Gains/losses in income statement**	**Balance at 30.9.2012**
Financial assets						
Derivatives outside hedge accounting	9 788	– 8 671	1 117	1 117	– 1 090	27
Financial liabilities						
Derivatives outside hedge accounting	1 102	192	910	910	1 877	2 787

Gains and losses in income statement for Level 3 financial instruments

2010/11 Euro 000s	Total	of which still held at 30.9.2011	**2011/12** Euro 000s	**Total**	**of which still held at 30.9.2012**
Other operating income	192	—	Other operating income	—	—
Other operating expenses	– 8 671	—	Other operating expenses	– 2 967	—
	– 8 479	**—**		**– 2 967**	**—**

Impairment losses recognised in the 2011/12 financial year for individual IFRS 7 categories amounted to Euro 23 thousand for unconsolidated shareholdings (previous year: Euro 0 thousand), Euro 394 thousand for loans (previous year: Euro 0 thousand), Euro 25 113 thousand for trade receivables (previous year: Euro 24 663 thousand) and Euro 2 117 thousand for other operating assets (previous year: Euro 781 thousand).

Impairments of financial assets

2011/12 Euro 000s	**Uncon-solidated shareholdings**	**Loans**	**Trade receivables**	**Other operating assets**	2010/11 Euro 000s	Uncon-solidated shareholdings	Loans	Trade receivables	Other operating assets
Balance at 1.10.2011	11 442	1 534	30 584	1 332	Balance at 1.10.2010	12 171	2 249	31 510	708
Utilisations/ disposals	5 241	—	11 489	2 162	Utilisations/ disposals	726	715	10 714	10
Net additions	23	394	21 181	2 051	Net additions	– 3	—	9 788	634
Balance at 30.9.2012	**6 224**	**1 928**	**40 276**	**1 221**	**Balance at 30.9.2011**	**11 442**	**1 534**	**30 584**	**1 332**

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	2011/12	2010/11
Financial assets and financial liabilities held for trading	–19 859	45 754
Financial assets available for sale	4 462	1 529
Loans and receivables	–20 961	–15 878
Financial liabilities measured at amortised cost	263	333

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 pursuant to 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	2011/12	2010/11
Total interest income	9 480	8 213
Total interest expenses	65 094	61 524

Total interest income and expenses are attributable to financial assets and financial liabilities not measured at fair value. The net financial 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 financial 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 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 involved 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 referred to 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 transactions with 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 balances, i.e. where there is no counterparty risk. In all other cases, the figures have not been netted against negative fair values.

As in the previous year, there were no counterparty risks with terms longer than five years. Major shares of the nominal derivative volumes in question involve trading partners for which external ratings are available. Internal ratings are available for the nominal derivative volumes reported under "Other".

As in the previous year, there was no credit risk as of 30 September 2012 for trading transactions concluded with stock exchanges, as the relevant net balances only had negative fair values.

Counterparty risk at 30.9.2012

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	612 668	19 188	223 197	8 545	389 471	10 643
AA- and A1 or A+ and Aa3 to A- and A3	231 550	8 018	65 212	3 446	166 338	4 572
A- and Baa1 or BBB+ and A3 to BBB- or Baa3	150 853	11 122	53 595	3 864	97 258	7 258
BBB- and Ba1 or BB+ and Baa3 to BB- and Ba3	—	—	—	—	—	—
Other	496 895	24 642	137 208	8 387	359 687	16 255
	1 491 966	**62 970**	**479 212**	**24 242**	**1 012 754**	**38 728**

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+ and 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**

The credit risks involved in financial assets and their maturities broken down by category are structured as follows:

Credit risks and maturities

	30.9.2012			30.9.2011		
Euro 000s	**Loans**	**Trade receivables**	**Other operating assets**	Loans	Trade receivables	Other operating assets
Neither overdue nor impaired	85 518	392 451	100 799	78 440	339 922	56 185
Overdue but not impaired						
≤ 6 months	310	31 709	6 396	299	68 073	7 902
> 6 months ≤ 1 year	—	558	3	—	16 624	515
> 1 year	—	99	—	—	8 795	1 262
Net value of assets written down	—	50 079	1 197	—	14 642	—
	85 828	**474 896**	**108 395**	**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 banks 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

	30.9.2012			30.9.2011		
Euro 000s	**Maturities < 1 year**	**Maturities 1–5 years**	**Maturities > 5 years**	Maturities < 1 year	Maturities 1–5 years	Maturities > 5 years
Non-derivative financial liabilities						
Liabilities to banks	220 276	885 794	479 773	354 869	704 550	352 904
Liabilities in connection with finance leases	2 524	4 124	479	2 318	4 492	873
Trade payables	336 579	119	—	246 203	—	—
Other financial debt	20 280	15 703	12 393	12 679	15 693	12 962
Other financial liabilities	75 219	1 229	8 573	46 268	3 051	8 538
Derivative financial liabilities	116 451	217 301	322	125 403	202 058	166
	771 329	**1 124 270**	**501 540**	**787 740**	**929 844**	**375 443**

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 2012 would have led the annual net surplus to deteriorate/improve by a total of Euro 35 thousand/Euro 10 thousand (previous year: Euro 188 thousand/Euro 70 thousand). This variance would have reduced/increased equity by a total of Euro 473 thousand/Euro 1 018 thousand (previous year: Euro 3 640 thousand/Euro 1 199 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 of the project, 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. All transactions are governed by narrow, clearly defined limits which have to be adhered to at all times.

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 by reference to the stipulated limits. 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 right derivatives is analysed in the following section. This 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 2012 had been 10 % higher/lower, then this would have increased/decreased the annual net surplus by Euro 44 042 thousand/Euro 52 973 thousand (previous year: Euro 47 529 thousand/Euro 58 437 thousand). Equity would have increased/reduced by Euro 66 006 thousand/Euro 74 937 thousand as of the same date (previous year: Euro 65 793 thousand/Euro 76 702 thousand).

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

Nominal volumes and fair values

	30.9.2012			30.9.2011		
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	471 825	412 054	–45 980	409 831	352 203	–33 235
Commodity derivatives	4 857 305	1 618 507	481 986	4 684 182	1 529 146	–12 271
Currency derivatives	7	7	—	3 984	55	–89
	5 329 137	**2 030 568**	**436 006**	**5 097 997**	**1 881 404**	**–45 595**

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

	30.9.2012		30.9.2011	
Euro 000s	**Nominal volumes**	**Fair values**	Nominal volumes	Fair values
Commodity derivatives				
Electricity	3 589 551	396 023	3 842 251	–11 946
Coal	21 585	21 603	7 893	6 210
Gas	1 138 905	35 882	805 700	–40
CO_2 rights	104 727	26 338	23 240	–5 052
Other	2 537	2 140	5 098	–1 443
	4 857 305	**481 986**	**4 684 182**	**–12 271**
Commodity derivatives				
Futures	4 834 629	459 294	4 662 842	–17 593
Swaps	22 676	22 692	21 340	5 322
	4 857 305	**481 986**	**4 684 182**	**–12 271**

The positive fair values amounting to Euro 208 321 thousand (previous year: Euro 203 844 thousand) were countered by margining liabilities of Euro 5 947 thousand (previous year: Euro 3 307 thousand). These are reported under other liabilities. The negative fair values of Euro 335 924 thousand (previous year: Euro 249 261 thousand) were countered by cash collateral amounting to Euro 72 140 thousand (previous year: Euro 39 632 thousand).

36 Segment reporting

Income statement of the MVV Energie Group by segment from 1.10.2011 to 30.9.2012

Euro 000s	External sales excluding energy taxes	Intercompany sales excluding energy taxes	Scheduled depreciation	Impairment losses
Generation and Infrastructure	354 259	650 189	108 863	434
Trading and Portfolio Management	975 896	1 211 677	289	—
Sales and Services	2 162 346	365 132	17 721	9 618
Strategic Investments	397 538	24 900	22 959	104
Other Activities	4 495	23 382	15 739	—
Consolidation	—	– 2 275 280	—	—
Total	**3 894 534**	**—**	**165 571**	**10 156**

Euro 000s	Material non-cash income and expenses	Adjusted EBIT	Income from associates	Investments
Generation and Infrastructure	3 233	140 810	12 281	213 657
Trading and Portfolio Management	5 279	2 997	—	3 678
Sales and Services	6 749	21 111	– 803	12 848
Strategic Investments	836	38 581	—	16 142
Other Activities	7 522	13 112	11 240	15 339
Consolidation	—	6 732	—	—
Total	**23 619**	**223 343**	**22 718**	**261 664**

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

Euro 000s	External sales excluding energy taxes[1]	Intercompany sales excluding energy taxes	Scheduled depreciation	Impairment losses and restructuring[2]
Generation and Infrastructure	327 446	663 050	103 816	8 522
Trading and Portfolio Management	799 823	1 170 673	290	487
Sales and Services	2 095 654	320 247	17 865	7 756
Strategic Investments	372 746	11 264	20 605	2 908
Other Activities	4 533	29 262	14 109	15 888
Consolidation	—	– 2 194 496	—	—
Total	**3 600 202**	**—**	**156 685**	**35 561**

Euro 000s	Material non-cash income and expenses	Adjusted EBIT	Income from associates	Investments
Generation and Infrastructure	3 216	138 344	11 538	145 547
Trading and Portfolio Management	3 789	24 301	—	2 256
Sales and Services	13 662	38 732	– 337	12 984
Strategic Investments	2 132	35 195	—	30 287
Other Activities	10 874	5 566	3 694	21 401
Consolidation	—	58	—	—
Total	**33 673**	**242 196**	**14 895**	**212 475**

1 previous year's figures adjusted. Further details can be found under ▶ *Accounting policies*
2 restructuring expenses distributed among segments affected

External reporting is consistent with internal management structures. Units are grouped in such a way that the pooling of specialist competence under one roof forms the basis for stringent portfolio management at the Group. Business fields based on the respective value chain stages have been allocated to the 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, heating energy, gas and water.
- The **TRADING AND PORTFOLIO MANAGEMENT** reporting segment includes energy procurement and portfolio management and the energy trading business at MVV 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, heating energy, 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 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.

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.

Reconciliation of EBIT (Income Statement) with adjusted EBIT

Euro 000s	2011/12	2010/11	+/– change
EBIT as per income statement	198 249	253 293	–55 044
Financial derivative measurement items	20 113	–46 304	66 417
Restructuring expenses	—	30 926	–30 926
Interest income in connection with finance leases	4 981	4 281	700
Adjusted EBIT[1]	**223 343**	**242 196**	**–18 853**

1 previous year's figures adjusted. Further details can be found under ▶ *Accounting policies*

Of segment sales with external customers, 97.1 % were generated in Germany (previous year: 96.9 %). The regional breakdown of sales is based on customers' geographical locations.

No individual customers of the MVV Energie Group account for or exceed 10 % of the Group's total sales.

The allocation of overhead expenses was optimised in the 2011/12 financial year. From this financial year onwards, overhead expenses based on capital employed have been allocated to the reporting segments in line with their respective causation. This has merely resulted in items being shifted within adjusted EBIT at the segments. It has not had any implications for the Group's net asset, financial or earnings position.

The income statement segment report presented in accordance with IFRS 8 is based on the segment earnings (adjusted EBIT) used for internal management purposes. Segment earnings for individual reporting segments do not include the results of non-operating IAS 39 measurement items in connection with financial derivatives. 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 from finance leases. These (especially contracting) are a constitutent component of our business model and we therefore see such income as forming part of our operating earnings contributions. The reconciliation of EBIT (income statement) with adjusted EBIT is presented in the above table.

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 showed a slight year-on-year increase in the 2011/12 financial year. The substantial year-on-year reduction in the annual net surplus before taxes on income was chiefly due to IAS 39 measurement, a factor then eliminated within other non-cash income and expenses. By contrast, the elimination of the profit on the sale of shares in Stadtwerke Solingen GmbH, MVV Energiedienstleistungen GmbH Solingen and Maintal-Werken GmbH impacted negatively on the cash flow before working capital and taxes.

The lower cash flow from operating activities was influenced in particular by the increase in working capital. The changes in other assets and liabilities were 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 higher investments in intangible assets and property, plant and equipment and given the reduced cash flow from operating activities, the free cash flow of the MVV Energie Group decreased compared with the previous year.

Despite increased outlays for investments in renewable energies, the cash flow from investing activities rose sharply compared with the previous year. The main item here related to the proceeds from the sale of shares in Stadtwerke Solingen GmbH and MVV Energiedienstleistungen GmbH Solingen.

Given higher borrowing in connection with the wind farm projects, the cash flow from financing activities also increased compared with the previous year.

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 were no changes in 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 are 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 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 18 375 thousand (previous year: Euro 19 766 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

Euro 000s	Goods and services provided				Receivables		Liabilities	
	Income		Expenses					
	1.10.2011 to 30.9.2012	1.10.2010 to 30.9.2011	**1.10.2011 to 30.9.2012**	1.10.2010 to 30.9.2011	**30.9.2012**	30.9.2011	**30.9.2012**	30.9.2011
Abfallwirtschaft Mannheim	428	160	3 947	2 680	78	22	3 300	3 055
ABG Abfallbeseitigungsgesellschaft mbH	29 150	21 682	4 288	3 521	1 083	—	477	2 006
GBG Mannheimer Wohnungsbaugesellschaft mbH	10 462	10 347	194	101	820	96	—	—
m:con – Mannheimer Kongress- und Touristik GmbH	3 748	2 677	319	263	5 149	4 037	—	—
MVV GmbH	361	355	520	218	51	14	1	—
MVV Verkehr GmbH	155	242	6	2	106	127	—	9
Rhein-Neckar-Verkehr GmbH	7 977	5 574	61	605	1 511	2 720	249	954
Stadtentwässerung Mannheim	2 953	1 576	424	396	147	129	13	116
City of Mannheim	16 082	8 990	21 526	16 634	1 968	1 028	3 604	3 215
Other companies controlled by City of Mannheim	6 227	4 760	227	206	588	207	5	745
Associates	50 747	56 613	211 772	172 272	11 646	13 527	10 915	13 086
Proportionately consolidated companies	157 270	84 798	31 079	14 435	34 532	31 391	7 779	8 004
Other majority shareholdings	3 180	1 428	2 671	2 637	3 333	4 289	547	1 028
Total	**288 740**	**199 202**	**277 034**	**213 970**	**61 012**	**57 587**	**26 890**	**32 218**

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 2012.

The basic principles of the compensation system and the disclosures concerning the compensation of Executive and Supervisory Board members for the 2011/12 financial year take due account of the requirements of the German Commercial Code (HGB) and of the recommendations made by the German Corporate Governance Code. Our compensation system is designed in such a way as to incentivise the successful, sustainable management of the company.

The Executive Board was paid compensation totalling Euro 2 518 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	472	372	18	862
Matthias Brückmann	300	248	9	557
Dr. Werner Dub	286	248	19	553
Hans-Jürgen Farrenkopf	289	248	9	546
Total	**1 347**	**1 116**	**55**	**2 518**

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 are granted an annual bonus to account for 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 the 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 2011/12 financial year.

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

The Executive Board members Dr. Georg Müller and Matthias Brückmann have been granted 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 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 1.10.2011	Pension contribution	Balance 30.9.2012[1]	Balance 30.9.2012[2]	Service cost	Interest expenses	Retrospective service cost
Dr. Georg Müller	951	149	1 150	1 524	113	50	—
Matthias Brückmann	1 240	112	1 417	1 875	84	65	—
Total	**2 191**	**261**	**2 567**	**3 399**	**197**	**115**	**—**

1 including interest

2 equivalent to present value of vested claims

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 are imputed. 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
Dr. Werner Dub	103	64 %	66 %	105	71	—
Hans-Jürgen Farrenkopf	118	62 %	62 %	175	89	—
Total	**221**			**280**	**160**	**—**

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

Former members of the Executive Board received benefits of Euro 223 thousand in the year under report. Provisions totalling Euro 6 870 thousand have been stated for pension obligations towards former members of the Executive Board. A total of Euro 300 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 2 910 thousand was paid to this group in the year under report, with the predominant share (Euro 2 795 thousand) involving payments with current maturities.

Unless they are still insured via municipal supplementary pension companies (ZVK), these individuals 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, they can determine which biometric risks they would like to cover. Total expenses incurred for the aforementioned compensation schemes amounted to Euro 115 thousand in the year under report.

The compensation of our Supervisory Board members is commensurate to their duties and to the responsibilities they assume. The members of the Supervisory Board received annual compensation of Euro 10 thousand each in the 2011/12 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 420 thousand. The compensation for the employee representatives in the Supervisory Board (excluding Supervisory Board compensation) amounted to Euro 950 thousand in the year under report.

The composition of the Supervisory and Executive Boards has been presented in a separate overview ▶ *on Page 165*.

Supervisory Board compensation

in Euro	Supervisory Board compensation	Meeting allowances
Dr. Peter Kurz	20 000	21 000
Johannes Böttcher	10 000	6 000
Timo Carstensen	7 500	5 000
Peter Dinges	17 500	16 000
Ralf Eisenhauer	5 417	4 000
Peter Erni	10 000	6 000
Detlef Falk	11 875	10 000
Dr. Stefan Fulst-Blei	4 611	4 000
Reinhold Götz	10 000	5 000
Prof. Dr. Egon Jüttner	10 000	4 000
Gunter Kühn	10 000	6 000
Dr. Antje Mohr	10 000	6 000
Dr. Lorenz Näger	12 500	9 000
Barbara Neumann	3 125	1 000
Wolfgang Raufelder	10 000	4 000
Uwe Spatz	12 500	16 000
Christian Specht	10 000	7 000
Dr. Dieter Steinkamp	10 000	7 000
Carsten Südmersen	12 500	17 000
Katja Udluft	10 000	5 000
Heinz-Werner Ufer	15 000	17 000
Jürgen Wiesner	10 000	11 000
Total	**232 528**	**187 000**

40 Scope of consolidation of the MVV Energie Group

Scope of consolidation of the MVV Energie Group

at 30.9.2012	Share of capital[1] in %	Equity[1] 000s (local currency)	Annual net surplus/deficit[1] 000s (local currency)	Local currency
Associates (fully consolidated subsidiaries)				
Germany				
24sieben GmbH, Kiel[5]	100.00	1 025	0	EUR
A+S Naturenergie GmbH, Pfaffenhofen	100.00	–8 115	–6 126	EUR
ABeG Abwasserbetriebsgesellschaft mbH, Offenbach am Main	51.00	478	22	EUR
AVA Abwasser- und Verwertungsanlagen GmbH, Mörfelden-Walldorf[5, 6, 14]	100.00	81	0	EUR
BFE Institut für Energie und Umwelt GmbH, Mühlhausen[5]	100.00	700	0	EUR
Biomethananlage Klein Wanzleben GmbH, Mannheim	74.90	1 667	–560	EUR
Biomethananlage Kroppenstedt GmbH, Munich[6, 14]	74.90	1 042	–38	EUR
Cerventus Naturenergie GmbH, Offenbach am Main	50.00	14 989	58	EUR
Cerventus Naturenergie Verwaltungs GmbH, Offenbach am Main	100.00	17	–3	EUR
Dabit Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Wiesbaden[10]	94.00	–7	–6	EUR
Energieversorgung Offenbach Aktiengesellschaft, Offenbach am Main[2]	48.53	131 564	23 166	EUR
eternegy GmbH, Mannheim	100.00	–8 210	934	EUR
FRASSUR GmbH Umweltschutz-Dienstleistungen, Mörfelden-Walldorf[6, 14]	100.00	1 274	387	EUR
Gasversorgung Offenbach GmbH, Offenbach am Main	74.90	16 663	3 385	EUR
Götzfried + Pitzer Entsorgung GmbH, Ulm	100.00	1 687	–196	EUR
Industriepark Gersthofen Servicegesellschaft mbH, Gersthofen[5]	100.00	11 804	1	EUR
Köthen Energie GmbH, Köthen	100.00	4 154	848	EUR
Köthen Energie Netz GmbH, Köthen[5]	100.00	24	0	EUR
MVV decon GmbH, Mannheim	100.00	–903	–2 821	EUR
MVV Energiedienstleistungen GmbH, Mannheim[5]	100.00	77 534	0	EUR
MVV Energiedienstleistungen GmbH IK Korbach, Korbach[5]	100.00	1 767	0	EUR
MVV Energiedienstleistungen IK Ludwigshafen GmbH, Mannheim	100.00	–4 968	–1 148	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 Energiedienstleistungen Regional Verwaltungs GmbH, Mannheim (previously: Biomassen-Heizkraftwerk Altenstadt GmbH, Altenstadt)	100.00	37 086	1 324	EUR
MVV Grünenergie GmbH, Mannheim	100.00	365	338	EUR
MVV RHE GmbH, Mannheim[5]	100.00	11 988	0	EUR
MVV Trading GmbH, Mannheim[5]	97.50	17 749	2 004	EUR
MVV Umwelt Asset GmbH, Mannheim[5]	100.00	40 036	0	EUR
MVV Umwelt GmbH, Mannheim[5]	100.00	96 770	0	EUR
MVV Umwelt O&M GmbH, Mannheim (previously: MVV O&M GmbH, Mannheim)[5]	100.00	1 226	0	EUR
MVV Umwelt Ressourcen GmbH, Mannheim[5]	100.00	6 566	0	EUR
MVV Umwelt UK GmbH, Mannheim[5]	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	6 399	1 389	EUR
Netrion GmbH, Mannheim (previously: 24/7 Netze GmbH, Mannheim)[5]	100.00	5 999	0	EUR

Scope of consolidation of the MVV Energie Group

at 30.9.2012	Share of capital[1] in %	Equity[1] 000s (local currency)	Annual net surplus/deficit[1] 000s (local currency)	Local currency
SECURA Energie GmbH, Mannheim[5]	100.00	1 000	0	EUR
Soluvia Billing GmbH, Offenbach am Main (previously: 24/7 United Billing GmbH, Offenbach am Main)	100.00	389	116	EUR
Soluvia GmbH, Mannheim (previously: Shared Services Center GmbH, Mannheim)	100.00	497	480	EUR
Soluvia IT-Services GmbH, Kiel (previously: 24/7 IT-Services GmbH, Kiel)	100.00	2 335	1 406	EUR
Soluvia Metering GmbH, Offenbach am Main (previously: 24/7 Metering GmbH, Offenbach am Main)	100.00	1 086	410	EUR
Stadtwerke Kiel Aktiengesellschaft, Kiel	51.00	145 017	21 856	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, Offenbach am Main	100.00	–194	–111	EUR
Waldenergie Bayern GmbH, Gersthofen	100.00	–176	1 007	EUR
Windpark Kappel Nord GmbH & Co. KG, Offenbach am Main	100.00	1 777	–21	EUR
Windpark Kappel Süd GmbH & Co. KG, Offenbach am Main	100.00	1 621	–169	EUR
Windpark Kirchberg GmbH & Co. KG, Offenbach am Main	100.00	1 784	–13	EUR
Windpark Kludenbach GmbH & Co. KG, Offenbach am Main	100.00	1 169	–32	EUR
Windpark Metzenhausen GmbH & Co. KG, Offenbach am Main	100.00	1 765	–47	EUR
Windpark Reckershausen GmbH & Co. KG, Offenbach am Main	100.00	1 484	–305	EUR
Windpark Reich GmbH & Co. KG, Offenbach am Main	100.00	1 723	–87	EUR
Windpark Staatsforst GmbH & Co. KG, Offenbach am Main	100.00	1 604	–163	EUR
ZEDER Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Pullach[3, 9]	0.00	–8 521	232	EUR
Associates (fully consolidated subsidiaries)				
International				
Českolipská teplárenská a.s., Česká Lípa, Czech Republic	94.99	20 985	18 729	CZK
Českolipské teplo a.s., Prague, Czech Republic	100.00	115 702	44 872	CZK
CTZ s.r.o., Uherské Hradiště, Czech Republic	50.96	102 670	11 723	CZK
e.services s.r.o., Děčín, Czech Republic[6]	100.00	561	–127	CZK
ENERGIE Holding a.s., Prague, Czech Republic	100.00	450 544	80 451	CZK
G-LINDE s.r.o., Prague, Czech Republic	100.00	8 210	2 430	CZK
G-RONN s.r.o., Prague, Czech Republic	100.00	66 463	17 615	CZK
IROMEZ s.r.o., Pelhřimov, Czech Republic	100.00	42 363	9 735	CZK
Jablonecká teplárenská a realitní a.s., Jablonec nad Nisou, Czech Republic	65.78	339 705	12 456	CZK
MVV Energie CZ a.s., Prague, Czech Republic	100.00	2 403 494	270 153	CZK
MVV enservis a.s., Česká Lípa, Czech Republic	100.00	9 774	3 645	CZK
MVV ENVIRONMENT DEVONPORT LIMITED, Plymouth, UK[7]	100.00	12 519	–481	GBP
OPATHERM a.s., Opava, Czech Republic	100.00	143 812	16 638	CZK
POWGEN a.s., Prague, Czech Republic	100.00	103 893	35 256	CZK
Teplárna Liberec a.s., Liberec, Czech Republic	70.00	307 491	14 175	CZK
TERMIZO a.s., Liberec, Czech Republic	100.00	508 284	41 522	CZK
TERMO Děčín a.s., Děčín, Czech Republic	96.91	160 358	48 400	CZK
Zásobování teplem Vsetín a.s., Vsetín, Czech Republic	100.00	196 140	47 552	CZK

Scope of consolidation of the MVV Energie Group

at 30.9.2012	Share of capital[1] in %	Equity[1] 000s (local currency)	Annual net surplus/deficit[1] 000s (local currency)	Local currency
Other majority shareholdings Germany				
24sieben Nordwatt GmbH, Kiel[9]	50.00	63	–12	EUR
Biokraft Naturbrennstoffe GmbH, Offenbach am Main[9]	100.00	–1550	–434	EUR
Erschließungsträgergesellschaft St. Leon-Rot mbH i.L., St. Leon-Rot[11]	80.00	4	–2	EUR
Erschließungsträgergesellschaft Weeze mbH, Weeze[9]	75.00	119	355	EUR
KielNET GmbH Gesellschaft für Kommunikation, Kiel[8]	50.00	7314	2313	EUR
Kielspeicher 103 Verwaltungs-GmbH, Kiel[9]	51.00	94	9	EUR
MVV Energiedienstleistungen GmbH Regioplan, Mannheim[5, 9]	100.00	1023	0	EUR
MVV Insurance Services GmbH, Mannheim (previously: 24/7 Insurance Services GmbH, Mannheim)[9]	100.00	23	1	EUR
MVV Windpark Verwaltungs GmbH, Mannheim[9]	100.00	27	1	EUR
Other majority shareholdings International				
BFE Institut für Energie und Umwelt GmbH, Romanshorn, Switzerland[9]	100.00	31	6	CHF
East-West-Energy-Agency (EWEA), Moscow, Russian Federation[12]	100.00	–122	–647	RUB
EMB Instituut voor Energie en Milieu B.V., Oosterhout, Netherlands[9]	100.00	–455	–39	EUR
MVV ENVIRONMENT LIMITED, London, UK[9]	100.00	250	62	GBP
Jointly owned companies (proportionate consolidation) Germany				
Kielspeicher 103 GmbH & Co. KG, Kiel	51.00	11391	–1273	EUR
reginova GmbH, Ingolstadt[5, 15]	100.00	500	0	EUR
Stadtwerke Ingolstadt Beteiligungen GmbH, Ingolstadt[4]	48.40	43035	17776	EUR
Stadtwerke Ingolstadt Energie GmbH, Ingolstadt[5, 15]	100.00	1048	0	EUR
Stadtwerke Ingolstadt Netze GmbH, Ingolstadt[5, 15]	100.00	25834	0	EUR
Associates (at equity) Germany				
Biomasse Rhein-Main GmbH, Flörsheim-Wicker[9]	33.33	11189	179	EUR
ESN EnergieSystemeNord GmbH, Schwentinental[8]	25.00	3437	678	EUR
Fernwärme Rhein-Neckar GmbH, Mannheim[8]	50.00	2815	1025	EUR
Gemeinschaftskraftwerk Kiel GmbH, Kiel[8]	50.00	18591	1534	EUR
Grosskraftwerk Mannheim Aktiengesellschaft, Mannheim[8]	28.00	114142	6647	EUR
Naunhofer Transportgesellschaft mbH, Parthenstein-Großsteinberg[8]	50.00	961	185	EUR
Nordland Energie GmbH, Kiel[9]	39.80	318	–166	EUR
Stadtwerke Buchen GmbH & Co. KG, Buchen-Odenwald[8]	25.10	6648	1583	EUR
Stadtwerke Sinsheim Versorgungs GmbH & Co. KG, Sinsheim[8]	30.00	12132	532	EUR
TradeSoft RM GmbH, Cologne[8]	50.00	2253	3	EUR
W.T.A. Wertstoff Transport Agentur GmbH, Parthenstein-Großsteinberg[8]	50.00	816	189	EUR
ZVO Energie GmbH, Timmendorfer Strand[8]	49.90	51757	4140	EUR
Zweckverband Wasserversorgung Kurpfalz (ZWK), Heidelberg[8]	51.00	7071	0	EUR

Scope of consolidation of the MVV Energie Group

at 30.9.2012	Share of capital[1] in %	Equity[1] 000s (local currency)	Annual net surplus/deficit[1] 000s (local currency)	Local currency
Other shareholdings				
Germany				
e:duo GmbH, Essen[9]	50.00	–764	–447	EUR
HEN HolzEnergie Nordschwarzwald GmbH i.L., Nagold[10]	30.00	127	–223	EUR
iwo Pellet Rhein-Main GmbH, Offenbach am Main[9]	24.92	–1939	7	EUR
Klimaschutzagentur Mannheim gemeinnützige GmbH, Mannheim[8]	40.00	25	0	EUR
Kommunaler Windenergiepark Schleswig-Holstein GbR, Neumünster[10]	20.00	675	164	EUR
Main-Kinzig-Entsorgungs- und Verwertungs GmbH, Hanau[8]	49.00	252	6	EUR
Maintal-Werke Gesellschaft mit beschränkter Haftung, Maintal[8]	24.90	15579	1404	EUR
Management Stadtwerke Buchen GmbH, Buchen-Odenwald[8]	25.20	37	1	EUR
Stadtwerke Langen Gesellschaft mit beschränkter Haftung, Langen[5, 8]	10.00	30472	0	EUR
Stadtwerke Schwetzingen GmbH & Co. KG, Schwetzingen[8]	10.00	15682	2748	EUR
Stadtwerke Schwetzingen Verwaltungsgesellschaft mbH, Schwetzingen[8]	10.00	33	0	EUR
Stadtwerke Sinsheim Verwaltungs GmbH, Sinsheim[8]	30.00	22	0	EUR
Stadtwerke Walldorf GmbH & Co. KG, Walldorf (previously: Stadtwerke Walldorf GmbH, Walldorf)[6, 13]	25.10	—	—	EUR
Stadtwerke Walldorf Verwaltungs GmbH, Walldorf[6, 13]	25.10	—	—	EUR
Wasserversorgungsverband Neckargruppe, Edingen-Neckarhausen[8]	25.00	377	0	EUR
WVE Wasserversorgungs- und -entsorgungsgesellschaft Schriesheim mbH, Schriesheim[8]	24.50	3595	0	EUR

1 share of capital on 30.9 2012 pursuant to § 16 (4) AktG; equity and annual net surplus/deficit pursuant to HGB
2 majority of voting rights
3 special purpose entity
4 joint management pursuant to contractual arrangement
5 profit transfer agreement
6 added in financial year
7 annual financial statements as of 31.3.2012
8 annual financial statements as of 31.12.2011
9 annual financial statements as of 30.9.2011
10 annual financial statements as of 31.12.2010
11 annual financial statements as of 30.9.2010
12 annual financial statements as of 31.12.2009
13 no information available
14 financial statements for short financial year
15 subsidiary of proportionately consolidated companies

41 Auditor's fee

The following fees were incurred for the services performed by the auditor of the consolidated financial statements, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, in the 2011/12 financial year:

Auditor's fees

Euro 000s	**2011/12**	2010/11
Audit	1 012	1 002
Other auditing services	281	81
Tax advisory services	11	90
Other services	848	700
	2 152	**1 873**

42 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 2011/12 financial year:

- BFE Institut für Energie und Umwelt GmbH, Mühlhausen
- Industriepark Gersthofen Servicegesellschaft mbH, Gersthofen
- MVV Energiedienstleistungen GmbH, Mannheim
- MVV Energiedienstleistungen GmbH IK Korbach, Korbach
- MVV RHE GmbH, Mannheim
- MVV Umwelt Asset GmbH, Mannheim
- MVV Umwelt GmbH, Mannheim
- MVV Umwelt O&M GmbH, Mannheim
- MVV Umwelt Ressourcen GmbH, Mannheim
- MVV Umwelt UK GmbH, Mannheim
- MVV Windenergie GmbH, Mannheim
- Netrion GmbH, Mannheim
- SECURA Energie GmbH, Mannheim

43 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**.

44 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 nineteen 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.

45 Events after the balance sheet date

The sale of the other shareholding KielNet GmbH Gesellschaft für Kommunikation, Kiel, took effect on 25 October 2012.

Mannheim, 13 November 2012

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, 13 November 2012

MVV Energie AG

Executive Board

Dr. Müller

Brückmann

Dr. Dub

Farrenkopf

DIRECTORS AND 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

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

Timo Carstensen[1] (since 1 January 2012)
Deputy Chairman of Works Council of Stadtwerke Kiel AG

Ralf Eisenhauer (since 16 March 2012)
Specialist Construction Manager for Historic Burdens at GBG Mannheimer Wohnungsbaugesellschaft mbH

Peter Erni[1]
Trade Union Secretary at ver.di Rhine/Neckar

Detlef Falk[1]
Chairman of Works Council of Stadtwerke Kiel AG

Dr. Stefan Fulst-Blei (until 16 March 2012)
Member of Baden-Württemberg State Parliament

Reinhold Götz
1st Representative IG Metall Mannheim

Prof. Dr. Egon Jüttner
Member of Federal Parliament (MdB)

Gunter Kühn[1]
Director of Personnel, Social and Welfare Services Division at MVV Energie AG

Dr. Antje Mohr[1]
Trade Union Secretary at ver.di Kiel

Dr. Lorenz Näger
Member of Management Board of HeidelbergCement AG

Barbara Neumann[1] (until 31 December 2011)
Chairman of Works Council of Stadtwerke Kiel AG

Wolfgang Raufelder
Member of Baden-Württemberg State Parliament

Uwe Spatz[1] (until 30 September 2012)
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]
Trade Union Secretary at ver.di Rhine/Neckar

Heinz-Werner Ufer
Graduate in Economics

Jürgen Wiesner[1]
Works Council of MVV Energie AG

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

Membership of Supervisory Board Committees at MVV Energie AG

Committee	Name
Audit Committee	• Heinz-Werner Ufer (Chairman) • Peter Dinges (Deputy Chairman) • Detlef Falk (since 1 January 2012) • Dr. Lorenz Näger • Barbara Neumann (until 31 December 2011) • Uwe Spatz (until 30 September 2012) • Carsten Südmersen
Personnel Committee	• Dr. Peter Kurz (Chairman) • Peter Dinges • Ralf Eisenhauer (since 16 March 2012) • Dr. Stefan Fulst-Blei (until 16 March 2012) • Uwe Spatz (until 30 September 2012) • Carsten Südmersen • Jürgen Wiesner
Nomination Committee	• Dr. Peter Kurz (Chairman) • Ralf Eisenhauer (since 16 March 2012) • Dr. Stefan Fulst-Blei (until 16 March 2012) • Wolfgang Raufelder • Dr. Dieter Steinkamp • Carsten Südmersen • Heinz-Werner Ufer
Mediation Committee	• Dr. Peter Kurz (Chairman) • Peter Dinges • Uwe Spatz (until 30 September 2012) • 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 • Saarschmiede GmbH, Völklingen • Stadtwerke Kiel AG, Kiel (Chairman)	• Soluvia GmbH, Mannheim[1] (Chairman)
Matthias Brückmann	• Energieversorgung Offenbach AG, Offenbach • MVV Energiedienstleistungen GmbH, Mannheim (Chairman) • MVV Trading GmbH, Mannheim (Chairman) • MVV Umwelt GmbH, Mannheim (Chairman) • SECURA Energie GmbH, Mannheim (Chairman) • Stadtwerke Ingolstadt Beteiligungen GmbH, Ingolstadt • Stadtwerke Kiel AG, Kiel	• Soluvia GmbH, Mannheim[1]
Dr. Werner Dub	• Energieversorgung Offenbach AG, Offenbach • Grosskraftwerk Mannheim AG, Mannheim • MVV Umwelt GmbH, Mannheim (Deputy Chairman) • Netrion GmbH, Mannheim[1] (Chairman) • Stadtwerke Kiel AG, Kiel • Stadtwerke Solingen GmbH (until 1 October 2012) • Stadtwerke Ingolstadt Beteiligungen GmbH, Ingolstadt (Deputy Chairman)	• MVV Energie CZ a.s., Prague, Czech Republic (Chairman)
Hans-Jürgen Farrenkopf	• Energieversorgung Offenbach AG, Offenbach • SECURA Energie GmbH, Mannheim • Stadtwerke Ingolstadt Beteiligungen GmbH, Ingolstadt • Stadtwerke Kiel AG, Kiel	• Management Stadtwerke Buchen GmbH, Buchen (Deputy Chairman) • Soluvia GmbH, Mannheim[1]

1 as of 1 October 2012, Shared Services Center GmbH and 24/7 Netze GmbH were renamed as Soluvia GmbH and Netrion GmbH respectively.

Members of Supervisory Board of MVV Energie AG

Name Occupation	Positions held on other statutory supervisory boards of German companies	Membership of comparable German and foreign company supervisory 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) • MWS Projektentwicklungsgesellschaft mbH, Mannheim (Chairman since 12 April 2012) • Popakademie Baden-Württemberg GmbH, Mannheim • Sparkasse Rhein Neckar Nord, Mannheim • Stadtmarketing Mannheim GmbH, Mannheim
Peter Dinges (Deputy Chairman) Chairman of MVV Group Works Council	• MVV Energiedienstleistungen GmbH, Mannheim (since 19 April 2012) • MVV GmbH, Mannheim • MVV Umwelt GmbH, Mannheim • Netrion GmbH, Mannheim[1] • SECURA Energie GmbH, Mannheim	• Soluvia GmbH, Mannheim[1]
Johannes Böttcher Chairman of Works Council of Energieversorgung Offenbach AG	• Energieversorgung Offenbach AG, Offenbach	
Timo Carstensen (until 1 January 2012) Deputy Chairman of Works Council of Stadtwerke Kiel AG	• Stadtwerke Kiel AG, Kiel	
Ralf Eisenhauer (since 16 March 2012) Specialist Construction Manager for Historic Burdens at GBG Mannheimer Wohnungsbaugesellschaft mbH	• MVV GmbH, Mannheim	• m:con – Mannheimer Kongress- und Touristik GmbH, Mannheim • MWS Projektentwicklungsgesellschaft mbH, Mannheim (from 12 April 2012 until 1 October 2012) • Sparkasse Rhein Neckar Nord, Mannheim • Stadt Mannheim Beteiligungsgesellschaft mbH, Mannheim (until 30 April 2012) • Stadtmarketing Mannheim GmbH, Mannheim
Peter Erni Trade Union Secretary at ver.di Rhine/Neckar		

1 as of 1 October 2012, Shared Services Center GmbH and 24/7 Netze GmbH were renamed as Soluvia GmbH and Netrion GmbH respectively.

Name Occupation	Positions held on other statutory supervisory boards of German companies	Membership of comparable German and foreign company supervisory boards
Detlef Falk Chairman of Works Council of Stadtwerke Kiel AG	• Stadtwerke Kiel AG, Kiel	• Soluvia GmbH, Mannheim[1] (since 11 May 2012)
Dr. Stefan Fulst-Blei (until 16 March 2012) Member of Baden-Württemberg State Parliament		• GBG Mannheimer Wohnungsbau-gesellschaft mbH, Mannheim • Mannheimer Abendakademie und Volkshochschule GmbH, Mannheim • Sparkasse Rhein Neckar Nord, Mannheim (until 31 December 2011) • Stadtmarketing Mannheim GmbH, Mannheim (until 25 October 2011)
Reinhold Götz 1st Representative IG Metall Mannheim	• EVO Bus GmbH, Mannheim • Wabco GmbH, Hanover	• GBG Mannheimer Wohnungsbau-gesellschaft mbH, Mannheim • MWM GmbH, Mannheim
Prof. Dr. Egon Jüttner Member of Federal Parliament (MdB)	• MVV GmbH, Mannheim (until 15 March 2012)	• Haus-, Wohnungs- und Grundeigentümerverein Mannheim e.V., Mannheim
Gunter Kühn Director of Personnel, Social and Welfare Services Division at MVV Energie AG		
Dr. Antje Mohr Trade Union Secretary at ver.di Kiel	• Provinzial NordWest Holding AG, Münster • Stadtwerke Kiel AG, Kiel	

1 as of 1 October 2012, Shared Services Center GmbH and 24/7 Netze GmbH were renamed as Soluvia GmbH and Netrion GmbH respectively.

Name Occupation	Positions held on other statutory supervisory boards of German companies	Membership of comparable German and foreign company supervisory boards
Dr. Lorenz Näger 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 (until 31 December 2011) Chairman of Works Council of Stadtwerke Kiel AG	• Stadtwerke Kiel AG, Kiel (until 30 November 2011)	• Soluvia GmbH, Mannheim[1] (until 11 December 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

1 as of 1 October 2012, Shared Services Center GmbH and 24/7 Netze GmbH were renamed as Soluvia GmbH and Netrion GmbH respectively.

Name Occupation	Positions held on other statutory supervisory boards of German companies	Membership of comparable German and foreign company supervisory boards
Uwe Spatz (until 30 September 2012) Deputy Chairman of Works Council of MVV Energie AG	• MVV Energiedienstleistungen GmbH, Mannheim (from 19 April 2012 until 30 September 2012) • MVV Trading GmbH, Mannheim (until 25 November 2011) • MVV Umwelt GmbH, Mannheim • Netrion GmbH, Mannheim[1] (until 5 December 2011) • SECURA Energie GmbH, Mannheim (until 30 September 2012)	
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 (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., Hürth • modernes Köln, Gesellschaft für Stadtentwick-lung mbH, Cologne (since 1 October 2011) • moderne stadt, Gesellschaft zur Förderung des Städtebaues und der Gemeindeentwicklung mbH (Chairman since 14 December 2011) • Stadtwerke Leichlingen GmbH, Leichlingen • Stadtwerke Lohmar GmbH & Co. KG, Lohmar (since 26 March 2012) (Deputy Chairman since 17 April 2012) • Stadtwerke Troisdorf GmbH, Troisdorf • Unternehmensverwaltungsgesellschaft Metrona mbH, Hürth • Verwaltungsgesellschaft Schultheiss mit beschränkter Haftung, Hürth

1 as of 1 October 2012, Shared Services Center GmbH and 24/7 Netze GmbH were renamed as Soluvia GmbH and Netrion GmbH respectively.

Name 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 (until 28 February 2012)	• m:con – Mannheimer Kongress- und Touristik GmbH, Mannheim • Rhein-Neckar Flugplatz GmbH, Mannheim • Rhein-Neckar-Verkehr GmbH, Mannheim (until 28 February 2012) • Sparkasse Rhein Neckar Nord, Mannheim • Stadt Mannheim Beteiligungsgesellschaft mbH, Mannheim • Stadtmarketing Mannheim GmbH, Mannheim
Katja Udluft Trade Union Secretary at ver.di Rhine/Neckar		
Heinz-Werner Ufer Graduate in Economics	• Amprion GmbH, Dortmund (Chairman)	
Jürgen Wiesner Works Council of MVV Energie AG	• MVV Trading GmbH, Mannheim (since 27 March 2012)	

Audit Opinion

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 recognized in group equity not effecting net income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report which is combined with the management report of the company for the business year from October 1, 2011 to September 30, 2012. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and 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 in 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 the companies included in consolidation, the determination of the companies 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 provisions. 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, 13 November 2012

PricewaterhouseCoopers
Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft

Folker Trepte
German Public Auditor

Rolf Küpfer
German Public Auditor

Translation of the auditor's report issued in German language on the consolidated financial statements and the combined management report prepared in German language by the management of MVV Energie AG, Mannheim.

OTHER DISCLOSURES

»Anyone can learn from the past.
These days it is more essential to learn from the future.«

Hermann Kahn, 1922 – 1983,
American Cyberneticist and Future Researcher

TEN-YEAR OVERVIEW

Ten-year overview of the MVV Energie Group

	2011/12 [1]	2010/11 [1]	2009/10 [1]	2008/09 [1]	2007/08 [1]
Income statement (Euro million)					
External sales excluding electricity and natural gas taxes	3 895	3 600	3 359	3 161	2 636
Adjusted EBITDA	399	404	406	385	398
Adjusted EBITA	223	242	247	239	249
Adjusted EBIT	223	242	243	239	249
Adjusted EBT	151	179	165	165	181
Adjusted annual net surplus	98	125	105	112	123
Adjusted annual net surplus after minority interests	80	108	95	98	110
External sales excluding electricity and natural gas taxes (Euro million)					
Generation and Infrastructure	354	327	329	—	—
Trading and Portfolio Management	976	800	684	—	—
Sales and Services	2 162	2 096	1 984	—	—
Strategic Investments	398	373	356	—	—
Other Activities/consolidation	5	4	6	—	—
Total	**3 895**	**3 600**	**3 359**	**3 161**	**2 636**
Adjusted EBIT (Euro million)					
Generation and Infrastructure	141	138	122	—	—
Trading and Portfolio Management	3	24	40	—	—
Sales and Services	21	39	39	—	—
Strategic Investments	38	35	37	—	—
Other Activities/consolidation	20	6	5	—	—
Total	**223**	**242**	**243**	**239**	**249**
Investments (Euro million)					
Generation and Infrastructure	214	146	119	—	—
Trading and Portfolio Management	4	2	—	—	—
Sales and Services	13	13	36	—	—
Strategic Investments	16	30	28	—	—
Other Activities	15	21	19	—	—
Investments in property, plant and equipment	**262**	**212**	**202**	**238**	**208**
Investments in financial assets	25	35	38	17	33
Total	**287**	**247**	**240**	**255**	**241**

2006/07 [1]	2005/06	2004/05	2003/04	2002/03
2 259	2 170	1 864	1 568	1 358
344	370	287	209	359
200	223	156	55	257
199	201	158	41	244
123	128	80	– 23	184
126	64	41	– 38	159
109	50	28	– 44	152
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
2 259	**2 170**	**1 864**	**1 568**	**1 358**
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
199	**201**	**158**	**41**	**244**
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
165	**190**	**162**	**166**	**161**
90	29	52	141	20
255	**219**	**214**	**307**	**181**

1 since 2006/07 financial year: excluding non-operating IAS 39 derivative measurement items; since 2008/09 financial year: also excluding restructuring expenses; since 2010/11 financial year: also including interest income from finance leases (previous year's figures adjusted)

2 since 2006/07 financial year: before working capital and taxes; previously pursuant to Society of Investment Professionals in Germany (DVFA) / Schmalenbach-Gesellschaft

3 inflow of funds from operating activities, less investments in intangible assets, property, plant and equipment and investment property

4 since 2007/08 financial year: adjusted equity as percentage of adjusted total assets

5 until 2009/10 financial year: adjusted equity plus financial debt plus provisions for pensions and similar obligations plus accumulated goodwill amortisation (calculated as annual average); since 2011/12 financial year: adjusted equity plus financial debt plus provisions for pensions and similar obligations less cash and cash equivalents (calculated as annual average, previous year's figure adjusted)

6 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 figure adjusted)

7 weighted average cost of capital

8 value spread (ROCE less WACC)

9 XETRA trading

10 pending approval by Annual General Meeting on 8 March 2013

11 since 2008/09 financial year: weighted number of individual shares: 65 906 796; 2007/08 and 2006/07 financial years: 55 767 290; 2005/06 financial year: 55 088 082; until 2004/05 financial year: 50 702 167

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

Ten-year overview of the MVV Energie Group

	2011/12 [1]	2010/11 [1]	2009/10 [1]	2008/09 [1]	2007/08 [1]
Balance sheet figures (Euro million)					
Non-current assets	2 868	2 965	2 684	2 795	2 725
Current assets	1 210	910	953	1 159	1 062
Share capital	169	169	169	169	169
Capital reserve	455	455	455	455	455
Accumulated net income	517	512	452	371	506
Accumulated other comprehensive income	–43	–3	16	15	24
Minority interests	208	213	95	103	116
Equity	1 306	1 346	1 187	1 113	1 270
Non-current debt	1 875	1 555	1 500	1 698	1 445
Current debt	897	974	950	1 143	1 072
Total assets	4 078	3 875	3 637	3 954	3 787
Key balance sheet figures and ratios					
Cash flow [2] (Euro million)	418	415	440	386	414
Free cash flow [3] (Euro million)	23	163	154	20	54
Adjusted equity ratio [4] in %	36.2	37.7	35.7	33.9	35.5
Capital employed [5]	2 485	2 489	2 688	2 649	2 444
ROCE [6] in %	9.0	9.7	9.1	9.0	10.2
WACC [7] in %	8.6	8.5	8.5	8.5	8.5
Value spread [8] in %	0.4	1.2	0.6	0.5	1.7
Share and dividend					
Closing price [9] on 30.9. (Euro)	21.39	23.86	29.00	30.83	33.20
Annual high [9] (Euro)	27.96	29.90	33.00	34.04	33.75
Annual low [9] (Euro)	19.50	18.85	29.00	26.55	28.00
Market capitalisation at 30.9. (Euro million)	1 410	1 573	1 911	2 032	2 188
Average daily trading volume (no. of shares)	6 707	8 431	6 108	19 162	29 575
No. of individual shares at 30.9. (000s)	65 907	65 907	65 907	65 907	65 907
No. of shares with dividend entitlement (000s)	65 907	65 907	65 907	65 907	65 907
Dividend per share (Euro)	0.90 [10]	0.90	0.90	0.90	0.90
Total dividend (Euro million)	59.3 [10]	59.3	59.3	59.3	59.3
Adjusted earnings per share [11] (Euro)	1.21	1.63	1.44	1.48	1.69
Cash flow per share [11] (Euro)	6.35	6.29	6.68	5.86	6.33
Adjusted book value per share [11, 12] (Euro)	17.88 [13]	17.61 [13]	16.94 [13]	16.52 [13]	16.53 [13]
Price/earnings ratio [11, 14]	17.7	14.6	20.1	20.8	19.6
Price/cash flow ratio [11, 14]	3.4	3.8	4.3	5.3	5.2
Dividend yield [14] in %	4.2 [10]	3.8	3.1	2.9	2.7

2006/07 [1]	2005/06	2004/05	2003/04	2002/03
2 479	2 361	2 339	2 331	1 864
799	792	579	546	484
143	143	130	130	130
255	255	178	178	178
383	324	315	301	390
17	10	9	—	—
116	105	105	240	108
914	837	737	849	806
1 377	1 366	1 397	1 147	722
987	950	784	881	820
3 278	3 153	2 918	2 877	2 348
364	246	188	158	150
188	– 52	53	– 18	– 61
27.9	26.5	25.3	29.5	34.3
2 390	2 293	2 263	2 055	1 838
8.4	9.7	6.9	2.7	14.0
7.5	7.5	7.5	8.0	8.8
0.9	2.2	– 0.6	– 5.3	5.2
29.49	23.23	19.29	14.40	15.30
34.24	25.40	19.50	17.16	15.95
22.00	17.40	13.90	11.67	13.50
1 645	1 295	978	730	776
32 396	27 289	18 149	10 993	5 976
55 767	55 767	50 704	50 702	50 702
55 767	55 767	55 704	50 702	50 702
0.80	0.80	0.75	0.75	0.75
52.7	44.6	41.8	38.0	38.0
1.96	0.91	0.55	– 0.86	3.01
6.52	4.47	3.71	3.11	2.96
14.32	13.29	12.46	12.02	13.76
15.0	25.5	35.1	—	5.1
4.5	5.2	5.2	4.6	5.2
2.7	3.4	3.9	5.2	4.9

1 since 2006/07 financial year: excluding non-operating IAS 39 derivative measurement items; since 2008/09 financial year: also excluding restructuring expenses; since 2010/11 financial year: also including interest income from finance leases (previous year's figures adjusted)
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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

Ten-year overview of the MVV Energie Group

	2011/12	2010/11	2009/10	2008/09	2007/08
Sales volumes					
Electricity turnover (kWh million)	28 283	26 093	23 891	19 582	18 188
of which Generation and Infrastructure (kWh million)	93	155	334	—	—
of which Trading and Portfolio Management (kWh million)	15 750	12 855	10 771	—	—
of which Sales and Services (kWh million)	11 071	11 678	11 510	—	—
of which Strategic Investments (kWh million)	1 369	1 405	1 276	—	—
Heating energy turnover (kWh million)	6 888	7 289	7 586	7 217	7 006
of which Generation and Infrastructure (kWh million)	274	141	305	—	—
of which Trading and Portfolio Management (kWh million)	673	669	721	—	—
of which Sales and Services (kWh million)	4 772	5 226	5 239	—	—
of which Strategic Investments (kWh million)	1 169	1 253	1 321	—	—
Gas turnover (kWh million)	17 418	10 888	11 775	10 851	9 166
of which Generation and Infrastructure (kWh million)	4	—	—	—	—
of which Trading and Portfolio Management (kWh million)	7 762	1 700	2 313	—	—
of which Sales and Services (kWh million)	7 567	7 759	7 356	—	—
of which Strategic Investments (kWh million)	2 085	1 429	2 106	—	—
Water turnover (m^3 million)	53	54	54	53	55
Combustible waste delivered (tonnes 000s)	1 897	1 835	1 762	1 599	1 550
Employees (headcount) at 30.9.					
MVV Energie AG	1 476	1 455	1 495	1 523	1 527
Fully consolidated shareholdings	3 775	3 785	3 882	3 833	3 661
MVV Energie AG with fully consolidated shareholdings	**5 251**	**5 240**	**5 377**	**5 356**	**5 188**
Proportionately consolidated shareholdings	290	679	682	681	685
MVV Energie Group	**5 541**	**5 919**	**6 059**	**6 037**	**5 873**
External personnel at Mannheim cogeneration plant	—	4	9	16	28
	5 541	**5 932**	**6 068**	**6 053**	**5 901**

2006/07	2005/06	2004/05	2003/04	2002/03
14 302	14 343	13 022	14 539	10 972
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
6 299	7 343	7 446	7 504	7 370
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
9 456	11 513	11 096	8 906	8 422
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
55	58	58	48	42
1 409	1 229	872	518	486
1 559	1 569	1 728	1 769	1 821
3 765	3 156	3 114	3 492	2 122
5 324	**4 725**	**4 842**	**5 261**	**3 943**
1 031	1 562	1 550	1 632	1 711
6 355	**6 287**	**6 392**	**6 893**	**5 654**
39	51	57	64	73
6 394	**6 338**	**6 449**	**6 957**	**5 727**

GLOSSARY

A

Adjusted earnings per share
Adjusted earnings per share represent the adjusted annual net surplus after minority interests divided by the number of shares. This key net earnings figure is stated net of the earnings and tax impact resulting from IAS 39 derivative measurement items as of the balance sheet date and from restructuring expenses. The number of shares corresponds to the weighted average number of 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. MVV Energie calculates this by excluding the impact on earnings of the IAS 39 measurement of derivatives at fair value as of the balance sheet date, excluding restructuring expenses and including income from finance leases. ▶ *Please also see reconciliation on Page 56.*

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 relevant implications for deferred taxes. ▶ *Please also see Page 48.*

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.

B

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) is a measurement of 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. MVV Energie uses the ß factor to calculate the weighted average cost of capital (WACC). ▶ *Please also see Page 58.*

Biogas
The German Renewable Energies Act (EEG 2012) defines biogas as gas obtained from biomass by way of fermentation in the absence of oxygen (i.e. 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. The biomass power plants, biomass heating energy plants and biomass cogeneration plants at MVV Energie 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 regular 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.

C

Capital employed (CE)
This is the capital used by the company on which external providers of capital are entitled to a return. Unlike in the previous year, MVV Energie now reports CE on a net basis, i.e. excluding cash and cash equivalents.

Cash flow
The cash flow presents all inflows and outflows of cash and cash equivalents (e.g. bank deposits, money market funds or fixed-term deposits) in a given period.

Clean dark spread
The clean dark spread, corresponding to the margin from generating electricity from hard coal, portrays the difference between the electricity price on the one hand and prices for fuel (coal, including transport), the price of CO_2 emission rights and the Euro/USD exchange rate on the other.

CO_2 emission rights
An environmental policy instrument aimed at cutting CO_2 emissions harmful to the climate at the lowest possible cost to the economy. To achieve this goal, a market was created for CO_2 emission rights. The price signal emitted by this market provides participating companies with an incentive to reduce their CO_2 emissions. When implementing this market, the European Union initially on a political level set a cap 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 certificates entitling their holders to emit specific volumes of CO_2 were issued. There are penalties for emissions not covered by emission rights. By lowering the cap step by step, the incentive to achieve CO_2 savings is gradually being increased.

Cogeneration
Denotes the simultaneous generation at one 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 has an indispensable role to play in the conversion of the energy supply. The Federal Government aims to ensure that 25 % of electricity is produced by way of cogeneration 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. ▶ *Please also see Page 99.*

Contracting
Contracting is taken to mean the assignment of the supply and conversion of utilities (electricity, heating energy, cooling energy, compressed air) to a third party – the contractor. 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 customers' needs and continuing to be owned by 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.

Cross selling
Marketing term used to refer to the sale of complementary products or services.

D

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. ▶ *Please also see Page 45.*

Dividend yield
Key figure portraying the dividend distribution made by a stock corporation as a percentage of its share price.

E

EEG allocation
Enables the costs of promoting renewable energy forms to be largely distributed to all 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 compensation to plant operators within the framework of the settlement mechanism ordinance. 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 of each year for the following calendar year. As the EEG allocation is always based on forecasts concerning both the 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. Due to a marked expansion in renewable energies, the EEG allocation is set to rise from 3.592 cents per kWh to 5.227 cents per kWh as of 1 January 2013.

EEX
The European Energy Exchange (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.

Efficiency
The efficiency of an energy generation plant represents the volume of energy made available for use over a specified time period as a percentage of the energy input.

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.

F

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.

Fuel cell
In a fuel cell, the energy produced by chemical reactions is directly converted into electrical energy and heating energy. This technology is characterised by a high efficiency level and is suitable for the decentralised generation of energy in buildings or at industrial locations. It is also used to supply electricity to appliances and cars.

Futures market
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.

G

Grid fees
In the liberalised energy market, grid fees, also known as grid utilisation fees, are the fees levied by electricity and gas grid operators from the respective users as consideration for grid use.

H

Hedging
Denotes strategies used to secure prices. These can involve the conclusion of suitable futures transactions in which the electricity generation position, for example, is sold several years in advance.

GLOSSARY

I

IFRS
International Financial Reporting Standards (IFRS) are 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 are obliged 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.

Impairment test
International accounting standards require the ongoing value of assets to be tested periodically for impairment (impairment test). Where the company's carrying amount exceeds its recoverable amount (fair value), then asset impairments, i.e. extraordinary depreciation and amortisation, must be recognised on the assets and charged to earnings in the income statement.

Incentive regulation
Incentive regulation is intended to ensure that grid operators keep their fees low. To limit energy prices for consumers, since 2009 the Federal Network Agency has set so-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 after 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.

Investment grade
In the world of finance, the term investment grade is used when a debtor is assessed as being of very good to average creditworthiness. The term speculative grade is used for debtors with below-average creditworthiness. Debtor quality may be classified using internal bank criteria (internal rating) or is set by international rating agencies (external rating), such as Moody's, Standard & Poor's, Fitch and DBRS.

L

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, a lower temperature profile of generally below 95 degrees Celsius and lower conduction losses.

M

Market design in the energy market
The term market design is used to describe the 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 premium model
The market premium is an instrument used since 1 January 2012 to promote the market integration of renewable energies in Germany. The market premium is paid to plant operators who opt to market the electricity they generate from renewable energy sources directly on the electricity exchange ("market premium model") rather than via the existing EEG compensation model. On the electricity exchange, such operators receive the regular market price, which falls short of the price paid for green electricity in the EEG compensation model. The difference between existing compensation and the market price generated on the electricity exchange is fully offset by the market premium. Where an electricity producer manages to sell its electricity at a price higher than the market reference value, the market premium is not reduced in line with this, which means that the plant operator is able to generate income in excess of the existing EEG compensation.

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. The aim is to achieve maximum efficiency in terms of satisfying specific plant capacities with the best materials composition (e.g. calorific value, waste properties). The term also denotes cross-regional concepts guaranteeing the supply of waste to the appropriate respective disposal plants in line with individual customers' requirements and the different types of waste involved.

O

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.

P

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. The P/E ratio facilitates comparison of a company's earnings strength with that of one or several other companies.

MAJOR EVENTS IN 2011/12 FINANCIAL YEAR

1

Operations were officially launched at Kirchberg **WIND FARM** in May 2012. Its 23 wind turbines have been on the grid since February 2012. With a total installed capacity of 53 MW and planned annual electricity production of 125 million kWh, this is the wind farm with the highest capacity in south-western Germany.

2

The construction and operation of a cogeneration-based **ENERGY FROM WASTE PLANT** in Plymouth/UK is our largest investment project. In the year under report, we successfully agreed the overall financing with a volume of Euro 250 million and secured this on a long-term basis.

3

Our first **BIOMETHANE PLANT** in Klein Wanzleben was connected to the grid in September 2012. By acquiring shares in a plant in Kroppenstedt, we have taken initial steps to build a second plant - also in Sachsen-Anhalt.

4

We invested Euro 18 million in optimising the energy from waste plant in Mannheim along energy-efficient lines in the year under report – **PROJECT OPTIMA**. Two new turbines in the cogeneration plant have enhanced the efficiency of the cogeneration process used to generate electricity and extract district steam.

5

Having acquired a **COGENERATION PLANT WITH AN ENERGY FROM WASTE FACILITY** in the city of Liberec, our MVV Energie CZ subsidiary has successfully established itself in the still new Czech waste market.

6

Our **MVV ENERGIEMONITOR** application received a special prize for outstanding innovation at the Stadtwerke Award 2012.

FINANCIAL CALENDAR

- **18.12.2012**
  Annual Financial Report 2011/12 (Annual Report)
- **18.12.2012**
  Annual Results Press Conference and Analysts' Conference
- **14.2.2013**
  Financial Report for 1st Quarter of 2012/13
- **8.3.2013**
  Annual General Meeting
- **11.3.2013**
  Dividend Payment
- **15.5.2013**
  Half-Year Financial Report 2012/13
- **15.5.2013**
  Press Conference and Analysts' Conference 1st Half of 2012/13
- **15.8.2013**
  Financial Report for 3rd Quarter of 2012/13

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The German and English editions of this Annual Report can also be accessed in Flash format.

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