Interim Report 2011

1 January to 30 June

EWE Group key figures

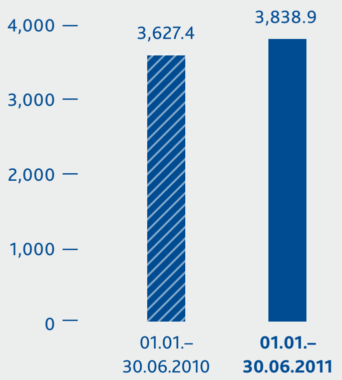
EUR million	01.01. – 30.06.2011	01.01. – 30.06.2010	Change in %
Sales	3,838.9	3,627.4	5.8
Return on sales in %	-3.3	5.4	
EBITDA	379.6	537.8	-29.4
EBITDA margin in %	9.9	14.8	
EBIT	-3.5	335.6	-101.0
EBIT margin in %	-0.1	9.3	
Result for the period	-128.0	195.0	-165.6
Capital expenditure (total)	225.0	265.7	-15.3
Cash flow from operating activities	14.7	130.5	-88.7
Share capital	243.0	243.0	0.0
Shareholders' equity	2,941.9	3,543.1	-17.0
Equity ratio in %	29.8	33.9	
Return on equity in % [1]	-3.9	6.9	
Balance sheet total	9,858.2	10,448.8	-5.7
Borrowings	2,723.6	2,739.9	-0.6
Average number of employees	8,806	8,363	5.3

[1] The return on equity is calculated by dividing the net profit for the period by the average amount of shareholders' equity in the current year and previous year.

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

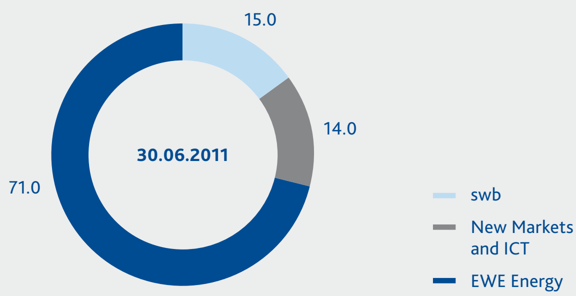
Sales

(EUR million)



Sales by business areas

(in %)



Content

Title picture – Photovoltaics system Biberburg

EWE has been generating electricity and heat from renewable energies for over 20 years. The photovoltaics system on the roof of the EWE Biberburg day-care centre was built by the subsidiary NaturWatt using profits from eco-power sales.

Letter from the Board of Management

Dear ladies and gentlemen, friends
of the company,

The catastrophe at the Fukushima nuclear reactor in March this year changed the perception of the energy question. In Germany the government decided to phase out the use of nuclear energy by 2022. How the shortfall this creates in the electricity supply will be bridged is not yet clear. It is nevertheless already apparent that 2011 will be a key year for the German energy industry.

For EWE too, the first half-year was dominated by the decision to phase out nuclear power and other regulatory effects. The changes in the energy policy environment in Germany resulted in adjustments in the Group's shareholdings. This relates essentially to the shares in the Bielefeld municipal utilities and their shareholding in the Grohnde nuclear power plant. Planned regulatory measures for gas network operators in Turkey also required the recognition of an impairment loss on the EWE shareholdings there.

The effects of these non-recurring factors weighed considerably on the Group result for the first six months. For the first time ever we closed the first half-year, which is generally the stronger, with a net loss. Earnings before interest and taxes (EBIT) came to € -3.5 million. Consolidated net income for the period fell from € 195 million to € -128 million.

The business areas put in a mixed performance. EWE Energy reported a slight increase on the same period last year. And although the comprehensive repayment offer to natural gas customers of EWE ENERGIE AG made in April 2011 did diminish the result, we are nevertheless convinced that this step forms the foundation on which we can rebuild customer relations that have recently come in for severe criticism. By contrast, the swb subgroup and the foreign operations pooled in the New Markets business unit were directly affected by the legal and regulatory changes and were therefore unable to avoid going into the red. These factors were in turn offset by the positive course of the operating businesses, which led, in particular in Turkey, to rising figures for sales revenue, sales volume and customer numbers. In the telecommunications area the measures launched in 2010 to improve profitability were pursued consistently.

The top priority at the moment is to safeguard earnings for the current financial year and take appropriate steps to increase the competitiveness and earnings power of the EWE Group. To this end we have put together a package of measures for the entire Group which will deliver savings of over € 300 million in this year alone. The package consists of curtailing capital expenditure, divestment of specific non-core activities and reducing operating costs.




Management Board EWE AG
(from top left)
Dr. Werner Brinker (CEO)
Michael Wagener
Dr. Willem Schoeber
Dr. Heiko Sanders

In the course of a project-related review of goodwill it also emerged that the goodwill attributed to swb in EWE's consolidated balance sheet as of 31 December 2010 was too high. A recalculation led to the restatement recognised in the balance sheet for this interim report (see page 15 ff.).

We are confident that the measures taken will enable us to overcome the negative factors that have impacted the result for the first half-year and are aiming for positive EBIT for the full year.

In the medium term we believe the energy turnaround holds definite opportunities for the EWE Group. Thanks to our early involvement in the area of renewable energies, the initiated switch to sustainable models of conventional power generation models and our pioneering role in the development of smart grids, we have the wherewithal to position ourselves in the new German energy reality.

Yours sincerely,

Oldenburg, 2 August 2011

Board of Management

Dr. Werner Brinker   Michael Wagener   Dr. Heiko Sanders   Dr. Willem Schoeber

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. An additional euro bond for € 500 million was issued in July 2009 (maturity: 12 years). EWE's credit rating currently stands at A2 / outlook negative (Moody's).

In the first half of 2011 the fixed-interest markets exhibited phases of great volatility on secondary markets, alternating with periods of market stability. The European debt crisis caused a temporary rise in risk premiums for corporate bonds. Issuers from southern Europe were particularly affected. As in 2010, companies' issuing activities in the first half of 2011 were fairly low compared with the record year 2009. Corporate bonds were issued for a total value of € 75 billion. For comparison: in the first half of 2010 the figure was € 85 billion and in 2009 it was € 201 billion. The reason for the relative inactivity was partly companies' lower refinancing requirements as a result of their high cash positions, but it was also the fact that access to the debt markets was made more difficult by the European debt crisis. This mainly affected southern European issuers as well as companies with a weaker credit profile or no credit rating.

In the utilities sector the average risk premiums for corporate bonds went up by more than for the market as a whole. This can be seen by comparing the iBoxx € Utility Index and the iBoxx € Corporates Index. The iBoxx-€-Utility Index closed on 30 June 2011 around 9 base points (bp)bp or 7.5 per cent higher than the beginning of the year. By contrast the iBoxx € Corporates

	EWE 10-year bond	EWE 15-year bond	EWE 12-year bond
ISIN	DE000A0DLU51	DE000A0DLU69	DE000A0Z2A12
Security code no.	A0DLU5	A0DLU6	A0Z2A1
Issue date	14.10.2004	14.10.2004	16.07.2009
Maturity	14.10.2014	14.10.2019	16.07.2021
Remaining term (as from August 2011)	3.2 years	8.2 years	9.11 years
Currency	EUR	EUR	EUR
Volume	1 billion	0.5 billion	0.5 billion
Nominal amount	1,000.0	1,000.0	1,000.0
Coupon type	fixed coupon	fixed coupon	fixed coupon
Nominal interest	4.375 %	4.875 %	5.25 %
Interest payment date	14 October	14 October	16 July
Issue spread	+40 bp	+52 bp	+160 bp
Spread as per 30.06.2011	+58 bp	+84 bp	+92 bp

Index only rose by 4 bp or 3.8 per cent. Whereas utility bonds benefited in the first quarter from their "safe haven" status, investors were unsettled by the debate on the future of nuclear energy that accompanied the catastrophe at the Fukushima plant.

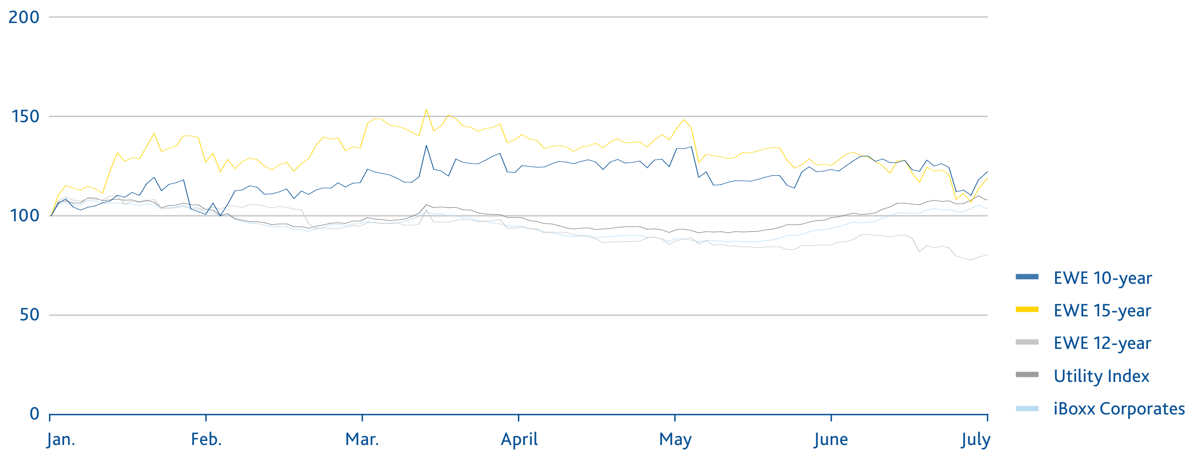
EWE's bonds did not succeed in bucking this negative trend completely. The bonds issued in 2004 closed on 30 June 2011 with a risk premium compared with swaps of +58 bp for the one maturing in 2014 and of +84 bp for the one maturing in 2019. This put them slightly above their value at the start of the year. The bond maturing in 2021 traded on the same date with a risk premium of +92 bp compared with swaps, slightly down against its level in early 2011. The divergent value is due largely to a convergence between the trading level of the bond maturing in 2019 and that maturing in 2021.

Refinancing the syndicated credit line

In July 2011 EWE concluded the refinancing of its existing syndicated credit line totalling €850 million. The credit line has a maturity of five years as well as two options to extend for a total maximum of seven years and replaces the existing facility, which expires in May 2013. The credit line will provide general operating working capital. At present EWE anticipates a generally low level of utilisation. The credit line proved very popular among banks already closely linked to EWE as well as new partner banks, leading to a considerable oversubscription of the target volume. The margin of the credit line is 40 bp above EURIBOR. If the facility is used by a third to two-thirds, user fees of 15 to 30 bp will be applicable.

Performance of the EWE bonds in the first half year 2011

Spread vs. mid-swaps (bp)



Interim Group Management Report

1 January to 30 June 2011

Overview of the course of business

General economic conditions

The global economic upswing continued in the opening months of 2011. According to calculations by the Kiel Institute for the World Economy (IfW), global gross domestic product rose slightly more slowly than in the previous quarter at an annualised rate of nearly 4.0 per cent. Overall, indicators are pointing to a slight slowdown in the world economy. This is partly due to the effects of the catastrophic earthquake in Japan. Another important factor behind the more modest expansion of worldwide industrial production is the sharp increase in the price of raw materials.

Germany's economy recovered quickly after the low point of the recession in 2009, but its performance in 2011 has been more restrained. Fundamentally, however, the upturn has continued in Germany since the beginning of the year 2011. According to the IfW gross domestic product increased in the first quarter of 2011 at an annualised rate of 6.1 per cent. Both domestic demand and foreign trade picked up sharply. Exports went up again and imports also rose significantly. Investment in capital goods was again particularly dynamic. Consumer spending remained on an upwards trend, but the increase was only modest.

In Poland the economy remained stable at the same level as last year. It is buoyed largely by public-sector projects with EU co-financing; infrastructure building for instance, as well as the waste and energy sectors. The Turkish economy also continued along its growth path. The strong performance is being generated by a wide range of industries. Among the most dynamic were manufacturing, construction, retail, transport and communications.

Energy markets

Energy consumption in the first half of 2011 was affected by the warm weather, the moratorium on nuclear energy and higher oil prices. Total consumption declined by around 3 per cent. Energy consumption would probably have risen by 1 per cent had it not been for the effect of the weather. According to preliminary estimates by the Working Group for Energy Balances (AGEB), primary energy consumption reached a total of 234.4 million tonnes of coal equivalent (million tonnes CE) by the end of June. Energy consumption was considerably affected by the fact that temperatures were much higher than last year. The weather therefore obscured increases in consumption resulting from the ongoing positive economical developments.

Oil consumption declined by nearly one 1 cent. High prices and mild weather resulted in a fall of nearly a quarter in demand for light fuel oil.

Consumption of natural gas fell by over 8 per cent. Greater use of natural gas by industry as a result of the strong economy did not make up for the reduction in consumption by private households due to the weather.

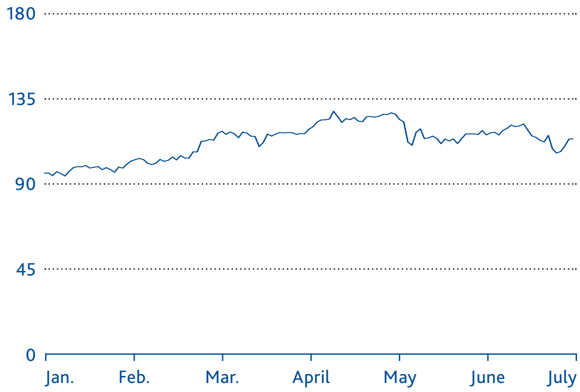
Consumption of hard coal sank by somewhat more than 1 per cent, whereas lignite was up 1.1 per cent on the same period last year.

Nuclear energy's contribution to the energy balance fell by 15 per cent in the first six months. After the moratorium came into effect in mid March, nuclear power generation tumbled by 36 per cent. Nuclear power's share of primary energy consumption fell to 9.3 per cent, the first time it has been in single figures for 25 years.

Renewable energies increased by a total of 1.6 per cent in the first half-year. Their share of total energy consumption rose slightly, coming to 10.2 per cent at the mid-point of the year.

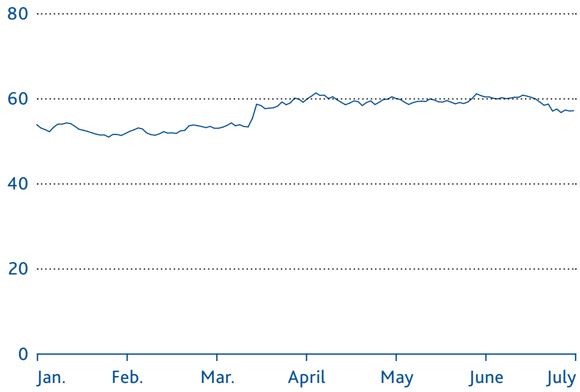
Development of Brent oil prices in 2011

(in US$ / bbl)



Electricity price developments, front-year baseload in 2011

(in EUR / MWh)



Energy prices

Developments on electricity, coal and emissions markets were largely driven by the catastrophic earthquake and tsunami in Japan, the subsequent events at the Fukushima nuclear power plant and the German moratorium on nuclear power. Price rises of 10 per cent within two days were seen on the electricity futures market. By contrast the market for crude oil was more affected by euro / US$ exchange rates and developments in North Africa and the Middle East.

From the start of the year up to the Fukushima catastrophe in March 2011 the baseload price on the German wholesale electricity market moved within a range of € 51–54 per megawatt hour (€ / MWh). After the moratorium was announced the price climbed rapidly to around € 59 per MWh. Based on closing prices the high for the year to date was € 60.55 per MWh. At the end of the second quarter the price fell back under € 58 per MWh for the first time.

Coal prices on the futures markets were very volatile at the beginning of the year at around US$ 120 per tonne (US$ / t). Following the events in Fukushima and announcement of the nuclear moratorium the contract for the front year moved within a range of US$ 126–134 per tonne.

Prices for emissions certificates rose between January and March 2011 from € 14 to € 16 per AAU. The nuclear moratorium of 14 March 2011 also had an impact on this market. Thereafter the assigned amount units traded at between € 16.50 and € 17.45 each. Towards the end of the second quarter this range gave way and certificates traded at around three euros less. This is based on the expectation that CO_2 emissions will fall in line with economic output.

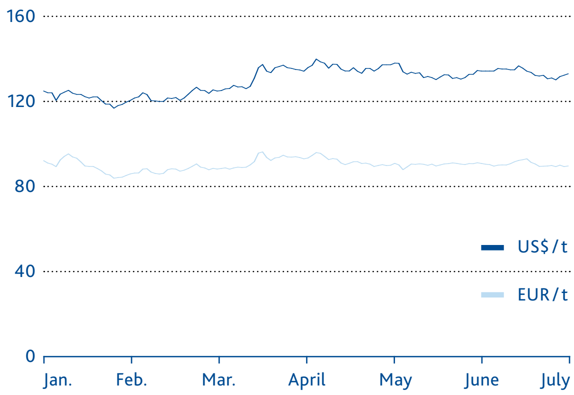
Telecommunications market

The telecommunications market is still under severe pressure. This can be seen in the fifth successive year of declining sales in the German telecommunications market overall, with sales falling by 2.9 per cent. The increasing saturation of the DSL market is due in part to telecommunications service offers from cable network operators. With average yields falling in the landline and internet segments, bundled products including mobile telephony have won the day.

Legal environment

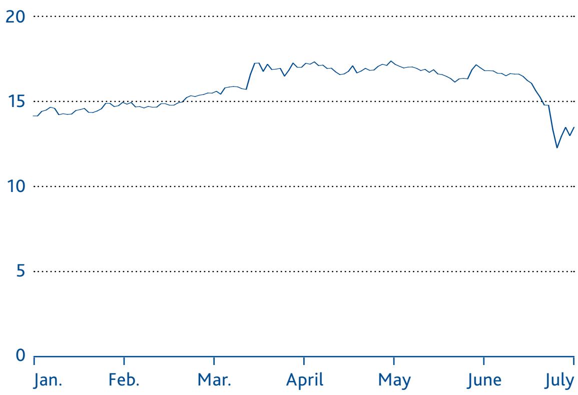
The first half of 2011 was dominated by the transformation of the energy market, with a focus on climate protection, energy efficiency and renewable energies. At the national level the topic of overriding importance was the accelerated phase-out of nuclear energy.

Development of coal prices in 2011



Development of CO_2 certificate prices in 2011

(in EUR / EUA)



Energy revolution

Following the catastrophe in Fukushima the German federal government felt obliged to carry out a fundamental review of its policy on atomic energy. The laws passed by the upper house of the German parliament in early July are the result, leading to the phase-out of nuclear energy by 2022 and accelerating the transformation of the energy sector.

Revision of the German Energy Economy Law (EnWG)

The energy revolution also entails a revision of the German Energy Economy Law (EnWG). The revision serves mainly to transpose the European internal market guidelines on electricity and natural gas dating from 2009 and represents a vital foundation for reorganising the supply of energy.

Unbundling targets for operators of transport networks

For network operators there are a number of important changes. More demanding unbundling targets apply in future to transmission system operators for instance but also to distribution system operators.

Transmission system operators have a choice between selling their networks *(ownership unbundling, OU)* and installing an *independent system operator (ISO)* or an *independent transmission operator (ITO)*. EWE NETZ owns and operates two pipeline networks and is currently preparing to establish a small ITO.

Regulation of distribution network operations

In terms of operational unbundling, the revision of the German Energy Economy Law (EnWG) requires distribution system operators to avoid any confusion between the communications and brand policies for their distribution and their sales activities. In terms of accounting unbundling, the German Federal Network Agency will be given the right to define additional audit items that must be taken into account in the course of auditing the financial statements.

Legal unbundling of natural gas storage facilities

As part of the revision of the German Energy Economy Law (EnWG), the rules on information, accounting, legal and operational unbundling that have applied to network operators since 2005 are also to be applied to natural gas storage facilities. Faced with a choice between negotiated and regulated storage access, the German government decided on negotiated access. However, the new demands made of distribution system operators in terms of their communications activities and brand policy do not apply to operators of gas storage facilities.

Legal framework for smart grids

The revision of the German Energy Economy Law (EnWG) created the first inkling of a legal framework for what are known as smart grids. Consumers are namely to be given an incentive to make their potential for shifting power loads available to network operators. In this case the network operators charge a lower network fee. The law also provides for integrating smart meters into a communications system, thus making them the basis for additional smart grid services. These systems, which reflect actual power consumption and actual time of use, are to be fitted for all end consumers with annual electricity consumption of more than 6,000 KWh and by all operators of new plants with an installed capacity of more than seven kilowatts.

New option for easements

The new German Energy Economy Law (EnWG) establishes an option for the new network operator in future. As previously, the new operator is entitled to demand possession of the distribution equipment necessary to operate the networks. In addition, however, they can also demand that the current owner convey the ownership of the network to them in exchange for appropriate compensation.

No network fees for new power storage technology

The new German Energy Economy Law (EnWG) creates incentives for investment in new electricity storage facilities and pump storage power plants. Facilities for storing electrical energy that are put into service within 15 years of the new German Energy Economy Law (EnWG) taking effect are to be exempt from network access fees for the amount of the energy that is drawn down to be stored.

Controlling of electricity generation plants by transmission network operators

To maintain the stability of the system the government intends to require operators of power generation facilities, in exchange for appropriate payment, to adjust the amount of active and reactive power they supply, i.e. the electricity actually used and that required to generate an electrical charge. This will affect operators of generating facilities with a nominal capacity of more than 50 MW which are connected to the transmission network or in 110 kV networks.

Monitoring of energy trading markets

The government is proposing a number of instruments to increase transparency on energy trading markets. They include monitoring by the German Federal Cartel Office and the creation of a market transparency body, as well as extensive data storage and reporting obligations for energy suppliers.

Consumer rights strengthened

There are to be changes to the rules for switching providers (three weeks' notice) and to the information included in energy bills. Furthermore, a central arbitration body is to be established for customer complaints concerning network connections, energy supply, metering and billing.

EWE is currently examining the effects this will have and is preparing for any adjustments that may have to be made to customer processes.

Incentive system

The second regulation period for natural gas begins on 1 January 2013. The revenue ceilings for this period are currently being calculated on the basis of data from 2010.

Before a new regulation period begins, the German Federal Network Agency carries out a nationwide comparative efficiency study of all network operators and defines a specific efficiency value to each operator. EWE NETZ and swb Netze currently have an efficiency value of 100 per cent in all networks. For swb Netze Bremerhaven the efficiency figure is 83.51 per cent.

Revision of the German Renewable Energy Act (EEG)

The Renewable Energy Act (EEG) was also revised as part of the energy revolution. The aim of the legislation is to increase the share of electricity from renewable sources continuously; up to at least 35 per cent by 2020 and then in steps to at least 80 per cent by 2050. A market premium for directly marketed electricity is to be introduced to facilitate the market integration of renewable energies. For large biogas plants the market premium is to be mandatory from 2014. There is an exception for the "green power privilege", for which the exemption from the EEG levy is to be capped and which requires a minimum share of fluctuating renewable energies.

In addition, the tariffs for all technologies are to be adjusted.

Draft legislation on network expansion proposed

As the stepped-up energy revolution can only be realised by expanding the energy infrastructure, the federal government has put forward the draft of an Act to Expedite Network Expansion (NABEG). The main thrust of NABEG is to transfer responsibility for planning and approval procedures for high-tension lines of inter-regional and European relevance to the federal authorities. The German Federal Network Agency (BNetzA) is to be the approval authority for these projects.

NABEG is also to cover the connection of offshore wind farms to the grid. According to the draft this is supposed to take place in the form of joint connections. The Federal Maritime and Hydrographic Agency, acting in agreement with the German Federal Network Agency and in coordination with the Federal Agency for Nature Conservation and the coastal states is to prepare an annual offshore network plan for Germany's exclusive economic zone.

EWE has criticised the large number of bodies involved in decision-making for the offshore network plan, because it creates a risk of delays to important network connections.

Contribution of energy efficiency to the energy revolution

The Energy Strategy 2010 is aiming for a 10 per cent reduction in electricity consumption in Germany by 2020, compared with the base year 2008. To achieve this, the efficiency standards for buildings in the German Energy Saving Ordinance are being tightened. The CO_2 building refurbishment programme funded by the public-sector bank Kreditanstalt für Wiederaufbau is to be raised to €1.5 billion a year.

From 2013 tax breaks for industrial customers are to be linked to the establishment of a certified energy management function. EWE can offer individual solutions to customers to realise their potential savings. The federal government is to extend the funding for CHP subsidies beyond the year 2016.

Government statement on electric mobility

On 18 May 2011 the German federal government presented its policy on electric mobility.

It provides for changes in research funding. The federal ministries involved are to propose a joint funding programme with coordinated tenders for funding applications. Altogether the federal government intends to provide € 1 billion in additional funding for research and development into electric mobility by the end of the legislative period.

It reiterated its commitment to making Germany the leading market and leading provider of electric mobility. They would like the number of electric vehicles in Germany to reach one million by 2020. The additional electricity this will require is to come from renewable energies. Smart grids and load-based price rates are to be subsidised in order to exploit the storage potential of the electric batteries.

German Renewable Energy Heating Act (EEWärmeG) takes effect

A number of laws have been changed in order to implement the EU Renewable Energy Directive, including the German Renewable Energy Heating Act (EEWärmeG). This came into force on 1 May 2011. One major change is the new rules on the use of renewable energies to provide cooling. For the first time rules were developed for existing buildings. The public sector is to lead by example.

Expansion of smart grids called for across Europe

In an announcement made in April 2011 the European Commission called for the development of joint technical standards, the highest standards of data protection and data safety, better regulation and investment incentives as well as more steps to raise consumers' awareness of their own energy consumption. Furthermore, larger demonstration projects for smart grids should be funded, it said.

The Commission's proposals are to take on more concrete form over the course of the year.

European Commission tables draft of new Energy Efficiency Directive

In order to reach the ambitious target of primary energy conservation and efficiency gains of 20 per cent by 2020, the European Commission put forward the draft of a new Energy Efficiency Directive in June 2011. It is intended to combine the existing CHP Directive (2004 / 8 / EC) and the Energy Services Directive (2006 / 32 / EC). The Commission was not able to lay down binding efficiency targets, but it did propose measures that will also affect EWE's business areas. The legislative process begins in the autumn.

Regulation proposed in Turkey

The EMRA (Energy Market Regulatory Authority) is the independent regulatory authority for the Turkish energy market and has been discussing changes to the legal framework for operators of gas networks. The amendments to regulations originally planned for 2010 have been postponed continually. This was due to intensive discussions on the matter with the companies affected and the parliamentary elections that took place in Turkey in June 2011. Following the election victory by the governing party in June 2011 a binding announcement of the regulations that will apply in future is now planned, but no specific date has been mentioned as yet. The regulatory authorities are expected to introduce a revenue ceiling for gas network operators based on the German model. This could have considerable economic consequences for gas suppliers in Turkey.

Significant events

Changes in the Board of Management

On 23 May 2011 the Supervisory Board of EWE AG appointed Dr. Heiko Sanders as the new CFO. Michael Wagener, who previously held this post, is to become deputy CEO with responsibility for HR, IT, Legal, Purchasing and developing a central energy trading division. Dr. Willem Schoeber is to leave the Board of Management of swb AG, which he previously chaired, to concentrate on his role on the Board of Management of EWE AG. Among other duties he will also be responsible for electricity generation and foreign business.

In order to strengthen cooperation between swb AG and EWE ENERGIE AG, the Boards of Management of the two utilities companies in the EWE Group are to have reciprocal members. Dr. Thomas Neuber and Jörg Budde will take on new roles in the swb Board of Management. Dr. Thorsten Köhne and Uwe Schramm now also hold responsibility on the Board of Management of EWE ENERGIE AG in Oldenburg. All changes took effect on 1 July 2011.

EWE begins repayments to natural gas customers

As announced in April 2011, EWE began to make repayments to the Company's natural gas customers in July. The repayment offer applies to some 600,000 special-rate customers who are or were supplied with natural gas by EWE ENERGIE AG. To qualify for a repayment a contract must have been in place during the period April 2008 to June 2009. The amount of the repayment is based on the prices applicable on 1 April 2007. The difference between this amount and the figure actually billed per kilowatt hour in the corresponding period will be reimbursed. When they sign the agreement customers waive all further claims to repayment under the contract and accept EWE's current terms and conditions for the supply of natural gas. The repayment was prompted by a ruling from the German Federal Supreme Court on 14 July 2010 that found the Company's price adjustment clause to be invalid.

Planned electricity generation plants on track

Together with ENOVA and other partners EWE is planning to build and operate the RIFFGAT wind farm with 30 wind energy plants north west of the island of Borkum. The construction was approved in September 2010 in accordance with the provisions of the German Anti-Pollution Act. In the opinion of the Federal Republic of Germany the area to be used by the farm is in German territorial waters; in the opinion of the Netherlands this is only partly the case. A consensual bilateral agreement is expected. Development work is due to continue on the farm in the second half of the year. Construction is scheduled to start in summer 2012.

On 30 June 2011 Gemeinschaftskraftwerk Bremen GmbH & Co. KG successfully closed the project financing for a total volume of € 337 million to build the planned gas and steam power plant at Mittelsbüren near Bremen. The total volume of the construction project amounts to € 445 million. The remaining funding is to come from the shareholders swb, Mainova, Deutsche Bahn and TOBI (a consortium of several municipal utilities from Lower Saxony and North-Rhine Westphalia) in the form of equity and shareholder loans. Thanks to its efficiency coefficient of over 58 per cent and its technical design, the gas and steam power plant will contribute to an environmentally friendly and flexible power supply, which is an ideal supplement to electricity generated using renewable energies. The plant is due to commence operations in 2013.

EWE TEL has new brand strategy

Since June 2011 EWE TEL has been offering its services under the EWE brand. Contracts held by around 640,000 customers in Lower Saxony, Bremen and parts of Hamburg, Brandenburg and North-Rhine Westphalia will not be affected. The reason for the brand change is the convergence between the telecommunications and energy markets. The new brand strategy is intended to reflect this and facilitate the marketing of combined products. The regional brand Teleos (East Westphalia-Lippe) is now also part of the EWE brand. Following the same principle, in Bremen and Bremerhaven the telecommunications products previously marketed under the nordcom brand are now to switch to the swb brand.

EWE TEL sells cable network business

EWE TEL has sold its cable network business in Hamburg (Martens) to ACN Telekabel Holding GmbH. This is a further step towards the new strategic orientation, by which EWE TEL concentrates on regions in which it can offer bundled energy and telecommunications products. ACN is the parent company of DTK Deutsche Telekabel GmbH. All Martens employees will receive a transfer offer from ACN Telekabel Holding GmbH. The contractual relationships with customers will continue unaltered and will be transferred from EWE TEL to the new owner. The sale is still subject to approval by the German Federal Cartel Office.

Employees

In the first half of 2011 the EWE Group employed an average of 8,806 staff. The increase compared with the same period last year (5.3 per cent) is due to recruitment in the energy companies and the IT area.

In the Corporate Centre / Consolidation business area the average number of employees rose slightly from 251 to 283 as Group functions were expanded.

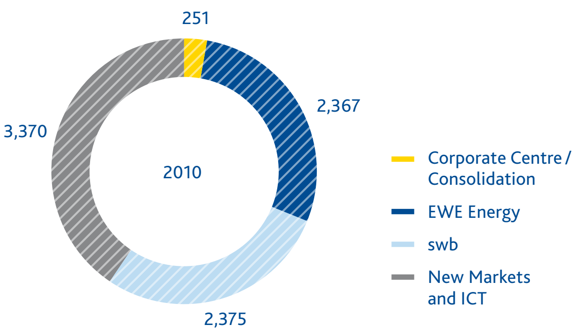
The EWE Energy business area grew by 8.8 per cent to 2,576 employees following recruitment in the Sales and Network areas.

The workforce in the swb business area increased slightly by 2.0 per cent to 2,422. This was largely due to project-related recruitment.

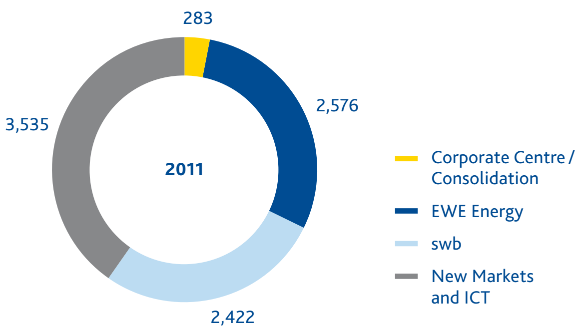
The number of employees in the New Markets and ICT business area was up by 4.9 per cent to 3,535 compared with last year. The reason for the growth is an increase in the workforce in companies in Turkey and in the IT area. At EWE TEL the average number of staff declined slightly.

Employees by business areas

Ø 1st half year 2010: 8,363



Ø 1st half year 2011: 8,806



Earnings, assets and financial position

These abridged interim consolidated financial statements for EWE AG for the first half-year 2011 have been prepared in accordance with IAS 34 (Interim Reporting). For the preparation of the interim consolidated financial statements the accounting methods used to prepare the consolidated financial statements as of 31 December 2010 have been applied unchanged. The abridged interim consolidated financial statements do not include all the information and disclosures required for year-end consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements as of 31 December 2010. In the course of preparing the interim consolidated financial statements the carrying amount of the goodwill presented in the consolidated financial statements as of 31 December 2010, which are shown for comparison in these interim consolidated financial statements, was adjusted by € 142.8 million in accordance with IAS 8.

Earnings position

In the first six months of 2011, the EWE Group generated sales (excluding electricity and energy taxes) of € 3.8 billion (H1 2010: € 3.6 billion). Of total Group sales, 71 per cent came from the EWE Energy business area, 15 per cent from the swb business area and 14 per cent from the New Markets and ICT business area; unchanged compared with the same period last year. As last year the Corporate Centre / Consolidation business area had no significant sales.

In the first half of 2011 sales rose by € 211.5 million or 5.8 per cent compared with the first half of 2010. The materials usage ratio – i.e. the cost of materials and services in relation to sales – remained virtually unchanged at 77.0 per cent (H1 2010: 76.8 per cent).

The significant fall of € 339.1 million in EBIT is principally due to non-recurring factors. Firstly, impairment losses of € 116.8 million were recognised on equity investments, particularly in connection with changes to the energy

Summary consolidated income statement

EUR million	01.01.–30.06.2011	01.01.–30.06.2010	Change absolute
Sales (without electricity and energy tax)	**3,838.9**	**3,627.4**	**211.5**
Cost of materials and services	-2,957.6	-2,784.9	-172.7
Personnel expenses	-294.9	-280.0	-14.9
Other income and expenses	-139.2	-95.0	-44.2
Result of equity investments	-68.6	72.9	-141.5
Result from financial instruments	1.0	-2.6	3.6
EBITDA	**379.6**	**537.8**	**-158.2**
Depreciation, amortisation and impairment	-383.1	-202.2	-180.9
EBIT [1]	**-3.5**	**335.6**	**-339.1**
Net interest income / expense	-86.1	-95.8	9.7
Profit before tax	**-89.6**	**239.8**	**-329.4**
Income taxes	-38.4	-44.8	6.4
Net profit for the period	**-128.0**	**195.0**	**-323.0**
Of this:			
Attributable to the parent company	-113.0	195.0	-308.0
Attributable to minority interests	-15.0	-	-15.0
	-128.0	**195.0**	**-323.0**

[1] Earnings before interest and taxes

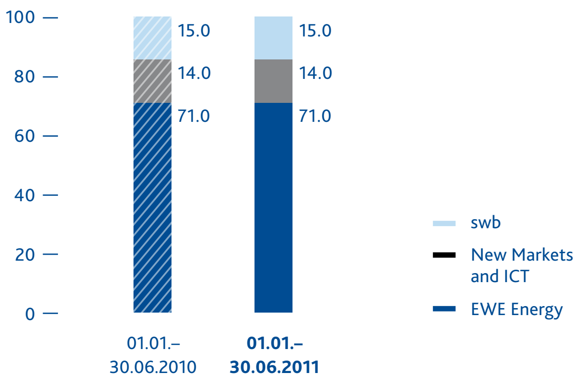
policy environment, which led to a negative result from equity investments. This largely relates to the shares in Stadtwerke Bielefeld GmbH. Furthermore, the ongoing regulatory activities in Turkey gave rise to write-downs of € 157.0 million on goodwill and intangible assets and therefore to a sharp increase in impairment losses compared with the first half of 2010.

Net interest income/expense is principally made up of interest paid on three bearer bonds (EWE bonds), interest on current bank debt and expenses for compounding non-current provisions.

The aforementioned factors meant that the EWE Group closed the first half-year 2011 with a net loss for the period of € 128.0 million.

Sales by business areas

(in %)



Assets and financial position

In accordance with IAS 8 an impairment loss of € 142.8 million was recognised on goodwill and correspondingly in equity in the consolidated balance sheet as of 31 December 2010.

The consolidated balance sheet structure has not changed significantly since 31 December 2010; the balance sheet total fell by nearly 4 per cent.

The decline stems largely from the write-downs of € 157.0 million on goodwill as well as on the intangible assets at the cash generating units Bursagaz und Kayserigaz and impairment losses of € 116.8 million on equity investments in connection with the change in the energy policy environment, for which Stadtwerke Bielefeld GmbH accounts for € 101.0 million.

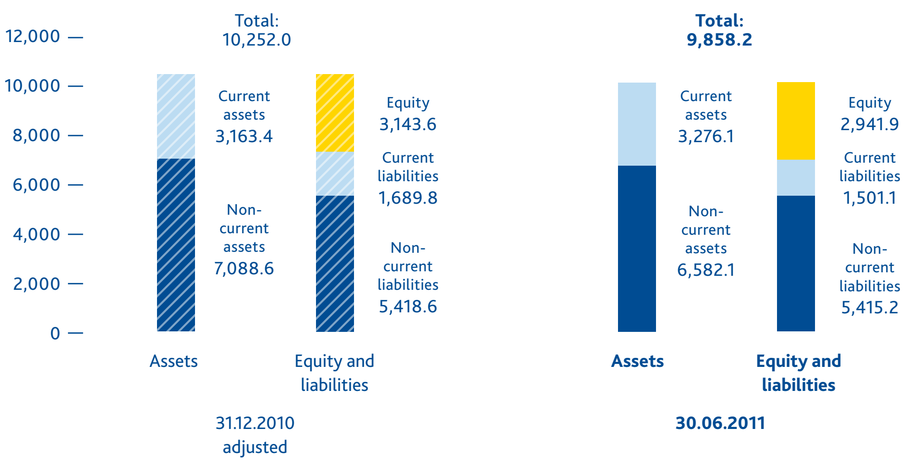
The nature of business engaged in by EWE means that it has a high investment intensity and a correspondingly high level of capital commitment. Non-current assets therefore account for around 67 per cent of the balance sheet total. This figure is nearly unchanged as compared with 31 December 2010.

Capital expenditure in the first half of 2011 came to € 225.0 million (H1 2010: € 265.7 million) and served mainly to expand infrastructure including new technologies.

Non-current assets are financed by means of equity and non-current borrowings.

Balance sheet structure as of 30 June 2011

(EUR million)



Non-current borrowings include three EWE bonds with a total volume of € 2.0 billion and terms of 10 years (2014), 12 years (2021) and 15 years (2019).

The equity ratio fell slightly from 31 per cent as of 31 December 2010 to 30 per cent as of 30 June 2011.

The summary consolidated cash flow statement shows that EWE's cash flow from operating activities came to € 14.7 million in the reporting period. The significant decrease stems in particular from changes in liabilities, which rose year on year by € 167.9 million.

As capital expenditure was much lower in the first half of 2011, cash flow from investing activities improved by € 66.3 million compared with the first half of 2010.

In connection with the share purchase in 2009 by our strategic partner EnBW Energie Baden-Württemberg AG (EnBW), Karlsruhe, a payment of €75.0 million was made by EnBW into the capital reserve in the first half of 2011. This meant that the financing requirement was lower than in the same period last year.

The EWE Group's financial flexibility is also secured via credit lines and a syndicated revolving credit facility for € 850.0 million. As of 30 June 2011, EWE AG had drawn down € 0.0 million (31 December 2010: € 0.0 million) of this facility.

Consolidated balance sheet

Assets EUR million	30.06.2011	in %	31.12.2010 [1]	in %
Non-current assets	6,582.1	67	7,088.6	69
Current assets (of which held for sale € 1,211 million, last year: € 1,000 million)	3,276.1	33	3,163.4	31
Total assets	**9,858.2**	**100**	**10,252.0**	**100**

Equity and liabilities EUR million	30.06.2011	in %	31.12.2010 [1]	in
Shareholders' equity	2,941.9	30	3,143.6	31
Non-current liabilities	5,415.2	55	5,418.6	53
Current liabilities	1,501.1	15	1,689.8	16
Total equity and liabilities	**9,858.2**	**100**	**10,252.0**	**100**

[1] adjusted

Summary consolidated cash flow statement

EUR million	01.01. – 30.06.2011	01.01. – 30.06.2010	Change
Cash flow from operating activities	14.7	130.5	-115.8
Cash flow from investing activities	-180.7	-247.0	66.3
Cash flow from financing activities	-19.4	-99.0	79.6
Currency translation and consolidation changes	-6.6	9.1	-15.7
Net change in cash and cash equivalents	**-192.0**	**-206.4**	**14.4**
Cash and cash equivalents at the beginning of the period	328.9	604.9	-276.0
Cash and cash equivalents at the end of the period	**136.9**	**398.5**	**-261.6**

Performance of business areas

Corporate Centre / Consolidation business area

The Corporate Centre / Consolidation business area comprises the Group head office and management functions, EWE AG's shareholdings and Group-level consolidation. The Corporate Centre does not generate any appreciable sales.

At € 5.7 million the operating result (EBIT) in the Corporate Centre / Consolidation business area was much lower than in the same period last year (€ 56.5 million). As well as consolidation effects the lower dividend payment from VNG had an adverse impact on performance.

Capital expenditure was down on last year as lending to affiliated companies was lower.

EWE Energy business area

In the first six months of the year electricity sales by the EWE Energy business area rose year on year by 7.7 per cent to 7.2 billion kWh. In the special-rate customers and local utilities segments new customers and the stronger economy led to higher sales volumes. Reduced sales in the standard-rate customers segment was caused by losing customers and the weather being milder than last year.

With total sales of 21.6 billion kWh, gas volumes sold in the reporting period were down by 8.5 per cent on last year's figure. The fall in sales is due both to the weather and to lost customers.

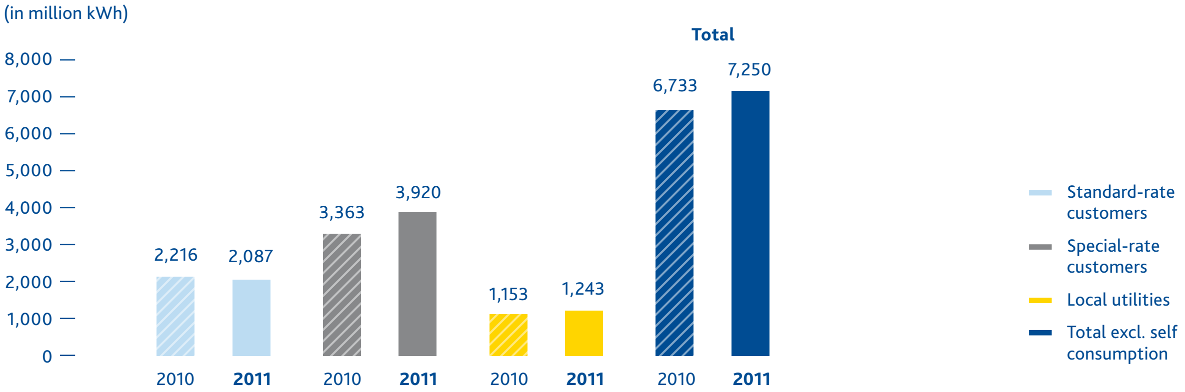
Sales in the EWE Energy business area rose by 5.4 per cent compared with the same period last year to € 2.8 billion. This is due to increased network sales, in turn

Overview of Group business areas

EUR million	EWE Energy		swb	
	01.01. – 30.06.2011	01.01. – 30.06.2010	**01.01. – 30.06.2011**	01.01. – 30.06.2010
Business area sales	**2,813.0**	**2,669.8**	**614.4**	**572.0**
EBITDA	**318.8**	**293.7**	**9.6**	**128.4**
EBIT	**203.6**	**198.0**	**-44.6**	**77.9**
Capital expenditure	**112.9**	**147.4**	**71.4**	**55.5**
Average number of employees	**2,576**	**2,367**	**2,422**	**2,375**

Electricity sales by customer group in EWE Energy business area as of 1st half year 2011

(in million kWh)



the result of the boom in renewable energies, as well as higher sales in the electricity and natural gas business. In the electricity business, higher sales volumes and pricing had a positive effect on sales to special-rate customers. The fall in the number of standard-rate electricity customers was not fully recompensed by the price adjustment in 2011. In natural gas, all customer segments registered sales increases due to pricing.

EBIT came to € 203.6 million, which was up slightly by € 5.6 million or 2.8 per cent against last year's result. This is largely the result of the pricing measures mentioned above in connection with higher procurement costs for electricity and natural gas. Earnings were depressed by higher concession fees and EWE ENERGIE AG's repayment offer to natural gas customers, which supplements the special payment made in 2010.

Capital expenditure in the business area came to € 112.9 million, a decline of 23.4 per cent on last year. The reduction in capital expenditure reflects the changes to the external environment for the Energy business area.

swb business area

In the first half-year the swb business area sold 2.4 billion kWh of electricity. This is the same as in the first half of 2010.

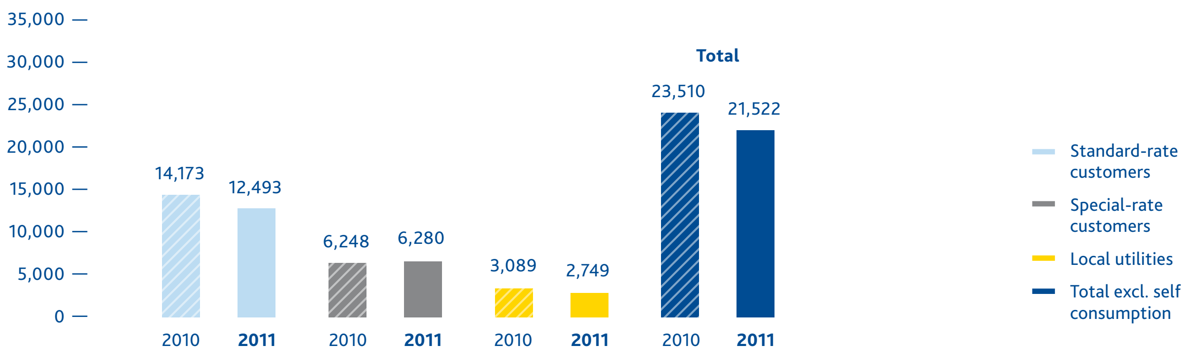
Natural gas sales sank due to the milder weather by 15.8 per cent from 4.9 billion kWh in the same period last year to 4.1 billion kWh.

The increase in sales in the first half-year by 7.4 per cent to € 614.4 million is therefore largely due to higher electricity sales despite lower natural gas sales.

	New Markets and ICT		Corporate Centre / Consolidation		Group	
	01.01. – 30.06.2011	01.01. – 30.06.2010	**01.01. – 30.06.2011**	01.01. – 30.06.2010	**01.01. – 30.06.2011**	01.01. – 30.06.2010
	542.5	**512.6**	**-131.0**	**-127.0**	**3,838.9**	**3,627.4**
	36.4	**51.7**	**14.8**	**63.9**	**379.6**	**537.8**
	-168.2	**3.2**	**5.7**	**56.5**	**-3.5**	**335.6**
	28.3	**32.5**	**12.4**	**30.3**	**225.0**	**265.7**
	3,535	**3,370**	**273**	**251**	**8,806**	**8,363**

Natural gas sales by customer group in EWE Energy business area as of 1st half year 2011

(in million kWh)



EBIT for the swb business area fell sharply compared with the first half of last year to € -44.6 million. This stems partly from non-recurring factors, as impairment losses were recognised on shareholdings in view of the changes to the energy policy environment. This largely relates to the shares in Stadtwerke Bielefeld GmbH. Last year the reversal of provisions also had a positive effect on earnings.

Investment in generation and waste disposal facilities resulted in higher capital expenditure than last year at € 71.4 million (last year: € 55.5 million).

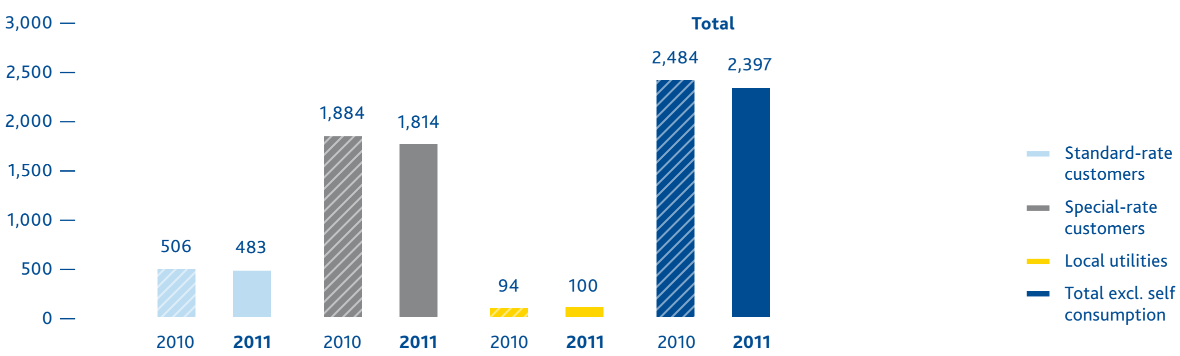
New Markets and ICT business area

The foreign shareholdings allocated to this business area recorded increased sales volumes and customer numbers in the first half-year. The companies in Poland supplied a total of 453.9 million kWh of natural gas to 9,792 customers in the reporting period. This represents growth of 1.4 per cent and 6.7 per cent respectively compared with the first half of 2010. The shareholdings in Turkey were able to increase their natural gas sales by 28.7 per cent to 9.0 billion kWh. The sharp increase is due to new customers and higher weather-related sales volumes at the gas suppliers Bursagaz and Kayserigaz and to higher sales volumes at the gas trading company EWE Doğalgaz.

In the first half of 2011 EWE TEL increased the number of its customers by 1.1 per cent compared with the same period last year to over 640,000. So far around 127,000 customers have registered for the new online-TV offer from EWE TEL.

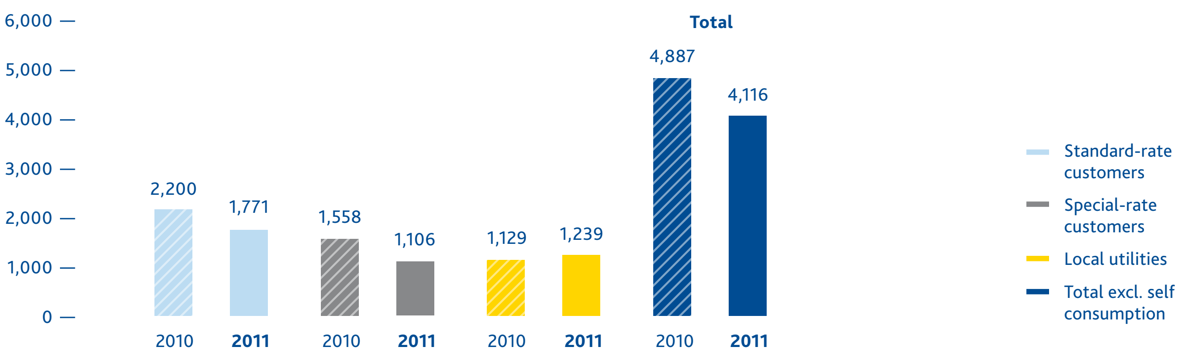
Electricity sales by customer group in swb business area as of 1st half year 2011

(in million kWh)



Natural gas sales by customer group in swb business area as of 1st half year 2011

(in million kWh)

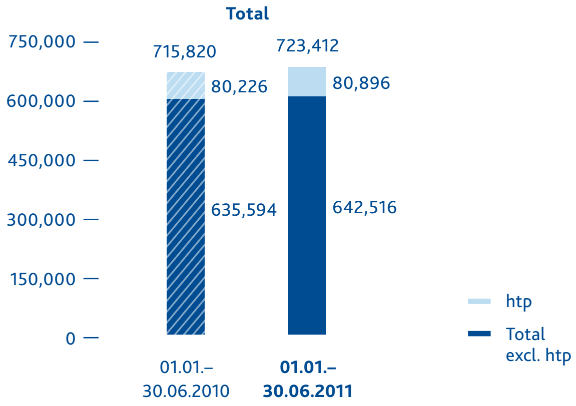


Sales in the New Markets and ICT business area climbed by 5.8 per cent to € 542.5 million. The increase is principally due to the positive performance in sales and customer numbers in Poland and Turkey. Sales in the ICT business unit were the same as last year.

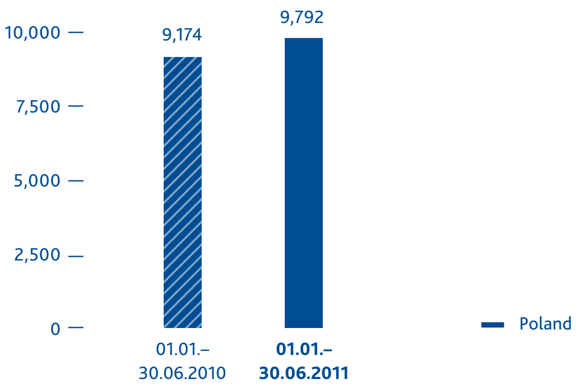
EBIT for the business area fell sharply in the first half-year and was negative at € -168.2 million. This is due to write-downs of € 157.0 million on impaired goodwill as well as on intangible assets at Bursagaz and Kayserigaz.

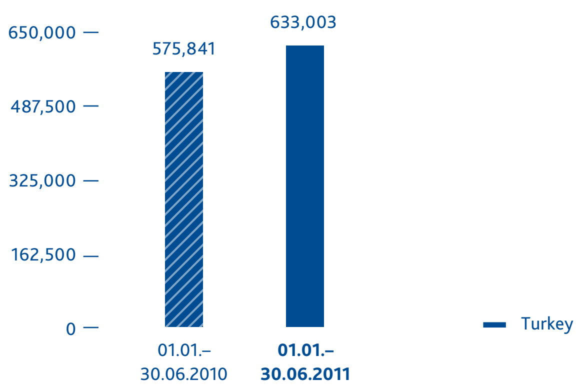
Capital expenditure in the New Markets and ICT business area came to € 28.3 million in total, slightly lower than in the same period last year (€ 32.5 million). Investments to reorganise the telecommunications infrastructure of the state authorities in Lower Saxony (LSKN) and in expanding broadband were higher than last year.

Customer development in telecommunications as of 1st half year 2011



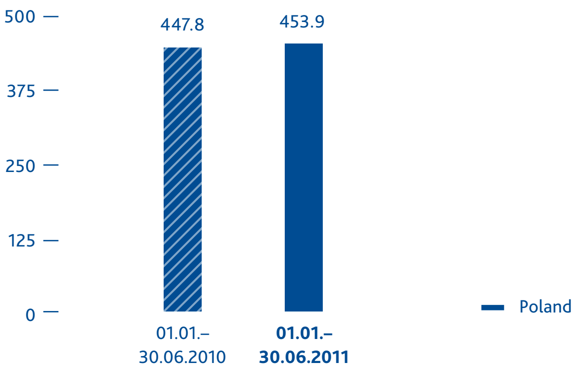
Customer trends for natural gas in Poland and Turkey as of 1st half year 2011

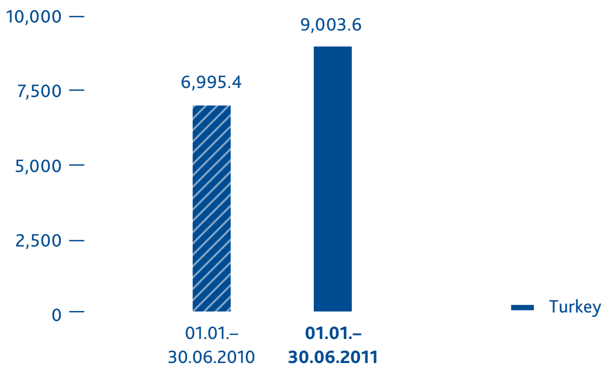




Sales trends for natural gas in Poland and Turkey as of 1st half year 2011

(in million kWh)





Supplementary report

No events of particular significance occurred after 30 June 2011.

Risk report

The early identification and active control of potential opportunities and risks are of crucial importance for the lasting successful development of the EWE Group. 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.

Risks are identified early by the individual companies responsible for the risks in a regular and structured process which takes into account the relevant Group standards as defined in the Group guidelines. The risks are then evaluated in terms of potential damage and likelihood of occurrence, and reported to the Group's central Risk management team along with a list of appropriate measures to limit the risks. The risks identified by 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 issued 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 2010, 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.

There is now a much lower risk from the ruling of the German Federal Supreme Court from 14 July 2010 on the invalid price adjustment clauses in gas supply contracts with special-rate customers of EWE ENERGIE AG. The repayment offer to customers, which supplements the special payment already made, may have an effect on earnings for the current financial year.

If the changed overall market environment leads to a sustained substantial decline in demand for EWE Group services, 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 2010.

Report on the internal control and risk management system

Information pursuant to Section 315 para. 2 no. 5 and Section 289 para. 5 of the German Commercial Code (HGB)

The goal of EWE's financial reporting is to provide interested parties with annual and interim financial statements that contain complete and accurate information. The internal control system (ICS) for accounting identifies possible sources of error and limits the risks related to these sources of error. EWE's internal control system (ICS) consists of systematically defined organisational and technical measures and controls intended to guarantee the security and integrity of data and IT systems relevant to accounting for the entire EWE Group.

More detailed information on the main features and processes of the ICS used by the EWE Group, the rule-based process to document its effectiveness and its inclusion in the audit schedule of the internal audit department over the course of the year can also be found in the Group management report for 2010.

Outlook

Experts expect the global economy to keep expanding strongly in the months ahead, although not as rapidly as between October 2010 and March 2011. The reasons for the economic slowdown include the higher oil price and the temporary fall in production following the earthquake in Japan. The OECD is predicting an increase of 4.2 per cent in global gross domestic product (GDP) for 2011 and of 4.6 per cent for 2012. Developments in connection with the debt levels of various euro countries and the United States of America could nevertheless affect economic performance in the second half of the year.

After the upswing at the beginning of the year the German economy has returned to a more normal gait. For the full year 2011 the Kiel Institute for the World Economy is forecasting an increase in price-adjusted GDP of 3.6 per cent. Kiel Economics is even predicting 4.2 per cent. The strongest boost to the economy comes from capital expenditure, which accounts for around half of the production increase in 2011. The increase in consumer spending has reached a high point. The upswing is being driven largely by domestic demand. After a strong first half-year the German economy is forecast to go through a weaker phase in the second half of the year, which is likely to persist until the second half of 2012. Expectations for German GDP in 2012 are currently mixed, with 1.5 per cent forecast by Kiel Economics and 2.3 per cent by the Macroeconomic Policy Institute.

Further positive developments are also on the agenda for Turkey. GDP increased in real terms by 8.9 per cent in 2010 and this dynamic trend has continued into 2011. Experts estimate the pace of economic growth this year at between 5 and 6 per cent and expect it to stabilise in 2012 at around 4.5 per cent.

Poland’s economy grew by 3.8 per cent in 2010 and Germany Trade & Invest is expecting similar figures for 2011 and 2012 (2011: 3.9 to 4.2 per cent; 2012: 3.6 to 4.3 per cent).

Anticipated earnings development

The year 2011 has been dominated by the changes to the energy policy environment in Germany and current regulatory activities in Turkey. The impairment losses recognised in connection with these developments resulted in negative EBIT for the first half of 2011. The EWE Group is assuming that the measures taken in response to the changes in external circumstances will lead to a recovery in EBIT. The aim is to generate positive EBIT for the full year 2011. The 5.8 per cent sales increase in comparison with the same period last year shows that the EWE Group is well prepared for the challenges of the years ahead. In the medium-term EBIT growth is expected to be moderate.

Consolidated Interim Financial Statements

1 January to 30 June 2011

Income statement for the EWE Group

for the period from 1 January to 30 June 2011

EUR million	Note	01.01.–30.06.2011	01.01.–30.06.2010
Sales		**4,074.0**	**3,857.7**
Electricity and energy taxes		-235.1	-230.3
Sales (without electricity and energy tax)		**3,838.9**	**3,627.4**
Changes in inventories		0.6	-2.1
Other own work capitalised		31.8	54.1
Other operating income		115.7	165.6
Cost of materials and services		-2,957.6	-2,784.9
Personnel expenses		-294.9	-280.0
Depreciation, amortisation and impairment	3	-383.1	-202.2
Other operating expenses		-287.3	-312.6
Result of investments accounted for under the equity method	3	-86.1	16.9
Other investment income	3	17.5	56.0
Result from financial instruments		1.0	-2.6
EBIT [1]		**-3.5**	**335.6**
Interest income		17.4	8.0
Interest expense		-103.5	-103.8
Profit before tax		**-89.6**	**239.8**
Income taxes		-38.4	-44.8
Net profit for the period		**-128.0**	**195.0**
Of this:			
Attributable to the parent company		-113.0	195.0
Attributable to minority interests		-15.0	-
		-128.0	**195.0**

[1] Earnings before interest and taxes

Statement of comprehensive income for the EWE Group

for the period from 1 January to 30 June 2011

EUR million	Note	01.01.–30.06.2011	01.01.–30.06.2010
Net profit for the period		**-128.0**	**195.0**
Adjustment item for translation differences from foreign subsidiaries		-33.3	60.1
Actuarial gains and losses from defined-benefit pension commitments and similar obligations		-4.8	-61.3
Cash flow hedges		-18.9	28.7
Market value of available-for-sale financial instruments		-0.2	-
Share of other income from financial investments accounted for under the equity method		-3.3	-0.6
Other comprehensive income after taxes		**-60.5**	**26.9**
Comprehensive income after taxes		**-188.5**	**221.9**
Of this:			
Attributable to the parent company		-169.2	215.3
Attributable to minority interests		-19.3	6.6
		-188.5	**221.9**

Balance sheet for the EWE Group

as at 30 June 2011

Assets

EUR million	Note	30.06.2011	31.12.2010 adjusted
Non-current assets			
Intangible assets	2, 3	1,087.3	1,293.5
Property, plant and equipment		4,978.7	5,014.1
Investments accounted for under the equity method	3	197.3	502.7
Other non-current assets	3	287.0	257.8
Income tax receivables		8.8	8.8
Deferred taxes		23.0	11.7
		6,582.1	**7,088.6**
Current assets			
Inventories		319.2	251.7
Trade receivables		1,047.2	944.6
Other receivables and assets		511.6	578.4
Income tax receivables		53.2	61.0
Cash and cash equivalents		133.9	327.7
		2,065.1	**2,163.4**
Non-current assets held for sale	5	1,211.0	1,000.0
		3,276.1	**3,163.4**
Total assets		**9,858.2**	**10,252.0**

Equity and liabilities

EUR million	Note	30.06.2011	31.12.2010 adjusted
Shareholders' equity			
Subscribed capital		243.0	243.0
Capital reserve	8	1,609.5	1,534.5
Retained earnings	2	1,073.3	1,330.6
Equity attributable to shareholders of the parent company		**2,925.8**	**3,108.1**
Attributable to minority interests		16.1	35.5
		2,941.9	**3,143.6**
Non-current liabilities			
Construction subsidies		740.9	750.0
Provisions		1,406.1	1,400.3
Bonds		1,990.7	1,990.1
Liabilities to banks		698.1	708.9
Other non-current liabilities		131.2	114.8
Income tax liabilities		1.0	1.1
Deferred taxes		447.2	453.4
		5,415.2	**5,418.6**
Current liabilities			
Construction subsidies and emissions rights		44.8	78.3
Provisions		159.1	169.7
Liabilities to banks		34.8	33.5
Trade payables		745.0	903.1
Income tax liabilities		34.3	24.2
Other current liabilities		483.1	481.0
		1,501.1	**1,689.8**
Total equity and liabilities		**9,858.2**	**10,252.0**

Statement of changes in shareholders' equity for the EWE Group

for the period from 1 January to 30 June 2011

EUR million	**Subscribed capital of the EWE Group**	**Capital reserve of the EWE Group**		
			Accumulated income	
				Revaluation reserve as per IFRS 3
As at 31.12.2009	**243.0**	**1,532.1**	**1,489.7**	**74.5**
Net profit for the period			195.0	
Other comprehensive income after taxes				
Total result				
Capital increase		2.4		
Dividend payments			-88.0	
Change in the group of consolidated companies			-2.9	
As at 30.06.2010	**243.0**	**1,534.5**	**1,593.8**	**74.5**
As at 31.12.2010	**243.0**	**1,534.5**	**1,350.4**	**74.5**
Restatement pursuant to IAS 8			-142.8	
As at 01.01.2011 adjusted	**243.0**	**1,534.5**	**1,207.6**	**74.5**
Net profit for the period			-113.0	
Other comprehensive income after taxes				
Total result				
Capital increase		75.0		
Dividend payments			-88.0	
As at 30.06.2011	**243.0**	**1,609.5**	**1,006.6**	**74.5**

RETAINED EARNINGS						Equity attributable to shareholders of the parent company	Attributable to minority interests	Shareholders' equity
Comprehensive other income								
Reserve for cash flow hedges	Reserve for available-for-sale financial instruments	Difference from currency translation	Measurement of pension obligations	IFRS 5	Change from the equity valuation without effect on profit and loss			
11.9		**-29.8**	**41.3**	**10.3**	**0.8**	**3,373.8**	**36.0**	**3,409.8**
						195.0		195.0
28.7		53.5	-61.3		-0.6	20.3	6.6	26.9
						215.3	**6.6**	**221.9**
						2.4		2.4
						-88.0	-0.1	-88.1
						-2.9		-2.9
40.6	**0.0**	**23.7**	**-20.0**	**10.3**	**0.2**	**3,500.6**	**42.5**	**3,543.1**
50.3	**-0.4**	**1.5**	**-14.1**	**10.3**	**0.9**	**3,250.9**	**35.5**	**3,286.4**
						-142.8		-142.8
50.3	**-0.4**	**1.5**	**-14.1**	**10.3**	**0.9**	**3,108.1**	**35.5**	**3,143.6**
						-113.0	-15.0	-128.0
-18.9	-0.2	-29.0	-4.8		-3.3	-56.3	-4.2	-60.5
						-169.3	**-19.2**	**-188.5**
						75.0		75.0
						-88.0	-0.2	-88.2
31.4	**-0.6**	**-27.5**	**-18.9**	**10.3**	**-2.4**	**2,925.8**	**16.1**	**2,941.9**

Cash flow statement for the EWE Group

for the period from 1 January to 30 June 2011 / Source of funds (+), use of funds (-)

EUR million	Note	01.01.–30.06.2011	01.01.–30.06.2010
EBIT [1]		**-3.5**	**335.6**
Depreciation, amortisation and impairment		499.9	202.5
Reversals of depreciation and impairment		-	-0.1
Reversal of construction subsidies		-26.1	-23.6
Interest paid		-26.0	-26.7
Interest received		17.4	8.0
Income tax payments / rebates		-25.6	-43.4
Net gain / loss on disposal of non-current assets		0.6	0.2
Non-cash foreign currency gains / losses		0.8	0.2
Non-cash changes in provisions		68.1	- 0.3
Income / loss from companies accounted for under the equity method		-6.6	5.0
Net non-cash gain / loss from derivative financial instruments		-21.2	-27.8
Other non-cash income and expenses		-2.0	11.2
Changes in inventories		-67.9	-13.5
Changes in receivables and other assets		-70.4	-141.9
Changes in liabilities		-322.8	-154.9
Cash flow from operating activities		**14.7**	**130.5**
Construction subsidies received		23.8	13.1
Expenditure for investments in intangible assets		-4.8	-3.0
Proceeds from disposal of property, plant and equipment		2.6	3.1
Expenditure for investments in property, plant and equipment		-187.3	-231.5
Proceeds from disposal of financial assets		17.9	2.2
Expenditure for investment in financial assets		-32.9	-30.9
Cash flow from investing activities		**-180.7**	**-247.0**
Proceeds from issuing equity instruments	8	75.0	2.4
Dividend payments to shareholders of the parent company and minority shareholders	6	-88.2	-88.1
Inflows / outflows for financial liabilities (net)		-3.2	-12.6
Other net cash flow from / for financing activities		-3.0	-0.7
Cash flow from financing activities		**-19.4**	**-99.0**
Change in cash and cash equivalents		-185.4	-215.5
Change in cash and cash equivalents due to changes in exchange rates and the group of consolidated companies		-6.6	9.1
Cash and cash equivalents at the beginning of the period		328.9	604.9
Cash and cash equivalents at the end of the reporting period		**136.9**	**398.5**

[1] Earnings before interest and taxes

Notes to the abridged interim consolidated financial statements for EWE

1. Information about the company

EWE Aktiengesellschaft (hereinafter EWE AG) with registered offices in 26123 Oldenburg (Germany), Donnerschweer Strasse 22–26, is the parent company of the EWE Group.

The main activities of the company and its subsidiaries (the Group) are described in Note 4.

These abridged interim consolidated financial statements for the first half-year 2011 were approved by the Board of Management for presentation to the Supervisory Board on 1 August 2011.

The abridged interim consolidated financial statements and the Group interim management report have been subject to an accounting review.

2. Principles of preparing the financial statements and accounting methods

The abridged interim consolidated financial statements for the first half-year 2011 have been prepared in accordance with IAS 34. They do not include all the information and disclosures required for year-end consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements as of 31 December 2010.

Rounding in the interim report may result in minor variations in totals and percentages.

Main accounting methods

For the preparation of the abridged interim consolidated financial statements the accounting methods used to prepare the consolidated financial statements as of 31 December 2010 have been applied unchanged. The following standards and interpretations, which are mandatory for the first time, are the only exception:

IAS 24 "Related Party Disclosures" (amended):
The amendment clarified the definition of a related party in order to make it simpler to determine when parties are related and to prevent the standard from being applied inconsistently. The amended standard also provides an exemption from disclosure requirements for companies with a relationship to public bodies. The amendments are binding for financial years beginning on or after 1 January 2011. Their first-time application had no impact on the EWE interim consolidated financial statements.

IAS 32 "Financial Instruments: Presentation – Classification of Rights Issues" (amended):
The amendment changed the definition of a financial liability. Subscription rights (and certain options or warrants) are to be classified as equity if they entitle the holder to a fixed number of the company's equity instruments for a fixed amount in any currency, and the company offers them pro rata to all current owners of the same class of a non-derivative equity instrument. The amendment is effective for financial years beginning on or after 1 February 2010. Their first-time application had no impact on the EWE interim consolidated financial statements.

IFRIC 14 "Prepayments of a Minimum Funding Requirement" (amended):
The amendment includes guidelines for determining the recoverable amount of a net pension asset. The amendment allows companies to recognise prepayments for minimum funding requirements as assets. The amendment is effective for financial years beginning on or after 1 January 2011. Their first-time application had no impact on the EWE interim consolidated financial statements.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments":
According to the interpretation, equity instruments issued to a creditor to repay all or part of a financial liability are classified as "consideration paid". The equity instruments issued are measured at fair value. If fair value cannot be determined reliably, the equity instruments issued are measured at the fair value of the liability extinguished. Gains and losses are recognised directly in profit and loss. The amendment is effective for financial years beginning on or after 1 July 2010. Their first-time application had no impact on the EWE interim consolidated financial statements.

2010 improvements to IFRS
The IASB has issued its Annual Improvements to IFRS, a collection of amendments to several International Financial Reporting Standards. The amendments are to be applied to financial years beginning on or after 1 July 2010, or to financial years beginning on or after 1 January 2011.

- IFRS 3 Business Combinations
- IFRS 7 Financial Instruments: Disclosures on the Nature and Extent of Risks
- IAS 1 Presentation of Financial Statements
- IAS 21, IAS 28, IAS 31 Amendments resulting from IAS 27R
- IFRIC 13 Customer Loyalty Programmes: Measurement of Fair Values
- IAS 34 Interim Reporting: Note Disclosures

Its first-time application had no significant impact on the EWE interim consolidated financial statements.

The Group did not apply any other published but not yet binding standards, interpretations or amendments in advance.

Amendment in accordance with IAS 8

In the course of preparing the interim consolidated financial statements it became apparent that the goodwill attributed to swb in the consolidated balance sheet as of 31 December 2010 using the same measurement parameters was too high. In accordance with IAS 8 the carrying amount of the goodwill presented under intangible assets as of 31 December 2010 was therefore adjusted by € 142.8 million.

Group of consolidated companies

The consolidated financial statements include EWE AG as well as all significant domestic and foreign subsidiaries controlled directly or indirectly by EWE AG. Significant associated companies are recorded using the equity method.

The following table shows the group of consolidated companies:

Type of consolidation and number	30.06.2011	31.12.2010	30.06.2010
Fully consolidated companies	40	39	37
Companies accounted for under the equity method	9	9	8

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 2011, 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.

3. Impairment

Goodwill is tested for impairment once a year (to 31 December). A test is also conducted if circumstances indicate that goodwill may have been impaired. The Group's impairment test for goodwill is based on the measurement of the recoverable amount of the cash-generating unit. The fundamental assumptions for determining the recoverable amount were laid out in the consolidated financial statements as of 31 December 2010.

In view of recent developments in Turkey the forecast cash flow for the cash-generating units Bursagaz and Kayserigaz (New Markets and ICT business area) has been adjusted. The current regulatory activities will have a largely negative impact on the earnings situation. A WACC (Weighted Average Cost of Capital) of 6.76 per cent (31 December 2010: 6.62 per cent) and current exchange rates were used. As a result of the updated analysis management has identified an impairment of € 157.0 million, which was recognised in depreciation, amortisation and impairment. € 62.1 million of the impairment is attributable to goodwill and € 94.9 million to intangible assets with a finite useful life.

Impairment losses of € 116.8 million were recognised on equity investments, particularly in connection with changes to the energy policy environment. The shares in Stadtwerke Bielefeld GmbH accounted for € 101.0 million of the total.

4. Segment information

The segments in the EWE Group are determined in accordance with internal reporting lines in what is known as the “management approach”. A change to the Group’s internal organisational structure in the 2010 financial year led to a change in the composition of the Group’s reportable business areas. The new structure puts the company in a perfect position to meet the challenges faced by multi-service companies. The figures for prior periods have been adjusted accordingly.

EWE’s new business areas are as follows:

- EWE Energy
- swb
- New Markets and ICT
- Corporate Centre / Consolidation

The reportable EWE Energy segment combines electricity and natural gas sales and trading, natural gas production, procurement and storage, electricity generation from renewable sources and other energy-related services marketed under the EWE brand. The EWE NETZ business unit has been allocated to the EWE Energy segment. This unit plans, builds and operates electricity, natural gas and telecommunications networks in the Ems / Weser / Elbe and Brandenburg regions. All the activities for providing drinking water to Bremervörde, Cuxhaven, Oldenburg, Scheeßel and Varel are also pooled in this business area.

Segment information for the EWE Group

EUR million	EWE Energy		swb	
	01.01. – 30.06.2011	01.01. – 30.06.2010	**01.01. – 30.06.2011**	01.01. – 30.06.2010
Sales				
External sales	2,736.8	2,607.4	606.6	560.6
Inter-segment sales	76.2	62.4	7.8	11.4
Total sales	**2,813.0**	**2,669.8**	**614.4**	**572.0**
Result				
Segment earnings (EBIT)	203.6	198.0	-44.6	77.9
Interest income				
Interest expense				
Profit before tax (EBT) for the period				
Income taxes				
Result for the period				
Other information				
Segment assets	**4,410.0**	**4,522.7**	**2,634.4**	**2,617.0**

The reportable swb segment consists of the subgroup swb. The activities of swb AG and its subsidiaries are focused on providing energy and water services, in particular the supply of energy and water to Bremen, Bremerhaven and the surrounding areas, as well as on electricity generation and waste disposal.

All other business areas have been combined in accordance with IFRS 8.16 and disclosed as the New Markets and ICT business area. This includes EWE's activities in Poland and Turkey as well as the information technology and telecommunications business.

The Corporate Centre / Consolidation business area is responsible for the head office functions of EWE AG as a holding company as well as EWE AG's direct shareholdings and Group-wide consolidation. The shares held in VNG are reported in this business area.

5. Non-current assets held for sale

The change results from the reclassification of an associated company that is now definitely intended to be sold.

6. Dividend decided upon and paid

On 21 March 2011, the EWE AG Annual General Meeting resolved to distribute the proposed dividend for the financial year 2010, amounting to €88.0 million (€ 362.16 for each nominal € 1,000.00 of share capital amounting to € 242,988,000.00), to the shareholders. The dividend was paid to shareholders in the first half of the year.

	New Markets and ICT		Corporate Centre / Consolidation		Group	
	01.01. – 30.06.2011	01.01. – 30.06.2010	**01.01. – 30.06.2011**	01.01. – 30.06.2010	**01.01. – 30.06.2011**	01.01. – 30.06.2010
	494.3	459.1	1.2	0.3	3,838.9	3,627.4
	48.2	53.5	-132.2	-127.3		
	542.5	**512.6**	**-131.0**	**-127.0**	**3,838.9**	**3,627.4**
	-168.2	3.2	5.7	56.5	-3.5	335.6
					17.4	8.0
					-103.5	-103.8
					-89.6	**239.8**
					-38.4	-44.8
					-128.0	**195.0**
	1,001.4	**1,383.9**	**1,263.0**	**1,176.7**	**9,308.8**	**9,700.3**

7. Pension provisions

The provisions for pensions and similar obligations bear interest at a rate of 4.75 per cent (31.12.2010: 4.75 per cent).

8. Related party disclosures

Transactions with companies included in the interim consolidated financial statements are eliminated as part of consolidation. The related parties of the EWE Group include the shareholders of EWE AG, non-consolidated affiliated companies, the associated companies accounted for under the equity method and assets accounted for in accordance with IFRS 5 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. EnBW carried out the capital increase by means of a contribution to capital reserves.

The relations with the group of associated companies accounted for under the equity method and those accounted for in accordance with IFRS 5 are primarily financial and for supplies and services relating to electricity and natural gas. All transactions are concluded on standard market terms.

The following table shows the transactions with related parties:

Shareholders of EWE AG

EUR million	**01.01.–30.06.2011**	01.01.–30.06.2010
Purchase of goods		5.2
Sale of goods		11.7
Capital increase	75.0	2.4
Financing	8.9	

Associated companies accounted for under the equity method and assets accounted for in accordance with IFRS 5

EUR million	01.01.–30.06.2011	01.01.–30.06.2010	30.06.2011	31.12.2010
Services rendered	5.6	1.8		
Purchase of goods		13.3		
Sale of goods	14.5	25.4		
Energy procured	70.9	89.8		
Energy sold	19.6			
Services purchased	4.5	9.1		
Financing	0.1	0.2		
Receivables			48.5	43.4
Liabilities			20.4	14.1

Non-consolidated affiliated companies

EUR million	30.06.2011	31.12.2010
Loans	41.0	37.1
Trade receivables	70.6	67.6
Cash pool receivables	3.0	1.3
Trade payables	4.9	2.6
Cash pool payables	4.5	7.5
Other liabilities	0.3	0.2

The members of Ems-Weser-Elbe Versorgungs- und Entsorgungsverband are the local authorities and municipalities in our supply area between the rivers Ems, Weser and Elbe. 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 the town of Leer, Leer
Rainer Janßen	First Deputy Chairman Technical Supervisor of EWE NETZ GmbH, Varel
Hans-Peter Villis	Second Deputy Chairman Chairman of the Board of Management of EnBW AG, Castrop-Rauxel
Martin Döscher	Third Deputy Chairman Honorary District Administrator of Cuxhaven, Köhlen
Hans Eveslage	Fourth Deputy Chairman District Administrator of Cloppenburg, Barßel
Wolfgang Behnke	Systems Integrator of EWE AG, Osterholz-Scharmbeck
Uwe Borck	ver.di Regional Department Director, Königs Wusterhausen, since 1 January 2011
Hermann Bröring	District Administrator of Emsland, Lingen
Claus Christ	Supervisor of EWE NETZ GmbH, Remels
Dr. Hans Michael Gaul	Düsseldorf
Carsten Hahn	Administrator, EWE NETZ GmbH, Osterholz-Scharmbeck
Gregor Heller	Senior Trades Consultant of EWE AG, Haselünne
Dr. Stephan-Andreas Kaulvers	Chief Executive Officer of Bremer Landesbank, Bremen
Aloys Kiepe	ver.di District Trade Secretary, Emden
Sigrid Leidereiter	ver.di District Trade Secretary, Bremen
Ulrike Schlieper	SPD party chairwoman on the Friesland District Council, Sande
Alwin Schlörmann	Director of Oldenburg / Varel Business Region at EWE, Bad Zwischenahn
Prof. Dr. Gerd Schwandner	Mayor of the City of-Oldenburg, Oldenburg
Dierk Schwarting	Technical Supervisor of EWE NETZ GmbH, Ganderkesee
Dr. Hans-Josef Zimmer	Fully Authorised Representative for Technology at EnBW AG, Steinfeld (Rhineland-Palatinate)

Board of Management

Dr. Werner Brinker	Chief Executive Officer of EWE AG, Rastede
Michael Wagener	Deputy Chief Executive Officer of EWE AG, Rastede
Dr. Heiko Sanders	Member of the Board of Management of EWE AG, Wiesmoor, since 1 July 2011
Dr. Willem Schoeber	Member of the Board of Management of EWE AG, Bremen

9. Events after the reporting date

There were no significant events after the reporting date.

Oldenburg, Germany, 1 August 2011

Board of Management

Dr. Werner Brinker	Michael Wagener	Dr. Heiko Sanders	Dr. Willem Schoeber

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 assets, financial and earnings 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, 1 August 2011

Board of Management

Dr. Werner Brinker	Michael Wagener	Dr. Heiko Sanders	Dr. Willem Schoeber

Certificate of auditors’ review

We have carried out a review of the abridged interim consolidated financial statements – consisting of the abridged income statement, abridged statement of comprehensive income, abridged balance sheet, abridged cash flow statement and abridged statement of changes in shareholders’ equity as well as selected comments in the Notes to the abridged consolidated financial statements – and the interim Group management report of EWE Aktiengesellschaft for the period 1 January to 30 June 2011, which are part of the half-year financial report as defined in Section 37w of the Securities Trading Act (WpHG). The preparation of the abridged interim consolidated financial statements in accordance with the IFRS for interim financial reporting as applicable in the EU and the interim Group management report in accordance with the provisions of the Securities Trading Act (WpHG) applicable to interim Group management reports is the responsibility of the company’s Board of Management. Our responsibility is to issue a certificate on the abridged interim consolidated financial statements and the interim Group management report on the basis of our review.

We conducted our review of the abridged interim consolidated financial statements and the interim Group management report in accordance with generally accepted German standards for the auditors’ review of financial statements as determined by the German Institute of Auditors (Institut der Wirtschaftsprüfer, IDW). These standards require that we plan and conduct the review such that after critical appraisal we can with a certain assurance exclude the possibility that the abridged interim consolidated financial statements do not comply with the IFRS for interim financial reporting as applicable in the EU in significant respects and that the interim Group management report does not comply with the provisions of the Securities Trading Act applicable to interim Group management reports. An auditors’ review is essentially limited to questioning employees of the company and making analytical judgements and therefore does not offer the same level of assurance as an audit. As we were not appointed to carry out an audit we cannot provide an auditors’ report.

Oldenburg, Germany, 2 August 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Thomas Dräger
Auditor

ppa. Carsten Engelhardt
Auditor

Calendar 2012

17 April 2012	Annual Report 2011 – Press conference on results 2011
August 2012	Interim Report 2012

Imprint

Published by
EWE Aktiengesellschaft
Donnerschweer Strasse 22–26
26123 Oldenburg
Germany

Editorial team
EWE Aktiengesellschaft
Corporate Communications
Phone: +49 (0) 4 41 / 48 05-18 30
Email: geschaeftsbericht@ewe.de

Concept and design
IR-One AG & Co., Hamburg
www.ir-1.com

Photography
Stephan Meyer-Bergfeld, Oldenburg

Printed by
Zertani GmbH & Co. Die Druckerei KG,
Bremen

Translated by
EnglishBusiness, Hamburg

EWE on the internet
www.ewe.com

Disclaimer

EWE Aktiengesellschaft
Donnerschweer Strasse 22–26, 26123 Oldenburg, Germany
www.ewe.com