Near to our customers for success

Interim Report 2008

1 January to 30 June 2008

EWE Group key figures

First half[1]	2008	2007	Change in per cent
Electricity sales in million kWh	6,845.6	7,113.8	– 3.8
Natural gas sales in million kWh	21,081.3	19,735.4	6.8
in €m			
Sales (without electricity and gas tax)	2,599.7	2,339.0	11.1
EBITDA	361.6	381.8	– 5.3
EBIT	229.8	261.3	– 12.1
Net profit for the period	127.2	145.1	– 12.3
Capital expenditure (total)	257.2	260.8	– 1.4
Cash flow from operating activities	131.3	286.3	– 54.1
Borrowings (30.06.2008 and 31.12.2007)	2,149.5	1,916.0	12.2
Balance sheet total (30.06.2008 and 31.12.2007)	6,668.7	6,077.4	9.7
Employees average (30.06.2008 and 31.12.2007)	5,117	4,693	9.0

1) Figures shown in six-month comparison unless otherwise stated

From left:
Dr. Thomas Neuber, Chief Officer Procurement and Production
Dr. Werner Brinker, Chief Executive Officer and Chief Officer Sales and Marketing
Michael Wagener, Chief Financial Officer
Heiko Harms, Chief Operating Officer

Foreword of the Board of Management

Dear ladies and gentlemen, friends of the company,

EWE remained on course for growth in the first half of 2008. Our entry into the Turkish natural gas supplier Kayserigaz has given us another very promising partnership in the growth market of Turkey. We also successfully expanded our involvement in the telecommunications market, which is strategically important for our core business. You will find details of these transactions on page 11.

This year we are devoting the majority of our attention to the core markets of our energy business, which were marked by a difficult general environment in the first six months of the year. Regulatory measures, a sharp increase in competition, and above all the high price of energy and raw materials on the supply markets had the expected impact on the development of the EWE Group's business.

Here is an overview of the relevant key data:

- Sales were up 11 per cent on the first half of 2007 owing to volume and price-related factors, while the cost of materials grew disproportionately.
- Consequently, the operating result was down 12 per cent on the previous year's result despite increased sales. This is due to a rise in wholesale electricity prices and the price of natural gas, which is linked to the listed price of heating oil and is dramatically more expensive than in the previous year.
- As a result, consolidated net income fell by 12 per cent to €127.2 m. The performance of our telecommunications and IT companies was good despite heavy competition but was only able to partially compensate for this fall.

Owing to this trend in the result, EWE confirms the prognosis and expects business to develop negatively over the year as a whole.

We take all this as an incentive. We remain intent on reconciling the realities of our markets with the demands of our customers and on offering impressive solutions. Competitive products are an indispensable foundation for achieving this goal. For this reason we put together a bundle of sales measures in the spring of 2008 to make us even more attractive to our customers. Examples of these are our combination product "EWE trio", the introduction of a particularly favourably priced online offer, and the nation-wide marketing of the "EWE Naturwatt" green electricity brand. We are ready to tap new sales areas with our products.

As you can see, 2008 too holds many opportunities for us. Against this backdrop, we are especially pleased to announce in this interim report that EWE will have a strong partner at its side in the future. The decision was made on 10 July to transfer 26 per cent of EWE AG's shares to EnBW Energie Baden-Württemberg AG. This participation is still subject to approval by the German monopolies commission.

We will cooperate primarily in the fields of energy production, gas storage, overseas business and research and development. Our shared strategic understanding gives us particular grounds for optimism. This support will enable us to take advantage of even more opportunities and develop and implement innovative ideas both with and for our customers.

Yours sincerely,

Oldenburg, Germany, August 2008

The Board of Management

Dr. Werner Brinker | Heiko Harms | Dr. Thomas Neuber | Michael Wagener

Investor Relations

EWE bonds and the capital market

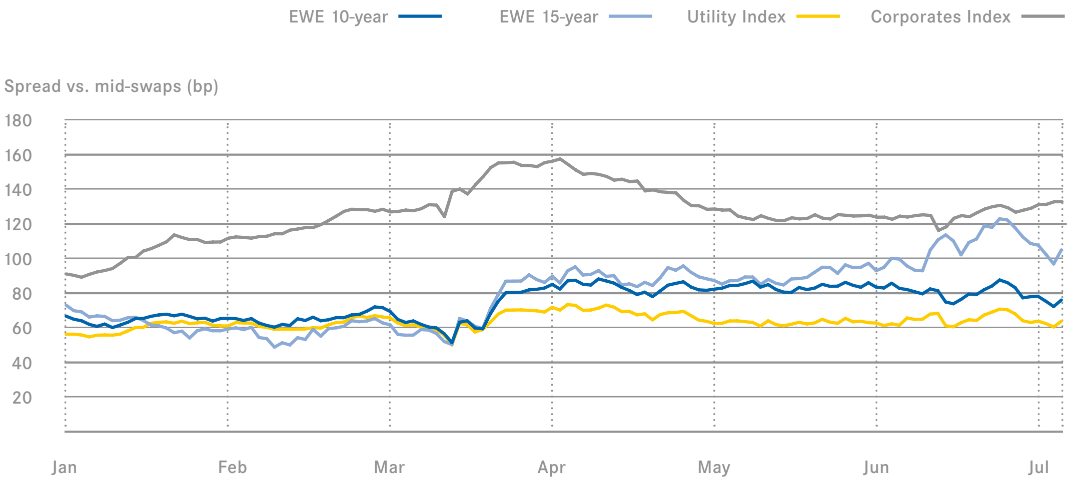
In October 2004, EWE issued two Eurobonds (with maturities of 10 and 15 years respectively) with a total volume of €1.5bn. Since they were issued the bonds have performed well compared to the relevant indices. In 2008 the EWE bonds were also affected by the volatile market environment, however.

The development of the fixed-interest markets in the first half of 2008 was shaped by the ongoing crisis in the US property market and the resulting insecurities in the banking sector. The decisions of the central banks in response to climbing inflation rates also had an influence on the markets. As a consequence, risk premiums for company bonds and credit derivatives went up sharply in the first six months. Although bonds from the utilities sector developed with more stability than the market as a whole, they could not detach themselves entirely from the overall negative trend on the capital markets. This became particularly clear in March and April 2008, when spreads on utility bonds rose briskly within a short period.

In the first quarter of 2008 the EWE bonds largely tracked the performance of the index for utilities bonds. Standard & Poor's downgrading of EWE's rating from "A" to "A–" on 29 February 2008 had no significant effect on the bonds. EWE bonds were mostly shielded from negative market developments until the second quarter, when spreads climbed sharply in line with the development of the market as a whole.

The volatility of the markets was also instrumental in shaping the return difference for long-term bonds. This can be seen in the development of the EWE bond which matures in 2019. While on 30 June 2008 the EWE bond set to mature in 2014 traded at +76 basis points (bp) above mid-swaps, 10 bp higher than its starting position in January 2008, the bond maturing in 2019 traded at +104 bp at the same time, leaving it 31 bp higher than at the beginning of the year. Compared with the development of the overall bond market, however, the EWE bonds are characterised by lower spreads and more stable overall development.

Performance of EWE bonds in the first half of 2008



	EWE 10-year bond	EWE 15-year bond
ISIN	DE000A0DLU51	DE000A0DLU69
Security code no.	A0DLU5	A0DLU6
Ticker symbol	E1WA.STU	E1WB.STU
Issue date	14 Oct 2004	14 Oct 2004
Maturity	14 Oct 2014	14 Oct 2019
Remaining term (from August 2008)	6.2 years	11.2 years
Currency	EUR	EUR
Volume	1 bn	0.5 bn
Denomination	1,000.00	1,000.00
Coupon type	Fixed coupon	Fixed coupon
Nominal interest	4.375%	4.875%
Interest paid	Annually	Annually
Interest payment date	14 Oct	14 Oct
Issue spread 2004	+40 bp	+52 bp
Spread on 30 June 2008	+76 bp	+ 104 bp

Interim Group Management Report
1 January to 30 June 2008

Course of business and economic environment

Macroeconomic developments
The growth of the world economy was under intense pressure at the start of 2008. Turbulence on the financial markets and the high price of raw materials were particularly responsible for the depressed economic climate. The main regions saw different trends, however. While the property crisis threw cold water on the economic dynamics in the USA, the emerging markets of China and India continued to experience high growth rates. The economic performance of the eurozone improved in the first quarter of 2008, albeit somewhat less than expected.

The German economy began the year with much momentum. In the first quarter of 2008, the gross domestic product was 1.5 per cent above the fourth quarter of 2007 after allowing for price, season and calendar adjustments. The German economy experienced its biggest growth since 1996. Investment activity continued to be pronounced and was the main contributor to the economic upturn. The demand for construction services and for new machines and production facilities was particularly responsible for increased investment activity. In contrast, consumer spending made little contribution to the growth of the economy. This is primarily due to inflation being exacerbated by increased energy and raw material prices, which weakened consumer purchasing power. In their preliminary estimates leading economic research institutions do not anticipate the high production level of the first quarter to carry over into the second quarter of 2008. One reason given for this trend was a drop in orders in the construction and industrial sectors. Exports have lost steam, as did consumer spending in the first few months of the year; both of these factors, it is said, will depress the economy.

The strong growth at the start of the year has caused leading economic research institutes to raise their prognosis for the entire year. The forecasted growth corridor for the German gross domestic product accordingly covers 2.1 per cent to 2.5 per cent.

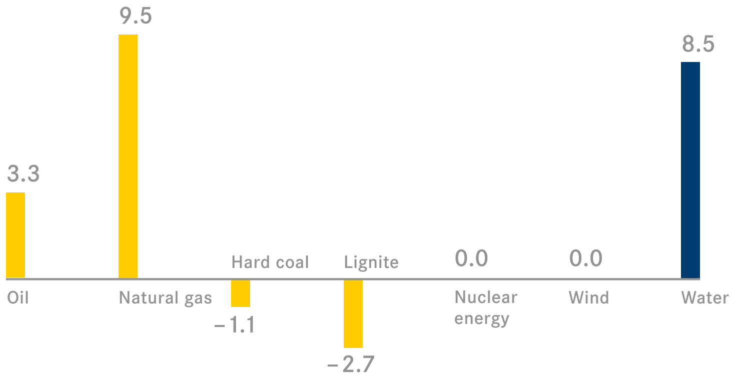
Energy markets
According to preliminary calculations from the Working Group for Energy Balances (AGEB), consumption of primary energy in Germany showed an increase of 3 per cent to 245.4 million metric tonnes of hard coal equivalents (MTCE) compared with the same period last year. Along with the robust growth of the economy, the weather, which was cooler than in the previous year, particularly helped energy consumption to grow.

The consumption of the primary energy source natural gas underwent the greatest increase. Overall natural gas consumption went up by almost 10 per cent to 58 MTCE. Both private households and the industrial sector increased their natural gas usage. Moreover natural gas consumption jumped up drastically in electricity generation. Despite sizeable price hikes, overall petroleum consumption rose by more than 3 per cent in the first six months.

Electricity generation from the two most important renewable energy sources, wind and water, saw different trends: while generation from hydro power increased by almost 9 per cent, wind power remained steady at the previous year's level. The contribution of all renewable energies to primary energy consumption reached almost 7 per cent.

Cool weather increases primary energy consumption compared with the same period last year

Changes as percentages



Source: Working Group on Energy Balances

According to initial figures produced by the German Energy and Water Association (BDEW), electricity consumption increased to approximately 277 billion kilowatt hours in the first half of 2008, up about 1.5 per cent on the same period in the previous year. This was partly due to the leap day in February 2008, which alone accounts for around 0.6 percentage points of the increase. In addition, the economic upturn resulted in a higher demand for electricity.

Price developments

Developments on the energy markets have been shaped primarily by the cost of crude oil. The brisk rise in the price of oil, already noticeable in the last four months of 2007, continued apace during the first half of 2008. A barrel of North Sea Brent oil cost US$ 96.11 on average in the first quarter, while the average price was US$ 129 in the second quarter. At some points in June, a barrel of crude oil (Brent) traded hands for over US$ 140. Import prices for oil went up owing to increased global demand for middle distillates (diesel, heating oil and kerosene) as well as recurring production downtimes in Nigeria and the North Sea. Oil price fixing is an inherent part of long-term supply agreements between overseas manufacturers and importers as well as between these upstream suppliers and gas suppliers. Oil price fixing transfers the generally higher volatility of the crude oil market to the gas market. The developments on the oil market forced EWE to increase the amount it charges customers for natural gas at the beginning of August.

Dramatic increase in oil price again in first half of 2008

Steeply rising fuel prices drive up electricity price

Due to relatively mild temperatures, the corresponding lower demand for heating, and a high feed-in of wind power, the wholesale prices for electricity were at a low level at the start of the year, rising sharply in the second quarter of 2008.

While the average electricity spot price in the base-load sector (base) came in at € 56.20 per megawatt hour (€/MWh) in the first quarter of 2008, the price in the second quarter was significantly higher at € 65.54/MWh. Factors driving up prices were the large rise in fuel prices, the low nuclear power plant availability in France, and a relatively small feed-in of wind and hydro power.

The rising price of fuel is reflected in higher electricity price quotations on the electricity futures market. Electricity supplies in the base-load sector for the following year were quoted at an average of € 67.07/MWh in the first half of 2008. This meant prices were significantly higher than those listed in the previous year.

The price for hard coal maintained on a high level on the world market in the first half of 2008. An average price of US$ 138 was agreed for coal supplies for the following year. This almost doubled the average price from the same period in the previous year (US$ 71.80). This is due to a sharp hike in demand from China and short-term export bottlenecks in important coal-producing countries such as Australia and South Africa. Higher freight market prices also served to push up the price of coal.

At the end of the first quarter of 2008, the price of CO_2 certificates came to € 22.25 per tonne of CO_2, rising to € 28.75 per tonne of CO_2 in the course of the second quarter. Decisive factors were movements on the oil market and the difference between the prices of natural gas and coal.

Telecommunications market

In the telecommunications market, Deutsche Telekom's order backlog continued in the first few months of 2008. Landline customers from other telecommunications providers sometimes had to wait weeks or months for their connection to be switched over. This had a negative impact on the consistently dynamic development of the market. However, the telecommunications companies in the EWE Group were still able to continue effectively with their growth strategy despite these circumstances.

DSL broadband connections remain the number 1 driving force behind growth. All the same, DSL technology is subject to some physical limitations: the quality of DSL connections worsens as the length of the cable increases. The industry therefore faces the challenge of bridging the gap between urban and rural broadband availability. With the majority of their sales areas structured rurally, EWE companies are particularly well-suited to the task. Fibre optic cable connections and wireless solutions are the alternatives to DSL which the EWE Group's telecommunications companies are currently testing. They aim to provide broadband connections across as extensive an area as possible in order to transport data-intensive content, from TV for instance, via high-bitrate cables. The integration in June of the Hamburg television and cable network operator Martens into the EWE Group is an example of how this is being worked towards.

Legal environment

In the first half of 2008 the main considerations in both national and European energy policy were climate protection, energy efficiency and renewable energies, and the period was also shaped by regulatory projects.

Implementing the integrated climate and energy programme of the German federal government

In August 2007, the German federal government laid down the key points of its integrated climate and energy programme. The first few months of 2008 saw the implementation of the essential measures. At the start of June, the lower house of the German parliament approved amendments to the Renewable Energy Act (EEG amendment) and the Combined Heat and Power Act (KWKG amendment). According to these amendments, renewable energies should account for at least 30 per cent of the electricity supply by 2020, with the proportion to increase steadily after that point. The proportion of electricity derived from CHP plants is set to increase over the same period from its current value of around 12 per cent to 25 per cent. According to the new Renewable Energy Heating Act (EEWärmeG), a larger amount of renewable energy sources will be used for heating new buildings in the future. Other initiatives in the climate and energy programme, such as the amendment to the Energy Saving Ordinance and the liberalisation of metrology will be implemented in the second half of 2008.

European perspectives on the energy market

The European Union has also started to implement further legislation in order to reach its climate protection goals. In January 2008, the European Commission introduced what it calls the "Green Package". Central to the package are comprehensive, cross-sector guidelines designed to boost renewable energies, revised guidelines for emissions certificate trading, and proposals for Carbon Capture and Storage (CCS) technology.

Progress was also made with the “Third Internal Energy Market Package”, which was first submitted in September 2007. At its core is the issue of ownership unbundling for electricity transport networks and natural gas pipelines. According to the package, supply network operators will no longer be allowed to belong to groups which are also involved in supplying and creating energy. Although EWE NETZ GmbH operates gas pipeline networks, there is no legal basis in our case for enforced ownership unbundling. The reason for this lies in our national legislation, which states that operators of regional distribution networks like EWE NETZ must define themselves as either local distribution network operators or pipeline network operators. The specific structure of EWE NETZ leads us to emphatically define ourselves as a regional pipeline network operator.

The third internal energy market package also discusses regulations for tapping natural gas reserves (including legal unbundling) and the establishment of a European regulatory body. EWE is supportive of the Commission’s overall aim of bolstering competition in the European energy market but is critical of individual proposals which would interfere with competition and reduce the incentive for investment. The European Parliament recently gave voice to a similar opinion, particularly regarding the regulations concerning access to natural gas reserves and the regulation of natural gas storage fees by national regulatory authorities. It remains to be seen whether the Council of the European Union will fall in with this view. The internal energy market package will probably be read for a second time in autumn 2008.

Network fee system of the Federal Network Agency
EWE NETZ GmbH applied for its electricity and gas network fees within the applicable timescales. The Federal Network Agency reduced EWE NETZ’s electricity network costs by an average of 4.7 per cent in the early part of the year. Accordingly, the Company lowered its electricity network usage fees retroactively on 1 March 2008. On 1 June 2008, the Federal Network Agency set EWE NETZ GmbH’s network fees at the previous year’s level.

Incentive system
On 1 January 2009, the incentive system will take the place of the current regulation on authorised network access fees. According to the new regulation, the Federal Network Agency will stop checking the cost positions of individual network operators. Instead, it will calculate potential efficiency improvements by comparing the efficiency of companies across the country. These efficiency figures will then have a direct effect on the amount of network revenue authorised. The authorities are expected to provide network operators with the calculated figures in the third quarter of 2008 and carry out proceedings subsequently. It will not be possible to make any reliable statements on what impact the incentive system will have on the earnings position of EWE NETZ before the authorities release their figures from the efficiency comparison.

Regulation in the telecommunications market
In April 2008 the Federal Administrative Court of Germany confirmed the ex-ante decision of the Federal Network Agency regarding mobile telephone termination fees. According to this decision, the prices charged by mobile telephone network operators for accepting calls from other networks now have to be approved in advance by the Federal Network Agency. Mobile network operators have filed constitutional appeals against the decision. The provisions for termination charges were dissolved by the EWE Group’s mobile communications segment as a result of this decision.

EWE Group

Business Area Corporate Centre	Business Area Energy Sales, Procurement, Production	Business Area Network	Business Area ICT Information technology, Telecommunications
EWE AG	EWE AG	EWE NETZ GmbH	EWE TEL GmbH
VNG – Verbundnetz Gas Aktiengesellschaft[1]	EWE Polska Sp. z o.o.[2]		Bremer Kommunikationstechnik GmbH
	EWE ENERJI ANONIM SIRKETI A.Ş.		BCC Business Communication Company GmbH
	EWE WASSER GmbH		osnatel GmbH
	swb AG[1]		Teleos GmbH & Co. KG
	Bursagaz A.Ş.[1]		htp GmbH[1]
	Kayserigaz A.Ş.[1]		Martens GmbH
	DOTI GmbH & Co. KG[1]		BTC Business Technology Consulting AG[2]

1) Associated company
2) Subgroup

Major events

Presence in Turkey expanded

In April 2008 EWE ENERJI acquired 39.9 per cent of regional natural gas supplier Kayserigaz A.Ş. The company was founded in 2003 and is based in the middle of Turkey. It currently provides around 150,000 customers with natural gas and employs 152 employees. In 2007, Kayserigaz achieved sales of € 56.8 m. 50.1 per cent of the shares remain the property of the majority shareholder, the Turkish Calik Group. The municipality of Kayseri holds a further 10 per cent. This acquisition represents EWE's continued expansion in Turkey; in the spring of 2007, the Company acquired a 39.9 per cent stake in the natural gas supplier Bursagaz A.Ş.

EWE increases holding in Teleos

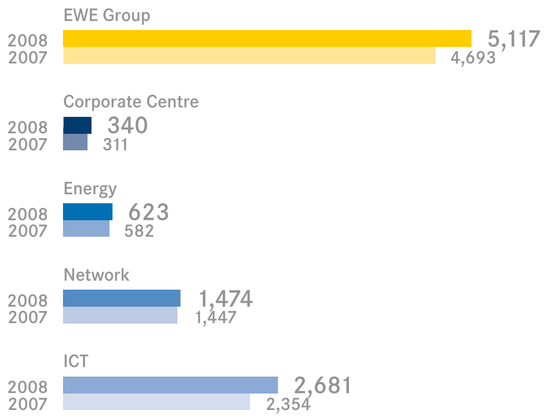
EWE AG increased its holding in the Herford telecommunications company Teleos GmbH & Co. KG to 100 per cent. In June 2008, the Company acquired the remaining 49 per cent from E.ON Westfalen Weser AG. This acquisition strengthens EWE's competitive position in southern Lower Saxony and eastern Westphalia. Teleos is already the leading alternative provider of broadband internet (DSL) in the region, with more than 50,000 customers.

Expanded telecommunications services catalogue

On 18 June 2008 EWE TEL GmbH acquired a 100 per cent stake in the Hamburg television and cable network operator Martens Antennen- und Kabelanlagen-Gesellschaft mbH. The merger has allowed the companies to expand their regional marketing areas and complete their range of goods and services in the telecommunications, internet and television segments.

Employees by business area

30.06.2008 and 31.12.2007



Employees

The EWE Group had an average workforce of 5,117 in the first half of 2008, 9.0 per cent more than the previous year's average. The business area ICT expanded the most.

The average number of employees in the business area Corporate Centre increased by 9.3 per cent owing to further corporate function expansion.

The workforce swelled by 7.1 per cent in the business area Energy, primarily due to staff transfers between the companies in the Group.

The growth in the number of employees in the business area Network (+1.9 per cent) was primarily a consequence of the sharp increase in administration activities resulting from regulation.

The sizeable growth of the ICT workforce (+13.9 per cent) is down to EWE's acquisitions and the operative growth of the consolidated companies.

Tariff agreements

In June 2008, EWE and ver.di agreed on an increase in normal working hours to 39 hours per week. The agreed increase of 2.6 per cent in tariff scales was implemented as of 1 July 2008. The tariff partners also agreed an increase of 3.9 per cent from July 2008 and a further 3.5 per cent from July 2009. The agreements apply to the employees of EWE AG and EWE NETZ GmbH.

Summary consolidated income statement

First half in €m	2008	2007	Change in per cent
Sales (without electricity and gas tax)	2,599.7	2,339.0	11.1
Cost of materials and services	– 2,050.3	– 1,744.4	17.5
Staff expenses	– 150.3	– 135.1	11.3
Other income and expenses	– 105.7	– 142.4	–25.8
Result of equity investment income	68.2	64.7	5.4
EBITDA	361.6	381.8	– 5.3
Depreciation, amortisation and impairment	– 131.8	– 120.5	9.4
EBIT	229.8	261.3	– 12.1
Net interest	– 61.2	– 53.1	15.3
Net profit before income tax	168.6	208.2	– 19.0
Income taxes	– 41.4	– 63.1	– 34.4
Net profit for the period	127.2	145.1	– 12.3
Minority interests	– 1.3	– 0.1	1,200.0
Consolidated net profit	125.9	145.0	– 13.2

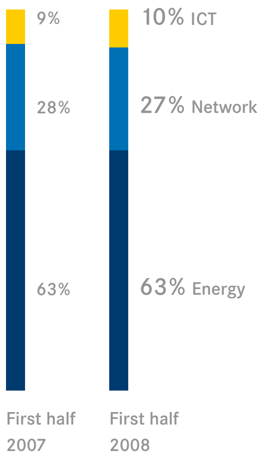
Earnings, assets and financial position

Earnings position

The EWE Group generated sales (without electricity and gas tax) of € 2,599.7 m in the first half of the year, an increase of 11.1 per cent on the previous year. For the electricity business, the improvement was mainly due to the pricing measures already implemented in 2007 for standard-rate customers. Loss of volumes and customer migration in all customer segments had a negative effect. Natural gas sales also experienced positive growth due to increases in sales volumes. A particularly important factor was the weather, which was cooler than in the previous year. The overall growth of sales as a result of volume and price factors is countered by a disproportionate rise in the cost of materials and services, causing the materials usage quota, measured as the relation of the cost of materials to sales, to jump from 74.6 per cent to 78.9 per cent. This is primarily due to higher purchase costs.

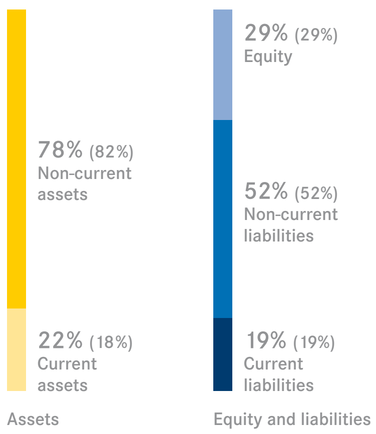
The increase in electricity purchase costs was mainly the result of price hikes on the Leipzig EEX electricity exchange and mounting charges resulting from the EEG levy. Gas purchase costs increased drastically in comparison to the previous year. Higher oil price listings in particular pushed up expenses, as did the rise in volumes. February to August 2007 saw almost continuous improvement, with occasional large jumps that helped to produce record levels between September 2007 and June 2008.

Sales by Group segment



Group balance sheet structure as of first half

Previous year in brackets



Staff expenses are up from the previous year owing to tariff increases and higher employee numbers. Depreciation, amortisation and impairment also rose from the previous year, due to the activation of the storage cavern in Rüdersdorf at the end of 2007 among other factors.

Net interest is primarily made up of interest from the two partial debentures issued in the fourth quarter of 2004 (EWE bonds), interest from current bank loans, and expenses arising from accrued interest on non-current provisions.

Income taxes, shown as the balance, comprise actual taxes from individual transactions as well as changes in taxes. The clear reduction was a result of adapting income taxes and deferred taxes to the lower tax rates which came into effect as a result of the German tax reforms from the 2008 financial year among other factors.

The net profit for the period under report came to € 127.2 m, € 17.9 m below the value for the previous year. The operating margin dropped from 6.2 per cent to 4.9 per cent.

Assets and financial position

The balance sheet total of the Group went up by € 591.3 m (9.7 per cent) to € 6,668.7 m. Due to its operational activities EWE is highly equipment-intensive with a corresponding capital commitment. Therefore the proportion of non-current assets committed to the balance sheet comes to around 78 per cent. As in the previous year, investments in the 2008 reporting period of € 257.2 m (previous year: € 260.8 m) were mainly used to expand the infrastructure and acquire stakes to strategically complement the existing segments. Of particular note is the acquisition of a 39.9 per cent stake in the Turkish company Kayserigaz Kayseri Doğalgaz Dağıtım Pazarlama ve Ticaret A.Ş., Kayseri. Non-current assets were mostly financed with equity and non-current liabilities. The increase of current assets results from an increase of trade receivables relating to the balance sheet date as well as derivative financial instruments. The majority of the growth in non-current liabilities can be traced back to liabilities to credit institutions. Current liabilities were up, primarily due to increased derivative instruments on smaller liabilities to credit institutions as well as liabilities arising from supplies and services.

Summary Group cash flow statement

First half in €m	2008	2007
Cash flow from operating activities	131.3	286.3
Cash flow from investing activities	– 276.3	– 244.9
Cash flow from financing activities	96.5	11.2
Currency translation and consolidation changes	– 2.3	0.8
Net change in cash and cash equivalents	– 50.8	53.4
Cash and cash equivalents at the beginning of reporting period	110.1	42.8
Cash and cash equivalents at the end of reporting period	59.3	96.2

The non-current liabilities include two EWE bonds as essential items with a total volume of €1.5 bn and terms of 10 years (due to mature in 2014) and 15 years (due to mature in 2019).

The summarised consolidated cash flow statement shows that EWE posted cash flow from operations of € 131.1 m in the period under review, down from the prior-year period. This significant decrease is primarily due to a lower EBIT, increased gas inventories and higher receivables.

The financial flexibility of the EWE Group relies on credit lines and a syndicated revolving credit facility agreed in 2006 for € 850 m and a duration of seven years. € 130 m of this credit facility had been used as of 30 June 2008. Overall, EWE will benefit from its high credit rating, as confirmed by rating agencies Moody's and Standard & Poor's. The ratings are "A–" with an additional note of "credit watch positive" (Standard & Poor's) and "A2" with a stable outlook (Moody's).

Overview of Group business areas

First half in €m	Corporate Centre		Energy	
	2008	2007	2008	2007
Segment sales	3.8	2.4	1,934.2	1,770.9
Consolidation				
Group sales				
EBITDA	198.7	274.2	113.2	156.2
Consolidation				
Group EBITDA				
EBIT	189.3	265.2	91.8	138.8
Consolidation				
Group EBIT				
Capital expenditure	70.1	10.2	144.8	169.4
Consolidation				
Group capital expenditure				

Performance of business areas

Corporate Centre

The business area Corporate Centre is responsible for corporate functions, strategically important minority interests and other business activities such as central services.

Sales in the business area Corporate Centre increased in the first half of 2008 to € 3.8 m (previous year: € 2.4 m). The cost of materials also rose in the same period. Both items are due primarily to invoicing activities carried out by the business area Corporate Centre as a corporate function which has almost no effect on the result.

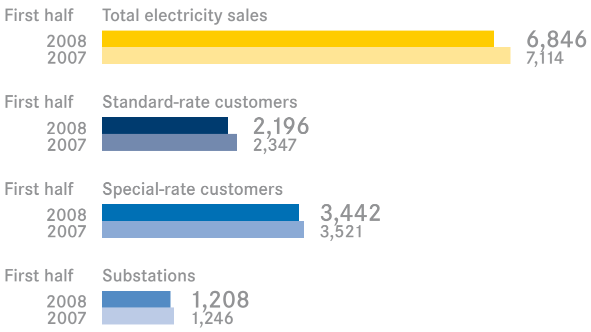
The operating result (EBIT) of the business area Corporate Centre was €75.9 m down on the previous year, a weighty loss of 28.6 per cent, at € 189.3 m. The drop in the result was mostly down to decreased profit transfer from the business area Energy. Staff costs went up because of tariff increases and an enlarged workforce. The fact that other operating expenses were down from the previous year only partially compensated for these negative effects. Operating expenses fell due to a one-off special item related to the foundation of the EWE Research Centre for Energy Technology at Oldenburg University in the prior-year period.

In the first half of 2008, the business area Corporate Centre invested €70.1 m. These investments went towards increasing the share holding in Teleos GmbH & Co. KG, among others.

Network		ICT		Group	
2008	2007	2008	2007	2008	2007
830.0	776.3	285.6	254.1	3,053.6	2,803.7
				– 453.9	– 464.7
				2,599.7	2,339.0
144.3	154.6	53.1	38.1	509.3	623.1
				– 147.7	– 241.3
				361.6	381.8
76.3	88.4	20.1	10.2	377.5	502.6
				– 147.7	– 241.3
				229.8	261.3
51.6	50.2	30.2	31.0	296.7	260.8
				– 39.5	0.0
				257.2	260.8

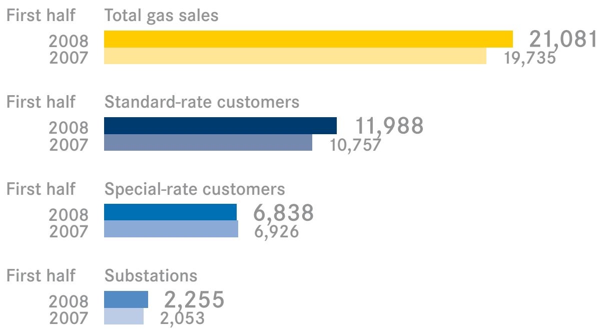
Electricity sales by customer group

in million kWh



Gas sales by customer group

in million kWh



Energy

In the first six months of 2008, electricity sales dropped by 3.8 per cent on the prior-year period to 6.8 billion kWh. The downturn in sales was mostly the result of decreasing standard-rate and special-rate customer numbers.

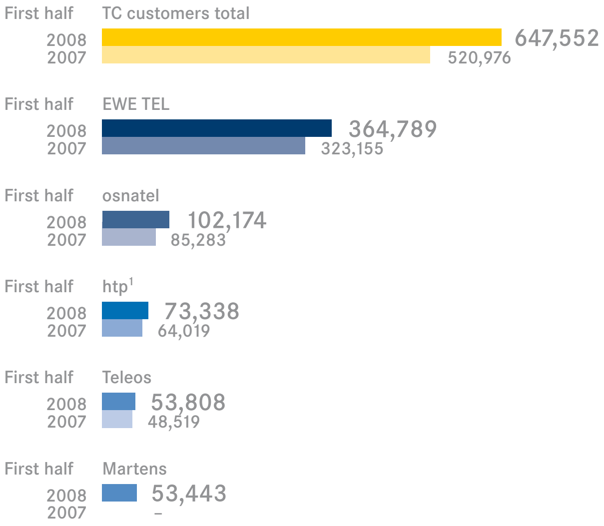
Gas sales increased on account of the weather by 6.8 per cent to 21.1 billion kWh. Competition in the sales market and a drop in volumes due to energy saving measures had a contrary effect.

The business area Energy posted sales of € 1.9 bn, a rise of 9.2 per cent on the previous year. For the electricity business, the majority of the upturn was due to pricing measures for standard-rate customers which had been implemented in 2007. Increased purchase costs and greater demands from the EEG act led the EWE Group to raise its electricity prices in February and November 2007. Customer migration and loss of volumes across all customer segments had a dampening effect on the upturn in sales. Higher sales figures were posted for gas on account of volumes. The price increase for standard-rate customers which took place on 1 April 2008 is not of any particular importance for the period under review.

The EBIT in the business area Energy fell to € 91.8 m (previous year: € 138.8 m). Increased material costs bear the bulk of the responsibility for the decline in the result. Electricity purchase costs went up owing to higher wholesale prices and EEG levy costs. The additional expenses were only partially offset by reduced network usage fees. Gas purchase costs, which follow the listed price of oil, went up substantially in the period under review. Increased sales volumes also served to drive up expenditure. Improved wage rates and a bolstered workforce led to increased staff costs.

The business area Energy invested € 144.8 m in the first half of 2008. Most of this investment went on gas supply facilities, offshore technology and acquiring shares in Kayserigaz Kayseri Doğalgaz Dağıtım Pazarlama ve Ticaret A.Ş.

Customer development in telecommunications



1) Associated company

Network

The business area Network posted sales of € 830.0 m in the first half of 2008. The 6.9 per cent increase from the previous year was mostly due to volume effects and a passing-on of the EEG levy, the majority of which was off-set directly in equity.

The EBIT in the business area Network fell 13.7 per cent from the prior-year period to € 76.3 m owing to regulation. The main reason was the reduction in electricity network fees effective 1 March 2008. Because the previous year's result was shaped by positive one-off effects, it was not possible to post a comparable result despite strict cost management.

The business area Network invested € 51.6 m in the first half of 2008, equivalent to the previous year.

ICT

The consolidated companies in the business area ICT developed positively in the first half of the year despite considerable competition. Factoring in the telecommunications company htp GmbH (Hanover) as an associated company, the EWE Group's telecommunications companies served 647,522 customers as of 30 June 2008, an increase of around 17 per cent from 31 December 2007. The DSL business continues to drive growth, with connections going up 15.2 per cent in the first six months of the year, yielding a current total of 482,359 customers. The mobile communications business also improved dramatically (36 per cent up on 31 December 2007).

In the first half of the year, the business area ICT recorded sales of € 285.6 m, an increase of 12.4 per cent from the prior-year period. The upturn in sales is due to increased sales in the landline, DSL and mobile communications areas. Prevailing price competition served to weaken this positive development at points. Interests acquired in the previous year in telecommunications and IT companies were factored in for the first time, a further reason for the rise. The IT business is currently operating in a difficult environment and developed to the level of last year.

The EBIT in the business area ICT improved by € 9.9 m on the previous year to € 20.1 m, despite heightened competition. Central to this increase were improved sales from growth in sales, the dissolution of provisions for mobile communication termination charges, and the previous year's acquisitions being fully factored in for the first time. Lower average sales in the telecommunications sector for private and corporate customers had a negative impact.

The business area ICT invested € 30.2 m, equivalent to the amounts invested in the previous year.

Risk report

Recognising and controlling potential opportunities and avoiding or limiting risk is of vital importance if the EWE Group is to sustain its success. An integral component of the Group-wide opportunity and risk management system which is geared towards maintaining EWE's success is the Group planning and controlling process with an integrated opportunity and early risk recognition system. The opportunity and risk committee and central risk management department represent the core organisational elements on a Group level.

A regular and structured process is used to identify risks ahead of time on the level of the particular companies responsible for the risks while taking into account Group standards as laid down in the Group guidelines. The amount of damage that risks could cause and the probability of them arising are then evaluated. Risks are then reported to EWE's central risk management department along with appropriate measures for handling the risks. Once detected on an individual company level, risks are fed into a summarised report on a segment and Group level based on their significance with respect to essential planning parameters. When they reach certain threshold values, the findings of the regular systematic risk management process and ad-hoc risk reports form the basis for evaluating the current and future risk situation. Corresponding reports are sent to the Board of Management and Supervisory Boards on a regular basis.

From a current perspective the significant risks for EWE that could have an impact on the course of business and the earnings, assets and financial position are ambient risks, market risks, operating risks, financial risks and risks from joint Group functions. No significant changes have occurred in the period under report compared with the risks highlighted in the Group Management Report as of the year ended 2007. Furthermore, no new risks have been identified.

Further information on opportunity and risk management can be found in the Group Management Report 2007.

Supplementary report

On 10 July 2008 EWE AG and its municipal shareholders concluded their joint selection process with the decision to enter into a strategic partnership with EnBW Energie Baden-Württemberg AG. EnBW stands to acquire a 26 per cent stake in the form of a stock purchase and an increase in share capital. The transaction volumes amount to an overall value of € 2 bn. The acquisition is subject to approval from the German monopolies commission.

EWE TEL GmbH is set to acquire the osnatel shares held by Osnabrück public services, as announced by both partners on 10 July 2008. Of the shares, 25.05 per cent are due to be transferred to EWE TEL on 1 January 2009. This will make the company osnatel's sole shareholder.

By a judgement dated 14 August 2008, the German Federal Court of Justice (Bundesgerichtshof) held that the "surplus revenue absorption" (Mehrerlösabschöpfung) ordered by the German Federal Network Agency (Bundesnetzagentur) as against Vattenfall Europe Transmission GmbH was legally valid. Therefore, for the period from 1 November 2005 until the first grant of electricity network fee approvals pursuant to the German Energy Economy Law (EnWG – 2005) and the Electricity Network Fee Regulation (Stromnetzentgeltverordnung), Vattenfall Europe is obliged to absorb any surplus revenue above the authorised amounts so as to reduce network costs in a future regulatory period. In the first licensing round, the German Federal Network Agency did not reaffirm such a finding as against EWE NETZ, but reserved the right to require surplus revenue absorption at a later date. After this decision of the German Federal Court of Justice, it remains to be seen if, and with which regulatory instruments, the German Federal Network Agency will seek to enforce surplus revenue absorption against EWE NETZ GmbH. If surplus revenue absorption is enforced, this will impact on the earnings of EWE NETZ (business area Network) and upon the Group as a whole.

Outlook

According to preliminary expert estimates, demand in the energy markets will hardly weaken at all in the long term. This is primarily due to the large demand for raw materials in emerging markets such as China and India. Along with limited supply and transport capacities oil prices will remain high. This will have a delayed effect on gas prices. Although the situation on the hard coal markets improved somewhat at the end of July, prices will stay high. Electricity prices are also set to stay high due to the rising cost of fuel and CO_2 certificates and scarce production capacities.

Against a backdrop of high oil prices, regulatory interventions from the Federal Network Agency and increasing competition in the energy market, EWE expects the full financial year to follow the trend of the first six months, resulting in a decreased Group result for 2008. From a current perspective the key performance indicator EBIT will be down to around € 400 m, about a 10 per cent decrease from the previous year.

This prognosis is based on currently available knowledge and assumptions. It may come to pass that the assumptions made do not transpire and additional risks may arise. For these reasons we make no guarantees about the accuracy of our prognosis.

Consolidated Interim Financial Statements
1 January to 30 June 2008

Income statement for the EWE Group

First half 2008

in €m	01.01. – 30.06. 2008	01.01. – 30.06. 2007
Sales	2,775.2	2,517.8
Electricity and gas tax	175.5	178.8
Sales (without electricity and gas tax)	2,599.7	2,339.0
Changes in inventories	4.0	– 2.1
Other capitalised internal expenses	13.9	19.3
Other operating income	30.1	29.4
Cost of materials and services	2,050.3	1,744.4
Staff expenses	150.3	135.1
Depreciation, amortisation and impairment	131.8	120.5
Other operating expenses	153.7	189.0
Result of equity investments	63.2	59.5
Other investment income	5.0	5.2
EBIT	229.8	261.3
Interest income	4.1	5.7
Interest expense	65.3	58.8
Profit before tax	168.6	208.2
Tax	41.4	63.1
Net profit for the period	127.2	145.1
Minority interests	1.3	0.1
Net profit attributable to shareholders of EWE AG	125.9	145.0

Balance sheet for the EWE Group

First half 2008

Assets

in €m	30.06.2008	31.12.2007
Non-current assets		
Intangible assets	129.9	120.3
Property, plant and equipment	3,152.8	3,101.9
Companies accounted for under the equity method	1,729.0	1,617.9
Other non-current assets	160.8	142.6
Deferred taxes	27.4	5.2
	5,199.9	4,987.9
Current assets		
Inventories	304.4	219.9
Trade receivables	573.6	478.5
Other receivables and assets	503.0	275.0
Income tax receivables	28.5	6.0
Cash and cash equivalents	59.3	110.1
	1,468.8	1,089.5
Total assets	6,668.7	6,077.4

Equity and liabilities

in €m	30.06.2008	31.12.2007
Shareholders' equity		
Subscribed capital	200.0	200.0
Capital reserve	282.1	282.1
Retained earnings	1,436.3	1,294.5
Interests of EWE AG shareholders	1,918.4	1,776.6
Minority interests	6.8	5.5
	1,925.2	1,782.1
Non-current liabilities		
Construction subsidies and special items	552.4	561.8
Provisions	670.4	681.2
Bonds	1,494.6	1,494.2
Bank debt	470.9	167.7
Other non-current liabilities	51.9	64.1
Deferred taxes	222.5	174.0
	3,462.7	3,143.0
Current liabilities		
Construction subsidies and special items	33.8	41.7
Provisions	38.8	49.0
Bank debt	184.0	254.1
Accounts payable	446.4	477.6
Income tax liabilities	8.8	11.3
Other current liabilities	569.0	318.6
	1,280.8	1,152.3
Total equity and liabilities	6,668.7	6,077.4

Cash flow statement for the EWE Group

First half 2008 / Source of funds (+), use of funds (–)

in €m	01.01. – 30.06. 2008	01.01. – 30.06. 2007
EBIT	229.8	261.3
Depreciation, amortisation and impairment (non-current assets)	131.9	120.5
Reversals of depreciation, amortisation and impairment (non-current assets)	–	– 1.5
Reversal of construction subsidies	– 19.1	– 18.5
Interest paid	– 12.7	– 8.3
Interest received	4.1	6.2
Income tax payments	– 45.0	– 48.1
Income tax rebates	2.0	1.0
Net proceeds from disposal of non-current assets	– 1.4	0.2
Non-cash changes in provisions	5.2	1.2
Change in equity valuation through profit and loss	14.2	25.5
Net cash gain / loss from derivative financial instruments	– 6.3	11.1
Other non-cash income and expenses	0.3	– 10.9
Changes in inventories	– 83.9	10.1
Changes in receivables and other assets	– 50.1	– 17.6
Changes in liabilities	– 37.7	– 45.9
Cash flow from operating activities	131.3	286.3
Construction subsidies received	9.3	22.3
Expenditure for investments in intangible assets	– 4.9	– 1.9
Proceeds from disposal of property, plant and equipment	2.7	1.9
Expenditure for investments in property, plant and equipment	– 162.3	– 134.7
Proceeds from disposal of financial assets	3.0	5.0
Expenditure for investment in financial assets	– 90.0	– 124.3
Expenditure for investment in interests in fully consolidated companies	– 34.1	– 13.2
Cash flow from investing activities	– 276.3	– 244.9
Proceeds from issuing equity instruments	–	0.1
Payments to shareholders and minority shareholders (dividends)	– 65.0	– 62.3
Proceeds from issuing debt instruments	705.2	109.0
Expenditure for repayment of debt instruments	– 543.7	– 35.6
Cash flow from financing activities	96.5	11.2
Change in cash and cash equivalents	– 48.5	52.6
Change in cash and cash equivalents due to changes in exchange rates and in the group of consolidated companies	– 2.3	0.8
Cash and cash equivalents at beginning of reporting period	110.1	42.8
Cash and cash equivalents at end of reporting period	59.3	96.2

Statement of recognised income and expenses for the EWE Group

First half 2008

in €m	2008	2007
Net profit/loss for the period	127.2	145.1
Exchange differences from foreign subsidiaries	– 3.8	1.4
Actuarial gains and losses from defined-benefit pension commitments and similar obligations	21.9	65.9
Recognised changes from valuation at equity without effect on profit and loss	64.1	2.0
Deferred taxes on valuation changes offset directly against equity	– 6.3	– 24.6
Income and expenses recognised directly in equity	75.9	44.7
Total recognised income and expenses	**203.1**	**189.8**
of which attributable to minority interests	1.3	0.1
of which attributable to shareholders of EWE AG	201.8	189.7

Notes to the consolidated interim financial statements for the EWE Group

Accounting and valuation methods

The Group Interim Report 2008 was prepared for the period from 1 January 2008 to 30 June 2008 according to International Financial Reporting Standards (IFRS) and the corresponding interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as applicable in the European Union (EU) and shortened in accordance with IAS 34. Standards and interpretations which have yet to come into effect were not applied.

The Group Interim Report and the consolidated interim financial statements are unaudited and have not been subject to any accounting review.

The accounting and valuation methods used for the shortened Group Interim Report as of 30 June 2008 correspond to those used for the consolidated financial statements to 31 December 2007.

Effects of new, as yet unapplied reporting regulations

The International Accounting Standards Board (IASB) and the IFRIC have altered or recently passed the following standards and interpretations which are not yet mandatory for use in the 2008 financial year and which EWE Aktiengesellschaft (EWE AG) has opted not to apply ahead of time. These are the individual regulations:

IAS 23 "Borrowing Costs" (amended March 2007): The main change is the removal of the option of recognising as an expense borrowing costs that can be allocated to the acquisition, production or construction of qualifying assets. Companies are now obligated to capitalise these borrowing costs as acquisition, production or construction expenses. The standard applies to borrowing costs related to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The EU has yet to make IAS 23 a component of European law. Borrowing costs have not been capitalised in the EWE Group as yet. The amendments to IAS 23 may give rise to additional acquisition, production or construction costs for future "large" (qualifying) investment plans.

IAS 1 "Presentation of Financial Statements" (amended September 2007): The main changes relate to the presentation of equity and income statements, as well as the titles used for the sections of the consolidated financial statements. The revised standard is effective for financial years beginning on or after 1 January 2009. The EU has yet to make this standard a component of European law. The amendments are not expected to have any significant impact on the consolidated financial statements for EWE AG.

IFRS 3 "Business Combinations" (amended January 2008) contains amended regulations for accounting for mergers and acquisitions. The main changes relate to:
- accounting for transaction costs
- contingent consideration (e.g. earn-outs)
- step acquisitions
- transfer of gain or loss from an acquiree to an acquirer in connection with a debt of the acquired company
- evaluating minority shareholdings and goodwill.

IFRS 3 will come into effect for financial years which begin on or after 1 July 2009. The EU has not yet adopted the standard into European law. EWE is currently investigating the effect of the amendments to the standard on EWE's consolidated financial statements.

IAS 27 "Consolidated and Separate Financial Statements" (amended January 2008): The revised form of IAS 27 makes it obligatory to apply the "economic entity approach" when accounting for transactions with minority interests. Transactions which alter the stake held by a parent company in a subsidiary and which do not alter the situation in terms of assuming control of the subsidiary should be presented within equity but not affecting net profit. Any disposal of an investment in a company that results in loss of control must be presented in a gain or loss on the disposal, recognised in profit or loss. The standard also regulates the allocation of losses attributable to minorities. The revised IAS 27 standard applies to financial years beginning on or after 1 July 2009. The EU has yet to adopt the standard into European law. EWE is currently investigating what effects the revised standard will have.

Amendments to IFRS 2 "Share-based Payment: Vesting Conditions and Cancellations" (January 2008): The amendments clarify the definitions of the terms and treatments of "vesting conditions" and "conditions that are not vesting conditions" as well as the treatment of cancellations of commitments by other parties to the company. The revisions apply to financial years beginning on or after 1 January 2009. The EU has yet to adopt the standard into European law. Applying the standard has no effect on EWE's consolidated financial statements because the EWE Group has no plans for share-oriented payment.

Amendments to IAS 32 and IAS 1 "Puttable Financial Instruments and Obligations Arising on Liquidation" (February 2008): The amendments apply to the regulations for classifying equity and third-party equity. The revised standard permits, for example, the classification of puttable financial instruments as equity under certain conditions. The amendments to IAS 1 will require the notes to statements to include more information. The revised regulations apply to financial years beginning on or after 1 January 2009. The EU has yet to adopt the amendments into European law. EWE is currently investigating what impact applying the amendments to IAS 32 and IAS 1 will have on EWE's consolidated financial statements.

Amendments to standards within the annual improvements project (May 2008): The IASB has published minor amendments to IFRS, which have not been adopted into European law yet. EWE is currently investigating the effect of applying the new regulations to EWE's consolidated financial statements.

Amendments to IFRS 1 "First-time Adoption of IFRS" and IAS 27 "Consolidated and Separate Financial Statements according to IFRS" (May 2008): IAS 27 is mainly concerned with the removal of the definition for acquisition cost methods and regulations for distributing dividends and group reorganisation. The amendments are intended to apply to financial years beginning on or after 1 January 2009. The amendments have not yet been adopted into European law. The amendments to IFRS 1 have no effect on EWE's consolidated financial statements. EWE is currently investigating the effect of applying the amendments to IAS 27 to EWE's consolidated financial statements.

IFRS 8 "Operating Segments" contains new regulations for companies drawing up segment reports for their segments which must be reported. According to these regulations, segment reporting should be done by adopting the "management approach". The standard is applicable for financial years which begin on or after 1 January 2009. The initial application of the standard should have no significant impact on EWE's consolidated financial statements.

IFRIC 12 "Service Concession Arrangements" regulates the accounting of arrangements whereby a government or other public body grants contracts for the supply of public services to private operators as contractors. To fulfil its duties the private operator utilises the infrastructure, which remains at the disposal of the public body. The private operator is generally responsible for construction, operation and maintenance of the infrastructure. The regulations of IFRIC 12 apply to financial years which begin on or after 1 January 2008. The interpretation has not yet been adopted into European law. Because of this, the interpretation has not been applied yet. EWE AG is currently investigating the effect of the initial application of this interpretation on the consolidated financial statements.

IFRIC 13 "Customer Loyalty Programmes" regulates the accounting of customer loyalty programmes operated by the producers and/or service providers themselves or third parties. IFRIC 13 applies to financial years which begin on or after 1 July 2008. The interpretation has not yet been adopted into European law by the EU. EWE AG is currently investigating the effect of the initial application of this interpretation on the consolidated financial statements.

IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" issues guidelines for determining the upper limit of the amount of the surplus of a pension fund which can be recognised as a defined benefit asset according to IAS 19. It also clarifies the effect of legal or contractual minimum financing regulations on the assets or debts of a plan. According to IFRIC 14, no additional liability need be recognised by the employer unless the contributions that are payable under the minimum funding requirement cannot be returned to the company. IFRIC 14 applies to financial years which begin on or after 1 January 2008. The EU has yet to adopt the interpretation into European law. As a result the interpretation has not been applied. EWE is currently investigating the effect of the initial application of IFRIC 14 on EWE's consolidated financial statements.

IFRIC 15 "Agreements for the Construction of Real Estate" concerns itself with answering the question of whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and, accordingly, when revenue from the construction should be realised. IFRIC is binding for financial years which begin on or after 1 January 2009 and must be applied retrospectively. The EU has not yet adopted the interpretation into European law. The initial application should not have any significant impact on EWE's consolidated financial statements.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" clarifies that a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency (but not the currency used in the presentation of the parent entity's consolidated financial statements) and that of the net investment of its foreign operation. The risk from exchange rate changes from a net investment in a foreign operation can only be used as a hedge once within a group. The hedging instrument may be held by any entity or entities within the group. The amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument is defined in accordance with IAS 39, while IAS 21 must be applied in respect of the hedged item. IFRIC 16 is effective for financial years beginning on or after 1 October 2008. The interpretation has not yet been adopted into European law. The effect of the initial application of IFRIC 16 on EWE's consolidated financial statements is currently being investigated.

Company acquisitions

In June 2008, the remaining 49 per cent of the shares were acquired in the already fully consolidated Teleos Gesellschaft für Telekommunikation und Netzdienste Ostwestfalen-Schaumburg mbH & Co. KG, Herford. The acquisition costs came to € 25.0 m. The full € 16.2 m in goodwill resulting from the consolidation was offset against retained earnings (entity method).

On 18 June 2008 EWE TEL acquired 100 per cent of the shares in Martens Antennen- und Kabelanlagen-Gesellschaft mbH (Martens), Hamburg. The acquisition costs amounted to € 9.2 m. The company deals with the installation, operation and maintenance of antenna arrays and the planning, construction and operation of broadband cable networks for and in housing units, primarily in Hamburg. The goodwill calculated in the purchase price allocation upon acquisition came to € 4.0 m. Since 1 January 2008, company sales have amounted to € 4.0 m, with the period shortfall running to € 0.3 m.

At the point of acquisition, the applicable value of Martens' identifiable assets and liabilities were as follows:

in € thousand	Carrying amount	Recognised at upon acquisition
Intangible assets	37	5,569
Property, plant and equipment	12,098	14,890
Financial investments	3	3
Current assets	910	1,160
Total assets	13,048	21,622
Non-current liabilities	9,590	13,720
Current liabilities	2,976	2,772
Total liabilities	12,566	16,492
Net assets		5,130
Interest of EWE in net assets 100 %		5,130
Acquisition costs		9,177
Goodwill		**4,047**

The intangible assets recognised upon initial acquisition contain the client base.

In April 2008 the fully consolidated subsidiary EWE ENERJI ANONIM ŞIRKETI A.Ş., Istanbul in Turkey acquired 39.9 per cent of the shares in Kayserigaz Kayseri Doğalgaz Dağıtım Pazarlama ve Ticaret A.Ş. (Kayserigaz), Kayseri, Turkey. The acquisition costs of the associated company came to € 49.0 m. The Kayserizgaz shares were valued on the appointed date of the acquisition of the shares. Owing to the recent nature of the acquisition, the equity had not been transferred in line with uniform Group accounting and valuation methods and the purchase price had not been allocated by the appointed date of 30 June 2008. Kayserigaz supplies around 150,000 customers in the Kayseri region with natural gas. Kayserigaz reported sales of € 56.8 m and an annual net profit of € 5.2 m for the entire 2007 financial year in its IFRS financial statements.

Group of consolidated companies

In addition to EWE AG, 19 domestic and foreign subsidiary companies, where EWE AG directly or indirectly holds a controlling interest, are fully consolidated in the Interim Report. Six associated companies are included according to the equity method.

Martens was fully consolidated for the first time in the reporting period. Kayserigaz was included for the first time as an associated company.

Principles of consolidation

Consolidation takes place on the basis of the financial statements for EWE AG and the fully consolidated subsidiaries as of 30 June 2008, which are prepared using uniform accounting and valuation methods.

Receivables, liabilities, expenses and income between consolidated companies are eliminated in full in accordance with IAS 27.

Interim results from inter-Group transactions are eliminated in full and deferred taxes recognised as necessary.

Income taxes

The 2008 corporation tax law reform meant that the average weighted German consolidated tax rate fell to 28.5 per cent (2007: 37.3 per cent). This tax rate is used for calculating the actual and deferred taxes of EWE AG and its German Group companies.

Stockholders' equity

Change in equity of the EWE Group

in €m	Subscribed capital EWE Group	Capital reserve EWE Group
As at 31.12.2006	200.0	282.1
Dividend payments[1]		
Income and expenses recognised directly in equity		
Consolidated net profit / consolidated net profit for the period		
Other changes		
As at 30.06.2007	200.0	282.1
As at 31.12.2007	200.0	282.1
Dividend payments		
Income and expenses recognised directly in equity		
Consolidated net profit / consolidated net profit for the period		
Transactions under joint control		
Other changes		
As at 30.06.2008	200.0	282.1

1) Due to the reclassification of minority interests to "other liabilities" in line with IAS 32 the dividend payments do not correspond to the payouts to shareholders and minority interests (dividends) in the cash flow statement.

	Retained earnings				Attributable to EWE Group	Minority interests	Total
	Accumulated income	Recognised directly in equity					
		Cumulative translation differences	Measurement of pension provisions	Change from equity valuation without effect on profit and loss			
	931.8	0.2	10.9	13.9	1,438.9	3.1	1,442.0
	–60.0				–60.0	–0.1	–60.1
		1.4	41.3	2.0	44.7		44.7
	145.0				145.0	0.1	145.1
	–3.5				–3.5	0.8	–2.7
	1,013.3	1.6	52.2	15.9	1,565.1	3.9	1,569.0
	1,165.9	7.4	72.6	48.6	1,776.6	5.5	1,782.1
	–65.0				–65.0		–65.0
		–3.8	15.6	64.1	75.9		75.9
	125.9				125.9	1.3	127.2
	–16.2				–16.2		–16.2
	21.2				21.2		21.2
	1,231.8	3.6	88.2	112.7	1,918.4	6.8	1,925.2

Profit distribution
On 28 April 2008 the EWE AG Annual General Meeting decided to distribute the proposed dividends for the 2007 financial year amounting to € 65 m (€ 1,625 per € 5 of nominal share capital).

Provisions
Provisions for pensions and similar obligations are discounted at an interest rate of 6.0 per cent (31 December 2007: 5.5 per cent).

Contingent liabilities
There have been no material changes to the contingent liabilities since 31 December 2007.

Segment information
Segment information is recorded in the Group Interim Report.

Related party disclosures
Transactions with companies included in the consolidated financial statements are eliminated as part of consolidation. The related parties of the EWE Group include the shareholders of EWE AG and the associated companies accounted for under the equity method, as well as the members of the Board of Management and Supervisory Board of EWE AG.

Financial relationships and relationships for commercial services exist with the group of shareholders. With the group of companies accounted for under the equity method there are supply relationships for gas, and financial relationships. All transactions are concluded on standard market terms.

The following table shows the transactions with related parties:

Associated companies accounted for under the equity method

in €m	01.01.–30.06.2008	01.01.–30.06.2007	30.06.2008	31.12.2007
Energy purchased	118.3	94.5		
Services purchased	6.1	0.4		
Miscellaneous	1.8	1.1		
Receivables			15.4	13.6
Liabilities			8.9	34.6

Shareholders of EWE AG

in €m	30.06.2008	31.12.2007
Liabilities	1.7	2.1

The members of Ems-Weser-Elbe Versorgungs- und Entsorgungsverband are the local authorities and municipalities in our supply area. They are supplied with electricity, gas and telecommunications and information services on standard market terms.

The EWE Group concluded no significant transaction with related individuals. The supply of electricity and gas and telecommunications services to related parties takes place on arm's length terms.

Information on the boards of EWE AG

Supervisory Board

Günther Boekhoff
Chairman
Honorary Mayor of Leer

Rainer Janßen
First Deputy Chairman
Technical Supervisor, EWE NETZ GmbH, Varel

Martin Döscher
Second Deputy Chairman
Honorary District Administrator, Köhlen

Hans Eveslage
Third Deputy Chairman
District Administrator, Cloppenburg

Wolfgang Behnke
Systems Integrator, EWE AG, Oldenburg

Ingo Blaser
Qualified Engineer (Dipl.-Ing.),
EWE AG, Oldenburg, until 28 April 2008

Hans-Jürgen Bleeker
Assembly Engineer, EWE NETZ GmbH, Norden,
until 28 April 2008

Hermann Bröring
District Administrator, Meppen

Claus Christ
Technical Supervisor, EWE NETZ GmbH, Remels

Karl-Heinz Funke
Minister (retd.), Varel

Heiner Grotheer
Manager, Osterholz-Scharmbeck,
from 28 April 2008

Carsten Hahn
Clerk, Osterholz-Scharmbeck, from 28 April 2008

Dr. Hans-Dieter Harig
Former Chief Executive Officer,
E.ON Energie AG, Hanover

Gregor Heller
Senior Trades Consultant, EWE AG, Haselünne

Jörg Kastendiek
Senator (retd.), Bremen, until 28 April 2008

Dr. Stephan-Andreas Kaulvers
Chairman of the Board of Management of
Bremer Landesbank, Bremen

Aloys Kiepe
ver.di District Trade Secretary, Emden

Sigrid Leidereiter
ver.di District Trade Secretary, Bremen

Dr. Jörg Mielke
District Administrator, Osterholz-Scharmbeck,
until 28 April 2008

Gerd Reiners
Technical Board of Management (retd.),
EWE, Oldenburg,
from 28 April 2008

Immo Schlepper
ver.di Trade Union Secretary,
Oldenburg

Alwin Schlörmann
Business Area Director, Delmenhorst,
from 28 April 2008

Prof. Dr. Gerd Schwandner
Mayor, Oldenburg

Dierk Schwarting
Technical Supervisor, EWE NETZ GmbH, Ganderkesee

Board of Management

Dr. Werner Brinker
Chief Executive Officer and Chief Officer
Sales and Marketing, Rastede

Heiko Harms
Chief Operating Officer, Rastede

Dr. Thomas Neuber
Chief Officer Procurement and Production,
Oldenburg

Michael Wagener
Chief Financial Officer, Rastede

Events after the balance sheet date

The significant events that occurred after the balance sheet date are noted in the Group Interim Report.

Confirmation by the legal representatives

We confirm that – to the best of our knowledge and in accordance with the applicable accounting standards – the consolidated interim financial statements give a true and fair view of the asset, financial and earnings position of the Group and that the Group Management Report presents the course of business, earnings and the Group's situation in a true and fair way and that the main risks and opportunities of the Group's expected future development are described.

Oldenburg, Germany, 21 August 2008

Board of Management

Dr. Brinker	Harms	Dr. Neuber	Wagener

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