

# On Course: Success Driven by Efficiency

**Roadshow London**  
**31.1.2006**

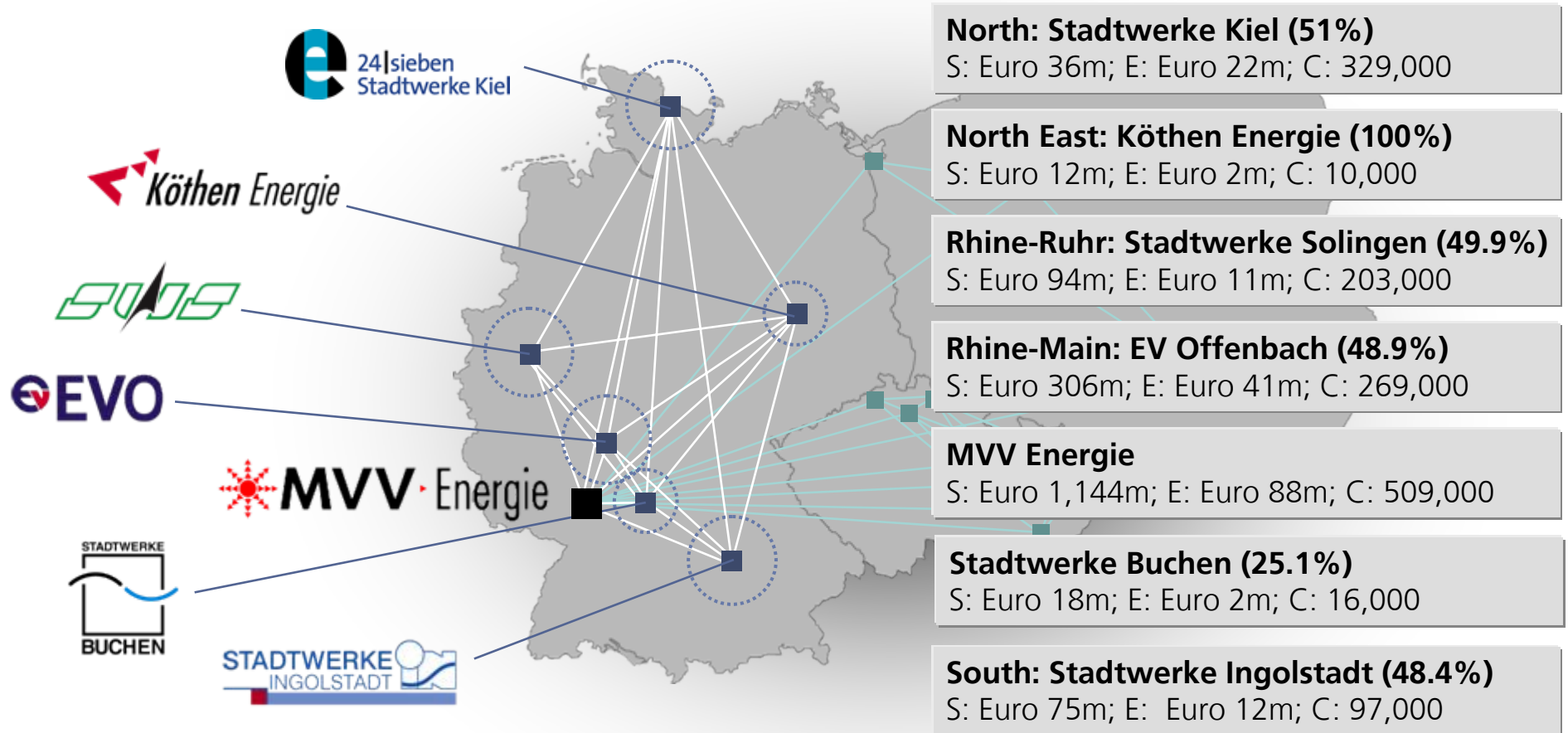


# Strong Market Position

- ▶ Ranked No. 5 among European district-heating utilities in terms of volume
- ▶ Ranked No. 6 among German electricity suppliers in terms of volume of electricity sold to end customers
- ▶ Total of 1.7 million customers in Germany and Eastern Europe for electricity, district heating, gas and water
- ▶ One of the top 3 utility companies to use refuse- and biomass-derived fuel to generate energy in Germany, with a annual capacity of 1.2 million tonnes
- ▶ Among the Top 10 in value-added services in Germany (contracting, land improvement and development)

**Solid foundation for further success**

# Our Network of Municipal Utility Companies

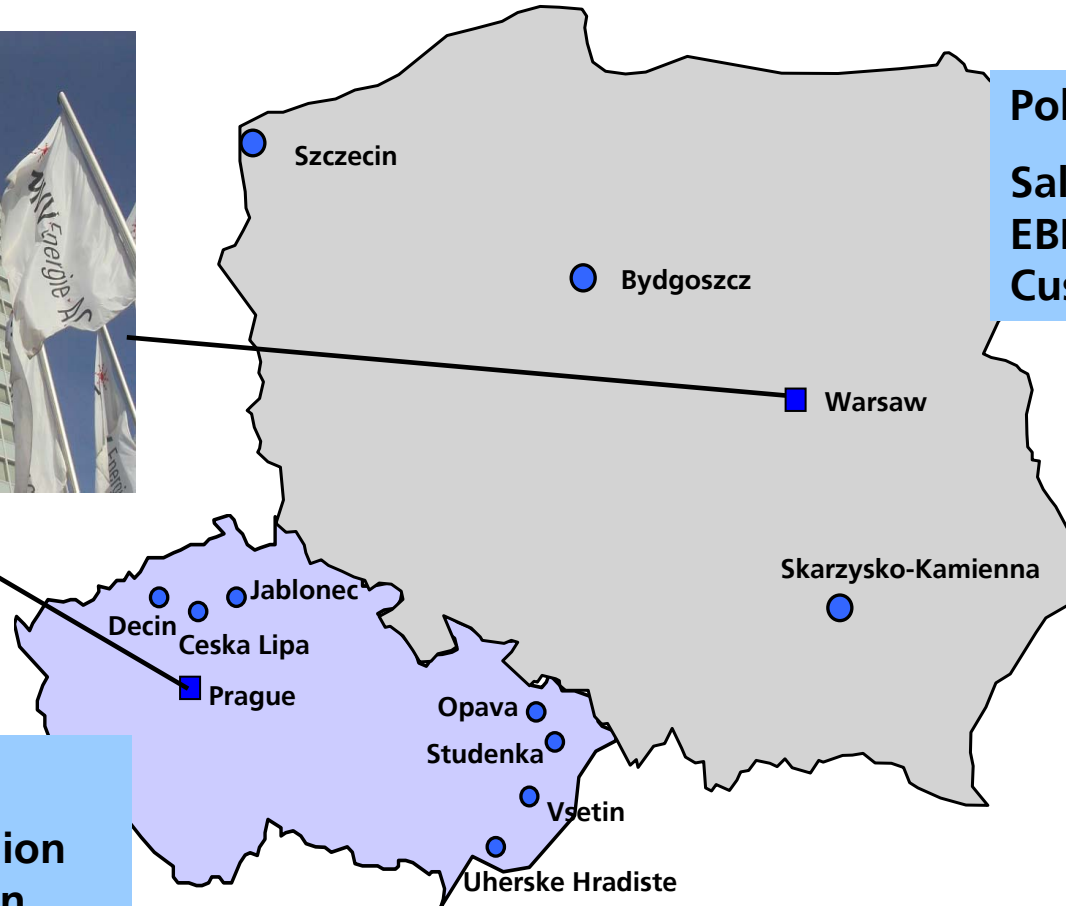


S = Sales; E = EBIT (Subgroup annual financial statements of the MVV Energie Group for the 2004/2005 financial year); C = Customers including residential units in apartment blocks

<sup>1</sup> Majority of votes 50.1%

# Multiplying the Value of Our District Heating Expertise

## Shareholdings in European District Heating Utility Companies



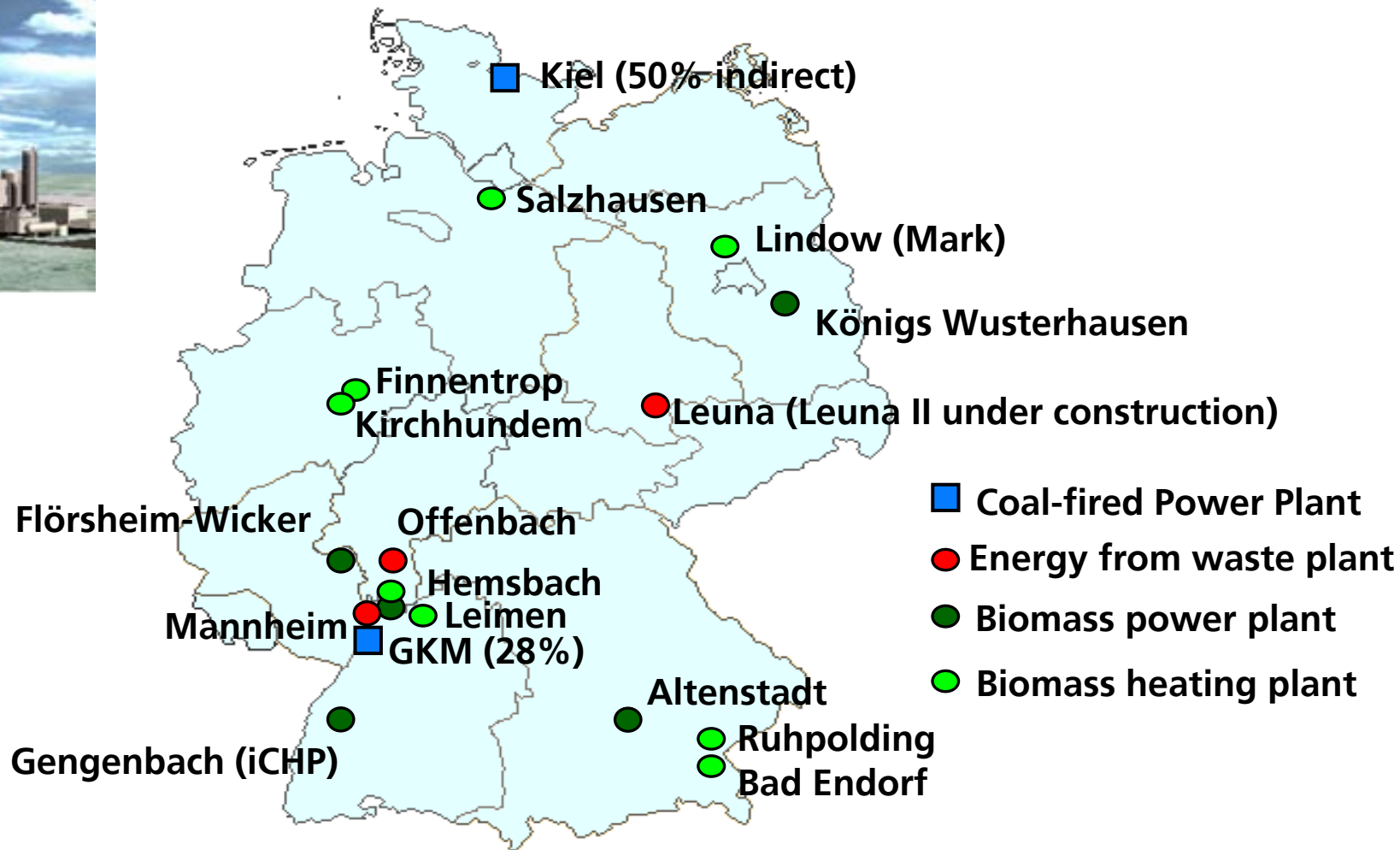
### Poland

**Sales: Euro 42 million**  
**EBIT: Euro - 1 million**  
**Customers: 195,000**

### Czech Republic

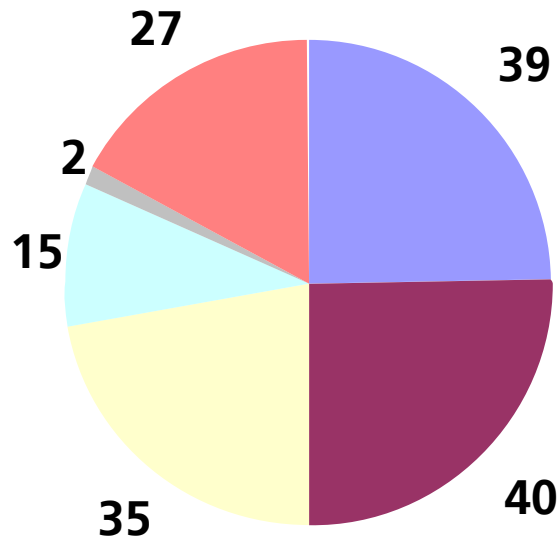
**Sales: Euro 42 million**  
**EBIT: Euro 8 million**  
**Customers: 59,000**

# Our Coal, Waste and Biomass Plants



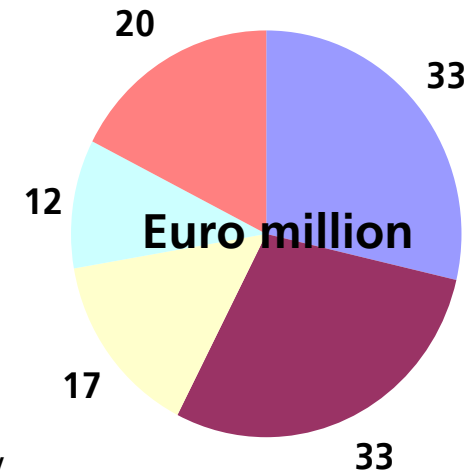
# Our Operating Earnings (EBIT) Are Generated by a Number of Segments

Financial Year 2004/2005



- Electricity
- District heating
- Gas
- Water
- Value-added services
- Environmental energy

Financial Year 2003/2004 <sup>1,2</sup>



<sup>1</sup> Adjusted EBIT

<sup>2</sup> Value-added services: Euro - 18 million

# MVV Energie's Concept as a Distributor and Service Provider

## Stable Core Business

- ▶ Successful **energy distribution** (electricity, gas, district heating) as well as **energy from waste incineration, utilising biomass and water distribution**
- ▶ Long-term **customer retention** as a result of MVV owning its networks
- ▶ **Sound earnings** with huge potential for **cost savings**

## + Growth Potential

- ▶ New markets through new national and international **shareholdings**
- ▶ Utilisation of new market opportunities in the **waste to energy business**
- ▶ Building on existing customer links by means of **value-added services**

# Our Strategy





# The MVV Energie Strategy



3.400,00 €	✓
11.000,00 €	✓
7.254,00 €	✓
306,00 €	✓
0,00 €	✓
3.600,00 €	✓
2900,00 €	✓

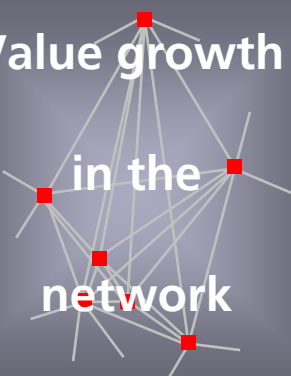


**Commercial and technological efficiency**

**External  
Expansion of the  
network**



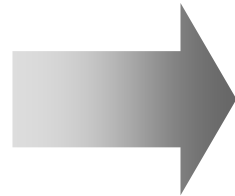
**Value growth  
in the  
network**



**Organic  
Growth via products**

# Growth Based on Shareholdings in Municipal Utility Companies

- ▶ Several hundred autonomous municipal utility companies currently active in Germany
- ▶ In many cases inadequately prepared for competition
- ▶ Often only active in distribution of electricity and gas, no proprietary generation activities
- ▶ Expected pressure on earnings due to network regulation
- ▶ Lack of resources in municipalities

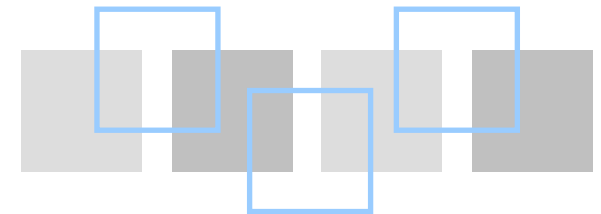


**Sale of further municipal utility companies expected**

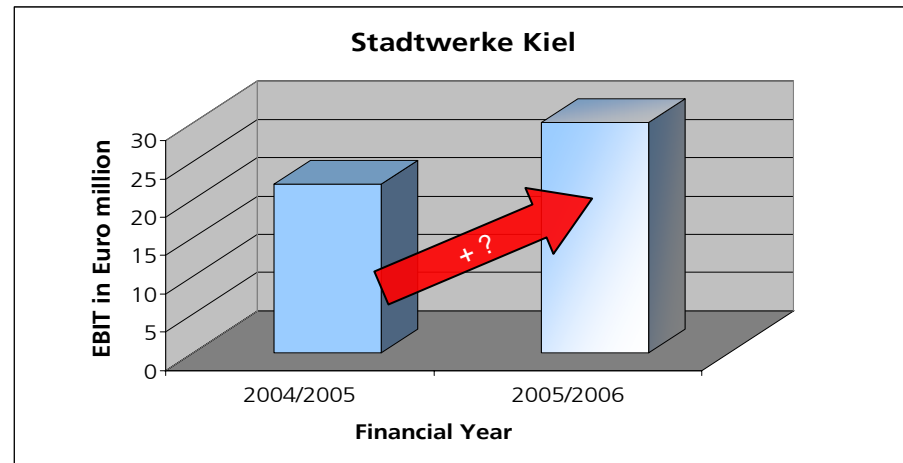
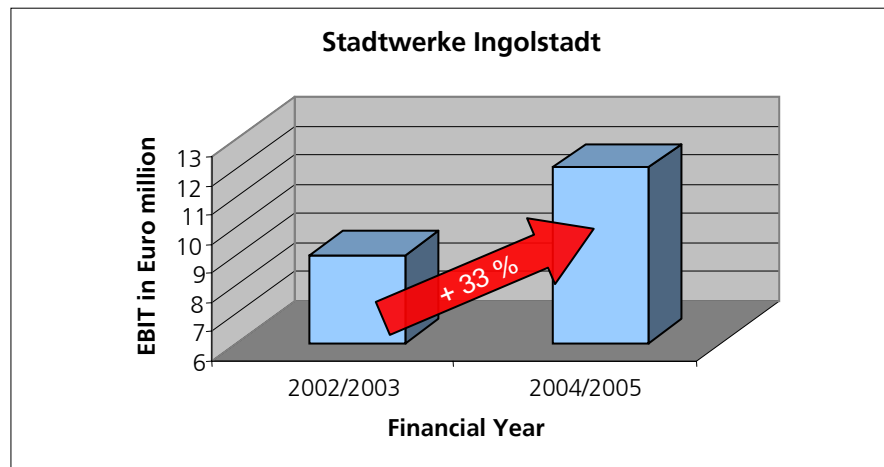
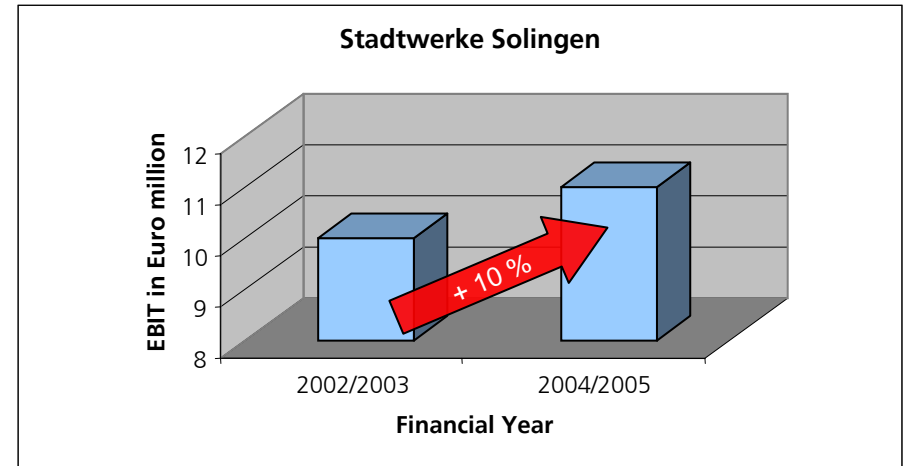
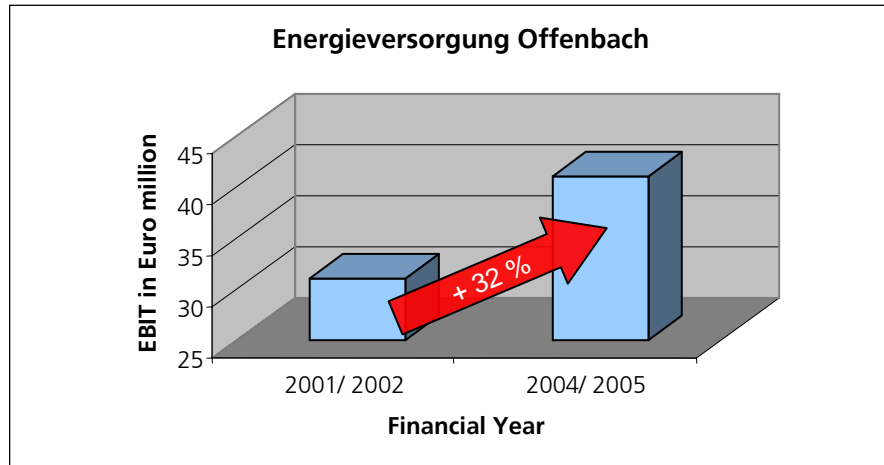
**MVV Energie is well-positioned for further acquisitions**

# Horizontal Cooperation as an Alternative to Vertical Integration

- ▶ Standardisation of technology
- ▶ Standardisation of information processing (IT)
- ▶ Centralisation of procurement and logistics functions
- ▶ Joint optimisation of energy portfolio by building up purchasing power
- ▶ Shared-service companies for metering and billing
- ▶ Sales cooperations



# We Have Increased the Value of Our Municipal Utility Shareholdings



# Growth in Environmental Energy

- ▶ Environmental Energy in the MVV Energie network includes:
  - **Incineration of waste**
  - **Generation of electricity from biomass**
- ▶ **Goal:** together with our partners in the network to attain market leadership within 5 years with focus in the Rhine/Main region and in the region surrounding TREA Leuna
- ▶ We expect to see further growth as a result of the construction of the second plant in Leuna (completion in 2007), improved materials energy management and possible further projects



# Growth based on Energy Services

- ▶ MVV Energie is successfully positioned among the top 10 providers of energy services in the market
- ▶ 3 main product areas
  - **Industrial Solutions**
  - **Municipal Solutions**
  - **Advisory Services – national and international**
- ▶ **Goal:** based on internal and external growth to become one of the top three providers of energy and infrastructure services in Germany in the next five years



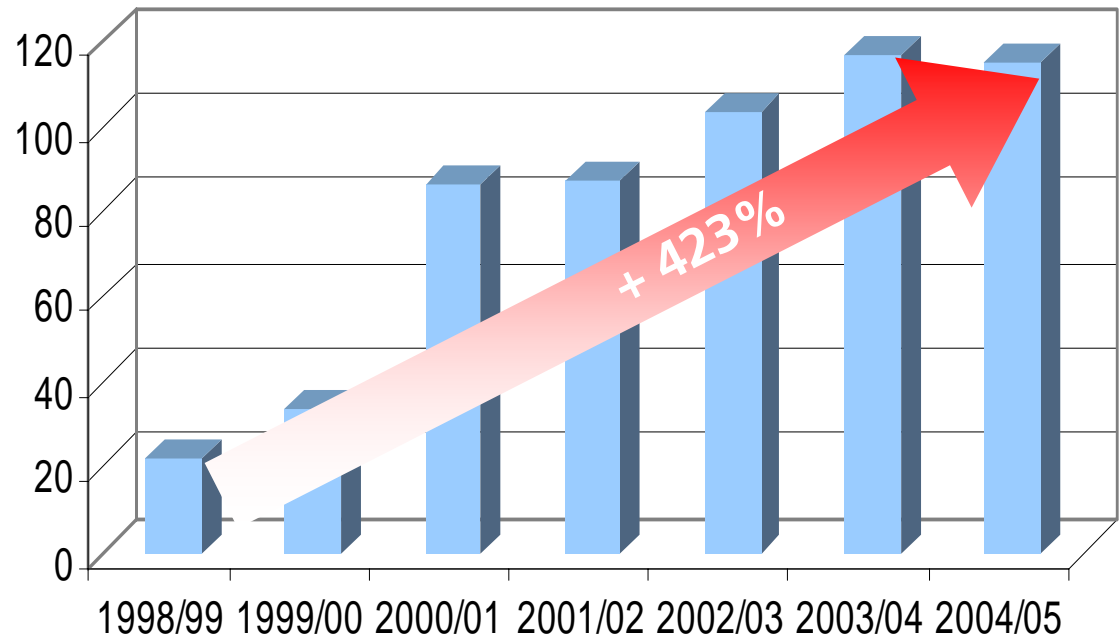
# Healthy Growth in Our National and International Business in Energy Services



i.e.

- ▶ Contracting
- ▶ Land improvement & development
- ▶ Consulting

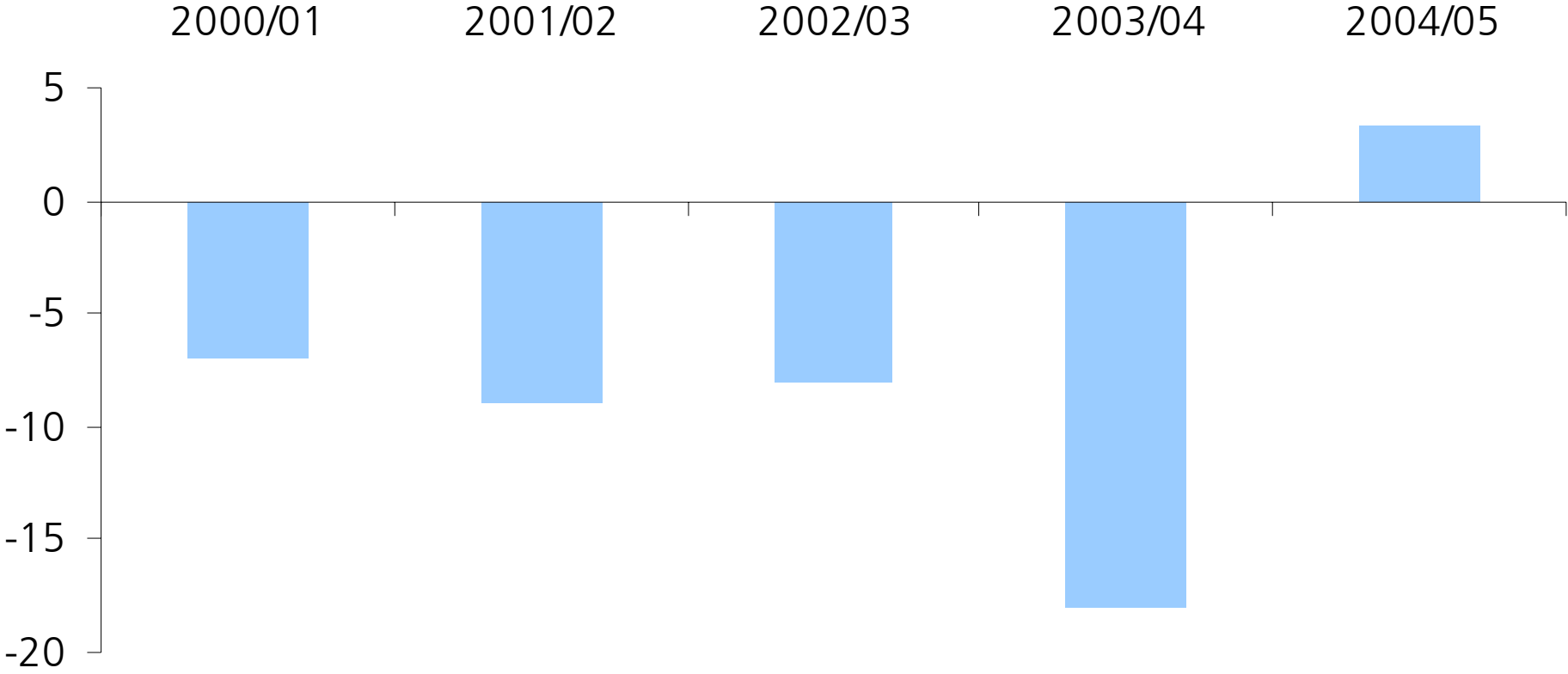
## Sales from value-added services (Euro million)



**Comprehensive solutions for customers promote commodity sales**

# Energy Services: Successful Turnaround

## Adjusted EBIT in Euro million

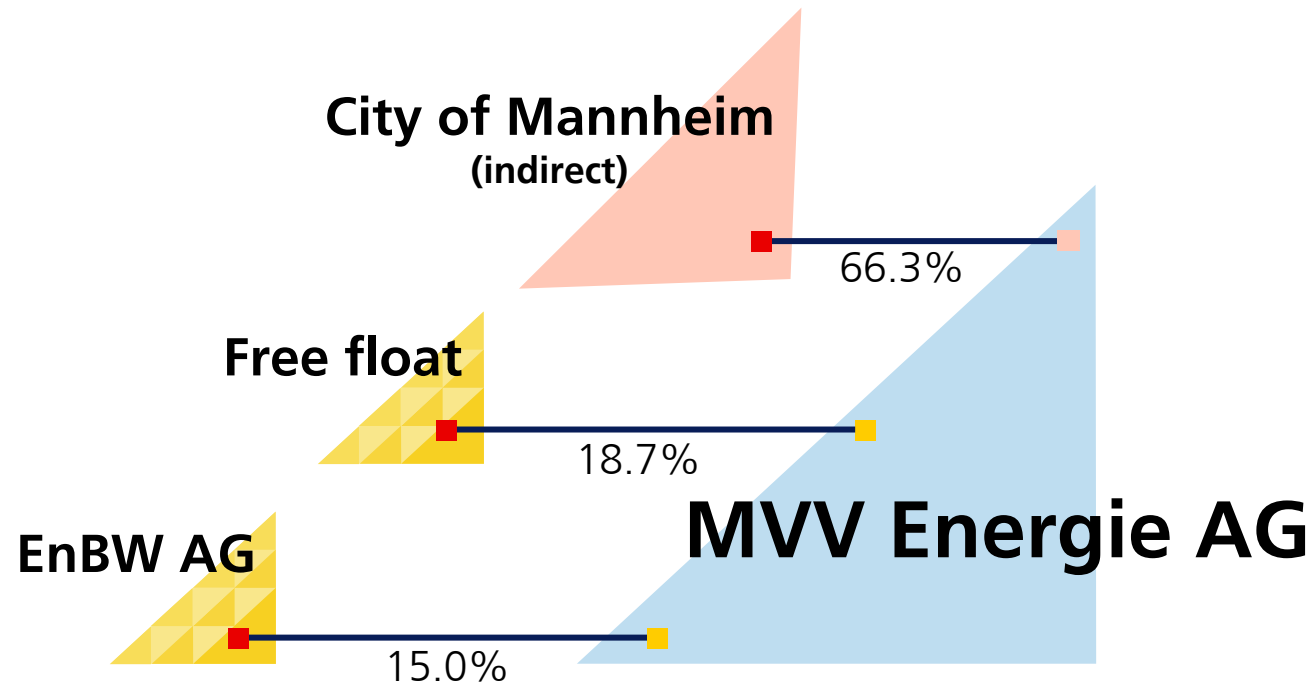




# Our Shares



# Current Shareholders Structure and Key Figures

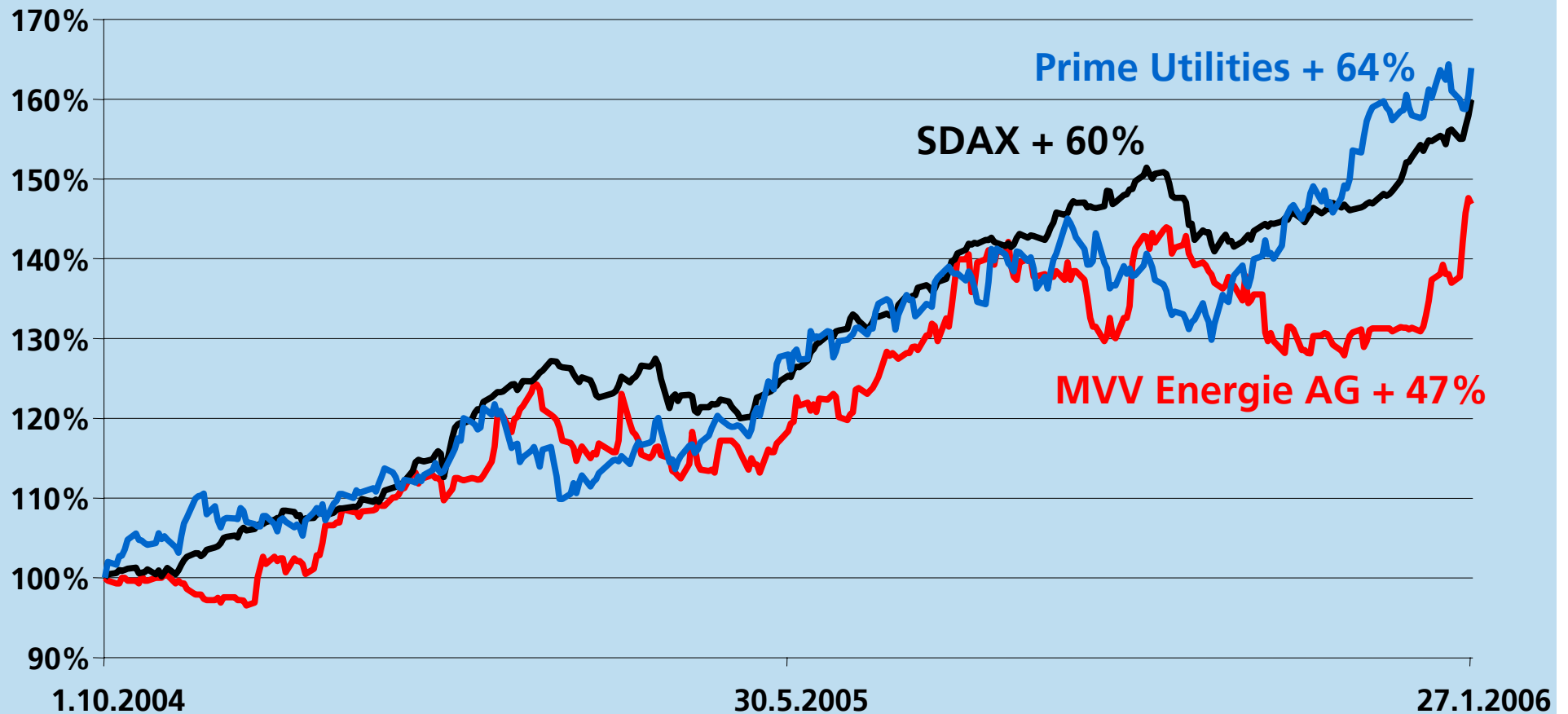


- ▶ No. of shares: 55.704 million
- ▶ Market capitalisation: Euro 1,117 million (Closing price on 27.1.2006: Euro 20.05)
- ▶ Free float: Euro 209 million

# Performance Comparison of the MVV Energie AG Share with the SDAX and Prime Utilities Indices (FY 2004/2005 – 27.1.2006)

MVV Energie AG Share (ISIN DE 0007255903)

XETRA-Trading



# Capital Increase Successfully Placed

- ▶ On 15 November 2005, we executed a capital increase of almost 10% in order to finance current investment requirements (including Leuna II)
- ▶ In case of further investments authorised capital of about 18% is still available
- ▶ The use of the additional authorised capital mainly depends on investment opportunities in the market for larger scale municipal utility companies
- ▶ There are currently no suitable acquisitions opportunities in the market
- ▶ The City of Mannheim currently has no plans to dispose of its shares. It intends to remain the majority shareholder in the medium term

# Advantages for Our Shareholders

- ▶ Secure earnings thanks to **stable core business**
- ▶ Huge **potential for cost reductions**
- ▶ Upside potential can be realised by acquiring **additional shareholdings** and expanding **environmental energy** as well as **value-added services**
- ▶ Attractive **dividend returns** (currently above 4%)
- ▶ Listed on the Prime Standard (**SDAX**)



**We are committed to shareholder value**

# Outlook



# Savings Potential of the Newly Launched “FOKUS” Programme

- ▶ Administration expenses currently amount to Euro 93 million in Mannheim alone
- ▶ “FOKUS” will enable us to save an increasing amount per year in terms of personnel and material expenses in the administrative divisions in Mannheim
- ▶ These savings are expected to reach their maximum level of Euro 29 million in 2008. Two thirds thereof will be realised in the current fiscal year 2005/06.
- ▶ More than half of the savings are to be achieved by cutting jobs in a socially responsible manner
- ▶ Furthermore, we also intend to realise further potential savings at our shareholdings, e.g. in Kiel

# Significant Increase in Earnings Expected in the Current Financial Year

- ▶ The earnings of MVV Energie have risen in the recent financial year as a result of its strategic focusing, cost-reduction measures and the initial consolidation of Kiel
- ▶ Earnings in the current 2005/06 financial year will be positively affected by the following factors in particular:
  - Full-year operations at the waste-to-energy plant in Leuna
  - Savings generated by FOKUS programme and from increased cooperation across the Group
  - Improved earnings in Poland and the Czech Republic
- ▶ We will generate a positive value spread figure on the level of the overall company (ROCE > WACC) in the current fiscal year
- ▶ Rising earnings enable us to propose a consistent attractive dividend of Euro 0,75 per share from the achieved free cash flow for 2004/05 (to be paid on 10 March 2006) and to raise dividends for the current fiscal year



# We Have Increased the Forecast for the Current Financial Year

- ▶ Environmental energy segment:
  - Significant rise in waste incineration capacity to a total of 900,000 tonnes per annum with a simultaneous increase in capacity utilisation rates
  - Sustainable increase in prices for the incineration of commercial waste
  - Higher revenues from electricity generation as a result of rise in prices
- ▶ Positive earnings development in Poland and the Czech Republic due to restructuring measures
- ▶ Cost reductions due to increased cooperation across the Group
  
- ▶ Our **new forecasts** for 2005/2006:
  - Sales: Euro **2,25** billion (2,2)
  - EBIT: Euro **195** million (185)
  - EBT: Euro **133** million (123)

# Key Financial Data for the 2004/2005 Financial Year



# Key Figures of the MVV Energie Group for the 2004/2005 Financial Year

<b>Earnings performance Euro million (unadjusted)</b>	<b>2004/2005 1.10.-30.9.</b>	2003/2004 1.10.-30.9.	<b>% change</b>
Sales	<b>1,958</b>	1,652	<b>+ 19</b>
EBITDA	<b>288</b>	209	<b>+ 38</b>
EBITA	<b>156</b>	55	<b>+ 184</b>
EBIT	<b>158</b>	41	<b>+ 285</b>
EBT	<b>90</b>	- 23	-
Annual net surplus/deficit	<b>51</b>	- 38	-
after minority interests	<b>34</b>	- 44	-
Free Cash flow	<b>60</b>	- 18	-
Earnings per share in Euro	<b>- 0.67</b>	- 0.86	-

<sup>1</sup> Inflow of funds from ongoing business activities, less investments in tangible assets / intangible assets

# Portfolio Adjustments and Impairment Tests in 2003/04

## Impact of one-off expenditures on EBIT: Euro 56 million

- ▶ Restructuring of our Powerline business
  - Depreciation of fibre-optic grids in Mannheim: Euro 10 million
  - Partial depreciation of fixed assets at MAnet: Euro 7 million
  - Restructuring expenses at MAnet: Euro 1 million
- ▶ Relinquishing of non-core business activities
  - Partial depreciation of MVV's shareholding in Spain : Euro 2 million
  - Loss from sale of AWATECH: Euro 8 million
  - Depreciation of financial assets in our innovations portfolio: Euro 6 million
  - Devaluation in Eternegy and Portugal projects: Euro 7 million
  - Devaluation in book values of our consulting business: Euro 2 million
- ▶ Impairment tests: Euro 3 million

**Restructuring measures aimed at cutting costs in future**

# EBIT Adjusted for One-off Factors

<b>EBIT Euro million</b>	<b>2004/2005 1.10.-30.9.</b>	<b>2003/2004 1.10.-30.9.</b>	<b>change</b>
<b>EBIT (unadjusted)</b>	<b>158</b>	41	<b>+ 117</b>
+ costs of portfolio streamlining (Powerline: Euro 18m, Spain: Euro 2m, AWATECH: Euro 8m, innovations portfolio: Euro 13m, eternegy and Portugal: Euro 10m, consulting: Euro 2m)	–	+ 53	- 53
+ charge from impairment tests	–	+ 3	- 3
<b>EBIT (adjusted)</b>	<b><u>158</u></b>	<b><u>97</u></b>	<b><u>+ 61</u></b>

# Key Figures of the MVV Energie Group for the 2004/2005 Financial Year (previous year adjusted)

Earnings performance Euro million	adjusted <sup>1</sup>		
	2004/2005 1.10.-30.9.	2003/2004 1.10.-30.9.	% change
Sales	<b>1,958</b>	1,652	<b>+ 19</b>
EBITDA	<b>288</b>	236	<b>+ 22</b>
EBITA	<b>156</b>	106	<b>+ 47</b>
EBIT	<b>158</b>	97	<b>+ 63</b>
EBT	<b>90</b>	36	<b>+ 150</b>
Annual net deficit/surplus	<b>51</b>	19	<b>+ 168</b>
after minority interests	<b>34</b>	12	<b>+ 183</b>
Free Cash flow <sup>2</sup>	<b>60</b>	- 16	<b>-</b>
Earnings per share in Euro	<b>0.67</b>	0.24	<b>+ 179</b>

<sup>1</sup> In the previous year: excluding expenses relating to streamlining of portfolio and restructuring measures

<sup>2</sup> Inflow of funds from ongoing business activities, less investments in tangible assets and intangible assets

# Initial Consolidation Factors from Stadtwerke Kiel

Difference 2004/2005 FY (1.10.04 – 30.9.05) vs. 2003/2004 FY (1.5.04 – 30.9.04)

Euro Million		Volume 1.10.-30.9.	Sales 1.10.-30.9.	EBIT 1.10.-30.9.
Electricity	(kWh million)	<b>4,309</b>	95	1
District heating	(kWh million)	<b>912</b>	41	- 7
Gas	(kWh million)	<b>2,359</b>	84	- 2
Water	(m <sup>3</sup> million)	<b>10.5</b>	19	2
Value-added services		-	1	1
Other/consolidation		-	4	-
<b>Total</b>			<b>92</b>	<b>- 6</b>

# Sales by Segment in the 2004/2005 Financial Year

Sales in Euro million	2004/2005 1.10.-30.9.	2003/2004 1.10.-30.9.	% change
Electricity <sup>1</sup>	975	828	+ 18
District heating	250	252	- 1
Gas <sup>2</sup>	366	263	+ 39
Water <sup>2</sup>	106	86	+ 23
Value-added services	115	117	- 2
Environmental energy	131	97	+ 35
Other/consolidation	15	9	+ 67
<b>Total sales</b>	<b>1,958</b>	<b>1,652</b>	<b>+ 19</b>

<sup>1</sup> including energy tax of Euro 92 million (previous year: Euro 84 million)

<sup>2</sup> including gas tax of Euro 61 million (previous year: Euro 49 million)



# EBIT by Segment in the 2004/2005 Financial Year

<b>EBIT in Euro million</b>	<b>2004/2005 1.10.-30.9.</b>	<b>2003/2004 1.10.-30.9.</b>	<b>% change</b>
Electricity	<b>39</b>	32	<b>+ 22</b>
District heating	<b>40</b>	32	<b>+ 25</b>
Gas	<b>34</b>	17	<b>+ 100</b>
Water	<b>15</b>	12	<b>+ 25</b>
Value-added services	<b>2</b>	- 63	-
Environmental energy	<b>27</b>	12	<b>+ 125</b>
Other/consolidation	<b>1</b>	- 1	-
<b>Total EBIT</b>	<b><u>158</u></b>	<b><u>41</u></b>	<b>+285</b>

# EBIT by Segment in the 2004/2005 Financial Year (previous year adjusted)

EBIT in Euro million	2004/2005	adjusted <sup>1</sup>	% change
	1.10.-30.9.	2003/2004 1.10.-30.9.	
Electricity	39	33	+ 18
District heating	40	33	+ 21
Gas	34	17	+ 100
Water	15	12	+ 25
Value-added services	2	- 18	-
Environmental energy	27	20	+ 35
Other/consolidation	1	-	-
<b>Total EBIT</b>	<b><u>158</u></b>	<b><u>97</u></b>	<b>+ 63</b>

<sup>1</sup> in the previous year: excluding expenses for streamlining of portfolio and restructuring measures

# Volumes in the 2004/2005 Financial Year

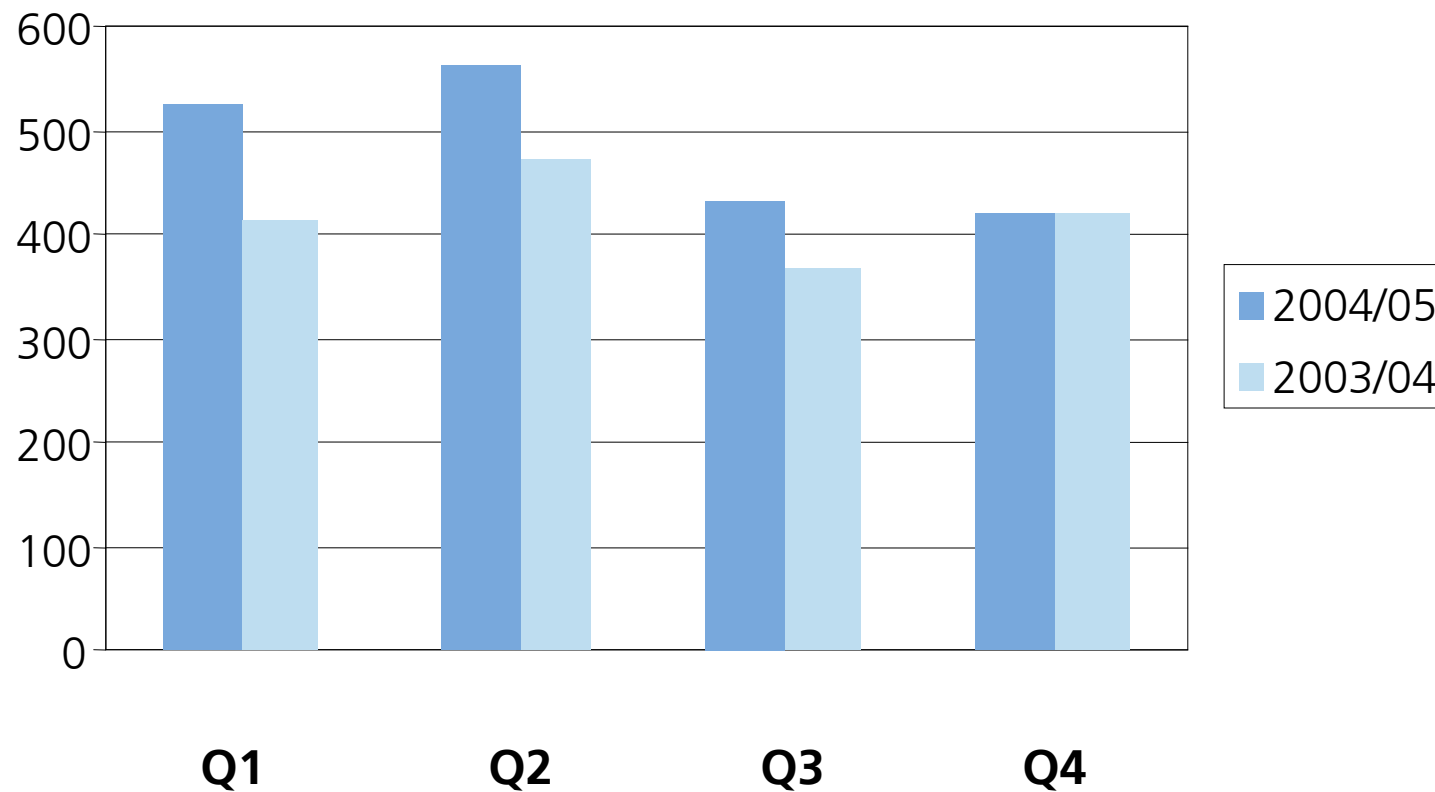
Volume <sup>1</sup>		2005/2005 1.10.-30.9.	2003/2004 1.10.-30.9.	% change
Electricity	(kWh million)	<b>18,307</b>	14,539	<b>+ 26</b>
of which: wholesale (incl. secondary distributors)	(kWh million)	<b>9,454</b>	5,587	<b>+ 69</b>
of which: retail	(kWh million)	<b>8,853</b>	8,952	<b>- 1</b>
District heating <sup>2</sup>	(kWh million)	<b>7,454</b>	7,504	<b>- 1</b>
Gas	(kWh million)	<b>11,096</b>	8,906	<b>+ 25</b>
Water	(m <sup>3</sup> million)	<b>58.3</b>	47.6	<b>+ 19</b>
Incinerated waste	(tonnes 000s)	<b>619</b>	519	<b>+ 8</b>

<sup>1</sup> total volume from all segments

<sup>2</sup> corrections in previous year's figure

# Sales at Record Heights

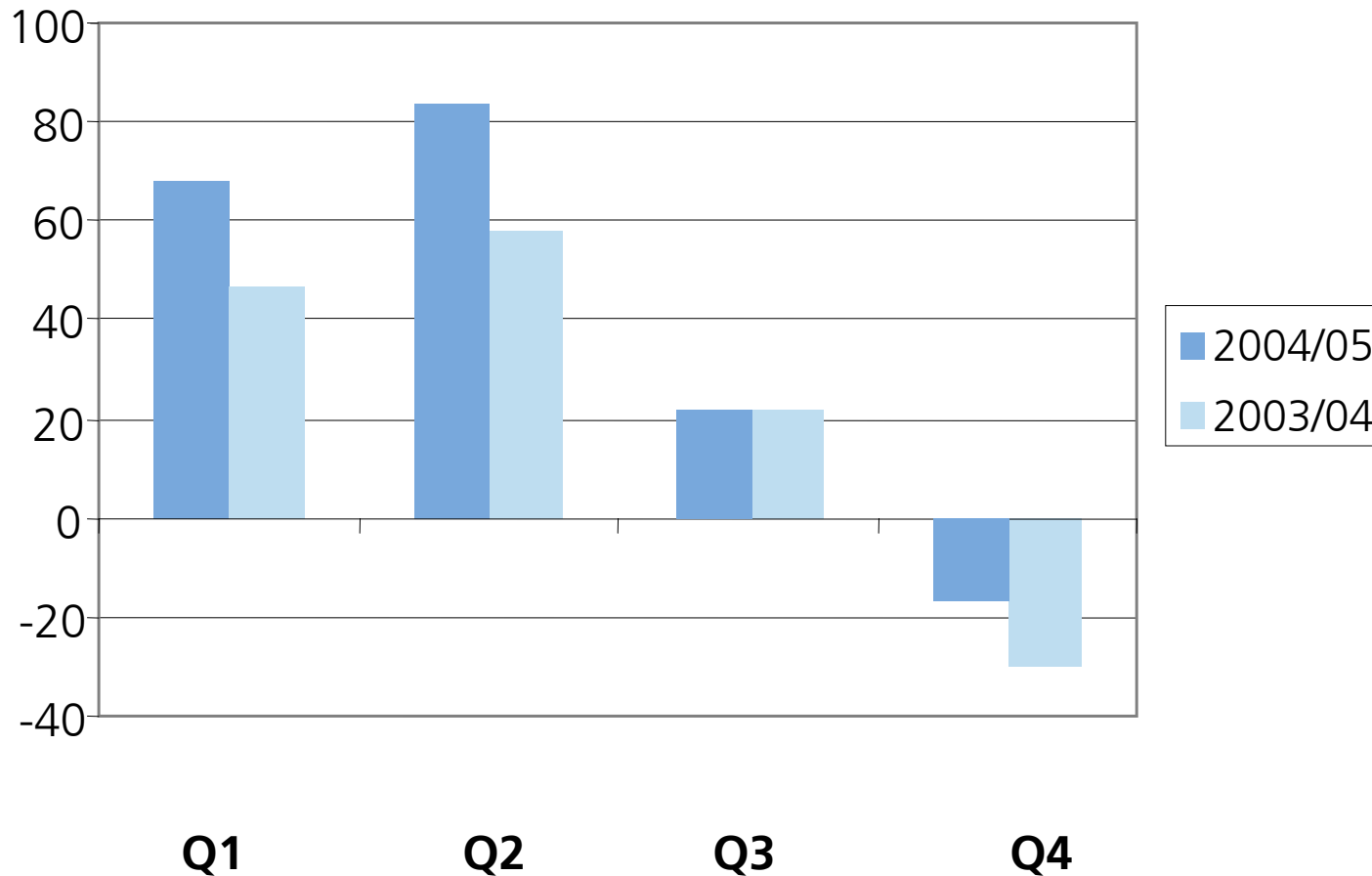
Sales <sup>1</sup> by Quarter in Euro million



<sup>1</sup> in previous year release of income subsidies in particular reclassified as depreciation

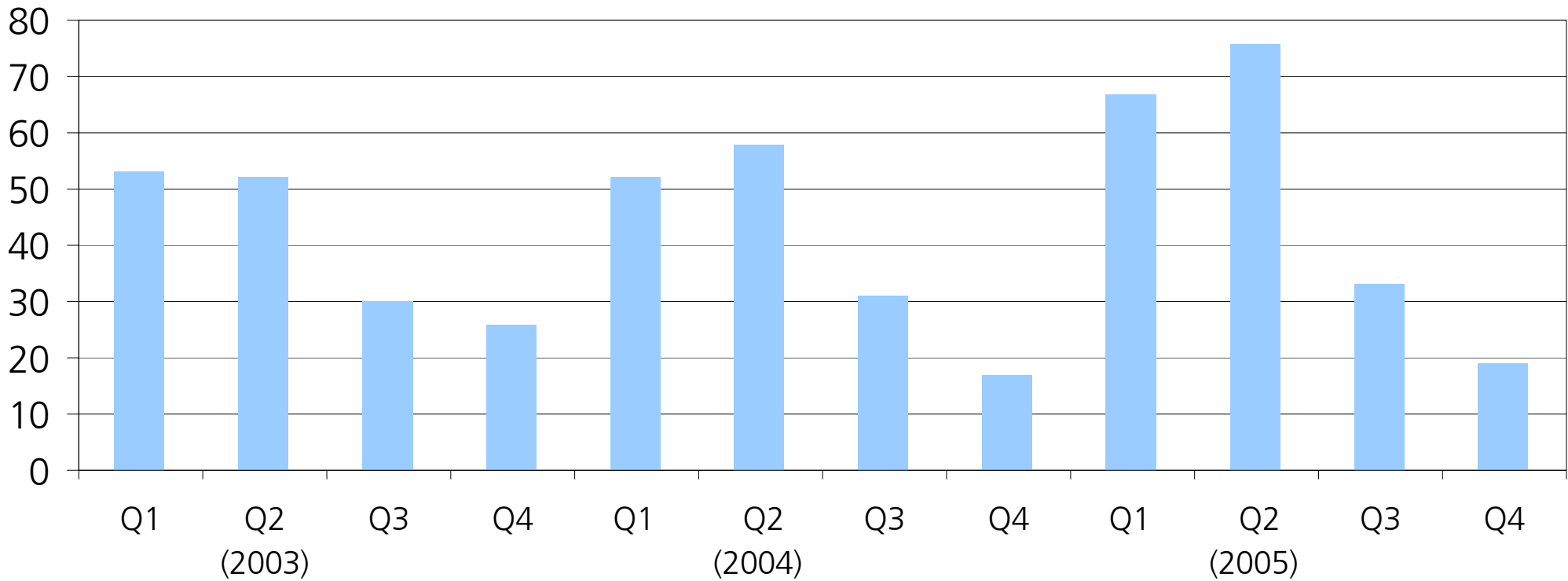
# Strong Seasonal Cycles in Results

EBIT by Quarter (previous year adjusted) in Euro million



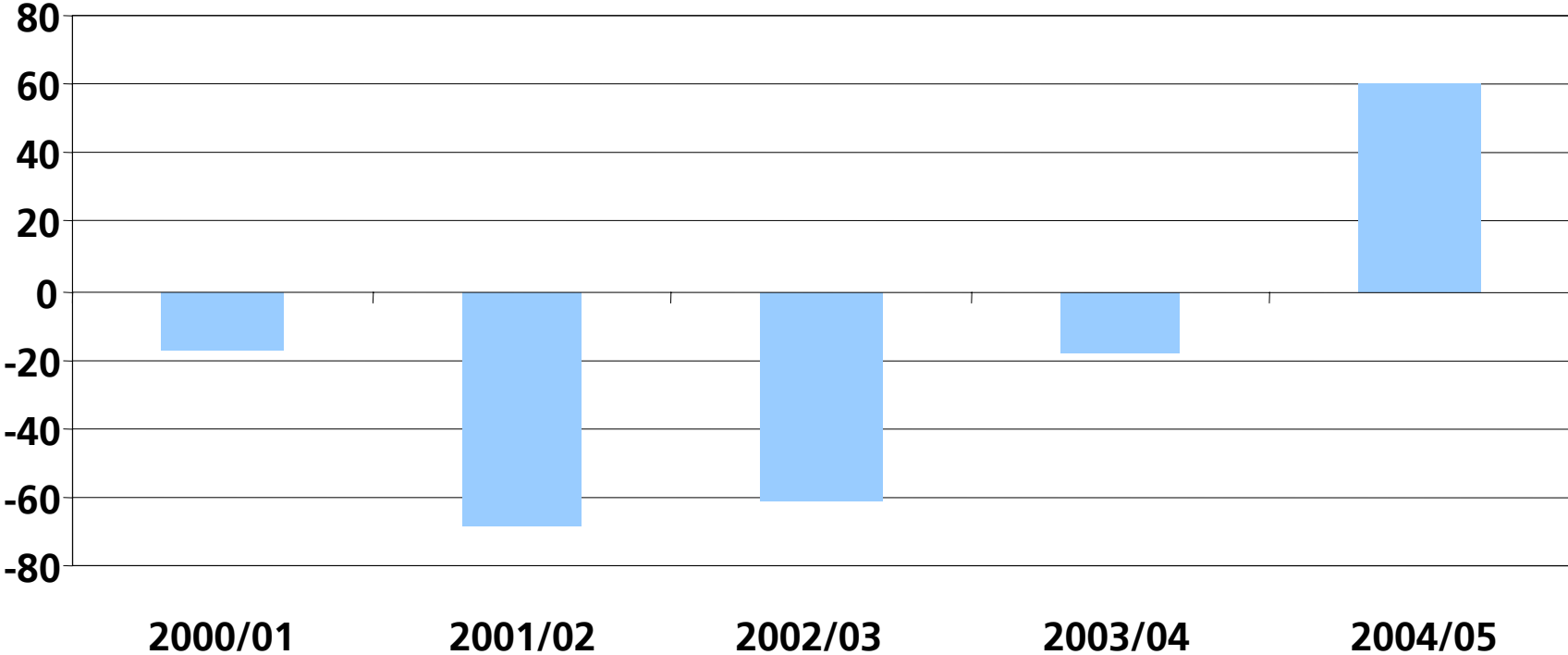
# Continuously Positive Cash Flow

## Cashflow (DVFA/SG) in Euro million

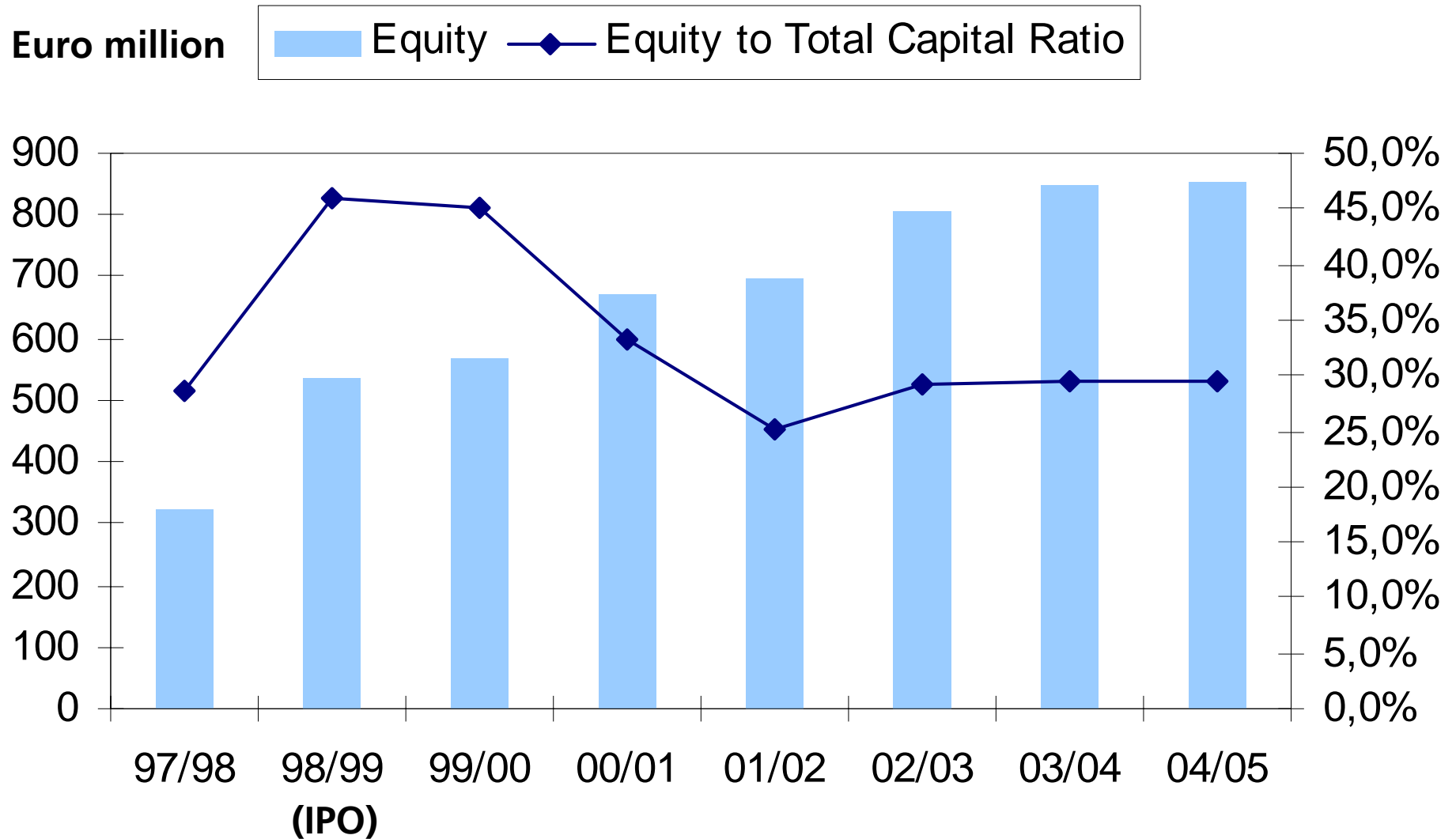


# Free Cashflow Returns to Positive Ground Once More

Euro million



# Solid Equity Capitalisation

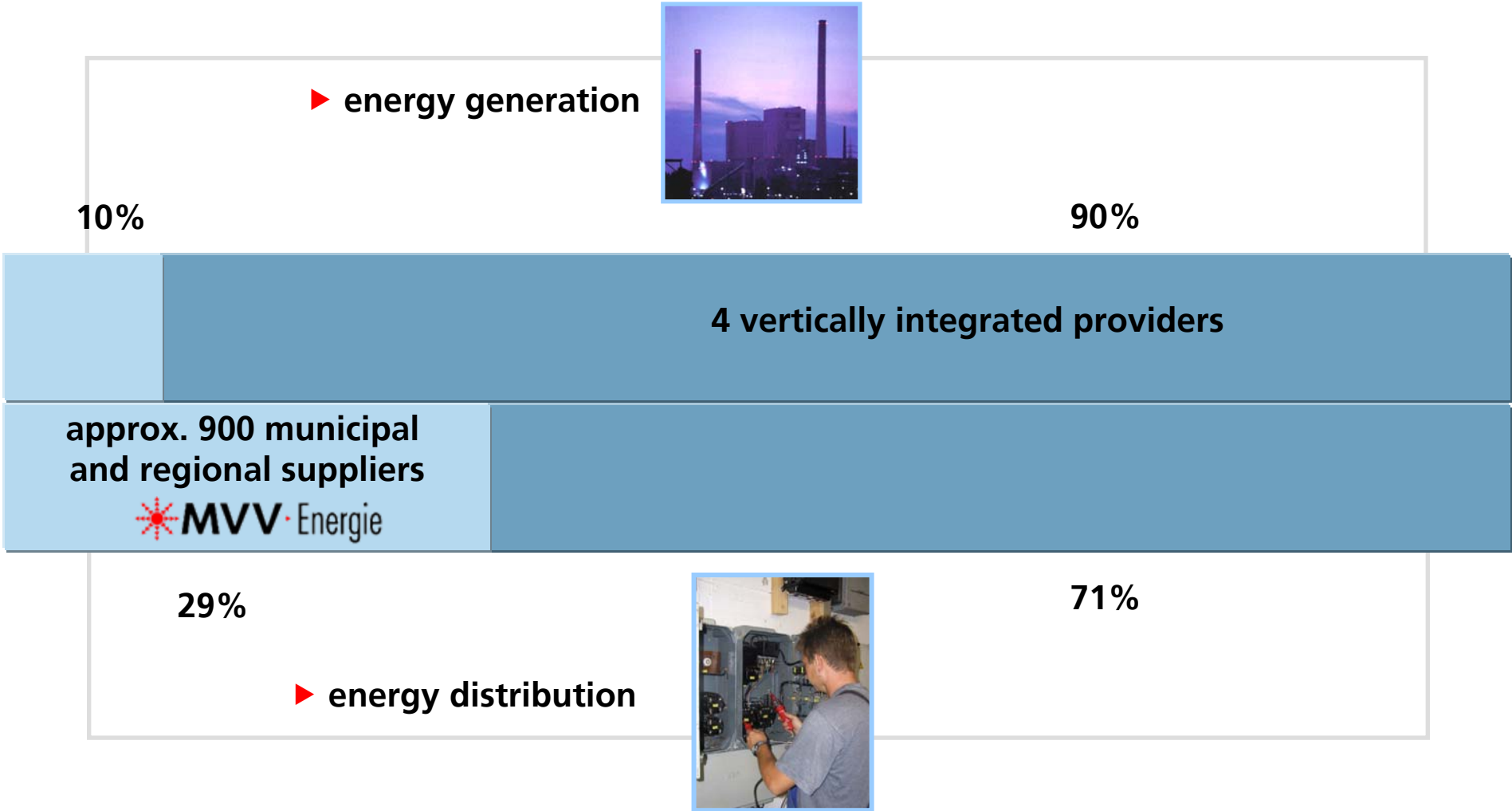




# Appendix: The German Electricity Market

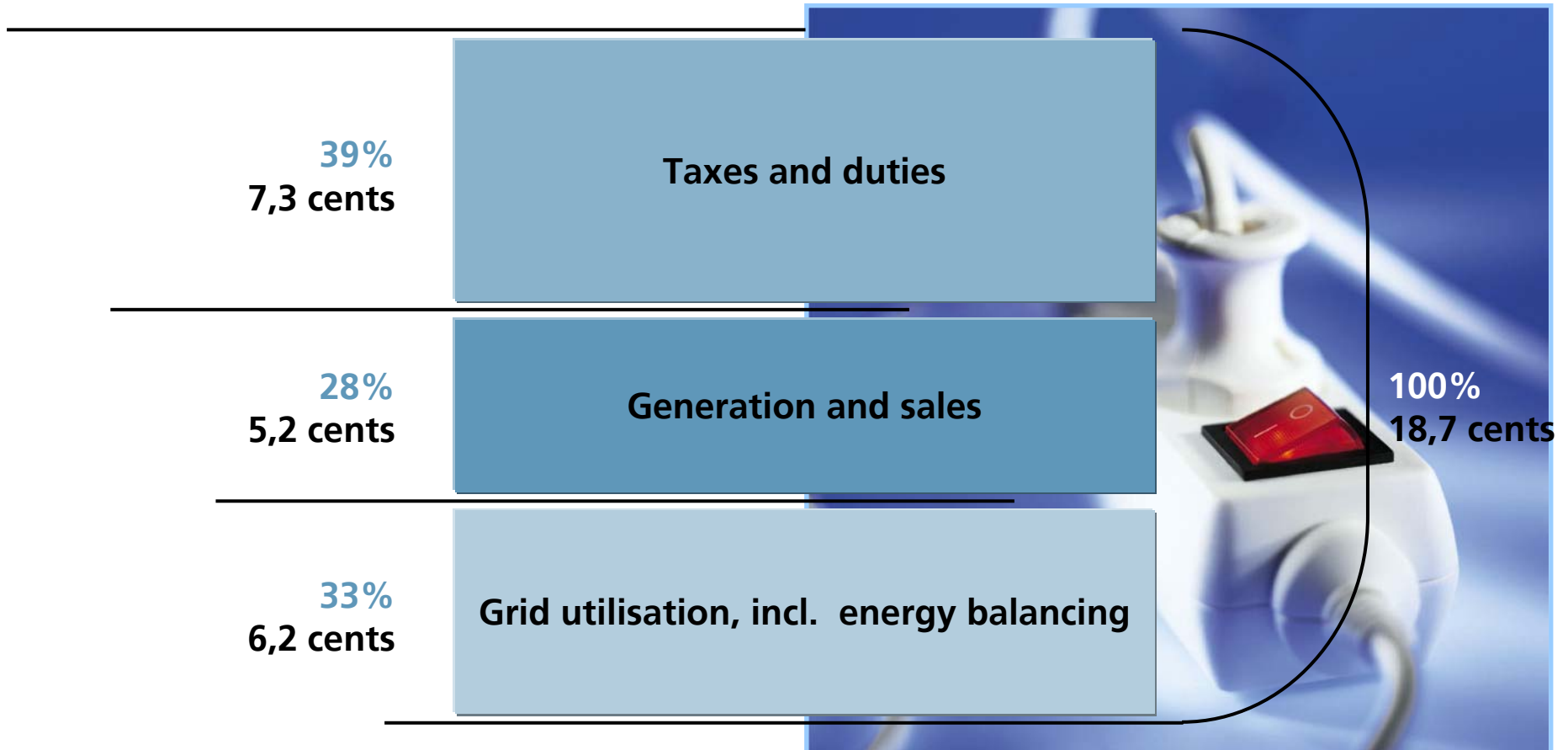


# Structure of the German Electricity Industry



# Electricity Price Components

(per kWh)



End customer with 3,500 kWh p.a. (Sources: VDN, VDEW),  
average household customer price: 18,7 cents