

# 1H13 Financial Results

#### Conference call and webcast

Date: Friday, 26th July, 2013, 11:00 am (UK/Portuguese time)

Webcast: www.edp.pt

**By Phone dial-In number:** +44 (0)20 7162 0077 Conference ID: 934756 **Replay:** By Phone dial-In number: +44 (0)20 7031 4064 Conference ID: 934756

Lisbon, July 25th 2013

#### Content

Main Highlights	- 2
Consolidated Financial Performance	
EBITDA	- 3
Profit & Loss below EBITDA	- 4
Capex & Net Investments	- 5
Cash Flow	- 6
Statement of Consolidated Financial Position	- 7
Net Debt	- 8
Business Areas	
Overview: Iberian Electricity and Gas Markets	- 10
1. LT Contracted Generation in the Iberian Market	- 11
2. Liberalised Activities in the Iberian Market	- 12
3. EDP Renováveis	- 15
4. Regulated Networks in Iberia	- 18
5. Brazil - EDP Brasil	- 21
Income Statements & Annex	
Income Statements by Business Area	- 25
Quarterly Income Statement	- 26
Generation Assets: Installed Capacity and Generation	- 27
Regulated Networks: Volumes Distributed, Clients and Networks	- 28
Sustainability Performance	- 29
FDP Share Performance	20

#### Main Highlights

**Key Operational Data** 

Employees

Income Statement (€ m)	1H13	1H12	Δ%	Δ Abs.
Gross Profit	2,915	2,789	4%	+125
Supplies and services Personnel costs, employees benefits Other operating costs (net) Net Operating costs (1)	451	446	1%	+6
	338	330	2%	+8
	169	128	32%	+41
	<b>958</b>	<b>904</b>	<b>6%</b>	<b>+54</b>
EBITDA	1,957	1,885	4%	+72
Provisions Net depreciation and amortisation (2) EBIT	37	7	446%	+30
	706	704	0%	+2
	<b>1,214</b>	<b>1,174</b>	<b>3%</b>	<b>+40</b>
Capital gains/(losses) Financial results Results from associated companies Pre-tax Profit	0	3	-100%	-3
	(333)	(353)	6%	+20
	19	10	80%	+8
	<b>900</b>	<b>835</b>	<b>8</b> %	<b>+66</b>
Income taxes Discontinued activities	190	159 -	20%	+31
Net profit for the period  Net Profit Attributable to EDP Shareholders  Non-controlling Interest	710	676	5%	+34
	<b>603</b>	<b>582</b>	<b>4%</b>	<b>+21</b>
	107	94	14%	+13

Employees	12,244	12,292	-0%	-48
Installed capacity (MW)	22,682	22,514	1%	+168
Key Financial Data (€ m)	1H13	1H12	Δ%	Δ Abs.
FFO (Funds from operations)	1,241	1,468	-16%	-228
Capex Maintenance Expansion	635 266 369	690 288 402	-8% -8% -8%	-55 -22 -33
Net investment in the period	(373)	43	-	-416

1H13

12 2//

1H12

12 202

Key Balance Sheet Data (€ m)	Jun-13	Dec-12	Δ%	Δ Abs.
Equity book value	8,218	8,192	0%	+26
Net debt	17,688	18,233	-3%	-545
Regulatory receivables (4)	2,753	2,710	2%	+42
Net debt/EBITDA (x)	4.5x	5.0x	-	-0.5x
Adjusted net debt (3)/EBITDA (x)	3.8x	4.3x	-	-0.5x

EDP Group EBITDA reached €1,957m in 1H13, up 4% YoY (+€72m). EDP's Iberian business (excluding EDP Renováveis) was positively impacted by a strong increase of hydro output, EDP's long position in clients in the Iberian Peninsula, and a positive €56m contribution from the sale of transmission gas assets in Spain. Additionally, the Iberian business was negatively impacted by the introduction of new taxes on electricity generation in Spain (-€54m), the interruption of capacity payments in Portugal in 1H13 (€19m in 1H12), a lower return at electricity distribution in Portugal (10.3% in 1H12 to 8.5% in 1H13, on the back of a decline of the Portuguese Republic 5 years CDS, and the end of Setúbal PPA in Dec-12. EDP Renováveis EBITDA (+€57m) benefited from the strong wind coefficient recorded in 1H13, while EDP Brasil EBITDA (-€26m) reflect the foreign exchange negative impact of the period (-10%). Adjusted for the mentioned disposal of gas transmission assets, EBITDA went up 1% YoY to €1,901m in 1H13.

Operating costs (excluding other net operating costs) rose by 2% YoY, to €789m in 1H13, prompted by a tight cost control policy and the delivery of our corporate efficiency program (with the anticipation of targets by 1 year from 2014 to 2013). Other net operating costs in 1H13 include: i) a €56m one-off gain from the sale of the gas transmission assets in Spain; ii) a €54m negative impact related to the new taxes on generation in Spain; and iii) a €25m non-recurring cost driven by non-programmed outages of Pecém I.

Net depreciation and amortisations remained stable, reflecting essentially, on the one hand, the new capacity additions (mainly hydro and wind), and, on the other, the shutdown of Setubal power plant. EBIT increased 3% YoY, to €1,214m in 1H13. Financial results totalled -€333m in 1H13, reflecting: i) a 5% increase of average net debt; and ii) a higher average cost of debt (+20bp to 4.2% in 1H13). Income taxes totalled €190m, which translated into a 21% effective tax rate in 1H13, including non-recurring impacts in Spain. Non-controlling interest rose 14% YoY, as the decline of profits at EDP Brasil's '(EDPB') level was essentially compensated by the higher net profit at EDP Renováveis' ('EDPR') level. Overall, net profit attributable to EDP shareholders increased 4% YoY to €603m in 1H13.

**Capex** including the cash-in of a cash-grant related to a US wind farm (€92m) fell 8% YoY to €635m in 1H13. Excluding this impact, capex went up 5% YoY to €727m in 1H13, reflecting higher investment in new hydro capacity, in Portugal and in Brasil, and wind capacity, mostly outside of Iberia.

Net debt went down by €0.5bn year-to-date, to €17.7bn in Jun-13, including -€0.6bn cashed-in from asset disposals (minority stake in EDPR Portugal to CTG and gas transmission assets in Spain to Enagas) and -€1bn cashed-in on tariff deficit secutitisations in Portugal and Spain. Change in net debt also includes the payment, in May 2013, of the 2012 annual dividend (€0.7bn), higher regulatory receivables in Portugal and Spain, and the expansion capex undertaken in the period (€0.4bn). As of Jun-13, total cash position and available credit facilities amounted €4.5bn. This liquidity position allows EDP to cover its refinancing needs through 2014.

Δ Abs.

00/

#### **EBITDA Breakdown**

EBITDA (€ m)	1H13	1H12	Δ%	Δ Abs.	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	2Q1 Δ%	3 YoY Δ Abs.	2Q13 Δ%	QoQ Δ Abs.
LT Contracted Generation	372	402	-7%	-30	197	205	206	194	196	177			-14%	-29	-10%	-19
Liberalised Activities Iberia	234	182	28%	+51	95	88	98	36	112	122			39%	34	9%	10
Regulated Networks Iberia	522	520	0%	+2	275	245	289	248	290	233			-5%	-12	-20%	-57
Wind & Solar Power	560	504	11%	+57	263	240	171	263	327	233			-3%	-7	-29%	-94
Brazil	272	298	-9%	-26	177	121	99	137	150	122			19	2	-19%	-28
Other	(4)	(21)	79%	+16	(4)	(17)	(7)	8	(2)	(2)			88%	15	14%	0
Consolidated	1,957	1,885	4%	+72	1,003	882	857	886	1,072	885			0.4%	3	-17%	-187

EDP consolidated EBITDA rose by 4% (+€72m), to €1,957m in 1H13, fuelled by wind operations (+€57m) and liberalised activities (+€51m). In turn, EBITDA from LT contracted declined by €30m, EBITDA from Brazil dropped by €26m and EBITDA from regulated networks was flat. ForEx impact on EBITDA totalled -€32m, backed by 10% BRL depreciation vs. Euro and 1% depreciation of USD vs. Euro. Adjusted for the disposal of gas transmission assets (€56m), EBITDA was 1% higher YoY (+€16m), at €1,901m in 1H13.

LONG TERM CONTRACTED GENERATION IN IBERIA (19% of EBITDA) — EBITDA declined 7% YoY in 1H13 to €372m, as the higher mini-hydro output justified by rainy weather in 1H13 vs a very dry 1H12 (+€28m in 1H13) was more than offset by the end of Setúbal fuel oil plant PPA in Dec-12 (EBITDA: €53m in 1H12) and lower results with CO<sub>2</sub> procurement costs (-€8m YoY). In Jan-13, EDP sold its stake in Soporgen cogeneration plant in Portugal (67MW): EBITDA contribution from this plant in 2012 totaled €12m.

LIBERALISED ACTIVITIES IN IBERIA (12% of EBITDA) — EBITDA advanced 28% YoY, to €234m in 1H13, in the wake of: (i) Triple of EDP's hydro volumes YoY as a result of a much rainier 1H13 and of the commissioning of new hydro capacity in Portugal, enhancing a 35% drop in avg. generation costs; (ii) 17% decline in avg. costs with electricity purchases in the wholesale market due to adequate energy management and lower pool prices; (iii) +1% rise in volume sold to clients at slightly higher avg. selling prices (+2% YoY); (iv) weaker thermal plants profitability due to very low utilisation levels and (v) no capacity payments in Portugal in 1H13 (€19m in 1H12) and new generation taxes in Spain (€29m in 1H13). In 1H13, our own generation met only 27% of our electricity needs (as EDP made use of its flexibility to profit from low pool prices) and hydro output accounted for 47% of own output (vs. 16% in 1H12).

**REGULATED NETWORKS IN IBERIA (26% of EBITDA)** — **EBITDA was flat at €522m**, reflecting (i) lower regulated revenues, namely in the electricity distribution in Portugal due to lower estimated regulated rate of return on assets (-€27m, stemming from a return on assets of 8.5% in 1H13 vs. 10.3% in 1H12) following the decline of Portuguese Republic 5-year CDS; (ii) one-off gain booked on the sale of gas transmission assets (+€56m in Feb-13);

and (iii) impact from the de-consolidation of gas transmission assets in Spain (€15m of EBITDA in 1H12).

WIND & SOLAR POWER (29% of EBITDA) – EDPR's EBITDA rose 11% YoY (+€57m) to €560m in 1H13 driven by higher electricity output, mainly in Iberia, and higher average selling prices. Growth in 1H13 EBITDA was mainly prompted by Portugal (+€19m YoY) and Spain (+€13m YoY, despite the €19m adverse impact from the introduction of generation taxes in Spain), on the back of a very windy weather which resulted in higher load factors: +7pp YoY to 33% in Portugal, +4pp to 32% in Spain. Avg. load factor increased from 32% in 1H12 to 33% in 1H13 and avg. selling prices went up 5% YoY to €64.3/MWh reflecting a different production mix breakdown with Europe representing 47% in 1H13 (vs. 43% in 1H12) and the US 52% (vs. 57% in 1H12). 1H13 EBITDA includes a one-off gain with the restructuring of a PPA contract in the US in 1Q13 amounting to €14m. Excluding this impact, EBITDA in 1H13 went up 9% YoY (+€43m). ForEx impact was negative by €3m.

BRAZIL (14% of EBITDA) - EDPB's contribution to EDP EBITDA dropped by 9% (-€26m) YoY, to €272m in 1H13, penalised by unfavourable ForEx impact. In local currency, EBITDA increased by 1%. In distribution, EBITDA advanced by 32% (-R\$83m), backed by less negative tariff deviations (-R\$139m YoY), along with a 14% increase in operating costs (driven by higher personnel costs) and by R\$16m non-recurring gain booked in 1Q12. EBITDA in generation fell by 22% YoY, reflecting Pecém I coal plant's negative contribution of −R\$104m. Supply EBITDA, which more than doubled (+R\$35m), benefited from a favourable long position and higher volumes supplied at higher prices. Foreign exchange contributed negatively to EDPB's EBITDA in Euro terms (-€29m), following a 10% depreciation of the BRL vs. the EUR.

#### Profit & Loss Items below EBITDA

Profit & Loss Items below EBITDA (€ m)	1H13	1H12	Δ%	Δ Abs.	2	1Q13	2Q13	3Q13	4Q13	2Q13 O Δ %	loQ Δ Abs.
EBITDA	1,957	1,885	4%	72		1,072	885			-17%	-187
Provisions Depreciation and amortisation	37 719	7 717	446% 0%	30 2		9 360	27 359			190% 0%	18 -1
Compensation of deprec. and amortisat.	(14)	(13)	-3%	-0		(7)	(7)			-1%	-0
EBIT	1,214	1,174	3%	40		709	505			-29%	-204
Net financial interest	(400)	(343)	-16%	-57		(195)	(205)			-6%	-11
Capitalized financial costs	69	68 (31)	1% 37%	1 11		35 12	34 (32)			-3%	-1 -44
Net foreign exch. differ. and derivates Investment income	(20)	(31)	-18%	-1		0	(32) A			-	-44 Δ
Unwinding w/ pension & medical care resp.	(36)	(46)	22%	10		(18)	(18)			1%	0
Other Financials	` 5Ó	`(6)	-	55		` 6	44			675%	38
Financial results	(333)	(353)	6%	20		(160)	(173)			-8%	-13
Results from associated companies	19	10	80%	8		8	11			33%	3
Capital Gains/(Losses)	0	3	-100%	-3		0	0			-	-0
Pre-tax profit	900	835	8%	66		557	343			-38%	-215
Income taxes	190	159	20%	31		149	41			-72%	-108
Effective Tax rate (%)	21%	19%	-	2.1 pp		27%	12%			-	-14.8 pp
EDP Renováveis	49	28	77%	21		34	15			-55%	-19
Energias do Brasil	53	63	-15%	-10		38	16			-58%	-22
Other Non-controlling interests	5 <b>107</b>	3 <b>94</b>	42% <b>14%</b>	1 <b>13</b>		2 <b>74</b>	3 <b>33</b>			24% <b>-55%</b>	1 - <b>40</b>
Net profit attributable to shareholders of EDP	603	582	4%	21		335	268			-20%	-66

**Provisions** in 1H13 amounted to €37m and €27m in 2Q13 with the major items being labour contingencies on staff remuneration in Brazil (€8m) and provisions related with litigation and other in Spain (€11m).

Net depreciation and amortisation (net of compensation from depreciation and amortisation of subsidised assets) was flat in 1H13 since the commissioning of new capacity addition at EDP Renováveis level and a new hydro plant in Portugal were partially compensated by the decommissioning of Setubal's plant and the sale of Soporgen's cogeneration plant (combined impact of €14m) and lower working hours at our coal plants in Spain (€13m).

In 1H13 net financial costs decreased 6% or €20m YoY to €333m. Net financial interest costs rose 16% YoY, to €400m in 1H13, reflecting an increase by 5% in avg. net debt and also a rise of the avg. cost of debt from 4.0% in 1H12 to 4.2% in 1H13. Net forex and differences and derivatives in 1H13 totaled €20m mostly regarding energy and commodities related results. Other financials increased by €55m to €50m in 1H13 reflecting a gain of €41m with tariff securitisation deals.

**Results from associated companies** increased €8m YoY to €19m in 1H13 essentially due to higher contribution from our equity stake in ENEOP Portugal (+€6m in 1H13).

**Income tax** amounted to €190m in 1H13, representing an effective tax rate of 21%, which compares to lower income taxes and effective tax rates in 1H12. Taxes in Spain include an €80m non-recurrent positive impact fom which €132m are related to asset tax base revaluations in Spain supported by Ley 16/2012.

Non-controlling interest increased 14% YoY to €107m in 1H13, as the decline of profits at EDP Brasil's level was more than compensated by the increase of net profit at EDP Renováveis' level and also the impact from the non-controlling interests in wind farms sold to Borealis in 4Q12. Going forward, it's important to highlight the impact of conclusion of sale by EDPR of minority stakes in wind farms in Portugal to CTG in the end of Jun-13.

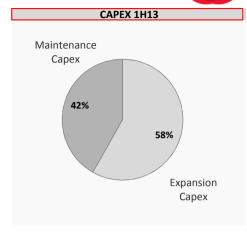
All in all, net profit attributable to EDP shareholders increase 4% YoY to €603m in 1H13.

## Capital Expenditure & Net Investments



Capex (€ m)	1H13	1H12	Δ%	Δ Abs.
LT contracted gen. Iberia	19	18	6%	+1
Liberalised activities Iberia	264	208	27%	+57
Regulated networks Iberia	161	184	-13%	-23
Wind & solar power	12	109	-89%	-98
Brazil	162	159	2%	+3
Other	17	12	40%	+5
EDP Group	635	690	-8%	-55
Expansion Capex	369	402	-8%	-33
Maintenance Capex	266	288	-8%	-22

_	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13
						•	3Q13	<del>1</del> Q13
	8	10	11	15	11	8	-	-
	86	122	156	161	139	125	-	-
	82	103	80	139	71	89	-	-
	55	54	154	343	(53)	65	-	-
	89	70	95	135	70	92	-	-
	6	6	12	20	7	10	-	-
	325	365	507	813	245	391	-	-
	189	213	350	567	129	241	-	-
	136	152	158	246	116	150	-	-



Generation Projects Under Construction (€ m)	MW	Capex 1H13	Acc. Capex (1)
Hydro Portugal	1,468	224	1,023
Wind Power (2)	242	23	281
Hydro Brazil	592	78	214
Total	2,302	325	1,518

Net investments/(Divestments) (€m)	1H13	1H12	Δ%	Δ Abs.
Investments	140	52	171%	+88
Consolidation Perimeter EDPR Gas assets Jari hydro plant (Brazil) Other	36 96 - 8	10 - 40 2	- - - 437%	+25 +96 -40 +7
Divestments	513	9	-	+504
Consolidation Perimeter EDPR Gas assets (Spain) EDPR Portugal (49%) Other	0 245 257 10	7 - - 2	-96% - - -	-6 +245 +257 +8
Total	(373)	43	-	-416

Consolidated capex totalled €635m in 1H13, down 8% YoY. Note that in Jan-13, EDP Renováveis ('EDPR') cashed-in a €92m cash-grant in US related to Marble River wind farm (installed in 4Q12), which explains for EDPR's 1H13 abnormally low capex figure. Excluding this impact, consolidated capex went up 5% YoY to €727m, on the back of a 15% increase in expansion capex, driven by higher capex in our liberalised activities (new hydro in Portugal). Maintenance capex fell 8% YoY to €266m in 1H13, essentially reflecting lower investment needs at our Iberian regulated networks.

Capex in new hydro capacity in Portugal totalled €245m in 1H13, the bulk of which devoted to the on-going construction/repowering works of 5 hydro plants: €224m in 1,468MW of capacity due to start operating in 2014/16 – 2 repowerings (963MW) and 3 new plants (505MW).

Capex in new wind & solar capacity, at EDPR level, totalled €12m, or €104m excluding the €92m cash-grant received in Jan-13, and was allocated to 1H13 capacity additions (+130MW in Poland, +28MW in Romania and +4MW in Portugal, all wind capacity) and to the 242MW of capacity under construction: 230MW of wind (132MW in Romania, 60MW in Poland, 30MW in Italy and 8MW in France) and 12MW of solar (Romania).

In Brazil, capex totalled €162m in 1H13, of which: i) €34m were invested in Pecém I, a 360MW coal plant, which group 1 was commissioned in Dec-12, while group 2 started commercial operations in May-13; and ii) €78m were invested in new hydro capacity, the bulk of which related to Jari (373MW due in 2015).

Net divestments amounted to €373m in 1H13. Divestments include: i) €257m from the conclusion in Jun-13 of the sale to CTG of a 49% equity stake in EDPR Portugal (agreed in Dec-12 within the scope of the strategic partnership) – note that the deal concluded for €368m, including shareholder loans; ii) €245m from the sale of EDP's transmission gas assets in Spain; and iii) €10m from the sale of EDP's 82% stake in Soporgen cogeneration facility in Portugal. The bulk of the investments relates to the acquisition of a 5% stake in Naturgas in 2Q13 (€96m), in line with the agreement with Ente Vasco de Energia signed in 2010, and to some success fees related to the development of our wind business.

Overall, EDP has so far spent €1.5bn in 2.3GW of new generation capacity under construction. Looking forward, EDP plans a total capex of c€2.0bn in 2013.

#### Cash Flow

Consolidated Cash Flow (€m) - Indirect Method	1H13	1H12	Δ%	Δ Abs.
EBITDA	1,957	1,885	4%	+72
Income tax	(290)	(45)	-549%	-245
Net financial interest	(400)	(343)	-16%	-57
Net Income and dividends received from Associates	23	15	48%	+7
Other adjustments	(49)	(44)	-12%	-5
FFO (Funds From Operations)	1,241	1,468	-16%	-228
Net financial interest	400	343	16%	+57
Net Income and dividends received from Associates	(23)	(15)	-48%	-7
Change in operating working capital	469	(724)	-	+1,193
Regulatory Receivables	(32)	(629)	95%	+598
Other	501	(94)	-	+595
Net Cash from Operating Activities	2,087	1,073	95%	+1,014
Expansion capex	(369)	(402)	8%	+33
Maintenance capex	(266)	(288)	8%	+22
Change in working capital from equipment suppliers	(393)	(375)	-5%	-18
Net Operating Cash Flow	1.059	7		+1,051
Net Operating Cash Flow	1,033	•		11,031
Net (investments)/divestments	373	(43)	_	+416
Net financial interest paid	(366)	(380)	4%	+15
Dividends received	` 12	` 11	9%	+1
Dividends paid	(716)	(770)	7%	+55
Proceeds/(payments) from institut. partnersh. in US wind	(23)	(7)	-239%	-16
Effect of exchange rate fluctuations	74	(18)	-	+92
Other non-operating changes	132	127	4%	+5
Decrease/(Increase) in Net Debt	545	(1,073)	-	+1,619

Consolidated Cash Flow (€m) - Direct Method	1H13	1H12	Δ%	Δ Abs.
Operating Activities				
Cash receipts from customers	7,580	7,501	1%	+79
Proceeds from tariff adjustments securitization	1,008	168	500%	+840
Cash paid to suppliers and personnel	(6,114)	(6,401)	4%	+287
Concession rents & other	(315)	(162)	-94%	-152
Net Cash from Operations	2,159	1,106	95%	+1,054
Income tax received/(paid)	(73)	(33)	-	-40
• • •				
Net Cash from Operating Activities	2,087	1,073	95%	+1,014
Net Cash from Investing Activities	(934)	(1,050)	11%	+116
Net Cash from Financing Activities	(1,092)	(299)	-265%	-793
Changes in Cash and Cash Equivalents	61	(277)	-	+337
Effect of exchange rate fluctuations	(26)	(13)	-95%	-12

Funds from operations (FFO) fell 16% YoY to €1,241m in 1H13, reflecting: i) a €245m increase in income taxes, driven by higher results and by the impact on current taxes of the sale without recourse of the Portuguese electricity tariff deficit (€714m in 1H13); and ii) a €57m increase in net financial interests, due to an higher average net debt (+€0.8bn) and a 20bp increase in the average cost of debt (4.2% in 1H13); which more than compensated a 4% increase in EBITDA (+€72m).

Net cash from operating activities almost doubled to €2,087m in 1H13. Note that regulatory receivables in the 1H13 remained almost flat vs. Dec-12 (+€32m), reflecting: i) +€91m from regulated activities in Portugal, including €714m of regulatory receivables cashed-in from securitisation deals in 1H13; and ii) -€59m from Spain, including €249m of regulatory receivables securitised. Other changes in working capital, which amounted to €501m in 1H13, was positively impacted by a fall in coal inventories as well as by a decrease in trade receivables.

**Expansion capex fell 8% YoY, or €33m, to €369m in 1H13**, thanks to a €92m cash-grant received in US by EDP Renováveis ('EDPR'). Note that **change in working capital from equipment suppliers** is mostly related to the renewable projects construction and development activity at EDPR level.

**Net divestments amounted to €373m in 1H13**, mostly reflecting: i) the sale of gas transmission gas in Spain (€245m); and ii) the conclusion of the sale to CTG of a 49% equity stake in EDPR Portugal (€257m); which were partly offset by payment of a 5% stake in Naturgas in 2Q13 (€96m).

On May 23<sup>rd</sup>, 2013, EDP paid its annual dividend amounting to €671m (or €0.185/share, flat vs. the previous year). Note that the amount of €716m of dividends paid in 1H13 also includes the amount paid to non-controlling interests, mostly at the level of EDP Brasil.

The €74m positive impact on net debt from **effects of exchange rate fluctuations** essentially reflects the 6% depreciation of the BRL vs. the EUR between Dec-12 and Jun-13.

Other non-operating changes in 1H13 include €111m related to CTG acquisition of 25% of EDPR Portugal shareholder loans (deal concluded in Jun-13).

Overall, **net debt** decreased 0.5bn vs. Dec-12 to €17.7bn as of Jun-13.

#### Statement of Consolidated Financial Position



Assets (€ m)	J	un. vs. Dec.	
	Jun-13	Dec-12	Δ Abs.
Property, plant and equipment, net	20,734	20,905	-171
Intangible assets, net	6,282	6,542	-260
Goodwill	3,313	3,318	-5
Financial investments and assets held for sale, net	369	587	-219
Tax assets, deferred and current	785	776	9
Inventories	283	378	-95
Trade receivables, net	1,993	2,377	-384
Other assets, net	5,687 489	5,620 428	68 60
Collateral deposits	1,730	_	35
Cash and cash equivalents	1,730	1,695	33
Total Assets	41,665	42,628	-963
- · · /- ·		5 15	
Equity (€ m)	Jun-13	Dec-12	Δ Abs.
Country attributable to accrity helders of CDD	8,218	0 102	26
Equity attributable to equity holders of EDP	,	8,192	26 -56
Non-controling Interest	3,183	3,239	-50
Total Equity	11,401	11,432	-30
Total Equity	11,101	11,101	
Liabilities (€ m)	Jun-13	Dec-12	Δ Abs.
Financial debt, of wich:	19,954	20,523	-569
Medium and long-term	14,735	16,716	-1,980
Short term	5,219	3,808	1,411
Employee benefits (detail below)	1,866	1,933	-67
Institutional partnerships, US wind	1,633	1,680	-47
Provisions	402	383	19
Tax liabilities, deferred and current	1,521	1,320	201
Other liabilities, net	4,888	5,357	-469
=		24 400	
Total Liabilities	30,264	31,196	-932
Total Equity and Liabilities	41,665	42,628	-963
Total Equity and Elabinties	41,003	42,020	303
Employee Benefits (€m)	Jun-13	Dec-12	Δ Abs.
Pensions (3)	865	939	-74
Medical care and other	1,001	994	7
Employee Benefits	1,866	1,933	-67
		5 12	
Institutional Partnerships Liabilities (€m)	Jun-13	Dec-12	Δ Abs.
Institutional Deuterrushine IIC M/inst	1 (22	1 (00	-47
Institutional Partnerships, US Wind	1,633	1,680	
(-) Deferred Income	727 <b>906</b>	738 <b>942</b>	<u>-11</u>
Institutional Partnerships Liabilities	906	942	<u>-36</u>
Regulatory Receivables (€m)	Jun-13	Dec-12	Δ Abs.
Portugal Distribution and Gas (1)	1,680	1,543	137
Portugal Annual CMEC Deviation	608	654	-46
Spain (2)	365	424	-59
Brazil (4)	100	89	11
Regulatory Receivables	2,753	2,710	42

Total amount of **property, plant & equipment and intangible assets** fell by €0.4bn vs. Dec-12 to €27.0bn as of Jun-13, mainly reflecting: i) +€0.6bn of capex in the period; ii) -€0.7bn from depreciations in the same period; iii) a net -€0.2bn impact mainly resulting from the depreciation of the Brazilian Real (-6%) and appreciation of the US Dollar (+1%) against the Euro; and iv) a net -€0.1bn impact driven by  $CO_2$  licences consumption and delivery in the period. As of Jun-13, EDP's balance sheet included €3.2bn of works in progress (12% of total consolidated tangible and intangible assets) largely related to investments already incurred in regulated networks, power plants, wind farms, development equipment or concession rights which are not yet operating.

The book value of **financial investments & assets held for sale** amounted to €369m as of Jun-13, including essentially our financial stakes in ENEOP (40%), CEM (21%), REN (3.5%) and BCP (2.0%). Note that as of Dec-12, this amount included €0.2bn regarding our gas transmission assets in Spain (sold in Feb-13).

Tax assets and liabilities, deferred and current, went down €0.2bn vs. Dec-12, mostly due to higher payables related to income taxes.

**Inventories** went down €0.1bn vs. Dec-12, driven by a fall in coal inventories.

The observed evolution of **trade receivables (net)** was driven by lower receivables, at our Brazilian and Spanish subsidiaries, EDP Brasil and EDP España, driven by client payments of previous years' invoices, as well as at EDP Serviço Universal, the last resort electricity supplier in Portugal, partly driven by the on-going liberalisation process.

Other assets (net) increased by a mere €0.1bn vs. Dec-12 to €5.7bn as of Jun-13, reflecting a €0.2bn increase of gross regulatory receivables in Portugal, including the impact of achieved securitisations within the period (-€0.7bn).

Total amount of EDP's **net regulatory receivables** increased by €42m vs. Dec-12 to €2,753m as of Jun-13, reflecting: i) a €91m increase from Portugal; ii) a €59m decrease from Spain; and iii) an €11m increase in regulatory receivables from Brazil, mostly due to the higher energy purchase costs.

**Equity book value** stood flat at €8.2bn as of Jun-13, mostly reflecting €603m of net profit for the period and the payment of €671m in dividends.

Pension fund, medical care and other employee benefit liabilities (gross, before deferred taxes), decreased €0.1bn vs. Dec-12, to €1.9bn as of Jun-13.

Institutional partnership liabilities, related to our wind operations in US, decreased €36m vs. Dec-12, to €906m as of Jun-13, as tax equity partners are receiving the tax benefits generated by the projects. Note that the referred amount of institutional partnership liabilities was adjusted by deferred revenues related to tax credits already benefited by the institutional investors and yet due to be recognised in the P&L.

Other liabilities (net), went down €0.5bn vs. Dec-12, on the back of a decrease in payables from property, plant, equipment and other suppliers.

#### Consolidated Net Financial Debt

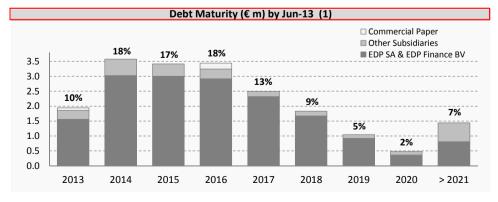


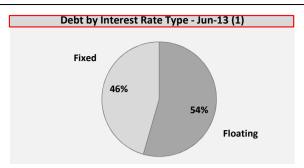
Nominal Financial Debt by Company (€m)	Jun-13	Dec-12	Δ%	Δ Abs.
EDP S.A. and EDP Finance BV	16,860	17,419	-3%	-559
EDP Produção & Other	218	238	-8%	-19
EDP Renováveis	891	912	-2%	-21
EDP Brasil	1,665	1,508	10%	157
Nominal Financial Debt	19,634	20,076	-2%	-442
A served Interest on Dalet	200	222	70/	22
Accrued Interest on Debt	308 12	332 115	-7% -90%	-23 -104
Fair Value of Hedged Debt Derivatives associated with Debt (2)			-90% 75%	124
	(42)	(166)	-14%	-60
Collateral deposits associated with Debt	(489)	(428)	-1470	00
Total Financial Debt	19,424	19,929	-3%	-505
Cash and cash equivalents	1,730	1,695	2%	35
EDP S.A., EDP Finance BV and Other	985	1,238	-20%	-253
EDP Renováveis	337	246	37%	91
EDP Brasil	408	212	93%	196
Financial assets at fair value through P&L	6	0	1314%	5
EDP Consolidated Net Debt	17,688	18,233	-3%	-545

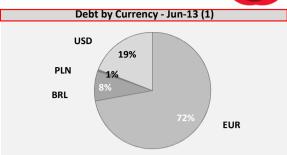
Credit Lines by Jun-13 (€m)	Maximum Amount	Number of Counterparts	Available Amount	Maturity
Revolving Credit Facility Domestic Credit Lines Underwritten CP Programmes	2,000 159 150	21 8 1	1,850 159 150	Nov-15 Renewable Renewable
Total Credit Lines	2,309		2,159	

Debt Ratings	S&P	Moody's	Fitch
EDP SA & EDP Finance BV Last Rating Action	BB+/Stable/B	Ba1/Neg/NP	BBB-/RWN/F3
	22-03-2013	21-06-2013	16-07-2013

Debt Ratios	Jun-13	Dec-12
Net Debt / EBITDA	4.5x	5.0x
Net Debt / EBITDA adjust. by Reg. Receivables	3.8x	4.3x







**EDP's financial debt** is essentially issued at holding level (EDP S.A. and EDP Finance B.V.) through both debt capital markets (public & private) and loan markets. Our investments and operations are funded in local currency to mitigate ForEx risk. EDP Brasil ('EDPB') is ring fenced, self-funded in local currency and mostly non-recourse to EDP S.A.. Other external funding is essentially of project finance, mainly raised by some of EDP Renováveis' ('EDPR') subsidiaries. Our US Dollar debt is fully dedicated to the funding of EDPR wind investments in US, issued at EDP S.A. and EDP Finance B.V. level and then on-lent internally. EDP's funding strategy aims at maintaining access to diversified sources and assuring funding needs 12-24 months in advance. EDP targets a steady improvement of its free cash flow position and credit ratios over the next years. In Jul-13, following the Spanish Government's announcement of some new regulatory measures to resolve the electricity tariff deficit issue, Fitch placed several utilities with significant exposure to Spain on Rating Watch Negative, amongst which the "BBB-" rating of EDP. Fitch should resolve the RWN after reviewing the impact on metrics, rating guidelines and changes to investment plans of the companies.

In Jan-13, EDP signed a 5 year term loan facility of €1.6bn with a group of 16 banks, bearing an interest rate of Euribor 3M + 400bps. A first €955m tranche of this new facility was mostly used to early repay a €925m Revolving Credit Facility ('RCF') maturing in Apr-13, and the remaining €645m will be used to refinance a €1.1bn RCF to be repaid at maturity in Nov-13. In Mar-13, EDP repaid a €150m bond that was paying a 150bps margin over Euribor 6M.

Within the scope of EDP's strategic partnership with CTG, EDPR concluded in Jun-13 the sale of a minority stake in EDPR Portugal for €368m (agreed in Dec-12). EDP's partnership with CTG includes: i) a €2.0bn funding commitment from China Development Bank, out of which €1.0bn already drawn in Aug-12 (@ Euribor 6M + 480bps; 5y maturity); and ii) CTG's €2bn investment (including co-capex) in minority equity stakes in renewables in 2012-2015.

By Jun-13, average debt maturity was 3.8 years. The weight of fixed rate in EDP's consolidated debt remained stable vs. Mar-13 at 46% as of Jun-13. By Jun-13, total cash and available liquidity facilities amounted to €4.5bn, including the remaining €645m from the above mentioned RCF signed in Jan-13. This liquidity position allows EDP to cover its refinancing needs through 2014.



## **Business Areas**

Electricity Balance		Portugal			Spain		Iber	ian Peninsu	la
(TWh)	1H13	1H12	Δ%	1H13	1H12	Δ%	1H13	1H12	Δ%
Hydro	8.6	2.6	234%	21.4	9.7	120%	29.9	12.3	143%
Nuclear	0.0			28.2	30.3	-7%	28.2	30.3	-7%
Coal	4.7	6.1	-22%	12.6	28.1	-55%	17.4	34.2	-49%
CCGT	0.5	2.8	-81%	10.5	19.4	-46%	11.0	22.2	-50%
Fuel/gas/diesel	0.0	0.0	-92%	-	-	_	0.0	0.0	-92%
Own consumption	0.0	-	_	(2.7)	(4.0)	-33%	(2.7)	(4.0)	-33%
(-)Pumping	(0.7)	(0.6)	12%	(4.1)	(2.6)	58%	(4.7)	(3.2)	49%
Conventional Regime	13.2	10.8	22%	66.0	81.0	-19%	79.1	91.8	-14%
Wind	6.4	4.9	30%	29.9	24.9	20%	36.4	29.9	22%
Other	5.4	4.4	22%	30.0	27.5	9%	35.4	32.0	11%
Special Regime	11.9	9.4	26%	59.9	52.4	14%	71.8	61.8	16%
Import/(export) net	(0.7)	4.6	_	(2.9)	(5.7)	-49%	(3.6)	(1.1)	221%
Gross demand (before grid losses)	24.3	24.8	-1.7%	123.0	127.8	-3.8%	147.3	152.5	-3.4%
Adjust. temperature, working days			-0.6%			-2.6%			n.a.

Gas Demand		Portugal		Spain			Iberian Peninsula		
(TWh)	1H13	1H12	Δ%	1H13	1H12	Δ%	1H13	1H12	Δ%
Conventional demand	22.0	19.0	16%	149.3	148.3	1%	171.3	167.3	2%
Demand for electricity generation	1.2	5.8	-79%	24.2	42.3	-43%	25.5	48.1	-47%
Total Demand	23.2	24.9	-7%	173.5	190.6	-9%	196.8	215.5	-9%

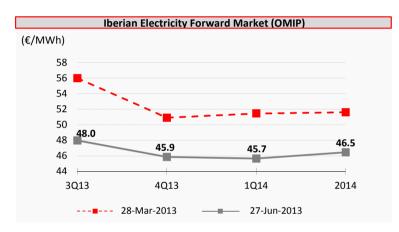
**Electricity demand** in Iberia fell 3.4% YoY in 1H13 following a smother decline in 2Q13 (-2.8%) vs 1Q13 (-4.0%). In Spain (83% of Iberia), demand declined 3.8% in 1H13 (-2.6% adjusted for temperature and working days), driven by lower industrial production. In Portugal (17% of total), demand declined 1.7% in 1H13 (0.6% adjusted for temperature and working days), with a slower decline pace of demand in 2Q13 (-1.1% in 2Q13 vs -2.3% in 1Q13).

Installed capacity in Iberia went up by 1% (+1.4GW) in 1H13, following a 1.8GW increase in Spain (mainly backed by solar, cogeneration and wind) and a 0.4GW decrease in Portugal, since the shutdown of fueloil and cogeneration capacity more than offset new hydro and wind capacity. Wind generation went up 6.5TWh while hydro net of pumping increased 16.1TWh following capacity additions and mostly the windy and rainy weather in Iberia in 1H13 which compares to the dry weather in 1H12: hydro coefficient in Iberia above 1.28 in 1H13 vs lower than 0.50 in 1H12; wind coefficient in Portugal of 1.28 in 1H13 vs 1.01 in 1H12. On the back of the 5.2TWh YoY decrease in gross consumption in 1H13 and strong hydro and wind resources, the residual thermal demand declined 27.9TWh leading coal and CCGT generation to decrease c50% YoY. Nuclear output dropped 7% due to the initial decommissioning works at Garoña plant and also some outages. Portugal and the Iberian Peninsula as a whole increased their net export figures by 5.3 and 2.5TWh respectively, on the back of the rainy weather and also higher electricity prices in France in 1Q13.

Average electricity spot price in Spain was 23% lower YoY in 1H13, at €37.3/MWh (€40.3/MWh in 1Q13 and €34.2/MWh in 2Q13), being €1.3/MWh higher than in Portugal due the latter's cheaper generation mix on the back of wet weather. Average CO<sub>2</sub> prices fell 43% YoY in 1H13 at €4.2/ton. Average electricity final price in Spain stood €14/MWh above pool price as a result of the contribution from restrictions market, ancillary services and capacity payments.

In the Iberian gas market, consumption went down 9% YoY in 1H13, since the 47% drop in consumption from CCGTs, backed by to lower utilisation rates, more than offset the 2% increase in conventional demand backed especially by Portugal.

Installed Capacity in Electricity	Iberian Peninsula					
(GW)	1H13	1H12	Δ%			
Hydro	22.1	21.7	2%			
Nuclear	7.5	7.5	-			
Coal	12.1	12.6	-4%			
CCGT	28.8	28.6	0%			
Fuel/gas/diesel	1.0	2.2	-56%			
Conventional Regime	71.4	72.5	-2%			
Wind	27.3	26.1	5%			
Other special regime	20.4	19.0	7%			
Special Regime	47.7	45.2	6%			
Tatal			40/			
Total	119.1	117.7	1%			



Main Drivers	1H13	1H12	Δ%
Hydro coeficient (1.0 = avg. year)			
Portugal	1.28	0.33	2889
Spain	1.31	0.48	1739
Wind coeficient (1.0 = avg. year)			
Portugal	1.28	1.01	279
Electricity spot price, €/MWh (1)			
Portugal	36.0	49.7	-289
Spain	37.3	48.4	-239
Electricity final price, €/MWh (1) (2)	37.3		_5,
Spain	51.0	60.0	-15%
CO2 ellewerses (FUA) E/ten (1)			
CO2 allowances (EUA), €/ton (1)	4.2	7.4	-43%
Coal (API2 CIF ARA), USD/t (1)	83.0	95.4	-139
Gas NBP, €/MWh(1)	28.0	24.1	169
Brent, USD/bbl (1)	107.5	113.3	-59
EUR/USD (1)	1.31	1.30	19

#### LT Contracted Generation in Iberian Market: PPA/CMEC & Special Regime



Income Statement (€ m)	1H13	1H12	Δ%	Δ Abs.
PPA/CMEC Revenues	501	596	-16%	-95
Revenues in the market (i)	434	361	20%	+73
Annual deviation (ii)	116	285	-59%	-169
PPAs/CMECs accrued income (iii)	(49)	(50)	-2%	+1
PPA/CMEC Direct Costs	122	155	-21%	-32
Coal	92	136	-32%	-3 <b>2</b> -44
Fuel oil	1	2	-32 <i>%</i> -16%	-44
CO2 and other costs (net)	29	17	65%	+11
Gross Profit PPA/CMEC	379	441	- <b>14%</b>	-63
Thermal (cogen., waste, biomass)	30	33	-11%	-4
Mini-hydro	40	12	226%	+28
Gross Profit Special Regime	70	46	53%	+24
Net Operating costs (1)	76	85	-10%	-8
EBITDA	372	402	-7%	-30
Net depreciation and provision	87	100	-13%	-13
EBIT	286	302	-6%	-17
At Fin. Results: Hedging Gains (Losses) (2)	7	9	-17%	-1
Employees (#)	1,245	1,326	-6%	-81
PPA/CMEC: Key Data	1H13	1H12	Δ%	Δ Abs.
D. 1/0				
	1.05	1.05	00/	.0.0
Hydro plants	1.05	1.05	0%	
	1.05 1.05	1.05 1.08	0% -3%	
Hydro plants Thermal plants	1.05	1.08	-3%	-0.0
Hydro plants Thermal plants Installed Capacity (MW)	1.05 <b>5,274</b>	1.08 <b>6,221</b>		-0.0
Hydro plants Thermal plants Installed Capacity (MW) Hydro (3)	1.05 <b>5,274</b> 4,094	1.08 <b>6,221</b> 4,094	-3%	-0.0
Hydro plants Thermal plants Installed Capacity (MW)	1.05 <b>5,274</b>	1.08 <b>6,221</b>	-3% -15%	-0.0 - <b>946</b> -
Hydro plants Thermal plants Installed Capacity (MW) Hydro (3) Coal Fuel oil	1.05 <b>5,274</b> 4,094 1,180	1.08 <b>6,221</b> 4,094 1,180 946	-3% -15% - - -	+0.0 -0.0 - <b>946</b> - -946
Hydro plants Thermal plants Installed Capacity (MW) Hydro (3) Coal Fuel oil	1.05 <b>5,274</b> 4,094	1.08 <b>6,221</b> 4,094 1,180	-3% -15%	-946
Hydro plants Thermal plants  Installed Capacity (MW) Hydro (3) Coal Fuel oil  Special Regime: Key Data	1.05 <b>5,274</b> 4,094 1,180	1.08 <b>6,221</b> 4,094 1,180 946	-3% -15% - - -	-0.0 - <b>946</b> 946 Δ Abs.
Hydro plants Thermal plants  Installed Capacity (MW) Hydro (3) Coal Fuel oil  Special Regime: Key Data	1.05 <b>5,274</b> 4,094 1,180	1.08 6,221 4,094 1,180 946 1H12	-3% -15% - - - - - - -	-0.0 -946 -946 Δ Abs.
Hydro plants Thermal plants  Installed Capacity (MW) Hydro (3) Coal Fuel oil  Special Regime: Key Data  Output (GWh)	1.05 5,274 4,094 1,180 1H13 1,120	1.08 6,221 4,094 1,180 946 1H12 1,152	-3% -15% -15%	-0.0 -946 -946 Δ Abs. -33 +292
Hydro plants Thermal plants  Installed Capacity (MW) Hydro (3) Coal Fuel oil  Special Regime: Key Data  Output (GWh) Mini-hydro Portugal	1.05 5,274 4,094 1,180 1H13 1,120 424	1.08 6,221 4,094 1,180 946 1H12 1,152 132	-3% -15% -15%	-0.0 -946 -946 Δ Abs. -33 +292 -239
Hydro plants Thermal plants  Installed Capacity (MW) Hydro (3) Coal Fuel oil  Special Regime: Key Data  Output (GWh) Mini-hydro Portugal Thermal Portugal Thermal Spain	1.05 5,274 4,094 1,180  1H13 1,120 424 351	1.08 6,221 4,094 1,180 946 1H12 1,152 132 591	-3% -15% -15%	-0.0 -946 -946 Δ Abs. -33 +292 -239
Hydro plants Thermal plants  Installed Capacity (MW) Hydro (3) Coal Fuel oil  Special Regime: Key Data  Output (GWh) Mini-hydro Portugal Thermal Portugal Thermal Spain  Average Gross Profit (€/MWh)	1.05 5,274 4,094 1,180 1H13 1,120 424 351 345	1.08 6,221 4,094 1,180 946  1H12 1,152 132 591 430	-3% -15% -15% -3% -3% -21% -41% -20%	-0.0 -946 -946 Δ Abs. -33 +292 -239 -85
Hydro plants Thermal plants  Installed Capacity (MW) Hydro (3) Coal Fuel oil  Special Regime: Key Data  Output (GWh) Mini-hydro Portugal Thermal Portugal Thermal Spain  Average Gross Profit (€/MWh) Mini-hydro Portugal	1.05 5,274 4,094 1,180 1H13 1,120 424 351 345	1.08 6,221 4,094 1,180 946  1H12 1,152 132 591 430	-3% -15% -15% -3% -21% -41% -20%	-0.0 -946 -946 Δ Abs. -33 +292 -239 -85
Hydro plants Thermal plants  Installed Capacity (MW) Hydro (3) Coal Fuel oil  Special Regime: Key Data  Output (GWh) Mini-hydro Portugal Thermal Portugal Thermal Spain  Average Gross Profit (€/MWh) Mini-hydro Portugal Thermal Portugal	1.05 5,274 4,094 1,180 1H13 1,120 424 351 345	1.08 6,221 4,094 1,180 946  1H12 1,152 132 591 430	-3% -15% -15%	-0.0 -946 -946 Δ Abs. -33 +292 -239 -85
Thermal plants  Installed Capacity (MW) Hydro (3) Coal Fuel oil  Special Regime: Key Data  Output (GWh) Mini-hydro Portugal Thermal Portugal Thermal Spain  Average Gross Profit (€/MWh) Mini-hydro Portugal	1.05 5,274 4,094 1,180 1H13 1,120 424 351 345	1.08 6,221 4,094 1,180 946  1H12 1,152 132 591 430	-3% -15% -15% -3% -21% -41% -20%	-0.0 - <b>946</b> - - -946

Capex (€ m)	1H13	1H12	Δ%	Δ Abs.
PPA/CMEC Generation	20	15	36%	+5
				_
Hydro recurrent	8	9	-18%	-2
Thermal recurrent	12	5	150%	+7
Non recurrent (environmental)	0	1	-23%	-0
Special Regime	1	3	-55%	-2
Expansion	0	0	-100%	-0
Maintenance	1	3	-55%	-2
Total	22	18	20%	+4

**EBITDA from LT contracted generation declined 7% YoY in 1H13 to €372m**, as the higher mini-hydro output justified by rainy weather in 1H13 vs a very dry 1H12 (+€28m in 1H13) was more than offset by the end of Setúbal fuel oil plant PPA in Dec-12 (EBITDA: €53m in 1H12) and lower results with CO<sub>2</sub> procurement costs (-€8m YoY).

Gross profit from PPA/CMEC declined €63m in 1H13 to €379m, following: (i) the end of Setúbal PPA in Dec-12 (€56m in 1H12); (ii) the depreciation of the asset base (€9m impact in 1H13); (iii) losses with CO<sub>2</sub> procurement due to decline of CO<sub>2</sub> market price (-€7m in 1H13 vs +€1m in 1H12) which was partially compensated by (iv) higher results with fuel procurement and fuel stocks sales due to Setúbal's shutdown (combined impact of +€8m in 1H13).

The **annual deviation** between market gross profit under CMECs assumptions and gross profit under actual market conditions ('revisibility') amounted to €116m in 1H13, reflecting essentially the low spot prices in 1H13. This amount is due to be received in up to 24 months through access tariffs. Deviation at hydro plants amounted to €69m in 1H13 since the effect of a production 9% above CMEC's reference was overwhelmed by the effect of an avg. realised price 30% below CMEC's reference. Deviation at thermal plants accounted for €47m due to the combined effect of volumes 15% below CMEC's reference and an avg. clean dark spread 19% shorter than the CMEC's reference.

Our hydro plants Bemposta I, Picote I and Miranda (804MW; 2.5TWh energy production in an avg. hydro year) will end their PPA contracts by Dec-13 being transferred to the liberalised market. In 2012 these plants contributed with an EBITDA of €58m (€31m in 1H13). In May-12, the Portuguese Government announced a set of measures for the energy sector, including a downward revision in the CMEC, which amounts on average €13m/year, for the period 2013 to 2027, which is being booked at the level of financial results.

Gross profit from special regime rose €24m YoY, to €70m in 1H13, benefiting from the 2.2x increase in mini-hydro output which more than compensated the reduction in thermal following the sale of Soporgen's 67MW cogeneration plant in Jan-13 (€6m gross profit in 1H12; €12m EBITDA in 2012).

In Jul-13, the Spanish Government approved the RDL9/2013 and has submitted to the Spanish Regulator a draft of a Royal Decree with the new regulatory framework to be applicable to the remuneration of special regime facilities. This new regulation is still pending approval and the draft does not unveil much detail on the new remuneration scheme.

Net operating costs<sup>(1)</sup> decreased 10% (-€8m) YoY, to €76m in 1H13, following: (i) one-off cost in 1H12 (€5m); (ii) €2m gain in 1Q13 with the sale of Soporgen; (iii) €8m decrease in operating costs reflecting mostly lower O&M on the back of Setubal decommissioning and the sale of Soporgen, which more than compensated the impact from generation taxes in Spain (€7m in 1H13). Net depreciation charges and provisions fell by €13m to €87m, reflecting mostly the decommissioning of Setubal and the sale of Soporgen.

Capex in LT contracted generation consisted 100% in maintenance works, amounting to €22m in 1H13.

#### Explanatory note on PPA/CMEC:

In June 2007 the long term contracts that EDP had with the Portuguese electricity regulated system (PPA) were replaced by the CMEC (Cost of Maintenance of Contractual Equilibrium) financial system to conciliate: (1) the preservation of the NPV of PPA, based on real pre-tax ROA of 8.5%, and a stable contracted gross profit over the next 10 years; and (2) the need to increase liquidity in the Iberian electricity wholesale market. In terms of EDP's P&L, the total gross profit resulting from CMECs' financial system will keep the same profile over the next 10 years as the former PPA.

PPA/CMEC gross profit has 3 components:

- (i) Revenues in the market, resulting from the sale of electricity in the Iberian wholesale market and including both ancillary services and capacity payments.
- (ii) Annual deviation ('revisibility'), equivalent to the difference between CMEC's initial assumptions made in 2007 (outputs, market prices, fuel and CO<sub>2</sub> costs) and real market data. This annual deviation will be paid/received by EDP, through regulated tariffs, up to two years after occurring.
- (iii) PPA/CMEC Accrued Income, reflecting the differences in the period, in terms of cash flow profile, between PPA and CMEC assumed at the beginning of the system in July 2007.

<sup>(1)</sup> Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits) + Other operating costs (net);

<sup>(2)</sup> Includes a €10m realised gain in 1H13 and €9m gain in 1H12;

#### Liberalised Activities in the Iberian Market

Income Statement (€ m)			1H13	1H12	Δ%	Δ Abs.
Gross Profit			493	400	23%	+93
Electricity generation			330	219	51%	+111
Portugal			96	56	71%	+40
Spain			236 (2)	164 (1)	44% 131%	+72 -1
Adjustments			(2)	(1)	151%	-1
Electricity supply			153	154	-1%	-1
Gas supply			21	33	-35%	-11
Adjustments			(11)	(6)	79%	-5
Net Operating costs (1)			260	218	19%	+42
EBITDA			234	182	28%	+51
Provisions Net depreciation and amortisation			18	(2)	-	+19
EBIT			116 <b>100</b>	130 <b>54</b>	-11% <b>85%</b>	-14 <b>+46</b>
						140
<b>Electricity Performance</b>	1H13	1H12	Δ%	1H13	1H12	Δ%
	Ου	ıtput (GWh)		Variable	Cost (€/M\	Wh) (2)
Generation Output (4)	5,909	5,991	-1%	27.1	41.8	-35%
Electricity Purchases	15,779	16,436	-4%	44.6	53.6	-17%
Electricity Sources	21,688	22,427	-3%	39.9	50.5	-21%
	Volun	nes Sold (GV	Vh)	Average	Price (€/M	Wh) (3)
Grid Losses	1,082	654	66%	n.a.	n.a.	-
Retail - Final clients	15,234	15,150	1%	62.3	61.1	2%
Wholesale market	5,371	6,623	-19%	67.4	66.8	1%
Electricity Uses	21,688	22,427	-3%	60.5	61.0	-1%
<b>Electricity Gross Profit (€ m)</b>			1H13	1H12	Δ%	Δ Abs.
			<b>1H13</b> 20.6	<b>1H12</b> 10.5	<b>Δ%</b> 96%	Δ Abs. +10
Before hedging (€/MWh)			20.6 (3.9)	10.5 (1.2)		
Before hedging (€/MWh) From Hedging (€/MWh) (5) Unit margin (€/MWh)			20.6 (3.9) 16.7	10.5 (1.2) 9.3	96% -221% 79%	+10 -3 +7
Before hedging (€/MWh) From Hedging (€/MWh) (5) Unit margin (€/MWh) Total Volume (TWh)			20.6 (3.9) 16.7 21.7	10.5 (1.2) 9.3 22.4	96% -221% 79% -3%	+10 -3 +7 -1
Before hedging (€/MWh) From Hedging (€/MWh) (5) Unit margin (€/MWh) Total Volume (TWh) Subtotal			20.6 (3.9) 16.7 21.7 <b>363</b>	10.5 (1.2) 9.3 22.4 <b>209</b>	96% -221% 79% -3% <b>74%</b>	+10 -3 +7 -1 <b>+154</b>
Before hedging (€/MWh) From Hedging (€/MWh) (5) Unit margin (€/MWh) Total Volume (TWh)			20.6 (3.9) 16.7 21.7	10.5 (1.2) 9.3 22.4	96% -221% 79% -3%	+10 -3 +7 -1
Before hedging (€/MWh) From Hedging (€/MWh) (5) Unit margin (€/MWh) Total Volume (TWh) Subtotal Commercial Shared-services (6)			20.6 (3.9) 16.7 21.7 <b>363</b> <b>110</b>	10.5 (1.2) 9.3 22.4 <b>209</b> <b>109</b>	96% -221% 79% -3% <b>74%</b> <b>1%</b>	+10 -3 +7 -1 <b>+154</b> <b>+2</b>
Before hedging (€/MWh) From Hedging (€/MWh) (5) Unit margin (€/MWh) Total Volume (TWh) Subtotal Commercial Shared-services (6) Others (7)			20.6 (3.9) 16.7 21.7 <b>363</b> 110	10.5 (1.2) 9.3 22.4 <b>209</b> <b>109</b> <b>55</b>	96% -221% 79% -3% <b>74% 1%</b> - <b>82%</b>	+10 -3 +7 -1 <b>+154</b> +2 -46
Before hedging (€/MWh) From Hedging (€/MWh) (5) Unit margin (€/MWh) Total Volume (TWh) Subtotal Commercial Shared-services (6) Others (7)  Total  Gas Uses (TWh)			20.6 (3.9) 16.7 21.7 363 110 10 483	10.5 (1.2) 9.3 22.4 209 109 55 373	96% -221% 79% -3% 74% 1% -82% 29%	+10 -3 +7 -1 +154 +2 -46 +110 Δ Abs.
Before hedging (€/MWh) From Hedging (€/MWh) (5) Unit margin (€/MWh) Total Volume (TWh) Subtotal Commercial Shared-services (6) Others (7) Total			20.6 (3.9) 16.7 21.7 363 110 10	10.5 (1.2) 9.3 22.4 209 109 55	96% -221% 79% -3% 74% 1% -82%	+10 -3 +7 -1 +154 +2 -46

EBITDA from liberalised activities grew 28% YoY to €234m in 1H13, backed by (i) EDP's hydro volumes of almost +3x YoY following the rainy 1H13 vs. dry 1H12 and the commissioning of new hydro capacity in Portugal in the period, originating a 35% drop in avg. generation costs; (ii) 17% decline in avg. costs with electricity purchases in the wholesale market due to adequate energy management and different weather conditions in 1H13 vs. 1H12; (iii) 1% increase in volumes sold to clients at slightly higher avg. selling prices; (iv) deterioration of thermal plants profitability due to very low utilisation levels and (v) no capacity payments in Portugal in 1H13 vs. €19m in 1H12 and new generation taxes in Spain of €29m in 1H13.

Gross profit in the electricity business, went up 29% YoY to €483m in 1H13, supported by a higher avg. unit margin which rose from €9.3/MWh in 1H12 to €16.7/MWh in 1H13.

<u>Unit margin</u> <sup>(2)(3)</sup>: Avg. electricity spread improved by €7/MWh to €16.7/MWh in 1H13. **Avg. sourcing cost** declined 21% YoY following the combined effects of lower generation costs (-35%) on higher hydro volumes and cheaper electricity purchases (-17%). **Avg. selling price** went down 1% YoY reflecting a different mix in volumes sold: higher weight of volumes to final clients vs. volumes to wholesale markets. Avg. selling price to wholesale markets increased 1% on the back of the rise of sales in complementary markets.

<u>Volumes</u>: Total volumes sold went down 3% YoY to 21.7TWh in 1H13, as a consequence of a 19% drop of sales in wholesale markets and flattish volumes sold to retail clients. Our generation output met 27% of total electricity needs with the output (net of hydro pumping) falling 1% and showing a different generation mix (hydro accounted for 47% of the output in 1H13 vs. 17% in 1H12).

Our gas sourcing activity in 1H13 was based on an annual 4.2bcm portfolio of long term contracts, which flexibility has been enhanced through several contract renegotiations (including changes in take or pay levels). Moreover, rather than solely using volumes available for electricity generation and for the sale to clients in the free market, EDP has chosen to divert part of its take-or-pay gas volumes to wholesale markets, where prices are significantly higher. As a result, our gas consumption declined 16% YoY to 20TWh (1.7bcm) in 1H13 supported by a 56% drop in consumption by our gas fired power plants and a 1% decline in volumes sold to clients.

EDP is adapting its hedging strategy to the current market conditions, making use of flexibility stemming from the integrated management of gas and electricity operations in Iberia. As a result, EDP has favoured gas sales in the wholesale market, having so far secured spreads for almost 95% of its gas sourcing commitments in 2013 and 45% in 2014. Moreover, EDP has so far forward contracted costs for 100% of expected coal output in 2013. For 2013 EDP has up until now forward contracted electricity sales with clients of 30TWh and for 2014 EDP has already forward contracted 8TWh at an avg. price of €54/MWh.

<sup>(1)</sup> Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits) + Other operating costs (net); (2) Variable cost: fuel cost, CO2 cost net of free allowances, hedging costs (gains), system costs;

<sup>(3)</sup> Average selling price: includes selling price (net of TPA tariff), ancillary services and others; (4) Net of pumping; (5) Includes results from hedging on electricity; (6) Includes EDP group's commercial shared services in Iberia

<sup>(7)</sup> Includes capacity payments, services rendered and others; (8) Volumes excluding sales to our cogeneration units; including sales to wholesale markets.

## Liberalised Electricity Generation in the Iberian Market



Income Statement (€ m)	1H13	1H12	Δ%	Δ Abs.
Gross Profit	330	219	51%	+111
Portugal	96	56	71%	+40
Spain	236	164	44%	+72
Adjustments	(2)	(1)	131%	-1
Supplies and services	32	34	-6%	-2
Personnel costs	24	21	14%	+3
Costs with social benefits	1	1	2%	+0
Other operating costs (net)	45	22	106%	+23
Net Operating costs (1)	102	78	31%	+24
EBITDA	228	141	62%	+87
Provisions	1	2	-36%	-1
Net deprec. and amortisation	108	118	-9%	-10
EBIT	118	21	472%	+98
Employees (#)	645	662	-3%	-17

Key Operating Data	1H13	1H12	Δ%	Δ Abs.
Generation Output (GWh)	6,278	6,230	1%	+48
CCGT	437	1,509	-71%	-1,072
Coal	2,387	3,124	-24%	-737
Hydro	2,939	1,044	182%	+1,896
Nuclear	515	553	-7%	-38
Generation Costs (€/MWh) (2)	25.5	40.2	-36%	-14.7
CCGT	131.0	82.4	59%	+48.5
Coal	39.1	36.9	6%	+2.2
Hvdro	2.6	8.4	-69%	-5.8
Nuclear	4.3	3.8	14%	+0.5
Load Factors (%)				
CCGT	3%	9%	_	-7p.p.
Coal	38%	49%	_	-11p.p.
Hydro	42%	18%	_	24p.p.
Nuclear	76%	81%		-5p.p.
Nuclear	70%	01/0	-	-5p.p.
CO2 Emissions (mn tones)				
Total emissions (3)	3.3	4.4	-26%	-1.1
Free allowances (3)	0.0	5.2		-5.2

Capex (€ m)	1H13	1H12	Δ%	Δ Abs.
<b>Expansion</b>	<b>245</b> 245	<b>178</b>	<b>38%</b>	<b>+67</b>
Hydro		178	38%	+67
<b>Maintenance</b>	<b>10</b>	<b>24</b>	<b>-59%</b>	<b>-14</b>
Recurrent	10	24	-59%	-14
Total	255	202	26%	+53

Our liberalised generation activities are jointly managed with supply activities as most of its own production is sold to our supply units at fixed prices.

Output from our generation plants (unadjusted for hydro pumping) went up 1% YoY to 6.3TWh in 1H13, as the strong increase in hydro output (+1.9TWh) overwhelmed the fall in CCGT (-1.1TWh) and coal (-0.7TWh). In Dec-12, EDP kicked off operations at Alqueva II, a 257MW hydro repowering with pumping, which improves water efficiency management at Alqueva reservoir. Average production cost was 36% lower YoY, at €26/MWh in 1H13, reflecting the increased generation of the cheaper hydro technology. As of 1-Jan-2013 there are no CO₂ free allowances for the power sector and all emission allowances are to be bought in the market, putting upward pressure on thermal production costs.

Coal: Output fell 24% in 1H13, on the back of the strong hydro and wind resources in Iberia in the period. Average load factor dropped 11pp, to 38% in 1H13. Our Soto 3 plant operates under the terms of RDL 1221/2010 for domestic coal: on 13-Feb-13, the Resolution 1736 defined a contracted margin for a total committed production in 2013 at Soto 3 of 1.1TWh. Generation from domestic coal was only 55GWh in 1H13. Average production cost reached €39/MWh (+6% YoY), supported mostly by higher CO₂ due to the end of free allowances.

<u>CCGTs:</u> Output retreated by 71% in 1H13, facing the combined effect of a lower demand for thermal production and low competitiveness of gas vs coal, implying a 7pp decline in avg. load factor YoY to 3% in 1H13. Average production cost rose to €131/MWh in 1H13, driven by higher variable gas cost and low dilution of gas procurement fixed costs.

Hydro & Nuclear: Hydro generation in 1H13 was almost 3x the 1H12 generation, supported by the combined impact of wet weather conditions and additional capacity in place (Alqueva II). Despite higher volumes of pumping (369GWh in 1H13 vs 238GWh in 1H12) the avg. cost of hydro production fell 69% to €2.6/MWh due to an increase in hydro output. Pumping activity was concentrated at our Alqueva plant, implying an average discount to the pool price of c40% (vs. c25% in 1H12). Nuclear avg. load factor went down by 5pp to 76% in 1H13 due to outage for fuel recharging.

In Portugal, CCGT capacity payments were interrupted as from 1-Jun-12 and due to be replaced by lower incentives to be in place as from the end of Portugal's bailout: €19m in 1H12 vs €0m in 1H13.

In Spain, the government in Dec-12 approved several taxes aimed at granting the sustainability of the electricity sector, including a 7% tax on revenues and different taxes over gas/coal consumption, use of water and nuclear waste. Following the approval of the RDL9/2013, in Jul-13 the government submitted to the Spanish Regulator a set of Royal Decrees drafts which defines namely: (i) changes in the remuneration rules for ancillary services; (ii) cut in the capacity payment from €26/kW to €10/kW although doubling the remaining payment period; (iii) change in the availability incentive mechanism; (iv) possibility of mothballing CCGT capacity by means of competitive auctions for periods of 1 year.

Net operating costs<sup>(1)</sup> went up to €102m in 1H13, backed mostly the new generation taxes in Spain (€29m in 1H13). Net depreciation charges declined €10m YoY to €108m as the effects of the new hydro capacity in Portugal were outpaced by lower working hours at coal plants.

**Capex** in liberalised generation totalled €255m in 1H13. The bulk of it (96% of total) was devoted to new hydro capacity in Portugal. EDP is currently building 5 hydro projects (1,468MW): Baixo Sabor and Ribeiradio with an expected startup in 2H14, Venda Nova III and Salamonde II in 2H15 and Foz-Tua in 2H16.

## Liberalised Electricity and Gas Supply in the Iberian Market



Income Statement (€ m)	Energy Supply in Spain						
	1H13	1H12	Δ%	Δ Abs.			
Gross Profit	62	86	-28%	-24			
Supplies and services	39	36	7%	+3			
Personnel costs	8	7	8%	+1			
Costs with social benefits	0	0	-36%	-0			
Other operating costs (net)	17	5	220%	+12			
Net Operating costs (1)	64	49	30%	+15			
EBITDA	(2)	37	-	-39			
Provisions	16	(1)	-	+17			
Net depreciation and amortization	5	4	17%	+1			
EBIT	(22)	35	-	-57			

Energy Supply in Portugal						
1H13	1H12	Δ%	Δ Abs.			
103	95	8%	+8			
67	63	7%	+4			
21	21	3%	+1			
2	2	5%	+0			
4	5	-28%	-2			
95	91	4%	+3			
8	4	111%	+4			
1	(3)	_	+3			
4	`8	-55%	-4			
4	(2)	-	+6			
	103 67 21 2 4 95	103 95 67 63 21 21 2 2 4 5 95 91 8 4 1 (3) 4 8	103     95     8%       67     63     7%       21     21     3%       2     2     5%       4     5     -28%       95     91     4%       8     4     111%       1     (3)     -       4     8     -55%			

Key data	1H13	1H12	Δ%	Δ Abs
Francis Complete Contra				
Energy Supply in Spain				
Electricity - Free market	0.764	40.024	420/	4 257
Volume Sold (GWh)	8,764	10,021	-13%	-1,257
Market Share (%)	10%	12%	-	-2p.p.
Clients (th.)	829	716	16%	+113
Electricity - Last resort supply				
Volume Sold (GWh)	317	390	-19%	-73
Clients (th.)	264	297	-11%	-33
Gas - Free market & Last resort supply				
Volume Sold (GWh)	14,733	15,462	-5%	-729
Market Share (%)	8%	10%	-	-2p.p.
Clients (th.)	787	766	3%	+21
Cheffes (th.)	, , ,	, 00	370	
Energy Supply in Portugal				
Electricity - Free market				
Volume Sold (GWh)	6,044	4,628	31%	+1,416
Market Share (%)	43%	38%	31/0	5p.p.
	1,505	445	238%	
Clients (th.)	1,505	445	230%	+1,060
Gas - Free market	2 000	2.424	40/	422
Volume Sold (GWh)	2,999	3,131	-4%	-133
Market Share (2) (%)	20%	16%	-	4p.p.
Clients (th.)	151	8	-	+142
Capex (€m)	6	5	19%	+1
Employees (#)	1,150	1,155	0%	-5
	-	_		_

Our electricity and gas supply activities in Portugal and Spain are managed in single energy platforms, ensuring a responsive and competitive commercial structure. EDP Group's subsidiaries that operate in this business segment have intra-group electricity and gas procurement contracts with our generation and energy trading divisions and includes a commercial shared services back-office subsidiaries which also provides services to our last resort suppliers and to other utilities out of our EDP Group.

#### **Energy Supply in Spain**

Electricity volumes supplied to our clients in the free market fell 13% YoY to 8.8TWh in 1H13, whereas there was a 16% rise in the number of clients supplied, translating EDP's strategy to focus on the most attractive segments. Market share went down 2pp to 10% in 1H13, with EDP still maintaining a supply market share that is almost the double of its share in generation in Spain. Gas volumes supplied declined 5% YoY to 14.7TWh in 1H13, despite a 3% increase in the number of clients supplied in the same period, which reflects our selective contracting policy. Market share fell from 10% in 1H12 to 8% in 1H13. In 1H13, net operating costs rose €15m YoY due mostly to a €12m non-recurrent income accounted in 1H12 at the level of other operating costs.

#### **Energy Supply in Portugal**

Market Environment – In accordance with the rules and calendar defined for the liberalisation of electricity supply in Portugal, in 2012 EDP Serviço Universal (electricity last resort supplier in Portugal) sent letters to its residential clients informing that by choosing to remain under regulated tariffs after certain dates (July 1st, 2012 for clients with contracted power above 10.35 kVA, and January 1st, 2013 for clients with contracted power below 10.35 kVA – excluding consumers entitled to a social tariff), they would have to pay a higher transitory tariff, subject to quarterly updates. The aim of this is to incentivise consumers to move to the free market. In line with this, in Jul-12 the Portuguese regulator introduced a 2% increase in regulated tariffs set for: i) residential consumers with contracted power above 10.35kVA; and ii) non-residential consumers, which were already under a higher transitory tariff since January 1st, 2011. All of this led to a strong level of switching of electricity consumers to the free market over 4Q12 and 1H13 having the number of consumers in free market more than doubled from 742k in Sep-12 to 1,781k in Jun-13, although at a smaller pace in the 2Q13 (+217k in 2Q13 vs +500k in 1Q13).

Electricity volumes supplied to EDP clients in the free market in Portugal climbed 31% YoY to 6.0TWh in 1H13, supported by a strong increase (3.4x) of our electricity clients base. EDP's market share in the free market rose 5pp from 38% in 1H12 to 43% in 1H13, in line with EDP's strategy to focus on the more attractive residential/SMEs segments. Gas volumes supplied to EDP clients in Portugal declined 4% YoY to 3.0TWh in 1H13, supported by lower demand and a competitive market in the B2B segment which outstood the increase of volumes in B2C segment following the gas market liberalisation. The strong pace of gas supply liberalisation, along with our successful dual offer (electricity + gas) to B2C clients prompted a jump in the number of clients from 29k in Sep-12 to 151k in Jun-13. Net operating costs went up by €3m YoY reflecting higher supplies and services, namely of costs with client services (call center, billing, etc), in line with the increase of our clients base and with the ongoing liberalisation process.

<sup>(1)</sup> Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits) + Other operating costs (net).

<sup>(2)</sup> Based on EDP's forecast consumption in Portugal in segment NG>10,000 m3/year.

#### EDP Renováveis: Financial Performance

edp	
eup	

Income Statement		Renovávei			Operational Overview	1H13	1H12	Δ%	Δ Abs.	EDPR Equity Market Data	1H13	1H12	Δ%	Δ Abs.
income statement	1H13	1H12	Δ%	Δ Abs.										
					Installed Capacity (MW)	7,759	7,169	8%	+589	Share price at end of period (€/share)	3.77	2.70	40%	1.1
Gross Profit	685	602	14%	+83	Europe	4,038	3,664	10%	+374	Number of Shares Issued (million)	872.3	872.3	-	-
					USA	3,637	3,422	6%	+215	Stake Owned by EDP (%)	77.5%	77.5%	-	_
Supplies and services	126	120	5%	+6	Brazil	84	84	0%	-					
Personnel costs	35	29	20%	+6										
Other operating costs (net)	(36)	(50)	-28%	+14	Output (GWh)	10,716	9,918	8%	+798	EDPR Key Balance Sheet Figures (€ m)	1H13	1H12	Δ%	Δ Abs.
Net Operating Costs (1)	<b>125</b>	99	26%	+26	Europe	5,000	4,217	19%	+783					
B ( )					USA	5,618	5,607	0%	+11	Bank Loans and Other (Net)	449	703	-36%	-254
EBITDA	560	504	11%	+57	Brazil	98	93	5%	+5	Loans with EDP Group (Net)	2,594	2,830	-8%	-236
										Net Financial Debt	3,042	3,533	-14%	-490
Provisions	0	_	_	+0	Avg. Load Factor (%)	33%	32%	1p.p.	_	Non-controlling interests	399	129	209%	+270
Net deprec. & amortisation	233	222	5%	+12	Avg. Elect. Price (€/MWh)	64.3	61.4	5%	+3	Net Institutional Partnership Liability (3)	906	1,009	-10%	-103
rice depress & amortisation									_	Equity Book Value	5,667	5,415	5%	+251
EBIT	327	282	16%	+45	EBITDA (€m)	560	504	11%	+57	Equity Book value	5,00.	0,:10		
2511	<b></b>				Europe	355	315	13%	+40	EUR/USD - End of Period Rate	1.31	1.26	-4%	0
Capital gains/(losses)	0	3	_	-3	USA	212	196	8%	+16	EGN/ GSB ENG GTT CHOO NACC			.,,	
Financial Results	(130)	(135)	-4%	+5	Other & Adjustments	(6)	(7)	-18%						
Results from associates	10	(133)	-	+6	EBIT (€m)	327	282	16%	+45	EDPR Financial Results (€ m)	1H13	1H12	Λ%	Δ Abs.
	10	-		. 0	Europe	234	201	17%	+33	EDI KTIHANCIAI RESURS (E III)	11113	11112	<u> </u>	<u> </u>
Pre-tax profit	206	153	35%	+53	USA	105	92	14%	+13	Net Interest Costs	(101)	(105)	4%	+4
TTE-tax profit	200	133	3370		Other & Adjustments	(13)	(11)	13%	-1	Institutional Partnership costs (non-cash)	(31)	(33)	5%	+2
					Other & Adjustinents	(13)	(11)	13/0	_	Capitalised Costs	(31)	(33)	-12%	-1
Opex Performance	1H13	1H12	Λ %	Δ Abs.	Capex (€m) (2)	12	109	-89%	-98	Forex Differences (5)	(3)	(1)	-12/0	-1 -1
Opex Periormance	11113	11112	Δ /0	A AUS.		84	70	19%	+13	Other	(3)	(5)	35%	+2
Opex/Avg. MW (€ th) (4)	29.5	26.1	13%		Europe		37	15/0	_	Other	(3)	(3)	33/0	72
Employees (#)	29.5 871			+3	USA	(74)	3/	200/	-111	Figure del Decodes	(120)	(125)	40/	
Lilipioyees (#)	8/1	820	6%	+51	<u>Brazil</u>	1	1	20%	+0	Financial Results	(130)	(135)	4%	+5
EDP Renováveis (EDPR) ov	wns and ope	erates ED	P Gro	up win	d and solar power assets	and Oper	rating cos	ts (Sur	oplies a	ind services + Personnel costs) increased	by 8% on t	he back c	f highe	er avg.

EDP Renováveis (EDPR) owns and operates EDP Group wind and solar power assets and develops projects for new renewable capacity. The two main markets in which EDPR operates are USA (38% of EDPR's EBITDA in 1H13) and Spain (35%). Other markets include Portugal (15%), France, Poland, Romania, Belgium, Italy and Brazil (the latter 6 representing 12% of EDPR's EBITDA in 1H13).

EDPR's EBITDA rose 11% YoY (+€57m) to €560m in 1H13 driven by higher electricity output mainly in Iberia and higher average selling price. Installed capacity rose 8% YoY (+589MW) to 7.8GW by Jun-13 of which 91% has low market risk with remuneration schemes with a long-term profile and only 9% exposed to US spot wholesale electricity markets (although partly covered by short-term hedges). Avg. load factor increased from 32% in 1H12 to 33% in 1H13 and avg. selling price went up 5% YoY to €64.3/MWh reflecting a different production mix breakdown with Europe representing 47% in 1H13 (vs. 43% in 1H12) and the US 52% (vs. 57% in 1H12). 1H13 EBITDA includes a **one-off gain** with the restructuring of a PPA contract in the US in 1Q13 amounting to €14m. Excluding this impact, EBITDA in 1H13 went up 9% YoY (+€43m).

**EBIT** increased 16% YoY to €327m. Net depreciation and amortization in 1H13 includes -€10m related to impairments on projects under development (vs. -€9m in 1H12). Excluding this impact, the €14m from the PPA restructuring in the USA and €2m of write-offs, provisions and other on a like-for-like basis EBIT went up 12% YoY (+€45m).

Operating costs (Supplies and services + Personnel costs) increased by 8% on the back of higher avg. capacity in operation (higher O&M expenses) and lower capitalisation of personnel costs as a result of lower FTEs allocated to construction and development activities. Other operating costs (net) in 1H13 include the generation taxes in Spain in place since Jan-13 (€19m) and a €14m gain from the referred restructuring in a PPA in the US.

Capex was €12m in 1H13 due to a cash grant received in 1Q13 from the US Treasury (€92m) related with a wind farm installed in 4Q12.

**EDPR's net debt was €3.0bn as of Jun-13** (-9% vs. Dec-12) mainly reflecting the conclusion of the sale of a non-controlling interest in wind farms in Portugal (€368m), reinforcing the visibility of its asset rotation strategy and the assets' cash generation capabilities. EDPR's net debt contracted with financial institutions (outside of EDP Group), which represented 15% of the company's net debt as of Jun-13, is mostly related to project finance long term funding, namely in Poland, Romania, Brazil and Spain. **Liabilities with Institutional Partnerships** decreased by 10% to €906m as of Jun-13, as tax equity partners are getting the tax benefits generated by the projects.

Net financial costs decrease 4% YoY to -€130m in 1H13, essentially reflecting lower net interest cost (-€4m) on the back of a decrease of avg. cost of debt (5.2% in 1H13 vs. 5.3% in 1H12) and lower net debt.

#### EDP Renováveis: US & Iberia

US	1H13	1H12	Δ%	Δ Abs.
Installed somesity (BANA)	2 627	2 422	CO/	.215
Installed capacity (MW) Under PTC	3,637	3,422	6%	+215
	2,123 500	2,123 500	-	_
Under cash grant flip Under cash grant	1,012	799	27%	+213
Avg. Load Factor (%)	36%	38%	2/70	
Avg. Selling Price (USD/MWh)	48.1	45.9	5%	-2 p.p. +2
USD/EUR - Avg. of period rate	1.31	1.30	1%	+0
OSD/ EOR - Avg. or period rate	1.51	1.50	170	+0
PPA's/Hedged				
Installed Capacity (MW)	2.952	2,659	11%	+294
Electricity Output (GWh)	4,405	4.281	3%	+124
Avg. Selling Price (USD/MWh)	52.4	51.7	1%	+1
Merchant			_,-	_
Installed Capacity (MW)	684	763	-10%	-78
Electricity Output (GWh)	1,213	1,326	-9%	-113
Avg. Selling Price (USD/MWh)	30.9	24.9	24%	+6
Gross Profit (USD m)	266	252	6%	+14
PTC Revenues & Other (USD m)	93	92	1%	+1
Adjusted Gross Profit (USD m)	359	344	4%	+15
EBITDA (USD m)	278	254	10%	+24
EBIT (USD m)	138	120	16%	+19
23.1 (332)	100		20,0	- 23
Net Capex (USD m)	(97)	49	-	-146
Gross Capex	24	54	-55%	-29
Cash grant received	(121)	(5)	-	-116
Capacity under construction (MW)	-	215	-	-215

Spain	1H13	1H12	Δ%	Δ Abs.
Installed capacity (MW)	2,310	2,211	5%	+100
Avg. Load Factor (%)	32%	28%	-	4p.p.
Electricity output (GWh)	3,111	2,639	18%	+472
Avg. Selling Price (€/MWh) (1)	85.2	87.7	-3%	-2
Gross Profit (€m) (1)	264	230	15%	+34
EBITDA (€m) (1)	196	184	7%	+13
EBIT (€m) (1)	119	109	10%	+11
Capex (€m)	2	20	-90%	-18
Capacity under construction (MW)	-	100		-100

Portugal	1H13	1H12	Δ%	Δ Abs.
Installed conscitu (MINA)	619	615	1%	+4
Installed capacity (MW)			170	-
Avg. Load Factor (%)	33%	27%	-	7p.p.
Electricity Output (GWh)	888	707	26%	+181
Avg. Selling Price (€/MWh)	108	107	1%	+1
Gross Profit (€m)	97	77	26%	+20
EBITDA (€m)	82	62	31%	+19
EBIT (€m)	69	49	40%	+20
Capex (€m)	6	9	-	-3
Capacity under construction (MW)	-	-	-	-
ENEOP Installed capacity (MW) (2)	391	332	18%	+59

In the US, installed capacity rose 215MW following the commissioning of Marble River in 4Q12, to 3,637MW in 1H13. Avg. load factor decreased 2pp to 36% in 1H13, even benefiting from the strong 2Q13 wind resource (35% vs. 34% in the 2Q12) which implied a flat YoY output since new capacity bought into operation compensated lower load factors. Avg. selling price (excluding revenues from PTCs) for energy sold through PPA/Hedged increased 1% YoY to USD52/MWh, reflecting the price escalators updates. Avg. selling price for merchant wind farms improved 24% YoY to USD31/MWh, following an improvement in the wholesale electricity prices. Overall, avg. selling price in the US increased 5% YoY to USD48/MWh in 1H13. Gross profit (including revenues from PTCs) increased by 4% to USD359m, while EBITDA rose USD24m YoY to USD278m in 1H13 including the USD18m one off impact from the restructuring of the off-taking volumes of a long-term PPA for 200MW (from 100% to 80%).

In the US, in Jan-13, the extension of tax incentives for the development of wind capacity was approved for projects starting construction until Dec-13 – these projects will be able to qualify for: i) 10 years of Production Tax Credits (PTCs) on electricity output (~USD22/MWh); or ii) 30% Investment Tax Credit (ITC) on the project cost. During Jun-13 and Jul-13, EDPR secured 300 MW of 20-year PPAs for projects to be installed in 2014 (200MW in the state of ndiana state) and 2015 (100MW in the state of Oklahoma).

In Spain, the remuneration under a transitory regime ended in Dec-12 and in Feb-13, the Spanish government published the RD 2/2013 that introduced a set of modifications, effective from Jan-13 onwards: i) removing the variable tariff scheme of RD 661/2007; ii) setting a fixed tariff at €81.247/MWh (annually updated) for the first 20 years (€67.902/MWh after year 20); and iii) changing the annual update to annual inflation, excluding energy products, food prices and any impact of tax changes, minus an 'X' factor (50bp). In Dec-12, the Spanish government introduced a 7% tax over electricity sales generated by all Spanish electricity producers (including special regime) starting in Jan-13. In Jul-13, the Spanish Government submitted to the CNE a draft Royal Decree, in the sequence of publication of RDL9/2013, which will establish a new regulatory framework for special regime. The document essentially reflects main guidelines of the new remuneration framework for renewable assets. The new mechanism is still lacking details and its entry into force is still pending.

In Spain, EDPR's EBITDA went up by 7% to €196m YoY in 1H13. Avg. load factor improved 4pp YoY to 32% in 1H13, while electricity generated went up by 18% YoY to 3.1TWh in 1H13 on the back of stronger wind resource and a 5% increase of installed capacity. Avg. selling price reached €85/MWh, down 3% YoY driven by the end of the transitory regime and changes in regulation (all capacity in fixed tariff option).

In Portugal, EDPR has 619MW of capacity remunerated under the 'old tariff regime', with tariffs set for 15 years and indexed to both CPI and annual operating hours. In Sep-12, an extension to this tariff scheme was agreed, under which EDPR will annually invest €4m between 2013 and 2020 for +7 years of a new framework with cap and floor selling prices of €98/MWh<sup>(3)</sup> and €74/MWh<sup>(3)</sup>, respectively, to be applied from the 16<sup>th</sup> year of operation of each wind farm.

In Portugal, EDPR's EBITDA increased by 31% YoY to €82m in 1H13, up €19m YoY. Wind production increased 26% YoY to 888GWh following an increase of avg. load factor by 7pp to 33%. Avg. tariff rose 1% YoY to €108/MWh, reflecting inflation indexation. Still in Portugal, EDPR holds a 40% equity stake in ENEOP consortium (equity consolidated), licensed to build 1,200MW of wind capacity (480MW attributable to EDPR). ENEOP's wind farms are remunerated under a 'new tariff regime', at c€74/MWh tariff (1st year of operation), also guaranteed for 15 years and indexed to inflation. As of Jun-13, ENEOP had an installed capacity of 978MW (391MW attributable to EDPR). In Jun-13, EDPR completed the sale of a 49% equity stake, and a 25% of the shareholders loans in EDPR Portugal to China Three Gorges (excluding ENEOP), for €368m.

## EDP Renováveis: Rest of Europe & Brazil

Rest of Europe (1)	1H13	1H12	Δ%	Δ Abs.
France, Belgium & Italy				
Installed Capacity (MW)	411	363	13%	+48
Avg. Load Factor (%)	26%	25%	-	1p.p.
Electricity Output (GWh)	450	396	14%	+54
Avg. Selling Price (€/MWh)	97	92	6%	+6
Poland				
Installed Capacity (MW)	320	190	68%	+130
Avg. Load Factor (%)	24%	29%	-	-5 p.p.
Electricity Output (GWh)	206	237	-13%	-31
Avg. Selling Price (PLN/MWh)	422	423	0%	-2
EUR/PLN - Avg. of period rate	4.18	4.25	-2%	-0
Romania (2)				
Installed Capacity (MW)	378	285	33%	+93
Avg. Load Factor (%)	26%	23%	0%	3p.p.
Electricity Output (GWh)	345	238	45%	+107
Avg. Selling Price (RON/MWh)	587	600	-2%	-13
EUR/RON - Avg. of period rate	4.39	4.39	0%	+0
Gross Profit (€m)	108	92	18%	+17
EBITDA (€m)	86	76	13%	+10
EBIT (€m)	58	52	11%	+6
Capex (€m)	76	41	84%	+35
Capacity under construction (MW)	242	253	-5%	-11

Brazil	1H13	1H12	Δ%	Δ Abs.
Installed Capacity (MW) Avg. Load Factor (%) Electricity Output (GWh) Avg. Selling Price (R\$/MWh) EUR/BRL - Average of period rate	<b>84</b> 27% 98 309 2.67	84 25% 93 279 2.41	- 5% 10.6% -9.5%	1p.p. +5 +30 +0
Gross Profit (R\$m) EBITDA (R\$m) EBIT (R\$m)	30 <b>19</b> 11	23 <b>14</b> 6	28% 42% 104%	+7 <b>+6</b> +6
Capex (R\$m) Capacity under construction (MW)	4 -	3 -	<b>33%</b> -	+1

In European markets out of Iberia, EBITDA rose 13% YoY in 1H13. Output rose 15% YoY to 1,001GWh in 1H13 following a 32% or 270MW increase of installed capacity over the last 12 months. Avg. load factor was stable YoY at 25%. Avg. selling price rose 4% YoY to €111/MWh, driven by the higher weight of the wind production in Romania (35% in 1H13 vs. 27% in 1H12).

In France, EDPR has 314MW of capacity (+8MW YoY). Wind power in France is sold through fixed tariffs indexed to inflation for 15 years. In 1H13, avg. tariff was €90/MWh (+3% YoY). As of Jun-13, EDPR had 8MW under construction in France. In Belgium, our 57MW wind farm sells its power through a 5 year PPA (2014 maturity) at a fixed selling price of €112/MWh. In Italy, EDPR has 40MW of capacity installed in Jun-13, which will receive 'market price plus green certificate (GC)' until 2015 (GC price set at 0.78 x (€180/MWh - previous year avg. market price. In 2012, avg. market price was €77/MWh); after 2015, it will change into a 'pool + premium' scheme (premium of €180/MWh minus previous year avg. market price). Avg. selling tariff was €139/MWh in 1H13. For capacity installed in 2013 and onwards, wind farms will be remunerated under a feed-in tariff scheme defined by tenders. In Jan-13, EDPR secured a 20 year feed-in-tariff for an additional 40MW of wind at the new renewable energy auction. EDPR projects (located in the Puglia and Basilicata regions) have an expected avg. load factor of 29%. As of Jun-13, EDPR had 30MW under construction in Italy.

In Poland, EDPR installed 54 MW during 2Q13 - Zgarzelec - which together with 76MW installed in 1Q13 reached a total capacity of 320MW: i) 120MW from Margonin wind farm, which power is sold in the wholesale market and for which EDPR has a 15 years long term contract for the sale of GCs; ii) 70MW from Korsze wind farm, which output is sold through a 10 year PPA and iii) the remaining 130W, which output is sold at "regulated electricity price + GC" (regulated price for 2013 is PLN201.36/MWh). In 1H13, avg. selling price was flat at PLN422/MWh. In terms of regulation update, a package of energy laws including an amendment to the renewables certificates scheme is being proposed by Polish Government and a final version of the law is expected to enter into force over the coming months. The new rates should be applied only to new installations. As of Jun-13, EDPR had 60MW under construction in Poland.

In Romania, EDPR has 378MW of capacity (+93MW YoY), of which 39MW are solar PV (commissioned in 4Q12). Wind production is sold at 'market price plus GC', which value is subject to a floor and a cap set in Euros (for 2013, floor was set at €28.9/MWh and the cap at €58.8/MWh). In 1H13, avg. selling price decrease 2% YoY to RON587/MWh, impacted by lower green certificate prices driven by the uncertainty created through the approval by the Romania Government of the Emergency Government Ordinance 57/2013. This new regulatory framework respects the rights of the investments made in the renewable energy sector, although re-profiling the cash-flows of the projects, and maintains unchanged the cap and floor price of the Green Certificates ("GC") that will annually evolve according with the euro zone inflation. As of Jun-13, EDPR had 144MW of wind capacity under construction in Romania.

In Brazil, EDPR has 84MW in operation remunerated through long term contracts (20 years). In 1H13, avg. load factor increased by 1pp YoY to 27%. Avg. selling price went up 11% YoY to R\$309/MWh. EDPR currently has 120 MW under development in Brazil awarded in Dec-11 at the energy A-5 auction, for a period of 20-years to start in January 2016. The price of the long term contract was set at R\$97/MWh, indexed to the Brazilian inflation rate.

## Regulated Networks & Regulatory Receivables in Iberia



Regulated networks in Iberia include our activities of distribution of electricity and gas in Portugal and Spain.

**EBITDA from regulated networks** was flat at €522m, reflecting (i) lower regulated revenues, namely in the electricity distribution in Portugal due to lower estimated regulated rate of return on assets (-€27m, stemming from a return on assets of 8.5% in 1H13 vs. 10.3% in 1H12) following the decline of Portuguese Republic 5-year CDS; (ii) one-off gain booked on the sale of gas transmission assets (+€56m in Feb-13); and (iii) impact from the de-consolidation of gas transmission assets in Spain (€15m of EBITDA in 1H12).

**Controllable operating costs** were virtually flat as higher costs related to Gong storm in Portugal were offset by lower personnel costs enhanced by headcount reduction, namely in electricity distribution in Portugal (-4% YoY), and by tight cost control. **Capex** in 1H13 was €23m lower YoY, at €161m, mainly reflecting economic slowdown.

Regulatory receivables in Iberia rose by €32m in 1H13, from €2,621m in Dec-12 to €2,653m in Jun-13 driven by a €91m increase in Portugal and by a €59m decrease in Spain.

Regulatory receivables from electricity distribution and last resort supply in Portugal rose from €1,503m in Dec-12 to €1,645m in Jun-13 driven by: (1) -€714m following the sale without recourse of the right to receive part of the ex-ante tariff deficit created in 2012; (2) +€637m regarding the ex-ante tariff deficit for 2013 (as pre-defined by the regulator in 2013 tariffs), to be fully recovered through 2014-2017 tariffs and remunerated at 5.85% annual return; (3) +€436m of new tariff deviations created in the period; and (4) -€271m recovered through tariffs relative to negative previous years' deviations and to the recovery of past tariff deficits. The main drivers for new tariff deviations generated during the 1H13 were: (i) +€357m boosted by higher-than-expected special regime production (23% ahead of ERSE assumption) and from higher-than-expected overcost with special regime production (€74.9/MWh in 1H13 vs. €55.7/MWh assumed by ERSE in the calculation of 2013 tariffs); (ii) +€111m derived from the delay of cash proceeds from the tariff-curbing measures package (namely CO<sub>2</sub> auctions' revenues, to be allocated to the electricity system); (iii) +€112m mainly due to the negative tariff deviation generated in electricity distribution activity (on lower demand and change in consumption mix); (iv) -€142m (amount to return to the tariffs) mainly propelled by cheaper-than-expected electricity acquisitions.

Regulatory receivables from CMECs declined from €654m in Dec-12 to €608m in Jun-13 driven by: (1) €162m recovered in 1H13 through tariffs, related to 2011 negative deviations and (2) €116m negative deviation created in 1H13 (more details on page 11). The overall amount is due to be received in 2013-2015.

Regulatory receivables in Spain declined from €424m in Dec-12 to €365m in 1H13, the bulk of which regarding tariff deficit in 2012 (€248m) and to 2013 (€117m). In 1H13, a total amount of €4.6bn of the Spanish deficit was securitised by FADE (the fund in charge of the securitisation). As a result, our subsidiary in Spain cashed in €249m in 1H13 (including €10m relative to a FADE's deal in Dec-12). By Jun-13 the deficit for the whole Spanish electricity system pending of securitization amounted to €4bn. According to RD9/2013 published by the Spanish Government, a State guarantee will be provided to this 2012 remaining deficit. In Jul-13, last resort tariff (LRT) in Spain rose by 1.2% QoQ, in the wake of the full pass-through of the 3% QoQ increase in energy costs (based on an avg. baseload cost of €47.95/MWh) arising from the CESUR auction and flat access tariffs QoQ.

<sup>(1)</sup> Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits + Concession fees) + Other operating costs (net)

<sup>(2)</sup> Includes the assignment to a third party of the right to tariff deficits/adjustments and recovery or pay-back through the tariffs of previous years' tariff deviations. (3) Includes interests on tariff deviations

<sup>(4)</sup> Net of CO<sub>2</sub> clawback costs. (5) Includes the recovery/payment of previous periods tariff deficits.

## Electricity Distribution and Last Resort Supply in Portugal



Income Statement (€ m)	1H13	1H12	Δ%	Δ Abs.
Gross Profit	659	684	-4%	-25
Supplies and services	161	158	2%	+2
Personnel costs	59	62	-5%	-3
Costs with social benefits	10	12	-11%	-1
Concession fees	127	125	2%	+2
Other operating costs (net)	9	5	-	+3
Net Operating Costs (1)	366	362	1%	+4
EBITDA	294	322	-9%	-28
Provisions	-6	0	_	-6
Net depreciation and amortisation	118	111	7%	+7
EBIT	181	211	-14%	-30
Gross Profit Performance	1H13	1H12	Δ%	Δ Abs.
Gross Profit (€m)	659	684	-4%	-25
Gross Profit (€m) Regulated gross profit	<b>659</b> 654	<b>684</b> 678	<b>-4%</b> -4%	<b>-25</b> -24
Gross Profit (€m)	659	684	-4%	-25
Gross Profit (€m) Regulated gross profit	<b>659</b> 654	<b>684</b> 678	<b>-4%</b> -4%	<b>-25</b> -24
Gross Profit (€m)  Regulated gross profit  Non-regulated gross profit	<b>659</b> 654	<b>684</b> 678	<b>-4%</b> -4%	<b>-25</b> -24
Gross Profit (€m)  Regulated gross profit  Non-regulated gross profit  Distribution Grid  Regulated revenues (€ m)	<b>659</b> 654 5	684 678 5	-4% -4% -3%	- <b>25</b> -24 -0
Gross Profit (€m) Regulated gross profit Non-regulated gross profit Distribution Grid	659 654 5	<b>684</b> 678 5	-4% -4% -3%	-25 -24 -0
Gross Profit (€m)  Regulated gross profit  Non-regulated gross profit  Distribution Grid  Regulated revenues (€ m)  Electricity distributed (GWh)  Supply Points (th)	659 654 5 612 21,550	684 678 5 632 22,237	-4% -4% -3% -3%	-25 -24 -0 -20
Gross Profit (€m)  Regulated gross profit  Non-regulated gross profit  Distribution Grid  Regulated revenues (€ m)  Electricity distributed (GWh)	659 654 5 612 21,550	684 678 5 632 22,237	-4% -4% -3% -3%	-25 -24 -0 -20
Gross Profit (€m)  Regulated gross profit  Non-regulated gross profit  Distribution Grid  Regulated revenues (€ m)  Electricity distributed (GWh)  Supply Points (th)  Last Resort Supply	659 654 5 612 21,550 6,079	684 678 5 632 22,237 6,117	-4% -4% -3% -3% -3% -1%	-25 -24 -0 -20 -687 -37

Capex & Opex Performance	1H13	1H12	Δ%	Δ Abs.
Controllable Operating Costs (2)	219	220	-0%	-1
Cont. costs/client (€/client)	36.1	36.0	0%	+0
Cont. costs/km of network (€/Km)	976	987	-1%	-10
Employees (#)	3,446	3,575	-4%	-129
Capex (Net of Subsidies) (€m)	117	129	-10%	-12
Network ('000 Km)	225	223	1%	+2
Equival. interruption time (min.) (3)	30	21	44%	+9

EBITDA from electricity distribution and last resort supply (LRS) in Portugal fell 9% (-€28m) YoY, to €294m in 1H13, largely impacted by a lower estimated regulated rate of return on assets (-€27m, derived from the decline of Portuguese Republic 5-year CDS).

On 15-Dec-12, ERSE released 2013 tariffs and regulated revenues for our electricity distribution and last resort supply activities in Portugal, setting a 2.8% avg. annual increase for electricity tariffs in Portugal. Moreover, electricity distribution regulated revenues were set at €1,274m and last resort supply activity regulated revenues set at €93m for 2013. Such regulated revenues were based on ERSE's assumptions such as: (1) a forecast of 45.4 TWh of electricity demand in Portugal in 2013 (+1.7% vs. 2012 actual data), (2) a forecast for average electricity purchase price in 2013 of €62.0/MWh; (3) forecast for the avg. special regime premium of €55.7/MWh and (4) a forecast of 19.3TWh of special regime production (+1.8% vs. 2012 actual output); (5) a GDP deflator of 0.2%; and (6) a preliminary regulated rate of return on assets (RoR) of 9.5%. Note that the regulated rate of return on assets is indexed to the Portuguese Republic 5-year CDS (average between 1-Oct and 30-Sep of each year; with a floor at 8% and cap at 11%): while the preliminary rate of 9.5% implies an average CDS of 780bp, the average between Oct-12 and Jun-13 stood at 359bp.

In 1H13, distribution grid regulated revenues dropped by 3% (-€20m) YoY, to €612m, mainly driven by a lower preliminary return on RAB (8.5% in 1H13 vs. 10.3% in 1H12, in line with the fall in Portuguese Republic 5-year CDS), with an impact of -€27m. Although to a much lower extent, regulated revenues were also negatively impacted by the 2013 update for 'CPI-X and lower volumes distributed.

Last resort supplier (EDP SU) regulated revenues decreased by 8%, to €44m in 1H13, reflecting the fast consumers' switching to the free market. As part of the rules and calendar defined for the phasing out of regulated tariffs in Portugal, EDP SU can no longer contract new clients as from 1-Jan-13, while the regulator can apply quarterly tariff increases in order to encourage clients' transfer to a liberalised supplier. The volume of electricity supplied by our LRS fell 26% YoY, to 7.6TWh in 1H13, reflecting a faster-than-expected clients switching. Total clients supplied declined from 5,031 thousands in Dec-12 to 4,298 thousands in Jun-13.

Controllable operating costs were virtually flat YoY, reflecting tight cost control. Supplies & Services were 2% higher, due to adverse weather conditions in 1Q13 (Gong storm), and personnel costs declined by 5%, almost in line with headcount reduction (-4%). EIT in 1H13 advanced by 9 minutes, to 30 minutes reflecting unfavourable weather conditions.

Capex was -€12m YoY, to €117m in 1H13 following less requests for new connections to the grid (0.6% YoY fall in supply points).

<sup>(1)</sup> Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits + Concession fees) + Other operating costs (net)

<sup>(2)</sup> Supplies & services and personnel costs. (3) Adjusted for non-recurring impacts (rainstorms, high winds and summer fires).

## Electricity and Gas Networks in Spain and Gas Networks in Portugal



Income Statement (€ m)	Ele 1H13	ectricity S <sub>I</sub> 1H12		Abs. Δ	1H13	Gas Spair 1H12		Abs. Δ	1H13	Gas Portug 1H12	gal %∆ A	lbs. Δ	Iberian Regulated Networks	1H13	1H12	% Δ	Abs. Δ
Gross Profit	86	82	5%	4	116	133	-13%	-17	35	36	-2%	-1	Number Supply Points (th) Electricity Spain	658	657	0%	. 1
Supplies and services	22	22	2%	0	19	21	-10%	-2	۵	9	0%	0	Gas Spain	1,012	1,002	1%	+1 +11
Personnel costs	10	10	8%	1	6	5	12%	1	1	1	-8%	-0	Gas Portugal	296	282	5%	+14
Costs with social benefits	10	10	-30%	-0	0	0	-13%	-0	Ď	ň	-5%	-0	Cas i ortugui	250	202	370	114
Other operating costs (net)	(7)	(15)	-51%	_	(54)	(1)	n.m.	-53	1	(0)	J/0 -	1	Energy Distributed (GWh)				
Net Operating Costs (1)	26	18	47%	8	(29)	26	-	-54	10	9	8%	1	Electricity Spain	4,606	4,717	-2%	-111
EBITDA	60	64	-7%	-4	144	108	34%	37	25	26	-6%	-2	Gas Spain Gas Portugal	28,208 3,657	31,259 4,125	-10% -11%	
Provisions	(0)	0	_	-0	0	(0)	_	0	0	0	n.m.	0	Network (Km)				
Net Depreciation. & amortisation	16	15	5%	1	24	24	2%	Ö	7	7	7%	Ö	Electricity Spain	23,202	22,850	2%	+352
EBIT	44	49	-10%	-5	120	84	43%	36	17	20	-12%	-2	Gas Spain Gas Portugal	9,925 4,376	10,269 4,219	-3% 4%	-344 +156
														.,	.,	.,-	
Capex (net os subsidies)	18	25	-29%	<u>-7</u>	16	14	12%	2	10	15	-33%	-5	Employees (#)				
Gross Profit	86	82	5%	4	116	133	-13%	-17	35	36	-2%	-1	Electricity Spain Gas Spain	306 203	318 215	-4% -6%	-12 -12
Regulated Revenues	81	77	6%	4	101	117	-13% -14%	-17 -16	32	31	3%	- <u>1</u> 1	Gas Portugal	64	64	-0 <i>%</i>	-12
Non-regulated gross profit	5	5	-7%	-0	15	16	-9%	-1	3	4	-37%	-2		04	04	070	

#### **ELECTRICITY DISTRIBUTION IN SPAIN**

**EBITDA** from our electricity distribution activity in Spain was 7% lower YoY, at €60m in 1H13, as higher regulated revenues (+€4m) were mitigated by lower other operating revenues stemming from a lower impact from the application of IFRIC18.

On Feb-13, the Spanish government released a Ministerial Order, by mean of which regulated revenues attributable to EDP España for the year 2013 were set at €163m. As part of a set of urgent measures for the electricity system: (i) on Feb-13, electricity distribution regulated revenues were indexed to CPI at a constant tax rate and excluding either unprocessed foods or energy products (instead of CPI); (ii) in Jul-13, the Spanish Government published RDL 9/2013), paving the way for a change in the remuneration regime of electricity distribution activities, defining a return on RAB equivalent to a 200bp premium over 10-year Spanish bond yields (equivalent to 6.5%).

**Electricity distributed** by EDP España, in the region of Asturias, declined by 2% YoY, to 4.6TWh in 1H13 mainly dragged by the industrial segment.

#### **GAS REGULATED NETWORKS IN SPAIN**

EBITDA from gas distribution in Spain amounted to €144m in 1H13 (+€37m YoY), supported by: (i) a €56m one-off gain stemming from the sale of our transmission gas assets to Enagas in 1Q13; (ii) - €15m derived from the de-consolidation of gas transmission assets; and (iii) regulated revenues in the distribution business 1.4% lower YoY.

Regulated revenues declined by 14% (-€16m), to €101m, largely due to the disposal of transmission operations (-€15m), lower volume distributed and slight increase in points of supply. Volume of gas distributed was 10% lower YoY, at 28TWh, dragged by lower activity at some industrial clients. For 2013 gas distribution regulated revenues attributable to our subsidiary in Spain amount to €194m, according to a Ministerial Order published in Dec-12.

#### GAS REGULATED NETWORKS IN PORTUGAL

**EBITDA from gas distribution in Portugal** was 6% lower YoY (-€2m), at €25m, reflecting, in 1H12, €3m positive one-off impact from the agreement for the economic and financial balance of concession (Jul-12).

Notwithstanding the 5% growth in the number of supply points prompted by the continuing effort of new client connection in the region operated by EDP, **volume distributed** fell by 11% YoY, due to the loss of one large client to the very high pressure grid and by weaker average consumption.

On 14-Jun-13, ERSE published the new regulatory assumptions defined for the regulatory period from Jul-13 to Jun-16. ERSE set: (i) a 3.9% increase in the average last resort supply tariff as from 1-Jul-13 until 30-Jun-14; (ii) regulated rate of return on assets of 9% on a preliminary basis; (iii) regulated revenues of €65m for the first regulatory year. Note that for the new regulatory period, ERSE indexed the regulated rate of return on assets to the average of Portuguese Republic 5-year Portuguese bond yield between Oct 1st and Sep 30th prior to the beginning of each regulatory year, with a floor at 7.83% and cap at 11%).

<sup>(1)</sup> Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits) + Other operating costs (net)

-12%

-11%

-10%

-110b.p.

-241b.p.

Δ%

+187

29%

-10%

Δ%

-18%

-40%

-159%

-48%

-6%

Δ Abs.

+187

+846

+197

-201

-292

-24

-21

+18

-30

-57

Δ Abs.

Δ Abs.

1H13

11.33

476.4

243.0

2.89

2.67

6.3%

7.8 7.0

2,863

3,757

1.732

4,353

(159)

(174

31

1H13

289

1H13

0.8

1H12

12.89

476.4

243.0

2.58

2.41

2.0 8.9

9.4

2.677

2,911

1,933

4,646

(135)

52

(16)

(19)

(118

1H12

91

1H12

0.8

Income Statement		Consolidate	nd (R\$ m)			Consolidat	ed (£ m)		Energias do Brasil
income statement	1H13	1H12	Δ%	Δ Abs.	1H13	1H12	Δ%	Δ Abs.	Life gias do Diasii
	11113	11112	<b>L</b> /0	<u> </u>	11113	11112	<b>4</b> /0	<u> </u>	Share price at end of period (R\$/share)
Gross Profit	1,248	1,109	13%	+139	468	459	2%	+8	Number of shares Issued (million)
	_,	_,					_,,		Treasury stock (million)
Supplies and services	235	211	12%	+24	88	87	1%	+1	Number of shares owned by EDP (million)
Personnel costs	154	127	21%	+27	58	53	10%	+5	ramber of shares office at 1 221 (minor)
Costs with social benefits	19	26	-28%	-7	7	11	-34%	-4	Euro/Real - End of period rate
Other operating costs (net)	113	25	347%	+88	42	11	304%	+32	Euro/Real - Average of period rate
Net Operating Costs (1)	521	389	34%	+132	195	161	21%	+34	Inflation rate (IGP-M - 12 months)
EBITDA	727	719	1%	+7	272	298	-9%	-26	Net Debt / EBITDA (x)
									Average Cost of Debt (%)
Provisions	41	4	982%	+37	15	2	879%	+14	Average Interest Rate (CDI)
Net depreciation and amortisation	199	172	16%	+27	74	71	5%	+3	()
									Employees (#)
EBIT	487	544	-10%	-57	183	225	-19%	-43	
									Key Balance Sheet Figures (R\$ Million)
Capital gains/(losses)	0	-	-	+0	0	-	-	+0	
Financial results	(174)	(118)	-48%	-57	(65)	(49)	34%	-17	Net financial debt
Results from associates	1	(4)	-	+5	Ó	(2)	-	+2	Regulatory receivables (2)
		. ,							Non-controling Interests
Pre-tax profit	314	422	-26%	-109	117	175	-33%	-57	Equity book value
					-				Financial Results (R\$ Million)
Capex		(R\$ r	n)			(€ n	n)		Titaliela Results (115 Titaliel)
Cupen	1H13	1H12	Δ%	Δ Abs.	1H13	1H12	Δ%	Δ Abs.	Net Interest Costs
									Capitalised Costs
Capex	433	384	13%	+50	162	159	2%	+3	Forex Differences and Derivatives
Maintenance	133	107	24%	+26	50	44	12%	+5	Other
	200	20.	= .,,		5.0				0

113

In local currency, EDP – Energias do Brasil ('EDPB') EBITDA increased 1% YoY (+R\$7m) to R\$727m in 1H13, on the back of a lower contribution from our generation business. EBITDA +360MW from Pecém I).

-2%

-2

**Financial Results** 

115

R\$727m in 1H13, on the back of a lower contribution from our generation business. EBITDA from distribution, up 32% YoY (+R\$83m), reflects less negative tariff deviations net of CDE contributions (1H13: -R\$47m vs. 1H12: -R\$186m), along with a 14% increase in operating costs, driven by higher personnel costs and by a R\$16m non-recurring gain in 1Q12. Generation EBITDA went down 22% YoY (-R\$104m), reflecting the 1H13 negative contribution from Pecém I. Supply EBITDA, which more than doubled (+R\$35m), benefited from a favourable long position and higher volumes supplied at higher prices. Foreign exchange contributed negatively to EDPB's EBITDA in Euro terms (-€29m), following a 10% depreciation of the BRL vs. the EUR.

276

9%

+24

300

Expansion

**Net operating costs** rose R\$132m YoY: i) supplies & services increased 12% YoY, on the back of higher external expenses with O&M and other (about half of the observed increase due to one-off issues); ii) personnel costs went up 21% YoY, reflecting the annual salary update (+6.3%), higher average headcount, an increase in both indemnities and overtime expenses, and lower capitalized costs; and iii) other operating costs rose R\$88m YoY mostly impacted by one-off items (a R\$16m gain in 1Q12 in distribution and a R\$67m penalty in 1H13 related to non-programmed outages of Pecém I).

**Provisions** in 1H13 are mostly related to labour contingencies on staff remunerations (R\$22m).

**Net financial costs** went up R\$57m YoY to R\$174m in 1H13, mostly reflecting: i) higher net interest costs, backed by higher net financial debt, which more than compensated the lower average cost of debt (from 8.9% in 1H12 to 7.8% in 1H13); ii) lower capitalized interests, as a result of a decrease of the amount of works in progress; and iii) higher other financial expenses partially related to pension liabilities. **Net financial debt rose 29% YoY** reflecting investments in new capacity and negative tariff deviations in the period. Also worth mentioning, EDPB's Annual General Meeting held on April 10<sup>th</sup>, 2013 approved the payment of a 2012 annual dividend in the amount R\$370.2m (flat vs. 2011 dividend) to be paid until Dec-13.

In 1H13, hydro reservoirs benefited from the raining season, and, even though still below normal levels, they partly recovered from 2012 year-end abnormally low levels. Reservoirs in the Southeast/Center-West regions were at 64% of their maximum level by Jun-13 (vs. 29% in Dec-12 and 73% in Jun-12). Given the weak hydro conditions, the System Operator continued dispatching existing thermal plants. Nevertheless, the recovery of hydro reservoirs allowed for 2Q13 electricity spot prices to fall 22% QoQ (R\$250/MWh<sup>(3)</sup> in 2Q13 vs. R\$323/MWh<sup>(3)</sup> in 1Q13).

#### **Brazil: Electricity Distribution**

Income Statement (R\$ m)	1H13	1H12	Δ%	Δ Abs.
Gross Profit	684	558	23%	+126
Supplies and services	164	158	4%	+6
Personnel costs	112	84	34%	+28
Costs with social benefits	15	23	-33%	-8
Other operating costs (net)	47	31	-	+16
Net Operating Costs (1)	338	295	14%	+43
EBITDA	346	263	32%	+83
Provisions	39	1	-	+38
Net deprec. and amortisation	95	91	4%	+4
EBIT	212	170	24%	+41
Gross Profit Performance	1H13	1H12	Δ%	Δ Abs.
Regulated Revenues	731	744	-2%	-13
Tariff deviation in the Period (3)	(134)	(178)	-25%	+44
Dev. from previous year (4)	105	(14)	-	+119
Others (5)	(18)	7	-	-24
Gross Profit	684	558	23%	+126
Regulatory Receivables (R\$ m)	289	91	-	+197
Clients Connected (th)	2,994	2,876	4%	+119
Bandeirante	1,637	1,570	4%	+67
Escelsa	1,357	1,305	4%	+51
Electricity Distributed (GWh)	12,856	12,481	3%	+375
Bandeirante	7,540	7,387	2%	+153
Escelsa	5,316	5,094	4%	+223
From which:	4 002	4.613	60/	. 204
To clients in Free Market (GWh)	4,893	4,612	6%	+281
Electricity Sold (GWh)	7,963	7,869	1%	+94
Bandeirante	4,648	4,723	-2%	-75
Resid., Commerc. & Other	3,316	3,235	3%	+82
Industrial	1,332	1,488	-11%	-157
Escelsa	3,315	3,146	5%	+169
Resid., Commerc. & Other	2,765	2,598	6%	+167
Industrial	550	548	0%	+2
Capex & Opex Performance	1H13	1H12	Δ%	Δ Abs.
Controllable Operating Costs (2)	275	241	14%	+34
Cont. costs/client (R\$/client)	92	84	10%	+8
Cont. costs/km (R\$/Km)	3	3	13%	+0
Employees (#)	2,226	2,089	7%	+137
Capex (net of subsidies) (R\$m)	115	89	29%	+26
Network ('000 Km)	88	86	1%	+1

Capex & Opex Performance	1H13	1H12	Δ%	Δ Abs.
Capex & Opex Performance	11113	11112	Δ /0	A AUS.
Controllable Operating Costs (2)	275	241	14%	+34
Cont. costs/client (R\$/client)	92	84	10%	+8
Cont. costs/km (R\$/Km)	3	3	13%	+0
Employees (#)	2,226	2,089	7%	+137
Capex (net of subsidies) (R\$m)	115	89	29%	+26
Network ('000 Km)	88	86	1%	+1

EBITDA from our electricity distribution activity in Brazil rose 32% YoY (+R\$83m) to R\$346m in 1H13, reflecting less negative tariff deviations (1H13: -R\$47m vs. 1H12: -R\$186m), on the back of the regulatory measures applied to compensate DisCos for higher electricity costs, while operating costs went up 14% YoY, driven by an increase in personnel costs and by the recognition of a R\$16m non-recurring gain in 1Q12.

In Jan-13 ANEEL approved an 18% decrease in tariffs for residential customers and up to a 32% decrease for industrials, on the back of a cut in electricity costs achieved through the Provisory Act No. 579, converted into Law 12.783/13 (Jan-13), which translated into a drop in electricity sector charges, and lower generation costs, following concessions' renewal conditions. The subsequent mismatch between the energy procurement contracts and supply obligations led to involuntary short contracting positions at our DisCos. In Mar-13, through DL 7.945/13, the Brazilian Government approved the transfer of funds from an electricity sector account called CDE (Conta de Desenvolvimento Energético) to compensate DisCos facing higher costs derived from the strong thermal dispatch and subsequent hike in spot prices, as well as from the short contracting position, as DisCos had to satisfy demand through electricity purchases at high spot prices.

Tariff deviations at gross profit level reached -R\$47m in 1H13, vs. -R\$186m in 1H12. Note that electricity distribution gross profit in Brazil includes the cash-flow impact from deviations vs. regulated revenues. In 1H13, R\$105m of previous years tariff deviations were recovered through tariffs, while a new R\$134m tariff deviation was created. The latter reflects, on the one hand, a R\$390m deviation essentially related to higher energy costs than the ones incorporated in the tariffs, and on the other, R\$257m of contributions from CDE (R\$167m received in 1H13 and R\$90m to be cashed-in in Aug-13). All in all. regulatory receivables amounted to R\$289m as of Jun-13, up R\$47m vs. Dec-12, to be collected through tariffs in the following years. Bandeirante's regulatory review for the 2011-15 period, approved by ANEEL in Oct-12, set a 7.29% increase in tariffs for the 12 months period starting Oct-12, reflecting previous years tariff deviations as well as a lower return on the Regulated Asset Base (7.5% after taxes). Regarding Escelsa, in Aug-12, ANEEL set a 14.29% tariff increase for the 12 months period starting Aug-12, on the back of the annual tariff readjustment process. Escelsa's next 3 years regulatory period starts in Aug-13.

Volumes of electricity sold went up 1% YoY in 1H13, reflecting a 4% increase in the 'residential, commercial & other' segments, justified by a wider client base, higher consumption per capita and a lower average unemployment rate. Volumes sold to the industrial segment fell 8% YoY, due to the migration of clients to the free market. At the same time, volumes distributed to industrial clients in the free market advanced 6% YoY, also backed by the positive performance of the transport, auto and oil & refining industries, which supported a 3% YoY increase in the total volume of electricity distributed.

Controllable operating costs went up 14% YoY to R\$275m in 1H13, driven by higher personnel costs, mostly reflecting the annual salary update (+6.3%), higher average headcount, an increase in both indemnities and overtime expenses, and lower capitalized costs. Supplies and services were impacted by an increase in external expenses related to clients' services (namely meter readings and billing services) reflecting the wider clients' base. The lower costs with social benefits reflect a one-off HR restructuring cost booked in 2Q12 (R\$9m). Other operating costs rose by R\$16m YoY, translating a one-off gain with the sale of buildings booked in 1Q12 (R\$16m).

Capex went up 29% YoY to R\$115m in 1H13. Most of the capex amount was devoted to network expansion and reinforcement of the quality of service.

<sup>(1)</sup> Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits) + Other operating costs (net); (2) Supplies & services and personnel costs

<sup>(3)</sup> Regulatory receivables being generated in the current period. This amount is to be recovered by EDP through tariffs in the following annual tariff adjustments; (4) Regulatory receivables that EDP is recovering in current tariffs, related to amounts owed by the system due to lower than expected gross profit in past periods; (5) 1H12 deviation excludes R\$103m estimated to be returned through tariffs regading the 1H12 retroactive impact of Bandeirante's tariff review (which occured in Oct-12).

## Brazil: Electricity Generation and Supply

ncome Statement (R\$M)		Genera		
	1H13	1H12	Δ%	Δ Abs.
Gross Profit	501	520	-4%	-19
Supplies and services	38	32	16%	+
Personnel costs	27	21	26%	+
Costs with social benefits	2	2	14%	+
Other operating costs (net)	70	(4)	-	+7
Net Operating Costs (1)	136	51	165%	+8
EBITDA	365	469	-22%	-10
Provisions	(0)	0	-	-
Net depreciation and amortisation	97	74	31%	+2
EBIT	268	394	-32%	-12
Generation	1H13	1H12	Δ%	Δ Abs.
Gross Profit (R\$ m)	501	520	-4%	-1
Lajeado	215	221	-3%	_
Peixe Angical	190	177	7%	+1
Energest (15 hydro plants)	119	122	-2%	-
Pecém	(23)	-	-	-2
Installed Capacity (MW)	2,159	1,794	20%	+36
Lajeado	903	903	-	
Peixe Angical	499	499	-	
Energest (15 hydro plants)	397	393	1%	+
Pecém	360	-	-	+36
Electricity Sold (GWh)	5,690	4,179	36%	+1,51
Lajeado	1,806	1,782	1%	+2
Peixe Angical	1,240	1,202	3%	+3
Energest (15 hydro plants)	1,276	1,195	7%	+8
Pecém	1,367	-	-	+1,36
Average Selling Price (R\$/MWh) (2)	154	138	12%	+1
Lajeado	134	124	8%	+
Peixe Angical	184	172	7%	+1
Energest (15 hydro plants)	153	122	25%	+3
Capex (R\$ million)	315	294	7%	+2
Maintenance	14	18	-18%	-
Expansion	300	276	9%	+2
Pecém	92	180	-49%	-8
Jari	186	96	94%	+9
Other	23	0	-	+2
Employees (#)	454	413	10%	+4
Supply	1H13	1H12	Δ%	Δ Abs.
Gross profit (R\$ m)	63	27	134%	+3
Net Operating costs (1) (R\$ m)	(2)	(3)	29%	+
EBITDA (R\$ m)	65	30	118%	+3

6.034

5.213

Electricity sales (GWh)

EBITDA from our electricity generation activities in Brazil dropped 22% YoY (-R\$104m) to R\$365m in 1H13, penalized by the negative contribution from Pecém I coal plant (-R\$104m in 1H13). Excluding this impact, adjusted EBITDA stood flat at R\$468m, as the negative impact from energy purchases at higher market prices, driven by the poor hydro conditions, was offset by the allocation of higher volumes of electricity sold to the beginning of the year - 29% of the contracted volumes to be sold in 2013 were allocated to 10, vs. 25% in 2012.

**Electricity volumes sold** rose 36% YoY to 6TWh in 1H13 on the back of Pecém I contribution. Excluding this impact, volumes sold went up 3% YoY, reflecting Mascarenhas hydro repowering (+8MW) as well as the mentioned seasonal concentration of hydro volumes sold in the 1013 - Volumes sold in the 2013 fell 5% YoY and 16% QoQ. Average selling price went up 12% YoY in 1H13, following: i) PPA prices inflation updates, as most of EDPB's installed capacity is contracted under long term PPAs; ii) the termination, in Dec-12, of some contracts with a selling price well below average; and iii) short-term contracts (for year 2013) closed at higher prices as part of our seasonality strategy.

EDPB owns a 50% stake in Pecém I coal plant facility (720MW) in partnership with MPX, with an average contracted capacity of 615MW for 15 years. The commissioning date of the facility suffered some setbacks and, after being officially delayed from Jan-12 to 23-Jul-12, it is now fully operational (group 1 was commissioned 1-Dec-12, while group 2 started commercial operations in 10-May-13). In 1H13, Pecém I recorded a negative gross profit contribution of R\$23m, as given the delay on the start of group 2. EDPB was forced to purchase electricity in the market to fulfil its PPA contracts with DisCos. Additionally, due to partial unavailability, 1H13 EBITDA was negatively impacted by a non-recurring R\$67m penalty that was recorded at the level of other operating costs. Total EBITDA contribution from Pecém I was -R\$104m in 1H13.

Capex increased 7% YoY to R\$315m in 1H13, as the lower capex from Pecém I was more than compensated by higher investments at our Jari and Cachoeira Caldeirão hydro projects, due in 2015 and 2017, respectively. Expansion capex represented 95% of total generation capex, from which 62% refer to Jari, 30% to Pécem I and 8% to Cachoeira Caldeirão.

Santo António do Jari hydro plant is a 373MW project with an average contracted capacity of 201.9MW: i) 190MW through a 30-year PPA at a price of R\$104/MWh; and ii) 20.9MW through a 28-year PPA at a price of R\$82/MWh. Total investment is expected to be around R\$1.4bn (with a debt to equity ratio of about 2:1). In Oct-12, BNDES approved, for this project, a R\$736.8m loan for 18.5 years (including a 2.5 years grace period) bearing an interest rate of 'TJLP + 186bps' (TJLP - Long Term Interest Rate, currently at 5.1%). At the A-5 energy auction of Dec-12, EDPB was awarded the concession of Cachoeira Caldeirão hydro facility, a 219MW project with an average 129.7 MW of contracted capacity to be sold through a 30-year PPA at a price of R\$95.31/MWh. The hydro plant is expected to start operations Jan-17 and total investment should amount to approximately R\$1.1bn with as estimated leverage ratio of 60%.

Electricity supply gross profit rose R\$36m YoY to R\$63m in 1H13, reflecting a favourable long position and higher volumes supplied to clients, benefiting from higher spot prices.

+821



# Income Statements & Annex

1H13 (€m)	Long-Term Contracted Generation	Iberian Liberalised Activities	Regulated Networks Iberia	EDP Renováveis	Brazil	Corpor. Activ. & Adjustments	EDP Group
Gross Profit	448.7	493.1	895.3	685.2	467.6	(75.4)	2,914.6
Supplies and services Personnel costs Costs with social benefits Other operating costs (net) Operating costs	36.8 32.4 0.0 7.0 <b>76.2</b>	137.5 52.7 3.5 65.9 <b>259.6</b>	210.4 76.1 11.6 74.9 <b>373.0</b>	125.8 31.8 3.4 (36.2) <b>124.8</b>	88.2 57.6 7.1 42.5 <b>195.3</b>	(147.5) 57.5 4.0 14.9 (71.0)	451.2 308.1 29.6 168.9 <b>957.8</b>
EBITDA	372.4	233.6	522.4	560.4	272.3	(4.4)	1,956.7
Provisions Net depreciation and amortisation (1)	0.9 86.0	17.6 116.2	(5.3) 166.0	0.2 233.5	15.4 74.4	8.0 29.4	36.8 705.5
EBIT	285.5	99.7	361.6	326.7	182.5	(41.8)	1,214.3

1H12 (€m)	Long-Term Contracted Generation	Iberian Liberalised Activities	Regulated Networks Iberia	EDP Renováveis	Brazil	Corpor. Activ. & Adjustments	EDP Group
Gross Profit	487.0	399.6	934.2	602.4	459.2	(93.3)	2,789.2
Supplies and services Personnel costs Costs with social benefits Other operating costs (net) Operating costs	39.3 36.5 0.0 8.9 <b>84.7</b>	132.8 48.6 3.5 32.6 <b>217.5</b>	209.6 77.8 13.2 113.7 <b>414.3</b>	119.6 25.7 3.6 (50.0) <b>98.9</b>	87.4 52.6 10.9 10.5 <b>161.3</b>	53.6 4.3	445.6 294.7 35.5 128.3 <b>904.1</b>
EBITDA	402.3	182.1	520.0	503.5	297.9	(20.8)	1,885.1
Provisions Net depreciation and amortisation (1)	1.0 99.1	(1.8) 130.1	0.1 156.8	221.7	1.6 71.0		6.8 704.0
EBIT	302.2	53.8	363.1	281.9	225.3	(51.9)	1,174.4

Quarterly P&L (€ m)	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	Δ YoY %	Δ QoQ %
Electricity Revenues	3,904.5	3,355.8	3,380.3	3,763.8	3,903.0	3,265.2			-3%	-16%
Gas Revenues	482.7	416.2	449.6	422.7	430.9	428.8	_	-	3%	-0%
Other Revenues	25.0	29.4	46.6	63.4	50.6	42.2		_	44%	-17%
Operating Revenues	4,412.2	3,801.4	3,876.4	4,249.9	4,384.5	3,736.2	_	-	- <b>2%</b>	-15%
Operating Nevenues	7,712.2	3,001.4	3,070.4	7,243.3	4,304.3	3,730.2			-270	-13/0
Electricity	2,284.3	1,888.0	1,956.0	2,263.9	2,284.8	1,803.9	-	-	-4%	-21%
Gas	390.6	322.5	331.8	331.0	336.2	323.7	_	-	0%	-4%
Fuel	279.4	217.3	245.7	297.2	229.2	176.8	-	-	-19%	-23%
Materials and goods for resale	20.1	22.0	32.5	29.5	23.5	28.1	-	-	28%	20%
Direct Activity Costs	2,974.5	2,449.8	2,565.9	2,921.5	2,873.8	2,332.4	-	-	-5%	-19%
Revenue from assets assigned to concessions	94.3	84.6	106.9	433.7	69.5	98.0	-	-	16%	41%
Expenditure with assets assigned to concessions	(94.3)	(84.6)	(106.9)	(433.7)	(69.5)	(98.0)	-	-	-16%	-41%
Gross Profit	1,437.6	1,351.6	1,310.6	1,328.3	1,510.8	1,403.8	-	-	4%	-7%
Supplies and services	216.3	229.3	227.7	255.0	216.3	234.9	_	-	2%	9%
Personnel costs	154.5	140.2	138.1	149.4	156.6	151.5	-	-	8%	-3%
Costs with social benefits	15.0	20.5	12.5	41.3	13.9	15.7	-	-	-24%	13%
Other operating costs (net)	48.4	79.9	74.9	(3.3)	52.0	116.9	-	-	46%	125%
Operating costs	434.2	470.0	453.2	442.3	438.9	519.0	-	-	10%	18%
EBITDA	1,003.5	881.6	857.3	886.0	1,071.9	884.8	-	-	0%	-17%
Provisions	3.0	3.8	(3.3)	12.6	9.4	27.4	-	-	630%	190%
Net depreciation and amortisation (1)	350.3	353.7	356.5	408.5	353.3	352.3	-	-	-0%	-0%
EBIT	650.2	524.2	504.2	464.8	709.2	505.1	-	-	-4%	-29%
Capital gains/(losses)	(0.0)	2.9	(0.0)	(0.1)	0.0	0.0	_	-	-100%	-100%
Financial Results	(166.8)	(186.2)	(162.6)	(189.6)	(159.9)	(173.0)	-	-	7%	-8%
Results from associated companies	3.6	6.8	7.0	6.3	8.1	10.7	-	-	57%	33%
Pre-tax profit	487.0	347.7	348.6	281.5	557.4	342.8	-	-	-1%	-38%
Income taxes	79.0	79.9	114.2	9.4	149.1	41.0	-	-	-49%	-72%
Discontinued Activities	-	-		-	-	-	-	-	-	-
Net Profit for the period	408.0	267.8	234.4	272.1	408.4	301.8	-	-	13%	-26%
Net Profit Attributable to EDP	337.2	244.5	212.8	218.0	334.7	268.5	-	-	10%	-20%
Non controlling interests	70.7	23.2	21.6	54.1	73.6	33.3	_	_	44%	-55%

<sup>(1)</sup> Depreciation and amortisation expense net of compensation for depreciation and amortisation of subsidised assets.

## EDP - Installed capacity & electricity generation

Technology		•	city - MW (1	*		-	eration (GW					tricity Gene		-	
recimology	1H13	1H12	ΔMW	Δ%	1H13	1H12	Δ GWh	Δ%	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13 4Q13
PPA/CMEC (Portugal)	5,274	6,220	-946	-15%	9,562	6.060	3.502	58%	3,200	2,860	2.912	3,594	5,053	4,509	
Hydro	4,094	4,094	0	0%	6,088	1,730	4,358	252%	846	884	570	1,619	3,307	2,781	
Run off the river	1,860	1,860	Ū	• 70	4,617	1,436	-1,000	23270	623	813	430	1,183	2,418	2,199	
Reservoir	2,234	2,234			1,471	294			223	71	140	436	889	582	
Coal - Sines	1,180	1,180	0	0%	3,474	4,330	-856	-20%	2,353	1,977	2,340	1,977	1,747	1,728	
Fuel oil - Setúbal	0	946	-946	-	0	1	-1	-	2	-1	2	-2	0	0	
Special Regime (Ex-Wind)	369	466	-97	-21%	1,120	1,152	-33	-3%	561	591	482	612	623	496	
Portugal	256	324	-67	-21%	775	722	53	7%	343	380	301	406	449	326	
Small-Hydro	157	157			424	132			41	91	16	105	268	156	
Cogeneration	68	135			248	490			254	236	233	247	132	116	
Biomass	32	32			103	100			47	54	53	53	49	54	
Spain	113	142	-30	-21%	<b>345</b> 345	430	-85	-20%	219	211	180	206	174	170	
Cogeneration+Waste	113	139				430			219	211	180	206	174	170	
Biomass	0	3			0	0			0	0	0	0	0	0	
Liberalised Iberia	7,122	6,864	257	4%	6,278	6,230	48	1%	3,544	2,686	3,149	3,805	3,621	2,657	
Hydro	1,605	1,347	257	19%	2,939	1,044	1,896	182%	390	654	329	761	1,581	1,358	
Portugal	1,178	921			2,101	648			234	414	270	595	1,104	997	
Spain	426	426			838	396			156	240	59	166	477	361	
Coal	1,460	1,460	0	0%	2,387	3,124	-737	-24%	1,846	1,278	1,708	1,883	1,371	1,015	
Aboño I	342	342			668	933			469	464	542	491	412	256	
Aboño II	536	536			1,523	1,333			973	360	907	1,000	826	697	
Soto Ribera II	236	236			140	247			72	175	73	146	124	16	
Soto Ribera III	346	346			55	611			333	278	186	247	9	46	
CCGT	3,736	3,736	0	0%	437	1,509	-1,072	-71%	973	536	775	822	337	100	
Ribatejo (3 groups)	1,176	1,176			81	184			164	19	-2	48	74	6	
Lares (2 groups)	863	863			69	530			353	177	519	230	63	6	
Castejón (2 groups)	843	843			153	360			170	190	199	266	94	58	
Soto IV & V (2 groups)	854	854			135	435			285	150	59	279	106	29	
Nuclear - Trillo	156	156	0	0%	515	553	-38	-7%	335	218	338	339	331	184	
Gasoil/Fueloil	165	165	0	0%	0	0	0	-45%	0	0	0	0	0	0	
Wind (More detail on page 16)	7,720	7,169	550	8%	10,700	9,918	783	8%	5,212	4,705	3,427	5,100	5,755	4,946	
Iberia	2,930	2,826			3,999	3,346			1,631	1,714	1,437	1,766	2,322	1,676	
Rest of Europe	1,069	838			986	871			477	394	323	533	552	434	
USA	3,637	3,422			5,618	5,607			3,056	2,552	1,597	2,733	2,829	2,790	
Brazil	84	84			98	93			48	45	71	67	52	46	
Solar - Romania	39	0	39	-	16	0	16	-	0	0	0	0	0	16	
Brazil (Ex-Wind)	2,159	1,794	365	20%	4,518	4,472	45	1%	2,647	1,826	1,418	2,327	2,460	2,058	
Hydro	1,799	1,794	5	0%	4,093	4,472	-379	-8%	2,647	1,826	1,418	2,301	2,246	1,847	
Lajeado	903	903			1,888	2,138			1,351	787	565	1,008	1,040	849	
Peixe Angical	499	499			1,245	1,407			819	588	558	874	710	535	
Energest	397	393			960	927			477	451	294	419	497	463	
Coal - Pecém	360	0	360	-	425	0	425	-	0	0	0	26	214	211	
TOTAL	22,682	22,514	168	1%	32,193	27,832	4,361	16%	15,164	12,668	11,388	15,438	17,511	14,682	

## EDP - Volumes distributed, clients connected and networks

Electricity Distributed (GWh)	1H13	1H12	Δ GWh	Δ%
Portugal	21,550	22,237	-687	-3.1%
Very High Voltage	1,076	984	92	9.3%
High / Medium Voltage	9,909	10,171	-261	-2.6%
Low Voltage	10,565	11,082	-518	-4.7%
Spain	4,606	4,717	-111	-2.4%
High / Medium Voltage	3,325	3,455	-130	-3.8%
Low Voltage	1,281	1,262	19	1.5%
Brazil	12,856	12,481	375	3.0%
Free Clients	4,893	4,612	281	6.1%
Industrial	1,881	2,036	-154	-7.6%
Residential, Comercial & Other	6,082	5,833	249	4.3%
TOTAL	39,012	39,435	-423	-1.1%

GAS				
Gas Distributed (GWh)	1H13	1H12	Δ GWh	Δ%
Portugal Low Pressure (P ≤ 4 Bar) Medium Pressure (P > 4 Bar) LPG	<b>3,657</b> 613 3,028 16	<b>4,125</b> 586 3,525 15	<b>-468</b> 28 -496 1	<b>-11.3%</b> 5% -14% 8%
Spain Low Pressure (P ≤ 4 Bar) Medium Pressure (P > 4 Bar)	<b>28,208</b> 6,102 22,106	<b>31,259</b> 6,222 25,038	<b>-3,051</b> -119 -2,932	<b>-10%</b> -1.9% -12%
TOTAL	31,866	35,384	-3,518	-9.9%

Clients Connected (th)	1H13	1H12	Abs. Δ	Δ%
Portugal	6,079	6,117	-37.5	-0.6%
Very High / High / Medium Voltage	24	24	-	0.0%
Special Low Voltage	33	34	-0.2	-0.6%
Low Voltage	6,022	6,059	-37.2	-0.6%
Spain	658	657	1.4	0.2%
High / Medium Voltage	1.1	1.1	0.0	1.5%
Low Voltage	657	656	1.4	0.2%
Brazil	2,994	2.876	118.5	4.1%
Bandeirante	1,637	1,570	67.3	4.3%
Escelsa	1,357	1,305	51.2	3.9%
TOTAL	9,731	9,649	82.4	0.9%

Supply Points (th)	1H13	1H12	Abs. Δ	Δ%
Portugal	296.1	280.7	15.4	5.5%
Final	184.3	275.7	-91.4	-33.1%
Access	111.8	5.0	106.8	2117%
Spain	1,012.2	1,001.6	10.6	1.1%
Final	-	-	-	-
Access	1,012.2	1,001.6	10.6	1.1%
TOTAL	1,308.4	1,282.3	26.1	2.0%

Networks	1H13	1H12	Abs. Δ	Δ%
Lenght of the networks (Km)	335,548	332,245	3,302	1.0%
Portugal	224,688	222,934	1,754	0.8%
Spain	23,202	22,850	352	1.5%
Brazil	87,658	86,462	1,196	1.4%
Losses (% of electricity distributed)				
Portugal (1)	-12.1%	-9.9%	-2.2 pp	
Spain	-4.1%	-4.6%	0.5 pp	
Brazil			• • •	
Bandeirante	-10.3%	-10.2%	-0.1 pp	
Technical	-5.5%	-5.5%	0.0 pp	
Comercial	-4.8%	-4.7%	-0.1 pp	
Escelsa	-13.4%	-13.1%	-0.4 pp	
Technical	-7.8%	-7.3%	-0.5 pp	
Comercial	-5.6%	-5.8%	0.2 pp	

Networks	1H13	1H12	Abs. Δ	Δ %
Lenght of the networks (Km)	14,301	14,488	-188	-1.3%
Portugal	4,376	4,219	156	3.7%
Spain	9,925	10,269	-344	-3.3%
Distribution	9,925	9,823	102	1.0%
Transmission	, -	446	-446	-

(1) Excludes Very High Voltage - 28 -

#### 2013 Main Events

Apr: EDP Renováveis wins the 1st place amid worldwide utilities in the FTSE4Good Index:

Apr: Editora Gestão RH announces that EDP Brasil is now placed amongst the 100 Best Companies in the Organizational Human Development Indicator and in the 50 Best Companies in Corporate Citizenship;

Apr: EDP receives the Certificate of Responsibility for Retirement from the Portuguese Association of Investment Funds, Pension Funds and Asset Management;

Jun: EDP promotes the EDPartners Roadshow in Brazil with the goal of creating business opportunities within the main Group suppliers;

Jun: IR Magazine Europe Awards 2013 places EDP in the 14th place of the global ranking, awarding the company with the 1<sup>st</sup> place in the category of best sustainability practices and with the 1st place in the sector (utilities) and national ranking.

DP Inte	rnal Sustain	ability Index	(base 2010-12)	
---------	--------------	---------------	----------------	--

	1H13	Base 100	Δ%
Sustainability Index	101	100	1.1%
Environmental	102	100	2.4%
%Weight	33%	33%	
Economic	99	100	-0.6%
%Weight	37%	37%	
Social	102	100	1.6%
%Weight	30%	30%	

This Sustainability Index was developed by EDP and is based on 33 sustainability performance indicators. (www.edp.pt/sustentabilidade/abordagemasustentabilidade/)

<b>Economic Metrics</b>	1H13	1H12	Δ%	
Economic Value (€m)(1)				
Directly Generated Distributed Accumulated	8,860 8,178 682	8,747 7,917 830	1.3% 3.3% -17.8%	
Social Metrics (b)	1H13	1H12	Δ%	
Employees (a)	12,143	12,154	-0.1%	
	170 100	225 044		

Linployees (a)	, -	, -	0.1
Training (hours trainee)	170,188	225,841	-25
On-duty Accidents EDP Frequency rate (Tf) EDP Severity Rate (Tg) Freq. rate EDP+ESP(c) (Tf)	25 2.27 122 4.22	19 1.77 136 4.46	<b>32</b> 5 286 -9.96 -5.46

Environmental Metrics (b)	1H13	1H12	Δ%
Absolute Atmospheric Emissions (kt) (d)			
CO2	6,987.3	8,867.8	-21%
NOx	6.3	7.3	-14%
SO2	5.0	8.1	-38%
Particle	0.237	0.368	-36%
raiticle	0.207	0.500	3070
Specific Atmospheric Emissions (g/KWh)			
CO2	217.98	312.67	-30%
NOx	0.20	0.26	-24%
SO2	0.16	0.28	-45%
GHG emissions (ktCO2 eg)			
Direct Emissions (scope 1)	6,998	8,892	-21%
Indirect emissions (scope 2) (e)	911	761	20%
, , , , ,			
Primary Energy Consumption (TJ) (f)	71,446	98,628	-28%
Max. Net Certified Capacity (%)	74.6%	72.4%	2 p.p.
Water Use (10° m°)	762,575	774,783	-1.6%
Total Waste (t) (g)	141,348	383,913	-63%
Environmental Costs (€ th)	38,605	24,596	57%
Environmental Fees and Penalties (€ th) (i)	25.3	210.2	-88%

Environmental	Metrics -	CO2	Emissions	(b)

CO2 Emissions	Absolute (ktCO2)		Specific (t/MWh)		Generation (h) (GWh)	
	1H13	1H12	1H13	1H12	1H13	1H12
PPA/CMEC	3,205	3,885	0.92	0.90	3,474	4,331
Coal	3,203	3,876	0.92	0.90	3,474	4,330
Fuel Oil & Natural Gas	2	9	-	-	=	1
Liberalised	3,284	4,424	1.16	0.95	2,824	4,633
Coal	3,095	3,813	1.30	1.22	2,387	3,124
CCGT	189	611	0.43	0.40	437	1,509
Special Regime	498	559	0.33	0.27	1,497	2,103
Thermal Generation	6,987	8,868	0.90	0.80	7,795	11,067
CO2 Free Generation					24,260	17,295
CO2 Emissions			0.22	0.31	32,055	28,362

(a) Including Executive Corporate Bodies

(b) Excluding Pécem's coal plant

(c) ESP: External Services Provider

(d) Excluding vehicle fleet

(e) Including electricity consumptions from the administrative buildings of HC Energía Generación in Spain as well as the backfeed power

(g) Waste sent to final disposal

(h) Includes heat generation (1.083 GWh: 1H12 vs. 802 GWh: 1H13)

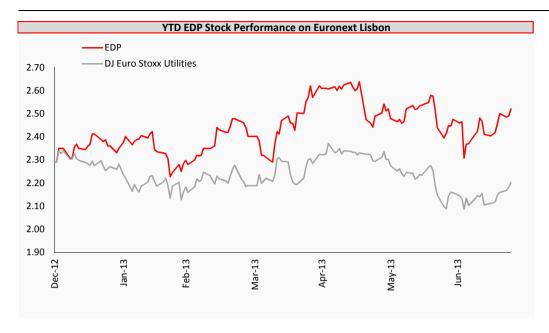
(f) Including vehicle fleet

(i) The figure reported in 1Q13 was changed

Note: The Sustainability Index has been subject to revision in order to comply with the Group's strategy for 2012-2015 and now includes 33 indicators. The new base 100 considers the homologous period for 2010-2012.

#### **EDP Share Performance**





EDP Share Price (Euronext Lisbon - €)		24-07-2013	
EDP Share Price (Euronext Lisbon - €)			
Close	2.520	2.520	2.290
Max	2.670	2.670	2.484
Min	2.215	1.752	1.628
Average	2.430	2.302	2.069
EDP's Liquidity in Euronext Lisbon			
Turnover (€ m)	2,255	3,344	2,899
Average Daily Turnover (€ m)	15	13	11
Traded Volume (million shares)	928	1,452	1,401
Avg. Daily Volume (million shares)	6.3	5.5	5.4

EDP Share Data	1H13	1H12	Δ%
Number of shares Issued (million)	3,656.5	3,656.5	-11.6%
Treasury stock (million)	28.7	32.5	

#### **EDP's Main Events**

Jan-18: Blackrock notifies qualified shareholding in EDP

Jan-25: Capital Research notifies qualified shareholding in EDP

Jan-31: EDP signed credit facility of €1,600,000,000

Feb-15: Conclusion of sale of gas transmission business in Spain

Feb-22: Parpública decreases its ownership interest in the share capital of EDP

Mar-7: Oppidum notifies qualified shareholding in EDP

Mar-22: Standard & Poor's affirmed EDP at "BB+" and revises outlook to stable

Apr-2: Capital Income Builder notifies qualified shareholding in EDP

Apr-12: Resignation of member of the General and Supervisory Board

Apr-26: EDP sells €150 million of tariff deficit in Portugal

Apr-30: MFS notifies qualified shareholding in EDP

May-6: EDP's Annual General Shareholders Meeting

May-9: EDP sells €141 million of tariff deficit in Portugal

May-10: EDP Brasil announces the beginning of the commercial operation of Pecém's second group

May-16: JP Morgan Chase notifies qualifying holding in EDP

May-23: Payment of gross dividend of €0.185 per share for the 2012 financial year

May-24: EDP receives €450 million in securitization of electricity tariff deficit in Portugal

May-30: JP Morgan Chase decreases its ownership interest in the share capital of EDP

Jun-21: Moody's affirmed EDP at "Ba1" with outlook negative

Jun-28: Conclusion of sale by EDPR of minority stakes in wind farms in Portugal

Jul-16: Fitch places several utilities with significant exposure to Spain on rating watch negative

Jul-24: Capital Group notifies qualified shareholding in EDP

#### **Investor Relations Department**

Miguel Viana, Head of IR Sónia Pimpão Elisabete Ferreira Ricardo Farinha Pedro Coelhas Noélia Rocha

Phone: +351-21-001-2834 Email: ir@edp.pt

Site: www.edp.pt