

# Adapting for the Future: Sustainability Leveraging Opportunity

# 06/07

Fact book

Consolidated financial statements for the  
2006/2007 financial year pursuant to IFRS

17 January 2008

[www.mvv-investor.de](http://www.mvv-investor.de)



## MVV Energie in brief



# Business activities of the MVV Energie Group



## Value chain in electricity



# Balanced business portfolio

Non-regulated business: 37% of sales, 76% of EBIT					Regulated business: 63% of sales, 24% of EBIT		
Core business			Growth business		Core business		
	<b>Sales</b> Euro mill. in %	<b>District heating</b> 272 12	<b>Water</b> 104 5	<b>Value-added services</b> 263 12	<b>Environmental energy</b> 184 8	<b>Electricity</b> 1.079 48	<b>Gas</b> 342 15
	<b>EBIT</b> Euro mill. in %	42 21	19 10	19 9	71 36	38 19	11 5
	<b>Market position</b>	No. 5 in Germany	fragmented	No. 3 in Germany	No. 3 in Germany	No. 7 in Germany	No. 12 in Germany
<ul style="list-style-type: none"> <li>▶ Process optimisation</li> <li>▶ External growth in submarkets</li> </ul>			<ul style="list-style-type: none"> <li>▶ Organic growth</li> <li>▶ Growth via acquisitions</li> </ul>		<ul style="list-style-type: none"> <li>▶ Efficiency enhancements</li> <li>▶ Development of new sales forms and products</li> </ul>		

# Strong market position of the MVV Energie Group

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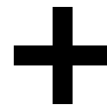
- ▶ Ranked No. 5 among German district heating utilities in terms of volume in 2006/07 FY
- ▶ Ranked No. 7 among German electricity suppliers in terms of volume of electricity sold to end customers
- ▶ Total of 1.15 million customer contracts in Germany and Eastern Europe for electricity, district heating and gas at the end of 2006/07 FY and 0.17 million in Germany for water
- ▶ Third-largest operator of incineration facilities in Germany (incineration capacity of 1.6 million tonnes of waste and biomass p.a. for the generation of electricity and district heating)
- ▶ With sales of Euro 263 million in 2006/07 FY, one of the three largest energy-related service providers in Germany

**Solid foundation for further success**

# Objectives of strategic alignment 2003/2004 – 2006/2007

**Return to value creation**

**Growth in core competencies**



**Efficiency enhancement**

## **Streamlining of portfolio**

approx. 30 shareholdings not consistent with strategy

## **Value spread**

2003/2004: -5.3%

2006/2007: +1.5%

## **Increase in market capitalisation<sup>1</sup>**

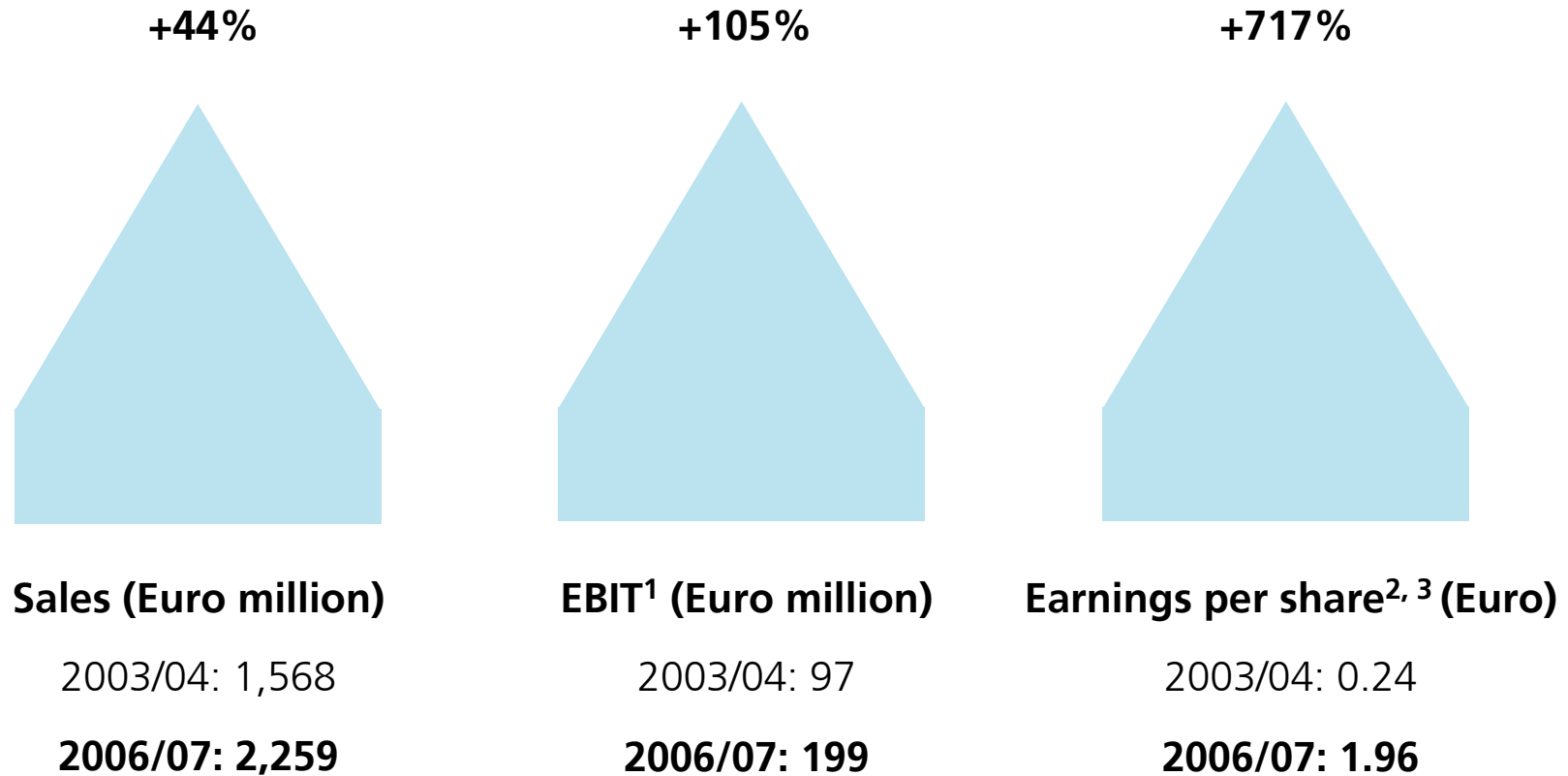
1.10.2003: Euro 772 mill.

14.1.2008: Euro 2,108 mill.

<sup>1</sup> including capital increase by approx. 30 %

# Successful growth course 2003/2004 – 2006/2007

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<sup>1</sup> 2003/04 FY: excluding expenses for streamlining of portfolio and restructuring expenses  
2006/07 FY: prior IAS 39

<sup>2</sup> increase in number of shares from 50.7 million in 2003/04 FY to 55.8 million  
(weighted annual average) as a result of capital increases in 2006/07 financial year

<sup>3</sup> 2006/07 FY: including deferred tax income of Euro 46 million due to 2008 corporate tax reform

## Key financial data





# Successful 2006/2007 financial year

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**EBIT before IAS 39 virtually matches high previous year's level – in spite of substantial downturns in turnover due to weather conditions**

## **Core business**

- ▶ Successful sales activities in nationwide sale of electricity (e.g. acquisition of new customers, electricity funds)
- ▶ Savings generated by efficiency enhancement and cost savings programmes
- ▶ Decisions taken to expand generation capacities in Mannheim

## **High-growth fields**

- ▶ Leuna II waste incineration plant commences operations ahead of schedule
- ▶ External growth in value-added services business (e.g. IGS, MVV Energiedienstleistungen GmbH Berlin, DECON)
- ▶ Leading position extended in field of renewable energies

# Key figures of the MVV Energie Group for the 2006/2007 financial year

## Earnings performance in Euro million

	2006/07 (1.10.-30.9.)	2005/06 (1.10.-30.9.)	% Change
Sales <sup>1</sup>	2,259	2,170	+4
EBITDA	359	370	-3
EBIT	215	201	+7
EBIT prior IAS 39	199	201 <sup>2</sup>	-1
EBT	139	128	+9
Annual net surplus	126 <sup>3</sup>	64	+97
Annual net surplus after minority interests	109 <sup>3</sup>	50	+118
Earnings <sup>4</sup> per share <sup>5</sup> in Euro	1.96	0.91	+115
Free cash flow <sup>6</sup>	119	-52	-

<sup>1</sup> excluding energy taxes

<sup>2</sup> impact on earnings of IAS 39 (energy trading transactions) insignificant in the previous year

<sup>3</sup> including deferred tax income of Euro 46 million due to the 2008 corporate tax reform

<sup>4</sup> in accordance with IAS 33

<sup>5</sup> number of shares (weighted annual average): 55.8 million (previous year: 55.1 million)

<sup>6</sup> cash flow from operating activities less investments in intangible assets, property, plant and equipment and investment property

# Sales by segment in the 2006/2007 financial year

## Sales in Euro million

	2006/07 (1.10.-30.9.)	2005/06 (1.10.-30.9.)	% Change
Electricity <sup>1</sup>	1,079	966	+12
District heating	272	276	-1
Gas <sup>2</sup>	342	447	-23
Water	104	107	-3
Value-added services <sup>3</sup>	263	149	+77
Environmental energy	184	193	-5
Other/consolidation	15	32	-53
	<u>2,259</u>	<u>2,170</u>	+4

<sup>1</sup> excluding electricity tax of Euro 108 million (previous year: Euro 102 million)

<sup>2</sup> excluding natural gas tax of Euro 35 million (previous year: Euro 2 million following legislative amendment in tax liability as of 1 August)

<sup>3</sup> excluding electricity tax and natural gas tax of Euro 4 million (previous year: Euro 1 million)

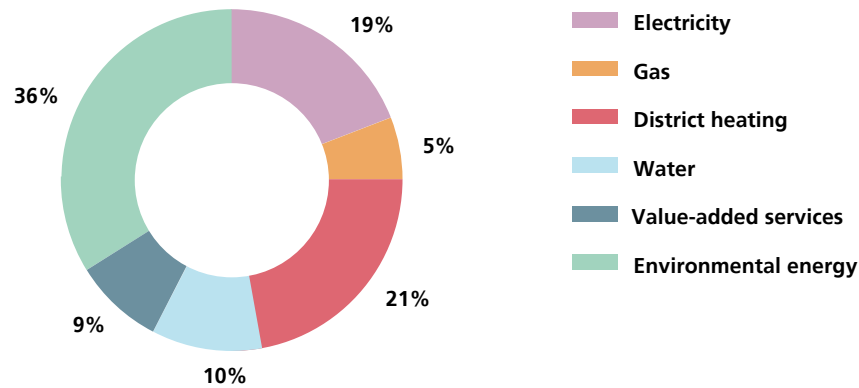
## EBIT by segment in the 2006/2007 financial year

### EBIT in Euro million

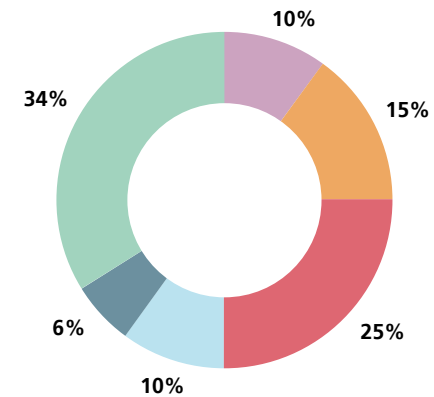
	2006/07 (1.10.-30.9.)	2005/06 (1.10.-30.9.)	% Change
Electricity	54	20	+170
District heating	42	51	-18
Gas	11	31	-65
Water	19	21	-10
Value-added services	19	12	+58
Environmental energy	71	68	+4
Other/consolidation	-1	-2	+50
	<u>215</u>	<u>201</u>	+7

# EBIT by segment – well-balanced business portfolio

2006/07 FY<sup>1</sup>



2005/06 FY<sup>1</sup>

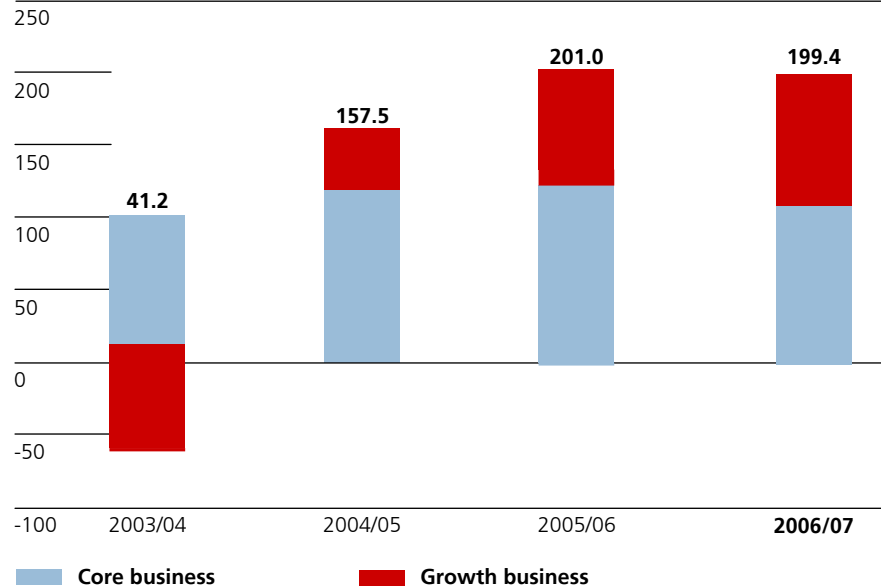


- ▶ Share of EBIT before IAS 39 attributable to business segments in non-regulated markets rises slightly from 75% to 76% in 2006/07 FY

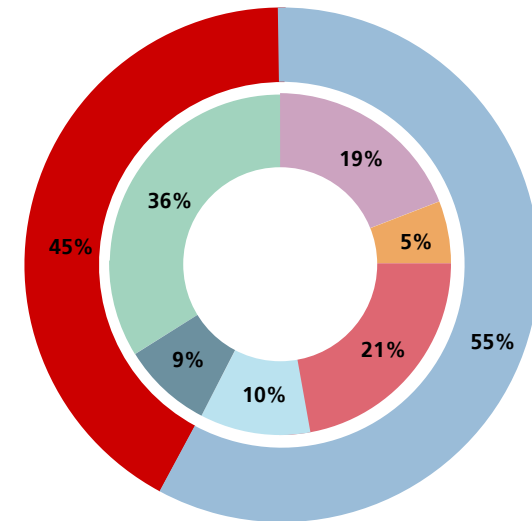
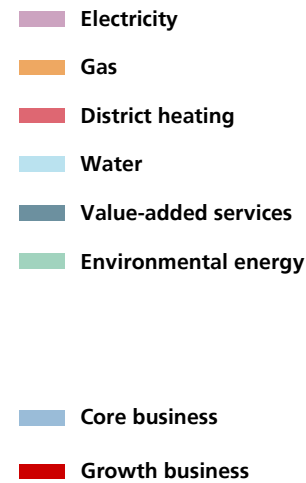
<sup>1</sup> Other/consolidation: Euro -1 million (previous year: Euro -2 million) not shown in chart

# EBIT prior IAS 39 by segments

Euro million



2006/07 FY <sup>1</sup>



► Share of EBIT before IAS 39 of high-growth environmental energy and value-added services segments rises continuously to 45% in 2006/07 FY

<sup>1</sup> Other/consolidation: Euro -1 million (not shown in chart)

# Factors relevant to EBIT performance

## Positive one-off factors

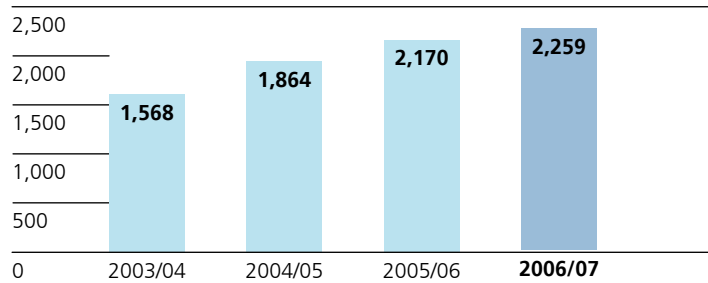
- ▶ Discontinuation of previous year's impairment losses
- ▶ Discontinuation of previous year's extraordinary depreciation of land, buildings, technical equipment etc.
- ▶ Valuation effect of energy trading transactions measured as per IAS 39
- ▶ Acquisition successes and impact of initial consolidation (especially IGS, MVV Energiedienstleistungen GmbH Berlin and in the Czech district heating market)
- ▶ Sale of 49% of shares in Kielspeicher Verwaltungs-GmbH

## Negative one-off factors

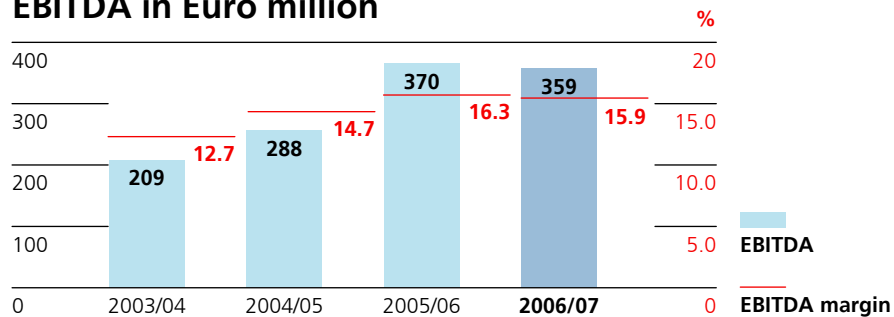
- ▶ Downturn in earnings due to extremely mild weather conditions during 2006/07 heating period
- ▶ Increased provisions for compensation and future part-time early retirement expenses
- ▶ Provisions for restructuring measures at Polish subgroup
- ▶ Price adjustments in waste disposal contracts in Mannheim

# Key figures – track record

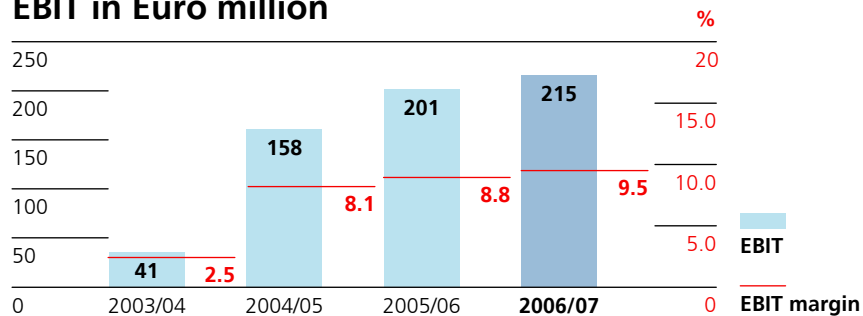
## Sales in Euro million



## EBITDA in Euro million



## EBIT in Euro million



- ▶ Growth in financial ratios
- ▶ Improvement in business operating efficiency
- ▶ High dividends in recent years

<sup>1</sup> pending approval by the Annual General Meeting on 14 March 2008

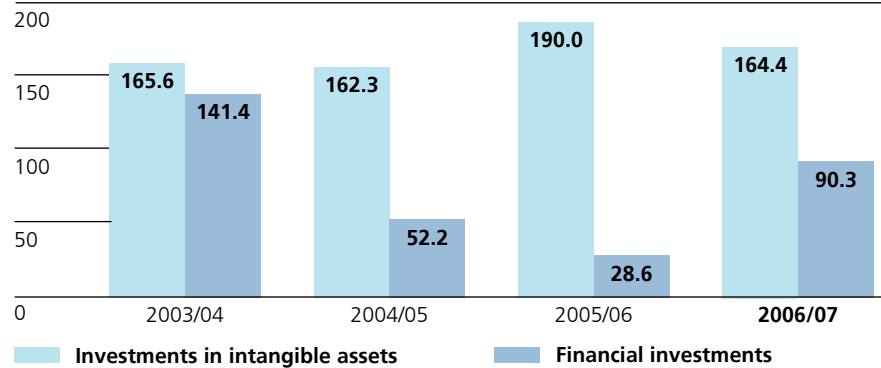
## Dividend

	2004/05	2005/06	2006/07 <sup>1</sup>
Dividend/Share (Euro)	0.75	0.80	0.80
Dividend yield (%)	3.9	3.4	2.7

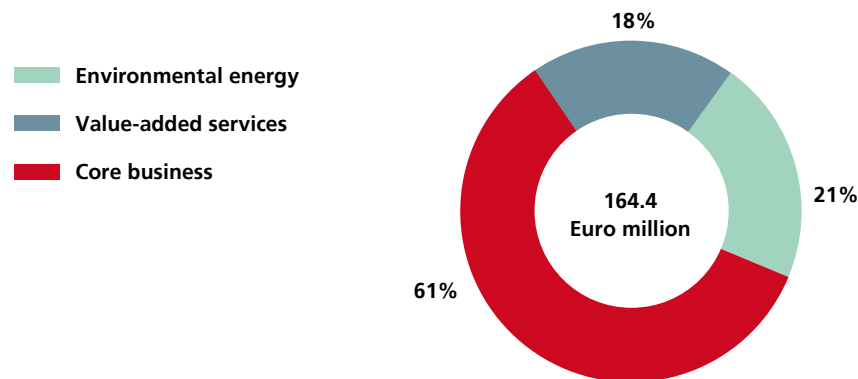


# Investment and growth

## Euro million



## Investments in intangible assets in 2006/07 FY



## Recent and planned investments:

### ► Core business:

- Underground gas storage in Kiel
- Teplárna Liberec in Czech Republic

### ► Environment:

- Leuna II waste incineration
- New waste boiler 6 in Mannheim

### ► Energy-related services:

- MVV Energiedienstleistungen GmbH Berlin
- Contracting for Continental in Korbach
- Industrial park Gersthofen

**Capital increase will provide scope for further growth**

MVV Energie – business  
and strategy



# Our strengths as a distribution and energy-related services company

## Stable core business

- ▶ **Diversified portfolio mix** as a distribution company (electricity, district heating, gas and water)
- ▶ Traditionally **close links to customers** in our local and regional sales markets
- ▶ **Networking** companies with comparable portfolios on a distribution level
- ▶ Development of **innovative electricity products** for nationwide sale of electricity (e.g. electricity fund, SECURA-Ökostrom)

## Attractive growth potential

- ▶ Growth via **municipal utility shareholdings** (expansion of municipal utility network)
- ▶ Efficiency enhancements and tapping of further **synergy potential** in municipal utility network
- ▶ Seizing new market opportunities using waste and biomass to generate energy in **high-growth environmental energy business** via acquisitions and cooperations
- ▶ **Expansion of energy-related services** in Germany: organic and external growth
- ▶ Expansion of **nationwide electricity sales** in Germany

# Growth based on new shareholdings in municipal utility companies

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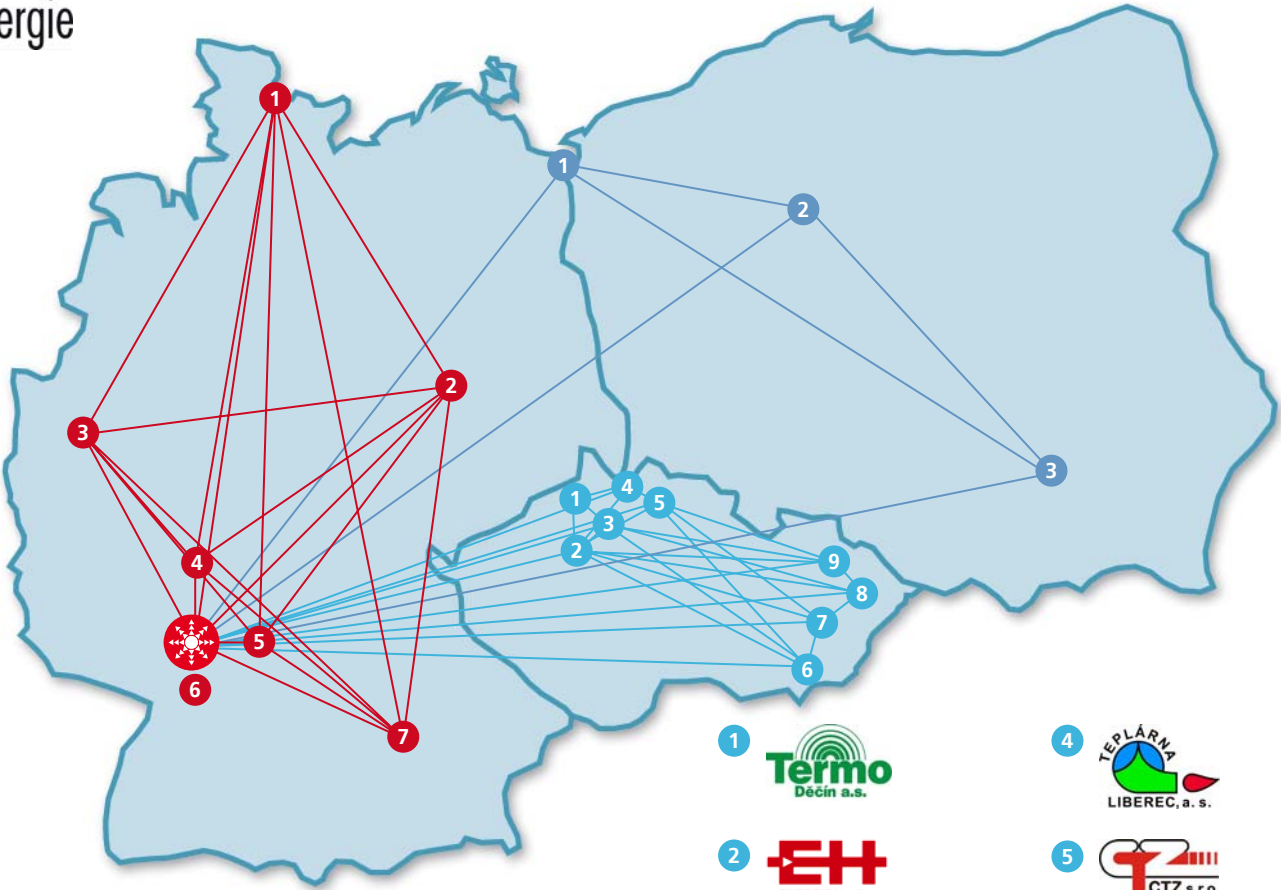
- ▶ Structural transformation expected in energy market
- ▶ Many municipal utility companies inadequately prepared for competition in electricity and gas markets
- ▶ Often only active in distribution of electricity and gas, no proprietary generation activities
- ▶ Increased pressure due to grid regulation and future incentive regulation (from January 2009)
- ▶ Lack of financial resources in municipalities
- ▶ Antitrust restrictions on large vertical players
- ▶ Opportunities resulting from portfolio streamlining measures at large vertical players
- ▶ **Sale of further municipal utility companies expected**

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

# Our network of municipal utility companies



- 1 24|sieben Stadtwerke Kiel
- 2 Köthen Energie
- 3 EWS
- 4 EVO
- 5 STADTWERKE BUCHEN
- 6 Stadtwerke Schwetzingen
- 7 STADTWERKE INGOLSTADT



- 1 SEC
- 2 KPEC
- 3 Sun
- 4 TEPLARNA LIBREC, a. s.
- 5 CTZ s.r.o.
- 6 ZASOBOVANI TEPLEM VSETIN a.s.
- 7 MIS
- 8 OPATHERM O.S.
- 9 J.T.R. a.s.

- 1 Termo Decin a.s.
- 2 EH ENERGIE Holding
- 3 CLZ

# Challenges in the liberalised electricity and gas business

## Generation and wholesale

- ▶ Very high degree of concentration in electricity generation
- ▶ Low level of liquidity on gas markets

## Grids: transport and distribution

- ▶ Second round of fee approvals for electricity and gas
- ▶ Gas grid access: concrete implementation uncertain
- ▶ Incentive management from January 2009

## Sales

- ▶ More competitors
- ▶ Principal price components cannot be influenced by sales activities

- ▶ **Investment in generation**
- ▶ **Consolidation of gas portfolio in the MVV Energie Group**

- ▶ **Cooperation in grid management and operation**
- ▶ **Cost management**

- ▶ **Differentiation into new product groups**
- ▶ **Premium offerings in core markets**

# Continuity in non-regulated district heating and water businesses

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## District heating

- ▶ Municipal cogeneration plants ensure efficient and ecologically advantageous supply of district heating
- ▶ Business performance remains dependent on weather conditions



## Water

- ▶ Mature market segments are provided with high-quality supply



- ▶ **Permanent enhancements to operations**
- ▶ **External growth in submarkets**

# Growth in environmental energy business

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## **Environmental energy includes:**

- ▶ Waste incineration (generation of steam and electricity from household and commercial waste)
- ▶ Generation of electricity from biomass / old wood

## **Existing capacities at our sites:**

- ▶ Mannheim (550,000 t/a)
- ▶ Offenbach (250,000 t/a)
- ▶ Leuna I und II (400,000 t/a)
- ▶ Biomass-to-energy: Mannheim, Königs Wusterhausen, Flörsheim-Wicker (370,000 t/a)

## **Growth by:**

- ▶ Expanding capacity
- ▶ Waste logistics management
- ▶ External growth (new locations, acquisitions, cooperations)



# Growth in value-added services business

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## **Energy efficiency and smart financing:**

- ▶ Represent mega-trends and thus represent important drivers for energy-related services

## **Target group area:**

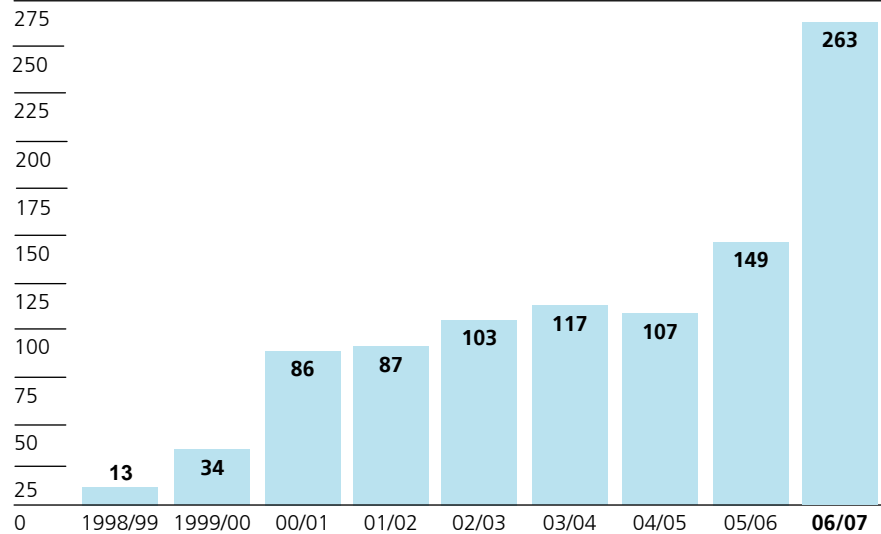
- ▶ Industrial Solutions – tailored outsourcing solutions for industry
- ▶ Municipal Solutions – savings contracting, land improvement and development projects (main customers in public sector)
- ▶ Real Estate Utilities – technical facility management, district heating supply, meter management, utilities invoicing
- ▶ Advisory Services – national and international

## **Growth by:**

- ▶ New energy-efficient products
- ▶ Real estate utilities
- ▶ External growth (acquisitions, cooperations)

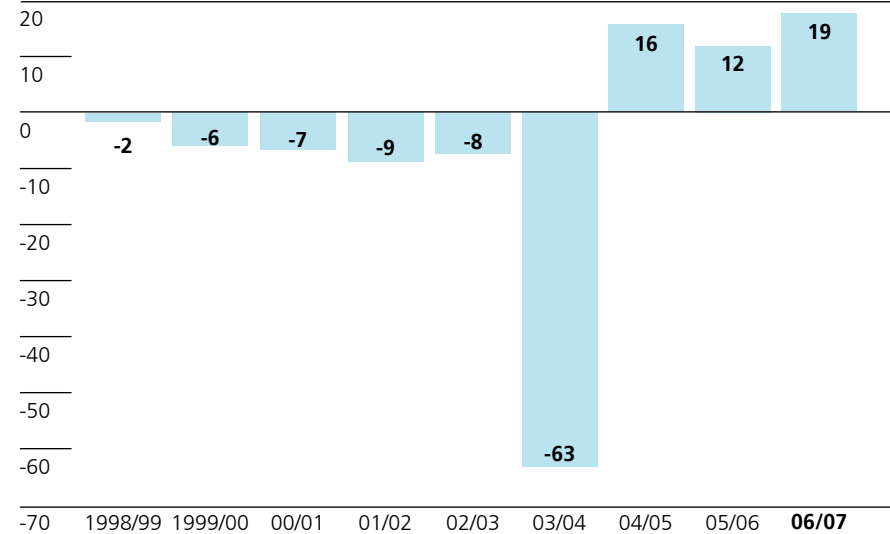
# Sales and EBIT in the value-added services segment<sup>1</sup>

## Sales in Euro million



- ▶ Sales growth chiefly due to successful acquisitions and new contracts with industry, municipal administrations, real estate sector and structural changes (shared service companies)

## EBIT in Euro million



- ▶ EBIT performance in previous years marked by start-up costs: streamlining of portfolio in 2003/04 FY; from 2004/05 FY onwards market successes, new companies, structural changes

<sup>1</sup> source: audited, consolidated Annual Reports of the MVV Energie Group (IAS/IFRS)

# Superb growth prospects due to expanded market positions

## Environmental energy

- ▶ 1.6 million tonnes p.a. of capacity for non-recyclable waste incineration and generation of energy from biomass at five locations in Germany
- ▶ Plant at full capacity due to long-term contracts and material flow management
- ▶ Launch of Leuna II will have first full-year impact in 2007/08 FY
- ▶ Premium waste disposal provider
- ▶ Climate protection requirements of EU Commission and Federal Government leading to growing markets for renewable energies and energy efficiency

## Energy-related services

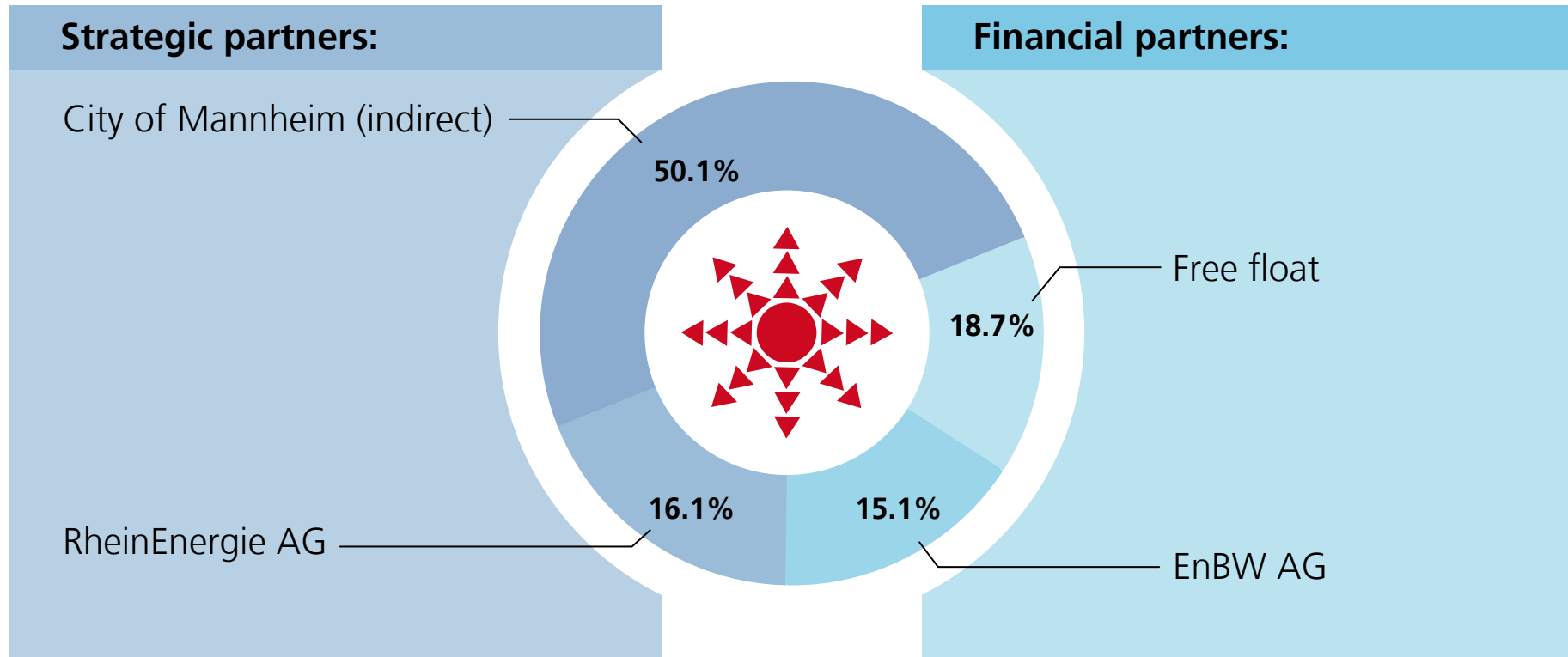
- ▶ We currently operate 24 biomass heat plants and biomass power and heat plants
- ▶ Great interest across Germany in energy-efficient contracting solutions
- ▶ Industry on the lookout for innovative energy concepts: offering of alternative substitute fuel solutions for large industrial locations
- ▶ Nationwide expansion of successful real estate utilities concept

Capital increase and share



 **MVV** Energie

# Current shareholder structure and key figures of MVV Energie AG



▶ **No. of shares:**  
65.907 million

▶ **Market capitalisation:**  
Euro 2,108 million  
(Closing price on 14.1.2008:  
Euro 31.98)

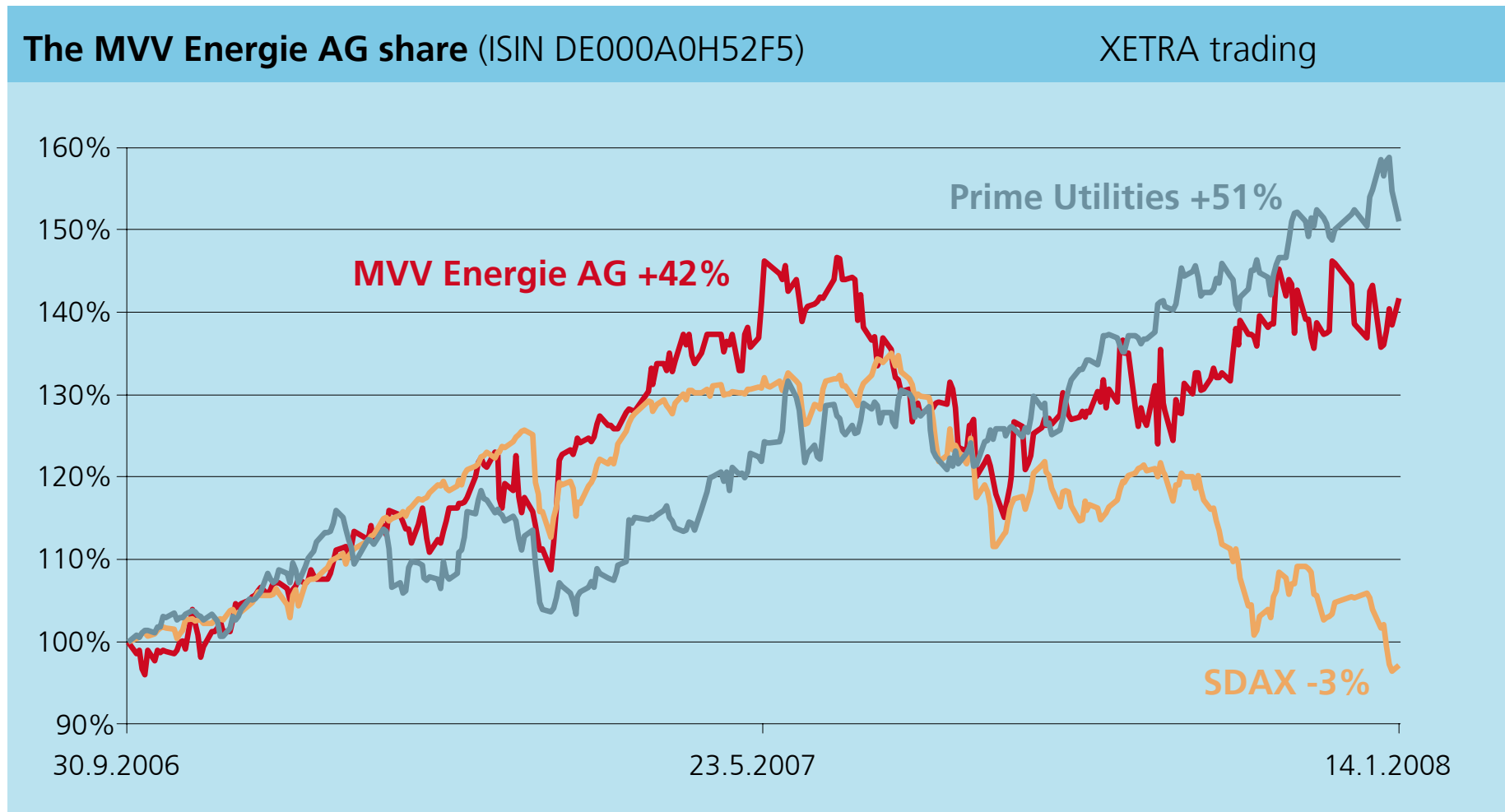
▶ **Free float:**  
Euro 394 million

# Successful capital increase in October 2007

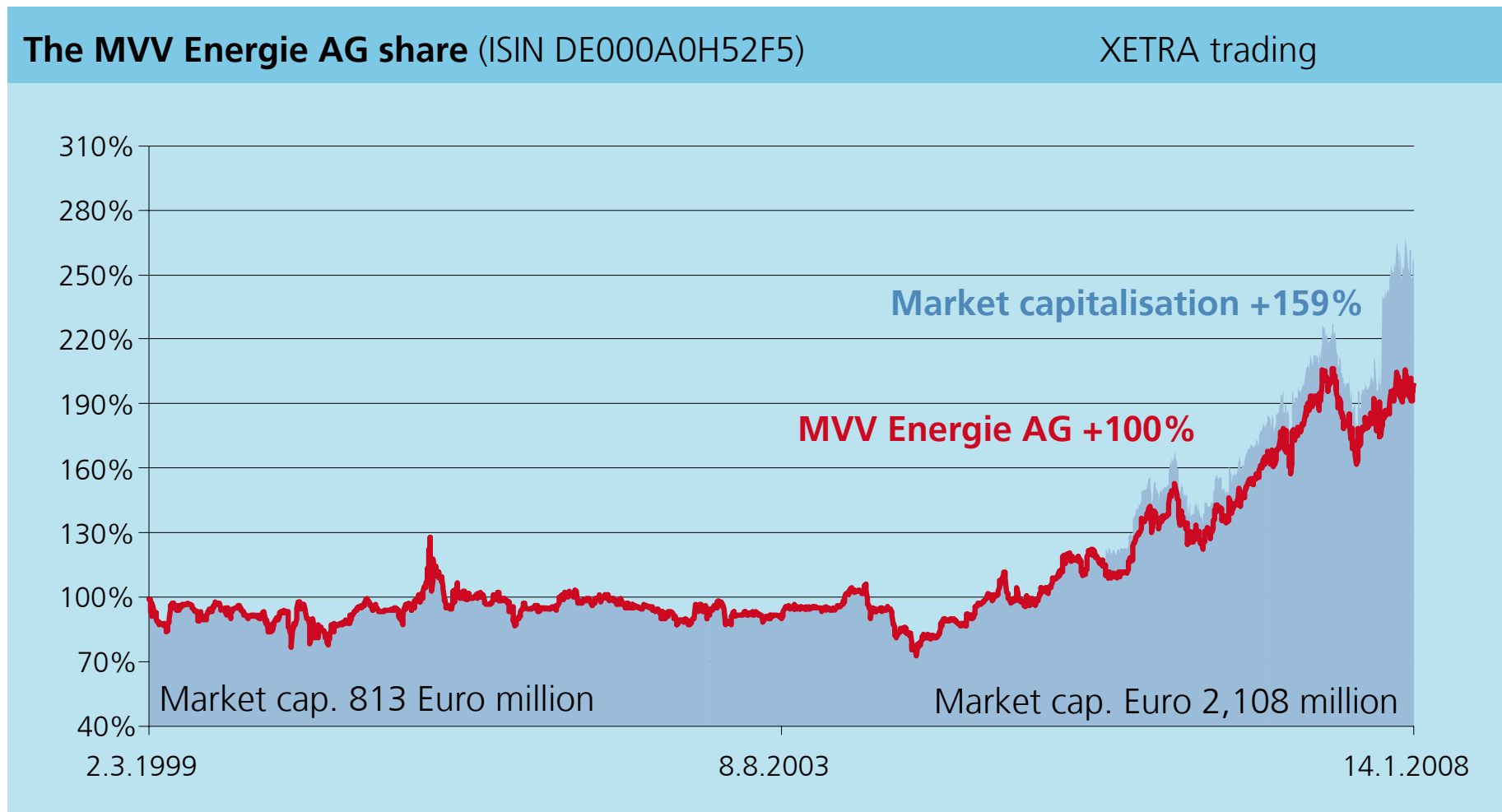
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- ▶ 18.2% capital increase, 10.14 million new shares
- ▶ Subscription price of Euro 22.50 per new share
- ▶ Subscription rights for existing shareholders
- ▶ Subscription rights were exercised in full by all shareholders
- ▶ New shares eligible for dividends for 2006/07 FY
- ▶ Proceeds from capital increase: Euro 228 million
- ▶ Capital increase had no negative impact on the share price of MVV Energie AG
- ▶ Syndicate: Sal. Oppenheim (sole global coordinator), Société Générale and UniCredit (Bayerische Hypo- und Vereinsbank AG)
- ▶ No offering in the USA

# Performance comparison of the MVV Energie AG share with the SDAX and Prime Utilities indices (FY 2006/2007 – 14.1.2008)



# Share price development and market capitalisation since IPO 2.3.1999 – 14.1.2008





# Advantages for our shareholders

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- ▶ **Stable earnings** thanks to core business
- ▶ Further **cost-saving potential** in municipal utility network
- ▶ Growth prospects by means of further **acquisitions**, expansion of **environmental energy division** and **energy-related services, strategic partnerships** e.g. RheinEnergie AG
- ▶ Solid **dividend returns**
- ▶ Listed on the Prime Standard (**SDAX**)



**We are committed to shareholder value**

# Outlook



# Outlook

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▶ Double digit EBIT growth target for 2007/08 financial year



▶ Structural change and mergers in the German electricity supply market



▶ Grid regulation in electricity and gas



▶ Increased competition in gas and electricity sales



▶ Sustainability of price level in environmental sector



▶ Growth in energy-related services

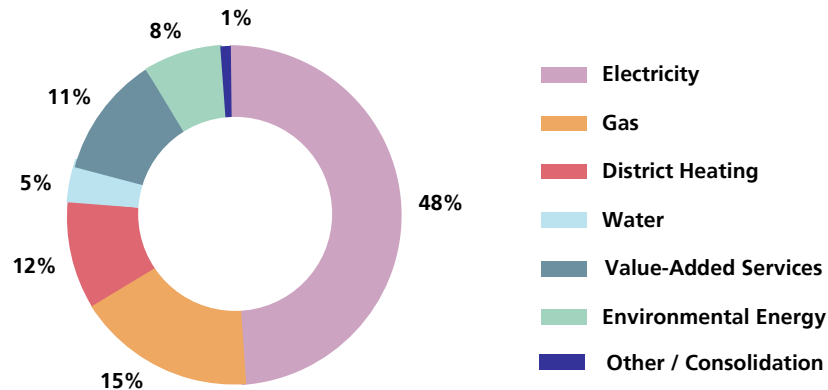


▶ Opportunities due to strategic partnership with RheinEnergie AG

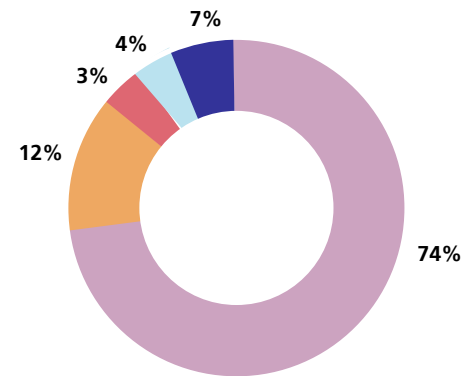


# Comparison of MVV Energie and RheinEnergie AG

## MVV Energie: Sales by segment in 2006/07 FY



## RheinEnergie AG: Sales by segment in 2006 FY



### ▶ Key Figures (2006/07 FY pursuant to IFRS)

Sales <sup>1</sup> :	Euro 2,259 million
EBIT:	Euro 215 million
Annual net surplus:	Euro 126 million
Equity ratio:	27.9%
Employees:	6,394

<sup>1</sup> excluding energy taxes

- ▶ First publicly listed municipal utility network
- ▶ Nationwide sales activities
- ▶ Success in environmental energy and value-added services segments

### ▶ Key Figures (2006 FY pursuant to German GAAP)

Sales <sup>1</sup> :	Euro 3,288 million
EBIT:	Euro 207 million
Annual net surplus <sup>2</sup> :	Euro 185 million
Equity ratio:	34.8%
Employees:	2,834

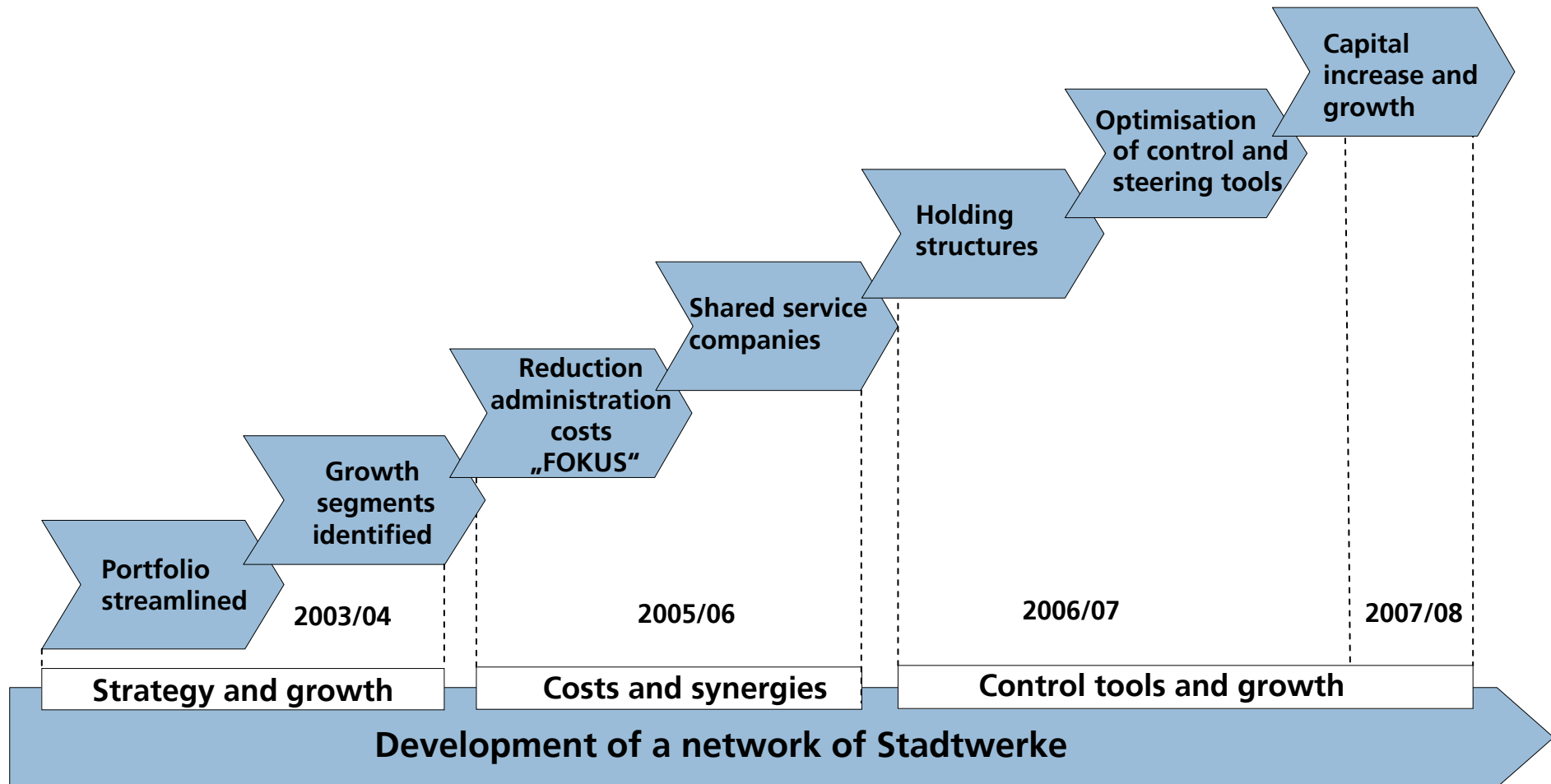
<sup>1</sup> excluding energy taxes <sup>2</sup> before compensation payment and profit transfer

- ▶ Municipal background to company (80% City of Cologne; 20% RWE)
- ▶ Heavily involved in Rhine region around Cologne
- ▶ Pursuing idea of cooperation between municipal utility companies

Backup



# Continuous development of MVV Energie



# Sales volumes in the 2006/2007 financial year

## Sales volumes<sup>1</sup>

	2006/07 (1.10.-30.9.)	2005/06 (1.10.-30.9.)	% Change
Electricity <sup>2</sup> in kWh million	24,443	20,484	+19
of which wholesale <sup>2</sup> in kWh million	14,152	10,566	+34
of which retail <sup>2</sup> in kWh million	10,291	9,918	+4
District heating in kWh million	6,265	7,343	-15
Gas in kWh million	9,456	11,513	-18
Water in m <sup>3</sup> million	56.1	57.9	-3
Combustible waste delivered in tonnes 000s	1,409	1,229	+15

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

<sup>2</sup> corrections in previous year's figure (wholesale 10,478 kWh million, retail 9,860 kWh million)

# Sales and EBIT performance by quarter

## Euro million

	2006/07 (1.10.-30.9.)	2005/06 (1.10.-30.9.)	± Change
1 <sup>st</sup> Quarter	582	551	+31
2 <sup>nd</sup> Quarter	629	682	-53
3 <sup>rd</sup> Quarter	558	480	+78
4 <sup>th</sup> Quarter	490	457	+33
<b>Sales in the 2006/2007 FY</b>	<b><u>2,259</u></b>	<b><u>2,170</u></b>	<b>+89</b>
1 <sup>st</sup> Quarter	69	77	-8
2 <sup>nd</sup> Quarter	90	112	-22
3 <sup>rd</sup> Quarter	46	49	-3
4 <sup>th</sup> Quarter	10	-37 <sup>1</sup>	+47
<b>EBIT in the 2006/2007 FY</b>	<b><u>215</u></b>	<b><u>201</u></b>	<b>+14</b>

<sup>1</sup> substantial charges on earnings in 2005/06 FY due to impairment losses, extraordinary depreciation and personnel provisions



## Impact of unusual weather conditions in the 1<sup>st</sup> half of 2006/2007 financial year (heating period)

	2006/07 (1.10.-31.3.)	2005/06 (1.10.-31.3.)	% Change
<b>Degree day figures<sup>1</sup></b>			
1 <sup>st</sup> Quarter	976	1,211	-19
2 <sup>nd</sup> Quarter	815	1,155	-29
1 <sup>st</sup> half of 2006/07 FY	<u>1,791</u>	<u>2,366</u>	-24
<b>District heating turnover<sup>2</sup> (kWh million)</b>			
1 <sup>st</sup> Quarter	1,838	2,345	-22
2 <sup>nd</sup> Quarter	2,691	3,314	-19
1 <sup>st</sup> half of 2006/07 FY	<u>4,529</u>	<u>5,659</u>	-20
<b>Gas turnover<sup>2</sup> (kWh million)</b>			
1 <sup>st</sup> Quarter	2,964	3,606	-18
2 <sup>nd</sup> Quarter	3,528	4,726	-25
1 <sup>st</sup> half of 2006/07 FY	<u>6,492</u>	<u>8,332</u>	-22

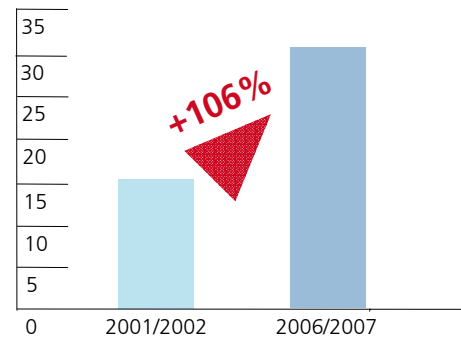
<sup>1</sup> Degree day figure (based on VDI Directive 2067): daily difference between average outdoor temperature of 20 degrees Celsius and the daily average outdoor temperature of 15 degrees Celsius (empirical value below which heating is turned on)

<sup>2</sup> Sales volumes including volumes of environmental energy and value-added services

# We have increased the value of our municipal utility shareholdings

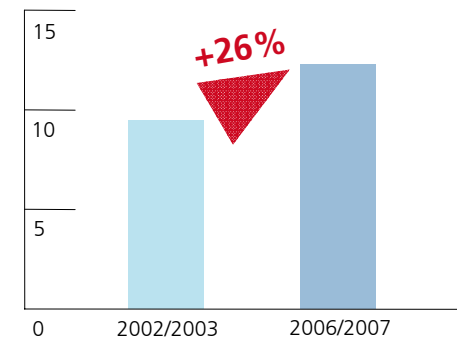
## Energieversorgung Offenbach

ANS in Euro million



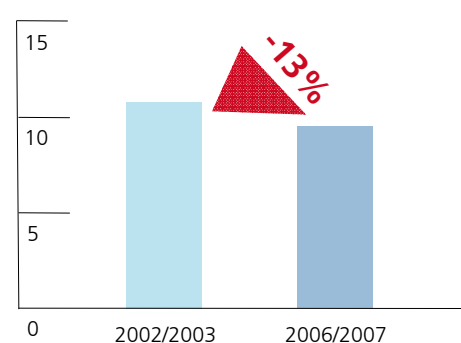
## Stadtwerke Solingen

ANS in Euro million



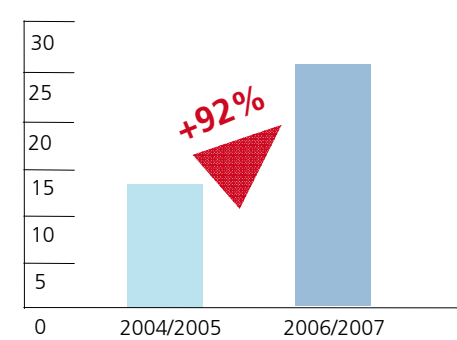
## Stadtwerke Ingolstadt

ANS in Euro million



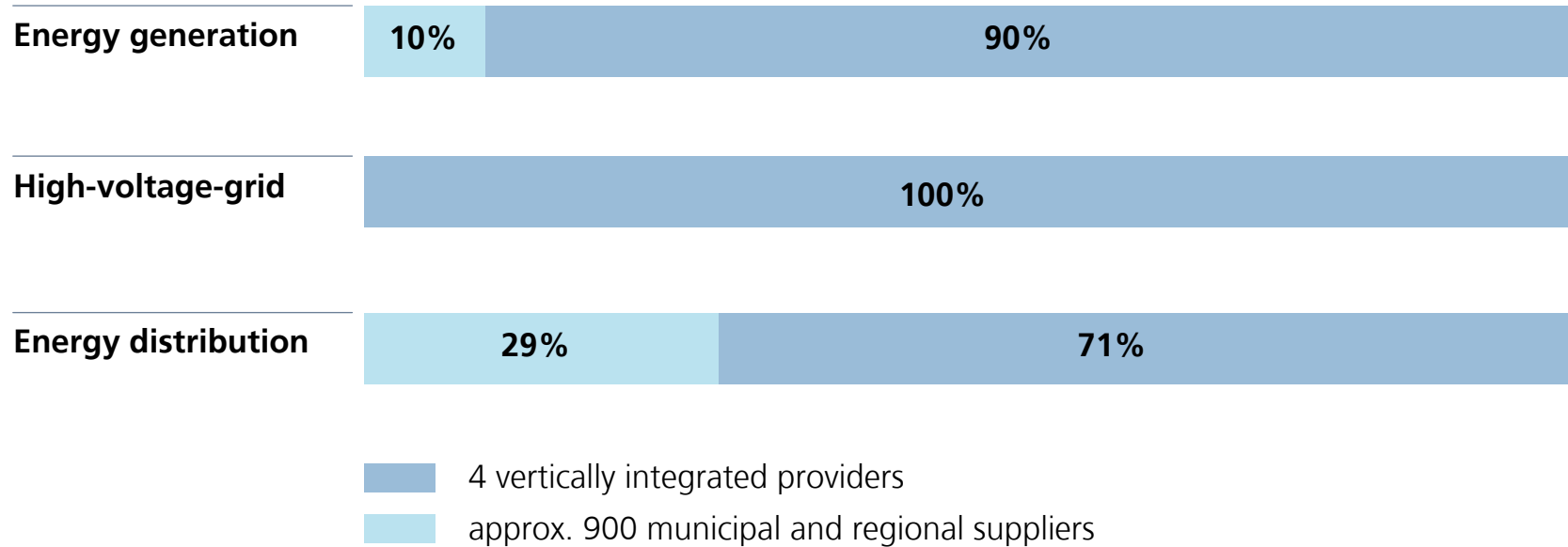
## Stadtwerke Kiel

ANS in Euro million



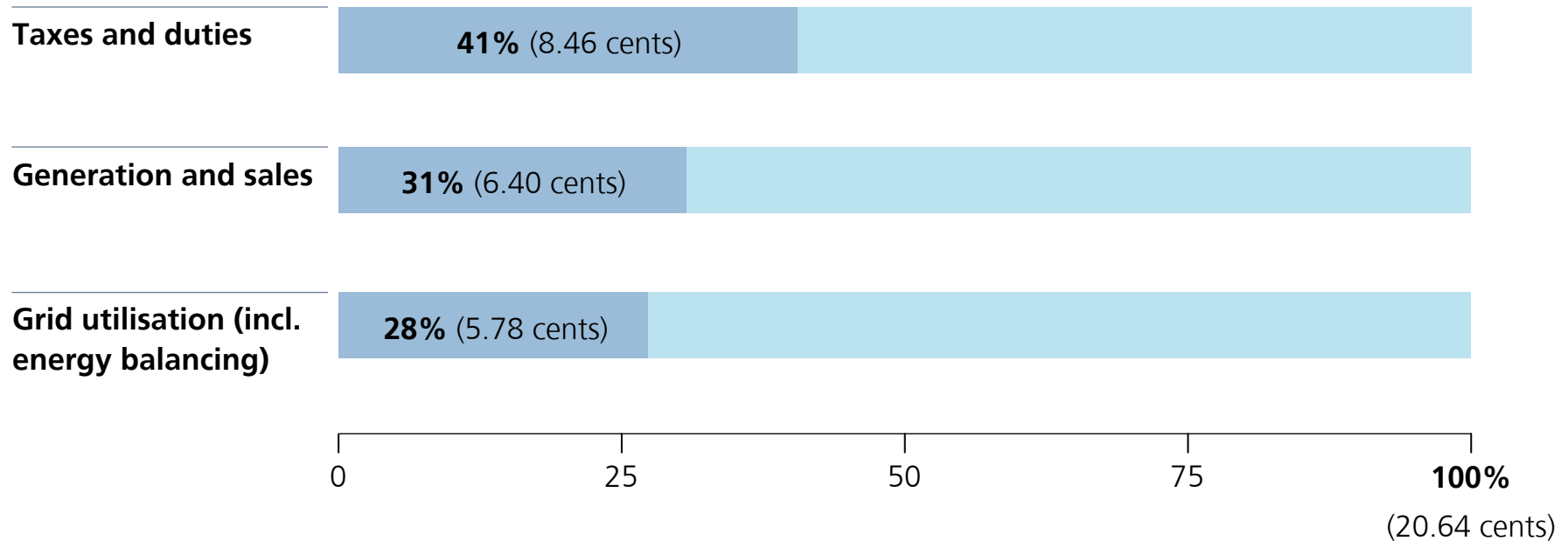
ANS = Annual net surplus

# Structure of the German electricity industry



**Dominance of the four dominant players restricts their growth potential in Germany – potential for MVV Energie AG**

# Electricity price components in Germany (per kWh)



Source BDEW: End customer with 3,500 kWh p.a.,  
average household customer price: 20.64 cents in 2007

# District heating with Combined Heat and Power (CHP)

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