A long-term association with the region

| > | Annual Report 2008

swb

OVERVIEW OF KEY FIGURES AND SHAREHOLDING INTERESTS

	Group 2008	Group 2007	associated companies 2008	associated companies 2007
Sales				
Electricity in million kWh	3,966.6	4,623.8	7,859.1	8,545.0
Natural gas in million kWh	8,020.3	8,511.3	10,988.6	11,350.3
Heat in million kWh	1,051.3	1,054.4	2,132.3	1,915.8
Drinking water in million m³	37.9	38.8	57.1	59.2
Wastewater in million m³			51.8	57.8
Sewage sludge in Mg			18,150	15,650
Waste utilisation (waste heating plant) in Mg			522,000	561,000
Waste transportation in Mg			–	255,000
Organic waste materials			–	63,300
Personnel				
Employees [1]	2,427	2,284		
Trainees	168	164		
Total personnel costs in million Euro	162.0	152.4		
Financial key figures in million Euro				
Sales volume [2]	1,136.5	1,001.3		
EBIT	96.2	121.7 [3]		
Net profit for the year	39.4	60.7		
FFO (Funds from operations) [4]	113.5	133.5		
Balance sheet total	1,823.2	1,513.4		
Investments	153.9	121.5		
Capital Employed (year-end value)	1,192.3	898.7		
ROIC (in %) [5]	9.2	14.2 [3]		
Dynamic gearing (in %)	15.5	26.2		
Net indebtedness	4.3	3.1		
Gearing (in %)	58.9	47.2		

1 Employees in numbers of persons incl. part-time without suspended employment relationships, apprentices and management
2 Gross sales revenue (minus electricity and energy taxes)
3 Without effects from the project stop "Block 21" in 2007
4 FFO = Annual Net income plus depreciation and amortisation
5 With regard to the calculation of the EBIT stated above, the Capital Employedwill be used from the average of two years

Energy and drinking water

swb Vertrieb Bremen GmbH	100 %
swb Vertrieb Bremerhaven GmbH & Co. KG	100 %
swb Netze GmbH & Co. KG	100 %
swb Netze Bremerhaven GmbH & Co. KG	100 %
swb Erzeugung GmbH & Co. KG	100 %

Technical services

swb Services GmbH & Co. KG	100 %
swb Messung und Abrechnung GmbH	100 %
swb Beleuchtung GmbH	100 %
GfV Gesellschaft für Versorgungs-dienstleistungen mbH (inhome)	100 %

Waste management

swb Entsorgung GmbH	100 %
Hansewasser Ver- und Entsorgungs-GmbH	51 %
hanseWasser Bremen GmbH, Bremen (only indirect participation)	38,2 %

Major shareholding

Stadtwerke Bielefeld GmbH	49,9 %
Stadtwerke Soltau GmbH	49,5 %
Gemeindewerke Lilienthal GmbH	49,0 %
Gemeindewerke Ritterhude GmbH	48,7 %
kgu Kommunale Gasunion GmbH & Co. KG	100 %

MANAGEMENT REPORT OF THE SWB GROUP

ANNUAL ACCOUNTS SWB GROUP

NOTES SWB GROUP

ANNUAL ACCOUNTS SWB AG

SERVICE

In the fiscal year 2008 the Supervisory Board performed the tasks for which it is responsible according to the law and statutes. The Supervisory Board was informed regularly, in real time and comprehensively by the Management Board about the development and the situation of the company as well as about the essential business events. Based on the reports and the provided information the Supervisory Board regularly monitored the management, discussed business events of special significance in detail and convinced itself of the appropriateness of the management.

The Supervisory Board discussed the business development and the development of the net assets, financial position and results of operations in four meetings and discussed questions of the economic, financial, investment and personnel planning of the company as well as important single events in the group in detail. The individual events in particular included the still pending action proceedings against increases in the price for natural gas, the implications of the state regulation of the energy networks, various investment and participation plans as well as questions concerning the optimisation of the gas purchase portfolio, the risk management and questions of the corporate strategy and financing.

The personnel changes took place in the Supervisory Board in the fiscal year: as of 31 March 2008 Marc van 't Noordende retired from the Supervisory Board. Rinse de Jong was elected a member of the Supervisory Board effective as of 1 April 2008. The election period of the Supervisory Board which was elected in the General Meeting 2003 ended with the close of the ordinary General Meeting on 25 April 2008. Hans-Dieter von Friedrichs and Dietmar Schütz left on the part of the shareholders, Marita Rosenow, Alexandra Wendorff, Jürgen Humer and Reinhard Spöring left on the part of the employees' representatives. The Supervisory Board would like to thank all retired members for their constructive and qualified contributions as well as the good cooperation. Ralf Nagel and Patrick de La Lanne were elected as new members of the Supervisory Board on the part of the shareholders. Elected as new members of the Supervisory Board on the part of the employees' representatives were: Frank Gawrischtschuk, Immo Schlepper, Friedhelm Strudthoff and Klaus Warbruck. As of 8 October 2008 Paul van Son retired from the Supervisory Board. Alexandra van Huffelen was elected as member of the Supervisory Board as of 9 October 2008.

The shareholder structure remained unchanged in the fiscal year 2007. Deutsche Essent GmbH, Düsseldorf holds the majority of the votes with 51 percent of the shares, EWE AG, Oldenburg holds 49 percent of the shares. One share is held by Bremer Verkehrsgesellschaft mbH.

The annual financial statements and the management report of swb AG, consolidated financial statements and the consolidated management report which were submitted for the fiscal year 2008 were audited by including the bookkeeping by Ernst & Young AG auditing company, Bremen, which was elected as auditors of the accounts by the General Meeting on 25 April 2008 and were issued the unlimited audit certificate. The Supervisory Board acknowledged and approved the results of the audit.

The Supervisory Board finally examined the annual financial statements and the management report of swb AG, the consolidated financial statements and the consolidated management report submitted by the Management Board as well as the proposal for the appropriation of the balance sheet results. The auditor took part in the meetings of the financial and investment committee and of the Supervisory Board concerning these submissions and reported about the essential results of its audit. The Supervisory Board declares that after the final results of its examination there are no objections against the annual financial statements, the consolidated financial statements and the management report. The Supervisory Board approves the consolidated financial statements prepared by the Management Board as well as the annual financial statements of the company, which is therefore adopted according to § 172 Par. 1 AktG [Company Law].

The Supervisory Board concurs with the proposal of the Management Board for the appropriation of the balance sheet profit.

The report which is to be prepared by the Management Board according to § 312 AktG concerning relations to affiliated companies is available. The auditor has audited this report and according to § 313 Par. 3 AktG issued it with the following unlimited audit certificate:

"According to our dutiful audit and assessment we confirm that

1. the actual details in the report are correct,
2. the performance of the company was not inappropriately high with the legal transactions listed in the report,
3. with the measures listed in the report there are no circumstances which speak in favour of an essentially different assessment than that by the Management Board."

According to the final results of its examination the Supervisory Board declares that there are no objections to be filed against the report of the Management Board concerning relations to affiliated companies including the declaration at the end of the report as well as against the results of the audit by the auditor.

The operating results of the company are below the level of the previous year. Strong regulatory influences in particular in the network and sales companies, the realisation of market risks, the fire in a coal silo in the second half of the year and further extraordinary effects which in total exceed the costs for the termination of the power plant project Block 21 in 2007 had a decisive influence on the company results.

In 2009 swb will endeavour to achieve further substantial increases in efficiency, continue the investments for strengthening the power plant park and place emphasis on pressing ahead with projects for extracting energy from regenerative energies.

The Supervisory Board would like to thank and express its appreciation to all employees, the employees' representations and the Management Board for the work which was performed in the fiscal year 2008.

Bremen, in April 2009
The Chairman of the Supervisory Board

Michiel Boersma

Supervisory Board

- **Michiel Boersma**, Arnhem, The Netherlands, Chairman of the Board of Essent N.V., Arnhem, The Netherlands
- **Dr. Werner Brinker**, Rastede, Chairman of the Board of EWE Aktiengesellschaft, Oldenburg
- **Herbert Detharding**, Hamburg, former Chairman of the Board of Wintershall AG and Member of the Supervisory Board of Wintershall AG, Hamburg
- **Peter Flegel**, Bremen, Electrical Foreman of swb Erzeugung GmbH & Co. KG, Bremen
- **Hans-Dieter v. Friedrichs**, Osterholz-Scharmbeck, former Senior District Director of Osterholz-Scharmbeck Regional District Council (until 25th April 2008)
- **Frank Gawrischtschuk**, Bremen, Industrial Foreman of swb Erzeugung GmbH & Co. KG, Bremen (from 25th April 2008)
- **Günther Hermann**, Lilienthal, Chairman of the Works Council of swb Vertrieb Bremen GmbH, Bremen
- **Alexandra van Huffelen**, Utrecht, The Netherlands, Director of Deutsche Essent GmbH, Dusseldorf (from 9th October 2008)
- **Jürgen Humer**, Verden, Union Secretary of the ver.di Union Osnabrück-Emsland District, Osnabrück (until 25th April 2008)
- **Rinse de Jong**, Arnhem, The Netherlands, Member of the Managing Board of Essent N.V., Arnhem, The Netherlands (from 1st April 2008)
- **Patrick de La Lanne**, Delmenhorst, Major of Delmenhorst Town (from 25th April 2008)
- **Sigrid Leidereiter**, Bremen, Union Secretary of the ver.di Union, Bremen-North Lower Saxony District, Bremen.
- **Peter Marrek**, Wilhelmshaven, Member of the Works Council of swb Netze GmbH & Co. KG, Bremen
- **Ulrich Meyer**, Lilienthal, Chairman of the Works Coucil of swb Netze GmbH & Co. KG, Bremen and Chairman of the Group Works Council, Bremen
- **Ralf Nagel**, Bremerhaven, Senator for Trade & Industry and Ports, Senator for Justice and Constitution, Bremen (from 25th April 2008)
- **Marc van't Noordende**, Amsterdam, The Netherlands Member of the Managing Board of Essent N.V., Arnhem, The Netherlands (until 31st March 2008)
- **Werner Prager**, Ritterhude, Assistant of the Group Works Council, Bremen
- **Emile Rijcken**, Essen, self-employed Corporate Consultant
- **Dr. Hans Christoph von Rohr**, Mülheim, self-employed Lawyer
- **Marita Rosenow**, Wiefelstede, Union Secretary of the ver.di Union, Lower Saxony-Bremen Regional District Council, Bremen (until 25th April 2008)
- **Immo Schlepper**, Oldenburg, Union Secretary of the ver.di Union, Lower Saxony-Bremen Regional District Council, Bremen (from 25th April 2008).
- **Dietmar Schütz**, Oldenburg, former Major of Oldenburg Town, Oldenburg (until 25th April 2008)
- **Paul van Son**, Deventer, The Netherlands, Director of Deutsche Essent GmbH, Dusseldorf (until 8th October 2008)
- **Reinhard Spöring**, Bremen, business employee of swb Vertrieb Bremen GmbH, Bremen (until 25th April 2008)
- **Friedhelm Strudthoff**, Ritterhude, Divisional Manager of swb Netze Bremen GmbH & Co. KG, Bremen (from 25th April 2008)
- **Michael Wagener**, Oldenburg, Member of the Managing Board of EWE Aktiengesellschaft, Oldenburg
- **Klaus Warbruck**, Hamburg, freelance Educational Consultant and Works Council Adviser, Hamburg (from 25th April 2008)
- **Alexandra Wendorff**, Grasberg, Divisional Manager for Corporate Development of swb AG, Bremen (until 25th April 2008)

Cut-off date: 31st December 2008

BASIC ECONOMIC CONDITIONS

Macro-economic development

The development of the German economy in 2008 was marked by the negative implications of the crisis on the financial markets. After a good start in the first quarter of 2008 the economic situation has deteriorated so sharply that Germany is close to a recession. The coordinated measures of the Federal government in affiliation with the partners on the European level prevented the collapse of the financial system.

Germany has been affected comparably late by the global economic slow-down as the direct real economic implications so far have been very limited. Owing to the good profit situation the companies were mainly in the position to finance their investments from own funds. At least the last available surveys do not indicate any serious restrictions in the conditions for granting loans for Germany.

It was possible to substantially reduce unemployment in 2008. Through the reforms on the labour market the base unemployment fell substantially for the first time after many years. Registered unemployment fell season-adjusted from 3.8 million to 3.3 million unemployed since the beginning of the year. In particular an increasing number of employment relationships which are liable to social insurance have been created again.

In the federal state of Bremen the economic development was recorded in line with the federal German macro-economy. The majority of companies have substantially increased their competitiveness in the last few years. Satisfied with the current business development are in particular parts of the service field, the producing trade and the hotel trade. On the other hand the crisis on the financial markets has also left clearly negative traces in Bremen. Affected by this are in particular export-oriented business fields, automotive construction and steel production.

As reported by the regional statistical office in Bremen the gross domestic product rose in the first six months of the year by (price-adjusted) 2.6 percent compared with the level of the first six months in 2007. Thus, the growth process of the economy in Bremen continued. In view of the implications of the crisis on the financial markets the companies are expecting a decline in business development for 2009 in particular owing to falling demand for exports and curtailed investment plans.

The regional location conditions in Bremen continued to improve in 2008. Through the further development of the infrastructure and the increased bundling of regional competences the federal state Bremen continued to position itself successfully in the competition of the regions. The Verein Metropolregion Bremen-Oldenburg im Nordwesten e.V. [Association of large city region Bremen-Oldenburg in the north west], which was founded in 2006, in particular organised the networking of businesses and scientific institutions in 2008 and developed joint projects. In this organisation form, which is unique nationwide, the municipal authorities, the federal states and business press ahead with the further development of this cooperation field on a partnership basis. In cooperation with the Initiative Maritimer Standort Nordwest [Initiative maritime location north west] the region presents itself as a “hub north west“, which provides important services in the fields of energy, logistics, food industry and as a science location. The cooperation of business, science, politics and municipal authorities has reached a new quality in numerous new networks.

Development of the industry

The energy industry was also the object of public discussion on a national as well as international level in the closed year 2008. In the centre of the worldwide interest was the discussion about climate protection, notably the efforts of the world community to reduce the CO_2 emissions in order to avoid a possible global warming. On a European and national level these political direction stipulations were reflected in the regulations concerning the structure of the allocation regulations of emission certificates for the second allocation period from 2008 to 2012, that led to a reduced quantity of certificates which were allocated free of charge and a corresponding increase in costs for power plant operators with the exception of nuclear power plant operators.

The international climate protection goals and political declarations of intent stipulate a clear direction. Regenerative energy carriers are to cover a larger share of the energy supply in future and the energy efficiency is to be increased at the same time. A focus of the development is placed on the expansion of wind energy in Germany and Europe. Accompanied by the national legislation and the thus associated promotion of this energy form particularly the planning and the building of off-shore wind projects is now progressing to a large extent and in future will significantly supplement the already existing on-shore capacities. Named as a bottleneck factor not just with this, but also in connection with other investment projects, is the high capacity utilization of the plant buildings at least until the outbreak of the crisis on the financial markets, combined with increases in costs.

On a national level the discussion was and is still marked by first of all still sharply rising primary energy prices and ensuing consumer prices as well as the operating results situation of the major energy providers. Insufficient competition and exploitation of market powers are often stated as reasons for the price development in the public discussion. In the course of the easing of tension on the international raw material markets and the sharp fall in prices since the beginning of the crisis on the financial markets the pressure on the consumer prices has at least relaxed temporarily to a slight extent.

The Federal Cartel Office had initiated abuse proceedings against 35 energy providers at the end of 2007 owing to the suspicion of excessive gas prices. These proceedings were settled for 29 energy providers over the course of the year, in which all relevant providers reached an out of court agreement with the Federal Cartel Office. On regional and local level there are still several court proceedings being conducted under civil law concerning the question of the appropriateness of price increases.

The year 2008 was the last year in which the regulated network fees for electricity and gas were fixed cost-based by the federal network agency and the state regulatory authorities. From 2009 there will be upper limits to revenues within the framework of the so-called incentive regulation which, on the one hand, should lead to a medium-term harmonisation of the network fees of comparable network operators and on the other hand to a relative planning security for network operators.

Description of the market

The competition in the energy industry has continued to increase substantially in 2008. 18 percent of households in Germany have in the meantime chosen a new supplier. In the state of Bremen, the original supply region of the swb Group, the market share fell to 90 percent and therefore fell by three percentage points compared with 2007. The number of competitors has risen once again. Besides the subsidiaries of the major federal German energy groups (E WIE EINFACH, eprimo and Yello) special successes were recorded by Lichtblick still. The number of ecological electricity contracts, which customers have concluded with the sales companies of the swb Group, has multiplied fourfold within one year, whereas at the same time the number of customers lost to Lichtblick could be substantially reduced.

Only two significant competitors could be observed in the natural gas market by autumn 2008: E WIE EINFACH and eprimo. Thus, the competition is not quite as intensive as in the field of electricity. The market share in the state of Bremen fell slightly from 99 percent at the end of 2007 to 98 percent at the end of 2008. On a national average, on the other hand, six percent have already left their previous provider. However, as the costs for natural gas with a typical household customer make a bigger difference than the electricity costs the willingness of the customers to change is estimated to be higher than in the field of electricity.

The pressure from competition in the field of corporate customers is continuing unchanged and now covers all product segments. More and more companies are using energy consultants with the selection of their suppliers. A clear success could be marked with the winning of the invitation to tender of the Free Hanse City of Bremen for the years 2009 and 2010. It was remarkable that an invitation was put out to tender for ecological electricity procurement with this volume for the first time. On the whole it can be determined that the interest in ecological electricity is also rising with corporate customers.

Positive experiences were also gained with “swb24”, the online service of the swb Group, in which from the conclusion of the contract to the reading of the meters to the invoicing everything is exclusively carried out online or via the Internet presentation of the swb Group. Owing to the positive experience in using swb24 to commit the customers in the core markets in the electricity and natural gas field, this online service is to be expanded for national marketing. The aim is to compensate for the losses in customers in the core markets in order to secure a sustainable contractual volume. The entry into the national electricity market is envisaged for 2009, an expansion into the national natural gas market is planned for the end of 2009.

Corporate organisation and structure

Deutsche Essent GmbH, a subsidiary of Essent N.V., is the majority shareholder with 51 percent of the voting rights. Considerations are currently being made by the shareholders of Essent N.V, to sell their shares in the so-called commercial part of the Essent Group (sales and distribution, energy trade, production, participating interests). Besides the major shareholder EWE Aktiengesellschaft (EWE) directly holds 49 percent of the shares. One vote remains at Bremer Verkehrsgesellschaft mbH (BVG), a company of the Free Hanse City of Bremen.

swb AG is the management holding of the swb Group and performs the central management functions within the Group, such as e.g. group development, financing and development of executives and communication. Fundamental strategic and operative decisions are made by the group Management Board. Further information concerning the legal structure of the Group is stated in the notes under No. 1 “Information concerning the Group” and under No. 42 “List of shareholdings”.

Changes in the Group structure

The following changes were carried out under company law in the closed fiscal year:

> Within the framework of the re-organisation of the HBE Group the swb Group took over 100 percent of the shares in swb Entsorgung GmbH (formerly Abfallbehandlung Nord GmbH) effective as of 1 January 2008.
> As of 12 March 2008 24.5 percent of the shares in Weserkraftwerk Bremen GmbH & Co. KG were acquired.
> swb Vertrieb GmbH, Bremen, has sold the participation in the Getifix Group, Bremen, in the amount of 40 percent as of 2 December 2008.

BUSINESS DEVELOPMENT

Results of operations

INCOME STATEMENT

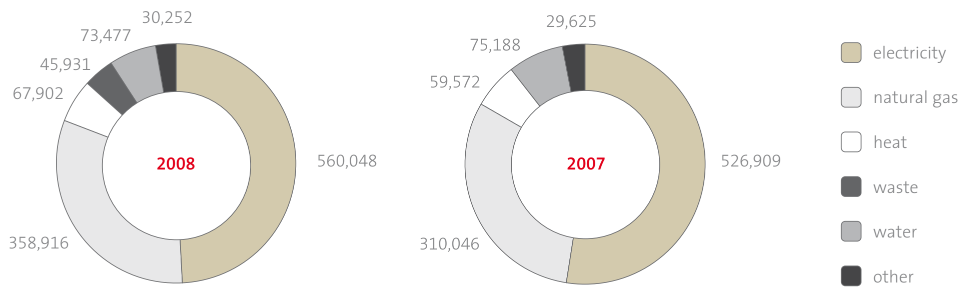
in kEUR	2008	2007	Changes
Sales revenue	1,136,526	1,001,340	135,186
Expenses for materials	–797,457	–654,499	–142,958
Gross profit	339,069	346,841	–7,772
Other operating income	51,823	22,116	29,707
Costs for human resources	–161,969	–152,445	–9,524
Depreciations and value adjustments	–74,125	–72,779	–1,346
Other operating expenses	–71,567	–79,927	8,360
Operating results	83,231	63,806	19,425
Results from associated companies	12,935	28,592	–15,657
Financial results	–43,780	–20,864	–22,916
Results before taxes	52,386	71,534	–19,148
Tax on income and revenue	–12,998	–10,846	–2,152
Net income for the year	39,388	60,688	–21,300

The change in the profit and loss statement resulted among others from the first time inclusion of swb Entsorgung GmbH (formerly Abfallbehandlung Nord GmbH) in the consolidated accounts as of 1 January 2008. The essential effects on the profit and loss statement are stated in the individual sections as "thereof note".

The Group generated total revenue of EUR 1,136,526k in the fiscal year 2008. Compared with the previous year the sales revenues thus rose by EUR 135,186k. The revenues of the individual business fields developed as follows:

SALES REVENUES

in kEUR



The revenues from **electricity marketing** increased by EUR 33,139k to EUR 560,048k in the period under review. This increase essentially resulted from the marketing of the generated additional quantities on the stock exchange and the higher sales volumes towards key customers. The revenues from gas marketing increased by EUR 48,870k compared with the previous year owing to the colder weather in 2008 and through effects due to quantities and prices in the special contract and tariff customer field. The revenues situation of the heat marketing improved on the one hand through the already mentioned colder average temperatures in 2008 and on the other hand owing to price effects in the special contract and tariff customer field with a total amount of EUR 8,330k. The sales revenues of the water marketing with EUR 1,711k due to quantities were slightly below the level of the previous year. With the new group company swb Entsorgung GmbH waste marketing is now included as a new business field which increased the total revenue by EUR 45,931k. The other revenues with an amount of EUR 30,252k were slightly higher than the level of the previous year. Further taken into account in the sales revenues were the reductions in revenues from the re-granting of network fees in line with the network fee regulations for the fiscal year 2006.

The increase in **expenses for materials** by EUR 142,958k to EUR 797,457k compared with the previous year (thereof the following relates to swb Entsorgung GmbH: EUR 26,680k) essentially resulted from higher expenses from the electricity and gas procurement. In addition, substantial expenses were taken into account for market risks from the final processing of a long-term supply contract.

The increases in the **other operating income** by EUR 29,707k to EUR 51,823k (thereof the following relates to swb Entsorgung GmbH: EUR 1,228k) was essentially produced owing to a book profit from the re-organisation of the HBE Group in the amount of EUR 23,444k. The rise was further substantiated by the fact that the received subsidies, the insurance reimbursements and the income from disposals of assets increased compared with the previous year.

The **costs for human resources** increased by EUR 9,524k to EUR 161,969k in the period under review (thereof the following relates to swb Entsorgung GmbH: EUR 7,227k). This increase was essentially due to the pay-scale adjustments of the wages and salaries.

The development of the costs for human resources can be seen from the following diagram:

The **depreciations and value adjustments** rose in the amount of EUR 1,346k to EUR 74,125k (thereof the following relates to swb Entsorgung GmbH: EUR 9,968k). The "adjusted" value adjustments fell on the one hand due to the low level of investment activities and on the other hand through the offsetted reversals of write-downs in the amount of kEUR 15,568, which resulted from the valuation of the units which generate cash. Compared with this is impairment on the goodwill of swb Entsorgung GmbH in the amount of EUR 22,000k.

The **other operating expenses** were reduced by EUR 8,360k to EUR 71,567k compared with the previous year (thereof the following relates to swb Entsorgung GmbH: EUR 2,235k). This reduction was essentially due to the fact that additional costs in the amount of kEUR 16,800 were incurred in 2007 for the non-compliance with existing contracts through the project stop Block 21. Transfers to provisions for impending losses from pending contracts and obligations from promised one-time payments to end consumers had a contrary effect in 2008.

The **operating results from associated companies** fell by EUR 15,657k to EUR 12,935k compared with the previous year. The essential reason for this was the impairment on the participation of Stadtwerke Bielefeld GmbH in the amount of EUR 12,600k.

The **financial results** changed owing to increased interest burdens and lower income from financial investments by kEUR 22,916 compared with the previous year.

The **expenses for taxes on income** and revenue increased by EUR 2,152k. The expenses for tax on income and revenue related to the expenses for tax on income for the current year in the amount of EUR 10,695k (previous year: EUR 18,455k) and tax income for previous years in the amount of EUR 11,920k (previous year: EUR 650k). The expenses from deferred taxes of the fiscal year amounted to EUR 14,224k (previous year: income EUR 6,959k; in particular owing to the change in tax rate).

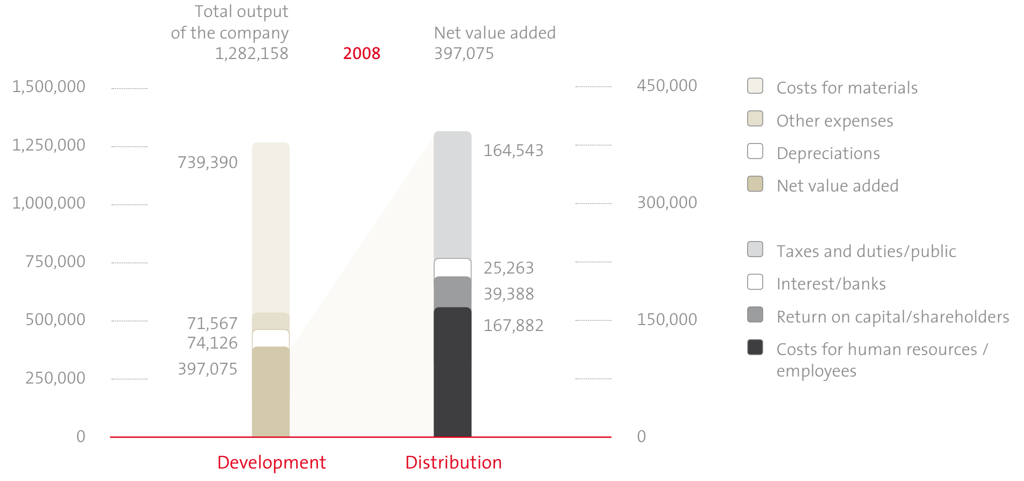
Value added

The company income generated within the framework of the current operating activities was determined in the value added statement. The statement shows how this company income is distributed over the individual groups involved in the company.

The net value added amounted to EUR 379,075k in 2008, thereof EUR 167,882k were used as costs for human resources for employees and pensioners and their surviving dependents, a further EUR 25,263k flowed to the creditors and the public sector received a tax and duties share in the amount of EUR 164,543k. A share of the value added of EUR 39,388k related to the equity owners.

VALUE ADDED

in kEUR

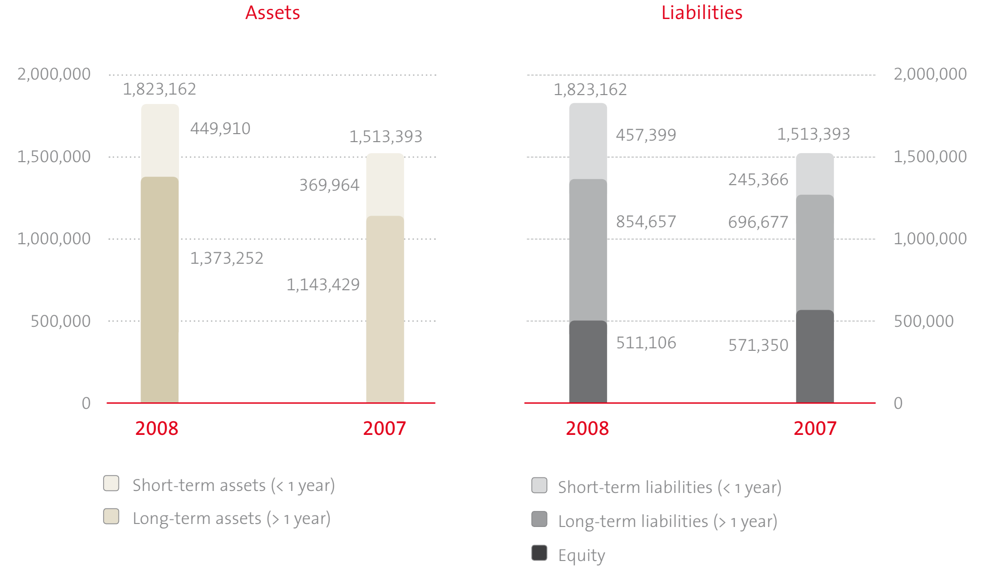


Net assets

The total assets in the amount of EUR 1,823,162k (previous year: EUR 1,513,393k) related with 75.3 percent (previous year: 75.6 percent) to long-term assets and with 24.7 percent (previous year: 24.4 percent) to short-term assets.

GROUP BALANCE SHEET STRUCTURE

in kEUR



The main part of the **long-term assets** consisted of the property, plant and equipment with a share of 66.3 percent (previous year: 63.2 percent). The share of the intangible assets was 5.9 percent (previous year: 2.2 percent). The goodwill from the first consolidation of swb Entsorgung GmbH (formerly Abfallbehandlung Nord GmbH) was the essential cause of this increase (see notes No. 5 “company amalgamations”).

The share of associated companies was 22.7 percent (previous year: 29.3 percent). The most important single item within the associated companies was still the participation in Stadtwerke Bielefeld GmbH. The reduction of the position was essentially due to the fact that owing to an impairment test the participation valuation Stadtwerke Bielefeld GmbH was depreciated in the amount of kEUR 12,600.

The **short-term assets** consisted of financial assets (fund assets) with a share of 4.5 percent (previous year: 14.8 percent), trade receivables (34.4 percent, previous year: 33.7 percent), cash and cash equivalents (6.0 percent, previous year: 19.8 percent), inventories (10.2 percent, previous year: 8.6 percent) and other short-term assets. The reduction in the fund assets resulted from the sale of fund shares.

On the liabilities side of the balance sheet the **equity** was reduced by EUR 60,244k. The equity ratio was with 28.0 percent substantially below the level of the previous year. The reduction in the IAS 39 reserve was the essential aspect with regard to the change in equity. The cause for this was the reduced market values with regard to the derivatives kept in the hedge accounting. The increase in retained earnings was on the one hand due to the transfer from the appropriation of the operating results 2007 in the amount of EUR 15,000k and on the other hand to the new valuation of the assets and debts in the amount of EUR 12.044k incurred within the framework of the first consolidation of swb Entsorgung GmbH (formerly Abfallbehandlung Nord GmbH). The lower net income for the year 2008 and the paid dividends had the opposite effect.

The increase in the **long-term liabilities** by EUR 157,980k essentially resulted from the first-time disclosure of the financial debts of swb Entsorgung GmbH (formerly Abfallbehandlung Nord GmbH) taken over within the acquisition of the company and the borrowing of a long-term bonded loan in the amount of EUR 50,000k. The bonded loan was designed as a bullet loan with a term until 2018. In addition, the long-term provisions essentially increased by EUR 21,985k. The increase in provisions was to a large extent caused by the market price development in connection with a long-term supply contract.

The **short-term liabilities** increased by EUR 212,032k compared with the previous year. The increase in the liabilities was due to the fact that the market values of some derivatives fell by EUR 174,852k. Among others this was compared with an increase in the receivables from financial instruments in the amount of EUR 79,759k. The trade liabilities further increased by EUR 11,164k as well as the liability for the return of emission rights by EUR 11,862k. The change with regard to the emission rights was in particular a result of increased market prices.

ROIC

in EUR million	2008	2007	Change
EBIT (earnings before interest and taxes)			
Operating results	83.2	63.8	19.4
Neutralisation of expenses from the project stop 'Block 21'	0.0	29.3	–29.3
Income from associated companies	13.0	28.6	–15.6
EBIT	**96.2**	**121.7**	**–25.5**
Capital Employed			
Long-term assets	**1,229.5**	**996.8**	**232.7**
Intangible assets	80.8	25.5	55.4
Property, plant and equipment	910.4	722.7	187.5
Shares in associated companies	311.9	334.9	–23.0
Reduction Goodwill Essent	–73.6	–86.3	12.8
plus short-term assets	**256.4**	**175.7**	**80.7**
Inventories	46.0	31.8	14.2
Trade receivables	155.2	124.7	30.5
Receivables from income tax	17.4	0.0	17.4
Other receivables	37.8	19.2	18.6
minus long-term liabilities	**43.5**	**47.2**	**–3.7**
Provisions for deferred taxes	43.5	47.2	–3.7
minus short-term liabilities	**250.1**	**226.6**	**23.5**
Trade liabilities	111.2	100.0	11.2
Provisions	61.1	54.9	6.3
Liabilities from tax on income	0.0	5.4	–5.4
Other liabilities	77.8	66.3	11.4
Capital Employed (year-end value)	**1,192.3**	**898.7**	**293.6**
ROIC			
EBIT	96.2	121.7	
to Capital Employed (average from two years)	1,045.5	857.4	
	9.2%	**14.2%**	

The swb Group uses the ROIC (Return On Invested Capital) as a core key figure for the control and valuation of the earning power of the company. The ROIC is a benchmark for assessing the efficiency of the company. Through this it is determined to what extent the available capital is used to generate company surpluses. The generated results (EBIT = Earnings Before Interest and Taxes), with which the tied capital (Capital Employed) is to be compared, serves as a computation base. The calculation of the ROIC and the changes in the individual items are contained in the afore-mentioned table.

Overall statement concerning the financial position of the Group

The ROIC was 9.2 percent in the period under review and thus deteriorated substantially by 5.0 percentage points compared with the previous year. The reason for this was the substantially lower EBIT in the period under review 2008 compared with the previous year 2007. The Capital Employed (average from 2 years) increased in the amount of EUR 188,029k.

Regulatory influences, an extremely volatile energy market and the development of the interest rate had a negative influence on the development of the fiscal year 2008. The volatile energy markets and the implication of the crisis on the financial markets on the development of the interest rates led to negative market value developments with the fair value valuation of energy business. The negative fair value valuations are specified for the business transactions not managed in the hedge accounting through an entry affecting net income in the amount of EUR 12,400k and for the business transactions which meet the pre-requisites of the hedge accounting, through a consideration in equity not affecting net income. The development of the interest rates and the future development of the market which is marked by regulatory influences, make it necessary to examine the intrinsic value of participation valuations. The depreciations in the amount of EUR 14,658k are compared with compensatory write-ups on the property, plant and equipment in the amount of EUR 15,600k. The regulatory influences also had direct implications on the consolidated results to a substantial extent. On the one hand, the swb Group has declared that it is willing to reach an agreement with the Cartel Office to grant each gas customer in Bremen a credit in the amount of EUR 65 within the framework of his annual consumption settlement. On the other hand, the swb Group takes into account expenses for possible reimbursements of network fees for the fiscal year 2006. The future market developments also lead to the negative income expectations with regard to a long-term supply contract in the amount of EUR 15,141k. High income not relating to the period from the reimbursement of mineral oil tax and the consumption delimitations with regard to the previous years have the opposite effect.

The 2008 was the last year of a cost-based regulation of the network fees for electricity and gas on the part of the federal network agency and the state regulatory authorities. From 2009 upper limits will be set for revenues within the framework of the so-called incentive regulation. This shows the pressure of the energy providers to also compensate for encumbrances on the operating results in future through improvements in efficiency.

In the field of investments the strengthening of the power plant park will be continued and the business field of electricity generation from regenerative energies such as bio gas plants and wind farms will be further processed intensively.

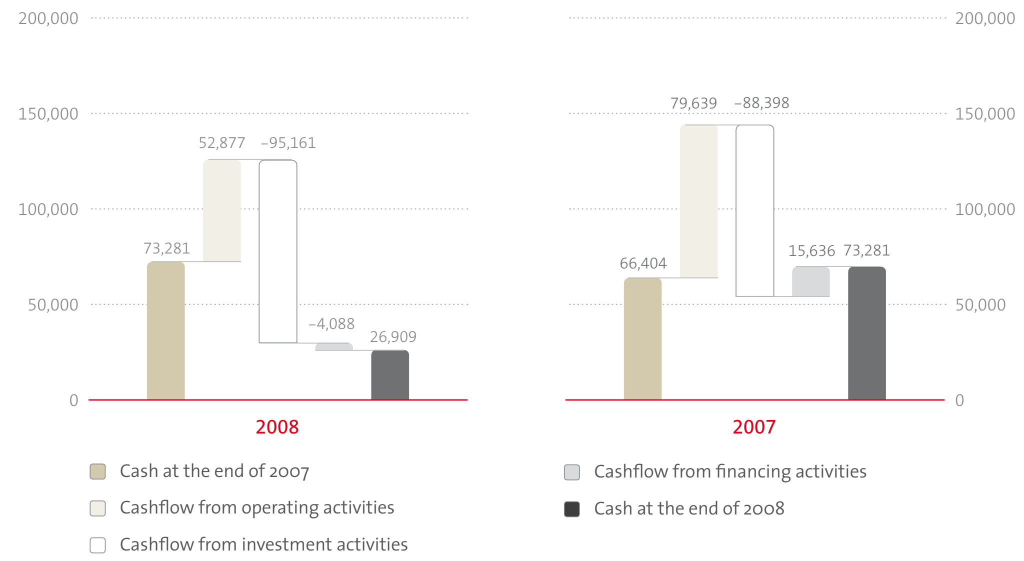
FINANCES AND INVESTMENTS

Financial position

The holdings of cash and cash equivalents developed as follows in the last two years:

DEVELOPMENT OF CASHFLOW

in kEUR



The cashflow statement was adjusted by the effects in connection with the first-time consolidation of swb Entsorgung GmbH (formerly Abfallbehandlung Nord GmbH) and the effects resulting from the IAS 39 valuation and determined according to the indirect method.

The **net inflow from the current operating** activities fell from EUR 79,639k to EUR 52,877k in the period under review. This includes cash inflow from the sale of tradable securities, which was EUR 6,701k lower compared with the previous year, and stocks of inventories which were EUR 9,573k higher compared with the previous year. Accompanied by the expansion of revenue seasonally-adjusted this results in an increase in the negative balance from trade receivables and liabilities by EUR 15,520k.

The **net outflow from the investment activity** reached EUR 95,161k after EUR 88,398k in the previous year. This essentially reflects the level of investments in property, plant and equipment which with EUR 119,071k (in the previous year: EUR 118,179k) remains high and clearly above the depreciations.

With regard to the long-term financing of the investments on balance financial debts in the amount of 41,033 were taken out. After deduction of the dividend payment in the amount of EUR 45,121k this results in a reduction in the holdings of cash and cash equivalents by EUR 46,372k to EUR 26,909k.

Within the framework of its long-term strategic orientation the swb Group pursues the aim of maintaining solid creditworthiness in order to be able to dispose over sufficient external funds for short- and long-term financing at all times and to guarantee the access to additional external funds for financing investments in the renewal and the expansion of the business activities.

Essential financial key figures for controlling the balance sheet structure and level of debt are the key figures gearing, net level of debt, dynamic level of debt and interest cover ratio. The financial key figures deteriorated slightly in the closed fiscal year due to the re-organisation of the HABE Group and the resulting first-time consolidation of swb Entsorgung GmbH (formerly Abfallbehandlung Nord GmbH) however they nevertheless remain at a good level.

The key figures as well as the principles and goals of the finance management are explained and described in detail in the Notes (see Note detail No. 38 “Objectives and methods of the financial risk management” and No. 39 “Capital control“).

Investments and disinvestments

Work started on the erection of the “middle calorific power plant” (MKK) for the energetic use of waste materials, which is important for the generation and waste strategy, in 2007. The project is an essential growth step, because the competitiveness of the power plant location can be increased through the exploitation of the opportunities for growth in the field “thermal waste recycling“. With the construction of the MKK the swb Group links its growth business field’s generation and disposal to an optimum extent – both from an economic as well as ecological point of view. A low quantity of waste was accepted at the beginning of December 2008 already in order to test the crane operation. Between the middle of December and Christmas 2008 around 1000 tons were placed in storage in the MKK bunker so that the so-called warm commissioning can begin at the beginning of 2009.

ENVIRONMENTAL PROTECTION MEASURES, RESEARCH AND DEVELOPMENT

The swb Group sees itself as a company that lives with and from the resources in the municipal and regional area and therefore bears a responsibility for the location. Reliability, competence and sustainability are supporting principles of the business activity. Derived from this the swb Group pursues the following strategic aims in the field of environmental protection:

> We want to make a substantial contribution to sparing resources and to relieving the burden on the environment by reducing emissions. We use resources both in a cost effective and environmentally-friendly manner.

> When dealing with ecological issues we demonstrate competence and cooperate with the essential regional players in this field.

> Our activities and our image in the field of environmental protection support the core business and new products.

In order to implement this strategy the swb Group uses a broad range of production- and customer-oriented measures the concrete design of which is to a large extent the responsibility of the Group companies.

Production-oriented environmental protection measures

Numerous environmental protection measures were kicked off and realised at the power plant locations in 2008, such as for example the BORG project at the location Hastedt 15. By using modern technologies and materials the produced exhaust gases can now be diverted cooler into the chimney and therefore without re-heating. This reduces the own consumption and therefore the pollutant emissions.

The Vahr heating plant supports the district heating production in the east of Bremen with approx. 130 MW output. The four existing boilers were replaced by two modern boiler systems in the years 2007 and 2008, the chimney was also renewed completely. The tightened threshold values of the 13th Federal Pollutant Control Regulations will also be complied with in future through the modernisation.

The district heating network in Bremen and Bremerhaven is being expanded continuously. Überseestadt is currently being connected to the district heating network in Bremen with around five MW thermal output. The conversion of the former steam line network into a hot water network has been completed in Bremerhaven, through which a substantial reduction in heat losses can be expected. The test of a gas decompression turbine for efficient electricity generation and the constant network optimisation, which should lead to a planned dismantling of approx. 80 network stations and lower electricity consumption of 700 MWh per annum, are further measures in Bremerhaven.

The swb Group participates in the water power plant an der Weser and will purchase and market 100 percent of the electricity produced there in the long-term for initially 15 years. It is planned to erect the largest photovoltaic plant in Germany on the roof of the Weser stadium within the framework of a joint project with EWE. EWE and the swb Group will operate the plant jointly with a total output of 1 MW.

The swb Group is planning the sustainable energy generation in the form of repowering and to buy into existing or planned on-shore and off-shore wind farms by 2020.

Customer-oriented environmental protection measures

Within the framework of the Bremen climate protection declaration the swb Group declared in 2007 already that it is willing to make a certain share of the sales revenues from the energy deliveries to end consumers available for environmental protection measures each year. New technologies, which lead to a reduction in the CO_2 emissions and which make it possible to use the natural energy sources such as sun and wind, play an outstanding role in the implementation of the obligation.

With a total of three customer centers in Bremen and Bremerhaven the swb Group can offer advice and other services to the customers near where they live. The focus of the advice and subsidies was placed on improving the energy efficiency in private households and reducing CO_2 emissions, for example by subsidising the use of natural gas and household appliances which use energy more efficiently. Specialist advice and advice concerning subsidies was given in around 14,000 cases. Altogether around 3,400 subsidies were granted within nine subsidy programmes. The same subsidy programmes were offered in Bremen and Bremerhaven.

The swb Group offers the ecological electricity product “Strom proNatur”, in which the customer receives 100 percent ecological electricity. It was possible to successfully position the product on the market. Around 4,500 contracts were concluded for swb Strom proNatur by the end of 2008. As a visible sign of the environmental protection a young tree is planted in the Bremen city forest or in the local recreation area Bremerhaven-Reinkenheide for each customer who concludes a new proNatur contract. At the same time with an amount which is coupled to the number of customers, proNatur promotes the building of regional ecological electricity plants in the state of Bremen. The ecological electricity product “Strom proNatur” has been certified by TÜV north since June 2008.

The Group further pressed ahead with the issue of natural gas as a fuel. In addition, the situation with gas filling stations in Bremen was improved. In cooperation with EWE it was possible to build and put into operation a further natural gas filling station. Filling stations are planned in Bremen-North and Bremerhaven for 2009.

Energy generation from waste

The energetic value of waste is gaining more and more in significance during times of dwindling resources. The swb Group has recognised this challenge and links the activities of disposal and generation as closely as possible. Besides the re-organisation in the field of the HBE Group and the thus associated take-over of 100 percent of the shares in swb Entsorgung GmbH (formerly Abfallbehandlung Nord GmbH) the swb Group is building a middle calorific power plant (MKK) with an investment volume of more than Euro 120 million (see also “Investments and disinvestments”) within the framework of the “Energy-from-waste” strategy at the port power plant location. From the beginning of 2009 one of the largest and most modern waste boilers in Europe will be available in the Bremen industrial port. The MKK generates electricity from middle calorific – sorting remains and industrial waste which are rich in calorific value, which are not suitable for material recycling. With the same electricity production the MKK will replace approx. 90,000 tons of the valuable primary energy carrier hard coal by middle calorific.

“20 / 20 / 20 to 2020”

The targets of the sustainability strategy are oriented to the targets of climate protection, which the Heads of State and Goverment of the European Union decided for all member states in March 2007. In the meantime German legislation has broken the targets down into several national climate protection packages. The swb Group has derived own conditions from this and is intending to support the national climate protection targets compared with the reference year 2005 until 2020:

- to save 20 percent CO_2 (specific),
- to improve energy efficiency by 20 percent,
- to generate 20 percent of energy from renewable sources

The swb Group has derived targets for itself which lie in the areas which it can also influence. The focus is placed on the own generation of electricity and heat.

In order to make the way to achieve the targets understandable and transparent the swb Group will issue an environment report and from 2009 will publish its CO_2 balance annually.

Innovation management

Increasing competition and rising demands from climate protection are increasingly demanding the willingness for sustainable innovations and environmentally-friendly actions from energy companies. It is therefore a strategic target of the swb Group to increasingly develop innovative products. The swb Group places its bets on market-related technical innovations, which can be developed and be ready for the market without substantial research work, with a reasonable risk and in a reasonable period of time. A broad networking of players and increased communication should altogether have a positive influence on the innovation capability of the swb Group and position the swb Group as an innovative company in the eyes of the public.

In order to implement the targets an innovation process was defined in the swb Group which will be carried out for the first time this year. The aim is to identify suitable and attractive ideas in order to make the structure of the further processing transparent and accelerate this in cooperation with all swb companies and in the network of shareholders, customers and producers.

PERSONNEL AND ORGANISATION

Personnel stocks

As of key date 31 December 2008 the total number of personnel in the swb Group was 2,427 employees (previous year: 2,284). The increase resulted from the first-time inclusion of the employees of swb Entsorgung GmbH (formerly Abfallbehandlung Nord GmbH).

Personnel strategy

Collective wage negotiations 2008

The swb Group and the service union ver.di completed the negotiations concerning the remuneration collective wage agreement with the following results in February 2008: The total term of the collective wage agreement is 24 months. The remunerations will be increased in two steps: From 1 January 2008 the pay-scale wages and salaries will increase by 3.9 percent and from 1 January 2009 once again by 3.5 percent.

Social compensation plan 2013

The basic economic conditions in the energy industry and the various business fields of the swb Group make it necessary for the swb Group to continue to make efforts for optimisation in order to achieve the medium- and long-term plan targets and secure the jobs. Consequently in the next few years it is expected that there will be operational changes in various companies of the swb Group.

The contractual parties have agreed that on the one hand they will jointly and quickly organise this change process and will take advantage and increase the willingness of the employees to accept changes and on the other hand to give the employees a high degree of security for a job and social security.

In order to mitigate the economic disadvantages which will be suffered by the employees through operational measures the companies and the works councils have agreed to conclude a social compensation plan. The social compensation plan came into effect on 1 January 2008 and will apply until 31 December 2013. Regulated in this social compensation plan are among others settlements, relocations and transfers, transfer model, partial retirement and other services in case of a change in the job.

Employee and executive development

The swb Group constantly endeavours to maintain the high level and expand the qualifications and motivation of the employees. Therefore, the swb Group offers the employees future-oriented qualification measures and further intensifies the efforts to develop the executives.

With regard to personnel policies the swb Group has equipped itself for the increasing momentum on the market above all with the start of programmes to promote upcoming workers. The programmes to promote upcoming workers comprise the qualification and promotion of fully trained apprentices with potential, the offer of a combination of training and studies as well as the promotion of internships, diploma candidates and trainees. At the same time the swb Group offers suitable employees the possibility to take part in Master study courses of the University of Bremen and the Jacobs University Bremen. To look further than the end of your nose – not just by upcoming workers – is supported by the international exchange of personnel with the shareholder Essent.

In particular in the field of executive development the Swb Group worked intensively in implementing the executive development programme in 2008. This includes the contextual organisation of the tools and qualification modules which are to be used as well as the continuous quality assurance. Therefore, the swb Group offers four seminars on the subject areas executive identity formation, communication/conducting talks, conflict management and time management/self-organisation within the framework of a basic qualification.

Besides the many different activities of the group companies the employees are offered a broad range of education and training offers with high practical reference in the modern and well-equipped further training center of the swb Group.

Training in the swb Group

The sound skills and knowledge, which young people are taught within the framework of their professional training, make an important contribution to securing the future success of the company. For this reason the swb Group successfully engages in vocational training. Altogether 168 apprentices (previous year: 164) were in an apprentice training relationship in the swb Group at the end of the year. The training ratio amounted to 6.5 percent (previous year 6.7 percent).

Employee survey

The employee survey took place for the eighth time in autumn 2008. We were pleased that the participation share was high in this year too. Around 73 percent of the employees took part.

Thanks to an intensive analysis of the results of the employee survey it was also possible this year to identify concrete fields of action for improvement measures and initiate implementation measures which have a positive influence on the commitment and the motivation of our employees.

Retirement benefit

The employees should achieve a reasonable income in relation to their previous income during retirement in order to therefore secure the attained standard of living. An employer-financing company pension plan is available to the employees for this purpose in addition to the statutory pension insurance. An employee-financed company pension plan is offered through a pension fund as a further module. This way there is the possibility to pay contributions into the pension fund by converting part of the gross remuneration in order to increase the future retirement income and actually save taxes.

Thank you to the employees

We would like to thank all employees for their commitment to the company and enjoyment of the work. We would like to thank the employees' representations for a trustworthy and constructive cooperation. We are confident that we will also cope with the challenges in the next few years and successfully manage the tasks which lie ahead.

Management system Health-Safety-Environment (HSE)

The employees of the swb Group can expect an inspiring and safe working environment. However, an appeal to the personal responsibility is also advisable. Risk control is not just the task of the management, but also the duty of each individual employee, irrespective of his position in the organisation. This opinion is expressed in the corporate mission statement of the swb Group.

The swb Group attaches great importance to the safety, the health, the welfare and the environment – in English Health, Safety, Environment. A comprehensive HSE management system enables the implementation of the intended targets in the swb Group, in particular through generally applicable safety standards, performance indicators and control methods.

IT-based systems are available in all group companies to report accidents of all categories and dangerous situations and dangerous behaviour. Insofar it is guaranteed that all cases are recorded immediately and in full so that the necessary measures can be initiated to avoid the danger.

The swb Group uses a uniform accident registration system based on which the DART-Rate (Days Away, Restricted or Transferred) can be determined. The DART-Rate stands for the number of accidents, from which times of absence, restricted activity or transfer to another workplace are carried out per 200,000 working hours. The definition stems from the Occupational Safety and Health Agency (OSHA). Based on the accident statistics the swb Group can among others assess its performance in the field of safety compared with the performances of other (international) companies. In the fiscal year 2008 the DART-Rate for the swb Group (including third party companies / contractors) is 2.1. This means an improvement by 30 percent compared with the previous year.

From the demand for a continuous improvement based upon this there is the aim to further reduce the DART-Rate annually so that a target value of 1.4 is aimed at for the fiscal year 2009.

Corporate Social Responsibility (CSR)

Social engagement is part of the self-image of the swb Group. The group has always been engaged at its locations in Bremen and Bremerhaven and supports projects and activities in the fields of education, culture and sport. In addition, the swb Group is engaged in social and ecological projects. These include the swb education initiative which is well-known throughout Germany, various foundation professorships at academies and universities in Bremen, the support of the consensus on the energy issue in Bremen and the membership in the network “Partnership Environment and Companies”. This also includes activities in which the focus is placed on the employees, under the key word “voluntary work” and “compatibility of career and family”.

The voluntary work of employees was further expanded within the framework of the “Day of Caring” or the action “Good for Bremen” in 2008. The scope of these work assignments for a good purpose should grow even further in future, with a view to the number of participants and locations. The “Day of Caring” forms in this respect a focus of the CSR measures. It combines economic, ecological, social and team-forming factors.

The compatibility of career and family is a further important aspect in the CSR structure. It improves the attractiveness of the swb Group as an employer and increases the satisfaction and motivation of the employees. The certificate of the Hertie foundation concerning “Audit career and family” went to the whole swb Group for the first time in the period under review 2008. The Federal Minister of Families, Ursula von der Leyen, distinguished the swb Group for its family-friendly personnel policies.

Portfolio management / procurement

The portfolio management sector organised the central procurement and the sale on wholesale trade level in the portfolios for the products electricity, financial coal hedging, CO_2 certificates, natural gas and water in 2008. The stipulations of the risk directive were complied with. All business was documented and entered on the balance sheet in line with the accounting requirements according to IFRS, in particular the standard IAS 39.

The whole production of swb Erzeugung GmbH & Co. KG – with the exception of the electricity deliveries to key strategic customers – is sold on the market. The whole sales volume of swb Vertrieb Bremen GmbH is purchased on the market. The market relates to the so-called “Over the Counter” market (OTC) and consists of various digital trading platforms, which are managed by brokers, can however also relate to a direct contact between trading partners. The daily optimisation of the portfolios is carried out through the EEX trade exchange and the Austrian electricity exchange EXAA. The availability of the power plants is provided to the public via the Internet. Therefore, the swb Group contributes to the transparency of the pricing in the OTC electricity market and on the stock exchange.

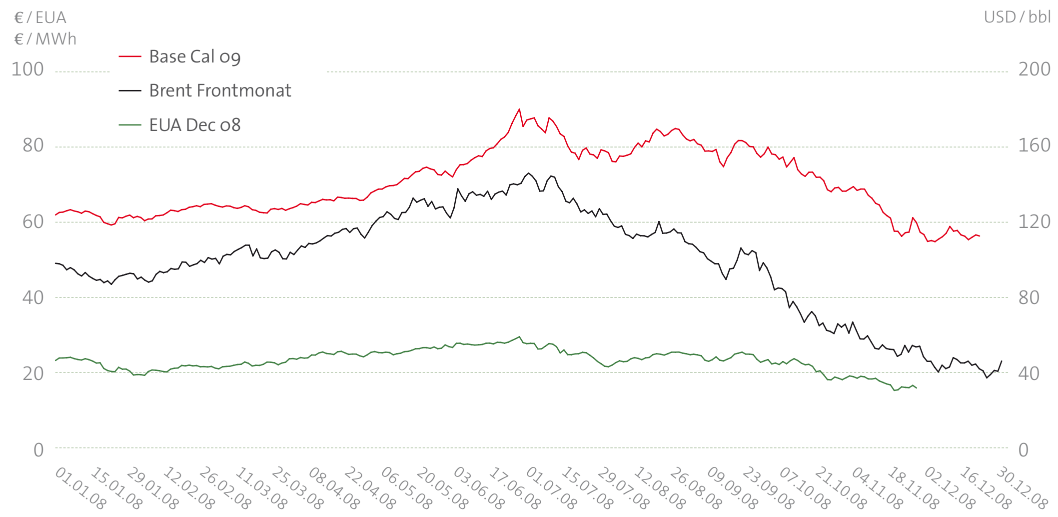
The futures market for electricity products in 2009 proved to be very volatile since the beginning of 2008. The market prices for the standard product Baseload (Base Cal 09) have continuously increased from around 62 EUR/MWh to the historic record in July of around 90 EUR/MWh. From June until the end of the year the prices fell again to around 56 EUR/MWh in an also very volatile market.

The coal price quotations for the Index API 2 on the futures market also rose in the same period of time for 2008 from around 105 Dollar/t to the historic record of 217 Dollar/t in June. They subsequently fell very quickly and as of 31 December 2008 were around 86 Dollar/t.

The CO2 quotations (EUA Dec 08) in the second trading period (2008-2012) rose over the course of the year in a volatile market from around 24 EUR/EUA until the middle of the year to 30 EUR/EUA and subsequently fell analogue to coal. As of 31 December 2008 they were actually at 16 EUR/EUA.

Altogether the price development on the energy market reflected the volatility of the raw material markets in particular the oil market (Brent) and could not escape from both the partly speculative upward developments as well as the sharp fall in prices in the course of the financial market and general economic crisis.

CO2 PRICE IN EUR/t NAP II



The physical coal procurement of the swb Group is carried out based on a price index which is customary for the market.

Effective as of 1 October 2008 the swb Group placed the gas procurement on a broader and future-oriented basis through the conclusion of new gas supply contracts with several well-known suppliers.

RISK MANAGEMENT

The success of entrepreneurial decisions essentially depends on a reliable assessment of strategic, regulatory risk due to the market. Risks represent possible negative deviations from the planned development of the Group. The risk management system of the swb Group ensures a comprehensive and early recognition, assessment and the control and management of the risks in the business fields. It corresponds with the management board duties as described by the law for control and transparency in the business unit (KonTraG).

A risk inventory is carried out group-wide at all subsidiaries as well as essential participating interests in each calendar quarter. The aim of the risk inventory is the regular examination and updating of the data of already recognised risks as well as to identify and assess new risks. The risks are assessed and analysed according to their potential amount of damages and the probability of their occurrence. In addition, it is stipulated that the Management Board of swb AG is to be informed directly and immediately about risks which pose a risk to the existence of the company.

The central group risk management performs the control function in the risk management process and the reporting function to the Management Board. It reports to the Supervisory Board regularly within the framework of the reporting about the business development and about the essential risks.

Financial market crisis and macro-economic development

The implications of the financial market crisis are becoming increasingly visible in the real economy so that the government and the leading business institutes are now expecting a recession in 2009.

The swb Group assumes for this case falling sales volumes (in particular in the field of special customers) and a trend to lower wholesale prices with at the same time increasing competition. As a result there may be pressure on the margins even if the swb Group will only be affected to a limited extent in the short- and medium-term owing to its coverage and marketing strategy. For the event of drastic falls in volumes there may be the risk that already covered energy quantities cannot be sold as planned.

A substantially rising number of insolvencies and consequently higher bad debt losses will also have to be expected in the course of a deep and longer lasting recession. This risk relates both to the end customer as well as the wholesale trade business.

The conditions on the international and national capital and credit markets have changed substantially in the last months. In this respect debtors who are also estimated to have good credit rating are affected by an expansion of the risk premiums through which in particular the long-term financing risks increase. These effects are currently only having a weaker effect on the actual financing costs of debtors who are estimated as having good credit rating through the low interest policies of the central banks and the low interest structure curve.

Market risks

The electricity business is exposed to price and sales risks on the liberalised market. These risks are countered with active sales and marketing activities in the corporate and private customer field. In 2008 the long-lasting price increase on the majority of the raw material and commodity markets, thus also with regard to coal and electricity came to an abrupt end. As a result the raw materials which are necessary for electricity production fell drastically in price; the development of the electricity price followed to a lesser extent. Albeit the spreads which can be generated in electricity production from coal and gas are actually still comparably stable in particular in times of volatile prices and macro-economic weakness there is principally the risk of reducing contribution margins in electricity production as well as negative effects from already concluded business transactions insofar as these are not allocated to any fixed back-to-back transactions.

Back-to-back transactions are carried out on the market in order to hedge price risks in the field of electricity which serve the medium- to long-term hedging of purchasing and sales prices. Forward exchange transactions, options and coal swaps are used as well as the consideration and hedging of the future CO2 emissions based on the existing CO2 regime according to NAP2 in order to hedge price risks in the procurement of coal. Of course hedging transactions are only conducted for the short-term marketing of capacities in the spot market to a limited extent so that the contributions to the results in this field are subject to stronger fluctuations.

With the middle calorific power plant (MKK) which will go into operation as scheduled at the beginning of 2009 the possible throughput will increase and therefore also the need in terms of volumes for secondary fuels. Therefore, the risk of a potential loss of revenue and contribution margin in the event of under-capacity utilization will also increase. The swb Group counteracts this risk through an as far as possible long-term marketing strategy.

A risk exists for the swb Group in the still pending collective legal action, which is directed against the gas price increases in the standard special customer field which were carried out since 1 October 2004. The price increases which were passed onto the customers for the period of time from 1 October 2004 to 1 January 2006 were declared invalid by the court. After the negative outcome of the appellate proceedings before the Hanseatic Higher Regional Court (OLG) in Bremen the legal dispute about the gas price adjustments will be finally decided by the Federal Court of Justice (BGH). A judgement can be expected in 2009. There is the risk that with a negative outcome of the proceedings against the plaintiffs pressure will be placed on the gas margin of the relevant period of time. A second collective action is directed against the extraordinary termination of the previous natural gas supply contracts for natural gas private customers concerning the gas fiscal year 2006 / 2007 and the price increase as of 1 October 2006. Finally the consumer advice center Bremen has filed an action against the price adjustment clause of the natural gas supply contracts which has been used since 1 October 2006.

The swb Group estimates the overall risk with a view to the developments in the closed fiscal year as a result to have a more negative trend than in the previous year. In addition, to the described facts there is still also a substantial risk to the reputation of the swb Group.

Operational risks

The swb Group is exposed to risks from interferences to operation and production losses through the use of complex technological production plants. The swb Group hedges against this with employees with many years of experience in the plant operation who are systematically trained through further training programmes. Moreover, the plants and networks are serviced regularly. In addition, the swb Group essentially limits the implications of occurrences of potential damages through corresponding insurances. The possibility was created in the previous years already through the second group infeed to acquire additionally required quantities of electricity from other energy providers. This way the supply security was further improved.

Financial management risks

In connection with the acquisition of the share in Stadtwerke Bielefeld GmbH the town of Bielefeld was granted the right to spin off the local public transport (ÖPNV) from Stadtwerke Bielefeld GmbH. The financial obligation which arose if the right is exercised was identified as a liquidity risk and is monitored. Due to changes in the tax legislation the probability that this option will be exercised by the town of Bielefeld has increased. The potential liquidity outflow, the amount of which has not yet been finally clarified (however cannot exceed a maximum of EUR 102.3m) would be compared with permanently increased income from the participation in Stadtwerke Bielefeld GmbH.

Interest change risks as well as price change risks from the investment of financial funds are monitored and controlled regularly.

The swb Group is exposed to a contractual party risk in its business activity, in particular in the wholesale trade business and in business relations with banks and insurances that has increasing importance in the environment which is actually marked by the financial market crisis. This is counteracted through a regular monitoring of the positions and the creditworthiness of the contractual parties.

Environment risks

Changes in the legal-political environment in the Federal Republic of Germany and in Europe can have influences on the development of the operating results for the energy industry and therefore also for the swb Group. Therefore, special importance is attached to the observation of the legal-political environment.

With the incentive regulation which was introduced as of 1 January 2009 the Federal Network Agency has introduced upper limits to revenues for the next few years which will have a decisive influence on the potential for income with regard to the electricity and gas networks in future. The swb Group sees itself as an efficient network operator in this environment.

In addition, the Federal Network Agency is still of the opinion that network fees collected by network operators in the past had been wrongly collected for the period of time between the start of the cost-based network fee determination and its first-time approval by the Federal Network Agency (siphoning of additional revenues). The swb Group had taken a reasonable risk contingency for this fact in the annual financial statements 2008 already. In addition, an obligation could arise for the swb Group in the amount of EUR 23,075k in future.

Direct and indirect shareholder structure

The Essent Group is currently undergoing a sales process. swb AG belongs with a majority to the Essent Group (51 percent) and consequently represents part of the group which is to be sold.

At the time when the financial statements were prepared there was principally the possibility that the share in swb AG will be held unchanged by Essent in future, however it cannot be excluded either that there could be a new direct shareholder and majority shareholder in future. In the latter case several long-term contracts of swb AG, in particular long-term financing may be affected in their continued existence through a so-called "Change of Control" clause. The swb Group will follow the developments and consequences arising in this respect in real time and possibility initiate necessary measures.

Opportunities

Within the framework of the growth strategy pursued by the swb Group the business was expanded in the disposal field in 2008. swb Entsorgung GmbH (formerly Abfallbehandlung Nord GmbH) was taken over completely. Synergy potentials can be realised through the joint operation in the field of energetic waste recycling. Through the commissioning of the middle calorific power plant at the port location the swb Group now has the flexibility with a breakdown of the waste heating power plant (MHKW) or the middle calorific power plant (MKK) to partly compensate for the breakdowns in the field of the energetic waste incineration. In addition, the joint acquisition of waste quantities for both plants strengthens the position of the swb Group on the waste market.

A possible expansion of the activities for the swb Group for the next few years lies in particular in the erection and operation of bio-gas plants and in the wind and lighting business.

In the field of electricity generation the market risks are compared with corresponding opportunities from the marketing of spot quantities with a beneficial market development, which the swb Group will specifically take advantage of through an active portfolio management.

By taking into account the increasing competition in the long-term the swb Group sees itself confronted with the constant challenge to optimise its own structures and processes. Therefore, the swb Group examines the allocation of market activities and responsibilities as well as the group-internal processes against the background of the existing corporate strategy in order to determine and be able to realise the opportunities from alternative structures and processes.

Assessment of the overall risk position

A reasonable risk contingency was conducted by the swb Group for the individual risk positions, which include possible and quantifiable risks. Assessed finally there are currently no risks which could endanger the continued existence of the swb Group.

EVENTS AFTER THE BALANCE SHEET KEY DATE

The Essent Group is actually undergoing a sales process. swb AG belongs with a majority to the Essent Group (51 percent) and consequently represents part of the group which is to be sold.

Otherwise there were no further essential events after the balance sheet key date.

REPORT OF THE MANAGEMENT BOARD ACCORDING TO §312 AKTG [STOCK CORPORATION ACT]

With the legal transactions and measures listed in the report concerning the relations to affiliated companies and according to the circumstances, which were known to the Management Board at the time in which the legal transactions were conducted or the measures were taken or omitted swb AG received a reasonable consideration with each legal transaction and was discriminated against in an individual case due to the fact that companies were affected. The company was granted a legal entitlement to adequate compensation for disadvantage before expiry of the fiscal year.

EXPECTED DEVELOPMENT OF THE GROUP

As regional provider in a substantially changing, dynamic market the swb Group places its bets on a holistic and sustainable development of the company. Flexibility and willingness to learn are important factors for success as well as consistent cost optimisation, improvement in efficiency and entrepreneurial creativity.

The superordinate and immense challenges of the industry can be summarised as follows: „More energy and less CO2 emissions. “The energy market is further marked and influenced by the incentive regulation which begins in 2009 with the prime aim of the efficiency and through a strong influence of the cartel authorities on the marketing of natural gas. The swb Group takes the thus associated substantial burdens on the operating results and entrepreneurial challenges very serious, however also takes advantage of the associated opportunities for the development of the Group. The swb Group is currently about to make essential technology and investment decisions for the future at the Bremen location. Examples for this are wind energy plants, considerations concerning the building of a natural gas power plant or also possible investments in a new future-oriented meter technology.

The swb Group continues to take paths of growth in the business fields generation, waste disposal and technical services. For the field of electricity generation the swb Group places its bets on a diversified fuel mix from fossil primary energy carriers such as natural gas and coal as well as on regenerative sources, in particular wind energy. In addition, the Management Board sees important potentials in innovative technologies and for this purpose has installed an innovation management. With this strategic positioning the swb Group will satisfy the demand for the orientation to the European climate protection targets “20/20/20 to 2020” as well as the reduction in the CO_2 risk in a volatile market.

Customers take advantage of the possibilities of the progressive competition and accept the offers of other providers. Among others ecologically-oriented products and online providers are playing an increasingly important role. The swb Group tackles such trends and developments, orientates the product development and process design accordingly and offers existing and new customers interesting, competitive services. These are essential pre-requisites in order to achieve customer satisfaction and bind or win back customers. The swb Group places its bets on fair customer relations on a partnership basis and aims at cooperations among others with industrial customers.

The Management Board sees essential factors for success in the satisfaction, motivation and competence of the employees. It works continuously on the further development and improvement of these factors. This also include for the swb Group the promotion of compatibility of career and family as well as a consistent health and safety management.

In the fiscal years 2009 and 2010 the Management Board assumes operating results which are comparable with the closed fiscal year.

Bremen, 2 February 2009

(Dr. Schoeber) (Dr. Köhne) (Schramm)

BALANCE SHEET SWB GROUP / ASSETS

in kEUR	Note	31.12.2008	31.12.2007
Long-term assets			
Intangible assets	6	80,827	25,466
Property, plant and equipment	7	910,276	722,697
Real estate held as financial investment	8	2,032	2,021
Shares in associated companies	9	311,944	334,915
Financial assets	10	66,848	56,878
Receivables from tax on income	11	1,325	1,452
		1,373,252	**1,143,429**
Short-term assets			
Inventories	12	45,965	31,801
Trade receivables	13	155,218	124,698
Financial assets	14	166,569	120,981
Receivables from tax on income	11	17,362	0
Other receivables	15	37,887	19,203
Cash and cash equivalents	16	26,909	73,281
		449,910	**369,964**
Total assets		**1,823,162**	**1,513,393**

BALANCE SHEET SWB GROUP / LIABILITIES

in kEUR	Note	31.12.2008	31.12.2007
Equity			
Subscribed capital	17	117,459	117,459
Capital reserve	18	173,658	173,658
IAS 39 reserve	19	–21,178	45,361
Retained earnings	20	201,779	174,184
Net income for the year		39,388	60,688
		511,106	**571,350**
Long-term liabilities			
Financial debts	21	276,625	137,412
Provisions	22	45,390	23,405
Provisions for benefits to employees	23	486,124	485,357
Deferred taxes on the liabilities side	24	43,529	47,184
Other liabilities	25	2,989	3,319
		854,657	**696,677**
Short-term liabilities			
Trade liabilities	26	111,198	100,034
Financial debts	21	207,306	18,768
Provisions	22	31,113	25,896
Provisions for benefits to employees	23	30,021	28,979
Liabilities from tax on income	27	0	5,405
Other liabilities	25	77,761	66,284
		457,399	**245,366**
Total equity and liabilities		**1,823,162**	**1,513,393**

PROFIT AND LOSS STATEMENT SWB GROUP

in kEUR	Note	2008	2007
Revenues		1,222,196	1,091,283
Electricity tax		–52,605	–55,749
Energy tax		–33,065	–34,194
Sales revenue	28	**1,136,526**	**1,001,340**
Expenses for materials		**–797,457**	**–654,499**
Use of materials		–642,077	–528,598
Purchased services		–155,380	–125,901
Gross profit or loss		**339,069**	**346,841**
Other operating income	29	51,823	22,116
Costs for Human Resources	30	**–161,969**	**–152,445**
Wages and salaries		–124,480	–122,254
Social security contributions and expenses for retirement benefit and for support		–37,489	–30,191
Depreciations and value adjustments		–74,125	–72,779
Other operating expenses	31	–71,567	–79,927
Operating results		**83,231**	**63,806**
Results from associated companies		**12,935**	**28,592**
Financial results	32	**–43,780**	**–20,864**
Financial income		9,122	12,978
Financial expenses		–52,902	–33,842
Results before taxes		**52,386**	**71,534**
Tax on income and revenue	33	–12,998	–10,846
Net income for the year		**39,388**	**60,688**
thereof the following relate to shareholders of the parent company:		39,388	60,688
Non-diluted and diluted results per share in EUR	34	187.68	289.18

With regard to the non-diluted and diluted results per share see No. 34 “Operating results and dividends per share“.

The cashflow statement is determined according to the indirect method, whereby a distinction is made according to the cashflow from the current operating activities, the cashflow from the investment activity and the cashflow from the financing activity. For the derivation of net income for the year for the "cashflow generated from current operating activities" reference is made to No. 35 "Cash inflows from the business activity".

CASHFLOW STATEMENT SWB GROUP

in kEUR	2008	2007
Cashflow from current operating activities	**77,105**	**97,669**
Interest paid	–14,308	–5,158
Tax on income paid	–9,920	–12,872
I. Cashflow from the current operating activities	**52,877**	**79,639**
Investments in subsidiaries minus cash	–1,544	0
Property, plant and equipment	–119,998	–118,179
Proceeds from the sale of plant, property and equipment	4,072	4,608
Acquisition of intangible assets	–3,130	–3,280
Proceeds from the sale of intangible assets	1	0
Sale concerning the sale of available financial assets	–3,311	–1,098
Received interest	3,629	4,141
Received dividends	25,120	25,410
II. Cashflow from the investment activity	**–95,161**	**–88,398**
Borrowing of financial debts	50,160	129,961
Repayment of financial debts	–9,127	–34,723
Paid dividends	–45,121	–79,602
III. Cashflow from the financing activity	**–4,088**	**15,636**
Net change in cash (Total I. to III.)	**–46,372**	**6,877**
Cash and cash equivalents at the beginning of the fiscal year	73,281	66,404
Cash and cash equivalents at the end of the fiscal year	**26,909**	**73,281**

The cashflow statement was adjusted by the effects in connection with the first-time consolidation of swb Entsorgung GmbH (formerly Abfallbehandlung Nord GmbH) as well as the effects resulting from the IAS 39 valuation and determined according to the indirect method.

The figures of the previous year deviate slightly from the reporting 2007. It concerns shifts between the "other receivables" and the changes in the "other provisions" in the amount of kEUR 5,858" and the changes in the "other provisions" in the amount of kEUR 5,858, which relate to the balancing of the pledged annuity certificates with the provision for partial retirement.

EQUITY CHANGE STATEMENT SWB GROUP

in kEUR	Subscribed capital	Capital reserve
Status on 1 January 2007	**117,459**	**173,658**
Increase in the fair value of financial investments Available-for-sale		
Increase in the fair value of derivative financial instrument used for hedge purposes		
Deferred taxes on change in fair values		
Total operating results entered directly in the equity		
Consolidated net income for the year		
Total period results		
Reclassification of net income for the year 2006		
Dividend payment for 2006		
Collection of own shares		
Status on 31 December 2007 / 1 January 2008	**117,459**	**173,658**
Reduction in the fair value of financial investments Available-for-sale		
Reduction in the fair value of derivative financial instruments used for hedge purposes		
Deferred taxes on change in fair values		
Total operating results entered directly in the equity		
Consolidated net income for the year		
Total period results		
Reclassification of net income 2007		
Dividend payment for 2007		
Change in group of consolidated companies		
Status on 31 December 2008	**117,459**	**173,658**

IAS 39 reserve	Retained earnings	Own shares	Net income for the year	Consolidated equity
13,775	**187,575**	**−10,157**	**76,367**	**558,677**
321				321
45,448				45,448
−14,183				−14,183
31,586				**31,586**
			60,688	**60,688**
31,586			**60,688**	**92,274**
	76,367		−76,367	
	−79,601			−79,601
	−10,157	10,157		
45,361	**174,184**	**0**	**60,688**	**571,350**
−10,446				−10,446
−82,489				−82,489
26,396				26,396
−66,539				**−66,539**
			39,371	**39,371**
−66,539			**39,371**	**−27,168**
	60,688		−60,688	
	−45,121			−45,121
	12,028		17	12,045
−21,178	**201,779**	**0**	**39,388**	**511,106**

ANNUAL ACCOUNTS

1 Information about the Group

The business activities of swb AG and its subsidiaries focus on providing energy and water services, in particular the supply with energy and water in the municipal districts of Bremen and Bremerhaven and their surrounding areas. These include:

- the generation, extraction, procurement, transmission and sale of electrical energy, heat, natural gas and water,
- the erection and operation of the plants which are necessary for this,
- the consultancy, promotion and cooperative erection and the operation of plants or equipment for reducing the requirement of energy and water and
- the exploitation of the special knowledge formed by the business activity,
- the exploitation, treatment, storage, sorting, the processing and the marketing of waste and other substances as well as the trade with these substances

swb AG is the parent company of the swb Group. The company concerns an Aktiengesellschaft [joint stock company] with registered seat in Theodor-Heuss-Allee 20, 28215 Bremen (Germany). The company is registered in the register of companies of Bremen County Court under HRB 4428.

These consolidated accounts were approved for publication by the Management Board on 2 February 2009.

The companies listed below took advantage of the exemption from § 264 Par. 3 or § 264b HGB [German Commercial Code] (use of the facilitations when preparing and disclosing annual accounts):

Bohn GmbH Energie- und Kraftwerkstechnik, Bremen
Kommunale Gasunion GmbH & Co. KG, Stuhr
swb Beleuchtung GmbH, Bremen
swb Bremerhaven GmbH, Bremerhaven
swb Erzeugung GmbH & Co. KG, Bremen
swb Netze Bremerhaven GmbH & Co. KG, Bremerhaven
swb Netze GmbH & Co. KG, Bremen
swb Vertrieb Bremen GmbH, Bremen
swb Vertrieb Bremerhaven GmbH & Co. KG, Bremerhaven
swb Entsorgung GmbH (formerly Abfallbehandlung Nord GmbH, Bremen)
GfV Gesellschaft für Versorgungsdienstleistungen mbH, Bremen
swb Immobilien GmbH, Bremen
swb Messung und Abrechnung GmbH, Bremen
swb Services GmbH & Co. KG, Bremen

2 General information concerning the preparation of the consolidated accounts

The balance sheet is broken down according to the maturities of the assets and debts. Seen as short-term are assets and debts if their realisation or redemption is expected within the customary course of the business cycle of the company, they are primarily Held-for-Trading or their realisation or redemption is expected within twelve months after the balance sheet key date. Assets and debts are accordingly classified as long-term if they are not classified as short-term.

Individual items are summarised in the profit and loss statement as well as in the balance sheet in order to improve the clarity. They are explained in the notes. The profit and loss statement has been prepared in line with the total expenditure format. The total expenditure format takes into account all expenses which were incurred in the accounting period under review when creating the operational service and compares these with all generated income.

2.1 Declaration of concurrence

The consolidated accounts as of 31 December 2008 were prepared in line with the International Financial Reporting Standards (IFRS), as passed in the EU, and the regulations under commercial law which are to be applied additionally according to § 315a Par. 1 HGB.

2.2 Implications of new accounting standards

Accounting regulations which were applied for the first time in the current fiscal year

The swb Group applied the new or revised IFRS standards and interpretations listed below for the first time in the fiscal year:

- IFRIC 11 – IFRS 2 Business with own shares and shares of group companies
- IFRIC 14 – IAS 19 The limitation of a performance-oriented asset, minimum financing regulations and their interaction
- IFRS 2 Share-based remuneration comes into force on 1 January 2009
- IFRS 8 Business segments comes into force on 1 January 2009
- IFRIC 13 Customer loyalty programmes came into force on 1 July 2008
- IFRS 7 – IAS 39 Rededication of financial assets; came into force retrospectively as of 1 July 2008

IFRIC 14 – IAS 19 The limitation of a performance-oriented asset, minimum financing regulations and their interaction

The interpretation was taken over into European law by the European Union in December 2008 and supplements the existing regulations of the IAS 19 concerning the so-called Asset Ceiling (IAS 19.58 ff.). In addition, the application of the Asset Ceiling with statutory or contractual minimum funding requirements is regulated hereby.

IFRIC 13 Customer loyalty programmes
The interpretation was taken over into European law by the European Union in December 2008 and regulates the disclosure of sales revenue in connection with customer bonus programmes which are operated by the manufacturers or service providers themselves or by third parties.

The application of the standards and interpretations has had no influence on the swb consolidated accounts.

IFRS 7 – IAS 39 The interpretation was taken over into European law by the European Union in December 2008 and relates to the rededication of financial assets
The changes in particular permit under certain conditions a re-categorisation of non-derivative financial assets from the category Held for Trading into the categories Available-for-sale, Held-to-Maturity or Loans and Receivables (IAS 39.50(c)). The application of the standard has had no essential implications on the net assets, financial position and results of operations.

Newly published accounting regulations
The following standards and interpretations were already published at the time when these financial statements were released for publication, however there was no obligation to apply these yet:

Improvements compared with IFRS 2008
In May 2008 the Board published a collective standard for the first time concerning the amendment to various IFRS standards with the prime aim of correcting inconsistencies and clarifying formulations. There are own transitional regulations for each standard. The swb Group has not applied the standards prematurely:

IAS 1 Presentation of the financial statements
In line with IAS 39 Financial instruments: Estimate and valuation assets and debts which are classified as Held-for-Trading should no longer automatically be classified as short-term in the balance sheet. The Group has not yet adjusted its accounting and valuation method accordingly. In future part of the financial instruments will be reclassified into long-term financial instruments.

IAS 10 Events after the balance sheet key date
It is made clear that dividends decided after the end of the period under review do not represent any obligations. The swb Group currently assumes that the application of the standard will not have any significant implications on the net assets, financial position and results of operations of the Group.

IAS 16 Property, plant and equipment
The term “net sales price” was replaced by the expression “fair value minus sales costs”. The swb Group has not yet adjusted its accounting and valuation methods, through which however there will be no essential implications on the net assets, financial position and results of operations.

IAS 23 External capital costs
The definition of external capital costs was revised to the extent that the guidelines in IAS 39 concerning the effective interest rate are taken over. The swb Group has not yet adjusted its accounting and valuation methods. No essential implications on the net assets, financial position and results of operations are expected through the application.

IAS 28 Shares in associated companies
If an associated company is entered on the balance sheet with the fair value in line with IAS 39 only the requirements of the IAS 28 will apply, according to which the type and scope of substantial restrictions to the ability of the associated company to transfer financial funds to the company in the form of cash or loan redemptions are to be stated. This amendment will not have any implications on the swb Group as the shares in associated companies are not entered on the balance sheet at the fair value in line with IAS 39. A share in an associated company represents a separate asset for the purpose of carrying out an impairment test. For this reason impairments are not allocated separately to the goodwill contained in the stake valuation. This amendment could have substantial implications on the swb Group insofar as the results of operations of the associated companies were to lead to a write-up.

IAS 36 Impairment of assets
Insofar as the “fair value minus sales costs” is determined based on a discounted cashflow model, additional information concerning the discounting rate is necessary, in accordance with the mandatory information, when a discounted cashflow model is used to determine the “use value”. This amendment will not have a direct influence on the consolidated accounts as the attainable amount of the units of the Group which generate cash is currently determined on the basis of the “use value”.

IAS 38 Intangible assets
Spending for advertising campaigns and measures for promoting sales are entered as expenses if the Group has been granted the right to access to the goods or the services. No essential implications on the net assets, financial position and results of operations are expected through the application. The reference that there is rarely, if at all, convincing substantial proof to justify another depreciation method than the straight-line depreciation method for intangible assets, was deleted.

IAS 39 Financial instruments
Estimate and valuation: After the first-time entry derivatives can be designated as “valuated affecting net income at the fair value” owing to the changed circumstances or be removed from this category, because it does not concern a rededication within the meaning of IAS 39 here. The reference to a “segment” with regard to the determination whether an instrument meets the criteria of a hedging instrument was deleted in IAS 39. The use of the newly calculated effective interest rate is stipulated if a debt instrument is newly valuated after the end of the accounting of the hedging relationship in order to hedge the fair value.

IAS 40 Real estate held as financial investment
The swb Group assumes that the application of the standard will not have any implications on the net assets, financial position and results of operations.

Further amended standards and interpretations

IAS 1 – Presentation of the financial statements

In September 2007 the IASB published the revised version of IAS 1 (Presentation of the financial statements). The main feature of the revised standard is the breakdown of the changes in equity not affecting net income (other comprehensive income) into changes from transactions with shareholders in their capacity as shareholder, such as e.g. distributions and share repurchases and changes, which are not connected with the shareholders. The designations of several parts of the financial statements were also changed. It is however not mandatory to use these designations in financial statements. The revised standard IAS 1 is to be applied to financial statements which begin on or after 1 January 2009. The standard will make additional information necessary in the consolidated financial statements in future.

IAS 23 – External capital costs

In March 2007 the IASB published the revised version of IAS 23 (External capital costs). The main difference to the previous version is the revocation of the option of the immediate entry as expense of such external capital costs, which are connected with the acquisition, the building or the production of a qualified asset and can be directly attributed to this. It is mandatory to apply the standard from 1 January 2009. The swb Group currently assumes that the application of the standard will not have any significant implications on the net assets, financial position and results of operations of the Group.

IFRS 3 – Company amalgamations/IAS 27 – Consolidated and separate individual financial statements according to IFRS

On 10 January 2008 after completion of the second phase of the project "Business Combinations" the IASB published amendments to IFRS 3 (Company amalgamations) and IAS 27 (Consolidated and separate individual financial statements according to IFRS). The amendments relate to the treatment on the balance sheet of minority shares, the depiction of successive company acquisitions, changes to the participation ratio without loss of control, loss of the control of subsidiaries, the treatment of acquisition and secondary acquisition costs, the loss shares which exceed minority shares, entry on the balance sheet of effects from the processing of business relationships which existed before the company amalgamation as well as the depiction of rights which were re-acquired within the framework of the amalgamation. It is expected that the new version of the IFRS 2 is to be applied to company amalgamations whose time of acquisition falls in periods under review which begin on or after 1 July 2009. As the swb Group is not currently planning any essential company amalgamations after 1 July 2009, no essential implications are expected at present from the application of the standard. The pre-requisite for the legal validity of the IFRS/IAS is its endorsement by the EU. The IFRS 3 has not been endorsed so far.

IFRIC 12 – Service concession agreements

The IFRIC published IFRIC 12 in November 2006. The interpretation regulates the entry on the balance sheet of service agreements at the licensee with regard to the obligations which were entered into and rights which were granted. According to the investigations so far the swb Group assumes that the application of IFRIC 12 will not have any essential implications on the net assets, financial position and results of operations of the swb Group. The pre-requisite for the legal validity of the IFRIC is its endorsement by the EU. The IFRIC 12 has not been endorsed so far.

IAS 32 and IAS 1 – Terminable financial instruments and obligations which occur in case of liquidation
The application of the standard will not have any influence on the swb consolidated financial statements.

IAS 39 – Qualifying basic business transactions: The IASB IAS 39 supplemented financial instruments
Estimate and valuation in July 2008 in order to make clear how the principles, which decide whether a hedged risk or parts of cashflows can be taken into consideration for a determination as basic business transaction, are to be applied in certain situations. The amendment relates to the designation of partial risks in a basic business transaction. The application will not have any essential implications on the net assets, financial position and results of operations of the swb Group. The pre-requisite for the legal validity of the amendments is their endorsement by the EU.

IFRIC 15 – Agreements concerning the erection of real estate
The pre-requisite for the legal validity of the amendments is their endorsement by the EU. The application of the standard will not have any influence on the swb consolidated financial statements.

IFRIC 16 – Hedging of a net investment in a foreign business operation
for the legal validity of the amendments is their endorsement by the EU. The application of the standard will not have any influence on the swb consolidated financial statements.

IFRIC 17 – Material dividends to owners
The pre-requisite for the legal validity of the amendments is their endorsement by the EU. The application of the standard will not have any influence on the swb consolidated financial statements.

IFRS 1/IAS 27 – Acquisition costs for shares in subsidiaries, jointly managed companies and associated companies
The application of the standard will not have any influence on the swb consolidated financial statements.

IFRIC 18 – Assignment of an asset by a customer
The interpretation clarifies the requirements of the IFRS for agreements in which a company receives an object, a plant or equipment from a customer, which the company then has to use either to connect the customer to a distribution network or to grant the customer permanent access to the supply with goods or services. Also treated are those cases in which a company receives cash with the condition to acquire or produce one of the afore-mentioned assets. IFRIC 18 is expected to be applied to assignments of assets by customers which take place on or after 1 July 2009. An earlier application is possible under certain conditions. The application of the interpretation can in future influence the net assets, financial position and results of operations of the swb Group.

IAS 39/IFRS 7 – Clarification
On 27 November 2008 the IASB published a revised version with regard to the application date. This interpretation has so far not yet been taken over into European law by the European Union.

2.3 Consolidation

Subsidiaries

Subsidiaries are all companies with which swb AG holds the control over the financial and business policies, as a rule accompanied by a voting right share of more than 50 percent. When assessing whether it is control the existence and the implications of voting rights agreements will be taken into consideration. In an individual case no control can be exercised despite an available voting right majority owing to contractual agreements. The inclusion shall begin at the time from which the possibility of control exists. It ends when this possibility no longer exists.

Included in the consolidated financial statements as of 31 December 2008 of swb AG are 15 subsidiaries besides swb AG.

Group-internal transactions and non-realised profits from transactions between group companies are eliminated. Non-realised losses are also eliminated unless there are indications of an impairment of the assigned asset. Implications on tax on income are taken into consideration with the consolidation processes and deferred taxes are valuated.

Insofar as a company amalgamation comprises more than one exchange transaction each transaction is treated separately whereby the acquisition costs of the transaction and the information concerning the fair value are used at each exchange time in order to determine the amount of each goodwill. This procedure leads to a step-by-step comparison of the costs of the individual share acquisitions with the percentage share of the fair value of the acquired identified assets, debts and contingent debts at the time of the respective step.

Participations, the influence of which on the net assets, financial position and results of operations are individually and on the whole insignificant, are not consolidated. An individual list of the companies affiliated with the swb Group can be found under No. 42 “List of shareholdings”.

Associated companies

Associated companies are companies, in which swb AG exercises a decisive influence, however has no control; as a rule accompanied by a voting right share 50 percent. The associated companies are entered on the balance sheet in the Group according to the equity method from the time of acquisition and entered with their acquisition costs for the first time. The share of the Group in associated companies also includes the goodwill incurred in the acquisition after taking cumulative impairments into consideration.

Despite the voting right majority it is not possible for the Group to exercise the control at Hansewasser Ver- und Entsorgungs-GmbH, Bremen (HVE) and hanseWasser Bremen GmbH, Bremen (hWB). The reason for this is that the minority rights of the town of Bremen are so far-reaching that the controlling position of HVE and thus also of swb AG is inhibited. As however a decisive influence can be exercised HVE as associated company is included in the consolidated accounts. hWB on the other hand as associated company is taken into account at HVE.

The annual financial statements of the associated companies included in the consolidated accounts are prepared according to uniform applicable accounting and valuation methods. Non-realised profits from transactions between group companies and associated companies are eliminated in line with the share of the Group in the associated companies. Non-realised losses are also eliminated unless there are indications of an impairment of the assigned assets.

The share of the Group in profits and losses of associated companies is entered in the profit and loss statement from the time of acquisition; the share of changes in the reserves according to IAS 39 will be taken into account in the group reserves according to IAS 39. The cumulative changes after acquisition shall be offset against the participation book value. Insofar as loss shares of the Group in an associated company correspond with the share of the Group in this company including other non-hedged receivables or exceed these, the Group will not cover any further losses unless it entered into obligations for the associated companies or made payments for the associated companies.

A list of the individual companies associated with the swb Group can be found under No. 42 “List of shareholdings”.

Other participations

If no decisive influence can be exercised the shares in companies are to be entered on the balance sheet in line with IAS 39. With participations, in which the swb Group directly or indirectly holds 20 percent or more of the voting rights and which according to IAS 39 have been taken into consideration as financial assets, there is no essential influence on the financial and business policy decisions. This is among others documented by the fact that IFRS information which is relevant for the financial statements is not made available.

2.4 Currency translation

The consolidated accounts are prepared in the Euro (EUR) currency which is both the functional as well as the reporting currency. Insofar as not otherwise stated all values are rounded up or down to thousand Euro (kEUR) in line with a commercial rounding of figures.

The translation of transactions into foreign currency is carried out at the respective exchange rate on the transaction day. Profits and losses which result from the satisfaction of such transactions as well as from the translation as of the key date rate of assets and debts which are denominated in a foreign currency, are entered in the profit and loss statement.

A foreign exchange rate (mean rate as of 31 December 2008) of 1 EURO = 1.3977 USD (previous year: 1.4716 USD) was applied to the currency translation.

3. Essential accounting and valuation methods

The annual financial statements of the companies included in the Group are based on uniform accounting and valuation principles. Valuations, which are based on fiscal law regulations, shall not be taken over into the consolidated financial statements. The individual financial statements of the consolidated companies were prepared on the key date of the consolidated financial statements.

The consolidated financial statements were prepared based on the updated historic acquisition and production costs, limited by financial assets and financial liabilities which are carried affecting net income at the fair value (including derivative financial instruments).

3.1 Company amalgamations and goodwill

The acquisition of subsidiaries is entered on the balance sheet according to the acquisition method. The acquisition costs of a company amalgamation are to be determined from the total of the fair values of the paid assets, of the debts which were entered into or taken over and of the equity instruments issued by the Group in exchange for controlling the acquired company plus all costs to be attributed to the company amalgamation applicable at the time of exchange. The identified assets, debts and contingent debts of the acquired company, which meet the valuation criteria according to IFRS 3 (Company amalgamations), are to be carried with their fair value at the time of the acquisition, with the exception of long-term assets, which according to IFRS 5 (Long-term assets held for sale and abandoned business units) are classified as Available-for-sale and which are carried and valuated with the fair value minus sales costs.

Assets, debts and contingent liabilities, which can be identified within the framework of a company amalgamation, shall be valuated with their fair values at the time of acquisition with the first consolidation, independent of the scope of the minority shares.

A goodwill which is incurred from the company acquisition is to be entered as an asset and to be carried at its acquisition costs at the time of addition, which presents themselves as surplus of acquisition costs of the company amalgamation above the share carried by the Group at the fair net current value of the identifiable assets, debts and contingent debts. If the Group share of the current value of the identifiable assets, debts and contingent debts of acquired company exceeds the acquisition costs of the company amalgamation after renewed assessment, the surplus will be entered affecting net income immediately.

3.2 Intangible assets

Individually acquired intangible assets shall be carried at acquisition or production costs in the first time entry. The acquisition costs of intangible assets acquired within the framework of the company amalgamation shall correspond with their fair value at the time of acquisition. The intangible assets will be carried with their acquisition or production costs minus cumulative depreciations and cumulative impairment costs in the following periods. Costs for self-created intangible assets will be entered affecting net income in the period in which they are incurred with the exception of development costs which are capable of capitalisation.

Research and development costs
Research costs are entered as expense in the period, in which they are incurred. An intangible asset, which is produced from the development of an individual project, is only capitalised if the Group can prove the technical ability for realisation for the completion of the intangible asset, so that this is available for internal use or for sale, as well as the intention to complete the intangible asset and to use or sell it. The Group must further prove the generation of a future financial benefit by the asset, the availability of resources for completing the asset and the ability to be able to reliably determine the expenses which can be attributed to the asset during its development.

Emission rights
The swb Group receives emission rights annually free of charge within the framework of the European system for the trade with emission certificates. In return the Group is obliged to return a quantity which corresponds with the emission output in the previous year to persons entitled to emissions.

Emission rights (CO_2 certificates) shall be disclosed as intangible assets under the other short-term receivables. The emission rights granted to the swb Group free of charge shall be carried at the time of issue with a value of zero EUR. The incoming valuation with acquisition against payment is carried out at the acquisition costs, the follow-up valuation at updated acquisition costs whereby a comparison is always made with the market value. A liability is to be formed for the emission rights existing on the balance sheet key date, which are to be returned in the following year according to the effective consumption. This will be valuated with the updated acquisition costs of the existing rights. Insofar as a shortfall in cover of emission certificates is derived on the balance sheet key date a provision will be formed in the amount of the market value of the emission rights which are still to be procured.

3.3 Property, plant and equipment
The property, plant and equipment are valuated at acquisition or production costs and, insofar as subject to wear and tear, by taking into account scheduled depreciations and impairments. The acquisition costs comprise the purchase price including secondary acquisition costs which can be attributed directly, which are incurred in order to place the asset in a condition which is ready for operation. Discounts, bonuses and cash discounts are deducted from the purchase price. The acquisition or production costs of assets are reduced by the customer payments for building and house connection costs with new connections, connection renewals or connection extensions.

In case of self-created property, plant and equipment the production costs will be determined based on the directly attributable single costs and overhead costs. External capital costs for acquiring or producing the property, plant and equipment shall be entered as expense in the period, in which they were incurred.

Subsequent acquisition or production costs will only then be entered as part of the acquisition or production costs of the asset or – insofar as relevant – as a separate asset if it is probable that a financial benefit will flow to the Group from this in future and the costs of the asset can be reliably determined. All other repairs and services are entered in the profit and loss statement affecting expenses in the fiscal year in which they were incurred.

A tangible asset is either debited with disposal or when no financial benefit is expected any more from the further use or sale of the asset. The profits and losses resulting from the disposal of the asset will be determined as difference from net sales proceeds and book value of the asset and entered affecting net income in the period, in which the asset is debited.

The residual values, service lives and depreciation methods are examined at the end of each year and adjusted if required.

Subsidies

Grants from the public sector are entered at their fair value if it can be assumed with considerable certainty that the grant will be paid and the Group will meet the necessary conditions for receiving the grant. Public and private grants for investments will be deducted from the acquisition or production costs.

3.4 Real estate held as financial investment

Treated as real estate held as financial investment is that which is held for generating rental income and/or for the purpose of increasing the value and is not used to provide services or for purposes of administration. All real estate held as financial investment in the group is currently exclusively for the purpose of generating rental income.

The initial valuation is carried out at the acquisition or production costs including transaction costs upon addition. In the follow-up valuation the real estate held as financial investments will be carried at the historic acquisition or production costs minus scheduled depreciations and cumulative impairments. The buildings held as financial investments are depreciated on a straight-line basis over 30 years. Properties will not be depreciated.

Real estate held as financial investment will be debited when they are disposed of or if they are permanently no longer used and no future financial benefit is expected any more from their disposal. Profits or losses from the closure or the disposal of a real estate held as financial investment will be entered affecting net income in the year of the closure or sale.

No appraisals of current market value are available for the fair values to be entered in the notes for the real estate held as financial investment with regard to swb Bremerhaven GmbH and swb Netze Bremerhaven GmbH & Co. KG. The corresponding values were determined according to the earnings value method pursuant to the regulations governing principles for determining the current market values of properties (value determination regulations with the Annexes Wert V and Wert R [Value V and Value R]) by the specialist department real estate of swb AG. The valuation is carried out annually.

The fair values for properties and buildings of swb AG are based on current market value appraisals, which were created by the experts' committee for properties of the state of Bremen (Geoinformation / formerly cadastral department) on 15 May 2001 or 14 December 2005. This experts' committee is recognised as an independent expert. The afore-mentioned appraisals were prepared according to the earnings value method and are updated regularly. They are updated internally and examined whether the parameters used in the appraisals have changed substantially.

3.5 Impairments of non-financial assets

On each balance sheet key date the Group assesses whether there are any indications for the fact that an asset could be impaired. If there are such indications it will be necessary to examine the asset for intrinsic value. To this end the Group estimates the amount of the respective asset which can be generated. The amount which can be generated is the higher amount from the fair value of the asset or a cash generating unit minus sales costs and the use value. The amount which can be generated is to be determined for each individual asset. If the book value of an asset exceeds its amount which can be generated the asset will be considered as impaired in value and depreciated on the amount which can be generated.

In order to determine the amount which can be generated the swb Group is broken down into Cash Generating Units, i.e. the assets are summarised on the lowest level, for which cashflows can be determined separately. A possible existing goodwill is allocated to the corresponding cash generating unit. Subsequently the cash value of the future net cashflows of the cash generating unit is compared with the book values of all assets including goodwill. If the cash value is lower than these book values the goodwill will initially be depreciated. In order to determine the cash value interest rates ranging between 9.0 percent and 11 percent (previous year: 8.5 percent to 10.0 percent) are used as a basis (before interest and before taxes), by taking into account the respective risk structures of the individual cash generating units. An amount which remains after the full non-scheduled depreciation of the goodwill is distributed proportionately over the other assets of the cash generating unit based on the book values of each individual asset.

The attainable amount of the cash generating units is determined based on the calculation of a use value by using cashflow forecasts, which are based on the budgets approved by the management for a period of five years. The cashflows incurring after this period of five years are extrapolated by using a growth rate of 1 percent (previous year: 1 percent). The discount rate before taxes used for the cashflow forecasts (WACC) is stipulated based on customary valuation parameters.

Basic assumptions for calculating the use values

There are estimation uncertainties with the following assumptions used as a basis for calculating the use value of the cash generating units in the network, generation and waste field:

Network charges, electricity, gas and waste prices - The sales revenue allocated to the cash generating units is estimated based on the information available at the time of the financial statements concerning the further development of the regulatory environment and the future electricity, gas or waste price development.

Discount rates - The discount rates reflect the estimates of the management with regard to the specific risks which are respectively to be allocated to the individual cash generating units. This represents the benchmark applied by the management for assessing the operating efficiency and for assessing future investment plans.

Price increases of raw materials - The estimates are based on assumptions with regard to the development of the market prices for crude oil, gas, CO2 emission rights as well as the wholesale prices for electricity and gas. Further the expected development in the regulatory measures is taken into account.

Growth rates - The growth rate is assumed as a flat rate with 1 percent per annum (previous year: 1 percent).

Weighted average cost of capital (WACC = Weighted Average Cost of Capital) - the WACC before tax is 7.75 percent (previous year: 7.25 percent) for the regulated area of the cash generating units. In the previous year the WACC was stated after tax (5.13 percent).

Sensitivity of the assumptions reached
The management is of the opinion that no change, which is principally possible at reasonable discretion, to one of the basic assumptions reached for determining the use values of the cash generating units “generation“ could lead to the fact that the book value of the cash generating unit substantially exceeds its attainable value.

With the cash generating units “networks” (electricity, gas, heat and water) and “disposal” the changes to the basic assumptions which are reached, which are principally possible at reasonable discretion, could lead to the fact that the book value of the cash generating unit exceeds its attainable amount.

> *Network charges* - In its planning the management assumes moderately falling network charges which are counteracted through efficiency improvement programmes. Should in particular in the field of electricity the network charges fall sharper than expected and permanently, the use value of this cash generating unit could fall below the book value.
> *Assumptions concerning valuation parameters and growth rate* - A change in the valuation parameters respectively derived by the market, which lead to an increase in the discount rate, can make the use value of the cash generating units fall below the book value.
> *Recycling plant status* - Within the framework of the (EU) framework waste direct which was passed on 12 December 2008 it was stipulated that a plant may only be recognised as waste recycling plant in future if the plant is particularly energy-efficient. This directive must be implemented into German law by 12 December 2010. The amount of the future investments or the sales revenue could be influenced by this directive.

An examination will be carried out on each balance sheet key date for assets, with the exception of goodwill, whether there are indications whether a previously entered impairment expenses no longer exists or has been reduced. If there are such indications the Group will estimate the amount which can be generated. A previously entered impairment expense will only be reversed if there has been a change to the estimates since the entry of the last impairment expense, which was used in determining the amount which can be generated. If this is the case then the book value of the asset will be increased to its attainable amount. This amount may however not exceed the book value which would be produced after taking into account scheduled depreciations if no impairment expense would have been entered for the asset in the previous years. A revaluation will be entered in the period results unless the asset is entered on the balance sheet according to the new valuation method. In this case the revaluation is to be treated as an increase in value from the new assessment.

Owing to the joint business management the CGUs heat and water network Bremerhaven were merged with the CGUs heat and water network Bremen in the fiscal year 2008. Owing to synergy effects in the meantime and the resulting improvements in results with regard to the CGUs heat and water network Bremerhaven this produced a revaluation of EUR 15,367k.

The following criteria are in addition to be taken into account for certain assets:

Goodwill
Within the framework of the first consolidation of swb Netze Bremerhaven GmbH & Co. KG (formerly: swb Bremerhaven GmbH) a goodwill was derived in the amount of EUR 10,391k. This goodwill continues to exist. Goodwill in the amount of kEUR 819 existed for Kommunale Gasunion GmbH & Co. KG until the implementation of the unbundling regulations. This goodwill was assigned through the spin-off of the network assets to swb Netze GmbH & Co. KG. Both goodwill values are allocated to the cash generating unit "gas network".

Goodwill in the amount of EUR 53,673k results from the first consolidation of swb Entsorgung GmbH (formerly Abfallbehandlung Nord GmbH) (see No. 5 "Company amalgamations and goodwill").
An impairment of EUR 22,000k was taken into account in the fiscal year 2008. The goodwill was allocated to the cash generating unit "disposal".

Intangible assets

A distinction is made between intangible assets with limited and those with indefinite service life. Intangible assets with limited service life are depreciated over the financial service life. The service life, the residual book values and the depreciation method are examined in the event of intangible assets with a limited service life at least at the end of each fiscal year. The necessary changes to the depreciation method and the service life are treated as changes in estimates. In case of intangible assets with indefinite service life an examination is carried out for intrinsic value on the level of the cash generating unit. These intangible assets are not depreciated as scheduled. The service life of an intangible asset with indefinite service life is examined once a year whether the estimate of an indefinite service life is justified. If this is not the case a change will be made to the estimate of an indefinite service life for the limited service life on a prospective basis.

Property, plant and equipment

Properties will not be depreciated. With all other assets the scheduled depreciations will be undertaken on a straight-line basis pro rata temporis. The depreciations are based on the estimated service lives of the assets. The service life is oriented to the type of asset and to legal or contractual restrictions. The service life for house water meters was adjusted from 15 to 6 in 2008 in line with the real use circumstances. The effect from the service life adjustment amounted to EUR 1,158k in 2008.

Buildings	30 years
Plants and machinery	10-30 years
Line networks and house connections	6-55 years
Fixtures and fittings	4-20 years

3.6 Financial investments and other financial assets

Depending on the individual case financial assets within the meaning of IAS 39 are classified either as financial assets, which are valuated affecting net income at the fair value, as loans and receivables, as financial investments Held-to-Maturity or as financial assets Available-for-sale. Accordingly financial assets are carried in the consolidated balance sheet if the swb Group is entitled to a contractual right to receive cash or other financial assets from another party. All customary purchases and sales of financial assets are entered on the balance sheet on the date of satisfaction, i.e. on the date upon which the asset is delivered. Customary purchases and sales are purchases and sales of financial assets, which stipulate the delivery of the assets within a period of time stipulated by market regulations or conventions.

The assessment whether a contract contains an embedded derivative will be undertaken at the time at which the company will become contractual party for the first time. The embedded derivatives are separated from the basic contract if this is not entered at the fair value affecting net income and produces an analysis shows that the financial features and risks of the embedded derivative are not closely associated with the financial features and risks of the basic contract.

The first-time estimate of financial assets is carried out at the fair value plus the transaction costs. Insofar as it concerns a financial asset which is to be assessed at the fair value affecting net income, no transaction costs will be taken into account. The follow-up assessment is carried out according to the allocation of the financial assets to the following categories. Re-dedications, insofar as they appear permissible and necessary, are undertaken at the end of each fiscal year.

The swb Group is obliged to hedge partial retirement credits by law. To this end the swb Group holds both financial assets as well as cash and cash equivalents.

Financial assets valuated at the fair value affecting net income
This category has two sub-categories: financial assets which were classified as “Held-for-Trading” (FAHfT = Financial Assets Held-for-Trading) from the beginning and those which were classified as “at fair value affecting net income” from the beginning. Financial assets are classified as Held-for-Trading, if they are acquired for the purpose of sale in the near future. Derivatives, including embedded derivatives which are entered separately, are also classified as Held-for-Trading with the exception of derivatives in which it concerns a financial guarantee or which were designated as hedge instrument and as such are effective. Profits or losses from financial assets, which are Held-for-Trading will be entered affecting net income. If a contract contains one (or several) embedded derivative(s) the whole structured contract may be classified as financial assets valuated at fair value affecting net income unless (the) embedded derivative(s) only change(s) the otherwise incurring cashflows from the contract insignificantly or a spin-off of the embedded derivative is not permissible. Financial assets may be designated as financial assets valuated at fair value affecting net income with the first time entry if the following criteria have been met: (i) the classification removes or substantially reduces incongruities which would be derived from the valuation of assets which is to be carried out otherwise or would produce the entry of profits and losses at various valuation methods; or (ii) the assets are a part of a group of financial assets which is controlled according to a documented risk management strategy and their performance is assessed based on the fair value or (iii) the financial asset contains an embedded derivative which is to be entered separately. As of balance sheet key date no financial assets were designated as valuated at fair value affecting net income (previous year: EUR ok).

LaR = Loans and Receivables
Trade receivables, loans and other receivables with fixed payments and payments which can be determined, which are not listed on an active market, are classified as “loans and receivables“. After the first-time entry the loans and receivables are valuated at updated acquisition costs by applying the effective interest method minus value adjustments for depreciations. Updated acquisition costs are calculated by taking into account all discounts and premiums with the acquisition and include all charges, which are an integral part of the effective interest rate and the transaction costs. Profits and losses are entered in the period results when the loans and receivables are booked out or impaired and within the framework of amortisations. They are considered short-term assets insofar as their maturity does not exceed twelve months after the balance sheet key date.

Financial investments held to maturity (HtM = Held-to-maturity)
Financial investments held to maturity are non-derivative financial assets with fixed payments or payments which can be determined and fixed terms, in which the Group management has the intention and ability to hold these until maturity. Financial investments held to maturity are valuated according to their first-time entry at updated acquisition costs. This is the amount with which a financial asset was valuated with the first-time entry, minus redemptions, plus or minus the cumulative amortisation of a possible difference between the originally carried amount and the amount repayable upon maturity by applying the effective interest method as well as minus the value adjustment for impairments. All paid or received charges between the contractual parties and other remuneration flow into this calculation, which are an integral part of the effective interest rate, the transaction costs and all other premiums and discounts. Profits and losses are entered in the period results if the financial investments are booked out or impaired as well as within the framework of amortisations. As of balance sheet key date no financial assets were classified as “Held-to-Maturity” (previous year: EUR ok).

Financial assets available for sale (Afs = Available-for-sale)
Financial assets Available-for-sale are non-derivative assets, which are classified as available for sale and are not classified in one of the three afore-mentioned categories. After the first-time entry financial assets held for sale are valuated at the fair value, whereby the non-realised profits and losses are entered directly in the equity in the IAS 39 reserve. With the disposal of financial assets the profit or loss previously entered in the equity is re-booked affecting net income in the profit and loss statement. Received and paid interest is disclosed as interest income or interest expenditure. Dividends from financial investments are entered as “received dividend” with occurrence of the legal entitlement on the payment affecting net income.

3.7 Impairments of financial assets

On each balance sheet key date the swb Group determines whether there is an impairment of a financial asset or a group of financial assets.

Loans and receivables

If there is an objective indication that an impairment occurred with loans and receivables which were entered on the balance sheet at updated acquisition costs this produces the amount of the loss as difference between the book value of the asset and the cash value of the expected future cashflow, discounted with the original effective interest rate of the financial asset (i.e. the effective interest rate determined with the first-time estimate). The book value of the asset is reduced by using a value adjustment account. The impairment loss is entered affecting net income.

It is initially determined whether an objective indication of impairment with financial assets, which are significant in themselves, individual or and with financial assets, which seen in themselves are not significant, exists individually or together. If the swb Group determines that there is no objective indication of impairment for an individually examined financial asset, it allocates the asset to a group of financial assets with comparable default risk profiles and examines them together for impairment. Assets, which are examined individually for impairment and for which the value adjustment is entered, are not included in the flat rate impairment assessment on portfolio basis.

If the amount of the value adjustment is reduced in one of the following periods under review and if this reduction can be objectively seen as a result of a fact which occurred after the impairment was entered, the previously entered value adjustment is reversed. The revaluation is limited in terms of amount to the updated acquisition costs at the time of the revaluation. The revaluation is entered affecting net income.

If there are objective indications with trade receivables (such as e.g. the probability of an insolvency or significant financial difficulties of the debtor) that not all due amounts will be received according to the originally agreed invoice conditions, an impairment is undertaken by using a value adjustment account. Impairment amounts are booked out if they are classified as irrecoverable.

Financial assets Available-for-sale
If the value of an asset available for sale is reduced, an amount which is entered in the equity is rebooked into the profit and loss statement in the amount of the difference between the acquisition costs (minus possible redemptions and amortisations) and the actual fair value, minus possible value adjustments of this financial asset, which were already entered previously affecting net income. Revaluations with equity instruments, which are classified as Available-for-sale, are not entered in the profit and loss statement. Revaluations with debt instruments, which are classified as Available-for-sale, are entered affecting net income, if the increase in the fair value of the instrument is an objective result of an event, which occurred after the entry of the impairment affecting net income.

The prices on an active market are taken into account for determining the fair value. Insofar as there is no public market value for an asset an impairment test for assets is carried out based on certain assumptions – at least annually – as well as with the existence of special reasons for this. The calculations are carried out using the DCF method based on multi-period plan values for the cashflows which are to be discounted, and under the assumption of a sustainable eternal annuity of the fair value for the asset. As a rule no growth in the eternal annuity is assumed. The discounting interest rate is the total of the risk-free base lending rate and the risk surcharge, which is adjusted through an individual risk factor (beta factor) to the special conditions of the asset which is to be valuated.

A financial asset (or a part of a financial asset or a part of a group of similar financial assets) is booked out if one of the three following pre-requisites has been met:

a) The contractual rights to the procurement of cashflows from a financial asset have been deleted.

b) The Group retains in fact the rights to the procurement of cashflows from financial assets, however assumes a contractual obligation for the immediate payment of the cashflows to a third party within the framework of an agreement which satisfies the conditions of IAS 39.19 (“pass-through-arrangement”).

c) The Group has assigned its contractual rights to the procurement of cashflows from a financial asset and either (a) essentially assigned all chances and risks, associated with the ownership to the financial asset or (b) in fact essentially all chances and risks, associated with the ownership to the financial asset are neither assigned nor retained, however the power of disposal over the asset is assigned. If the Group assigns its contractual rights to cashflows from an asset, essentially neither assigns nor retains all chances and risks, associated with the ownership to this asset and thus also retains the power of disposal for the assigned assets, the Group continues to enter the assigned asset in the scope of its continued engagement. If the continued engagement guarantees the assigned asset in terms of form the scope of the continued engagement corresponds with the lower amount from the original book value of the asset and the maximum amount of the received consideration, which the Group would possibly have to repay. If the continued engagement in terms of form is a written and/or an acquired option (including an option, which is satisfied through cash compensation or in a similar manner) on the assigned asset then the scope of the continued engagement of the Group corresponds with the amount of the assigned asset which the company can repurchase. In the event of a written sales option (including an option, which is satisfied through cash compensation or in a similar manner) on an asset, which is valuated at the fair value the scope of the continued engagement of the Group is however limited to the lower amount from the fair value of the assigned asset and strike price of the option.

3.8 Inventories

The inventories are carried with the lower value from acquisition or production costs and net sales value on the accounts key date. The net sales value is the estimated sales proceeds, which can be generated in the normal business development, minus the necessary variable sales costs. The net sales values exceeded the acquisition and production costs in the fiscal years.

Used materials and trading goods are principally valuated according to the average cost method. The production costs also include besides the unit costs which can be allocated directly material, manufacturing and production-related overheads. External capital costs are not capitalised as part of the acquisition or production costs. Value adjustments are undertaken for outdated inventories as well as for stocks with less turnover frequency.

3.9 Financial liabilities

The financial liabilities are composed of original liabilities and the negative fair values of derivative financial instruments. Financial liabilities are classified either as financial obligations valuated at the fair value affecting net income or as other financial liabilities.

Financial liabilities valuated at the fair value affecting net income

Financial liabilities are classified as Held-for-Trading if they (i) are acquired with the intention to sell them in the near future (FLHfT - Financial Liabilities Held-for-Trading) or (ii) they are classified with their first time estimate as financial liabilities valuated at the fair value affecting net income. Derivatives, including embedded derivatives entered separately, are also classified as Held-for-Trading, with the exception of derivatives, which are designated as hedge instrument and are as such effective. Profits or losses from financial liabilities which are Held-for- Trading, are entered affecting net income.

If a contract contains one (or several) embedded derivative(s) the whole structured contract may be classified as financial liability valuated at the fair value affecting net income. The swb Group assesses whether an embedded derivative is to be separated from the basic contract and entered as derivative on the balance sheet if it becomes a contractual party for the first time. A subsequent new assessment is prohibited unless the contractual conditions change so much that this results in a substantial change in the cashflows which otherwise would be derived by the contract which is why in this case a new assessment is obligatory. The swb Group determines whether the change in the cashflows is substantial by taking into account the extent in which the expected cashflows change with regard to the embedded derivative, the basic contract or both and whether this change is substantial compared with the previously expected cashflows by the contract.

Financial liabilities may be designated as financial liabilities valuated at fair value affecting net income with the first estimate if the following criteria have been met: (i) the classification removes or substantially reduces incongruities which would arise from the valuation of liabilities to be undertaken otherwise or the entry of profits and losses at various valuation methods; or (ii) the liabilities are a part of a group of financial liabilities which are controlled according to a documented risk management strategy and their development in value is assessed based on the fair value or (iii) the financial liability contains an embedded derivative which is to be entered separately. As of balance sheet key date no financial liabilities are designated as valuated at fair value affecting net income (previous year: EUR ok).

Other financial liabilities (FLAC = Financial Liabilities measured at Amortised Cost)
Other financial liabilities including borrowed loans are carried at the fair value with their first estimate, after deduction of transaction costs. In the following periods they are valuated at updated acquisition cots. Each difference between the payment amount (after deduction of transaction costs) and the repayment amount is entered over the term of the loan by applying the effective interest method in the profit and loss statement and increases the book value of the instrument insofar as it is not settled at the time of the occurrence.

Financial debts are classified as short-term liabilities insofar as the swb Group does not have the unconditional right to postpone the settlement of the liability to a time at least 12 months after the balance sheet key date.

Debiting of financial liabilities
A financial liability is debited if the obligation upon which this liability is based is satisfied or terminated or deleted.

If an existing financial liability is replaced by another financial liability of the same creditor at substantially different contractual terms and conditions or if the conditions of an existing liability are changed substantially such a replacement or such a change is treated as debit of the original liability and estimate of a new liability. The difference between the respective book values is entered affecting net income.

3.10 Provisions
A provision is estimated if the Group has a current (statutory or de facto) obligation owing to a past event. The outflow of resources is probable and a reliable estimate of the amount of the obligation is possible. Insofar as the Group at least partly expects a reimbursement for a provision entered on the liabilities side (such as e.g. with an insurance contract) the reimbursement will be entered as separate asset insofar as the inflow of the reimbursement as almost certain. The expense for forming the provision is disclosed in the profit and loss statement minus the reimbursement. If the interest effect resulting from the discounting is substantial provisions will be discounted at an interest rate before tax which, insofar as necessary in an individual case, reflects the risks which are specific for the debt. In the event of a discounting the increase in the provisions due to the expiry of time is entered as financial expense.

Provisions for recultivation and environmental restoration measures
Provisions for the remedy of environmental damages and recultivation were formed based on experts’ statements and own cost determinations. Recultivation provisions have been formed for two flue ash dump sites as well as the demobilisation of plants including the recultivation of two gas caverns. In addition the provision includes costs for the recultivation of a property incl. the old contamination disposal owing to the ground contamination through the former operation of a gas plant. Further a provision was formed for the dismantling obligation of the power plant port.

Provisions for restructuring measures

Provisions for restructuring measures are formed insofar as a detailed, formal restructuring plan has been created and this reported to the parties concerned. Against the background of the requirements and possible implications of the regulatory authority a project was started in 2006 concerning the restructuring of the network companies. The provision was consumed within the framework of the implementation of the measures from the project since 2008.

Provisions for legal risks

As a company with a multitude of business fields the swb Group is exposed to several legal risks. These can include risks from the fields of contract law, fiscal law, and environmental protection. Additional information in pending proceedings can in particular lead to increased risks in the field of contract law. Therefore the information according to IAS 37.84 ff. was not provided.

Provisions for impending losses

Provisions for impending losses from unfavourable contracts are formed if the expected financial benefit resulting from the contract is lower than the costs which are unavoidable for satisfying the contract.

Emission rights

If there are indications of a shortfall with emission rights in the current year, i.e. emissions have already been carried out and the executed emissions exceed the amount of existing emission rights – which were allocated or purchased for the whole year – a provision is formed for emission certificates which are still to be acquired. Provisions for future emissions are on the other hand not permitted, even if a shortfall with emission rights is probable owing to plans (assessment of emission rights – see No. 6 “Intangible assets”).

3.11 Provisions for benefits to employees

The Group has both benefit-oriented as well as contribution-oriented pension plans.

Benefit-oriented pension plans

A benefit-oriented plan is a pension plan, which fixes the amount of pension payments which an employee will receive when he retires. There are direct pension obligations from two additional pension collective wage agreements and several individual promises in the Group. Principally the amount of the remuneration and the duration of years of service for the company are decisive for the amount of the individual pension benefits.

The provision carried in the balance sheet for benefit-oriented plans corresponds with the cash value of the benefit-oriented obligation on the balance sheet key date, adjusted by cumulative non-entered actuarial profits and losses. The cash value of the obligation is determined annually by an independent actuarial expert by applying the Projected Unit Credit Method. The future obligations are valuated by applying actuarial methods.

Actuarial profits and losses which are produced from deviations between the calculated expected and the actual occurred changes in the computation assumptions are, insofar as they exceed 10 percent of the scope of obligation, entered affecting net income pro rata in line with the average residual working life of the workforce. The costs for years of service which are to be subsequently settled are distributed on a straight-line basis over the average period of time until occurrence of the non-forfeiture of the entitlement. Insofar as entitlements are non-forfeitable when a pension plan is introduced or changed the costs for years of service which are to be subsequently settled are entered immediately affecting net income.

The interest share contained in the pension expenses is disclosed in the financial results. The pension payments which are due within one year after the balance sheet key date are disclosed as short-term.

The pension obligations from benefit-oriented plans are protected against insolvency through the pension hedge fund (PSVaG).

Contribution-oriented pension plans
There are further pension obligations towards employees, who are secured through the pension fund of the federal government and the federal states (VBL). Owing to the breakdown of the allocation which is independent of cause a clear allocation of the contribution to be paid by a party involved to his insured employees is not possible just as little as to sufficiently and certainly estimate the future payments, which are oriented to the relative remuneration of the individual parties involved which is liable to additional pension, from an actuarial point of view so that the plan must not be treated as a benefit-oriented, but as contribution-oriented plan. In the event of a shortfall in cover with the plan the employer undertakes to compensate for this shortfall in cover. The obligation for subsequent payment is determined by VBL and distributed by allocation to the members independent of cause. VBL currently charges so-called restoration money, not limited in time, that is for the purpose of compensating for deficits which are not covered by regular allocations.

Partial retirement
According to the law to promote a consistent transition to retirement (law governing partial retirement) it is possible for the employees of the swb Group to agree a partial retirement relationship for the period after attaining the age of 55. The consent of the employer is required in this case. The partial retirement agreements are principally concluded according to the so-called block model. The obligations from partial retirement are valuated at the cash value according to actuarial principles. They are entered minus the fair value of the plan assets which are available for satisfying obligations.

3.12 Leasing relationships

The determination whether an agreement contains a leasing relationship is reached based on the basic financial contents of the agreement at the time when the agreement was concluded and requires an estimate whether the satisfaction of the contractual agreement depends on the use of a certain asset or certain assets and whether the agreement grants a right to use the asset. A renewed assessment whether an agreement includes a leasing relationship is to be undertaken if the lessee and lessor agree at any time to change the provisions of the leasing relationship to the extent that if the conditions had existed at the beginning of the leasing relationship already these would have led to another classification of the leasing relationship according to the criteria of IAS 17.7 - 17.12. If this is the case the changed agreement will be considered to be a new agreement over its term. Changes in estimates (for example change in the estimate of the residual value) or changes in facts (for example default in payment of the lessee) however do not give any reason for a new classification of the leasing relationship for accounting purposes.

The Group is both lessee as well as lessor.

Group as lessee

Financing leasing relationships, in which essentially all chances and risks associated with the ownership to the assigned asset are assigned to the Group, lead to the capitalisation of the leasing object at the time when the leasing relationship is concluded at the fair value of the leasing object or with the cash value of the minimum leasing payment insofar as this value is lower. Leasing payments are thus divided into financial expenses and the redemption part of the residual debt that a constant interest rate on the remaining leasing debt is incurred over the period. Financial expenses are entered affecting net income immediately.

If the transfer of ownership to the swb Group is not sufficiently certain at the end of the term of the leasing relationship the capitalised leasing objects shall be depreciated in full over the shorter of the two periods of time from expected service life and term of the leasing relationship.

Leasing payments for operating leasing relationships are entered as expense in the profit and loss statement on a straight-line basis over the term of the leasing relationship.

Group as lessor

Leasing relationships, in which not all chances and risks associated with the ownership are essentially assigned by the Group to the lessee are classified as operating leasing relationship. Initial direct costs which are incurred in the negotiations and the conclusion of an operating leasing agreement, shall be added to the book value of the leasing object and entered as expense over the term of the leasing relationship corresponding with the rental income. Rental payments are entered as income in the period in which they are generated.

3.13 Realisation of income

Income is entered if it is probable that the financial benefit will flow to the Group and the amount of the income can be determined reliably. Income is to be assessed at the fair value of the received consideration. Cash discounts, discounts and value added tax or other duties remain out of consideration. In addition, the realisation of income presumes the satisfaction of the entry criteria listed below.

Sale of energy

Income is entered if the service was provided and the risk has passed to the customer. Income from network use charges shall be entered from the fed volumes.

Interest income

Interest income is entered if the interest was incurred (by using the effective interest method, i.e. of the calculation interest rate with which the estimated future cash inflows are discounted over the expected term of the financial instrument on the net book value of the financial asset).

Dividends

Income is entered with the occurrence of the legal entitlement for payment.

3.14 Taxes

The expenses for tax on income represent the total of the current tax expenses and the deferred tax. Current taxes and deferred taxes are entered as expense or income affecting net income unless they are associated with items which were entered directly in the equity. In this case the tax is also to be entered directly in the equity.

Regular taxes

The regular tax expenses are determined based on the taxable income which is to be taxed. The taxable income is distinguished from the net income for the year from the profit and loss statement as it excludes expenses and income which are liable to tax in subsequent years or are never tax-deductible or liable to tax. The tax refund claims and tax debts for the current and the previous periods are assessed with the amount in the amount of which a refund is expected from the tax authority or a payment to the tax authority. The calculation of the amount is based on the tax rates and tax laws, which apply as of balance sheet key date.

Deferred taxes

Deferred taxes are determined for the differences between the book value of the assets and debts in the consolidated financial statements and the corresponding fiscal valuations within the framework of calculating the taxable income and entered on the balance sheet according to the balance sheet-oriented liability method. Deferred tax debts are formed for temporary differences which are to be taxed which are associated with participating interests in subsidiaries and associated companies unless the Group can control the time progress of the reversal of the temporary differences and it is likely that the temporary differences will not be reversed in the near future. Deferred tax claims are entered for all deductible temporary differences, not yet used fiscal losses carried forward and not used tax credits to the extent in which it is likely that taxable income will be available against which the deductible temporary differences and the not yet used fiscal losses carried forward and tax credits can be used.

The book value of the deferred tax claims is examined on each balance sheet key date and reduced by the extent, in which it is no longer likely that sufficient taxable results will be available, against which the deferred tax claim can be used. Insofar as no deferred tax claims were estimated on fiscal losses carried forward it will be examined annually whether a capitalisation is possible. Deferred tax claims and debts are determined based on the tax rates whose validity is expected for the period in which the asset is realised or a debt is satisfied. The tax rates (and tax laws) are used as a basis which applies on the balance sheet key date.

Deferred tax claims and deferred tax debts are offset against each other if the swb Group has an entitlement to offset the actual tax refund claims against the actual tax debts and these refer to tax on income of the same tax subject which is charged by the same tax authority.

Value added tax

Sales revenue, expenses and assets are entered after deduction of the value added tax. The value added tax amount, which is refunded by the tax authority or remitted to the tax authority, is entered in the consolidated balance sheet under receivables from taxes or liabilities from taxes.

Electricity and energy tax

The electricity and energy tax is, as it merely concerns a transitory item, deducted directly from the revenues.

3.15 Derivative financial instruments and hedge business

At the beginning of the hedging both the hedge relationship as well as the risk management objectives and -strategies of the Group are formally stipulated and documented with regard to the hedging. The documentation contains the stipulation of the hedge instrument, the basic business and the hedged transaction as well as the type of hedged risk and a description how the company will determine the validity of the hedge instrument with the compensation of the risks from changes in the fair value or the cashflow of the hedged basic business. Such hedge relationships are estimated as effective to a large extent with regard to the achievement of a compensation of the risks from changes in the fair value or the cashflow. They are regularly assessed whether they actually are highly effective during the whole period under review, for which the hedge relationship was defined.

Derivative financial instruments are carried with the fair value on the date when the contract is concluded and assessed with the fair value in the following periods. Derivative financial instruments are carried as assets if their fair value is positive and as debts if their fair value is negative. Profits or losses from the changes in the fair value of derivative financial instruments, which do not meet the criteria for entry on the balance sheet as hedge relationships, are entered affecting net income immediately.

The fair value corresponds, insofar as available, with the market or stock exchange value. The fair value of forward exchange contracts is determined with reference to the actual forward exchange rates for contracts with similar maturity structures. The fair value of interest rate swap contracts is determined with reference to the market values of similar instruments.

Hedge instruments are classified as follows for the purpose of entering hedge relationships on the balance sheet:

a) as hedge of the fair value if it concerns a hedging of the risk of a change to the fair value, an asset which is entered on the balance sheet or a debt which is entered on the balance sheet or a fixed obligation which is not entered on the balance sheet (except currency risk);

b) as hedge of cashflows if it concerns a hedge of the risk of fluctuations in the cashflows, that can be allocated to the risk associated with a balanced asset, a balanced debt or with a future transaction with a high probability of occurrence or the currency risk of a fixed obligation which is not entered on the balance sheet or

c) as hedge of a net investment in a foreign business operation.

Fair Value Hedge
Understood under this term is the hedge of the fair value of an asset which is entered on the balance sheet, a liability or a fixed company obligation. The changes in the fair value of the derivative hedge instrument are entered in the profit and loss statement. The changes in the fair value of the basic business which can be attributed to the hedged risk, are booked as part of the book value of the hedged basic business and also entered in the period results.

With hedge business for hedging the fair value, which refers to basic business which is carried at updated acquisition costs, the adjustment of the book value is written back affecting net income over its residual term over the maturity. An adjustment of the book value of a hedged financial instrument, to which the effective interest method is applied, is written back affecting net income.

The writing back can begin as soon as there is an adjustment, no later however than at the time, at which the basic business is no longer adjusted by changes in the fair value, which are a result of the risk which is to be hedged.

If the basic business is booked out the non-amortised fair value is entered in the profit and loss statement immediately.

Cashflow Hedge
An envisaged highly probable transaction is hedged hereby. The changes in the fair value of derivatives are entered in the amount of the effective part in the equity as well as in the amount of the ineffective part in the profit and loss statement.

Amounts entered in the equity are rebooked in the period of the entry of the hedged basic business in the profit and loss statement affecting net income. If however the entry of a non-financial asset (e.g. inventories) or a liability results from the hedged future transaction the profits or losses previously entered in the equity are also included in the first valuation of the acquisition costs of the asset or the liability.

If the occurrence of the envisaged transaction or the fixed obligation is no longer expected the amounts previously entered in the equity are rebooked into the profit and loss statement. If the hedge instrument expires or is sold, ended or is exercised, without there being a substitute or a roll over of the hedge instrument into another hedge instrument, the amounts so far entered in the equity shall remain as separate items in the equity until the envisaged transaction or fixed obligation has occurred. The same applies if it is determined that the hedge instrument no longer meets the criteria for the entry on the balance sheet as hedge relationship.

4 Assumptions with the accounting and valuation

The list of consolidated financial statements in line with the IFRS requires assumptions. Further the application of the company-wide accounting and valuation methods requires assessments of the management.

All assumptions and assessments are continuously re-assessed and are based on historical experiences and other factors, including expectations with regard to future events which appear reasonable under the given circumstances.

The Group reaches assumptions which relate to the future. The assumptions, which may involve adjustments to the book values of assets and debts within the next fiscal year, are explained below.

Goodwill and cash generating units
The swb Group examines at least once a year whether the goodwill is impaired in value. An examination will be carried out for cash generating units insofar as there are indications of impairment. To this end the use value of the cash generating units are determined. In order to determine the use value the company management must discount the future cashflows of the cash generating units from the planning approved by the Supervisory Board with a reasonable discount rate in order to be able to determine the cash value of the cashflows. All plans are based on assumptions with regard to the environment conditions which can be influenced by future chances and Risks and thus have implications on the cashflows which are to be discounted. The discounting rate in the actual market environment involves increased uncertainties due to the financial market crisis. As of balance sheet key date the book value of the goodwill amounted to EUR 42,883k (previous year: EUR 11,210k). Further details can be taken from No. 6 “Intangible assets”.

Fair value of non-listed equity instruments
The non-listed equity instruments were valuated on the basis of the expected cashflow discounted by applying discount rates which are currently to be applied to items with comparable conditions and risk characteristics. The valuation is based on assumptions with regard to the expected future cashflows and the discount rates. As of balance sheet key date the book value of the non-listed equity instruments amounted to EUR 42,725k (previous year: EUR 32,784k). Further details can be taken from No. 10 “Financial assets”.

Deferred taxes
Deferred taxes on the assets side are entered for all unused fiscal losses carried forward to the extent, in which it is likely that taxable income will be available for this so that the losses carried forward can actually be used. An essential exercising of discretion by the management is necessary for determining the amount of the deferred taxes on the assets side based on the expected time of occurrence and the amount of the income which will be taxable in future and the future tax planning strategies. Further details can be taken from No. 24 “Deferred taxes on the liabilities side”.

Tax on income
The swb Group determines the tax on income based on prepared tax balance sheets, which are further developed from audited commercial balance sheets of the Group companies. The assumptions which are to be made with the accounting under commercial law mostly also have implications under tax law. Insofar as facts occur after the balance sheet key date which deviate from the assumptions this may lead to corresponding subsequent effects under fiscal law.

Further when assessing complex facts with unclear legal position there may be deviating opinions compared with the financial authorities with regard to the scope and period of time of subsequent effects under fiscal law. The swb Group forms tax provisions based on disputed quantifiable single facts. Insofar as the final taxation of these business transactions deviates from that which was initially assumed, this will have implications on the actual and the deferred taxes in the period, in which the taxation is finally determined.

Provisions for pensions and other benefits after termination of the employment relationship
The provisions are determined through actuarial calculations. The actuarial valuation is carried out based on assumptions with regard to the discount rates, future wage and salary rises, fluctuation, mortality and future increases in pensions. In line with the long-term orientation of these plans such assumptions are subject to essential uncertainties. Further details can be taken from No. 23 “Provisions for benefits to employees”.

Revenue accruals
Owing to the settlement of individual customer groups which are only carried out annually a substantial share of the periodic sales volumes (network withdrawal) is projected in the financial statements during the year and in the annual financial statements. This can – with regard to the effective values which can be determined in following periods – result in a volume effect and – through the allocation of the sales volumes to various customer groups – a price mix effect.

Volume-based encumbrances as of key date of the financial statements, the price of which has not been finally determined (e. g. EEC encumbrances) can in addition lead to downstream price effects.

As of balance sheet key date the book value of the considered revenue accrual amounted to EUR 75,025k (previous year: EUR 54,217k).

5 Company amalgamations and goodwill

As of 1 January 2008 the swb Group has acquired a further 50 percent of the shares and voting rights in Abfallbehandlung Nord GmbH, Bremen (since 1 August 2008 swb Entsorgung GmbH, Bremen). The object of the company is the recycling, the treatment, the storage, the sorting, the processing and the marketing of waste and other substances as well as the trade with these substances.

This company was fully consolidated for the first time in the fiscal year 2008. The company made a results contribution of EUR 2,884k to the profits of the Group and generated sales revenue totalling EUR 46,053k.

The fair values of the identifiable assets and debts of Abfallbehandlung Nord GmbH at the time of acquisition and the corresponding book values directly before the time of acquisition are as follows:

ACQUISITION COSTS OF THE COMPANY AMALGAMATION

in kEUR	Note	Fair value	Book value at the acquired company
Intangible assets	6	25,191	11,410
Property, plant and equipment	7	118,691	102,825
Inventories		4,591	4,591
Other assets		14,773	14,773
Cash and cash equivalents		562	562
		163,808	**134,161**
Long-term debts		102,689	99,286
Deferred taxes	24	8,518	0
Provisions for partial retirement	23	262	262
Short-term debts		35,637	33,374
Other provisions	22	6,093	5,326
Net assets		**10,608**	**–4,087**
Step acquisition (50%)		5,304	
Goodwill from the company acquisition	5	43,516	
Total acquisition costs		**48,820**	

The receivables and liabilities due from affiliated companies included in the short-term assets and debts have been offset against each other.

The goodwill in the amount of kEUR 53,673 is derived in the amount of kEUR 10,157 from the acquisition of the 1st tranche (50 percent) from 1998 and in the amount of kEUR 43,516 from the acquisition of the 2nd tranche. It comprises the fair value of expected synergies from the company acquisition. Synergy potentials can be realised through the joint operation in the field of energetic waste recycling. Through the putting into operation of the middle calorific power plant at the port location the swb Group now has the flexibility in case of a failure of the waste heating power plant (MHKW) or of the middle calorific power plant (MKK) to partly compensate for the losses in the field of energetic waste incineration. In addition, the joint acquisition of waste quantities for both plants strengthens the position of the swb Group on the waste market.

As of 1 January 2008 HBE Holding Bremer Entsorgung GmbH & Co. KG (HBE) was split up according to the UmWG [Reorganisation Act] and the assets and debts assigned to the shareholders Nehlsen and swb AG. In the court of this transaction swb AG increased the previously indirectly held shares in swb Entsorgung (formerly Abfallbehandlung Nord GmbH) by 50 percent to 100 percent and the assigned the shares in Entsorgung Nord GmbH, Kompostierung Nord GmbH and RNO Reinigungs- und Entsorgungsservice Nord GmbH, which were previously held indirectly in the amount of 50 percent not affecting payments to the Nehlsen Group (EUR 24,500k). In addition, a debt was taken over from HBE as a consideration to compensate for the capitalised earning power (EUR 22,803k).

CASH OUTFLOW OWING TO THE COMPANY ACQUISITION

	in kEUR
Acquisition costs (affecting payment)	–1,517
Costs which can be directly attributed to the company acquisition	–27
Total	**–1,544**
Cash acquired with the subsidiary	562
Actual cash outflow	**–982**

6 Intangible assets

in kEUR	Licences, rights and patents	Goodwill	Software	Other intangible assets	Payments made on account	Total
As of 1 January 2007						
Acquisition/ production costs	11,726	11,930	13,510	6,919	2,421	46,506
Cumulative depreciation and impairments	–5,770	–720	–10,930	–4,667	0	–22,087
Net book value	**5,956**	**11,210**	**2,580**	**2,252**	**2,421**	**24,419**
Fiscal year 2007						
Opening net book value	5,956	11,210	2,580	2,252	2,421	24,419
Additions	77	0	1,945	0	1,258	3,280
Depreciation	–738	0	–1,536	0	0	–2,274
Rebookings	2,253	0	1,847	–2,252	–1,807	41
Final net book value	**7,548**	**11,210**	**4,836**	**0**	**1,872**	**25,466**
As of 31 December 2007						
Acquisition/ production costs	18,723	11,930	17,263	0	1,872	49,788
Cumulative depreciation and impairments	–11,175	–720	–12,427	0	0	–24,322
Net book value	**7,548**	**11,210**	**4,836**	**0**	**1,872**	**25,466**
Fiscal year 2008						
Opening net book value	7,548	11,210	4,836	0	1,872	25,466
Changes in the group of consolidated companies	25,000	0	191	0	0	25,191
Additions	24	53,673	1,552	0	1,565	56,814
Disposals	0	0	–1	0	0	–1
Depreciation	–2,970	0	–2,085	0	0	–5,055
Revaluations	200	0	0	0	0	200
Impairments	0	–22,000	0	0	0	–22,000
Rebookings	0	0	888	0	–676	212
Final net book value	**29,802**	**42,883**	**5,381**	**0**	**2,761**	**80,827**
As of 31 December 2008						
Acquisition/ production costs	43,747	65,603	19,836	0	2,761	131,947
Cumulative depreciation and impairments	–13,945	–22,720	–14,455	0	0	–51,120
Net book value	**29,802**	**42,883**	**5,381**	**0**	**2,761**	**80,827**

Licences, rights and patents

Besides paid building cost subsidies the licences, rights and patents essentially include rights for licensing and use.

The additions from the change in the group of consolidated companies with the licences, rights and patents concern valuated service contracts with public bodies and companies under private law concerning the acceptance of waste materials.

Goodwill

Goodwill in the amount of EUR 10,391k was determined within the framework of the first consolidation of swb Netze Bremerhaven GmbH & Co. KG (formerly: swb Bremerhaven AG).

Goodwill in the amount of EUR 819k existed for Kommunale Gasunion GmbH & Co. KG until the implementation of the unbundling regulations. This goodwill was assigned to swb Netze GmbH & Co. KG through the spin-off of the network assets in 2006.

Goodwill in the amount of EUR 53,673k results from the first consolidation of swb Entsorgung GmbH (formerly Abfallbehandlung Nord GmbH). As of the semi-annual financial statements 2008 the swb Group stipulated the attainable amount of the goodwill and determined that impairment was to be carried out of EUR 22,000k. With the determination of the attainable amount reference was made to the earning power by taking into consideration the reduced price expectation for waste quantities for the future. The used discounting rate before taxes is 8.4 percent minus a growth discount of 0.75 percent.

The impairment of goodwill are disclosed in the profit and loss statement under the item “Depreciations and value adjustments”. No impairments or depreciations are contained in the previous year.

Depreciations / impairments

Intangible assets with limited service life are depreciated as scheduled on a straight-line basis pro rata temporis over the financial service life. The service lives range between four years (for software) and depending on the contractual term up to 30 years for paid building cost subsidies and rights of use. Intangible assets with an indefinite service life are not depreciated as scheduled. Essential intangible assets with unlimited service life do not exist in the Group.

Depreciations and impairments of intangible assets are disclosed in the profit and loss statement under the item “Depreciations and value adjustments”.

Further information

Research and development costs were not incurred either in 2008 or in 2007. Neither restrictions on disposals exist for the disclosed intangible assets nor were these paid out as collateral for liabilities.

Capitalised leasing properties from financing leasing

The intangible assets and the fixtures and fittings include the following amounts in which the Group is lessee in a financing leasing:

CAPITALISED LEASING PROPERTIES FROM FINANCING LEASING

in kEUR	31.12.2008	31.12.2007
Acquisition / production costs	5,567	4,678
Cumulative depreciations	–1,069	–577
Net book value	**4,498**	**4,101**

The additions from 2006 are essentially a result of the acquisition of the licences for the SAP-Software My SAP ERP.

7 Property, plant and equipment

in kEUR	Properties	Buildings	Machinery, technical plants, net-works and meters	Office and business equipment	Payments made on account and plants under construction	Total
As of 1 January 2007						
Acquisition/ production costs	46,731	169,221	2,146,023	95,866	30,731	2,488,572
Cumulative depreciation and impairments	–21,493	–123,368	–1,588,495	–76,046	0	–1,809,402
Net book value	**25,238**	**45,853**	**557,528**	**19,820**	**30,731**	**679,170**
Fiscal year 2007						
Opening net book value	25,238	45,853	557,528	19,820	30,731	679,170
Additions	811	738	50,329	6,171	60,130	118,179
Disposals	–189	–79	–3,374	–94	–36	–3,772
Depreciations	–448	–3,650	–44,275	–5,699	0	–54,072
Impairments	–126	–3,458	0	0	–12,466	–16,050
Rebookings	52	156	19,516	643	–21,125	–758
Final net book value	**25,338**	**39,560**	**579,724**	**20,841**	**57,234**	**722,697**
As of 31 December 2007						
Acquisition/ production costs	47,362	169,559	2,191,562	100,046	57,234	2,565,763
Cumulative depreciations and impairments	–22,024	–129,999	–1,611,838	–79,205	0	–1,843,066
Net book value	**25,338**	**39,560**	**579,724**	**20,841**	**57,234**	**722,697**
Fiscal year 2008						
Opening net book value	25,338	39,560	579,724	20,841	57,234	722,697
Changes in the group of consolidated companies	2,800	10,065	104,821	591	414	118,691
Additions	1,521	3,566	55,524	4,947	53,513	119,071
Disposals	–83	–49	–1,946	–353	–258	–2,689
Depreciations	–630	–3,881	–52,430	–4,625	0	–61,566
Revaluations	2,777	0	12,590	0	0	15,367
Impairments	0	0	–113	0	–843	–956
Rebookings	28	1,294	10,402	288	–12,351	–339
Final net book value	**31,751**	**50,555**	**708,572**	**21,689**	**97,709**	**910,276**
As of 31 December 2008						
Acquisition/ production costs	51,205	183,432	2,322,185	102,050	97,709	2,756,581
Cumulative depreciations and impairments	–19,454	–132,877	–1,613,613	–80,361	0	–1,846,305
Net book value	**31,751**	**50,555**	**708,572**	**21,689**	**97,709**	**910,276**

Revaluations and impairments
Impairments in the amount of kEUR 956 were undertaken in 2008. The depreciations were derived owing to the exit from the project "Retrofit Block 14" (kEUR 843) and the depreciation on a photovoltaic plant without an intrinsic value (kEUR 113).

Owing to adjustments in the further developed book values to the attainable amounts of the cash generating units revaluations were made in the amount of kEUR 15,367 (previous year: kEUR 0) in the annual financial statements 2008. Thereof kEUR 13,377 relate to the water network Bremerhaven and kEUR 1,990 to the heat network Bremerhaven. There were no revaluations or impairments in the previous year.

Revaluations and impairments are disclosed in the profit and loss statement under the item depreciations and value adjustments.

Investment obligations
The investment expenses, for which contractual obligations existed as of balance sheet key date, which however have not yet been incurred, amounted to EUR 102,355k (previous year: EUR 119,092k). Payments were made on account on these obligations by 31 December 2008 in the amount of EUR 63,736k (previous year EUR 32,201k).

Further information
The own services for self-created plants which were capitalised in 2008 in the amount of EUR 10,736k (previous year: EUR 14,072k) are essentially disclosed in the item machinery, technical plants, networks and meters.

Neither restrictions on disposal existed for the disclosed property, plant and equipment nor were these paid out as collateral for liabilities.

Lessor – Operating Leasing
The property, plant and equipment included the following amounts, in which the group is Lessor in an Operating Leasing:

LESSOR OPERATING LEASING

in kEUR	31.12.2008	31.12.2007
Acquisition / production costs	235,002	234,057
Cumulative depreciations	–227,712	–226,656
Cumulative impairments	–510	–521
Net book value	**6,780**	**6,880**

IMPAIRMENT OPERATING LEASING in kEUR	31.12.2008	31.12.2007
Depreciations of the previous years	−226,656	−225,736
Changes in cumulative depreciations of the period	−1,056	−920
Cumulative depreciations	**−227,712**	**−226,656**
Impairments of the previous years	−521	−281
Changes in cumulative impairments of the period	11	−240
Cumulative impairments	**−510**	**−521**

The impairments concerned the rented part of the impaired property area in the property, plant and equipment.

Receivables from Operating Leasing
The Operating Leasing relationships concerned plants which are to be classified as Operating Leasing according to IAS 17 within the framework of real estate tenancy agreements, electrical plant contracting and heat contracting.

The future cumulative minimum leasing payments from Operating Leasing which cannot be terminated amounted to:

RECEIVABLES FROM OPERATING LEASING in kEUR	31.12.2008	31.12.2007
Minimum leasing payments		
with a residual term of up to one year	3,907	3,781
with a residual term of one year up to five years	3,894	3,175
with a residual term of more than five years	1,698	1,433
Minimum leasing payments	**9,499**	**8,389**

The short-term receivables essentially resulted from the leasehold relationship with Stahlwerke Bremen GmbH in the amount of EUR 2,500k (previous year: EUR 2,500k). The annual volume of the contract is EUR 5,000k. The leasehold contract applies unlimited and can be terminated with a period of notice of three months as of 30 June and 31 December of each and any year.

The heat direct service contracts were presented as conditional rental payments with the year 2008. The conditional rental payments amounted to EUR 261k (previous year EUR 189k) for the aforementioned contracts in 2008. The minimum leasing payments of the previous year were adjusted accordingly which led to a reduction of EUR 3,746k.

Liabilities from Operating Leasing
The essential share resulted from the rental of real estate. As a rule the contracts have terms from five up to 20 years. A further part relates to the hardware leasing agreements for the swb Group. The need was covered to a large extent by a master leasing agreement. The other Operating Leasing agreements are based on contracts as are usually concluded in normal business transactions as the leasing of vehicles, copying machines and office equipment.

The increase in the minimum leasing payments is due to a large extent to real estate rents which are additionally to be taken into account as a result of the integration of Abfallbehandlung Nord GmbH. Of these agreements two real estate tenancy agreements have a term until the year 2041.

The payments made from tenancy agreements amounted to EUR 6,122k in the current fiscal year (previous year EUR 3,496k).

LIABILITIES FROM OPERATING LEASING

in kEUR	31.12.2008	31.12.2007
with a residual term of up to one year	6,267	3,440
with a residual term of one year up to five years	18,836	9,963
with a residual term of more than five years	15,674	11,454
Minimum leasing payments from Operating Leasing	**40,777**	**24,857**

8 Real estate held as financial investment

in kEUR	Properties	Buildings	Total
As of 1 January 2007			
Acquisition / production costs	1,531	2,651	4,182
Cumulative depreciations and impairments	0	–1,725	–1,725
Net book value	**1,531**	**926**	**2,457**
Fiscal year 2007			
Opening net book value	1,531	926	2,457
Disposals	–12	–42	–54
Abschreibungen	0	–124	–124
Impairments	0	–258	–258
Final net book value	**1,519**	**502**	**2,021**
As of 31 December 2007			
Acquisition / production costs	1,519	2,591	4,110
Cumulative depreciations and impairments	0	–2,089	–2,089
Net book value	**1,519**	**502**	**2,021**
Fiscal year 2008			
Opening net book value	1,519	502	2,021
Depreciations	0	–118	–118
Rebookings	0	129	129
Final net book value	**1,519**	**513**	**2,032**
As of 31 December 2008			
Acquisition / production costs	1,519	2,942	4,461
Cumulative depreciations and impairments	0	–2,429	–2,429
Net book value	**1,519**	**513**	**2,032**

Impairments

No impairments were carried out in 2008 (previous year: EUR 258k).

Rebookings

The disclosed rebookings in the amount of EUR 129k resulted from the reclassification of a rented warehouse from the property, plant and equipment.

Expenses which can be attributed directly to the real estate held as financial investment
The operating expenses which can be attributed directly to the real estate disclosed in the Group as financial investment amounted to EUR 751k in the fiscal year (previous year: EUR 903k). Thereof EUR 208k (previous year: EUR 411k) relate to repairs and maintenance and EUR 179k to depreciations and impairments (previous year: kEUR 382).

Rental income from real estate held as financial investment
The rental income for the real estate held as financial investment in the swb Group amounted to EUR 878k in the fiscal year (previous year: EUR 1,047k).

Fair value of the real estate held as financial investment
The fair value of the real estate which are to be classified as real estate held as financial investment, amounted to EUR 3,718k (previous year: EUR 3,718k) as of balance sheet key date.

There are currently no restrictions with regard to the saleability or the transfer of income and sales proceeds for the “real estate held as financial investments in the Group”.

9 Shares in associated companies

Within the framework of the reorganisation of the HBE Group the balance sheet values of HGU Hanseatische Gesellschaft für Umweltdienstleistungen mbH & Co. KG were transferred to swb AG through the real division with 50 percent. The book values of the participations in associated companies valuated at-equity developed as follows:

SHARES IN ASSOCIATED COMPANIES

in kEUR	31.12.2008	31.12.2007
Beginning of the year	334,915	325,432
Share of the profit/loss	23,576	28,755
Received profit distribution	–21,886	–21,844
Impairments participating interests	–12,600	0
Other changes in equity	–12,061	2,572
End of the year	**311,944**	**334,915**

The Group took into account losses in the total amount of EUR 1,959k for HGU beyond the participation book value through the impairment of a loan in the past few years. These impairments were taken back completely.

The disclosed impairment relates to the depreciation of the participation estimate of Stadtwerke Bielefeld GmbH owing to reduced prospects for income. A customary interest rate (upper range of the bandwidth stated under no. 3.5 “Impairment of non-financial assets“) is used as a basis for determining the fair value.

The item “other changes in equity” is composed of the change in the IAS 39 reserve at Stadtwerke Bielefeld GmbH in the amount of EUR 9,526k (previous year: EUR 321k) and the disposal of the equity participation book value of HBE Holding Bremer Entsorgung-GmbH & Co. KG, Bremen, in the amount of EUR 2,535k.

As of 31 December 2008 the participations in associated companies comprise goodwill in the amount of EUR 61,319k (previous year: EUR 73,920k).

The following tables show a summary of the aggregated profit and loss statements and the balance sheets of the participating interests in the swb consolidated accounts which are entered at-equity on the balance sheets.

RESULTS DATA OF THE PARTICIPATING INTERESTS VALUATED AT-EQUITY

in kEUR	2008	2007
Sales revenue	601,843	651,122
Other expenses and income	–555,897	–572,270
Results before taxes	**45,946**	**78,852**
Tax on income and revenue	–13,204	–27,289
Annual results	**32,742**	**51,563**
Thereof the following relate to the swb Group	16,276	26,041
Other	7,300	2,551
Results from participating interests valuated at-equity	**23,576**	**28,592**

BALANCE SHEET DATA OF THE PARTICIPATING INTERESTS VALUATED AT-EQUITY

in kEUR	2008	2007
Long-term assets	813,086	984,127
Short-term assets	406,782	434,286
Long-term liabilities	361,257	477,840
Short-term liabilities	349,528	410,987
Equity	**509,083**	**529,586**
Thereof the following relate to the swb Group	253,377	264,826
Other	58,567	70,089
Book value from participating interests valuated at-equity	**311,944**	**334,915**

Disclosed under “Other“ are adjustments to the uniform accounting principles of the swb Group, differences within the framework of a purchase price breakdown and its updating affecting net income and non-scheduled value adjustments.

10 Financial assets

LONG-TERM FINANCIAL ASSETS

in kEUR	31.12.2008	31.12.2007
Other participating interests	42,380	32,462
Shares in affiliated companies	345	322
Loans to third parties	19,443	18,443
Loans to personnel	1,931	2,011
Loans to associated companies	0	740
Financial assets leasing	2,749	2,899
Long-term financial assets	**66,848**	**56,878**

Disclosed under the other participating interests and the shares in affiliated companies (not included in the group of consolidated companies) are the companies listed under no. 42 “List of shareholdings“. The valuation of the participating interests led to an impairment in the amount of EUR 2,058k in the period under review. No impairments or revaluations were carried out in the previous year.

The increase in the other participating interests results from the acquisition of a share in Weserkraftwerk Bremen GmbH & Co. KG in the amount of EUR 3,920k as well as a reclassification of the shares in Harzwasserwerke GmbH in the amount of EUR 8,980k from the short-term financial assets.

The item “Loans to third parties” essentially relates to amounts paid out to the Free Hanseatic Town of Bremen in connection with the operation of the public lighting systems, which according to the relevant regulations of the International Financial Reporting Standards (IFRS) are classified as long-term loans.

The book values essentially correspond with the fair values.

Receivables from financing leasing

The receivables from financing leasing disclosed under the long-term and short-term financial assets concern leasing relationships in which essentially all risks and chances of an asset associated with the ownership were assigned. These concern in full business in the field of heat contracting.

RECEIVABLES FROM FINANCING LEASING in kEUR	31.12.2008	31.12.2007
Gross receivables		
with a residual term of up to one year	589	562
with a residual term of one year up to five years	1,896	2,016
with a residual term of more than five years	2,028	2,062
Total gross receivables	**4,513**	**4,640**
minus financial income not yet realised	1,380	1,384
Net investment	**3,133**	**3,256**

RECEIVABLES FROM FINANCING LEASING NET INVESTMENTS in kEUR	31.12.2008	31.12.2007
Gross receivables		
with a residual term of up to one year	384	357
with a residual term of one year up to five years	1,293	1,399
with a residual term of more than five years	1,456	1,500
Net investment	**3,133**	**3,256**

11 Receivables from tax on income

The disclosure of the long-term receivables from tax on income relate to the receivable for the corporation tax credits.

The short-term receivables from tax on income relate to reimbursement claims of the assessment periods 2008 and 2005 (owing to the submission of corrected tax returns) and are composed as follows:

RECEIVABLES FROM TAX ON INCOME in kEUR	31.12.2008	31.12.2007
Tax on income fiscal year	7,532	0
Tax on income previous years	9,829	0
Receivables from tax on income	**17,362**	**0**

12 Inventories

The inventories are composed as follows:

INVENTORIES

in kEUR	31.12.2008	31.12.2007
Trading goods	18,284	14,298
Raw materials, materials and supplies	23,203	14,549
Unfinished services	4,478	2,800
Payments made on account on inventories	0	156
Inventories	**45,965**	**31,801**

No essential impairments were carried out on the stocks of the inventories.

13 Trade receivables

The trade receivables were entered on the balance sheet at the nominal value and do not include any interest.

TRADE RECEIVABLES

in kEUR	31.12.2008	31.12.2007
Trade receivables	147,004	119,358
Receivables due from affiliated companies	6,407	2,921
Receivables due from companies with which an investment relationship exists	1,807	2,419
Trade receivables	**155,218**	**124,698**

With regard to the receivables due from closely associated companies reference is made to the notes under No. 37 “Relations to closely associated companies and persons“.

The trade receivables do not bear interest and as a rule have a term of 30 to 90 days.

As of 31 December 2008 trade receivables were impaired with the nominal value of EUR 14,973k (previous year: EUR 13,383k). The development of the value adjustment account is seen as follows:

DEVELOPMENT OF THE VALUE ADJUSTMENT ACCOUNT

in kEUR	2008	2007
Status 1 January	13,383	12,481
Transfer	3,752	2,901
Consumption	–973	–1,132
Written back	–1,188	–867
Status 31 December	**14,973**	**13,383**

The results of the analysis of the overdue trade receivables as of 31 December 2008 can be derived from the following table:

ANALYSIS OF AGE STRUCTURE

in kEUR	31.12.2008	31.12.2007
Neither overdue nor value-adjusted receivables	93,890	93,485
Overdue receivables, which are not single value adjusted: 1)		
less than 30 days	44,350	19,302
30 to 60 days	2,397	2,347
61 to 90 days	1,491	983
91 to 180 days	1,863	1,257
181 to 270 days	1,760	855
271 to 360 days	116	359
361 days and more	1,137	770
	53,114	**25,873**
Book value (net)	**147,004**	**119,358**

1) Portfolio-based value adjustments have been deducted.

The increase in the receivables is essentially a result from invoices of the sales company for settlements from the sale of CO2 certificates (EUR 15,970k) as well as from the extension of the group of consolidated companies through the first-time inclusion of swb Entsorgung GmbH (EUR 6,965k).

14 Financial assets

SHORT-TERM FINANCIAL ASSETS in kEUR	31.12.2008	31.12.2007
Annuity certificates Held-for-Trading	15,723	35,498
Shares Held-for-Trading	1,853	7,286
Other securities Held-for-Trading	0	9,480
Pledged securities	2,890	2,493
Receivables from financial instruments	145,267	65,508
Loans to third parties	65	83
Loans to personnel	386	277
Short-term leasing receivables	384	357
Short-term financial assets	**166,569**	**120,981**
thereof pledged	2,890	2,493

The fall in the annuity certificates Held-for-Trading results from the sale of tradable securities.

The shares Held-for-Trading essentially relate to securities with first-class creditworthiness. The swb Group therefore assumes a change in value risk of approx. 10 percent.

The value credit from the agreement concerning partial retirement is hedged against the risk of insolvency through the pledged securities. The securities pledged for the purpose of hedging partial retirement credits comprise annuity certificates in the amount of EUR 4,667k (previous year: EUR 5,918k) and shares in the amount of EUR 2,949k (previous year: EUR 0k). As the hedged provisions concern claims from services after the termination of the employment relationship an amount of EUR 4,726k (previous year: EUR 3,425k) was offset against the corresponding provision.

The market value change risk with a Modified Duration of around two based on the pledged fixed-interest bearing securities of EUR 2,890k is approximately EUR 100k with a straight-line shift of the interest structure curve by one percent upwards.

The increase in the receivables from financial instruments is justified by the change in the market values of several derivatives for hedging price risks for electricity trade or for coal procurement. The increase in this item is compared with an increase in the liabilities from financial instruments in the amount of EUR 174,852k.

With regard to the short-term leasing receivables also cf. No. 10 “Financial assets”.

The book values essentially correspond with the fair values.

Contained in the financial assets are variable and fixed-interest bearing annuity certificates which are all classified as “Held-for-Trading“ – as short-term financial assets – and are valuated at the market value.

The maturity structure of the annuity portfolio as of key date is as follows:

MATURITY STRUCTURE OF THE ANNUITY PORTFOLIO AS OF KEY DATE

in kEUR	31.12.2008	31.12.2007
with a residual term of up to one year	0	9,668
with a residual term of one up to five years	11,676	15,040
with a residual term of more than five years	4,048	10,790
Annuity certificates Held-for-Trading	**15,724**	**35,498**

The market value change risk with a Modified Duration of around 3.4 based on fixed-interest bearing securities of around EUR 15,700k is around EUR 530k with a straight-line shift of the interest structure curve by one percent upwards.

15 Other receivables

in kEUR	31.12.2008	31.12.2007
Other payments made on account	4,204	6,142
Other fund assets	551	3,402
Acquired emission rights	17,123	3,366
Receivables from other taxes	2,326	1,121
Other receivables	13,684	5,172
Other short-term receivables	**37,888**	**19,203**

The book values essentially correspond with the fair values.

The “other receivables” essentially include discounts which were granted to the sales partners in the course of the new contractual regulation of the gas supply contracts, with which the time of payment and the period of satisfaction do not correspond. Further disclosed in this item are claims for subsequent procurement of energy quantities which result from minimum purchase obligations can be offset in the following years.

16 Cash and cash equivalents

in kEUR	31.12.2008	31.12.2007
Cash	26,656	72,591
Cash equivalents	253	690
Cash and cash equivalents	**26,909**	**73,281**

The cash and cash equivalents include cash on hand, bank balances and receivables from the Cash-Pool.

Call monies are invested at customary interest rates of 2.0 percent for balances which can be terminated daily and fixed-term deposits.

The cash was offset in the amount of EUR 4,824k (previous year: EUR 4,175k), because these funds serve to hedge value credits (satisfaction arrears) from partial retirement agreements.

17 Subscribed capital

As of 31 December 2008 the subscribed capital of swb AG consists of 209,865 individual shares certificates made out in the holder's name (previous year: 209,865) with a calculable share of EUR 559.69 each (previous year: EUR 559.69). The balance sheet entry as of balance sheet key date is EUR 117,459,083.90. There is no approved capital as of balance sheet key date. The shares have been paid in full.

The shareholders are:

SHAREHOLDERS

	Share of the capital stock in kEUR	Voting rights
Deutsche Essent GmbH, Düsseldorf	59,904	51 %
EWE Aktiengesellschaft, Oldenburg	57,555	49 %
Bremer Verkehrsgesellschaft mbH, Bremen	1 share	1 share
Subscribed capital	**117,459**	**100 %**

18 Capital reserve

The capital reserve essentially relates to external cash inflows.

19 IAS 39 reserve

Entered in the reserve according to IAS 39 are changes to the financial instruments not affecting net income as well as the deferred taxes formed on this not affecting net income.

HEDGE ACCOUNTING

	Period under review	NOMINAL VOLUME IN kUSD 2008	2009	2010	2011	2012	Total
Coal swaps	2008	0	133,571	114,170	38,385	11,430	297,556
	2007	86,505	61,279	29,078	0	0	176,862
Foreign exchange futures EUR/USD	2008	0	94,500	101,000	40,000	11,000	246,500
	2007	89,000	52,500	25,000	0	0	166,500
Foreign exchange futures options	2008	0	45,000	25,000	0	0	70,000
	2007	0	16,000	15,000	0	0	31,000

Interest rates swaps with a nominal volume of kEUR 30,000 and a term until 2014 were concluded in the fiscal year 2007 which are kept within the framework of the Hedge Accounting. Interest rate hedges with a nominal volume of EUR 100,000k were further concluded which were not formally declared as hedges according to IAS 39 and which therefore are not taken into account in the Hedge Accounting.

As of 31 December 2008 the nominal volume of the CO_2 forwards amounted to a total of EUR 26,872k (2009: EUR 15,454k; 2010; EUR 9,312k; 2011: EUR 1,584k; 2012: EUR 522k).

HEDGE ACCOUNTING

	Period under review	MARKET VALUATION (MARK TO MARKET) IN kEUR 2008	2009	2010	2011	2012	Total
Coal swaps	2008	0	−10,263	−15,220	−6,102	−3,755	−35,340
	2007	40,887	14,258	4,811	0	0	59,956
Foreign exchange futures EUR/USD	2008	0	1,835	3,073	265	883	6,056
	2007	−6,278	−2,750	−1,460	0	0	−10,488
Foreign exchange futures options	2008	0	1,793	1,406	0	0	3,199
	2007	0	0	0	0	0	0
Interest rate swaps	2008	0	0	0	0	−1,443	−1,443
	2007	490	0	0	0	0	490
CO_2	2008	0	−3,105	−1,413	−343	−142	−5,003
	2007	0	0	0	0	0	0

Four types of hedge relationships are included within the framework of the Hedge Accounting whereby they all concern future cashflows hedges (Cashflow Hedges).

Interest hedges:
The swb Group took out bonded loans with variable interest rates in the amount of EUR 130,000k in 2007. The interest rates were adjusted every three months based on the 3-month EURIBOR plus a fixed interest margin. Interest rate swaps were concluded in order to hedge against interest change risks from which the swb Group receives variable cashflows and pays fixed cashflows. Insofar as these interest rate swaps meet the requirements of Hedge Accounting, notably with reference to hedge efficiency, the ensuing market value changes of these financial instruments will be entered on the balance sheet during their term within the framework of Hedge Accounting.

As of 31 December 2008 these interest rate swaps, with a maximum term until 2014, relate to a nominal volume of EUR 30,000k and featured a negative market value of EUR 1,443k. The negative market value amounted to EUR 2,324k as of 31 December 2008 for the interest rate hedges with a nominal volume of EUR 100,000k, which are not entered on the balance sheet within the framework of the Hedge Accounting.

Coal hedging/CO2 certificates
Within the framework of its regular business activity and the anchored strategies in the portfolio management the swb Group sells part of the electricity produced in future for the following years. In order to hedge the thus incurred variable costs for used materials a financial hedge of the future coal requirements is undertaken using coal swaps on API2 basis and the requirement for CO_2 certificates based on forward transactions. This way the costs actually incurred in future when purchasing the coal or the CO_2 certificates and the expected margin from the electricity production and the electricity sale is fixed and the fluctuations in operating results are reduced. The coal swaps and the CO_2 certificates meet the requirements from Hedge Accounting, are highly effective and the ensuing changes in market value of these financial instruments are entered on the balance sheet during their term within the framework of the Hedge Accounting. The swb Group further held coal swaps with a nominal contractual volume of kUSD 3,475 and a negative market value of kEUR 1,206 and CO_2 forwards with a nominal contractual volume of kEUR 328 and a negative market value of kEUR 167 as of 31 December 2008.

With the processing of coal swaps for hedging purposes EUR 55,245k (previous year: EUR 5,859k) were offset against the acquisition costs of coal in the fiscal year.

Foreign exchange hedge
The swb Group hedges future obligations in foreign currency as a rule through foreign exchange transactions and / or the purchase of foreign exchange options. In particular future payment obligations in USD result from the transactions described under “coal hedging”, which are hedged within the framework of the anchored strategies in the portfolio management. The foreign exchange transactions meet the requirements from Hedge Accounting, are highly effective and the ensuing changes in market values of these financial instruments are entered on the balance sheet during their term within the framework of the Hedge Accounting. The same applies to the so-called internal value of foreign exchange options insofar as such is even derived owing to the rate development. As of 31 December 2008 the market value of the options amounted to EUR 1,706k.

When processing futures exchange transactions for hedge purposes EUR -7,341k (previous year: EUR 3,488k) were offset against the acquisition costs of US-Dollar in the fiscal year.

20 Retained earnings

The retained earnings include the statutory reserve to be formed according to §150 AktG [Companies Act], profit retentions and the effects from the re-assessment from HGB to IFRS.

21 Financial debts

in kEUR	31.12.2008	31.12.2007
Long-term financial debts		
Interest-bearing loans	274,745	135,595
Financing leasing	1,880	1,817
	276,625	**137,412**
Short-term financial debts		
Interest-bearing loans	14,348	2,206
Overdraft facilities banks	27	0
Financing leasing	448	1,137
Liabilities from financial instruments	188,599	13,747
Liabilities due to affiliated companies	3,116	856
Liabilities due to other participating interests	767	822
	207,305	**18,768**
Total financial debts	**483,930**	**156,180**

Municipal guarantees are available to the creditors as collateral for part of the loans (a total of EUR 3,695k / previous year: EUR 5,698k). No additional collateral was provided to the creditors by the swb Group.

Nevertheless individual loan agreements and the bonded loans contain customary bank clauses in the documentation. Loans with a total volume of EUR 229,720 contain a so-called “change-of-control” clause.

Due to the high volatility of the financial and commodity markets and increased volumes this results in higher market values for the derivatives held by the swb Group.

The interest change risks of the long-term loans can be derived from the following table:

FIXED-INTEREST PERIODS OF INTEREST-BEARING LOANS

in kEUR	31.12.2008	31.12.2007
Interest-bearing loans with a residual term of up to one year	14,348	945
with a residual term of one year up to five years	60,428	7,912
with a residual term of more than five years	214,317	128,944
Interest-bearing loans	**289,093**	**137,801**

INTEREST-BEARING LOANS

in kEUR		End of term	31.12.2008	31.12.2007
Loans kEUR 100,000	3M-Euribor +0.3	2014	99,523	99,438
Loans up to kEUR 50,000	4.94	2013–2018	80,645	0
Loans kEUR 30,000	3M-Euribor +0.3	2014	29,580	29,505
Loans up to kEUR 30,000	5.09	2015	34,854	0
Loans less than kEUR 20,000	5.16	2012–2025	44,491	8,858
Total interest-bearing loans			**289,093**	**137,801**

Overdraft facilities
The overdraft facilities are not collateralised. Promised, not fully used short-term credit facilities in the amount of EUR 117,093k (previous year: EUR 102,557k) existed on the balance sheet key date.

Loans from banks
Loans EUR 100,000k
The loan was taken out on 2 August 2007 and is due for repayment in one amount as of 2 July 2014. The loan is not collateralised. Interest rate hedge instruments are used for this loan (see No. 19 “IAS 39 Reserve” and No. 38 “Goals and methods of the financial risk management”).

Loans up to EUR 50,000k
Entered under this item are three loans whereby one concerns an interest-bearing bonded loan that was taken out on 3 September 2008 and is due for repayment in one amount on 30 September 2018. This loan is not collateralised. The other loans were taken over within the framework of the reorganisation of the HBE Group. The loans are to be redeemed retrospectively as an annuity on a quarterly basis by June 2018.

Loans EUR 30,000k
The bonded loan was taken out on 20 December 2007 and is due for repayment in one amount as of 20 December 2014. The loan is not collateralised. Interest rate hedge instruments are used for this loan (see No. 19 “IAS 39 Reserve” and No. 38 “Goals and methods of the financial risk management”).

Loans up to EUR 30,000k
Entered under this item are two interest-bearing loans which were taken over within the framework of the reorganisation of the HBE Group. The loans are being repaid quarterly in equal instalments since 31 March 2006. Adjustments to interest rates have been agreed for a loan for January 2009 and for the other loan for March 2014. The loans are collateralised through a guarantee and a liquidity promise of swb AG.

Loans less than EUR 20,000k
Entered under this item are 19 loans. The new additions essentially relate to the financial debts which were taken over within the framework of the reorganisation of the HBE Group. Adjustments to interest rates have been agreed for all existing loans as well as for the new additions.

Financing leasing

OBLIGATIONS RESULTING FROM LEASING RELATIONSHIPS

in kEUR	31.12.2008	31.12.2007
Minimum leasing payments		
with a residual term of up to one year	581	1,275
with a residual term of one year up to five years	1,876	1,735
with a residual term of more than five years	234	368
Total minimum leasing payments	**2,691**	**3,378**
minus finance expenses which have not yet been realised	–363	–424
Liabilities from financing leasing	**2,328**	**2,954**

The leasing agreements essentially relate to the acquisition of the licences for the SAP-Software My SAP ERP.

CASH VALUE OF THE LIABILITIES FROM FINANCING LEASING

in kEUR	31.12.2008	31.12.2007
Cash value of the liabilities from financing leasing		
with a residual term of up to one year	448	1,137
with a residual term of one year up to five years	1,665	1,478
with a residual term of more than five years	215	339
Cash value of the liabilities from financing leasing	**2,328**	**2,954**

Conditional rental payments do not exist. The total of future minimum leasing payments is identical with the afore-mentioned items as a premature proper termination is not envisaged as a rule. As a rule sub-tenancies do not exist in the Group.

22 Provisions

ANALYSIS OF PROVISIONS

in kEUR	Status 1 Jan. 2008	Transfer	Writing-back	Interest share/ change in interest rate	Rebookings	Utilization	Status 31.12.2008
Recultivation	5,380	2,595	0	–80	0	0	7,895
Environmental restoration measures	9,249	0	0	142	0	0	9,391
Costs for proceedings	3,497	377	–604	0	0	–1,000	2,270
Sales obligations	44	9	0	0	0	–8	45
Uncertain obligations from pending business	3,353	17,161	–13	–60	0	–630	19,812
Reorganisation	14,661	487	–3,205	477	0	–1,240	11,180
Other	13,116	15,831	–884	–10	0	–2,143	25,910
	49,301	**36,459**	**–4,706**	**469**	**0**	**–5,021**	**76,502**
Thereof with a term of up to one year	**25,896**						**31,113**

Recultivation
Recultivation provisions have been formed for two flue ash dumping grounds and two gas caverns including the disarmament of associated plants based on actual experts' opinions. The provisions are based on contractual obligations as of the expiry of the leasehold or use contract.

The year 2032 is deemed as probable recultivation time for the caverns. This obligation was reduced by EUR 206k in the fiscal year 2008 owing to the changed discount rate. The reduction was offset against the associated tangible asset not affecting net income.

2022 is deemed as probable start of the utilization for one flue ash dumping ground, the second flue ash dumping ground has been filled. The time of recultivation will be determined by the Free and Hanse City of Bremen. A corresponding notification is not yet available as of the end of the fiscal year.

The interest disclosure in the provision analysis contains an effect not affecting net income in the amount of EUR 527k, from the capitalisation of a dismantling obligation.

Environmental restoration measures
The provisions for environmental restoration measures include the costs for recultivation including old contamination disposal for a property with ground contamination through the former operation of a gas plant. They will be utilized if the excavated earth has to be removed for a development of the property. The time of the development cannot be specified at present.

Further the occurrence of the dismantling obligation is assumed for the power plant port in 2050. This obligation was reduced in the fiscal year 2008 owing to the changed discount rate in the amount of kEUR 321. The reduction was offset against the relevant tangible asset not affecting net income.

Costs for proceedings
The amount essentially relates to a provision for the costs for two court proceedings which are being conducted by a Group company against an upstream network operator. One of the proceedings is in the first instance, in the other proceedings the swb Group filed a complaint against denial of leave to appeal at the Federal Court of Justice in January 2007 in order for the appeal to be admitted. The provision may be utilized at all times.

Uncertain obligations from pending business
The uncertain obligations essentially relate to negative income expectations with regard to a long-term supply contract.

Reorganisation
Against the background of the requirements and possible implications of the regulatory authorities a project was carried out in 2006 concerning the reorganisation of the network companies. The operational integration of swb Netze GmbH & Co. KG and swb Netze Bremerhaven GmbH & Co. KG, which was decided in the previous year, was implemented in the fiscal year 2008 in the form of a joint operation.

The changes essentially arise from a reclassification of deferred expenses for personnel reduction to provisions for newly concluded partial retirement contracts.

The provisions which were formed until the end of the fiscal year 2008 will be utilized up to and including 2015.

Other
As a company with a large number of business fields the swb Group is exposed to several legal risks. These can include risks from the fields of contract law, fiscal law and environmental protection. In particular in questions of contract law additional information can lead to increased risks in pending proceedings. The information according to IAS 37.84 ff. was therefore not provided.

23 Provisions for benefits to employees

in kEUR	31.12.2008	31.12.2007
Provisions for pensions	483,291	481,474
minus short-term share	–30,021	–28,979
Long-term share of the provisions for pensions	**453,270**	**452,495**
Provisions for payments in kind	8,926	9,507
Provisions for benefits	1,143	1,226
Provisions for allowances for anniversaries	7,414	7,108
Provisions for other pensions (formerly Bremer Ruhelohnkasse)	0	25
Provisions for partial retirement	14,560	12,239
Provisions for early retirement	746	2,607
Provisions for redundancy plan	65	151
Long-term share of the provisions for benefits to employees	**486,124**	**485,358**

The short-term share of the “provisions for pensions” entered on the balance sheet amounted to EUR 30,021k in the fiscal year (previous year: EUR 28,979k) and is disclosed under the short-term provisions for benefits to employees.

The changes in the provisions for benefits to employees are disclosed in the profit and loss statement under the item Costs for Human Resources (see No. 30 “Costs for Human Resources”) as well as financial expenses (see No. 32 “Financial results”).

The total expenses for contribution-oriented plans including restoration money of VBL amounted to EUR 2,507k in the fiscal year (previous year: EUR 2,014k).

The employer’s share for the statutory pension insurance amounted to EUR 12,147k (previous year: EUR 11,288k).

The bank balances, annuity certificates and securities pledged for hedging the partial retirement claims were offset in the amount of EUR 9,550k (previous year: EUR 7,600k) against the relevant provision for partial retirement.

VALUE CREDIT FOR THE INSOLVENCY INSURANCE [1]		
in kEUR	31.12.2008	31.12.2007
Current market value of the assets on 1 January	10,093	8,467
Increase (transfer)	2,000	1,500
Increase in value (interest, etc.)	347	126
Current market value of the assets on 31 December	**12,440**	**10,093**

[1] Development of the value credit for the insolvency insurance of partial retirement and long-term work accounts

The assets consist of pledged annuity certificates in the amount of EUR 4,667k (previous year: EUR 5,918k), shares in the amount of EUR 2,949k (previous year: EUR 0k) and bank balances in the amount of EUR 4,824k (previous year: EUR 4,175k).

The current market values of the assets amounted to EUR 8,468k for the balance sheet key date 31 December 2006, to EUR 8,372k for 31 December 2005 and to EUR 8,146k for 31 December 2004.

Altogether the following claims of the employees were hedged against insolvency:

CLAIMS OF THE EMPLOYEES HEDGED AGAINST INSOLVENCY		
in kEUR	31.12.2008	31.12.2007
Partial retirement	8,847	6,848
Employer's share social insurance partial retirement	1,722	1,346
Long-term work accounts	1,176	704
Employer's share social insurance long-time work accounts	228	138
Total as of 31 December	**11,973**	**9,036**

The swb Group is expecting a constant amount of the employees' claims from insolvency hedging for 2009.

The insolvency-hedged partial retirement claims relate with EUR 9,550k (previous year: EUR 7,600k) to the swb Group. In the amount of EUR 1,022k (previous year: EUR 911k) the partial retirement claims relate to value credits of third parties, which are hedged by the swb.

PENSION ANALYSIS

in kEUR	Pension obligation Defined Benefit Obligation (DBO)	Actuarial profits (+) and losses (-)	Actual net provision acc. balance sheet
Actual values 01.01.2007	**524,147**	**–44,329**	**479,818**
Expenses for years of service	7,504	0	7,504
Interest expenditure	23,288	0	23,288
Redemption	0	0	0
Pension expenses	**30,792**	**0**	**30,792**
Payments	–29,136	0	–29,136
Expected values 31.12.2007	**525,803**	**–44,329**	**481,474**
Change in the actuarial losses	–64,591	64,591	0
Actual values 31.12.2007 / 01.01.2008	**461,212**	**20,262**	**481,474**
Expenses for years of service	5,957	0	5,957
Interest expenditure	24,908	0	24,908
Pension expenses	**30,865**	**0**	**30,865**
Payments	–29,130	0	–29,130
Additions from associated companies	82	0	82
Expected values 31.12.2008	**463,029**	**20,262**	**483,291**
Change in the actuarial losses	–18,388	18,388	0
Actual values 31.12.2008	**444,641**	**38,650**	**483,291**

CORRIDOR METHOD (IAS 19.92) [1)]

in kEUR	2008	2007
Not yet amortised amounts 01.01.	**–20,262**	**44,329**
Corridor 10% of DBO as of 01.01.	–46,121	–52,415
Surplus	0	0
Redemption in years	0	0
Redemption in the current fiscal year	0	0

[1)] For the entry of the actuarial profits and losses

The following essential actuarial assumptions were reached:

ACTUARIAL ASSUMPTIONS

	2008	2007
Interest rate	6.00 %	5.50 %
Future pay rises	2.00 %	2.00 %
Future pension increases	1.67 %	1.59 %

The reference tables RT 2005 G of Klaus Heubeck were used as a computation base with regard to the life expectancy.

The “pension obligations (DBO)” and the “actuarial profits/losses” developed as follows:

DEVELOPMENT OF THE ACTUARIAL PROFITS/LOSSES

in kEUR	Interest Rate	DBO	Actuarial profits (+) and losses (-)	Effect from the change in assumptions in kEUR
31.12.2004 / 01.01.2005	4.50 %	516,298	–41,538	–44,167
31.12.2005 / 01.01.2006	4.00 %	555,395	–78,309	–34,232
31.12.2006 / 01.01.2007	4.50 %	524,147	–44,329	36,512
31.12.2007 / 01.01.2008	5.50 %	461,212	20,262	61,957
31.12.2008 / 01.01.2009	6.00 %	444,641	38,650	27,274

The “changes in assumptions” concern adjustments owing to changes in assumptions or adjustments based on experience which are in particular a result of changes in interest rates.

24 Deferred taxes on the liabilities side

The determination of the deferred taxes is based on the application of the tax rates which can be expected at the time of realisation. The fiscal regulations which were applicable on the balance sheet key date were taken into account. As of balance sheet key date the deferred taxes were determined with a total tax rate of 32 percent. The applied tax rate is composed of the average trade tax and corporation tax rate plus solidarity surcharge.

Disclosure and allocation of the deferred taxes
Deferred taxes on the assets and liabilities side are offset insofar as tax creditor and tax debtor are identical. The allocation of the deferred taxes can be seen from the table below.

DISCLOSURE AND ALLOCATION OF DEFERRED TAXES

in kEUR	31.12.2008 asset	31.12.2008 liability	31.12.2007 asset	31.12.2007 liability
Intangible assets	4,396	8,388	408	1
Property, plant and equipment	16,283	92,929	2,683	67,720
Financial assets	76	0	116	2,150
Inventories	96	1,410	88	1,333
Receivables and other assets	102	44,728	13,182	24,000
Other	427	–314	1,245	–374
Received subsidies	0	14,884	0	16,703
Provisions for pensions	24,700	3,532	27,297	4,331
Other provisions	18,630	5,232	14,133	3,023
Liabilities	66,171	621	10,889	444
§ 60 EStDV	0	0	2,106	0
Deferred taxes before balancing	130,881	171,410	72,147	119,331
Balancing	–130,881	–130,881	–72,147	–72,147
Deferred taxes (balance sheet disclosure)	**0**	**43,529**	**0**	**47,184**

The deferred taxes on the liabilities side developed according to the following table:

DEVELOPMENT OF THE DEFERRED TAXES ON THE LIABILITIES SIDE

in kEUR	2008	2007
Beginning of the year	47,184	39,959
Entered as expense in the profit and loss statement		
- Fiscal depreciations	6,530	–15,856
- Financial assets	–2,110	272
- Inventories	60	–2,249
- Receivables	47,292	5,649
- Subsidies	–2,273	–7,088
- Fiscal adjustment items	2,106	1,003
- Provisions	–211	11,548
- Liabilities	–38,214	766
- Other	878	–1,003
Taxes entered in the equity	–26,396	14,183
Change in the group of consolidated companies	8,683	0
End of the year	**43,529**	**47,184**

The change in the group of consolidated companies associated with the first consolidation of swb Entsorgung GmbH (formerly Abfallbehandlung Nord GmbH) led to a change in the deferred taxes to the initial volume by EUR 8,518k (deferred taxes on the assets side: EUR 18,654k), deferred taxes on the liabilities side: EUR 27,337k).

As of 31 December 2008 the value of the considered fiscal losses amounted to EUR 0k (previous year: EUR 7,653k) and the non-considered fiscal losses to EUR 1,229k (previous year: EUR 1,229k). No deferred taxes on the assets side were formed for the losses (previous year: EUR 1,426k). According to the current plans and against the background of the intended sale of the majority shareholder Essent N.V. it is expected that the losses carried forward which still exist can no longer be used in the following years. Non-carried deferred tax claims shall be examined on each balance sheet key date and carried to the extent in which it has become likely that operating results which are to be liable to tax in future enable the realisation of the deferred tax claim. Consequences for tax on income were not produced either in 2008 or in 2007 from the distribution of dividends by swb AG to the shareholders.

25 Other liabilities

in kEUR	31.12.2008	31.12.2007
Liabilities towards personnel	13,528	14,440
Put-Option Town of Bielefeld	13,580	13,620
Liabilities for outstanding invoices	8,254	10,938
Investment subsidies Stadtwerke Umland	5,008	6,011
Deferrals	4,523	5,788
Obligation to return acquired CO_2 certificates	14,203	2,341
Liabilities from other taxes	1,960	1,809
Liabilities from the interest accrual	2,804	1,387
Liabilities within the framework of the social security	0	7
Other liabilities	16,891	13,263
Total	**80,751**	**69,604**
Thereof long-term	2,989	3,320

The book values essentially correspond with the fair values. The liability for the obligation to return CO_2 certificates has increased since as opposed to the previous year the certificates have essentially been acquired as of the balance sheet key date and therefore were to be disclosed in the liabilities instead of in a provision.

The Put-Option concerns a Put-Option granted towards the town of Bielefeld, which enables the spin-off of the local public transport from Stadtwerke Bielefeld GmbH or the possibility for the permanent take-over of losses by the town of Bielefeld. The option is not limited and obliges swb AG in the event that it is exercised to make a payment to the town of Bielefeld, the amount of which has not yet been finally clarified, which however cannot exceed the maximum amount of EUR 102.3m. A variation of essential parameters for valuating the Put-Option leads to a change in the fair value according to the following table:

PARAMETERS

	Variation in %	Change in value in %
Value of the underlying asset	1.00	–2.40
	–1.00	2.40
Interest rate	1.00	–12.70
	–1.00	18.10
Volatility	1.00	8.00
	–1.00	–8.00

26 Trade liabilities

The trade liabilities are composed as follows:

TRADE LIABILITIES

in kEUR	31.12.2008	31.12.2007
Liabilities due to third parties	33,920	19,424
Liabilities due to affiliated companies	24,761	11,888
Liabilities due to associated companies	0	189
Liabilities due to other participating interests	2,229	2,208
Accrued expense	50,288	66,326
Trade liabilities	**111,198**	**100,034**

The book values essentially correspond with the fair values.

The trade liabilities are non-interest bearing and as a rule have a maturity of 30 days.

With regard to the liabilities due to closely associated companies reference is made to the explanations under No. 37 “Relations to closely associated companies and persons”.

27 Liabilities from tax on income

The liabilities from taxes are composed as follows:

LIABILITIES FROM TAX ON INCOME

in kEUR	31.12.2008	31.12.2007
Tax on income fiscal year	0	3,904
Tax on income previous years	0	1,502
Liabilities from taxes	**0**	**5,405**

28 Sales revenue

The sales revenue of the Group is distributed over the individual products in line with the following table:

SALES REVENUE PER PRODUCT

in kEUR	2008	2007
Revenue electricity	612,653	582,658
Electricity tax	–52,605	–55,749
Sales revenue electricity	560,048	526,909
Revenue natural gas	391,980	344,241
Energy tax	–33,065	–34,195
Sales revenue natural gas	358,915	310,047
Sales revenue heat	67,902	59,572
Sales revenue water	73,477	75,188
Sales revenue waste	45,931	0
Sales revenue other	30,252	29,625
Sales revenue (according to products)	**1,136,526**	**1,001,340**

"Sales revenue electricity" in the amount of EUR 156,354k (previous year: EUR 157,700k) were offset against the expenses for materials in the fiscal year 2008 as in the previous year. These concern optimisation business transactions of the portfolio management, which otherwise would lead to an extension in the profit and loss statement which is not covered by additional end customer business.

The sales revenue of the electricity division contain both the expenses in the amount of EUR 52,605k (previous year: EUR 55,749k) as well as the income in the amount of EUR 52,588k (previous year: EUR 54,333k) from the electricity tax.

The sales revenue of the gas division also contain both the expenses in the amount of EUR 33,065k (previous year: EUR 34,195k) as well as the income in the amount of EUR 31,351k (previous year: EUR 33,705k) from the energy tax.

29 Other operating income

The other operating income in the amount of EUR 51,823k (previous year: EUR 22,116k) includes the following essential items:

OTHER OPERATING INCOME

in kEUR	2008	2007
Received subsidies	7,432	5,796
Rental and leaseholding	5,553	5,456
Writing back of other accruals	2,740	1,179
Cost reimbursements previous years	2,235	1,600
Commercial services	2,262	2,377
Income from real estate held as financial investment	878	1,047
Damages/insurance benefits	2,758	1,498
Income from the disposal of assets	1,384	65
Income from the reorganisation of the HBE Group	23,444	0
Other	3,138	3,098
Other operating income	**51,823**	**22,116**

The assignment of the shares of the indirectly held shares in Entsorgung Nord GmbH, Kompostierung Nord GmbH and RNO Reinigungs- und Entsorgungsservice Nord GmbH led to capital gains in the amount of EUR 23,444k not affecting payments (see No. 5 “Company amalgamations”).

30 Costs for Human Resources

in kEUR	2008	2007
Regular wage and salary costs	118,463	110,314
Reorganisation costs, early retirement and partial retirement	1,994	6,100
Social welfare expenses	23,210	20,712
Costs for Human Resources contribution-oriented plans	2,484	2,014
Costs for Human Resources – benefit-oriented plans	5,956	7,504
Other payments after termination of the employment relationship	1,463	–540
Other costs for Human Resources	8,399	6,341
Cost for Human Resources	**161,969**	**152,445**

The presentation of the costs for Human Resources for 2008 was changed compared with the previous year owing to a new allocation of costs items which is more in line with the cause.

Provisions for reorganisation according to the reconciliation of interests from the projects "ProNetwork" and "Efficient sales and distribution" were written back in the amount of EUR 3,205k in the fiscal year 2008 and were newly formed in the amount of EUR 487k (see No. 22 "Provisions").

On average 899 (previous year: 743) trade employees and 1,623 (previous year: 1.565) employees were employed during the fiscal year. The increase in the number of employees was essentially a result of the extension of the group of consolidated companies.

31 Other operating expenses

The other operating expenses are composed as follows:

OTHER OPERATING EXPENSES

in kEUR	2008	2007
Information technology and telecommunication costs	15,957	15,964
Legal and consultancy services	14,588	14,414
Marketing and advertising	7,953	7,589
Insurances	5,093	5,800
Value adjustments on receivables	2,712	4,207
Building rents and maintenance	5,065	4,154
Entertainment, donations, contributions	2,809	2,752
Other fees	2,371	2,188
Other administration expenses	7,363	2,066
Office materials, postage and packaging	2,027	1,766
Other rental expenses / leasing	1,798	1,103
Other taxes	1,158	1,062
Other expenses	2,672	16,862
Other operating expenses	**71,567**	**79,927**

The breakdown of the other operating expenses was revised within the framework of the implementation of a new reporting instrument in the swb Group. Expenses were newly allocated in 2008 whereby an adjustment of the figures of the previous year has also been carried out for the relevant items in order to guarantee the comparability.

The deviation in the presentation for the items reported in 2007 relates on the one hand to the legal and consultancy services, from which an amount of EUR 2,066k is now reported as other administration expenses as it essentially concerned commercial services. The other rental expenses in the amount of EUR 408k, which were shown in the item "Entertainment, rents, donations, contributions" in the previous year, as well as the expenses from the item "Transport", which concerned vehicle leasing, was subsumed new under the item "Other rental expenses/leasing". The amount of EUR 1,249k, which in the previous year had been included in the item "Costs for office communication", concerned telecommunication costs which flow into the new item "Information technology and telecommunication costs".

The increase in the building rents and maintenance which was recorded in the period under review was essentially a result of higher maintenance expenses such as e.g. safety technology and service work. The increase in the other administration expenses was caused by the transfer to the provision for impending losses from long-term supply contracts as well as for the obligation from one-time payments to standard load profile gas customers.

Altogether however a fall could be recorded with the other operating expenses in 2008 which resulted from the high one-time expenses contained in the value of the previous year, which were incurred in 2007 through the stop of the "Block 21 project".

32 Financial results

The financial results are broken down into financial income and financial expenses in line with the following tables.

FINANCIAL INCOME

in kEUR	2008	2007
Interest income of third parties	5,242	6,823
Income from securities special funds	761	2,417
Income from other participating interests	3,005	3,567
Other financial results	222	–57
Other interest income	210	209
Subtotal	**9,440**	**12,958**
Income from IAS 39	324	1,282
Change in non-realised profits securities special funds IAS 39	–642	–1,263
Financial income	**9,122**	**12,978**

The item "income from IAS 39" essentially includes the income from the interest rate hedge business for the bonded loans (see No. 21 "Financial debts").

The interest income of third parties relates with EUR 3,419k (previous year: EUR 4,374k) to interest from financial instruments not valuated at the fair value.

FINANCIAL EXPENSES in kEUR	2008	2007
Interest expenditure to third parties	16,069	6,458
Other interest expenditure	215	197
Addition of accrued interest provisions for pensions	24,908	23,288
Addition of accrued interest provisions for other benefits to employees	2,254	2,359
Addition of accrued interest other provisions	996	–1,677
Expenses from securities special funds	1,344	1,246
Expenses from changes in exchange rates	802	0
Depreciations financial assets/securities	2,058	0
Subtotal	**48,647**	**31,871**
Change in non-realised losses securities special funds IAS 39	29	80
Expenses from IAS 39	4,226	1,891
Financial expenses	**52,902**	**33,842**

The item “Expenses from IAS 39” essentially includes expenses from hedge business for coal procurement in US-Dollar.

The interest expenditure to third parties relate with EUR 16,069k (previous year: EUR 6,458k) to interest from financial instruments not valuated at the fair value.

External capital costs
External capital costs are entered as expense in line with the benchmark method of IAS 23 in the period in which they were incurred (see No. 2.2 “Implications of new accounting standards”).

33 Tax on income and revenue

The tax on income and revenue is composed as follows:

COMPOSITION OF THE TAX ON INCOME AND REVENUE in kEUR	2008	2007
Tax on income	–1,225	17,805
Deferred taxes on temporary differences	14,224	–6,959
Tax on income and revenue	**12,999**	**10,846**

TAX ON INCOME

in kEUR	2008	2007
Tax on income period of assessment	10,695	18,455
Tax on income previous years	–11,920	–650
Tax on income	**–1,225**	**17,805**

The “tax on income previous years” relates to the income from the capitalisation of tax claims in connection with corrected tax returns for 2005.

The calculation of the deferred taxes is based on a tax rate of 32 percent (previous year: 32 percent). The weighted average tax rate which is to be applied is 32 percent (previous year: 40 percent).

The actual taxes deviate from the theoretical amount, which is produced when applying the average tax rate to the results before taxes, as follows:

TRANSITIONAL STATEMENT TAX EXPENSES

in kEUR	2008	2007
IFRS results before taxes	52,386	71,534
Fictitious tax expenses		
Trade tax	8,471	13,234
Corporation tax	7,858	14,579
Solidarity surcharge	435	801
	16,764	**28,614**
Corrections in tax on income		
Non-deductible expenses	447	899
Permanent differences from a tax point of view	1,717	490
Tax-free participation income	–4,184	–10,260
Other facts	10,175	94
Tax expenses for the current year	**24,919**	**19,837**
Tax expense for previous years	–11,920	–650
Change in tax rate	0	–8,341
Tax expense total	**12,999**	**10,846**

The tax expense is essentially incurred for “other facts” in connection with corrected tax returns for 2005, which at the same time trigger offer the tax income for previous years.

34 Results and dividend per share

No dilution effects were to be taken into account when determining the results per share according to IAS 33. The non-diluted results per share are calculated from the division of the profit to which the equity providers are entitled and the average number of shares in circulation during the fiscal year (adjusted by the number of own shares).

NET INCOME FOR THE YEAR – RESULTS PER SHARE	2008	2007
Net income for the year in kEUR	39,388	60,688
Dividend swb AG in kEUR	–41,134	–45,121
Average number of shares in circulation	209,865	209,865
Non-diluted and diluted results per share in EUR	187.68	289.18
Dividend per share in EUR	196.00	215.00

The dividend of the fiscal year corresponds with the proposal of the Management Board and is subject to the Annual General Meeting on 29 April 2009.

According to the profit appropriation proposal the balance sheet profits as of 31 December 2007 of swb AG were distributed in the amount of EUR 45,121k, an amount of EUR 15,000k was transferred to the reserves and EUR 96k were carried forward to new account.

35 Cash inflows from the operating activities

The transition of the net income for the year before taxes for the cashflow generated from the current operating activities can be derived from the following list.

CASHFLOW GENERATED FROM CURRENT OPERATING ACTIVITIES

in kEUR	2008	2007
Net income for the year	**39,388**	**60,688**
Change in inventories	–9,573	–2,173
Change in trade receivables	–18,610	–10,515
Change in other receivables	6,211	34,889
Change in trade liabilities	3,090	–1,361
Change in other liabilities	–19,517	–22,403
Change in tax claims and liabilities	–22,640	–3,986
Change in deferred taxes	14,224	–6,959
Change in provisions	28,746	–4,793
Profit/losses from associated companies	–12,935	–28,755
Profit/losses from disposals of assets	–1,384	–65
Paid tax on income and revenue	9,921	12,873
Paid interest	14,308	5,158
Interest received	–3,629	–4,141
Received dividends “At-cost” participating interests	–3,234	–3,567
Revaluations	–15,568	0
Impairments	25,014	16,308
Depreciations	66,737	56,471
Other income not effecting payment	–23,444	0
Cashflow from current operating activities	**77,105**	**97,669**

The cash inflow contained in the cashflow from current operating activities from the sale of tradable securities amounts to EUR 25,208k (previous year: EUR 31,909k).

The “other income not affecting payments” relate to the capital gains from the assignment of the indirectly held shares in Entsorgung Nord GmbH, Kompostierung Nord GmbH and RN O Reinigungs- und Entsorgungsservice Nord GmbH (see No. 29 “Other operating income”).

36 Guarantees, contingent debts and other obligations

Guarantees

The Group acts as guarantor for loans in the amount of EUR 27,184k for borrowers outside of the group of consolidated companies. Thereof EUR 26,265k relate to Hansewasser Ver- und Entsorgungs-GmbH. In addition, there is the assumption of guarantees towards four banks for the benefit of the municipal authority Bremen for providing services in the field of waste disposal and street cleaning, which were originally hedged by the former HBE Group. swb AG and Nehlsen AG enter as joint and several debtors into the previous guarantees in the amount of EUR 12,782k of the former HBE Group.

Contingent debts

The Federal Network Agency is still of the opinion that network fees collected by network operators in the past for the period of time between the start of the cost-based determination of network fees and their first-time approval by the Federal Network Agency had been wrongly collected (siphoning off of the additional proceeds). The swb Group already formed a reasonable risk contingency for this fact in the annual financial statements 2008. In addition, an obligation could arise in future for the swb Group in the amount of kEUR 23,075.

Other obligations

An obligation exists for the subsequent payment of a purchase price in the amount of up to EUR 102,258k with the spin-off of the local public transport from Stadtwerke Bielefeld GmbH or permanent take over of the local public transport losses by the town of Bielefeld.

Further there are obligations from contribution-oriented pension obligations (see No. 3.11 “Provisions for benefits to employees”).

Risks with negative implications on the future development exist with the network companies. The Federal Network Agency is of the opinion that an additional proceeds balancing, which is due to the retrospective effect of a reduction in applied network fees, can be carried out from the time at which the application was filed. This would lead to an additional obligation for the swb Group of EUR 23,075k.

37 Relations to closely associated companies and persons

Deutsche Essent GmbH, Düsseldorf, which as parent company holds a share of 51 percent and EWE Aktiengesellschaft, Oldenburg, which holds a share of 49 percent of the capital stock of swb AG, respectively apply with their affiliated companies as closely associated companies. Deutsche Essent GmbH, Düsseldorf, is on its part included in the consolidated financial statements of Essent N.V., Arnheim/Netherlands, as the leading company in the Group. Besides financial relationships essentially delivery and service relationships of electrical energy and the procurement of coal exist with the Essent Group. Telecommunication services are essentially procured from the EWE Group besides the delivery and service of electrical energy.

Further important closely associated companies from the group of associated companies are Stadtwerke Bielefeld GmbH, Bielefeld and HVE Hansewasser Ver- und Entsorgungs-GmbH, Bremen, respectively with their affiliated companies. Whereas the exchange of services to Stadtwerke Bielefeld is limited to other services and financial relationships, delivery and service relationships exist with the HVE-Group with regard to electrical energy, natural gas, drinking water, disposal and commercial services. With regard to the liability for the HVE-Group reference is made to No. 36 “Guarantees, contingent debts and other obligations”.

All business relations have been concluded at customary market conditions and principally do not differ from the delivery and service relationships to other companies. The receivables and liabilities are due and payable within one year. There are no interest-bearing receivables and liabilities. No guarantees or other collateral exist for the receivables and liabilities.

In the period under review HBE Holding Bremer Entsorgung GmbH, Bremen, including its affiliated companies, left the group of closely associated companies owing to reorganisation in the ownership relationships and the thus associated take-over of 100 percent of the shares in Abfallbehandlung Nord GmbH, Bremen, (now swb Entsorgung GmbH, Bremen).

The following business transactions were conducted with closely associated companies:

BUSINESS WITH CLOSELY ASSOCIATED COMPANIES IN 2008

in kEUR	Sales of energy, water, heat and material	Purchases of energy, water, heat and material	Sales of services	Purchases of services	Receivables	Liabilities
Essent Group	65,918	181,446	30,518	31	6,427	24,551
EWE Group	3,155	36,072	114	6,459	0	7
HBE Group	0	0	0	0	0	0
HVE Group	1,863	0	2,283	94	1,051	2,229
Stadtwerke Bielefeld	0	0	120	79	0	0
as of 31 December 2008	**70,936**	**217,518**	**33,035**	**6,663**	**7,478**	**26,787**

BUSINESS WITH CLOSELY ASSOCIATED COMPANIES IN 2007

in kEUR	Sales of energy, water, heat and material	Purchases of energy, water, heat and material	Sales of services	Purchases of services	Receivables	Liabilities
Essent Group	94,539	117,314	66	141	2,920	11,637
EWE Group	4,815	30,712	41	2,216	32	0
HBE Group	265	6,236	267	801	0	189
HVE Group	2,503	0	530	59	1,699	2,208
Stadtwerke Bielefeld	82	10	165	103	0	0
as of 31 December 2007	**102,204**	**154,272**	**1,069**	**3,320**	**4,651**	**14,034**

In the fiscal year interest expenditure was incurred towards the HVE-Group in the amount of EUR 94k. EUR 15,782k (previous year: EUR 16,840k) were collected as profit distribution from Stadtwerke Bielefeld GmbH in 2008, from HVE Hansewasser Ver- und Entsorgungs-GmbH EUR 5,324k (previous year: EUR 0k).

Positive market values in the amount of EUR 34,670k (previous year: EUR 60,781k) and negative market values in the amount of EUR 62,462k (previous year: EUR 0k) exist for derivatives concluded with companies of the Essent Group as of the end of the fiscal year.

The closely associated persons also include among others the members of the management in key positions. These are for the Group besides the Management Board members and divisional managers of swb AG also the managing directors and executives of the Group companies. The remuneration for this group of persons, which consists of a fixed and a variable share, which is oriented to the development of the Group EBIT and the Group ROIC and from other remuneration components, amounted in the fiscal year in total to EUR 7,346k (previous year: EUR 6,883k). Thereof EUR 5,816k (previous year: EUR 5,539k) relate to the fixed and EUR 1,230k (previous year: EUR 1,254k) to the variable share. The other remuneration components amounted to EUR 301k (previous year: EUR 90k). The pension obligations existing for this group of persons increased in the amount of EUR 957k (previous year: EUR 680k) to EUR 7,064k (previous year: EUR 5,936k) essentially owing to the addition of six executives, one managing director and a member of the Management Board. In addition, employer's shares for the statutory pension insurance of EUR 265k were paid for this group of persons. Remuneration in the total amount of EUR 1,140k (previous year: EUR 999k) relates to the members of the Management Board in the fiscal year.

Former members of the management board/ the management or their surviving dependents received a total of EUR 1,426k (previous year: EUR 1,281k) in the fiscal year. The pension obligations existing for this group of persons amounted to a total of EUR 17,838k (previous year: EUR 18,826k). The increase in the obligation for the executives and managing directors who left the company in the current fiscal year amounted to kEUR 41 (previous year: EUR 630k) whereas the obligation for the other former members of the management board / the management fell by EUR 1,029k (previous year: EUR 1,007k).

EUR 71k (previous year: EUR 70k) were paid out to the members of the Supervisory Board, who are also attributed to the closely associated persons, in the fiscal year, which is composed of the basic remuneration as per statutes and the reimbursement of cash expenses, which are directly associated with performing the Supervisory Board mandate.

Deliveries of the swb Group of electrical energy, water, natural gas and/or heat to closely associated persons is always carried out at the customary market conditions as also agreed with third parties. In addition, the swb Group has not concluded any essential business with closely associated persons.

38 Goals and methods of the financial risk management

The risk management is carried out by the central finance department (group finance department) and the portfolio management in line with the guidelines passed by the Management Board. The group finance department identifies, valuates and secures financial risks in close cooperation with the operational units of the swb Group. The Management Board stipulates in a written form both the principles for the cross-unit risk management as well as directives for certain units, such as e.g. the scope with the foreign currency risk, the interest and credit risk, the use of derivative and non-derivative financial instruments and the investment of liquidity surpluses.

The essential financial instruments used by the swb Group – with the exception of derivative financial instruments – comprise bank loans, bonded loans and trade liabilities. The main aim of these financial instruments is to finance the business activity of the swb Group. The swb Group has various financial assets such as e.g. trade receivables and cash and short-term deposits, which directly result from the business activity.

Further the swb Group also has derivative financial instruments. These above all include interest rate swaps, coal swaps and forward exchange contracts. The swb Group uses derivative financial instruments in order to hedge itself against interest and currency risks and against risks from prices.

In line with the group-internal directives no trade was operated in the fiscal year 2008. EUA certificates with a delivery date 1 December 2008 were purchased from the fiscal year 2006. These certificates were envisaged for the own requirement in the fiscal years 2008 to 2012. It was decided in the risk committee of the swb Group on 29 October 2008 that there should be no pre-financing of the certificates during the period of the financial market crisis. For this reason the EUA certificates affected thereby were sold again.

The essential risks for the swb Group resulting from the financial instruments comprise cashflow risks due to interest rates and liquidity, currency and credit risks. The management decides strategies and procedures for controlling individual types of risks which are presented below.

Interest change risk
The risk from fluctuations in market interest rates to which the swb Group is exposed are mainly a result of the long-term financial liabilities with a variable interest rate.

The control of the interest expenditure in the Group is carried out through a combination of fixed-interest bearing and variable interest-bearing external capital. The objective of the swb Group envisages that the majority of its interest-bearing external capital has fixed interest rates. In order to achieve this objective the swb Group concludes interest rate swaps, in which the swb Group at fixed intervals exchanges the difference determined with reference to a nominal amount agreed in advance between fixed-interest bearing and variable interest-bearing amounts with the financial partner. The underlying obligation is hedged with these interest rate swaps. As of 31 December 2008 and taking into account existing interest rate swaps 100 percent (previous year: approx. 58 percent) of the long-term financial debts of the swb Group have fixed interest rates.

Overview of the interest change risk
The following table shows the sensitivity of the consolidated results before taxes compared with a possible change in the interest rates which is principally possible at reasonable discretion. The hedging instruments were not taken into account with the calculation and all other variables remain constant. There are no implications on the Group equity.

INTEREST CHANGE RISK

	Increase / reduction in base points	Implications on the results before taxes in kEUR
2009-2014		
Long-term loan with variable interest rates	100	–1,300
	–100	**1,300**

The implication of the interest change risk on the results before taxes amounted to EUR 1,300k in the previous year with an increase or reduction by 100 base points.

The interest rate of financial instruments with variable interest rates is adjusted at intervals of less than one year. The interest rate with fixed-interest bearing financial instruments is fixed until the maturity of the respective financial instrument.

Currency risk
The swb Group is subject to foreign currency risks owing to the procurement of raw materials, which are mainly traded in US-Dollar. The directives of the swb Group stipulate the operational units forward exchange contracts for business transactions in foreign currency with a volume of more than EUR 100k in order to eliminate risks from changes in rates. Forward exchange contracts may only be concluded if a fixed obligation or an obligation with a high probability of occurrence was established. The forward exchange contracts must be denominated in the same currency as the hedged basic business. In order to optimise the efficiency of a hedge relationship conditions are negotiated for the derivative hedge relationships in line with the conditions of the hedged basic business.

Forward exchange transactions, options and coal swaps are used in order to hedge price risks in the coal procurement. The possibility of entering these as hedge connection is used – insofar as the prerequisites for Hedge Accounting are complied with according to IAS 39.

The following table shows the sensitivity of the equity of the swb Group (owing to the changes of fair values of the coal swaps and the forward exchange contracts) compared with a change in exchange rate of the US Dollar which is principally possible at reasonable discretion. The Group assumes a highly efficient hedge relationship for the coal swaps and forward exchange contracts used as hedge instruments. All other variables remain constant.

CURRENCY RISK

	Rate development US Dollar	Implications on equity in kEUR
2008		
Coal swaps	+0.01 EUR/USD	–2,465
	–0.01 EUR/USD	2,465
Forward exchange transactions	+0.01 EUR/USD	2,941
	–0.01 EUR/USD	–2,941
2007		
Coal swaps	+0.01 EUR/USD	–1,768
	–0.01 EUR/USD	1,768
Forward exchange transactions	+0.01 EUR/USD	1,665
	–0.01 EUR/USD	–1,665

The currency risk of the coal swaps and forward exchange transactions refer to the transactions conducted within the framework of the Hedge Accounting at the respective end of the year.

Credit risk

A credit risk decisively results from the trade receivables and through the market presence of the swb Group in the state of Bremen and surrounding area is concentrated on the region, from a structural point of view with regard to the buyer structure and industries however diversified. Potential bad debt risks are counteracted through a structured accounts receivable management. Credit rating information is obtained in the field of special contract customers in case of new customers and based on the occasion. The maximum bad debt risk is limited to the book value disclosed under No. 13 “Trade receivables”.

Business concerning derivative financial instruments, annuity securities, shares and other securities held-for-trade are concluded in line with the directives of the swb Group with companies of first-class credit rating. With other financial assets of the swb Group, such as cash and cash equivalents, financial investments Available-for-sale and bonded loans the maximum credit risk in case of loss of the contractual party corresponds with the book value of these instruments. A maximum bad debt risk exists in the amount of EUR 95,421k with the financial instruments.

There is no essential concentration of bad debt risks in the swb Group. Extensive business activities still exist at present with the majority shareholder, which are to be reduced in the new few years.

Market price risks

The essential market price risks in the swb Group for financial instruments relate to the coal price development. The following table shows the sensitivity of the equity of the swb Group (owing to changes of fair values of the coal swaps) compared with a change in the coal prices which is principally possible at reasonable discretion based on the API-2-Index which is quoted in US Dollar. The Group assumes a highly efficient hedge relationship for the coal swap used as hedge instruments. The swb Group hedges coal deliveries up to and including 2012, whereby principally different delivery prices can be produced according to the date of satisfaction. An equal increase in the coal price over all delivery periods was assumed with the sensitivity analysis, the conversion of the effects of US-Dollar into Euro was carried out at the respective key date rate.

MARKET PRICE RISK COAL

	Price development of the API-2-Index	Implications on equity in kEUR
2008		
Coal swaps	+1 USD/t	1,900
	–1 USD/t	–1,900
2007		
Coal swaps	+1 USD/t	1,671
	–1 USD/t	–1,671

The electricity business is exposed to price risks on the liberalised market. In order to hedge price risks in the field of electricity back-to-back transactions are conducted on the market which serve the medium- to long-term hedge of purchase and sales prices.

Forward exchange transactions, options and coal swaps are used in order to hedge price risks in the coal procurement. In addition, in order to hedge prices the need for CO2 certificates, which are required in the future, is determined based on the regulations of the NAP II. The certificates are procured in line with the risk directive.

Shares and annuity securities which are classified as Held-for-Trading are subject to the risk of fluctuating stock exchange prices.

Liquidity risk
The swb Group regularly monitors the risk of a possible liquidity bottleneck by means of a liquidity planning. The terms of the financial investments and the financial assets as well as expected cashflows from the operating activities are taken into account. It is the aim of the Group to safeguard a balance between the continuous cover of the financial requirements and ensuring the flexibility by using overdrafts, loans, bonded loans and financing leasing relationships.

As of 31 December 2008 the financial liabilities of the swb Group feature the maturities presented below. The details are made based on the payments which are not discounted as per contract.

MATURITIES OF THE FINANCIAL LIABILITIES AS OF 31 DECEMBER 2008

in kEUR	Upon request	up to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
Trade liabilities	0	88,959	22,239	0	0	111,198
Other liabilities	18,588	27,629	31,543	2,989	0	80,749
Interest-bearing loans	0	7,021	18,964	99,090	233,075	358,150
Derivative financial instruments						
Purchase	0	80,402	241,207	352,164	0	673,773
Sale	0	–54,684	–164,053	–202,803	0	–421,540
Swap transactions	0	3,472	10,415	28,609	546	43,042
Financing leasing	0	112	336	1,665	215	2,328
Other financial debts	3,911	0	0	0	0	3,911
	22,499	**152,911**	**160,651**	**281,714**	**233,836**	**851,611**

MATURITIES OF THE FINANCIAL LIABILITIES AS OF 31 DECEMBER 2007

in kEUR	Upon request	up to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
Trade liabilities	0	80,027	20,007	0	0	100,034
Other liabilities	21,273	12,498	30,704	3,320	0	67,795
Interest-bearing loans	0	1,867	7,427	33,860	139,945	183,099
Derivative financial instruments						
Purchase	0	21,018	63,052	74,203	0	158,273
Sale	0	–3,761	–11,283	–18,192	0	–33,236
Swap transactions	0	–10,458	–31,373	–22,041	–657	–64,529
Financing leasing	0	284	853	1,478	339	2,954
Other financial debts	1,678	0	0	0	0	1,678
	22,951	**101,475**	**79,387**	**72,628**	**139,627**	**416,068**

39 Capital control

It is an essential aim of the swb Group that the swb Group maintains the long-term financing of investments in the renewal and expansion of the operating activities through a high credit rating and a good equity ratio.

The swb Group controls its capital structure by taking into account the changes in the basic economic conditions. The dividend policies are coordinated with the shareholders against the background of the long-term capital requirements. In addition, the equity flows into the so-called “Tangible Net Worth”, which is used in the customary framework agreements for the industry for energy trade, and as a rule should feature a minimum size which is not to be fallen short of. These external minimum capital requirements are not met by the swb Group with a just few business partners. In the event that the individually agreed “Tangible Net Worth” is fallen short of (various agreements possible on group or company level) there may be an obligation to provide additional collateral for existing trading business. The swb Group estimates the risk of the requirement of additional collateral from the temporary non-satisfaction of the external minimum capital requirement as limited based on the actual market value of the corresponding items.

The swb Group monitors its balance sheet structure with the help of the so-called Gearing Ratio, the ratio of net financial debts to the total from equity on the balance sheet (incl. reserves not affecting net income) and net financial debts. According to the group internal stipulation the Gearing should be less than 60 percent.

The definition of net financial debts, which also includes the short-term financial debts, was adjusted to the extent that the liabilities from financial instruments were eliminated for the analysis of the financial key figures. The reason for this is the better comparability of the financial key figures as therefore the market fluctuations have no implications on the financial key figures.

GEARING RATIO

in kEUR	2008	2007
Equity	511,106	571,350
Financial debts (LT)	276,625	137,412
Financial debts (ST)	14,824	3,343
Provisions for benefits to employees (LT)	486,124	485,357
Short-term financial assets (fund assets)	–17,576	–42,784
Cash and cash equivalents	–26,909	–73,281
Net financial debts	**733,088**	**510,047**
Equity and net financial debts	**1,244,195**	**1,081,397**
Gearing Ratio	**58.9%**	**47.2%**

Essential financial key figures for controlling the level of debt are the key figures net level of debt, dynamic level of debt and interest cover ratio. In the expired fiscal year the financial key figures deteriorated through the reorganisation of the HBE Group and the resulting first-time consolidation of swb Entsorgung GmbH (formerly Abfallbehandlung Nord GmbH).

NET LEVEL OF DEBT

in kEUR	2008	2007
Net financial debts	733,088	510,047
Operating results	83,231	63,806
Income from associated companies	12,935	28,592
Depreciations	74,126	72,779
EBITDA	**170,292**	**165,177**
Net level of debt	**4.3**	**3.1**

DYNAMIC LEVEL OF DEBT (FFO-RATIO)

in kEUR	2008	2007
Net financial debts	733,088	510,047
Net income for the year	39,388	60,688
Depreciations and value adjustments	74,126	72,779
FFO (Funds from Operations)	**113,513**	**133,467**
Dynamic level of debt (FFO-Ratio)	**15.5%**	**26.2%**

INTEREST COVER RATIO

in kEUR	2008	2007
Operating results	83,231	63,806
Income from associated companies	12,935	28,592
EBIT	**96,166**	**92,399**
Interest expenditure to third parties	16,069	6,458
Addition of accrued interest provisions	28,159	23,970
Interest expenditure	**44,228**	**30,429**
Interest cover ratio	**2.2**	**3.0**

40 Additional details concerning the financial instruments

The following table shows book values and fair values of all financial instruments entered in the swb consolidated financial statements classified according to valuation criteria of IAS 39.

BOOK VALUES, VALUATIONS AND FAIR VALUES ACCORDING TO VALUATION CATEGORIES AS OF 31 DEC. 2008

in kEUR	Valuation category acc. to IAS 39	Book value 31 Dec. 2008
Assets		
Financial assets (LT)		**66,848**
Loans and Receivables	LaR	21,373
Available-for-sale financial assets	Afs	33,745
Financial assets Held-for-Trading	FAHfT	8,980
No case of IAS 39	n.a.	2,749
Trade receivables	LaR	**155,218**
Financial assets (ST)		**166,569**
Loans and Receivables	LaR	451
Financial assets Held-for-Trading	FAHfT	20,466
Derivatives with hedge relationship	FAHfT	27,683
Derivatives without hedge relationship	FAHfT	117,584
No case of IAS 39	n.a.	384
Other receivables		**37,888**
Loans and Receivables	LaR	3,292
Financial assets Held-for-Trading	FAHfT	551
No case of IAS 39	n.a.	34,045
Cash and cash equivalents	LaR	**26,909**
Liabilities		
Financial debts (LT)		**276,625**
Financial Liabilities Measured at Amortised Cost	FLAC	274,745
No case of IAS 39	n.a.	1,880
Other liabilities (LT)	FLAC	**2,989**
Trade liabilities	FLAC	**111,198**
Financial debts (ST)		**207,306**
Derivatives without hedge relationships (Held-for-Trading)	FLHfT	128,384
Derivatives with hedge relationship (Held-for-Trading)	FLHfT	60,214
Financial Liabilities Measured at Amortised Cost	FLAC	18,259
No case of IAS 39	n.a.	448
Other liabilities (ST)		**77,760**
Derivatives without hedge relationship (Held-for-Trading)	FLHfT	13,580
Financial Liabilities Measured at Amortised Cost	FLAC	26,261
No case of IAS 39	n.a.	37,919
Thereof aggregated according to valuation categories pursuant to IAS 39:		
Loans and Receivables (LaR)	LaR	207,243
Available-for-sale financial assets	Afs	33,745
Financial assets Held-for-Trading	FAHfT	175,265
Financial Liabilities Measured at Amortised Cost	FLAC	433,453
Financial Liabilities Held-for-Trading	FLHfT	202,179

Updated acquisition costs	Acquisition costs	Fair Value not affecting net income	Fair Value affecting net income	Value estimate balance sheet acc. to IAS 17	Fair Value 31 Dec. 2008
21,373		**33,745**	**8,980**	**2,749**	**66,848**
21,373					21,373
		33,745			33,745
			8,980		8,980
				2,749	2,749
155,218					**155,218**
451		**27,683**	**138,050**	**384**	**166,569**
451					451
			20,466		20,466
		27,683			27,683
			117,584		117,584
				384	384
3,292	**34,045**		**551**		**37,888**
3,292					3,292
			551		551
	34,045				34,045
26,909					**26,909**
274,745				**1,880**	**280,282**
274,745					278,402
				1,880	1,880
2,989					**2,989**
111,198					**111,198**
18,259		**60,214**	**128,384**	**448**	**207,306**
			128,384		128,384
		60,214			60,214
18,259					18,259
				448	448
64,180			**13,580**		**77,760**
			13,580		13,580
26,261					26,261
37,919					37,919
207,243					207,243
		33,745			33,745
		27,683	147,581		175,265
433,453					437,110
		60,214	141,964		202,179

BOOK VALUES, VALUATIONS AND FAIR VALUES ACCORDING TO VALUATION CATEGORIES AS OF 31 DEC. 2007

in kEUR	Valuation category acc. to IAS 39	Book value 31 Dec. 2007
Assets		
Financial assets (LT)		**56,878**
Loans and Receivables	LaR	21,195
Available-for-sale financial assets	Afs	32,783
No case of IAS 39	n.a.	2,899
Trade receivables	LaR	**124,698**
Financial assets (ST)		**120,981**
Loans and Receivables	LaR	360
Financial assets Held-for-Trading	FAHfT	54,756
Derivatives with hedge relationship	FAHfT	60,446
Derivatives without hedge relationship	FAHfT	5,062
No case of IAS 39	n.a.	357
Other receivables		**19,203**
Loans and Receivables	LaR	4,588
Financial assets Held-for-Trading	FAHfT	3,402
No case of IAS 39	n.a.	11,213
Cash and cash equivalents	LaR	**73,281**
Liabilities		
Financial liabilities (LT)		**137,412**
Financial Liabilities Measured at Amortised Cost	FLAC	135,595
No case of IAS 39	n.a.	1,817
Other liabilities (LT)	FLAC	**3,320**
Trade liabilities	FLAC	**100,034**
Financial debts (ST)		**18,768**
Derivatives without hedge relationships (Held-for-Trading)	FLHfT	2,718
Derivatives with hedge relationship (Held-for-Trading)	FLHfT	11,029
Financial Liabilities Measured at Amortised Cost	FLAC	3,884
No case of IAS 39	n.a.	1,137
Other liabilities (ST)		**66,284**
Derivatives without hedge relationship (Held-for-Trading)	FLHfT	13,620
Financial Liabilities Measured at Amortised Cost	FLAC	25,597
No case of IAS 39	n.a.	27,067
Thereof aggregated according to valuation categories pursuant to IAS 39:		
Loans and Receivables	LaR	224,122
Available-for-sale financial assets	Afs	32,783
Financial assets Held-for-Trading	FAHfT	123,667
Financial Liabilities Measured at Amortised Cost	FLAC	268,431
Financial Liabilities Held-for-Trading	FLHfT	27,367

	Updated acquisition costs	Acquisition costs	Fair Value not affecting net income	Fair Value affecting net income	Value estimate balance sheet acc. to IAS 17	Fair Value 31 Dec. 2007
	21,195		**32,783**		**2,899**	**56,878**
	21,195					21,195
			32,783			32,783
					2,899	2,899
	124,698					**124,698**
	360		**60,446**	**59,819**	**357**	**120,981**
	360					360
				54,756		54,756
			60,446			60,446
				5,062		5,062
					357	357
	4,588	**11,213**		**3,402**		**19,203**
	4,588					4,588
				3,402		3,402
		11,213				11,213
	73,281					**73,281**
	135,595				**1,817**	**137,788**
	135,595					135,971
					1,817	1,817
	3,320					**3,320**
	100,034					**100,034**
	3,884		**11,029**	**2,718**	**1,137**	**18,768**
				2,718		2,718
			11,029			11,029
	3,884					3,884
					1,137	1,137
	52,664			**13,620**		**66,284**
				13,620		13,620
	25,597					25,597
	27,067					27,067
	224,122					224,122
			32,783			32,783
			60,446	63,221		123,667
	268,431					268,807
			11,029	16,338		27,367

Insofar as assets or debts were classified as “Held-for-Trading” (FAHfT/FLHfT) or as “Available-for-sale” (AfS) the fair value is derived as presented under No. 3.6 “Financial investments and other financial assets” or No. 3.9 “Financial liabilities”. Otherwise the fair values are determined as described as follows.

Cash and cash equivalents, trade receivables and other receivables mainly have short residual terms. Therefore their book values correspond with the approximate fair value as of closing key date.

The fair values of other long-term receivables with residual terms of more than one year correspond with the cash values of the payments associated with the assets by taking into account the respective actual interest parameter, which reflect market and partner-based changes in the conditions and expectations.

Trade liabilities and other liabilities as a rule have short residual terms; the values on the balance sheet represent approximate fair values.

The fair values of liabilities due to banks, bonded loans and other financial liabilities are determined as cash values of the payments associated with the debts.

Accrued expenses in the amount of kEUR 12,325 were disclosed under the other liabilities for not yet invoiced services in 2007 in the category “n.a.”. As it concerns financial liabilities here these are now disclosed in the category “FLAC” in 2007.

NET RESULTS ACCORDING TO VALUATION CATEGORIES

			FROM THE FOLLOW-UP VALUATION				NET RESULTS	
in kEUR	from interest	other income/ expense	at the Fair Value	Currency trans-lation	Value adjust-ment	from dis-posal	2008	2007
Loans and Receivables (LaR)	3,419	160		–802	–3,752		–976	1,381
Available-for-sale Financial Assets (AfS)		3,005	–2,058				947	3,473
Financial Assets Held-for-Trading (FAHfT)	1,823	93	96,375			11,118	109,410	9,245
Financial Liabilities Measured at Amortised Cost (FLAC)	–16,069						–16,069	–6,458
Financial Liabilities Held-for-Trading (FLHfT)			–110,661				–110,661	–904
	–10,827	**3,258**	**–16,344**	**–802**	**–3,752**	**11,118**	**–17,349**	**6,737**

The interest from financial instruments is disclosed in the financial results.

The value adjustments on trade receivables allocated to the valuation category “Loans and Receivables” are disclosed under the other operating expenses.

The income and expenses allocated to the valuation category “Financial Assets Held for Trading” from the optimisation of the electricity trade business are disclosed under the revenues electricity, the income and expenses from the coal price hedging are disclosed in material expenses. The net results according to valuation categories from disposals include processed coal swaps without hedge relationships in the amount of EUR 11,795k (previous year: EUR 5,862k).

As a result from the follow-up valuation of the financial instruments, which are allocated to the valuation category “Held-for-Trading”, both interest as well as currency effect are included.

The other components of the net results, essentially differences in currency translation, dividend payments as well as depreciations on other participating interests, are entered in the other financial results by the swb Group.

41 Events after the balance sheet key date

There were no essential events after the balance sheet key date.

42 List of shareholdings

	Corporate name and registered seat of the company	Share of capital Total in %	indirectly in %	indirectly through	HGB Equity	HGB Annual results [1]
	Affiliated companies (fully-consolidated companies) **SUPPLY AND ENERGY SERVICES**					
001	BOHN GmbH Energie- und Kraftwerkstechnik, Bremen	100.00	100.00	005	7	21
002	Kommunale Gasunion GmbH & Co. KG, Stuhr	100.00	100.00	008	500	462
003	swb Beleuchtung GmbH, Bremen	100.00	100.00	007	250	–188 [4]
004	swb Bremerhaven GmbH, Bremerhaven	100.00			31,666	2,979 [4]
005	swb Erzeugung GmbH & Co. KG, Bremen	100.00			41,838	–14,669
006	swb Netze Bremerhaven GmbH & Co. KG, Bremerhaven	100.00	100.00	004	22,240	3,635
007	swb Netze GmbH & Co. KG, Bremen	100.00			211,662	13,245
008	swb Vertrieb Bremen GmbH, Bremen	100.00			7,072	23,232 [4]
009	swb Vertrieb Bremerhaven GmbH & Co. KG, Bremerhaven (008 is general partner without original contribution)	100.00	100.00	004	500	3,059
	DISPOSAL					
010	swb Entsorgung GmbH, Bremen (formerly Abfallbehandlung Nord GmbH, Bremen)	100.00			32,171	–277 [4]
	SERVICES					
011	GfV Gesellschaft für Versorgungs-dienstleistungen mbH, Bremen	100.00	100.00	014	–637	99
012	swb Immobilien GmbH, Bremen	100.00			109	143
013	swb Messung und Abrechnung GmbH, Bremen	100.00			500	3,220 [4]
014	swb Services GmbH Co. KG, Bremen	100.00	2.08	005	5,884	1,026
			2.08	007		
	FUNDS					
015	DEKA WBF FONDS Bremer Landesbank	100.00	100.00		30,368	227 [7]
	Affiliated companies (not included in the group of consolidated companies) **SUPPLY AND ENERGY SERVICES**					
016	KGU Beteiligungs-GmbH, Stuhr	100.00	100.00	008	121	46 [3]
017	Kommunale EnergieSpargesellschaft Stuhr mbH, Stuhr	100.00	100.00	002	40	14 [3]
018	proNatur GmbH, Bremen	100.00	100.00	008	195	30 [3]
019	swb CREA GmbH, Bremerhaven	100.00			77	–162 [4]
020	swb Erzeugung Beteiligungs-Gesellschaft mbH, Bremen	100.00			33	2
021	swb Netze Beteiligungs-Gesellschaft mbH, Bremen	100.00			34	2
022	swb Netze Bremerhaven Beteiligungs-GmbH, Bremerhaven	100.00			16	–2
023	swb Weserwind Energie Projekte GmbH, Bremen	100.00	100.00	005	32	8 [3]
024	WMB Wärme-Markt-Beteiligungsgesellschaft, Bremen	100.00			40	0 [2]

	Corporate name and registered seat of the company	Share of capital Total in %	indirectly in %	indirectly through	HGB Equity	HGB Annual results [1]
025	Wohnergie Dienstleistungen für die Wohnungswirtschaft GmbH, Bremen	100.00	100.00	008	289	217 [3]
	SERVICES					
026	swb Assekuranz Vermittlungs-GmbH, Bremen	60.00			2,167	414 [3]
	Associated companies SUPPLY AND ENERGY SERVICES					
027	Stadtwerke Bielefeld GmbH, Bielefeld	49.90			250,723	21,226 [2]
028	swb Weserwind GmbH & Co. KG, Bremen	50.00	47.56	008	423	133 [2]
	(023 is general partner without original contribution)		2.44	018		
	DISPOSAL					
029	hanseWasser Bremen GmbH, Bremen	38.20	74.90	030	78,996	8,367 [5]
030	Hansewasser Ver- und Entsorgungs-GmbH, Bremen	51.00			36,862	10,317
	Other participating interests SUPPLY AND ENERGY SERVICES					
031	Bremer Energie-Konsens GmbH, Bremen	40.00			961	10 [3]
032	BEKS:EnergieEffizienz GmbH, Bremen	40.00	100.00	031	130	29 [3]
033	Energie-Agentur Weyhe GmbH, Weyhe	50.00	50.00	008	40	–9 [3]
034	Flughafen Bremen Elektrik GmbH, Bremen	49.00	49.00	014	67	42 [3]
035	Gemeindewerke Lilienthal GmbH, Lilienthal	49.00	49.00	008	9,886	0 [3][4]
036	Gemeindewerke Ritterhude GmbH, Ritterhude	48.72	48.72	008	8,272	0 [3][4]
037	Harzwasserwerke GmbH, Hildesheim	10.10			86,580	4,767 [3]
038	INGAVER Innovative Gasverwertungs-GmbH, Bremen	50.00	50.00	005	24	1 [3]
039	Stadtwerke Soltau GmbH, Soltau	49.50			13,162	380 [3]
040	Stromversorgung Greifswald GmbH, Greifswald	40.00			5,202	1,353 [3]
041	Weserkraftwerk Bremen GmbH & Co. KG, Bremen	24.50			16,000	0 [6]
042	WN Windnutzungsgesellschaft mbH, Bremen	49.00			1,359	247 [3]
	DISPOSAL					
043	HGU Hanseatische Gesellschaft für Umweltdienstleistung Verwaltung-mbH, Bremen	100.00			22	0 [2]

1) = HGB results before possible existing profit and loss take-over agreements
2) = Provisional figures 2008
3) = Status 2007
4) = A profit and loss take-over agreement exists
5) = Company will be included with 030 according to the equity method
6) = Founding of the company in 2008
Thereof deposited limited liability capital: kEUR 7,840
7) = IFRS figures

Bremen, 2 February 2009

(Schramm) (Dr. Schoeber) (Dr. Köhne)

AUDIT CERTIFICATE

We have audited the consolidated financial statements prepared by swb AG, Bremen – consisting of the balance sheet, profit and loss statement, notes, cashflow statement and equity analysis – and the consolidated management report for the fiscal year from 1 January to 31 December 2008. The preparation of consolidated financial statements and consolidated management report according to the IFRS, as are to be applied in the EU, and the supplementary regulations under commercial law which are to be applied according to § 315a Par. 1 HGB [Commercial Code] is the responsibility of the legal representatives of the company. It is our task to submit an evaluation of the consolidated financial statements and the consolidated management report on the basis of the audit carried out by us.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and by complying with the generally accepted standards for the audit of financial statements promulgated by the German Institute of Certified Public Accountants (IDW). Those standards require that we plan and perform the audit such that misstatements and infringements essentially effecting the presentation of net assets, financial position and results of operations in the consolidated financial statements and in the consolidated management report in accordance with German accounting principles are detected with reasonable assurance. When stipulating the audit acts the knowledge of the business activity and of the economic and legal situation of the Group and the expectations of possible errors are taken into account. The effectiveness of the internal control system related to the reporting and the evidence supporting the disclosures in the consolidated financial statements and the consolidated management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the delimitation of the group of consolidated companies, the principles of accounting and consolidation applied as well as significant estimates made by the legal representatives and examining the overall presentation of the consolidated financial statements and the consolidated management report. We believe that our audit provides a reasonable and safe basis for our opinion.

Our audit led to no objections.

In our opinion and based on the knowledge gained during the audit the consolidated financial statements correspond with the IFRS, as are to be applied in the EU, and the supplementary regulations under commercial law which are to be applied according to § 315a Par. 1 HGB and give a fair presentation of the net assets, financial position and results of operations of the Group by observing the principles of proper accounting. The consolidated management report corresponds with the consolidated financial statements, gives altogether an accurate presentation of the situation of the Group and correctly shows the opportunities and risks of the future development.

Bremen, 16 February 2009

Ernst & Young AG
Auditing company
Tax consultancy company

Monsees
Auditor

Eylers
Auditor

FINANCIAL STATEMENTS OF SWB AG

INCOME STATEMENT OF SWB AG

in kEUR	2008	2007
1. Other capitalized own services	280	447
2. Other operating income	61,828	34,856
3. Cost of materials		
a) Materials, supplies and merchandise	–1,507	–1,434
b) Services	–20,273	–8,628
4. Personnel costs		
a) Wages and salaries	–20,633	–17,913
b) Social security contributions, pension costs and benefits expenditure	–22,405	–19,657
incl. for pensions: kEUR 19,639 (previous year: kEUR 17,071)		
5. Depreciation on tangible and intangible assets	–2,905	–2,771
6. Other operating expenses	–30,083	–20,079
7. Interim result	**–35,698**	**–35,179**
8. Income from investments	49,020	81,874
incl. from affiliated companies: kEUR 30,827 (previous year: kEUR 62,357)		
thereof from tax allocations: kEUR 11,275 (previous year: kEUR 24,263)		
9. Income from profit and loss transfer agreements	44,828	34,941
incl. from affiliated companies: kEUR 44,828 (previous year: kEUR 34,941)		
incl. tax levies: kEUR 15,715 (previous year: kEUR 11,808)		
incl. expenses for tax levies: kEUR 318 (previous year: kEUR 402)		
10. Income from loans from financial assets/investments	6	15
11. Other interest and similar income	7,151	9,384
incl. from affiliated companies: kEUR 4,258 (previous year: kEUR 3,411)		
12. Depreciations on financial assets and on securities of the current assets	–7,833	0
13. Expenses from profit and loss transfer agreements	–507	–684
thereof from affiliated companies: 507 (previous year: kEUR 684)		
thereof expenses from tax allocations: kEUR 67 (previous year: kEUR 3,585)		
14. Income tax	–16,743	–13,223
incl. expenses for tax levies: kEUR 4,919 (previous year: kEUR 9,447)		
15. Net profit for the year	**40,224**	**77,128**
16. Tax on income and revenue	1,224	–16,621
17. Other taxes	–295	–292
18. Net income for the year	**41,153**	**60,215**
19. Profit carried forward	60,217	79,604
20. Profit distribution	–45,121	–79,602
21. Profit brought forward	–15,000	0
22. Net earnings	**41,249**	**60,217**

BALANCE SHEET OF SWB AG

Assets in kEUR	**31.12.2008**	**31.12.2007**
A. Non-current assets		
I. Intangible assets		
1. Licences, industrial property rights and similar rights and values as well as licences to such rights and values	3,566	2,710
2. Payments on account	2,761	1,872
	6,327	**4,582**
II. Property, plant and equipment		
1. Land, rights equivalent to real property and buildings including buildings on third-party land	19,894	21,313
2. Technical plant and equipment	5	8
3. Other plant and equipment	2,377	2,252
4. Advance payments made and assets under construction	166	20
	22,442	**23,593**
III. Financial assets		
1. Interests in affiliated companies	448,653	362,771
2. Participating interests	312,603	316,062
3. Investment/fixed-asset securities	0	1
4. Other loans	425	417
	761,681	**679,251**
	790,450	**707,426**
B. Current assets		
I. Accounts receivable and other assets		
1. Trade accounts receivable	256	601
2. Receivables from affiliated companies	208,729	160,271
3. Receivables from associates	756	4,031
4. Other assets	23,738	5,299
	233,479	**170,202**
II. Securities		
1. Other securities	42,744	72,453
	42,744	**72,453**
III. Cash on hand and in banking accounts	269	25,380
	276,492	**268,035**
C. Deferred charges	**2,531**	**2,711**
	1,069,473	**978,172**

BALANCE SHEET OF SWB AG

Liabilities in kEUR	31.12.2008	31.12.2007
A. Equity		
I. Subscribed capital	**117,459**	**117,459**
II. Capital reserve	**181,359**	**181,359**
III. Retained earnings		
1. Statutory reserves	405	405
2. Other retained earnings	42,572	27,572
	42,977	**27,977**
IV. Net earnings	**41,249**	**60,217**
	383,044	**387,012**
B. Provisions		
I. Provisions for pensions and similar obligations	266,462	272,209
II. Tax provisions	11,388	11,364
III. Other provisions	20,956	16,451
	298,806	**300,024**
C. Liabilities		
I. Trade liabilities	234,190	131,334
II. Liabilities due to affiliates	1,084	2,660
III. Liabilities due to affiliated companies	143,454	151,025
IV. Liabilities due to companies with which an investment relationship exist	767	822
V. Other liabilities incl. tax liabilities: kEUR 3,592 (previous year: kEUR 287)	8,128	5,295
	387,623	**291,136**
	1,069,473	**978,172**

GLOSSAR / FINANZEN

Allocation period
Allocation periods have been stipulated in the states of the EU for the issue of CO_2 emission entitlements, for which respective national allocation plans are created which contain the total quantity of the entitlements which are to be allocated as well as the allocation regulations. The first allocation period covered 3 years, from 2005 to 2007. The subsequent allocation periods comprise a period of respectively 5 years.

At Cost
Method for including companies in the consolidated financial statements. The basis is the acquisition costs of the participating interest.

At equity
Associated companies, which are included in the consolidated financial statements “at equity”, are only included with their pro rata results as opposed to fully consolidated companies.

Cash value
Described as cash value (current value) is the summarised value of one or several positive or negative payments which are incurred in the future. It is calculated by discounting each individual payment of the series of payments.

Book profit
A book profit is incurred if the book value of an asset is below the actually generated sales proceeds.

Capital Employed
from the English language: employ = use. The Capital Employed is the capital used in the company for which an interest yield claim exists on the part of external capital providers.

Cashflow
The cashflow (cash inflow) is an important key figure for valuating the financial and earning power of a company. The cashflow expresses which surplus (operating income minus operating expenses) has been generated in a period (as a rule the fiscal year) from own power. It therefore provides information about the actual access to liquid funds of a company.

DART rate
(days away, restricted or transferred) The key figure stands for the number of accidents, which result in times of absence, restricted activity or transfer to another workplace per 200,000 working hours. The definition stems from the Occupational Safety and Health Agency (OSHA).

Derivatives
Derivatives (also: derivative financial instruments) are products, the market value of which is derived from the classical basic instruments (such as for example shares, bonds or gold). The derivatives include tradable financial products such as futures, options, certificates and non-standardised financial products such as forwards or swaps.

Forward exchange contracts
Contracts concerning the purchase or sale of foreign currencies on an agreed future date, at an exchange rate which was already agreed when the contract is concluded.

EBIT
A business management key figure which makes a statement about the operating profit of a company in a certain period of time. EBIT is the abbreviation for English: earnings before interest and taxes. Translated literally it means “profit before interest and taxes”. However, in practice it has the meaning of “profit before financial results, extraordinary results and taxes”. Therefore extraordinary (one-time) costs and expenses are ignored just as interest, other financing expenses or profits and taxes, because none of these positions were incurred through the actual operating activity.

EEX trade exchange
(European Energy Exchange) energy exchange of Germany under public law with registered seat in Leipzig.

First consolidation
To be understood under first consolidation is the process of the first time inclusion of a company as subsidiary, joint venture or associated company in the consolidated financial statements on this key date.

EUA certificates
Through a EUA (European Union Allowance) a plant operator is granted the right to emit a ton of CO_2. The plant operators are allocated certain quantities of EUA in line with the national allocation plans. Part of the required emission rights must however be purchased or bought at an auction.

Fair Value
Fair Value is a term for the valuation from the Anglo-American accounting. According to IFRS or US GAAP the Fair Value is that amount at which an asset is exchanged between experts, parties intending to enter into a contract and independent business partners or an obligation can be settled. It accordingly concerns a hypothetical market price under idealised conditions. A strict distinction is to be made between the Fair Value as market value and subjective ideals as they are expressed in the Value in use, the company-specific value of a position.

Gearing
Described as gearing is the ratio of net debt to equity. This key figure informs about the risk that has been entered into by owners and creditors and shows the leeway for a possible raising of new debts.

Goodwill
Goodwill is the value of the company which a buyer of a company is willing to pay by taking into account future expected income (=earning power) beyond the value of the individual assets after deduction of the debts (= net asset real value).

Hedge accounting
Derivative financial instruments can be used for hedging risks from fluctuating cashflows. Insofar as there is a hedge transaction the hedge instrument and the hedged basic transaction are to be depicted according to the regulations envisaged especially for this in IAS 39, the so-called hedge accounting. The accounting regulations which otherwise exist solely for the basic transaction and hedge instruments are modified through the hedge accounting in order to enable a disclosure which takes into account the financial implications of the hedge connection.

Held-for-Trading
A financial asset or a financial liability which was classified as for the purpose of trading. This is as a rule the case if it was primarily acquired or entered into with the intention to sell or repurchase the financial instrument at short notice (IAS 39.).

IFRS – International Financial Reporting Standards
Binding agreements concerning the accounting, drawn up by an international body in order to enable worldwide comparability of the annual financial statements. Annual financial statements according to IFRS should provide information about the net assets, financial position and results of operations within the meaning of the “true and fair view”.

KonTraG
Abbreviation for “Act on Control and Transparency in the Company Sector”: The aim of the law is to improve Corporate Governance in German companies. Regulations of the HGB [German Commercial Code] and the AktG [Companies Act] are specified and extended with the KonTraG. The core of the KonTraG is to introduce and operate a company-wide early identification system for risks.

Contracting party risk
The contracting party risk describes the risk of loss in case a market participant, for example through insolvency, cannot satisfy his duties towards the creditor within the framework of an agreement.

Absorption of additional proceeds
Absorption of additional proceeds relates to the treatment of the additional proceeds which a network operator generated due to the fact that during the period of time when the application was filed until the time of the first-time approval of the network charges it charged remuneration which exceeded the network charges which were admissible according to the StromNEV [Regulations governing the access to electricity supply networks].

Pensionssicherungsverein aG
The PENSIONS-SICHERUNGS-VEREIN [obligatory pensions guarantee corporation] mutual insurance association (PSVaG) is the statutory funding body of the insolvency insurance for the company pension plan. Its sole purpose is to guarantee the company pension plan for the event of the insolvency of an employer which is insured in the PSVaG.

Portfolio
A portfolio comprises a collection of objects of a certain type and excludes an individual consideration.

Portfolio management
The portfolio management serves to cover the needs on the energy markets, with which operations are carried out through various partial quantities and procurement sources with various conditions, prices and deadlines. The portfolio comprises the various products of the energy trading market and the own generation as well as price hedge instruments.

Put option
The buyer of a put option acquires the right to sell a certain subscription value within a stipulated period of time or at a stipulated period of time at a previously defined price. The seller of a put option is in the option writer position, i.e. he must allow the (non-)exercising of the right to be applied to him.

ROIC
Return on Invested Capital; defined as the generated results (EBIT = Earnings Before Interest and Taxes) as a ratio to the average invested capital.

Spreads
Margin between product proceeds and expenses for material

Swap
The swap is an agreement between two contractual partners to exchange cashflows in the future. The agreement defines how the payments are calculated and when they flow. As a rule one or several future market values have to be included in the calculation. Swaps can serve to hedge the prices in the long-term. Principally both fixed cashflows can be converted into variable cashflows as well as vice versa.

Level of debt
The debt corresponds with the total of the interest-bearing external capital, whereas the net debt represents the financial debt reduced by the liquid funds and securities. The level of debt states within how many years the external capital could be redeemed through the cashflow. The calculation is carried out as a ratio of the net debt to EBITDA. Therefore, the smaller this key figure is the less years are required by the enterprise to be able to settle its debts.

Interest cover ratio
The key figure shows the ability of a company to be able to satisfy the interest obligations. An interest cover ratio e.g. of 3 describes that the company is in the position to be able to settle the incurred interest three times with the cashflow of the computation period. The higher this ratio the more comfortable it is for the company to be able to pay the interest debt from the cashflow.

Interest structure curve
The interest structure curve represents the connection between the terms of the bonds traded in the market and their yield on lapse. The interest structure curve is generally broken down into three segments: into a short and a long end as well as a middle segment. The form of this curve provides conclusions for the current condition of the bond market.

GLOSSARY / ENERGY

Federal Network Agency
The Federal Network Agency for electricity, gas, telecommunications, post and railways is an independent senior federal authority in the business field of the Federal Ministry for Economic Affairs and Technology with registered seat in Bonn. Since 13 July 2005 the regulatory authority for telecommunications and post, which was created from the Federal Ministry for Post and Telecommunications (BMPT) and the Federal Department for Post and Telecommunications (BAPT) has been renamed the Federal Network Agency. It has the task to ensure the further development on the electricity, gas, telecommunications, post market and since 1 January 2006 also on the railway infrastructure market.

Contracting
Contracting comprises the planning, financing, erection and also the operating of energy generation plants (plant contracting) or the realisation of energy savings measures (saving contracting) by the contractor. The financial risk lies with the contractor, whereas the customer does not make any own investments. The measures refinance themselves through the generated energy or through the saved energy costs.

EEG (Renewable energies law)
The renewable energies law (EEG) should press ahead with the expansion of energy generation plants. It also regulates the connection, the admission with priority and the remuneration rates of electricity from renewable energies. The aim of this law is in particular in the interest of the climate, nature and environmental protection to enable a sustainable development of the energy supply and to promote the further development of technologies for generating electricity from renewable energies. The EEG intends to reduce the economic costs of the energy supply and to contribute to avoiding conflicts concerning fossil energy resources.

Emission certificates
The term “emissions” stands for the emission of pollutants after a combustion process. In order for example to encourage the operators of power plants to build more modern plants with less emissions politicians passed a resolution to trade with emission certificates /emission rights. The emissions trade is a system of market economic regulation of the emissions through tradable emission right certificates.

Middle calorific
"Middle calorific" is a term from the waste management, which increasingly understands waste as a raw material for new products or for energy production. Middle calorific is composed of sorting residues from the waste treatment. These residues are not suitable for the material recycling. Middle calorific is typically a mixture of paper, plastic, wood and packaging residues. The calorific value of middle calorific approximately corresponds with that of dry brown coal.

Middle calorific waste is waste for example from industrial enterprises and sorting plants with a higher specific calorific value of approx. 12-18 MJ/kg, as household waste (approx. 8-9 MJ/kg). The calorific value is therefore around the size of the calorific value of brown coal. Middle calorific can be converted to electricity and steam in special waste heating plants, which have sophisticated exhaust gas cleaning.

NAP /NAP II (national allocation plan)
The trade with emission rights is among the tools with which the European Union (EU) intends to achieve the goals of the Kyoto Protocol concerning climate protection. The directive 2003/87 / EC which came into force in October 2003 concerning a "system for the trade with greenhouse gas emission certificates in the Community" envisages that certain plants – above all power plants, cement, iron and steel as well as paper plants – will be allocated emission rights. A plant which emits more greenhouse gases than they were allocated in rights must acquire further emission certificates – from emitters who have produced less greenhouse gases than they were allocated (they can sell their surplus certificates). The "national allocation plans" (NAP) of the EU states allocate certain emission quantities to the individual emitters of greenhouse gases, which fall under the EU directive.

Network operator
Operator of an energy transmission or distribution network.

OTC trade / OTC market (Over The Counter trade/market)
Free trade which takes place outside of stock exchanges. The contracts traded there are both standard products as well as non-standardised transactions. Transactions are also mediated through brokers. Spot and futures market exist in the OTC market.

Spot market / spot gas transaction / (spot quantities)
The market on which short-term imbalances with the electricity procurement or electricity marketing are compensated for through material contracts or are evened out on the positions from futures transactions. Electricity is traded in real time (as a rule for the next day) on the spot market of the EEX. It is essentially used by energy providers and major customers in order to optimise their electricity portfolio in the short-term, e.g. adjust the production to the weather conditions or compensate for power plant losses.

Group infeed
Connection to the national excess pressure group network for additionally required electricity quantities or quantities which are to be sold.

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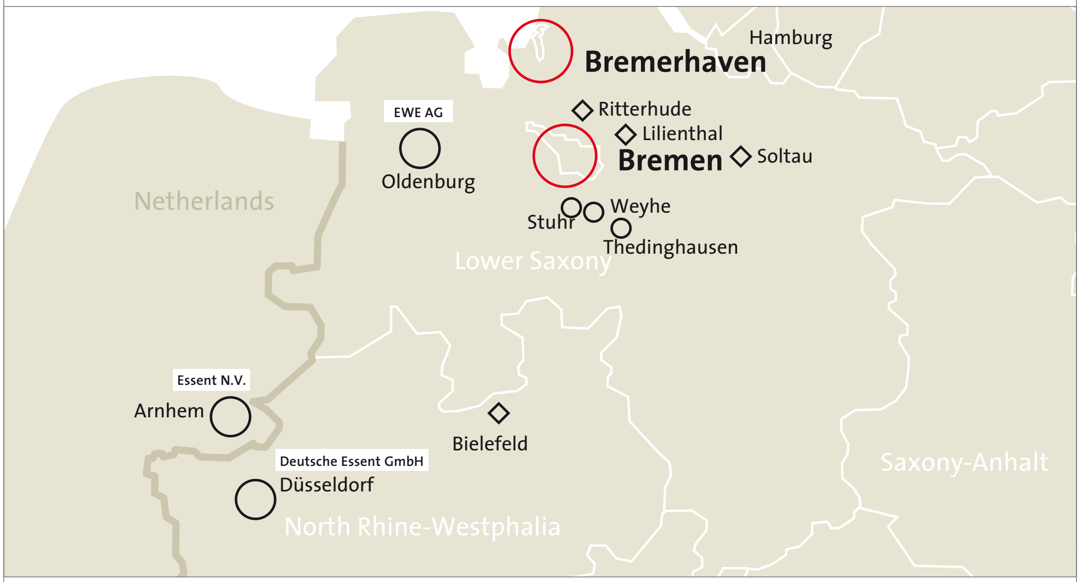
SWB-SERVICE AREA



- swb core service area
- Municipalities in surrounding areas supplied by
- Major shareholdings in energy providers
- swb AG shareholders

Shareholder structure (voting rights)
Deutsche Essent GmbH, Düsseldorf, 51 percent
EWE Aktiengesellschaft, Oldenburg, 49 percent
Bremer Verkehrsgesellschaft (BVG): 1 share

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