



European Power & Utilities Report

**KPMG Global Energy Institute Europe,
Middle East & Africa**

Q2 2017



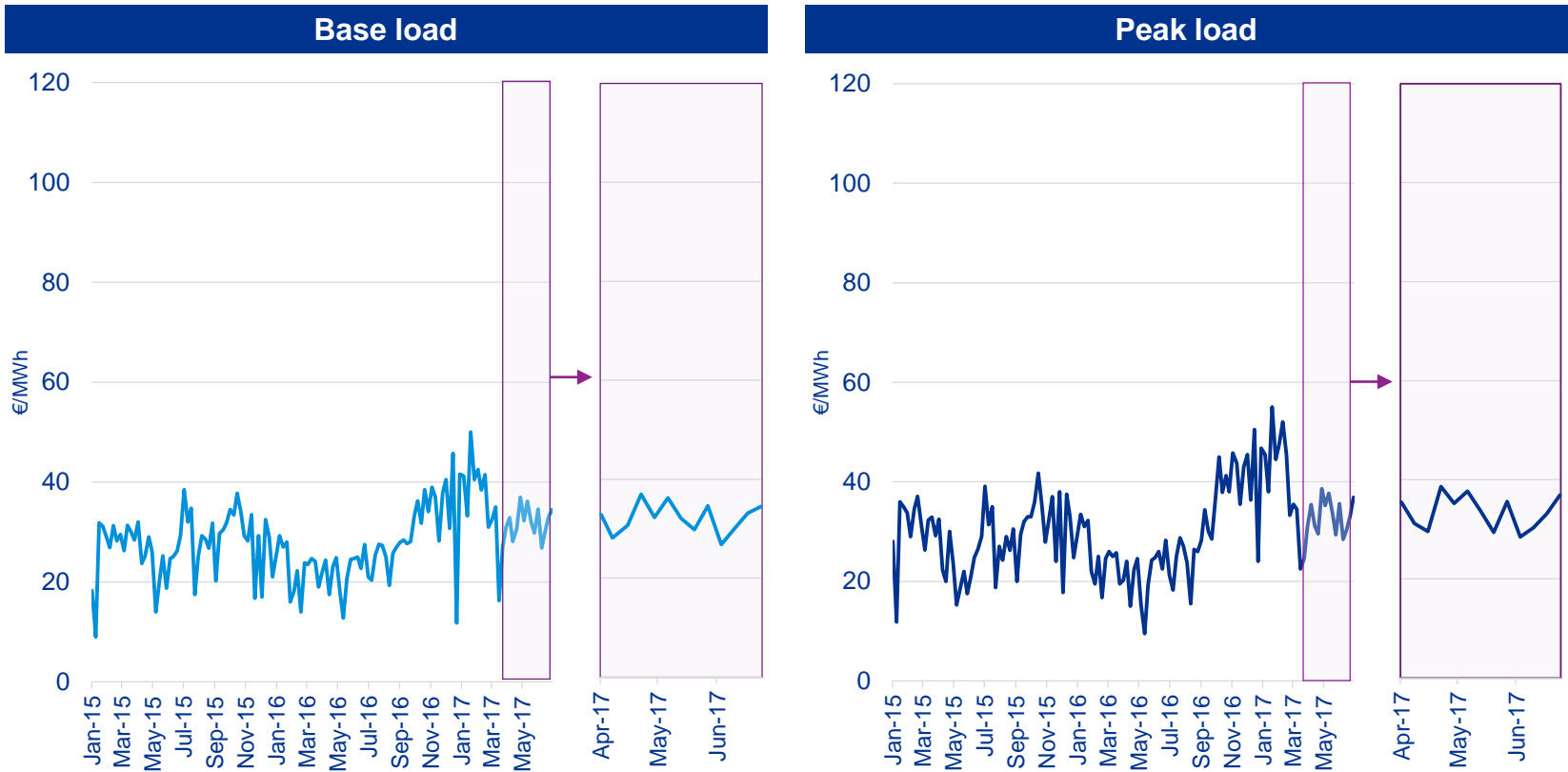
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Price and margins overview

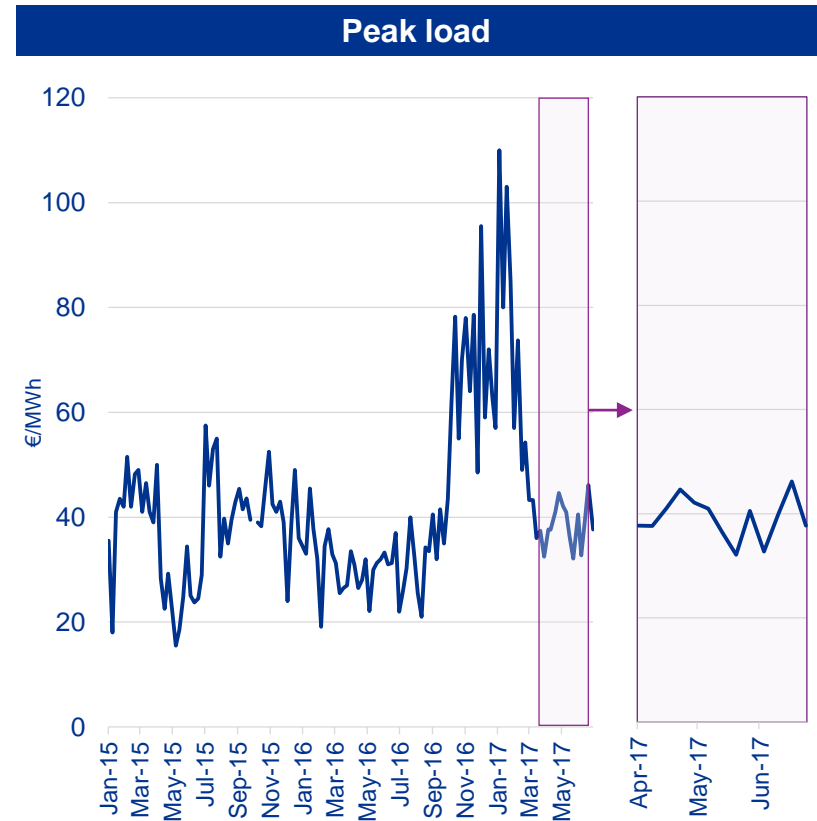
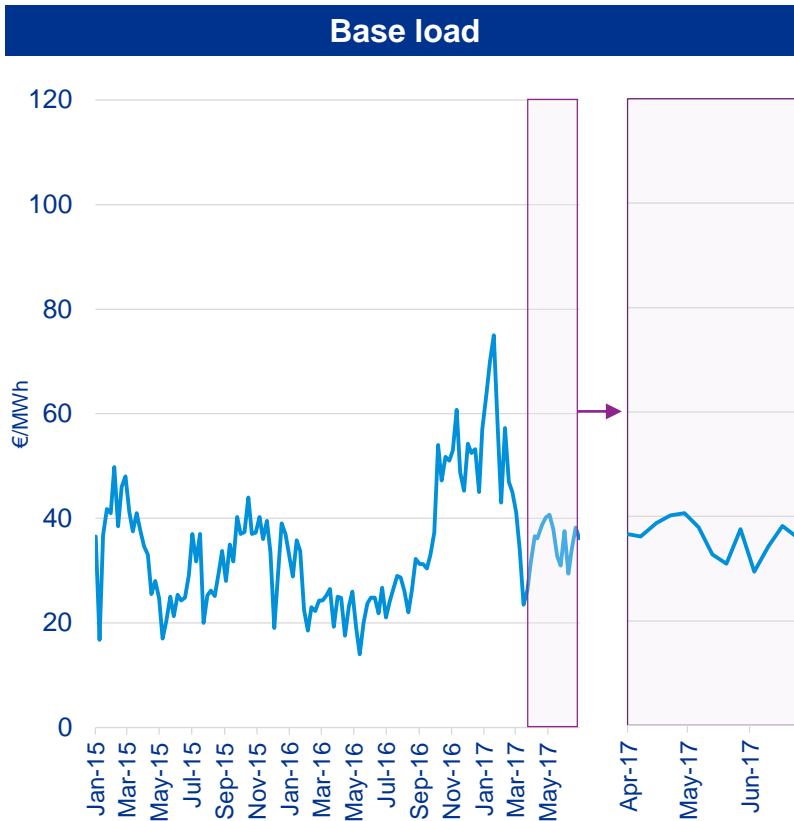
Electricity prices	In general, baseload prices have experienced a more stable behavior during Q2 and baseload/peakload power price differentials have narrowed in major EU countries.
Oil prices	Oil prices (both WTI and Brent) initiated a downward trend during the quarter, falling below US\$50/bbl.
Gas prices	While Henry Hub average prices during the quarter increased by 2.2 percent (reaching 2.94 USD/MMBT in June), EU border prices fell 6.4 percent (5.33 USD/MMBT in June) and NBP prices sank below 40 GBP/MWh (21 percent less than the previous quarter).
Coal prices	Both Colombian and Australian Coal prices decreased during Q2 2017. Colombian Coal led this trend and fell from 77.27 USD/mt in the Q1 to 69.96 USD/mt in this quarter. South African Coal prices increased 2.2 percent in the second quarter compared to the previous one.
Carbon prices	Carbon prices declined slightly during the quarter, reaching an average price of 4.81 €/T, down from 5.11 €/T in the previous period.
Spark spreads	Gas-fired margins (spark spreads) fell across Europe during the period. Germany experienced a negative average spread and France gas-fired margins fell by 87 percent.
Dark spreads	Coal-fired margins (dark spreads) experienced a similar evolution to spark spreads, decreasing across main markets in Europe and returning to low (Germany, France) or negative values (UK).

Electricity price evolution



Source: Bloomberg; 2017.

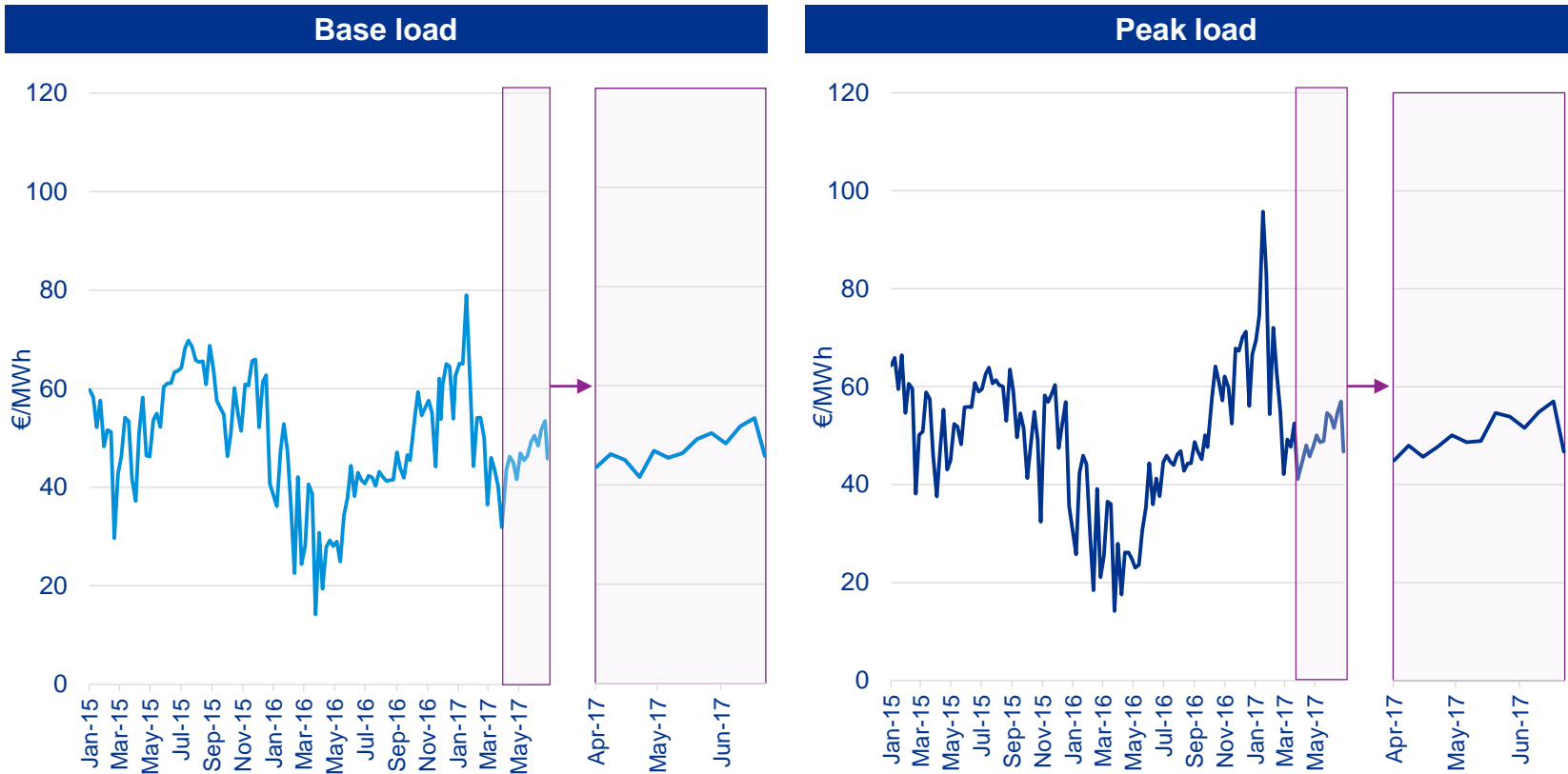
Electricity price evolution



Source: Bloomberg; 2017.

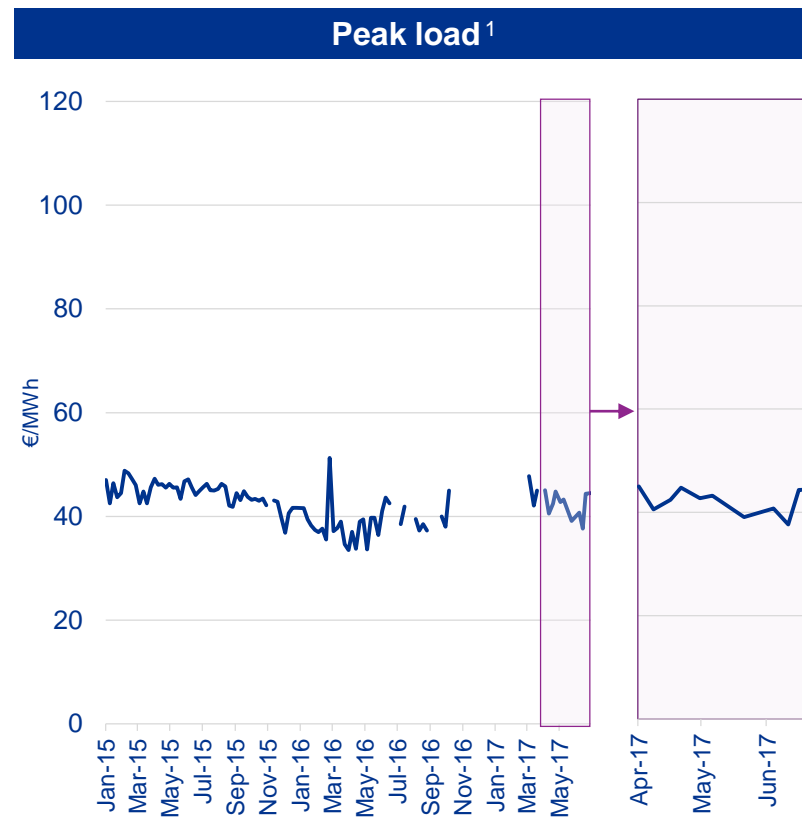
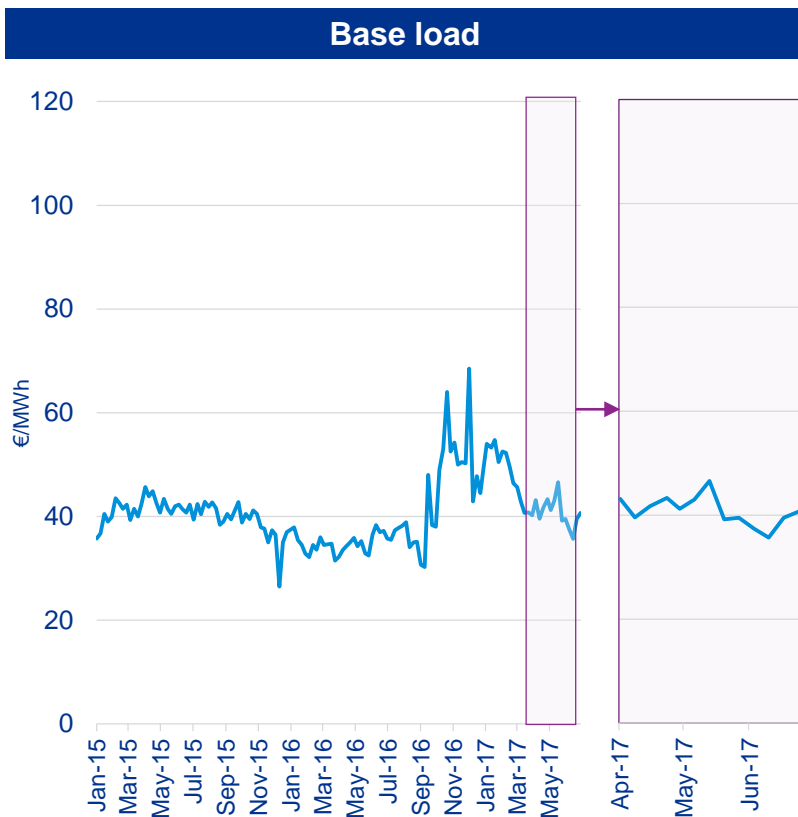
Electricity price evolution

Spain



Source: Bloomberg; 2017.

Electricity price evolution

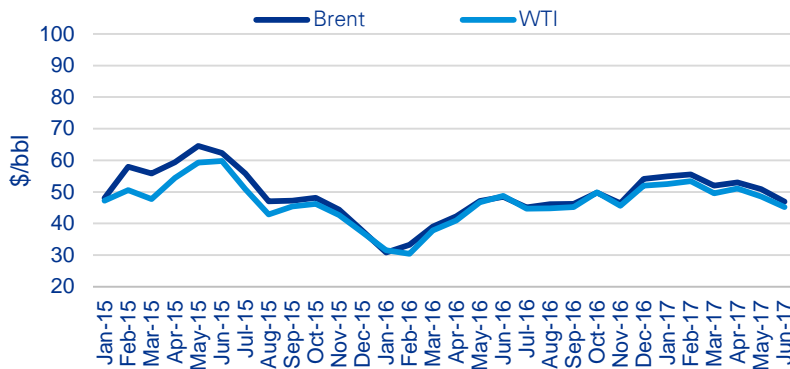


Source: Bloomberg; 2017.

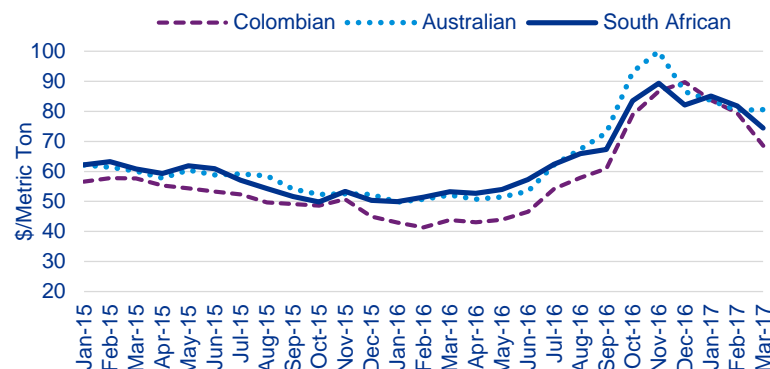
¹ Due to lack of information, the line reflecting peak load prices in 2016 and 2017 is incomplete.

Fuel price evolution

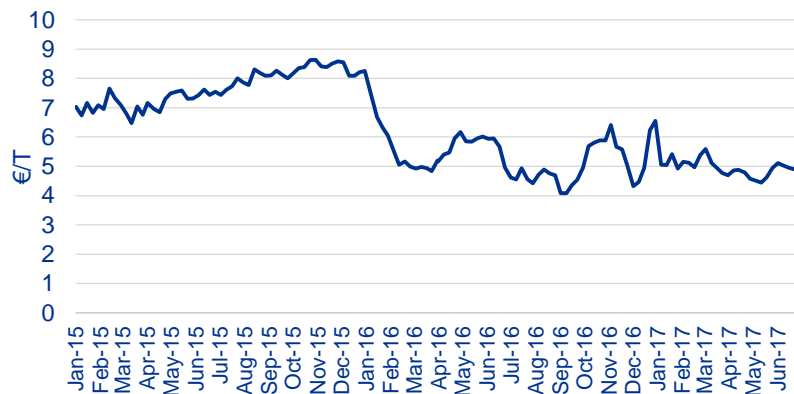
Crude oil



Coal

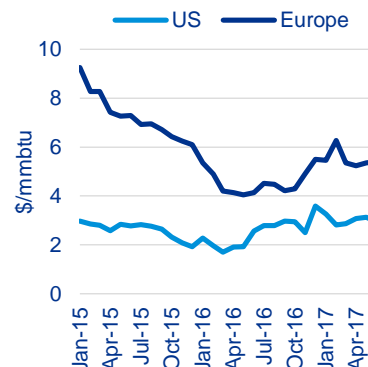


Carbon price — EU ETS

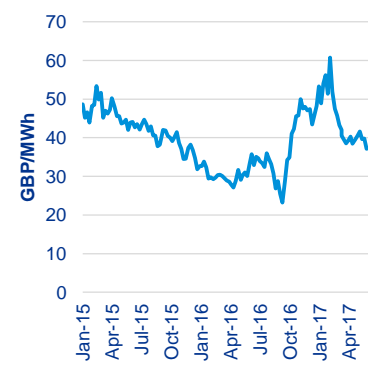


Gas prices

US (H.Hub) and EU (border)



NBP



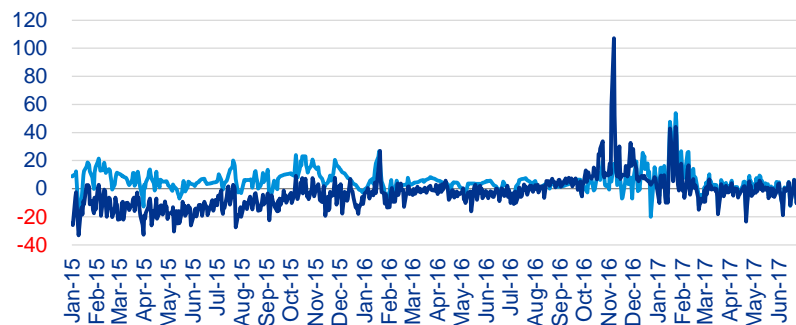
Source: World Bank/Bloomberg; 2017.

Clean dark and spark spreads



Germany

EUR/MWh



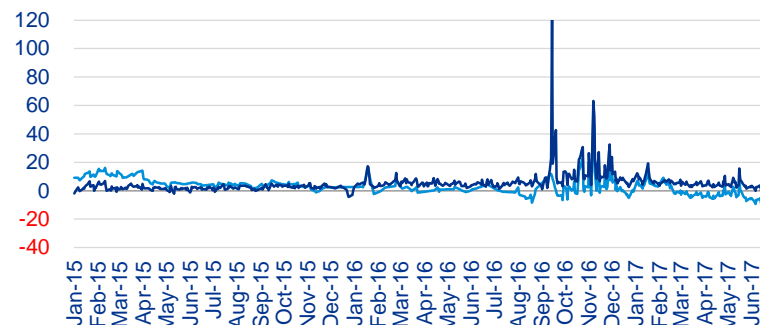
— Clean dark spread

— Clean spark spread



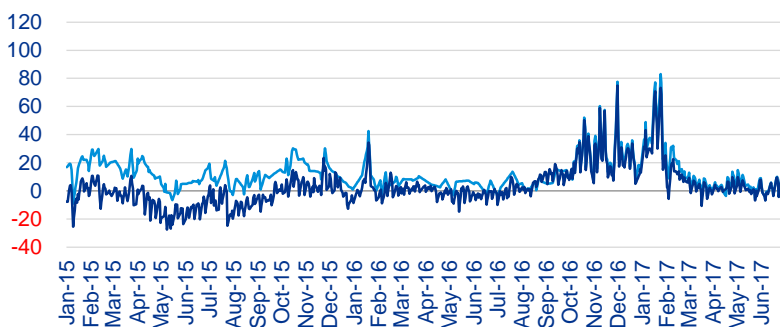
United Kingdom

GBP/MWh



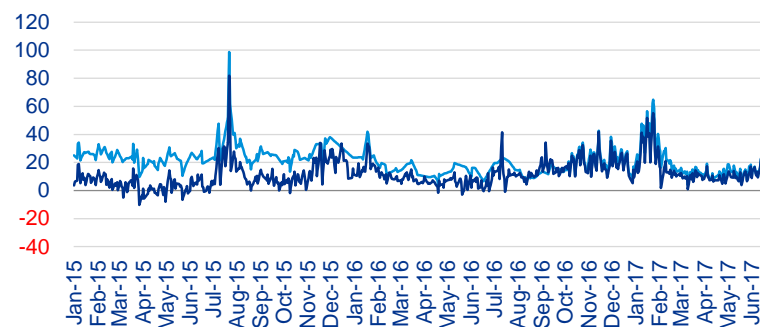
France

EUR/MWh



Italy

EUR/MWh



Source: Bloomberg; 2017.

Regulatory overview

European Union	The Council and the EP have reached an agreement on new Security of Gas Supply Regulation. The main improvements are: introduction of a solidarity principle between MS, closer regional cooperation and greater transparency.
France	The government presented its 'climate plan' that tackles a series of measures aimed at intensifying the fight against climate change. The future laws will target specific areas such as thermal power plants, greenhouse gas or hydrocarbon.
Germany	The government is initiating amendments to the wind energy at sea act by which negative bids shall not be allowed. In addition, the maximum admissible amount for the bids within the second auction shall be 10 Cent/kWh
Italy	AEEGSI 4/2017-DieU determination provides the launch of the new telematic system for the collection of information and functional separation communications regarding functional unbundling of electricity and gas.
Netherlands	The results of the Dutch Parliamentary Elections include a clear win of the People's Party (VVD). A coalition is yet to be formed due to disagreements between parties. A prominent point of dispute remains the closing of the existing coal fired power plants.
Portugal	ERSE issued the directives associated with natural gas tariffs and prices for the gas year 17–18 and the amendment of the natural gas sector tariff regulation with the aim of adapting the regulation to the current legal framework.
Spain	An Order by the Ministry of Energy, Tourism and Digital Agenda has been published determining the allocation procedure of the specific retributive regime, the retributive parameters, and other aspects to be applicable for the renewable capacity auction of 3000 MW announced by Royal Decree on 16 June.
Turkey	Turkish Energy Market Regulatory Authority granted electricity generation license to Akkuyu Nuclear Co. for a period of 49 years for its Akkuyu Nuclear Power Plant project in southern Turkish province of Mersin, a statement issued on 15 June.
United Kingdom	The Secretary of State for Business, Energy and Industrial Strategy, asked for advice to the energy regulator on, "what actions [they] intend to take" with respect to energy price protection, following a Government decision in the Queen's Speech to not legislate immediately on a Standard Variable Tariff (SVT) price cap, although this does remain a possibility.
United States of America	President of the USA Donald Trump announced the withdrawal from Paris Agreement on climate change.

Links to new key regulation



News

Commissioner Arias Cañete reaffirms EU clean energy commitment at G7 Energy Ministerial Meeting. This meeting focused on energy security, including cybersecurity, natural gas and Ukraine; and on the new energy drivers such as renewables energy, sustainable alternatives fuels, energy efficiency and innovation in clean technologies.

[Link I](#)

EU

The Council and the European Parliament have reached, on 27 April 2017 an agreement on new Security of Gas Supply Regulation. The main improvements are: (i) introduction of a solidarity principle between MS, (ii) closer regional cooperation and (iii) greater transparency (natural gas companies will have to notify long-term contracts that are relevant for security of supply, i.e. 28 percent of the annual gas consumption in the Member State).

[Link II](#)

On 24 April 2017, EU Member States approved to invest 22.1 million supporting synergies between transport and energy infrastructure. They will receive funding from the Connecting Europe Facility (CEF). Four of the selected actions refer to the transport priorities 'motorways of the sea', 'maritime ports' and 'multimodal transport modes' with emphasis on the gas sector (EU funding of €8.8 million), two are in the electricity sector addressing roads and multimodal transport modes (EU funding of €12.3 million) and one relates to smart grids, focusing on railway transport (EU funding of €1 million).

[Link III](#)

Links to new key regulation



News

Gas:

The CRE advised to lower the regulated tariffs by 4,3 percent as of 1 July. This suggested decrease is due to the lower than expected costs incurred by the gas provider Engie. The CRE also recommended to alter the supply cost formula used by Engie to include a lower indexation to the €-\$ exchange rate and a higher indexation on the wholesale gas market. These decisions are expected to be released in a national decree during the second half of the year.

[Link I](#)

Renewable energies:

On 5 April, the French government authorized the implementation of the first tidal stream generators park (pilot project). On 5 May, the European Commission approved of the new support mechanism for renewable energies presented by the French government.

[Link II](#)

On 6 June, the French government presented its 'climate plan'. This plan tackles a series of measures aimed at intensifying the fight against climate change. The following areas (highlighted in early July during a press conference of the environment minister) are specifically targeted in the future laws:

Thermal power plants:

All coal-fired thermal plants should be shut down by 2022.

Greenhouse gas

2050 has been set as the year to reach carbon neutrality (greenhouse gas emissions <= captured emissions). This objective could be coupled with a 40 percent increase of the carbon price.

Hydrocarbon

An amendment to the mining code is to be implemented by autumn 2017 to ban new hydrocarbon exploration permits in France (non retroactive). The government announced its intention to the fiscal gap between petrol and gasoil on retail (petrol vehicles will benefit from of the same tax advantage than gasoil vehicles by 2021) and forbid the sale of gasoil and petrol vehicles by 2040 (a premium would be granted for the exchange old vehicles/green-friendly vehicles).

[Link III](#)

France



Links to new key regulation



Germany



News

On 29 June 2017, the Lower House of the German Parliament [Bundestag] passed the Grid Cost Modernisation Act [Netzentgeltmodernisierungsgesetz].

The first key element of the act is the harmonisation of the costs for the usage of the transmission grid. The harmonization will be implemented in five steps with the aim to have the same costs everywhere in Germany by 2023.

The second key element is a reduction of the remuneration for electricity that is fed into the public grid by operators of small local electricity production units. Currently, part of the remuneration corresponds to the grid costs that are not payable by the operator of the grid towards the operator of the upstream grid due to the feed-in. This part of the remuneration will not be paid for new production units starting from 2018 in the case of volatile production units (photovoltaic or wind power plants) and from 2013 in the case of controllable production units (CHP plants).

The act will now be discussed in the Upper House of the German Parliament [Bundesrat] and is expected to come into force in late summer 2017.

[Link I](#)

On 29 June 2017, the Lower House of the German Parliament [Bundestag] also passed the Act on the Supply of Electricity to Tenants [Mieterstromgesetz].

The aim of the act is to make it more profitable for lessors to install a photovoltaic power generation unit and to supply their tenants with electricity produced by such generation unit. Lessors will in the future receive a remuneration not only for the electricity the generation units feed into the public grid, but also for electricity supplied to tenants in the vicinity of the generation unit.

The act will now be discussed in the Upper House of the German Parliament [Bundesrat] and is expected to come into force in autumn 2017.

[Link II](#)

Links to new key regulation



News

Germany



After the renewable energies act (EEG) and the wind energy at sea act (WindSeeG) came into force and effect on 1 January 2017, which both implemented tariff auctions, the first offshore wind auction resulted in an average award price of 0.44 Cent/kWh with 3 projects being completely subsidy-free. Due to this development of tariffs within the auctions the governmental fractions are now initiating further amendments to the wind energy at sea act by which negative bids, i.e. bids with a subsidy of below 0.00 Cent/kWh shall not be allowed. Currently such negative bids would not be excluded from the auction by the wording of the wind energy at sea act. However, a negative bid would always result in a market premium [Marktpremie] of 0.00 Cent/kWh and therefore would not have any negative consequences for the bidder. But in order to avoid any incentives for a competition of the bidders for the lowest negative bid such negative bids shall be expressly excluded by an amendment to the wind energy at sea act.

Further, the draft amendment of the wind energy at sea act provides for another adjustment. The maximum admissible amount for the bids within the second auction shall be 10 Cent/kWh. Within the first round of the auction at the beginning of this year the maximum amount was 10 Cent/kWh. The new maximum admissible amount is calculated in accordance with the average electricity production costs that have been ascertained scientifically.

[Link III](#)

The Federal Network Agency [Bundesnetzagentur] intends to have a stronger participation of renewable energies within the control energy market [Regelenergiemarkt]. Therefore the Federal Network Agency amended its tender terms for secondary and tertiary control energy in order to open the market to operators of wind turbines and photovoltaic plants. Further, exceptions from the lowest bid of at least 5 MW have been implemented allowing also operators of smaller plants to participate in the market.

[Link IV](#)

Links to new key regulation



News

Italy

Resolution 434/2017/R/Gas determines the experimentation about provision of measurement data within the Integrated Information System (Sii), referred to the gas sector.

[Link I](#)

AEEGSI 4/2017-Dieu determination provides the launch of the new telematic system for the collection of information and functional separation communications (collection of the 'Status Information') regarding functional Unbundling of electricity and gas.

[Link II](#)

Introduction of simplifications for the analysis and verification of VIR-RAB deviations, regarding procedure previous to the publication of tenders for the assignment of the natural gas distribution service. (resolution 344/2017/R/gas).

[Link III](#)

AEEGSI 237/2017/R/com resolution defines a procedure for the reimbursement of debranding costs sustained by electricity and gas distributors to be compliant with the obligations introduced by resolution 296/2015/R/com.

[Link IV \(a\)](#)

[Link IV \(b\)](#)

Links to new key regulation



News

Netherlands



On 15 March the Dutch Parliamentary Elections were held. The results include a clear win for Mark Rutte and his People's Party (VVD). A coalition is yet to be formed due to discussions and disagreements between parties trying to find common ground and unify into a coalition. A prominent point of dispute remains the closing of the existing coal fired power plants, which is enforced by Groenlinks and D66 and which is rejected by VVD and CDA.

Following on this, Labor's Party (PvdA) Jos Vos submitted two amendments suggesting to raise efficiency requirements of these plants even further. In reaction to this the Council of State made clear that these requirements are unreasonably high and unachievable using the currently optimal available techniques. "If these plants are to be closed, a more direct approach would be favorable, such as a law demanding closure", the council states.

The dispute remains open-ended until a coalition is actually formed.

[Link I](#)

End of 2016 the Dutch Minister of Economic Affairs announced that Blauwwind II, a consortium of Eneco, Diamond Generation Europe, Shell and Van Oord is the winner of the tender and subsidy and permits for Borssele Wind Farm Sites III & IV (in total 680 MW). The winning bid is 5.45 euro cents per kilowatt-hour. For this tender a subsidy of just 0.3 billion euros is expected instead of the expected 5 billion euros. In the coming three years another 2.1 GW of offshore capacity is being tendered by the Dutch government.

[Link II](#)

Links to new key regulation



News

Netherlands



The Minister assumes that it is possible to have tender winning bids without subsidies. The next wind farm Hollandse Kust Zuid (also approx. 700 MW), will be subject to a new procedure including these bids without subsidies. It is a reaction to the recent zero-subsidy bids in Germany, even though these wind projects do have different characteristics. As higher average wind speed are expected and commercial operation dates are a few years later, allowing companies to profit from technological advancements in the meantime. If no sufficient bids are submitted for the farms in the Netherlands however, the former (subsidy based) procedure will take place. 3 years ago the subsidy expectations for the next five windfarms were estimated at €18b. Currently it is estimated to be less than half with the expectation of further decrease.

[Link III](#)

Links to new key regulation



Portugal



News

Amendment to the Fund's Management for the Systemic Sustainability of the Energy Sector Regulation, which defines the procedure for adopting the rebate mechanism in the Global System Usage tariff for the natural gas system and fixing the amounts allocated to the referred Fund.

[Link I](#)

[Link II](#)

Order 3229/2017 approved the natural gas social tariff from 1 July 2017, defining a 31.2 percent discount for economically vulnerable costumers.

[Link III](#)

Amendment to Administrative Rule, approving the extension of the deadline for the extinction of transitory tariffs applicable to the supply of natural gas to 31 December 2020.

[Link IV](#)

Regulatory Entity for Energy Services (ERSE) designates the Portuguese company OMIP as the operating entity responsibly for the Security Reserve Auction of the National Electric System.

[Link V](#)

Links to new key regulation



News

Portugal



Law 31/2017 approved the principles and general rules related to the public tender procedures applicable to the concessions contract for the exclusive operation of municipal low voltage electricity distribution grids.

[Link VI](#)

The Regulator Entity for Energy Services (ERSE) issued the directives associated with natural gas tariffs and prices for the gas year 2017–2018 and the amendment of the natural gas sector tariff regulation with the aim of adapting the regulation to the current national legal framework.

[Link VII](#)

[Link VIII](#)

The Portuguese Government approved through Decree-Law 64/2017, of 12 June, the general principles and the regime for new forest biomass power plants.

[Link IX](#)

Links to new key regulation



News

Spain

A Resolution by the Secretary of State of Energy has been published establishing the allocation of underground storage capacity as well as injection and extraction rights

[Link I](#)

An Order by the Ministry of the Presidency and for the Territorial Administrations has been published regulating the procedure for the determination of emissions of pollutants SO₂, NO_x, particles, and CO₂ coming from big combustion plants, control of measurement instruments, and the treatment and remission of information relative to those emissions.

[Link II](#)

The CNMC published a Report on the retributive parameters of the type of plants applicable to plants for treatment and reduction of purines.

[Link III](#)

Resolution by the Secretary of State of Energy establishing the content and format of presentation of annual and multiannual investment plans by proprietary firms of power distribution plants.

[Link IV](#)

Law 1/2017 of 9 March establishes additional measures of public health and environment protection during exploration, investigation or exploitation of hydrocarbons using the hydraulic fracture technique.

[Link IV](#)

Links to new key regulation



News

Spain

The CNMC has published Reports on the provisional settlement of the electric sector, the renewable energies, cogeneration and residues sector, and the natural gas sector.

[Link VI](#)

[Link VII](#)

[Link VIII](#)

An Order by the Ministry of Energy, Tourism and Digital Agenda has been published determining the allocation procedure of the specific retributive regime, the retributive parameters, and other aspects to be applicable for the renewable capacity auction of 3000 MW announced by Royal Decree on 16 June.

[Link IX](#)

[Link X](#)

Links to new key regulation



Turkey

News

3 day series of pre-licensing tenders for wind energy power plants in Turkey finalized in June. A total of 710 megawatts (MW) wind capacity pre-licenses were awarded for 11 regions. Over 200 renewable energy firm attended the rally.

[Link I](#)

EMRA issued a new regulation to scrap the previous maximum limit of two regions in which a natural gas company was allowed to distribute gas. Mergers and acquisitions throughout Turkey are on the cards in the natural gas distribution sector, the head of Turkey's Energy Market Regulatory Authority (EMRA) said on 23 June.

[Link II](#)

The number of electricity consumers who are able to exercise their right to buy electricity from their preferred provider reached close to 4 million in April in Turkey, according to the latest Energy Exchange Istanbul (EXIST) data on 3 May.

In 2017, consumers who use more than 2,400 kilowatt-hours of electricity per year qualify as eligible consumers. The number of eligible consumers to avail of more competitive tariffs through a choice of electricity suppliers increased by 9 percent in April compared to March.

[Link III](#)

Links to new key regulation



Turkey



News

Turkey's Privatization Administration plans to accept final offers for 10 hydro plants with a total of 256.4 megawatts (MW) in capacity in the coming 3 months, according to the administration's website on 5 July. Turkey's current installed capacity from hydro plants is 27,000 MW and as of the end of last month, the country's total installed capacity exceeded 80,000 MW. The country generated 25 percent of its electricity from hydro plants in 2016.

[Link IV](#)

Turkish Energy Market Regulatory Authority (EMRA) granted electricity generation license to Akkuyu Nuclear Co. for a period of 49 years for its Akkuyu Nuclear Power Plant project in southern Turkish province of Mersin, a statement issued on 15 June.

[Link V](#)

The construction of Akkuyu Nuclear Power Plant will start in September this year, top officials of Cengiz-Kolin-Kalyon (CKK), a Turkish consortium of contracting conglomerates, said on Tuesday, a sign of a desire to bolster Russia-Turkey cooperation on several fronts. Russian state-owned Rosatom signed an agreement in Moscow with CKK to sell a 49 percent stake in Turkey's Akkuyu nuclear power plant.

[Link VI](#)

Siemens Gamesa Renewable Energy, Kalyon Construction, and Türkerler Energy have formed a tripartite consortium that will participate in an upcoming Wind Energy Renewable Energy Resource Area (YEKA) project bidding.

The project, initiated by the Ministry of Energy and Natural Resources, involves an estimated \$1.2 billion investment to Turkey. It aims at the domestication in equipment and technology and requires at least 65 percent local inputs to establish wind power plants that will have a combined output of 1,000 megawatts.

[Link VII](#)

Links to new key regulation



News

General Election Results, 9 June 2017

- The general election called by Prime Minister Theresa May three years earlier than expected, has led to a hung parliament, whereby no party holds a majority number of seats.
- The Conservatives, which were initially expected to increase their working majority, made a net loss of 13 seats in the 650-seat House of Commons, although are still the largest party.
- A deal with the Democratic Unionist Party (DUP), Northern Ireland's largest, took 2 weeks to negotiate, culminating in a 'Confidence and Supply Agreement,' whereby the DUP will support the Conservatives on key Commons votes, in return for concessions made to the DUP.
- The Conservative manifesto focused on affordability (also a priority for the DUP), strong support for shale gas and electric vehicles, and a downgrade of the 2020 EU renewables target, whilst Labour proposals included part renationalisation of energy companies, a ban on fracking and aiming to source 60 percent of UK energy from zero carbon or renewable energy by 2030.
- The hung parliament will likely to lead to some Conservative proposals being dropped.

[Link I](#)

UK



Future regulation of the retail market, 21 June 2017

- Greg Clark, Secretary of State for Business, Energy and Industrial Strategy, wrote to the energy regulator, Ofgem, on 21 June, asking them to advise him on, "what actions [they] intend to take" with respect to energy price protection, in particular for those on the poorest value tariffs and for micro-businesses.
- This follows a Government decision in the Queen's Speech to not legislate immediately on a Standard Variable Tariff (SVT) price cap, although this does remain a possibility.
- Clark's letter referred to the Competition and Markets Authority (CMA)'s analysis, which in 2016 concluded that the average detriment to consumers was "£1.4 billion a year over the period" examined, as a result of the current tariff structures available. His note also provided a high-level assessment of some options Ofgem could consider in addressing the areas of concern the Government has highlighted.
- Any action now taken by Ofgem and the Government is likely to have a significant effect on the operation of the retail energy market, including on pricing, tariff structure, customer acquisition, customer retention, and investment in customer services.

[Link II](#)

Links to new key regulation



News

Update on Brexit, June 2017

- The current Government remains committed to leaving the Single Market.
- This implies also leaving the Internal Energy Market, but then seeking access through a new free trade deal that allows continued and harmonised tariff-free electricity and gas trading.
- The Government has also signalled that the UK will leave the Euratom organisation, which governs the safety of nuclear fuels and other components in the nuclear industry.
- Finalising any new deals, and putting in place new arrangements for nuclear safety, is likely to go beyond the March 2019 deadline, by which point the UK is expected to leave the EU, per the requirements of Article 50.
- Transitional arrangements will therefore almost certainly be needed in the months that follow an exit from the EU.

[Link III](#)

National Grid launches *System Needs and Product Strategy* paper, June 2017

- Feedback from market participants has previously suggested that balancing services can be unclear and overly complicated. National Grid, as the System Operator, published this paper as the first step towards improving the way in which information is shared and to consult on its provision of balancing services.
- National Grid aims to remove some of the current barriers in place, allowing the system to make better use of all available resources. Responses for this consultation are requested by 18 July 2017.

[Link IV](#)

Embedded Benefits Review Conclusion, 22 June 2017

- Following concerns from industry about the electricity transmission network charging arrangements for smaller embedded generators, whereby exemptions and payments referred to as 'Embedded Benefits' have been seen as a distortion to the market, Ofgem carried out a consultation on potential proposals to remedy these distortions.
- Ofgem have concluded that the level of TNUoS Demand Residual payments to smaller EG should be reduced from their current level to the 'avoided Grid Supply Point cost', ensuring the payments are more cost reflective. The changes are to be introduced over a 3 year phased implementation, beginning on 1 April 2018.
- During this transitional period, Ofgem are also proposing to undertake the Targeted Charging Review which will consider the other benefits received by smaller EG, alongside the wider question of how residual/cost recovery charges should be levied.

[Link V](#)

UK



Links to new key regulation



News

USA

President of the USA Donald Trump has announced the withdrawal from Paris Agreement on climate change.

[Link I](#)

A Presidential Executive Order has been approved on 'Promoting Energy Independence and Economic Growth' with the aim of reviewing the Clean Energy Plan of 2015 setting the CO2 emissions reduction target to 2030.

[Link II](#)

Three Mile Island Nuclear plant has announced its intention to shut off in 2019 unless it is given assistance by the state.

[Link III](#)

NERC anticipates that power resources will be able to meet the reference margin levels in most Assessment Areas this summer. The anticipated reserve margin in ISO-NE is projected to be at 14.88 percent, which is slightly below their Reference Margin Level of 15.1 percent.

[Link IV](#)

Capital markets overview

Eurostoxx Utilities	Eurostoxx Utilities index increased an average of 11.88 percent QoQ. The Index gained 8.58 percent in the last 12 months.
Best performance	RWE AG and Gas Natural registered the best performance in Q2 2017 in terms of share price, in a quarter where 15 out of the 18 European players have experienced a positive QoQ price evolution.
Valuation levels	Valuation levels in the sector averaged at 7.5 EV/EBITDA in Q2 2017, the same as in the previous quarter.
EBITDA multiples	Wide differences persist in EBITDA multiples, with Enagás, Snam S.p.A., RWE AG and Iberdrola reaching highest values, trading above x10.5 EV/EBITDA.
Net debt levels	Net debt levels remained stable at 3.14 x EBITDA in Q2 2017, very close to the figure registered in Q1 2017 (3.16 x EBITDA).
Credit ratings	There weren't any changes in credit ratings in the European sector during the quarter.

Share price evolution: Overview

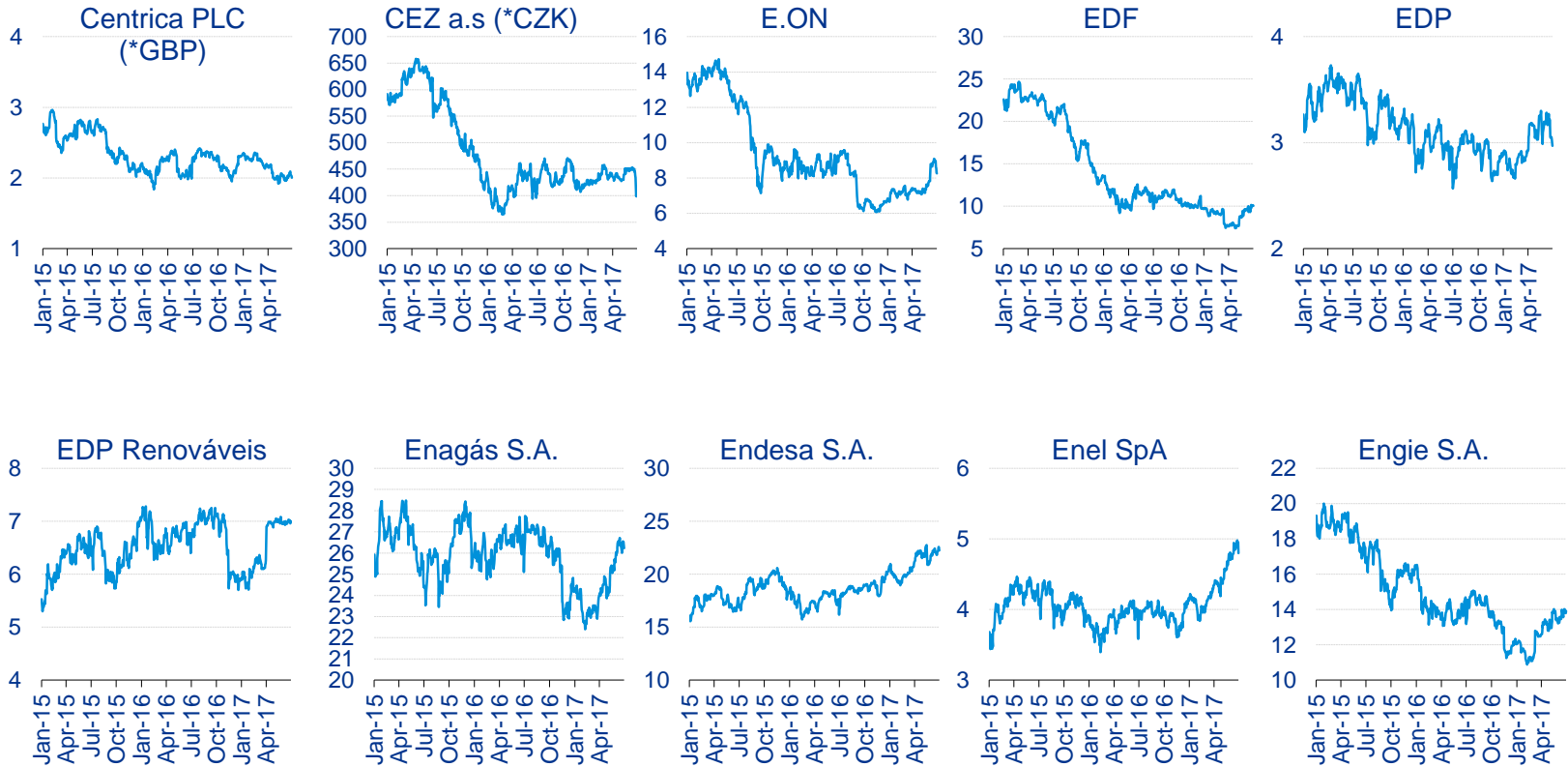
Company	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Last Quarter Q2 2017/ Q1 2017 ▼	Last Year Q2 2017/ Q2 2016 ▼
Centrica plc (*GBP)	2.65	2.69	2.54	2.21	2.11	2.16	2.33	2.15	2.26	2.04	-9.98%	-5.79%
CEZ as (*CZK)	600.33	624.53	557.01	467.82	391.38	428.52	436.75	435.84	435.62	437.61	0.46%	2.12%
E.ON SE	13.61	13.58	10.6	9	8.62	8.65	8.33	6.45	7.14	7.74	8.52%	-10.48%
EDF	23.12	22.11	19.52	15.19	10.94	11.29	11.22	10.12	8.85	8.86	0.12%	-21.50%
EDP	3.39	3.54	3.3	3.27	3.01	2.97	2.97	2.84	2.84	3.13	10.31%	5.37%
EDP Renováveis	5.95	6.48	6.3	6.46	6.72	6.72	7.04	6.31	6.13	6.98	13.87%	3.85%
Enagás SA	26.78	26.66	25.16	27.1	25.88	26.7	26.82	24.61	23.43	25.37	8.27%	-4.98%
Endesa SA	17.29	17.56	18.57	19.45	17.05	17.76	18.54	19.24	20.04	21.85	9.06%	23.03%
Enel SpA	3.96	4.28	4.12	4.06	3.72	3.93	3.99	3.88	4.10	4.62	12.49%	17.49%
ENGIE SA (GDF Suez S.A.)	18.9	18.25	16.36	15.85	14.19	13.79	14.41	12.4	11.88	13.48	13.53%	-2.22%
Fortum Oyj	19.4	17.61	15.24	13.79	12.88	13.14	14.26	14.48	14.59	13.84	-5.17%	5.31%
Gas Natural SDG SA	20.7	21.84	19.11	19.46	17	17.49	18.31	17.19	18.32	21.17	15.55%	21.05%
Iberdrola SA	5.91	6.14	6.13	6.43	6.13	5.99	5.98	5.93	6.17	6.89	11.69%	14.96%
National Grid plc (*GBP)	8.99	8.84	8.54	9.23	9.58	9.9	10.82	9.83	9.63	10.74	11.60%	8.53%
REE ¹	74.06	75.75	72.12	78.82	73.94	77.88	19.811	17.82	17.21	19.17	11.40%	-1.54%
RWE AG	23.97	22.1	15.78	11.81	11.28	12.21	15.06	12.7	13.28	17.01	28.09%	39.30%
Snam SpA	4.32	4.56	4.45	4.71	5.02	5.21	5.06	4.09	3.81	4.11	7.87%	-21.13%
SSE Plc (*GBP)	15.5	16	15.08	14.98	14.26	15.1	15.5	15.23	15.19	14.71	-3.15%	-2.58%
Eurostoxx Utilities	292.9	291.9	269.1	264	249.28	251.42	255.19	238.6	244.04	273.03	11.88%	8.59%

Source: Bloomberg; 2017.

¹ On July 11 REE executed a 4-to-1 stock split. Values in Q3 2016 reflect that split.

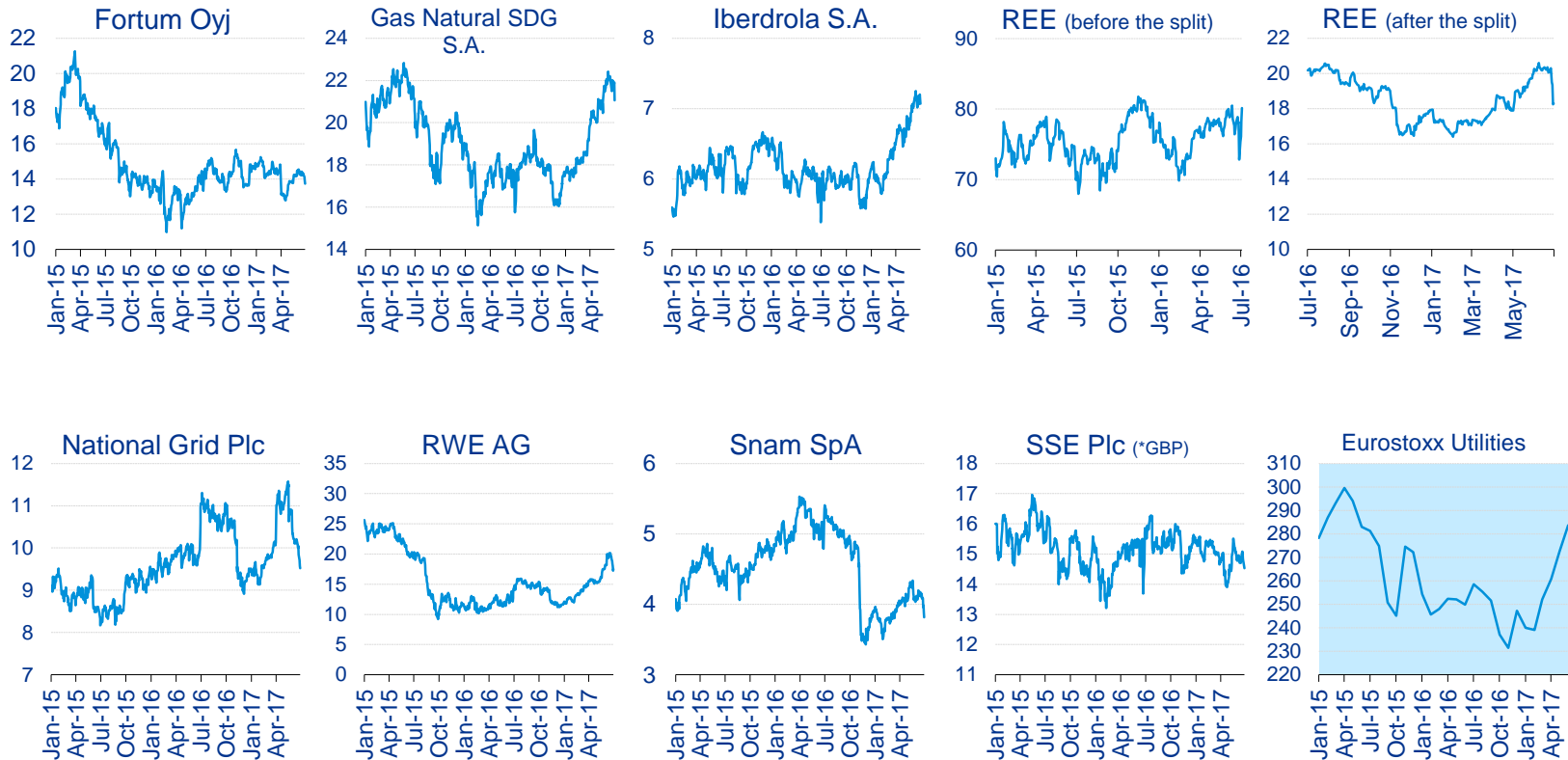
² Percentages are calculated assuming a Q2 2017 average stock value of 76.68. Otherwise due to the 4-to-1 stock split the percentage would not reflect the real evolution of the value.

Share price evolution: Individual stocks (1)



Source: Bloomberg; 2017.

Share price evolution: Individual stocks (2)



Source: Bloomberg; 2017.

Relative valuation per company

	TEV (as of 31 Mar) /EBITDA (LTM) ▼	TEV (EUR mill.) (as of 31 Mar)	Market Capitalization (EUR mill.) (as of 31 Mar)
Enagás. S.A.	13.7x	11,950.9	5,860.9
Snam S.p.A.	11.9x	23,732.9	13,038.9
RWE Aktiengesellschaft	10.9x	20,679.4	10,575.4
Iberdrola. S.A.	10.6x	76,180.3	43,686.3
National Grid plc	10.4x	60,703.4	36,957.6
Fortum Oyj	10.1x	12,136.3	12,197.3
EDP — Energias de Portugal. S.A.	9.9x	32,175.8	10,405.5
Red Eléctrica Corporación. S.A.	9.9x	14,715.8	9,863.1
EDP Renováveis. S.A.	9.4x	10,785.9	6,073.9
Gas Natural SDG. S.A.	8.9x	39,530.7	20,488.7
Endesa. S.A.	8.0x	26,635.0	21,355.0
SSE plc	8.0x	24,434.0	16,469.8
Enel SpA	7.5x	104,911.4	47,722.4
Centrica plc	7.3x	17,906.9	12,640.2
ENGIE SA	6.2x	64,182.4	31,686.4
CEZ. a. s.	5.8x	12,564.4	8,147.7
Electricite de France SA	4.4x	70,366.9	27,355.9
E.ON SE	4.2x	25,026.2	17,773.2
	Weighted average: 7.5	648,618.60	352,298.20

Source: S&P Capital IQ; 2017

Leverage and credit ratings

	LTM Net Debt/ EBITDA ▼	Rating S&P	S&P Financial Update	Rating Moody's	Date	Rating Fitch	Date
Enagás. S.A.	7.00	A-	Apr 30-17	Baa2	Dec 20-16	A-	Jun 19-17
Snam S.p.A.	5.36	BBB	May 16-17	Baa1	Dec 12-16	BBB+	Oct 26-16
EDP — Energias de Portugal, S.A.	5.31	BB+	May 14-17	Baa3	Apr 03-17	BBB-	Mar 22-17
National Grid plc	4.12	A-	Jun 07-17	Baa1	Dec 13-16	BBB	Mar 06-17
Iberdrola, S.A.	4.10	BBB+	May 04-17	Baa1	Apr 25-17	BBB+	Oct 26-16
RWE Aktiengesellschaft	3.62	BBB-	May 16-17	Baa3	Jun 30-17	BBB	Apr 06-17
EDP Renováveis, S.A.	3.46	-	-	-	-	-	-
Gas Natural SDG, S.A.	3.38	BBB	May 16-17	Baa2	Feb 13-16	BBB+	Mar 22-17
Red Eléctrica Corporación, S.A.	3.25	A-	Apr 28-17	-	-	A	Oct 26-16
SSE plc	2.81	A-	Jun 17-17	A3	Oct 03-16	BBB+	Mar 22-17
Enel SpA	2.77	BBB	May 17-17	Baa2	Dec 12-16	BBB+	May 16-17
ENGIE SA	2.76	A-	Mar 05-17	A2	Apr 27-17	-	-
Electricité de France S.A.	2.37	A-	Feb 16-17	A3	Sep 28-16	A-	Oct 26-16
Centrica plc	2.17	BBB+	Mar 24-17	Baa1	May 13-16	A-	Mar 22-17
CEZ, a. s.	1.85	A-	May 18-17	Baa1	Apr 06-16	A-	Mar 22-17
Endesa, S.A.	1.51	BBB	May 12-17	-	-	BBB+	May 16-17
E.ON SE	0.87	BBB	May 14-17	Baa2	May 16-17	BBB+	Sep 21-17
Fortum Oyj	-0.14	BBB+	Apr 29-17	Baa1	Feb 13-16	BBB+	Mar 22-17
Average:	3.14	Mode: A-		Baa1		BBB+	

Quarterly rating variation: Upgrade Unchanged Downgrade

Source: S&P Capital IQ/Moody's/Fitch; 2017.

Global M&A overview

Main trends

The largest deals during Q2 2017 targeted mostly US companies (Seven American companies in the top 10). The total value of these deals amounted to 3,916 million €.

Main transactions

Acquisition of **Navigator Energy Services, LLC**, a US-based company that owns and operates crude oil transportation, pipeline gathering and storage assets by **NuStar Energy L.P.**, (€1,392m).

Sale of 11.8 percent of **Portland Natural Gas Transmission System, LP** and 49.3 percent of **Iroquois Gas Transmission System, L.P.**, both US-based companies that own and operate natural gas pipelines to **TC PipeLines, LP** (€700m).

Purchase of **NK KondaNefit JSC**, a Russia-based oil exploration and production company that operates oil fields by **Rosneft Oil Company OAO** (€659m).

Acquisition of **LINN Energy, LLC assets in Western Wyoming**, a US-based company focused in upstream and midstream developments by **Jonah Energy LLC**, (€533m).

Purchase of a 795 MW natural gas-fired power generation plant property of **Decatur Energy Center, LLC**, by **Capital Power Corporation**, (€416m).

Top-10 M&A operations in Q2 2017 by deal value ⁽¹⁾

Date	Target company	Target description	Target country	Bidder company	Bidder country	Seller company	Deal value EUR(m)
11/04/2017	Navigator Energy Services, LLC	US-based company that owns and operates crude oil transportation, pipeline gathering and storage assets	USA	NuStar Energy L.P.	USA	First Reserve	1392
04/05/2017	Portland Natural Gas Transmission System, LP (11.8 percent Stake); Iroquois Gas Transmission System, L.P. (49.3 percent Stake)	US-based company that owns and operates an interstate natural gas pipeline system; US-based natural gas pipeline company	USA; USA	TC PipeLines, LP	USA	TransCanada Corporation	700
11/04/2017	NK KondaNeft JSC	Russia-based oil exploration and production company that operates oil fields	Russia	Rosneft Oil Company OAO	Russia	The Independent Petroleum Company	659
02/05/2017	LINN Energy, LLC (Assets in Western Wyoming)	US-based energy assets of LINN Energy, LLC, a company focused in upstream and midstream developments	USA	Jonah Energy LLC	USA	LINN Energy, Inc.	533
12/04/2017	Decatur Energy Center, LLC	US-based 795 MW natural gas-fired power generation plant	USA	Capital Power Corporation	Canada	LS Power Group	416

Source: Mergermarket; 2017.

Top-10 M&A operations in Q2 2017 by deal value (2)

Announced date	Target company	Target description	Target country	Bidder company	Bidder country	Seller company	Deal value EUR(m)
10/05/2017	SEACOR Marine Holdings, Inc.	US-based company engaged in providing marine transportation services	USA	SEACOR Holdings Inc (Shareholders)	USA	SEACOR Holdings Inc	404
04/04/2017	Nova Transportadora do Sudeste S.A. (7.65 percent Stake)	Brazil-based company engaged in the construction, installation, operation, and maintenance of natural gas pipeline	Brazil	Itausa — Investimentos Itau SA	Brazil	Nova Infraestrutura Fundo de Investimentos em Participacoes	274
30/06/2017	Pattern Energy Group Inc. (324 MW Broadview Wind power facility)	US-based 324 megawatt Broadview Wind power facility and associated independent 35-mile 345 kV Western Interconnect transmission line of Pattern Development	USA	Pattern Energy Group Inc.	USA	Pattern Energy Group LP	242
02/05/2017	Lucid Energy Group LLC	US-based midstream services company providing gathering, treating, processing, compression and transportation services	USA	Magnetar Capital LLC	USA		229
03/05/2017	Velocita Energy Developments Ltd. (3 wind farms located in the Bourgogne-Franche-Comte region of France)	France-based three wind farms located in the Bourgogne-Franche-Comte region of France with a total aggregate installed capacity of 119.5 MW	France	Innergex Renewable Energy Inc.; Desjardins Group Pension Plan	Canada; Canada	Velocita Group	226

Source: Mergermarket; 2017.

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