



Entering new markets
Interim Report 2007
January 1 to June 30, 2007

EWE Group key figures

First half	2007	2006	Change in %
Electricity sales volume in kWh million	7,114.0	7,007.0	1.5
Natural gas sales volume in kWh million	19,740.0	25,261.0	-21.9
Gas transmission and trade sales volume in kWh billion ¹	73.0	93.4	-21.8
€ million			
Sales	4,297.3	5,079.3	-15.4
EBITDA	475.0	653.7	-27.3
EBIT	319.0	499.1	-36.1
Consolidated net income	159.2	300.7	-47.1
Total investments	272.8	138.3	97.3
Cash flow from operating activities	570.3	424.5	34.3
Free cash flow	316.1	347.6	-9.1
Liabilities to banks (06/30/2007 and 12/31/2006, resp.)	1,750.4	1,917.3	-8.7
Balance sheet total (06/30/2007 and 12/31/2006, resp.)	4,469.6	6,971.9	-35.9
Employees (06/30/2007 and 12/31/2006, resp.)	4,762	5,836	-18.4

1) VNG – Verbundnetz Gas Aktiengesellschaft fully consolidated up to May 14, 2007; after May 15, 2007 under the equity method

Foreword of the Board of Management	2
-------------------------------------	---

Investor Relations	4
--------------------	---

EWE Bonds and the Capital Market	4
----------------------------------	---

Report of the Board of Management	6
-----------------------------------	---

Business and General Environment	6
----------------------------------	---

Development of Earnings	11
-------------------------	----

Net Assets and Financial Position	16
-----------------------------------	----

Risk Report	17
-------------	----

Supplementary Report and Outlook	18
----------------------------------	----

Consolidated Financial Statement	19
----------------------------------	----

Consolidated Income Statement	20
-------------------------------	----

Consolidated Statement of Cash Flows	21
--------------------------------------	----

Consolidated Balance Sheet	22
----------------------------	----

Statement of Changes in Consolidated Stockholders' Equity	24
---	----

Notes	26
-------	----

Responsibility Statement	28
--------------------------	----



Board of Management (from left to right):

Michael Wagener, Member of the Board of Management, responsible for finance and accounting, controlling and personnel

Dr. Werner Brinker, CEO, responsible for the EWE Group strategy, corporate development, energy trading and sales, marketing and corporate communications

Heiko Harms, Member of the Board of Management, responsible for network, telecommunications and information technology

Foreword of the Board of Management

Ladies and gentlemen,
dear friends of the company,

To end the uncertainty linked with the EWE shareholding in VNG over the past months, EWE has included VNG's Gas Transmission and Trading business since May 15, 2007 as an associated company under the equity method in the consolidated financial statement. Previously, VNG was reported fully consolidated in the consolidated financial statement. With the decision to opt for the staggered inclusion of VNG, we would also like to steer our discussions with our consortial partner back into calmer waters once again. Our objective is first and foremost to provide our stockholders and the capital market with a solid and reliable valuation basis through ongoing reporting.

The change to the scope of consolidation only allows a limited comparison of the first half year of 2007 with the very good first half year of 2006, though it is possible to ascertain that the operating business in the first six months of 2007 was significantly influenced by the unusually mild temperatures in the winter and spring months. This is also reflected in the relevant key data for the Group:

- Sales fell by 15 percent compared with the first half of 2006. The reason for this was the significant fall in natural gas sales of 22 percent. It has been possible to alleviate this effect by the electricity business, which is less dependent upon the weather, and further expansion of the customer base in the ICT segment.
- Operating earnings stood at 36 percent below the level for the previous year. Apart from sales losses resulting from the mild winter, the tense competitive situation and the further expansion of networks in the telecommunications market were also crucial determining factors.
- The consolidated net income was reduced by 47 percent to € 159.2 million. As the first half year generally has a greater impact on sales and net income for the year, we are also anticipating a further declining trend in business development for the year overall.

In the Annual Report 2006, we announced that we wanted to steadily develop our activities in the research and development sector. We have made long-term financial commitments for the next ten years to expand the recently founded independent “EWE Research Center for Energy Technology” at the University of Oldenburg.

At EWE, we are concentrating our activities on expanding capacities in the area of renewable energies and developing new products and services for our customers. Additionally, we are also striving to optimize our supply portfolio in the area of conventional electricity generation and natural gas extraction and storage. Setting up a new Board of Management function “Procurement and Production” underlines this objective. Dr. Thomas Neuber has been appointed to the Board of Management with effect from September 1, 2007.

With the acquisition of a 39.9 percent stake in the Turkish natural gas supplier Bursagaz in April 2007, we completed the entry into a very promising market in a region that is economically interesting. There we will be able to contribute EWE’s know-how as a regional energy supplier, built up over many years, to a region whose natural gas and telecommunications markets are about to undergo a liberalization process.

This Interim Report was produced for the last time in accordance with the principles of the German Commercial Code. As a capital market-based company, EWE will publish a consolidated financial statement for the first time according to IFRS for the fiscal year 2007.

Yours sincerely,

Oldenburg, August 21, 2007


The Board of Management



Dr. Werner Brinker



Heiko Harms



Michael Wagener

Investor Relations

EWE Bonds and the Capital Market

EWE placed two eurobonds with terms of 10 and 15 years and a total volume of € 1.5 billion on the capital market in October 2004. The bonds have performed well against the relevant indices since their issue. The EWE bonds were also showing a high level of stability in the first half of 2007.

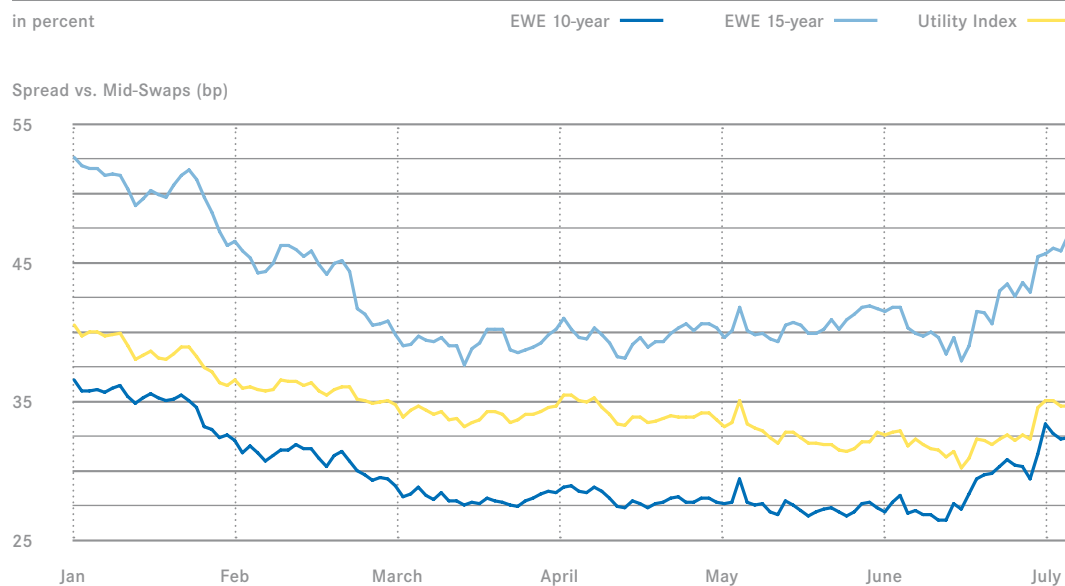
In the first six months of 2007, the bond markets were showing a positive trend in a generally good market environment. As a consequence, the risk mark-ups for corporate bonds and credit derivatives continued to fall. The first signs of uncertainty on the American real estate market and weakness on the Chinese stock market led to a temporary slowdown in February. A new trend was emerging toward the end of the reporting period, triggering a clear rise in risk mark-ups to be seen since late June, particularly in the non-investment grade sector. The source of turbulence in the market is once again the American real estate market.

Three central trends could be seen with bonds from the energy supply sector in the first half of 2007. Bonds from companies surrounded by take-over speculations accordingly performed worse than the market. In contrast, bonds from companies that were not affected by a corresponding "event risk" outperformed the market. They were able to benefit from the cash surplus among investors. Furthermore, jumbo deals in the energy supply sector led to regrouping and short-term fluctuations in risk mark-ups.

The trading session of the EWE bonds largely followed the performance of the index for utility bonds ("Utility Index"). At the end of June 2007, the 10-year bond was being traded with a corporate bond spread compared to swaps of +29 base points (bp); the 15-year bond was being quoted with a mark-up of +43 bp. Both bonds therefore stood at around 10 bp below the starting level in January 2007. Liquidity in both bonds was mainly influenced by activities in the primary market and showed itself accordingly to be lower in the course of large primary offerings. Accompanied by the general slowdown in the bond market at the end of June 2007, the EWE bonds, too, recorded rising risk mark-ups.

The ongoing exchange with the rating agencies Standard & Poor's (S&P) and Moody's supports the confidence in the bonds of EWE AG. In February 2007, S&P had already confirmed the existing rating for the bonds (senior unsecured debt) and the corporate credit rating to be "A", though the outlook for the corporate credit rating was positioned from stable to negative. This decision was taken in the light of the regulatory cost cuts in grid operations and the increasing competitive challenges in the electricity and gas market. Moody's continues to give EWE an "A2" (outlook: stable).

Performance of EWE Bonds in the first half of 2007



	10-Year EWE	15-Year EWE
ISIN	DE000A0DLU51	DE000A0DLU69
WKN	A0DLU5	A0DLU6
Ticker symbol	E1WA.STU	E1WB.STU
Due date	Oct 14, 2004	Oct 14, 2004
Maturity date	Oct 14, 2014	Oct 14, 2019
Remaining term (from August 2007)	7.2 years	12.2 years
Currency	EUR	EUR
Volumes	1 bn	0.5 bn
Denomination	1,000.00	1,000.00
Type of coupon	Coupon, fixed	Coupon, fixed
Nominal interest	4.375%	4.875%
Interest payment	Annual	Annual
Coupon date	Oct 14	Oct 14
Issue spread 2004	+40bp	+52bp
Spread as at June 30, 2007	+29bp	+43bp

Report of the Board of Management

Business and General Environment

The Interim Report for the period from January 1 to June 30, 2007 was prepared according to the principles of the German Commercial Code (HGB). As a capital market-based company, EWE will for the first time publish fully consolidated financial statements in accordance with IFRS for the fiscal year 2007.

General Economic Development

The upward trend in the world economy continued in the first half of 2007. Although macroeconomic production at the start of the year did not reach the pace it had at the end of 2006 in industrial countries, this was balanced out by more rapid expansion in economic activity again in developing and emerging markets, above all in China. The rise in oil prices in the first half of the year only had a slight impact on economic activity with economic growth being sustained in the Euro Zone.

In the second quarter of 2007, the upward trend in Germany was somewhat slower, though continued to be robust. According to preliminary estimates by the Federal Office of Statistics, Germany's Gross Domestic Product (GDP) in the second quarter of 2007 was 0.3 percent above the first quarter of 2007 after allowing for price, calendar and season adjustments. Domestic output in the first quarter of 2007 rose by 0.5 percent compared with the same quarter the previous year. Impulses particularly came from investment activity that continued to be brisk. Considerably more was invested both in equipment and construction than in the fourth quarter of 2006. In contrast, consumer spending saw a fall due to the increase in sales tax at the start of the year. The

second quarter saw economic growth bolstered particularly by very buoyant foreign trade. There continued to be positive growth impulses, even in the domestic market, albeit to a lesser degree: whilst equipment saw considerably greater investment, investment in construction declined in the period under report.

Sector Environment

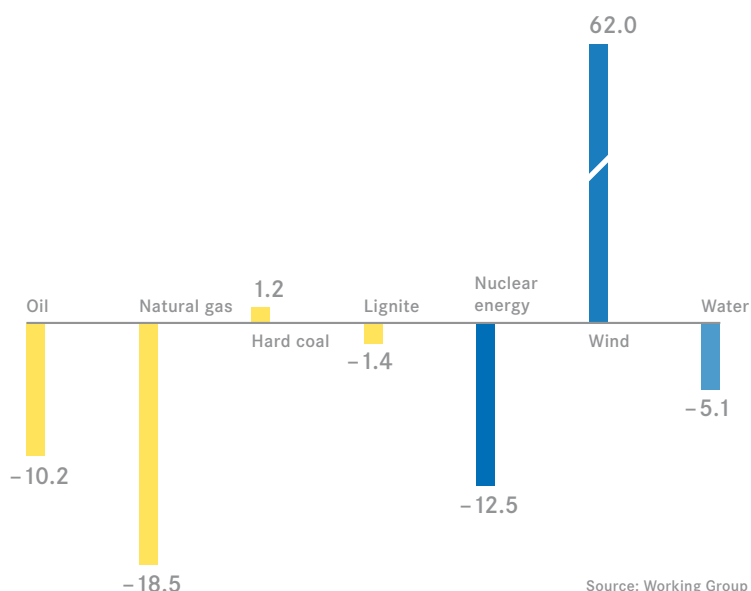
Energy Market

Consumption of primary energy in Germany, according to preliminary calculations from the Working Group on Energy Balances (Arbeitsgemeinschaft Energiebilanzen), showed a reduction of 8 percent to 233 million metric tons of hard coal equivalents (MTCE) compared with the same period last year. The mild temperatures in the first quarter, in particular, contributed to the decline in energy consumption. The influence of economic development and energy price levels on trends in consumption was, on the other hand, only slight.

Most marked were the declines in the primary energy sources petroleum, natural gas and nuclear power. Even lignite consumption was reduced, whereas consumption of hard coal increased slightly. Electricity generation from the two most important renewable energy sources, wind and water, saw different trends: generation from hydro power went down by around 5 percent; wind power rose by more than 60 percent due to the extraordinary wind conditions. The contribution of all renewable energies to primary energy consumption reached 6.7 percent.

Mild weather reduces primary energy consumption in the half-yearly comparison

Changes as percentages



Source: Working Group on Energy Balances

Natural gas consumption at 53.6 MTCE was down by 18.5 percent compared with the level of the previous year. The sharp fall is almost entirely the result of the moderate temperatures.

Electricity consumption, according to initial figures produced by the German Electricity Association, fell by 1.1 percent in the first two quarters of 2007. Apart from the mild winter, the deciding factors here were improved energy efficiency and growing energy awareness among consumers.

Price Development

Electricity and natural gas prices are shaped essentially by the developments on the oil, coal and CO₂ certificate markets. Due to mild temperatures resulting in lower demand and a high availability of wind and hydro power, energy prices were at a low level at the start of the year and then rose steadily up to June.

Overall, electricity spot prices achieved a lower level than in the comparable period for the previous year. In European Energy Exchange, spot trade supplies in the base-load sector were being quoted at an average of € 32 per megawatt hour (€/MWh), around 40 percent lower than in the comparable period of the previous year. This was the result of the sharp fall in the price of CO₂ certificates for the first trading period that were available in sufficient quantities, but could not be used for a second trading period. Prices for the second trading period took a different turn. Electricity supplies in the base-load sector for the following year were quoted at an average of € 53.0/MWh in the first half of 2007, enabling prices in the futures market to achieve virtually the same high level as the previous year.

Significant price increase of emission certificates for the second trading period



Even coal prices remained at the high level. This is the result of the dynamic development in China, in particular, that went from net exporter to net importer for coal. Freight costs continued to be high.

The CO₂ certificates in the first trading period started at a price level of approximately € 5/t into the year to then fall periodically to € 0.10/t. The CO₂ certificates of the second trading period (2008 – 2012) were, however, above € 20/t in June. These were being traded with a significantly higher average price due to limited allocation.

The easing on the oil markets that had started in the last four months of 2006, led in January 2007 to lowest

Volatile increase in crude oil prices (Brent) in the first half of 2007



level for oil prices. Import prices for oil fell due to the mild temperatures over the winter months and, as a result, import prices for natural gas, which are linked to the price for fuel oil, also fell.

The renewed interest in oil contracts on the futures market, recurring tension in the Middle East (Iran/Iraq) and the continued strength of the world economy already brought a halt to the downward trend in oil prices by mid-January. At the end of June 2007, a barrel of crude oil cost over USD 70 and was therefore significantly above the level of January 2007. The officially published natural gas import price in the period reported from June 2006 to May 2007 was 10.5 percent above the average price for the previous year.

Telecommunications Market

Whilst the IT sector profited from the general economic upturn, the distinguishing features of the telecommunications market continued to be very high competitive dynamics, characterized by the price pressure in the fixed line network, mobile telephone and Internet sector. Demand for bundle products saw a further rise. In the first half of 2007, the most important growth driver in the sector remained DSL broadband Internet access. The increasing use of Voice over Internet and Voice over Internet Protocol (VoIP) also led to a substitution of the classic voice transmission and, just like the ever-growing trend toward demand for mobility of the service, is likely to increase in importance.

Regulatory Environment

In the first half of 2007, a feature of both national and European energy policy was the issue of “climate protection”. The German Federal government was able to use its presidency of the European Union to establish climate protection and energy efficiency more firmly in European energy policy. In spring, the EU defined three targets for the year 2020: 20 percent reduction in CO₂; 20 percent energy saving and an increase in the proportion of renewable energies by 20 percent. The third and final Energy Summit in Berlin also made it clear that increasing energy efficiency is of central importance in light of the set targets, existing potential for climate change and supply reliability. An integrated energy and climate program is to be submitted by the end of 2007 that will form the legal framework for supplying energy in Germany. In addition, amendments are planned to the Renewable Energy Act (EEG) and the Cogeneration Act (KWKG).

Amendment to the Energy Saving Ordinance Passed

The German Federal cabinet approved the Energy Saving Ordinance (EnEV) on June 27, 2007. This amendment introduces the European Building Directive into national legislation. The most important change is the introduction of an energy pass for buildings as from January 1, 2008. The amended EnEV is due to come into force on October 1, 2007. Since fall 2006, EWE has watched the legislative process closely to be able to develop new products early on. EWE has been running a pilot project with partners to introduce the energy pass.

Emission Trading: Allocation Act 2012

The lower house of the German parliament passed the Allocation Act 2012 (ZuG 2012) on June 22, 2007 as part of legislation on emission trading. The ZuG 2012 can therefore come into force in August 2007. The law is the basis for the allocation period 2008 to 2012 and regulates both the total volume of emission certificates to be allocated and the respective allocation volume for each individual plant that comes under the jurisdiction of the Greenhouse Gas Emission Trading Act (Treibhausgas-Emissionshandelsgesetz [TEHG]).

Incentive Regulation is on its Way

On June 13, 2007, the German Federal cabinet passed the Incentive Regulation Act (ARegV). The plan is that the Standing Committee on Industry and Trade of the upper house of the German parliament will deal with the act in September 2007, so that it could come into force in October 2007. Countless points have been changed in the ARegV compared with the draft bill proposed by the German Federal Ministry for the Economy on April 4, 2007, though benchmarking the best companies as part of comparing energy efficiency (“frontier approach”) has been preserved. EWE’s request that the quality of the network be considered as part of the Incentive Regulation right from the outset has at least been made possible by the new wording and reduced the discretion of the Federal Network Agency.

Poland: Mandatory Storage for Fuel Imports

On April 7, 2007, “legislation on stockpiling petroleum, petroleum products, natural gas and the procedure in the event of hazardous situations for fuel safety for the state and disruptions on the petroleum market” came into force in Poland. The law stipulates that importers of fuels, such as petroleum and natural gas, within Poland have to prove they are maintaining sufficient storage capacity. An interim regulation has been provided for energy companies supplying fewer than 100,000 customers with gas and who import less than 50 million cubic meters per annum, which provides a temporary exemption from mandatory storage.

EWE Group

Energy segment Sales, Procurement, Production, Network	Gas transmission and trading segment	ICT segment Information technology, Telecommunications
EWE AG	VNG – Verbundnetz Gas Aktiengesellschaft ¹	EWE TEL GmbH
EWE Polska Sp. z o.o.		osnatel GmbH
Media Odra Warta Sp. z o.o.		Bremer Kommunikationstechnik GmbH
EWE WASSER GmbH		Teleos GmbH & Co. KG
EWE NETZ GmbH		htp GmbH ¹
swb AG ¹		BTC Business Technology Consulting AG
DOTI GmbH & Co. KG ¹		
EWE Enerji A.S.		
Bursagaz A.S. ¹		

1) Associated Company

As of June 30, 2007

Major Events

Foundation of EWE Enerji A.S.

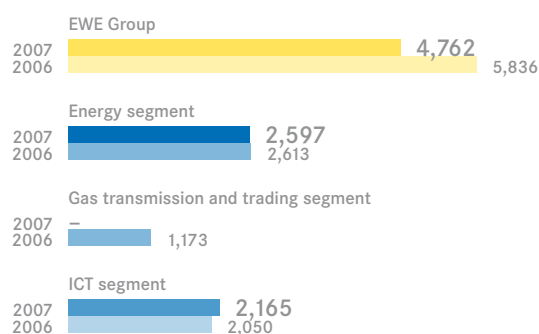
One of the reasons why Turkey is among the European regions of particular interest is because the energy markets there are at the start of a liberalization process. EWE therefore has plans to expand its foreign trade and set up EWE Enerji A.S., with offices in Istanbul to this end of January 2007. The company should in future pool activities in the sale and transport of energy both in the telecommunications and the information technology sectors.

First Acquisition in Turkey

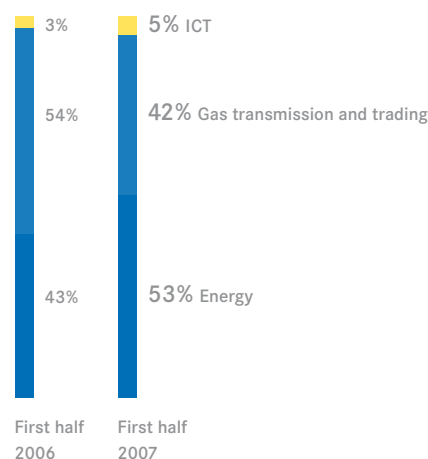
EWE in Turkey acquired a 39.9 percent stake in the natural gas supplier Bursagaz A.S. in April 2007. The company based in the north west of the country supplies over 500,000 contractual partners with natural gas in the Bursa region and in 2006 achieved sales of around € 149 million with around 120 employees. 50.1 percent of Bursagaz's shares remain with the previous sole owner, the Turkish Group Calik, with a further 10 percent being held by the city of Bursa.

Development of Group Headcount

06/30/2007 and 12/31/2006, resp.



Sales breakdown by segments



Employees

The reported headcount includes all employees of the Group, internees and contract staff (including students and student apprentices). As of June 30, 2007, the EWE Group had a workforce of 4,762. The significant reduction in the Group headcount compared with the end of 2006 (5,836 employees) results particularly from changes in the scope of consolidation.

The numbers employed in the Energy segment have not changed significantly since December 31, 2006. As at the end of the first half of 2007, 2,597 people were employed in this segment.

In the Gas transmission and trading segment, the change-over from full consolidation to the equity method means that the workforce of VNG – Verbundnetz Gas AG is no longer shown in the EWG AG Consolidated Financial Statements.

In the ICT segment, a total of 2,165 people were employed as at June 30, 2007. The increase in headcount by around 6 percent is the result of further recruitment in the consolidated companies.

Development of Earnings

The development in sales and earnings of the EWE Group was marked considerably by the extraordinarily warm weather during the winter and spring months. In the gas business, this led, particularly in the Gas transmission and trading segment, to disproportionate falls in sales volumes in the year-on-year comparison as a result of the relatively cold winter the previous year and associated sales losses. In contrast, the electricity business, less dependent upon the weather, saw sales volumes and sales slightly above those of the previous year, though a sharp rise in electricity purchase costs was recorded.

EWE posted sales of € 4.3 billion in the first half of 2007 and therefore € 0.8 billion less than in the first half of 2006. It is important to note here that the shares in the previously fully consolidated VNG – Verbundnetz Gas AG (Gas transmission and trading segment) have been calculated under the equity method since May 15, 2007. Foreign sales of the VNG part of the Group amounted to € 1.8 billion for the period January 1 to May 14, 2007 compared with € 2.0 billion in a straight-line year-on-year comparison. In this respect, the comparison with the first half of 2006 is therefore of limited significance only.

Summarized Consolidated Income Statement

First half € million	2007 ³	2006	Change in earnings
Sales	4,297.3	5,079.3	-782.0
Cost of materials	-3,363.9	-4,090.0	726.1
Personnel expenses	-170.6	-174.0	3.4
Other operating income and expenses	-331.4	-209.5	-121.9
Investment income	43.6	47.9	-4.3
EBITDA¹	475.0	653.7	-178.7
Depreciation and amortization	-156.0	-154.6	-1.4
EBIT¹	319.0	499.1	-180.1
Net interest income ²	-35.6	-35.3	-0.3
Earnings before taxes	283.4	463.8	-180.4
Taxes	-124.2	-163.1	38.9
Consolidated net income	159.2	300.7	-141.5
Minority interests	-42.2	-101.0	58.8
Consolidated earnings	117.0	199.7	-82.7

1) Excluding income from long-term lending

2) Including income from long-term lending

3) VNG - Verbundnetz Gas Aktiengesellschaft fully consolidated up to May 14, 2007; after May 15, 2007 under the equity method

Operating earnings before interest and taxes (EBIT) fell by € 499.1 million to € 319 million (thereof fully consolidated VNG operating earnings of € 115.2 million compared with € 207.5 million in the previous year determined using the straight-line method). In addition to the mild weather the one-time set-up of a provision of € 40 million for long-term contractual commitments as part of the founding of the EWE Research Center for Energy Technology at the University of Oldenburg reduced EBIT accordingly.

The consolidated net income was € 159.2 million for the period under report and therefore stood around € 141.5 million below the value for the first half of 2006. € 40.4 million of the minority stockholders' interests of € 42.2 million concern the minority interests in the VNG operating earnings up to May 14, 2007. Results for the Group totaled € 117 million and therefore € 82.7 million below the value for the first half of 2006.

Segment Report in Detail

€ million	Energy		Gas transmission and trading ¹		ICT		Group	
	2007	2006	2007	2006	2007	2006	2007	2006
First half								
Segment sales	2,317.1	2,203.6	1,879.3	2,886.1	242.8	199.5	4,439.2	5,289.2
Inter-segment sales	-13.3	-13.1	-89.0	-161.3	-39.6	-35.5	-141.9	-209.9
Group sales	2,303.8	2,190.5	1,790.3	2,724.8	203.2	164.0	4,297.3	5,079.3
EBITDA	278.0	316.7	166.2	336.5	34.4	32.8	478.6	686.0
Consolidation							-3.6	-32.3
Group EBITDA							475.0	653.7
EBIT	201.1	243.3	115.2	276.7	7.4	11.4	323.7	531.4
Consolidation							-4.7	-32.3
Group EBIT							319.0	499.1
Investments	219.5	87.6	10.6	27.0	42.7	23.7	272.8	138.3
Employees on average	2,597	2,337	-	1,061	2,165	1,773	4,762	5,171

1) VNG – Verbundnetz Gas Aktiengesellschaft fully consolidated up to May 14, 2007; after May 15, 2007 under the equity method

Segment Profiles

Energy Segment

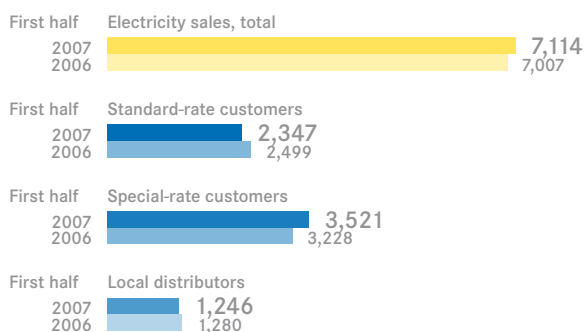
Electricity sales in the period under report were slightly above the previous year's value and rose to 7.1 billion kWh. The increase of 9 percent for special-rate customers is the result, on the one hand, of successful new customer business, on the other, of changes in the structure of electricity rates. At the same time, tariff adjustments are the reason why EWE sold 6 percent less electricity to standard-rate customers.

In the first half of 2007, sales of natural gas in the EWE Group amounted to 19.7 billion kWh. This is a marked drop of 22 percent compared with 2006. This reflects the noticeable fall in demand due to the comparatively mild winter during the first quarter in particular.

Total sales in the Energy segment witnessed a moderate rise from € 2.2 billion to € 2.3 billion. The increase is primarily due to EEC overhead costs being passed on. The greater feed-in of electricity from renewable energies in the years 2005 and 2006 had led to an increase in customer prices for electricity at EWE in February 2007. The power trading business made a significantly better contribution compared with the first half of 2006. This offsets a decline in sales of natural gas due to the weather. Additionally, linking natural gas prices to the development in oil prices at EWE saw a reduction in customer prices in April 2007.

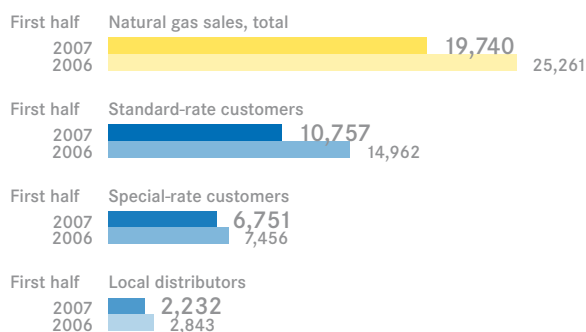
Electricity sales volume by customer groups

million kWh



Natural gas sales volume by customer groups

million kWh



Operating earnings before tax and interest (EBIT) in the Energy segment fell by 17 percent to € 201.1 million in the half-yearly comparison. It is important to note in the year-on-year comparison that due to the change in how VNG is reported, income from share investments at the level of dividends paid out by VNG to EWE AG has been eliminated. On the other hand, the pro-rata result for the period for VNG from May 15 to June 30, 2007 is reported as an associated result. On balance, this adjustment resulting from the consolidation led to a reduction in EBIT of € 40 million. Without this special effect, EBIT for the Energy segment remains at the same level when compared with the previous period.

Gas Transmission and Trading Segment

The Gas transmission and trading segment includes the operating activities of VNG – Verbundnetz Gas AG that were fully consolidated up to May 14, 2007. The segment data therefore includes only four and a half months of operating activity for VNG and therefore only allows a restricted comparison with values from the previous year.

Up to May 14, 2007, VNG supplied 73 billion kWh of natural gas to its customers (municipal utilities in Eastern Germany, regional gas suppliers, industrial consumers, power stations and cogeneration power stations as well as customers abroad); that is 22 percent less than in the previous year.

Sales in this segment achieved € 1.9 billion and therefore saw a reduction of 34 percent compared with sales the previous year of € 2.9 billion.

Operating earnings in the Gas transmission and trading segment were € 161 million below the value for the previous year. This corresponds to a fall of 58 percent.

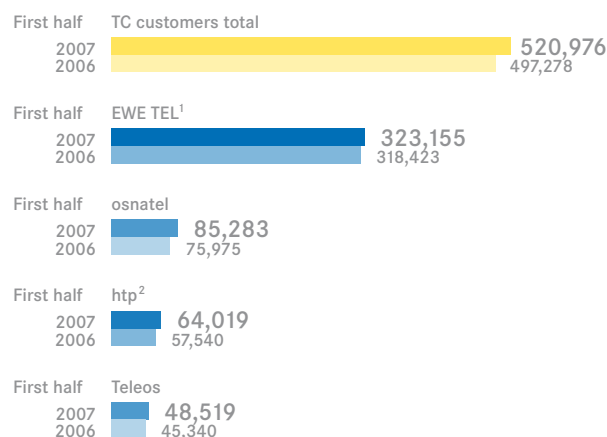
VNG gas transmission and trading sales

billion kWh



1) Sales volumes up to and incl. May 14, 2007

Customer development in telecommunications¹



1) Adjustment of number of customers by 18,769 as at January 1, 2007 therefore lower increase in first half 2007

2) Associated Company

ICT Segment

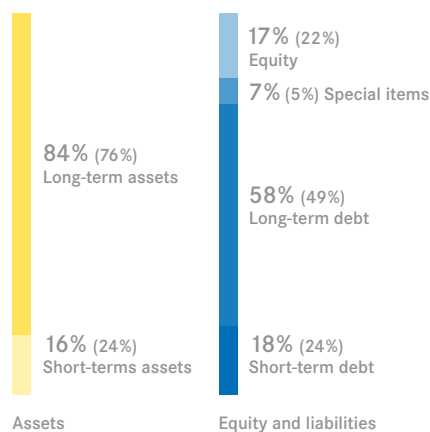
The telecommunications and IT companies allocated to the ICT segment of the EWE Group have continued to grow during the first six months of 2007. With the inclusion of Telefongesellschaft htp GmbH, that is shown as an associated company, the telecommunications companies served more than 520,000 customers overall as at June 30, 2007. This equates to growth of around 5 percent compared with December 31, 2006. The growth driver was again the DSL business, where it was possible to achieve a significant increase in connections of 27 percent to its current figure of 364,000 customers.

Sales in the ICT segment rose by 22 percent in the year-on-year comparison to € 242.8 million. The rise in sales is primarily the result of increased sales in the sectors: fixed line network, DSL and mobile telephone. It was possible to compensate for this fall in average income in the fixed line network and internet sector, resulting from hard competition, through the acquisition of new business. The expansion of the IT business also contributed to the positive sales development.

EBIT in the ICT segment fell by € 4 million to € 7.4 million compared with the previous year. The costs for expanding the customer base were essentially the determining factors here. Additionally, the price reductions resulting from sustained competitive pressure accompanied by margin losses impact the operating result. There are also higher labor costs following recruitment and provisions for mobile phone termination charges.

Consolidated balance sheet structure

12/31/2006 in (...)



Net Assets and Financial Position

The balance-sheet total of the EWE Group has reduced significantly compared with December 31, 2006 from € 7 billion to € 4.5 billion. The main reason for this is the change in the way in which VNG is included in the EWE Consolidated Financial Statements. As part of the changeover to the equity method, the consolidated balance sheet was reduced by € 3 billion of assets and € 1.4 billion of liabilities and stockholders' equity. The equity value at the time of the interim consolidation was € 798.9 million. As of June 30, 2007, the equity value of VNG stood at € 759.3 million.

Due to its operational activities EWE is highly equipment-intensive with a corresponding capital debt. Therefore the proportion of non-current assets committed in the balance sheet as at June 30, 2007 was reported to be around 84 percent and was financed predominantly by equity and long-term debt capital as well as construction subsidies. The investments in non-current assets to the value of € 272.8 million served both to acquire shareholdings and to expand the infrastructure.

The equity ratio reduced from 22.1 percent to 17.1 percent. The major cause was the loss of minority stockholders' interests of € 868.7 million to VNG as part of the changeover to the equity method.

The long-term debt includes two EWE bonds as essential items with a total volume of € 1.5 billion and terms of 10 years (due to mature in 2014) and 15 years (due to mature in 2019) as well as pension provisions of € 601 million.

Summarized Consolidated Statement of Cash Flows

First half € million	2007 ¹	2006
Cash flow from operations	570.3	424.5
Cash flow from investment activities	-254.2	-76.9
Cash flow from financing activities	-169.2	-203.1
Foreign currency translation and consolidation scope changes	-113.0	1.4
Cash changes in financial funds	33.9	145.9
Financial funds at the beginning of the period	57.0	56.4
Financial funds at the end of the period	90.9	202.3

1) VNG – Verbundnetz Gas Aktiengesellschaft fully consolidated up to May 14, 2007; after May 15, 2007 under the equity method

The summarized consolidated statement of cash flows shows that EWE posted a cash flow of € 570.3 million in the first half of 2007 (thereof € 284.5 million to VNG up to May 14, 2007), the cash used for investment and finance being completely covered by the cash flow from current operating activities. The free cash flow, that is the cash flow from current operating activities less the cash flow from investment activities, is € 316.1 million.

Risk Report

EWE has set up a Group-wide probability and early warning risk detection system, the essential process elements of which are a structured identification of risk, the evaluation with respect to the potential loss and likelihood of occurrence, and control in terms of reasonable measures for countering risk. The results determined at the level of individual companies are included in summarized Group risk reporting based on their significance

with respect to essential planning variables. Findings from the regular risk management process and ad-hoc risk reports when threshold values are reached form the basis for evaluating EWE's current and future risk situation. Corresponding reports are sent to the Board of Management and Supervisory Boards on a regular basis.

The essential risks for EWE from today's point of view that can have an impact on business development and development of earnings, the net assets, financial position are associated with the risk areas of market risks, operating risks, fiscal risks as well as environmental risks. No significant changes have occurred in the period under report compared with the risks highlighted in the Report of the Board of Management as of the year ended 2006. Moreover, no new risks have been identified.

Further information on opportunity and risk management can be found in the Report of the Board of Management 2006.

Supplementary Report and Outlook

Supplementary Report

No results of particular significance emerged at the end of the period being reported.

Future General Environment

In the opinion of leading economists, the stable worldwide upturn in the economy is set to continue. Thus, the International Monetary Fund in its global economic report predicts a worldwide growth of 5.2 percent for this and the coming year. This is more than 0.3 percentage points than was forecast in spring. Sharp rises in oil prices, inflation risks, the development in the American real estate market, and the resulting high volatility on the financial markets continue to be risk factors.

The development in the Euro Zone will follow the macro-economic development. Current results of surveys support the continued upward economic trend in the second half of 2007. The upward trend is also set to continue in Germany. The German Institute for Economic Research (Deutsches Institut für Wirtschaftsforschung [DIW]) and the Institute for Economic Research (Institut für Wirtschaftsforschung [Ifo]) are forecasting growth of 2.6 percent for 2007. The fall in unemployment that is driving up domestic demand, together with wage increases in real terms will continue to contribute to the economic upward trend. Foreign trade, too, continues to make a positive contribution to growth. In the opinion of the German Economics Ministry for Economic Affairs and Technology, there are no fears that the US mortgage crisis will have an impact on economic development in Germany. For 2008, leading economists are forecasting that the upward trend will proceed with less momentum as it enters its later stages, though will be increasingly bolstered by consumer spending.

Future Business

According to preliminary expert opinion, oil prices are set to continue moving at a high level in the second half of the year due to the sustained strength of the economy. This will in time filter through to natural gas prices. Furthermore, electricity prices will also remain high. Reasons behind this are the rising prices for CO₂ certificates but also the downward pressure on coal prices. The agreed exit strategy from nuclear power will lead to a further substitution of nuclear power by other energy sources in 2008, which will impact costs as we will have to meet energy needs through renewable sources, and will also affect coal prices.

Earnings Development

In this Interim Report, prepared for the last time according to the principles of the German Commercial Code, VNG is only fully consolidated up to May 14, 2007; thereafter reporting is based on the equity method. This change to the scope of consolidation only allows a limited comparison with the very good first half of 2006. It can be ascertained though that earnings and sales for the Group have fallen short of the previous year due to the mild weather. As the impact of sales and net income for the year have a more marked influence upon first half than they do on the second half, this effect will also be reflected in the financial statements to be prepared for the first time according to IFRS.

Consolidated Financial Statement

January 1 to June 30, 2007

Consolidated Income Statement

First half 2007

€ million	01/01 - 06/30/2007 ¹	01/01 - 06/30/2006 ²
Sales	4,297.3	5,079.3
Electricity and energy tax	178.8	85.5
Changes in inventories	4.1	6.1
Other capitalized work on own account	3.6	5.3
Other operating income	46.1	49.0
	4,172.3	5,054.2
Costs of materials	3,363.9	4,090.0
Personnel expenses	170.6	174.0
Depreciation and amortization	156.0	154.6
License fees	36.7	41.1
Other operating expenses	169.7	143.3
	3,896.9	4,603.0
	275.4	451.2
Results from financial investments	44.2	48.4
Net interest income	-36.2	-35.8
	8.0	12.6
Profit on ordinary activities	283.4	463.8
Taxes	124.2	163.1
Consolidated net income	159.2	300.7
Minority stockholders' interest	42.2	101.0

1) VNG - Verbundnetz Gas Aktiengesellschaft fully consolidated up to May 14, 2007; after May 15, 2007 under the equity method

2) VNG - Verbundnetz Gas Aktiengesellschaft fully consolidated

Consolidated Statement of Cash Flows

First half 2007/cash inflow (+), cash outflow (-)

€ million	01/01 - 06/30/2007 ¹	01/01 - 06/30/2006 ²
I. Operating activities		
Consolidated net income	+159.2	+300.7
Depreciation and amortization	+156.0	+154.6
Write-back of construction subsidies	-17.9	-18.6
Non-cash changes in provisions	+244.2	+170.8
Profit/Loss from retirement of fixed assets	-1.3	-12.3
Other non-cash expenses/revenues	+140.1	+90.8
Changes in inventories	+8.2	-45.5
Changes in accounts receivable and other assets	-23.1	+70.5
Changes in accounts payable and other liabilities	-95.1	-286.5
Cash flow from operations	570.3	424.5
II. Investment activities		
Payments received from retirements of tangible fixed assets	+3.1	+3.5
Payments made for investments in tangible fixed assets	-135.2	-106.6
Payments made for investments in intangible fixed assets	-2.7	-5.8
Payments received from retirements of financial assets	+6.1	+42.4
Payments made for investments in financial assets	-136.1	-20.5
Payments made for the acquisition of consolidated companies	-1.3	
Construction subsidies	+11.9	+10.1
Cash flow from investment activities	-254.2	-76.9
III. Financing activities		
Payments received from additions to equity capital		+1.3
Payments made to owners and minority stakeholders (dividends)	-62.0	-95.2
Payments received from taking up loans	+147.8	+7.4
Payments made for repaying loans	-255.0	-116.6
Cash flow from financing activities	-169.2	-203.1
Exchange-rate and consolidation-scope related changes in financial funds	-113.0	+1.4
Cash changes in financial funds	+33.9	+145.9
Financial funds at the beginning of the period	+57.0	+56.4
Financial funds at the end of the period	+90.9	+202.3

1) VNG - Verbundnetz Gas Aktiengesellschaft fully consolidated up to May 14, 2007; after May 15, 2007 under the equity method

2) VNG - Verbundnetz Gas Aktiengesellschaft fully consolidated

Consolidated Balance Sheet

First half 2007

Assets

€ million	06/30/2007 ¹	12/31/2006 ²	06/30/2006 ²
Fixed assets			
Intangible assets	94.5	98.9	50.7
Property, plant and equipment	2,170.0	4,331.4	4,281.2
Financial assets	1,478.5	897.2	851.1
	3,743.0	5,327.5	5,183.0
Current assets			
Inventories	89.6	597.1	422.3
Accounts receivable and other assets	533.9	976.1	845.3
Securities	0.0	0.0	1.1
Liquid funds	90.9	57.0	202.3
	714.4	1,630.2	1,471.0
Prepaid expenses	12.2	14.2	13.8
Total assets	4,469.6	6,971.9	6,667.8

1) VNG – Verbundnetz Gas Aktiengesellschaft under the equity method

2) VNG – Verbundnetz Gas Aktiengesellschaft fully consolidated

Liabilities and stockholders' equity

€ million	06/30/2007 ¹	12/31/2006 ²	06/30/2006 ²
Equity			
Capital stock	200.0	200.0	200.0
Capital reserves	282.1	282.1	282.1
Retained earnings	101.6	132.4	84.0
Equity differences due to currency translation	17.8	14.6	9.5
Consolidated balance sheet profit	152.9	62.8	151.1
Minority interests	10.2	849.1	868.9
	764.6	1,541.0	1,595.6
Special items			
	2.3	3.6	4.8
Construction subsidies	319.9	339.2	357.5
Provisions	1,176.0	2,060.4	1,918.6
Liabilities	2,202.4	3,023.0	2,784.4
Deferred income	4.4	4.7	6.9
Total equity and liabilities	4,469.6	6,971.9	6,667.8

1) VNG – Verbundnetz Gas Aktiengesellschaft under the equity method

2) VNG – Verbundnetz Gas Aktiengesellschaft fully consolidated

Statement of Changes in Consolidated Stockholders' Equity

in the half-yearly comparison

€ million

EWE AG

	Capital stock	Capital reserves	Consolidated stockholders' equity earned	Accumulated other comprehensive income	
	Common stock			Currency translation differences	Other transactions not recognized in net income
As at Dec 31, 2005	200.0	282.1	305.4	14.3	- 211.1
Dividend payments			- 60.0		
Changes in the scope of consolidation					
Other changes					1.1
Comprehensive income					
Consolidated net income			199.7		
Other comprehensive income				- 4.8	
As at June 30, 2006¹	200.0	282.1	445.1	9.5	- 210.0
As at Dec 31, 2006	200.0	282.1	428.1	14.7	- 233.0
Dividend payments			- 60.0		
Changes in the scope of consolidation					- 18.4
Other changes					20.8
Comprehensive income					
Consolidated net income			117.0		
Other comprehensive income				3.1	
As at June 30, 2007²	200.0	282.1	485.1	17.8	- 230.6

1) VNG - Verbundnetz Gas Aktiengesellschaft fully consolidated

2) VNG - Verbundnetz Gas Aktiengesellschaft under the equity method

	Minority stockholders			Consolidated stockholders' equity	
	Stockholders' equity as per consolidated balance sheet	Minority stockholders' capital	Accumulated other comprehensive income	Stockholders' equity	
			Currency translation differences		
	590.7	801.2	1.8	803.0	1,393.7
	-60.0	-35.2		-35.2	-95.2
		0.6		0.6	0.6
	1.1	0.1		0.1	1.2
	199.7	101.0		101.0	300.7
	-4.8		-0.6	-0.6	-5.4
	726.7	867.7	1.2	868.9	1,595.6
	691.9	847.3	1.8	849.1	1,541.0
	-60.0	-2.0		-2.0	-62.0
	-18.4	-875.7	-1.8	-877.5	-895.9
	20.8	-1.6		-1.6	19.2
	117.0	42.2		42.2	159.2
	3.1				3.1
	754.4	10.2	0.0	10.2	764.6

Notes to the Consolidated Financial Statement

Organization and basis of presentation

The Interim Report 2007 was prepared for the period from January 1, 2007 to June 30, 2007 pursuant to the principles of the German Commercial Code (HGB). The Financial Statements and the Interim Report are unaudited and have not been subject of any accounting review.

In order to ensure transparency, we have summarized items in the Balance Sheet and Income Statements, whilst adding “Special Items” and “Construction Subsidies” to the Balance Sheet and the items “Electricity and Energy Tax” and “License Fees” to the Income Statement, using the total-cost method.

Material company acquisitions

In January 2007, EWE AG founded EWE Enerji Anonim Şirketi (A.Ş.), Istanbul in Turkey, (EWE Enerji). In the reporting period, EWE Enerji acquired 39.9 percent of the shares in Bursagaz Bursa Şehiriçi Doğalgaz Dağıtım Ticaret ve Taahüt A.Ş., Bursa, Turkey, (Bursagaz).

Bursagaz is included in the consolidated financial statement as an associated company according to the equity method. The shares in Bursagaz were valued on the appointed date of the acquisition on April 30, 2007. Acquisition costs of € 104 million were offset by pro-rata stockholders' equity of € 33 million. Of the difference arising of € 71 million, € 55 million is attributed to “Goodwill” that will be amortized over a useful life of 20 years, after allowing for deferred taxes.

Change to the scope of consolidation

In addition to EWE AG, ten domestic and foreign subsidiary companies, where EWE AG directly or indirectly holds a controlling interest, are fully consolidated in the Interim Report. Five associated companies are included according to the equity method.

EWE ENERJI was fully consolidated for the first time in the Interim Report. Bursagaz was included for the first time as an associated company according to the equity method. The shares of the previously fully consolidated VNG – Verbundnetz Gas Aktiengesellschaft, Leipzig, are also included as of May 15, 2007 under the equity method.

In light of their limited significance for the Group's results, net assets and financial position, the remaining subsidiary companies, at which EWE AG holds a controlling interest directly or indirectly, have not been included in the Consolidated Financial Statement pursuant to Section 296 Para. 2 of the German Commercial Code. Pursuant to Section 311 paragraph 2 of the German Commercial Code, the equity valuation method was not applied to the remaining associated companies due to their limited significance for the Group's results, net assets and financial position.

Principles of consolidation

Consolidation was based on the Financial Statement of EWE AG and of the Company's fully consolidated subsidiaries, as prepared according to uniform accounting and valuation principles.

Intercompany receivables, payables, expenses and income between consolidated companies have been consolidated. No elimination of intercompany results was required.

Accounting and valuation principles

The accounting and valuation principles used correspond to those used for the EWE AG Consolidated Financial Statement as at December 31, 2006.

Comparability in accordance with section 294 paragraph 2 of German Commercial Code

The figures of the Interim Report as at June 30, 2007 can only be compared to a limited extent to those for the same period in the previous year, as the make-up of the companies included within the scope of consolidation has changed significantly due to the changeover of consolidation for VNG from full consolidation to the equity method. Corresponding additional information has been provided as part of the explanation to the results, net assets and financial position.

Explanations to the consolidated statement of cash flows

As part of determining the cash flow from the current operating activities, the appropriations and write-backs to the provisions have been shown as non-cash changes to the provisions and the utilization of provisions in the changes to payables and other liabilities. The previous year's details have been adjusted accordingly.

Responsibility Statement

in accordance with Section 37y WpHG (Securities Trading Act) read in conjunction
with Section 37w(2) No. 3 WpHG on interim reporting

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statement give a true and fair view of the profit or loss, assets, liabilities and financial position of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Oldenburg, August 21, 2007

The Board of Management



Dr. Werner Brinker



Heiko Harms



Michael Wagener

Published by

EWE Aktiengesellschaft
Tirpitzstrasse 39
26122 Oldenburg
Germany

Editorial team

EWE Aktiengesellschaft
Corporate Communications
Phone: +49 (0) 4 41 / 8 03-18 01
Email: geschaeftsbericht@ewe.de

Concept and design

HFN Kommunikation GmbH,
Frankfurt / Main
PvF Investor Relations,
Frankfurt / Main
ade hauser lacour,
Frankfurt / Main

Photography

Stephan Meyer-Bergfeld,
Oldenburg

Printed by

W. Zertani, Druckerei und Verlag,
Bremen

EWE on the Internet

www.ewe.de

EWE Aktiengesellschaft

Tirpitzstrasse 39

26122 Oldenburg

Germany

www.ewe.de