

Management Report 2007

Trianel European Energy Trading GmbH

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SUMMARISED MANAGEMENT REPORT

of Trianel European Energy Trading GmbH for the financial year 2007

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SUMMARISED MANAGEMENT REPORT

A. Business activity and development of business

A. Business activity and development of business

COMMENTS ON THE BUSINESS ACTIVITY

Trianel European Energy Trading GmbH (hereinafter also referred to briefly as TEET) is the largest cooperation of public utilities in Germany and Europe. Thanks to the interaction of our eleven efficient subsidiary and affiliated companies, we are in a position to offer an integral service spectrum for regional and municipal energy supply companies along the value added chain of the electricity and gas industry. As the controlling company, Trianel is responsible for the overriding coordination of all national and international activities of the Trianel Group as well as for determining the strategic development priorities.

The company focuses on the core businesses electricity and gas, and concentrates on supporting independent public utilities in the increasingly fierce competitive environment. The service spectrum comprises the procurement of and trade in electricity, gas and CO₂ certificates as well as the management of power station capacities and the marketing of self-generated electricity. Through portfolio management and risk services, wholesale-related services such as analyses, advising and reporting as well as know-how concerning the energy business, we strengthen public utilities on a lasting basis in successfully meeting the challenges of the liberalised energy market and in consolidating their market position. This obliges us to offer above average flexibility, a high level of innovative force and top quality – as a reliable partner for our shareholders and customers.

Trianel is involved in energy wholesaling in all important market places – in both OTC trade as well as on the stock exchange – independently of any group and via a modern trading floor.

The project development activities of Trianel are aimed at providing public utilities and Trianel with access to upstream value added stages in the electricity and gas market through the bundling of complementing interests in the municipal sector. The basis of the business is formed by the operation of the gas and steam turbine power station in Hamm-Uentrop and of a gas accumulator in Epe, the coal-fired power station project with planned sites in Lünen and Krefeld-Uerdingen as well as investment in generation

from renewable energies e.g. in a wind park in Borkum-West II. Trianel provides the management and the technical expertise for the project companies concerned as well as the know-how in terms of legal matters, the energy industry, technology and communications.

GENERAL CONDITIONS AND MARKET DEVELOPMENT

Public utilities are under immense pressure to change. The largest source of fear in this respect appears to be the regulation of incentives. At the same time, the future of public utilities lies ahead of them if they lay the right foundations now.

IMPENDING SUPPLY PROBLEMS ON THE GENERATOR MARKET

Given the impending supply problems, there is a great deal to be done in Germany in future in order to maintain the high standard of energy supply. Supply shortages can only be avoided in future through major investments in new power station capacities. New and highly efficient power stations lead to an increased supply of electricity and thus to competition and competitive prices. Consequently, in particular new and small market players need reliable general conditions for investments in the building of modern power stations. The generation oligopoly can be broken up if public utilities bundle their forces and cooperate.

Trianel is placing its faith in a broad based energy mix. In November/December 2007, the first joint gas and steam turbine power station was commissioned in Hamm-Uentrop. Two ultra-modern, coal-fired power stations are currently in the realisation phase (Lünen) and in the advanced planning phase (Krefeld-Uerdingen). The participation in the wind park Borkum-West II is an ideal extension to this involvement in energy generation.

Nevertheless, many new construction projects in Germany fail at local level due to the lack of acceptance of fossil energies. The urgently required replacement of old, inefficient

facilities by highly efficient, modern power stations is prevented. This not only impairs the security of supply but also harms the climate.

NEED FOR COMPETITION

In the recent past, the energy industry has been confronted at both national and European level with new instruments aimed at increasing competition. These include

- The introduction of antitrust price monitoring. However, this does not encourage competition. Rather, the market entry of new providers is prevented by price requirements. The price ceases to function as a differentiation characteristic for new providers who have to establish themselves amongst the competitors. There are hardly any incentives for consumers to change their provider.
- The internal energy market package, agreed by the EU Commission, aimed at achieving the objectives climate protection, security of supply and competitive prices through increased competition. Nevertheless, the proposed instruments are in part not sufficient for achieving these objectives. Experience from neighbouring EU States such as Denmark and Great Britain indicates clearly: Deconcentration of ownership does not ensure increased investment, lower prices and greater competition. Rather, it results in a massive interference in the ownership rights of the energy supply companies.

Trianel is continuing to step up its fight for stable general conditions which will ensure appropriate incentives for investments in infrastructure and security of supply.

New providers, who do not have written-off power stations, as well as most public utilities, have to obtain supplies from the wholesale market. If the sales operations of the integrated groups can cover their requirements more cheaply by bypassing the transparent wholesale market, the suppliers without their own generation have no chance in the long term. This cannot lead to thriving, sustained competition.

EXPANSION OF RENEWABLE ENERGIES REQUIRES RESTRUCTURING OF THE SUPPORT SCHEME

In August 2007 in Meseberg, the German Federal cabinet approved an ambitious, integrated energy and climate programme with 29 key points. Above all, the planned, massive expansion of renewable energies requires restructuring of the existing support scheme. The planned amendment

of the Renewable Energies Act should therefore be used to remove existing intransparencies and to prevent cost-intensive procedures from now on. Prognosis risks can be removed and requirements-oriented supply made possible through improved market integration of renewable energies and increased direct marketing together with a simplification of the rolling mechanism.

ENSURING EQUAL PRIORITY OF THE OBJECTIVES CLIMATE PROTECTION, SECURITY OF SUPPLY AND COMPETITIVE ENERGY PRICES

In spring, the EU States agreed ambitious climate protection objectives. CO₂ emissions in the EU are to be reduced by 20% by the year 2020 and the share of renewable energies in energy consumption increased from 8.5 percent to 20 percent. To implement these ambitious objectives, the EU Commission submitted its amendment proposals for the Directives on emissions trade, renewable energies and CCS on 23 January 2008.

- There will be massive reductions in emissions trade in the energy sector: The full auctioning of the certificates will take effect as from 2013. Overall, by 2020 the number of CO₂ certificates will be reduced by 21 percent compared with 2005. In addition, EU-wide upper limits and a central allocation of emissions rights will be prescribed instead of national allocation plans. Member States with low per capita GDP will be allocated more rights.
- To fulfil the ambitious targets concerning the expansion of renewable energies to 20 percent by 2020, binding targets (Germany 18 percent) will be set for overall energy consumption in the individual Member States. Nevertheless, each Member State can retain its support scheme. There will also be increased support for CCS.

From the point of view of Trianel, the proposals made by the EU Commission are not sufficient to provide adequate incentives for the replacement of old facilities by highly efficient, modern power stations. Rather, the German government should make increased efforts to obtain an international climate agreement based on the World Climate Conference in Bali, and enable greater crediting of emissions certificates from JI and CDM projects.

SHAREHOLDER STRUCTURE AND EQUITY

As was the case in the previous years, the reporting period 2007 was characterised by the successful expansion of the shareholder basis of Trianel European Energy Trading GmbH (TEET). In the public utilities Stadtwerke Jena-Pößneck GmbH, Stadtwerke Hamm GmbH, Hertener Energiehandelsgesellschaft mbH, Stadtwerke Sindelfingen GmbH and GSW Gemeinschaftsstadtwerke GmbH Kamen-Bönen-Bergkamen, the company acquired five new shareholders, four of whom via a pure increase in capital. The absorption of Hertener Energiehandelsgesellschaft mbH was on a pro-rata basis, including through the acquisition of own shares of TEET. As a result, 32 municipal utility companies held a shareholding in TEET as of the balance sheet date.

In addition, Stadtwerke Aachen Aktiengesellschaft increased its shareholding in TEET by 763,200 euros. This increased shareholding was realised through the onward sale of the shares held by TEET in itself as a result of acquisition of the shares of the departed Dutch Energy Holding

GmbH. Consequently and as expected, all company shares held by TEET as a result of the departure of Cogas Facilitair B.V. and N.V. ONS Energie - who held shares in TEET via Dutch Energy Holding GmbH up until the end of 2006 and who were taken over by established affiliated companies - were used for the acquisition of shareholders or placed back amongst the shareholders.

As of 31 August 2007, the shareholder Stadtwerke Flensburg GmbH reduced its shareholding in TEET by 356,800 euros to 68,000 euros. As further growth in the number of shareholders can also be assumed for 2008, TEET has, in turn, acquired the shares from Stadtwerke Flensburg GmbH as own shares with the aim of placing these within the scope of the expansion of the shareholder base.

Overall, the share capital of TEET increased by 1,095,600 euros in 2007 to 14,526,650 as of the balance sheet date.

The following chart provides an overview of the shareholder structure of TEET as of 31 December 2007.

ewmr – Energie- und Wasserversorgung Mittleres Ruhrgebiet GmbH, Bochum (Bochum, Herne, Witten)	27.36%	Energie- und Wasserversorgung Rheine GmbH	0.69%
STAWAG Stadtwerke Aachen AG	16.61%	Hertener Energiehandelsgesellschaft mbH	0.69%
Stadtwerke Bonn GmbH	8.05%	Stadtwerke Dachau	0.69%
Überlandwerk Fulda AG	7.55%	Stadtwerke Gronau GmbH	0.69%
Stadtwerke Lübeck Holding GmbH	7.10%	Stadtwerke Sindelfingen GmbH	0.69%
Stadtwerke Jena-Pößneck GmbH	4.15%	Stadtwerke Detmold GmbH	0.50%
Stadtwerke Halle GmbH	4.13%	Stadtwerke Flensburg GmbH	0.47%
Niederrheinwerke Viersen GmbH	3.99%	Stadtwerke Unna GmbH	0.45%
Salzburg AG für Energie, Verkehr und Telekommunikation, Österreich	2.44%	Stadtwerke EVB Huntetal GmbH	0.42%
enwor – energie & wasser vor ort GmbH, Herzogenrath	2.37%	Stadtwerke Lemgo GmbH	0.37%
NVB Nordhorer Versorgungsbetriebe GmbH	1.65%	Stadtwerke Schwäbisch Hall GmbH	0.36%
Stadtwerke Hamm GmbH	1.38%	Stadtwerke Georgsmarienhütte GmbH	0.34%
GSW Gemeinschaftsstadtwerke GmbH Kamen-Bönen-Bergkamen	1.03%	Stadtwerke Herford GmbH	0.34%
Regio Energie Solothurn, Schweiz	0.83%	Stadtwerke Lengerich GmbH	0.34%
Stadtwerke Lünen GmbH	0.81%	Stadtwerke Soest GmbH	0.34%
		Stadtwerke Verden GmbH	0.34%
		Teutoburger Energienetzwerk e.G., Hagen	0.34%

Trianel European Energy Trading GmbH

Fig. 1: Shareholder structure of Trianel European Energy Trading GmbH (status: 31 December 2007); own shares of TEET 2.46 percent.

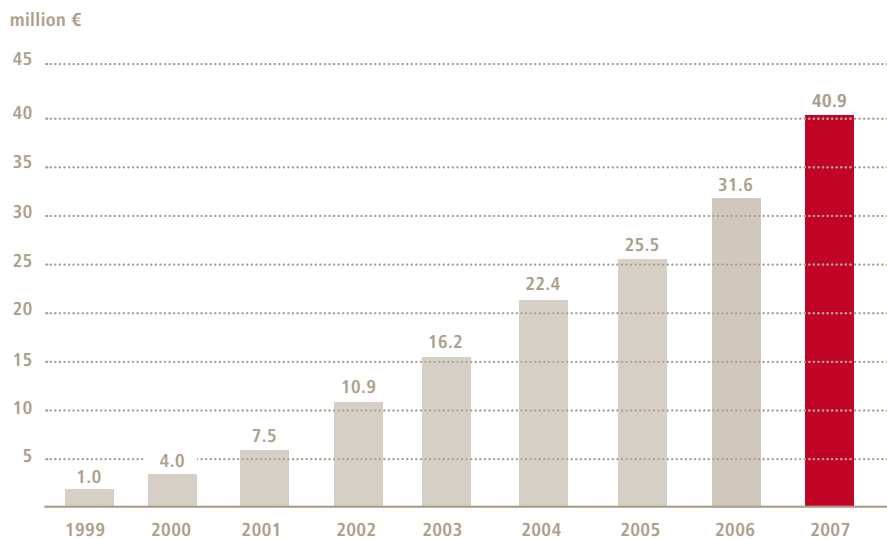


Fig. 2: Development of the equity of Trianel European Energy Trading GmbH (year-end)

Taking account of the annual net profit for 2007 of 5.6 million euros, TEET now has equity of 40.9 million euros. The development of the equity of TEET can be seen from fig. 2.

SHAREHOLDINGS

As of the balance sheet date 31 December 2007, the Trianel Group comprised eleven efficient subsidiary and affiliated companies in addition to TEET (Fig. 3).

Trianel Energy Management GmbH (TEM) is a 100% subsidiary of TEET and is responsible for the portfolio management and the financial services business of the Trianel Group. In addition to the provision of financial services, the service spectrum includes the management of energy portfolios and supplementary services such as risk management and analyses. The required license for the provision of financial services as per §32 paragraph 1 German Banking Act was issued to TEM by the Federal Financial Supervisory Authority (BaFin). Under the new German Banking Act (KWG), this license covers the brokerage of investments and contracts, investment advising, financial portfolio management and trading for own account.

TEET has participated in **power station projects** and a **gas accumulator project** via independent companies:

Trianel Power Kraftwerk Hamm-Uentrop GmbH & Co. KG (TPH) is responsible for the setting up and operation of the first municipal 800 megawatt gas and steam turbine power station in Hamm-Uentrop. Building work on the joint power station, which ensures independent and cost-favourable access to the electricity procurement market for the shareholders, began on 1 September 2005. The power station became operational in November /December 2007. TEET's share as of the reporting date was 6.12 percent. The general partner in TPH is **Trianel Vermögensverwaltungs GmbH** with its registered office in Aachen, a 100 percent subsidiary of TEET with a share capital of 25,000 euros.

In July 2006, 13 energy supply companies formed **Trianel Gasspeichergesellschaft Epe mbH & Co. KG (TGE)** together with TEET whose share as of the reporting date was 17.6 percent. The company is responsible for the construction and operation of a natural gas accumulator at the Epe site in the District of Borken (North Rhine-Westphalia).

Following a unanimous building resolution, the foundation stone was laid on 11 December 2006. Commissioning of the three caverns is scheduled for 1 October 2008. The construction of a fourth cavern is currently being planned; its volume is equal to the combined volume of the first three caverns. This is a further example of how public utilities can strengthen their independence by bundling similar interests. The general partner of TGE is **Trianel Gasspeicher**

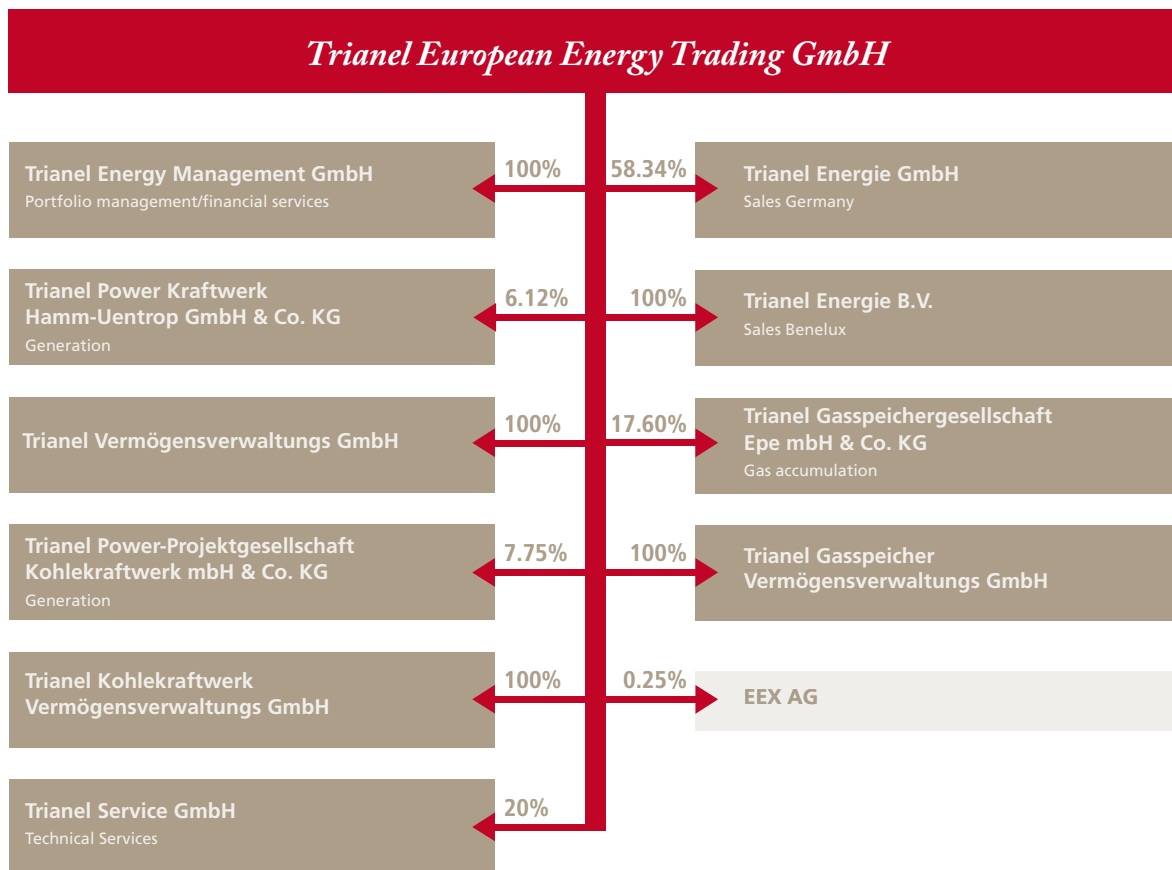


Fig. 3: Structure of the Trianel Group (status: 31 December 2007); TEET has a shareholding of 39.1 percent in Trianel Energy Trading BeNeLux B.V. currently in the process of liquidation.

Vermögensverwaltungs GmbH, a 100 percent subsidiary of TEET which also has its registered office in Aachen.

August 2006 saw the formation of **Trianel Power-Projektgesellschaft Kohlekraftwerk mbH & Co. KG** (TPK) which is entrusted with the planning and design of modern, coal-fired power stations. A location for the setting up and operation of a planned 750 MW coal-fired power station was secured in Lünen (NRW) in the reporting period. The necessary building resolution is expected to be passed in the course of 2008. The founder shareholders were ten municipal and regional energy supply companies from Germany, Austria and Switzerland. As of the balance sheet date, a total of 27 public utilities held shareholdings in TPK; additional public utilities are preparing shareholdings in 2008. TEET's share as of the reporting date was 7.75 percent. The general partner in TPK is **Trianel Kohlekraftwerk Vermögensverwaltungs GmbH** with its registered office in Aachen, a 100 percent subsidiary of TEET with a share capital of 25,000 euros.

The following affiliated companies are involved in sales:

Trianel Energie GmbH (TEDV, previously ENETKO GmbH – Trianel partner) has been supporting the sales activities of the participating shareholders and third parties since 1999 through the provision of complex services, and bundles the end-customer-related sales activities of the Trianel Group in Germany. In the reporting period, TEDV reorganised and extended its activities. In addition to the existing sales to commercial customers (B2B), sales to private customers (B2C) and the sale of services to public utilities were developed as new business areas. The B2B and B2C areas have organised their sales activities such that they offer their sales function to public utilities as a service within a project organisation. The public utilities involved use TEDV as a new sales channel within a market segment that they themselves have not opened up. Through this strategic realignment, TEDV is resolutely implementing the corporate strategy developed by TEET in its field of activities.

Particularly worthy of mention in 2007 are the service projects:

- B2B Sales Pool (acquisition of commercial customers for public utilities),
- B2C “Golf Electricity Project” (sales to private customers via the Internet),
- VSG Pool “Sales Service Gas” (development of a sales service for the sale of gas by public utilities analogous to the existing grid use management service for electricity),
- Support services for TEET within the scope of the “Telecount”/“Smart Metering” project (use of “intelligent meters” to optimise the processes and to develop new products for the sales and grid companies of public utilities).

The renaming of ENETKO GmbH into Trianel Energie GmbH, planned for the beginning of 2007, was completed as of the reporting date 1 February 2007. As of 31 December 2007, TEET’s share in TEDV was 58.34 percent.

The Dutch sales company **Trianel Energie B.V.** (TEBV), with its registered office at Maastricht Airport, is a 100 percent subsidiary of TEET and bundles the end-customer-related sales activities of the Trianel Group in the Netherlands, Belgium and Luxembourg.

The object of **Trianel Service GmbH** (TSG), with its registered office in Cologne, is the development and bundling of technical energy supply services from its own or for its direct and indirect circle of shareholders, as well as their marketing, with the aim of strengthening local energy supply. In future, TSG will offer more services in the field of gas grid access and contracting as well as for the development of a biomass grid. TEET’s share in TSG as of the reporting date was 20 percent. TSG completed its formation phase in the middle of 2006 and started initial activities on the market in the second half of the year.

BUSINESS AREAS

ELECTRICITY

> *Products*

The situation in 2007 is very similar to that of the previous year in terms of products sold in the electricity field. The strongest products were the open contract as well as portfolio management. However, there was a major fall in the field of out-of-area full supply. The sales activities of our public utilities were faced with strong competitive pressure in the end-customer market and were unable to maintain their sales levels of recent years in this segment, a fact which led to reduced demand at Trianel.

The business area scheduled trade showed pleasing growth in terms of both turnover and results. Here, more competitive market activities were possible thanks to improved pricing models with a simultaneous reduction in risk. Results exceeded budget by more than 200 percent.

The establishment of a new product development process and the creation of the position of a product developer enabled first the restructuring of the Trianel product environment followed by the discontinuation of unprofitable products

The most important new product is the supply process management. This is a consulting service which helps customers of public utilities optimise their internal interface between procurement and sales, so as to improve the procurement basis and to provide a platform for efficient risk management which TEET has already been offering successfully as a service for years. Numerous product opportunities also result from the development of the commercial plant management for the Hamm-Uentrop power station. Thanks to the expansion of know-how and the setting up of the Intraday Trading Desk, TEET is now in a position to offer a number of new products centred around generation marketing and the short-term compensation of generation or load fluctuations, such as failure reserve or access to the minute reserve market.

The strengthening of personnel in gas sales takes account of the significance of the development of the gas business in sales and of the interlinking with the gas sector. Subsequently, the product side of the sales products for the gas sector was overhauled and new, attractive products developed together with product development. Thanks to the increased dynamism of competition in the gas market as well as the extended range of services, the gas sector recorded the highest growth rates in the history of the company.

> *Sales markets*

Traditionally, Trianel's sales activities are in the markets of Germany, the Netherlands, Luxembourg and, through its shareholders, also in Austria through the supply of onward distributors with physical products as well as services centred around procurement. Overall, Trianel was able to further expand the basis of its activities. The number of Trianel customers again increased by over 20 percent to a current level of 67 compared with 55 in 2006. Above all in the Netherlands, business with wholesale-related services for onward distributors and electricity generators was expanded despite the lack of a shareholder basis – this too is an indication of the attractiveness and efficiency of Trianel products compared with its competitors. As Switzerland is now also paving the way for liberalisation of the energy markets, a project was initiated with the aim of forming a Trianel Switzerland company with Swiss public utilities, so as to enable Trianel to enter the Swiss market. The formation of this company, initially with three Swiss partners, is expected at the beginning of 2008.

> *Competitive situation*

In 2007, Trianel found itself in a similar situation in the electricity field as in previous years. Even if some of the “more recent” providers have withdrawn from the onward distribution market following a change of strategy, the competitive situation remained practically unchanged. Nevertheless, there was a feeling that customers have opted for specific procurement concepts on a long-term basis and have thus tied themselves to one supplier. In the gas sector, however, the situation was a new one. In contrast to previous years, the competition did not come mainly from the established providers; rather, the new providers were now competing for the opportunity to supply customers or to provide their consulting services. Pleasingly, many customers now took the opportunity of inquiring with third-party suppliers concerning their free quantities. As such, the decision of the Federal Cartel Office concerning the continued existence of the full supply contracts with full cover clause has led to legal certainty and stimulation of the market, even if it is still not yet possible to talk of ideal market conditions given the continued high number of market areas and the low liquidity at the trading points.

GAS

> *Products*

The gas sector was reorganised in 2007. The aim was to take account of the changes in the gas market and the resulting opportunities for TEET. In terms of the product range, the existing catalogue was supplemented by products which were in high demand as well as being amongst the core services of TEET. For example, the products balance sheet group, nomination and prognosis management. However, even existing products were overhauled on the basis of the new requirements of the so-called “two contract model” as well as adapted more precisely to the requirements of our customers. The existing portfolio volume of the portfolio management product was increased to 5.2 TWh at the beginning of the gas business year. A notable increase in the sales volume acquired was achieved in the supply sector. Deliveries with significant quantities of low-grade gas were also realised for the first time.

TEET realised initial, successful import contracts for the “Long-term gas procurement” project, initiated in 2006 and involving around 60 public utilities. Within the scope of this project, an increase in the quantities contracted thus far will be striven for in future through bundling of demand. Additionally, suitable projects will be examined in the upstream sector. The aim here is to achieve sustained strengthening of the procurement sector.

The Trianel accumulator in Epe is expected to begin commercial operation on 1 October 2008. Together with further accumulation customers and within the scope of a marketing pool, concrete consideration was given beforehand to the provision of market-oriented accumulator products. These are scheduled to be offered from 2008 onwards.

> *Sales markets*

On the gas side, TEET focussed primarily on the German market and, in particular, on the interests of its shareholders. Additionally, however, initial business was carried out in Austria. In the wholesale sector, the gas business extends beyond Germany as the trading partners of TEET are based in various countries within the European Union.

> *Competitive situation*

The changes on the gas market have led to increased competition. Given the continuing shortcomings in the trade, this intensification applies mainly to the field of standardised products. Trading activities have increased accordingly; nevertheless, the start of the gas exchange in Leipzig was more on the restrained side.

Given the prevailing framework conditions in the gas market, it is still only possible for a small number of new providers to offer full supply at an acceptable risk. Nevertheless, we expect a change in this situation in the foreseeable future, not least as a result of the regulatory pressure, and the development of intense market competition for these products as well. TEET also intends to offer structured products in future, right through to full supply.

TRADE

> *Products*

The business areas in the trading sector were delimited more clearly from an organisational point of view in 2007. On the one hand there are the speculative trading transactions, on the other hand the transactions carried out within the scope of "Market Access". The analysis department is also assigned to the trading sector.

The know-how and the infrastructure built up in the trading sector are used not only for speculative purposes but also for Trianel procurement and selling activities. In 2007, this market access function, which is aimed at obtaining the best prices within the trading mandate, was organised with clear interfaces to internal departments. This service, with a clear separation of trading activities for own account, is also available for external customers. This business was successfully further developed in the Dutch electricity futures market; the CO₂ market and the German electricity market offer additional potential.

The integration of analysis into the trading sector was also completed. In order to be able to continue working successfully in the energy markets and to support the development of the trading activities, the analysis department was also further strengthened from a personnel point of view. The greater interaction with the traders is encouraged and also raises the quality of the regular customer reports. Not only the most important factors influencing the prices are discussed here, but, rather, estimations are also made as to how prices can move.

> *Competitive situation*

In recent years, it has become apparent that energy markets are developing ever further and are also influencing one another to an increasing extent. For this reason, an integral approach is required in order to be able to forecast future developments. This concerns not only the interlinking with neighbouring countries but, above all, also the primary energy complex and macroeconomic factors. To take account of the changing framework conditions of the energy market, the trading sector was organised in a fundamentally commodity-overlapping manner in 2007 (electricity, gas and CO₂). The geographical separation of the trading sector was replaced by organisation into short and long-term trading departments. Nevertheless, it must be stated that the gas market in the German grid areas does not yet have the liquidity required for speculative business.

PROJECT DEVELOPMENT

The project development business of Trianel European Energy Trading GmbH (TEET) again expended considerably in the financial year 2007. The aim is to bundle the complementing interests in the municipal sector – which, by themselves, represent a "sub-critical" size factor – and thus also to establish Trianel and the participating shareholdings in upstream value added stages in the electricity and gas market. The basis of the business is formed by the construction of the gas and steam turbine power station in Hamm-Uentrop and of a gas accumulator in Epe as well as the coal-fired power station project with planned sites in Lünen and Krefeld-Uerdingen. TEET provides the management and the technical expertise for the project companies concerned as well as the know-how in terms of legal matters, the energy industry, technology and communications.

The intention of the project partners is to ensure independent and cost-effective access to electricity generation for themselves through the planned power stations. For a majority of the project partners who already have shareholdings in Trianel Power Kraftwerk Hamm-Uentrop GmbH & Co. KG (TPH), this also represents a diversification of the fuel basis in electricity generation. The sustained rise in wholesale prices in recent years has created a more investment friendly climate in the electricity generation market. At the same time, onward distributors have become increasingly interested in restricting the risk of further rises in wholesale prices or the volatility risks, or in participating in any such development. A central element in this respect is participation in a power station. Consequently, participation in a power station simultaneously serves as a price securing element in the procurement portfolio.

The same objective was pursued through the investment in gas accumulators: vertical integration starting from the downstream position and access to high-margin stages of the valued added chain.

SETTING UP OF THE GAS AND STEAM TURBINE POWER STATION IN HAMM-UENTROP

The gas and steam turbine power station in Hamm-Uentrop – Trianel's first large-scale plant – went into operation in 2007. The commissioning phase with subsequent trial operation was started in June (block 10) and July (block 20). The gas and steam turbine power station went into operation in November (block 10) and December (block 20).

The commercial plant management (KBF 1) was divided into two areas: KBF 1 comprises the commercial/energy-industry services and is carried out by Trianel European Energy Trading GmbH.

The gas supply contract with E.ON Ruhrgas AG ensures the supply of the power station with the corresponding quantities of gas as from 1 October 2007. The contract is for 15 years.

In 2007, the allocation applications for CO₂ certificates were submitted on time for the 1st and 2nd trading period. Allocation of these for the year 2007 was made on the basis of the actual consumption. Allocation for 2008-2012 on the basis of the production forecast for the 2nd trading period is assumed.

The financial year 2007 of TPH closed with unappropriated retained earnings of 16,881,611.46 euros. This figure includes a penalty of 17,710,000.00 euros imposed on the general contractor for failure to adhere to the contractual completion date.

When the commissioning phase began in June 2007, the electricity produced was sold to the Leipzig electricity exchange or via OTC transactions. In the financial year 2007, this resulted in initial revenue of 63,062,072.51 euros for TPH.

SETTING UP OF THE GAS ACCUMULATOR IN EPE

Following a building resolution dated 5 July 2006, TEET and 13 other project partners formed a project company, Trianel Gasspeichergesellschaft Epe mbH & Co. KG (TGE), for the purpose of setting up and operating a gas accumulator in Epe. In their capacity as shareholders of TGE, the limited partners also assume the function of accumulator user. To this end, they have each concluded an accumulator utilisation agreement with TGE. This ensures long-term marketing of the accumulator capacity.

Cavern S 54 was filled as part of initial trial operation in the fourth quarter of 2007. Filling of the other caverns will be on a parallel basis in the 2nd and 3rd quarter of 2008.

The accumulator users have instructed TEET to procure the working gas needed to fill the accumulator through the conclusion of one or more corresponding gas supply contracts in which TEET will act as representative of the individual accumulator users. The working gas for the initial filling with gas will be acquired in the name of and for the account of the respective accumulator users. The purchase of gas began in October 2007.

During the setting up of the first three caverns, TGE was offered a further cavern which almost doubles the volume of the first three caverns. The company secured an option on these caverns and carried out a feasibility study. The initial costs were covered by the release of funds from the “unforeseen” category of the initial financing by the syndicate members.

Following the successful completion of the feasibility study, detailed planning of the project was started in November 2007; this provides for immediate realisation of the project following a building resolution and the successful financial close in the 2nd quarter of 2008, and the start of the first accumulator withdrawal period in October 2009.

PLANNING OF COAL-FIRED POWER STATIONS

Summer 2006 saw the formation of Trianel Power-Projektgesellschaft Kohlekraftwerk mbH & Co. KG (TPK) for the purpose of planning two, approx. 750 MW coal-fired power stations at two sites with the aim of developing at least one 750 MW coal-fired power station. Two locations in Lünen and Krefeld-Uerdingen were secured within the scope of a cooperation project with Bayer.

> *Lünen*

The Lünen project is well advanced both in terms of planning and approvals; one reason for this is that, in addition to fulfilling the emissions and immissions requirements, the project has received the unconditional support of the authoritative local politicians and of the administration of the town of Lünen.

The providers of the capital resources and, at the same time, the customers for the entire electricity produced in Lünen are the shareholders of TPK. The limited partners are en-

titled to a share of the power station capacity corresponding to their limited partner contributions; this capacity can be called off as required within the context of an approx. 20-year PPA (electricity supply contract). The market risks related to the purchase of fuel and the sale of electricity are assumed to a major extent by the shareholders in their capacity as electricity customers.

In September 2007, an EPC contract was concluded with the TSPPC (Trianel Steam Power Plant Consortium) consortium, made up of Siemens AG, IHI Corp. and AE&E GmbH. Through this contract, TSPPC undertakes to build a power station block with a net output of approx. 750 MW by a completion date of 30.10.2012 (successful conclusion of trial operation) at a fixed price.

The company microca GmbH was entrusted with the loading and unloading of the coal at competitive conditions. This ensures a fundamental link in the logistics chain of the coal supply at this site.

> *Krefeld-Uerdingen*

Given the approximately 30 percent over-subscription of the output provided by one power station block (in MW), the project management was instructed to develop the second secured site in Krefeld-Uerdingen. The second site is located in the northern extension part of the Uerdingen Chemical Park of Bayer AG on the boundary with Duisburg. The site was secured by notarial authentication in the third quarter of 2007. The equivalent of 200 MW of the power station block in Uerdingen is to be sold to CUR-RENTA (CUR) at firmly defined and contractually fixed conditions by means of an electricity and steam supply contract.

The connection to the electricity grid via the upstream transmission grid of RWE TSO is rather unproblematic as a 380 kV line passes directly (< 300m) by the site and, at the most, affects one third-party real estate owner apart from Bayer.

On 13 December 2007, Krefeld Town Council decided to amend the development plans for the construction of the power station, in order to lay down the planning conditions and prerequisites for the setting up of a power station in the Chemical Park of Bayer AG in Krefeld-Uerdingen. As part of the approval procedure, parts of the application for a preliminary determination are with the regional government for a check on completeness. All aspects must be regarded as capable of approval.

In the event of corresponding resolutions leading to the building of two power station blocks at two sites, a new project company will be formed and both power stations will be managed in respective independent companies.

Initial discussions and negotiations have already been started concerning the building of a second power station block. Given the continuing tight situation on the global market for terotechnology, completion of the second power station is not possible until well after 2012.

PROJECTS IN THE FIELD OF RENEWABLE ENERGIES

In September 2007, a total of 34 project partners entrusted TEET with the identification and planning of project development opportunities in the field of renewable energies. This work was processed within the context of a project development order for which the project partners provided 437,500 euros. The group of project partners increased to 37 by the end of 2007.

The aim of this involvement in the so-called TREE project is the transfer of the Trianel model, tested in conventional projects, to major renewables projects. During the course of the preliminary examinations, offshore wind power and geothermics were recommended as key technologies, as the scale required for bundling of municipal partners is given here. However, later expansion to further technologies, such as open space photovoltaics, is explicitly not excluded.

The first concrete project to be handled within the scope of the TREE involvement is the offshore wind park Borkum-West II. The project, with a planned output of 400 MW and an investment volume of around 1.1 billion euros, is one of the first projects on this scale to be realised off the German coast. TEET had carried out an intensive preliminary examination of several projects in this context and identified the Borkum-West II project as the most promising participation option. Against this background, an exclusivity agreement was concluded with the project developer of the wind park, PROKON Nord Energiesysteme GmbH (hereinafter also referred to briefly as PNE), which ensures the municipal partners the opportunity of participation up until mid 2008. The aim is a joint realisation and operation phase of the wind park by the municipal partners represented by TEET, and PNE as well as TEET itself.

A joint company, Trianel Power Windpark Borkum GmbH & Co. KG (TPWB) is currently being formed for this purpose. The intention is for PNE to hold 25-40 percent of the

limited partner shares in this company as sole shareholder; the remaining shares in the company will be provided by the municipal partners together with TEET.

A survey of the banking market for implementation within the framework of project financing is currently being prepared; the accession of the municipal shareholders and of TEET to TPWB is scheduled for the end of June.

The technical formation work is expected to start in the second half of 2009. The first part of the wind turbines is scheduled to start feeding in 2010; commissioning of the entire wind park is planned for the autumn of 2011.

HUMAN RESOURCES

The consistent expansion in all business areas of the Trianel Group and the extension of the service portfolio have also been reflected in significant growth in the number of employees of Trianel European Energy Trading GmbH by approx. 39 percent in the financial year 2007. Committed and highly qualified employees were one of the decisive prerequisites for the consolidation and expansion of TEET's outstanding market position in the municipal sector.

The management wishes to thank all employees for their competent personal contribution and for their commitment

which have made fundamental contributions to the success. In this context, the management regards the strong team spirit at Trianel – which has also spread beyond the boundaries of the organisation – as an impressive and very pleasant aspect. The management wishes to express its thanks for the numerous individual initiatives that have made this possible.

Thanks are also due to the works council which has campaigned actively for the interests of the employees, and which has cooperated closely with the company at an operational level.

As of the balance sheet date 31 December 2007, the number of employees had risen to 111. Overall, this means a total increase of 31 employees in the reporting period. The average age of the employees was 34.

Taking account of the subsidiaries Trianel Energie GmbH with 31 employees as of 31 December 2007 (compared with 23 in 2006) and Trianel Energie B.V. with ten employees (compared with ten in 2006), the total staff of the Trianel Group as of 31 December 2007 was 142. This represents an increase of 26 percent compared with the previous year (113 employees). As in the preceding years, accounting and human resources management functions were performed by a shareholder company.



SUMMARISED MANAGEMENT REPORT

*B. Illustration of the asset, financial
and earnings situation of the company and
of the group*

B. Illustration of the asset, financial and earnings situations of the company and of the group

ILLUSTRATION OF THE ASSET SITUATION

The total assets of Trianel European Energy Trading GmbH (TEET) as of 31 December 2007 were 172,251,000.00 euros (total assets of the Group: 193,493,000.00 euros), a fall of 15,961,000.00 euros or 8.5 percent compared with the previous year (Group: -18,034,000.00 euros). The fall is primarily due to the fact that, for the first time, similar trade receivables and trade payables were netted at TEET as of 31 December 2007.

In the financial year 2007, Trianel European Energy Trading GmbH invested around 4,011,000.00 euros (2006: 5,060,000.00 euros) in fixed assets. Of this figure, a total of 158,000.00 euros (2006: 217,000.00 euros) was accounted for by software. The company invested 639,000.00 euros (2006: 533,000.00 euros) in tangible fixed assets, in particular in hardware and office furniture. The main investments in fixed assets concern the financial assets. On the one hand, Trianel European Energy Trading GmbH contributed 3,214,000.00 euros to the increase in capital at Trianel Power-Projektgesellschaft Kohlekraftwerk mbH & Co. KG. On the other hand, shares in Trianel Power-Projektgesellschaft Kohlekraftwerk mbH & Co. KG with a nominal value of 692,000.00 euros were sold. Overall, the fixed assets increased by 17.3 percent compared with the previous year.

Inventories include the share of the working gas attributable to TEET, which was fed to cavern S 54 of Trianel Gasspeichergesellschaft Epe mbH & Co. KG in the fourth quarter of 2007.

At 70.1 percent (previous year: 81.4 percent) of total assets, receivables and other assets constitute the largest item on the assets side. The largest share is accounted for by trade receivables which fell by 52,422,000.00 euros as a result of the above mentioned netting against the trade payables. Before netting, trade receivables total 200,929,000.00 euros and have thus risen considerably by 73.4 percent as a result of the increased volume of business. The increased volume of business also led to a considerable rise in receivables from shareholders.

At the same time, the cash position improved by 12,733,000.00 euros to 29,057,000.00 euros

The equity ratio rose to 23.7 percent (2006: 16.8 percent) – on the one hand as a result of the adoption of new shareholders and increases in capital by existing shareholders and, on the other hand, as a result of the decline in total assets. The Group equity ratio rose to 21.7 percent (2006: 15.2 percent). In absolute terms, equity increased by 9,278,000.00 euros to 40,864,000.00 euros, of which 5,615,000.00 euros is accounted for by the annual net income 2007 (Group:

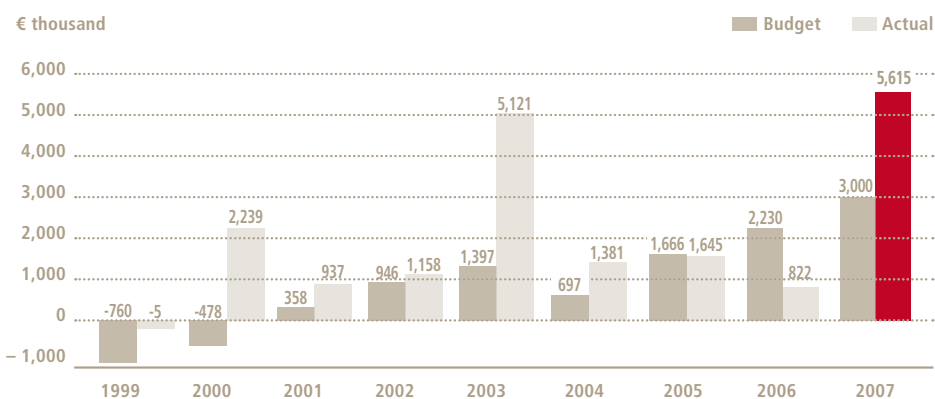


Fig. 4: Development of the annual results of Trianel European Energy Trading GmbH

annual net income for 2007 after minorities: 6,008,000.00 euros).

Other provisions total 18,141,000.00 euros (previous year: 11,199,000.00 euros) and include mainly provisions for outstanding invoices (13,741,000.00 euros; previous year: 7,727,000.00 euros).

Trade payables are 90,311,000.00 euros following 129,055,000.00 euros in the previous year, a fall of 30.0 percent. This fall is also attributable to the netting of trade payables against similar trade receivables. Without the netting, the payables are 227,805,000.00 euros; this corresponds to a considerable rise compared with the previous year as a result of the increased volume of business.

ILLUSTRATION OF THE FINANCIAL SITUATION

TEET's cash flow from day-to-day business was +11,654,000.00 euros in the reporting period following -15,159,000.00 euros in the previous year. The Group cash flow from day-to-day business was 10,357,000.00 euros in the reporting period following -11,721,000.00 euros in the previous year. The change in cash flow from day-to-day business was fundamentally due to the positive results for the year as well as to the transfers to other provisions. The cash flow from investment activities totalling -3,317,000.00 euros (Group: -4,348,000.00 euros) results above all from payments for investments in the financial assets, in particu-

lar TEET's shareholding in Trianel Power-Projektgesellschaft Kohlekraftwerk mbH & Co. KG. The cash flow from financing activities reflects mainly the contributions from increases in capital and the sale of own shares, and payments for the acquisition of own shares. Overall, this results in an increase of 12,733,000.00 euros in the financial resources to 29,057,000.00 euros as of the balance sheet date. The Group financial resources rose by 10,405,000.00 euros to 36,857,000.00 euros as of the balance sheet date. The financial resources were sufficient to cover the financial obligations.

ILLUSTRATION OF THE EARNINGS SITUATION

Results on ordinary activities at TEET rose significantly by 5,784,000.00 euros to 6,686,000.00 euros, thus exceeding the budgeted pre-tax results by 2,277,000.00 euros. In the business analysis, results on ordinary activities stem from an operating result of 7,835,000.00 euros (2006: -835,000.00 euros), the financial result of 969,000.00 euros (2006: 663,000.00 euros) and a negative non-operating and non-period result of 2,118,000.00 euros (2006: +1,059,000.00 euros).

Income tax expense was 1,069,000.00 euros (2006: 65,000.00 euros) and expense on other taxes 2,000.00 euros (2006: 2,000.00 euros), resulting in an annual net income of 5,615,000.00 euros (2006: 822,000.00 euros).

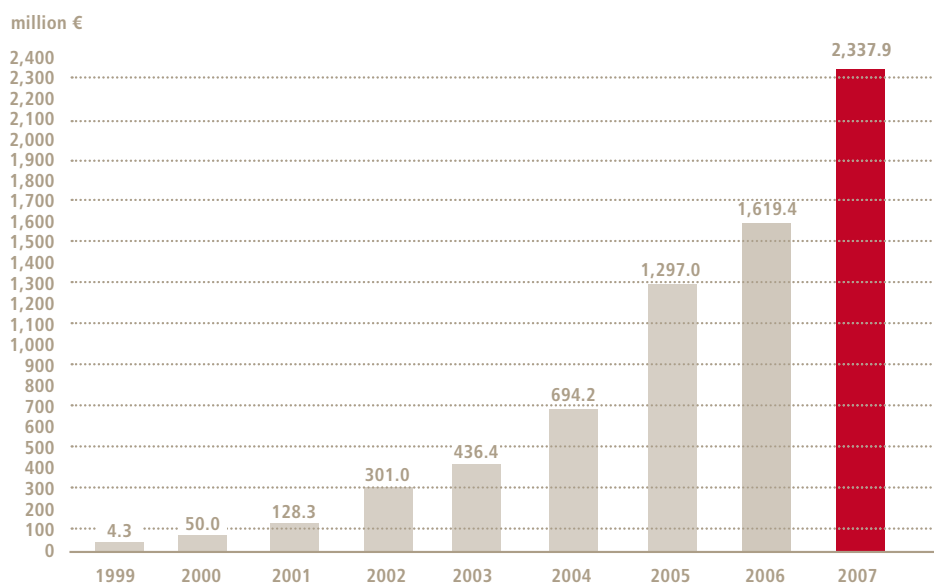


Fig. 5: Turnover development of Trianel European Energy Trading GmbH

An analysis of Group results shows the following results components:

An operating result of 8,636,000.00 euros (2006: -1,066,000.00 euros) is offset by a negative non-operating and non-period result of 2,151,000.00 euros (2006: +1,342,000.00 euros). Taking account of the financial result of 801,000.00 euros (2006: 478,000.00 euros) and income tax of 1,128,000.00 euros (2006: 82,000.00 euros), the Group annual net income (before share in results minorities) is 6,158,000.00 euros (2006: 673,000.00 euros). Group annual net income after minorities is 6,008,000.00 euros following 757,000.00 euros in the previous year.

The development of budgeted and actual annual results since the formation of TEET is shown in Fig. 4.

The development in 2007 is attributable to several effects which are reflected in different items of the income statement. The following comments concern the individual financial statements of TEET unless they make specific reference to the Group.

The continuous expansion of business activities is reflected in the further increase in the turnover of Trianel European

Energy Trading GmbH (TEET) in the financial year 2007. Revenue is 2,337 million euros (previous year: 1,619 million euros), an increase of 44.3 percent compared with the previous year. This growth is mainly due to increased activities in the trade of electricity, gas and emissions. Turnover development since the formation of the company in 1999 is shown in Fig. 5.

The external turnover of the Trianel Group in the financial year 2007 was 2,368 million euros (previous year: 1,701 million euros). The electricity unit sales of the Trianel Group since 2002 are shown in Table 1.

Other operating income fell by 2,440,000.00 euros to 3,281,000.00 euros. It includes mainly income from onward debiting concerning project costs. The decline is attributable to the fact that the project costs incurred in the previous year were processed and debited on via TEET up until the formation of the project companies Trianel Power-Projektgesellschaft Kohlekraftwerk mbH & Co. KG and Trianel Gasspeichergesellschaft Epe mbH & Co. KG during the course of 2006.

The cost of materials share improved from 99.47 percent to 99.07 percent. This positive development is the result of the

TRIANEL GROUP	2002	2003	2004	2005	2006	2007
Electricity unit sales (GWh)	10,699	14,883	23,286	32,024	32,628	40,589
- Supply and market access public utilities (GWh)	4,573 43 %	5,085 34 %	7,517 32 %	18,326 57 %	13,654 42 %	10,340 26 %
- Supply end customers (GWh)	934 9 %	1,732 12 %	2,420 10 %	2,990 9 %	1,854 6 %	1,752 4 %
- Electricity trade for own account (GWh)	5,192 48 %	8,067 54 %	13,349 57 %	10,708 33 %	17,120 52 %	28,497 70 %
Portfolio management quantities administered (GWh)			2,889	5,357	6,919	9,135
Number of trading partners	100	110	131	94*	105*	135*
Number of end customers	140	297	757	1,076	978	1,023
Number of supply points	868	1,384	2,300	3,007	3,294	2,887
Share of foreign trade in electricity unit sales	11 %	10 %	11 %	44 %	51 %	55 %

* TEET has concluded trading agreements with these companies.

Table 1: Electricity unit sales of Trianel European Energy Trading GmbH and its sales companies

increased revenue from commercial management for the project companies and other services which were not budgeted in this form.

Personnel expenditure rose by more than the budgeted amount (from 5,573,000.00 euros to 8,639,000.00 euros) as a result of the increase in the number of employees. Expenditure is thus 1,396,000.00 euros over budget.

Other operating expenditure was 9,652,000.00 euros following 7,782,000.00 euros in the previous year. The increase stems above all from higher expenditure on IT costs, insurance, public relations work and rent. In addition, trade receivables totalling 1.087,000.00 euros (previous year: 778,000.00 euros) were value adjusted in 2007.

Net interest income was 673,000.00 euros (previous year: 373,000.00 euros) and thus exceeded budget by 264,000.00 euros.

The earnings position in the first months of 2008 is positive.

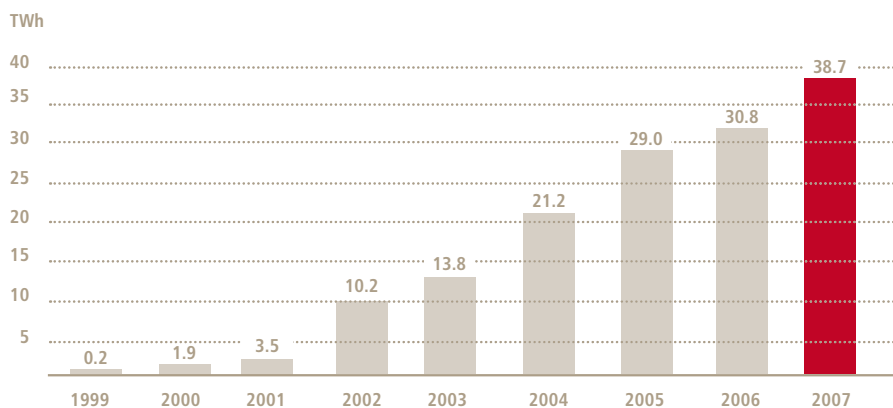


Fig. 6: Turnover development of Trianel European Energy Trading GmbH

SUMMARISED MANAGEMENT REPORT

*C. Business outlook and development forecast
with reference to significant opportunities and
risks of future development*

C. Business outlook and development forecast with reference to significant opportunities and risks of future development

1. OUTLOOK AND FORECAST INCLUDING OPPORTUNITIES OF THE FUTURE DEVELOPMENT

DEVELOPMENT OF THE MARKET

The continuing liberalisation of the energy industry is leading to increased competitive pressure on public utilities. Thus far, these have been active mainly in the value added stages sales and (distribution) grids where margins are coming under increasing pressure as a result of the intensifying competition in the household customer segment following the market entry of the large generating companies E.ON (e for easy), EnBW (yello) RWE (eprimo) and other competitors, as well as due to the regulation by the Federal Grid Agency. To retain their competitiveness, public utilities are being obliged to open up new value added chains with new margin potential as well as further improving their cost efficiency. Possible strategies are:

- Horizontal amalgamations to form larger public utilities units
- Strategic partnerships with companies already integrated vertically
- Development of the upstream value added stages within the scope of cooperation arrangements

At the same time, the procurement and trading markets are becoming increasingly complex. The large affiliated and generation companies are countering this trend with a strategy of increased Europeanisation. The implication for public utilities is that the development of an own trading floor with market access is associated with rising costs.

Theoretically speaking, this market development offers major opportunities for Trianel to make the public utilities offers of cooperation in an environment increasingly characterised by pressure of competition and pressure on margins, and to implement activities and projects that would not be economically possible for the public utilities on their own. This enables Trianel to remain true to its own corporate vision of strengthening the independence of the public utilities through the bundling of complementing activities.

On the other hand, this development creates risks through the formation of regional champions who are increasingly “in-sourcing” energy procurement services.

ACTIVITIES OF TRIANEL IN 2008 AND 2009

In 2007, Trianel again successfully continued its strategy of supporting public utilities in developing the upstream value added stages. This was also impressively underlined by the adoption of further municipal shareholders in 2006 (six new shareholders) as well as in 2007 (five new shareholders). The company aims to continue its successful development of recent years in 2008 and 2009. The goal is to channel growth in a targeted manner and to make it both continuous and sustained through focussing on core activities.

Overall, Trianel's budgeted results will show sustained improvement over the budget figures of recent years through the strengthening of the wholesale and procurement business as well as of the energy generation position through participation in commissioned assets. Above all, the commissioning of the gas and steam turbine power station and access to 50 MW of generation capacity, together with the inclusion of the cavern accumulator in Epe - in which Trianel has an 18 percent share – planned for October, will lead to a strengthening of Trianel's results.

The result will be further diversified through the continued expansion of the service business via the takeover of the commercial management for the gas and steam turbine project as well as the gas accumulator in Epe, the inclusion of management services as well as the further development of the gas supply business.

As such, confirmation of the positive development of results is expected in 2008 through achievement of the budgeted pre-tax result of just under 5 million euros. The operating risks from the supply business as well as from the shareholdings in the gas and steam turbine power station as well as gas the accumulator, also imply increased risks from the development of business.

Details of the planned development of business are as follows:

WHOLESALE, PROCUREMENT & SUPPLY

Through the reorganisation and overhaul of the internal steering model, Trianel triggered a further improvement in the professionalism of its own organisation in 2007. These steps are part of a consolidation process embarked on, which is also to be continued over the coming years through the checking and further refinement of internal processes as well as the further expansion of the support divisions. At the same time, however, the wholesale organisation is expected to grow further:

- On the one hand, the Trianel assets commissioned in 2008 (gas power station, accumulator as well as accumulator expansion) will also be operated commercially. This commercial management in the form of the “disk model” is new territory in the energy industry – Trianel has built up systems, personnel and know-how over the past two years in order to meet this challenge. At the same time, Trianel has built up extensive knowledge in connection with the management of generation assets that it carries out successfully for many of its shareholders. After all, it is only through professional management that the value of the assets reaches the public utilities.
- In the gas business, the changes in the regulatory framework conditions, in particular in the past year (implementation of the two contract model) have led to a major stimulation of competition in the gas market. The introduction of a competitive standard energy market, the further reduction in market areas as well as the start of a gas exchange, will lead to a further increase in competitive dynamism. For market participants who position themselves in good time and develop know-how, there will be opportunities to benefit from the new developments. In anticipation of this development, Trianel has considerably expanded its gas activities at an early stage, so as to be able to offer corresponding products and services for its shareholders and additional customers. Worthy of mention here are the expansion of the transport and logistics services as well as the accumulator project and the project for the long-term procurement of gas, all of which illustrate Trianel’s current commitment to the gas sector.

This consolidation with simultaneous growth is without doubt a challenge; nevertheless, it is a “tightrope” that Trianel has already walked in recent years. As the growth of the organisation increases, the focus will be more on consolidation, so that there are good prospects of more calm

within the organisation following the rapid growth of recent years.

Overall, Trianel has established itself as a competent and innovative service provider for the bundled interests of municipal utility companies with a wholesale staff of 111. This path will be continued in the coming years. The close cooperation with the public utilities as shareholders and customers will make it possible to develop new products and concepts at an early stage which will further develop the Trianel product portfolio and thus also ensure competitiveness.

DEVELOPMENT OF THE UPSTREAM VALUE ADDED CHAIN FOR THE PUBLIC UTILITIES

The building resolution and the successful project development of the gas and steam turbine power station in 2005 had a catalyst effect on the development of major projects, in particular because they increased the know-how of the project team and the confidence of the shareholders to implement such projects. As a result, a gas accumulator project (TGE) and a coal-fired power station project (TPK) were started in the ensuing years. In the autumn of last year, a feasibility study was started with the aim of examining project prospects in the field of renewable energies. In addition, the expansion of the accumulator was examined and started.

As a result, Trianel has now very successfully developed a second core business area which strengthens the company and its results both through service proceeds from project development and the management of the assets following commissioning, as well as through the possibility of participating in these projects and thus in the development of an own portfolio.

Over the next two years, Trianel will endeavour to achieve successful implementation of the projects started. Particularly worthy of mention here are:

- Establishment of continuous commercial operation of the gas and steam turbine plant in Hamm-Uentrop.
- Commercial commissioning of the first municipal joint gas accumulator in Epe on 1 October 2008.
- Resolution concerning the building of the coal-fired power station in Lünen together with 28 municipal partners and setting up of the construction site.
- Resolution concerning the expansion of the gas accumulator in Epe and thus doubling of the accumulator volume of TGE to a working gas volume of approx. 250 million m³.

- Resolution concerning participation in an offshore wind farm as a joint development with Prokon Nord.
- Submission of the application for approval concerning the coal-fired power station project in Krefeld-Uerdingen, negotiation of the plant construction contracts, creation of the company-law preconditions and development for the construction of a highly modern 750 MW coal-fired power station based on combined heat and power generation.
- Evaluation of further projects in the renewables field (geothermics, wind offshore, photovoltaics) as well as in the thermal field (coal, gas) for further diversification of the portfolio.

As such, Trianel will soon develop a portfolio of 1,550 MW to 2,600 MW for the shareholders which will lastingly strengthen their position amongst the competition.

Overall, the focus of project development will shift more towards the commissioning of the facilities.

SALES ACTIVITIES OF TRIANEL

In 2007, the activities of the business area sales were further developed to a significant extent through the establishment of an Internet-based household customer sales operation. In a manner similar to the power station disk model, Trianel has bundled complementing interests from the municipal environment as a service provider, in order to realise a project for the public utilities that would not have been possible for them by themselves. Here, Trianel completed its market entry in good time and has positioned itself skilfully in the market with the claim “Trianel – the first provider to reward people for saving electricity”. This project is to be further expanded in the coming years and represents the main activity of Trianel Energie GmbH over the coming years.

Whilst this business area is currently the focus of the shareholders, demand for classic sales services has been sluggish in recent years. The demand of the public utilities for these services over the coming years within the scope of the intensifying competition for household customers and the related acquisition of customers outside of the own grid area is something that remains to be seen.

The business of Trianel Energie BV is now stable and, with sales in excess of one TWh, has achieved a considerable share of over one percent of the Dutch market. Following the loss of the last Dutch shareholders Cogas and ONS in 2006, Trianel will concern itself with the strategic realignment of the company over the coming years.

DEVELOPMENT OF THE COMPANY AND SHAREHOLDERS

Following pleasing shareholder developments in the years 2006 and 2007, further shareholders are also expected to join in 2008. Stadtwerke Fröndenberg GmbH has become a new shareholder in the first months of 2008. Stadtwerke Ulm GmbH, Stadtwerke Tuttlingen GmbH as well as Stadtwerke Hameln GmbH have also confirmed their intention of becoming shareholders. In addition, Trianel is also involved in promising negotiations with potential new shareholders (including a large Southern German public utility), so that a further strengthening of Trianel and its capital base can be assumed in 2008.

Against the background of the pleasing shareholder development in recent years and the increased complexity of the Trianel business, control of the operating business by the Shareholders’ Meeting has become increasingly difficult. The setting up of a Supervisory Board at the end of 2007 means that there is now an efficient body in place for the future. As part of a strategy process initiated with the Supervisory Board, the management is expecting important impulses for the successful orientation and channelling of Trianel’s growth.

SUMMARY

The management is optimistic that the growth of both TEET and the companies within the Group will continue in the financial year 2008 and lead to results comparable with those of 2007.

The management report contains statements concerning the future development of the company. These statements constitute estimations made on the basis of all information available to us at the present moment in time. In the event of the underlying assumptions failing to materialise or of additional risks arising, the actual development of business can vary from current expectations.

2. RISK REPORT

GENERAL

There is fundamental uncertainty concerning the development of demand and framework conditions in the markets in which TEET is involved. In order to ensure early detection of risks concerning the planned development of business as well as to enable timely initiation of corresponding measures, the regular reporting also includes details on variations from budget and current results forecasts in addition to risk ratios. The main sources of risks are as follows:

RISKS FROM THE PROJECTS

TEET is involved in the Trianel Power Kraftwerk Hamm-Uentrop GmbH & Co. KG project as a shareholder. Here, increasing electricity prices are a particular source of risk. These result for example from increased generation costs which are passed on to the shareholders via the price or, in the event of technical problems with the operation of the power station blocks, from the procurement of back-up electricity.

TEET is also involved as a shareholder in the Trianel Power-Projektgesellschaft Kohlekraftwerk mbH & Co. KG project. There are particular risks at the Krefeld-Uerdingen site due to the political framework conditions.

TEET is involved in the "Trianel Gasspeichergesellschaft Epe mbH & Co. KG" (TGE) project as a shareholder. The current situation on the banking market means that there are risks concerning the expansion financing of the 4th cavern (S41) in the existing consortium of banks.

RISK MANAGEMENT SYSTEM

TEET operates a risk management system for early detection as well as standardised recording, evaluation, management and monitoring of risks, including, in particular, those resulting from the use of financial instruments. The aim is to control the risks associated with the activities of the company whilst maximising the portfolio values and securing margins in service transactions. At the same time, opportunities and the corresponding results potential can be recognised. The risk management system conforms to the requirements of KonTraG (German Control and Transparency Law) and, as TEET works as a service provider for the financial services subsidiary TEM, also to the guidelines of the German Banking Act and the related legal ordinances.

The risks are evaluated in terms of their level and the probability of them occurring. The admissible potential level of damage of the risks is based on their effects on results and equity. The regular risk reporting, which is fully integrated into the planning and controlling procedures, enables systematic analysis of the risk situation, on the basis of which concrete management measures can be derived.

At present, the potential risks seen include the following which are being managed as follows as part of the risk management system described above:

Given the volatile price developments combined with open positions, indexed price agreements, and procurement agreements and supply obligations which are in part not firmly agreed/secured and thus can only be forecast, TEET, as an energy dealer, has both risks and opportunities which can lead to variations from the expected results. This so-called price risk in the broadest sense is contained, amongst other things, through a multi-layer limit system which restricts the volume of risky positions or ensures requirements-oriented hedging of risk capital.

The term counterparty risk is used to describe the risk of the business partner becoming insolvent. Losses can result in the event of TEET having to pay out in advance or of a change in the value of trading transactions still to be carried out. To limit this risk, TEET employs a self-developed, multi-layer rating system to classify the creditworthiness of its trading partners; amongst other things, this system makes the individual permissible trading volume dependent on the rating and the risk capital held for the credit risk. In addition, the business partners as well as the (indirect) shareholders of TEET provide collateral which can be used to reduce the level of damage in the event of insolvency of a business partner of the company. In 2007, there was a significant increase in the corresponding available hedging volume.

TEET is exposed to the risk of possible liquidity shortages as a result of unexpected obligations to provide cash collateral caused by differing or late payment times or by extreme market developments. TEET counters this risk amongst other things by corresponding product release guidelines and limits, together with regular monitoring of current and expected liquidity ratios.

As an energy trader and service company, TEET also pays special attention to legal, IT and administrative risks. Special contract approval guidelines, documented and constantly updated business processes as well as the use of professional software systems counter the occurrence of costly errors in operating procedures to a major extent.

Risk capital is held for the said risks in order to protect the continued existence of the company if the occurrence of these risks cannot be regarded as completely improbable.

USE OF FINANCIAL INSTRUMENTS

The financial instruments include original and derivative financial instruments. The original financial instruments fundamentally include receivables, liquid funds and financial assets on the assets side. On the liabilities side, the original financial instruments fundamentally include the liabilities at their redemption value. The level of the financial assets in the balance sheet indicates the maximum non-payment risk. If non-payment risks exist, these are taken into account through value adjustments.

Trianel European Energy Trading GmbH uses derivative financial instruments to hedge price risks. Those used can include, for example, financial swaps, futures and options concerning energy or emissions certificates. Additionally, financial instruments in the form of interest rate swap agreements are used as collateral for bank loans. Risk guidelines are prescribed for transactions with financial instruments in accordance with the comments on the risk management system in section C.



SUMMARISED MANAGEMENT REPORT

D. Supplementary Report



D. Supplementary Report

The first four months of 2008 show decidedly successful development in the business areas “Upstream” and “Wholesale/Procurement”, and confirm the course adopted by Trianel in recent years towards development of upstream value added stages as well as expansion of the service spectrum in the electricity and gas sector. A strategic realignment was triggered in the business area “Sales” which will result in reorganisation of the sales business.

Overall therefore, a base has been created not only for confirmation of the positive economic performance of the year 2007 but also for the long-term successful development of Trianel.

Business developments thus far in the **procurement and wholesale sector** have been in line with budget. In the supply business, there have been no major effects on results in the first quarter due to extreme weather (extremely cold or mild), meaning that a stable contribution to results can be expected here. Trading for own account showed a very positive development in the first three months which must now be confirmed in the ensuing quarters.

Marketing of the own capacity of the gas accumulator was by all means difficult in the first three months, in particular as the grid operator, E.ON Gastransport AG & Co. KG, offers access to the grid on an interruptible basis only. Depending on whether a solution can be found to this problem of grid access, a moderate burden on results must be reckoned with for the first year of operation as from 1 October 2008.

In February 2008, Trianel Suisse AG was formed by three Swiss public utilities on the basis of joint plans to develop a cooperation platform in Switzerland with Trianel. The aim is to strengthen the platform through additional municipal representatives from Switzerland.

Results in the **generation and project development** area were positively influenced in particular by the start of continuous commercial operation of the Trianel Power Kraftwerk Hamm-Uentrop on 2 January 2008. On the one hand, Trianel is a service provider for the project in its capacity as commercial plant manager and, on the other hand, owner of a 50 MW disk at the power station. Above all the power

station disk has led to a solid contribution to results in the initial months thanks to the high and stable level of electricity prices and the resulting high capacity utilisation.

Further highlights of the project development business which are expected to have a positive effect on business in 2008 and subsequent years were:

- In April, the shareholders of Trianel Gasspeicher Epe GmbH & Co. KG passed a resolution concerning the expansion of the gas accumulator in Epe. The integration of a fourth cavern, on which there was an option until 30 April 2008, enabled a doubling of the accumulator volume of TGE to a working gas volume of approx. 250 million m³.
- At Trianel Power-Projektgesellschaft Kohlekraftwerk mbH & Co. KG, all preconditions for the building resolution concerning the project in Lünen were created by the end of April. As a result, a term sheet was signed with WestLB in March 2008 to secure competitive financing and, in April 2008, a coal supply contract was signed with Semptra Energy Europe Limited for the supply of coal. Following the preliminary determination advised for the end of April and the initial partial approval, the shareholders are expected to pass resolutions in May of this year concerning the increase in capital of TPK and the building of a coal-fired power station.
- There are signs of a change in political policy concerning the Krefeld-Uerdingen site. On 7 January 2008, the Lord Mayor of Krefeld, Mr. Kathstede, announced that he is in favour of building the power station. The project management has since submitted the application for approval concerning the construction of a highly modern 750 MW coal-fired power station based on combined heat and power generation.

Within the scope of a strategy process implemented by the management and the Supervisory Board, a check on the business areas and the channelling of growth at Trianel was initiated in the first months of 2008. In this context, activities in the sales area were required to undergo a com-

prehensive audit which is to be carried out in the next few months. An undisputed aspect here is the intensifying of the Internet platform developed for the public utilities for sales to household customers. This is to be hived off to an own company in 2008.

In March 2008, TEET, as consortium leader for the “Smart-Watts” project, received one of the promotional prizes from Permanent Secretary Wöhrl as part of the E-Energy promotional competition sponsored by the Federal Ministry of Economics. This offers the prospect of substantial subsidisation for the “Telecount” smart metering cooperation project triggered by Trianel.

Overall, Trianel should be in a position to confirm the successful development of business of 2007, and to pave the way for the continued future success of the group of public utilities.

SUMMARISED MANAGEMENT REPORT

*E. Reporting pursuant to § 108 Paragraph
2 No. 2 of the North Rhine-Westphalian local
government ordinance (GO NRW)*

SUMMARISED MANAGEMENT REPORT

E. Reporting pursuant to § 108 Paragraph 2 No. 2 of the North Rhine-Westphalian local government ordinance (GO NRW)

The object of the company is trade in energy at home and abroad with the aim of strengthening local energy supply. To this end, the company is permitted to perform the following duties:

1.1 TRADE IN

- a) energy (electricity, gas, oil, coal),
- b) energy derivatives and energy-related financial derivatives,
- c) supply-related financial products such as weather derivatives and emissions certificates (as defined in the German Banking Act; trade for own account),

1.2 THE PROVISION OF THE FOLLOWING, ENERGY-DERIVATIVE-RELATED FINANCIAL SERVICES AS DEFINED IN THE GERMAN BANKING ACT:

- a) the brokering of transactions concerning the acquisition and sale of energy derivatives or their notifying (as defined in the German Banking Act: investment brokerage),
- b) the acquisition and sale of energy derivatives on behalf of and for the account of third parties (as defined in the German Banking Act: brokerage of contracts),
- c) the management of individual assets invested in energy derivatives for others with decision-making powers (as defined in the German Banking Act: financial portfolio management),
- d) the acquisition and sale of energy derivatives by way of trade for own account for others (as defined in the German Banking Act: trade for own account),

1.3 SALE OF ENERGY

1.4 PROVISION OF ADVISORY AND OTHER PAID SERVICES DIRECTLY RELATED TO THE SUPPLY OF ENERGY.

The comments and data in the Notes and the Management Report illustrate that we conformed fully with the public purpose based on our terms of reference as per the Shareholder's Agreement.

Aachen, 7 May 2008

Trianel European Energy Trading GmbH

The Management





ANNUAL FINANCIAL STATEMENTS

Annual financial statements

BALANCE SHEET

as at 31 December 2007

INCOME STATEMENT

for the period 1 January 2007 to 31 December 2007

NOTES TO THE 2007 FINANCIAL YEAR

ANNUAL FINANCIAL STATEMENTS

Balance sheet

as at 31 December 2007

ASSETS

	31.12.2007		31.12.2006
	€	€	€
A. Fixed Assets			
I. Intangible assets			
1. Rights for use and similar rights	540,352.00		827,981.00
2. Payments on account	32,908.00		0.00
		573,260.00	827,981.00
II. Tangible assets			
1. Plant and equipment		898,169.00	669,839.00
III. Financial assets			
1. Shares in affiliated undertakings	3,618,295.00		3,618,295.00
2. Investments	11,732,025.86		9,209,523.66
3. Securities held as fixed assets	127,000.00		127,000.00
		15,477,320.86	12,954,818.66
		16,948,749.86	14,452,638.66
B. Current assets			
I. Inventories			
Merchandise		1,625,201.32	0.00
II. Accounts receivable and other assets			
1. Trade accounts receivable	63,434,100.14		115,856,186.65
2. Receivables from affiliated companies	10,921,685.97		4,897,129.45
3. Receivables from shareholders	27,026,965.14		10,832,516.46
4. Receivables from companies in which investment are held	4,493,092.39		858,566.23
5. Other assets	14,811,451.43		20,667,409.19
		120,687,295.07	153,111,807.98
III. Securities			
Treasury assets		1,129,480.00	1,929,900.00
IV. Cash on hand and on deposit in banking accounts			
		29,056,520.45	16,323,839.46
C. Prepayments and accrued income			
		2,804,020.98	2,393,991.98
		172,251,267.68	188,212,178.08

LIABILITIES

	31.12.2007		31.12.2006
	€	€	€
A. Capital stock			
I. Subscribed capital	14,526,650.00		13,431,050.00
II. Capital reserve	9,658,148.00		7,090,548.00
III. Revenue reserves			
1. Reserve for treasury stock	1,129,480.00		1,929,900.00
2. Other reserves	9,935,061.39		9,134,641.39
IV. Annual net income	5,615,049.79		0.00
		40,864,389.18	31,586,139.39
B. Provisions			
1. Provisions for taxation	1,137,200.04		422,558.10
2. Other provisions	18,140,862.36		11,199,735.37
		19,278,062.40	11,622,293.47
C. Liabilities			
1. Liabilities due to banks	6,625,697.42		7,143,500.00
2. Trade accounts payable	90,310,681.43		129,054,686.92
3. Liabilities due to shareholders	371,357.62		1,933,503.24
4. Liabilities due to affiliated companies	20,508.80		20,508.80
5. Other liabilities	12,303,531.06		4,606,543.56
		109,631,776.33	142,758,742.52
D. Accrued expenses and deferred income		2,477,039.77	2,245,002.70
		172,251,267.68	188,212,178.08

ANNUAL FINANCIAL STATEMENTS

Income statement

for the period 1 January 2007 to 31 December 2007

	2007		2006
	€	€	€
1. Sales revenues			
a. Gross revenues	2,337,874,920.27		1,624,056,815.87
b. Petroleum tax	0.00		-4,686,713.57
		2,337,874,920.27	1,619,370,102.30
2. Other operating income		3,281,432.76	5,721,442.73
3. Cost of material			
Cost of purchased materials		2,316,328,108.85	1,610,815,603.52
4. Personal expenses			
a) Wages and salaries	7,525,951.03		4,872,246.23
b) Social security costs	1,112,757.06		701,236.59
		8,638,708.09	5,573,482.82
5. Depreciation on intangible fixed assets and tangible assets		820,600.23	694,561.01
6. Other operating income		9,652,474.58	7,782,000.40
		5,716,461.28	225,897.28
7. Other interests and similar income	1,418,963.53		688,935.43
8. Income from profit transfer agreements	296,404.11		290,063.48
9. Interests and similar expenses	745,818.51		315,771.33
		969,549.13	663,227.58
10. Results from ordinary activities		6,686,010.41	889,124.86
11. Taxes on income		1,069,293.62	65,025.00
12. Other taxes		1,667.00	1,634.67
13. Annual net income		5,615,049.79	822,465.19
14. Profits carried forward from the previous year		0.00	519,722.64
15. Transfers from revenue reserves			
a) reserve for treasury stock	1,929,000.00		598,000.00
b) from other reserves	1,129,480.00		1,929,900.00
		3,058,480.00	2,527,900.00
16. Transfers to revenue reserves			
a) to the reserve for treasury stock	1,129,480.00		1,929,900.00
b) to other reserves	1,929,000.00		1,940,187.83
		3,058,480.00	3,870,087.83
17. NET INCOME FOR THE YEAR		5,615,049.79	0.00

Notes

for the 2007 financial year

I. FORM AND REPRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the regulations of the German Commercial Code (HGB) for large incorporated companies in conjunction with the supplementary provisions of the GmbH-Gesetz (German Limited Liability Company Law).

In the interests of improved clarity of the representation, we have included information on joint belonging to other items of the balance sheet in the Notes.

The income statement has been drawn up according to the expenditure format.

The fundamental items of the balance sheet and income statement are explained separately in the Notes.

In contrast to the previous year, trade receivables have been netted against similar trade payables. Receivables and payables totalling 137,495,000.00 euros were netted against one another.

Additionally, and in contrast to the previous year, receivables from regular energy are shown under the trade receivables and the previous year's figures totalling 3,695,000.00 (shown under other assets in 2006) have been adjusted accordingly.

II. ACCOUNTING AND VALUATION PRINCIPLES

Für The following, fundamentally unaltered, accounting and valuation principles were authoritative in the preparation of the financial statements:

The intangible assets and tangible fixed assets were valued at acquisition cost less depreciation and plus write-ups.

Depreciation was carried out in accordance with the fiscal depreciation-rate tables as scheduled, straight-line and – to the extent possible – as declining-balance depreciation in accordance with the useful life expectancy of the capital goods. The transition to the straight-line method is made

in the year in which the straight-line method first leads to higher annual depreciation amounts. Low value items up to a value of 410.00 euros are written off in full in the year of addition; their disposal in the financial year presupposes that this follows the year of addition.

With the financial assets, shares in affiliated companies and shareholdings were valued at acquisition cost less value adjustments.

Investments held as fixed assets are shown at acquisition cost, less value adjustments and plus write-ups.

Inventories are shown at acquisition cost taking account of depreciation using the principle of the lower of cost or market.

Receivables and other assets are reported at par value; necessary value adjustments are created.

Receivables and payables in foreign currency are converted using the exchange rate as of the date of posting if no fixed Euro conversion rate exists. Exchange rate losses incurred up until the balance sheet date have been taken into account.

Own shares are shown at acquisition cost.

The provisions take appropriate and sufficient account of all recognisable risks and contingent liabilities on the basis of cautious commercial judgement. Provisions are carried as liabilities using the foreseeable fulfilment amount.

Liabilities are shown at the redemption value.

For the purpose of valuing the physical trading transactions, the posted and pending transactions are fundamentally summarised together with the corresponding financial transactions under the portfolios electricity, gas and emissions certificates.

Two derivative financial instruments are used as collateral for bank loans; these form one valuation unit respectively with the debt item.

III. NOTES TO THE BALANCE SHEET

FIXED ASSETS

The development of the fixed assets and depreciation in the financial year can be seen from the fixed-asset movement schedule enclosed as a separate appendix to the Notes.

Shares in affiliated companies totalling 3,618,295.00 euros concern:

COMPANY	REGISTERED OFFICE	LEVEL OF THE SHAREHOLDING	CARRYING VALUE OF THE SHAREHOLDING	EQUITY	ANNUAL NET PROFIT
		%	€	€	€
Trianel Energy Management GmbH	Aachen	100.00	2,500,000	2,500,000	*0
Trianel Energie GmbH	Aachen	58.34	793,295	1,160,893	358,763
Trianel Energie B.V.	Maastricht, NL	100.00	250,000	976,073	168,712
Trianel Vermögensverwaltungs GmbH	Aachen	100.00	25,000	30,438	2,747
Trianel Gasspeicher- vermögensverwaltungs GmbH	Aachen	100.00	25,000	46,870	11,588
Trianel Kohlekraftwerk- vermögensverwaltungs GmbH	Aachen	100.00	25,000	26,035	758

* A profit and loss transfer agreement exists between Trianel Energy Management GmbH and Trianel European Energy Trading GmbH.

The shareholdings totalling 11,732,025.86 euros concern:

COMPANY	REGISTERED OFFICE	LEVEL OF THE SHAREHOLDING	CARRYING VALUE OF THE SHAREHOLDING	EQUITY	ANNUAL NET PROFIT
		%	€	€	€
Trianel Power Kraftwerk Hamm-Uentrop GmbH & Co. KG	Aachen	6.12	5,245,492.30	103,648,416	21,949,372
Trianel Gasspeicher- Gesellschaft Epe mbH & Co. KG	Aachen	17.60	2,640,000.00	12,063,579	-1,888,821
Trianel Power-Projektgesellschaft Kohlekraftwerk mbH & CO. KG	Aachen	7.75	3,746,532.56	54,165,196	-1,323,871
Trianel Service GmbH	Aachen	20.00	100,000.00	192,003	-66,065
Trianel Energy Trading BeNeLux B.V.	Schiedam, NL	39.10	1	-3,884,000	-15,000*

* The financial statements of Trianel Energy Trading BeNeLux B.V. were prepared in accordance with Dutch accounting regulations, whereby discretionary valuation was applied such that conformity with International Financial Reporting Standards (IFRS) is ensured. No adaptation was made to the German principles of orderly accounting. The figures concern the financial year 2006.

CURRENT ASSETS

The goods inventories are accumulated quantities of gas.

The trade receivables include mainly claims from deliveries of electricity and gas which were netted against similar payables.

Of the receivables from affiliated companies, 11,392,000.00 euros (2006: 3,671,000.00 euros) are trade receivables. Other than this, the figures include mainly cost allocations. Payables totalling 2,509,000.00 euros (2006: 817,000.00 euros) were netted against the receivables.

Of the receivables from shareholders, 48,177,000.00 euros (2006: 29,467,000.00 euros) are trade receivables. Payables totalling 22,175,000.00 euros (2006: 19,860,000.00 euros) were netted against the receivables.

The receivables from companies in which an equity interest is held are mainly trade receivables resulting from the provision of services.

The other assets include mainly collateral provided.

As was the case in the previous year, all receivables and other assets are due within one year.

By contract of purchase dated 30 August 2007, the company acquired own shares from Stadtwerke Flensburg GmbH totalling 356,800.00 euros (2.46 percent) for onward sale. The company held the own shares as of the balance sheet date. The own shares totalling 820,000.00 euros, acquired from Dutch Energy Holding in the previous year, were sold on in the financial year 2007.

PROVISIONS

The provisions for taxes include provisions for trade tax totalling 294,000.00 euros. Of this figure, an amount of 257,000.00 euros concerns 2005 and an amount of 37,000.00 euros concerns the period 2000 – 2004.

Of the provision of 843,000.00 euros for corporation tax, 11,000.00 euros concern 2005, 787,000.00 euros 2007 and 45,000.00 euros the period 2000 – 2004. Payments made for interest discount tax and solidarity surcharge were netted against the provisions for corporation tax.

The other provisions of 18,141,000.00 euros include provisions for contingent liabilities totalling 15,531,000.00 euros which mainly concern outstanding invoices from the procurement of energy as well as personnel. Also included are provisions totalling 1,485,000.00 euros for impending losses from pending transactions and expenditure provisions of 1,125,000.00 euros.

LIABILITIES

The amounts due to banks include long-term bank loans and accrued interest.

The trade payables are mainly from the procurement of energy and transit payments as well as from consulting services which were netted against similar receivables.

Payables to shareholders include mainly trade payables in connection with deliveries of energy.

Payables to companies in which an equity interest is held are exclusively trade payables.

The other liabilities include tax liabilities of 949,000.00 euros (previous year: 88,000.00 euros).

Liabilities movement schedules

	31.12.2007	RESIDUAL TERMS			31.12.2006
	TOTAL	LESS THAN 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	OF LESS THAN 1 YEAR
	€	€	€	€	€
Liabilities to credit institutions	6,625,697.42	704,197.42	2,444,000.00	3,477,500.00	611,000.00
Trade accounts payable	90,310,681.43	90,310,681.43	0.00	0.00	129,054,686.92
Liabilities to affiliated companies	20,508.80	20,508.80	0.00	0.00	20,508.80
Liabilities to shareholders	371,357.62	371,357.62	0.00	0.00	1,933,503.24
Other liabilities	12,303,531.06	7,568,996.43	1,386,656.57	3,347,878.06	4,606,543.56
TOTAL LIABILITIES	109,631,776.33	98,975,741.70	3,830,656.57	6,825,378.06	136,226,242.52

IV. NOTES TO THE INCOME STATEMENT

REVENUE

Turnover can be classified into the following areas of activity:

BUSINESS AREA	TURNOVER	TURNOVER
	€ THOUSAND	%
Electricity	2,269,250	97.06
Gas	60,969	2.61
Services	7,532	0.32
Emissions trade	124	0.01
Sum	2,337,875	100.00

Non-period turnover is 6,735,000.00 euros (2006: 5,378,000.00 euros). The mineral oil tax applicable to TEET was deducted openly from the revenue as typical industry consumption tax up until and including July 2006. Following the Energy Tax Act dated 15 July 2006, TEET has been exempt from mineral oil tax as from August 2006.

OTHER OPERATING INCOME

Other operating income includes non-period income of 880,000.00 euros (2006: 1,947,000.00 euros).

COST OF MATERIALS

The non-period cost of materials is 6,935,000.00 euros (2006: 5,880,000.00 euros).

PERSONNEL EXPENDITURE

Personnel expenditure concerns an average of 100 employees (2006: 68). The personnel expenditure includes expenditure on old-age pensions totalling 143,000.00 euros (2006: 22,000.00 euros).

INCOME FROM PROFIT AND LOSS TRANSFER AGREEMENTS

Income from profit and loss transfer agreements concerns the annual net profit 2007 of Trianel Energy Management GmbH totalling 296,000.00 euros (2006: 290,000.00 euros).

INTEREST INCOME

The interest income of 1,419,000.00 euros (2006: 689,000.00 euros) includes income from affiliated companies totalling 158,000.00 euros (2006: 32,000.00 euros).

INCOME TAX

Of the tax expenditure in the reporting period, 1,112,000.00 euros (2006: 0 euros) are accounted for by corporation tax 2007 and 43,000.00 euros by income for corporation tax in the previous years.

V. OTHER INFORMATION

INFORMATION CONCERNING DERIVATIVE FINANCIAL INSTRUMENTS

TEET uses derivative financial instruments to hedge price risks. Futures were used in the financial year. The nominal value was 41,947,000.00 euros; the fair value is 1,231,000.00 euros. Corresponding account is taken of the transactions in both the other assets as well as in the other liabilities.

Trianel European Energy Trading GmbH used the following interest rate swaps in the financial year 2007:

1. As of the balance sheet date, a variable-interest liability of 2,783,000.00 euros was swapped with a fixed-interest liability. The agreement runs until May 2015. The fair value according to the internal risk models of the issuing bank is 128,000.00 euros.
2. As of the balance sheet date, a variable-interest liability of 1,512,000.00 euros was swapped with a fixed-interest liability. The agreement runs until January 2016. The fair value according to the internal risk models of the issuing bank is 13,000.00 euros.

OTHER FINANCIAL OBLIGATIONS

	€ thousand
Liabilities from electricity supply contracts	2,646,086
- of which due in 2008	2,062,136
Liabilities from gas supply contracts	82,977
- of which due in 2008	54,206
Liabilities from emissions certificates	630
- of which due in 2008	516
Obligations to make limited partner contributions	7,154
- of which due in 2008	7,154
Liabilities from leasing and rental agreements	4,914
- of which due in 2008	724

CONTINGENCIES

As collateral for bank liabilities of Trianel Power Kraftwerk Hamm-Uentrop GmbH & Co. KG and Trianel Gasspeichergesellschaft Epe mbH & Co. KG, Trianel European Energy Trading GmbH has pledged its shares in these companies, including dividends, to banks.

SUPERVISORY BOARD

A Supervisory Board was formed with constituting effect as from 26 October 2007; its members in the financial year 2007 were as follows:

Bernhard Wilmert, Bochum, Spokesman for the Management of Energie- und Wasserversorgung mittleres Ruhrgebiet GmbH (Chairman),

Waldemar Opalla, Diepholz, Managing Director of Stadtwerke EVB Huntetal GmbH (Vice Chairman),

Dr. Dieter Attig, Aachen, Chairman of the Managing Board of Stadtwerke Aachen AG (until 30 November 2007),

Dr. Christian Becker, Aachen, Chairman of the Managing Board of Stadtwerke Aachen AG (as from 1 December 2007),

Kurt Kuhn, Lübeck, Managing Director of Stadtwerke Lübeck Holding GmbH,

Günter Bury, Fulda, Member of the Managing Board of Überlandwerke Fulda AG,

Marco Westphal, Bonn, Managing Director of Stadtwerke Bonn GmbH,

Alfons Bröker, Soest, Managing Director of Stadtwerke Soest GmbH,

Dr. Achim Grünenberg, Lünen, Managing Director of Stadtwerke Lünen GmbH,

Frank Kindervatter, Viersen, Managing Director of Niederrheinwerke Viersen GmbH,

Dr. Arno Gassteiger, Salzburg, Spokesman for the Managing Board of Salzburg AG for Energy, Transport and Telecommunication,

Michael Hegel, Cologne, Banker

TEET reimbursed a total of 4,000.00 euros as expenses in the financial year 2007.

MANAGEMENT

The Managing Directors of the company as of the balance sheet date were Dipl.-Ing. Reinhard Goethe and Dipl.-Volkswirt Sven Becker (Spokesman).

Reporting of the total remuneration paid for the work of the Managing Directors in the financial year was waived as per §286 paragraph 4 HGB.

FINANCIAL STATEMENTS

The financial statements are published in the Electronic Federal Bulletin under number HRB 7729.

Aachen, 7 May 2008

Trianel European Energy Trading GmbH

The Management

*Schedule of fixed assets**for the period 1 January to 31 December 2007*

	ACQUISITION COST			
	AS AT	ADDITIONS	DISPOSALS	AS AT
	1.1.2007			31.12.2007
	€	€	€	€
A. Fixed assets				
I. Intangible assets				
1. Rights of use and similar rights	1,830,540.58	125,109.50	0.00	1,955,650.08
2. Payments on account	0.00	32,908.00	0.00	32,908.00
TOTAL INTANGIBLE ASSETS	1,830,540.58	158,017.50	0.00	1,988,558.08
II. Tangible assets				
1. Plant and equipment	1,313,068.02	639,052.82	77,754.27	1,874,366.57
TOTAL TANGIBLE ASSETS	1,313,068.02	639,052.82	77,754.27	1,874,366.57
III. Financial assets				
1. Shares in affiliated companies	3,618,295.00	0.00	0.00	3,618,295.00
2. Investments	10,679,522.66	3,214,285.72	691,783.52	13,202,024.86
3. Securities held as fixed assets	220,000.00	0.00	0.00	220,000.00
TOTAL FINANCIAL ASSETS	14,517,817.66	3,214,285.72	691,783.52	17,040,319.86
TOTAL FIXED ASSETS	17,661,426.26	4,011,356.04	769,537.79	20,903,244.51

DEPRECIATION/WRITE-UPS				CARRYING AMOUNT	
AS AT	ADDITIONS	DISPOSALS	AS AT	AS AT	AS AT
1.1.2007			31.12.2007	31.12.2007	31.12.2006
€	€	€	€	€	€
1,002,559.58	412,738.50	0.00	1,415,298.08	540,352.00	827,981.00
0.00	0.00	0.00	0.00	32,908.00	0.00
1,002,559.58	412,738.50	0.00	1,415,298.08	573,260.00	827,981.00
643,229.02	407,861.73	74,893.18	976,197.57	898,169.00	669,839.00
643,229.02	407,861.73	74,893.18	976,197.57	898,169.00	669,839.00
0.00	0.00	0.00	0.00	3,618,295.00	3,618,295.00
1,469,999.00	0.00	0.00	1,469,999.00	11,732,025.86	9,209,523.66
93,000.00	0.00	0.00	93,000.00	127,000.00	127,000.00
1,562,999.00	0.00	0.00	1,562,999.00	15,477,320.86	12,954,818.66
3,208,787.60	820,600.23	74,893.18	3,954,494.65	16,948,749.86	14,452,638.66

Auditor's report

We have audited the annual financial statements of Trianel European Energy Trading GmbH, Aachen, consisting of balance sheet, income statement and notes, including the accounts and the management report for the period 1 January to 31 December 2007. The accounts, the annual financial statements and the management report were prepared in accordance with the German Commercial Code and the supplementary provisions of the articles of association at the responsibility of the company's legal representatives. Our responsibility is to express an opinion, based on our audit, on the annual financial statements, the company's accounts and the management report.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code (HGB) and observing the auditing principles generally accepted in Germany as stipulated by the Institute of German Certified Public Accountants (IDW). Those principles require that we plan and perform the audit to obtain reasonable assurance about the detection of any errors or irregularities with regard to the impression given of the company's net worth, financial and profit situation, as reported through its annual financial statements, set up in accordance with the generally accepted accounting principles, its company accounts, and its management report. When determining audit procedures, knowledge of the company's business operations, as well as its economic and legal environment, and anticipation of possible errors are taken into consideration. The audit includes examining, mainly on a test basis, the effectiveness of accounting-related internal control systems and evidence supporting the amounts and disclosures in the company accounts, annual financial statements and the management report. The audit

also examines the accounting and valuation methods that the company uses, the significant estimates made by legal representatives, as well as evaluating the overall presentation of the financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not lead to any objections.

In our opinion, based on the information gained in the audit, the annual financial statements are in conformity with statutory requirements and the supplementary provisions of the articles of association and, in compliance with the generally accepted accounting principles, they give a true and fair view of the net assets, financial situation and results of operations of the company. The management report is consistent with the annual financial statements, provides a suitable understanding of the company's situation and accurately presents the opportunities and risks of future development.

Munich, 19 May 2008

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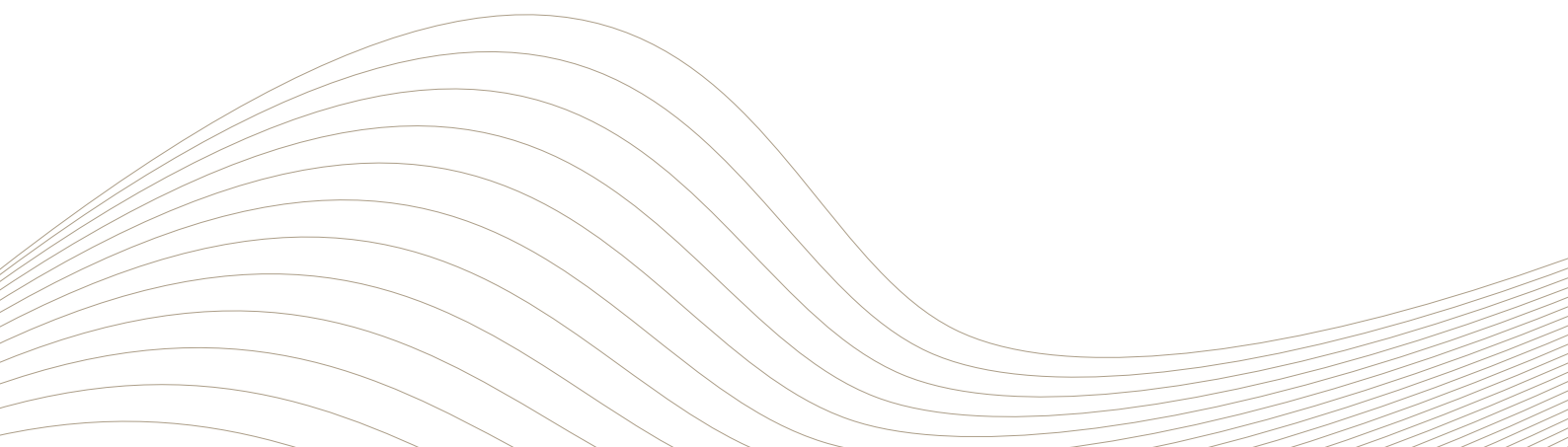
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