



European Power&Utilities Report

KPMG Global Energy Institute
Europe, Middle East & Africa

Q2 2016



Overview last quarter evolution in EUR P&U sector

1

Prices and margins

- Baseload prices have shown an upward trend in all the markets analyzed, with Spain registering the largest increase (from 31 to 45 €/MWh).
- Brent prices continued increasing, ending the quarter at \$50 per barrel.
- HH and NBP have rebounded, reaching 3 USD/MMBTU and 34 GBP/MWh respectively, while EU border prices have remained stable around 4 USD/MMBTU.
- Coal prices have slightly accentuated the upward trend initiated in the previous quarter, surpassing 50 USD/mt levels.
- Carbon prices peaked at 6€/T in April and have then declined ending Q2 2016 below 5 €/T.
- Gas margins (spark spreads) have softly narrowed in Italy and remained stable in the UK, with positive values in both cases, whereas in Germany and France margins have maintained negative levels.

2

Regulatory news

- European Commission adopted the Network Code on Requirements for Grid Connection of Generators (regulation 2016/631).
- The amendment of the German Renewable Energies Act drives important changes to the regulatory framework for renewables.
- UK: Brexit impacts on energy regulation remains still unclear.
- Italy defined procedure for power system charges determination: tariff components for non domestic users
- The Spanish Ministry of Industry, Energy and Tourism approved two Ministerial Orders that fixed the allowed revenues for transmission and distribution activities at € 6,872.6 million for 2016, an improvement of about € 250 million for companies.
- US Department of Energy (DOE) has allocated US\$25 million to finance the development of tools to accelerate the integration of solar power under the ENERGISE initiative.
- Turkey's energy regulator has published updated regulation governing the country's so-called unlicensed PV market (< 1 MW).

3

Capital markets

- Eurostoxx Utilities index slightly increased during Q2 2016, but still cumulates significant losses in the last 12 months (-13,87%).
- CEZ as, RWE AG and SSE plc registered the best performance in Q2 2016 in terms of share price.
- Valuation levels in the sector averaged at x7,8 EV/EBITDA in Q2 2016, down from x7,9 in the previous quarter.
- Net debt levels remained stable at 3,2 x EBITDA in Q2 2016.
- Some credit ratings have been revised, with an upgrade for Iberdrola and downgrades for ENGIE SA, Electricite de France, RWE AG and CEZ.

4

M&A

- Largest deals during Q2 2016 have targeted US companies, with relevant vertical-integration movements in the Oil&Gas sector.
- Main transactions have included:
 - The acquisition of US Cameron International Corporation by Schlumberger Limited (€11953m).
 - The sale of US Columbia Pipeline Group to TransCanada Corporation (€10684m).
 - The acquisition of US AGL Resources Inc by Southern Company (€10486m)

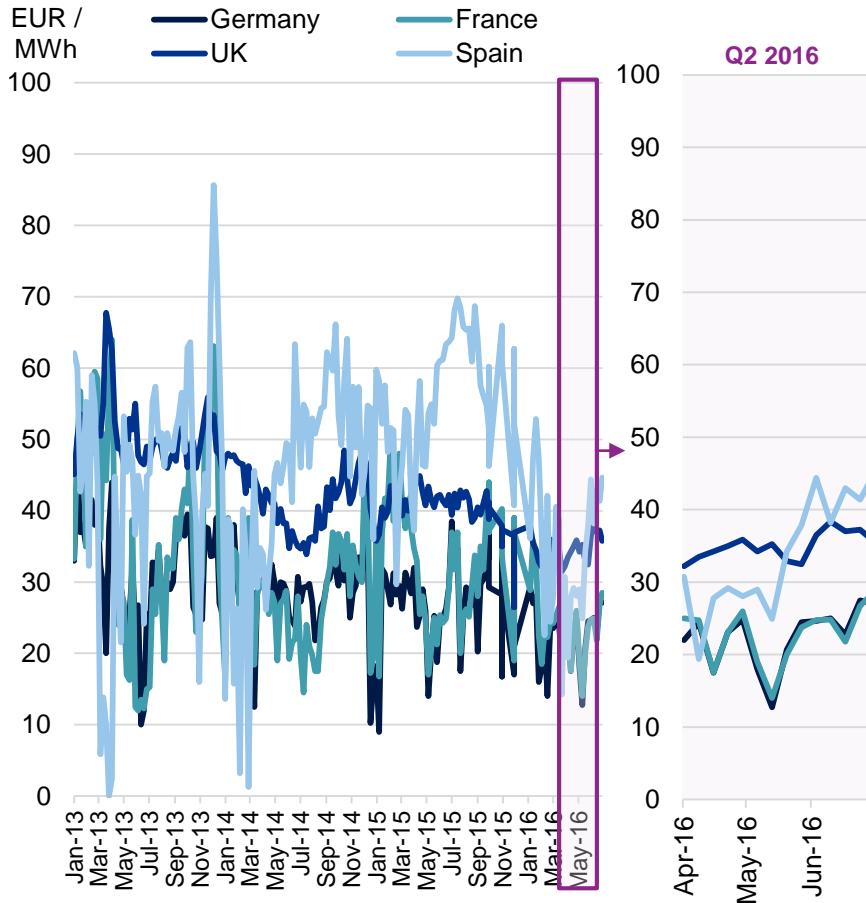
Prices and Margins: Overview

- Baseload prices have shown an upward trend in all the markets analyzed, with Spain registering the largest increase (from 31 to 45 €/MWh).
- Baseload / peakload differentials have narrowed in Germany (returning to positive differentials), the UK and Spain during Q2 2016; whereas in France differentials have slightly widened.
- Brent prices continued increasing, ending the quarter at \$50 per barrel.
- HH and NBP have rebounded, reaching 3 USD/MMBTU and 34 GBP/MWh respectively, while EU border prices have remained stable around 4 USD/MMBTU.
- Coal prices have slightly accentuated the upward trend initiated in the previous quarter, surpassing 50 USD/mt levels.
- Carbon prices peaked at 6€/T in April and have then declined ending Q2 2016 below 5 €/T.
- Gas margins (spark spreads) have softly narrowed in Italy and remained stable in the UK, with positive values in both cases, whereas in Germany and France margins have maintained negative levels.
- Coal-fired average margins (dark spreads) have decreased in Germany, France and Italy over the previous quarter, with average values in Q2 2016 of 3€/MWh, 4 €/MWh and 15€/MWh respectively. In the UK dark spreads have remained stable.

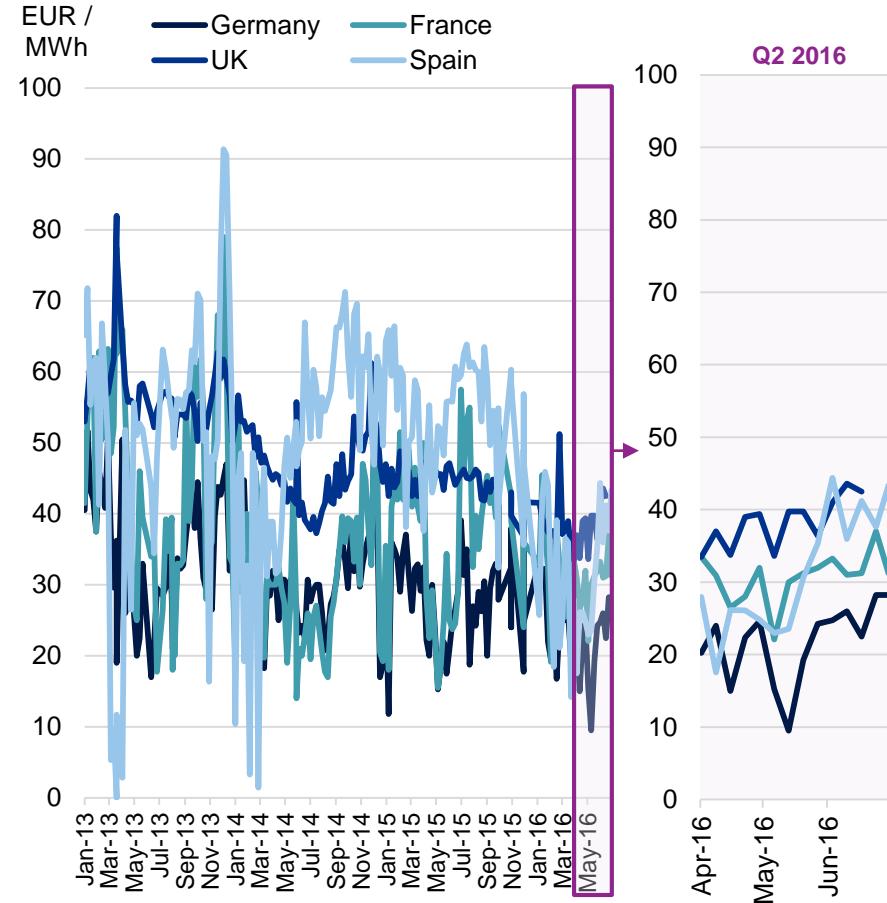
1. Prices and Margins

Electricity price evolution

Base load



Peak load

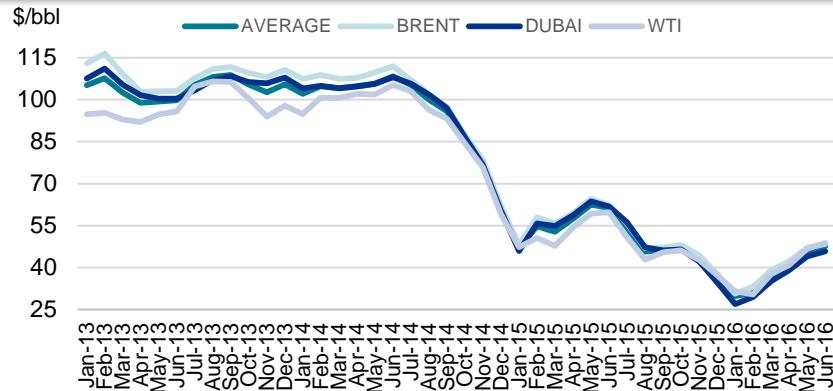


Source: Bloomberg; 2016.

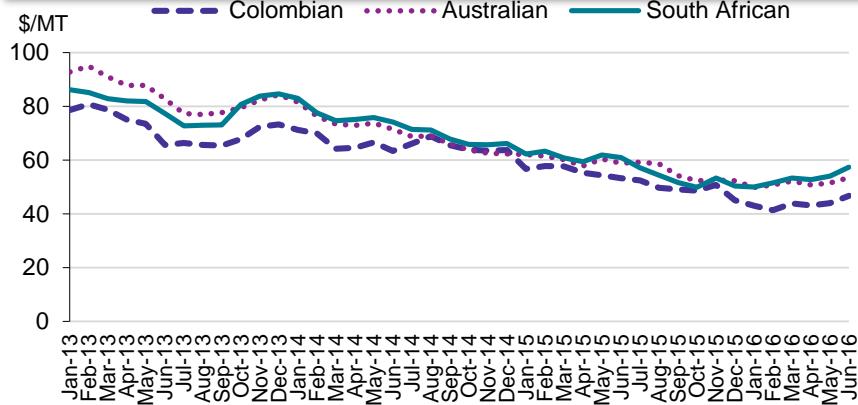
1. Prices and Margins

Fuel price evolution

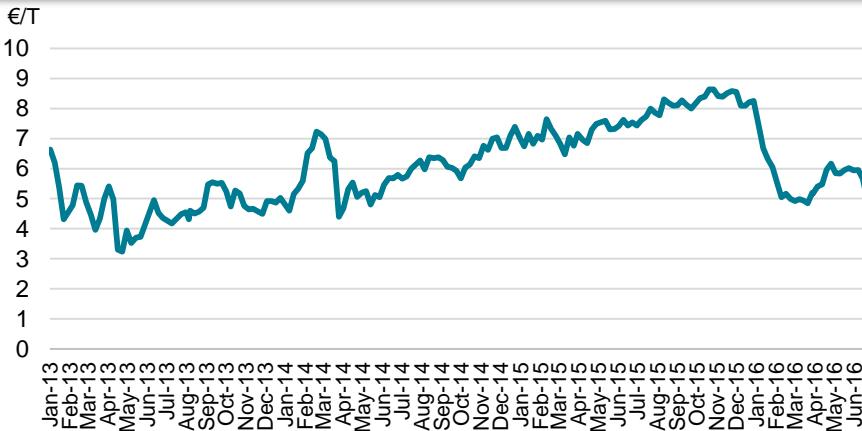
Crude oil



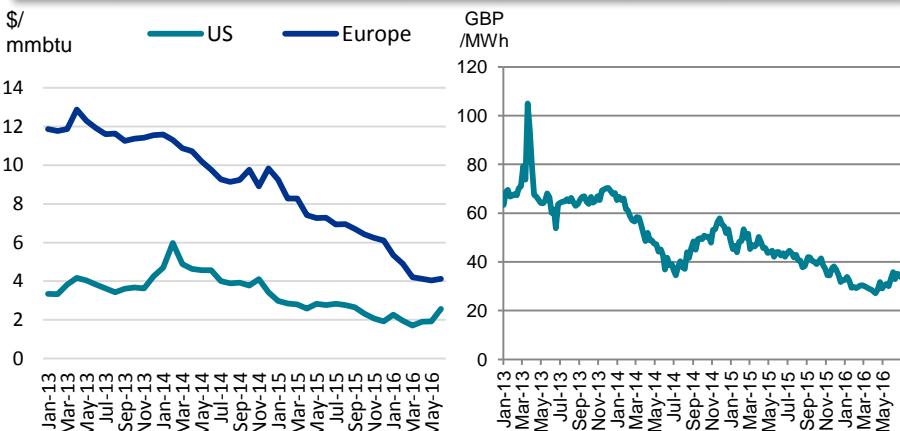
Coal



Carbon price – EU ETS



Gas prices: US (H.Hub), EU (border prices) and NBP



Source:

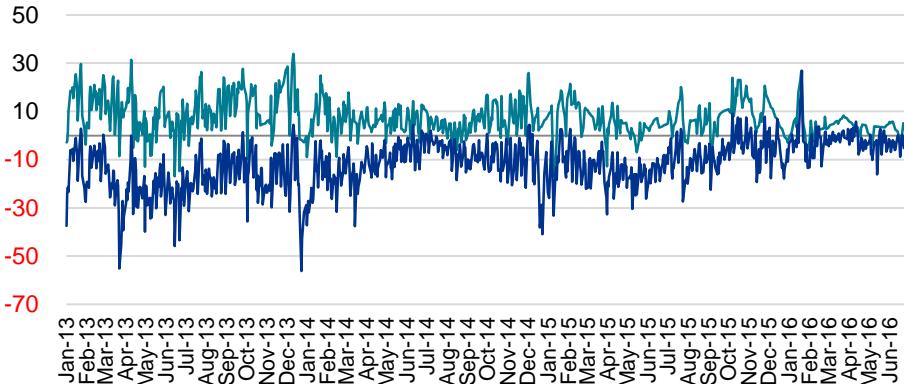
World Bank / Bloomberg; 2016.

1. Prices and Margins

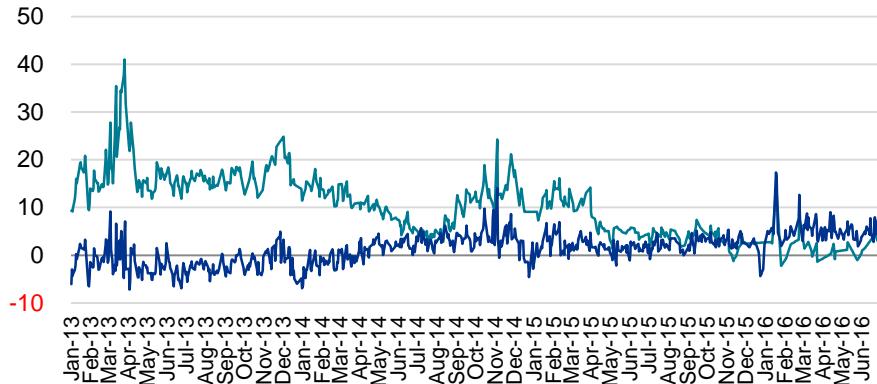
Clean dark and spark spreads

— Clean dark spread — Clean spark spread

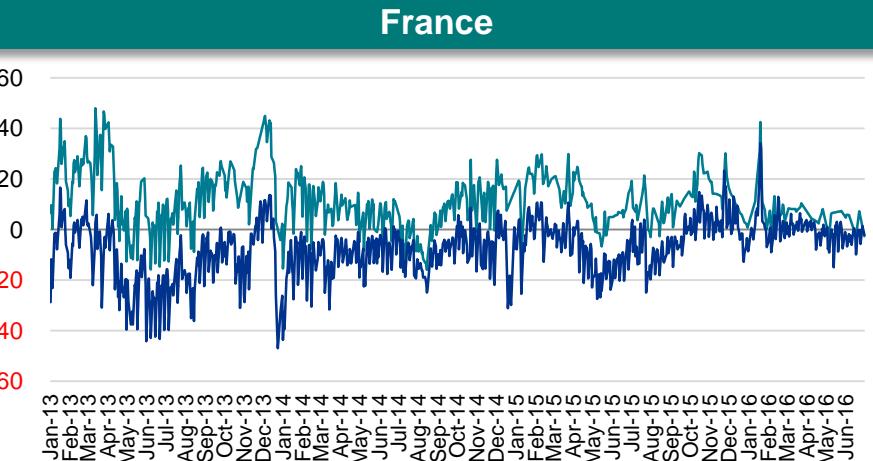
Germany



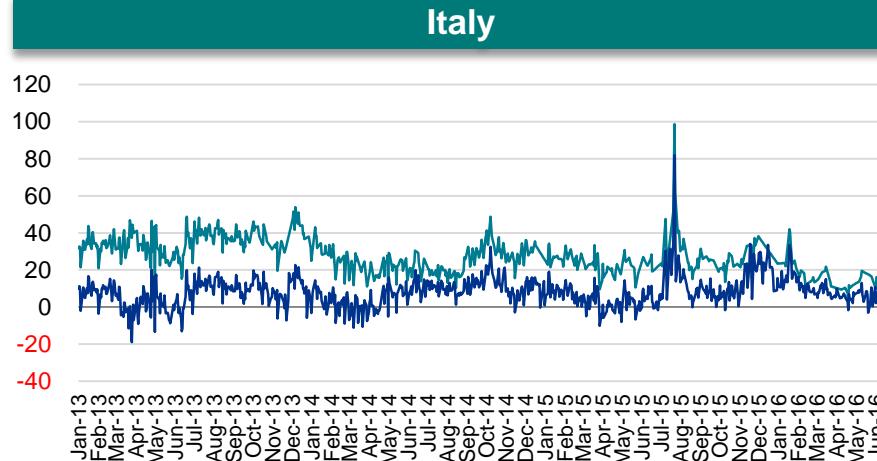
United Kingdom



France



Italy



Source: Bloomberg; 2016.



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Regulatory News: Overview

- European Commission adopted the Network Code on Requirements for Grid Connection of Generators (regulation 2016/631).
- ENTSOe has published the Ten Year Network Development Plan (TYNDP) and the interim report on capacity payments.
- The amendment of the German Renewable Energies Act drives important changes to the regulatory framework for renewables.
- UK: Brexit impacts on energy regulation remains still unclear.
- Italy defined procedure for power system charges determination: tariff components for non domestic users
- The Spanish Ministry of Industry, Energy and Tourism approved two Ministerial Orders that fixed the allowed revenues for transmission and distribution activities at € 6,872.6 million for 2016, an improvement of about € 250 million for companies.
- US Department of Energy (DOE) has allocated US\$25 million to finance the development of tools to accelerate the integration of solar power under the ENERGISE initiative.
- Turkey's energy regulator has published updated regulation governing the country's so-called unlicensed PV market, which regards PV installations less than 1 MW.

2. Regulatory News

Regulatory news per region / European Union

EU



- EC adopted the Network Code on Requirements for Grid Connection of Generators (regulation 2016/631).
- The European Court of Justice declared as null the volume of free emission allowances determined by the EC for the period 2013-2020.
- ENTSOe has published the Ten Year Network Development Plan (TYNDP).
- EC approved the Spanish plan to grant € 2,130 million to alleviate the social and environmental impact of closing 26 uncompetitive coal mines before 2018.
- EC published the Interim Report of the Sector Inquiry on Capacity Mechanisms.
- EC approves the German plans to grant €1,600 million to reduce the profit losses of 8 coal power plants that are being mothballed and moved into the so called Climate Reserve between 2016-2019.
- EC approved the Italian Renewable Energy Support Scheme for being in line with EU state aid guidelines.

Germany



- The amendment of the German Renewable Energies Act drives important changes to the regulatory framework for renewables.
- The new Wind-at-Sea-Act will integrate the entire regulatory framework for offshore wind in the future.
- The law for the development of the electricity market has been adopted.
- The Law for the digitalization of the energy turn around provides for the roll-out of smart metering.
- A revision on the ordinance for the calculation of grid access fees has been adopted.

UK



- The exact impacts of Brexit on regulation remains unclear.
- The Competition and Markets Authority's (CMA) concluded its 18 month energy market investigation into competition in retail energy, concluding that competition was not working as well as it should for consumers.

Italy



- Unbundling regulation for integrated water service has been enacted.
- Procedure for power system charges determination has been defined.
- Pilot project for market coupling intraday between Italy and Slovenia: agreement verification issued.
- Defined procedure for modification of service markets in gas sector.

Spain



- Allowed revenues for transmission and distribution activities have been set at € 6,872.6 million for 2016.
- The Supreme Court has ordered the Government to compensate PV investors due to the RDL 1/2012.
- The Supreme Court has supported a 2014 Royal Decree and a Ministerial Order that established a reduction of € 1,700 million in the yearly revenue of renewables producers .
- The Constitutional Court has annulled two Catalonian laws on fracking and energy poverty.
- A Supreme Court' sentence has obliged the Ministry to prepared a proposal for recalculating the retail margin of the PVPC (Spanish last resort tariff).
- Publication of the Resolution of 1st June 2016, which modifies the operating procedure 14.1 about the settlement process of REE and approves the 14.3 about imbalance payment guarantees so as to prevent and detect fraud of retailers.

Regulatory news per region / Other markets

US



- FERC rejected a PJM's independent market monitor (IMM) complaint asking for a comparable treatment to demand response providers to that given to generation resources. Henceforth, the federal regulator upholds PJM capacity market treatment to these resources.
- US Department of Energy (DOE) has allocated US\$25 million to finance the development of tools to accelerate the integration of solar power under the ENERGISE initiative.
- FERC requires market operators to comment on different areas regarding energy storage. The main outcome sought with this consultation is to set a compensation to these resources at a rate that reflects their positive impact of its participation in competitive wholesale markets.
- Utilities and solar companies of New York have proposed an alternative policy regarding net metering that intends to better compensate electricity fed into the grid.
- FERC has approved a New York ISO's proposal for revising tariffs regulation so as to encourage behind-the-meter generation resources to participate in wholesale markets.

Turkey



- Amending regulation on the Unlicensed Electricity Generation in the Electricity Market has entered into force.
- Turkey's energy regulator has published updated regulation governing the country's so-called unlicensed PV market, which regards PV installations less than 1 MW each. The amendment, prepared by Turkey's Energy Market Regulatory Authority (EMRA), was published in the official gazette on March 23rd.
 - Firstly, a given company can install only one project up to 1 MW. The updated regulation also requires the applicants to present information as per their direct and/or indirect shareholding in the course of their system connection application, which hints that the government aims to apply the rule strictly
 - Secondly, whatever entity receives the call letter must also finish the project and connect it to the grid. In other words, project developers cannot sell a license before they develop and electrify the project. After a solar power plant is connected to the grid, the owner can freely sell the company to another investor.
 - Finally, the amendment on the unlicensed market regulation applies restrictions on the self-consumption front. Therefore, the meter of the investor applying for a new license must be rated at least 30 kW in order to install a 1MW project (the ratio is 1:30).

2. Regulatory News

Links to new key regulation

EU	News	Link
	<p>The European Commission adopted the Network Code on Requirements for Grid Connection of Generators (NC-RfG) on 14 April 2016 and entered into force on 17 May 2016 (a). This NC establishes detailed rules relating to the connection of, principally, new power generating installations to national electricity networks.</p> <p>According to ENTSOe, this NC will allow more renewables to connect to the grid without compromising the stability of the electricity transmission grid (b).</p>	Link I (a) Link I (b)
	<p>The European Court of Justice declared as null the volume of free emission allowances determined by the EC for the period 2013-2020. It backed this decision alleging that the volume was calculated based on not uniform emission values provided by Member States and thus, the EC calculation was distorted. The Commission has 10 month to recalculate this maximum volume.</p>	Link II
	<p>ENTSOe has published the Ten Year Network Development Plan (TYNDP). It includes investments plans to support 200 transmission and storage projects of up to € 150,000 million (a).</p> <p>The draft TYNDP 2016 package document is open to public consultation from 23 June to 9 September 2016. All interested parties can submit their comments via the consultation page on its website (b). With a view to improving the plan, ENTSO-E will carefully consider and give its response to every comment received.</p>	Link III (a) Link III (b)
	<p>EC approved the Spanish plan to grant € 2,130 million to alleviate the social and environmental impact of closing 26 uncompetitive coal mines before 2018. It has considered that it is in line with EU state aid rules.</p> <p>This public support will cover the production losses of the closure, it will provide financial support to affected workers and it will finance safety and remediation works necessary after the mine closures.</p>	Link IV

2. Regulatory News

Links to new key regulation

EU	News	Link
	<p>The European Commission published the Interim Report of the Sector Inquiry on Capacity Mechanisms with results of the investigation of 11 member states that have in place or plan to implement this kind of measure to assure security of supply of their systems in medium and long term (a). EC is concerned about the impact of these mechanisms on competition and trade of the IEM, therefore it intends to assess whether this regulatory intervention are in line with EC State Aid rules. The report affirms that Member states must evaluate whether the intervention is actually needed and that its design ensures they are targeted and cost-effective (b).</p>	Link V (a) Link V (b)
	<p>After considering its alignment with EU state aid rules, EC approved German plans to grant €1,600 million to compensate the forgone profits of the operators of 8 lignite-fired power plants, which are being mothballed and moved into the so called Climate Reserve between 2016-2019. Subsequently, the closure of these reserves will help to meet the national emission target by reducing CO2-emissions 11 - 12.5 million tons per year as of the year 2020.</p>	Link VI
	<p>EC approved the Italian Renewable Energy Support Scheme for being in line with EU state aid guidelines. The scheme aims at reaching the EU renewable energy target by inducing the entry of 1.3 GW of RES capacity till the end of 2016. Solar power cannot benefit from this aid due to it is considered already competitive without aid.</p>	Link VII

Links to new key regulation

Germany

News

Link



On 8th July 2016 the amendment of the German Renewable Energies Act (Erneuerbare-Energien-Gesetz/EEG) has been adopted by the parliament with important changes to the regulatory framework for renewable energies. With some exceptions during a transitional phase the financial support for on- and offshore wind, photovoltaics and biogas will be determined by way of auctions from 2017 onwards. Subject of the auction is a fixed tariff per kilowatthour. The produced power has to be sold in the electricity market and the difference between the average monthly price at the stock-exchange will be reimbursed by the grid operator with the so-called market-premium. In general, auctions will be technology specific. However, joint auctions of onshore wind and photovoltaics shall be tested within a pilot phase between 2018 and 2020. The growth of renewable energy production will be controlled in accordance with the predetermined expansion path (wind onshore: 2800/2900 MW annually; wind offshore: 6.5 GW by 2020 and 15 GW by 2030; Photovoltaics: 2500 MW annually). The federal grid agency can determine further congestion areas with a regional restriction on the growth of onshore wind. The new EEG will come into force and effect on 1st January 2017. Paramount driver for the amendment is the intention to reduce the costs of financial support and to harmonize the growth of renewable energies production with the development of the electricity grid.

[Link I](#)

Along with the EEG the new Wind-at-Sea-Act (Wind-auf-See-Gesetz) has passed the parliament. Besides the details on tariff auctions for offshore wind the Wind-at-Sea-act integrates the entire regulatory framework for offshore wind in the future, namely the zone development for wind farms and grid connections, the permit procedure, and the allocation of grid capacity. In 2017 two large tenders will be held for existing projects that are to be installed between 2021 and 2024. Further tenders shall be conducted annually from 2020 onwards. The annual installation of offshore wind will differ between 700 and 900 MW and is limited to a capacity of 840 MW in the average.

[Link II](#)

Links to new key regulation

Germany



News

Link

On 3rd June 2016 the law for the development of the electricity market has been adopted. Regulations on grid stability and the safety of energy supply under the German Energy Act (Energiewirtschaftsgesetz/EnWG) have undergone relevant changes. Germany has clearly committed to an energy-only market. A capacity market is off the table. However, the TSOs are obliged to maintain a capacity reserve that must be remunerated outside the electricity market. Further obligations of the TSOs to ensure a grid reserve and standby obligations have been implemented. The law establishes a phase-out for lignite-fired power plants which shall serve as a safety reserve during a transitional period and will finally be closed down. Safety of the grid and the energy supply can be identified as paramount principals of the new regulations.

[Link III](#)

The Law for the digitalization of the energy turn around (Gesetz-zur-Digitalisierung-der Energiewende) provides for the roll-out of smart metering. End consumers and power producers will be obliged to install smart meters from 2017 on. The law imposes also price limits on the installation and operation of metering devices and comprehensive data protection requirements.

[Link IV](#)

A revision on the ordinance for the calculation of grid access fees has been adopted. The amendment shall strengthen incentives for a more cost efficient grid operation.

[Link V](#)

Links to new key regulation

UK	News	Link
	<p>Brexit</p> <ul style="list-style-type: none">– On 23 June, the UK held a referendum to decide whether it should leave or remain in the European Union – the UK voted to leave the EU with 52% of the vote– This caused a series of major events, including the resignation of the Prime Minister, David Cameron, and the pound falling around 10% to the US dollar– Theresa May has become the Head of the Conservative Party and Prime Minister– The exact impacts of Brexit on regulation remain unclear but now a new PM has been announced, the Government can start working out what these implications are– <i>For more information, please find our Brexit Briefing attached</i>	
	<p>Conclusion to the Competition and Markets Authority's (CMA) Energy Market Review</p> <ul style="list-style-type: none">– On 24 June, the CMA concluded its 18 month energy market investigation into competition in retail energy. The report concluded that competition was not working as well as it should for consumers, but stopped short of radical reforms which would have indicated deeply anti-competitive behaviour– The CMA set out a wide range of reforms (over 30 separate measures) to modernise the market for the benefit of customers aimed at driving down costs by increasing competition between suppliers and helping more customers switch to better deals, whilst protecting those less able to benefit from competition– Some areas of industry have argued that the uncertainty caused by the investigation outweigh the benefits of the proposed reforms– Both the Government and regulator Ofgem have told the energy companies to start implementing the CMA recommendations	Link I

2. Regulatory News

Links to new key regulation

Italy	News	Link
	Unbundling regulation for integrated water service is enacted	Link I
	Procedure for power system charges determination is defined: tariff components for non domestic users	Link II
	Pilot project for market coupling intraday between Italy and Slovenia: agreement verification issued	Link III
	Procedure for modification of service markets in gas sector is defined	Link IV

2. Regulatory News

Links to new key regulation

Spain	News	Link
	<p>The Spanish Ministry of Industry, Energy and Tourism approved two Ministerial Orders that fixed the allowed revenues for transmission and distribution activities at € 6,872.6 million for 2016, an improvement of about € 250 million for companies. This remuneration has been calculated with a new methodology, which has required companies to elaborate a detailed inventory of all their equipment that compose the networks.</p>	Link I
	<p>For the first time, The Supreme Court has ordered the Government to compensate certain PV investors due to the enter into force of RDL 1/2012, which cancelled already approved economic investment incentives to this an other RES installations. These investors had claimed before for an indemnification to the Government, however they were dismissed by the Council.</p>	Link II
	<p>The Supreme Court has endorsed Royal Decree 413/2014 and the Ministerial Order 1045/2014, which implied a reduction of € 1,700 million in the yearly revenue of renewables producers. These producers had claimed that the remuneration scheme was retroactive, however, the Court has backed its decision by stating that it complies with the Constitution and the European law. Also the Constitutional Court had previously backed these regulations.</p>	Link III

2. Regulatory News

Links to new key regulation

Spain	News	Link
	<p>The Constitutional Court has annulled an article of a 2014 Catalonian law that prohibited fracking technics to extract oil and gas in the autonomous community alleging that the matter is jurisdiction of the central Government (a). For the same reason, it annulled the so called <i>Energy Poverty Decree</i>, approved by the Catalonian Government in 2013, which protected vulnerable customers from being disconnected when not paying (b).</p>	Link IV (a) Link IV (b)
	<p>A Supreme Court's sentence has obliged the Ministry to prepared a proposal for recalculating the retail margin of the PVPC (the Spanish regulated tariff). This sentence comes after that electricity companies recurred the retail margin alleging that it only covered the 60 % of their costs. The outcome of the Court decision will lead to the recalculation and resent of the last 27 months bills for 13 million electricity customers and 1.7 million gas customers (a). The CNMC published a report that recognized that the current margin do not allow companies to recover their costs. For doing so, it suggests that the annual PVPC margin should be upraised from 4.00 to 5.84 €/kW of contracted capacity.</p>	Link V (a) Link V (b)
	<p>Resolution of 1st June 2016 has been published, which modifies the operating procedure (OP) 14.1 about the settlement process of REE and approves the OP 14.3 about imbalance payment guarantees (a). This regulation aims at preventing and detecting fraud of small retailers that do not comply with their settlement obligations. These activities has led to a gap of € 54 million in March, which could reached € 70 million this year.</p>	Link VI (a) Link VI (b)

Capital Markets Overview

- After plunging in Q1 2016, the Eurostoxx Utilities index slightly increased during Q2 2016, but still cumulates significant losses in the last 12 months (-13,87%).
- CEZ as, RWE AG and SSE plc registered the best performance in Q2 2016 in terms of share price, in a quarter where almost all other European players have experienced a positive QoQ price evolution. Only EDP, Iberdrola and ENGIE SA share prices have decreased.
- Valuation levels in the sector averaged at x7,8 EV/EBITDA in Q2 2016, down from x7,9 in the previous quarter.
- Wide differences persist in EBITDA multiples, with National Grid, Enagas and Snam reaching highest values, trading above x11 EV/EBITDA.
- Net debt levels remained stable at 3,2 x EBITDA in Q2 2016, very close to the figure registered in Q1 2016.
- Some credit ratings have been revised, with an upgrade for Iberdrola by S&P and downgrades for ENGIE SA, Electricite de France, RWE AG and CEZ by different agencies.

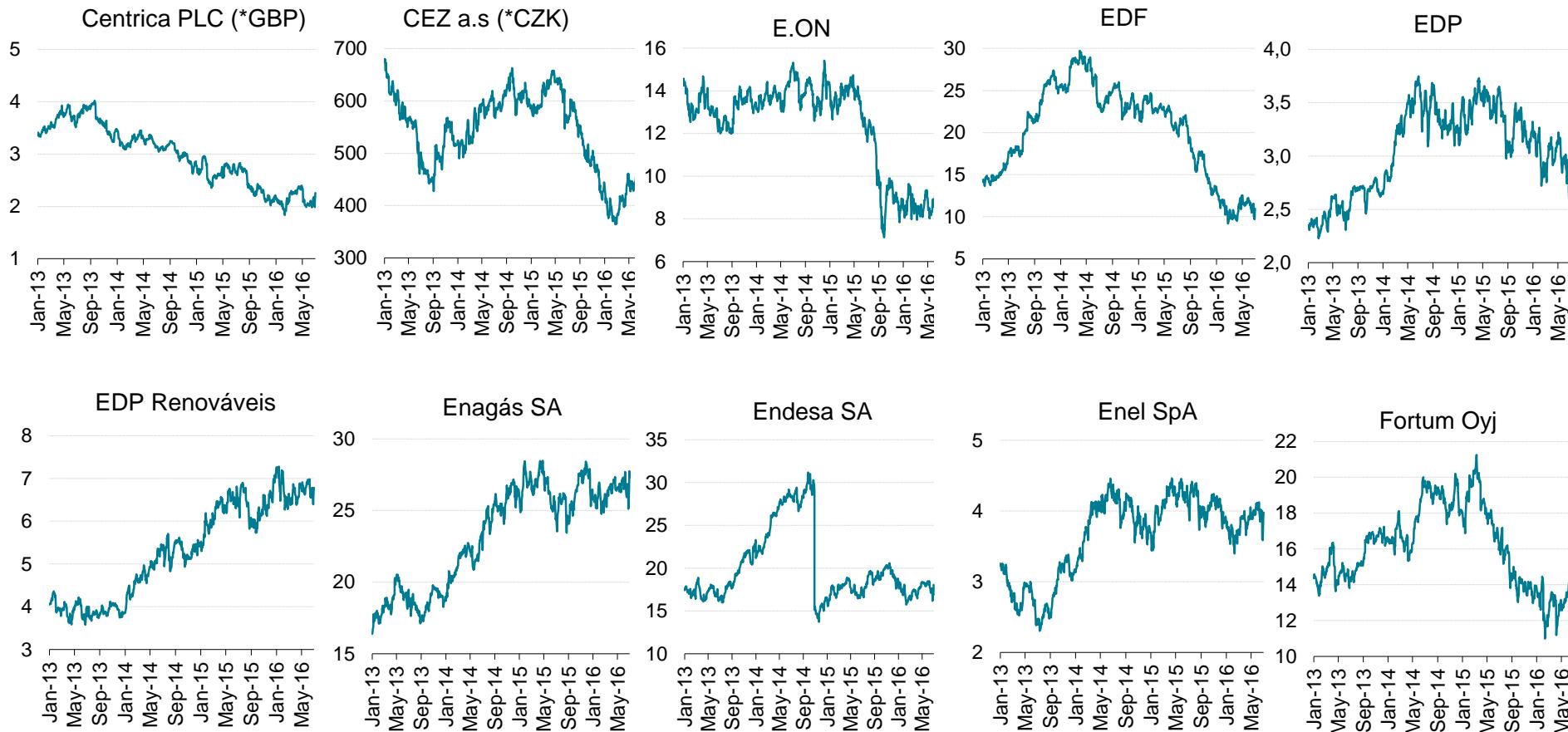
Share price evolution: overview

Company	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Last Quarter Q2 2016/Q2 2016/ Q1 2016	Last Year Q2 2016/Q2 2015 Q1 2016
CEZ as (*CZK)	618,45	549,76	469,76	526,93	528,02	585,88	607,16	606,78	600,33	624,53	557,01	467,82	391,38	428,52	9,49%	-31,39%
RWE AG	28,76	27,21	22,7	26,91	27,87	28,8	30,53	27,62	23,97	22,1	15,78	11,81	11,28	12,21	8,25%	-44,75%
SSE Plc (*GBP)	14,4	15,46	15,7	13,91	13,88	15,34	15,06	15,79	15,5	16	15,08	14,98	14,26	15,10	5,92%	-5,60%
Enel SpA	2,94	2,77	2,59	3,18	3,62	4,15	4,12	3,8	3,96	4,28	4,12	4,06	3,72	3,93	5,66%	-8,16%
REE ¹	41,14	40,35	41,31	45,78	54,66	61,55	63,83	69,69	74,06	75,75	72,12	78,82	73,94	77,88	5,33%	2,81%
Endesa SA	17,41	17,03	17,75	21,17	23,29	27,61	28,51	19,76	17,29	17,56	18,57	19,45	17,05	17,76	4,15%	1,13%
Snam SpA	3,61	3,65	3,57	3,82	4,09	4,32	4,38	4,12	4,32	4,56	4,45	4,71	5,02	5,21	3,75%	14,22%
National Grid plc (*GBP)	7,12	7,89	7,53	7,68	8,08	8,45	8,75	9,09	8,99	8,84	8,54	9,23	9,58	9,90	3,38%	12,03%
EDF	14,51	17,19	21,08	25,7	26,96	27,28	24,23	22,06	23,12	22,11	19,52	15,19	10,94	11,29	3,19%	-48,94%
Enagás SA	17,86	19,3	18,1	19,06	20,77	22,05	24,7	25,94	26,78	26,66	25,16	27,1	25,88	26,70	3,17%	0,15%
Gas Natural SDG SA	14,72	15,61	15,07	17,58	18,87	21,18	22,92	22,06	20,7	21,84	19,11	19,46	17	17,49	2,87%	-19,92%
Centrica plc (*GBP)	3,48	3,75	3,85	3,49	3,23	3,29	3,15	2,9	2,65	2,69	2,54	2,21	2,11	2,16	2,38%	-19,70%
Fortum Oyj	14,59	14,67	15,27	16,57	16,68	17,46	19,27	18,57	19,4	17,61	15,24	13,79	12,88	13,14	2,04%	-25,37%
E.ON SE	13,36	13,3	12,57	13,6	13,62	14	14,25	13,77	13,61	13,58	10,6	9	8,62	8,65	0,35%	-36,30%
EDP Renováveis	4,04	3,89	3,85	3,93	4,47	5,02	5,35	5,26	5,95	6,48	6,3	6,46	6,72	6,72	0,07%	3,78%
EDP	2,36	2,5	2,62	2,67	2,99	3,48	3,46	3,29	3,39	3,54	3,3	3,27	3,01	2,97	-1,29%	-16,07%
Iberdrola SA	3,92	4,07	4,12	4,56	4,72	5,2	5,51	5,59	5,91	6,14	6,13	6,43	6,13	5,99	-2,31%	-2,47%
ENGIE SA (GDF SUEZ S.A.)	15	15,86	16,69	17,85	17,8	19,93	19,37	18,95	18,9	18,25	16,36	15,85	14,19	13,79	-2,85%	-24,46%
Eurostoxx Utilities	222,87	226,15	224,04	249,48	262,29	284,87	288,6	280,3	292,9	291,9	269,1	264	249,28	251,42	0,86%	-13,87%

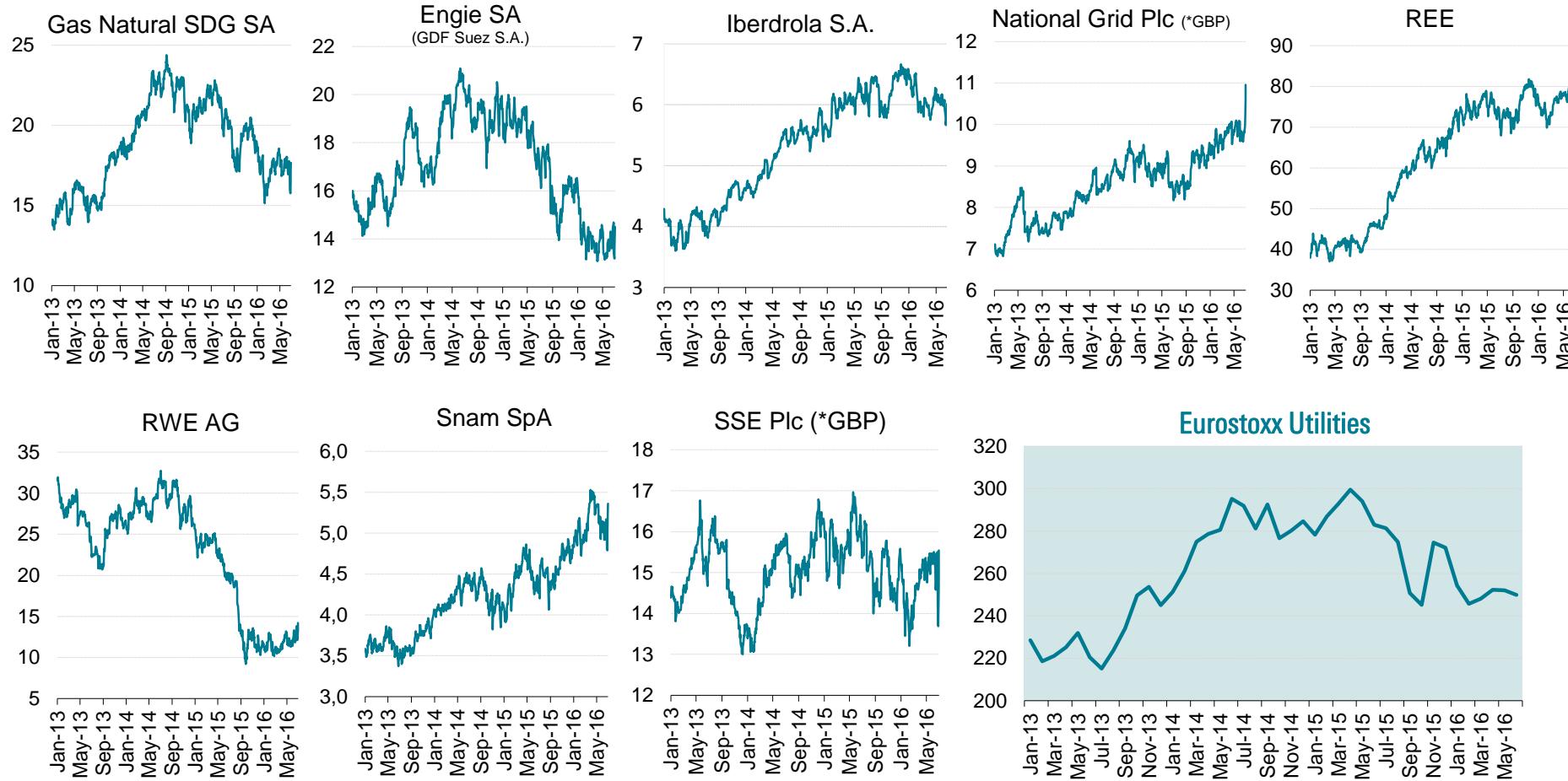
¹ On July 11 REE executed a 4-to-1 stock split. Values in this chart do not reflect that split.

Source: Bloomberg; 2016.

Share price evolution: individual stocks (1)



Share price evolution: individual stocks (2)



Source: Bloomberg; 2016

Relative valuation per company

	TEV (as of June 30) / EBITDA (LTM) ▼	TEV (EUR mill.) (as of June 30)	Market Capitalization (EUR mill.) (as of June 30)
National Grid plc	12,4	81.686	49.069
Enagás, S.A.	11,9	10.774	6.519
Snam S.p.A.	11,7	32.301	18.757
Red Eléctrica Corporación S A.	10,9	15.973	10.810
Electricite de France SA	10,9	64.205	22.060
Iberdrola, S.A.	10,1	69.596	38.275
EDP-Energias de Portugal, S.A.	9,9	31.688	10.011
Fortum Oyj	9,7	10.842	12.775
SSE plc	9,6	27.205	18.575
EDP Renováveis	9,2	10.459	5.914
Gas Natural SDG SA	7,9	37.454	17.677
Centrica plc	7,7	21.587	14.703
Endesa SA	7,6	23.338	19.089
ENGIE SA (GDF SUEZ S.A.)	6,4	69.989	34.764
Enel SpA	6	92.350	40.463
CEZ, a.s.	4,7	11.841	8.188
E.ON SE	4	28.385	17.706
RWE AG	3,9	21.770	8.662
Weighted average: 7,8		661.446	354.018

Source: Capital IQ; 2016.

Leverage and credit ratings

	LTM Net Debt/ EBITDA	Rating S&P	S&P Financial Update	Rating Moody's	Date	Rating Fitch	Date
EDP-Energias de Portugal, S.A.	5,58	BB+	May 18-2016	Baa3	Feb 13-16	BBB-	Mar 07-16
Enagás, S.A.	4,99	A-	May 03-2016	Baa2	Feb 28-14	A-	Dec 23-15
National Grid plc.	4,99	A-	Jun 08-2016	Baa1	Dec 13-14	BBB	Mar 07-16
Snam S.p.A.*	4,91	BBB	May 14-2016	Baa1	Jun 29-16	BBB+	Jun 29-16
Iberdrola, S.A.	4,09	BBB+	Apr 28-2016	Baa1	Apr 25-16	BBB+	Jul 08-16
EDP Renováveis S.A.	3,71	-	Apr 07-2016	-	-	-	-
Red Eléctrica Corporación S A.	3,53	A-	Apr 28-2016	-	-	A	May 27-16
SSE plc.	3,33	A-	Jun 22-2016	A3	Feb 13-16	BBB+	Mar 07-16
Gas Natural SDG SA	3,28	BBB	May 13-2016	Baa2	Feb 13-16	BBB+	Aug 07-15
ENGIE SA (GDF SUEZ S.A.)	2,82	A-	Apr 29-2016	A2	Apr 27-16	-	-
Centrica plc.	2,69	BBB+	Mar 17-2016	Baa1	May 13-16	A-	Dec 16-15
Electricite de France SA	2,39	A	May 13-2016	A2	May 12-16	A-	Jun 07-16
Enel SpA	2,23	BBB	May 15-2016	Baa2	Feb 13-16	BBB+	Jun 10-16
RWE AG	2,08	BBB-	May 13-2016	Baa3	May 13-16	BBB	Mar 22-16
CEZ, a.s.	1,38	A-	May 13-2016	Baa1	Apr 06-16	A-	Mar 07-16
Endesa SA	1,38	BBB	May 11-2016	Baa2	Feb 13-16	BBB+	Jun 10-16
E.ON SE	1,17	BBB+	May 12-2016	(P) Baa1	May 13-16	BBB+	Sep 02-15
Fortum Oyj	-1,85	BBB+	Apr 30-2016	Baa1	Feb 13-16	BBB+	Nov 17-15
Average: 3,2		Mode: BBB		Baa1		BBB+	

Quarterly rating variation: Upgrade Unchanged Downgrade

Source: Capital IQ / S&P / Moody's / Fitch; 2016.

M&A Overview

- Largest deals during Q2 2016 have targeted US companies, with relevant vertical-integration movements in the Oil&Gas sector.
- Main transactions have included:
 - The acquisition of US Cameron International Corporation by Schlumberger Limited (€11953m)
 - The sale of US Columbia Pipeline Group to TransCanada Corporation (€10684m)
 - The acquisition of US AGL Resources Inc by Southern Company (€10486m)
 - The purchase of US TECO Energy by Canadian Emera (€9263m)
 - The acquisition of Pepco Holdings by Exelon Corporation (€8784m)

Top-10 M&A operations in Q2 2016 by deal value (1)

Announced Date	Target Company	Target Description	Target Country	Bidder Company	Bidder Country	Seller Company	Deal Value EUR(m)
08/26/2015	Cameron International Corporation	US-based provider of flow equipment products, systems and services to global oil, gas and process industries	USA	Schlumberger Limited	France,Netherlands,USA		11953
03/17/2016	Columbia Pipeline Group, Inc.	US-based operator, developer and owner of a portfolio of pipelines, storage, and related midstream assets	USA	TransCanada Corporation	Canada		10684
08/24/2015	AGL Resources Inc.	US-based energy services company	USA	Southern Company	USA		10486
09/04/2015	TECO Energy Inc.	US-based energy holding company for regulated utilities and other businesses	USA	Emera Inc.	Canada		9263
04/30/2014	Pepco Holdings Inc	US-based holding company that supplies, distributes, and transmits electricity	USA	Exelon Corporation	USA		8784

Source: Mergermarket; 2016.

Top-10 M&A operations in Q2 2016 by deal value (1)

Announced Date	Target Company	Target Description	Target Country	Bidder Company	Bidder Country	Seller Company	Deal Value EUR(m)
12/19/2015	Enersis Chile S.A.	Chile-based company engaged in the electricity generation, transmission and distribution business	Chile	Enel S.p.A. (Shareholders)	Italy	Enel S.p.A.	4918
10/05/2015	Canadian Oil Sands Limited	Candian income trust with oil sands investment in the Syncrude Joint Venture (Syncrude).	Canada	Suncor Energy Inc.	Canada		4107
10/20/2014	Cleco Corporation	US-based public utility holding company engaged in the generation, transmission and distribution of electricity	USA	Macquarie consortium	USA		3698
11/18/2015	Enel Green Power S.p.A. (30.83% Stake)	Italy-based company engaged in development and management of electricity generation from renewable resources	Italy	Enel S.p.A.	Italy		3154
11/23/2015	Edra Global Energy Berhad	Malaysia-based energy unit of 1Malaysia Development	Malaysia	China General Nuclear Power Corporation, Ltd.	China	1Malaysia Development Berhad	2151

Source: Mergermarket; 2016.

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