



| Electric Utilities | **Full-year results** | France |

EDF

A €1.10 DPS and, “against all odds”, the return of the carbon floor?

Buy

Price 16/02/16 **€11.3**
12m target **€14.0**
Upside to TP **24.1%**
12m f'cast div **€1.1**
12m TSR **33.6%**

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Sector stance

Underweight
Preferred stock
Enel, Suez, Enagas, E.ON
Least preferred stock
SSE, Centrica

Investment trigger

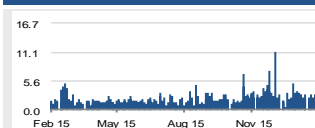
Value
Cost reduction programme
High dividend yield

Share price performance



Source: SG Cross Asset Research/Equity

Volume



Source: SG Cross Asset Research/Equity

Share data

| | | | |
|---------------------------------|-----------|-----------|------------|
| RIC EDF.PA, Bloom EDF FP | | | |
| 52-week range | 24.7-10.2 | | |
| EV 15 (€m) | 95,332 | | |
| Mkt cap. (€m) | 21,722 | | |
| Free float (%) | 13.6 | | |
| Performance (%) | 1m | 3m | 12m |
| Ordinary shares | -5.0 | -23.4 | -52.1 |
| Rel. Eurofirst 300 | -2.3 | -11.4 | -43.0 |

Financial data

| | 12/14 | 12/15e | 12/16e | 12/17e |
|---------------------|-------|--------|--------|--------|
| Revenues (€bn) | 72.9 | 74.6 | 73.9 | 72.9 |
| EBIT margin (%) | 12.8 | 11.6 | 11.5 | 9.9 |
| Rep. net inc. (€bn) | 3.86 | 1.18 | 4.01 | 3.01 |
| EPS (adj.) (€) | 2.40 | 2.01 | 1.64 | 1.18 |
| Dividend/share (€) | 1.25 | 1.25 | 1.25 | 1.25 |
| Payout (%) | 52 | 62 | 76 | 106 |
| Interest cover (x) | 3.66 | 2.72 | 2.42 | 2.04 |
| Net debt/equity (%) | 140 | 150 | 127 | 134 |

Ratios

| | 12/14 | 12/15e | 12/16e | 12/17e |
|----------------------|-------|--------|--------|--------|
| P/E (x) | 10.6 | 5.6 | 6.9 | 9.6 |
| FCF yield (/EV) (%) | -0.4 | 3.3 | 0.5 | 2.6 |
| Dividend yield (%) | 4.9 | 11.1 | 11.1 | 11.1 |
| Price/book value (x) | 1.34 | 0.65 | 0.56 | 0.57 |
| EV/revenues (x) | 1.66 | 1.28 | 1.25 | 1.33 |
| EV/EBIT (x) | 13.0 | 11.0 | 10.9 | 13.4 |
| EV/IC (x) | 0.7 | 0.6 | 0.5 | 0.5 |
| ROIC/WACC (x) | 0.7 | 0.6 | 0.6 | 0.5 |

EPS CAGR 14-17e: -21.2%

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A €1.10 DPS EDF yesterday posted a solid set of results, thanks mostly to a decent performance from its nuclear fleets in France and the UK, Edison’s €855m arbitrage, supportive FX movements and a lower than expected financial result. Excluding €3.5bn in impairments (mostly UK and E&P), recurring net income of €4.8bn was 12.2% above consensus. Yet the surprise to the market was the only marginal dividend cut to €1.10/sh (from €1.25/sh). While the scrip option should be c.5% dilutive to earnings under our estimates, the overall news was welcomed and the stock rose 9.5% on the day. Furthermore, EDF’s 2016 guidance of €16.3-16.8bn in EBITDA is in line with consensus (€16.7bn on EDF site) and the company is similarly “comfortable” with the consensus recurring net income of €3.7bn. The current €1.10 DPS would imply a payout ratio of 68%. As such, a stake sale in RTE (generating capital gains in Dedicated Assets) would likely support the new distribution level for 2016.

A potential carbon floor? CEO Jean-Bernard Levy confirmed in the Q&A that the government “very much likes” the idea of a CO2 floor, and that it was lobbying neighbouring countries with a view to implement such a project in the course of its current mandate (i.e. before the elections). Beyond short-term DPS sustainability, such a change would provide material medium-term support to EDF as we highlighted in our report “[Against all odds](#)”. With a 2018e EPS sensitivity of 10% for each €1/MWh move in power prices in either direction, the implementation of a CO2 floor could be a strong catalyst for EDF in 2016.

How we value the stock Our €14 TP is set in line with our SOTP, derived from DCF valuations of the French, British and Italian generation and supply businesses, with pre-tax WACCs of 7.8% (generation) and 6.8% (supply). We value the French regulated networks (ErDF and RTE) at 1.1x their regulated asset base (RAB).

Events, catalysts & risks to price target, rating & recommendation The confirmation of government plans for a carbon tax floor would be a clear positive catalyst. The sale of a stake in RTE could trigger a partial rerating of EDF’s French networks. The downside risks would be any further deterioration in French power prices and/or EDF’s market shares, and/or substantial increases in nuclear provisions, beyond our expectations (please see page 4 for details).

The return of a carbon floor?

The government had planned to set a carbon floor

In her address to the French electricity industry association on 8 October 2015, energy minister Segolene Royale clearly outlined the government's plans to establish a carbon floor for the French electricity market, thereby joining the UK and potentially trying to rally neighbouring countries Spain, Italy, Belgium, or even Germany. According to *La Tribune*, the French ministry of energy confirmed that this plan (i.e. for France only) would be part of the proposed changes to the budget bill due to be voted in December 2015.

This would have provided some temporary support for EDF

Joining the UK by establishing a carbon floor in France would have automatically supported power prices on the liberalised French market. By topping up the weak ETS CO2 price through a carbon tax as the UK did, this increases the cost of the fossil fuel-fired generating units. As in most of Europe (except Germany) France is predominantly a gas-led market, and we estimate that a €10/t increase in the CO2 price would lead to a €4/MWh increase in power prices, assuming no interconnections. Yet, due to its central position, France is fairly interconnected (see map on page 3), and we believe that this effect would therefore be substantially diluted to c.€1-2/MWh if France were to do this on its own. Still, even in that case, this would boost the company's 2018e earnings by c.9-18%.

Yet, there was nothing in December's revised budget bill

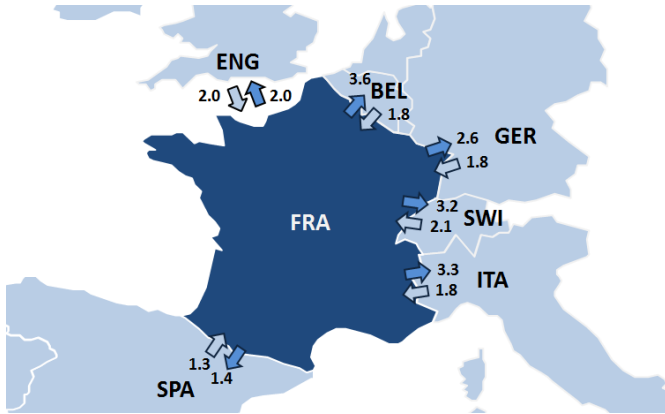
While convincing Germany to join in setting a carbon floor may have seemed like wishful thinking, the COP21 could have offered an opportunity to rally some of the other neighbouring countries to such a project and would have provided a political win on a conference which – despite emphatic political declarations – remained lacklustre overall, failing to deliver any short-term emission constraints. Unfortunately, nothing happened on this front and the December revised budget bill does not include any carbon floor for the power sector. It would seem that the French government has dropped the project altogether.

But it may well come back

The project does not seem to have been shelved, and EDF's CEO Jean-Bernard Levy's comment during the FY15 results presentation seems to indicate that a comeback is indeed likely. During the Q&A session Levy conceded that the French government "very much likes" the idea of a carbon floor. It would be trying to convince neighbouring countries to join the UK and Sweden, which already have such a framework in their respective power markets. The idea could make sense for some counties, like Belgium (the mostly nuclear and gas-based Belgian market would benefit, potentially helping a partial sale of Electrabel to local or government-linked investors), but does not seem yet acceptable for others, such a Germany. Alone, it would make sense for France to include its power market in the "taxe carbone" framework, which is currently only applicable to regular fuels. Furthermore, such a move would likely be well received by ecologists: something that French President Francois Hollande is likely to be mindful of ahead of the presidential elections. While power market mechanisms usually need approval from the EU Commission (e.g. capacity markets), a CO2 floor is a tax, so it falls under the control of individual governments.

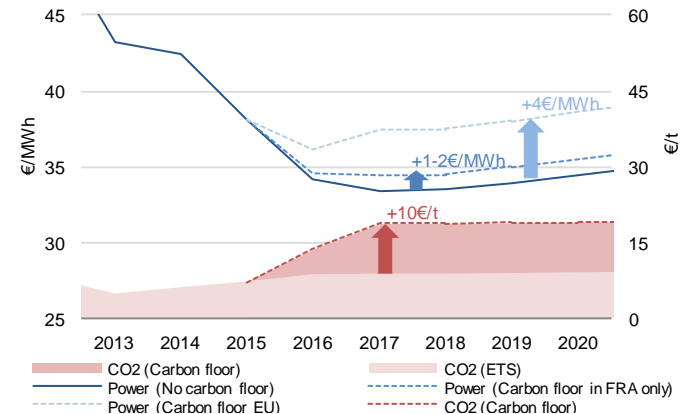
Initial plans to create a carbon floor could return

France interconnections (GW)



Source: SG Cross Asset Research/Equity, RTE

Potential impact on French power prices of a carbon floor



Source: SG Cross Asset Research/Equity

This could bring material support to EDF's cash flows and earnings

EDF earnings outlook

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015e | 2016e | 2017e | 2018e | 2019e | 2020e | |
|-----------------------------|--------|------------------------------------|--------|--------|--------|--------|---------------------|--------|--------|--------|--------|--------|
| BASE CASE | | NO CARBON FLOOR | | | | | | | | | | |
| Key assumptions | | | | | | | | | | | | |
| Market share, residential | % | | | | | | 91% | 90% | 90% | 89% | 85% | |
| Market share, I&C on ARENH+ | % | | | | | | 0% | 0% | 0% | 0% | 0% | |
| Brent oil | \$/bbl | | | | | | 41.8 | 47.1 | 50.8 | 53.1 | 54.7 | |
| French baseload power | €/MWh | | | | | | 34.1 | 32.0 | 32.0 | 34.4 | 35.0 | |
| EBITDA | €m | 16,623 | 14,939 | 16,084 | 16,765 | 17,279 | 17,406 | 16,840 | 15,942 | 15,814 | 15,851 | 16,565 |
| Adjusted EPS | €/sh | 2.14 | 1.98 | 2.28 | 2.17 | 2.40 | 2.01 | 1.64 | 1.18 | 0.91 | 0.68 | 0.63 |
| DPS | €/sh | 1.15 | 1.15 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 |
| Payout | % | 54% | 58% | 55% | 58% | 52% | 62% | 76% | 106% | 137% | 184% | 197% |
| SENSITIVITY 1 | | CARBON FLOOR IN FRANCE ONLY | | | | | (CO2 €+10/t) | | | | | |
| Key assumptions | | | | | | | | | | | | |
| Market share, residential | % | | | | | | 91% | 90% | 90% | 89% | 85% | |
| Market share, I&C on ARENH+ | % | | | | | | 0% | 0% | 0% | 0% | 0% | |
| Brent oil | \$/bbl | | | | | | 41.8 | 47.1 | 50.8 | 53.1 | 54.7 | |
| French baseload power | €/MWh | | | | | | 34.6 | 33.0 | 33.0 | 35.4 | 36.0 | |
| EBITDA | €m | | | | | | 16,889 | 16,105 | 16,082 | 16,159 | 16,866 | |
| Adjusted EPS | €/sh | | | | | | 1.66 | 1.23 | 1.01 | 0.79 | 0.74 | |
| vs base case | % | | | | | | 1.0% | 4.8% | 10.2% | 16.1% | 17.5% | |
| DPS | €/sh | | | | | | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | |
| Payout | % | | | | | | 75% | 101% | 124% | 159% | 168% | |
| SENSITIVITY 2 | | COMMON EU CARBON FLOOR | | | | | (CO2 €+10/t) | | | | | |
| Key assumptions | | | | | | | | | | | | |
| Market share Residential | % | | | | | | 91% | 90% | 90% | 89% | 85% | |
| Market share I&C on ARENH+ | % | | | | | | 0% | 0% | 0% | 0% | 0% | |
| Brent Oil | \$/bbl | | | | | | 41.8 | 47.1 | 50.8 | 53.1 | 54.7 | |
| French baseload power | €/MWh | | | | | | 36.1 | 36.0 | 36.0 | 38.4 | 39.0 | |
| EBITDA | €m | | | | | | 17,037 | 16,594 | 16,886 | 17,080 | 17,772 | |
| Adjusted EPS | €/sh | | | | | | 1.71 | 1.40 | 1.29 | 1.11 | 1.08 | |
| vs base case | % | | | | | | 4.1% | 19.1% | 40.8% | 64.3% | 69.9% | |
| DPS | €/sh | | | | | | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | |
| Payou | €/sh | | | | | | 73% | 89% | 97% | 112% | 116% | |

Source: SG Cross Asset Research/Equity

A good set of results

EDF FY15 results

| | | FY14 | FY15e | | FY15a | | | | |
|---------------------|---------------|--------------|--------------|--------------|--------------|----------------|--------|----------------|----------------|
| | | Pro forma | SG | Cons (ZF) | published | yoy | Org | vs SGe | vs cons |
| EBITDA | (€m) | 17,279 | 17,406 | 17,454 | 17,601 | 1.9% | (0.6%) | 1.1% | 0.8% |
| France | (€m) | 12,198 | 11,640 | 11,719 | 11,517 | (5.6%) | (6.0%) | (1.1%) | (1.7%) |
| UK | (€m) | 1,941 | 2,247 | 2,033 | 2,242 | 15.5% | 4.9% | (0.2%) | 10.3% |
| Italy | (€m) | 886 | 1,263 | 1,289 | 1,345 | 51.8% | 51.5% | 6.5% | 4.3% |
| Other international | (€m) | 632 | 506 | 661 | 609 | (3.6%) | (3.5%) | 20.4% | (7.9%) |
| Other activities | (€m) | 1,622 | 1,750 | 1,750 | 1,888 | 16.4% | 6.2% | 7.9% | 7.9% |
| EBIT | (€m) | 7,984 | 4,512 | 8,282 | 4,280 | (46.4%) | | (5.1%) | (48.3%) |
| NI group share | (€m) | 3,701 | 1,066 | 1,434 | 1,187 | (67.9%) | | 11.4% | (17.2%) |
| Recurring NI | (€m) | 4,852 | 4,332 | 4,296 | 4,822 | (0.6%) | | 11.3% | 12.2% |
| Adjusted EPS | (€/sh) | 2.40 | 2.01 | 2.01 | 2.27 | (5.4%) | | 12.9% | 13.0% |
| DPS | (€/sh) | 1.25 | 1.25 | 1.25 | 1.10 | (12.0%) | | (12.0%) | (12.0%) |
| Net capex | (€bn) | 12.0 | 12.9 | 13.5* | 12.7 | 0.7 | | | |
| Net debt | | @31 Dec14 | @31 Dec 15 | @31 Dec 15 | @31 Dec 15 | | | | |
| | (€bn) | 34.2 | 34.9 | 37.4* | 37.4 | 3.2 | | | |

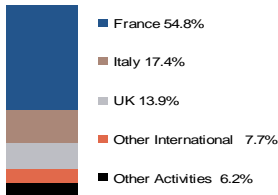
Source: SG Cross Asset Research/Equity, company, ZoneFinance. *: Consensus gathered by the company (when not available otherwise)

Risks to our price target, rating and recommendation

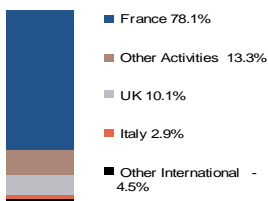
The main risk to our price target would be further deterioration in French power prices (2018e EPS +/-10% for each +/-€1/MWh) and market shares (2018e EPS -2.5% for each 5% share loss), and/or substantial increases in nuclear provisions (-€0.5/sh for each €1bn provision increase).

EDF

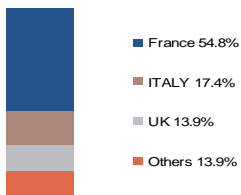
Sales/division 14



EBIT/division 14



Sales/region 14



Major shareholders (%)

| | |
|-----------------|------|
| Treasury shares | 0.1 |
| French State | 84.5 |
| Employee | 1.8 |

| Valuation (€m) | 12/10 | 12/11 | 12/12 | 12/13 | 12/14 | 12/15e | 12/16e | 12/17e |
|------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Nb. of shares basic year end/outstanding | 1,849 | 1,849 | 1,849 | 1,860 | 1,860 | 1,923 | 1,926 | 1,929 |
| Share price (average) | 35.1 | 25.4 | 16.6 | 19.7 | 25.4 | 11.3 | 11.3 | 11.3 |
| Average market cap. (SG adjusted) (1) | 64,879 | 47,033 | 30,681 | 36,606 | 47,276 | 21,689 | 21,722 | 21,755 |
| Restated net debt (-)/cash (+) (2) | -52,635 | -54,786 | -68,314 | -63,979 | -70,701 | -73,015 | -72,228 | -76,481 |
| Value of minorities (3) | 5,586 | 4,189 | 4,854 | 4,663 | 5,419 | 5,419 | 5,419 | 5,419 |
| Value of financial investments (4) | 8,830 | 8,830 | 8,830 | 8,830 | 6,275 | 8,830 | 8,830 | 8,830 |
| Other adjustment (5) | 13,142 | 13,073 | 13,397 | 7,741 | 4,039 | 4,039 | 2,039 | 2,039 |
| EV = (1) - (2) + (3) - (4) + (5) | 127,411 | 110,251 | 108,416 | 104,159 | 121,160 | 95,332 | 92,578 | 96,864 |
| P/E (x) | 16.4 | 12.8 | 7.3 | 9.1 | 10.6 | 5.6 | 6.9 | 9.6 |
| Price/cash flow (x) | 5.8 | 5.5 | 3.1 | 3.2 | 4.4 | 1.5 | 1.8 | 1.6 |
| Price/free cash flow (x) | 28.6 | 47.6 | nm | nm | nm | 114 | nm | nm |
| Price/book value (x) | 2.07 | 1.65 | 1.19 | 1.07 | 1.34 | 0.65 | 0.56 | 0.57 |
| EV/revenues (x) | 1.96 | 1.69 | 1.49 | 1.38 | 1.66 | 1.28 | 1.25 | 1.33 |
| EV/EBITDA (x) | 7.7 | 7.4 | 6.7 | 6.2 | 7.0 | 5.5 | 5.5 | 6.1 |
| Dividend yield (%) | 3.3 | 4.5 | 7.5 | 6.4 | 4.9 | 11.1 | 11.1 | 11.1 |
| Per share data (€) | | | | | | | | |
| SG EPS (adj.) | 2.14 | 1.98 | 2.28 | 2.17 | 2.40 | 2.01 | 1.64 | 1.18 |
| Cash flow | 6.01 | 4.60 | 5.37 | 6.16 | 5.80 | 7.75 | 6.44 | 7.27 |
| Book value | 16.9 | 15.4 | 14.0 | 18.5 | 18.9 | 17.4 | 20.3 | 19.9 |
| Dividend | 1.15 | 1.15 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 |
| Income statement (€m) | | | | | | | | |
| Revenues | 65,165 | 65,307 | 72,729 | 75,594 | 72,874 | 74,561 | 73,852 | 72,888 |
| Gross income | 16,623 | 14,939 | 16,084 | 16,765 | 17,279 | 17,406 | 16,840 | 15,942 |
| EBITDA | 16,623 | 14,939 | 16,084 | 16,765 | 17,279 | 17,406 | 16,840 | 15,942 |
| Depreciation and amortisation | -7,854 | -6,506 | -7,013 | -7,516 | -7,940 | -8,753 | -8,334 | -8,714 |
| EBIT | 8,769 | 8,433 | 9,071 | 9,249 | 9,339 | 8,653 | 8,505 | 7,228 |
| Impairment losses | -1,743 | -640 | -757 | -624 | -1,189 | -3,524 | 0 | 0 |
| Net interest income | -4,426 | -3,780 | -3,362 | -3,089 | -2,551 | -3,178 | -3,517 | -3,548 |
| Exceptional & non-operating items | 15 | -116 | -69 | 14 | 203 | 24 | 0 | 0 |
| Taxation | -1,079 | -1,336 | -1,586 | -1,942 | -1,839 | -272 | -1,548 | -996 |
| Minority interests | -229 | -239 | -241 | -238 | -72 | -175 | -184 | -193 |
| Reported net income | 1,020 | 3,148 | 3,311 | 3,745 | 3,856 | 1,176 | 4,015 | 3,006 |
| SG adjusted net income | 3,961 | 3,658 | 4,216 | 4,014 | 4,464 | 3,805 | 3,154 | 2,266 |
| Cash flow statement (€m) | | | | | | | | |
| EBITDA | 16,623 | 14,939 | 16,084 | 16,765 | 17,279 | 17,406 | 16,840 | 15,942 |
| Change in working capital | -1,665 | -2,394 | 564 | -1,043 | -256 | -453 | 800 | 964 |
| Other operating cash movements | -3,848 | -4,048 | -6,729 | -4,305 | -6,243 | -2,301 | -5,253 | -2,895 |
| Cash flow from operating activities | 11,110 | 8,497 | 9,919 | 11,417 | 10,780 | 14,652 | 12,386 | 14,012 |
| Net capital expenditure | -8,843 | -7,510 | -14,374 | -13,679 | -13,645 | -14,465 | -15,232 | -14,871 |
| Free cash flow | 2,267 | 987 | -4,455 | -2,262 | -2,865 | 188 | -2,846 | -859 |
| Cash flow from investing activities | -1,155 | 182 | 11 | 3,531 | 1,600 | 2,625 | 5,416 | 2,473 |
| Cash flow from financing activities | 15,102 | 1,039 | -12,141 | 11,288 | 4,316 | -3,597 | -55 | -5,168 |
| Net change in cash resulting from CF | 16,214 | 2,208 | -16,585 | 12,557 | 3,051 | -784 | 2,515 | -3,555 |
| Balance sheet (€m) | | | | | | | | |
| Total long-term assets | 158,744 | 163,281 | 181,792 | 183,485 | 195,202 | 194,257 | 196,001 | 199,684 |
| of which intangible | 16,644 | 16,350 | 18,037 | 17,182 | 18,578 | 17,649 | 16,767 | 15,928 |
| Working capital | 27,227 | 24,318 | 21,605 | 22,603 | 24,378 | 25,806 | 27,504 | 27,347 |
| Employee benefit obligations | 11,745 | 14,611 | 19,540 | 18,542 | 23,060 | 23,060 | 23,060 | 23,060 |
| Shareholders' equity | 31,317 | 28,483 | 25,858 | 34,207 | 35,191 | 32,843 | 39,044 | 38,289 |
| Minority interests | 5,586 | 4,189 | 4,854 | 4,663 | 5,419 | 5,419 | 5,419 | 5,419 |
| Provisions | 37,720 | 39,345 | 42,148 | 43,933 | 45,536 | 47,656 | 45,809 | 47,943 |
| Net debt (-)/cash (+) | -48,583 | -49,734 | -58,627 | -52,330 | -56,757 | -57,468 | -56,555 | -58,703 |
| Accounting ratios | | | | | | | | |
| ROIC (%) | 3.9 | 4.2 | 4.2 | 3.8 | 3.9 | 3.3 | 3.2 | 2.7 |
| ROE (%) | 3.3 | 10.5 | 12.2 | 12.5 | 11.1 | 3.5 | 11.2 | 7.8 |
| Gross income/revenues (%) | 25.5 | 22.9 | 22.1 | 22.2 | 23.7 | 23.3 | 22.8 | 21.9 |
| EBITDA margin (%) | 25.5 | 22.9 | 22.1 | 22.2 | 23.7 | 23.3 | 22.8 | 21.9 |
| EBIT margin (%) | 13.5 | 12.9 | 12.5 | 12.2 | 12.8 | 11.6 | 11.5 | 9.9 |
| Revenue yoy growth (%) | 10.2 | 0.2 | 11.4 | 3.9 | -3.6 | 2.3 | -1.0 | -1.3 |
| Rev. organic growth (%) | 10.2 | 0.2 | 11.4 | 3.9 | -3.6 | 2.3 | -1.0 | -1.3 |
| EBITDA yoy growth (%) | 4.4 | -10.1 | 7.7 | 4.2 | 3.1 | 0.7 | -3.3 | -5.3 |
| EBIT yoy growth (%) | 1.5 | -3.8 | 7.6 | 2.0 | 1.0 | -7.3 | -1.7 | -15.0 |
| EPS (adj.) yoy growth (%) | 9.8 | -7.6 | 15.3 | -5.1 | 10.9 | -16.3 | -18.5 | -28.3 |
| Dividend growth (%) | 0.0 | 0.0 | 8.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash conversion (%) | 86.0 | 69.5 | 2.8 | 27.4 | 15.6 | 40.0 | 23.9 | 48.3 |
| Net debt/equity (%) | 132 | 152 | 191 | 135 | 140 | 150 | 127 | 134 |
| FFO/net debt (%) | 21.1 | 17.9 | 16.3 | 18.3 | 18.2 | 19.1 | 16.3 | 14.9 |
| Dividend paid/FCF (%) | 95.4 | 215.0 | nm | nm | nm | 759.0 | nm | nm |

Source: SG Cross Asset Research/Equity

APPENDIX

COMPANIES MENTIONED

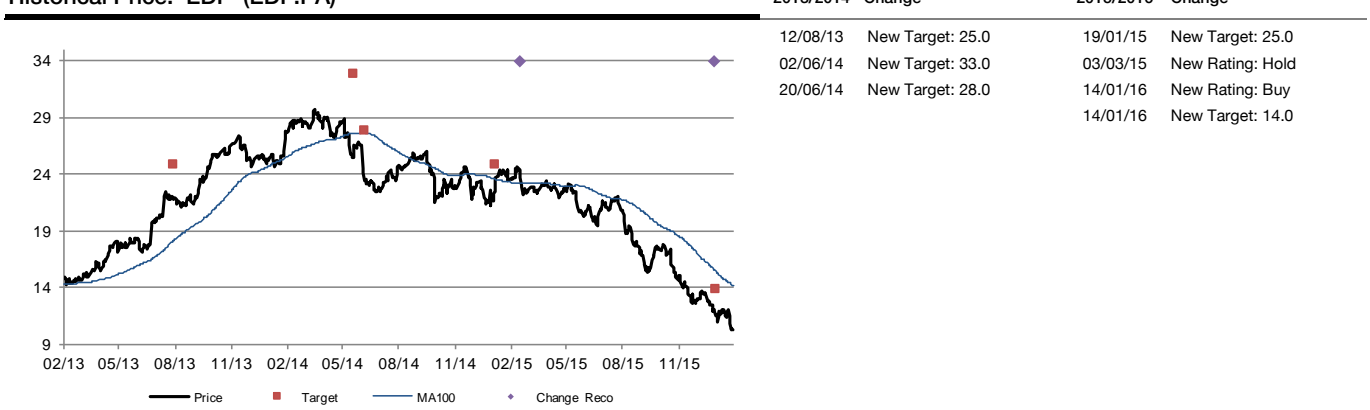
Centrica (CNA.L, Sell)
 E.ON (EONGn.DE, Buy)
 EDF (EDF.PA, Buy)
 Edison SpA (EDN.MI, No Reco)
 Electrabel (nocode88, No Reco)
 Enagas (ENAG.MC, Buy)
 Enel (ENEI.MI, Buy)
 RTE (RTE_SG, No Reco)
 SSE (SSE.L, Sell)
 Suez (SEVI.PA, Buy)

ANALYST CERTIFICATION

The following named research analyst(s) hereby certifies or certify that (i) the views expressed in the research report accurately reflect his or her or their personal views about any and all of the subject securities or issuers and (ii) no part of his or her or their compensation was, is, or will be related, directly or indirectly, to the specific recommendations or views expressed in this report: **Vincent Ayral**

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Historical Price: EDF (EDF.PA)



Source: SG Cross Asset Research/Equity

SG EQUITY RESEARCH RATINGS on a 12 month period

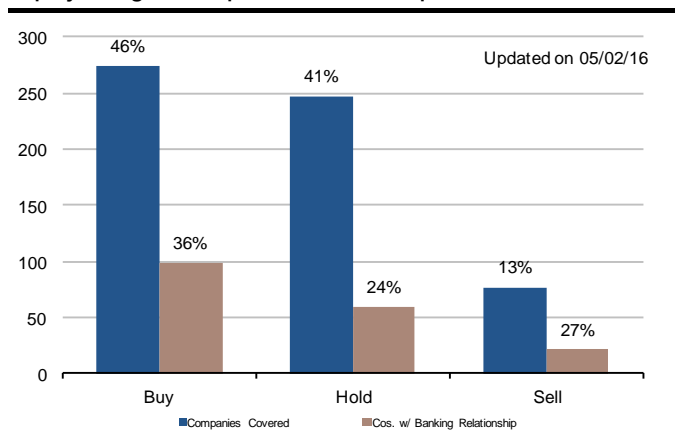
BUY: absolute total shareholder return forecast of 15% or more over a 12 month period.

HOLD: absolute total shareholder return forecast between 0% and +15% over a 12 month period.

SELL: absolute total shareholder return forecast below 0% over a 12 month period.

Total shareholder return means forecast share price appreciation plus all forecast cash dividend income, including income from special dividends, paid during the 12 month period. Ratings are determined by the ranges described above at the time of the initiation of coverage or a change in rating (subject to limited management discretion). At other times, ratings may fall outside of these ranges because of market price movements and/or other short term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by research management.

Equity rating and dispersion relationship



Sector Weighting Definition on a 12 month period:

The sector weightings are assigned by the SG Equity Research Strategist and are distinct and separate from SG equity research analyst ratings. They are based on the relevant MSCI.

OVERWEIGHT: sector expected to outperform the relevant broad market benchmark over the next 12 months.

NEUTRAL: sector expected to perform in-line with the relevant broad market benchmark over the next 12 months.

UNDERWEIGHT: sector expected to underperform the relevant broad market benchmark over the next 12 months.

The Preferred and Least preferred stocks are selected by the covering analyst based on the individual analyst's coverage universe and not by the SG Equity Research Strategist.

Source: SG Cross Asset Research/Equity

All pricing information included in this report is as of market close, unless otherwise stated.

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| | |
|--------|------------------------------------------------------------------------------------|
| EDF | SG is acting as financial advisor in the potential acquisition of Areva NP by EDF. |
| Enagas | SG acted as joint bookrunner in Enagas' bond issue (EUR, 10yr) |
| Enagas | SG acted as passive bookrunner for Enagas's bond issue (8y EUR). |
| Enel | SG makes a market in Enel warrants |

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SG or its affiliates have received compensation for investment banking services in the past 12 months from EDF, Enagas.

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