

Macro should continue to help

- Our view in a nutshell:** We retain our Buy recommendation on EDP. The shares continue to look undervalued and should benefit from further recovery in the Portuguese economy, translating into lower spreads. Furthermore, we are more bullish on the outlook for EDPR (see our report, *Capital rotation affords further growth; up to Buy*). Yes, EDP still faces some challenges, not least an over-indebted balance sheet and an increase in (asset) taxation. Nevertheless, we expect gearing to continue to decline (capital recycling, tariff deficit recoveries and cash flow) even if, as we assume, the asset tax remains in place. Consequently, we see the all-important dividend being covered and EDP remaining one of the top dividend payers in the sector. We maintain our Buy rating and keep our price target at €3.80 per share. Our black-sky/blue-sky valuation range is -4%/+17%.
- Shares are still undervalued:** We see 7% upside to the current share price. Our black-sky target price is €3.42, -4%, which incorporates a lower Iberian power price and reduction in wind output versus our base case. Our blue-sky target price is €4.18, +17%, incorporating a higher Iberian power price and higher wind output versus the base case. We have also stripped out EDPR (Buy) from EDP at market value. The P/E of this core also compares well against other southern European utilities. We value EDP on a blend of multiples and sum of the parts.
- We are not so different from consensus:** Our forecasts are not materially different from consensus EPS except for 2016 where we are 6% below, because we have kept the asset tax in place. Our estimates are in line/-1%/-2% versus consensus at the EBITDA level for 2014/2015/2016 respectively. We assume consolidation of ENEOP in 2015.
- Catalysts to drive the shares**
 - Portuguese, Spanish and Brazilian tariff deficit progression.
 - New renewables projects, project completions and disposals (including CTG and financial buyers).
 - Unknown timing – US PTC extension.
 - Latin American currency movements, rainfall, especially Brazil (October onwards).
 - The Portuguese macroeconomic outlook.

Y/E 31.12., EURm	2012	2013	2014E	2015E	2016E
EBITDA	3,628	3,617	3,527	3,687	3,773
EBIT	2,143	2,085	2,132	2,269	2,341
EPS	0.28	0.28	0.26	0.27	0.27
DPS	0.19	0.19	0.19	0.19	0.19
FCF per share	0.0	0.4	0.4	0.2	0.4
Y/E net debt (net cash)	18,233	17,451	17,011	16,439	15,709
EBITDA Growth	-3.4%	-0.3%	-2.5%	4.6%	2.3%
EPS Growth	-10.6%	-0.7%	-6.7%	5.6%	-0.9%
DPS Growth	0.0%	0.0%	0.0%	0.0%	0.0%
ROCE	6.7%	6.7%	6.5%	6.9%	7.2%
EV/EBITDA	9.7x	9.4x	9.5x	9.0x	8.6x
P/E	12.9x	12.9x	13.9x	13.1x	13.3x
Dividend Yield	5.2%	5.2%	5.2%	5.2%	5.2%
FCF Yield	-0.1%	11.8%	10.3%	6.9%	10.7%

Source: Company data, Berenberg

Buy

Current price EUR 3.56 Price target EUR 3.80

21/08/2014 Lisbon Close
Market cap EUR 13,017m
Reuters EDP.LS
Bloomberg EDP PL

Changes made in this note

Rating **Buy** (no change)
Price target **EUR 3.80** (no change)

Chg	2014E		2015E		2016E	
	old	Δ%	old	Δ%	old	Δ%
EBITDA	3,524	0.1	3,722	-0.9	3,768	0.1
EBIT	2,129	0.1	2,304	-1.5	2,346	-0.2
EPS	0.24	6.4	0.26	2.7	0.27	-2.3

Source: Berenberg estimates

Share data

Shares outstanding (m) 3,657
Enterprise value (EURm) 33,641
Daily trading volume 5,090,641

Performance data

High 52 weeks (EUR) 3.75
Low 52 weeks (EUR) 2.46
Relative performance to SXXP SX6P
1 month 3.3 % 3.7 %
3 months 3.9 % 0.5 %
12 months 20.7 % 10.8 %



22 August 2014

Lawson Steele

Analyst
+44 20 3207 7887
lawson.steele@berenberg.com

Andrew Fisher

Analyst
+44 20 3207 7937
andrew.fisher@berenberg.com

Oliver Salvesen

Analyst
+44 20 3207 7818
oliver.salvesen@berenberg.com

Mehul Mahatma

Analyst
+44 20 3465 2698
mehul.mahatma@berenberg.com

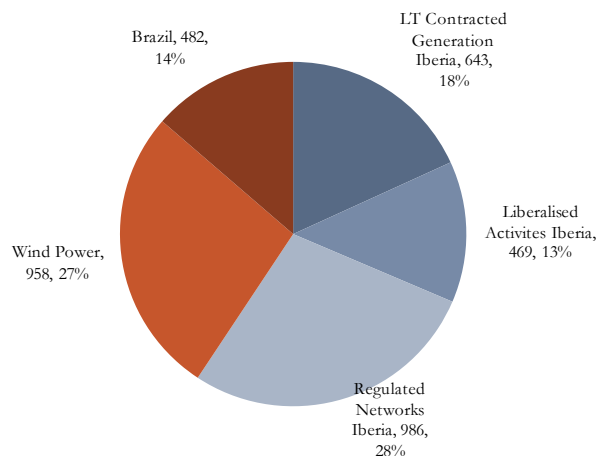
Benita Barretto, CFA

Specialist Sales
+44 20 3207 7829
benita.barretto@berenberg.com

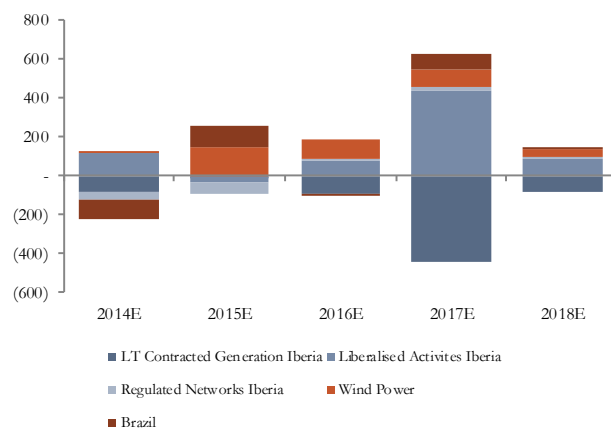
Summary: key charts and valuation

Summary financials and valuation

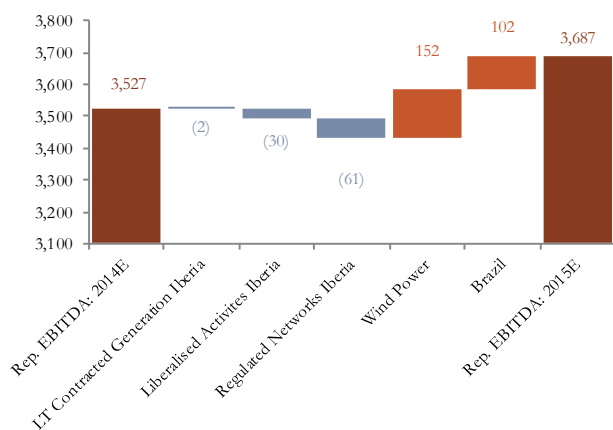
EBITDA Breakdown (2014E)



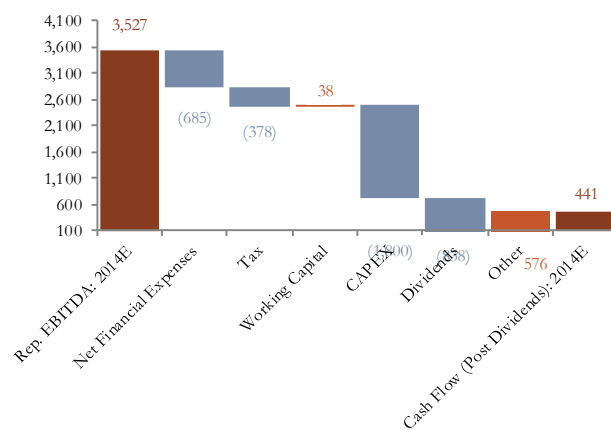
EBITDA y/y Change (2014E to 2018E)



EBITDA Bridge (2014E to 2015E)

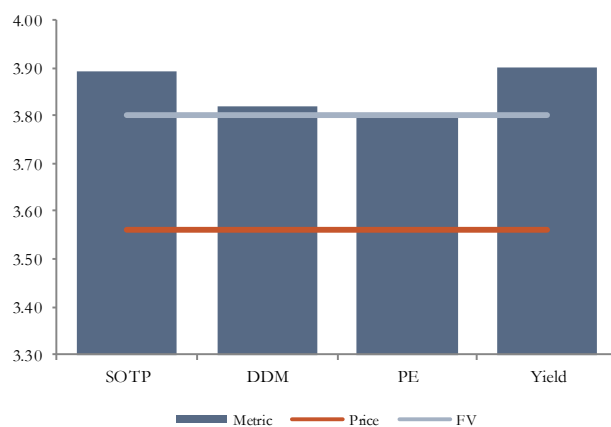


Cash Flow Waterfall (2014E)



SOTP (€ m)	Value	€/Share	x*	Method
LT Contracted Genera	1,477	0.40	2.3	DCF
Liberalised Activites Ib	9,006	2.46	20.5	DCF
Regulated Networks Ib	7,578	2.07	8.2	DCF
Wind Power	8,166	2.23	7.4	Tgt EV
Brazil	5,300	1.45	9.1	DCF
Other	460	0.13	(40.4)	DCF
Enterprise Value	31,987	8.75	8.7	
Liabilities	(17,748)	(4.85)	(4.8)	
Equity	14,239	3.89		
NOSH	3,657			2015E
Equity per Share	3.89			
DPS	-			
Sum of the Parts	3.89			

Blended Valuation

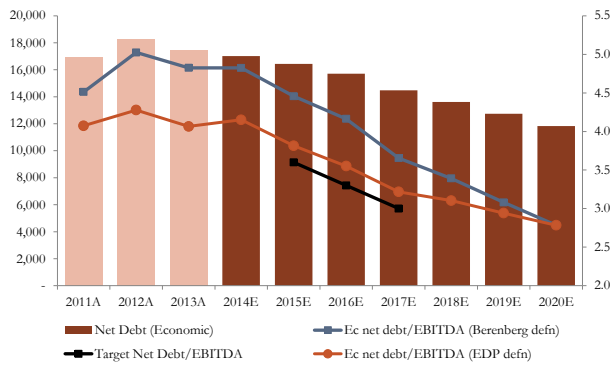


*EV/EBITDA

Source: Berenberg

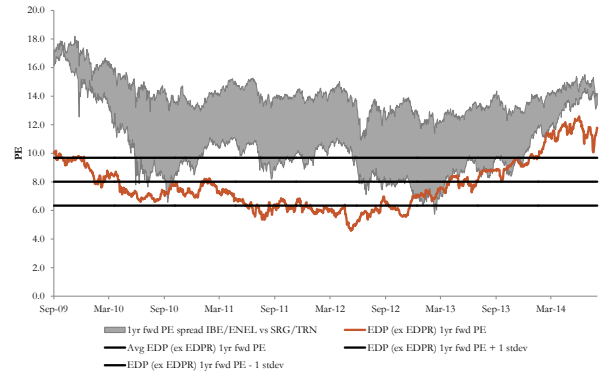
Investment thesis in pictures

Steady decline in gearing



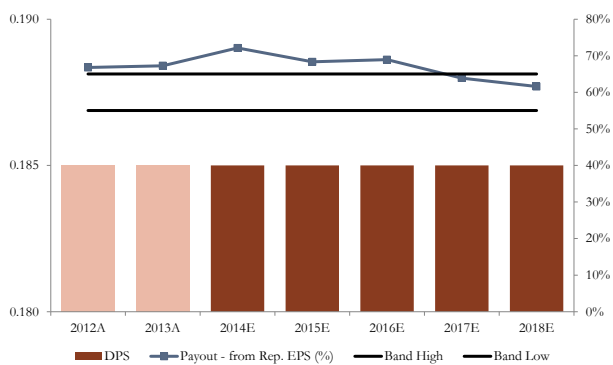
Source: Berenberg estimates

Valuation looks compelling



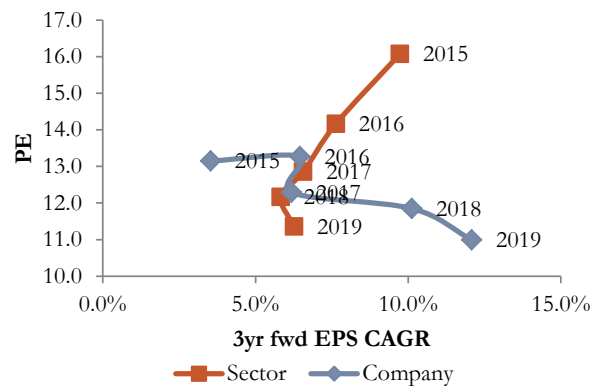
Source: Berenberg estimates

Dividend secure despite payout above threshold



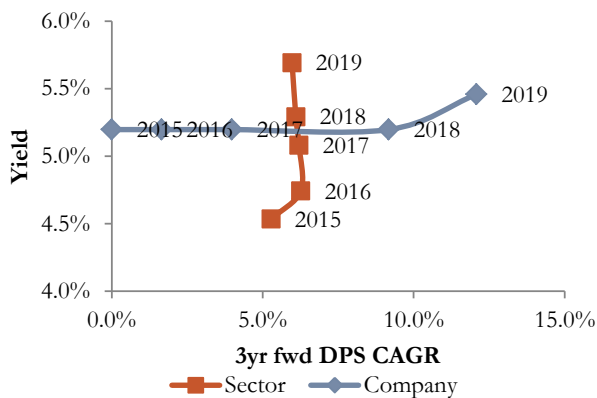
Source: Berenberg estimates

P/E disconnect to sector



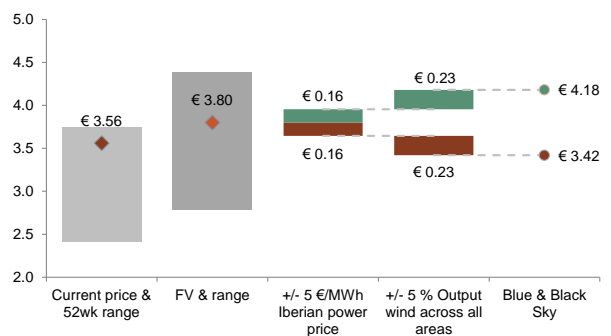
Source: Berenberg estimates

Significantly higher yield



Source: Berenberg estimates

Black sky/blue sky (€/share)



Source: Berenberg estimates

For a detailed explanation of the key issues relating to the six charts above, see the Catalysts and key issues sections of the report below.

Catalysts and key issues

+/-	Summary
➡	Steadily improving balance sheet - Leverage falling - Portuguese tariff deficit peaks in 2015 - Spanish tariff deficit recovers this year - Capital rotation will aid wind expansion - Capex cuts are near the bone - Cost-cutting has not much more left
➡	A significant yielder in the sector; dividend looks secure
➡	Valuation of EDP ex EDPR looks attractive
➡	We do assume hydro normalisation in Brazil and Iberia
➡	End of long-term contracts raises risk exposure
➡	EU challenge looks set to be benign
➡	Portuguese distribution review likely to be a mild negative
➡	Portugal is accelerating out of trouble
➡	Portuguese energy tax here to stay
➡	Subsidiary EDPR looks undervalued - Continued asset rotation supports growth - YieldCos should have a positive effect on valuation - Ability to accelerate growth if EDP loosens the financial corset

Catalysts and key issues in detail.

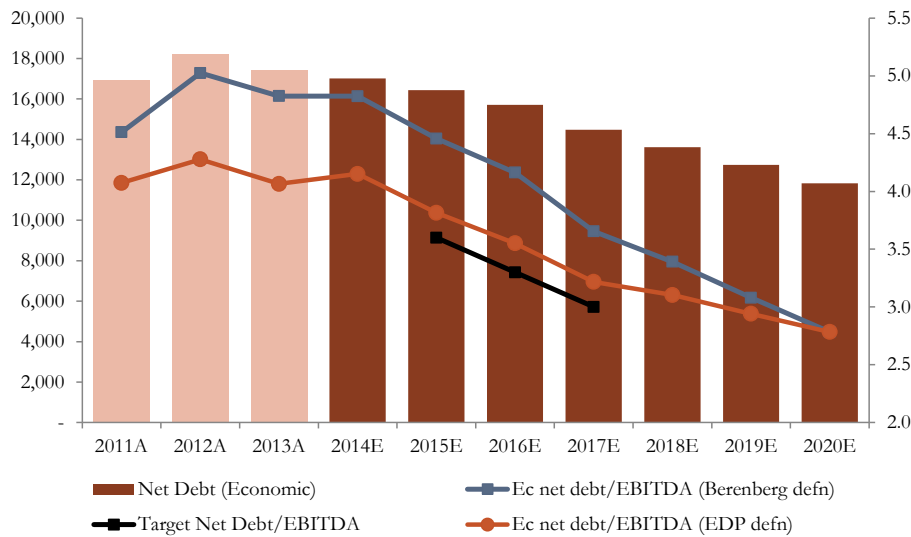
➡ Steadily improving balance sheet

Leverage falling

EDP essentially consists of two animals: the regulated activities, which should naturally carry high gearing; and the wind business, which is in growth mode and therefore has commensurately little EBITDA. Nevertheless, its overall gearing is very high, and the €17.5bn net debt mountain needs to come down. The faster this happens, the faster the stock will be rewarded.

We see net debt/EBITDA of 4.8x in 2014, one of the highest in our coverage universe, falling to 3.7x by 2017. Using EDP's definition, we see net debt/EBITDA at 3.8x in 2015 versus guidance of 3.6x. Previous guidance was that 2015 would be the year where net debt/EBITDA fell to 3.0x. However, Spanish regulatory issues in particular have proven to be a stumbling block in reducing the leverage ratio. This target has now been pushed back to 2017 although we estimate net debt/EBITDA reaching 3.3x in 2017 and falling to 3.0x towards the end of the decade. We estimate cumulative free cash flow post capex of €4.3bn for 2015-17.

Gearing falling, although not quite as fast as EDP estimate



Source: Berenberg estimates

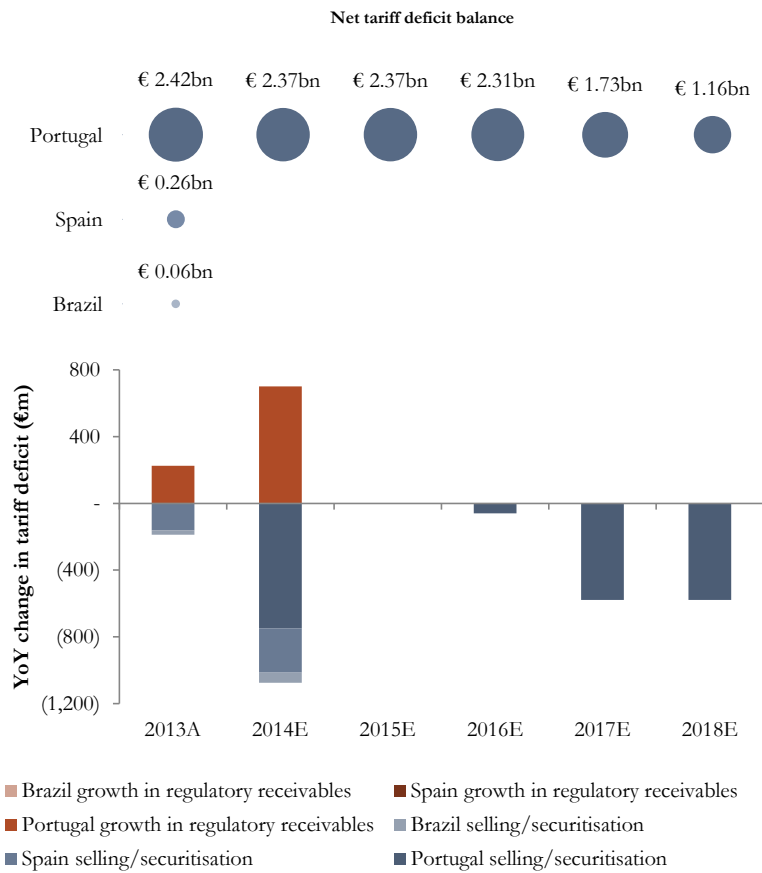
Portuguese tariff deficit peaks in 2015

In Portugal, we expect the tariff deficit to peak in 2015 before declining through to the end of the decade (assuming normalised conditions and annual increases of 1.5-2% above inflation). EDP is committed to limiting the net tariff deficit at current levels. Consequently, we expect them to sell/securitise some of the deficit, with our estimates showing €750m this year.

Spanish tariff recovered this year

In Spain, EDP should eliminate the €264m tariff deficit (created in 2013) in 2014. In Portugal, 2014 will see a c€500m increase in the tariff deficit for the whole system, with EDP accounting for c50% of the increase. We expect a slower recovery of the deficit than in Spain, with it being largely eliminated by 2020. Also, EDP should keep its exposure “capped” by selling off receivables as necessary.

Tariff deficit falling; Spanish and Brazilian deficit eliminated in 2014



Source: Berenberg estimates

Capital rotation will aid wind expansion

We expect disposals as part of asset rotation to both CTG and other parties (eg pension funds). This is a sensible capital rotation from wind farms (the value-add is in the build, not so much the operation).

Capex cuts are near the bone

EDP capex flexibility is being utilised with investments now of €1.8bn in 2014 and €1.6bn in 2015 (EDP guides at €1.6bn average for both years), down from €1.7bn and €2.1bn previously. These cuts will partly result from a reduction in renewable capacity additions by EDPR. We do not see scope for any more significant cuts.

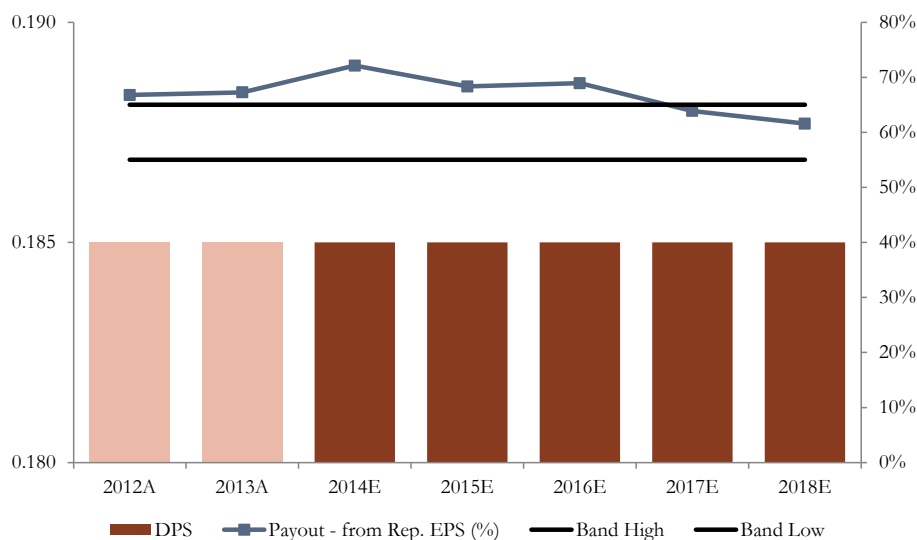
Cost-cutting has not much more left

EDP's current cost-cutting programme is to save €130m in 2014, increasing to €180m by 2017. We estimate modest incremental increases through to 2017, and we expect the company to keep 100% of this (it is a net number), given management's track record on this front.

➡ A significant yielder in the sector; dividend looks secure

Management has stated its dividend policy as a commitment to pay at least €0.185 per share with a payout target of 55-65%. EDP is free cash flow positive after capex and dividends, even before disposals. We assume the dividend will be maintained at €0.185 per share through to 2018. This does mean that the payout ratio will exceed 65%. But, at 72% or so, we do not see that as being a meaningful deviation.

Payout above threshold but not a meaningful deviation

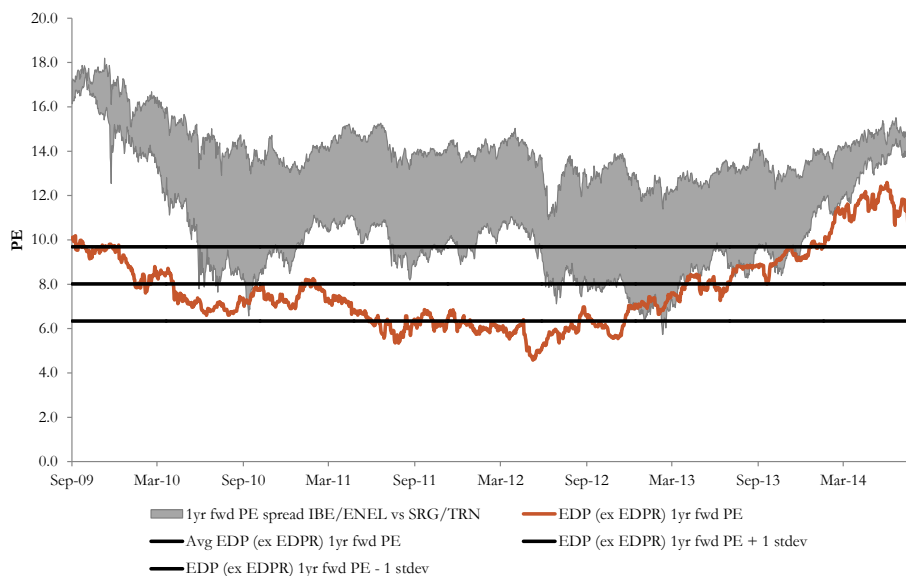


Source: Berenberg estimates

➡ Valuation of EDP ex EDPR looks attractive

The chart below shows the indicative 12-month P/E of EDP ex EDPR (ie the traditional utility part of the business, or stub). It shows the valuation of the stub is more than one standard deviation above its recent average. This is not surprising though, given the fall in southern European bond yields over the period. What we find interesting is the fact that the stub P/E is below the current average of both other southern European regulated names and other southern European integrated names.

Valuation looks compelling



Source: Berenberg estimates

📈 We do assume hydro normalisation in Brazil and Iberia

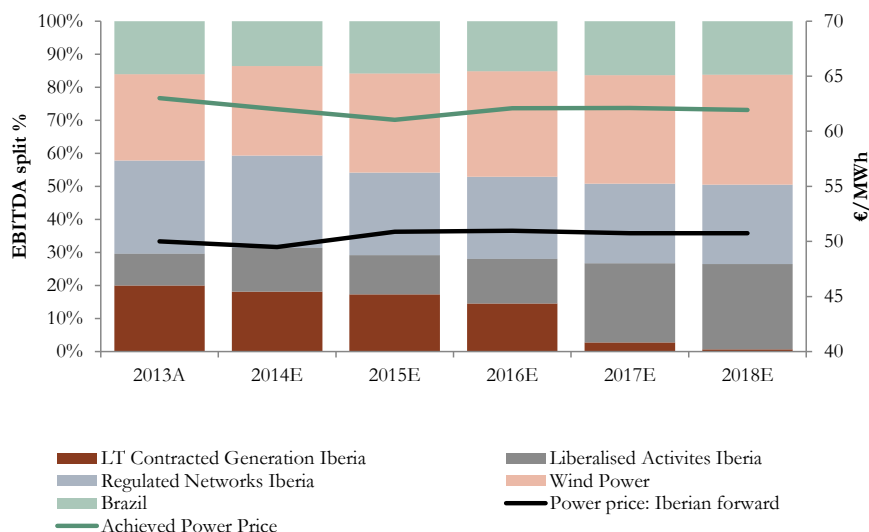
Exposure to both the Brazilian drought and FX has dented earnings. The Brazilian government recently announced a US\$5.1bn aid package to help utilities exposed to the drought. The Brazilian drought could be a growth limiter for 2014 and maybe even spill over to 2015. However, we do assume normalised hydro conditions for the coming years. We also note that, following the decline of 13% in H2 2013, the Brazilian real has regained 8% against the euro year to date.

Conversely, H1 2014 saw a wet start to the year for hydro production in Iberia. We assume normalisation for the rest of the year. A +/-10% change in hydro output corresponds to a +/-2% change in reported EPS.

📉 End of long-term contracts raises risk exposure

From 2017, PPA/CMECs long-term contracts will expire. Consequently, those hydro plants will be exposed to price and volume risk. Our forecasts show that liberalised activities will account for 24% of EBITDA by 2017 versus the 27% guided by EDP and 13% in 2014.

Exposure to merchant prices increases as long-term contracts run down



Source: Berenberg estimates

EU challenge looks set to be benign

In 2007, EDP received a life extension on the hydro assets from 2017 to 2047 (on average). The EU has challenged the Portuguese government on this very issue, believing it to be state aid. We expect a decision to take some months (the public consultation has not yet started). In 2007, there was a €2bn valuation (by independent banks) implicit in the rights it acquired (€759m paid, gave away rights to get a residual €1.3bn). If the assets were re-valued today, they would probably be worth less than in 2007 given that the pool price has fallen.

There are two possible scenarios.

- o The issue stays between the EU and Portuguese government.
- o EDP asks for repayment of its original payment and investments to date with interest and the life extensions (in total perhaps as much as €3.5bn) and then the assets are re-auctioned (likely at a lower price).

Portuguese distribution review likely to be a mild negative

Ongoing discussions with the regulator will likely end in a modest reduction this year. We expect a negative impact of €20m. The sensitivity is a 1% reduction in WACC and equates to a c€30m impact on EBIT.

Portugal is accelerating out of trouble

The ever-improving economic data coming out of Portugal (and from its neighbour, Spain) are positive signs for EDP, as 80% of the business is currently regulated. Portugal is accelerating out of trouble, starting to reap the rewards of its painful reforms. This has led to falling borrowing costs, with 10-year government bond yields dropping to their lowest levels in their history (c3.2%). Our economists see this growth momentum continuing with 2014 GDP forecast at 0.9% yoy and 2015 at 1.9% yoy.

Portuguese energy tax here to stay

The Portuguese energy tax of 0.85% of net assets is applicable from 2014. We forecast that the tax will be maintained for the foreseeable future, in other words that it will not be a two-year wonder.

Subsidiary EDPR looks undervalued

Last Friday, we upgraded EDP’s wind subsidiary, EDP Renovaveis (EDPR) to Buy. The business, in which EDP owns a 62% stake, looks undervalued.

Pure valuation aside (we see 13% upside; and a -4%/+25% black-sky/blue-sky range), there are three aspects to the EDPR investment case that we find particularly appealing:

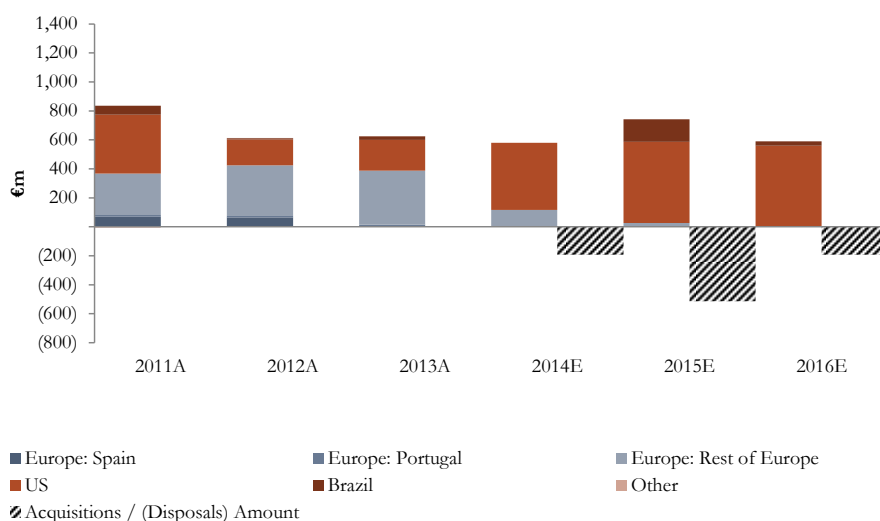
- continued asset rotation, supporting growth;
- the positive influence on renewable asset values from the growing YieldCo market (see below); and
- an opportunity to accelerate growth if EDP loosens capex constraints.

Continued asset rotation, supports growth

We assume a 25% capacity increase from 2013 to 2017, equivalent to 2,090MW, which includes the 534MW consolidation of ENEOP. In other words, we expect new build capacity additions of around 500MW pa, in line with guidance.

The chart below shows how we expect EDPR’s asset rotation to help fund future capex.

Capex and acquisitions/(disposals)



Source: Berenberg estimates

YieldCos should have a positive effect on valuation

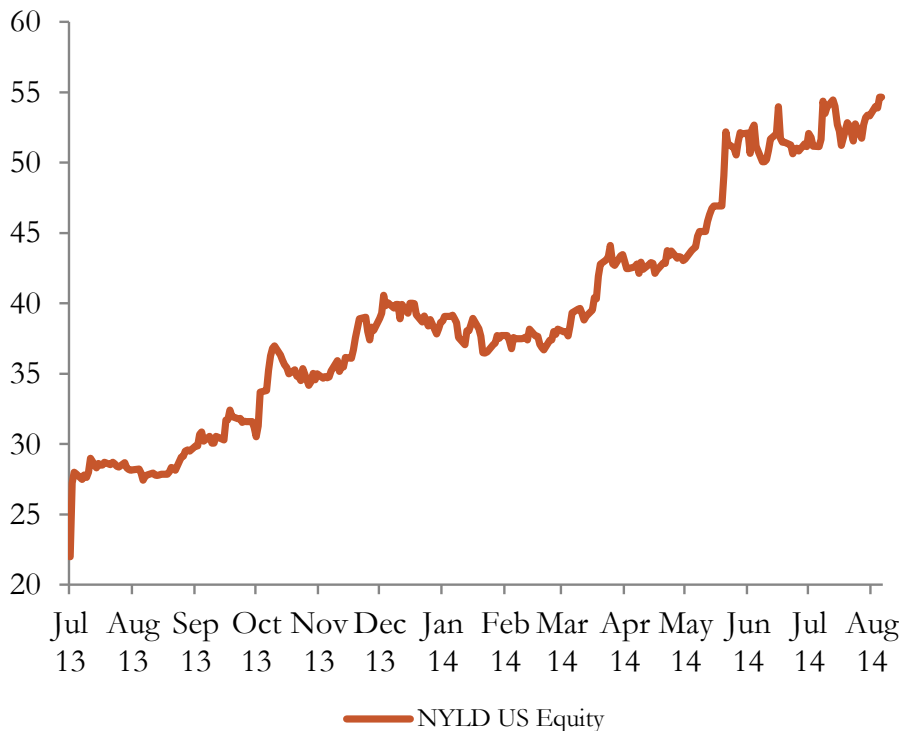
The “YieldCo” debate has added a new dimension to the investment case. The rising popularity of these vehicles in the US has now spread to Europe.

A YieldCo, or yield company, is a subsidiary set up by an energy company into which it transfers a portfolio of operational energy projects. Assets commissioned in the future can also be transferred into the YieldCo. Often, these vehicles have a right of first offer (ROFO), which means they are first in line to acquire the assets (or a stake in the asset) as they come on line.

Often, the YieldCo is then spun off from the parent company through an IPO. Examples in the US are NRG Yield Inc (out of NRG Energy); and NextEra and TerraForm Power (from SunEdison). Other IPOs are in the offing too, including SunPower and First Solar. Europe is participating also. Recently, Spanish renewables developer Abengoa spun off Abengoa Yield and floated it in the US.

The chart below shows the performance since the IPO of NRG Yield and highlights the popularity of these vehicles. It is early days for the other listings although they have settled well above their IPO prices.

NRG Yield Inc share price since July 2013 IPO



Source: Bloomberg

One of the advantages of YieldCos is their low cost of capital. This is achieved because they can generate stable cash flows from electricity that is produced under long-term power production agreements (PPAs) or, potentially, government-backed feed-in tariffs. They distribute the majority of the cash they generate through dividends. There is also the possibility that the YieldCo, depending on its structure, can operate its assets under a more tax-efficient structure than it might as part of the parent company.

You are essentially left with two companies: the developer, which designs, builds and sells the assets; and the YieldCo, which buys the assets and harvests their cash flows to pay dividends. The developer benefits from the capital provided by the YieldCo as it acquires assets, freeing up funds for the developer to build the next project.

It is argued that YieldCos increase the overall appeal of an asset portfolio to investors. They can attract those looking for exposure to renewables, an attractive dividend and decent dividend growth but who might previously have been turned off by the risks and higher multiples associated with traditional renewable developers.

Before the emergence of the YieldCo, standard practice for capital rotation in power development markets was to sell minority stakes in assets to third-party infrastructure funds, government-owned entities or pension funds. Just like

YieldCos, these investors are seeking the reliable returns that assets operating under PPAs or subsidiaries can offer. With a growing number of YieldCos now competing for assets as well (they do not have to buy assets only from their parent company), the competition for these assets is likely to increase – raising their valuation across the market.

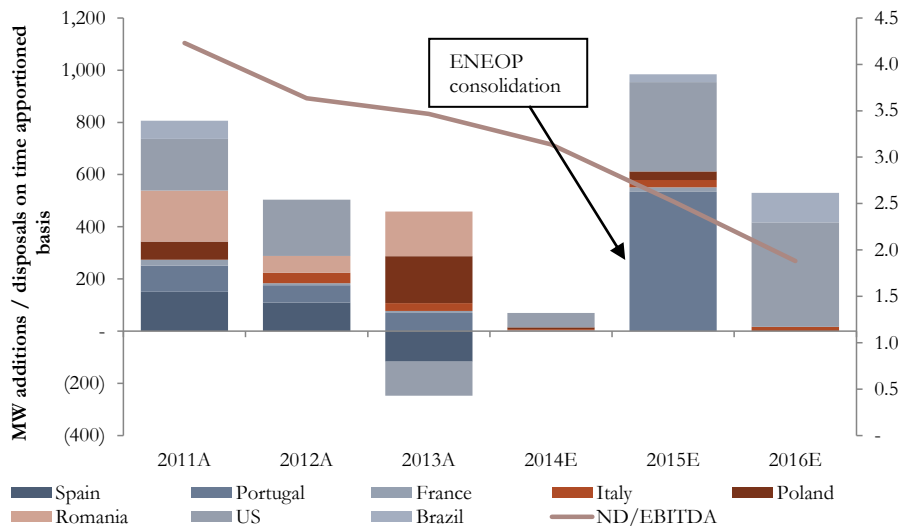
Overall, therefore, it is argued that YieldCos can lower the cost of funding for renewable energy, broaden the overall investor base for the parent and its new subsidiary and, generally, enhance the valuation of similar assets across the sector. The question is, will EDPR and its European peers jump on the YieldCo band wagon? For the time being, it appears that management is reserving judgement. The preferred route for capital rotation looks to be the traditional minority stake sale. Nevertheless, there was plenty of debate over the issue through the recent H1 2014 results season (not just for EDPR). It seems that this trend has legs. Regardless of whether EDPR takes the plunge, it seems likely that its potential to go down this particular path will be supportive for its share price and buoy individual asset valuations across the space.

Caveat emptor though. While we see the benefits of the YieldCo structure, we are also wary of this sector's ability to throw up nasty surprises. PPAs offer reliable returns, but they are by no means guaranteed (third parties can encounter financial difficulties); governments, meanwhile, have the annoying habit, every now and again, of shifting the goal posts and leaving utilities to bear the costs. In our view, the more ridged the financial structure of a business, the more pain such a shock can impose. And some of these YieldCos are heavily geared up, leaving little room for manoeuvre should things turn sour. But, for now, the market does not appear to care.

Ability to accelerate growth if EDP loosens the financial corset

However, as is apparent from the chart below, EDPR's balance sheet is improving quickly as new projects come on line and develop cash flow. Although this presents EDPR with ample growth capex potential, the problem is that its parent, EDP (77% ownership), is in the throes of fixing its balance sheet. So the corset is applied to one and all, including EDPR. Note that there is no such corset for EDPR's Italian competitor, Enel Green Power.

More investments could be possible, given the improving balance sheet



Source: Berenberg estimates

We estimate that if EDPR targeted, say, a 3.0x net debt/EBITDA ratio, then it could invest another €3.2bn by 2017, equivalent to 2.5GW, which is an increase of 24% on our current estimates.

Other key issues include the following.

- Cost cutting from outsourcing supports growth (EDPR managed to cut opex by 8% in H1 2014).
- EDPR has limited exposure to power prices thanks to PPAs in the US and changes to regulation in Spain (even if the application of the rule changes has been financially painful).
- China Three Gorges’ decision-making may seem slow, but it is set to continue to participate in selected projects, helping with the recycling of capital and allowing EDPR to share project risk.
- We expect decent load factors of c34% from the wind portfolio to be sustained, meaning the full benefits of capacity growth can be realised.

There are more details on each of these themes in the EDPR note, [Capital rotation affords further growth: up to Buy](#).

Sensitivity analysis

Sensitivity analysis

Sensitivities	2012A	2013A	2014E	2015E	2016E	2017E
EBITDA Sensitivity* to						
+/- 5 €/MWh Iberian power price	0%	1%	1%	1%	1%	2%
+/- 5 €/MWh Iberian spreads	1%	1%	1%	1%	1%	1%
+/- 5 % Output Spain wind	1%	1%	1%	1%	1%	0%
+/- 5 % Output Portugal wind	0%	0%	0%	0%	0%	0%
+/- 5 % Output Rest of Europe wind	0%	0%	0%	0%	0%	0%
+/- 5 % Output US wind	1%	1%	1%	1%	1%	1%
+/- 10 % Brazilian generation output	1%	1%	1%	1%	1%	1%
+/- 10 % Hydro generation	0%	0%	1%	1%	1%	2%
Net Income Sensitivity* to						
+/- 5 €/MWh Iberian power price	1%	2%	3%	3%	4%	7%
+/- 5 €/MWh Iberian spreads	4%	3%	3%	3%	2%	2%
+/- 5 % Output Spain wind	2%	2%	1%	1%	1%	1%
+/- 5 % Output Portugal wind	1%	1%	1%	1%	1%	1%
+/- 5 % Output Rest of Europe wind	1%	1%	1%	1%	1%	1%
+/- 5 % Output US wind	2%	2%	2%	2%	3%	3%
+/- 10 % Brazilian generation output	2%	2%	2%	2%	2%	3%

* *Ceteris Paribus*; e.g. does not take account of hedged positions.

Source: Berenberg

Estimate changes and Berenberg versus consensus

Berenberg versus consensus

Berenberg Forecasts vs Consensus	2012A	2013A	2014E	2015E	2016E	2017E
EBITDA* (€ m)	3,628	3,617	3,527	3,687	3,773	3,961
Consensus (Average)	3,710	3,662	3,541	3,710	3,866	4,015
<i>Berenberg +/- vs Cons</i>	-2%	-1%	-0%	-1%	-2%	-1%
EBIT* (€ m)	2,143	2,085	2,132	2,269	2,341	2,507
Consensus (Average)	2,241	2,184	2,114	2,237	2,386	2,446
<i>Berenberg +/- vs Cons</i>	-4%	-5%	+1%	+1%	-2%	+3%
Net Income* (€ m)	1,012	1,005	938	990	981	1,059
Consensus (Average)	1,047	999	918	976	1,056	1,116
<i>Berenberg +/- vs Cons</i>	-3%	+1%	+2%	+1%	-7%	-5%
EPS* (€)	0.28	0.28	0.26	0.27	0.27	0.29
Consensus (Average)	0.29	0.27	0.25	0.27	0.29	0.31
<i>Berenberg +/- vs Cons</i>	-3%	+1%	+2%	+2%	-6%	-7%
DPS (€)	0.19	0.19	0.19	0.19	0.19	0.19
Consensus (Average)	0.19	0.19	0.19	0.19	0.19	0.18
<i>Berenberg +/- vs Cons</i>	-1%	-3%	-2%	-3%	-3%	+3%

* Based on company's definition of metric

Source: Berenberg, Bloomberg

Change in estimates

Estimate Changes	2012A	2013A	2014E	2015E	2016E	2017E
EBITDA (New - as reported; € m)	3,628	3,617	3,527	3,687	3,773	3,961
EBITDA (Old - as reported; € m)	3,628	3,617	3,524	3,722	3,768	3,897
<i>Change</i>	+0%	+0%	+0%	-1%	+0%	+2%
EBIT (New - as reported; € m)	2,143	2,085	2,132	2,269	2,341	2,507
EBIT (Old - as reported; € m)	2,143	2,085	2,129	2,304	2,346	2,471
<i>Change</i>	+0%	+0%	+0%	-1%	-0%	+1%
EPS (New - as reported; €)	0.28	0.28	0.26	0.27	0.27	0.29
EPS (Old - as reported; €)	0.28	0.28	0.24	0.26	0.27	0.30
<i>Change</i>	+0%	+0%	+6%	+3%	-2%	-4%
DPS (New - as reported; €)	0.19	0.19	0.19	0.19	0.19	0.19
DPS (Old - as reported; €)	0.19	0.19	0.19	0.19	0.19	0.19
<i>Change</i>	+0%	+0%	+0%	+0%	+0%	+0%

Source: Berenberg

Key assumptions

Key assumptions

Power Price Forecasts		2012A	2013A	2014E	2015E	2016E	2017E	2018E
Country	Unit							
UK (Local)	£/MWh	45.3	50.3	51.5	57.5	60.1	59.4	59.4
UK (EUR)	EUR/MWh	55.0	61.1	63.4	72.1	74.2	72.7	72.7
Germany	EUR/MWh	48.4	38.4	37.0	38.2	37.1	37.1	39.0
Nordic	EUR/MWh	38.1	39.0	29.0	34.3	33.6	32.4	32.4
Italy	EUR/MWh	72.6	65.5	62.0	54.1	51.2	51.2	51.2
Benelux	EUR/MWh	48.4	42.4	43.0	43.7	44.9	44.7	44.6
France	EUR/MWh	48.4	42.4	43.0	43.7	44.9	44.7	44.6
Spain/Portugal	EUR/MWh	52.8	50.0	49.5	50.9	51.0	50.7	50.7

Fuel Price Forecasts		2012A	2013A	2014E	2015E	2016E	2017E	2018E
Fuel	Unit							
Oil (Brent)	\$/bbl	109.9	107.4	108.0	105.3	102.6	100.4	100.4
Coal	\$/t	100.5	87.3	85.0	90.1	93.8	93.8	93.8
Gas (Europe LTC)	EUR/MWh	28.7	28.1	26.9	26.9	26.9	26.9	26.9
Gas (Italy LTC)	EUR/MWh	34.0	28.1	26.9	26.9	26.9	26.9	26.9
Gas (UK) £	£/MWh	20.4	21.5	18.3	18.3	18.0	17.5	17.5
Carbon UK floor	£/t	6.2	8.8	14.4	20.0	22.0	22.5	22.5
US Gas Henry Hub	\$/MWh	9.6	12.8	12.6	13.8	14.0	14.6	15.1
Uranium	EUR/MWh	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Carbon	EUR/t	7.5	4.8	6.0	5.5	5.5	5.5	5.5

Year end currency rates	2012A	2013A	2014E	2015E	2016E	2017E	2018E
EURGBP	0.81	0.83	0.79	0.80	0.82	0.82	0.82
EURTRY	2.36	2.95	2.97	3.23	3.51	3.51	3.51
EURSEK	8.67	8.85	9.22	9.25	9.31	9.31	9.31
EURUSD	1.33	1.38	1.34	1.34	1.36	1.36	1.36
EURRUB	40.83	45.30	50.32	54.92	59.49	59.49	59.49
EURMXN	16.88	17.92	17.84	18.35	19.07	19.07	19.07
USDBRL	2.08	2.36	2.36	2.60	2.83	2.83	2.83

Inflation	2012A	2013A	2014E	2015E	2016E	2017E	2018E
Central Europe	2.6%	2.1%	1.1%	1.4%	2.0%	2.0%	2.0%
Eastern Europe	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
UK	2.8%	2.2%	1.6%	1.9%	2.0%	2.0%	2.0%
Nordic	2.0%	2.0%	1.0%	1.5%	2.0%	2.0%	2.0%
Spain/Portugal	2.4%	2.7%	0.3%	0.8%	1.1%	2.0%	2.0%
US	2.0%	2.0%	1.8%	2.0%	2.0%	2.0%	2.0%

Source: Berenberg

Financials

Income statement

Income Statement (€ m)	2012A	2013A	2014E	2015E	2016E	2017E
Revenue	16,340	16,103	15,241	15,722	15,616	15,233
Reported EBITDA	3,628	3,617	3,527	3,687	3,773	3,961
<i>Change</i>	-3%	-0%	-2%	+5%	+2%	+5%
<i>Margin</i>	+22%	+22%	+23%	+23%	+24%	+26%
Depreciation	(1,485)	(1,532)	(1,395)	(1,418)	(1,436)	(1,472)
Other OPEX	-	-	-	-	3	18
Reported EBIT	2,143	2,085	2,132	2,269	2,341	2,507
<i>Change</i>	-5%	-3%	+2%	+6%	+3%	+7%
<i>Margin</i>	+13%	+13%	+14%	+14%	+15%	+16%
Net Financial Expenses	(705)	(737)	(685)	(659)	(668)	(690)
Tax	(283)	(188)	(378)	(446)	(495)	(532)
Other	27	34	60	60	60	60
Minorities	(170)	(188)	(191)	(234)	(256)	(286)
Reported Net Income	1,012	1,005	938	990	981	1,059
<i>Change</i>	-10%	-1%	-7%	+6%	-1%	+8%
<i>Margin</i>	+6%	+6%	+6%	+6%	+6%	+7%
Number of Shares	3,657	3,657	3,657	3,657	3,657	3,657
Per Share:						
Basic EPS	0.28	0.28	0.31	0.25	0.25	0.27
<i>Change</i>	-11%	-1%	+13%	-18%	-1%	+8%
Reported EPS	0.28	0.28	0.26	0.27	0.27	0.29
<i>Change</i>	-11%	-1%	-7%	+6%	-1%	+8%
DPS	0.19	0.19	0.19	0.19	0.19	0.19
<i>Change</i>	+0%	+0%	+0%	+0%	+0%	+0%
<i>Payout</i>	67%	67%	72%	68%	69%	64%

Source: Berenberg

Divisional EBITDA

LT Contracted Generation Iberia (€ m)	2012A	2013A	2014E	2015E	2016E	2017E
Revenue	2,975	2,559	2,264	2,257	1,938	388
<i>Change</i>	+6%	-14%	-12%	-0%	-14%	-80%
<i>% Group</i>	+18%	+16%	+15%	+14%	+12%	+3%
EBITDA	802	726	643	640	550	111
<i>Change</i>	-3%	-9%	-12%	-0%	-14%	-80%
<i>Margin</i>	+27%	+28%	+28%	+28%	+28%	+29%
<i>% Group</i>	+22%	+20%	+18%	+17%	+15%	+3%
EBIT	592	514	462	467	380	(56)
<i>Change</i>	-4%	-13%	-10%	+1%	-19%	-115%
<i>Margin</i>	+20%	+20%	+20%	+21%	+20%	-14%
<i>% Group</i>	+28%	+25%	+22%	+21%	+16%	-2%

Liberalised Activites Iberia (€ m)	2012A	2013A	2014E	2015E	2016E	2017E
Revenue	2,327	2,508	2,561	2,654	2,686	3,117
<i>Change</i>	+9%	+8%	+2%	+4%	+1%	+16%
<i>% Group</i>	+14%	+16%	+17%	+17%	+17%	+20%
EBITDA	316	350	469	439	513	949
<i>Change</i>	-19%	+10%	+34%	-6%	+17%	+85%
<i>Margin</i>	+14%	+14%	+18%	+17%	+19%	+30%
<i>% Group</i>	+9%	+10%	+13%	+12%	+14%	+24%
EBIT	60	97	255	233	309	748
<i>Change</i>	-62%	+61%	+163%	-8%	+33%	+142%
<i>Margin</i>	+3%	+4%	+10%	+9%	+12%	+24%
<i>% Group</i>	+3%	+5%	+12%	+10%	+13%	+30%

Regulated Networks Iberia (€ m)	2012A	2013A	2014E	2015E	2016E	2017E
Revenue	5,643	5,117	4,929	4,622	4,710	4,903
<i>Change</i>	+12%	-9%	-4%	-6%	+2%	+4%
<i>% Group</i>	+35%	+32%	+32%	+29%	+30%	+32%
EBITDA	1,057	1,023	986	924	938	958
<i>Change</i>	-4%	-3%	-4%	-6%	+1%	+2%
<i>Margin</i>	+19%	+20%	+20%	+20%	+20%	+20%
<i>% Group</i>	+29%	+28%	+28%	+25%	+25%	+24%
EBIT	730	692	704	654	666	684
<i>Change</i>	-4%	-5%	+2%	-7%	+2%	+3%
<i>Margin</i>	+13%	+14%	+14%	+14%	+14%	+14%
<i>% Group</i>	+34%	+33%	+33%	+29%	+28%	+27%

Source: Berenberg

Divisional EBITDA (continued)

Wind Power (€ m)	2012A	2013A	2014E	2015E	2016E	2017E
Revenue	3,485	3,571	3,589	3,818	3,957	4,136
Change	+31%	+2%	+1%	+6%	+4%	+5%
% Group	+21%	+22%	+24%	+24%	+25%	+27%
EBITDA	938	947	958	1,110	1,208	1,303
Change	+17%	+1%	+1%	+16%	+9%	+8%
Margin	+27%	+27%	+27%	+29%	+31%	+32%
% Group	+26%	+26%	+27%	+30%	+32%	+33%
EBIT	450	473	503	600	678	743
Change	+30%	+5%	+6%	+19%	+13%	+10%
Margin	+13%	+13%	+14%	+16%	+17%	+18%
% Group	+21%	+23%	+24%	+26%	+29%	+30%

Brazil (€ m)	2012A	2013A	2014E	2015E	2016E	2017E
Revenue	2,430	2,752	2,281	2,765	2,717	3,071
Change	-15%	+13%	-17%	+21%	-2%	+13%
% Group	+15%	+17%	+15%	+18%	+17%	+20%
EBITDA	535	582	482	585	575	651
Change	-22%	+9%	-17%	+21%	-2%	+13%
Margin	+22%	+21%	+21%	+21%	+21%	+21%
% Group	+15%	+16%	+14%	+16%	+15%	+16%
EBIT	383	399	327	435	426	503
Change	-27%	+4%	-18%	+33%	-2%	+18%
Margin	+16%	+14%	+14%	+16%	+16%	+16%
% Group	+18%	+19%	+15%	+19%	+18%	+20%

Other* (€ m)	2012A	2013A	2014E	2015E	2016E	2017E
EBITDA	(20)	(11)	(11)	(11)	(11)	(11)
<i>o/w Unallocated Cost Savings</i>	-	-	-	-	-	-
<i>o/w Unallocated Aqn / Disp</i>	-	-	-	-	-	-
% Group	-1%	-0%	-0%	-0%	-0%	-0%
EBIT	(71)	(90)	(119)	(119)	(119)	(116)
<i>o/w Unallocated Cost Savings</i>	-	-	-	-	-	-
<i>o/w Unallocated Aqn / Disp</i>	-	-	-	-	-	-
% Group	-3%	-4%	-6%	-5%	-5%	-5%

*Includes, if applicable, other group income/costs and unallocated cost savings, CAPEX returns and acquisitions and disposals

Source: Berenberg

Cash flow statement

Cash Flow (€ m)	2012A	2013A	2014E	2015E	2016E	2017E
Net Income	1,012	1,005	1,327	1,164	1,178	1,285
Depreciation	1,485	1,532	1,395	1,418	1,436	1,472
Working Capital	(1,380)	294	38	(77)	17	62
Other Op Cash Flow (inc receivables)	879	689	375	-	60	578
Operating Cash Flow	1,997	3,520	3,135	2,505	2,691	3,396
CAPEX	(2,011)	(1,978)	(1,800)	(1,600)	(1,300)	(1,300)
FCF (Post CAPEX)	(14)	1,542	1,335	905	1,391	2,096
Acquisitions and Disposals	6	287	193	513	193	-
FCF (p. CAPEX, Aq&D)	(8)	1,829	1,528	1,418	1,584	2,096
Other Investment Cash Flow	(120)	(629)	(250)	-	-	-
Dividends	(825)	(830)	(838)	(846)	(854)	(863)
FCF (p. CAPEX, Aq&D, Divs)	(954)	370	441	572	730	1,233
Buybacks and Equity Issuance	(1)	-	-	-	-	-
Borrowings	1,531	687	(346)	(572)	(730)	(1,233)
Other Financing, Disc and FX	(613)	(572)	0	0	0	0
Net Change in Group Cash	(37)	485	94	-	-	-

Source: Berenberg

Balance sheet statement

Balance Sheet (€ m)	2012A	2013A	2014E	2015E	2016E	2017E
Intangible Fixed Assets	9,860	9,324	9,324	9,324	9,324	9,324
PP&E	20,905	20,316	20,528	20,196	19,867	19,695
Other Non-Current Assets	-	-	-	-	-	-
Total Non-Current Assets	30,766	29,640	29,852	29,520	29,191	29,019
Inventories and Receivables	2,755	2,587	2,074	2,151	2,074	1,434
Cash	1,695	2,180	2,274	2,274	2,274	2,274
Other Liquid Assets	-	-	-	-	-	-
Other Current Assets	7,412	8,242	8,242	8,242	8,242	8,242
Assets Held for Sale	-	-	-	-	-	-
Total Current Assets	11,862	13,009	12,590	12,667	12,590	11,951
Total Assets	42,628	42,649	42,442	42,187	41,781	40,970
Short-Term Debt	(3,809)	(4,192)	(4,192)	(4,192)	(4,192)	(4,192)
Payables	-	-	-	-	-	-
Provisions	(383)	(388)	(388)	(388)	(388)	(388)
<i>o/w Nuclear Liabilities</i>	-	-	-	-	-	-
<i>o/w Pensions</i>	-	-	-	-	-	-
<i>o/w Other Provisions</i>	(383)	(388)	(388)	(388)	(388)	(388)
Other Current Liabilities	(6,677)	(7,130)	(7,130)	(7,130)	(7,130)	(7,130)
Liabilities of Businesses Held for Sale	-	-	-	-	-	-
Total Current Liabilities	(10,868)	(11,710)	(11,710)	(11,710)	(11,710)	(11,710)
Long-Term Debt	(16,716)	(15,969)	(15,623)	(15,051)	(14,321)	(13,088)
Provisions	(384)	-	-	-	-	-
<i>o/w Nuclear Liabilities</i>	-	-	-	-	-	-
<i>o/w Pensions</i>	-	-	-	-	-	-
<i>o/w Other Provisions</i>	(384)	-	-	-	-	-
Other Non-Current Liabilities	(3,228)	(3,441)	(3,441)	(3,441)	(3,441)	(3,441)
Total Non-Current Liabilities	(20,328)	(19,410)	(19,064)	(18,492)	(17,762)	(16,529)
Shareholders' Equity	(8,192)	(8,446)	(8,585)	(8,903)	(9,227)	(9,648)
Minorities	(3,239)	(3,083)	(3,083)	(3,083)	(3,083)	(3,083)
Total Equity	(11,432)	(11,529)	(11,668)	(11,986)	(12,310)	(12,731)
Total Liabilities and Equity	(42,628)	(42,649)	(42,442)	(42,187)	(41,781)	(40,970)
Net Debt (As Reported)	18,233	17,451	17,011	16,439	15,709	14,476
Economic Net Debt	18,233	17,451	17,011	16,439	15,709	14,476
Net Debt / EBITDA (As Reported)	4.3	4.1	4.2	3.8	3.6	3.7
Economic Net Debt / EBITDA	5.0	4.8	4.8	4.5	4.2	3.7

Source: Berenberg

Contacts: Investment Banking

EQUITY RESEARCH		E-mail: firstname.lastname@berenberg.com ; Internet www.berenberg.com	
AEROSPACE & DEFENCE		FOOD MANUFACTURING	
Andrew Gollan	+44 20 3207 7891	Fintan Ryan	+44 20 3465 2748
		James Targett	+44 20 3207 7873
AUTOMOTIVES		FOOD RETAIL	
Henning Cosman	+44 20 3465 2635	Estelle Weingrod	+44 20 3207 7931
Adam Hull	+44 20 3465 2749		
Paul Kratz	+44 20 3465 2678	GENERAL RETAIL	
BANKS		Bethany Hocking	+44 20 3207 7925
Nick Anderson	+44 20 3207 7838	Michelle Wilson	+44 20 3465 2663
Adam Barrass	+44 20 3207 7923		
James Chappell	+44 20 3207 7844	HEALTHCARE	
Andrew Lowe	+44 20 3465 2743	Scott Bardo	+44 20 3207 7869
Eoin Mullany	+44 20 3207 7854	Ana Caludi Muldoon	+44 20 3207 7841
Eleni Papoula	+44 20 3465 2741	Alistair Campbell	+44 20 3207 7876
		Graham Doyle	+44 20 3465 2634
BUSINESS SERVICES, LEISURE & TRANSPORT		Tom Jones	+44 20 3207 7877
Najet El Kassir	+44 20 3207 7836	Louise Pearson	+44 20 3465 2747
Stuart Gordon	+44 20 3207 7858		
Simon Mezzanotte	+44 20 3207 7917	HOUSEHOLD & PERSONAL CARE	
Matthew O'Keeffe	+44 20 3207 7895	Bassel Choughari	+44 20 3465 2675
Josh Puddle	+44 20 3207 7881	James Targett	+44 20 3207 7873
Arash Roshan Zamir	+44 20 3465 2636		
CAPITAL GOODS		INSURANCE	
Benjamin Glaeser	+44 20 3207 7918	Tom Carstairs	+44 20 3207 7823
Stephan Klepp	+44 20 3207 7819	Peter Eliot	+44 20 3207 7880
Margaret Paxton	+44 20 3207 7934	Kai Mueller	+44 20 3465 2681
Alexander Virgo	+44 20 3207 7856	Matthew Preston	+44 20 3207 7913
Felix Wienen	+44 20 3207 7915	Sami Taipalus	+44 20 3207 7866
CHEMICALS		LUXURY GOODS	
John Klein	+44 20 3207 7930	Bassel Choughari	+44 20 3465 2675
Evgenia Molotova	+44 20 3465 2664	John Guy	+44 20 3465 2674
Jaideep Pandya	+44 20 3207 7890	Zuzanna Pusz	+44 20 3207 7812
CONSTRUCTION		MEDIA	
Chris Moore	+44 20 3465 2737	Robert Berg	+44 20 3465 2680
Robert Muir	+44 20 3207 7860	Laura Janssens	+44 20 3465 2639
Michael Watts	+44 20 3207 7928	Jessica Pok	+44 20 3207 7907
		Sarah Simon	+44 20 3207 7830
DIVERSIFIED FINANCIALS		METALS	
Pras Jayanandhan	+44 20 3207 7899	Bjoern Lippe	+44 20 3207 7845
Martin Price	+44 20 3207 7892		
Ben Slingsby	+44 20 3465 2626		
ECONOMICS			
Holger Schmieding	+44 20 3207 7889	Christian Schulz	+44 20 3207 7878
		Robert Wood	+44 20 3207 7822
EQUITY SALES		E-mail: firstname.lastname@berenberg.com ; Internet www.berenberg.com	
SPECIALIST SALES		SALES	
BANKS & DIVERSIFIED FINANCIALS		LONDON	
Iro Papadopoulou	+44 20 3207 7924	John von Berenberg-Consbruch	+44 20 3207 7805
		Toby Flaux	+44 20 3465 2745
CONSUMER		Karl Hancock	+44 20 3207 7803
Rupert Trotter	+44 20 3207 7815	Sean Heath	+44 20 3465 2742
		James Hipkiss	+44 20 3465 2620
HEALTHCARE		David Hogg	+44 20 3465 2628
Frazer Hall	+44 20 3207 7875	Ben Hutton	+44 20 3207 7804
		James Matthews	+44 20 3207 7807
INDUSTRIALS		David Mortlock	+44 20 3207 7850
Chris Armstrong	+44 20 3207 7809	Richard Payman	+44 20 3207 7825
		George Smibert	+44 20 3207 7911
INSURANCE		Anita Surana	+44 20 3207 7855
Trevor Moss	+44 20 3207 7893	Paul Walker	+44 20 3465 2632
		Alexander Woodgate	+44 20 3465 2625
MEDIA & TELECOMMUNICATIONS		BENELUX	
Julia Thannheiser	+44 20 3465 2676	Miel Bakker	+44 20 3207 7808
		Susette Mantzel	+49 40 350 60 694
MATERIALS		Alexander Wace	+44 20 3465 2670
Jina Zachrisson	+44 20 3207 7879		
		FRANKFURT	
TECHNOLOGY		Michael Brauburger	+49 69 91 30 90 741
Jean Beaubois	+44 20 3207 7835	Nina Buechs	+49 69 91 30 90 735
		André Grosskurth	+49 69 91 30 90 734
UTILITIES		Joerg Wenzel	+49 69 91 30 90 743
Benita Barretto	+44 20 3207 7829		
		PARIS	
CRM		Dalila Farigoule	+33 1 5844 9510
Laura Cooper	+44 20 3207 7806	Clémence La Clavière-Peyraud	+33 1 5844 9521
Edwina Lucas	+44 20 3207 7908	Bertrand Tissier	+33 1 5844 9507
Greg Swallow	+44 20 3207 7833		
EVENTS		SCANDINAVIA	
Charlotte Kilby	+44 20 3207 7832	Ronald Bernette	+44 20 3207 7828
Natalie Meech	+44 20 3207 7831	Marco Weiss	+49 40 350 60 719
Charlotte Reeves	+44 20 3465 2671		
Sarah Weyman	+44 20 3207 7801	SOVEREIGN WEALTH FUNDS	
Hannah Whitehead	+44 20 3207 7922	Max von Doetinchem	+44 20 3207 7826
US SALES		E-mail: firstname.lastname@berenberg-us.com ; Internet www.berenberg.com	
BERENBERG CAPITAL MARKETS LLC		Member FINRA & SIPC	
Colin Andrade	+1 617 292 8230	Shawna Giust	+1 646 445 7216
Burr Clark	+1 617 292 8282	Andrew Holder	+1 617 292 8222
Julie Doherty	+1 617 292 8228	Zubin Hubner	+1 646 445 5572
Kelleigh Faldi	+1 617 292 8288	Olivia Lee	+1 646 445 7212
		Jessica London	+1 646 445 7218
		Emily Muret	+1 415 802 2525
		Kieran O'Sullivan	+1 617 292 8292
		Jonathan Saxon	+1 646 445 7202

Please note that the use of this research report is subject to the conditions and restrictions set forth in the “General investment-related disclosures” and the “Legal disclaimer” at the end of this document.

For analyst certification and remarks regarding foreign investors and country-specific disclosures, please refer to the respective paragraph at the end of this document.

Disclosures in respect of section 34b of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG)

Company	Disclosures
EDP SA	no disclosures
EDP Renováveis SA	no disclosures

- (1) Joh. Berenberg, Gossler & Co. KG (hereinafter referred to as “the Bank”) and/or its affiliate(s) was Lead Manager or Co-Lead Manager over the previous 12 months of a public offering of this company.
- (2) The Bank acts as Designated Sponsor for this company.
- (3) Over the previous 12 months, the Bank and/or its affiliate(s) has effected an agreement with this company for investment banking services or received compensation or a promise to pay from this company for investment banking services.
- (4) The Bank and/or its affiliate(s) holds 5% or more of the share capital of this company.
- (5) The Bank holds a trading position in shares of this company.

Historical price target and rating changes for EDP SA in the last 12 months (full coverage)

Date	Price target - EUR	Rating	Initiation of coverage
<u>11 October 13</u>	<u>3.00</u>	<u>Buy</u>	<u>07 February 12</u>
<u>10 March 14</u>	<u>3.80</u>	<u>Buy</u>	

Historical price target and rating changes for EDP Renováveis SA in the last 12 months (full coverage)

Date	Price target - EUR	Rating	Initiation of coverage
<u>11 October 13</u>	<u>3.80</u>	<u>Hold</u>	<u>28 September 10</u>
<u>10 March 14</u>	<u>4.30</u>	<u>Hold</u>	
<u>21 August 14</u>	<u>5.75</u>	<u>Buy</u>	

Berenberg Equity Research ratings distribution and in proportion to investment banking services, as of 01 July 14

Buy	43.08 %	71.43 %
Sell	15.4 %	3.57 %
Hold	41.52 %	25.00 %

Valuation basis/rating key

The recommendations for companies analysed by Berenberg’s Equity Research department are made on an absolute basis for which the following three-step rating key is applicable:

Buy: Sustainable upside potential of more than 15% to the current share price within 12 months;

Sell: Sustainable downside potential of more than 15% to the current share price within 12 months;

Hold: Upside/downside potential regarding the current share price limited; no immediate catalyst visible.

NB: During periods of high market, sector, or stock volatility, or in special situations, the recommendation system criteria may be breached temporarily.

Competent supervisory authority

Bundesanstalt für Finanzdienstleistungsaufsicht -BaFin- (Federal Financial Supervisory Authority),
Graurheindorfer Straße 108, 53117 Bonn and Marie-Curie-Str. 24-28, 60439 Frankfurt am Main, Germany.

General investment-related disclosures

Joh. Berenberg, Gossler & Co. KG (hereinafter referred to as „the Bank“) has made every effort to carefully research all information contained in this financial analysis. The information on which the financial analysis is based has been obtained from sources which we believe to be reliable such as, for example, Thomson Reuters, Bloomberg and the relevant specialised press as well as the company which is the subject of this financial analysis.

Only that part of the research note is made available to the issuer (who is the subject of this analysis) which is necessary to properly reconcile with the facts. Should this result in considerable changes a reference is made in the research note.

Opinions expressed in this financial analysis are our current opinions as of the issuing date indicated on this document. The companies analysed by the Bank are divided into two groups: those under “full coverage” (regular updates provided); and those under “screening coverage” (updates provided as and when required at irregular intervals).

The functional job title of the person/s responsible for the recommendations contained in this report is “Equity Research Analyst” unless otherwise stated on the cover.

The following internet link provides further remarks on our financial analyses:

http://www.berenberg.de/research.html?&L=1&no_cache=1

Legal disclaimer

This document has been prepared by Joh. Berenberg, Gossler & Co. KG (hereinafter referred to as „the Bank“). This document does not claim completeness regarding all the information on the stocks, stock markets or developments referred to in it.

On no account should the document be regarded as a substitute for the recipient procuring information for himself/herself or exercising his/her own judgements.

The document has been produced for information purposes for institutional clients or market professionals.

Private customers, into whose possession this document comes, should discuss possible investment decisions with their customer service officer as differing views and opinions may exist with regard to the stocks referred to in this document.

This document is not a solicitation or an offer to buy or sell the mentioned stock.

The document may include certain descriptions, statements, estimates, and conclusions underlining potential market and company development. These reflect assumptions, which may turn out to be incorrect. The Bank and/or its employees accept no liability whatsoever for any direct or consequential loss or damages of any kind arising out of the use of this document or any part of its content.

The Bank and/or its employees may hold, buy or sell positions in any securities mentioned in this document, derivatives thereon or related financial products. The Bank and/or its employees may underwrite issues for any securities mentioned in this document, derivatives thereon or related financial products or seek to perform capital market or underwriting services.

Analyst certification

I, Lawson Steele, hereby certify that all of the views expressed in this report accurately reflect my personal views about any and all of the subject securities or issuers discussed herein.

In addition, I hereby certify that no part of my compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this research report, nor is it tied to any specific investment banking transaction performed by the Bank or its affiliates.

I, Andrew Fisher, hereby certify that all of the views expressed in this report accurately reflect my personal views about any and all of the subject securities or issuers discussed herein.

In addition, I hereby certify that no part of my compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this research report, nor is it tied to any specific investment banking transaction performed by the Bank or its affiliates.

I, Oliver Salvesen, hereby certify that all of the views expressed in this report accurately reflect my personal views about any and all of the subject securities or issuers discussed herein.

In addition, I hereby certify that no part of my compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this research report, nor is it tied to any specific investment banking transaction performed by the Bank or its affiliates.

I, Mehul Mahatma, hereby certify that all of the views expressed in this report accurately reflect my personal views about any and all of the subject securities or issuers discussed herein.

In addition, I hereby certify that no part of my compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this research report, nor is it tied to any specific investment banking transaction performed by the Bank or its affiliates.

Remarks regarding foreign investors

The preparation of this document is subject to regulation by German law. The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

United Kingdom

This document is meant exclusively for institutional investors and market professionals, but not for private customers. It is not for distribution to or the use of private investors or private customers.

United States of America

This document has been prepared exclusively by the Bank. Although Berenberg Capital Markets LLC, an affiliate of the Bank and registered US broker-dealer, distributes this document to certain customers, Berenberg Capital Markets LLC does not provide input into its contents, nor does this document constitute research of Berenberg Capital Markets LLC. In addition, this document is meant exclusively for institutional investors and market professionals, but not for private customers. It is not for distribution to or the use of private investors or private customers.

This document is classified as objective for the purposes of FINRA rules. Please contact Berenberg Capital Markets LLC (+1 617.292.8200), if you require additional information.

Third-party research disclosures

Company	Disclosures
EDP SA	no disclosures
EDP Renováveis SA	no disclosures

- (1) Berenberg Capital Markets LLC owned 1% or more of the outstanding shares of any class of the subject company by the end of the prior month.*
- (2) Over the previous 12 months, Berenberg Capital Markets LLC has managed or co-managed any public offering for the subject company.*
- (3) Berenberg Capital Markets LLC is making a market in the subject securities at the time of the report.
- (4) Berenberg Capital Markets LLC received compensation for investment banking services in the past 12 months, or expects to receive such compensation in the next 3 months.*
- (5) There is another potential conflict of interest of the analyst or Berenberg Capital Markets LLC, of which the analyst knows or has reason to know at the time of publication of this research report.

* For disclosures regarding affiliates of Berenberg Capital Markets LLC please refer to the ‘Disclosures in respect of section 34b of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG)’ section above.

Copyright

The Bank reserves all the rights in this document. No part of the document or its content may be rewritten, copied, photocopied or duplicated in any form by any means or redistributed without the Bank's prior written consent.

© May 2013 Joh. Berenberg, Gossler & Co. KG