

# On Course: Success Driven by Efficiency

**Factbook**

**First Nine Months of 2005/2006**

**14 August 2006**

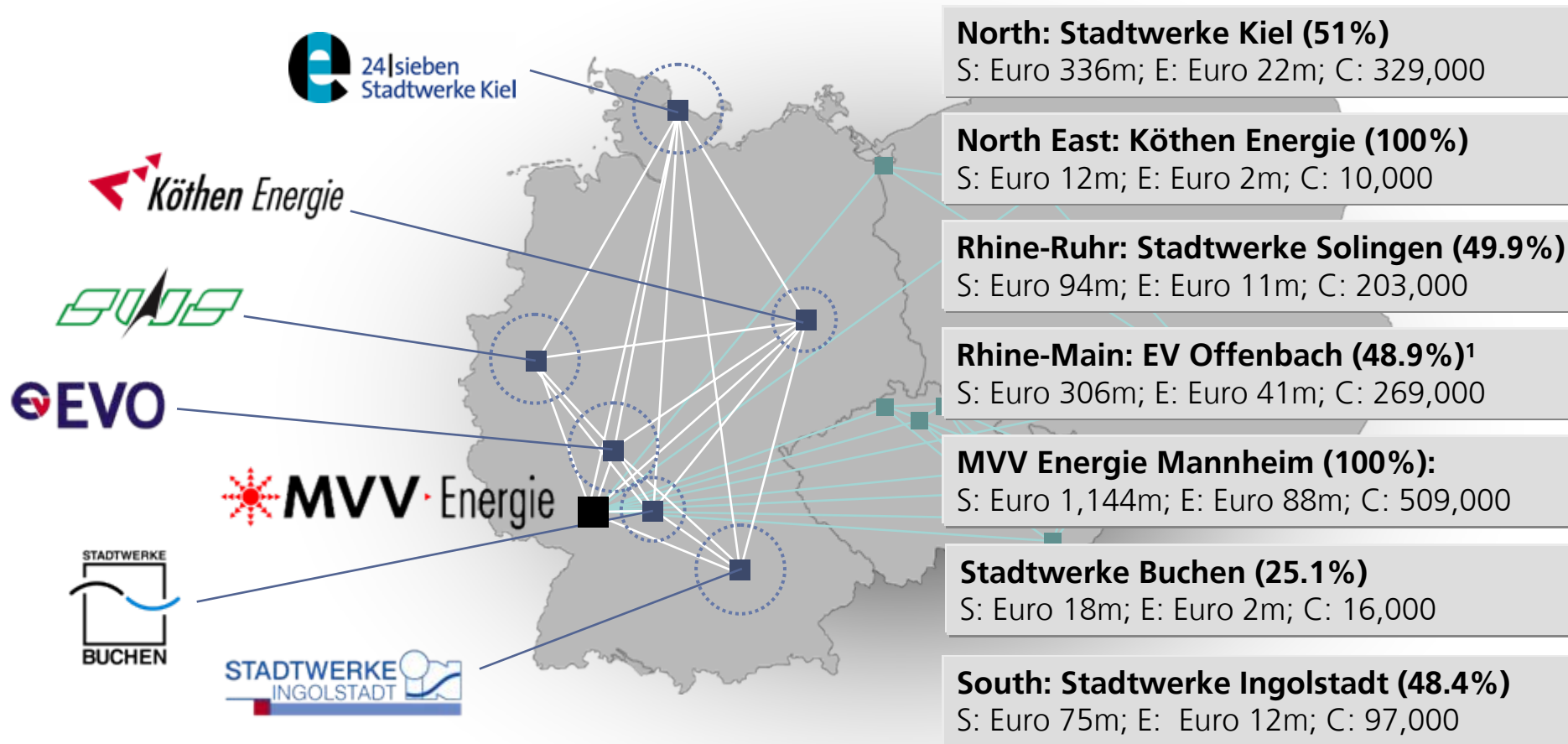


# Strong Market Position

- ▶ 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 an annual capacity of 1.2 million tonnes
- ▶ Among the Top 10 in energy related services in Germany (contracting, land improvement & 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

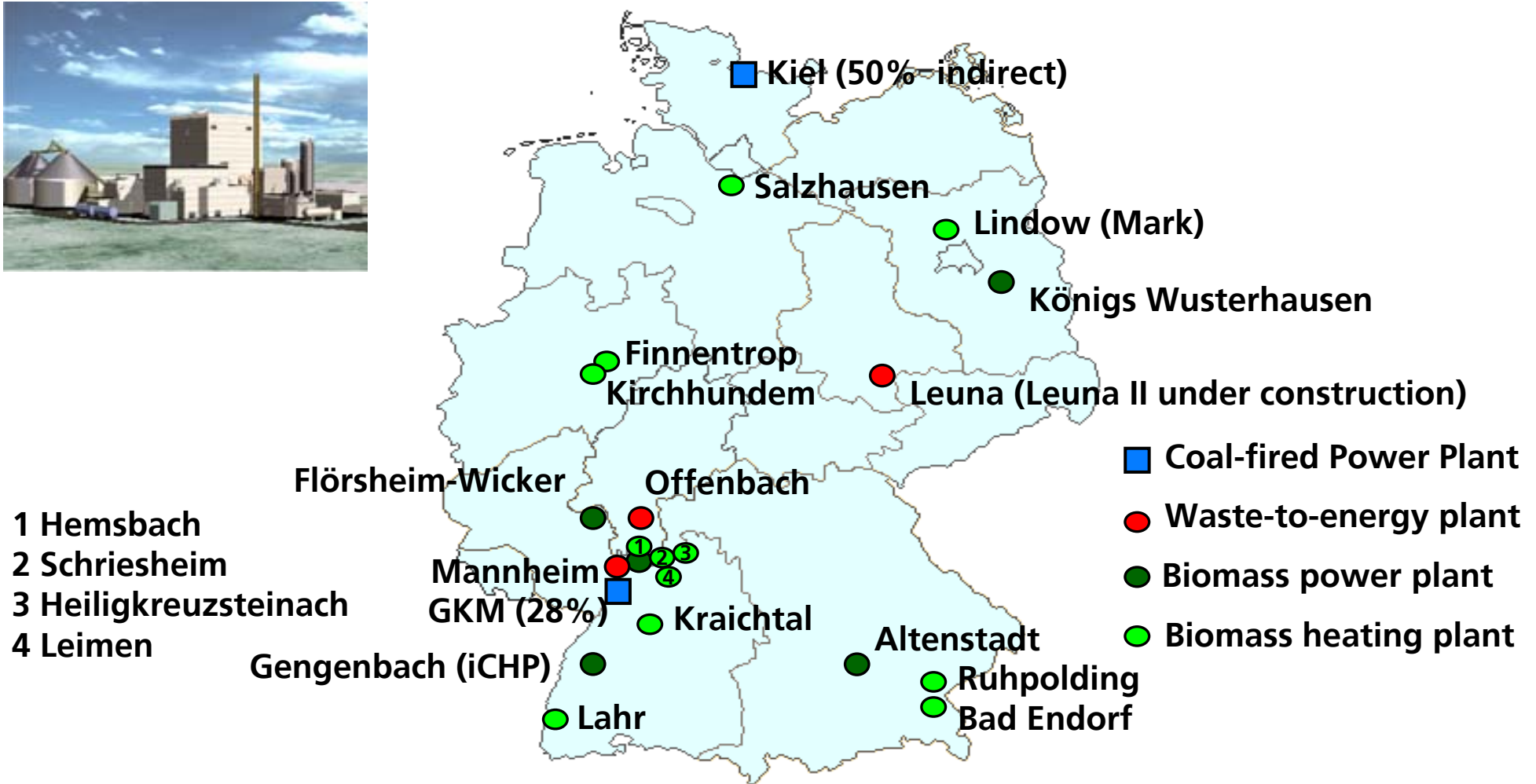
Sales: Euro 42 million  
EBIT: Euro - 1 million  
Customers: 195,000

### Czech Republic

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

### Slovakia

# Our Coal, Waste and Biomass Plants



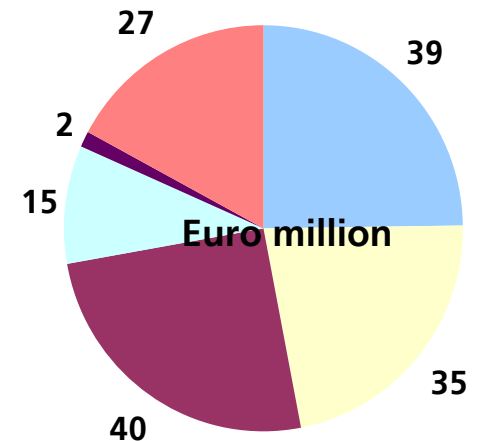
# Our Operating Earnings (EBIT) are Generated by a Number of Segments

Financial Year 2005/06e



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

Financial Year 2004/05



# 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

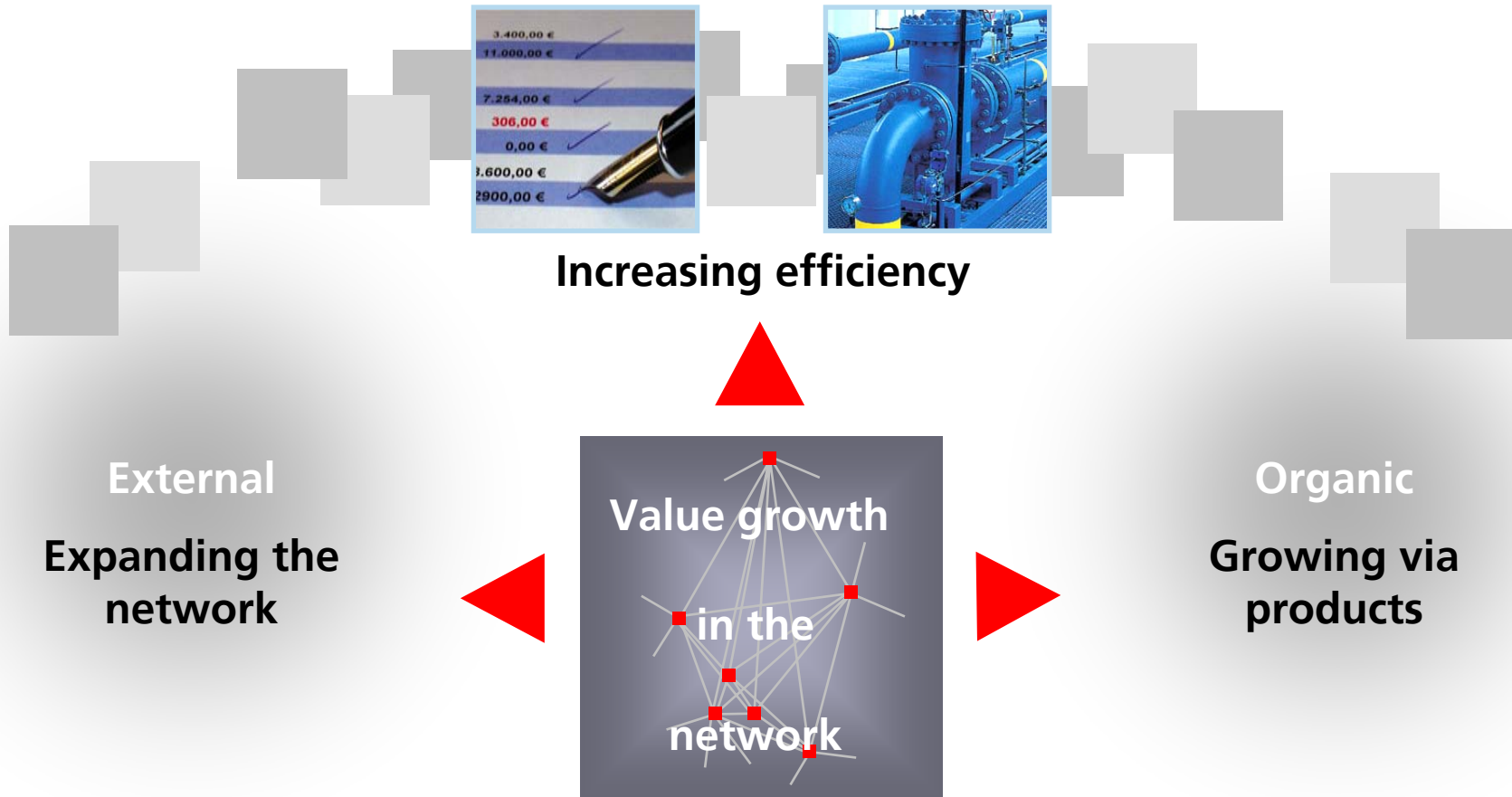
- ▶ New markets through new national and international **shareholdings**
- ▶ Utilisation of new market opportunities in the **waste to energy business**
- ▶ Building on existing customer links by means of **energy-related services**

# Our Strategy



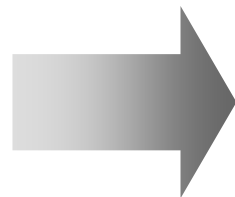


# The MVV Energie Strategy



# Growth Based on New 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

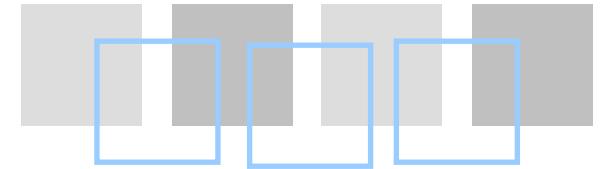


**Sale of further municipal utility companies expected**

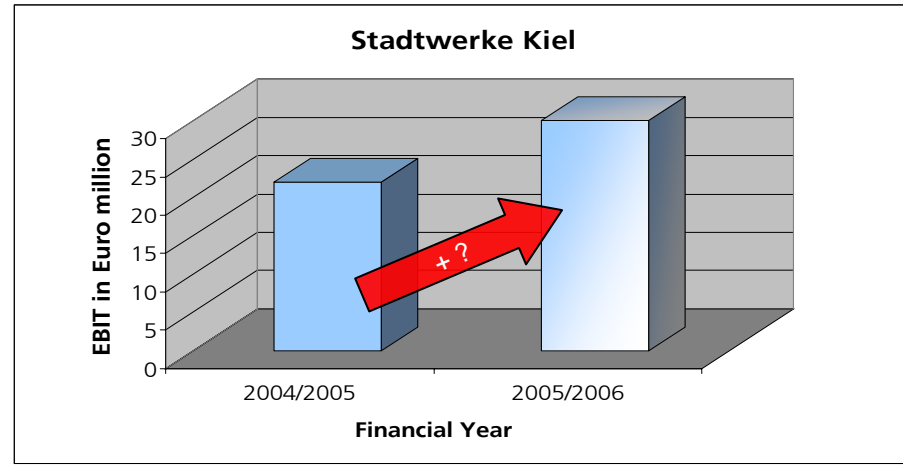
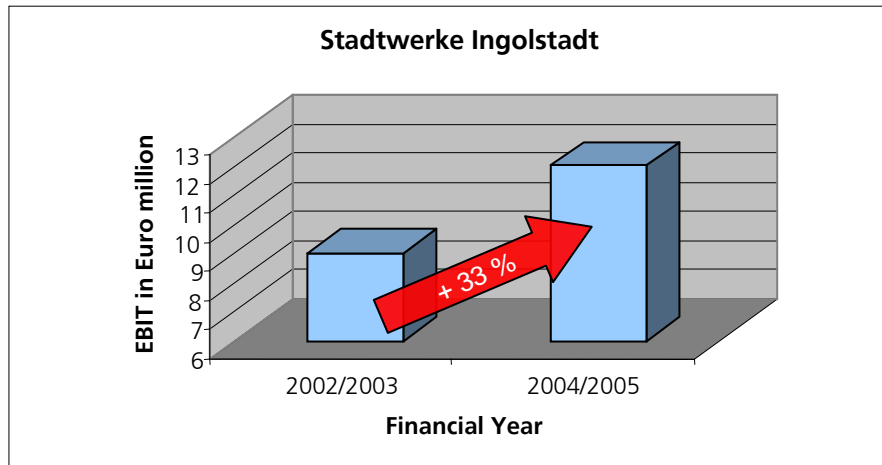
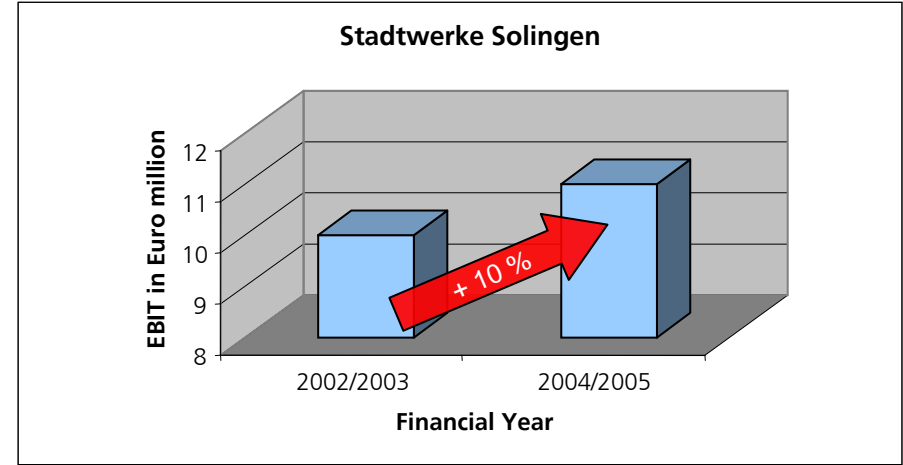
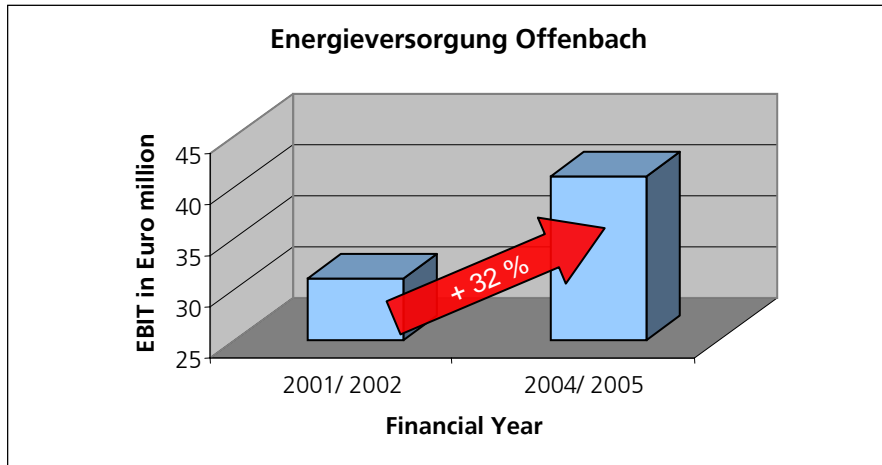
**MVV Energie is well-positioned for further acquisitions**

# Horizontal Cooperation as an Alternative to Vertical Integration

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



# 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
- Resultant production of heat and electricity
- Generation of electricity from biomass

## ▶ **We are benefiting from**

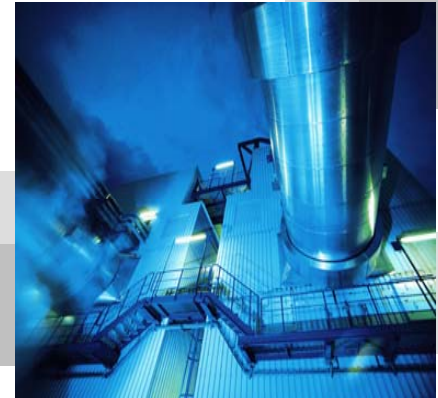
- The expansion of our incineration capacities
- Increased capacity utilization
- Soaring prices for industrial waste
- Higher prices for electricity and steam

## ▶ We expect to see further growth as a result of the second Leuna plant construction (completion in 2007), improved materials management and possible further projects



# Growth Based on Energy Services

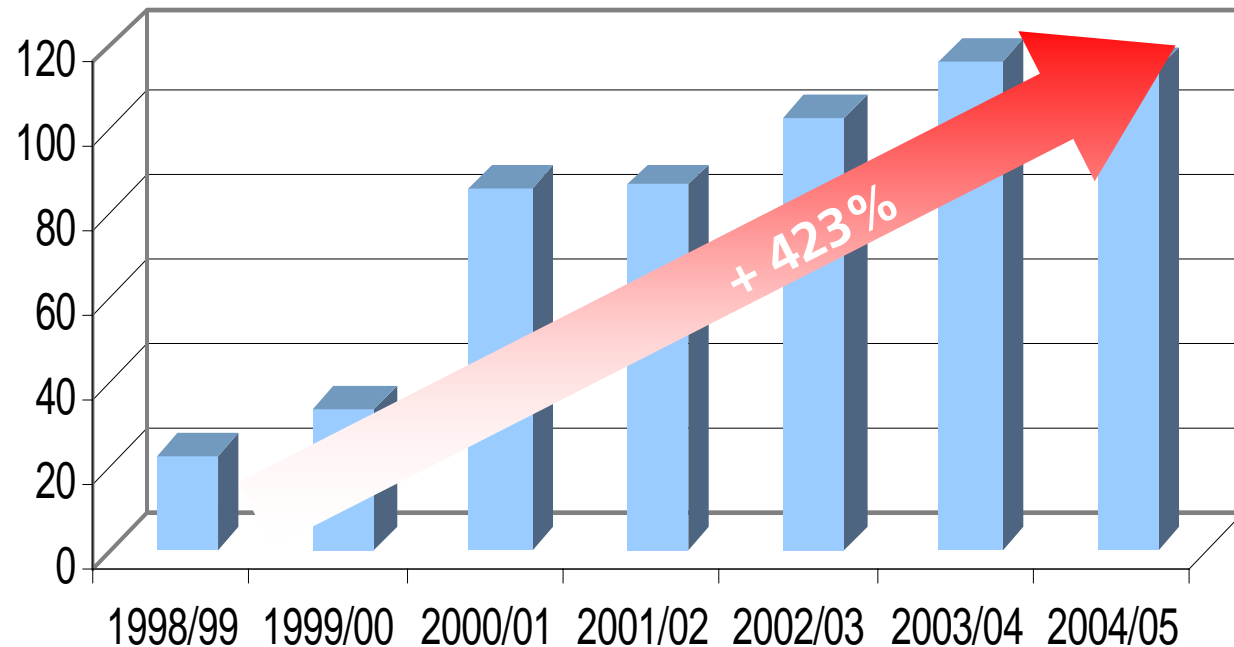
- ▶ MVV Energie is successfully positioned among the top 10 providers of energy services in the market
  
- ▶ 3 main product areas
  - **Industrial Solutions (Contracting)**
  - **Municipal Solutions (Land preparation & development)**
  - **Advisory Services – national and international**
  
- ▶ **Goal:** based on internal and external growth, we aim to become one of the top three providers of energy and infrastructure services in Germany



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

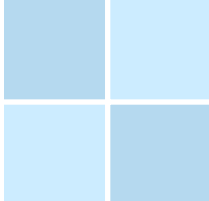


Sales in Euro million

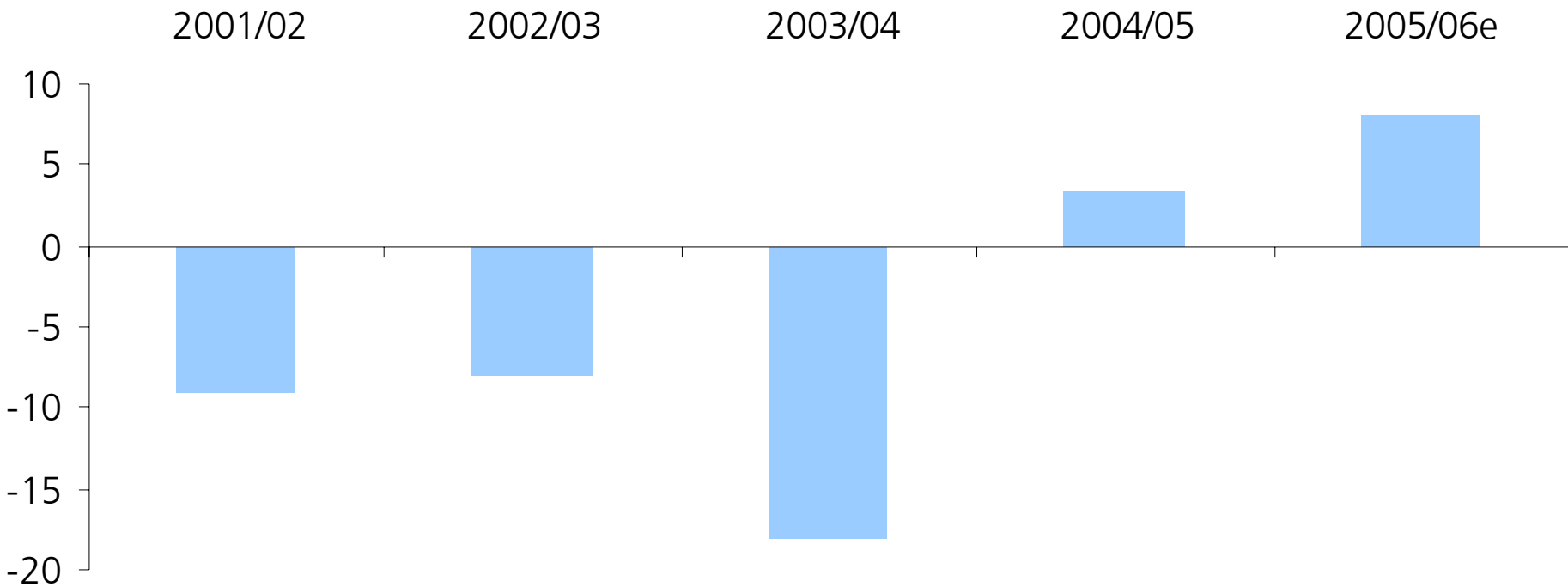


**Comprehensive solutions for customers promote commodity sales**

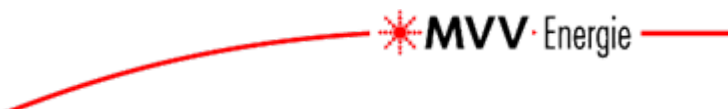
# Energy Services: Successful Turnaround



EBIT<sup>1</sup> in Euro million



<sup>1</sup> Adjusted for one-off effects





# Our Investment Strategy

## Strategic criteria

### Expansion of existing portfolio:

- ▶ Targets tailored to MVV Energie as a municipality utility group - **synergy potential**
- ▶ **Proximity to core business** in terms of content, and to core competencies as a distribution company
- ▶ Focus on defined **growth areas** (municipal utility companies/distributors, environmental energy, services)
- ▶ No investments outside the defined **business fields** or **regions**

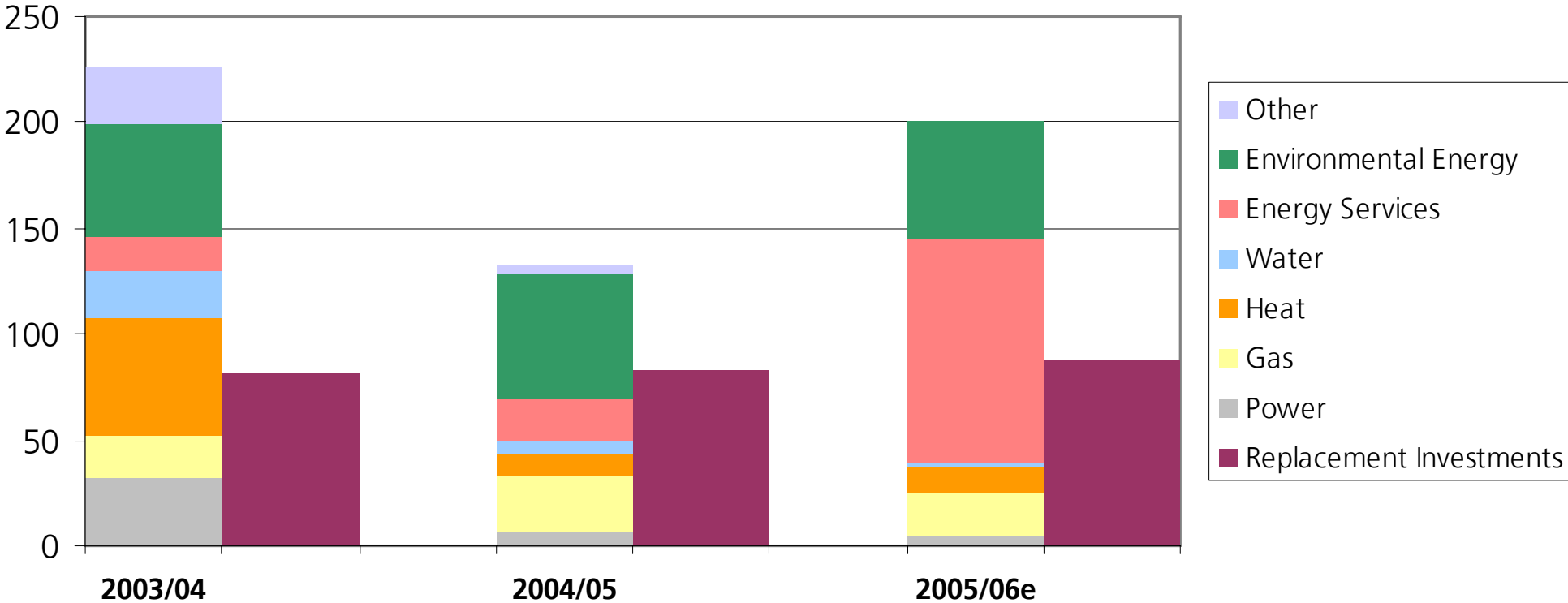
## Financial criteria

### Principles of value creation:

- ▶ Each investment has to generate a premium on the **costs of capital** involved ( $ROCE > WACC$ )
- ▶ Internal requirements concerning the level of the positive **value spread** reflect growth targets and improvement in competitive position, as well as accounting for project risks affecting the company as a whole
- ▶ **Payback** and **break even** have to meet requirements of specific business field

# Strong Investments in Energy Services and Environmental Energy

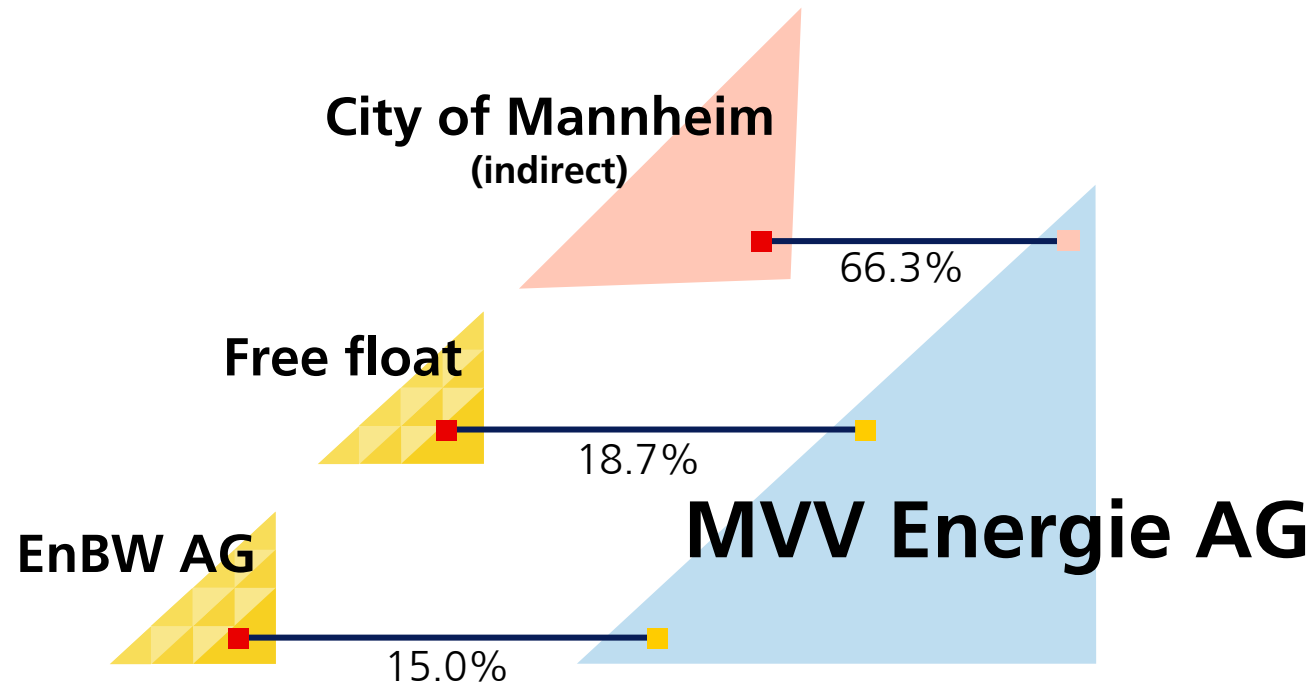
## Investments in Euro million



# Our Shares



# Current Shareholder Structure and Key Figures

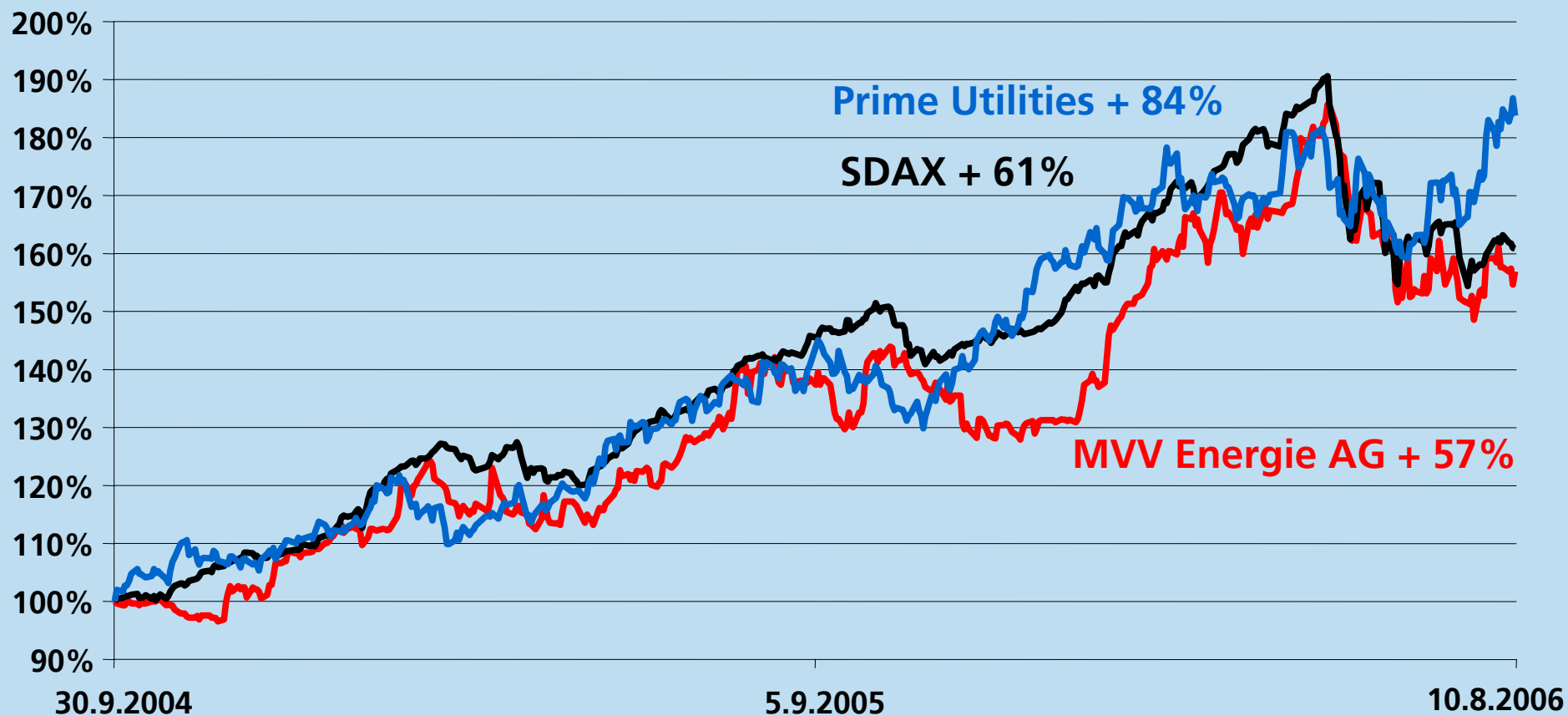


- ▶ No. of shares: 55.704 million
- ▶ Market capitalisation: Euro 1,153 million (Closing price on 10.8.2006: Euro 20.70)
- ▶ Free float: Euro 216 million

# Performance Comparison of the MVV Energie AG Share with the SDAX and Prime Utilities Indices (FY 2004/2005 – 10.8.2006)

MVV Energie Share (ISIN DE000A0H52F5)

Xetra Trading



# Capital Increase Planned

- ▶ On 15 November 2005, we executed a capital increase of almost 10% in order to finance current investment requirements (including Leuna II)
- ▶ Currently, authorised capital of about 18% (present volume is approx. Euro 180 million) is available for further investments
- ▶ We expect to see further investment opportunities in the near future, e.g. local utilities (Stadtwerke) or waste-to-energy plants
- ▶ In order to be prepared for this, we intend to carry out a capital increase with subscription rights in the next 6 to 12 months

# 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 **energy-related services**
- ▶ Attractive **dividend returns** (currently almost 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 financial 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 additional potential savings at our shareholdings, e.g. in Kiel

# Shared Service Companies Provide Further Savings Potential

- ▶ As of the 2006/07 fiscal year, we will bundle several activities, which were conducted independently by our subsidiaries, into common shared service companies
- ▶ This applies to the following activities:
  - Grids
  - IT
  - Metering
  - Billing
  - Energy trading
- ▶ As a result of this, we expect to save Euro 12 million per year within the next 3 to 5 years
- ▶ Furthermore, these shared service companies provide the opportunity to include further local utilities as partners in mutual cost reduction

# Significant Increase in Earnings Expected in the Current Financial Year

- ▶ The earnings of MVV Energie have risen in the last 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 the “FOKUS” programme and from increased cooperation across the Group
- ▶ We will generate a positive value spread figure on the level of the overall company (ROCE > WACC) in the current financial year
- ▶ Rising earnings enabled us to pay a consistent attractive dividend of Euro 0,75 per share for 2004/05 from the achieved Free Cash Flow. We intend to raise the dividend for the current financial year

# We Confirm the Increased 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 a rise in prices
- ▶ Cost reductions due to increased cooperation across the Group
- ▶ Our excellent operative development enables us to confirm our prognosis despite the expected burdens from impairment tests due to grid regulation of up to Euro 20 million
  
- ▶ Our forecasts for 2005/2006 (including impairment tests):
  - Sales: Euro 2.25 billion
  - EBIT: Euro 195 million
  - EBT: Euro 133 million

# Key Financial Data for the 2004/2005 Financial Year



# 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

# 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 (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 portfolio streamlining and restructuring measures



# Volumes in the 2004/2005 Financial Year

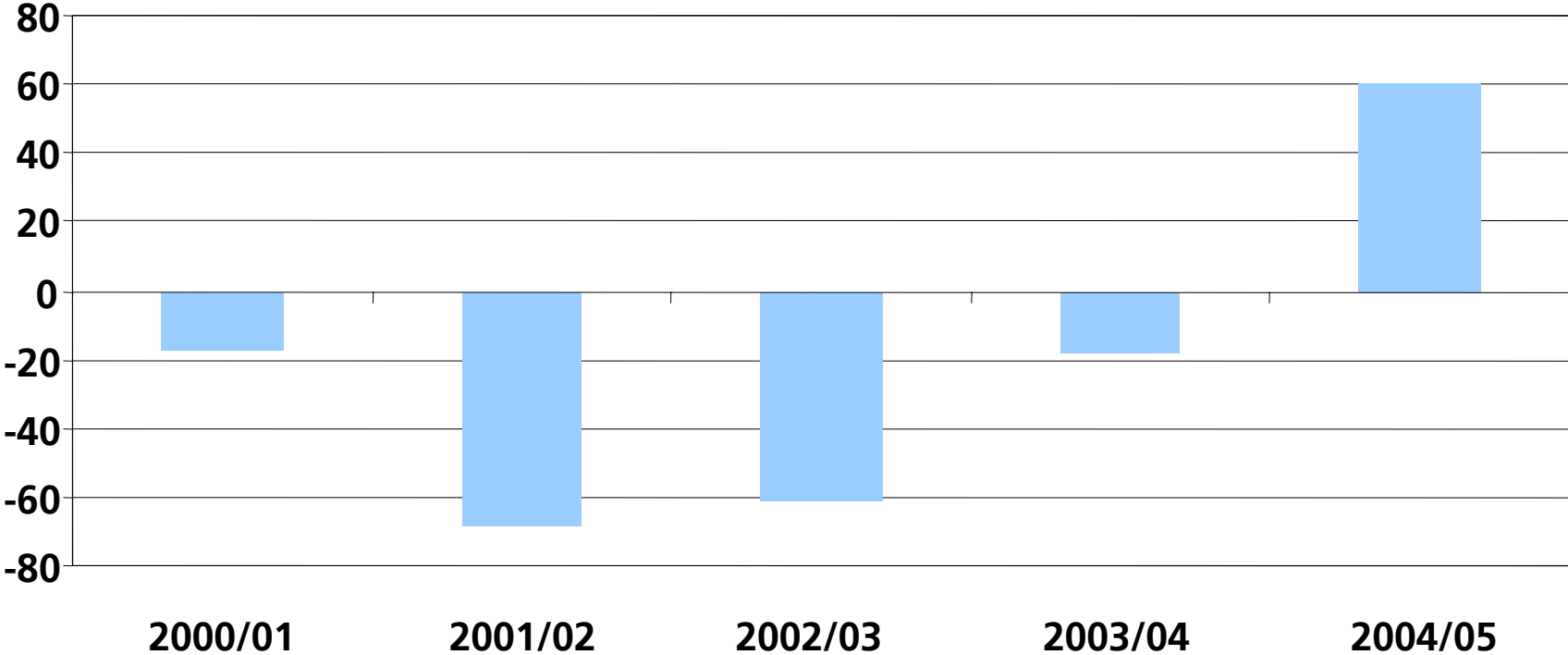
Volume <sup>1</sup>		2004/2005 1.10.-30.9.	2003/2004 1.10.-30.9.	% change
Electricity	(kWh million)	<b>18,307</b>	14,539	<b>+ 26</b>
of which: wholesale (incl. secondary distributors)	(kWh million)	<b>9,454</b>	5,587	<b>+ 69</b>
of which: retail	(kWh million)	<b>8,853</b>	8,952	<b>- 1</b>
District heating <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

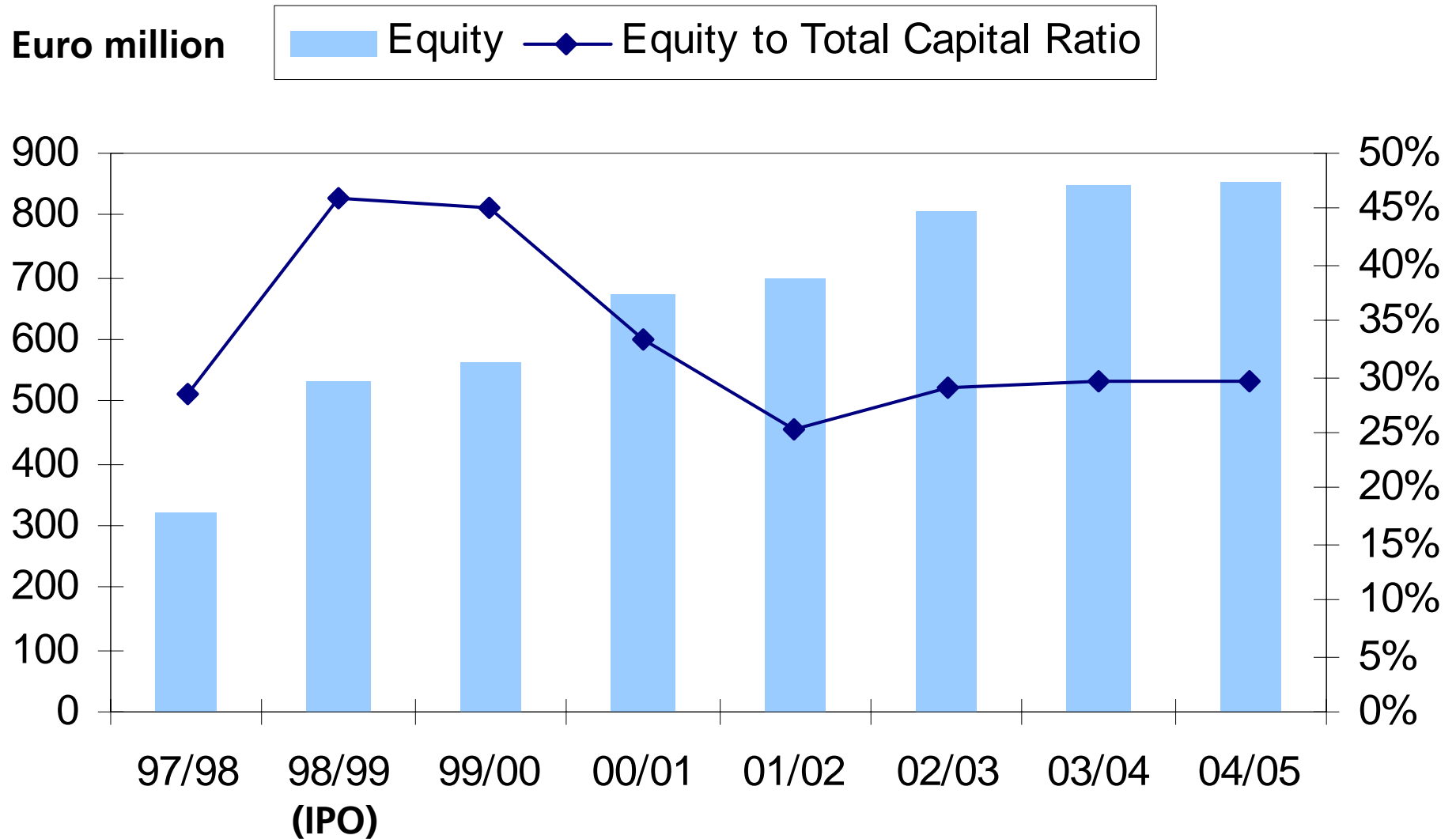
<sup>2</sup> corrections in previous year's figure

# Free Cashflow Returns to Positive Ground

Euro million



# Solid Equity Capitalisation



# Key Financial Data for the First Nine Months of 2005/2006



# Volumes in the First Nine Months of 2005/2006

<b>Volume <sup>1</sup></b>	<b>2005/2006 1.10.-30.6.</b>	<b>2004/2005 1.10.-30.6.</b>	<b>% change</b>
Electricity (kWh million)	<b>14,405</b>	13,557	<b>+ 6</b>
of which: wholesale (kWh million) (incl. secondary distributors)	<b>7,012</b>	6,848	<b>+ 2</b>
of which: retail (kWh million)	<b>7,393</b>	6,709	<b>+ 10</b>
District heating <sup>2</sup> (kWh million)	<b>6,749</b>	6,807	<b>- 1</b>
Gas (kWh million)	<b>10,210</b>	9,912	<b>+ 3</b>
Water (m <sup>3</sup> million)	<b>42.5</b>	44.0	<b>- 3</b>
Combustible waste delivered (tonnes 000s)	<b>925</b>	581	<b>+ 59</b>

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

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

# Key Figures of the MVV Energie Group for the First Nine Months of 2005/2006

<b>Earnings performance Euro million</b>	<b>2005/2006 1.10.-30.6.</b>	2004/2005 1.10.-30.6.	<b>% change</b>
Sales	<b>1,797</b>	1,530	<b>+ 17</b>
EBITDA	<b>346</b>	276	<b>+ 25</b>
EBITA	<b>237</b>	174	<b>+ 36</b>
EBIT	<b>238</b>	174	<b>+ 37</b>
EBT	<b>190</b>	125	<b>+ 52</b>
Annual net surplus	<b>112</b>	77	<b>+ 45</b>
after minority interests	<b>90</b>	59	<b>+ 53</b>
Free Cash Flow	<b>- 57</b>	- 10	<b>- 470</b>
Earnings per share in Euro	<b>1.65</b>	1.16	<b>+ 42</b>

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

# Sales by Segment in the First Nine Months of 2005/2006

Sales in Euro million	2005/2006 1.10.-30.6.	2004/2005 1.10.-30.6.	% change
Electricity <sup>1</sup>	797	722	+ 10
District heating	246	218	+ 13
Gas <sup>2</sup>	403	319	+ 26
Water	78	79	- 1
Value-added services <sup>3</sup>	98	75	+ 31
Environmental energy	147	90	+ 63
Other/consolidation <sup>3</sup>	28	27	+ 4
<b>Total sales</b>	<b>1,797</b>	<b>1,530</b>	<b>+ 17</b>

<sup>1</sup> including energy tax of Euro 84 million (previous year: Euro 80 million)

<sup>2</sup> including gas tax of Euro 56 million (previous year: Euro 55 million)

<sup>3</sup> with effect from the 2005/06 financial year, the companies MANet GmbH and ENERGY InnovationsPortfolio AG & Co. KGaA will no longer be reported under the Value-added services segment, but rather in the Other segment; the previous year's figures have been adjusted for reasons of comparison

# EBIT by Segment in the First Nine Months of 2005/2006

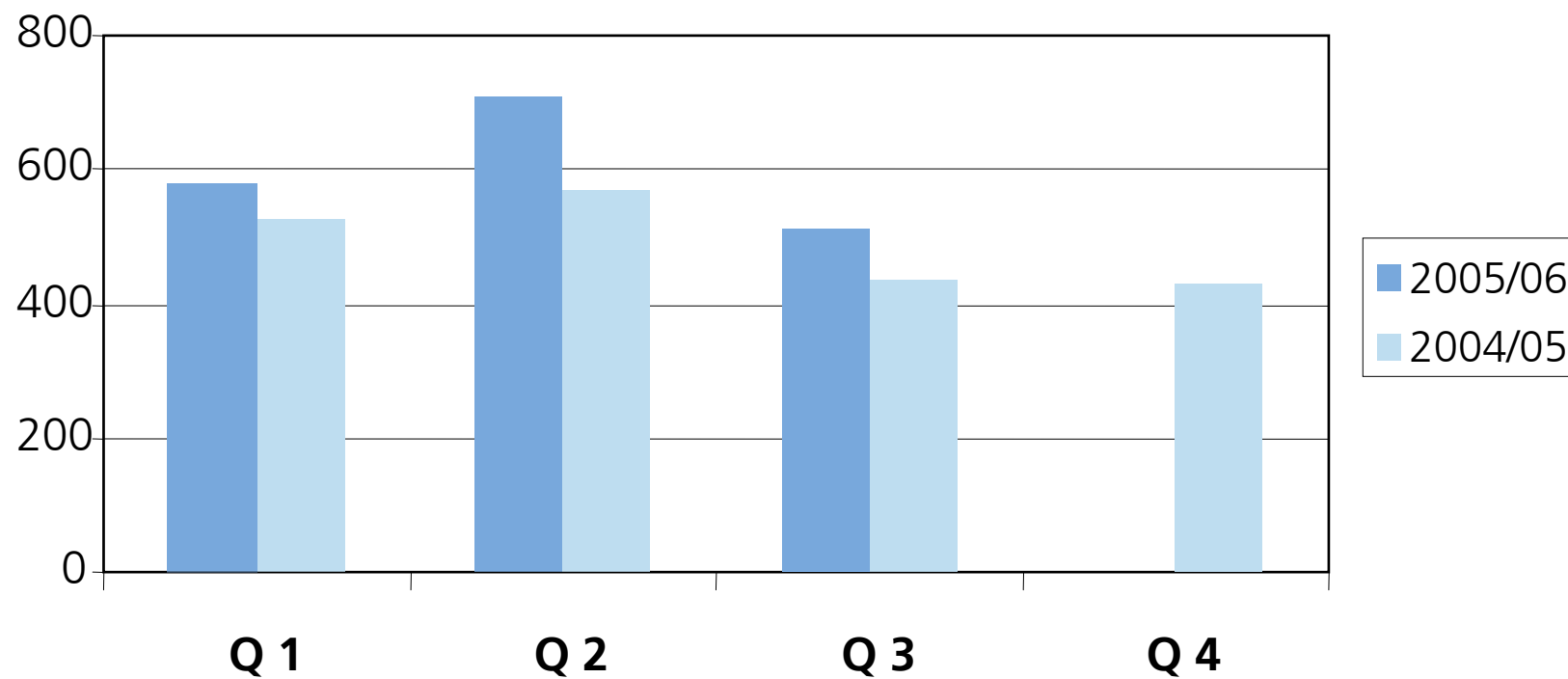
<b>EBIT in Euro million</b>	<b>2005/2006 1.10.-30.6.</b>	<b>2004/2005 1.10.-30.6.</b>	<b>% change</b>
Electricity	<b>38</b>	43	<b>- 12</b>
District heating	<b>73</b>	55	<b>+ 33</b>
Gas	<b>51</b>	43	<b>+ 19</b>
Water	<b>16</b>	12	<b>+ 33</b>
Value-added services <sup>1</sup>	<b>7</b>	6	<b>+17</b>
Environmental energy	<b>56</b>	19	<b>+ 195</b>
Other/consolidation <sup>1</sup>	<b>- 3</b>	- 4	<b>+ 25</b>
<b>Total EBIT</b>	<b><u>238</u></b>	<b><u>174</u></b>	<b>+ 37</b>

<sup>1</sup> with effect from the 2005/06 financial year, the companies MAnet GmbH and ENERGY InnovationsPortfolio AG & Co. KGaA will no longer be reported under the Value-added services segment, but rather in the Other segment; the previous year's figures have been adjusted for reasons of comparison



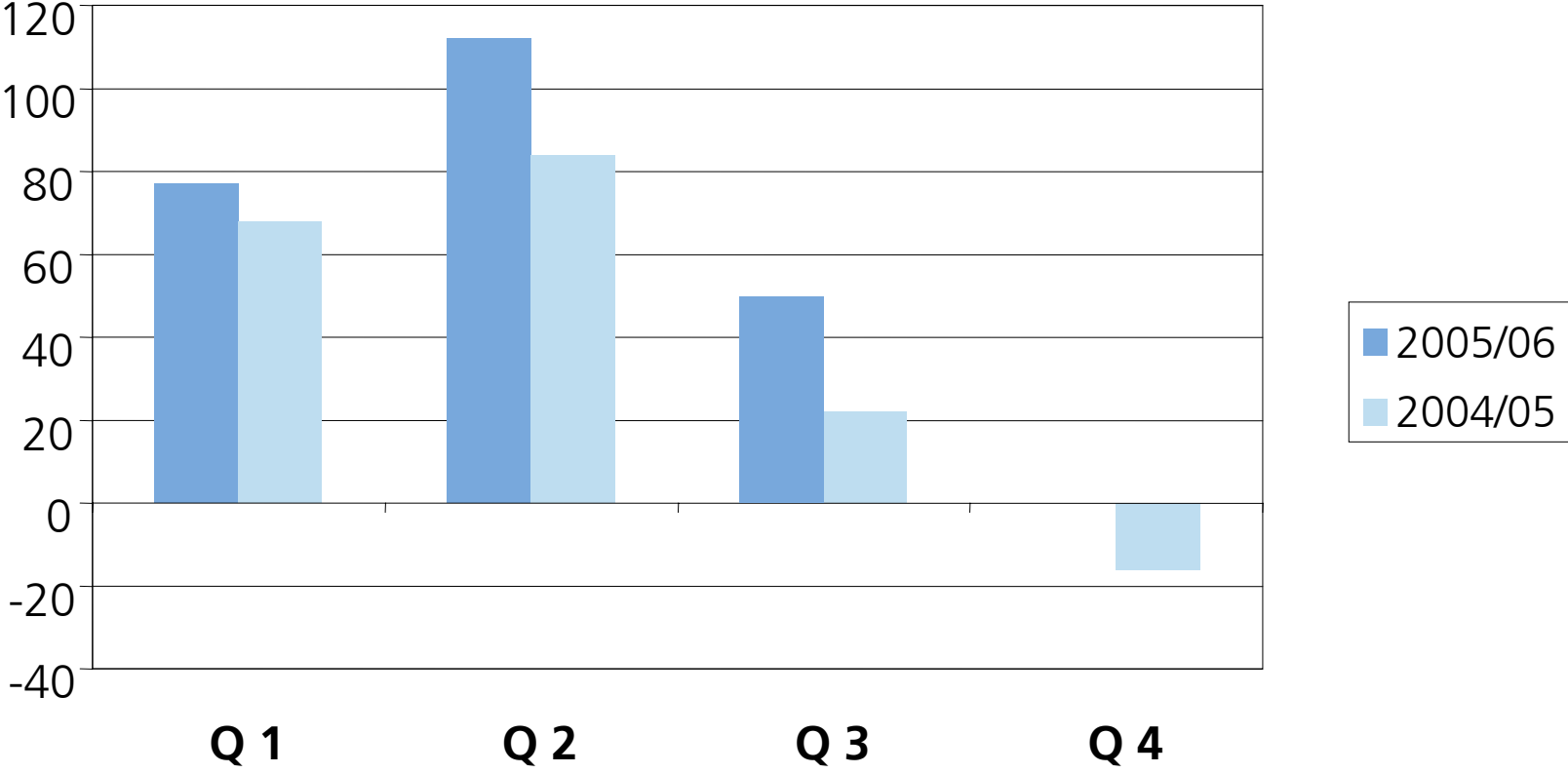
# Sales by Quarter

Euro million



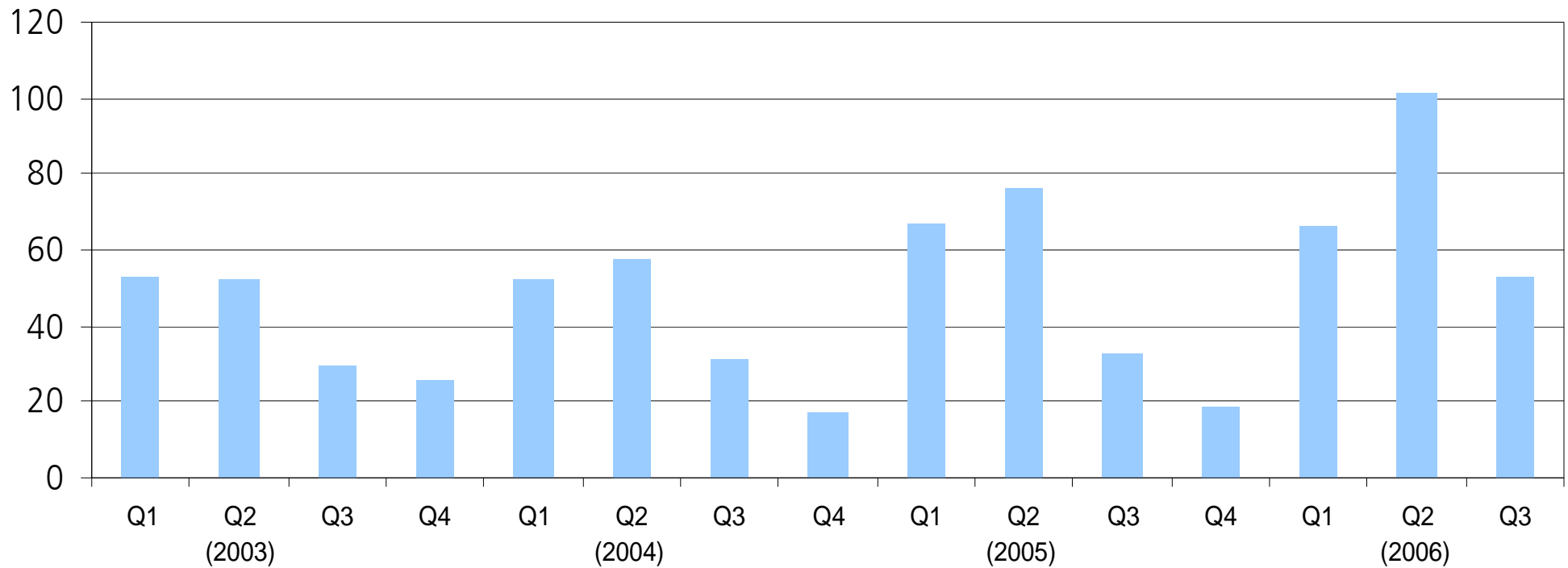
# Strong Seasonal Cycles in the Results

EBIT by Quarter in Euro million



# Continuously Positive Cash Flow (DVFA/SG)

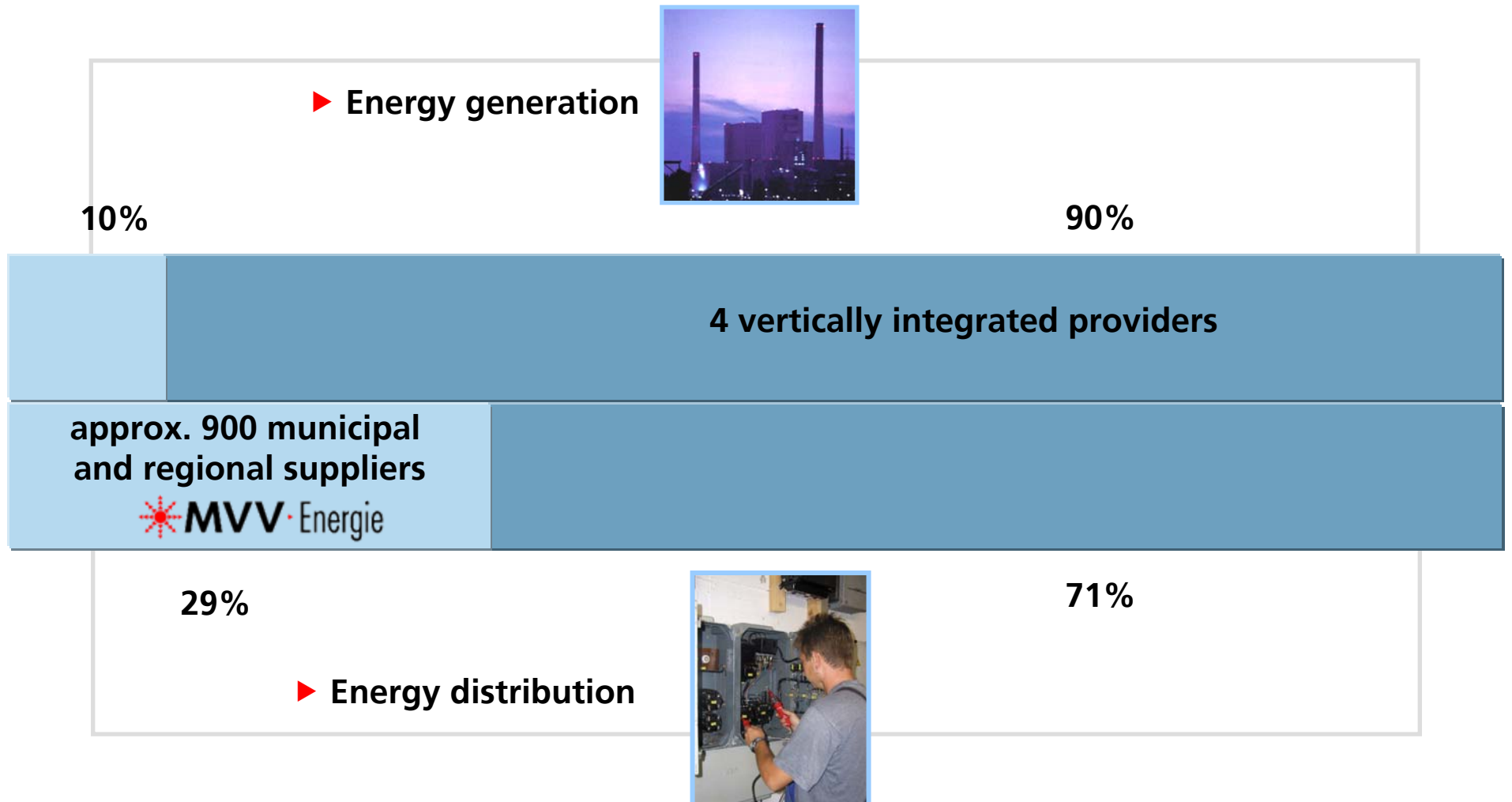
## Cashflow (DVFA/SG) in Euro million



# Appendix: The German Electricity Market

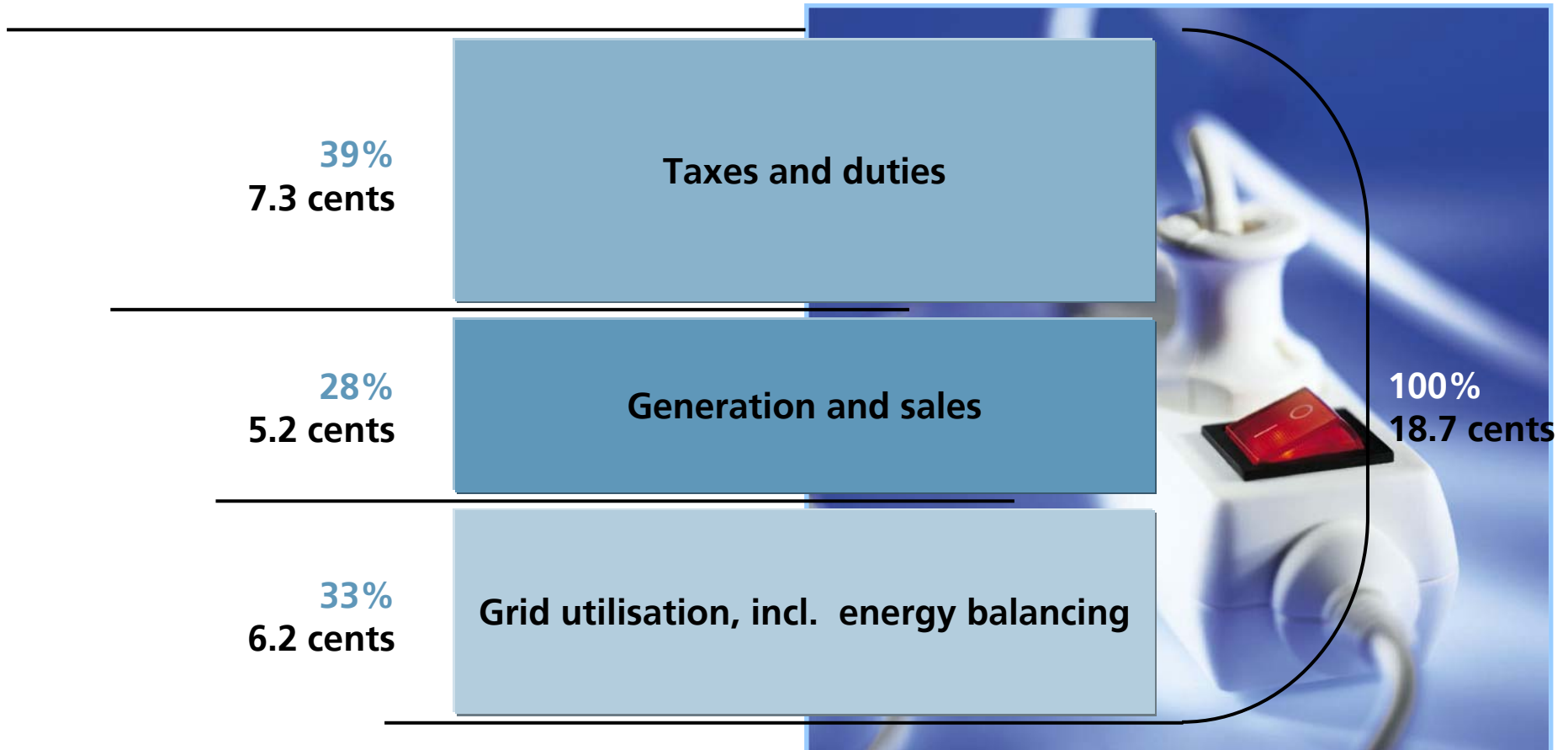


# Structure of the German Electricity Industry



# Electricity Price Components

(per kWh)



End customer with 3,500 kWh p.a. (Sources: VDN, VDEW),  
average household customer price: 18.7 cents