

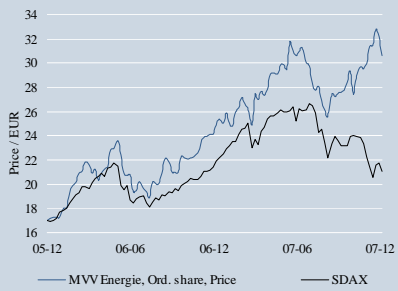
MVV Energie

Utilities

2007-12-14

Applied disclosures can be found in the appendix

Price and rel. Performance



Market Data

Reuters	MVVGn.DE
Bloomberg	MVV GR
Market cap €bn	2.0
Free float %	18.8

Key Data

Yr.end 09/30	2006	2007e	2008e
Revenues m	2,276.12	2,258.96	2,578.71
Net profit m	50.01	109.00	127.44
Adj. EPS	1.58	1.13	1.98
PER	12.6	23.7	15.4
EV/EBIT	13.4	15.7	12.6
EBIT mgn. %	8.5	9.1	10.4

EPS CAGR 06-09e: 11 %

Next Events

Analysts' conference	2008-01-17
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Buy

Fair Value EUR32.00

Price EUR30.62 (Closing price as of 2007-12-13)

€0.80 DIVIDENDS – EXTENSION OF SCHULTEN'S CONTRACT

INVESTMENT CASE AND PERFORMANCE TRIGGER

MVV is benefiting from strong cost cutting in the regulated business, which should clearly overcompensate changes in the regulatory framework. We welcome the extension of CEO Schulten's contract and already expected a dividend payment of €0.80 for FY 2006/07. We expect almost 30% EBIT growth for 2007/08e. Moreover, we see MVV in a pole position for further consolidation among German Stadtwerke, which might add up to €/share to our fair value. The realization of risen power generation margins might add further €/share. We confirm our buy rating.

FACTS

___ The supervisory board of MVV extended the contract with CEO Schulten for further 5 years until 2013.

___ Moreover, it will propose an unchanged dividend of €0.80 for FY 2006/07 to the AGM on March 14, 2008.

ASSESSMENT

___ The extension of Schulten's contract is clearly positive, as he has successfully restructured the company in the recent years.

___ The dividend proposal is fully in line with our expectation and management's guidance before the recent capital increase. As newly issued shares are fully entitled to receive dividends, the payout increases 18.2% or €8.1m to €33m (83% payout ratio).

___ We don't expect share price implications.

VALUATION

___ The stock trades at discounts vs. sector EV/EBITDA and PER 2008e of 17% and 23%, respectively. The upside to our fair value of €32 amounts to 4%.

MVV Energie - P&L (Total Costs)

EURm (Yr. end: 09/30)	2005	2006	2007e	2008e	2009e
Sales	1,957.6	2,276.1	2,259.0	2,578.7	2,666.0
Invent. changes & intern. prod. Assets	64.5	26.5	40.0	40.0	40.0
Cost of material	-1,233.4	-1,372.6	-1,330.0	-1,520.3	-1,571.0
Personnel costs	-294.5	-280.1	-296.5	-313.8	-318.4
Other operating income/expenses (net)	-208.6	-288.0	-322.0	-373.8	-386.9
EBITDA	285.6	361.9	350.6	410.9	429.8
thereof: Depreciation	-130.2	-169.0	-144.0	-143.7	-145.6
EBIT	155.3	192.9	206.5	267.2	284.2
Interest result	-67.5	-73.0	-76.0	-66.0	-61.0
Participation result	2.2	8.1	8.5	8.9	9.3
Profit or loss on ordinary activities	90.0	128.0	139.0	210.1	232.5
EBT	90.0	128.0	139.0	210.1	232.5
Taxes	-38.9	-64.4	-13.0	-65.1	-72.1
Profit / loss for the year (cont. operations)	51.1	63.6	126.0	145.0	160.4
Minority interest	-17.1	-13.6	-17.0	-17.5	-18.0
Net profit	34.0	50.0	109.0	127.4	142.4
+/- Net profit adjustments	-1.8	37.9	-45.8	0.0	0.0
Adjusted net profit	32.2	87.9	63.2	127.4	142.4

Key ratios and figures

EURm (Yr. end: 09/30)	2005	2006	2007e	2008e	2009e
Valuation					
PER	24.8	12.6	23.7	15.4	14.2
P/BV	1.3	1.5	1.9	1.8	1.7
Dividend yield %	4.8	3.8	3.0	2.6	3.3
EV/Sales	1.2	1.1	1.4	1.3	1.3
EV/EBITDA	8.5	7.2	9.3	8.2	7.8
Sustainable FCF yield %	6.1	5.0	7.5	5.1	6.5
Data per share					
Weighted avg. number of shares	50.70	55.13	55.77	64.22	65.91
EPS (reported)	0.67	0.90	1.95	1.98	2.16
adj. EPS	0.63	1.58	1.13	1.98	2.16
Dividend	0.75	0.80	0.80	1.00	1.05
Book value per share	12.28	13.13	14.28	16.70	17.86
Sustainable FCFPS	1.6	1.0	3.0	1.7	2.4
Growth rates %					
Sales	18.5	16.3	-0.8	14.2	3.4
EBITDA	25.6	26.7	-3.1	17.2	4.6
EBIT	159.8	24.2	7.1	29.4	6.4
Net profit	nm	47.1	118.0	16.9	11.7
adj. EPS	23.1	148.3	-28.1	75.1	8.9
Margins %					
Gross	40.3	40.9	42.9	42.6	42.6
EBITDA	14.6	15.9	15.5	15.9	16.1
EBIT	7.9	8.5	9.1	10.4	10.7
Net profit	1.7	2.2	4.8	4.9	5.3
Expense ratios %					
Personnel cost to sales	15.0	12.3	13.1	12.2	11.9
Cost of material to sales	63.0	60.3	58.9	59.0	58.9
Depreciation to sales (Total Cost)	6.7	7.4	6.4	5.6	5.5
Tax rate	43.2	50.3	9.4	31.0	31.0
Other ratios					
EVA @ SOP	-11.1	50.6	34.1	89.0	100.1
Interest cover	nm	nm	nm	nm	nm