Interim Report 2009

1 January to 30 June 2009

EWE Group key figures

	01.01.–30.06 2009[1]	01.01.–30.06 2008[1]	Change in per cent
Electricity sales in million kWh	6,291.7	6,845.6	–8.1
Natural gas sales in million kWh	25,820.7	21,081.3	22.5
in €m			
Sales (without electricity and natural gas tax)	2,923.3	2,599.7	12.4
EBITDA	539.6	361.6	49.2
EBIT	391.8	229.8	70.5
Net profit for the period	256.5	127.2	101.7
Capital expenditure (total)	255.3	257.2	–0.7
Cash flow from operating activities	282.3	131.3	115.0
Borrowings (30.06.2009 and 31.12.2008)	2,569.2	2,597.8	–1.1
Balance sheet total (30.06.2009 and 31.12.2008)	7,268.4	7,227.8	0.6
Average number of employees (30.06.2009 and 31.12.2008)	5,801	5,347	8.5

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

The accounting methods applied may result in rounding differences of +/– one unit (euro, per cent, etc.).

Board of Management (from left): Dr. Thomas Neuber, Dr. Werner Brinker, Heiko Harms, Michael Wagener

Foreword of the Board of Management

Dear ladies and gentlemen, friends of the company,

We are able to present you with a pleasing balance sheet for the first half of 2009. EWE has so far coped well with the effects of the economic crisis. A downward trend in its industrial customer business was more than compensated for by the positive development of its energy operations in other areas.

Natural gas operations, in particular, benefited from a number of favourable circumstances. The comparatively cool weather in the reporting period and the first-time inclusion of the Group's subsidiaries in Turkey had a positive impact on the sales and earnings contribution. First and foremost, however, the negative price effects which had put gas earnings under heavy pressure in the first half of 2008 did not repeat themselves in the reporting period. In 2008, the rapid increase in the cost of purchasing natural gas that resulted from climbing oil prices could be passed on to the market only incompletely and with a delay. The turmoil on the procurement markets has calmed down again since that time as the recession has taken hold, and EWE has already been in a position to reduce gas prices three times.

On the telecommunications market, where we have now been active for more than ten years and are growing steadily, competition once more has increased significantly. Last year we began to reorganise and reposition ourselves so that we will be able to hold our own successfully on this market in the future, too. The substantial year-on-year fall in earnings in the first half of the year must be seen in this context. We are expecting earnings to return to stability as early as 2010.

Now for the EWE Group's most important key figures in the first half-year:

- Sales increased by 12 per cent compared with the first half of 2008. With regard to the quantities of electricity sold, there has been a decline across all customer groups. Primarily, however, this is a reflection of the lower demand from special-rate customers that resulted from the economic situation. Natural gas sales and revenue developed positively, also after the inclusion of the companies Bursagaz and Kayserigaz, which have been fully consolidated since 1 November 2008. In addition to the effects of the weather, the winning of three municipal utility companies, in particular, must be mentioned in this context. The Network and ICT business areas, too, posted slight increases in sales.
- We increased the operating result by 70 per cent. The substantial growth in EWE's natural gas business and the income of the VNG equity investments were the most significant factors in this trend.
- Consolidated net profit increased significantly to € 256.5 million. The return on sales increased from 4.9 per cent to 8.8 per cent.

Due to seasonal factors, the first half of the year is the major contributor to the Group's sales and earnings for the year. In view of this fact, the good result for the first half of 2009, which originates primarily from the natural gas business, cannot be used to project the result for the year as a whole. In view of the trends that have been evident, however, we are expecting sales over the year as a whole to be higher than in 2008. We are making this forecast irrespective of the possible full consolidation of the Bremen-based public utility company swb during the further course of the year.

The fact that we are well positioned for the medium and long term and the extent of that healthy position are factors that we would like to summarise under the heading of "strategic partnerships". In June we came to an agreement with the Free Hanseatic City of Bremen, as the body entitled to make such decisions, regarding the acquisition of all shares in swb that would be released upon the merger of RWE and Essent. We regard this decision as confirmation of the two companies' successful collaboration in the past and an indicator of promising prospects for a common future. Soon afterwards we were able to open a new chapter in the further development of EWE and welcome EnBW as new partner at our side. We regard the partnership with EnBW and the increased shareholding in swb as the ideal basis for jointly cultivating key fields of business and continuing successfully along our path of growth.

Yours sincerely,

Oldenburg, Germany, August 2009
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 euro bonds (maturities: 10 and 15 years, respectively) with an aggregate volume of €1.5 billion. In July 2009, EWE used the favourable market environment to issue another euro bond for € 500 million. The bond, which has a term of 12 years, received a great deal of investor interest and was hugely oversubscribed within just a short period of time.

In the first half of 2009, two dynamic trends shaped developments on the fixed-interest markets. For one thing, there was a significant improvement in the mood of investors, which led not least to the attainment of record issue volumes on the primary markets for corporate bonds. For another, there was an unprecedented trend in demand on the secondary markets.

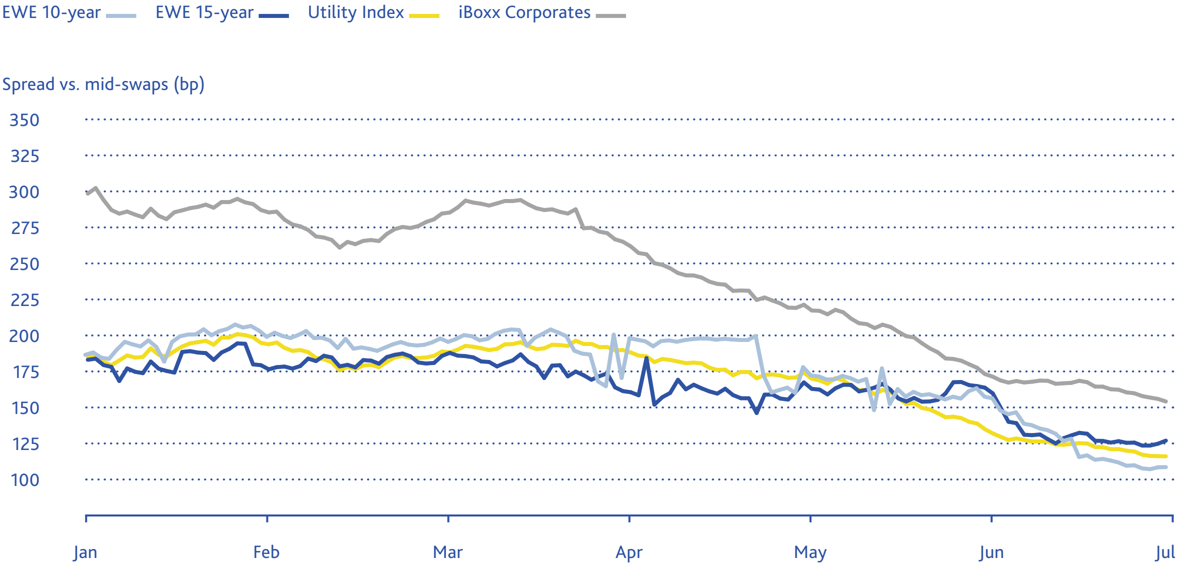
The sharp increase in risk premiums in the fourth quarter of 2008 had a positive impact on the yield prospects of corporate bonds in comparison with other categories of securities. This led to high demand from private investors in particular. As a result, the yield premiums of corporate bonds decreased by around half, compared with mid-swaps, from an average of some 300 bp to approximately 150 bp in the first six months.

Companies' issuing activities on the fixed-interest market grew to more than € 200 billion (same period in previous year: € 79 billion). This abrupt increase was caused by companies' significant refinancing needs following the difficult conditions that prevailed in the second half of 2008, a shift in financing activities from the banking market to the capital markets, and high liquidity levels on the investors' side.

Companies from the utilities sector benefit from their defensive credit profile. The risk premiums, compared with mid-swaps, fell in the first six months of the year by around 65 bp, or 30 per cent, to an average of +120 bp. The positive market environment and the utility companies' persistently high financing needs, for acquisitions and investment among other things, caused issue volumes of the utility sector to treble from their previous year's level to some € 45 billion.

The course taken by the EWE bonds on the secondary market oriented itself largely on the development of the index for utilities bonds. On 30 June 2009 the EWE bonds from 2004 closed with a yield premium, compared with swaps, of +113bp for the bond due in 2014 and +130 bp for the bond due in 2019. This meant that the risk premiums were, respectively, some 50 bp and 70 bp lower than at the beginning of the year. The bond issued in July 2009 performed very well on the secondary market.

Performance of EWE bonds in the first half of 2009



	EWE 10-year bond	EWE 15-year bond	EWE 12-year bond
ISIN	DE000A0DLU51	DE000A0DLU69	DE000A0Z2A12
Security code no.	A0DLU5	A0DLU6	A0Z2A1
Issue date	14 Oct 2004	14 Oct 2004	16 July 2009
Maturity	14 Oct 2014	14 Oct 2019	16 July 2021
Remaining term (from August 2009)	5.2 years	10.2 years	11.9 years
Currency	EUR	EUR	EUR
Volume	1 bn	0.5 bn	0.5 bn
Denomination	1,000.00	1,000.00	1,000.00
Coupon type	Fixed coupon	Fixed coupon	Fixed coupon
Nominal interest	4.375%	4.875%	5.25%
Interest paid	Annually	Annually	Annually
Interest payment date	14 Oct.	14 Oct.	16 July
Issue spread	+40 bp	+52 bp	+160 bp
Spread on 30 June 2009	+113 bp	+130 bp	–

Interim Group Management Report

1 January to 30 June 2009

Business and economic environment

Macroeconomic developments

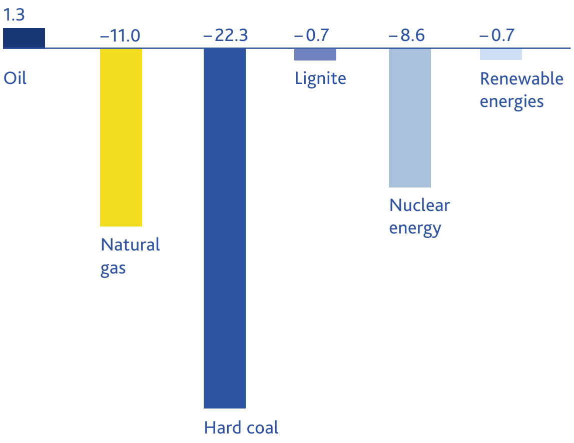
Global production again fell sharply in the first quarter of 2009. The economic downswing continued in the industrialised nations and most developing countries following the massive downturn in the autumn of 2008. According to calculations by the Kiel Institute for the World Economy, global gross domestic product fell by 1.8 per cent compared with its level in the previous quarter. Investments and demand for exports fell particularly sharply. Economic output in the eurozone declined in the first quarter by 2.5 per cent from the previous quarter's level, while in the second quarter European gross domestic product decreased by only 0.1 per cent from the previous period's level. Only Poland managed to hold its own on the path of growth, increasing its gross domestic product by 0.4 per cent. The Turkish economy declined sharply in the first three months, its gross domestic product for the quarter falling by 13.8 per cent compared with the previous year. The German economy suffered a historic downturn in the first quarter with gross domestic product down by 3.8 per cent compared with the previous quarter. According to Germany's Federal Statistical Office, this is the fourth consecutive quarterly decline and the most severe since official calculations of such statistics began in 1970. Compared with the first quarter of 2008, gross domestic product decreased by 6.9 per cent. Net exports had a negative impact on economic output, as price-adjusted exports declined considerably more sharply than imports. The decline in investments compared with the previous quarter also had a dampening effect on the economy. Positive growth momentum came solely from private and governmental consumption spending, which increased by 0.5 per cent and 0.3 per cent, respectively, compared with the previous quarter. According to the German Federal Statistical Office, the German economy in the second quarter of 2009 grew by 0.3 per cent compared with the previous quarter, thereby heralding a minor recovery from the adverse general economic trend.

Energy markets

The economic cycle has a substantial impact on energy consumption in Germany. According to calculations by the Working Group for Energy Balances (AGEB), consumption of primary energies fell by six per cent in the first six months of the current year to 222.7 million tonnes of coal equivalents, compared with the corresponding period in the previous year. All energy sources – with the exception of mineral oil, where the trend was shaped by special factors – were affected by this development. According to the German Association of Energy and Water Industries (BDEW), consumption of gas and electricity fell sharply. Compared with the corresponding period in the previous year, sales of electricity fell by six per cent and sales of gas by as much as eleven per cent. The most important reason for the decline is the persistently lower level of industrial production. The BDEW estimates that gas and electricity sales to industry in the first half of the year alone slumped by around 15 per cent. Demand from household customers, on the other hand, is hardly influenced by the general economic situation. The cool weather in the early part of the year contributed to the higher level of energy sales.

Energy consumption falls sharply due to the economic climate

Changes as percentages



Source: Working Group for Energy Balances (AGEB)

Price developments

The energy markets continued to be influenced by the effects of the global economic crisis in the first six months of 2009. On the futures and options markets the previous year's downward trend persisted until March, although the markets then recovered in line with the more buoyant stock markets. In the last two months of the half-year, prices stagnated or decreased slightly.

Price of electricity reaches lowest level since 2005

Due to a substantial decline in demand from industrial customers and accompanying price reductions on the electricity spot market, the one-year forward contract for base load likewise fell sharply at the beginning of the year. Although € 57 per megawatt hour (€/MWh) was still being paid for base load electricity at the beginning of January for deliveries for the upcoming calendar year on the Leipzig energy market EEX, this figure had fallen to just € 42.65/MWh by the end of February. This was the lowest price since August 2005. The price recovery which followed reflects the emerging hopes that the economic situation will ease slowly. Compared with the increase in oil prices, this trend in electricity prices was extremely moderate.

The recession has left its mark on the oil market. Following a rapid increase in the previous year with record prices of over US$ 140 per barrel, the expected economic downturn led to a decline in worldwide demand for crude oil and falling prices towards the end of the year. The subsequent price increase from US$ 40 per barrel at the end of February 2009 to over US$ 70 per barrel in June which then ensued can be accounted for only partially by the significant reduction in crude oil production rates that OPEC had carried out since the previous autumn. Although declines in US inventories of crude oil were recently reported for several weeks in the reporting period, they remain higher than their levels of the previous year. It can rather be assumed that the recent price increase anticipates a future increase in demand caused by expectations of a global economic recovery.

New rise of Brent crude oil prices in first half of 2009

Hard coal prices stabilise after volatile first half of 2009

CO_2 certificates with significantly higher premium than electricity price

Coal prices on the international futures and options markets were volatile in the first half of 2009. Between the peaks of US$ 95 per tonne (US$/t) at the beginning of January and the beginning of June, the price fell to its lowest level so far, US$ 71/t, in March. Most recently, reports of well-stocked coal depots in Europe on the one hand and astonishingly robust demand in the Asian/Pacific region on the other kept prices stable at around US$ 85/t.

The trend in prices for emissions certificates in the first half of 2009 was similar to that of the electricity one-year forward contract. In February, the price for an emissions certificate to be issued in December 2009 reached its lowest point so far at € 8.10/t. In mid-May, the level from the start of the year (€15.83/t) was reached again. Most recently, the price fell slightly to between €13 and €14/t.

Telecommunications market

On the telecommunications market, bundle products encompassing internet, landline and mobile communications continue to be the primary focus. In addition, various promotional campaigns have been developed as marketing incentives. The central element of this is the broadband connection, which remains the strongest factor in the industry's growth. Traditional telecommunications companies such as EWE TEL GmbH are having to endure a great deal of competition in this area from cable network providers. These often grow more quickly than their competitors because they can achieve greater bandwidths via their cable networks. The conventional copper-based ADSL technology, on the other hand, is subject to greater physical limitations. All in all, competitive intensity and pricing pressure are still increasing. The EWE telecommunications group is positioning itself in this market environment via an organisational and process-related corporate realignment. The mergers of Teleos and osnatel with EWE TEL during the past year constitute a significant basis for pooling the companies' strengths. At the same time, an even more strongly decentralised form of customer orientation was put in place in order to strengthen the competitive advantage of "proximity to our customers".

All over Germany, the telecommunications industry is facing the challenge of improving broadband provision in Germany and eliminating the "blank spots". For this purpose, the German Federal Government is making development funds available for designated areas as part of its second economic stimulus package. EWE TEL is taking part in the relevant tendering procedures, though the predominantly rural sales area is a particular challenge.

Legal environment

Third internal energy market package

At the end of June 2009, the EU Council of Ministers adopted the compromise on the third internal energy market that was reached between the European Commission, the European Parliament and the Council. The package, whose primary aim is to strengthen competition on the European energy markets, consists of three regulations and two guidelines. These directives for the internal natural gas and electricity market contain provisions for the separation of the extraction/generation, procurement and sales areas from the operation of long-distance gas pipeline and power transmission networks. As far as the gas and electricity markets are concerned, the member states have the possibility of choosing between three variants of unbundling: ownership unbundling, setting up an independent system operator, and setting up an independent transmission operator. As a long-distance gas pipeline operator EWE NETZ GmbH (EWE NETZ), having made its own provisional assessment, believes that it falls within the scope of the unbundling targets of the third internal energy market package. However, EWE NETZ argues that national governments should make allowances for the special character of companies such as EWE NETZ when implementing the European guidelines as these companies are particularly characterised by their regionally focused network structure. This should allow companies to be categorised as regional transmission system operators, which would in turn mean the application of specific regulations. The expectation is that EWE NETZ, with its regional pipeline network, would not come under the heading of ownership unbundling or the alternative possibilities.

In addition, the directive for the internal natural gas market and the regulation on the conditions for access to natural gas supply networks contain extensive regulatory measures for the gas storage market. These include not only the codification of the Guidelines for Good TPA Practice for Storage

System Operators, but also, first and foremost, the legal and organisational unbundling of storage system operators. As one of the largest German operators of gas storage facilities, EWE AG is directly affected by the new provisions.

The internal energy market package is also subjecting the energy sector to numerous conditions to fulfil regarding consumer protection. For example, the package's two directives provide for a reduction in the currently valid period for handling a change of supplier to three weeks and demand a guarantee that customers will receive a final settlement no later than six weeks after changing their supplier.

Regulation on guaranteeing security of natural gas supply

In mid-2009 the European Commission presented a draft regulation for guaranteeing the security of natural gas supply, in which the main focus is on obliging the responsible national authorities to establish a prevention and emergency plan. Other central aspects of the proposal are that the European Commission can, under certain conditions, declare an EU emergency, which involves specific areas of responsibility and processes, as well as a further tightening of the transparency and reporting obligations for gas companies.

In Germany, energy policy at Federal level was again shaped by topics relating to energy efficiency, renewable energy and climate protection in the first half of 2009. In the area of energy efficiency, the first draft of an energy efficiency act which is designed to implement the EU Directive on energy end-use efficiency and energy services (ESD). The directive's goals are to save nine per cent of end-use energy in each European member state over a period of nine years and to create a market for energy services. The first draft of the German Energy Efficiency Act (EnEfG) is being discussed by the German Federal Environment Ministry and the German Economics Ministry. Agreement is no longer expected during this legislative period.

Renewable Energy Act (EEG)

On 27 May 2009, the German Federal Cabinet adopted the Regulation on the Further Development of the Federal Compensation Mechanism (AusglMechV). The Bundestag, or lower house of the German Federal Parliament, approved this regulation on 2 July 2009. Until now, the electricity volumes paid in accordance with the Renewable Energy Act (EEG) have been apportioned by the EEG facility operators via the distribution and transmission network operators to all the companies that sell electricity in Germany in an elaborate process (the so-called physical compensation mechanism). As from 1 January 2010 the only settlement for EEG electricity is to be of a financial nature. In the future, this will be distributed on the energy exchange EEX's spot market by the four transmission network operators. This puts an end to the physical passing on of power by transmission network operators to power supply companies. The distributors are no longer obliged to obtain their electricity from the transmission network operators.

This enhancement is designed to eliminate the disadvantages of the previous compensation mechanism. With the current mechanism, the differences between prior forecasts of the EEG ratio and its actual level lead to risks for all power supply companies. Furthermore, the conversion of the power paid in accordance with the EEG in monthly batches is a time-consuming and costly affair for the transmission network operators, and consequently leads to higher network fees. The restructuring of the compensation mechanism is designed to minimise the expense and financial risks, as well as the resultant additional costs for everyone involved.

System Service Ordinance

Also on 27 May 2009, the German Cabinet adopted the Ordinance on System Services by Wind Energy Plants (System Service Ordinance – SDLWindV). The System Service Ordinance regulates the technical requirements of wind energy plants, which are increasingly to take on the attributes of power plants. The ordinance's objectives are to increase the safety and stability of the power networks, also where the proportion of wind energy in the network is high, and to advance technical developments in this area. The enactment of this ordinance is putting important prerequisites in place for the further expansion of wind energy. In the future, new wind energy plants will have to meet specific requirements regarding voltage and frequency maintenance. Existing plants will be given financial incentives to carry out appropriate retrofitting work. The purpose of the ordinance is to ensure the safety and stability of the power networks, even as the proportion of power accounted for by wind energy increases quickly.

Direct marketing and the Energy Efficiency Act

Unlike the regulation on the compensation mechanism, a mechanism for the direct marketing of power from renewable energy could not yet be established. There is, moreover, unlikely to be any solution for the market integration of renewable energies during this legislative period. Furthermore, the Energy Efficiency Act (EnEfG), whose purpose is to implement the EU Directive on energy services in national law, has still to be passed.

National plans of action for renewable energy

On 30 June 2009 the European Commission issued a blueprint for the national plans of action on renewable energies that every member state is supposed to implement in accordance with the recently adopted directive on renewable energy by 30 June 2010 at the latest. This template serves as a guideline for the elaboration of the national plans of action which will give detailed information about how the member states aim to achieve their national objectives with regard to the proportion of renewable energy that is to be reached by the year 2020. The plans of action are designed to show objectives and paths that the member states wish to pursue in order to increase the proportion of renewable energy in the transport, electricity, heating and cooling sectors. They are also to include descriptions of accompanying measures such as the expansion of the energy infrastructure, adjustment of the building regulations and further assistance and flexibilisation measures.

Incentive regulation

As of 1 January 2009, the legal stipulations for the changeover from cost to incentive-based regulation for the German operators of electricity and gas networks have come into force. The essence of the incentive regulation lies in decoupling revenue development from cost development. Based on a cost audit in the base year and an efficiency comparison, the German Federal Network Agency determines the revenue path for a regulation period for each network operator. The gas network operators' first regulation period runs from 2009 to 2013, and that of the electricity suppliers from 2009 to 2014.

The results of the nationwide efficiency comparison were conveyed to EWE NETZ GmbH (EWE NETZ) in 2008: EWE NETZ has 100 per cent efficiency in all the gas networks and in the electricity network. The efficiency of German electricity network operators was 92 per cent on average, while German gas network operators recorded an average of 87 per cent. These results make it clear that EWE NETZ is well positioned for the incentive regulation.

As the Incentive Regulation Ordinance is a new law, the entire industry feels that there is still considerable need for clarification with regard to how some of the provisions on determining the revenue ceilings are interpreted. The subject matter in question comprises commercially significant points of contention. Examples are taking the cost of expansion investment into account during a regulation period or the extent to which costs incurred in the procurement of energy for the coverage of grid losses can be given separate consideration in the incentive regulation. Accordingly, EWE NETZ too has decided to file an objection to the determination of the revenue ceilings for the electricity and gas networks.

Regulatory framework on the telecommunications market

The German Federal Network Agency approved new monthly charges for subscriber lines as of 1 April 2009. In doing so, it did not comply with Deutsche Telekom AG's request for substantial increases. Instead, charges which are significant for the EWE telecommunications group as well were reduced. The reduction was somewhat greater than when charges were last determined two years ago. As of the same date, the German Federal Network Agency approved new mobile communications termination charges. Neither decision has come into force as of yet. To help close the "blank spots" in the network quickly, the regulatory authority has additionally obliged Deutsche Telekom AG to grant companies access to its switch networks. In many cases, this makes it possible to tap into new areas more quickly and cost-effectively than by connecting via the service area interfaces. Deutsche Telekom AG has filed an action against this decision. Following the alteration to the Frequency Band Allocation Plan Ordinance (FreqBZPVO), frequencies which are no longer required for radio services on grounds of digitalisation can be used for mobile communications applications in the future (digital dividends). On the basis of a draft paper broadly outlining the project, the German Federal Network Agency has proposed a decision for consultation purposes on the awarding of these frequencies. The envisaged solution is to auction them nationally together with other frequencies. The process is scheduled for conclusion by the end of 2009.

EWE Group

Business area Corporate Centre	Business area Energy Production, procurement, sales	Business area Network	Business area ICT Information technology, telecommunications
EWE AG	EWE AG	EWE NETZ GmbH	EWE TEL GmbH
VNG – Verbundnetz Gas AG[1]	EWE Polska Sp. z o.o.[2]	Aequamus GmbH [1]	Bremer Kommunikationstechnik GmbH
	EWE ENERJI A.Ş.[2]		BCC Business Communication Company GmbH
	EWE WASSER GmbH		htp GmbH[1]
	swb AG[1]		Martens GmbH
	DOTI GmbH & Co. KG[1]		BTC Business Technology Consulting AG[2]
	MVR Müllverwertung Rugenberger Damm GmbH & Co. KG[1]		

As of 30 June 2009

1) Associated company
2) Subgroup

Significant events

Since January 2009, Deutsche Telekom and EWE have been cooperating to extend the fibre optic network in eight towns in Lower Saxony and in Bremerhaven. The provision of this blanket high-speed infrastructure would have been too time-consuming and costly for either of the companies on its own. Providing subscribers with higher bandwidths is a basic prerequisite of high-speed internet access. The German Federal Government has set itself the target of providing every German household with a 50 megabit per second broadband connection by 2018. The German state of Lower Saxony's statistics and telecommunications technology authority (LSKN) has awarded EWE TEL the order to establish and operate the future communications network of Lower Saxony's state administration, thereby becoming the company's biggest customer so far.

The Osnabrück-based telecommunications company osnatel was merged with EWE TEL GmbH with retroactive effect from 1 January 2009 and will henceforth trade under the name of EWE TEL. osnatel is bringing some 200 employees and 110,000 customers into the company. Following the merger of the Herford-based telephone company Teleos with EWE TEL in 2008, this is one more step in the establishment of an efficient regional telecommunications provider.

Market area cooperation: On 9 March 2009, Aequamus GmbH, established with equal shares by EWE NETZ GmbH, Erdgas Münster Transport GmbH & Co. KG and Gasunie Deutschland Transport Services GmbH, was entered in Bremen's Commercial Register. The company is taking on the balancing and coordination of the new market area "L-Gas 1" and successfully commenced its operating activities as of 1 April 2009.

Together with Wilhelm Karmann GmbH, EWE presented the test model for a new electric car at this year's Hannover Messe trade fair. EWE is promoting the topic of electric mobility from the point of view of "mobile storage" and is planning to integrate the test vehicles into its power and telecommunications networks. The Osnabrück-based automobile manufacturer Karmann is contributing its experience in vehicle development.

In May 2009, the strategic partners EWE and EnBW came to an agreement regarding the sale of EWE's 47.9 per cent shareholding in VNG to EnBW. The transfer of the stake is still subject to the approval of the VNG Annual General Meeting and the German Federal Cartel Office.

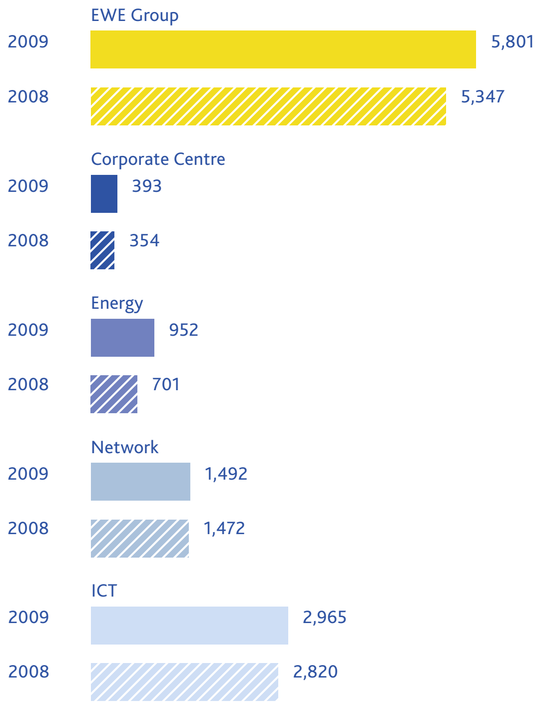
EWE and the Free Hanseatic City of Bremen reached an agreement on the acquisition of a further 51 per cent stake in the Bremen-based energy supplier swb by EWE. On 23 June, the Bremen Senate approved the sale of the shares. On 30 June, the German Federal Cartel Office approved the purchase. The shares can be transferred as soon as RWE's acquisition of a stake in Essent has been completed. The sale of the swb shares was a precondition of the partnership between RWE and Essent being approved.

Also in June 2009, EWE acquired 100 per cent of the Turkish gas trading company Avrasya Energy Inc. from the Turkish Akfel group. The company, which now trades under the name EWE Doğalgaz, provides EWE with new gas procurement possibilities and complements the Group's existing stakes in the Turkish end customer market.

In the same month, EWE acquired the wind farm Elsdorf II in Lower Saxony, which has an output of 18 megawatts, from the Spanish project developer Gamesa Energie S.A.

Employees by business area

ø number for the first half of 2009 and full year 2008



Employees

In the first half of 2009 the EWE Group employed an average of 5,801 staff. This is eight per cent higher than the previous year's average. The highest growth rate was achieved by the Energy business area due to consolidation.

In the Corporate Centre business area, the average number of employees increased by eleven per cent to 393. This was caused by a further expansion of the Group functions.

The substantial increase of 35.8 per cent to 952 employees in the Energy business area is largely the result of the first-time consolidation of the Turkish associated companies Bursagaz and Kayserigaz. In addition, more staff were hired in the areas of sales and natural gas storage facility construction.

The slight increase in employee numbers in the Network business area (up by 1.4 per cent) to 1,492 is mainly a reflection of the continued growth in administrative activities as a result of regulatory developments.

Employee numbers in the ICT business area continued to grow, increasing by 5.1 per cent to 2,965. This resulted from the hiring of additional staff and the first-time inclusion of Martens Antennen- und Kabelanlagen GmbH.

Earnings, assets and financial position

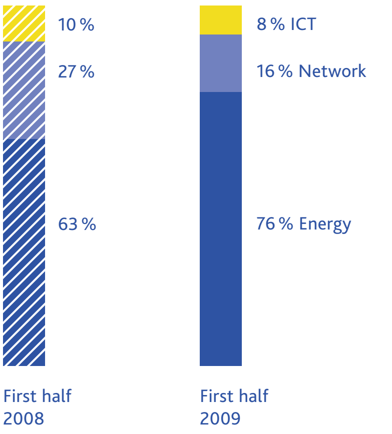
Earnings position

This interim financial report of EWE AG as of 30 June 2009 is based on International Financial Reporting Standards (IFRS). Compared with the corresponding period last year, the group of consolidated companies was expanded to include three fully consolidated companies and two accounted for under the equity method. In the Energy business area, the Turkish gas suppliers Kayseri Doğalgaz Dağıtım Pazarlama ve Ticaret A.Ş. (Kayserigaz) and Bursagaz Bursa Şehiriçi Doğalgaz Dağıtım Ticaret ve Taahhüt A.Ş. (Bursagaz) have been fully consolidated since 1 November 2008 (previously accounted for under the equity method). The Turkish wholesale company EWE Doğalgaz Sanayi ve Ticaret A.Ş (EWE Doğalgaz) has been fully consolidated since 11 June 2009. MVR Müllverwertung Rugenberger Damm GmbH & Co. KG (MVR), which is likewise allocated to the Energy business area, has been accounted for under the equity method since 1 January 2009. In addition, Aequamus GmbH (Aequamus), which offers balancing group management as a service provider, has been included in the Network business area under the equity method since 1 April 2009. The VNG shares, which had previously been accounted for in the Corporate Centre business area under the equity method, are classified as held for sale due to the agreed disposal of the shares. All in all, the corresponding period last year is therefore only partially comparable with the current period.

Summary consolidated income statement

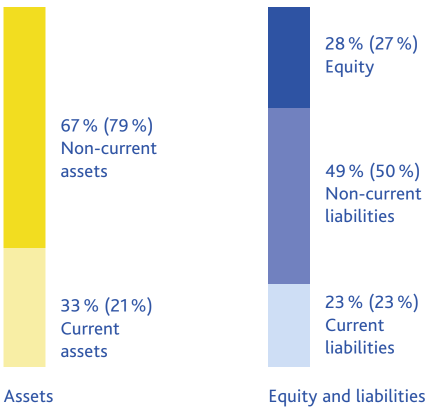
in €m	01.01. – 30.06. 2009	01.01. – 30.06. 2008	Change in %
Sales (without electricity and natural gas tax)	**2,923.3**	**2,599.7**	**12.4**
Cost of materials and services	– 2,250.7	– 2,050.3	9.8
Personnel expenses	–168.9	–150.3	12.4
Other income and expenses	–117.2	–105.7	10.9
Result of investments accounted for under the equity method	153.1	68.2	124.5
EBITDA	**539.6**	**361.6**	**49.2**
Depreciation, amortisation and impairment	–147.8	–131.8	12.1
EBIT	**391.8**	**229.8**	**70.5**
Net interest income / expense	**–75.5**	**– 61.2**	**23.4**
Profit before tax	**316.3**	**168.6**	**87.6**
Income taxes	– 59.8	– 41.4	44.4
Consolidated net profit for the period	**256.5**	**127.2**	**101.7**
of which attributable to minority interests	2.4	1.3	84.6
of which attributable to shareholders of EWE AG	254.1	125.9	101.8

Sales by Group business area



Group balance sheet structure as of 30 June 2009

(31.12.2008)



In the first six months of 2009 the EWE Group generated sales (excluding electricity and natural gas tax) of € 2.92 billion. Of total Group sales, 75.8 per cent came from the Energy business area, 15.8 per cent from the Network business area and 8.4 per cent from the ICT business area. The Corporate Centre business area has no appreciable sales. The development of sales shows a decline in electricity quantities sold across all customer groups at almost unchanged electricity revenues. This is primarily a reflection of the lower level of demand from special-rate customers due to the economic situation. Natural gas sales and revenue, on the other hand, developed positively, also after the inclusion of the companies Bursagaz and Kayserigaz, which have been fully consolidated since 1 November 2008. In particular, three municipal utilities that were acquired must be mentioned in this context. For the Network and ICT business areas, too, there were slight increases in sales. The materials usage ratio, measured as the cost of materials and services in relation to revenue from sales, fell from 78.9 per cent to 77.0 per cent.

In addition to the better materials usage ratio, the substantially improved result of equity investments led to a considerable increase in EBIT to € 391.8 million. The marked increase in the result of equity investments stems primarily from a pronounced improvement in results at VNG.

Net interest income / expense is principally made up of interest paid on two bearer bonds issued in the fourth quarter of 2004 (EWE bonds), interest on current bank debt and expenses for compounding non-current provisions.

The consolidated profit for the period was € 256.5 million and thus considerably higher than in the corresponding period last year. The return on sales increased from 4.9 per cent to 8.8 per cent.

Summary Group cash flow statement

in €m	01.01.–30.06. 2009	01.01.–30.06. 2008
Cash flow from operating activities	282.3	131.3
Cash flow from investing activities	–295.4	–276.3
Cash flow from financing activities	–116.9	96.5
Currency translation and consolidation changes	–1.2	–2.3
Net change in cash and cash equivalents	**–131.2**	**–50.8**
Cash and cash equivalents at the beginning of the reporting period	223.0	110.1
Cash and cash equivalents at the end of the reporting period	**91.8**	**59.3**

Assets and financial position

The nature of business engaged in by EWE means that it has a high investment intensity and a correspondingly high level of capital commitment. Non-current assets therefore account for some 67 per cent of total assets. The lower level of non-current assets compared with 31 December 2008 results from the VNG shares being classified as held for sale in accordance with IFRS 5. Investments amounted to € 255.3 million in the 2009 reporting period and were largely made for the expansion of infrastructure and to acquire equity investments for the strategic enhancement of the existing business areas. Non-current assets are financed by means of equity and non-current borrowings. Current borrowings are first and foremost the result of financing arrangements necessitated by investments. Non-current borrowings are principally composed of two EWE bonds with a total volume of €1.5 billion and terms of 10 years (2014) and 15 years (2019). The equity ratio rose slightly from 27 per cent to 28 per cent.

The condensed Group cash flow statement shows that in the reporting year EWE's cash flow from operating activities at € 282.3 million was higher than in the previous year. This significant increase results in particular from the improvement in EBIT, which increased by €162.0 million compared with the corresponding period in the previous year. This means that the investments could be financed mainly with the Group's own funds.

The EWE Group bases its financial flexibility on lines of credit and a syndicated revolving credit facility of € 850 million. Of this facility, € 220 million had been drawn down as of the balance sheet date of 30 June 2009. Overall, EWE is benefiting from its good credit rating, which is also confirmed by the rating agencies Standard & Poor's and Moody's. It currently stands at A– with the addition "watch negative" (Standard & Poor's) and A2 with outlook stable (Moody's).

Overview of Group business areas

in €m	Corporate Centre		Energy	
	01.01.–30.06. 2009	01.01.–30.06. 2008	01.01.–30.06. 2009	01.01.–30.06. 2008
Business area sales	4.3	3.8	2,278.6	1,934.2
Consolidation				
Group sales				
EBITDA	382.7	198.7	194.5	113.2
Consolidation				
Group EBITDA				
EBIT	370.8	189.3	165.1	91.8
Consolidation				
Group EBIT				
Capital expenditure	57.1	70.1	137.6	144.8
Consolidation				
Group capital expenditure				

Performance of business areas

Corporate Centre business area

The Corporate Centre business area shows the Group functions, strategically important equity investments and other services of EWE AG and expresses the function of EWE AG as the parent company in the EWE Group.

The sales generated by the Corporate Centre business area increased to € 4.3 million in the first half of 2009 (first half 2008: € 3.8 million). The sales are due mainly to cost allocation procedures which the Corporate Centre business area carries out as part of its functions for the Group. These procedures have nearly no effect on the result.

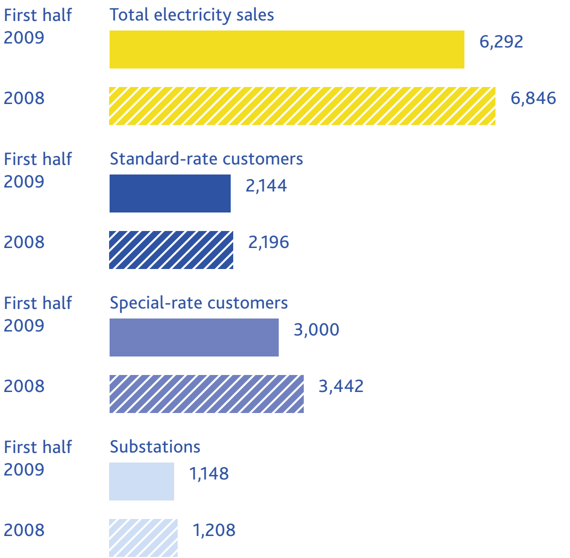
The operating result (EBIT) generated by the Corporate Centre business area, at € 370.8 million, was €181.5 million, or 95.9 per cent, higher than the comparable figure in the previous year. This substantial improvement in the result can be attributed mainly to a higher profit transfer from the Energy and Network business areas and an improvement in the result of equity investments thanks to VNG.

In the first half of 2009, the Corporate Centre business area invested € 57.1 million (first half 2008: € 70.1 million). Capital expenditure was made primarily in the areas of property, plant and equipment and, in the financial investments field, loans to affiliated companies.

	Network		ICT		Group	
	01.01.–30.06. 2009	01.01.–30.06. 2008	01.01.–30.06. 2009	01.01.–30.06. 2008	01.01.–30.06. 2009	01.01.–30.06. 2008
	892.1	**830.0**	**295.2**	**285.6**	**3,470.2**	**3,053.6**
					–546.9	–453.9
					2,923.3	2,599.7
	161.1	**144.3**	**40.7**	**53.1**	**779.0**	**509.3**
					–239.4	–147.7
					539.6	361.6
	92.4	**76.3**	**3.1**	**20.1**	**631.4**	**377.5**
					–239.6	–147.7
					391.8	229.8
	57.4	**51.6**	**28.2**	**30.2**	**280.3**	**296.7**
					–25.0	–39.5
					255.3	257.2

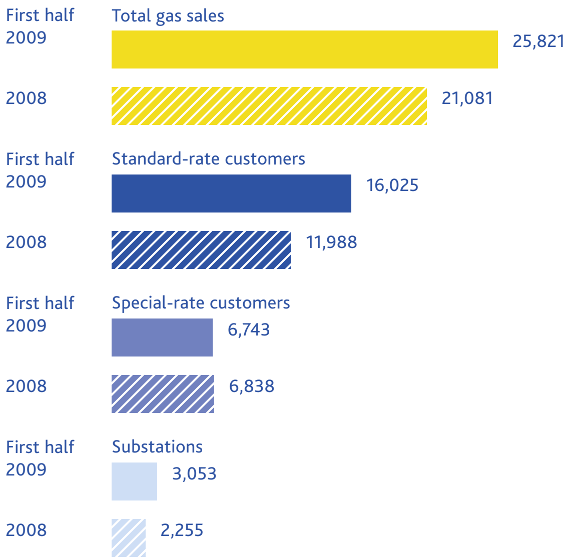
Electricity sales by customer group

in million kWh



Gas sales by customer group

in million kWh



Energy business area

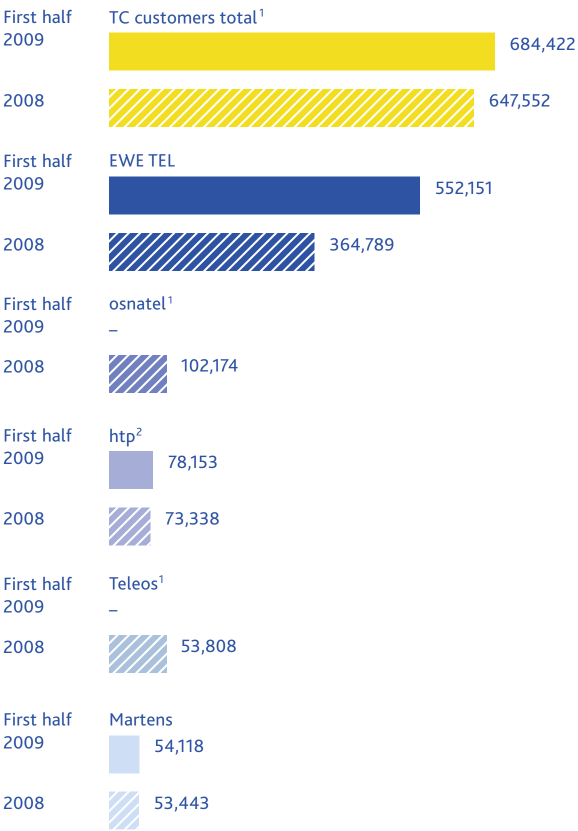
In the first six months of the year, electricity sales fell by 8.1 per cent from their previous year's level to 6.3 billion kWh. This resulted mainly from decreasing electricity sales to industrial customers due to the economic crisis. The comparatively moderate decrease in electricity sales generated with household and smaller commercial customers (standard-rate customers) results mainly from changed consumer behaviour occasioned by higher energy prices and energy conservation measures.

Gas sales increased by 22.5 per cent to 25.8 billion kWh. The sales increase is, for one, a consequence of the first-time inclusion of the gas quantities sold by the Turkish associated companies. And secondly, the much cooler weather compared with the same period in the previous year led to higher gas sales, although the very mild weather in April slightly compensated for the effects from the previous months. The development of sales was also affected positively by the acquisition of additional customers in the standard-rate customer and local utility areas. Negative effects came from the competitive situation as well as production downturns in industrial customer business caused by the general economic climate.

Sales in the Energy business area increased by 18 per cent to € 2.3 billion compared with the corresponding period of the previous year. The aforementioned improvements in natural gas sales resulting from consolidation and weather conditions were a contributory factor. The oil price peak in 2008 and the resultant pricing measures also influenced the development of sales positively. Two price reductions in the standard-rate customer segment in the first half of 2009 meant that the burden on customers could again be eased appreciably. Average prices remained at above their previous year's level, however. Further increases in sales were achieved by renting out gas storage facilities and by supplying heating. The opposite effect was had by volume reductions in electricity operations in the special-rate customers segment, which could be offset only partially by simultaneous pricing measures to reflect electricity procurement costs.

In comparison with the strained result from the previous year, the operating earnings position in the Energy business area recovered in the first half of 2009. EBIT was significantly improved and amounted to €165.1 million, an increase of € 73.3 million or 79.8 per cent. This can primarily be attributed to the pricing measures in the natural gas segment that

Customer development in telecommunications



1) Only 2008; 2009 merged with EWE TEL
2) Associated company

were implemented in April and August of the previous year. In the first half of 2008 the gas result had come under pressure at times as a result of the rapid increase in procurement prices. In addition, the business area benefited from improved results in the waste water disposal and waste management areas. The increased electricity procurement costs as a result of higher electricity prices on the Leipzig energy exchange EEX had the opposite effect.

In the first six months of 2009, the Energy business area invested €137.6 million. Capital expenditure mainly concerned investments in gas supply facilities, offshore technology and Turkish operations.

Network business area

The Network business area posted sales of € 892.1 million in the first half-year of 2009. This increase of 7.5 per cent over the corresponding period of the previous year is largely a consequence of a new regulatory framework for the gas compensation energy market for posting costs and revenues for control and compensation energy. This effect has barely influenced results, however, as there was an almost identical increase in the cost of materials and services. Regulatory effects and, in the gas segment, the cooler weather in the winter of 2009 also had a positive impact on sales. In the electricity segment, on the other hand, sales showed a slight downward trend due to of the reduced network volumes at all voltage levels as a result of the economic downturn.

EBIT increased strongly by 21.1 per cent compared with the corresponding period in the previous year to € 92.4 million. This improvement in results can be attributed primarily to the cost streamlining measures that were initiated in the preceding years. Despite extra expenditure on upstream networks, the weather-related increase in sales therefore had a positive impact on the earnings position.

The Network business area invested € 57.4 million in the electricity, gas and telecommunications networks in the first six months of the year. In this area, emphasis must be given to the construction of transformer stations for the Jemgum und Etzel gas storage facilities, the expansion of the fibre optic cable network in the telecommunications area and the acquisition of smaller partial networks for gas supply.

ICT business area

The Group companies in the ICT business area have held their ground in a difficult economic environment. The telecommunications companies were able to win new customers, despite heavy competitive pressure. Including the telecommunications company htp GmbH (Hanover), which is shown as an associated company, they served a total of 684,422 customers as of 30 June 2009. This corresponds to an increase of 5.7 per cent compared with the same period of the previous year. DSL business was once again the driver of growth.

Sales in the ICT business area increased slightly by 3.4 per cent compared with the previous year to € 295.2 million. This resulted mainly from sales increases in IT operations, which were achieved both inside and outside of the Group. The sharp fall in prices in the marketing of telecommunications products had a dampening effect on this positive trend in some areas.

EBIT fell sharply as a result of the intensified competitive conditions on the telecommunications market and was down 84.6 per cent to € 3.1 million. The most significant reasons for this development were falling average revenues as well as organisational development costs necessitated by the merger of individual telecommunications companies within the EWE Group. In addition, the hiring of new staff and the acquisition of Martens GmbH in the previous year resulted in higher personnel expenses.

Capital expenditure in the ICT business area amounted to € 28.2 million, a decline of 6.6 per cent compared with the corresponding period last year (first half 2008: € 30.2 million).

Risk report

The early identification and active control of potential opportunities and risks is of crucial importance for the lasting successful development of the EWE Group, especially against the backdrop of the financial and economic crisis. The planning and controlling process at Group level, featuring an integrated early recognition system for opportunities and risks, is an integral part of the Group-wide opportunity and risk management system. Its principal organisational elements are the Opportunities and Risks Committee and the central Risk Controlling team.

The risks are identified early at the level of the individual companies with responsibility for the risks in a regular and structured process while observing the relevant Group standards as defined in Group guidelines, evaluated in terms of potential damage and likelihood of occurrence, and reported to EWE's central Risk Controlling team along with a list of appropriate measures to limit the risks. The risks identified at the level of the individual companies are included in summarised reporting at segment and Group level in accordance with their significance as measured by the key budget target figures. The data gathered in the regular, systematic risk early recognition process and urgent risk reports at short notice when certain thresholds are reached form the basis for an evaluation of the EWE Group's current and future risk situation. Regular reports based on this information and geared towards materiality are submitted to the Board of Management and the supervisory bodies.

The risks which are currently most significant for the EWE Group and which can influence its development of business and therefore its assets, financial and earnings position are allocated to the risk areas of environment risks, market risks, operational risks, financial risks and risks from joint Group functions. Compared with the risk situation depicted in the Group management report as of year-end 2008, particularly in respect of the financial and economic crisis and regarding the adjustments of other regulatory and societal framework conditions, there were no significant changes in the reporting period. If the changed overall market environment leads to a sustained substantial decline in demand in the Energy and ICT business areas, this could have a corresponding effect on the earnings position in the medium term. In overall terms, there are currently no discernible risks that might jeopardise the continued existence of the EWE Group.

Detailed information on the structure and process of the opportunity and risk management system and the risk areas can be found in the Group management report for 2008.

Supplementary report

EnBW Energie Baden-Württemberg AG is EWE's new strategic partner. On 21 July 2009, 26 per cent of the EWE AG share capital was transferred to EnBW. Weser-Ems Energiebeteiligungen GmbH (WEE) will in future have a 59 per cent stake in the share capital, while Energieverband Elbe-Weser Beteiligungsholding (EEW) GmbH will have 15 per cent. Following an audit phase lasting nearly one year, the German Federal Cartel Office approved EnBW's acquisition of the stake in EWE on 6 July 2009 subject to conditions. The two companies aim to develop key business areas jointly in the future.

The Supervisory Board members Heiner Grotheer, Dr. Hans-Dieter Harig and Gerd Reiners have stepped down from their posts as members of the Supervisory Board of EWE Aktiengesellschaft effective from 21 July 2009. As of the same date, EnBW Energie Baden Württemberg AG is delegating Hans-Peter Villis, Dr. Hans-Josef Zimmer and Dr. Hans Michael Gaul to the Supervisory Board as representatives of the shareholders. The delegation has been made for the departed members' remaining term of office.

On 16 July 2009, EWE AG issued a euro bond in the amount of € 500 million. The bond has a term up to 16 July 2021 and has a coupon bearing 5.25 per cent. The bond benefited from a good market environment and performed very successfully with an order volume of almost € 6 billion. EWE is employing the bond to refinance existing liabilities.

Outlook

Current forecasts are indicating that global economic output will fall by up to three per cent in 2009. In the eurozone, a decline of more than four per cent is expected. Germany's strong export orientation means that it is particularly badly affected: experts are not ruling out a six per cent drop. Various early indicators suggest that this might constitute the low point of the economic cycle. Experts are aleady predicting the first rays of hope for 2010.

The further course of energy prices depends to a large extent on the further development of the economy. If the hope fed by the positive early indicators is fulfilled by a global economic recovery in the near future, this would justify the recent price increases and probably lead to another raising of the price level. On almost all of the commodity markets, however, the spot prices are still well below the forward prices for 2010. If the recent robust increase in futures and options market prices is to be confirmed, there will have to be a pronounced economic revival over the next few months. It could recently be established, moreover, that the persistently low spot prices have tended to have a dampening effect on the prices of futures contracts close to maturity. This is a sign that the expected time of an economic revival is receding further into the future. If there are further economic setbacks, crude oil prices are likely to experience a sharper drop than the German electricity contracts, as the latter showed that they had decoupled themselves from developments on the financial markets over the past few weeks.

Due to seasonal factors, the first half of the year is the major contributor to the Group's sales and earnings for the year. In view of this fact, the good result for the first half of 2009, which originates primarily from the natural gas business, cannot be used to project the result for the year as a whole. Against the backdrop of persistent economic uncertainty, EWE is not making any quantitative statement as to how its sales will develop. Without taking the possible inclusion of swb in the second half of the year into account, the course of events in the first half of the year leads us to expect that the year as a whole, too, will generate sales qualitatively in excess of their 2008 level.

Consolidated Interim Financial Statements

1 January to 30 June 2009

Income statement for the EWE Group

1 January to 30 June 2009

in €m	01.01.–30.06. 2009	01.01.–30.06. 2008
Sales	**3,089.8**	**2,775.2**
Electricity and natural gas tax	166.5	175.5
Sales (without electricity and natural gas tax)	**2,923.3**	**2,599.7**
Changes in inventories	3.3	4.0
Other own work capitalised	16.8	13.9
Other operating income	45.8	30.1
Cost of materials and services	2,250.7	2,050.3
Personnel expenses	168.9	150.3
Depreciation, amortisation and impairment	147.8	131.8
Other operating expenses	183.3	153.7
Result of investments accounted for under the equity method	149.7	63.2
Other investment income	3.6	5.0
EBIT	**391.8**	**229.8**
Interest income	15.5	4.1
Interest expense	91.0	65.3
Profit before tax	**316.3**	**168.6**
Income taxes	59.8	41.4
Consolidated net profit for the period	**256.5**	**127.2**
of which attributable to minority interests	2.4	1.3
of which attributable to shareholders of EWE AG	254.1	125.9

Statement of comprehensive income for the EWE Group

in €m	01.01.–30.06. 2009	01.01.–30.06. 2008
Net profit/loss for the period	**256.5**	**127.2**
Exchange differences from foreign subsidiaries	–51.6	–3.8
Actuarial gains and losses from defined-benefit pension commitments and similar obligations	–18.3	15.6
Recognised changes from valuation at equity without effect on profit and loss	–1.5	64.1
Income and expenses recognised directly in equity	**–71.4**	**75.9**
Total recognised income and expenses	**185.1**	**203.1**
of which attributable to minority interests	2.8	1.3
of which attributable to shareholders of EWE AG	182.3	201.8

Balance sheet for the EWE Group

30 June 2009

Assets

in €m	30.06.2009	31.12.2008
Non-current assets		
Intangible assets	585.9	616.9
Property, plant and equipment	3,389.7	3,348.0
Financial investments accounted for under the equity method	708.0	1,565.2
Other non-current assets	167.5	146.2
Deferred taxes	16.4	8.8
	4,867.5	**5,685.1**
Current assets		
Inventories	170.1	180.9
Trade receivables	637.5	684.3
Other receivables and assets	468.9	414.6
Income tax receivables	32.6	39.9
Cash and cash equivalents	91.8	223.0
	1,400.9	**1,542.7**
Non-current assets held for sale	1,000.0	
	2,400.9	**1,542.7**
Total assets	**7,268.4**	**7,227.8**

Equity and liabilities

in €m	30.06.2009	31.12.2008
Shareholders' equity		
Subscribed capital	200.0	200.0
Capital reserve	258.5	278.5
Retained earnings	1,535.7	1,427.2
Equity attributable to EWE AG's shareholders	**1,994.2**	**1,905.7**
Minority interests	20.5	26.5
	2,014.7	**1,932.2**
Non-current liabilities		
Construction subsidies	595.7	604.5
Provisions	731.3	707.0
Bonds	1,495.3	1,494.9
Liabilities to banks	529.7	532.5
Other non-current liabilities	52.8	61.5
Deferred taxes	192.6	187.4
	3,597.4	**3,587.8**
Current liabilities		
Construction subsidies	35.7	35.6
Provisions	40.5	34.6
Liabilities to banks	544.2	570.4
Trade payables	471.7	539.5
Income tax liabilities	27.8	16.2
Other current liabilities	536.4	511.5
	1,656.3	**1,707.8**
Total equity and liabilities	**7,268.4**	**7,227.8**

Cash flow statement for the EWE Group

1 January to 30 June 2009/Source of funds (+), use of funds (–)

in €m	01.01.–30.06. 2009	01.01.–30.06. 2008
EBIT	**391.8**	**229.8**
Depreciation, amortisation and impairment	147.8	131.9
Reversals of depreciation, amortisation and impairment	–0.2	–
Reversal of construction subsidies	–19.4	–19.1
Interest paid	–48.4	–12.7
Interest received	7.3	4.1
Income tax payments	–40.7	–43.0
Income tax rebates	0.6	–1.4
Net gain/loss on disposal of non-current assets	0.2	–
Non-cash changes in provisions	12.3	5.2
Income/loss from companies accounted for using the equity method	–78.6	14.2
Net non-cash gain/loss from derivative financial instruments	–17.9	–6.3
Other non-cash income and expenses	0.6	0.3
Changes in inventories	10.7	–83.9
Changes in receivables and other assets	32.4	–50.1
Changes in liabilities	–116.2	–37.7
Cash flow from operating activities	**282.3**	**131.3**
Construction subsidies received	11.2	9.3
Expenditure for investments in intangible assets	–5.2	–4.9
Proceeds from disposal of property, plant and equipment	1.6	2.7
Expenditure for investments in property, plant and equipment	–184.5	–162.3
Proceeds from disposal of financial assets	1.3	3.0
Expenditure for investment in financial assets	–65.6	–90.0
Expenditure for investment in interests in fully consolidated companies	–54.2	–34.1
Cash flow from investing activities	**–295.4**	**–276.3**
Dividend payments to shareholders and minority shareholders	–68.8	–65.0
Proceeds from assumption of financial liabilities	400.5	705.2
Repayment of non-current financial liabilities	–448.6	–543.7
Cash flow from financing activities	**–116.9**	**96.5**
Change in cash and cash equivalents	**–130.0**	**–48.5**
Change in cash and cash equivalents due to changes in exchange rates and		
in the group of consolidated companies	–1.2	–2.3
Cash and cash equivalents at beginning of the reporting period	223.0	110.1
Cash and cash equivalents at end of the reporting period	**91.8**	**59.3**

Statement of changes in shareholders' equity for the EWE Group

in € m	Subscribed capital of the EWE-Group	Capital reserve of the EWE Group	Retained earnings		Attributable to EWE Group	Minority interests	Total
			Accumulated income	Income and expenses recognised directly in equity			
As at 31.12.2007	**200.0**	**282.1**	**1,165.9**	**128.6**	**1,776.6**	**5.5**	**1,782.1**
Dividend payments			−65.0		−65.0		−65.0
Consolidated profit for the period			125.9		125.9	1.3	127.2
Income and expenses recognised directly in equity				75.9	75.9		75.9
Comprehensive income for the period			125.9	75.9	201.8	1.3	203.1
Transactions under joint control			−16.2		−16.2		−16.2
Other changes			21.2		21.2		21.2
As at 30.06.2008	**200.0**	**282.1**	**1,231.8**	**204.5**	**1,918.4**	**6.8**	**1,925.2**
As at 31.12.2008	**200.0**	**278.5**	**1,318.6**	**108.6**	**1,905.7**	**26.5**	**1,932.2**
Dividend payments			−65.0		−65.0	−3.8	−68.8
Consolidated profit for the period			254.1		254.1	2.4	256.5
Income and expenses recognised directly in equity				−71.8	−71.8	0.4	−71.4
Comprehensive income for the period			254.1	−71.8	182.3	2.8	185.1
Change in the group of consolidated companies			−0.9		−0.9	−0.2	−1.1
Transactions under joint control[1]		−20.0			−20.0		−20.0
Other changes			−7.9		−7.9	−4.8	−12.7
As at 30.06.2009	**200.0**	**258.5**	**1,498.9**	**36.8**	**1,994.2**	**20.5**	**2,014.7**

1) The goodwill (€ 20.0 million) generated on acquisition of the remaining shares in osnatel GmbH, Osnabrück, was set off directly against the capital reserve (entity method).

Notes to the consolidated financial statements for the EWE Group

Accounting and valuation methods

The shortened interim consolidated financial statements were prepared in accordance with IAS 34. Standards and interpretations which have yet to come into force were not applied.

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

With the exception of the new regulations described below, the accounting and valuation methods applied as of 30 June 2009 comply with those used for the consolidated financial statements to 31 December 2008.

Changes in accounting and valuation methods

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have adopted the following new standards and interpretations which are mandatory for the EWE Group as from the financial year 2009.

Amendments to standards as part of annual improvements (May 2008): The IASB published various minor amendments to IFRS. The first-time application of these alterations had no significant impact on the EWE consolidated interim financial statements.

Amendments to IFRS 1 and IAS 27 "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate" (May 2008): The amendment to IAS 27 mainly contains the elimination of the definition of the acquisition cost method as well as regulations regarding the distribution of dividends and group reorganisation. Their first-time application had no impact on the EWE consolidated interim financial statements.

Amendment to IFRS 2 "Share-based Payment: Vesting Conditions and Cancellations" (January 2008): The amendment clarifies the definition and treatment of "vesting conditions" and "non-vesting conditions" as well as the treatment of the cancellation of a commitment by a party other than the company itself. The application of the standard had no impact on EWE's consolidated interim financial statements as the EWE Group has no share-based remuneration schemes.

IFRS 8 "Segment Reporting" contains new rules on a company's reporting for its reportable segments. It requires segment reporting to be prepared using the so-called management approach. The first-time application of IFRS 8 had no impact on EWE's consolidated interim financial statements.

IAS 1 "Presentation of Financial Statements" (revised September 2007) mainly contains amendments relating to the presentation of equity and the income statement, as well as the titles used for the sections of the consolidated financial statements. The alterations to IAS 1 affected the presentation of the statement of changes in equity and the consolidated income statement for the period in EWE's consolidated interim financial statements.

IAS 23 "Borrowing Costs" (revised March 2007): The main amendment was to abolish the alternative of recognising borrowing costs which are directly attributable to the acquisition or production of so-called qualifying assets directly as an expense. This stipulates that companies must capitalise these borrowing costs as costs of acquisition or production. The amendment to IAS 23 could cause the EWE Group to incur additional acquisition and production costs during qualifying investment projects. The amendment primarily affects net interest income/expense and depreciation and amortisation. In the first half-year no borrowing costs were incurred which required capitalisation.

Amendment to IAS 32 and IAS 1 "Puttable Instruments and Obligations Arising on Liquidation" (February 2008) contains altered regulations for differentiating between equity and borrowings. The amendment to the standard permits, for example, the reclassification of puttable instruments as equity under certain conditions. The amendments to IAS 1 will lead to additional disclosures in the Notes. Their first-time application had no impact on the EWE consolidated interim financial statements.

IFRIC 13 "Customer Loyalty Programmes" governs the accounting treatment of customer bonus schemes operated by manufacturers or service providers themselves or by third parties. Its first-time application had no significant impact on the EWE consolidated interim financial statements.

Company acquisitions

As of 1 January 2009, the fully consolidated subsidiary EWE TEL GmbH, Oldenburg, acquired the remaining 25.1 per cent of the shares in the already fully consolidated company osnatel GmbH, Osnabrück. The acquisition costs were € 24.7 million. The goodwill of € 20.0 million arising on consolidation was set off in full against the capital reserve (entity method). osnatel was merged with EWE TEL effective as from 1 January 2009.

100 per cent of the shares in EWE Doğalgaz Sanayi ve Ticaret A.Ş. (EWE Doğalgaz), Istanbul, Turkey, were acquired as of the acquisition date 11 June 2009. The purpose of EWE Doğalgaz is trading with natural gas. The acquisition costs amounted to € 30.0 million.

The investment in EWE Doğalgaz is measured at the acquisition date of the shares. The purchase price allocation had not yet been completed as of the balance sheet date of 30 June 2009 due to the proximity to the balance sheet date. The difference of € 28.5 million arising from the capital consolidation was provisionally reported in full as goodwill. After its acquisition, EWE Doğalgaz contributed € 0.5 million to the Group's profit for the period. The company has been operating since mid-June 2009.

Group of consolidated companies

In addition to EWE AG, 16 domestic and foreign companies in which EWE AG directly or indirectly holds a majority of the voting rights are consolidated in full in the interim financial statements. Six associated companies are measured using the equity method.

In the reporting period, EWE Doğalgaz was consolidated in full for the first time and MVR Müllverwertung Rugenberger Damm GmbH & Co. KG, Hamburg, and Aequamus GmbH, Bremen, were included for the first time as associated companies.

Principles of consolidation

Consolidation takes place on the basis of the interim financial statements for EWE AG and the financial statements of the fully consolidated subsidiaries as of 30 June 2009, which are prepared using uniform accounting principles.

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

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

Result of investments accounted for under the equity method

The change in the result of investments accounted under the equity method compared with the previous year results essentially from the shareholding in VNG – Verbundnetz Gas Aktiengesellschaft (VNG), Leipzig. The VNG shares measured using the equity method were classified as held for sale due to the decision to dispose of them.

Profit distribution

On 23 April 2009, the EWE AG Annual General Meeting resolved to distribute the proposed dividend for the financial year 2008, amounting to € 65.0 million (€ 325.00 for each nominal €1,000.00 of share capital amounting to € 200,000,000.00), to the shareholders.

Provisions

The provisions for pensions and similar obligations bear interest at a rate of 5.5 per cent (31.12.2008: 5.75 per cent).

Segment information

Information on the segments is presented in the Group interim management 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, and VNG, as well as the members of the Board of Management and Supervisory Board of EWE AG.

Primarily financial relationships and relationships for commercial services exist with the group of shareholders. With the group of associated companies accounted for under the equity method and with VNG there are mainly supply and service relationships for natural 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. 2009	01.01. – 30.06. 2008	30.06.2009	31.12.2008
Energy purchased	127.8	118.3		
Services purchased	0.7	6.1		
Miscellaneous	2.2	1.8		
Receivables			13.2	11.9
Liabilities			10.9	47.3

Shareholders of EWE AG

in € m	30.06.2009	31.12.2008
Receivables	2.5	
Liabilities	1.9	2.5

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

The EWE Group concluded no significant transactions with related individuals. The supply of electricity and natural 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

Hermann Bröring
District Administrator, Meppen

Claus Christ
Technical Supervisor, EWE NETZ GmbH,
Remels

Karl-Heinz Funke
Minister (retired), Varel

Dr. Hans Michael Gaul
Former member of the Board of Management
of E.ON AG, Düsseldorf,
from 21 July 2009

Heiner Grotheer
Managing Director, Osterholz-Scharmbeck,
until 21 July 2009

Carsten Hahn
Administrator, Osterholz-Scharmbeck,

Dr. Hans-Dieter Harig
Former Chief Executive Officer,
E.ON Energie AG, Hanover,
until 21 July 2009

Gregor Heller
Senior Trades Consultant, EWE AG,
Haselünne

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

Gerd Reiners
Former Board member for technology of EWE AG,
Oldenburg,
until 21 July 2009

Immo Schlepper
ver.di Trade Union Secretary
Lower Saxony-Bremen, Oldenburg

Alwin Schlörmann
Business Region Head, Bad Zwischenahn

Prof. Dr. Gerd Schwandner
Mayor, Oldenburg

Dierk Schwarting
Technical Supervisor, EWE NETZ GmbH,
Ganderkesee

Hans-Peter Villis
Chairman of the Board of Management of EnBW AG,
Castrop-Rauxel,
from 21 July 2009

Dr. Hans-Josef Zimmer
Member of the Board of Management of EnBW AG,
Steinfeld (Pfalz),
from 21 July 2009

Board of Management

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

Heiko Harms
Chief Operating Officer, Rastede

Dr. Thomas Neuber
Chief Officer for Procurement and Production, Oldenburg

Michael Wagener
Chief Financial Officer and Board member for Human Resources, Rastede

Events after the balance sheet date

The main events which occurred after the balance sheet date are presented in the Group interim management report.

Confirmation by the legal representatives

We confirm that – to the best of our knowledge and in accordance with the applicable accounting standards for interim reports – the consolidated interim financial statements give a true and fair view of the earnings, assets and financial position of the Group and that the Group interim 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, 20 August 2009
Board of Management

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

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