

Stadtwerke Bielefeld GmbH

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## Consolidated Annual Report | 2006

Abridged Version

### 18.52: The day's work is done.



A view of the night sky.  
Stars, lights, free time.



## Mission statement of the Stadtwerke Bielefeld group

We are the competent partner for electricity, water, heat, transport and communication in Bielefeld and beyond. Our customers can rely on us.

### - Company profile -

As an energy and water corporation, the Stadtwerke Bielefeld group is successful on a regional and national scale. We have been providing our customers with comprehensive energy services for almost 150 years. Our core competencies are electricity, gas, water and heat. Via subsidiaries we also successfully provide mobility, telecommunication and disposal services. Leisure activities at Bielefeld's swimming pools and ice rink complete the product range.

On the basis of our core business, we have developed into a large regional all-round supplier, offering products and services aligned to customer requirements from a single source. We are thus well positioned for the future.

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## Stadtwerke Bielefeld group

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At a glance		2006	2005	2004	2003	2002
<b>Tangible and intangible assets</b>						
- Net cash flow	EUR m	1,361.2	1,335.5	1,306.0	1,264.1	1,241.6
- Salvage value shown in the books	EUR m	307.5	311.5	310.0	287.8	287.9
- Investments	EUR m	31.9	38.1	58.7	34.0	31.1
<b>Financial assets</b>	EUR m	181.4	185.1	187.5	145.4	144.7
<b>Equity capital</b>	EUR m	257.1	239.6	235.3	221.0	213.1
<b>Balance sheet total</b>	EUR m	781.2	761.9	743.8	691.6	665.1
<b>Sales revenues*</b>	EUR m	556.2	504.1	426.0	413.1	385.5
<b>Raw materials</b>	EUR m	331.1	291.4	224.6	218.5	208.7
<b>Personnel costs</b>	EUR m	94.8	94.1	91.1	92.4	90.4
<b>Depreciation</b>	EUR m	35.2	35.7	32.9	33.5	34.6
<b>Taxes**</b>	EUR m	32.7	23.5	38.0	17.6	10.3
<b>Licensing fee</b>	EUR m	21.7	21.4	21.7	21.1	20.8
<b>Balance sheet profit**</b>	EUR m	32.8	29.1	24.9	17.4	11.9
<b>Employees</b>						
- Average for the year		2,206	2,176	2,143	2,086	2,086

\* Minus electricity tax  
 \*\* From day-to-day business

### Key direct and indirect participations and cooperation partners

Gemeinschaftskraftwerk Weser GmbH & Co. OHG - GWK -, Emmerthal  
 Gemeinschaftskraftwerk Grohnde GmbH & Co. OHG - KWG -, Emmerthal  
 Gemeinschaftskraftwerk Grohnde Management GmbH, Emmerthal  
 Gemeinschaftskraftwerk Veltheim GmbH - GKV -, Porta Westfalica  
 Interargem-Entsorgungs-GmbH - Interargem -, Herford  
 Müllverbrennungsanlage Bielefeld-Herford GmbH - MVA -, Bielefeld  
 Enertec Hameln GmbH, Hameln  
 Stadtwerke Bielefeld Netz GmbH, Bielefeld  
 moBiel GmbH, Bielefeld  
 moBiel Service GmbH – mSG -, Bielefeld  
 BITel - Gesellschaft für Telekommunikation mbH, Gütersloh  
 Bielefelder Bäder und Freizeiteinrichtungen GmbH & Co. Betriebs-KG - BBF -, Bielefeld  
 Bielefelder Bäder und Freizeiteinrichtungen GmbH, Bielefeld  
 Stadtwerke Gütersloh GmbH, Gütersloh  
 Stadtwerke Ahlen GmbH, Ahlen  
 Elektrizitätsversorgung Werther GmbH, Werther  
 Wasserwerk Mühlgrund GmbH, Bielefeld  
 Westfälische Propan GmbH - WPG -, Detmold  
 CEC Energieconsulting GmbH, Bad Oeynhausen

## Business sectors at a glance

			2006	2005
<b>Electricity (since 1900)</b>	Electricity sales	million kWh	3,565.5	3,545.0
	Distribution grid	km	5,100.7	5,346.9
	Number of meters installed		201,371	201,656
	Number of houses connected		59,953	61,689
<b>Gas (since 1856)</b>	Natural gas sales	million kWh	3,723.2	3,685.7
	- of which general supply	million kWh	2,715.4	2,662.0
	Propane sales (tanks and bottles)	t	5,198.0	5,201.8
	Distribution grid	km	1,280.8	1,280.7
	Number of meters installed		79,265	79,887
	Number of houses connected		46,113	45,032
<b>District heating (since 1955)</b>	District heating sales	million kWh	924.0	856.5
	Distribution grid (double pipe system)	km	171.7	169.8
	Number of meters installed		5,830	5,790
	Number of houses connected		3,231	3,215
<b>Water (since 1890)</b>	Water sales	million m <sup>3</sup>	18.1	18.7
	Distribution grid	km	1,500.4	1,499.7
	Number of meters installed		60,376	59,879
	Number of houses connected		57,093	56,621
<b>Transport (since 1900)</b>	Passengers	million	40.3	39.1
	Kilometres in service	million/year	10,531	10,551
	Seat kilometres	billion/year	1.203	1.202
	Trams		80	80
	Centre carriages		5	5
	Urban buses		73	73
<b>Telecommunication (since 1997)</b>	Number of connections		21,491	20,430
<b>Swimming pools/ice rink (since 1997)</b>	Indoor pools	million visitors	0.838	0.826
	Outdoor pools	million visitors	0.356	0.304
	Ice rink	million visitors	0.108	0.100

## Electricity

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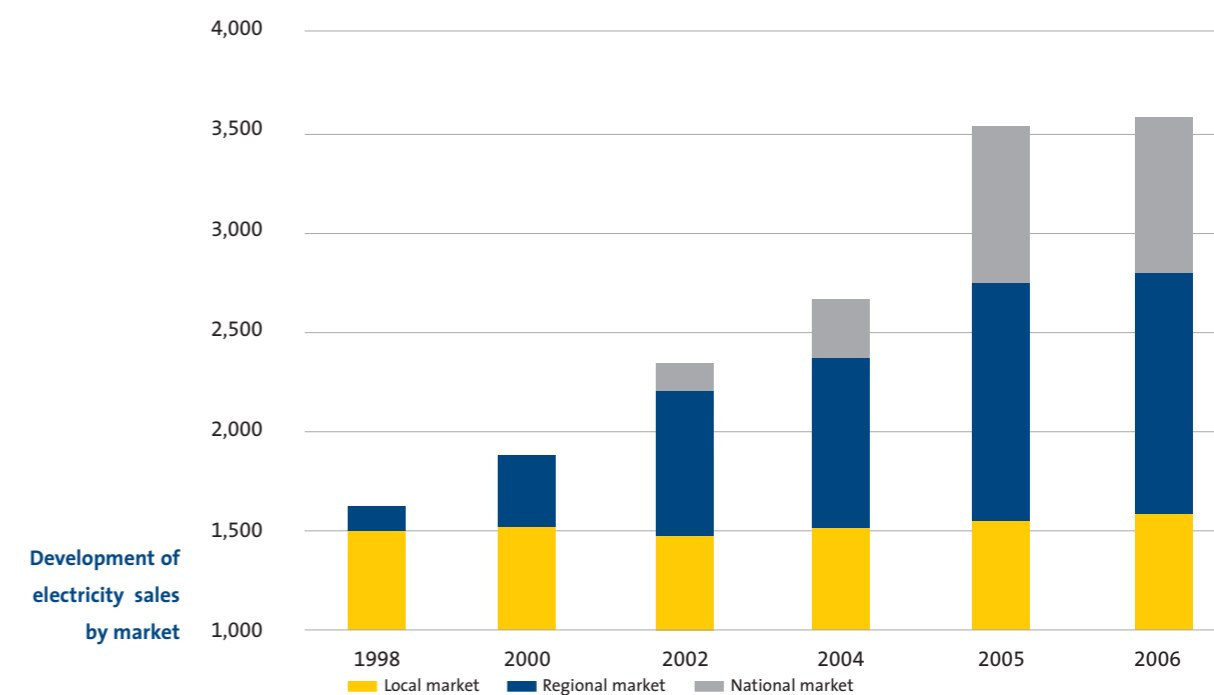
In the 2006 financial year, we sold 3,565.5 million kWh of electricity. Sales were therefore up slightly on the previous year (3,545.0 million kWh), representing growth of 0.6%. We maintained our market position within the Bielefeld grid and further strengthened our standing elsewhere. We supplied over 12% more electricity to our external customers than in the previous year.

### Electricity sales

The positive development in supplies to special-contract customers once again marks a great success for Stadtwerke Bielefeld in a market environment which is characterised by tough competition for large-scale customers. We sold 6.9% more electricity to this group of customers than in the previous year. The good sales figures were primarily generated by business with external customers, but the sales volume also increased within the area covered by our grid. At 48.6%, special-contract customers once again accounted for the highest proportion of electricity sales.

Electricity sales	2006 million kWh	2005 million kWh	Change in %
Standard-rate customers	621.9	619.9	+ 0.3
Storage heating	26.6	28.3	- 5.7
Special-contract customers	1,734.4	1,622.6	+ 6.9
Street lighting	15.5	15.8	- 2.0
Commercial consumption	32.3	26.7	+ 20.9
Downstream distributors/trade	1,134.8	1,231.7	- 7.9
<b>Total</b>	<b>3,565.5</b>	<b>3,545.0</b>	<b>+ 0.6</b>

Electricity sales to standard-rate customers were just above the previous year's level (+0.3%). However, the sales volume dropped by 7.9% in the downstream distributor/trade sector. Downstream distributors primarily include neighbouring towns and communities with whom Stadtwerke Bielefeld has long-standing supply relationships. We also supply a utility company outside the local area.



## Gas

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In the reporting year, gas sales by Stadtwerke Bielefeld rose by 1.0% to 3,723.2 million kWh compared with 3,685.7 million kWh in the previous year. Gas sales for general supplies – excluding gas used in our own power plants – increased by 2%.

### Degree-day figures and customer connections

In 2006, fewer degree days were recorded in Bielefeld (3,212) than in the previous year (3,297). This was also below the figure for a normal year (3,350), which is calculated on the basis of a 10-year average. The number of degree days is an important factor for sales of heating gas. The number of heating days also fell, from 256 days in the previous year to 232 days in the year under review.

We installed 470 new connections to the Stadtwerke Bielefeld natural gas grid (previous year: 563). This drop can be attributed to an ongoing reduction in construction work within our catchment area in 2006.

### Natural gas sales

All customer sectors contributed to the positive development in gas sales for general supplies. Our standard rate customers used 1.4% more gas than in the previous year. The long-term trend continues to show that an increasing number of people are choosing natural gas for heating when building family homes or apartment blocks. Large-scale customers bought 1.7% more gas. Sales of production gas

Natural gas sales	2006 million kWh	2005 million kWh	Change in %
Standard-rate customers	1,898.8	1,872.2	+ 1.4
Industrial and major customers	666.5	655.1	+ 1.7
Downstream distributors	125.1	120.6	+ 3.8
Commercial consumption	25.0	14.1	+ 76.5
<b>General supply</b>	<b>2,715.4</b>	<b>2,662.0</b>	<b>+ 2.0</b>
Cogeneration and steam power plants	1,007.8	1,023.7	- 1.6
<b>Total</b>	<b>3,723.2</b>	<b>3,685.7</b>	<b>+ 1.0</b>

increased to one major customer in particular. The downstream distributor Gemeindewerke Steinhagen also sourced more natural gas for its customers (+3.8%). Our power plants used a lower total volume of gas than in the previous year (-1.6%).

### Liquid gas sales

We sold slightly less liquid gas in the 2006 financial year than in the previous year (-0.1%), with sales of both tanks and bottles decreasing. Very mild weather in Q4 virtually neutralised the sharp rise caused by cold weather in Q1.

The number of plants using propane tanks decreased to 1,890. To date, we have converted 24 propane-fuelled plants and connected them to the natural gas grid. Six plants were dismantled as the customers no longer use the properties which were previously supplied with propane. Other plants were converted to other energy sources such as wood pellets by customers.

LPG sales in the year under review exceeded our expectations, with growth of over 500% compared with 2005. There was a further increase in the number of card customers who can use our on-site filling station around the clock. In March 2006, we acquired our first LPG fleet customer: Prodiac. 13 new cars, each of them expected to cover some 100,000 km a year, were converted to LPG. They refuel at a Stadtwerke Bielefeld LPG filling station which we constructed on Prodiac's premises.

Propane sales	2006 t	2005* t	Change in %
Tanks	4,350.0	4,537.9	- 4.1
Bottles	463.0	598.8	- 22.7
LPG	375.0	55.6	+ 574.7
Commercial consumption	10.0	9.5	+ 5.3
<b>Total</b>	<b>5,198.0</b>	<b>5,201.8</b>	<b>- 0.1</b>

\* Figures adjusted to show LPG for the first time

## District heating

Sales of district heating increased by 7.9% in the reporting year to a new record level, with the figure soaring from 856.5 million kWh in the previous year to 924.0 million kWh. Supplies of steam from our gas and steam cogeneration plant in Hillegossen played a major role in this development.

### District heating sales

An increase in steam supplies (+10.7%) plus a rise in sales to our industrial and major customers contributed to the growth outlined above. The latter used 9.9% more district heating than in the previous year. We also concluded a new district heating contract with one of our customers. Private households only used slightly more district heating (+0.4%) than in the previous year.

### Measuring devices and connected load

The number of measuring devices and meters increased by 40 to 5,830. We also saw a rise in the number of supply connections to 3,231 (previous year: 3,215). The total connected load is now 445.9 MW. We adjusted the connected load for district heating to reflect current heating requirements for the properties owned by a major developer. This meant that, despite new connections totalling 1.8 MW, we only saw a slight reduction in the total connected load.

Since 2006, the area surrounding Plaßschule School has been supplied with district heating which stems from eco-friendly cogeneration. The supply pipeline from the inner-city district heating grid to the previously isolated district heating network at Plaßschule School went live in time for the start of the heating period.

We recorded the highest heat load for 2006 – 226 MW (previous year: 218 MW) – at 9.00 a.m. on 24 January. The outdoor temperature was -8 °C.

District heating sales	2006 million kWh	2005 million kWh	Change in %
Private households	211.6	210.8	+ 0.4
Industrial and major customers	305.7	278.3	+ 9.9
Commercial consumption	6.3	5.7	+ 10.1
<b>Heating sales</b>	<b>523.6</b>	<b>494.8</b>	<b>+ 5.8</b>
Steam	400.4	361.7	+ 10.7
<b>Total</b>	<b>924.0</b>	<b>856.5</b>	<b>+ 7.9</b>

## Water

Over the past few years, we have seen a water-saving trend amongst consumers throughout Germany. This could once again be observed in 2006. Total water sales dropped by 3.3% to 18.1 million m<sup>3</sup>.

### Water sales

For years, water-saving devices and fittings in homes have been causing consumption levels to decline or at most stagnate. In addition to this, fewer new customers had water connections installed than in the previous year. Sales were down by approx. 4%. However, household and commercial customers still constituted Stadtwerke Bielefeld's most important consumer group in this segment, accounting for some 76% of sales.

Industrial and major customers also continued to save water and conserve this precious resource. Reuse and water recycling by means of technical innovations and closed production cycles prompted a 2.4% reduction in the quantity used. Industrial and large-scale customers accounted for some 13% of Stadtwerke Bielefeld's total water sales.

We once again succeeded in increasing the amount of water sold to downstream distributors in comparison with the previous year. At 2.5%, growth here was comparatively high as a neighbouring community sourced considerably more water from us. The downstream distributors supplied by Stadtwerke Bielefeld are primarily neighbouring utilities, communities and water supply companies. Approx. 9% of sales were to downstream distributors.

### Groundwater and the climate

The River Senne is the main source of drinking water for Stadtwerke Bielefeld. We operate a total of 14 water extraction plants here, ten of which use the Senne's water-bearing formation close to the surface, and four the deep limestone/chalk water-bearing formation. In this way, the Senne waterworks meet approximately 85% of Bielefeld's water needs. Three waterworks in and to the north of the Teutoburg Forest – some of which operate on a smaller scale – supplement the Senne waterworks in obtaining drinking water.

Precipitation was slightly below average in 2006. At Waterworks 1 in Sennestadt, precipitation amounted to 833.2 mm, 4.3% below the long-term mean of 870.7 mm.

Drinking water sales	2006 million m <sup>3</sup>	2005 million m <sup>3</sup>	Change in %
Households and commercial customers	13.80	14.39	- 4.1
Industrial and major customers	2.40	2.46	- 2.4
Commercial consumption (incl. cogeneration plant)	0.25	0.27	- 7.4
<b>General supply</b>	<b>16.45</b>	<b>17.12</b>	<b>- 3.9</b>
Output to downstream distributors	1.66	1.62	+ 2.5
<b>Total</b>	<b>18.11</b>	<b>18.74</b>	<b>- 3.3</b>

## Local public transport – moBiel

Customers value modern, attractive and passenger-oriented local public transport. Providing such services also improves a transport company's financial position. Since 1991, moBiel has increased passenger figures by almost 75% from 23.1 to 40.3 million and upped the percentage of expenses it recuperates from 46.8% to 70.8%. This is partly thanks to the success of the tram system introduced in Bielefeld 15 years ago.

### Better service – less deficit

Between 1990 – the last year before the tram system was introduced – and 2006, the number of kilometres covered by urban buses and trams has almost doubled, from 5.35 million to 10.44 million. We have also completely revamped the service we offer, with stationary and mobile service points, active quality and complaints management systems, customer committees, etc. moBiel has succeeded in considerably improving the percentage of expenses it recuperates, going from 46.8% in 1990 to 70.8% in 2006. In 2006, its deficit was just 17.3 million euros. Compared with other firms in Germany, this is a very good result for a transport company with costly, high-tech tunnel routes. This meant that the costs for Bielefeld's local transport system were just below those in 1990. Considering general inflation since 1990, this represents a 25–30% improvement in the level of recuperation. During the same period, we have also doubled the services offered and made considerable improvements in terms of quality.

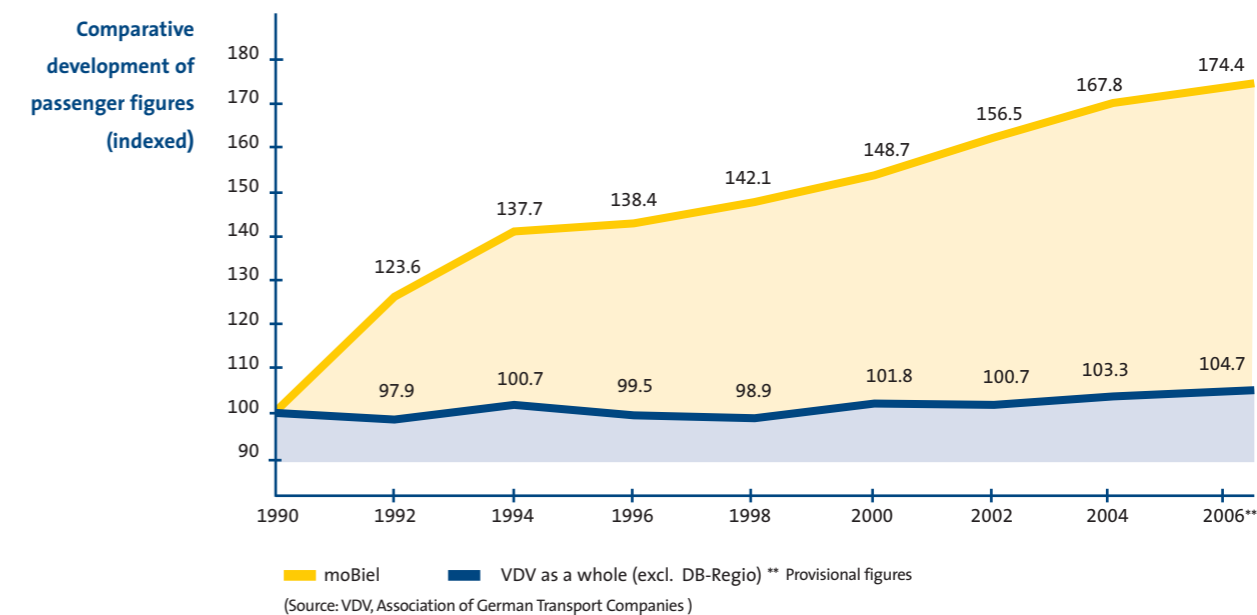
Passengers	2006	2005	Change in %
Single/4-trip tickets	5,677,133	5,709,491	- 0.6
Tickets for anyone	20,087,822	18,925,810	+ 6.1
Discounted apprenticeship tickets	9,135,351	9,233,758	- 1.1
Free travel for the severely disabled, through ticketing	3,524,981	3,416,872	+ 3.2
Other (holiday tickets, special trips, etc.)	1,892,897	1,809,336	+ 4.6
	<b>40,318,184</b>	<b>39,095,267</b>	<b>+ 3.1</b>

### Ready for liberalisation of the transport market

moBiel is well positioned on the transport market to face the coming years. This is borne out by its audit certificate confirming that it already fulfils the criteria for an "average, well-managed company" stipulated in a ruling by the European Court of Justice dated 24 July 2003. Furthermore, this was followed by a unanimous vote by the town council on 17 October 2005 to entrust moBiel with the provision of local public passenger transport services in Bielefeld over the next few years. This is particularly noteworthy given the Federal Administrative Court's decision on 19 October 2006 in which the German legislators created an effective exception from EU Regulation 1191/69 for non-subsidised transport.

### Full steam ahead at WestfalenBahn GmbH

Preparatory work is going according to plan in the new field of local passenger rail services. WestfalenBahn GmbH – a joint venture between the four partner companies moBiel GmbH, Abellio (Essen), MKB (Mindener Kreisbahnen) and vbe (Verkehrsbetriebe Extertal) – will have its workshop in Rheine (Westphalia) and will commence service with 19 electrically powered FLIRT trains supplied by Stadler on 9 December 2007. The service will operate between Bad Bentheim, Münster, Osnabrück, Bielefeld and Paderborn. Each of the partners holds a 25% stake in the company.



## Telecommunication – BITel

BITel Gesellschaft für Telekommunikation mbH is one of the region's leading telecommunication service providers. With its efficient network infrastructure and local presence comprising service centres in Bielefeld and Gütersloh, the company offers all telephony services from a single source.

### Comprehensive telecommunication services

Right from the start, BITel has strived to offer comprehensive telecommunication services. Its portfolio ranges from simple and inexpensive telephone and Internet packages for private customers to complete tailor-made solutions for large companies. For its business customers in particular, BITel has adopted a principle of thinking in terms of solutions rather than product packages. A company need only list its telecommunication requirements and BITel will recommend a bespoke solution.

Recently, BITel launched a new product range called "COMFO home". This is a service for computer users who want technical support. The product is currently being rolled out.

### Broadband DSL increases connections' utility value

One of our focuses in the reporting year was on marketing DSL (digital subscriber line) broadband connections for business customers. To a large extent, BITel's success rests on the way in which it combines the convenience of ISDN telecommunication with high-speed DSL Internet access in its all-inclusive packages. In addition, with its successful DSL campaign, BITel has laid solid foundations for profitably marketing multimedia information and entertainment services online.

BITel has set up DSL technology throughout its service area. Companies can only plan on the basis of their own easily calculable figures and guarantee the best possible ordinary telephony and Internet services if they have own network. As a result, BITel is investing in its own state-of-the-art infrastructure.

## Swimming pools and ice rink – BBF

Bielefelder Bäder- und Freizeiteinrichtungen GmbH & Co. Betriebs-KG (BBF) operates a leisure centre, three indoor pools and eight outdoor pools in Bielefeld as well as the Oetker ice rink. The company constantly invests in its facilities in order to improve the quality of its services and premises.

### Ishara draws in the crowds

The number of visitors using the Ishara sport and leisure pool rose once again in 2006. The pool became a real magnet for visitors, attracting some 413,000 people. In the reporting year, we redesigned the roof terrace of our largest sauna at Ishara in order to increase its attractiveness.

German pools are increasingly highlighting health and recreation, as well as making their leisure services more family-friendly. In this context, customer loyalty programmes and pools with spa facilities are becoming increasingly important. Saunas draw on Finnish bathing traditions or elements of Roman and oriental culture. Historic bathing rituals are experiencing a revival, such as the Turkish hammam steam bath which transports visitors into a fairy-tale world reminiscent of "The Arabian Nights" with its stunning tiled baths. It is increasingly important that pools offer visitors a special experience whilst remaining multifunctional. Distinctiveness remains a prime consideration.

### Pools given a makeover

In 2006, BBF initiated a fundamental refurbishment scheme at the Hillegossen and Dornberg outdoor pools. The refurbishments are set to cost approx. 3.3 million euros in total. Hillegossen outdoor pool will reopen in May 2007. Renovation work at the pool in Dornberg will be completed in 2008. We want to attract new customers, for example by extending our spa services and offering classes in areas such as aqua fitness and aqua jogging. Some of these will be held in the new activity pool at Ishara.

### New indoor pool in Sennestadt

In late 2006, an architectural competition was held to build a new indoor pool in Sennestadt. Construction is due to start in September 2007, with the pool opening in early 2009. Including planning costs, we expect to invest some 6.7 million euros in the project. The new pool is being built in conjunction with the charity von Bodelschwingsche Anstalten Bethel. The old indoor pool was built in 1969 and has sustained major structural damage; the cost of repairs did not compare favourably with that of a newbuild. Were the indoor pool in Sennestadt to close down, it would be impossible for schools and clubs to keep running swimming activities.

Swimming pools/ice rink	2006 million visitors	2005 million visitors	Change in %
Indoor pools	0.838	0.826	+ 1.5
Outdoor pools	0.356	0.304	+ 17.1
Ice rink	0.108	0.100	+ 8.0
<b>Total</b>	<b>1.302</b>	<b>1.230</b>	<b>+ 5.9</b>

## Earnings situation

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**Business continued to develop well for the Stadtwerke Bielefeld group in the year under review. Group sales (excl. electricity tax) rose by some 52 million euros from 504.1 million euros in the previous year to 556.2 million euros. This represented a growth in sales of approx. 10%. With the exception of water, all group divisions posted higher revenues. The consolidated annual net profit came to 32.6 million euros. Once again, the transport division considerably improved its result, contributing to this pleasing development.**

### Corporate strategy

Stadtwerke Bielefeld has successfully pursued its corporate strategy in the deregulated energy market. This strategy involves exploiting the opportunities offered by deregulation whilst limiting the risks it entails, and it has proved a success. We focus on specific target groups in the regional market and on selectively acquiring reference customers in the national market. This has made it possible for us to enjoy ongoing growth. Our success rests on two pillars: on the one hand, predominantly relying on our own electricity generation sources, and on the other hand, our customer-oriented sales strategy.

Our group's strengths include our local roots and proximity to our customers. This applies to our utility services as well as the fields of transport, telecommunication and swimming pools. We see our customers' needs as a touchstone at all times and offer competitive prices. Customer satisfaction surveys have shown that customers are very happy with the services and packages we offer.

Our participations in other companies also play an important part in the strategic orientation of the Stadtwerke Bielefeld group. With our participations in other local companies, we hope to establish a network of reciprocity to strengthen competitiveness all round. Having our own power plants and holding stakes in others makes us one of the few regional utilities in Germany which predominantly generate their own energy.

### Sales revenues

Sales in the electricity sector rose to 274.1 million euros (previous year: 247.4 million euros); an increase of some 11%. This significant increase in sales was due to a further rise in the volume sold to special-contract customers. Stadtwerke Bielefeld Netz GmbH once again contributed approx. 20 million euros to sales. The natural gas division generated sales revenues of 130.5 million euros (previous year: 115.6 million euros). All customer groups contributed to this approx. 13% growth in sales. Revenues from the propane business rose by some 7.0% due to prices. The revenues posted by the district heating division increased by 18.6% to 49.1 million euros (previous year: 41.4 million euros). This rise in sales was fuelled by growth across all customer groups and the increase in steam supplied by our gas and steam cogeneration plant

in Hillegossen. A decrease in the quantity of water sold saw sales drop to 33.2 million euros (previous year: 34.0 million euros). The energy tax payable on gross sales revenues totalled 41.8 million euros (previous year: 34.3 million euros).

Our transport division moBiel posted sales revenues of 32.6 million euros (previous year: 30.9 million euros). Revenues from ticket sales rose once again. We continued to see a trend towards buying season passes rather than individual tickets. moBiel managed to further reduce its annual deficit by 1.2 million euros.

The telecommunication division succeeded in maintaining its hold on the market and recorded further growth. BITel generated sales revenues of 15.0 million euros (previous year: 14.5 million euros) with its products and services. Its annual result remained more or less on a par with that of the previous year at around 1.0 million euros.

Sales revenues generated by swimming pools and leisure facilities rose to 4.5 million euros, a year-on-year increase of 7%. This development was the result of higher visitor numbers at all of our sports and leisure centres.

### Associated companies

Our share of the income generated by our associated companies Gemeinschaftskraftwerk Weser (GKW), Gemeinschaftskraftwerk Veltheim (GKV), Interargem GmbH, Stadtwerke Gütersloh (SWG) and Stadtwerke Ahlen (SWA) remained comparable to the previous year's. However, a reduction in the balance sheet value of one of the associated companies resulting from a merger meant that the total earnings from our company participations were below the previous year's figure at 2.9 million euros (3.7 million euros).

### Consolidated net result

The result of ordinary business activities increased by some 17 million euros to 64.9 million euros in the year under review. As in previous years, we succeeded in recuperating the licensing fee in full. This fee came to 21.7 million euros compared with 21.4 million euros in the previous year. Net interest income saw a considerable year-on-year improvement. We succeeded in reducing the amounts owed to credit institutions, which meant that interest expenses were lower than in the previous year. This led to a slight improvement in the group's negative financial result.

More income tax was payable due to the improved result. Expenses arising from government tax audits at associated companies also contributed to the higher tax bill. These rose from 22.6 million euros in the previous year to 31.8 million euros in the reporting year. The consolidated annual net profit came to 32.6 million euros in the year under review following 24.8 million euros in the previous year. The consolidated net profit rose to 32.8 million euros (previous year: 29.1 million euros). Based on the annual net profit, the return on equity in 2006 was 17.2% (previous year: 14.3%).

#### Generation and sourcing

In the reporting year, we fulfilled around 81% of our electricity needs with our own generation facilities and associated power plants. The remaining electricity was procured from external firms and also consisted of power from sustainable sources which we are obliged to use by the German Renewable Energy Sources Act. We sourced more electricity from other companies than in the previous year because major planned repairs were carried out at Block 3 of the Gemeinschaftskraftwerk Veltheim plant in 2006. With our stakes in the Grohnde nuclear power station, Gemeinschaftskraftwerk Veltheim, and the Bielefeld-Herford waste incineration plant plus our cogeneration plant on Schildescher Straße and the new gas and steam cogeneration plant in Hillegossen, we have ensured that we will be able to produce our own electricity for many years to come. One of the reasons why Stadtwerke Bielefeld's electricity sales have soared over the past few years is that it has the capacity to generate a large proportion of the power it sells.

In 2006, we bought natural gas from ExxonMobil, Shell, Wingas AG and RWE Westfalen-Weser-Ems AG. Our supply contracts with gas companies are relatively short, allowing us to react flexibly to sudden market developments. By sourcing gas from a wide range of suppliers, we have also reduced the risk of supply bottlenecks as our suppliers procure their gas from different areas.

We continued to generate some 97% of district heating at our own cogeneration plant and at the Bielefeld-Herford GmbH waste incineration plant. High-performance heating plants are used when necessary in order to maintain the maximum load. We obtain approximately 95% of our water needs from our own extraction plants.

## Investments

**In the year under review, the Stadtwerke Bielefeld group primarily invested in its grids. Investments of 31.9 million euros (previous year: 38.1 million euros) were made in 2006, which largely went towards ensuring that our plants and pipe networks provide a secure supply.**

#### Investments in tangible assets

In the reporting year, we invested 6.2 million euros in electricity supplies. We refurbished the 110 kV northern substation and renewed 110 kV urban pylons. Investments of 4.2 million euros went towards gas supplies; one major project here was the takeover of the Hillegossen natural gas conditioning plant. We invested a total of 4.6 million euros in district heating and water.

The transport division enjoyed investments in tangible assets totalling approx. 5.0 million euros in 2006 (previous year: 6.0 million euros). 2.8 million euros of this went towards the infrastructure for track systems, line equipment and safeguarding plants. We invested 1.2 million euros in our fleet, acquiring four new low-floor buses. Telecommunication investments totalled 2.0 million euros as in the previous year. We ploughed a total of 2.5 million euros into our swimming pools and leisure facilities.

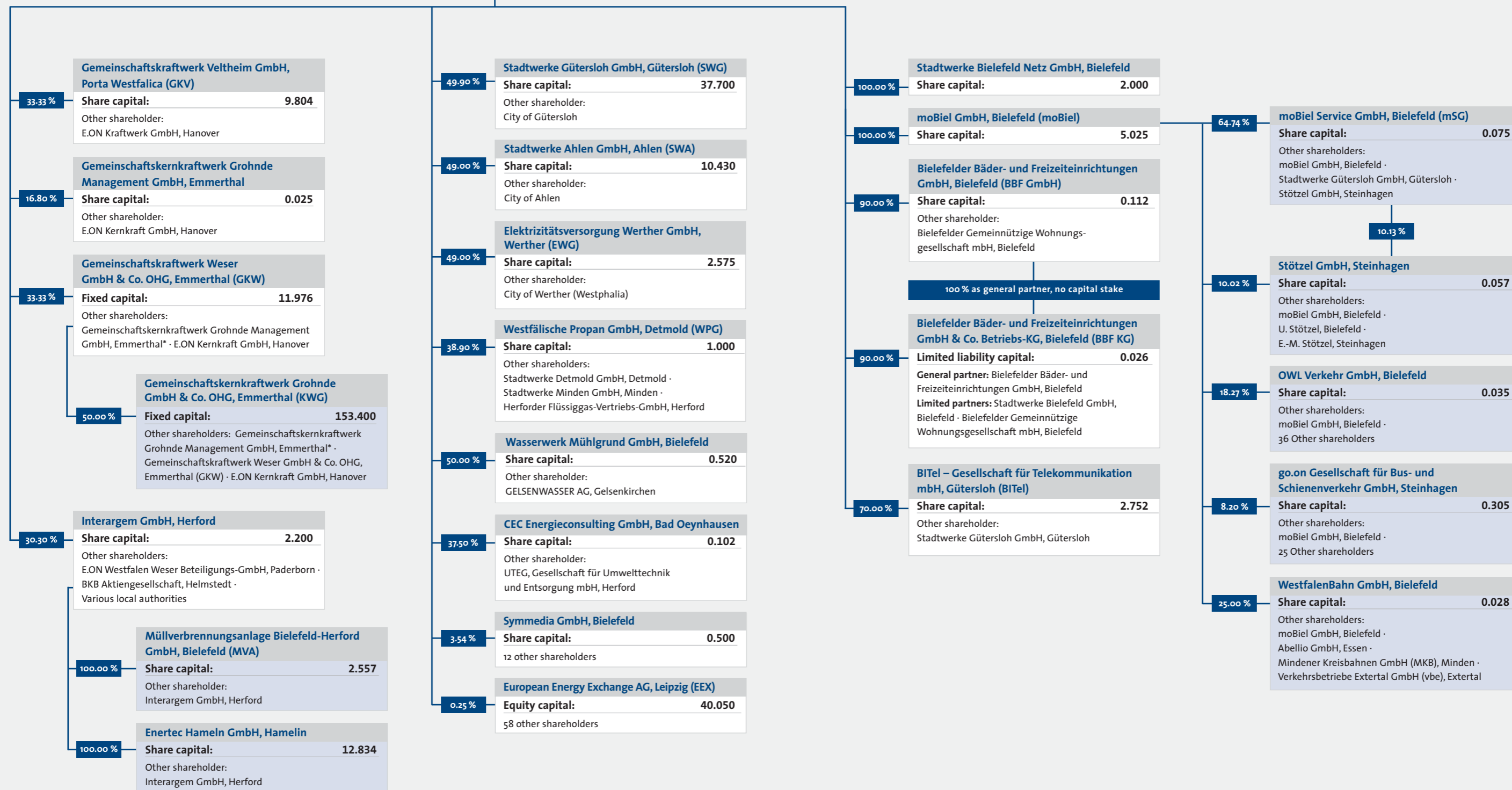
The investments were financed entirely with funds from day-to-day business.

#### Investments in financial assets

Investments in financial assets came to 6.7 million euros in the year under review. A loan was granted to the waste incineration plant Enertec Hameln GmbH, which we hold an indirect stake in via Interargem GmbH. The loan was to fund construction of a new waste incineration boiler.

**Participations of the Stadtwerke Bielefeld group**  
 Share capital: EUR 89.476 million  
 Shareholders: Bielefelder Beteiligungs- und Vermögensverwaltungsgesellschaft mbH BBVG (100% subsidiary of the city of Bielefeld) 50.1%; swb AG (Stadtwerke Bremen AG) 49.9%

EUR m



\*Power of management

## Employees

**Our group of companies could never have achieved such success without our employees. That is why we encourage and motivate them by means of continuing professional development. We ensure that young people who complete an apprenticeship with us receive thorough training. We are also committed to ensuring a sound work-life balance. Treating staff fairly is of great importance to us. Ensuring that our staff are well qualified, dedicated and happy with their work is one of our company's goals. In return, we expect high levels of commitment to achieving our shared goals.**

### Learning from one another – working together

The population is ageing, but at the same time, many older people are losing their jobs. Our group of companies employs 2,100 members of staff with an average age of 41, and that figure is rising. Of course we cannot ignore the demographic change which is taking place, but our HR policy aims to establish a balanced age structure. The latest staff survey clearly shows that the cooperation between young employees and their older colleagues is very good.

### Catering for working parents

On 14 June 2006, Stadtwerke Bielefeld was awarded the “Work and Family” audit certificate by the Federal Minister for Family Affairs, Ursula von der Leyen. This scheme is run by the charity Hertie-Stiftung. The audit praised the existing family-friendly measures: flexitime, working hours on trust, various part-time options, leave of up to five years following the birth of a child, advanced health management, a dedicated liaison officer for parents-to-be, and the childcare project “minimax”. In addition, it outlined objectives for the future. We will conduct checks to examine whether these are achieved.

Staff 2006	2006	2005
Workforce as at 31/12*	2,139	2,158
of which: - apprentices	145	137
- part-time jobs	364	355
- number of women employed	561	564

\*Incl. temporary workers, interns, staff temporarily unable to work, military service, etc.

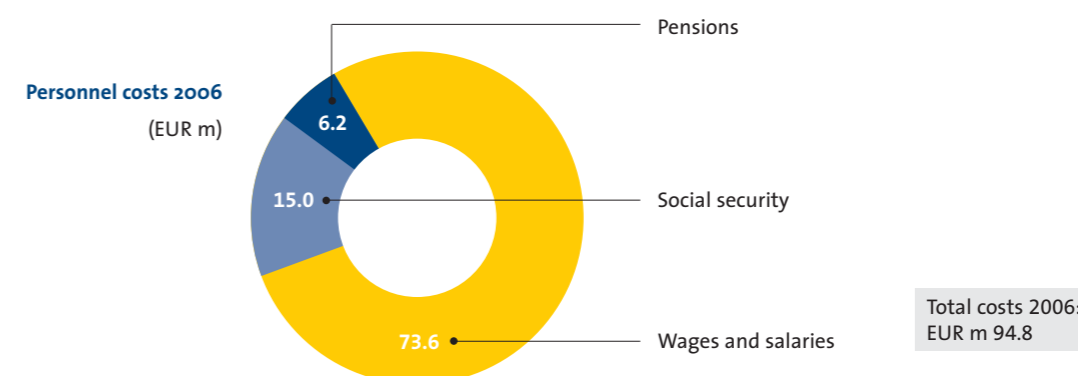
### Recruiting the right kind of people

To tackle what lies ahead of us, we need staff with a wide range of skills. Recruiting new staff is a great responsibility – one we take very seriously. We use modern personnel marketing with the aim of addressing highly skilled individuals who meet our requirements. We expect our staff to be prepared to take on responsibility and work towards continuing Stadtwerke Bielefeld's successful development. HR decisions are made in a multi-stage process which all applicants go through. We use appropriate methods to achieve the greatest possible objectivity.

Managerial vacancies are advertised both in house and externally. We have great expectations when it comes to our managers: first-class specialist knowledge twinned with leadership and social skills.

### Twice the training: apprenticeship plus college

Our information and knowledge-based society is changing every day, and that makes new demands of occupations which traditionally require apprenticeships. Our programme combining an apprenticeship with a college course is a major step towards establishing a forward-looking form of training. This enables budding management experts to complete a commercial apprenticeship in the company whilst studying business management at college. The ensuing diploma gives them an excellent starting point for a successful future career.



## Consolidated balance sheet of Stadtwerke Bielefeld GmbH, Bielefeld, as at 31 December 2006

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Assets (in EUR)	31.12.2006	31.12.2005
<b>A. Fixed assets</b>		
I. Intangible assets	2,573,746.48	2,331,715.59
II. Tangible assets	304,983,374.66	309,234,205.76
III. Financial assets	181,405,029.82	185,114,690.17
	<b>488,962,150.96</b>	<b>496,680,611.52</b>
<b>B. Current assets</b>		
<b>I. Stocks</b>		
1. Raw materials and supplies	10,488,726.38	9,967,636.28
2. Work in progress	1,571,667.86	1,654,223.50
3. Goods	151,812.66	137,400.09
	<b>12,212,206.90</b>	<b>11,759,259.87</b>
<b>II. Receivables and other assets</b>		
1. Trade receivables	208,029,897.56	193,055,679.87
2. Receivables from shareholders	72,425.44	19,897.01
3. Receivables from associated companies	1,491,992.37	2,127,394.13
4. Other assets	25,539,953.07	22,135,203.02
	<b>235,134,268.44</b>	<b>217,338,174.03</b>
<b>III. Cash in hand and at banks</b>	<b>43,969,092.09</b>	<b>35,101,883.37</b>
	<b>291,315,567.43</b>	<b>264,199,317.27</b>
<b>C. Prepaid expenses</b>	<b>886,583.94</b>	<b>1,045,089.80</b>
	<b>781,164,302.33</b>	<b>761,925,018.59</b>

Equity and liabilities (in EUR)	31.12.2006	31.12.2005
<b>A. Equity capital</b>		
I. Subscribed capital	89,476,250.00	89,476,250.00
II. Capital reserve	111,398,116.93	97,642,441.68
III. Revenue reserves		
1. Reserves stipulated by the Articles of Association	17,908,107.02	17,908,107.02
2. Other revenue reserves	4,128,164.75	4,128,164.75
IV. Balance sheet profit	32,835,590.28	29,074,661.50
V. Shares held by other shareholders	1,400,743.49	1,415,219.35
– of which annual result	499,202.87	
	<b>257,146,972.47</b>	<b>239,644,844.30</b>
<b>B. Income subsidies received</b>	<b>43,634,757.00</b>	<b>44,314,320.00</b>
<b>C. Special item from investment subsidies received</b>	<b>10,196,426.72</b>	<b>8,997,769.61</b>
<b>D. Special item for subscription rights granted without payment</b>	<b>357,682.60</b>	<b>0.00</b>
<b>E. Provisions</b>		
1. Provisions for pensions and similar commitments	15,050,908.00	14,954,029.00
2. Tax provisions	59,882,343.67	51,004,197.52
3. Provisions for deferred taxes	258,133.83	145,025.35
4. Other provisions	101,315,587.60	123,388,711.45
	<b>176,506,973.10</b>	<b>189,491,963.32</b>
<b>F. Liabilities</b>		
1. Liabilities due to banks	77,478,693.84	79,643,652.24
2. Payments received on account of orders	168,770,521.81	152,512,418.66
3. Trade payables	2,795,973.82	3,176,635.57
4. Liabilities to shareholders	0.00	8,937.86
5. Liabilities to associated companies	0.00	1,127,301.01
6. Other liabilities	38,966,105.42	37,343,315.80
	<b>288,011,294.89</b>	<b>273,812,261.14</b>
<b>G. Deferred income</b>	<b>5,310,195.55</b>	<b>5,663,860.22</b>
	<b>781,164,302.33</b>	<b>761,925,018.59</b>

## Consolidated profit and loss account for Stadtwerke Bielefeld GmbH, Bielefeld, for the 2006 financial year

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(in EUR)		2006	2005
1. Sales revenues (gross)	598,050,283.39		538,397,274.29
minus energy tax	41,849,796.54		34,309,567.40
		<b>556,200,486.85</b>	<b>504,087,706.89</b>
2. Change in the work-in-progress inventory		- 32,255.64	-61,931.94
3. Other capitalised own work		2,797,240.93	3,371,619.44
4. Other operating income		15,669,892.33	14,908,092.58
5. Materials			
a) Raw materials, supplies and purchased goods	275,150,826.25		233,753,653.64
b) Purchased services	55,949,924.95		57,680,483.62
		<b>331,100,751.20</b>	<b>291,434,137.26</b>
6. Personnel costs			
a) Wages and salaries	73,557,352.44		73,003,852.63
b) Social security and pension costs	21,262,949.24		21,092,076.13
		<b>94,820,301.68</b>	<b>94,095,928.76</b>
7. Depreciation of tangible and intangible assets	35,210,686.47		35,713,665.22
8. Income from dissolution of the special item from investment subsidies received		1,784,352.42	1,490,955.05
9. Other operating expenses			
a) Licence fee	21,675,089.11		21,418,676.62
b) Other operating expenditure	28,338,624.88		32,498,120.03
		<b>50,013,713.99</b>	<b>53,916,796.65</b>
10. Income from stakes in associated companies evaluated using the equity method	2,935,729.70		3,673,165.44
11. Income from other stakes		15,496.86	18,814.80
12. Income from long-term financial investments		1,349,302.96	691,820.57
13. Other interest and similar income		922,479.92	702,472.51
14. Depreciation of financial assets		1,740,806.64	385,905.52
15. Interest and similar expenses		3,904,460.30	5,381,669.15
<b>16. Result of ordinary activities</b>		<b>64,852,006.05</b>	<b>47,954,612.78</b>
17. Taxes on income and earnings		31,792,703.46	22,631,965.44
18. Other taxes		947,169.10	855,081.22
<b>19. Consolidated annual net profit</b>		<b>32,112,133.49</b>	<b>24,467,566.12</b>
20. Other shareholders' share of the loss		499,202.87	372,013.84
21. Loss carried forward from the previous year		4,946,746.08	889,918.46
22. Withdrawals from capital reserves		5,171,000.00	5,125,000.00
<b>23. Consolidated balance sheet profit</b>		<b>32,835,590.28</b>	<b>29,074,661.50</b>

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