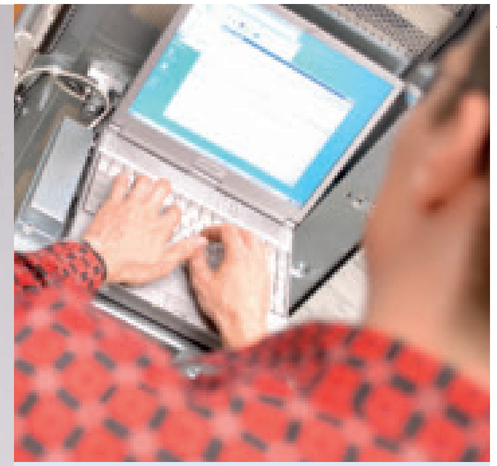


MVV Energie Fiscal Year 2002/2003

Enjoying Success Together

Integration and Growth

MVV Energie

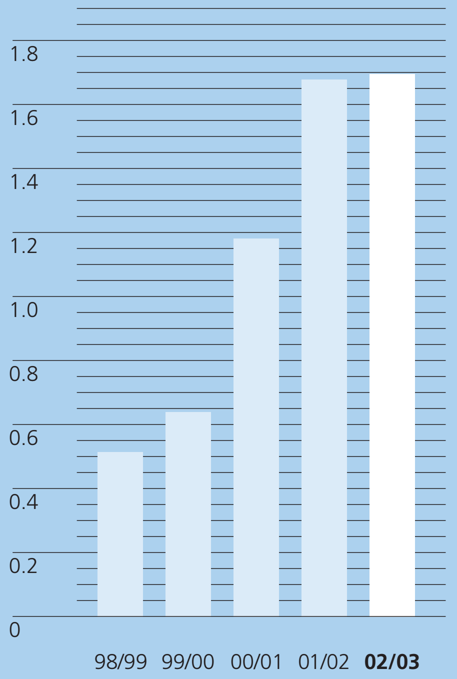
Company Profile

MVV Energie AG has been successful as an energy distributor and value-added services provider both nationally and internationally. We have combined our traditional core competencies with innovative solutions, which have enabled us to offer our customers electric power, natural gas, district heating, waste management and water as well as value-added services and telecommunications. Thanks to our Europe-wide energy trading, we now number among the leading energy-trading enterprises in Germany.

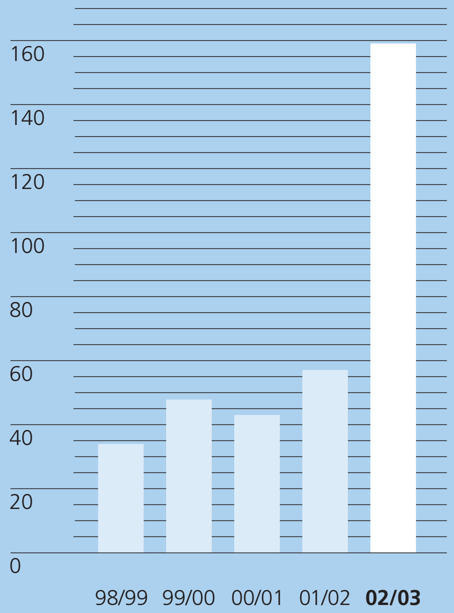
MVV Energie AG continues to grow: We have acquired participations in distribution utilities and value-added services providers both in Germany and abroad. Moreover, we have been investing specifically in decentralised energy generation from environmentally sustainable sources. Owing to strategic participations in young technological enterprises, we have gained access to new and promising key technologies.

Since 1999 we have been listed on the stock exchange as the first municipal public utility in Germany.

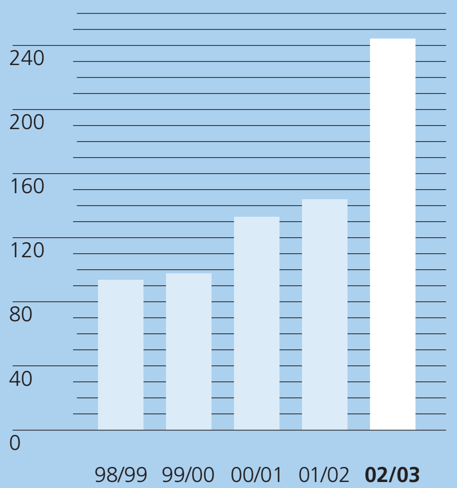
Sales 2002/03 **Euro 1.7 Bill.**
In Euro Bill.



Net Earnings after Taxes 2002/03
In Euro Mill. **Euro 159 Mill.**



EBIT 2002/03 **244 Euro Mill.**
In Euro Mill.



Key Economic Indicators

MVV Energie Group[1] In Euro Mill.	**2002/2003**	2001/2002	In %	Adjusted[2] **2002/2003**	Adjusted[3] 2001/2002	In %
Sales	1 695	1 679	+ 1			
EBITDA	369	258	+ 43	244	228	+ 7
EBITA	257	155	+ 66	134	125	+ 7
EBIT	244	144	+ 69	121	114	+ 6
EBT	184	100	+ 84	61	69	– 12
Net earnings after taxes	159	57	+ 179	32[4]	30[4]	+ 7
Net earnings after taxes after minority interests	152	50	+ 204	25[4]	23[4]	+ 9
Earnings[5] per share in Euro	3.01	1.00	+ 201	0.50[4]	0.46[4]	+ 9
Cashflow in acc. with DVFA/SG	161	161	—	160[3]	131[3]	+ 22
Total assets	2 751	2 766	– 1			
Equity	806	699	+ 15			
Equity[6] to total capital ratio in %	29.3	25.3	+ 16			
Capital Employed[7]	1 838	1 538	+ 20			
ROCE[8] in %	14.0	10.1	+ 39			
WACC[9] in %	8.8	9.3	– 5			
Value Spread[10] in %	5.2	0.8	+ 550			
Investments	181	546	– 67			
No. of employees as of 30/9[11]	5 727	5 170	+ 11			

[1] In accordance with IFRS
[2] Without the profit from the sale of our GVS shares, income from GVS as a participation and the expenditures for measures to enhance competitiveness
[3] Without income from GVS as a participation
[4] Adjusted for the accounting tax factor resulting from expenditures for measures to enhance competitiveness in 2002/03 and from income from GVS as a participation in 2001/02
[5] In accordance with IAS 33
[6] Equity to total capital
[7] Equity plus corporate debt plus provisions for pensions and similar obligations plus accumulated goodwill amortisation (calculated on an annual average)
[8] Return on capital employed (EBITA to capital employed)
[9] Weighted average cost of capital
[10] Value spread (ROCE minus WACC)
[11] Including non-MVV Energie AG personnel at MHKW Mannheim

Enjoying Success Together

Integration and Growth

MVV Energie
Fiscal Year 2002/2003

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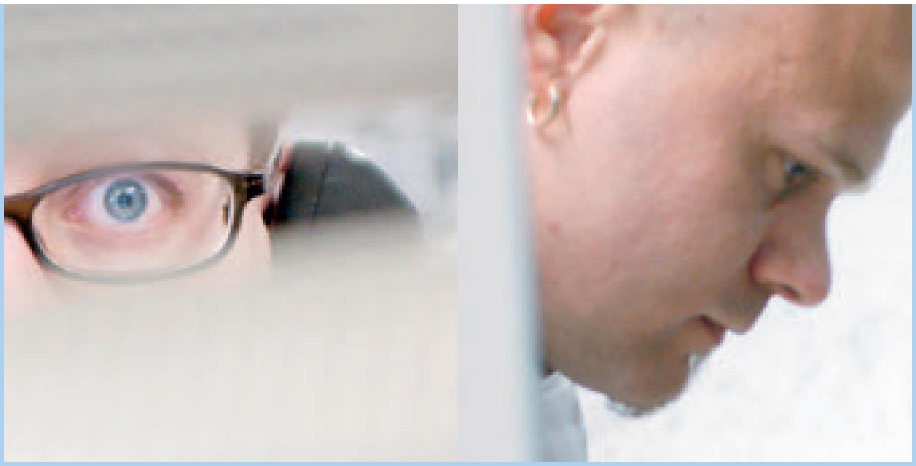



114,000,000

To Our Shareholders

Paul Orstavik, Energy Trading

"In fiscal year 2002/03, we sold 20 billion kWh of electricity. With this volume it would be possible **to keep 114 000 000 light bulbs burning for one year**. Our corporate group supplied this electricity to nearly 530 000 customers. The mission of our energy-trading division is to procure this electric power at optimum cost."

Light Bulbs

Dear Shareholders and Friends of MVV Energie,

I am very happy to be able to address you directly for the first time as Chief Executive Officer of MVV Energie via this annual report. You will surely ask what changes will result from the succession at the top of this company. I intend to answer this question openly and in complete agreement with my colleagues on the Executive Board, Dr. Werner Dub, Hans-Jürgen Farrenkopf and Karl-Heinz Trautmann. However, before we direct our attention to the future, let us first look back at the past years and at the man who shaped these times: Roland Hartung.

An era came to end when Roland Hartung stepped down as Chief Executive Officer of MVV Energie on September 30, 2003. Mr. Hartung led our company for fifteen years, during which time Europe's energy markets were liberalised, MVV Energie went public and developed into an international provider of multi-utility energy services.

The MVV Energie Group has undergone rapid growth in recent years. In general it has grown horizontally through acquisition of other energy-distribution utilities whose core business activities are similar to those of MVV Energie and who have equally promising customer potential. Conversely, our efforts during fiscal year 2002/03 were primarily focused on integration of our participations into the corporate group. A number of measures have recently acquired been implemented to promote greater co-operation within the corporate group, to co-ordinate business processes and procedures with one another as well as to optimise internal workflows.

The annual financial statements for 2002/03, which are presented in this report, have confirmed the excellent substance of MVV Energie: Compared to last year, earnings before interest and taxes (EBIT) for the MVV Energie Group have increased despite high investments in renewable energy projects. This significant improvement in earnings was largely attributable to the successful sale of our shares in Gasversorgung Süddeutschland GmbH. The one-off profit was used for strengthening equity, for retiring debt and for restructuring purposes, i.e., for measures that will substantially enhance the competitiveness of our corporate group. EBIT adjusted for this one-off factor rose by 6% from Euro 114 million to Euro 121 million. We have thus been able to achieve our target of 5% growth – based on adjusted EBIT – and, in fact, have slightly exceeded it.

Sales of the MVV Energie Group, which had already attained a high level last year, rose by 1% to Euro 1.7 billion. In light of the bleak economy and the difficult climate in our sector, we consider this a success – even if we did not achieve our sales target of Euro 2 billion despite positive developments in volume in our end-consumer business.

Where does MVV Energie stand today? We have strategically positioned ourselves very favourably in important economic and growth regions thanks to participations in Offenbach, Solingen, Ingolstadt and Köthen as well as in two future EU member states, Poland and the Czech Republic. Together with our participations, each of which exactly knows its own local markets and maintains close customer ties, the MVV Energie Group currently has a potential of over 1.4 million customers.

How does the future of MVV Energie look? The Executive Board has examined MVV Energie's successful strategies and basically intends to continue implementing them. Nevertheless, it will be important for us to focus on them more distinctly: The focal point will thus be expansion of our strong core business as a distribution utility in conjunction with value-added services that are closely intertwined with our core business.

With a comparatively high ratio of equity to total capital of 29%, we can build on a sound financial base for investments in additional horizontal growth. In future we also intend to acquire profitable distribution utilities that fit in with our core business and our platform strategy.

As a new top-managment team, we set down our priorities for the coming months in an action plan at the beginning of October 2003.

An essential point in this action plan is an ongoing review and revision of our strategies and especially our business portfolio. We will also examine all of our business divisions to determine whether they have long-term prospects for success and for a commensurate return on capital employed. In so doing, we will repeatedly ask the question: "Do we have a competitive edge in the respective business sector?"

Ongoing optimisation of our group's organisation will also be a major priority. Our group enterprises should all be able to co-operate with each other smoothly. We will check to see how completely our processes mesh with each other and at what points synergies can be exploited through additional joint optimisation, thereby facilitating cost-cutting. An important question in this regard will be whether customers consider themselves well served by us as well as where and how we can improve customer satisfaction even more.

A additional focal point will consist in optimising our internal microeconomic controlling. This will be of particular importance in light of the major growth of our company in recent years. Here we intend to improve planning and controlling processes to adapt them to the scope of the MVV Energie Group.

The works council and representatives of our executive personnel have been involved in all projects currently in progress. In future, nothing will change with respect to this policy. The Executive Board will take its decisions only after carefully analysing and evaluating the alternatives; these decisions will then be consistently and resolutely implemented.

In the long run, only those enterprises will be successful that can adapt fast enough to the varying demands of their markets and competition. In past years, MVV Energie has impressively succeeded in this thanks to the singular commitment and openness for change shown by its employees. On behalf of my colleagues on the Executive Board, I would like to thank the entire work force for their dedication. Together we will devote all of our energy and efforts towards continuing the positive developments at our company. We ask that you, our shareholders, continue to believe in MVV Energie and to give us your trust.

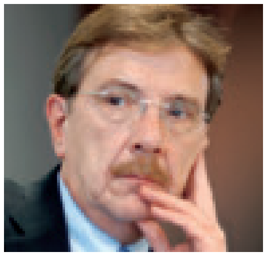
Regards,

Dr. Rudolf Schulten
Chief Executive Officer


The Executive Board of MVV Energie

Dr. Rudolf Schulten (48) has been Chief Executive Officer of MVV Energie since October 1, 2003; he is also the commercial director and is responsible for MVV Energie's resource recovery programme. Dr. Schulten has a doctorate in business and was most recently on the executive board at Bewag AG, responsible for commercial affairs and networks. Prior to that, he served as CFO at GASAG AG; his duties included financial affairs and marketing. His professional career has been closely intertwined with the energy industry for over 20 years. Dr. Schulten is married and has three children.

Dr. Werner Dub (53) has been the technical director at MVV Energie since January 1, 2000 and is responsible for engineering and technology. Dr. Dub has a doctorate in industrial engineering. Before joining MVV Energie, he was a managing director at Ferngas Nordbayern GmbH. Before that, he took on varied management assignments in the technical division at Ruhrgas AG. He started his career at the *International Energy Agency (IEA)*. Dr. Dub is married and is the father of two children.



Karl-Heinz Trautmann (51) was named to the executive board of MVV Energie as of October 1, 2003, as marketing director responsible for sales and energy services. He began his career at MVV Energie as an economist in 1981; most recently, he was CEO at Energieversorgung Offenbach AG (EVO), one of MVV Energie's major participations. Prior to that, he was a managing director at Stadtwerke Hanau GmbH as well as a member of the executive board at the Hanau Transit Authority. Mr. Trautmann is married and is the father of one son.

Hans-Jürgen Farrenkopf (54) has been personnel director since January 1, 2003, responsible for social and general services as well as for data processing. After completing training as a draughtsman, he has been employed at MVV Energie since 1967, most recently as chairman of the works council of the MVV Energie Group and deputy chairman of the supervisory board, to which he was first elected in 1979. Until 1984 he was the deputy head of the water-extraction department. Mr. Farrenkopf is married and has one son.

Interview with Roland Hartung and Dr. Rudolf Schulten

Continuity and Change

Mr. Hartung, you have headed MVV Energie for the past 15 years. What was it that motivated you to take MVV Energie public in 1999 as the first and to date only municipal and regional energy utility to do so in Germany?

Hartung: The regulatory framework in our sector and thus for our company has been fundamentally changed by liberalisation of the electric power and gas markets in 1998. From the very beginning, we perceived competition on the energy markets both as a major challenge as well as a major opportunity for MVV Energie. In order to hold our own in the face of mounting competition, we have decided on a growth strategy. After careful consideration of the options, we obtained the equity needed for such a strategy via our IPO – at the time a very bold decision. In retrospect, we are convinced that our decision was correct based on developments in our corporate indicators. Without our IPO, our successful growth course over the past few years would definitely not have been possible.

Since the IPO, the share price of MVV Energie AG's stock has never stayed very long above the issue price of Euro 16, despite positive developments in earnings. Do you have an explanation for this?

Hartung: For most stockbrokers and investors, the last two years in particular have been a disaster. In the course of the last three years, our comparative indices, SDAX and Prime Utilities, alone lost 27% and 22%, respectively. By comparison, our share price has succeeded in holding its own. There are only a few stocks that have remained as stable as ours in the face of such a plunge in share prices.

However, the share-price potential of our stock has been restricted by the comparatively low free float of only 12.2% at present. The free float will indeed rise if we implement the planned increase in share capital in the course of a second public offering at an opportune time. The liquidity and availability of our stock will thus also improve, thereby making it more attractive for institutional investors.

Dr. Schulten, you took over as CEO from Mr. Hartung on October 1, 2003. What attracted you to make the move from Bewag AG in Berlin to MVV Energie in Mannheim?

Schulten: I have been following the impressive developments at MVV Energie with considerable interest for some time now. And by the way, not only for professional purposes, but also for personal reasons, as I grew up in the vicinity of Mannheim, along the Bergstraße, between Heidelberg and Weinheim.

MVV Energie is a publicly listed utility with a sound business model and is well positioned on today's liberalised energy markets. This has also been shown in the way MVV Energie has developed since the IPO: Within just a few years it has evolved from a classic municipal and regional public utility to a highly successful, major national and international energy-distribution enterprise and value-added services provider. This speaks for its dynamism, innovative power and adaptability. I was – and am still – attracted by the challenge of continuing to push MVV Energie's corporate development even further.

Apropos innovative power: In contrast to the major energy producers, MVV Energie has always considered itself an energy-distribution utility and value-added services provider. Now it has increasingly been investing in the construction of biomass powerplants and heat-only plants, with which electric power and district heating can be generated. How does that fit together? What makes you so optimistic? What do you think about a potential dependence on government subsidies?

Hartung: MVV Energie identified environmentally sustainable energy generation as a promising growth market early on. With the Renewable Energy Act and the Biomass Amendment, the government will subsidise economical generation of electric power from biomass. Biomass powerplants and biomass heat-only plants fit in perfectly with our core business because we can make decentralised use of them. We can use them to offer customers new solutions tailored to their individual needs. Nevertheless, MVV Energie is and will remain – first and foremost – an energy-distribution utility and value-added services provider.

In addition to our distribution expertise, we will benefit from our extensive experience in producing electric power and district heating using cogeneration in our energy from waste plants. We have contributed this know-how to constructing biomass powerplants and heat-only plants. In 2000 the first biomass heat-only plant began operation to supply a group-heating scheme in Ruhpolding in Bavaria. We were then able to apply the experience gained there to building additional biomass heat-only plants. With partners from the waste-incineration sector, we have built three biomass powerplants: in Königs Wusterhausen near Berlin, in Flörsheim-Wicker near Wiesbaden and in Mannheim. All three powerplants began operating by the end of 2003.

Schulten: Utilities will need financial support in developing innovative and marketable technologies in the environmentally sustainable renewable energy sector. Otherwise those pilot plants, in which new technologies and processes can be tested, would not be economically feasible. To achieve their objectives for protecting the climate, the German government and the governments of numerous other European countries are thus subsidising expansion of renewable energy projects through corresponding legislation. For biomass facilities, the rates and tariffs agreed upon in Germany, for example, will remain in effect for 20 years. In Germany, therefore, the REA will provide investors with calculable and predictable prospects for a viable return on capital employed, thanks to long-term supply guarantees and binding rates and tariffs for pooling.

While other utilities in the energy sector have been increasingly concentrating on their core business, MVV Energie has been pursuing various other activities in two other sectors: value-added services and technologies of the future. Why?

Schulten: We have also been focussing on expanding our core business, i.e., on our strong position as a regional distribution utility. In so doing, the main emphasis will continue to be on our business in supplying end-consumers with electric power, district heating, gas and water as well as energy from refuse-derived fuel. However, our customers have been increasingly expecting integrated solutions as well as energy and waste-management plans custom-tailored to their individual needs. It would be to pass up an excellent opportunity if we were only to build on our business in grid-bound commodities.

Hartung: That is exactly the reason why we have developed new products as well as new packages of products and services from our core business, which can supplement our core business and make it more attractive to customers. The positive developments in sales in our value-added services sector and the success that we have enjoyed throughout Europe – also in international consulting – have served to confirm this strategy.

Successful entry into new key technologies in the energy sector represents an essential element of our long-term market success. By means of strategic participations in key technology companies, we have gained access to promising technologies that will supplement and strengthen our energy business.

MVV Energie is still encountering losses in its business with value-added services. Do you intend to continue your activities in this sector and when do you expect to realise sustainable earnings there?

Schulten: The rapid expansion in our value-added services segment and our positioning in new markets are linked to start-up costs and losses in the initial build-up phase. This build-up phase has not yet been completed – despite obvious progress.

In the business with some services and new participations, we are still at the investment stage, in which we will initially have to make expenditures in advance to start things moving. This applies especially for expanding the fibre-optic network in Mannheim for our telecommunications activities. Altogether, we have a healthy mix in our business portfolio with regard to maturity and to future prospects for the individual business models.

Nevertheless, we also intend to take a close look at both the profitability and chances on the market of our services division and our new windows of opportunity. Thereafter we will decide which activities will be continued from our overall product portfolio. The range of energy services offered by the enterprises in the MVV Energie Group has by the way been steadily growing. Our participations are also working on land improvement and development, contracting models and other projects; in so doing they have benefited from our experience in these sectors. Co-operative integration has been functioning very well in these areas.

Why have you acquired participations in municipal utilities located far apart from one another? Why have you not focussed your activities on the Rhine-Neckar region?

Hartung: Profitable energy-distribution utilities are at the heart of our participation strategy, i.e. utilities whose core business fits well with ours. We have indeed focussed our activities with the participations in Offenbach, Solingen, Ingolstadt and Köthen: namely on important German metropolitan areas and economic centres. Using these sound platforms as a base, we intend to expand on the excellent market positions in these regions together with our partner companies. We have thus laid a solid base for sustainable growth for the MVV Energie Group.

We are now jointly working on becoming fitter and leaner as well as equipping ourselves with more competitive structures. In this regard, we have been consistently utilising the regional experience of our municipal participations. We have also been incorporating new companies as service providers thereby enhancing our market position as an energy distributor as well as an energy-services provider. At the same time, we have opened up synergies for ourselves, for example in power trading, via a joint IT platform and procurement.

Power prices are rising, the trading volume is sinking: Is your model in jeopardy, Mr. Hartung?

Hartung: Granted, energy producers are profiting more from the current market climate with its rising power prices than a straight energy distributor. Our business model is based on competition and has been seriously impeded by the mounting oligopolisation on the energy markets. Nevertheless, we have been able to hold our own, even in such an unfavourable market climate, thanks to our horizontal market model, i.e., co-operating with other energy distributors and our varied national and international trading contacts.

Even if the power-trading volume has decreased because of declining overall energy-trading activities in fiscal year 2002/03, it should not be forgotten that power trading is not our main source of earnings. We earn our money primarily through retailing, and there we have enjoyed steady growth. Power trading serves other important purposes for us, as well. It provides optimum regulation of our powerplant capacities, controls their placement on the market and ensures economical and structured procurement of energy for our corporate group. Through centralised portfolio management, the risks involved in procurement due to greater fluctuations in energy prices can be, inter alia, centrally controlled and/or reduced.

How much importance do you attach to the MVV Energie Group's position in the circle of other energy utilities when energy generation is dominated by four major producers?

Hartung: Success is not a question of size! Our success is based on our business model. We are different; we are an energy distributor and value-added services provider. Companies like ours are an indispensable counterpoise to the major energy producers and are the sole guarantee that competition will function on the energy markets. The reason is that if there were only a vertically integrated oligopoly comprising the four major producers, then competition would in effect be a thing of the past. Consequently, distribution utilities are of vital importance for today's energy markets. We have shown that we know how to take advantage of our strengths as a multi-division, distribution utility. Ownership of distribution grids, close proximity to customers and efficient European energy trading are of decisive importance in today's liberalised markets and are the most valuable assets of any utility. We have consistently focussed on our business with end-consumers and can offer our customers various forms of energy from a single source. MVV Energie horizontally associates with other distribution utilities that have the same strengths. We have developed a number of value-added services close to our core business of distributing electric power, district heating, gas and water. We have also gained new customer groups by acquiring participations in energy distributors and service providers both in Germany and abroad.

Schulten: There is an enormous potential for growth for MVV Energie in these markets! With our extensive experience in our markets, our comprehensive technological know-how as well as with our well-trained and highly motivated employees, in my opinion we will have excellent prospects for continuing our successful entrepreneurial development.

Will MVV Energie be able to continue its rapid growth in the coming years? Or will it now enter a period of consolidation? What kind of growth can your shareholders expect next year with regard to sales and EBIT?

Schulten: Our rapid growth over the last few years is essentially attributable to our successful acquisition activities. Naturally, our growth will also depend on which distribution utilities are available for sale. Should there be additional opportunities, we will carefully examine them and will take advantage of them as circumstances permit. Our task, to continue to promote co-operation among equals within the MVV Energie Group, will, however, remain unaffected by this. We also intend to utilise the instruments of value-based corporate management that were introduced last year. All of the enterprises, segments, business divisions and projects in the MVV Energie Group will be assessed according to value-based criteria and evaluated for their competitive viability and profitability. However, this has nothing to do with consolidation. Overall profitability will take precedence over growth. We will orient our expansion plans accordingly.

Naturally, in the current fiscal year we will not again be able to match the EBIT of fiscal year 2002/03 that benefited from the sale of our GVS shares. Investments in biomass powerplants are investments in our organic growth. The measures to make structural improvements that we have undertaken at our participations will bring about reductions in costs, thereby positively affecting our EBIT. These could be set against factors that would arise from possible adjustments in our business portfolio as well as from re-organisational and restructuring measures. With regard to sales, we are expecting only moderate changes compared to last year.

When you speak of additional possibilities for expansion, Dr. Schulten, which markets do you have your eye on?

Schulten: We intend to optimise our position in the distribution market even more; plans for a participation in the Kiel public utility will serve this purpose. MVV Energie's chances lie in horizontal expansion. The value-added services market will also lend itself to further expansion; in so doing the focus will be on developing new products as well as sharing our know-how within the MVV Energie Group.

We are now evolving from a production-based to a know-how-based society. As a consequence, we will make use of our know-how for expansion purposes. However, our opportunities are not limited to Germany as well as Central and Eastern Europe; other markets abroad also offer ample possibilities for expansion, however, this is a priority of secondary importance.

Mr. Hartung, in November 2003 you were named "Ecology Manager of the Year for 2003" by the editors of *Capital* and by the environmental protection organisation, *World Wildlife Fund*. How does the capital market assess MVV Energie's commitment to this sector?

Hartung: Within the framework of its growth strategy, MVV Energie has set its sights on the market for renewable energy and has consistently positioned itself as a provider for energy-efficient services. This award is an endorsement of MVV Energie's overall business policies, which are not only directed towards economic targets, but also environmental protection objectives. Economical and efficient use of precious natural resources and environmentally sustainable recycling or disposal of waste materials have long since had a high priority at MVV Energie. A total of 84% of the flats in Mannheim are supplied with environment-friendly, grid-bound energy (gas and district heating). In the Czech Republic, approx. 100000 households are heated in part with geothermal water. In Poland, a number of our 170000 customers are supplied with heat from pit gas that had previously been allowed to escape uncontrollably. Within the framework of our contracting business, MVV Energie will take over old powerplants and heating facilities from industrial enterprises and municipalities, will modernise them and will then supply significantly more efficient electric power, process steam, heating and cooling as well as compressed air. MVV Energie's activities have also encompassed renewable energy sources, such as solar, wind and bioenergy. No other utility in Germany generates as much electric power and district heating from biomass as MVV Energie. In order to ensure the supply of energy service for future generations, we will have to accelerate the switch from fossil fuels to renewable energy sources. Many investors have also focussed their attention on this sector. The number of explicit environmental and sustainability funds is on the rise, and MVV Energie is represented in four of these funds.

You wanted to provide MVV Energie with new capital via a second public offering and to increase the free float of its stock to at least 25%. When can we expect this to happen?

Hartung: I had actually expected to be able to take this important step while I was still in office. Unfortunately, an opportunity has not presented itself due to the situation on the stock market. However, I assume that my successor, Dr. Schulten, will be able to implement this capital measure within the next 1–2 years.

Schulten: Yes, we are planning on doing this as stated. We are expecting better liquidity for our stock from a higher free float and as a result to be admitted to the MDAX. However, I would like to emphasise that we already have a ratio of equity to total capital of 29%. We thus do not feel any pressure whatsoever and will be biding our time for a more opportune situation on the stock market. Nevertheless, the sooner, the better.

Mr. Hartung, we have always known you as a highly charged manager. May we ask what your plans are for the future?

Hartung: As I live in Mannheim, I will naturally remain highly charged thanks to energy supplied by MVV Energie. There are indeed other things in life besides a profession, things that I have always wanted to do, for example in the realm of culture, but unfortunately have not always been able to find the time. In addition to a larger stack of books that are waiting to be read, I am especially looking forward to spending more time with my family. Several trips have also been added to my new schedule.

The entire energy sector is currently occupied with the energy mix of the future. Dr. Schulten, what is your vision for future developments?

Schulten: In Germany I foresee the development of two megatrends. On the one hand, I expect the concentration of major energy-generation utilities to continue, which we have been observing now for some time. The four major generation utilities represent enormous financial power and can take advantage of the economies of scale, i.e., they can operate more economically because of their large, centralised production facilities.

On the other hand, there are the energy-distribution utilities, which – like MVV Energie – have been growing horizontally by acquiring participations in other distribution utilities. Their main advantages are close customer ties, ownership of their distribution grids and their long-established multi-utility structure. In this way, they can supply their customers individualised, value-added products as well as packages of products and services. These utilities, which have now been increasingly investing in smaller, decentralised generation plants in close proximity to their customers, can take advantage of the economies of scope. They can achieve a competitive edge in costs because the facilities to be built have a high degree of replication, and proven technologies can be utilised for a number of similar applications. Decentralised generation facilities are both viable and efficient; however, their effect on network management must be monitored. And it will be imperative to acquire this know-how for the energy mix of the future. This represents a challenge for every enterprise whose business is supplying energy.

MVV Energie's Stock

Satisfactory Developments in MVV Energie's Share Price on an Initially Weak Stock Market

The situation on the stock market proved to be inconsistent during fiscal year 2002/03. The climate on stock exchanges was rather weak and plagued by uncertainty until mid-2003 when a slight upturn followed. In fiscal year 2002/03, MVV Energie's stock rose 1.5% from Euro 15.02 as of September 30, 2002, to Euro 15.25 as of September 30, 2003. During the same period, the SDAX gained 34.6% despite substantial fluctuations, while the Prime Utilities dropped 11.6%. Compared to these indices, MVV Energie's stock experienced satisfactory developments in its share price and little volatility during the fiscal year reported here after two above average years. We attribute this to sound developments in our earnings as well as excellent economic indicators, e.g., the dividend yield and the high book value of our shares.

Our stock also experienced an increase in share price towards the end of the 2nd quarter of fiscal year 2002/03 in advance of paying out the dividend. The drop in the share price coincided as usual with payment of the dividend. However, we were able to regain this drop thanks to an overall friendlier climate on the stock market in the second half of fiscal year 2002/03. The annual high for MVV Energie's shares was Euro 16.00 (Euro 16.51 last year); the annual low was Euro 13.50 (Euro 13.82 last year).

Shareholders' Structure

The shareholders' structure remained unchanged in fiscal year 2002/03. The City of Mannheim still holds its indirect participation of 72.8%, while 15.0% is held by Ruhrgas Energie Beteiligungs-AG. Approx. two-thirds of the 12.2% free float are primarily held by domestic, institutional investors. Many of these have specialised in investments in small caps, low-risk value stocks and sustainability-driven stocks. We estimate the proportion of private investors in our free float at approx. one-third.

Because of the situation on the stock market, we have still not made use of the possibility of re-purchasing MVV Energie's shares and of launching a new management and employee programme during fiscal year 2002/03.

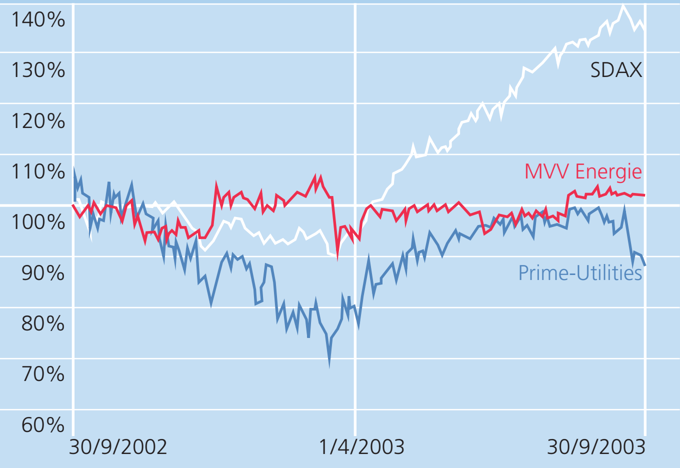
Dividend Still High

Unadjusted earnings per share in accordance with IAS 33 increased 201% to Euro 3.01. Information on the adjustment for the one-off factor resulting from the sale of our GVS shares can be found in the section on Earnings. In light of the continuing positive developments, we will once again propose paying a dividend of Euro 0.75 per share for fiscal year 2002/03 at the next General Shareholders´ Meeting.

Investor Relations Successful

MVV Energie has met the transparency criteria of the German Stock Exchange's premium segment and has thus been listed on the new SDAX since March 24, 2003. Market capitalisation was Euro 773 million as of September 30, 2003; with a free float of Euro 94 million, MVV Energie's shares now number 74th in the joint rankings consisting of MDAX and SDAX- stocks. Our stock's trading volume more than doubled from Euro 10.1 million to Euro 22.5 million.

MVV Energies´ Stock (ISIN DE0007255903)



Key Figures per Share	**2002/2003**	2001/2002
Earnings per share (IAS 33) in Euro	3.01	1.00
Earnings per share (HGB [1]) in Euro	3.68	1.09
Price/earnings ratio (IAS 33)	5.1	15.0
Dividend in Euro	0.75[2]	0.75
Dividend yield [3] in %	4.9[2]	5.0
Equity [4] in Euro	13.76	11.64

[1] MVV Energie AG

[2] Pending approval of the shareholders at the general meeting on 12/3/2004

[3] Based on the closing price in Frankfurt/Main on 30/9

[4] Without minority interests

We want to contribute to a commensurate evaluation of MVV Energie's shares with our transparent, timely and trustworthy financial communication. Consequently, we are happy to report that the number of prominent financial institutes that have been publishing research reports and analyses about MVV Energie has continued to increase. In fiscal year 2002/03, a total of eleven institutes analysed our company and, inter alia, announced estimates of our earnings per share. With the aid of road shows and conferences with financial analysts as well as in talks with investors and the financial press, we have succeeded in intensifying and expanding our contacts to the financial community. To draw additional attention to our stock, we have presented ourselves together with other enterprises at the 1st Mannheim Capital Market Forum and have also committed ourselves to the SDAX roundtable discussions at the German Stock Exchange as well as at events for *Baden-Württemberg's small caps.*

In fiscal year 2002/03, MVV Energie's investor-relations activities were honoured with several excellent rankings and awards: In a *Börse Online* competition for private investors it ranked 2nd among SDAX stocks and attained a respectable 6th place in a survey conducted by *Capital* for institutional investors. Our online annual report, which we publish on our web site at *www.mvv-investor.de*, has been given the "Gold Award" by the prestigious *League of American Communications Professionals.*

Investor-Relations Outlook

To improve our stock-market liquidity even more, we intend to appeal increasingly to smaller institutional investors. In addition we are aiming at sustainability-driven mutual funds as a particularly promising target group.

Due to the unfavourable situation on the stock market, we did not implement a second public offering (SPO) in 2002/03 as planned. Nevertheless, we are still sticking to our plan to place additional shares in MVV Energie on the stock market and to gain new equity for further growth by means of an increase in share capital when conditions have become more favourable. Moreover, an increase in our free float would help to pave the way onto the MDAX thanks to greater liquidity, thereby making our stock even more attractive for investors.

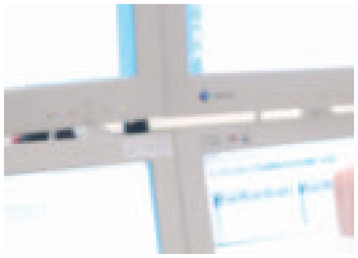
Corporate Governance

Corporate governance stands for accountability in managing an enterprise as well as for dedication to increasing sustainable shareholder value.

This not only includes internal and external control mechanisms, but also organisational flows as well as principles and guidelines of a company's business policies. Corporate governance that is proper and clear-cut will foster trust in the management and supervision of enterprises among investors, business partners, employees and the public.

In February 2002, the *Government Commission on the German Corporate Governance Code* first published the basic principles of corporate management, control and transparency in one set of standards/code. It is largely based on legal regulations governing corporate management and supervision in Germany. Moreover, this code makes recommendations that go beyond legal regulations, from which companies, however, may deviate. It is mandatory for the executive and supervisory boards of publicly listed enterprises to submit an annual declaration of compliance in accordance with Art. 161 of the German Stock Corporation Act (AktG), indicating whether they have complied with these recommendations or to what extent they have deviated therefrom. Furthermore, this code provides suggestions from which companies can also deviate without disclosing their reasons. The *German Corporate Governance Code* is regularly updated and adapted to changing conditions/changes in the regulatory framework as required. The last time that this occurred was on May 21, 2003.

MVV Energie is committed to value-based corporate management and has provided for efficient and responsible oversight and control in its corporate group. We have regularly informed our shareholders and the public openly and comprehensively about current and planned courses of business. We have been making use, inter alia, of our Investor Relations´ Internet web site *(www.mvv-investor.de)* to furnish timely and uniform information. At this site MVV Energie's most important financial events and their dates can be found on its publicly accessible company timetable. Our accounting practices are also oriented towards national and international standards: The consolidated financial statements of MVV Energie AG are prepared in accordance with the principles of *International Financial Reporting Standards (IFRS),* while the financial statements of MVV Energie AG are in line with those of the *German Commercial Code (HGB).*



Declaration of Compliance:

The Executive and Supervisory Boards do hereby declare that MVV Energie AG has complied and will continue to comply with the recommendations of the *Government Commission on the German Corporate Governance Code* published by the Federal Ministry of Justice in the official section of the electronic Bundesanzeiger. For the present, the following declaration is based on the latest version of May 21, 2003 and on the prior version for the past. The Executive and Supervisory Boards fully intend to comply with the recommendations of the German Corporate Governance Code in future, as well. Only the following recommendations have not been, and will not be, realised:

Retention for D&O Insurance: No. 3.8, Para. 2: "Should a company take out D&O insurance for its executive and supervisory boards, agreement should be reached on a commensurate retention."

MVV Energie AG's D&O (Directors & Officers) insurance, which is intended to protect the insured against possible claims for damages, does not provide for insurance coverage for intentional wrongdoing or negligence as well as for knowingly committing acts of nonfeasance on the part of the executive board or the supervisory board. As a consequence, the question of a deductible (retention) only arises for negligent behaviour. Nevertheless, we are convinced that our efforts to gain outstanding personalities for activities either on the Executive or Supervisory Boards at MVV Energie AG would be severely restricted if said personalities had to reckon with the risk of liability claims even for negligent behaviour.

Remuneration for Members of the Executive Board: No. 4.2.4: "Information should be individualised."

Remuneration for the members of the Executive Board has been and will continue to be divided into fixed and variable parts as well as into components with long-term incentive value. This information is essential to assessing whether dividing remuneration into a guaranteed and a performance-based part would be commensurate and whether the intended incentive value for members of the Executive Board would indeed emanate from this remuneration structure. Conversely, we – as well as many other enterprises – have not recognised any noticeable gain in transparency by further individualising remuneration for the members of the Executive Board. The Executive Board is an organ of peers so that any incentive value must apply to the entire organ.

Performance-Based Remuneration for the Supervisory Board: No. 5.4.5, Para. 2, Sentence 1: "The members of the supervisory board shall receive both a fixed salary and variable remuneration based on performance."

The articles of incorporation of MVV Energie AG currently only provide for fixed salaries for its Supervisory Board. However, this does not mean that MVV Energie AG may not introduce performance-based remuneration for its Supervisory Board members in future. In the near future, we intend to await developments in real-world practice. At present, we have found neither partial linkage of the Supervisory Board's remuneration to the dividend nor remuneration models based on the share price particularly convincing as criteria for performance-based remuneration. We intend to examine various concepts and will implement the one that offers a completely convincing solution for both the shareholders and the administration.

In the Spotlight: Decentralised Energy Service

Changes in the Structure of Energy Generation

In Germany alone, the drive to phase out nuclear energy and the age distribution of existing power-plants will result in a demand for new powerplant capacity amounting to approx. 40 000 MW by the year 2020. This corresponds to roughly one third of total gross powerplant capacity currently available in Germany. It is this background that has triggered the present debate on the form that future energy mixes should take and how to implement new technologies for generating energy with centralised and, especially, decentralised systems.

Shaping the Structure of Energy Service of the Future

The future begins today: This statement could hardly be more appropriate for a sector than for the energy industry. Due to the long investment cycles, the future structure that will ensure the supply of energy service in Germany will be determined today and in the coming years. The declared objectives of German energy policy will be to shape generation as environment-friendly as possible while conserving valuable resources without allowing the burden to fall too greatly on consumers.

For future developments in the energy industry, the following factors will be of importance:

▶ Economy

It is to be expected that rates and prices will increase for electric power generated in conventional powerplants on a long-term basis due to rising costs for modernisation and climate protection as well as the limited availability of readily accessible and thus economically exploitable primary fossil fuels. Conversely, ongoing R & D activities could open up potential for improving efficiency and for cutting costs. Moreover, economies of scope, i.e., cost advantages that energy utilities can gain by offering similar service concepts to similar groups of customers, will also have an impact here. In addition, the comparatively low investment volume and relatively expeditious capital recovery periods will allow decentralised facilities to offer attractive business alternatives.

▶ Innovation

Technical developments in decentralised energy-generation facilities are moving so quickly that many of the technologies that are currently being developed and tested could be ready for market by the next investment cycle and could be part of a future powerplant mix. Energy-management systems that will be needed for controlling and regulating decentralised powerplants could also be available within this time frame.

▶ Policy

The German government has been pursuing its environmental objectives by means of a statutory framework designed to encourage financial support for environment-friendly energy service in close proximity to consumers while at the same time ensuring a reliable and uninterrupted supply of energy. Broadening the generation base will intensify technological competition, will contribute to innovation and will strengthen diversification in generation. For the MVV Energie Group, the Renewable Energy Act (REA) represents an important and successful basis for investments in renewable energy and in decentralised generation facilities.

With these factors as a basis, enormous potential has been opened for decentralised facilities in any future structure for supplying energy. The Enquete Commission in the German Bundestag, which released a study in 2002 on the development of power generation in Germany, expects approx. 25% of total powerplant capacity to come from decentralised facilities using cogeneration (CHP) by 2020.

As a consequence, decentralised generation facilities will augment present and future large-scale powerplants.

Decentralised Energy-Generation Facilities

Producing electric power and space heating in close proximity to consumers is one of the attributes of decentralised energy-generation facilities.

Decentralised generation facilities are comparatively small, but energy-management systems can be used to bundle them with existing generation plants in order to create a "virtual power-plant." Energy-storage facilities and load-management systems will ensure the quality of energy service and will make it possible to separate generation from consumption time-wise.

Other advantages of decentralised energy-generation facilities are that they are more efficient than centralised facilities, i.e., they consume less primary energy, and they are closer to consumers and thus better able to meet their individual needs. As a result, generating energy in this way is of particular interest for energy-distribution utilities that have traditionally been located in close proximity to their customers and that have maintained close customer ties.

MVV Energie's Commitment to Decentralised Generation Technologies

The MVV Energie Group recognised the future importance of decentralised facilities early on and for years has been investing in various technologies in conjunction with decentralised energy generation.

A core aspect of developments in decentralised generation concepts is represented by their integration in existing supply grids. Consequently, we are committed to developing solutions for questions involving the reliability of uninterrupted energy service arising from such integration within the framework of the Sidena research and development project together with 13 partners. Controlling virtual powerplants requires control and data-management systems. For this reason, we are working with 37 European partners on the EU Dispower research project to optimise the process of integrating decentralised energy generation into the process of supplying electricity service. In addition, tests on using fuel cells and a micro-turbine fired with biogas in real-world practise number among our R & D activities in decentralised energy service.

An additional aspect is our commitment to environmentally sustainable energy generation. This includes, for example, biomass powerplants like the ones that we have built for decentralised power generation in Mannheim, Königs Wusterhausen and Flörsheim-Wicker.

In our value-added services business, we have been offering our customers various custom-tailored energy plans. These have increasingly been including decentralised facilities for energy generation, such as biomass heat-only plants for producing space heating and/or process steam. With energy contracting, customers will commission or "contract" us to take over their facilities as well as to modernise and to operate them. Our decentralised energy plans are supplemented by consulting, service and upkeep as well as preventive maintenance. Meter reading and billing are also part of our wide array of services. Moreover, we have been developing power-quality solutions for customers who require completely uninterrupted electricity service.

We will continue to expand our leadership when it comes to expertise and technology in innovative, decentralised energy generation. This objective will be served not only by our own research and development projects, but also by our participations in the area of technologies of the future that have been bundled in our innovations portfolio. There we are committed to the areas of network-monitoring technology, micro CHP plants powered by steam engines, energy storage with flywheel technology and in superconductor technology. We took up the challenges early on that have arisen from these new technologies, especially for distribution grids. We will continue to offer our customers valuable energy services that are technically viable, environmentally sustainable and economical.


100,000

Business Model

Alexander Röckel, Computer Centre

"Integration live: We prepare over **100 000 electric, heating, gas and water bills every month for MVV Energie AG and Energieversorgung Offenbach AG**. The hard drives in our state-of-the-art computer centre have a storage capacity of over 40 terabytes; that makes efficiency a foregone conclusion."

Bills

Our Corporate Strategy

MVV Energie has decided in favour of a horizontal, integrated business model both as part of its corporate strategy and in order to preserve its independence. **Linking together companies** that have the same core businesses and strengths as MVV Energie is at the root of this strategy, which emphasises proximity to customers, close customer ties and ownership of our distribution networks.

Horizontal expansion at the distribution level allows us to take advantage of the benefits of synergies and know-how transfers. This distinguishes us from companies with vertical strategies that encompass the entire value chain, including energy generation.

Our corporate strategy focuses on our core businesses: electric power, district heating, gas, water and energy from waste incineration. Complementing these core businesses are our segments for value-added services, renewable energy and technologies of the future. When we went public in 1999, we defined the five stepping stones of our expansion strategy, which served in fiscal year 2002/03 as a basis for growth in our distribution and end-consumer business, in our value-added services division and in the markets for decentralised value-added services that have shown great potential for the future. We intend to continue developing these strategic stepping stones.

The Stepping Stones of MVV Energie's Growth Strategy

1. Expanding our strong position as a regional distribution utility

MVV Energie has pursued a national platform-based strategy in major metropolitan areas that includes participations in distribution utilities in Offenbach, Ingolstadt, Solingen and Köthen; this strategy has allowed MVV Energie to continue its horizontal growth over the past few years. We have been making consistent use of the regional expertise, decades of operator know-how and the close customer ties of our participations. For a sustainable concept for the future that envisions independent, equal partners in competition, these competencies must not only be maintained – we must also work together to expand them. These participations have provided the MVV Energie Group with a presence in the Rhine-Neckar, Rhine-Main and Rhine-Ruhr regions, in southern Germany and in the greater Berlin area, all of which are important both as densely populated, metropolitan areas and as economic centres.

We are convinced that electric power, district heating, gas and water are the keys to real profitability in energy markets in the areas of distribution and end-consumer business. Consequently, generating additional growth by expanding both our solid core business and our strong position as a regional distribution utility will remain one of our strategic objectives.

2. We are optimising our energy procurement and energy trading.

MVV Energie's professional trading unit has now become one of the leading energy-trading companies in Germany. Energy trading is of importance for our distribution business as well as for our portfolio and risk management, as it allows us to procure energy on wholesale markets at reasonable cost. Energy trading also serves three additional functions: it optimises our powerplant capacities and places these capacities on the market, it controls our risks, and it serves as a central marketplace and key interface between sales, energy generation and wholesale markets.

We have been increasingly expanding centralised management of our energy portfolio to include our participations, thereby allowing us to create synergies. We have been taking advantage of these synergies in conjunction with our awareness of the market situation and the experience of our trading team in order to be able to supply our customers and participations with competitive energy service tailored to their individual needs at economical rates and prices. In light of declining liquidity within the framework of Enron's demise and other American trading establishments, we have been developing trading strategies based on our experience that are suitable for markets with less liquidity.

3. Expanding on Our National and International Multi-Utility Strategy

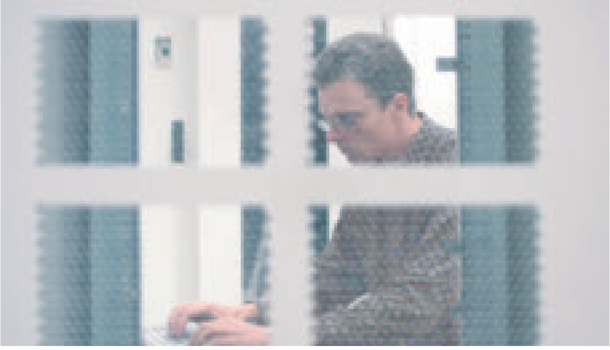
Increasing numbers of industrial, commercial and municipal customers are demanding total energy packages from a single source. MVV Energie has responded to these demands by developing an attractive portfolio of value-added services based on its traditional core competencies (electric power, district heating, gas and water) and by using this portfolio to strengthen relations with existing customers and to acquire new customers. Our decentralised and horizontally integrated organisational structure has allowed us to bundle products and offer customers full-service solutions tailored to their individual needs. We have been particularly successful with major industrial customers, whom we can offer products and total energy packages that range from outsourcing all energy and media service to assuming responsibility for supplying the entire infrastructure of an industrial park.

Here, too, we have been making increasing use of the opportunities afforded by the growth of our corporate group. In co-operation with our partners in Ingolstadt and Solingen, we have incorporated two new service providers, Reginova GmbH in Ingolstadt and ENSERVA GmbH in Solingen. These service providers will now make it possible for us to utilise potential synergies by taking the energy service products developed in the parent company and marketing them effectively in North Rhine-Westphalia and in Bavaria. These services include energy contracting, facility management, public-private partnership models and power-quality management.

4. Acquiring participations in distribution utilities and service providers in high-growth regions of Europe

Our horizontal growth strategy is not limited to the domestic market alone. By taking advantage of both the superior technological level of MVV Energie and the resulting profitability and of the international contacts generated by our district-heating business, we have been able to acquire participations in district-heating utilities in Poland and the Czech Republic, countries about to be admitted to the EU as member states. Their highly developed district-heating structures have made these countries interesting growth markets for us, in which – by pooling our competencies – we can increase efficiency and output, while at the same time reducing costs.

MVV Polska Sp.z o.o. in Warsaw has participations in three district-heating utilities and four energy-services providers in Poland. Since 1999 we have had participations in eight district-heating utilities in the Czech Republic via our subsidiary MVV Energie CZ s.r.o. in Prague, which has in the meantime brought our share of the national district-heating market to over 10%. We intend to continue growing our business in both countries.



5. Making strategic investments in technologies of the future and in environmentally sustainable energy generation

Yet another element of MVV Energie's continued development has been early involvement in new key technologies and technologies of the future in the energy generation and value-added services sectors. We have bundled international participations in young technology developers in our venture capital company, MVV Innovationsportfolio AG & Co. KGaA. The fund, which is administered by ACCERA Venture Partners AG of Mannheim, maintains an investment volume of Euro 40 million and has a time frame of 10 years. These strategic participations have given us access to new products and potentially successful technologies. Three new participations were acquired in this past fiscal year, increasing the total to eight. These include participations in PSI AG in Berlin, which provides network-monitoring technology, in Enginion AG in Berlin, which has developed a micro CHP plant based on steam-engine technology and in Vermicon AG in Munich, which uses gene-probe technology to provide rapid analyses of tap water and wastewater. Thanks to our existing participations we have become involved in the fields of energy storage, power quality, superconductors and Powerline telecommunications. Modelling our venture capital contracts along traditional industry lines has guaranteed that the ratio of opportunity to risk will be commensurate with our commitment.

Because of the favourable legal climate in Germany and in Europe, environmentally sustainable energy has become a promising growth market. In fiscal year 2002/03, MVV Energie worked with its partners in the waste-management industry to invest over Euro 150 million in the construction of three major biomass powerplants in Mannheim, Königs Wusterhausen and Flörsheim-Wicker. In addition to constructing biomass powerplants and biomass cogeneration plants, we are also continuing development of cutting-edge fuel-cell technology.

Value-Based Management

Economic success does not come about coincidentally, but is rather the result of taking goal-driven action. Strategic objectives lead to operative measures that have to be carefully planned and implemented. **Value-based management** numbers among the instruments, which MVV Energie utilises in evaluating, planning and controlling its corporate activities.

The guiding principle of our value-based management concept is a sustainable increase in shareholder value. Shareholder value will increase when the return on capital employed (ROCE) is higher than the weighted average cost of capital.

We have been utilising this value-based corporate concept throughout the MVV Energie Group. Comparable criteria have been applied with respect to EBITA relative to capital employed. This value-based approach has put us in a position to evaluate all of our business divisions with regard to sustainability of value as well as to formulate minimum standards for windows of opportunity for future growth. In this way we intend to ensure the best possible use of capital employed and sustainable increases in shareholder value for our investors.

Determining Value Spread

Value spread is the main factor in our value-based management concept. It indicates growth in the shareholder value of our company and is calculated by comparing the return on capital employed (ROCE) and the weighted average cost of capital (WACC).

ROCE is determined by dividing earnings before interest, taxes and goodwill amortisation (EBITA) by capital employed.

WACC stands for a mean value between equity and debt capital costs and reflects the minimum demands for a commensurate return on investment on the part of our shareholders and other providers of financing. To determine the total cost of capital accurately, we calculate equity costs at market value; with debt capital we use the book value while taking the interest on debt capital as a deductible by means of a tax shield into account.

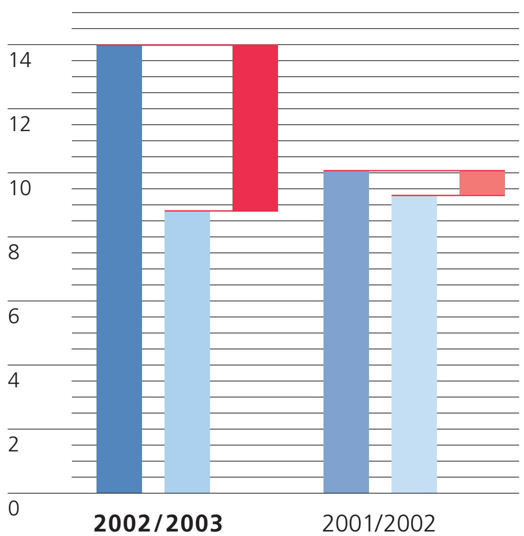
As ROCE represents pre-tax earnings, we also convert the after-tax indicator WACC into a pre-tax indicator by means of a tax shield.

The capital asset pricing model (CAPM) serves the purpose of determining equity costs, i.e., the demand for a return on investment of our shareholders. In so doing, MVV Energie set the market-risk premium at 5% (5% last year) and risk-free rate of return at 4.8% (4.5% last year). The Beta factor, which reflects the specific market risk for MVV Energie's stock, was reduced to 0.7% (0.8% last year) for fiscal year 2002/03; MVV Energie thus followed the general estimate for its sector, which was confirmed in a number of studies last year.

Positive Contribution to Value Spread in 2002/03 due to a One-off Factor

In fiscal year 2002/03, the MVV Energie Group's ROCE amounted to 14.0% (10.1% last year). With a weighted average cost of capital (WACC) before taxes of 8.8% (9.3% last year), MVV Energie thus had a positive value spread of 5.2% (0.8% last year) during the past fiscal year. This unusually high value spread is, however, solely attributable to the profits from the sale of MVV Energie's shares in Gasversorgung Süddeutschland GmbH. When this one-off factor is not taken into effect, which can not be exactly calculated relative to ROCE, the MVV Energie Group would not have had a positive value spread in such a difficult fiscal year as 2002/03.

Indicators
In %



	2002/2003	2001/2002
ROCE	14.0%	10.1%
WACC	8.8%	9.3%
Value Spread	5.2%	0.8%


240,000

Report of the Executive Board

Torsten Göhler, Research & Development

"The district-heating network of our participation in Szczecin is **over 240 km long**; nevertheless, **we were able to check the condition of the entire grid in only two nights**. To detect leakage we took precise pictures from a light plane equipped with a highly sensitive thermal infrared camera. This new method is not only cost-effective; it also saves a lot of time."

Metres

Market Climate

Economic Framework

During 2003 the economic situation in the European Union has only improved slightly due to the adverse impact caused by the Iraq war rising ernergy prices and relativity weak economic development in some EU countires and the US. The prognosis for economic growth in the EU in 2003 only amounts to 0.8%. Conversely, our key Eastern European markets in Poland and the Czech Republic are expecting significantly higher growth rates of approx. 3% each thanks to their increasing export dynamic for 2003. After weak growth (0.2%) in Germany in 2002, the gross domestic product for all of 2003 will likely remain at last year's level.

Regulatory Framework for the Energy Industry

In June 2003 the European Parliament passed a directive on the second phase of liberalisation for the energy markets. The heart of the so-called acceleration directives are in fact legal guarantees for non-discriminatory access to existing power and gas grids for all participants in the market as well as freedom of choice of power and gas suppliers for companies as of July 2004 and for residential and small business customers as of 2007. While in Germany all electric power customers have been able to choose their suppliers freely since the beginning of liberalisation in 1998, this has not been possible for all customers Europe-wide up till now. Moreover, the EU directive makes it mandatory for European energy utilities to unbundle their respective generation, network and sales activities organisationally by July 1, 2004, and in accordance with corporate law by July 1, 2007. Furthermore, the directive specifies that a regulatory agency must be instituted for network access. In Germany a corresponding system will thus have to be introduced to regulate network access.

Energy Markets

The electric power market for major bulk-rate customers continues to be pressured by mounting competition; conversely, with residential and small business customers, the tendency to switch suppliers remains relatively slight. Power rates for industrial as well as for commercial and residential customers have been rising for various reasons: A significant part of the increases in power rates is attributable to energy-related charges occasioned by the Renewable Energy Act, the CHP Act as well as to a gradual increase in the electricity tax within the framework of the ecological tax reform. The ever-increasing costs for energy-balancing procurement have also been contributing to this rise. Moreover, energy prices have also risen substantially on wholesale markets. In fiscal year 2002/03 the rate for supplying base loads averaged Euro 27.02 per MWh (Euro 25.13 per MWh last year). Power consumption in Germany was up by about 2% for the period reported here. This growth is primarily attributable to higher power demand during the period of extremely cold weather at the beginning of 2003. In addition to weather conditions, other significant factors influencing power consumption are economic developments, the continuing trend towards single households and the increasing use of electrical household appliances.

In the German district-heating market, service has not been noticeably expanded. Additional customers mainly come from making the existing district-heating network even more dense. The district-heating markets in the Czech Republic and Poland have not experienced significant change due to State regulation.

Competition for major bulk-rate customers has also been mounting on the gas markets; conversely with residential and small business customers, competition has remained negligible. The gas market in Germany has been oligopolistically structured on the production side and network access has not yet been sufficiently regulated to promote competition. The result of this is that liquidity on the spot and commodity markets is still relatively low and traditional contractual purchasing continues to be the rule, not the exception. With respect to utilising networks, we will have to wait and see what influence the future regulatory agency will have on network access.

The EU Commission plans to liberalise the European water industry and – as with grid-bound energy – to intensify competition among water suppliers with the aid of regulations on utilising networks. These plans have met with resistance in the German water industry. A debate is currently going on in Germany about the issue of modernisation. These developments have not brought about any significant changes or moves towards liberalisation in the European water markets.

In the German waste-management sector, pressure continues to be exerted on prices, in particular for commercial and industrial customers, as landfill operators are currently filling up their unused capacities at minimal prices. The background here is a change in the technical guidelines (TASi) for disposal of municipal solid waste (MSW), by which untreated refuse may only be deposited in controlled landfills as of mid-2005 after it has been either incinerated or biologically treated. The volume of MSW in Germany has not noticeably increased as a result of an industrial waste ordinance that went into effect on January 1, 2003.

After the initial euphoria in 2001, the domestic market for renewable energy has once again quietened down. However, the ongoing debate on the Renewable Energy Act (REA) and its amendments has shown that the vital importance of these energy sources remains undiminished. This also applies to the European market and especially to wind energy, the use of which has enjoyed investor-friendly regulation, for example in France and Spain.

MVV Energie's Market Position

MVV Energie has successfully positioned itself on national and international markets as an independent energy distributor and value-added services provider:

- With sales of Euro 1.7 billion in fiscal year 2002/03, the MVV Energie Group now ranks 3rd among municipal and regional energy utilities in Germany.
- With a volume of 20.7 billion kWh for fiscal year 2002/03, the MVV Energie Group has now become the fifth largest supplier in the German electric power market.
- With a district-heating volume of 4.1 billion kWh in fiscal year 2002/03 the MVV Energie Group now occupies 3rd place in the German district-heating market. Together with its Polish and Czech participations, it ranks 5th among European suppliers with a total volume of 7.4 billion kWh.
- In the bioenergy sector, we currently number among the market leaders in Germany with our three biomass powerplants and a total capacity of 55 MW .

Earnings

Sales and Earnings Continue to Improve

In fiscal year 2002/03, the MVV Energie Group raised its sales and its key economic indicators compared to last year's relatively high levels. We consider this to be a remarkable success in light of the extremely difficult market climate and heavy investments in our renewable energy segment for our future growth. We will thus have an excellent starting position for the intensification in competition to be expected in the energy business.

With competition mounting in our sector, which was characterised by competitors both in Germany and abroad, and with the economy continuing to be weak in Germany, our sales increased by Euro 16 million or 1% compared to last year to Euro 1.7 billion. This rise mainly resulted from higher sales in our business segments for district heating, gas, water and value-added services. Our participations in Ingolstadt, Solingen, Brno and Bydgoszcz that were consolidated for the whole year for the first time achieved sales of Euro 237 million for fiscal year 2002/03 compared to Euro 164 million for 9 months last year. Our Polish participation in Szczecin, which has been proportionately consolidated for the first time since the beginning of this fiscal year, contributed Euro 11 million to total sales in 2002/03. Taking the international consulting business into account, the MVV Energie Group's foreign sales went up by 27% from Euro 113 million last year to Euro 144 million in 2002/03. Foreign sales accounted for a 9% share of total sales (7% last year) during the past fiscal year.

Sales of the MVV Energie Group by Segment

In Mill. Euro	**2002/2003**	2001/2002	In %
Electric power [1]	932	983	– 5
District heating	248	215	+ 15
Gas [2]	242	234	+ 3
Water	74	67	+ 10
Energy from waste plants (MHKW)	93	91	+ 2
Value-added services	103	87	+ 18
Renewable energy	2	—	—
Other	1	2	– 50
	1695	1679	+ 1

[1] Including electricity taxes of Euro 79 million (Euro 47 million last year)

[2] Including gas taxes of Euro 41 million (Euro 29 million last year)

Developments in Results Affected by One-off Factors

Compared to last year, we increased our earnings before interest, taxes, depreciation and goodwill amortisation (EBITDA) from Euro 258 million to Euro 369 million; earnings before interest and taxes (EBIT) rose from Euro 144 million to Euro 244 million. This healthy growth of 43% and 69%, respectively, is primarily attributable to the profits from the sale of our shares in Gasversorgung Süddeutschland GmbH (GVS).

In December 2002 the successful sale of our GVS shares led to proceeds of Euro 189 million; after deducting the book value and the transaction costs, we realised a profit of Euro 140 million. While taking the income from GVS as a participation into account, which was Euro 29 million lower than last year because of the GVS sale, selling and de-consolidating the GVS participation thus provided a one-off improvement in our EBIT of Euro 111 million compared to last year.

We have used part of the tax-free profits from the GVS sale for measures to enhance our competitiveness. These measures included bundling the facility-management capacities of our energy from waste plants and biomass powerplants in our new operations & maintenance company, MVV O & M GmbH. In this connection, MVV Energie had expenditures of Euro 7 million for obligations within the framework of taking over facility management for our energy from waste plant in Mannheim from Mannheim central powerplant (GKM). Our participations in Offenbach, Ingolstadt and Solingen have resolved to restructure their technical divisions and/or have already started. Here we intend to utilise the same successful concept used at MVV Energie AG two years ago. To implement these restructuring measures, expenditures of Euro 9 million have accrued to date.

Volume of the MVV Energie Group [1]	**2002/2003**	2001/2002	In %
Electric power in Mill. kWh	20710	28436	– 27
Thereof wholesaling [2] in Mill. kWh	12416	22472	– 45
Thereof retailing in Mill. kWh	8294	5964	+ 39
District heating [3] in Mill. kWh	7385	6381	+ 16
Gas in Mill. kWh	8516	8626	– 1
Water in Mill. m^3	41.9	38.7	+ 8
Incinerated waste in 1000 tonnes	481	466	+ 3

[1] Total volume from all segments

[2] Without deliveries within the MVV Energie Group

[3] Corrections last year

EBIT Adjusted for One-off Factors

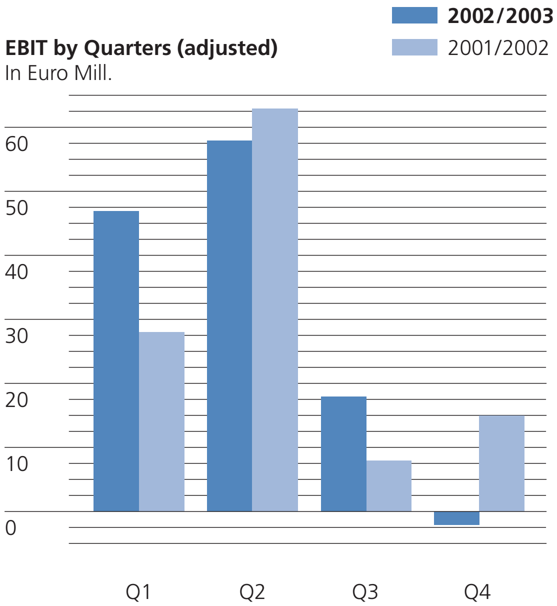
In Mill. Euro	**2002/2003**	2001/2002	In %
EBIT (unadjusted)	244	144	+ 69
– Profits from GVS sale (after deducting the book value and transaction costs)	– 140	–	–
– Income from GVS as a participation	– 1	– 30	–
+ Cost of measures to enhance competitiveness	+ 18	–	–
EBIT (adjusted)	**121**	114	+ 6

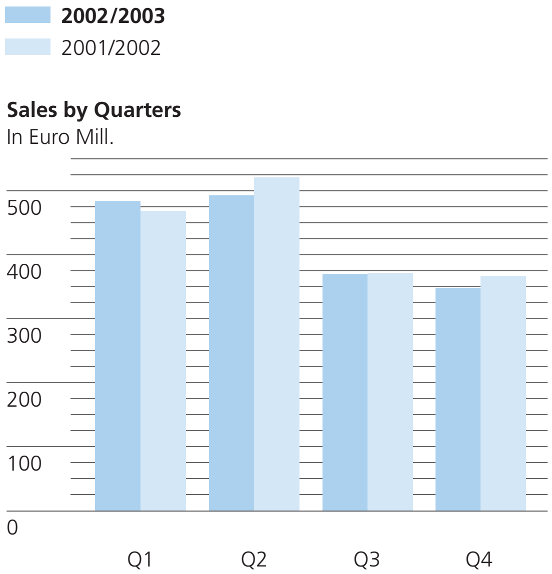
Moreover, in conjunction with a pending decision on additional Powerline expansion, we have adjusted the value of first-generation modems by Euro 2 million. Consequently, total expenditures of Euro 18 million resulted for measures to enhance competitiveness for fiscal year 2002/03.

To be better able to compare actual economic developments for the last two fiscal years, we have adjusted the MVV Energie Group's EBIT by the one-off factors shown in the table above. Compared to the adjusted figures for last year, adjusted earnings before interest and taxes (EBIT) improved from Euro 114 million to Euro 121 million. We have thus slightly exceeded our targeted growth in EBIT of 5% that we intended to achieve without taking the GVS profits or the measures to enhance competitiveness into account.

After deducting interest expenses and income taxes, the MVV Energie Group had net earnings after taxes of Euro 159 million in fiscal year 2002/03 compared to Euro 57 million last year. Adjusted for the GVS profits and the measures to enhance competitiveness, we achieved net earnings after taxes of Euro 32 million, compared to Euro 30 million last year.

Net interest expenses for fiscal year 2002/03 were marked by lower income from interest and higher expenditures for interest, which largely resulted from financing for investments in biomass powerplants as well as financing needs in 2002/03 and 2001/02. Moreover, interest expenses were also charged for write-offs that we have undertaken on shareholder loans to EPV Energy Photovoltaics Inc. in the US (Euro 2.8 million), MVV Energie España (Euro 1.7 million) and AquaMundo (Euro 1 million). Negative net interest expenses increased from Euro 44 million to Euro 60 million compared to last year. Conversely, income taxes decreased compared to last year from Euro 42 million to Euro 25 million. Relative to higher earnings before taxes (EBT) of Euro 184 million from the sale of our GVS shares, we had a comparatively low effective tax rate of 13.5% (42.5% last year) for fiscal year 2002/03. The transition from a nominal to an effective tax rate is shown under No. 30 in the notes on the financial statements.





Net earnings after taxes after deducting minority interests rose compared to last year from Euro 50 million to Euro 152 million. Adjusted for the GVS profits or the measures to enhance competitiveness, net earnings after taxes after deducting minority interests compared to last year increased by 9% from Euro 23 million to Euro 25 million.

Unadjusted earnings per share in accordance with IAS 33 have tripled compared to last year from Euro 1.00 to Euro 3.01. Adjusted earnings per share also improved by 9% from Euro 0.46 to Euro 0.50 compared to the adjusted results of last year.

Quarterly Overview of Sales and Earnings

In the traditionally slack period from July to September, i.e., the 4th quarter of our fiscal year, developments in sales were marked by further drops in our power-wholesaling volumes; this resulted from a decrease in the trading volume on wholesale markets for electric power. In the 4th quarter of 2002/03, EBIT in our district heating and gas business was negatively affected by extremely hot weather conditions in August/September 2003 and particularly by maintenance and audits at our Czech participations, which prefer to implement such measures during the summer months.

Developments in Earnings by Segment

The one-off factors mentioned above also affected results particularly in our electric power, gas, and energy from waste as well as value-added services segments. For an informative comparison, we have also adjusted the EBIT of the respective segments.

In our **electric power business,** we were able to bring about an upward trend: An increase in adjusted EBIT of 15% to Euro 30 million was mainly attributable to higher sales in our end-consumer business, which we were able to achieve through a sizeable rise in volume in our interregional electric power business as well as through rate hikes and contract adjustments. Nevertheless, this healthy growth in our end-consumer business could not offset a heavy drop in our power wholesaling. Here we have had to adapt our portfolio-based trading strategies to the changing circumstances on the market. Moreover, the improvement in results is attributable to consolidation of the Ingolstadt and Solingen public utilities for the first time over the entire year and elimination of last year's one-off charge from the Enron bankruptcy. Consequently, we were more than able to offset the one-off charge in conjunction with corrosion damage to a power-generation turbine at EVO, which was detected during a routine inspection.

In our **district-heating segment** the 3% increase in adjusted earnings before interest and taxes (EBIT) to Euro 39 million primarily stemmed from our Czech and Polish participations that were consolidated for the first time over the entire year. In this way, we were able to offset the drops in earnings in the district-heating business at MVV Energie AG and at Energieversorgung Offenbach AG.

EBIT of the MVV Energie Group

	Unadjusted	**Unadjusted**	
In Mill. Euro	**2002/2003**	2001/2002	In %
Electric power	27	26	+ 4
District heating	38	38	—
Gas	163	52	+ 213
Water	11	10	+ 10
Energy from waste plants (MHKW)	19	27	– 30
Value-added services	– 8	– 9	+ 11
Renewable energy	– 6	—	—
	244	**144**	**+ 69**

Compared to last year, adjusted earnings before interest and taxes (EBIT) in our **gas business** grew 5% to Euro 23 million without taking the GVS profits into account. The main reason for this growth was the consolidation of the Ingolstadt and Solingen public utilities for the whole year for the first time.

In our **water segment** adjusted EBIT rose Euro 2 million to Euro 12 million (+ 20%) in fiscal year 2002/03. This welcome improvement is mainly attributable to increases in volume brought about by weather conditions during the hot and dry summer months from June to August 2003 as well as to rate adjustments.

In our **energy from waste segment** (MHKW), earnings before interest and taxes (EBIT) were largely affected by expenditures of Euro 7 million, which resulted from obligations within the framework of our take-over of facility management for our energy from waste plant from the Mannheim central powerplant (GKM). Adjusted for this one-off factor, EBIT improved by 4% to Euro 28 million compared to last year. This increase can be primarily explained by higher sales in our energy and waste-management business.

In our growth segment **value-added services,** losses in our adjusted EBIT were nearly cut in half compared to last year. Despite obvious progress, the build-up phase has, however, still not been completed. In the fiscal year 2002/03, we have invested especially to expand our fibre-optic network in Mannheim in our telecommunications segment.

The negative EBIT for our new **renewable energy segment** reflects the high investments in our biomass powerplants. Since October 2003 the commissioning phase has been running in our biomass powerplants in Mannheim and Königs Wusterhausen. The biomass powerplant in Flörsheim-Wicker near Wiesbaden also began its commissioning phase during calendar year 2003.

EBIT of the MVV Energie Group

In Mill. Euro	Adjusted [1] 2002/2003	Adjusted [2] 2001/2002	In %
Electric power	30	26	+ 15
District heating	39	38	+ 3
Gas	23	22	+ 5
Water	12	10	+ 20
Energy from waste plants (MHKW)	28	27	+ 4
Value-added services	– 5	– 9	+ 44
Renewable energy	– 6	—	—
	121	114	+ 6

[1] Without the profits from the sale of our GVS shares, income from GVS as a participation and the cost measures to enhance competitiveness

[2] Without income from GVS as a participation

Earnings of Major Participations in Municipal Utilities

An important part of our growth is formed by acquiring participations in other utilities. In so doing, we have been focussing on highly profitable energy suppliers both in Germany and abroad, whose core business is similar to our own. In this way, we can take advantage of the **potential for synergies** in procuring and distributing energy as well as in transferring know-how.

In fiscal year 2002/03, our fully and proportionately consolidated participations contributed to the MVV Energie Group's economic development with combined sales of Euro 627 million and earnings before interest and taxes (EBIT) of Euro 51 million prior to consolidation. Our domestic participations in Offenbach, Ingolstadt, Solingen and Köthen as well as our corporate groups in the Czech Republic and Poland accounted for the greater part of total sales and EBIT. In fiscal year 2002/03, our participations have expanded their market position and have undertaken important restructuring measures.

Major Participations in Germany

Energieversorgung Offenbach AG

Thanks to its marketing successes, Energieversorgung Offenbach AG (EVO) has in the meantime become one of the leading providers of energy services in the Rhine-Main region. It supplies approx. 180000 customers and/or flats; in fiscal year 2002/03 it achieved an EBIT of Euro 29 million on sales of Euro 266 million in its business divisions, including electric power, district-heating, gas, water, energy from waste and value-added services. EVO has been supplying a combined electric power volume of 75 million kWh per year to Maintal-Werke GmbH with a service area comprising 40000 residents since the beginning of fiscal year 2002/03 and to numerous major facilities owned by the state of Rhineland-Palatinate since January 2003. In April 2003 it won a Europe-wide solicitation to supply electric power to five boroughs and approx. 180 municipalities in the states of Hesse and Rhineland-Palatinate for a combined volume of 74 million kWh per year.

Stadtwerke Solingen GmbH

Our participation in the Solingen public utility (SWS) has succeeded in maintaining its dominant market position in Solingen by means of competitive purchasing costs and by offering rates and prices individually geared to specific target groups. A key factor in this successful course of business events is SWS's close customer ties with approx. 210000 consumers and flats. In 2002/03 SWS had a proportional EBIT of Euro 10 million on proportional sales of Euro 78 million in its electric power, gas and water divisions. One focus of SWS's cooperation with MVV Energie AG has currently been concentrated on utilising their (MVV Energie's) know-how and instruments in managing electric power procurement. Moreover, MVV Energie AG's power procurement and Intranet platforms have been integrated into SWS's business procedures. ENSERVA GmbH, a joint venture of MVV Energie AG and SWS providing value-added services, has taken up its work in the sectors of contracting as well as land improvement & development. Within the framework of a restructuring programme, SWS's processes and corporate structures have been analysed; as a result potential cost cuts were identified amounting to approx. Euro 7 million per year.

Stadtwerke Ingolstadt Beteiligungen GmbH

The Ingolstadt public utility (SWI) supplies electric power, gas and district heating to approx. 96000 customers – including numerous industrial consumers. In fiscal year 2002/03 SWS achieved a proportional EBIT of Euro 9 million on proportional sales of Euro 78 million. The trust in SWI's proven capabilities has been convincingly underscored by new concession agreements concluded with two municipalities in 2002/03 to expand and to operate their respective gas grids for a term of 20 years. For fiscal year 2003/04 additional contracts have been signed with two other municipalities. Reginova GmbH, a joint venture of MVV Energie AG and SWI, which is currently in the build-up phase, offers the entire range of value-added energy services; in fiscal year 2002/03 it acquired its first commissions to supply group-heating schemes.

Köthen Energie GmbH

MVV Energie's subsidiary, the Köthen public utility, has activities in the gas, district-heating and energy services sectors as a regional distributor; it supplies approx. 12000 customers. In fiscal year 2002/03, it increased its sales by 9% to Euro 12 million and achieved an EBIT substantially more than Euro 1 million. In September 2003, it was awarded the *Oscar for Small and Medium-Sized Businesses* – the most prestigious economic prize in central Germany – from the National Association of Small and Medium-Sized Businesses and the Sachsen-Anhalt Chamber of Engineers. This award was in recognition of Köthen Energie's successful corporate development since privatisation. In addition to its core business, contracting and renewable energy divisions are to be expanded. Together with the *Forschungsinstitut für Tief- und Rohrleitungsbau Weimar eV,* a research institute for excavation and pipe-laying, and MVV Consultants and Engineers GmbH in Berlin, an innovative method of recycling lignite fly ash as low-viscosity, self-sealing filler material has been developed for use in laying gas pipes and has been tested for its suitability in practice, its installation properties as well as its permeability by gas.

Major Participations in European District-Heating Utilities

MVV Energie CZ s.r.o.

Our eight Czech participations, which are bundled under MVV Energie CZ s.r.o. in Prague, have contributed to the MVV Energie Group's economic development with an EBIT of Euro 12 million on combined sales of Euro 95 million. With a district-heating volume of approx. 2 billion kWh and approx. 105000 customers, our corporate group in the meantime has a 10% share of the Czech district-heating market. Rehabilitation, modernisation and maintenance measures in powerplants, district-heating distribution grids and building substations have been utilised to improve the cost-effectiveness of the facilities, to reduce losses in the grids and to enhance convenience for customers. The focus of these projects was in Brno, Opava and Jablonec. Entering the market for value-added services has been successful thanks to several contracting projects in hospitals, primary schools and nursery schools. A planned merger of district-heating utilities in Brno, Studenka as well as Opatherm a.s. and MVV Energie CZ s.r.o. in a new holding structure is intended to take advantage of potential cost-cutting possibilities and to expand our position in the Czech district heating market.

MVV Polska Sp.z o.o.

At MVV Polska Sp.z o.o. in Warsaw, four providers of value-added services are directly bundled and the participations in district-heating utilities in Bydgoszcz, Szczecin and Skarzysko-Kamienna indirectly bundled via MVV ESCO Polska S.A. in Warsaw. Our Polish corporate group, which supplies 170000 customers with a volume of 1.3 billion kWh, had a proportional EBIT of Euro 2 million on proportional sales of Euro 40 million in fiscal year 2002/03. Construction of a cogeneration plant with a demethanisation station in Ornontowice, modernisation of the boiler in a biomass heat-only plant in Sokólka as well as of a heat-only plant and pumps in Bydgoszcz numbered among the most important projects of the year reported here.

Investments and Financing

Cash-Flow Statement

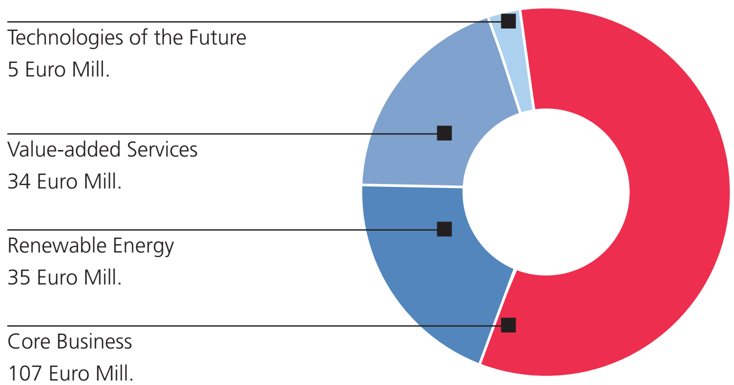
A cash-flow statement shows the flow of payments from operating activities, from investment activities and from financial activities. A detailed cash-flow statement can be found on p. 98 of this report.

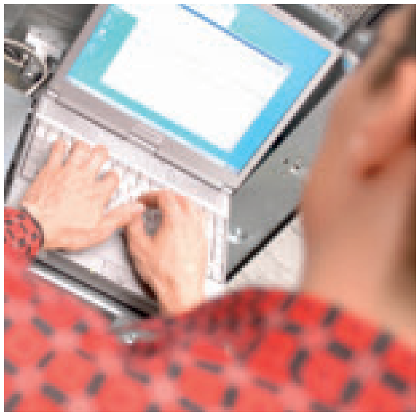
In fiscal year 2002/03, cash flow was mainly marked by the sale of our shares in Gasversorgung Süddeutschland GmbH (GVS). On the one hand, this led to higher cash flow from disposing of financial assets but meant lower income from dividends on the other hand. Last year comparatively high investments in new participations and incorporations led to heavy cash flow from investment activities.

Cash Flow from Operating Activities

Cash flow in accordance with DVFA/SG, which does not contain the profit from the sale of our GVS shares, remained at last year's level at Euro 161 million despite elimination of the income from GVS as a participation after the sale of our GVS shares. When adjusted for this one-off effect, we had cash flow of Euro 160 million for fiscal year 2002/03 compared to adjusted cash flow for last year of Euro 131 million (+22 %). Total cash flow from operating activities increased – when adjusted for the income from GVS as a participation – by 57 % from Euro 70 million last year to Euro 110 million in fiscal year 2002/03. The reasons for this increase compared to last year were mainly lower changes in short-term provisions, higher depreciation as well as higher long-term provisions.

Investment Portfolio MVV Energie Group in Fiscal Year 2002/2003
Total Investments 181 Euro Mill.





Cash Flow from Investment Activities by Selling Shares

In fiscal year 2002/03, cash flow from investment activities of Euro 31 million primarily came from proceeds from disposing of financial assets, particularly here from the sale of our GVS shares as well as of tangible assets. As a consequence, cash flow of Euro 181 million for investments in fixed assets was overcompensated. Last year the high investments in financial assets led to an unusually high cash outflow of Euro 528 million.

In fiscal year 2002/03, the MVV Energie Group's investments in tangible assets of nearly Euro 161 million were nearly at the same high level as last year (Euro 168 million). Conversely, the investments in financial assets at Euro 20 million were significantly lower in fiscal year 2002/03 than last year's amount, which at Euro 378 million in particular contained the acquisition of participations in Ingolstadt and Solingen.

Investments in Tangible Assets

Of total investments in tangible assets in fiscal year 2002/03, MVV Energie AG accounted for approx. 49% or Euro 78 million and its participations for 51% or Euro 83 million. At MVV Energie AG, the focus was concentrated on overhauling and expanding the distribution grids used in supplying energy and water service as well as laying utility connections for customers in new housing areas. An additional focus of investments was placed on our energy from waste segment. Here investments went mainly for construction of a new CHP incinerator to replace two older units as well as for upgrading measures to optimise storage pit operation in Mannheim. The new CHP incinerator was commissioned in September 2003 and will enhance the cost effectiveness of the entire plant owing to its greater efficiency. Other investments were directed towards contracting projects to supply electric power and district heating service as well as towards construction of new biomass powerplants.

Investments in jointly used facilities largely revolved around providing software for our data-processing centre, which is intended to serve as a centralised IT platform for the entire MVV Energie Group. Moreover, we invested in the telecommunications technology of our fibre-optic city ring in Mannheim, parts of which have been leased to our MAnet subsidiary on a long-term basis.

Investments of the MVV Energie Group [1]

In Euro Mill.	**2002/2003**	2001/2002	In %
Electric power	17	132	– 87
District heating	21	107	– 80
Gas	19	96	– 80
Water	10	62	– 84
Energy from waste plants (MHKW)	19	19	—
Value-added services	39	80	– 51
Renewable energy	35	—	—
Other	21	50	– 58
	181	**546**	**– 67**

[1] Including investments in financial assets

Structure of the Balance Sheet

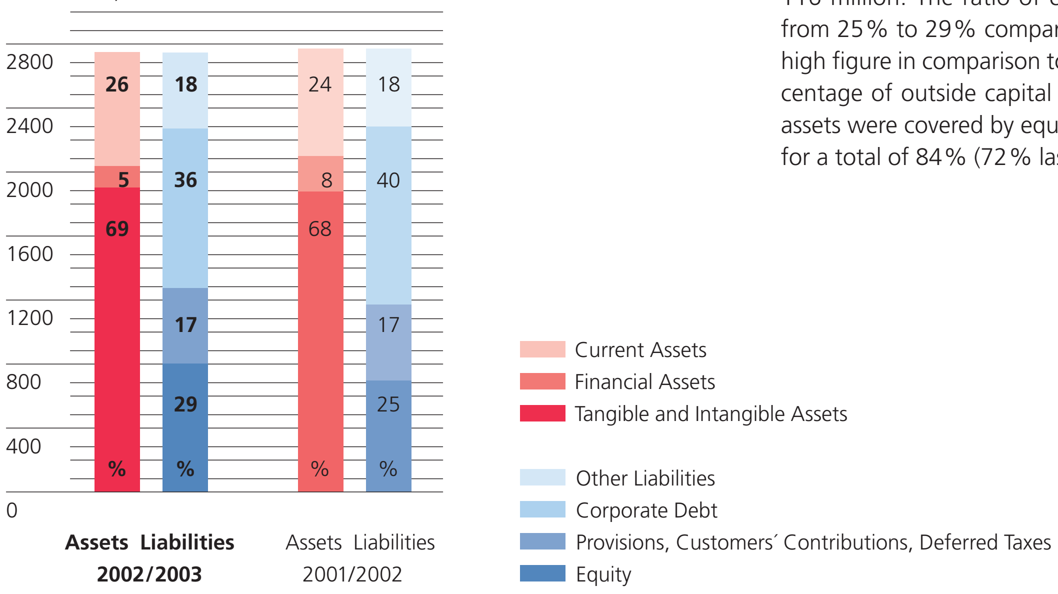
Lower Investments in Operative Participations

The investments in financial assets primarily went for capital increases at our participations and at MVV Innovations-portfolio as well as for higher loans. Investments in financial assets in Poland and the Czech Republic were implemented by our subsidiaries, MVV Polska in Warsaw and MVV Energie CZ in Prague, respectively. We have extensively reported about our participations on pp. 44–45.

Retiring Corporate Debt

In fiscal year 2002/03, corporate debt from cash pooling was reduced by Euro 116 million. MVV Energie AG is integrated in the cash-pool of MVV GmbH as a holding company. Within the framework of this cash- pool, this holding company ensures liquidity, covers short-term financial needs and processes financial transactions. These activities are settled at market rates via internal company accounts.

Structure of the Balance Sheet
In Euro Mill., Shares in %



Key Economic Indicators on the Balance Sheet

As of September 30, 2003, total assets remained at last year's level at nearly Euro 2.8 billion. Fixed assets clearly dominate the assets side of the balance sheet. A proportion of 74% relative to total assets (ratio of fixed assets to total assets) indicates how capital-intensive a distribution utility is that supplies energy and water service. Investment-related increases in tangible assets were counterbalanced by even greater decreases in intangible assets and financial assets. While the decrease in intangible assets was essentially depreciation-related, the decrease in financial assets mainly stemmed from the sale of our shares and of our dormant participation in Gasversorgung Süddeutschland GmbH as well as initial consolidation of participations.

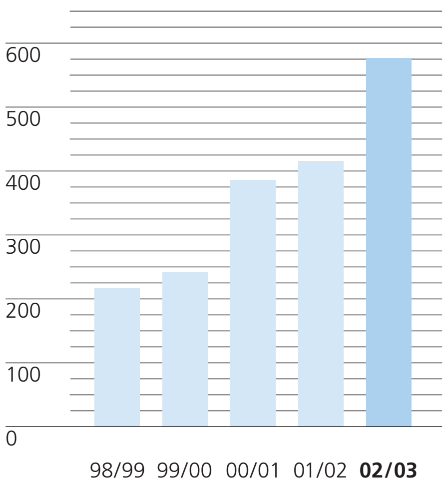
On the liabilities side, equity rose by 15% – including minority interests – to Euro 806 million, primarily due to our healthy net earnings after taxes. Without minority interests, equity was Euro 698 million (Euro 590 million last year). This higher equity was set against a decrease in payables of nearly 8%. We used the profit from the sale of our GVS shares, inter alia, in order to retire corporate debt by Euro 116 million. The ratio of equity to total capital improved from 25% to 29% compared to last year, an exceptionally high figure in comparison to our sector. As a result, the percentage of outside capital sank from 75% to 71%. Fixed assets were covered by equity and long-term available debt for a total of 84% (72% last year).

The capital used by the MVV Energie Group and on wich it must pay interest, i.e. capital employed, which is calculated from equity plus corporate debt, provisions for pensions, and accumulated goodwill amortisation, increased compared to last year from Euro 1 538 million to Euro 1 838 million. Return on capital employed (ROCE) rose from 10.1% last year to 14.0% in 2002/03 due to the profit from the sale of our GVS shares.

Economic Value-Added Statement

Corporate income from operating activities is determined in the economic value-added statement. In 2002/03, we increased the value added to the MVV Energie Group by 38% from Euro 418 million to Euro 578 million. The main reason for this was our 7% higher corporate output, while corporate goods and services from third parties and depreciation considered together decreased by 2%. Our employees accounted for the largest amount on the expenditure side with a 37% share (last year 44%).

Economic Value-Added Statement
In Euro Mill.



Economic Value-Added Statement [1]			
In Euro Mill.	**2002/2003**	2001/2002	In %
Corporate output	1 931	1 802	+ 7
Corporate goods and services from third parties	– 1 221	– 1 268	+ 4
Depreciation	– 132	– 116	– 14
Value-added contributions	**578**	**418**	**+ 38**
To employees	216	182	+ 19
To MVV Energie's shareholders	38 [2]	38	—
To lending institutions	58	55	+ 5
To federal, state and local authorities	145	126	+ 15
To the MVV Energie Group	121	17	+ 612

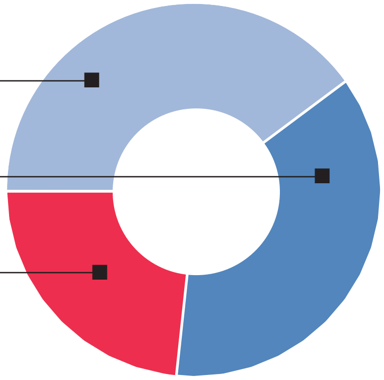
[1] Figures of 2002/03 and 2001/02 supplemented in particular by goodwill amortisation
[2] Pending approval of the shareholders at the general meeting on 12/3/2004

Research & Development

Our investments in research and development (R&D) will serve **to secure the future of supplying energy service.** For this purpose, we have been implementing innovative ideas even in producing energy: We have thus integrated energy generation from bioenergy and solar energy into contracting models in such a way that our customers will be able to make use of it conveniently and economically. Moreover, we have been accelerating development of more efficient technologies and optimisation of workflows.

We have arranged all R&D activities of MVV Energie AG and its participations in a step-by-step innovation process that ranges from brainstorming to introduction to the market. In so doing, projects are organised in three categories: rapidly realisable innovations are assigned to Category I, while projects that will require 1–4 years to implement fall into Category II. Should marketability be expected to take 5–10 years – as for example with fuel cells – such R&D projects belong to Category III.

Expenditures for R&D in Fiscal Year 2002/2003
Total Expenditures 3.6 Euro Mill.



Product Development
1.5 Euro Mill.

Process Optimisation
1.2 Euro Mill.

Technical Advances
0.9 Euro Mill.

New Technologies in Use

By utilising innovative, decentralised energy-generation facilities early on, we intend to acquire more extensive experience primarily through daily practise. In 2002/03, we thus put the first fuel cell in Mannheim into operation on the premises of our headquarters. We are further committed to the *Fuel-Cell Initiative* as well as to centres for service & support and advanced training for fuel-cell technology. These will mainly serve to provide professional training for skilled trades to prepare them for this new technology and aid in getting fuel cells ready for marketing.

For district-heating service, we have developed an improved method of detecting leaks in our grids. To monitor the condition of our district-heating grids as economically and efficiently as possible, we made use of aerial thermography in Szczecin for the first time in 2002/03. For this purpose, a small aeroplane equipped with a highly sensitive, thermal infrared camera flew over the local district-heating grid by night. In this way, it was possible to monitor an area of 20–25 sq. kilometres with a high degree of accuracy. The images thus obtained are currently being analysed; any damage revealed by this technology will then be repaired.

To produce energy from biomass more effectively, we are currently examining generation of biogas from organic industrial and commercial waste as well as the possibilities that it offers to generate electric power and district heating. For this purpose, we have installed a microturbine that uses biogas within the framework of a research co-operation in Hanau. We intend to continue investigations into increasing efficiency rates by means of interim superheating at our biomass powerplant in Königs Wusterhausen.

We have also been developing the building installations for another ambitious project, reducing the demand for heating energy of an older building to the equivalent of three litres of fuel oil per sq. metre per year in co-operation with a Mannheim housing association.

Researching New Technologies

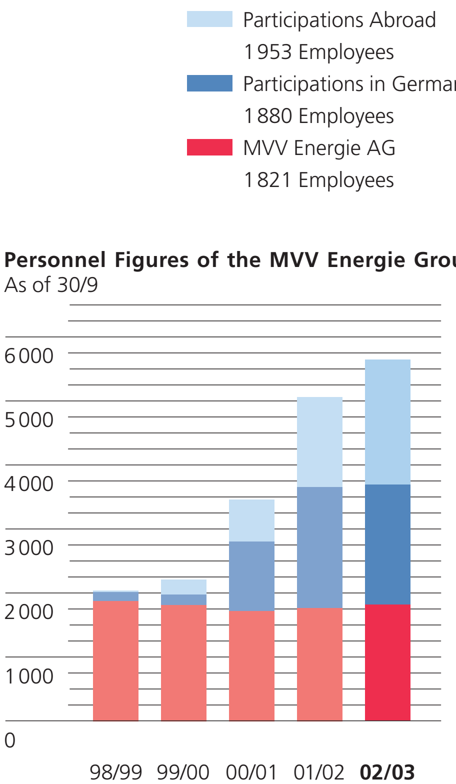
With our partners, we have been analysing the effects of increased pooling of energy generated in decentralised powerplants on distribution grids. We have continued the co-operation begun last year on the European research project known as *Dispower*, in which a consortium of 37 partners from 11 countries have been working out a new European structure for supplying electric power service. A budget of Euro 17 million and funding by the European Commission have served to underscore the importance of this research project. By participating, we will be able to contribute to developing new possibilities in energy generation, to strengthen our know-how as a grid operator and to prepare ourselves for the challenges of the future.

We are also continuing our commitment to the national *Sidena* research project, in which the focus has been placed on the safety aspects involved in decentralised, grid-bound energy-generation facilities and their integration in interconnected networks. The findings obtained within the framework of this research project will serve the safety requirements of our current and future distribution grids. At the same time, we have been preparing early on for the demands that our customers will be placing on our grids in 10–20 years.

Employees

The MVV Energie Group, in which 5727 people are now employed, is steadily growing closer together. To form a **new and stronger corporate group** jointly with our German and European participations represents a major challenge for our personnel work and has shaped fiscal year 2002/03 in this department.

Personnel Figures of the MVV Energie Group
As of 30/9



Service Orientation in the Personnel Department

To be able better to master the challenges to meaningful co-operation in our corporate group, we have provided the personnel department at MVV Energie with a new structure that will do justice to its service functions. The emphasis was primarily focussed on bundling know-how in various personnel functions and on centralised planning for personnel development measures.

Our most pressing mission in our group personnel management will be to recruit qualified and committed employees as well as to retain and to develop experienced employees within our company. Mounting competition and substantial changes in the regulatory framework for the energy markets require constant scrutiny with regard to which tasks within the group could be viably bundled. This requires a high degree of adaptability and flexibility on the part of our employees with respect to both their qualifications as well as their mobility.

Restructuring Measures Introduced to Our Participations

With the objective of taking advantage of divisional and group synergies, extensive restructuring projects have been introduced to our domestic participations Energieversorgung Offenbach (EVO) as well as the Solingen and Ingolstadt public utilities. With these measures, we intend to create more efficient processes in the technical divisions with a viable and integrated organisation and to establish comparable structures within our corporate group. The purpose is to expand and to strengthen the autonomous competitive positions of the individual participations. In some divisions, personnel cuts may be unavoidable in order to achieve our targets for fiscal year 2003/04. For this purpose, we will work out socially equitable solutions – as in the restructuring measures in Mannheim in recent years – jointly with labour representatives by means of natural attrition or advanced training.

In our foreign participations, new structures will also be worked out and existing process optimised. We have thus conducted a comprehensive commercial and technical survey of the actual status at our district-heating utility in Szczecin during the fiscal year reported here. The next step will be to develop a new structure in accord with the unions during fiscal year 2003/04. Optimisation will also take place at MVV Polska by implementing uniform standards in EDP.

Focus on Personnel Development

We take our socio-political responsibility very seriously and train young people to prepare them for the working world. As of September 30, 2003, 215 young people were doing their training at the MVV Energie Group. By recruiting university graduates as management trainees or as members of our New Business Team, who also have the option of doing an MBA, we have been gaining - and binding - highly qualified personnel for MVV Energie.

We offer our employees – from trainees to middle and senior management – a number of advanced training opportunities so that they can be equal to the demands and challenges of an ever-changing job market. One example of our adjustment to the changing conditions on the job market is the additional training to become a network fitter, which tradesmen at MVV Energie and Energieversorgung Offenbach are currently obtaining. Within the framework of their additional training, these future network steam fitters also learn about the needs of divisions other than their own and will thus be able to take on tasks in any of our group electric power, gas, water or district-heating networks later on. This advanced training measure will secure jobs as our employees will be able to benefit from higher qualifications and our company will be able to cut costs.

Introduction of SAP's HR Completed

Introduction of SAP's HR, an important, integrated software for our advanced personnel work, has now been completed. The first participations have already been integrated; integration of additional enterprises will follow. The next step will be expansion of our business warehouse, a fast and decentralised information system.

Personnel Figures on the Rise due to Acquisitions

In fiscal year 2002/03, the work force of the MVV Energie Group increased once again. This rise essentially resulted from the first-time integration of foreign participations in our scope of consolidation.

Personnel Figures on the Balance Sheet Date	**2002/2003**	2001/2002	+/–
MVV Energie AG [1]	1 821	1 789	+ 32
100% consolidated participations	2 122	2 044	+ 78
MVV Energie with 100% consolidated participations	**3 943**	**3 833**	**+ 110**
Proportionally consolidated participations	1 711	1 251	+ 460
MVV Energie Group [2]	**5 654**	**5 084**	**+ 570**
Non-MVV Energie personnel at MHKW in Mannheim	73	86	– 13
	5 727	5 170	+ 557

[1] Including 94 employees of MVV RHE AG (97 last year)

[2] Including 215 trainees (212 last year)

Social Commitment

The entrepreneurial success of our company is not only reflected in its economic indicators. **Awareness of its social responsibility** has also numbered among the factors contributing to its success that have influenced its long-term, positive developments.

From this sense of corporate identity, MVV Energie has committed itself in a number of ways within its social environment. Within the framework of integrated corporate and brand-name communication on the one hand, our activities are aimed at enhancing the public awareness of MVV Energie and its participations in the respective regions. Excellent customer relations and successful measures to establish ties to customers are of particular importance for an energy distributor. On the other hand, we want to prove that we are responsible partners and good neighbours in the regions, in which we do business. This purpose is served by our commitment to environmental protection as well as by our wide-ranging measures to promote the scientific, cultural, sports and social realms.

Scientific Research

In fiscal year 2002/03, we continued to cultivate our long and intensive partnership with the University of Mannheim. With a grant to the university's alumni association *AbsolventUM*, we made a lecture series on economic and corporate ethics possible during the summer semester of 2003. Moreover, many of our employees have been regularly holding lectures in financial, personnel, contractual, economic and labour law. By endowing half of a research-assistant's slot, we have supported a dissertation on a real-world theme related to labour law. In addition, we have endowed a programme at the *Jagiellonen University of Cracow,* within the framework of which a School of German Law has been established there. Furthermore, we have been co-operating with the *Central Energy and Environmental Research Department* at *MIT* in Cambridge, Massachusetts in the U.S. and have been working with the *Energy Industry Institute University of Cologne.* Finally, we have been supporting a large number of interns and degree candidates from Germany and abroad. All of these activities have underscored our great and undiminished interest in fostering education. This remains a timely theme for our employees; their advanced training is also a major priority for us at MVV Energie.

Culture

With our commitment to art and culture, we intend to support and preserve cultural events in times of lean public budgets. For this reason we are financially committed to the annual *Mozart Week* at the *National Theatre* in Mannheim. In 2002/03 our financial commitment, however, also aided concerts of the *Kurpfalz Chamber Orchestra, Jazz at the Opera* and a number of other cultural events in Mannheim. In addition, our participations have also been supporting cultural events in their regions: Concerts presented by the *Wintergarden* in Offenbach have received financial backing from EVO. The Ingolstadt public utility has shown a strong commitment to its local municipal theatre and the Künstlerinnentage, a project to promote equal opportunities for women in culture and society.

Sports

With sports we associate performance and strength, perseverance and teamwork – values that MVV Energie also stands for. We have devoted particular attention to promoting sports for the youth of our region. Hence we sponsor, for example, the MVV Energie Cup each year in cooperation with the *Rot-Weiss Rheinau* sports club, a football tournament for young teams from various age groups. In Offenbach, EVO has been supporting the *Samurai 1953* judo club, which focuses its activities on working with children and teenagers, particularly in judo and jujutsu.

We also support exceptional athletes, such as Olympic show-jumping gold medallist Ludger Beerbaum, and international sports events such as the equestrian tournament at Mannheim's annual Maimarkt. Moreover, we are committed to supporting top sports teams, such as hockey pros Adler Mannheim as well as several football and handball clubs. However, we ended our commitment to *SV Waldhof Mannheim 07* after the 2002/2003 season as they were not able to fulfil the conditions for continued support – namely remaining in the 2nd Division of the *German Football League (GFL)* and merging with *VfR Mannheim.* Additional clubs are supported by our participations; for example, the *ERC Ingolstadt* hockey team is sponsored by the Ingolstadt public utility (SWI).

Social Activities

With our activities in the social realm, we would like to contribute new energy and to provide encouragement. In 2002/03, the clinic at the University of Mannheim thus received support for setting up an interdisciplinary centre for pain and radiation therapy. EVO has been funding the initiatives of the *Clown Doctors,* a non-profit organisation that entertains child patients in the paediatrics hospitals in the Rhine-Main region. Another non-profit organisation, Help for Children Whose Parents Suffer from Cancer, received financial aid from EVO in 2002/03. Our participation, the Solingen public utility (SWS), has been speaking out on behalf of greater tolerance and showing the courage of one's convictions for more than two years via its funding initiative "Take a Stand against Racism!" Numerous events have taken place in the name of this slogan, such as theatre performances and a handball game between two teams from the *German Handball League (GHL), SG Solingen,* SWS's sponsoring partner, and *SG Leutershausen,* which is sponsored by MVV Energie. They have all received support from this initiative. With nearly 40 projects in all, SWS has sent a clear signal against racism and open hostility towards people of other cultures.

Environmental Protection

For MVV Energie, supplying reliable energy service while at the same time protecting the environment are top priorities. These include **care in dealing** with natural resources, an **environmentally sustainable awareness in utilising our products** as well as **responsible management and disposal** of waste materials. For this reason, we have been investing in innovative, forward-looking and environment-friendly projects because we consider this to be essential and necessary in light of sustainability and long-term economic viability.

Environmental Guidelines Determine Our Actions

The principles of our environmental policy have been set down in our environmental guidelines. We thus take these guidelines into consideration when making entrepreneurial decisions in our daily operations. The basis of our environmental management is formed by an environmental information and control system, with which the impact on the environment caused by our operations can be monitored, controlled and minimised as far as possible by virtue of an ongoing process.

Environmental Activities in Fiscal Year 2002/03

In fiscal year 2002/03 we invested Euro 13 million (Euro 15 million last year) in measures that benefit environmental protection. In particular, these included investments in our energy from waste plant in Mannheim. A new waste-fired boiler was built to replace two older incinerators and conversion work had to be performed on existing waste bunkers. This work had become necessary because a new crane had been erected, which can also stoke the new boiler. Investments in building biomass powerplants and contracting facilities have not yet been factored into these figures. Reducing emissions of greenhouse gases is of major importance for protecting our climate. As an energy distributor and services provider, we have thus been investing in decentralised facilities for generating energy that will achieve the greatest possible benefits for the environment by means of the most advanced technology at acceptable cost. In planning and building three biomass powerplants in Mannheim, Königs Wusterhausen and Flörsheim-Wicker, which went into operation by the end of 2003, our environmental protection department supported all of the projects as advisers on environmental aspects, assisted in the permit procedures and attended the construction and commissioning phases. MVV Energie's energy generation from biomass alone will lead to annual reductions in carbon-dioxide (CO_2) emissions of 270 000 tonnes.

In addition to building biomass powerplants, we are also engaged in developing wind-farm projects throughout Europe. For fiscal year 2003/04, plans are on the drawing board for erection of 230 wind turbines in seven wind farms in the Castile-León region of Spain with a total capacity of approx. 350 MW together with REpower Systems AG, a manufacturer of wind-energy systems in Hamburg. We have been working jointly with our partners on developing forward-looking fuel-cell technology. For this purpose, we have been operating a fuel-cell pilot plant in Mannheim since mid-March 2003, in which we can conduct various tests under normal, everyday conditions.

We have also been contributing to protecting our climate by supplying space heating to approx. 84% of Mannheim's households with grid-bound energy (district heating and natural gas). In so doing, we have succeeded in significantly lowering CO_2 emissions by producing district heating with environment-friendly cogeneration (CHP). In co-operation with our participations in Poland and the Czech Republic, we have been working on various projects to overhaul and to modernise their district-heating generation and distribution. These measures will bring about yearly reductions in CO_2 emissions of approx. 33000 tonnes as of fiscal year 2003/04.

In our value-added services segment, we have been developing individualised solutions for more efficient energy generation in a number of contracting projects, while at the same time taking environmental protection into consideration. In fiscal year 2002/03, we thus worked out, for example, a new energy plan for a chocolate manufacturer. Thanks to the combined use of steam from district heating and from gas-fired steam boilers, energy efficiency at these facilities will be increased from 84% at present to 90% – while at the same time conserving valuable natural resources. Implementation of this new project was started at the beginning of fiscal year 2003/04.

In Poland, MVV EPS Polska S.A. has concluded a substantial contracting project to supply electric power and district heating to an anthracite colliery; its new heat-only plant can now also be fuelled with pit gas thanks to an advanced demethanisation system. In this way, the plant will not only substantially contribute to improving the climate in this region, but will also produce very economical electric power. In another project in Sokolka (Poland), fuel consumption was reduced by 15% and energy efficiency significantly improved by modernising a coal-fired heat-only boiler (HoB).

In the area of our company's environmental protection, we have been particularly focussing on monitoring and minimising harmful emissions as well as on preventive maintenance. In fiscal year 2002/03, our continual monitoring has shown that our generation and distribution facilities are well below the legal limits specified in the 17th amendment of the German Federal Clean Air Act. Due to numerous recent changes in legislation, we have provided comprehensive training for our employees with respect to exercising responsible care in handling hazardous materials and toxic waste. This training was – without exception – planned and conducted by our own experts.

Risk Report

The energy sector is characterised by the mounting pressure of ever tougher competition and numerous technological advances. Business activities in this environment are always associated with risks. Identifying and documenting these risks early on, assessing them appropriately and taking **steps to control, limit and/or minimise** them is the function of MVV Energie's risk management.

Risk Management

Our risk-management system is integrated into the company's entire organisational and operational structure, thus ensuring a high level of value-based awareness of risk among management. The system implements governmental regulations on control and transparency in the corporate sector (KonTraG) and is constantly being developed and adapted to ever-changing circumstances.

Within the framework of our risk-management system, together with our various departments we can identify, document and evaluate possible risks according to the potential damage that they could cause and the likelihood that they would occur. We have classified such risks into categories (A, B or C) to ensure that they are continually monitored and that appropriate steps are taken to control them. Reporting is the responsibility of our centralised risk management co-ordination. This is also charged with documentation and conceptional support for our risk-management system.

In accordance with legal requirements, we must submit a quarterly report on all risks to the Executive Board and a report on A and B risks to the Supervisory Board; the latter categories constitute 96% of the total weighted risk potential of the MVV Energie Group. Since September 30, 2003, database-supported software has been available for risk reporting, allowing us to simplify our risk-management system still further and to accelerate the reporting process. Functionality and workflows of the existing risk-management system are evaluated by audits conducted within the MVV Energie Group and by external auditors.

Within the framework of a decentralised structure, the various departments identify and document risks in the following categories to be monitored: Power trading/energy procurement, energy from waste plants, grids, production, market development for end consumers, energy services, participations, financial affairs and accounting, taxes, legal matters, personnel and information technology. The following are the most significant risks:

External Risks

Liberalised energy markets have exposed the MVV Energie Group to volume and price risks. We have been reducing volume risks by continuously developing new products, product packages and services that are closely related to our core businesses. To increase our volume potential, we have acquired participations in distribution utilities and service providers in Germany and abroad. Strategic sales and marketing activities have helped us strengthen relations with existing customers while gaining new customers.

Risks related to prices and products are the result of MVV Energie's business activities; energy trading throughout Europe has aided in controlling and minimising these risks by implementing active risk and portfolio management and by applying the strict principles and risk limits laid down by the Executive Board.

Market risks are, to a certain extent, closely associated with risks involved in our business environment resulting from shifts in the political, social and legal frameworks. For instance: While the decision of the German government to establish a regulatory authority could present MVV Energie with opportunities, it could also pose risks. The prospect of merging the four energy-balancing markets and eliminating barriers to cross-border energy trading would be advantageous to our company. We remain hopeful that any regulatory authority will apply microeconomic standards when regulating access to grids and determining access fees so that investment and maintenance of the grids will not be jeopardised in the long run. The reliability of energy service has been made all the more timely by recent power outages in the U.S. and Europe. We have developed a model for fees to access power networks oriented to the capital market using a value-based approach and have brought it into the debate currently in progress.

An EU resolution enacted in June 2003 makes it mandatory for European energy utilities to unbundle their respective generation, network and sales activities organisationally by July 1, 2004, and in accordance with corporate law by July 1, 2007. Unbundling will pose organisational challenges that we have been working to master.

Other changes in the political climate, however, have taken place with respect to such legislation as the Renewable Energy Act (REA), the CHP Modernisation Act (KWKModG), and the Energy Management Act (EMA); these changes could affect developments in our return on our investments. Our three biomass plants, all of which began operating by late 2003, are subject to the stipulations of the Renewable Energy Act (REA) and to a legally binding commitment to credits for electric power pooling over a 20-year period.

By working continually and intensively within associations and other bodies and by pursuing active dialogue with political representatives, we have been able to influence the legislative process.

Operating Risks

The risk of malfunctions and service disruptions is always inherent in operating technically complex production and distribution systems. We attempt to obviate this risk with extensive and systematic service and maintenance for our facilities; appropriate insurance aids in restricting the impact of any damage that may result. We have implemented extensive data-processing systems in our monitoring stations for billing and networking purposes. We have identified the risks in this area and have protected ourselves from them to the greatest possible extent. For this purpose, we have been making use of the most advanced IT security systems available and have installed redundant systems in comparable facilities.

Financial Risks

As part of their operational business, companies within the MVV Energie Group are subject to the usual market risks associated with fluctuations in interest rates and prices. We have established internal security systems for controlling payment flow efficiently and managing interest and trade receivables.

Risks associated with foreign currency remain of secondary importance because our foreign subsidiaries conduct their business activities in their respective local currency. Information on currency translation can be found on page 101 in the Notes on the Financial Statements.

Conclusion

We have been taking appropriate steps to manage known risks and our risk-management system will methodically handle any new risks. The capital resources of companies within the MVV Energie Group are commensurate with the object of their businesses as well as with current and foreseeable risks.

Risks that have been recognised to date are not expected to pose any threat to the economic survival of MVV Energie.

Outlook

After the economic slump of the last three years, a slight upswing is again expected for 2004.

In its prognosis for 2003/2004, the panel of experts involved in appraising economic developments has forecast a 1.7% increase in gross domestic product. The basis for the expected growth is an economic revival emerging in Europe and the U.S.; it could manifest itself in rising export orders. An additional key role for the German economy would be a resurgence in domestic demand. This, however, would only be possible if the uncertainty on the part of consumers and investors could be put aside. Rapid implementation of the reforms planned by the German government for the beginning of 2004 is considered to be an essential condition for this development.

In fiscal year 2003/04, the economic climate in our sector will also be marked by significant changes and mounting competition in the evolving electric power and gas markets. We are expecting electricity rates and prices to continue rising – particularly in anticipation of higher public charges. A key factor will also be the establishment of a State regulatory agency. We assume that the importance of reliable, uninterrupted electric power service has been recognised under the impact of the recent blackouts in neighbouring countries and in the U.S. and that future investments in distribution grids will not be impeded or even jeopardised by unduly massive interference. Moreover, we will welcome any strengthening of market forces.

Clearer Focussing on Core Business

The MVV Energie Group has grown very fast in recent years and has earned itself an excellent market position in the end-consumer business thanks to major acquisitions and new windows of opportunity in Germany as well as in Poland and the Czech Republic.

For fiscal year 2003/04, we are aiming to focus more clearly on our healthy core business as a distribution utility in conjunction with environmentally sustainable energy generation and promising value-added services close to our core business. Here we have recognised our competitive edge. In so doing, we will pay particular attention to integrating our new participations in Germany and abroad. We intend to intensify co-operation within our corporate group in order to take advantage of synergies and to continue improving efficiency in functional areas.

The most pressing issues will initially be to examine and to upgrade our business portfolio and our corporate organisation as well as to optimise our internal microeconomic controlling. These issues will take on greater significance in light of MVV Energie's substantial growth in recent years. In March 2004, the findings of a study commissioned by the Executive Board on MVV Energie's portfolio will be presented by an external consultant; this study has been in progress since November 2003. With these findings as a basis, measures will be resolved for re-organisation and re-structuring, as needed.

We intend to review our business activities carefully with an eye to the contributions that they will be able to make towards increasing shareholder value in the foreseeable future. We also intend to continue growing horizontally through participations in distribution utilities as the opportunity presents itself. We are currently conducting promising negotiations with a number of municipal utilities; however, we cannot make any concrete statements about them at this point in time.

We intend to continue expanding our strong, earnings-oriented position in the forward-looking district-heating business in Poland and the Czech Republic.

Unbundling Underway

With passage of an Acceleration Directive to amend the Electricity and Gas Directives, the European Parliament has created additional conditions for more competition and transparency in liberalised power and gas markets. These directives are currently being implemented in federal legislation in the member States. A key aspect in this connection will be organisational unbundling and separation of networks from the respective competitive sectors within utilities in accordance with corporate law (generation, trading, sales). We have been paying close attention to these developments and have been actively involved in discussions with all concerned including the European Commission. In internal project groups and jointly with companies of similar structures, we have been preparing for these future demands. Our objective is to point the MVV Energie Group, together with our participations, towards these new challenges in strategically optimum fashion.

Developments in Sales and Earnings in Fiscal Year 2003/04

Developments in our sales are subject to economic and competition-related factors and depend on the course taken by the weather during the lucrative winter months. In our power-wholesaling business, we are expecting further drops in volume due to developments in wholesale power markets; conversely, we intend to expand our more profitable end-consumer business. The rate hikes that went into effect on November 1, 2003, in our electric power, district heating and gas business for commercial, household and small business customers were intended to have a stabilising effect on sales and earnings. In general, we are anticipating only slight changes compared to last year's sales of Euro 1.7 billion.

The results of fiscal year 2003/04 will be substantially lower than in fiscal year 2002/03, in which we realised earnings before interest and taxes (EBIT) of Euro 244 million thanks to taking the one-off factor from the sale of our GVS shares into account. Moreover, these results could have been affected by our reorganisation and restructuring measures, which could be declared – as needed – based on the portfolio study currently being conducted. Nevertheless, we are still expecting stable contributions to our results from our core business activities.

Events After the Balance Sheet Date

On October 1, 2003, Dr. Rudolf Schulten took up his duties as the new chief executive officer (CEO) at MVV Energie AG. Dr. Schulten succeeds Roland Hartung, who retired from the Executive Board for reasons of age on September 30, 2003, after more than 15 years at the helm of MVV Energie.

A new position has been recently created on the Executive Board for marketing and sales as well as value-added services in order to strengthen the marketing orientation of the MVV Energie Group even more. The Supervisory Board named Mr. Karl-Heinz Trautmann to this position on the Executive Board as of October 1, 2003.

For fiscal year 2002/03, we will once again propose paying a dividend of Euro 0.75 per share to the shareholders at the next general meeting in March 12, 2004. With this high dividend yield, we want to let our shareholders once again participate in our company's entrepreneurial success.

MVV Energie sold its 12% share in Stadtwerke Meissen on December 11, 2003, thereby achieving a profit of nearly Euro 5 million that will be reflected in the earnings for fiscal year 2003/04. For this participation acquired by MVV Energie in 1994, the City of Meissen exercised its repurchasing option, which was valid until the end of 2003. As the participation was relatively inconsiderable in this comparatively small utility, it was strategically without meaning for the MVV Energie Group. As a consequence, selling these shares fits in well with our focussing strategy.


8,000,000

From Our Operating Divisions

Heinz Höhl, Waterworks

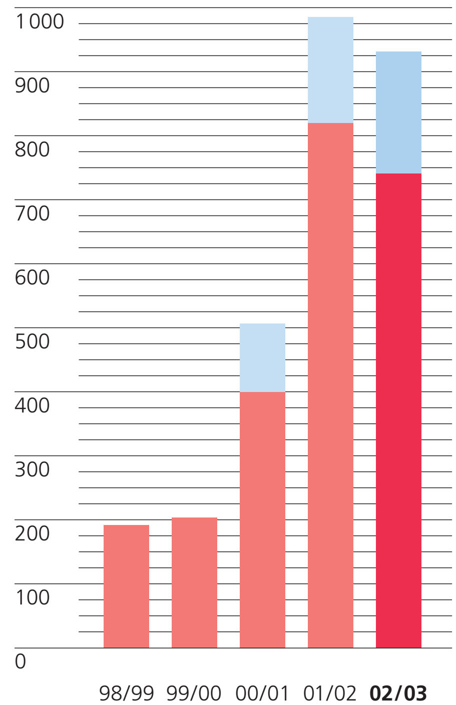
"In Mannheim alone we extract an average of **73 000 m³ of groundwater on a daily basis; that's the equivalent of about 8 million cases of mineral water**. Each drop of rain travels through the soil for about ten years before it is extracted as groundwater. For this reason, conserving this precious resource is an important priority for our water department."

Cases of Water

Electric Power

Sales of Euro 932 million (55% of total Group sales) have made electric power **the largest business segment** in the MVV Energie Group.

Electric Power Sales
In Euro Mill.



Substantial Rise in Retail Electric Power Volume

We increased our volume of retail electricity to end consumers (small businesses and households, industrial and commercial customers) by 37%. This far exceeded the overall growth in electric power consumption in Germany, which was only 2% for the period reported here according to information provided by the *Association of German Electric Power Works (VDEW)*. Our above-average growth was primarily the result of having successfully acquired new industrial, commercial and construction customers for our nationwide power business.

After what, in some cases, were drastic rate reductions in the first few years after market liberalisation, German electricity rates have largely rebounded across the board. In early 2003, MVV Energie raised rates for tariff-bound household and small-business customers by 5–6%. At the same time, official fees and taxes (electricity tax, CHP Act, REA) went up once again and wholesale prises increased; these hikes were passed on to customers. Approximately 40% of total electricity costs for small business and household customers with average consumption patterns go for taxes and other fees.

Trading volumes on wholesale power-trading markets have decreased because several international trading companies have left the market. This has also had an adverse effect on our wholesale trading volumes. The encouraging sales growth in our end-consumer business largely compensated for this decrease in trading volume, however, with total sales in our electric power segment decreasing by only 5% despite the 45% decrease in wholesale revenues.

We were able to increase our electric power volume in our end-consumer business from 5.8 billion kWh to 8.0 billion kWh. We have thus become the seventh largest electric power utility in Germany with regard to electric power supplied to end-consumers. Supplying a total of 20.7 billion kWh (including our wholesale power volume, MHKW and value-added services) has made the MVV Energie Group the fifth largest electric power supplier in Germany.

When power trading is taken into account, MVV Energie AG accounted for sales of Euro 742 million, or 76% of total electric power sales prior to consolidation (Euro 978 million); Energieversorgung Offenbach AG accounted for sales of Euro 154 million (16%). The year under review was the first in which the Ingolstadt and Solingen utilities had been consolidated for an entire year; together they achieved sales of Euro 82 million (8%) compared to Euro 56 million for nine months of last year.

Earnings Improve

Earnings before interest, taxes, depreciation and goodwill amortisation (EBITDA) increased in the electric power segment from Euro 49 to 52 million. When adjusted for measures to strengthen our competitiveness, EBITDA rose by 12% over last year from Euro 49 million to Euro 55 million. Earnings before interest and taxes (EBIT) improved over last year from Euro 26 to 27 million and, when adjusted for one-off factors, from Euro 26 to 30 million. For the year reported here, the first in which they were consolidated for an entire year, the Solingen and Ingolstadt public utilities contributed Euro 11 million to EBIT; last year they contributed Euro 9 million for nine months.

New Industrial and Commercial Customers Gained

In fiscal year 2002/03, the German electric power market once again experienced mounting competition for major bulk-rate customers in the end-consumer market. Nevertheless, MVV Energie was able to expand its position in this segment significantly. Compared to last year, electric power volume to key accounts, i.e., to major industrial and commercial customers, rose from 4.3 billion kWh to 6.4 billion kWh. This 47% increase in volume resulted primarily from MVV Energie's success in acquiring new customers within the German electric power sector, where our volume rose from 2.1 billion kWh last year to 3.9 billion kWh in 2002/03.

We achieved this increase by intensifying our activities to acquire new customers and to tighten our customer ties. In addition, we have also gained new customers thanks to innovative products tailored to meet individual consumer needs; our extensive experience in supplying wholesale energy markets has been of considerable help to us in this regard. Our products include the following: *total energy services, open service contracts, exchange-coupled contracts, customers' timetable deliveries,* and *our standard spot market* and *surplus power products.* The latter allows companies with their own energy-generation facilities to sell their surplus power to us, and we will, in turn, market this at wholesale prices.

Intensifying collaborative efforts with our participations has allowed us both to optimise our cost and market positions and to gain new customers. We have worked with Energieversorgung Offenbach AG to establish agreements to supply 100 million kWh to a major, local industrial customer. We are supplying 20 million kWh of electric power annually to five different production sites of a major chemical company together with the Ingolstadt public utility. We have also acquired customers in other industries with substantial energy needs.

Power Volume of the MVV Energie Group [1]

In Mill. kWh	**2002/2003**	2001/2002	In %
Power wholesaling (incl. secondary distributors) [2]	12416	22472	– 45
Key accounts	6374	4328	+ 47
Small businesses and households	1592	1507	+ 6
	20382	**28307**	**– 28**

[1] Without electric power volume from MHKW and value-added services

[2] Without deliveries within the MVV Energie Group

The tendency on the part of our small business, residential and commercial customers to switch to other providers remained relatively low in 2002/03. Despite increasing price sensitivity, only 2.5% of our customers in the Mannheim area have switched to other suppliers, as compared to a national average of 4% for households and 6% for key accounts. Increased sales and marketing efforts over the past two years have allowed us to regain roughly 900 customers that had switched to other providers in previous years.

Market Leader in Supplying Electric Power for Construction Sites

We remain the largest provider in Germany for electric power for construction sites. Although both the number of new construction sites fell along with construction activity by 8%, we were able to maintain our market position by supplying power to various major projects. During 2002/03, we supplied electric power to approx. 1000, or 40% of all major, domestic construction sites. Our customers include the twenty largest construction firms in Germany.

Reduced Volume for Wholesale Electric Power

Our energy-trading business serves as a bridge between generation, marketing, participations and wholesale markets. During fiscal year 2002/03, it procured energy for internal and external customers at optimum rates and prices.

In 2002/03, the volume of our power trading fell off from 22.5 billion kWh last year to 12.4 billion kWh; this was due in large part to the fact that several international trading companies have left the market. When viewed in light of the overall market situation, however, volumes were at a relatively high level. We extended our European trading activities as planned to Scandinavia and the Czech Republic in fiscal year 2002/03, and began trading electric power on *Nord Pool ASA*, the Scandinavian energy exchange. Extending our trading activities to the Czech Republic has allowed us to accelerate integration of our Czech participations.

During 2002/03, we largely completed the process of integrating our German participations into our centralised power portfolio-management system, thereby allowing us to optimise our procurement and marketing strategies. Our portfolio-management system allows us to react to our customers' specific needs with flexibility and in timely fashion and to offer them custom-tailored electric power products.

We are pursuing a hedging strategy that minimises risks and protects our energy-trading portfolio from fluctuations in market prices. As a component of this risk-minimising strategy, we have also expanded our weather-derivatives activities over the past fiscal year, thereby protecting us from potential sales losses due to unusually mild temperatures.

In the current fiscal year (2003/04) we will continue to integrate our national and international participations and to work with our customers to develop still more innovative products. The introduction of trading in emissions permits will bring about significant changes in the energy markets over the coming years. Not only are we paying close attention to these developments, but we are also taking a leading role in shaping them and making critical preparations for these new challenges. Once the regulatory and legal frameworks have been clarified, our experience in international gas and electric power markets will put us in a position to begin integrating tradable emissions permits into our portfolio as early as the coming fiscal year. In this area, we are also working at the Group level to take appropriate strategic steps.

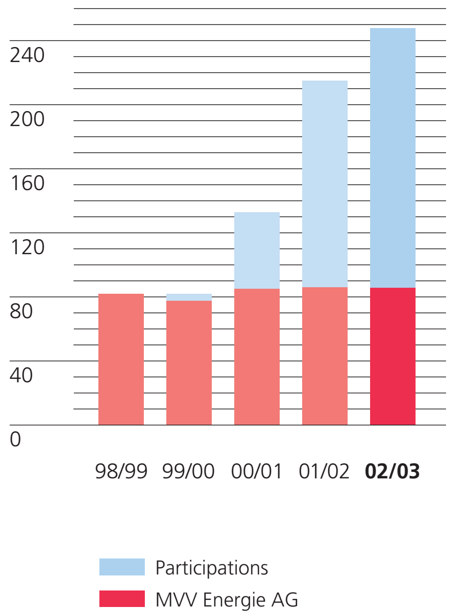
Power Grids of the MVV Energie Group

In km	**2002/2003**	2001/2002	In %
Electric power	11 614	11 294	+ 3
District heating	1 625	1 589	+ 2
Process steam	144	143	+ 1
Gas	3 789	3 626	+ 4
Water	2 597	2 394	+ 8
Telecommunications,	2 109	1 723	+ 22
Thereof fibre-optic network	557	448	+ 24

District Heating

The dynamic development of the past few years has made district heating our **most profitable business segment** with the **second highest sales**.

District-Heating Sales
In Euro Mill.



High Level of Growth in the Czech Republic and Poland

Compared to last year sales in our district-heating business rose by 15% to Euro 248 million. Our participations in Poland and the Czech Republic have played the dominant role by far in this increase; together they contributed Euro 135 million (Euro 103 million last year) or 54% (48% last year) of total sales from district heating. Fiscal year 2002/03 was the first time in which district-heating utilities in Brno, the Czech Republic and Bydgoszcz, Poland, had been consolidated for an entire year; in 2002/03, they achieved sales of Euro 81 million as compared to Euro 60 million for nine months of the previous year. The district-heating utility in Szczecin, Poland, which has been proportionally consolidated since early in fiscal year 2002/03, contributed Euro 11 million in sales growth during the year reported here.

The area to which our Czech group (MVV EPS in Prague) has been supplying district heating includes the cities of Brno, Česká-Lípa, Děčin, Jablonec, Opava, Studénka, Uherské Hradiště und Vsetín, for a total of 640 000 residents. Via MVV ESCO Polska S.A. we have acquired participations in the district-heating utilities in Skarzysko Kamienna, Bydgoszcz and Szczecin, cities with a total of approx. 860 000 residents.

District-heating sales from our fully consolidated domestic companies (MVV Energie AG, Energieversorgung Offenbach AG (EVO), Stadtwerke Ingolstadt Beteiligungen GmbH and Köthen Energie GmbH rose by 2% over last year to Euro 113 million.

District-Heating Volume [1, 2] In Mill. kWh	2002/2003	2001/2002	In %
Heating Water Volume			
Secondary distributors	1077	987	+ 9
Key accounts	1544	1203	+ 28
Small businesses and households	2872	2392	+ 20
	5493	4582	+ 20
Steam Volume			
Key accounts	1117	1036	+ 8
	6610	5618	+ 18

[1] Without district-heating volume from MHKW and value-added services

[2] Including corrections in volume last year

Volume Increases

The volume supplied by our district-heating segment rose by 18% to 6.6 billion kWh. This does not include district heating generated in our energy from waste plants or from the contracting business carried under the energy from waste plant and value-added services segments. Of total volume in this segment, heating water accounted for 83% and process steam for 17%. Our end-consumer business with key accounts as well as industrial, small business and household customers constitutes 80% (district heating) and 100% (steam) of our total volume. Our Czech and Polish district-heating utilities in Brno and Bydgoszcz that were consolidated for the first time for the whole year as well as the newly (since early 2002/03) consolidated district heating utility in Szczecin primarily contributed to our high growth rates in district-heating volume to key accounts (+28%) and to small business and household customers (+20%). Our foreign participations thus accounted for 3.3 billion kWh (2.3 billion kWh last year) of total district-heating volume for the past fiscal year. The Czech Republic accounted for 2.0 billion kWh (1.7 billion kWh last year) thereof and Poland for 1.3 billion kWh (0.6 billion kWh last year).

Positive Developments in Earnings

In our district-heating segment, earnings before interest, taxes, depreciation and goodwill amortisation (EBITDA) improved from Euro 64 million to Euro 68 million. When proportionally adjusted for measures to enhance our competitiveness, EBITDA was Euro 69 million, i.e., 8% growth.

After deducting depreciation and goodwill amortisation, earnings before interest and taxes (EBIT) for the MVV Energie Group amounted to Euro 38 million in the district-heating segment – the same as last year; Euro 14 million thereof (Euro 10 million last year) were contributed by our Czech and Polish participations. Improved earnings for these companies could not offset the drops in earnings at our other enterprises, which were largely the result of high material costs on the part of MVV Energie and EVO. At Euro 39 million, adjusted EBIT increased 3% compared to last year, which represented 32% of adjusted EBIT for the MVV Energie Group (Euro 121 million).

Gas

With sales of Euro 242 million and a 14% share of group sales, MVV Energie's gas business is the **third largest segment** at the MVV Energie Group.

Sales Increase despite Difficult Market Climate

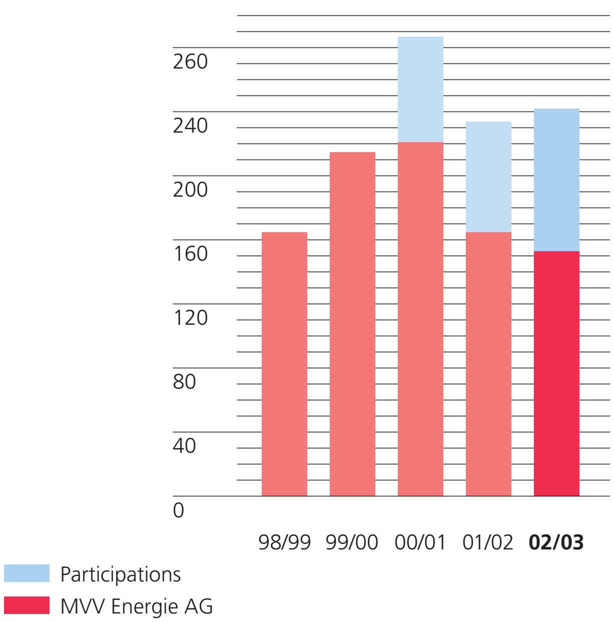
MVV Energie AG accounted for 63% of total gas sales and the participations Energieversorgung Offenbach AG (EVO), Stadtwerke Ingolstadt Beteiligungen GmbH (SWI), Stadtwerke Solingen GmbH (SWS) and Köthen Energie GmbH for 37%. After selling our shares in Gasversorgung Süddeutschland GmbH, we have now been concentrating our efforts in the gas market even more on our business with secondary distributors and end-consumers.

Compared to last year, we were able to raise our gas sales by 3% in spite of mounting competition in our business with bulk-rate customers and secondary distributors. Our participations in SWI and SWS, which were first consolidated for the whole year in 2002/03, contributed Euro 32 and 24 million, respectively, to our sales growth, compared to Euro 21 and 15 million, respectively, for only nine months last year. At Euro 25 million gas sales at EVO remained at last year's level. Our participation Köthen Energie increased its sales by 9% to Euro 8 million. The overall rise in sales largely resulted from a hike in the gas tax of 0.20 Cent/kWh to 0.55 Cent/kWh as of January 1, 2003, which we have passed on to consumers since then. Without taking gas taxes of Euro 41 million into account (Euro 29 million last year), gas sales decreased by 2% compared to last year. The main reason for this was a drop in sales at MVV Energie AG of 7% to Euro 153 million.

Uneven Developments in Volume

Compared to last year, our volume in the gas segment (without contracting) went down 1% to Euro 8.3 billion kWh. This falloff mainly resulted from competition-related decreases in quantities of 33% in MVV Energie AG's secondary-distributor business. This was offset by higher volume in our end-consumer business with key accounts (+27%) as well as with small businesses and households (+17%). Part of the growth in volume came from MVV Energie AG's business with industrial customers. This came about because we succeeded in regaining a major, bulk-rate customer that we had lost to competition two years ago. Our participations EVO, SWI, SWS and Köthen Energie were able to increase their volume with key accounts as well as with small business and household customers. At SWI and SWS part of the growth in volume also resulted from their first-time, full-year consolidation.

Gas Sales
In Euro Mill.



Segment Results Affected by GVS Sale

Compared to last year, earnings before interest, taxes, depreciation and goodwill amortisation (EBITDA) rose from Euro 64 million to Euro 177 million. When adjusted for the one-off factor from the sale of GVS shares, for the income from GVS as a participation in 2002/03 and 2001/02 as well as for proportional expenditures for restructuring measures at EVO, SWI and SWS, the MVV Energie Group improved its EBITDA in its gas segment by 9% to Euro 37 million.

After taking depreciation and goodwill amortisation into account, the gas segment had earnings before interest and taxes (EBIT) of Euro 163 million, compared to Euro 52 million last year. Adjusted EBIT was up by 5% to Euro 23 million. In fiscal year 2002/03, SWI and SWS together achieved an EBIT of Euro 8 million after Euro 5 million for only nine months last year.

Together with our participations, we supplied 54 cities and other municipalities with gas in 2002/03. In our end-consumer business, we have supplied approx. 163 000 residential and commercial customers as well as approx. 1000 industrial consumers via a grid with a length of 3 787 km.

Gas-Trading Activities

In fiscal year 2002/03, we successfully continued our gas-trading activities. Building on our extensive experience in power trading, we have taken advantage of the opportunities also offered by competitive trading in the gas sector. Integrating various gas-trading points into our portfolio was an important step taken in 2002/03. Due to the difficult situation on the gas market, however, the backbone of our portfolio is still formed by long-term supply contracts.

Despite difficult conditions on the market, our gas-trading activities and our extensive trading know-how have put us in a position to improve the structure of our portfolio in the gas segment and to optimise it in the interest of our customers. We have assigned the utmost importance to developing new products tailored to the individual needs of our customers.

Gas Volume of the MVV Energie Group [1] In Mill. kWh	**2002/2003**	2001/2002	In %
Secondary distributors	2 387	3 556	– 33
Key accounts	3 029	3 029	+ 27
Small businesses and households	2 874	2 465	+ 17
	8 290	8 411	– 1

[1] Without gas volume from value-added services

Water

In fiscal year 2002/03, developments in sales in our water segment were markedly enlivened by a **weather-related jump in volume** during the unexpectedly hot summer months.

Sales and Earnings Improve

Our water volume rose by 7% to 40.5 million m^3 in fiscal year 2002/03. Sales in fact rose by 10% and increased to Euro 74 million. Rate hikes were the reason for the sales plus relative to growth in volume.

Of total water sales, MVV Energie AG accounted for 59%, Energieversorgung Offenbach (EVO) for 26% and the Solingen public utility for 15%. In 2002/03, the Solingen public utility, which was proportionately consolidated for the whole fiscal year for the first time, achieved sales of nearly Euro 11 million compared to almost Euro 9 million for nine months last year.

EBITDA in our water business rose from Euro 18 million to Euro 21 million. Adjusted for proportional charges to cover measures to enhance competitiveness, EBITDA was Euro 22 million for 2002/03. At Euro 11 million, earnings before interest and taxes (EBIT) were also higher than last year (Euro 10 million); when adjusted for one-off factors, this figure was Euro 12 million. Its rise was lower compared to EBITDA due to higher depreciation and goodwill amortisation.

Successful Service Packages

In July 2003 Energieversorgung Offenbach (EVO) took over providing facility management for the entire tap water and wastewater networks of the municipality of Mainhausen on the Hessian-Bavarian state border. This co-operation has been initially planned for 25 years.

MVV Dezentrale Industrielle Energieversorgung Rhein-Ruhr GmbH und AWATECH GmbH Abwasser und Technik, which is specialised in wastewater treatment, now offer industrial enterprises special services within the water and wastewater-disposal sectors.

We are also experienced partners in international consulting and in the value-added services business. Under a commission from the Federal Environmental Office, MVV Consultants and Engineers GmbH has developed an information system for water quality of the rivers on the frontier between Syria, Jordan, Israel and Lebanon. MVV Consultants and Water Engineers GmbH is responsible for planning and site management on water and wastewater projects in Fethiye and Diyarbakır in Turkey. Moreover, we have been supporting local water utilities in minimising water losses with two projects in Adana (Turkey) and in Esfahan (Iran). In a pilot area in Adana, we have succeeded in reducing water losses from over 60% to less than 30%.

AquaMundo GmbH is currently working on several projects to supply water service in Montenegro and Albania. This company was founded by ABB AG, Bilfinger Berger BOT GmbH and MVV Energie AG as a joint venture in 2001. Austriás InfraMan GmbH – an enterprise of the Saudi Arabian Amiantit Group – took over the shares of MVV Energie AG's two founding partners in 2002/03, Within the framework of the takeover, MVV Energie received an option to sell its shares to InfraMan GmbH. This option was utilised in December 2003.

New Tap-Water Legislation

On January 1, 2003, new legislation on tap water went into effect. It replaced prior legislation of December 1990 and focuses more than before on protecting the health of consumers. In this legislation, minimum standards and demands for individual parameters have been revised: They have become more stringent, for example, for copper, lead, antimony and nickel, while parameters for other materials have only been restricted or – such as calcium and potassium – are no longer subject to mandatory controls. Some parameters – especially those that occur in installation materials such as vinyl chloride – have been newly activated.

Tap-water quality is ensured by our laboratory by means of strict controls at groundwater wells, at water-treatment plants and in our distribution grids. Our laboratory has managed the changeover to the new legislation without a problem and has obtained its official accreditation on schedule. Moreover, we have significantly expanded our possibilities for bacteriological investigations. As a water supplier such as MVV Energie only bears responsibility for water quality up to the points where it is transferred to consumers, i.e., up to the water meter, the respective home or building owner bears sole responsibility within a given building. Against this background, we have been offering a special service to owners for construction and maintenance for the water installations in their buildings since the spring of 2003.

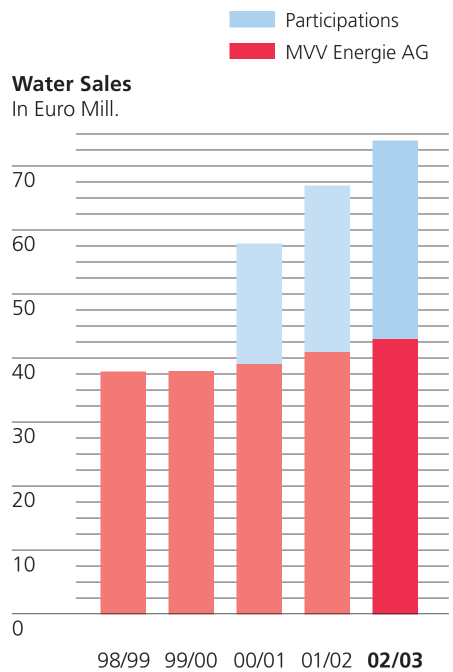
Commitment to Water Catchments

Protecting water catchments numbers among MVV Energie's most important tasks. We thus represent our Mannheim waterworks' interests on water related issues with respect to Deutsche Bahn AG's (German Rail) planning for a new ICE route between Frankfurt and Stuttgart; our apprehension is directed towards the planned bypass around Mannheim favoured by German Rail that would cut through catchment areas and would drastically interfere with Mannheim's water supply. We have submitted our water-based critique relative to this regional planning policy to the proper authorities. To corroborate our position, an independent expertise was obtained from the University of Heidelberg, which has confirmed our opinion in all relevant points.

Water Volume of the MVV Energie Group [1] In Mill. m^3	**2002/2003**	2001/2002	In %
Secondary distributors	4.2	3.6	+ 17
Key accounts	3.7	3.8	– 3
Small businesses and households	32.6	30.3	+ 8
	40.5	37.7	+ 7

[1] Without water volume from value-added services

Water Sales
In Euro Mill.



Energy from Waste Plants

Practising source reduction, **utilising energy efficiently,** protecting the environment and conserving resources. Our energy from waste plants (MHKW) in Mannheim and Offenbach have been contributing to these objectives for several years.

Annual capacities of up to 380000 and 200000 tonnes, respectively, of garbage and nonrecyclable waste can be incinerated in our energy from waste plants in Mannheim and Offenbach for state, regional and local governments as well as for private disposal enterprises. We thus utilise the energy-rich waste of today's civilisation in order to generate process steam and electric power in Mannheim as well as district heating and electric power in Offenbach, in both cases using energy-efficient cogeneration (CHP). Mannheim's energy from waste plant alone supplies 50 industrial customers with process steam and generates enough electric power to supply 37000 four-person households.

Energy Volume and Incineration Capacity – MHKW of the MVV Energie Group

	2002/2003	2001/2002	In %
Electric power volume in Mill. kWh	80	76	+ 5
Process steam volume in Mill.kWh	486	483	+ 1
Incinerated waste in 1000 tonnes	481	466	+ 3
Delivered waste in 1000 tonnes	486	464	+ 5

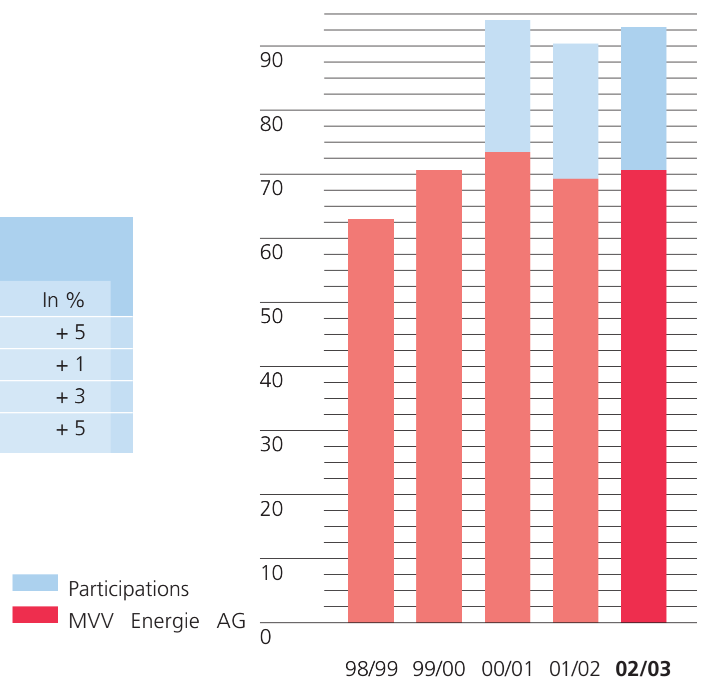
Sales and Earnings Rise

The persistently weak economy has led to a drop in the volume of industrial and commercial waste in Germany. Moreover, the German waste-management market was marked by mounting competition during fiscal year 2002/03.

Compared to last year, sales in our energy from waste segment rose by 2% to Euro 93 million. Half of this growth stemmed from MVV Energie's waste-management business (energy from waste in Mannheim and Offenbach) and the other half from its energy business (process steam and electric power sales).

Compared to last year, the volume of incinerated waste increased by 15000 tonnes (+3%) to 481000 tonnes. Most of this rise stemmed from EVO, which incinerated 189000 tonnes (176000 tonnes last year) of refuse-derived fuel to generate energy in 2002/03. At Mannheim's MHKW, 292000 tonnes of waste were incinerated (290000 tonnes last year).

MHKW Sales
In Euro Mill.



Developments in earnings before interest, taxes, depreciation and goodwill amortisation (EBITDA) and earnings before interest and taxes (EBIT) in our energy from waste segment were negatively affected by expenditures in conjunction with taking over facility management for Mannheim's MHKW from the Mannheim central powerplant (GKM). Adjusted for this one-off factor amounting to Euro 7 million and proportional expenditures for restructuring measures at EVO (Euro 1 million), EBITDA went up in 2002/03 from Euro 48 million to Euro 49 million compared to last year. After taking depreciation and goodwill amortisation into account, our MHKW segment had an adjusted EBIT of Euro 28 million in 2002/03 compared to Euro 27 million last year.

Market for Waste Incineration Growing

According to the technical guidelines on municipal solid waste (MSW), refuse may only be deposited in controlled landfills as of June 1, 2005, after it has been either incinerated or biologically pre-treated. From today's perspective, the capacities that are available for this pretreatment will not be sufficient by a long shot. There will be a nation-wide volume of nonrecyclable waste of 25 to 30 million tonnes occurring every year compared to incineration capacities of only 15 million tonnes. At present, less than one third of all household refuse is disposed of through incineration plants. For this reason, demand for greater waste-disposal capacities is expected to increase considerably in the next few years. Private disposal companies have been rethinking their options with respect to securing incineration capacities for industrial and commercial waste beyond 2005. Against this background, opportunities will be opening up for MVV Energie to market free capacities at its waste to energy plants that have not yet been committed through long-term, contracts for MSW deliveries.

Investments in Growth

Construction of a new CHP incinerator begun at Mannheim's MHKW in September 2001 was successfully completed by the end of fiscal year 2002/03. This unit, which will replace two 30-year-old CHP incinerators, will improve the cost-effectiveness of the entire plant thanks to its greater efficiency. Overall capacity will remain unchanged.

At Offenbach's MHKW, corrosion damage was discovered in a turbine required for generating electric power during inspection work at the beginning of 2002/03. The blades were replaced at the end of May 2003. The shutdown required for these repairs was the cause of lower volume in our electric power business. However, they had no impact whatsoever on our ability to incinerate waste delivered to our plant or to supply customers with district heating.

Because of the excellent prospects for total capacity utilisation at our waste to energy plants in the foreseeable future, we have continued to invest in our corporate growth in this segment. Hence, we are currently building a new energy from waste plant for approx. Euro 91 million at the Leuna chemical works. It will use 195 000 tonnes of nonrecyclable waste as refuse-derived fuel from household trash, industrial and commercial waste as well as curbside rubbish to cogenerate process steam and electric power and to supply this energy to industries in the planned Leuna industrial park.

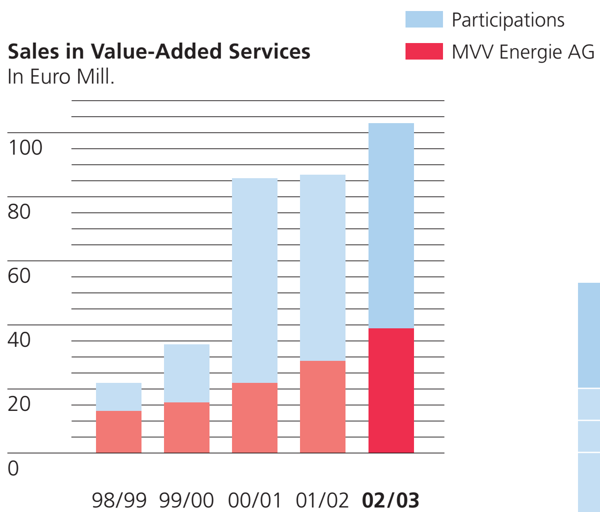
We have also contributed our extensive experience in using refuse-derived fuel to cogenerate process steam, district heating and electric power to building biomass powerplants in Königs Wusterhausen (20 MW el), Mannheim (20 MW el) and Flörsheim-Wicker (15 MW el). The plants in Mannheim and Königs Wusterhausen began operation in advance of full commissioning prior to the end of fiscal year 2002/03; the plant in Flörsheim-Wicker followed before the end of 2003 and will supply the grid with electric power supported by the Renewable Energy Act, as well.

Value-Added Services

Our energy-services segment encompasses energy, water and telecommunications services as well as our innovations portfolio.

In these areas, the MVV Energie Group has proven know-how in supplying electric power, district heating, gas, and water service thanks to its traditional structure as a multi-utility and has been expanding its existing customer ties. We have been utilising our extensive experience with increasing success to offer innovative solutions from a single source.

Sales in Value-Added Services
In Euro Mill.



Sales and Earnings Improve

Compared to last year, sales were up by 18% from Euro 87 million to Euro 103 million. This growth primarily resulted from higher sales for energy services at MVV Energie AG, at Energieversorgung Offenbach AG (EVO) and at Köthen Energie GmbH. Furthermore, our participations – BfE Institut für Energie und Umwelt GmbH, AWATECH GmbH Abwasser und Technik and MVV Industriekraftwerk Ludwigshafen GmbH – were also able to increase their sales. We had no sales in our innovations portfolio for fiscal year 2002/03.

Our energy-services segment still showed a negative EBIT for 2002/03; however, it did improve to Euro –8 million after having Euro –9 million last year. Without proportional restructuring expenditures at EVO and the depreciation on the first generation Powerline modems, it would have had an adjusted EBIT of Euro –5 million. Although adjusted EBIT has dropped nearly by half, the high investments and start-up costs, especially for AWATECH's water projects and for blanket coverage for Powerline telecommunications service in Mannheim, are reflected in the ongoing loss cycle. Losses for energy services were drastically reduced.

Sales in Value-Added Services of the MVV Energie Group

In Euro Mill.	**2002/2003**	2001/2002	In %
Energy services	92	76	+ 21
Telecommunications services	11	11	–
Innovations portfolio	–	–	–
	103	87	+ 18

EBIT for Value-Added Services of the MVV Energie Group In Euro Mill.	**2002/2003**	2001/2002	In %
Energy services	– 3	– 5	+ 40
Telecommunications services	– 4	– 2	– 100
Innovations portfolio	– 1	– 2	+ 50
	– 8	– 9	+ 11

Goal-Driven Strategies

Customer satisfaction is one of the most important factors in a service provider's recipe for success. In fiscal year 2002/03, we thus focussed our internal organisational structures more directly towards our most important customer groups and optimised our work flows. In this way, we can now conduct our projects significantly faster and more efficiently, thereby complying with customer demand even better.

Our portfolio of services includes the following: supplying decentralised industrial energy and media service within the framework of contracting agreements, supplying energy to housing estates and building complexes; performing tasks involved in supplying infrastructure-related energy service such as, for example, land improvement & development; providing water services and facility management for technical equipment and plants; international consulting and Powerline services. We have also been making our extensive experience in project management available to our industrial, commercial and municipal customers. To provide support in planning investment and development projects, we have been making use of procedural methods of project management certified in accordance with *DIN EN ISO.*

In fiscal year 2002/03 we introduced our new brands, *MVV Energie Industrial Solutions* and *MVV Energie Kommunale Lösungen,* to the market. By focussing on two target groups, industrial and municipal customers, we intend to position ourselves even more unequivocally as flexible, innovative specialists and cost-effective service providers.

Regional Sales Network

With numerous branch offices and participations, we are present directly at or near our customers' sites in many regions of Germany. Our Branch Office West headquartered in Solingen and our Branch Office East as our capital office in Berlin were successful in further establishing themselves in their markets and in expanding their activities in fiscal year 2002/03. With our brand *MVV Energie Kommunale Lösungen,* we have been concentrating our efforts on municipalities in North Rhine-Westphalia. Our participation EVO serves the Rhine-Main region, while Köthen Energie has responsibility for this mission in Sachsen-Anhalt.

For fiscal year 2003/04, we have undertaken to extend our activities to Lower Saxony as well as to Bavaria – where we will co-operate with the Ingolstadt public utility. Throughout Europe we consider the markets in France, Austria and Hungary as very promising.

Industrial Solutions – New Freedom of Action for Industrial Enterprises

Sooner or later, nearly every industrial enterprise must start regularly taking a closer – and more critical – look at the rising cost of generating and distributing energy and assessing the potential for cutting energy costs. The cost of industrial energy has been increasing due to rising prices for primary energy, investments made necessary by more stringent environmental protection regulations, the lack of cost effectiveness with technically obsolete facilities and difficulties in recruiting suitable personnel. To counter these factors effectively, *MVV Energie Industrial Solutions* offers industrial enterprises with energy-intensive production processes special contracting solutions. Customers can outsource all of the tasks involved in supplying energy and media service to us; they will benefit from substantially lower costs and will again be able to concentrate their efforts fully on their core business.

That our service packages have been accepted by the market can be seen in the number of new projects recently acquired from prominent industrial customers; these projects have total sales of Euro 17 million per year. We have thus succeeded in gaining a tyre manufacturer with its production venue in Solingen as well as a textile finisher in Bad Salzuflen as customers. One of the largest manufacturers of chocolate and cocoa products in Europe has also become one of our customers. Moreover, we have signed agreements with several enterprises to conduct projects to supply energy service. Although these projects will first be implemented during the next fiscal year due to the time needed to develop a concept, they have, however, already signalled a significant increase in sales in future. In France we have been working out new concepts together with potential customers to supply them with energy, particularly in the paper industry.

***Municipal Solutions* – Relieving Municipal Budgets**

Towns and cities have been edging ever closer to the limits of their financial possibilities because of sinking revenues compounded by unchanging or rising expenditures. With *MVV Energie Kommunale Lösungen*, we can offer municipal governments tailor-made solutions to help manage their mission: Together with municipalities, we have been developing and implementing innovative concepts in the areas of energy contracting, ecological group-heating schemes, land improvement and development, urban renewal, photovoltaics, providing facility management for swimming pools as well as for water-service and wastewater-treatment facilities. Furnishing answers to financing questions is also a facet of our spectrum of services.

Our success in 2002/03 has shown that we are meeting the needs of municipalities with our array of services. With energy contracting, we have acquired over 20 new projects in North Rhine-Westphalia, Baden-Württemberg, Berlin and Lower Saxony, with total sales amounting to Euro 1.5 million per year. These include, for example, providing ecological district-heating service generated with scrap wood and trimmings to the municipalities of Finnentrop and Kirchhundern, whose public facilities will be supplied by MVV Energie for 15–20 years and for whom MVV Energie will operate the new facilities. In the area of land improvement and development, we have been given the nod for commissions on seven projects in Baden-Württemberg and in Rhineland-Palatinate. The total amount of these projects will be approx. Euro 18 million.

Contracting: Energy and Water Volume of the MVV Energie Group

	2002/2003	2001/2002	In %
Electric power in Mill. kWh	248	53	+ 368
Heating water[1] in Mill. KWh	96	83	+ 16
Steam in Mill. KWh	193	197	– 2
Gas in Mill. kWh	226	215	+ 5
Water in Mill. m^3	1.4	1.0	+ 40

[1] Including subsequent corrections in volume last year

International Consulting

MVV Energie's international consulting more than held its own despite a difficult market climate in fiscal year 2002/03. We have completely re-organised our participations in our international consulting division and re-oriented the operating divisions to the unique demands of this market. This has put us in a position to take action more efficiently and more flexibly in future. In fiscal year 2002/03 we conducted 154 projects in 65 countries with a staff of 98 employees. In the Near and Middle East, the MVV Consulting Group has in the meantime established itself on a broad footing. We thus have activities in each and every infrastructure sector and are represented in all countries of the Mediterranean rim. In various projects, we have been supporting the institutional transition in the energy sectors there, have been working out concepts to liberalise the energy markets and helping to optimise energy policy as well as to develop uniform energy statistics. We are also active both in conventional and renewable energy. We have been working on a number of energy conservation and environmental protection projects. Our clients comprise the *Kreditanstalt für Wiederaufbau (KfW),* the *German Society for Technical Co-operation (GTZ),* the *World Bank* and other multilateral development organisations including the *United Nations.*

Powerline

The introduction of Powerline technology, which provides Internet access via the wall socket, was successfully continued in fiscal year 2002/03. This innovative Internet access, which is known in Mannheim by the brand name Vype, is in the meantime used by more than 5000 customers. Mannheim has thus become the world's largest Powerline venue. Together with our subsidiary MVV MAnet GmbH, the number of potential connections has been increased to cover approx. 85000 households. In the course of introducing *Vype*, Mannheim's state-of-the-art high-speed fibre-optic network has been further expanded and made more dense. In this way, MVV Energie has created a highly advanced, blanket infrastructure that has contributed substantially to upgrading Mannheim's stature as a commercial venue and industrial centre.

Our non-consolidated participation Power PLUS Communications AG (PPC), which markets licenses for Powerline technology in Germany and Austria, gained 15 new customers in fiscal year 2002/03. PPC offers products for the areas of telecommunications, information, lifestyles, security and process control. The range of products for applications close to the core business of energy utilities and City Carriers has been augmented by such solutions as, for example, metering as well as station and video monitoring. Powerline is currently being commercially offered by PPC's customers in Mannheim, Hameln, Dresden, Linz and Haßfurt. A number of additional projects are currently in the pilot phase.

The strategic co-operation with ABB New Ventures GmbH that was arranged at the beginning of fiscal year 2002/03 has functioned to our mutual satisfaction. Within the framework of a capital increase, ABB took over 14% of PPC's shares. In addition to its capital, ABB contributed its know-how as well as its patents and licenses for medium-voltage Powerline. With a combination of Powerline via low-voltage and medium-voltage grids, we can now offer Powerline faster and more economically.

Innovations Portfolio

We have been able to exploit future profitability potential with the innovative products and services of the participations at our venture capital enterprise MVV Innovations-portfolio AG & Co. KGaA. Hence, the thin-film modules manufactured by our American participation Energy Photovoltaics, Inc. have been installed in several photovoltaic systems erected by MVV Energie; for MVV Erneuerbare Energien GmbH even megawatt photovoltaic systems are in the planning stage. Flywheel technology developed by PENTADYNE, Inc. is available for customers with sensitive supply issues (100% uninterrupted electricity service) within the framework of power-quality services. Based on gene-probe technology developed by Vermicon AG, our laboratory provides services to detect and to analyse micro-organisms in our water supply and wastewater as well as in treatment plants. With the aid of such key technology as high-temperature superconductors from our participation Trithor GmbH, MVV Energie's power-grid engineering has been planning the use of energy-efficient production materials.

Renewable Energy

The environmental protection objectives of the European Union and of the German government have resulted in **healthy growth** in environmentally sustainable energy. Expansion of this forward looking market has been fostered by a favourable legal framework.

The Renewable Energy Act (REA) has provided investors with a reliable foundation for their investments. Currently, 8% of Germany's electric power is derived from renewable energy sources (roughly 14% Europe-wide); this figure is to be increased to 12.5% by 2010 (22% Europe-wide) and to 20% by 2020. MVV Energie has many years of experience in generating energy in decentralized plants and as such has attached a great deal of importance to environmentally sustainable energy, thereby taking advantage of the opportunities afforded by this forward-looking market. Until now, our focus has been directed towards bioenergy, wind energy and solar energy. However, these markets have recently become significantly more difficult so that we are also expecting a consolidation process.

Companies within the Renewable Energy Segment

- MVV Erneuerbare Energien GmbH in Mannheim (international investment company and owner-operator)
- MVV BioPower GmbH (project company for the Königs Wusterhausen biomass powerplant)
- MVV BMKW Mannheim GmbH (project company for Mannheim's biomass powerplant)
- Eternegy GmbH in Mannheim (international project-development company, esp. for wind power)
- MVV Eternegy Polska Sp.z o.o. in Warsaw

A New Business Segment

In order to do justice to these undertakings, we have had our own renewable energy business segment since the beginning of fiscal year 2002/03. This segment bundles all of MVV Energie's activities and projects that earn the lion's share of their sales from long-term solutions for generating electric power from renewable resources as defined in the REA and/or other similar European legislation. This includes bioenergy plants as well as project development and operation of wind turbines and solar energy systems.

Via MVV RHE AG, MVV Energie AG has an indirect participation of 33.33% in Biomasse Rhein-Main GmbH, the project company for the Flörsheim-Wicker biomass powerplant. This company has not been consolidated. Projects such as biomass heat-only plants, which are primarily used to generate district heating, have been assigned to our value-added services segment.

Sales and EBIT Affected by Build-up Phase

Segment sales of nearly Euro 2 million largely resulted from revenues from Eternegy's wind-farm business, which has developed several smaller projects and has successfully sold them before construction was begun. We founded Eternegy in October 2000 along with wind-turbine manufacturer DeWind AG; the company became a wholly-owned subsidiary in fiscal 2001/02, thereby making it independent with respect to manufacturers. As a result, we were able to improve our return on capital employed (ROCE) by redesigning a few wind-energy projects using turbines made by other manufactures; this, however, meant prolonging the development phase for such projects, including obtaining building permits, by six to twelve months. As a result, Eternegy could not complete any turnkey plants and/or put any plants on-line in fiscal year 2002/03.

During 2002/03, our biomass powerplants were still under construction and as a result could not generate any sales. We anticipate sales revenue from power pooling during the course of fiscal year 2003/04.

A negative EBIT of Euro 6 million reflects the high level of investments required for biomass powerplants as well as for the build-up phase in which this segment is currently engaged.

Bioenergy

Our biomass powerplants in Mannheim (20MW) and Königs Wusterhausen (20MW) began their start-up phase prior to the end of fiscal year 2002/03; the plant in Flörsheim-Wicker (15MW) followed by the end of 2003. With an electric efficiency rating of over 35%, the biomass powerplant in Königs Wusterhausen will set a new benchmark for European powerplants in its capacity class.

Its biomass powerplants have made MVV Erneuerbare Energien GmbH a market leader in Germany with respect to generating bioenergy.

Wind Power

MVV Erneuerbare Energien GmbH assessed potential participations in major wind-farm projects in Spain and France as well as in a number of smaller projects in Germany during 2002/03. However, final decisions on these investments have not yet been made.

Our subsidiary, Eternegy GmbH, is an experienced service provider that can aid in clarifying ownership, permit and other issues as well as to plan, construct and to market wind farms in Germany and abroad. Since its founding, Eternegy has worked as a general contractor and has completed 22 wind turbines for a total installed capacity of approx. 20 MW. The focal points of projects currently under development include major wind farms in Brandenburg and, in particular, a series of wind farms in the Castilla y León region of Spain. To this end we have worked with REpower Systems AG, a wind-turbine manufacturer in Hamburg, to conclude an exclusive purchasing contract for 230 wind turbines; this contract offers favourable conditions for investors. Construction on the first wind farm is scheduled to begin in the second half of 2004

Eternegy GmbH has obtained an exclusive right to develop windfarm projects in Germany, Spain, France, Ireland and Poland for a capacity totalling over 400MW.

Solar Energy

Within the MVV Energie Group, MVV Erneuerbare Energien GmbH is responsible for investments in photovoltaic systems to generate electric power with solar energy. To keep costs to a minimum, economical thin-film modules manufactured by our US subsidiary, Energy Photovoltaics, Inc., were utilised in erecting these systems. Here we are also examining to what extent solar energy can contribute to enhancing our shareholder value in the foreseeable future.


SIEMENS
280,000

Information

Konstantin von Schwech, Call-Centre in Offenbach

"Bills, metering information, changes in monthly payments, interruptions in service – all of the questions that we're there to answer: We get over **280 000 calls from our customers in Mannheim and Offenbach** at our call-centre each year. However, we don't only take calls; we also return calls. Our customers can set the desired time for us to call them back via our call-back service."

Telephone Calls

Multi-Year Review

Income Statement In Euro Mill.	98/99	99/00	00/01[1]	01/02	**02/03**[2]
Sales	563	649	1180	1679	1695
Cost of materials	298	338	763	1178	1121
Personnel costs	100	102	169	182	215
EBITDA	150	154	289	258	369
Depreciation	55	56	151	103	112
EBITA	95	98	138	155	257
Goodwill amortisation	< 1	< 1	5	11	13
EBIT	94	98	133	144	244
EBT	57	79	100	100	184
Net earnings after taxes	34	48	43	57	159
Net earnings after taxes after deducting minority interests	33	49	38	50	152
External Sales in Euro Mill.					
Electric power	189	206	538	983	932
District heating	82	82	133	215	248
Gas	165	216	267	234	242
Water	38	38	58	67	74
Energy from waste plants	63	71	94	91	93
Value-added services	22	34	86	87	103
Renewable energy	—	—	—	—	2
Other/Consolidation	4	2	4	2	1
MVV Energie Group	563	649	1180	1679	**1695**
Earnings before Interest and Taxes (EBIT) in Euro Mill.					
Electric power	39	21	121	26	27
District heating	20	25	21	38	38
Gas	14	33	– 2	52	163
Water	8	7	7	10	10
Energy from waste plants	15	19	– 7	27	20
Value-added services	– 2	– 7	– 7	– 9	– 8
Renewable energy	—	—	—	—	– 6
Other/Consolidation	< – 1	—	—	—	—
MVV Energie Group	94	98	133	144	**244**

Assets in Euro Mill.	98/99	99/00	00/01[1]	01/02	**02/03**[2]
Electric power	243	258	528	783	681
District heating	159	200	321	522	460
Gas	224	263	283	423	443
Water	116	119	255	266	255
Energy from waste (MHKW)	246	237	305	308	385
Value-added services	52	56	157	213	217
Renewable energy	—	—	—	—	101
Other/Consolidation	121	119	175	251	209
MVV Energie Group	1161	1252	2024	2766	**2751**
Investments in Euro Mill.					
Investments in fixed assets	50	52	111	168	20
Investments in financial assets	12	39	218	378	161
MVV Energie Group	62	91	329	546	**181**
Thereof					
Electric power	7	10	73	132	17
District heating	6	16	62	107	21
Gas	8	12	24	96	19
Water	7	8	27	62	10
Energy from waste (MHKW)	5	4	40	19	19
Value-added services	14	30	59	80	39
Renewable energy	—	—	—	—	35
Other/Consolidation	15	11	44	50	21
Balance Sheet in Euro Mill.					
Intangible assets	16	16	110	264	248
Tangible assets	857	872	1253	1610	1655
Financial assets	117	147	162	228	139
Fixed assets	990	1035	1525	2102	2042
Current assets	171	217	499	664	709
Share capital	130	130	130	130	130
Capital reserves	178	178	178	178	178
Retained earnings	194	204	231	236	222
Total net earnings	32	46	34	46	168
Minority interests	< 1	8	100	109	108
Equity	535	566	673	699	806
Customers' contributions	99	97	141	181	183
Provisions	93	89	179	156	155
Payables	353	419	909	1590	1470
Deferred taxes	81	81	122	140	137
Total assets	1161	1252	2024	2766	2751

Key Indicators for Analysing the Balance Sheet	98/99	99/00	00/01[1]	01/02	**02/03**[2]
Cash flow according to DFVA/SG[3] in Euro Mill.	90	86	137	161	161
Equity to total capital ratio[4] in %	46.1	45.2	33.3	25.3	29.3
Capital employed[5]	758	809	1037	1538	1838
ROCE[6] in %	12.5	12.1	13.3	10.1	14.0
WACC[7] in %	—	—	—	9.3	8.8
Value Spread[8] in %	—	—	—	0.8	5.2
Stock and Dividends					
Closing price on 30/9 in Euro	14.80	15.35	14.25	15.02	15.25
Annual high[9] in Euro	16.15	16.10	20.50	16.51	16.00
Annual low[9] in Euro	13.20	11.70	13.60	13.82	13.50
Market capitalisation on 30/9 in Mill. Euro	750	778	723	762	773
No. of no-par value shares in Mill.	50.702	50.702	50.702	50.702	50.702
Dividend per share in Euro	0.56	0.56	0.75	0.75	0.75[10]
Total dividend payout in Mill. Euro	24.6	28.5	38.0	38.0	38.0[10]
Earnings per share according to IAS 33 in Euro	0.74[11]	0.95	0.76	1.00	3.01
Earnings per share according to HGB[12] in Euro	0.74[11]	0.87	0.98	1.09	3.68
Cash flow per share according to DVFA/SG in Euro	1.98[11]	1.70	2.71	3.18	3.18
Equity per share[13] in Euro	11.83[11]	11.01	11.31	11.64	13.76
Share price:earnings ratio according to IAS 33	20.1[11]	16.2	18.3	15.0	5.1
Share price:cash flow ratio	7.5	9.0	5.3	4.7	4.8
Dividend yield[14] in %	3.8	3.6	5.3	5.0	4.9[10]
Volume					
Electric power volume in Mill. kWh	2530	3836	14401	28436	20710
Thereof wholesaling (incl. secondary distributors)	215	1393	9800	22472	12416
Thereof retailing	2315	2443	4601	5964	8294
District-heating vol. in Mill. kWh	3443	3468	4907	6381	7385
Gas volume in Mill. kWh	11361	11609	9449	8626	8516
Water volume in Mill. m³	24	24	35	39	42
Incinerated waste in 1000 tonnes	283	309	522	466	481

Employees (30/9)	98/99	99/00	00/01	01/02	**02/03**
MVV Energie AG incl. MVV RHE AG	1897	1819	1736	1789	1821
Fully consolidated participations	131	388	1738	2044	2122
MVV Energie AG with fully consolidated participations	**2028**	**2207**	**3474**	**3833**	**3943**
Proportionately consolidated participations	—	—	—	1251	1711
MVV Energie Group	**2028**	**2207**	**3474**	**5084**	**5654**
Non-MVV Energie AG personnel at MHKW	124	85	84	86	73
	2152	**2292**	**3558**	**5170**	**5727**

[1] Including the profit from the sale of our EnBW shares and the expenditures for measures to enhance competitiveness

[2] Including the profit from the sale of our GVS shares and the expenditures for measures to enhance competitiveness

[3] In accordance with the German Association for Financial Analysis and Asset Management/Schmalenbach-Gesellschaft

[4] Equity to total capital ratio

[5] Equity plus corporate debt plus provisions for pensions and similar obligations plus accumulated goodwill amortisation (calculated on an annual average)

[6] Return on capital employed (EBITA to Capital Employed)

[7] Weighted average cost of capital (WACC); calculated for the first time for 2001/02

[8] Value spread (ROCE minus WACC)

[9] Variable trading in Frankfurt/Main

[10] Pending approval of the shareholders at the general meeting on 12/3/2004

[11] Weighted number of no-par value shares: 45202000

[12] MVV Energie AG

[13] Without minority interests

[14] Based on the closing price in Frankfurt/Main on 30/9

D & O

Executive Board

Dr. Rudolf Schulten
As of 1/10/2003
Chief Executive Officer
Commercial Director
Resource Recovery Programme

Roland Hartung
Until 30/9/2003
Chief Executive Officer
Commercial Director
Resource Recovery Programme

Klaus Curth
Until 31/12/2002
Personnel Director
Social and General Services
Data Processing

Dr. Werner Dub
Technical Director
Engineering and Technology

Hans-Jürgen Farrenkopf
As of 1/1/2003
Personnel Director
Social and General Services
Data Processing

Karl-Heinz Trautmann
As of 1/10/2003
Marketing Director
Sales and Value-Added Services

Division Heads

Dr. Christoph Helle
General Director
Energy Trading
and Energy Economy

Michael Kirsch
Until 31/1/2003
General Director
Financial Affairs and Accounting,
Materials Management

Arthur Bächle
Energy and Water Production,
Technical Services

Matthias Brückmann
Until 30/9/2003
Marketing and Sales

Hans-Georg Hägele
As of 14/2/2003
Financial Affairs and Accounting,
Materials Management

Dr. Alfred Herkelmann
Information Technology and
Applied Computer Science

Michael Horix
Energy from Waste Profit Centre

Herbert Klein
Until 31/12/2002
Personnel, Social and
General Services

Helfried Krope
Networks, Network Services
and Engineering

Gunter Kühn
As of 1/1/2003
Personnel, Social and General
Services

Michael Lowak
Value-Added Services

Bernhard Schumacher
As of 1/12/2003
Marketing and Sales

A detailed list with the mandates of the members of MVV Energie's Supervisory Board on other supervisory boards or control commissions is available on request.

Supervisory Board

Gerhard Widder
Chairman of the Supervisory Board
Lord High Mayor of the City of Mannheim

Manfred Lösch [1]
Deputy Chairman
Chairman of the MVV Group Works Council

Dr. Norbert Egger
1st Vice-Mayor of the City of Mannheim

Arthur Bächle [1]
Head of Division, Energy and Water Production and Technical Services
MVV Energie AG

Peter Dinges [1]
Commercial Assistant

Werner Ehret [1]
Works Council of MVV Energie AG

Dr. Manfred Fuchs
Chief Executive Officer at Fuchs Petrolub AG, Mannheim

Karlheinz Haas
Until 28/2/2003
Electrician

Rosi Haus [1]
Managing Director of Ver.di Offenbach

Prof. Dr. Egon Jüttner
University Professor

Egon Laux [1]
Works Council of Energieversorgung Offenbach AG

Klaus Lindner [1]
Managing Director of Ver.di Mannheim

Manfred Mathia [1]
Chairman of the Works Council at Energieversorgung Offenbach AG

Frank Mentrup, M.D.
As of 14/3/2003
Physician

Dr. Rolf Neuhaus
Financial Adviser

Sven-Joachim Otto, J.D.
Judge

Dr. Michael Pfingsten
Member of the Executive Board of Ruhrgas AG, Essen

Konrad Schlichter
Economist

Sabine Schlorke [1]
Union Secretary of Ver.di in Mannheim

Rolf Schmidt
Mayor of the City of Mannheim

Christa Spohni [1]
Commercial Assistant

[1] Labour representatives

Report of the Supervisory Board

The Supervisory Board intensively supported the Executive Board in implementing MVV Energie's corporate strategies in fiscal year 2002/03. It performed the duties incumbent upon it by law and by corporate charter and supervised the Executive Board in managing the MVV Energie Group.

The Executive Board informed us about important corporate events as well as about the status and development of the enterprise in three ordinary sessions and five extraordinary sessions. Significant business events and questions were thoroughly discussed. In addition, we received information on important happenings and decisions through quarterly financial reports as well as through oral and written briefings between sessions.

We were regularly informed about developments in key financial indicators and have also fulfilled our duties with respect to risk management. We were also provided with detailed information on measures that required the approval of the Supervisory Board in timely fashion so that we were able to debate our decisions properly and to weigh them carefully.

The auditing commission convened three times in fiscal year 2002/03. The commission on human resources met five times during this period.

Key Issues of the Supervisory Board

Key issues of the Supervisory Board's work included acquiring participations, conducting various projects within the framework of planned and rapid expansion of a renewable energy segment, monitoring current developments in other segments and at major participations as well as appointing new members to the supervisory boards at various participations. Moreover, we have thoroughly examined the medium-term and strategic planning for the MVV Energie Group.

Another important point of discussion was the conclusion of a letter of intent between MVV RHE AG and the Mannheim central powerplant (GKM AG). This letter of intent concerns taking over operative facility management at MVV Energie's energy from waste plant (MHKW) in Mannheim and incorporating an operation & maintenance enterprise, in which to bundle the facility-management capacities for all of the MVV Energie Group's energy from waste plants and biomass powerplants.

New Members Appointed to Executive Board

Fiscal year 2002/03 was marked by significant personnel changes in MVV Energie's Executive Board. Mr. Klaus Curth, who as personnel director was responsible for social and general services as well as data processing, retired as of December 31, 2002. He had been a member of the Executive Board since December 1, 1989. We appointed Mr. Hans-Jürgen Farrenkopf as his successor as of January 1, 2003. We would like to thank Mr. Curth for his long and successful work as a member of the Executive Board of MVV Energie.

As of September 30, 2003, Mr. Roland Hartung, the chief executive officer and who as commercial director was responsible for the resource recovery programme, retired from the Executive Board for reasons of age. Mr. Hartung had been a member of the Executive Board since July 1, 1988. The Supervisory Board had been actively engaged in selecting a successor early on. At its meeting of March 21, 2003, Dr. Rudolf Schulten was named to the Executive Board as commercial director responsible for the resource recovery programme and as chief executive officer of MVV Energie as of October 1, 2003.

The Supervisory Board would like to express its gratitude and admiration for Mr. Hartung's outstanding contributions to the corporate development as chief executive officer of the MVV Energie Group during the past 15 years. With the IPO in 1999, which numbers among the most important milestones in Roland Hartung's career, the foundation was laid for the rapid growth of the MVV Energie Group through acquisitions, new windows of opportunity and internationalisation.

Furthermore, we have created a new position on the Executive Board based on the results of a structural and organisational comparison of our Executive Board with that of others companies that we commissioned last year. The new director will be responsible for marketing and sales as well as for value-added services and will strengthen the sales orientation of the MVV Energie Group. At our meeting on June 26, 2003, we named Mr. Karl-Heinz Trautmann to this new position on the Executive Board as of October 1, 2003.

Finalising Financial Statements

The consolidated financial statements of the MVV Energie Group for fiscal year 2002/03 have been prepared in accordance with International Financial Reporting Standards (IFRS). Deloitte & Touche GmbH, Wirtschaftsprüfungsgesellschaft in Mannheim, has audited these consolidated financial statements and has rendered the Auditors' Opinion without qualification.

The financial statements of MVV Energie AG in accordance with HGB and the consolidated status report of MVV Energie AG for fiscal year 2002/03 have also been audited by Deloitte & Touche GmbH, Wirtschaftsprüfungsgesellschaft in Mannheim. The Auditors' Opinion for these has also been rendered without qualification. The consolidated financial statements of the MVV Energie Group, the financial statements and the consolidated status report of MVV Energie AG as well as the proposal of the Executive Board on utilisation of earnings and the reports of the auditors have been submitted to the Supervisory Board. They have been examined by the Supervisory Board and discussed in the presence of the auditors. The Supervisory Board has found no grounds for objections based on its own examination and have concurred with the auditing results of Deloitte & Touche GmbH, Wirtschaftsprüfungsgesellschaft in Mannheim. At its meeting on December 11, 2003, the Supervisory Board approved the financial statements of both enterprises for fiscal year 2002/03 as well as the consolidated status report, which were thus finalised, and concurred with the proposal of the Executive Board on utilisation of earnings.

The Executive Board has prepared a report on the relations to subsidiaries (report on intercompany contracts and interdependencies) for fiscal year 2002/03. It therein explicitly declared that MVV Energie AG has received commensurate services rendered in return pursuant to the specified legal transactions with subsidiaries – in light of the circumstances, which were known to said Executive Board at the time of the undertaking – and suffered no disadvantage therefrom. Deloitte & Touche GmbH, Wirtschaftsprüfungsgesellschaft in Mannheim has audited this report on intercompany contracts and interdependencies and have granted it an unqualified Auditors' Opinion. This report on intercompany contracts and interdependencies and the auditors' report of Deloitte & Touche GmbH, Wirtschaftsprüfungsgesellschaft in Mannheim were submitted to the Supervisory Board. The Supervisory Board has also examined the report on intercompany contracts and interdependencies. It has concurred with the judgement of Deloitte & Touche GmbH, Wirtschaftsprüfungsgesellschaft in Mannheim, and has approved said report.

Moreover, the auditors have also examined the risk management system used at MVV Energie AG. This examination has shown that the system is legally appropriate to the purpose.

Due to the resignation of Mr. Karlheinz Haas, on March 14, 2003, Frank Mentrup M.D. was elected to take his seat on the Supervisory Board .

The success of fiscal year 2002/03 was achieved by the initiative of the Executive Board and the employees at MVV Energie. On behalf of the Supervisory Board, I would like to express my appreciation for their commitment.

Mannheim, in December 2003
Supervisory Board

Gerhard Widder
Chairman

Independent Auditors’ Opinion

Independent Auditors’ Opinion

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statement of changes in shareholders’ equity, cash flows and segment reporting as well as the notes to the financial statements, prepared by the company MVV Energie AG, Mannheim, for the business year from October 1, 2002 to September 30, 2003. The preparation and the content of the consolidated financial statements are the responsibility of the company’s executive board. Our responsibility is to express an opinion whether they are in accordance with International Financial Reporting Standards (IFRS) based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer as well as in supplementary consideration of the International Standards on Auditing. Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements of the company MVV Energie AG, Mannheim, for the business year from October 1, 2002 to September 30, 2003, give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with IFRS.

Mannheim, November 12, 2003

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Greiner
Wirtschaftsprüfer

Krämer
Wirtschaftsprüfer


135,000

In Accordance with International Financial Reporting Standards (IFRS)

MVV Energie AG
Financial Statements of the MVV Energie Group 2002/2003

Andreas Bugge, Combi-fitter

"In every department it is important to save time and cut costs. MVV Energie has succeeded in doing this with its installation personnel by training combined steam and pipe fitters, called "combi-fitters": Instead of 45 000 connections for only one segment, the combi-fitters can take care of up to **135 000 connections in all of our segments** (electric, heating, gas and water) in Mannheim. Getting the job done at consumers' sites faster and more efficiently is what counts most for customers and what pays best for us. And this applies both for our participations as well as for MVV Energie AG."

The financial statements of MVV Energie AG in Mannheim in accordance with HGB have been prepared separately and are availiable on request.

Connections

Balance Sheet

As of 30/9/2003

In Euro 1 000	**30/9/2003**	30/9/2002	Notes
Assets			
Fixed assets			
Intangible assets	247 840	264 377	1
Tangible assets	1 655 102	1 609 758	2
Financial assets	139 460	227 682	3
	2 042 402	**2 101 817**	
Current assets			
Inventories	50 291	42 091	4
Receivables and other assets	594 356	528 883	5
Cash and cash equivalents	64 076	92 930	6
	708 723	**663 904**	
	2 751 125	2 765 721	
Liabilities			
Equity			
Share capital of MVV Energie AG	129 797	129 797	
Capital reserves of MVV Energie AG	178 270	178 270	
Retained earnings	222 098	235 890	
Total net earnings of the MVV Energie Group	167 604	46 086	
Capital of the MVV Energie Group	**697 769**	**590 043**	
Minority interests	107 997	109 398	
	805 766	**699 441**	7
Customers' Contributions	**182 832**	**180 781**	8
Provisions			9
Provisions for pensions and similar obligations	21 380	18 308	10
Tax provisions	11 086	26 225	
Other provisions	122 701	111 524	11
	155 167	**156 057**	
Debt			
Corporate debt	995 920	1 111 565	12
Trade payables	134 517	136 974	13
Advance payments for orders	231 964	228 272	14
Other liabilities	107 289	112 769	15
	1 469 690	**1 589 580**	
Deferred taxes	**137 670**	**139 862**	16
	2 751 125	2 765 721	

Income Statement

From 1/10/2002 until 30/9/2003

In Euro 1 000	**2002/2003**	2001/2002	Notes
Sales	1 695 223	1 678 679	20
Capitalised assets for internal services rendered	36 911	22 567	21
Other operating income	186 585	55 955	22
Cost of materials	1 120 783	1 178 355	23
Personnel costs	215 469	182 006	24
Other operating expenses	220 385	172 161	25
Net income from associates	5 155	31 594	26
Other participations' earnings	1 315	2 214	27
EBITDA	**368 552**	**258 487**	
Depreciation	111 925	103 696	28
EBITA	**256 627**	**154 791**	
Goodwill amortisation	12 989	10 856	
EBIT	**243 638**	**143 935**	
Net interest expenses	– 59 638	– 44 257	29
EBT	**184 000**	**99 678**	
Income taxes	24 925	42 381	30
Net earnings after taxes	**159 075**	**57 297**	31
Minority interests	6 636	6 869	
Net earnings after taxes after deducting minority interests	**152 439**	**50 428**	

Statement of Changes in Equity

Including Minority Interests

In Euro 1 000	Share capital of MVV Energie AG	Capital reserves of MVV Energie AG	Legal and other retained earnings/ Consoli-dation	Differences in amounts from currency translations	Market valuation from financial instru-ments	Total net earnings of the MVV Energie Group	Capital of the MVV Energie Group	Minority interests	**Totals**
Status as of 1/10/2001	**129 797**	**178 270**	**231 259**	**– 77**	**—**	**34 437**	**573 686**	**99 484**	**673 170**
Dividend yield	—	—	—	—	—	– 38 027	– 38 027	– 7 307	– 45 334
Net earnings after taxes	—	—	—	—	—	50 428	50 428	6 869	57 297
Changes in retained earnings	—	—	752	—	—	– 752	—	—	—
Currency adjustments	—	—	—	3 170	—	—	3 170	288	3 458
Changes in the scope of consolidation	—	—	—	—	—	—	—	8 501	8 501
Adjustments not affecting earnings (IAS 39)	—	—	—	—	786	—	786	1 563	2 349
Status as of 30/9/2002	**129 797**	**178 270**	**232 011**	**3 093**	**786**	**46 086**	**590 043**	**109 398**	**699 441**
Dividend yield	—	—	—	—	—	– 38 027	– 38 027	– 8 248	– 46 275
Net earnings after taxes	—	—	—	—	—	152 439	152 439	6 636	159 075
Changes in retained earnings	—	—	8 380	—	—	– 8 380	—	—	—
Currency adjustments	—	—	—	– 4 487	—	—	– 4 487	– 1 444	– 5 931
Changes in the scope of consolidation	—	—	– 17 905	—	—	15 486	– 2 419	2 041	– 378
Adjustments not affecting earnings (IAS 39)	—	—	—	—	220	—	220	– 386	– 166
Status as of 30/9/2003	**129 797**	**178 270**	**222 486**	**– 1 394**	**1 006**	**167 604**	**697 769**	**107 997**	**805 766**

Reporting Financial Information by Segment

Income Statement In Euro 1 000	External Sales		Intercompany Sales		Depreciation		EBIT	
	2002/2003	2001/2002	**2002/2003**	2001/2002	**2002/2003**	2001/2002	**2002/2003**	2001/2002
Electric power	931 841	982 565	11 384	5 752	24 951	23 867	26 803	25 537
District heating	248 358	214 588	12 780	14 334	29 490	26 188	38 133	38 223
Gas	241 530	233 739	20 162	16 623	13 811	12 203	162 952	52 063
Water	74 033	66 774	622	976	9 979	8 719	10 593	9 480
Energy from waste plants	93 168	91 453	27 157	19 280	20 666	20 760	19 556	27 375
Value-added services	103 168	87 486	38 617	1 069	10 171	6 991	– 8 315	– 8 743
Renewable energy	1 761	—	—	—	358	—	– 6 084	—
Other/Consolidation	1 364	2 074	– 110 722	– 58 034	15 488	15 824	—	—
	1 695 223	1 678 679	**—**	—	**124 914**	114 552	**243 638**	143 935

Balance Sheet In Euro 1 000	Assets		Investments	
	30/9/2003	30/9/2002	**30/9/2003**	30/9/2002
Electric power	680 843	783 205	17 397	132 210
District heating	460 095	522 274	20 615	106 912
Gas	443 537	423 052	18 833	95 951
Water	255 059	266 257	10 104	62 380
Energy from waste plants	384 894	307 911	18 539	18 499
Value-added services	216 790	212 698	39 361	79 963
Renewable energy	100 920	—	35 185	—
Other/Consolidation	208 987	250 324	20 824	50 359
	2 751 125	2 765 721	**180 858**	546 274

Cash-Flow Statement

In Euro 1 000	**2002/2003**	2001/2002
Net earnings after taxes	159 075	57 297
Depreciation/write-backs of fixed assets	131 860	111 118
Changes in long-term provisions and customers' contributions	10 269	– 2 646
Other changes in cash flow	– 321	– 4 342
Profits from the sale of participations	– 139 687	—
Subtotal for cash flow in accordance with DVFA/SG	**161 196**	**161 427**
Changes in short-term provisions	– 12 032	– 39 206
Losses from disposals of tangible assets	963	1 457
Losses from disposals of financial assets	—	1 110
Changes in other assets	– 14 880	– 52 391
Changes in other liabilities	– 24 205	27 503
Cash flow from operating activities	**111 042**	**99 900**
Proceeds from disposals of tangible assets	14 967	3 766
Proceeds from disposals of financial assets	197 327	14 132
Investments in tangible assets/intangible assets	– 160 484	– 168 355
Investments in acquisitions, participations and loans	– 20 374	– 377 919
Cash flow provided by/ used in investment activities	**31 436**	**– 528 376**
Proceeds/expenditures from subsidy payments	1 669	653
Proceeds from new corporate loans	168 564	264 938
Expenditures to retire corporate debt	– 182 399	– 37 844
Changes in corporate debt from cash-pooling	– 114 542	242 602
Dividend payments	– 46 275	– 45 334
Cash flow used in/ provided by financial activities	**– 172 983**	**425 015**
Changes in cash and cash equivalents	– 30 505	– 3 461
Changes in cash and cash equivalents through changes in the scope of consolidation	4 703	45 569
Changes in cash and cash equivalents from foreign currency translation	– 3 052	– 1 302
Cash and cash equivalents as of 1/10/2002 (and/or 2001)	92 930	52 124
Cash and cash equivalents as of 30/9/2003 (and/or 2002)	**64 076**	**92 930**

Notes on the Financial Statements

of the MVV Energie Group for 2002/2003

Principles and Methods

The standards of the *International Accounting Standards Board (IASB)* that were in effect on the balance sheet date have been used for the financial statements of the MVV Energie Group in accordance with *International Financial Reporting Standards (IFRS)*.

The financial statements of fully and proportionately consolidated subsidiaries included in the financial statements of the MVV Energie Group are subject to uniform principles for accounting and valuation.

In addition to the balance sheet, the income statement as well as the statement of changes in equity according to IAS 1, the financial statements include the cash-flow statement according to IAS 7 and reporting financial information by segments according to IAS 14 as well as notes to clarify said statements.

Owing to our increased commitment to renewable energy, reporting financial information by segment was expanded to include this segment in fiscal year 2002/03.

Scope of Consolidation

In addition to MVV Energie AG, 36 subsidiaries, in which MVV Energie AG has a majority of the voting rights either directly or indirectly, have been fully consolidated in the financial statements of the MVV Energie Group. The determining control concept for such consolidation in accordance with IAS 27 calls for the parent company to exercise the power to govern financial and operating policies. Six enterprises have been proportionately consolidated. Seven additional associates have been assessed according to the equity method. All of these enterprises are included in the list of holdings as of 30/9/2003 on p. 105ff.

In the current fiscal year, five enterprises have been fully consolidated for the first time and one enterprise was proportionately consolidated for the first time. There were no changes in the number of enterprises to be assessed according to the equity method although one enterprise has been removed from the scope of consolidation and another enterprise has been valuated for the first time.

Subsidiaries with varying balance sheet dates have prepared interim financial statements as of the balance sheet date of the MVV Energie Group.

Moreover, subsidiaries that are of negligible importance as a whole and when individually considered with respect to sales, total assets and net earnings relative to Group financial statements are not consolidated but are instead carried as financial assets on the consolidated balance sheet.

Changes in the scope of consolidation resulting from initially consolidating participations in fiscal year 2002/03 are reported on the balance sheet and the income statement in accordance with IAS 27 as follows:

Balance Sheet in Euro Mill.	**30/9/2003**	30/9/2002
Assets		
Fixed assets	77.9	70.8
Current assets	30.6	39.6
	108.5	**110.4**
Liabilities		
Equity	– 5.5	14.2
Provisions	2.4	0.0
Debt	115.1	93.2
Deferred taxes	– 3.5	3.0
	108.5	**110.4**

Income Statement In Euro Mill.	**2002/2003**	2001/2002
Sales	2.0	43.9
Capitalised assets for internal services rendered	3.8	0.0
Other operating income	2.9	0.3
Cost of materials	5.5	28.2
Personnel costs	2.0	2.9
Other operating expenses	4.8	0.8
EBITDA	**– 3.6**	**12.3**
Depreciation	0.1	6.1
EBITA	**– 3.7**	**6.2**
Goodwill amortisation	0.3	– 0.7
EBIT	**– 4.0**	**6.9**
Net interest expenses	– 3.6	– 1.4
EBT	**– 7.6**	**5.5**
Income taxes	– 2.7	– 0.2
Net losses/Net earnings after taxes	**– 4.9**	**5.7**
Minority interests	– 0.1	0.7
Net losses/Net earnings after taxes after deducting minority interests	**– 4.8**	**5.0**

The effects of consolidating joint ventures in accordance with IAS 31 are shown in the following:

Balance Sheet in Euro Mill.	**30/9/2003**	30/9/2002
Assets		
Fixed assets	350.4	368.8
Current assets	84.9	93.5
	435.3	**462.3**
Liabilities		
Equity	6.1	2.5
Customers' contributions	41.6	40.5
Provisions	20.4	20.9
Debt	354.4	386.8
Deferred taxes	12.8	11.6
	435.3	**462.3**

Income Statement In Euro Mill.	**2002/2003**	2001/2002
Sales	189.4	119.7
Capitalised assets for internal services rendered	1.8	1.4
Other operating income	4.9	3.5
Cost of materials	111.9	68.4
Personnel costs	22.9	14.5
Other operating expenses	27.9	17.1
Net income from participations	0.1	0.0
EBITDA	**33.5**	**24.6**
Depreciation	12.5	8.6
EBITA	**21.0**	**16.0**
Goodwill amortisation	7.5	6.6
EBIT	**13.5**	**9.4**
Net interest expenses	– 1.4	– 1.1
EBT	**12.1**	**8.3**
Income taxes	7.6	5.8
Net earnings after taxes	**4.5**	**2.5**

Consolidation Methods

Financial statements integrated in the consolidation of the MVV Energie Group have been translated from the accounting systems of the respective countries to IFRS on the basis of uniform principles as of September 30, 2003, and have been certified by external auditors.

Capital consolidation was performed in accordance with IAS 22 according to the proportional re-evaluation method for participations based on the values assigned at the time of acquisition. A positive balance is carried as goodwill under Fixed assets and amortised in accordance with IAS 22; conversely, a negative balance with regard to the sale price is carried as commensurate potential losses forecast for the future.

Intercompany receivables and payables as well as sales, earnings and expenses have been set of against each other according to IAS 27.

Major joint ventures have been proportionately included in the consolidated financial statements according to IAS 31. Consolidation of joint ventures is performed according to the above-mentioned principles.

Key participations in associates have been valuated at equity in accordance with IAS 28.

Foreign Currency Translation

The financial statements of the MVV Energie Group's foreign participations have been translated into Euros according to the concept of functional currency in accordance with IAS 21. This means the respective national currency of the companies involved as they do business in their own currency as financially, economically and organisationally autonomous foreign entities.

The following exchange rates were used in converting the respective financial statements of individual foreign companies from their national currencies into Euros:

1 Euro	Closing Rates		Average Rates	
	30/9/2003	30/9/2002	**2002/2003**	2001/2002
Polish zloty (PLN)	4.623	4.060	4.214	3.755
Czech crowns (CZK)	31.844	30.294	31.486	31.211

Assets and debt items on balance sheets are translated from the respective currency to Euro at the mean exchange rate in effect on the balance sheet date. Expenditures and earnings of consolidated foreign companies are translated at the average annual exchange rates.

Differences from translating currencies with respect to the equity of the foreign participations involved as well as to deviating conversion rates between the balance sheet and the income statement are set off against equity without affecting earnings.

Accounting and Valuation Methods

In general, assets are valued at their acquisition and/or manufacturing costs, decreased by regularly scheduled depreciation. Corporate debt is set at its repayment value. Long-term debt is carried at present value.

Exceptions to this principle are certain financial instruments in accordance with IAS 39, which have been set at market values.

Details on valuation methods are presented in the notes for the individual items.

Notes on the Balance Sheet

1 Intangible Assets

Intangible assets are recorded at the acquisition cost. They are decreased by regular amortisation rates in proportion to the amount of use in accordance with the straight-line method. There was no need for extraordinary amortisation.

Research and development (R&D) costs of the MVV Energie Group represent expenses for the respective periods in accordance with IAS 38. The conditions for capitalisation were thus not fulfilled. In fiscal year 2002/2003, these expenses amounted to Euro 3 595 000 (Euro 5 626 000 last year). R&D efforts were mainly concentrated on activities to improve operational processes as well as to develop new products and advanced technologies.

Asset-like rights consist of software as well as contractual subsidies to customers and suppliers. Useful life is oriented to the economic aspects and/or contractual terms. It is between 3 and 20 years.

The period of amortisation for capitalised goodwill is between 10 and 20 years.

Intangible Assets In Euro 1 000	Asset-like rights	Goodwill	Advance payments	**Totals**
Gross value 1/10/2002	69 264	255 072	394	324 730
Additions: Participations	—	11 114	—	11 114
Adjustments (IAS 22.71)	—	– 14 101	—	– 14 101
Currency adjustments	– 148	983	—	835
Investments/Additions	4 893	—	134	5 027
Disposals	– 1 935	– 70	– 37	– 2 042
Transfers	3 039	3	– 74	2 968
Gross value 30/9/2003	**75 113**	**253 001**	**417**	**328 531**
Amortisation 1/10/2002	42 597	17 506	2	60 105
Currency adjustments	– 93	113	—	20
Amortisation	8 385	12 989	—	21 374
Disposals	– 1 017	—	—	– 1 017
Transfers	149	—	—	149
Amortisation **30/9/2003**	**50 021**	**30 608**	**2**	**80 631**
Subsidies 1/10/2002	248	—	—	248
Disposals	– 188	—	—	– 188
Subsidies 30/9/2003	**60**	**—**	**—**	**60**
Net value 30/9/2003	**25 032**	**222 393**	**415**	**247 840**
Net value 30/9/2002	26 419	237 566	392	264 377

2 Tangible Assets

Tangible assets are recorded at their acquisition or production costs less depreciation.

In the case of self-constructed tangible assets of MVV Energie Group, production costs are determined according to directly attributable individual costs and to commensurate overhead costs.

The acquisition or production costs of assets have been reduced by the amount of public subsidies (investment subsidies) in accordance with IAS 20.

We have depreciated tangible assets in proportion to the amount of economic use according to the straight-line method. For buildings, the depreciation period is 50 years. Machinery and technical equipment are depreciated between 8 and 50 years, although pipe networks are usually assigned a useful life of 30–40 years. Plant and office equipment is depreciated over a period of 4–10 years.

There was no need for extraordinary depreciation.

There were no indications of a need for writebacks in accordance with IAS 16.

Tangible Assets In Euro 1 000	Land, land rights and buildings including buildings on land owned by others	Machinery and technical equipment	Miscellaneous equipment and facilities	Advance payments and construction in progress	**Totals**
Gross value 1/10/2002	478 120	2 513 238	189 198	94 429	3 274 985
Additions: Participations	10 582	6 531	292	15 367	32 772
Currency adjustments	– 8 299	– 7 149	– 213	– 883	– 16 544
Investments/Additions	9 846	47 204	12 581	85 826	155 457
Disposals	– 1 070	– 10 566	– 24 808	– 514	36 958
Transfers	6 457	32 706	3 905	– 46 439	– 3 371
Gross value 30/9/2003	**495 636**	**2 581 964**	**180 955**	**147 786**	**3 406 341**
Depreciation 1/10/2002	168 238	1 231 528	110 130	215	1 510 111
Additions: Participations	4 419	5 114	216	—	9 749
Currency adjustments	– 3 138	– 3 188	– 189	– 10	– 6 525
Depreciation	11 992	79 863	11 679	6	103 540
Disposals	– 720	– 8 176	– 12 605	—	– 21 501
Transfers	– 408	– 321	177	—	– 552
Depreciation 30/9/2003	**180 383**	**1 304 820**	**109 408**	**211**	**1 594 822**
Subsidies 1/10/2002	8 089	145 297	1 730	—	155 116
Currency adjustments	– 4	—	—	—	– 4
Subsidies	258	1 411	—	—	1 669
Disposals	—	– 36	– 328	—	– 364
Subsidies 30/9/2003	**8 343**	**146 672**	**1 402**	**—**	**156 417**
Net value 30/9/2003	**306 910**	**1 130 472**	**70 145**	**147 575**	**1 655 102**
Net value 30/9/2002	301 793	1 136 413	77 338	94 214	1 609 758

Interest on debt to build up tangible assets is not carried as an asset in accordance with IAS 23 (Benchmark method).

Waste-fired boiler No. 4 with a downstream flue-gas treatment system, which went into operation during fiscal year 1996/97, and was subsequently sold and leased back within the framework of a finance lease, has been carried as an asset according to IAS 17. With regard to this *finance lease,* the MVV Energie Group as lessee has the option to repurchase the facility after 8.5 years. In all likelihood, we will exercise this option – at least according to current planning objectives. The carrying amount within the *Machinery and technical equipment* item, which is determined by the present value less accrued depreciation, was Euro 74388000 (Euro 79798000 last year). The respective leasing payments to be made in future have been carried as liabilities (see also Section 12 Corporate Debt).

Beyond this, there are no other significant rented or leased assets, in which business ownership belongs to the MVV Energie Group based on the terms of a contract.

There are no constraints on disposition or assets pledged as collateral for a loan.

3 Financial Assets

Financial assets have been valuated in accordance with IAS 39. In cases of IAS 39.14, they were capitalised at acquisition costs. In all other cases, adjustments for market value were undertaken. The carrying amount of participations that were valuated in accordance with the *equity* method have been adjusted for changes in the equity of said participations on a yearly basis.

Depreciation on financial assets can be found under the item *Other participations' earnings* and/or *Net interest expenses.*

As in 2001/02, an average of 4.5% was paid on loans with fixed interest rates; there were no loans with variable interest rates during the fiscal year reported here (interest rate last year: 4.0%). The average period in which interest remains binding is 11 years (12.5 last year) for loans at fixed rates of interest.

Financial Assets In Euro 1000	Shares in subsidiaries	Shares in joint ventures	Participations in associates: Equity valuation	Participations in associates: Other	Participations in other enterprises	Loans to subsidiaries	Loans to participations	Other loans	Securities of fixed assets	**Totals**
Status as of 1/10/2002	32456	14533	77955	13576	46736	18682	16313	6249	1182	227682
Additions: Participations	546	—	—	—	—	—	—	—	—	546
Investments/Additions	7422	—	781	19	5355	965	—	3232	2375	20149
Currency differences	17	—	—	31	—	– 366	—	—	—	– 318
Depreciation	—	—	—	– 420	—	– 1700	– 4328	– 495	– 3	– 6946
Transfers	2715	—	– 2500	2690	– 215	—	—	– 2690	—	—
Disposals	– 18531	– 14533	– 36019	– 189	– 4568	– 13733	– 11985	– 994	– 1101	– 101653
Status as of 30/9/2003	**24625**	—	**40217**	**15707**	**47308**	**3848**	—	**5302**	**2453**	**139460**
Net value 30/9/2003	**24625**	—	**40217**	**15707**	**47308**	**3848**	—	**5302**	**2453**	**139460**
Net value 30/9/2002	32456	14533	77955	13576	46736	18682	16313	6249	1182	227682

The major enterprises that were in the MVV Energie Group as of September 30, 2003, are shown in the following overview. Equity and total net earnings correspond to the figures for the last available financial statements. With consolidated participations, equity and total net earnings were taken from the financial statements as of September 30, 2003 in accordance with IFRS.

List of Holdings of the MVV Energie Group As of 30/9/2003	Share of Capital according to Art 16, Para. 4 (AktG) In %	Equity in Euro 1000	Total Net Earnings in Euro 1000
Subsidiaries (Fully Consolidated)			
National			
MVV RHE AG, Mannheim [1]	99.99	104590	190448
3T Telekommunikationsgesellschaft mbH, Offenbach [6]	73.00	2046	871
ABeG Abwasserbetriebsgesellschaft mbH, Offenbach [6]	51.00	137	24
AWATECH GmbH Abwasser and Technik, Isernhagen	100.00	– 7739	– 3131
BFE Institut für Energie and Umwelt GmbH, Mühlhausen	100.00	1151	948
Energieversorgung Offenbach AG, Offenbach [4]	49.07	182116	11602
eternegy GmbH, Mannheim	100.00	2137	– 1885
Gasversorgung Offenbach GmbH, Offenbach [6]	74.90	14681	1624
GeTeBe Gesellschaft für Technologieberatung mbH, Berlin	100.00	249	– 109
KSG Kommunikations-Service-Gesellschaft mbH, Offenbach [6]	100.00	123	29
Köthen Energie GmbH, Köthen	100.00	6181	473
MAnet GmbH – Gesellschaft für Telekommunikation and Information, Mannheim	100.00	– 5906	– 7119
MVV BioPower GmbH, Königs Wusterhausen [6]	100.00	13121	– 456
MVV BMKW Mannheim GmbH, Mannheim [6]	89.80	13494	– 1228
MVV Consultants and Engineers GmbH, Berlin [6]	100.00	363	147
MVV Dezentrale Industrielle Energieversorgung Rhein-Ruhr GmbH (D.I.E.), Solingen [6]	100.00	838	319
MVV Energie Dienstleistungen GmbH, Mannheim [5]	100.00	683	– 82
MVV Energiehandel GmbH, Mannheim	100.00	2298	88
MVV Erneuerbare Energien GmbH, Mannheim	100.00	27935	– 1004
MVV Industriekraftwerk Ludwigshafen GmbH, Mannheim	100.00	0	1529
MVV Innovationsportfolio AG & Co. KGaA, Mannnheim	100.00	39973	– 884
International			
Cogebar – Cogeração de Barcelos, Lda., Barcelos, Portugal [6]	70.00	– 2515	– 5
Cogesac – Cogeração do Ave, Lda., Oliveira S. Mateus, Portugal [6]	95.00	– 389	– 372
CTZ s.r.o., Uherské Hradiště, Czech Republic [6]	50.96	2084	27
EC Skarzysko-Kamienna Sp.z o.o., Skarzysko-Kamienna, Poland [4, 6]	46.06	5235	239
Jablonecká teplárenská a realitni a.s., Jablonec, Czech Republic [6]	65.78	13025	1410
Mestské inzenyrské site Studénka a.s., Studénka, Czech Republic [6]	99.92	3067	599
MVV Energie CZ s.r.o., Prague, Czech Republic	100.00	16367	– 4016
MVV Energie Portugal – Serviços de Racionalização Energética, Lda., Lisbon, Portugal	99.80	– 1368	– 512

List of Holdings of the MVV Energie Group As of 30/9/2003	Share of Capital according to Art 16, Para. 4 (AktG) In %	Equity in Euro 1000	Total Net Earnings in Euro 1000
Continuation			
MVV enservis s.r.o., Česká Lipá, Czech Republic [6]	100.00	1052	88
MVV ESCO Polska S.A., Warzaw, Poland [6]	100.00	25030	751
MVV Polska Sp.z o.o., Warzaw, Poland	100.00	36604	– 468
Opatherm a.s., Opava, Czech Republic [6]	100.00	744	610
Termo Děčín a.s., Děčín, Czech Republic [6]	66.66	14724	747
Teplarny Brno a.s., Brno, Czech Republic [6]	85.20	56868	6028
Zásobování teplem Vsetín a.s.,Vsetín, Czech Republic [6]	82.22	7779	535
Subsidiaries (Not Fully Consolidated) [2]			
National			
81fünf Vertriebs- and Bauträger GmbH, Dannenberg [6, 8]	51.00	25	0
DECON Deutsche Energie-Consult Ingenieurgesellschaft mbH, Bad Homburg [6, 8]	100.00	575	24
ENSERVA GmbH, Solingen [6]	74.90	450	– 150
Erschließungsträgergesellschaft St. Leon-Rot mbH, St. Leon-Rot [8]	80.00	25	0
Erschließungsträgergesellschaft Weeze mbH, Weeze [8]	75.00	23	– 2
EUS Gesellschaft für innovative Energieumwandlung and -speicherung mbH, Dortmund [9]	50.25	683	63
ICEU – Internationales Centrum für Energie- and Umwelttechnologie GmbH, Leipzig [6, 8]	100.00	– 118	– 38
MASPIRIT GmbH, Mannheim [8]	100.00	891	130
MVV Consulting GmbH, Mannheim [8]	100.00	21	– 3
MVV Consultants and Water Engineers GmbH, Mannheim [6, 8]	100.00	– 503	– 526
MVV Energie BIG GmbH, Mannheim [8]	100.00	24	– 1
MVV Industriekraftwerk Gengenbach GmbH, Mannheim [6, 8]	74.00	376	– 161
MVV O & M GmbH, Mannheim [6, 8]	100.00	24	1
NWE Nahwärme Energiedienstleistungs-GmbH, Obernburg [5, 6, 10]	100.00	8	1
Power PLUS Communications AG, Mannheim [9, 11]	50.31	12353	– 390
Regioplan Ingenieure GmbH, Mannheim [8]	100.00	578	121
Regioplan Ingenieure Dresden GmbH, Liegau-Augustusbad [8, 11]	100.00	4	– 47
Regio-tec Planungsgesellschaft für Wirtschaftspolitik and Infrastruktur mbH, Starnberg [8]	100.00	– 134	– 31
SFE Sozietät für Entwicklungsplanung GmbH, Mannheim [6, 7]	100.00	27	– 17
Stadtwerke Dannenberg GmbH, Dannenberg	51.00	277	– 29
International			
BFE, Institut für Energie and Umwelt GmbH, Kreuzlingen, Switzerland [5, 9]	100.00	41	6
MVV CO-GEN Sp.z o.o., Krapkowice, Poland [6, 8]	100.00	3	– 10
MVV Energie España S.A., Córdoba, Spain [8]	100.00	51	– 514
MVV EPS Polska S.A., Warzaw, Poland [6, 8]	100.00	1850	– 599

List of Holdings of the MVV Energie Group As of 30/9/2003	Share of Capital according to Art 16, Para. 4 (AktG) In %	Equity in Euro 1 000	Total Net Earnings in Euro 1 000
Continuation			
MVV eternegy Polska Sp.z o.o., Warzaw, Poland [6]	100.00	25	k.A.
MVV holding CZ s.r.o., Prague, Czech Republic [9]	100.00	1	0
MVV Solutions Industrielles France SARL, Paris, France [5]	100.00	235	k.A.
MVV THP Sp.z o.o., Kattowice, Poland [6, 9]	100.00	2	– 18
Oleoenergia-Alhambra S.A., Córdoba, Spain [6, 8]	100.00	50	– 14
Projectos de Cogeneration, S. L. Madrid, Spain [5, 9]	100.00	217	– 28
Regioplan Sp.z o.o., Wroclaw, Poland [8, 11]	100.00	42	– 1
Regioplan Ingenieure Salzburg GmbH, Salzburg, Austria [6, 8]	100.00	40	1
Speed Web Consulting GmbH, Linz, Austria [5, 6]	60.00	2 550	k.A.
Joint Ventures (Proportionately Consolidated)			
National			
Stadtwerke Solingen GmbH, Solingen	49.90	103 029	9 462
Stadtwerke Ingolstadt Beteiligungen GmbH, Ingolstadt	48.40	47 026	10 806
Stadtwerke Ingolstadt Energie GmbH, Ingolstadt [1, 6]	100.00	1 844	5 764
Stadtwerke Ingolstadt Netze GmbH, Ingolstadt [1, 6]	100.00	97 542	5 178
International			
KPEC Komunalne Przedsiebiorstwo Energetyki Cieplnej Sp.z o.o., Bydgoszcz, Poland [3, 6]	54.96	47 118	3 751
SEC Szczecin Sp.z o.o., Szczecin, Poland [6]	26.26	30 048	2 287
Associates (Equity Valuation)			
National			
ADG Abwasser Dietzenbach GmbH, Dietzenbach [7]	49.00	75	53
Fernwärme Rhein-Neckar GmbH, Mannheim [1, 6, 9]	50.00	1 790	1 959
Grosskraftwerk Mannheim AG, Mannheim [6, 9]	28.00	114 142	6 647
Maintal Werke GmbH, Maintal [6, 9]	49.00	5 647	1 396
Stadtwerke Buchen GmbH & Co. KG, Buchen [9]	25.10	11 648	1 581
Zweckverband Wasserversorgung Kurpfalz (ZWK), Heidelberg [3, 6, 9]	51.00	7 071	0
International			
Českolipská teplárenská a.s., Česká Lípa, Czech Republic [6, 9]	35.00	3 003	365

List of Holdings of the MVV Energie Group As of 30/9/2003	Share of Capital according to Art 16, Para. 4 (AktG) In %	Equity in Euro 1000	Total Net Earnings in Euro 1000
Continuation			
Associates (Other) [2]			
National			
Alba Holzkontor GmbH, Königs Wusterhausen [6, 8]	49.80	23	– 1
Aquamundo GmbH, Mannheim [7]	33.33	720	– 1963
Beteiligungsgesellschaft für Energie and Wasser Meißen mbH, Dresden [6, 8]	26.67	8404	748
Biomasse Rhein-Main GmbH, Flörsheim-Wicker [6, 8]	33.30	10150	– 50
des PRO.net GmbH, Dortmund [5, 9]	50.00	7	43
DeWa Deutsche Wasser- and Abwasser Management GmbH, Düsseldorf [6, 9]	45.00	– 181	– 36
EMS – Energie Management Service GmbH, Stuttgart [9]	33.00	62	– 28
F + E Managementgesellschaft mbH, Dortmund [5, 9]	34.66	– 45	– 10
Main-Kinzig-Entsorgungs- and Verwertungsgesellschaft mbH, Hanau [6, 9]	49.00	82	– 6280
Management Stadtwerke Buchen GmbH, Buchen [9]	25.20	26	1
reginova GmbH, Ingolstadt [1, 6]	100.00	500	0
ServiceHaus Service-GmbH für modernes Wohnen and Leben, Mannheim [9]	50.00	708	177
VELA Verwaltungsgesellschaft mbH, Mannheim [9]	24.00	26	1
Wasserversorgungsverband "Neckargruppe", Edingen-Neckarhausen [6, 9]	25.00	597	0
WVE Wasserversorgungs- and -entsorgungsgesellschaft mbH, Schriesheim [9]	24.50	1871	6
International			
Croplin d.o.o., Zagreb, Croatia [7]	46.94	689	– 377
Other Shareholdings (Share of over 5 % in Major Corporations)			
National			
Kraftwerke Mainz-Wiesbaden AG, Mainz [6, 9]	11.11	109781	– 4727
Stadtwerke Langen GmbH, Langen [1, 6, 9]	10.00	21395	2760

Information on equity and total net earnings generally corresponds to figures as of 30/9/2003; see footnotes for exceptions.

[1] Profit-transfer agreements, total net earnings prior to transfer
[2] Not included in the consolidated financial statements
[3] Voting rights limited to 40 %
[4] Majority of voting rights
[5] Additions in the current fiscal year
[6] Indirect participation
[7] Financial statements as of 31/12/2001
[8] Financial statements as of 30/9/2002
[9] Financial statements as of 31/12/2002
[10] Financial statements as of 30/6/2002
[11] Partially indirect participation

4 Inventories

Inventories generally comprise raw materials and supplies, finished and unfinished products as well as advance payments thereon. They are recorded at acquisition or production costs. The weighted average cost method is used to assess raw materials and supplies in accordance with IAS 2. The carrying amount of depreciated inventories is of negligible importance. All of the inventories belong to the MVV Energie Group. There are no legal assignments or pledges for loans.

Long-term contract work, for which IAS 11 would have to be applied, is negligible in the MVV Energie Group. Inventories and revenues resulting therefrom are carried at the costs incurred for the respective contracts.

In Euro 1 000	**30/9/2003**	30/9/2002
Raw materials and supplies	16 155	19 060
Finished and unfinished products	28 385	17 276
Advance payments	5 751	5 755
	50 291	**42 091**

5 Receivables and Other Assets

In Euro 1 000	**30/9/2003 Totals**	**Thereof remaining time >1 year**	30/9/2002 Totals	Thereof remaining time >1 year
Accounts receivable				
Trade receivables	495 770	90	447 958	948
Receivables due from subsidiaries	16 972	706	20 142	11
Receivables due from associates	9 925	–	6 413	–
Receivables due from subsidiaries, in which a participation exists	1 135	–	1 024	–
Other assets	70 554	4 646	53 346	2 343
	594 356	**5 442**	**528 883**	**3 302**

Receivables from customers have been recorded at nominal value. On the balance sheet date, we allowed commensurate write-offs for the uncollectible portions of receivables.

Trade receivables include the total amount for accruals and deferrals for energy and water consumption not read or billed as of the balance sheet date. Payments on account received from customers have been recorded as a liability.

Prepaid expenses amounting to Euro 8 586 000 (Euro 6 895 000 last year) are included in Other assets.

6 Cash and Cash Equivalents

Cash and cash equivalents mainly consist of bank deposits and correspond to financial funds in accordance with IAS 7 that are developed in the cash-flow statement. Joint ventures have accounted for a total of Euro 3657000 (Euro 18996000 last year).

7 Equity

Share Capital: Share capital has not changed compared to last year. As of September 30, 2003, the City of Mannheim indirectly holds 72.82% thereof and Ruhrgas Energie Beteiligungs-AG 15.00%. The remaining 12.18% of MVV Energie's shares are in free float.

Contingent Capital I: The Executive Board of MVV Energie AG was authorised by a resolution of the Extraordinary General Shareholders´ Meeting, held on January 27, 1999, to introduce a stock option plan for management subject to the approval of the Supervisory Board. To implement this arrangement, plans have been made for the enterprise to issue interest-bearing convertible bonds with a total nominal value of up to Euro 1022583.76 as of December 31, 2003, comprising 400000 convertible bonds with a nominal value of Euro 2.56 each, with a maximum maturity of 5 years. These convertible bonds may only be issued to members of the Executive Board of MVV Energie AG, to members of Executive Boards of subsidiaries of MVV Energie AG as well as to employees in executive and key management positions at MVV Energie AG and its subsidiaries. Only the Supervisory Board of the enterprise may decide whether members of the Executive Board of MVV Energie AG should receive convertible bonds. Legal subscription rights of shareholders of the enterprise have been excluded. Each convertible bond with a nominal value of Euro 2.56 entitles the bearer to exchange it for one no-par value share of MVV Energie AG. This conversion right cannot be exercised until the three-year lock-up period following issue of the respective convertible bond has expired. Thereafter, this right may be exercised within a period of two years following expiration of the lock-up period within defined exercise periods. This conversion right may only be exercised if the increase in the price of MVV Energie AG's shares between commencement of the plan and expiration of the lock-up period shall exceed the increase in the CDAX Utilities benchmark index. The conversion price is derived from the average price of MVV Energie AG's shares on the 30 trading days preceding expiration of the lock-up period less a price mark-down in the amount of the percentage, by which the price of MVV Energie AG's shares has improved over and above the benchmark index during the lock-up period. On January 27, 1999, the Extraordinary General Shareholders´ Meeting resolved to initiate a contingent increase in share capital of Euro 1022583.76 to cover the conversion rights for the convertible bonds. At the General Shareholders' Meeting on February 22, 2001, a resolution was passed to raise this to Euro 1024000.00 because of the conversion to the Euro. We refer you to the text at Note 12 on Corporate debt.

Contingent Capital II: The employees of MVV Energie AG and employees of other companies, in which MVV Energie AG has a direct or indirect majority participation, had the opportunity of receiving a maximum of 100 MVV Energie AG's shares from their respective employers under preferential conditions (50% discount on placement price) within the framework of the initial issue. Two subscription rights (call options) were attached free of charge to each share thus purchased, which entitle the bearer to buy one MVV Energie AG share at the placement price following expiration of the lock-up period. Under the terms of the option agreement, call options may not be exercised until two years after they have been issued. The options may be exercised within three exercise periods provided that the price of MVV Energie AG's shares from issuance of the call options has risen by at least 5% p.a. within a period of 14 days prior to commencement of the respective exercise period. The exercise periods extended over four weeks after publication of the next three semi-annual reports following expiration of the lock-up period. On January 27, 1999, the Extraordinary General Shareholders´ Meeting resolved to initiate a contingent increase in share capital of Euro 1533875.64 to cover the conversion rights for the convertible bonds. At the General Shareholders' Meeting on February 22, 2001, a resolution was passed to raise this to Euro 1536000.00 because of the conversion to the Euro. Within the framework of the initial issue, 149020 no-par value shares were purchased by employees of the MVV Energie Group. There was thus a maximum of 298040 option rights that could have led to an increase in share capital of Euro 761927.16. As until December 31, 2003, no option rights could be exercised because the conditions for exercising said options had not been fulfilled, such subscription rights for shares do not exist.

Contingent Capital III: Moreover, at the General Shareholders' Meeting on February 22, 2001, a resolution was passed to increase share capital contingently by an additional Euro 2048000.00 in order to issue up to 800000 no-par value bearer shares. The contingent capital increase will only be implemented insofar as holders of options make use of their subscription rights to purchase stock, which will be issued by MVV Energie AG in conjunction with the empowerment of the Executive Board of February 23, 2001, until December 31, 2005, within the framework of the employee stock-option plan of MVV Energie AG for 2001/2005. However, the possibility of issuing options from this programme has not been utilised to date.

Contingent Capital IV: At the General Shareholders' Meeting on March 14, 2003, a resolution was passed for a new management stock-option plan for 2003/2007. MVV Energie AG is to issue a maximum number of options for a total of up to 400000 shares with a total nominal value of up to Euro 1024000.00. These options may only be issued to members of the Executive Boards of MVV Energie AG, to employees in executive and key management positions at MVV Energie AG, to members of executive boards and managing directors as well as executives of MVV Energie AG's subsidiaries. Each of the above-mentioned groups should receive a maximum of 25% of the stock options. Should those authorised to receive options belong to several of the above mentioned groups, they would not be entitled to have their options multiplied. Should persons who are eligible to receive options by means of this authorisation at the same time be eligible for options from programmes that were or have been set up for the employee stock option plan for 2001/2005, the number of their options will be reduced accordingly. The exact circle of those authorised as well as allocation of options in cases, in which eligible recipients of options belong to several of the above mentioned groups or they are eligible to receive options by means of this authorisation at the same time and are eligible for options from programmes that were or have been set up for the employee stock option plan for 2001/2005, will be determined by the Executive Board of MVV Energie AG. Insofar as this eligibility for options applies to members of the Executive Board of MVV Energie AG, it will be incumbent upon the Supervisory Board of MVV Energie AG to make this determination. These options can be issued within periods of eight weeks after the publication of the respective semi-annual financial reports of MVV Energie AG and can first be exercised upon expiration of two years after granting said option rights (lock-up period). The options may then be exercised within three exercise periods (exercise windows). The exercise periods will extend over four weeks after publication of the next three semi-annual reports following expiration of the lock-up period. The new shares will take part in earnings from the beginning of a respective fiscal year, in which they are created by exercising option rights. Each option authorises the purchase of one share in MVV Energie AG at a price that corresponds to the average share price for MVV Energie AG's stock during the last 30 trading days prior to issuance of said options plus a surcharge. A key factor in calculating the average share price for MVV Energie AG's stock during the last 30 trading days prior to issuance of these options is the mathematical mean of quoted closing prices for MVV Energie AG's shares in the Xetra trading system of the Deutsche Börse AG (or a comparable follow-up system). The surcharge is 5% p.a.; it will be calculated for the period from issuance of the options to the beginning of the respective exercise windows. If during this options period the enterprise – while granting a direct or indirect subscription right to its shareholders – should increase its share capital or should sell some of its own shares or should issue new bonds with conversion or option rights, the exercise price will be reduced under the terms of the option agreement. There will not be a reduction if the authorised person has a direct or indirect subscription right to the new shares or MVV Energie's own shares or new subscription rights that considers the person as if he or she had exercised the option. Moreover, the terms governing the option agreement can provide for adjusting the option rights in case there is a decrease in capital or a capital increase from retained earnings, in case MVV Energie's stock is split or is bundled together as well as for bonuses and extraordinary cash and/or non-cash payouts in accordance with the customs and practises on German and international futures markets.

With the resolution of the shareholders passed at the General Meeting on March 1, 2002, the Executive Board was empowered to increase share capital by up to a total of Euro 12900000.00 by issuing new, no-par value shares made out to the bearer for cash or non-cash payment either in stages or all at once by February 28, 2007 – subject to the approval of the Supervisory Board.

8 Customers' Contributions

These are partial payments made by customers to aid in defraying the expense of constructing and installing service connections in buildings for new or expanded connections. We have carried these amounts as liabilities analogous to IAS 20. These contributions will be carried as Other operating income over the microeconomic useful life of the assets underlying said contributions.

9 Provisions

In Euro 1 000	Status as of 1/10/2002	Additions participa-tions	Currency adjust-ment	Reallo-cations	Released	Allo-cations	Proportion of interest on allocations	Transfers	**Status as of 30/9/2003**
Long-term provisions									
Pensions and similar obligations	18 308	—	– 133	2 219	—	5 157	267	—	**21 380**
Other provisions									
Early retirement payments	12 363	—	—	5 706	142	5 691	—	256	12 462
Personnel costs	16 059	—	—	1 798	534	7 220	474	– 46	21 375
Rehabilitation of plants and networks	6 826	—	—	233	—	44	263	—	6 900
Misc. contingencies	503	—	—	100	—	—	—	240	643
Other provisions	35 751	—	—	7 837	676	12 955	737	450	**41 380**
Total long-term provisions	54 059	—	– 133	10 056	676	18 112	1 004	450	**62 760**
Short-term provisions									
Tax provisions	26 225	—	—	21 583	250	6 694	—	—	**11 086**
Other provisions									
Personnel costs	19 178	9	—	16 446	332	23 758	—	– 199	25 968
Provisions for unbilled services	32 173	215	—	23 018	318	20 782	—	– 1 186	28 648
Misc. contingencies	24 422	417	– 403	26 244	575	28 153	—	935	26 705
Other provisions	75 773	641	– 403	65 708	1 225	72 693	—	– 450	**81 321**
Total short-term provisions	101 998	641	– 403	87 291	1 475	79 387	—	– 450	**92 407**
Total provisions	156 057	641	– 536	97 347	2 151	97 499	1 004	—	**155 167**

10 Provisions for Pensions and Similar Obligations

The retirement plan for the employees of the MVV Energie Group has been largely arranged in accordance with wage and salary agreements specific to the respective enterprise. This has resulted in indirect obligations to provide pensions for employees who have been covered almost exclusively by municipal supplementary insurance companies (ZVK).

Moreover, direct obligations exist to provide pensions based on arrangements made in conjunction with earlier wage and salary agreements as well as with individual commitments. Provisions for pensions have been determined by the projected unit-credit method in accordance with IAS 19. At the same time, future obligations have been valuated using actuarial procedures in estimating relevant parameters. Assumptions on trends were used as a basis for an expertise on developments in salaries and pensions of approx. 2 % as of September 30, 2003.

A discount rate of 5.5 % was used as a basis. The reference scale used for 1998 was employed in these calculations. These pension-fund obligations have been fully covered by the provisions.

Pro-rated payments have to be made for said insurance at the ZVK for the retirement period. The payments made to the ZVK for this purpose serve to finance current pension outlays.

According to IAS 19, this type of retirement benefit is classified as a defined benefit plan, as the individual services provided by ZVK to former employees of member companies do not depend on contributions paid into a pension fund. In addition, as employees from several companies are covered by ZVK, this type of retirement benefit is known as a multi-employer plan, for which special regulations in IAS 19 have to be applied.

Because of the redistribution of the services of ZVK to its member companies and insufficient data on age structures, natural attrition and on salaries of the employees involved, information is not available on the proportion of future financial obligations accruing to the MVV Energie Group. Hence, formation of provisions according to IFRS is not permissible and should thus be handled as a defined contribution plan in accordance with IAS 19.30a. Current payments to ZVK thus represent expenditures for the respective fiscal year. The financial obligations of ZVK as determined within a framework of an approximate computation in accordance with IFRS for current and former employees of the MVV Energie Group are Euro 142.0 million (Euro 126.0 million last year) above the proportion accruing to the MVV Energie Group from the policy reserve of ZVK.

In fiscal year 2002/03, total expenditures for our retirement-benefit plan were Euro 9 259 000 (Euro 6 459 000 last year).

11 Other Provisions

The item Other Provisions takes into account all of the contingencies due to third parties that were recognisable on the balance sheet date in accordance with IAS 37 when their amounts or due dates are uncertain. We have thus allocated the amount necessary on the balance sheet date to cover future contingencies and risks of the MVV Energie Group.

Should there be a significant impact due to interest factors, the present value will be estimated for the expenditures to be expected.

12 Corporate Debt

In Euro 1 000	**30/9/2003 Totals**	**Thereof remaining time >1 year**	30/9/2002 Totals	Thereof remaining time >1 year
Corporate debt				
Due to lending institutions	465 338	396 839	374 574	290 089
Due to subsidiaries	414 123	—	527 665	—
Due to associates	1 907	—	—	—
From loans	204	204	156	156
From finance leasing	75 049	68 586	81 397	75 578
Other corporate debt	39 299	28 285	127 773	43 464
	995 920	**493 914**	1 111 565	409 287

The item Debt from loans exclusively contains convertible bonds with the option of converting them into shares of MVV Energie AG. In this case, the number of shares involved is 79 500 (61 000 last year) with a nominal value of Euro 2.56 per share. For further details, we refer you to the text at Note 7 on Equity.

Corporate debt is carried at repayment value.

MVV GmbH manages liquidity for MVV Energie AG and for MVV RHE AG within the framework of a cash-pooling contract. As in 2001/02, the average interest rate for debt due to subsidiaries amounted to 4.8%.

The debt from finance leasing primarily resulted from a transaction conducted by MVV GmbH in which waste-fired boiler No. 4 with a flue-gas treatment system was sold to a leasing fund and then leased back again (see Note 2).

An average of 4.9% (5.8% last year) was paid in fixed interest rates on debt due to lending institutions amounting to Euro 427.1 million (Euro 319.5 million last year); interest on debt due to lending institutions amounting to Euro 38.2 million (Euro 55.1 million last year) at variable interest rates averaged 3.9% (4.1% last year). The average period in which interest remains binding is 11 years (7.5 years last year) for loans at fixed rates of interest.

13 Trade Payables

In Euro 1000	**30/9/2003 Totals**	**Thereof remaining time >1 year**	30/9/2002 Totals	Thereof remaining time >1 year
Due to suppliers	116749	1226	119512	14
Due to subsidiaries	2405	82	765	—
Due to associates	8771	2	9954	2
Due from subsidiaries, in which a participation exists	6592	2	6743	—
	134517	**1312**	136974	16

Trade payables are carried at their repayment value.

14 Advance Payments for Orders

This item mainly covers advance payments made by customers for future deliveries of energy in line with one-off annual billing for actual consumption.

15 Other Liabilities

In Euro 1 000	**30/9/2003 Totals**	**Thereof remaining time >1 year**	30/9/2002 Totals	Thereof remaining time >1 year
Due to third parties	105 687	25 117	110 538	25 117
Due to subsidiaries	45	—	489	489
Due from subsidiaries, in which a participation exists	1 557	1 557	1 742	1 742
	107 289	**26 674**	112 769	27 348

Other liabilities are carried at their repayment value.

In Liabilities due to third parties, deferred income is included, which amounts to Euro 35 261 000 (Euro 39 132 000 last year). One key item here is the advance payment of a fee amounting to Euro 27 833 000 (Euro 30 548 000 last year) for the incineration of waste in conjunction with the take-over of an energy from waste plant by EVO.

Moreover, Other liabilities mainly include concession fees, taxes and liabilities in conjunction with the social security of our employees.

16 Deferred Taxes

Provisions for deferred taxes are determined in accordance with the principles of IAS 12. Deferred taxes were primarily allocated for temporal differences arising from tax-related assessments of assets and liabilities on the one hand as well as from external accounting principles in accordance with IFRS.

Deferred tax assets and liabilities have been carried separately and set off against each other as they largely represent both tax assets and tax obligations with respect to one and the same tax authority.

17 Contingent Liabilities

There are guaranties totalling Euro 43.2 million (Euro 19.2 million last year).

18 Other Financial Obligations

Investments planned for fiscal year 2003/04 will amount to Euro 166.9 million.

19 Financial Instruments

With the primary financial instruments of the MVV Energie Group, the carrying amounts are equal to the market values. The carrying amounts thus represent maximum credit or default risks. Adjustments to market values in accordance with IAS 39, No. 103b occur via equity without affecting earnings.

Interest swaps are carried as derivative financial instruments under Other liabilities with a market value of Euro 2.4 million (Euro 1.6 million last year). Adjustments to market values in accordance with IAS 39, No.158 a for the current fiscal year also occur via equity without affecting earnings.

Notes on the Income Statement

20 Sales

Sales are carried as assets when risks are passed on to customers. Exceptions to this rule are commission sales in accordance with IAS 11 using the percentage-of-completion method.

Sales have been broken down by segment and can be found in the segment information. An electricity tax of Euro 79 300 000 (Euro 46 700 000 last year), which was passed on to customers, is included in the sales figures for our electric power segment.

21 Capitalised Assets for Internal Services Rendered

Capitalised assets for internal services rendered are primarily affected by measures to construct and to expand distribution networks and power-plants.

22 Other Operating Income

Compared to last year, changes in Other operating income generally resulted from the sale of MVV Energie's shares in Gasversorgung Süddeutschland GmbH amounting to Euro 141.9 million as well as additional sales of assets of Euro 1.8 million (Euro 0.8 million last year).

In addition, these items contain sales from agency agreements, inter alia, of Euro 5.0 million (Euro 5.3 million last year) and the proceeds from releasing provisions of Euro 1.9 million (Euro 19.1 million last year) as well as reimbursements from damage claims of Euro 2.7 million (Euro 1.5 million last year) and rents of Euro 1.7 million (Euro 1.6 million last year).

23 Cost of Materials

In Euro 1 000	**2002/2003**	2001/2002
Raw materials and supplies and purchased goods	986 868	1 082 461
Purchased services	133 915	95 894
	1 120 783	1 178 355

The decrease in the cost of materials compared to last year mainly resulted from a drop in power-trading activities.

24 Personnel Costs

In Euro 1 000	**2002/2003**	2001/2002
Wages and salaries	171 503	148 644
Social security contributions and expenditures for assistance	34 707	26 903
Expenditures for our retirement plan	9 259	6 459
	215 469	182 006

On the balance sheet date (30/9/2003), 5 654 people were employed in the MVV Energie Group (5 084 last year), 215 thereof were trainees (212 last year). The increases in personnel costs primarily resulted from the fact that last year's initially consolidated enterprises were consolidated for the first time for a full 12 months in fiscal year 2002/03. The increase in the number of employees resulted from initially consolidated participations.

25 Other Operating Expenses

This item contains the concession fees, which were Euro 39.2 million (Euro 35.6 million last year) as well as the electricity tax amounting to Euro 79.6 million (Euro 46.8 million last year). The additional expenditures include rents of Euro 14.9 million (Euro 9.4 million last year), contributions, fees and charges of Euro 12.1 million (Euro 9.8 million last year), public relations activities of Euro 9.9 million (Euro 10.3 million last year) as well as legal, consulting and experts' costs of Euro 21.5 million (Euro 13.1 million last year).

26 Net income from Associates

The decrease in income from participations resulted from the sale of MVV Energie's shares in Gasversorgung Süddeutschland GmbH.

27 Other Participations' Earnings

In Euro 1 000	2002/2003	2001/2002
Income from		
Profit-transfer agreements	1 302	1 242
Income from associates	151	—
Other participations' earnings	344	116
Income from loans to participations	—	1 580
Expenditure to transfer losses	– 62	—
Write-offs of participations	– 420	– 724
	1 315	**2 214**

28 Depreciation

In Euro 1 000	2002/2003	2001/2002
Depreciation		
On fixed assets	111 925	103 303
On current assets	–	393
	111 925	**103 696**

Tangible and intangible assets are depreciated according to the straight-line method over their economically useful life.

29 Net Interest Expenses

In Euro 1 000	2002/2003	2001/2002
Income from loans	185	198
Other interest and similar income	5 100	10 490
Depreciation of loans and securities of fixed assets	– 6 526	—
Depreciation of securities of current assets	– 20	– 336
Interest and similar expenditures	– 58 377	– 54 609
	– 59 638	**– 44 257**

30 Income Taxes

In Euro 1 000	2002/2003	2001/2002
Tax expense	27 941	38 266
Deferred taxes	– 3 016	4 115
	24 925	**42 381**

The tax expense contains both the trade taxes and the corporate income taxes to be paid.

The transition from a nominal tax rate to an effective rate can be seen in the following:

Transition in Income-Tax Rates In Euro 1 000	2002/2003	2001/2002
Earnings before taxes	184 000	99 678
Theoretical tax expense relative to an assumed dividend payout of 38.54 %	70 914	38 416
Tax effects on		
Amortisation of goodwill from capital consolidation	5 245	4 493
Non tax-deductible expenses	3 753	1 902
Unused tax losses in accordance with IAS 12 No. 81e	4 653	4 295
Deferred tax assets subsequently applied	– 2 671	—
Results from participations	—	2 834
Effect of changes in tax laws	– 5 296	– 760
Tax-free earnings	– 54 078	– 7 501
Taxes for previous years	1 646	—
Other	759	– 1 298
Effective tax expense	**24 925**	**42 381**
Effective tax rate in %	**13.5**	**42.5**

31 Net Earnings after Taxes, Dividend per Share

	2002/2003	2001/2002
Net earnings after taxes after deducting minority interests in Euro 1 000	152 439	50 428
No. of shares in 1 000 (weighted yearly average)	50 702	50 702
Earnings per share in Euro according to IAS 33	3.01	1.00
Earnings per share in Euro according to HGB of MVV Energie AG	3.68	1.09
Dividend per share in Euro	0.75	0.75
Payout ratio of MVV Energie AG according to HGB	20.4 %	68.8 %

In fiscal year 2002/03 there were no diluting effects in determining earnings per share in accordance with IAS 33. The stock options granted by MVV Energie AG in conjunction with an employee stock-option plan will not have any dilutive effect on earnings in accordance with IAS 33.35, as the purchase price of the shares to be issued was above the average market price in fiscal year 2002/03.

Relationships to Related Parties, Persons and Entities

The City of Mannheim is the sole shareholder of MVV GmbH. MVV GmbH holds 100 % of the shares in MVV Verkehr AG, which in turn has a 72.82 % participation in MVV Energie AG. Consequently, the City of Mannheim should be considered a related party in accordance with IAS 24. A concession contract exists between the City of Mannheim and MVV Energie AG, by which the City of Mannheim has assigned responsibility to MVV Energie AG for supplying Mannheim with electric power, district heating, natural gas and water service. The contract will remain in effect until December 31, 2014. Payments to the City of Mannheim from the concession contract were Euro 18 983 000 (Euro 18 222 000 last year).

Ongoing financial relations exist on a small scale between the City of Mannheim and MVV Energie AG.

Legal relations between MVV GmbH and the MVV Energie Group have been defined within the framework of several contracts (agency agreements, a cash-pooling contract, a value-added tax disbursal contract).

The members of the Executive Board receive their remuneration exclusively from MVV Energie AG. Remuneration paid to the Executive Board by MVV Energie AG both for their activities as managing directors of MVV GmbH as well as for their services as members of the Executive Boards of MVV Energie AG, MVV RHE AG, MVV Verkehr AG and MVV OEG AG. Remuneration for the members of the Executive Board at MVV Energie AG comprises a fixed salary component and a variable component. The variable component is determined according to EBIT in accordance with IFRS. In accordance with the existing management stock-option plan of 1999/2003 (in accordance with the authorisation in Art. 5, Para. 1 of the Articles of Incorporation) part of the variable remuneration was issued as convertible bonds, which can be converted into shares upon surmounting the limitations on exercising such options. Such conversion has not yet occurred. Use has also not been made of the authorisation to introduce a management stock-option plan for 2003/2007 that was resolved at the General Shareholders' Meeting on March 14, 2003. The conditions for a new management stock-option plan are currently under review. Should a new plan be created, the principles of the Corporate Governance Code will be taken into consideration, which provides for a cap for extraordinary, unforeseen circumstances.

Total remuneration accruing proportionately to the MVV Energie Group (MVV Energie AG and MVV RHE AG) was Euro 768 000 in fiscal year 2002/03. This amount comprises fixed salaries of Euro 366 000, bonuses of Euro 373 000 and convertible bonds with the option of converting them to shares in MVV Energie AG amounting to Euro 29 000.

In accordance with IAS 24, No. 3d, key management personnel, inter alia, are among the related parties. In addition to the Executive Board, these parties include the division heads of MVV Energie AG within the MVV Energie Group. They receive their remuneration directly from MVV Energie AG. This remuneration amounted to Euro 1 668 000 in fiscal year 2002/03.

MVV Energie AG has prepared a report on intercompany contracts and interdependencies in accordance with Article 312 of the German Stock Corporation Act (AktG) for its fiscal year, which ended on September 30, 2003.

In fiscal year 2002/03, the members of the Supervisory Board received annual remuneration of Euro 10 000, while the chairman earned double that amount and the deputy chairman one and a half times this figure. Furthermore, an attendance fee of Euro 300 per session was paid to each member of the Supervisory Board. The total amount was Euro 272 000.

In addition, loans totalling Euro 31 000 were granted to three members of the Supervisory Board of MVV Energie AG at 5.36 % interest. In fiscal year 2002/03, Euro 6 000 was repaid.

Members of the Supervisory Board hold a total of 1 210 shares as well as 4 500 subscription rights for shares in MVV Energie AG; these rights can be exercised when certain conditions have been fulfilled. Conversion rights for convertible bonds are currently held by the Executive Board and the heads of operating divisions for a total of 79 500 shares.

Declaration of Compliance in Accordance with Article 161 of the German Stock Corporation Act (AktG)

The Executive and Supervisory Boards have submitted a declaration of compliance with respect to the recommendations of the Government Commission on the German Corporate Governance Code in accordance with Art. 161 of the German Stock Corporation Act (AktG) and have made it available to MVV Energie AG's shareholders. The entire declaration can be found on the Internet under: *www.mvv-investor.de*.

Information on Concessions

In addition to the concession agreement concluded between the City of Mannheim and MVV Energie AG (see also Relationships to Related Parties, Persons and Entities), there are also concession agreements between some enterprises of the MVV Energie Group and local, regional and state governments. The remaining terms of these contracts are between 5 and 18 years. In these contracts, responsibility has been assigned for operating the respective supply networks and providing for their maintenance. Should these contracts not be extended upon expiration, the facilities for supplying the respective utility service must be taken over by the municipalities upon payment of commensurate compensation.

Occurrences after the Balance Sheet Date

There were no significant occurrences after the balance sheet date.

Notes on Reporting Financial Information by Segment

Segmenting of the MVV Energie Group has been accomplished in accordance with internal reporting policies and contains all the elements required by IAS 14 (revised 1997). We have dispensed with a breakdown by geographical categories, as the MVV Energie Group has not exceeded the limits demanded in accordance with IAS 14.69 with respect to sales, assets and investments outside of Germany.

We have also dispensed with assigning liabilities to the respective divisions. The largest item under Liabilities is represented by corporate debt owed primarily to MVV GmbH, which serves the function of a financial holding company for the other enterprises.

We have refrained from transferring earnings before interest and taxes (EBIT) to total net earnings of the MVV Energie Group in the segment information as this had already been done in the income statement.

Notes on the Cash-Flow Statement

The cash-flow statement shows the disposition of funds from ongoing operating activities, investment activities and financial activities.

In fiscal year 2002/03, developments in the cash-flow statement were mainly affected by the sale of MVV Energie's shares in Gasversorgung Süddeutschland GmbH. Hence, a cash inflow from investment activities resulted in contrast to a cash outflow last year. Last year was marked by a large investment volume, particularly for new participations and for founding new companies.

In fiscal year 2002/03, changes in cash and cash equivalents from translating currencies were carried for the first time. The previous year has been adjusted to facilitate a comparison.

Cash flow in accordance with DVFA/SG compared to last year decreased slightly from Euro 161.4 million to Euro 161.2 million. At Euro 111.0 million, Cash flow from operating activities was 11 % higher than last year.

In Cash flow from operating activities, the following are included:

- Interest revenue of Euro 4.8 million (Euro 11.9 million last year) and interest expenditures of Euro 56.4 million (Euro 52.7 million last year).
- Income taxes already paid amounted to Euro 30.6 million (Euro 36.9 million last year); the income-tax return was Euro 0.5 million (Euro 0.1 million last year).
- After deducting the non-cash part from equity consolidation, the accrued net income from associates amounted to Euro 6.6 million (Euro 29.2 million last year).

Cash flow from operating activities and from investment activities meant that corporate debt could be partially retired. This in turn resulted in cash outflow from financial activities.

Mannheim, November 10, 2003

MVV Energie AG
Executive Board

Dr. Schulten Dr. Dub Farrenkopf Trautmann

Timetable

28/1/2004	Financial results confererence and financial analysts confererence
16/2/2004	Financial report on the 1st quarter of 2003/2004
12/3/2004	General Shareholders' Meeting
15/3/2004	Payment of dividends
17/5/2004	Financial report on the 2nd quarter of 2003/2004
17/5/2004	Financial results confererence and financial analysts confererence 2nd quarter of 2003/2004
16/8/2004	Financial report on the 3rd quarter of 2003/2004
1/12/2004	Release of tentative economic indicators from the financial statements for 2003/2004

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