



Investors & Analysts' Briefing

Reuters: EDP.LS
Bloomberg: EDP PL

ERSE ANNOUNCES ELECTRICITY TARIFFS FOR 2018 AND PARAMETERS FOR 2018-2020

Lisbon, December 17th 2017: Pursuant to the terms and for the purposes of the article 17 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council and of the article 248-A of the Portuguese Securities code, EDP - Energias de Portugal SA ("EDP") is providing the following information to the market:

The Portuguese Energy Services Regulatory Authority ("ERSE") made public on December 15th the final document regarding the "Tariffs and prices for electricity and other services in 2018 and parameters for the regulatory period of 2018-2020" in Portugal. Compared to ERSE's preliminary proposal on this subject that was presented on October, 13th, and namely regarding the most relevant content for EDP's activity which was disclosed to the market on October 15th, this final version introduces small changes, namely:

- The assumption for the average electricity purchase cost in 2018 by the last resort supplier, EDP Serviço Universal, was revised upwards from €51/MWh to €54/MWh;
- The regulated gross profit (excluding previous year adjustments) for the activity of electricity distribution in 2018 (operated by our subsidiary EDP Distribuição) was reduced by €14 million to €1,062 million;
- For the high and medium voltage distribution segment, the preliminary rate of return "RoR" for 2018 was maintained at 5.75% before taxes, which continues to assume a daily average of 10-Year Portuguese Government Bond (PGBs) Yields of 2.7% between Oct-17 and Sep-18. The correlation with PGBs 10-Year yields is maintained, with a 2.5% change in average annual yield of 10-Year PGBs implying a 1% change in RoR. Nevertheless, in the final version of the framework the cap and floor limits within the annual RoR can evolve over the 2018-2020 period were revised downwards: The floor limit moved from 5.0% to 4.75% (this annual RoR floor will be in force in scenarios of average annual yield of 10-Year PGBs below 0.2%) and the cap limit moved from 10.0% to 9.75% (this annual RoR cap will be in force in scenarios of average annual yield of 10-Year PGBs above 12.7%).

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