

**TISKOVÁ ZPRÁVA
PRESS RELEASE**

5 June 2008

Meeting with journalists**5 June 2008, Liberec****Stránka / Page**

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MVV Energie CZ is among the leading heating corporations in the Czech Republic and is currently active in fifteen cities throughout the country. The strategy of MVV Energie CZ is always based on long-term partnership with cities and a transparent approach towards citizens. MVV Energie CZ is a subsidiary company of the German energy group MVV Energie AG. MVV Energie AG is a communal company with over one hundred years of tradition in the energy sectors, the sixth largest player in the sector in Germany and a publicly traded company.

MVV Energie CZ was led to organise today's meeting with journalists by the multiplying quantity of false and inaccurate information in the regional media. The source of this information is particularly the anonymous activity of "Clean Hands" and the "Heat for 399.90!" association (they represent four entities associating consumers from the company Teplárna Liberec). We have decided to react to the information disseminated by these two activist groups particularly in the city of Liberec. We are doing so despite the fact that one is anonymous and the other is self-serving and misleading.

MVV Energie CZ s.r.o. entered the company Jablonecká teplařenská a realitní, a.s. in July 2001 by buying out a majority stake in the company. **With its entry into this company, MVV Energie CZ brought a price cut on heating energy for all the citizens of Jablonec nad Nisou in 2002 (CZK 25/GJ).**

Teplárna Liberec, a.s. became a member of the MVV Energie CZ group in January 2007, when 70% of the shares were bought out by ENERGIE Holding, a.s. **In the city of Liberec, the company maintained the prices of 2006 even in the year 2007, and as a result faced a**

Ing. Pavla Kulhavá
Marketing and PR specialist

MVV Energie CZ s.r.o.
Chrudimská 2526/2a
130 00 Prague 3

Phone: +420 272 113 113
Fax: +420 272 733 935
E-mail: mvv@mvv.cz
www.mvv.cz

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**total loss of 40 million crowns at the end of the
accounting period.**

In the thirteen other cities in the Czech Republic where the MVV Energie CZ group is active, cooperation with our customers is mutually respectful. Through today's meeting with journalists, we want to prevent further damage to the name of Teplárna Liberec, a.s. and most important, its other customers as well. For this reason, MVV Energie CZ has also decided to file a lawsuit against an unknown offender, who through his conduct committed the criminal offence of unfair competition according to Section 149 of Act No. 140/1960 Coll., Criminal Code, as amended, and damaged the good reputation and threatened the operation or development of the enterprise.

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Prices of heating energy from Teplárna Liberec, a.s.

Teplárna Liberec, a.s. is the supplier of public services in the city of Liberec and its main subject of activity is the operation of a central heat supply system. By law, this company is subject to an accounting audit, which is performed periodically by an international auditor. The results of the audit are then included in the consolidated results of the MVV Energie CZ group within the framework of the Czech Republic, and subsequently into the consolidated results of the parent company MVV Energie AG. MVV Energie AG is a publicly traded company, and therefore its internal procedures and financial data are subject to more stringent regulations than companies which are not traded. With regards to the fact that Teplárna Liberec, a.s. is the supplier of a public service, heating energy prices are **regulated by the Energy Regulation Office and periodically controlled by the State Energy Inspection**. Controls by these authorities prove that everything is in order.

Unfortunately, the value of energy prices at Teplárna Liberec, a.s. from 1 January 2008 was hugely impacted by the rapidly increasing prices of fuel and also by an increase of the value added tax (VAT) rate from 5% to 9% and the introduction of the "ecology" tax. Hence, heat prices from

Ing. Pavla Kulhavá
Marketing and PR specialistMVV Energie CZ s.r.o.
Chrudimská 2526/2a
130 00 Prague 3Phone: +420 272 113 113
Fax: +420 272 733 935
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Teplárna Liberec, a.s. changed after two years, during which their value remained unchanged.

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Given the current costs for fuel, a price of CZK 400/GJ cannot be achieved by any of the heating systems in the Czech Republic that uses only fuel oil and natural gas for heat production, not to mention the fact that heat prices for households are subject to VAT (the value of which was adjusted to 9% as of 1 January 2008 from the original 5%). Such a price would be possible only under the condition that lignite (brown coal) was used as the primary fuel for heat production. All heating energy prices from heating systems are subject to state regulation and their value can be checked on the website of the Energy Regulation Office at www.eru.cz.

When submitting offers for the construction of independent facilities, some companies guarantee that the price for supplied heat will increase in the future only by the price of fuel or electricity, or event that the price will be fixed for more than 10 years. This is not attainable in reality. **Given the current changes on the fuel market, when the price of oil has multiplied compared to 2007 and the price of natural gas "copies" the price of oil, it is obvious that such guarantees are not possible.** Our customers are often inaccurately informed and the calculated heat prices for alternative heating likewise do not include all the costs, e.g. certain acquisition, ownership, maintenance and operation costs of alternative heating resources, and in come cases not even the additional fuels and backup resources which are essential for such systems are taken into account in the calculation.

"Heat for 399.90!" Association

Teplárna Liberec, a.s. supplies heat to a number of companies as well as 19 000 households in the city of Liberec. Of this total number, 4 customers associated in the in "Heat for 399.90!" represent about 5 000 households, which accounts for about 18% of the total volume of heating energy supplies.

Ing. Pavla Kulhavá
Marketing and PR specialist

MVV Energie CZ s.r.o.
Chrudimská 2526/2a
130 00 Prague 3

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Teplárna Liberec, a.s. has been negotiating with customers since last August, when they were first informed in writing of a change in the billing of heating energy as of 1 January 2008, i.e. a two-component price. With regards to the fact that only these 4 000 customers did not accept billing in two-component prices, Teplárna Liberec, a.s. has continued to negotiate with these customers since last November.

The press release from the "Heat for 399.90!" associated dated 28 May 2008 is another step by the representatives of 4 customers of Teplárna Liberec, a.s., indicated that they are more inclined not to reach an agreement, although we have been intensively discussing heating price calculations with them. At the last meeting (27 May 2008), Teplárna Liberec, a.s. presented a heating price calculation and is still inclined to an amicable solution to the entire situation. We believe that it is inappropriate to disrupt our mutual negotiations with declarations such as those issued by the association, whereas it would seem that all of these declarations are prepared in advance and refer to the same distorted information, regardless of the progress or results of individual meetings. Teplárna Liberec, a.s. is willing to provide to its customers all the materials which are not subject to business secrecy according to Section 17 of the Commercial Code. However, the demand of the "Heat for 399.90!" association to perform a forensic audit is contrary to the already submitted criminal complaint, of which its representatives informed at a press conference in May. Hence, we assume that the audit based on the filed criminal complaint should be sufficient for the association; we consider this complaint irrelevant, yet we are prepared to document all the necessary facts.

Due to the legal aspects of the situation, which should be resolved by 30 June of this year, these 4 customers associated in "Heat for 399.90!" are temporarily billed at single-component prices (whereas according to the valid price regulation, the total annual costs for heat at a single-component or two-component price must be the same). Therefore, we are ready to reach an amicable solution as

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Marketing and PR specialist

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of this date. **At the last meeting, during an explanation of the calculations and provision of materials, the customers were offered answers to any other questions regarding their price, and were called on to formulate and present them. Should the heating company continue in the application of two types of prices, it would expose itself to the risk of sanctions from the Energy Regulation Office and fines in the order of millions.** Therefore, with regards to this risk the heating company is obliged to withdraw from the contracts with this smaller fraction of its customers, and must do so at latest by 30 June 2008. **This is not a case of duress and heat supplies will continue at least until 31 December 2008, creating additional time for a peaceable solution to the situation with customers at least until 30 September 2008 when the customer's consumption diagrams will be updated.** Customers are entitled to assessment of the newly submitted contract by the Energy Regulation Office and Teplárna Liberec is prepared to face this assessment and respect its results with a potential adjustment of the respective provisions.

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The claims of "Heat for 399.90!" about the value of losses on the distribution lines of Teplárna Liberec, a.s., which are contrary to the valid regulations, are entirely misleading. All the regulations concerning limits for the value of losses during heating energy distribution are valid for newly acquired equipment (see Act No. 406/2000 Coll., Act on energy management and related regulations, i.e. the respective public notices of the Ministry of Industry and Trade Nos. 150, 151 and 193).

Teplárna Liberec, a.s. operates over 100 km of distribution networks, of which more than 40 km constitute primary water-steam networks. The distribution network systems are gradually modernised so as to have a minimal impact on the final price of heat for customers. About CZK 40 million is invested annual into this area.

Losses on the distribution networks of Teplárna Liberec, a.s. are caused mainly by the type of equipment, which

Ing. Pavla Kulhavá
Marketing and PR specialistMVV Energie CZ s.r.o.
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uses steam for the distribution of heating energy. On the entire system, the heating company attains **average annual losses between 29% and 31% according to the supplied volume of heat**, which is the usual loss for this type of equipment. **On secondary networks, which are gradually being modernised into hot-water systems, we attain minimal losses** and thereby naturally fulfil all of the prescribed limits for the loss rate of new networks. Periodical energy audits are performed on all facilities, proving that all of this equipment complies with the valid regulations.

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"Clean Hands" civic initiative

On 15 May, MVV Energie CZ s.r.o. together with Teplárna Liberec issued a statement for the Czech Press Agency, in which it objects once again to the allegations made by this anonymous initiative. In the statement for CTK, we also stated that "The information published jointly by MVV Energie CZ s.r.o. and Teplárna Liberec, a.s. on 6 May 2008 in reaction to the press release from the "Clean Hands" civic initiative is true. MVV Energie CZ s.r.o. is subjecting the matter to legal analysis and is considering filing the respective complaints."

We are cooperating closely with our legal representative in this matter and have decided to file a criminal complaint against an unknown offender, who through his conduct committed the offence of unfair competition according to Section 149 of Act No. 140/1960 Coll., Criminal Code, as amended, and damaged the good reputation and threatened the operation or development of the enterprise. **Foremost, we would like to assure our customers that we are conducting only duly considered steps in this affair, which will protect them in particular from the potential consequences, as well as Teplárna Liberec, a.s. and MVV Energie CZ s.r.o. from these construed anonymous reports.** Naturally, we will always inform the media immediately of our further procedure.

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Marketing and PR specialistMVV Energie CZ s.r.o.
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As of 1 January 2008, the key supplier of fuel oils for the MVV Energie CZ group based on a tender is LAMA, which offered the lowest price of all the bidders in the proceedings. The individual supplies from LAMA are billed using a formula price, which takes into account world fuel oil prices, ecology tax and of course the supplier's margin, which also includes the price for transportation. Tender proceedings are currently underway in the group for fuel oil and natural gas supplies for the year 2009. The terms are published on the internet website of MVV Energie CZ at http://www.mvv.cz/vyberova_rizeni.html.

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Attachments to the press release:

- Profiles of MVV Energie CZ s.r.o., Jablonecká teplárenská a realitní, a.s. and Teplárna Liberec, a.s.
- Comparison of average costs of Teplárna Liberec, a.s. and Jablonecká teplárenská a realitní and justification of differences (2 pages)
- Comparison of heating price developments at Teplárna Liberec, a.s. and Jablonecká teplárenská a realitní, a.s. with regard to the growth of oil price (1 page)
- Prices of heat in cities in the Czech Republic (2 pages)
- Development of fuel oil prices on world markets, electricity, gas and drinking water prices in the Czech Republic (1 page)
- Comparison of heating price development from central heat supply compared to gross salaries and other costs of living in the Czech Republic (1 page)
- Related regulations to Act No. 458/2000 Coll., Energy Act, regulating the efficiency of energy use during heat production and distribution.
- Comparison of price calculations for heating prices of Jablonecká teplárenská a realitní, a.s. and Teplárna Liberec, a.s. with regards to the value of fixed costs and profits
- Asset relations between Teplárna Liberec, a.s., Statutory City of Liberec and ENERGIE Holding a.s.
- Diagram of heat supply – heavy fuel oil

- END -

Ing. Pavla Kulhavá
Marketing and PR specialistMVV Energie CZ s.r.o.
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130 00 Prague 3

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E-mail: mvv@mvv.czwww.mvv.cz