



## Investors & Analysts' Briefing

Reuters: EDP.LS  
Bloomberg: EDP PL

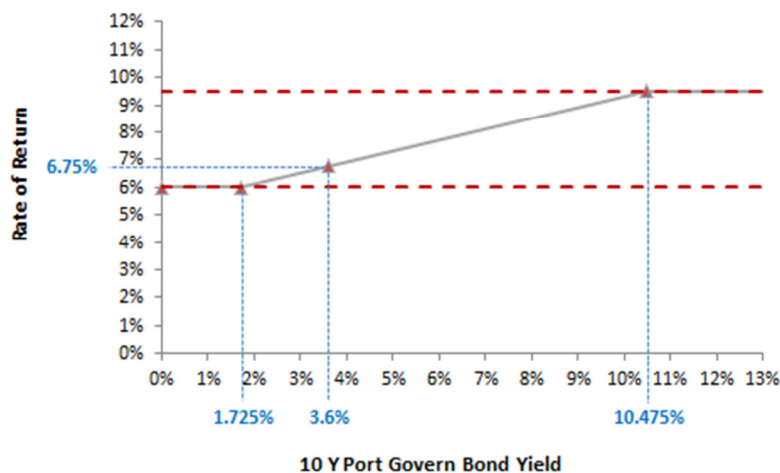
# ERSE ANNOUNCES ITS PROPOSAL FOR TARIFFS IN 2015 AND PARAMETERS FOR 2015-17

**Lisbon, October 15<sup>th</sup> 2014:** Pursuant to the terms and for the purposes of article 248 of the Portuguese Securities code, EDP - Energias de Portugal SA ("EDP") is providing the following information to the market:

The Portuguese Electricity Regulator ("ERSE") announced its proposal for electricity tariffs in 2015 and the parameters for the regulatory period 2015-17, which includes a 3.3% increase for final normal low voltage (NLV) electricity tariffs in Portugal mainland, applicable to all residential consumers out of the Social Tariff.

For 2015, ERSE proposed regulated gross profit for EDP's regulated activities (excluding previous year adjustments) of: (1) €1.194 million for electricity distribution (operated by our subsidiary EDP Distribuição); and (2) €61 million for last resort electricity supply (operated by our subsidiary EDP Serviço Universal).

These regulated revenues are based on a preliminary 6.75% rate of return ("RoR") which was defined for the 2015-17 regulatory period and will be definitively set for year t according to the daily average of the 10 year Portuguese government bond yield between October of year t-1 and September of year t – this mechanism foresees a floor and a cap of 6.0% and 9.5%, respectively. Note that the preliminary RoR of 6.75% reflects an underlying average of 3.6% for the 10 year Portuguese government bond yield and that each 2.5% change in Portuguese government bond yield implies a 1% change in the RoR.



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Additionally, in terms of electricity demand evolution, the regulator is forecasting a 0.5% YoY increase for 2014 and a 0.8% YoY increase for 2015.

According to ERSE's proposal, Portuguese electricity system's regulatory receivables are expected to stay flat over 2015, due to: (a) a €391m increase of Portuguese electricity system medium to long-term debt; and (b) €380m of previous year adjustments of regulated activities' allowed revenues to be recovered by regulated companies through 2015 tariffs.

According to electricity regulation rules in Portugal, the Tariffs Advisory Board, which includes representatives from regulated companies and consumers, shall issue its nonbinding opinion until November 15<sup>th</sup>. Following that, ERSE will approve the final tariffs and parameters until December 15<sup>th</sup> 2014.

**EDP – Energias de Portugal, S.A.**

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