Macquarie
Equities Research

The Global Utilities Specialist

GERMANY

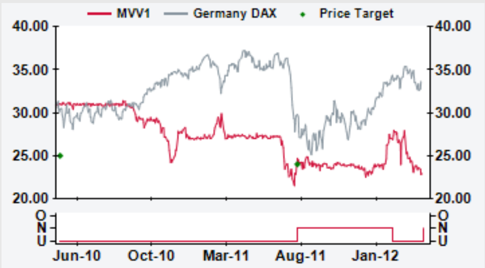
MVV1 GR	Neutral
Price (at CLOSE#, 17 Apr 2012)	€22.80

12-month target	**€**	**24.00**
12-month TSR	**%**	**+9.2**
Valuation	**€**	**24.00**
- DCF (WACC 7.4%, beta 1.1, ERP 5.0%, RFR 4.0%, TGR 2.0%)		
GICS sector		**Utilities**
Market cap	**€m**	**1,503**
30-day avg turnover	**€m**	**0.1**
Market cap	**US$m**	**1,975**
Number shares on issue	**m**	**65.91**

Investment fundamentals

Year end 30 Sep		2011A	2012E	2013E	2014E
Revenue	m	3,590.5	3,660.6	3,827.8	3,998.0
Reported profit	m	117.2	98.3	98.7	102.6
Adjusted profit	m	108.5	98.3	98.7	102.6
EPS rep	€	1.78	1.49	1.50	1.56
EPS adj	€	1.65	1.49	1.50	1.56
EPS adj growth	%	13.9	-9.4	0.4	3.9
PER rep	x	12.8	15.3	15.2	14.6
PER adj	x	13.9	15.3	15.2	14.6
Total DPS	€	0.90	0.90	0.90	0.90
Total div yield	%	3.9	3.9	3.9	3.9
P/BV	x	1.3	1.3	1.2	1.2

MVV1 GR vs Germany DAX, & rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.
Source: FactSet, Macquarie Research, April 2012
(all figures in EUR unless noted)

Analyst(s)
Matthias Heck, CFA
+49 69 50957 8018 matthias.heck@macquarie.com
Atallah Estephan
+44 20 30374 356 atallah.estephan@macquarie.com
Shai Hill
+44 20 3037 4232 shai.hill@macquarie.com
Robert Schramm-Fuchs
+44 20 3037 4559 robert.schramm@macquarie.com

20 April 2012
Macquarie Capital (Europe) Limited

MVV Energie

Back to reasonable territory

Event

- We were sellers during the recent share price spike, which was triggered by increased visibility of MVV's shareholder structure. Since February 22, the stock has lost 16% and fallen below our reiterated target price of €24. Consequently, we upgrade our rating to Neutral.

Impact

- **Resilience of earnings:** A key attraction of MVV is the resilience of operating profits and EPS, despite the current economic crisis and the absence of free CO2 allocations as of 2013. This resilience comes from cost cutting and MVV's diversified mix of regulated and non-regulated activities in the electricity, gas, district heating and environmental businesses. We also argue that the political environment for MVV remains supportive, especially for its combined head and power (CHP) and district heating businesses.
- **Investment-driven growth opportunities:** The MVV 2020 strategy includes €1.5bn growth capex for the current decade. Important milestones will be the new waste-to-energy plant in Plymouth (CDO 2014, €250m capex, €20m estimated EBIT in average) and the new 911MW CHP plant GKM9, COD in 2015. Hence, we expect a notable EBIT increase from ~€230m-250m over the next three years to €280m in 2014/15.
- **Share overhang is a key short-term risk**: GSZ (2.9% direct stake +3.4% derivatives) and EnBW (15.1+7.4%) recently unmasked higher-than-expected positions in MVV. This triggered takeover speculation, but we have consistently argued that both might rather reduce than increase their positions. We regard share overhang as a key risk for the share price.
- **Valuation is high, but a PER premium is justified**: The recent share price decline has reduced MVV's 2013E PER to ~15x. This is a considerable premium to the EU utilities sector's multiple of ~9x (based on our estimates). We flag that the company's defensive and diversified business model justifies a valuation premium. Our DCF value of €24 suggests a fair value 2013 PER of 16x, and a theoretical PER based on DDM works out to 17x, after assuming the earnings growth from current growth investments.

Earnings and target price revision

- There is no change to our earnings estimates and valuation.

Price catalyst

- 12-month price target: €24.00 based on a DCF methodology.
- Catalyst: Commodity prices and generation spreads, changes in shareholder structure, operating performance.

Action and recommendation

- We regard the company as attractive, given the resilience of earnings and long-term capex-driven growth. In our view, the recent share price decline has taken the valuation back to a reasonable territory, thus we upgrade to Neutral.

Important disclosures:

Recommendation definitions

Macquarie - Australia/New Zealand
Outperform – return >3% in excess of benchmark return
Neutral – return within 3% of benchmark return
Underperform – return >3% below benchmark return

Benchmark return is determined by long term nominal GDP growth plus 12 month forward market dividend yield

Macquarie – Asia/Europe
Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie First South - South Africa
Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie - Canada
Outperform – return >5% in excess of benchmark return
Neutral – return within 5% of benchmark return
Underperform – return >5% below benchmark return

Macquarie - USA
Outperform (Buy) – return >5% in excess of Russell 3000 index return
Neutral (Hold) – return within 5% of Russell 3000 index return
Underperform (Sell)– return >5% below Russell 3000 index return

Volatility index definition*

This is calculated from the volatility of historical price movements.

Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30–40% in a year.

Low–medium – stock should be expected to move up or down at least 25–30% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.
* Applicable to Australian/NZ/Canada stocks only

Recommendations – 12 months
Note: Quant recommendations may differ from Fundamental Analyst recommendations

Financial definitions

All "Adjusted" data items have had the following adjustments made:
Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense
Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / efpowa*
ROA = adjusted ebit / average total assets
ROA Banks/Insurance = adjusted net profit /average total assets
ROE = adjusted net profit / average shareholders funds
Gross cashflow = adjusted net profit + depreciation
*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions – For quarter ending 31 March 2012

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	53.90%	60.60%	57.50%	43.59%	66.67%	46.89%	(for US coverage by MCUSA, 10.86% of stocks covered are investment banking clients)
Neutral	31.56%	23.00%	32.50%	51.09%	30.00%	32.60%	(for US coverage by MCUSA, 9.50% of stocks covered are investment banking clients)
Underperform	14.54%	16.40%	10.00%	5.32%	3.33%	20.51%	(for US coverage by MCUSA, 1.36% of stocks covered are investment banking clients)

Company Specific Disclosures:
Sal Oppenheim jr & Cie KGaA and/or its affiliated entities received compensation for investment banking services from MVV Energie AG in the last 12 months.
Important disclosure information regarding the subject companies covered in this report is available at www.macquarie.com/disclosures.

Analyst Certification:
The views expressed in this research accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst principally responsible for the preparation of this research receives compensation based on overall revenues of Macquarie Group Ltd ABN 94 122 169 279 (AFSL No. 318062) (MGL) and its related entities (the Macquarie Group) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

General Disclaimers:
Macquarie Securities (Australia) Ltd; Macquarie Capital (Europe) Ltd; Macquarie Capital Markets Canada Ltd; Macquarie Capital Markets North America Ltd; Macquarie Capital (USA) Inc; Macquarie Capital Securities Ltd and its Taiwan branch; Macquarie Capital Securities (Singapore) Pte Ltd; Macquarie Securities (NZ) Ltd; Macquarie First South Securities (Pty) Limited; Macquarie Capital Securities (India) Pvt Ltd; Macquarie Capital Securities (Malaysia) Sdn Bhd; Macquarie Securities Korea Limited and Macquarie Securities (Thailand) Ltd are not authorized deposit-taking institutions for the purposes of the Banking Act 1959 (Commonwealth of Australia), and their obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL) or MGL. MBL does not guarantee or otherwise provide assurance in respect of the obligations of any of the above mentioned entities. MGL provides a guarantee to the Monetary Authority of Singapore in respect of the obligations and liabilities of Macquarie Capital Securities (Singapore) Pte Ltd for up to SGD 35 million. This research has been prepared for the general use of the wholesale clients of the Macquarie Group and must not be copied, either in whole or in part, or distributed to any other person. If you are not the intended recipient you must not use or disclose the information in this research in any way. If you received it in error, please tell us immediately by return e-mail and delete the document. We do not guarantee the integrity of any e-mails or attached files and are not responsible for any changes made to them by any other person. MGL has established and implemented a conflicts policy at group level (which may be revised and updated from time to time) (the "Conflicts Policy") pursuant to regulatory requirements (including the FSA Rules) which sets out how we must seek to identify and manage all material conflicts of interest. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any transaction. In preparing this research, we did not take into account your investment objectives, financial situation or particular needs. Macquarie salespeople, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions which are contrary to the opinions expressed in this research. Macquarie Research produces a variety of research products including, but not limited to, fundamental analysis, macro-economic analysis, quantitative analysis, and trade ideas. Recommendations contained in one type of research product may differ from recommendations contained in other types of research, whether as a result of differing time horizons, methodologies, or otherwise. Before making an investment decision on the basis of this research, you need to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of your particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. This research is based on information obtained from sources believed to be reliable but we do not make any representation or warranty that it is accurate, complete or up to date. We accept no obligation to correct or update the information or opinions in it. Opinions expressed are subject to change without notice. No member of the Macquarie Group accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Clients should contact analysts at, and execute transactions through, a Macquarie Group entity in their home jurisdiction unless governing law permits otherwise. The date and timestamp for above share price and market cap is the closed price of the price date. #CLOSE is the final price at which the security is traded in the relevant exchange on the date indicated.

Country-Specific Disclaimers:
Australia: In Australia, research is issued and distributed by Macquarie Securities (Australia) Ltd (AFSL No. 238947), a participating organisation of the Australian Securities Exchange. **New Zealand**: In New Zealand, research is issued and distributed by Macquarie Securities (NZ) Ltd, a NZX Firm. **Canada**: In Canada, research is prepared, approved and distributed by Macquarie Capital Markets Canada Ltd, a participating organisation of the Toronto Stock Exchange, TSX Venture Exchange & Montréal Exchange. Macquarie Capital Markets North America Ltd., which is a registered broker-dealer and member of FINRA, accepts responsibility for the contents of reports issued by Macquarie Capital Markets Canada Ltd in the United States and sent to US persons. Any person wishing to effect transactions in the securities described in the reports issued by Macquarie Capital Markets Canada Ltd should do so with Macquarie Capital Markets North America Ltd. The Research Distribution Policy of Macquarie Capital Markets Canada Ltd is to allow all clients that are entitled to have equal access to our research. **United Kingdom**: In the United Kingdom, research is issued and

Auckland Tel: (649) 377 6433	**Bangkok** Tel: (662) 694 7999	**Calgary** Tel: (1 403) 218 6650	**Denver** Tel: (303) 952 2800	**Frankfurt** Tel: (069) 509 578 000	**Geneva** Tel: (41) 22 818 7777	**Hong Kong** Tel: (852) 2823 3588
Jakarta Tel: (62 21) 515 1818	**Johannesburg** Tel: (2711) 583 2000	**Kuala Lumpur** Tel: (60 3) 2059 8833	**London** Tel: (44 20) 3037 2000	**Manila** Tel: (63 2) 857 0888	**Melbourne** Tel: (613) 9635 8139	**Montreal** Tel: (1 514) 925 2850
Mumbai Tel: (91 22) 6653 3000	**Munich** Tel: (089) 2444 31800	**New York** Tel: (1 212) 231 2500	**Paris** Tel: (33 1) 7842 3823	**Perth** Tel: (618) 9224 0888	**Seoul** Tel: (82 2) 3705 8500	**Shanghai** Tel: (86 21) 6841 3355
Singapore Tel: (65) 6601 1111	**Sydney** Tel: (612) 8232 9555	**Taipei** Tel: (886 2) 2734 7500	**Tokyo** Tel: (81 3) 3512 7900	**Toronto** Tel: (1 416) 848 3500		

Available to clients on the world wide web at www.macquarieresearch.com and through Thomson Financial, FactSet, Reuters, Bloomberg, CapitalIQ and TheMarkets.com.

Macquarie
Equities Research

MACQUARIE

EMEA Research

Heads of Equity Research

John O'Connell (Global Co – Head)	(612) 8232 7544
David Rickards (Global Co – Head)	(612) 8237 1159
Julian Wentzel (Europe/South Africa)	(44 20) 3037 4274
Shai Hill (Europe)	(44 20) 3037 4232
George Brits (South Africa)	(2711) 583 2223

Consumer Staples

Food & Beverages

Wynand van Zyl (Johannesburg)	(2711) 583 2323
Sreedhar Mahamkali (London)	(44 20) 3037 4016

Consumer Discretionary

Retailing

Stephen Carrott (Johannesburg)	(2711) 583 2211
Sreedhar Mahamkali (London)	(44 20) 3037 4016
Robert Joyce (London)	(44 20) 3037 4355

Energy

Jason Gammel (Global)	(44 20) 3037 4085
David Farrell (London)	(44 20) 3037 4465
Mark Wilson (London)	(44 20) 3037 4466
Marc Kofler (London)	(44 20) 3037 1909

Alternative Energy

Shai Hill (Europe)	(44 20) 3037 4232
Robert Schramm-Fuchs (Europe)	(44 20) 3037 4559

Financials

Diversified Financials

Elan Levy (Johannesburg)	(27 11) 583 2165
Neil Welch (London)	(44 20) 3037 4272

Banks

Edward Firth (Europe)	(44 20) 3037 4077
Charles Russell (Johannesburg)	(27 11) 583 2326
Benjie Creelan-Sandford (London)	(44 20) 3037 4081
Thomas Stoegner (London)	(44 20) 3037 4532
Piers Brown (London)	(44 20) 3037 4044

Insurance

Hadley Cohen (London)	(44 20) 3037 4078

Industrials

Capital Goods

Peter Steyn (Johannesburg)	(2711) 583 2337
Sam Dobson (London)	(44 20) 3037 1901

Industrials – cont

Autos

Christian Breitsprecher (Frankfurt)	(49 69) 50957 8014
Jens Schattner (Frankfurt)	(49 69) 50957 8026
Moritz Steigertahl (Frankfurt)	(49 69) 50957 8129

Transportation – Infrastructure

Robert Joynson (London)	(44 20) 3037 4240
Peter Steyn (Johannesburg)	(2711) 583 2337

Materials

Chemicals/Containers, Packaging/Paper & Forest Products, Construction Materials

David Smith (Johannesburg)	(2711) 583 2248
Peter Steyn (Johannesburg)	(2711) 583 2337
Christian Faitz (Frankfurt)	(49 69) 50957 8017
Jürgen Reck (Frankfurt)	(49 69) 50957 8024
Phillipp Eble (Frankfurt)	(49 69) 50957 8024

Global Metals & Mining

Jeff Largey (London)	(44 20) 3037 4359
Alon Olsha (London)	(44 20) 3037 2637
Michael Bogusz (Perth)	(618) 9224 0607
Avishkar Nagaser (Johannesburg)	(2711) 583 2280
Gareth Neilson (Johannesburg)	(2711) 583 2318
Kieran Daly (Johannesburg)	(2711) 583 2208
Thomas Mengel (Johannesburg)	(2711) 583 2307
Lee Bowers (Sydney)	(612) 8232 9834

Pharmaceuticals

Aadil Omar (Johannesburg)	(2711) 583 2305

Real Estate

Property Trusts & Developers

Leon Allison (Johannesburg)	(2711) 583 2209

TMET

Telecommunications

Guy Peddy (London)	(44 20) 3037 4509
Aadil Omar (Johannesburg)	(2711) 583 2305

Media

Aadil Omar (Johannesburg)	(2711) 583 2305
Angus Tweedie (London)	(44 20) 3037 4099
Tim Nollen (New York)	(1 212) 231 0635

Technology/IT/Internet

Marcus Sander (Frankfurt)	(49 69) 50957 8025

Utilities

Shai Hill (London)	(44 20) 3037 4232
Atallah Estephan (London)	(44 20) 3037 4356
Matthias Heck (Frankfurt)	(49 69) 50957 8018

Commodities & Precious Metals

Jim Lennon (London)	(44 20) 3037 4271
Colin Hamilton (London)	(44 20) 3037 4061
Duncan Hobbs (London)	(44 20) 3037 4497
Hayden Atkins (London)	(44 20) 3037 4476
Ryan Belshaw (London)	(44 20) 3037 2732
Kona Haque (London)	(44 20) 3037 4334
Chris Gadd (London)	(44 20) 3037 1957
Bonnie Liu (Singapore)	(65) 6601 0144
Graeme Train (Shanghai)	(86 21) 2412 9035
Angela Bi (Shanghai)	(86 21) 2412 9086

European Macro Group

Economics & Strategy

Daniel McCormack (Europe)	(852) 3922 4073
Christian Davies (London)	(44 20) 3037 4037

Strategy

George Brits (South Africa)	(2711) 583 2223

Quantitative

Gurvinder Brar (Global)	(44 20) 3037 4036
James Murray (London)	(44 20) 3037 1976
Inez Khoo (London)	(44 20) 3037 2640
George Ssali (Johannesburg)	(2711) 583 2364

Find our research at

Macquarie:	www.macquarie.com.au/research
Thomson:	www.thomson.com/financial
Reuters:	www.knowledge.reuters.com
Bloomberg:	MAC GO
Factset:	http://www.factset.com/home.aspx
CapitalIQ	www.capitaliq.com
TheMarkets.com	www.themarkets.com

Contact Gareth Warfield for access (612) 8232 3207

Email addresses

FirstName.Surname@macquarie.com

eg. **David.Rickards@macquarie.com**

Equities

Stevan Vrcelj (Global Head)	**(612) 8232 5999**
Duarte Da Silva (Johannesburg)	(2711) 583 2000

UK Trading

Richard Bateson (London)	**(44 20) 3037 4821**
Julian Parmenter (London)	(44 20) 3037 4826
Thorsten Ackermann (London)	(44 20) 3037 4908
Colin Reed (London)	(44 20) 3037 4982
Robert Tappin (London)	(44 20) 3037 4827
Wayne Drayton (London)	(44 20) 3037 4980
Marc Crome (London)	(44 20) 3037 4778

UK Sales Trading

Daryl Bowden (London)	**(44 20) 3037 4973**
Greg Hill (London)	(44 20) 3037 4757
Drew Hendrickson (London)	(44 20) 3037 4784
James Buckley (London)	(44 20) 3037 4750
Jim Dixon (London)	(44 20) 3037 4949
Simona Casella (London)	(44 20) 3037 1721
KC O'Rourke (London)	(44 20) 3037 4910
Edward Robinson (London)	(44 20) 3037 4779
Danny Want (London)	(44 20) 3037 4847

US Sales Trading

Chris Reale (New York)	**(1 212) 231 2555**
Guy Devereux (New York)	(1 212) 231 2555

Germany Trading

Elvis Javor (Frankfurt)	(49 69) 50957 8654

Germany Sales Trading

Ralf Loke (Frankfurt)	(49 69) 50957 8833
Marcus Dunne (Frankfurt)	(49 69) 50957 8831

EU Cash Sales

Charles Nelson (London)	**(44 20) 3037 4832**
Richard Alderman (London)	(44 20) 3037 4875
Sam Bygott-Webb (London)	(44 20) 3037 4767
Luke Ahern (London)	(44 20) 3037 4960
Matthew Camacho (London)	(44 20) 3037 4972
Ed Reekie (London)	(44 20) 3037 4957
Jacob Potts (London)	(44 20) 3037 4929
Charles Lesser (London)	(44 20) 3037 4771
James Lumby (London)	(44 20) 3037 4846
Leon Caine (London)	(44 20) 3037 4954
Will Fairley (London)	(44 20) 3037 4787
Karl Filbert (Frankfurt)	(49 69) 50957 8651
Thomas Auschill (Frankfurt)	(49 69) 50957 8168
Markus Geisbuesch (Frankfurt)	(49 69) 50957 8709
Holger Hoepfner (Zurich)	(41 44) 564 0220

EU Cash Sales – cont

Martin Pommier (New York)	**(1 212) 231 8054**
Jan Halaska (Boston)	(1 617) 598 2503
Chris Carr (New York)	(1 212) 231-6398
Doug Stone (New York)	(1 212) 231 2606

South Africa Sales

Franco Lorenzani (Johannesburg)	**(2711) 583 2014**
William Ridge (Johannesburg)	(2711) 583 2060
Liam Graham (London)	(44 20) 3037 4836
Carleen Sobczyk (London)	(44 20) 3037 4988
Nazmeera Moola (Cape Town)	(2721) 813 2725
Russell Fryer (New York)	(1 212) 231 2504

South Africa Sales Trading

Harry Ioannou (Johannesburg)	**(2711) 583 2015**
Jesse Ushewokunze (Johannesburg)	(2711) 583 2017
Keith Thompson (Johannesburg)	(2711) 583 2058
Martin Hughes (Johannesburg)	(2711) 583 2019
Marcello Damilano (Johannesburg)	(2711) 583 2018
Roland Wood (Cape Town)	(2721) 813 2611