

SAL. OPPENHEIM

MVV Energie

Utilities

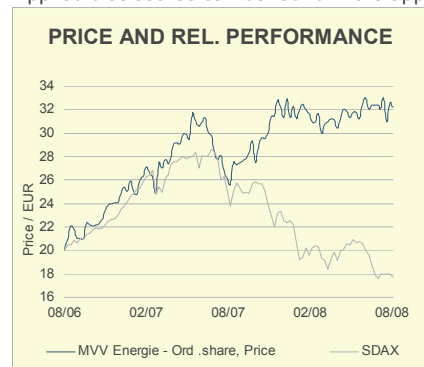
2008-08-15

Applied disclosures can be found in the appendix

Neutral

Fair Value EUR32.00

Price EUR32.24 (Closing price as of 2008-08-14)



OUTLOOK REMAINS CAUTIOUS

MVV recorded 27% EBIT growth in the 9M 2007/08 period, and management marginally raised its full-year outlook. Now, the envisaged 20% growth is still somewhat below our (reduced) estimate of €255m (+28%). Going forward, the just announced price increases and (favorable) regulatory decisions should allow some 9% EBIT growth for next year. The current share price already reflects this, and we don't expect major M&A progress in the next months. However, the downside for the stock remains limited due to the possibility of a takeover bid, close to the current price level. We therefore reaffirm our neutral rating.

12 month high/low €	33.75/25.04
Rel.%	1m -0.4 3m 18.9 12m 72.7
Abs.%	1m -0.0 3m 2.0 12m 21.2

STRONG 9M PERFORMANCE

MVV recorded 27% growth (+€53m) in EBIT (pre IAS 39) in Q1-3. Main drivers were the recovery from restructuring charges (€12m), higher power generation results (+€28m, including one-offs!) and the recovery from last years warm winter conditions (gas +€21m adj). Environment (+€9m) benefited from the start-up of Leuna II and additional waste volumes from Naples. District heating suffered as expected from the outage of the EVO plant (€4m, already in Q2).

MARKET DATA

Reuters	MVVGn.DE
Bloomberg	MVV GR
Market cap EURbn	2.1
Number of shares m	65.9
Free float %	18.7
Daily turnover shares	16,532

OUTLOOK OF >240M REMAINS CAUTIOUS

The upgrade of management's EBIT outlook from "double digit growth" to "slightly above €240m" (>+20%) remains cautious. CEO Schulten highlighted that he doesn't expect mentionable one-offs for Q4. We now deconsolidated the Poland activities (sold for some €50m, €2m EBIT contribution) and expect just €2m shared services savings (-€3m). Now, we come in at €255m – still an over-delivery on MVV's outlook.

NEXT EVENTS

Prel. full year results	2008-11-20
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PRICE INCREASES AS OF OCTOBER

The announced price increases will keep earnings in natural gas stable and should be slightly earnings accretive for district heating. We expect at least €6m for the district heating activities in all MVV regions.

Rel. Sector

KEY CHANGES			
EBT %	08e: -2.8	09e: -1.5	
EPS %	08e: -3.3	09e: -1.7	
FV %			+1.6

KEY DATA					
€ (Yr. end: 09/30)	2006	2007	2008e	2009e	2010e
Sales m	2,276.12	2,405.22	2,594.54	2,778.53	2,873.12
EBIT m	192.90	201.45	245.02	267.80	268.74
Net profit m	50.01	109.23	112.68	131.66	132.80
Oper. CF m	209.48	359.56	412.99	349.83	357.95
Adj. EPS	1.58	1.14	1.75	2.00	2.01
Dividend	0.80	0.80	1.00	1.05	1.10
PER	12.6	23.6	18.4	16.1	16.0
Div. yield %	3.8	3.0	2.5	3.1	3.3
EV/EBITDA	7.2	9.3	8.4	7.9	7.7
Price to book	1.5	1.9	2.0	1.8	1.7
EBIT margin %	8.5	8.4	9.4	9.6	9.4
ROCE %	8.0	8.0	10.2	10.7	10.7
Sust. FCF yield %	5.0	8.1	8.1	6.2	6.5
EPS CAGR 07-10e: 21 %			ROE: 08e: 12 %	Eq. ratio 08e: 34 %	

Matthias Heck, CEFA
+49 (0) 69/71 34 - 52 03
matthias.heck@oppenheim.de

Gregor Kirstein, Dipl.-Kfm.
+49 (0) 69/71 34 - 56 23
gregor.kirstein@oppenheim.de

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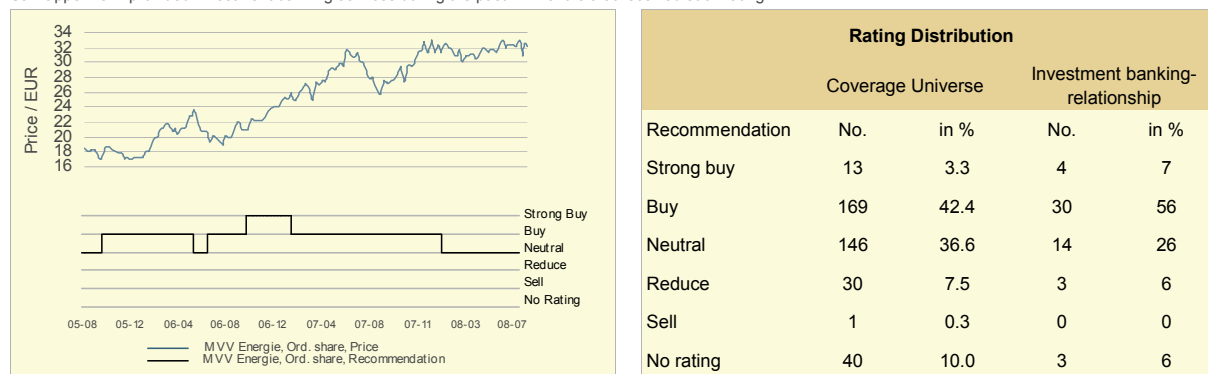
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Previous report with differing recommendation published at 2007-11-16.

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Sal. Oppenheim jr. & Cie. Securities Inc.

**250 Park Avenue, Suite 911
New York, NY 10017
Tel: +1 212 888 52 46
Fax: +1 212 888 0916**

E-MAIL: jhagenbuch@sal-oppenheim.com

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ANALYSTS	SAL. OPPENHEIM JR. & CIE. KGAA	OPPENHEIM RESEARCH GMBH	BANK SAL. OPPENHEIM JR. & CIE. (SCHWEIZ) AG
<p>Matthias Heck, CEFA Tel. +49 (0) 69/71 34 - 52 03 matthias.heck@oppenheim.de Oppenheim Research GmbH, Frankfurt</p> <p>Gregor Kirstein, Dipl.-Kfm. Tel. +49 (0) 69/71 34 - 56 23 gregor.kirstein@oppenheim.de Oppenheim Research GmbH, Frankfurt</p>	<p>Unter Sachsenhausen 4 50667 Köln Telephone +49 (2 21) 1 45 – 01</p> <p>Untermainanlage 1 60329 Frankfurt am Main Telephone +49 (69) 71 34 – 0</p> <p>Odeonsplatz 12 80539 München Telephone +49 (89) 29 00 74 – 0</p> <p>www.oppenheim.de info@oppenheim.de</p>	<p>Unter Sachsenhausen 4 50667 Köln Telephone +49 (2 21) 1 45 – 02</p> <p>Untermainanlage 1 60329 Frankfurt am Main Telephone +49 (69) 71 34 – 0</p> <p>www.oppenheim- research.de research@oppenheim.de</p>	<p>Uraniastrasse 28 CH-8022 Zürich Telephone + 41 (44) 2 14 22 14</p> <p>SAL. OPPENHEIM JR. & CIE. KGAA, PARIS</p> <p>13, rue Royale, 75008 Paris, France Telephone + 33 (1) 44 94 64 - 00</p> <p>SAL. OPPENHEIM JR. & CIE. SECURITIES INC</p> <p>250 Park Avenue, Suite 911, New York, NY 10017 Telephone + 1 (2 12) 8 88 52 46</p>
PRODUCED BY	FURTHER LOCATIONS		<p>BANK SAL. OPPENHEIM JR. & CIE. (ÖSTERREICH) AG</p> <p>Palais Equitable Stock im Eisen-Platz 3 1010 Vienna Telephone + 43 (1) 518 66 0</p>
<p>Publishing Team Katja Schmidt (DTP)</p> <p>Press contact: Tel. +49 221 145-1955 presse@oppenheim.de</p>	<p>Baden-Baden, Berlin, Dublin, Duesseldorf, Geneva, Hamburg, Luxembourg, Salzburg, Stuttgart, Wiesbaden</p>		