



# Results Presentation 1H15

Lisbon, July 31<sup>st</sup>, 2015



MEMBER OF  
**Dow Jones**  
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# 1H15: Key Highlights

**EBITDA: €2,131m +7% YoY**

**Adjusted EBITDA: €1,747m +1% YoY** impacted by adverse weather conditions in 1H15 vs. 1H14

**Acquisition by EDP Brasil of remaining 50% stake in Pecém I coal plant: concluded in May 15<sup>th</sup>**

Earnings accretive deal from day 1: +€295m impact on EBITDA, +€132m on Net Profit

**Portuguese electricity system: Slight tariff surplus in 2Q15**

Electricity system debt of €5.3bn by Jun-15: expected to be flat in 2H15, going down in 2016

**Net debt: +4% or +€0.7bn YTD to €17.7bn in Jun-15**

+€0.7bn due to Pecém deal; +€0.3bn due to forex; Dividends: €0.7bn paid to shareholders in 2Q15

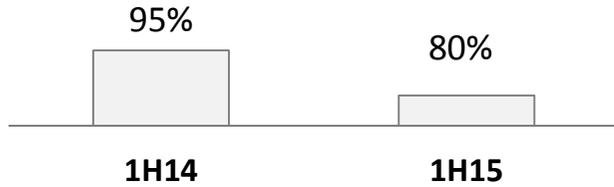
**Net Profit: €587m -7% YoY**

Financial costs mostly penalised by non cash items

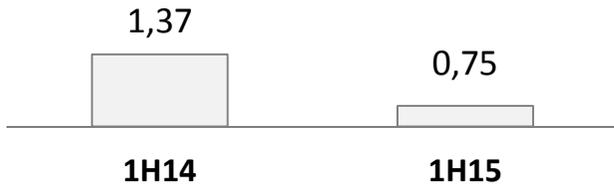


# 1H15 results penalized by weaker hydro & wind volumes in our key markets vs. a very strong 1H14

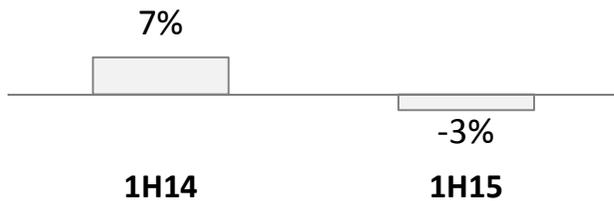
**GSF (Generation Scaling Factor) - Brazil**  
(100% = avg. year)



**Hydro Coefficient - Portugal**  
(1.0 = avg. year)

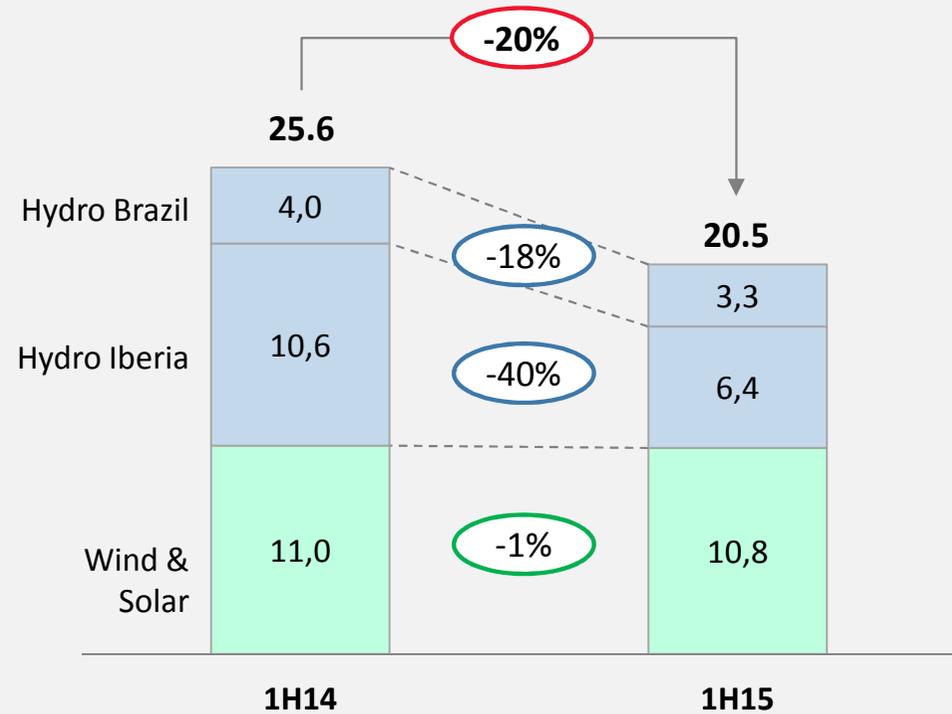


**Wind Load Factor – EDPR**  
(Quarterly load factors vs. average quarter)



**EDP Hydro, Wind and Solar Production (TWh)**

○ % Chg. YoY

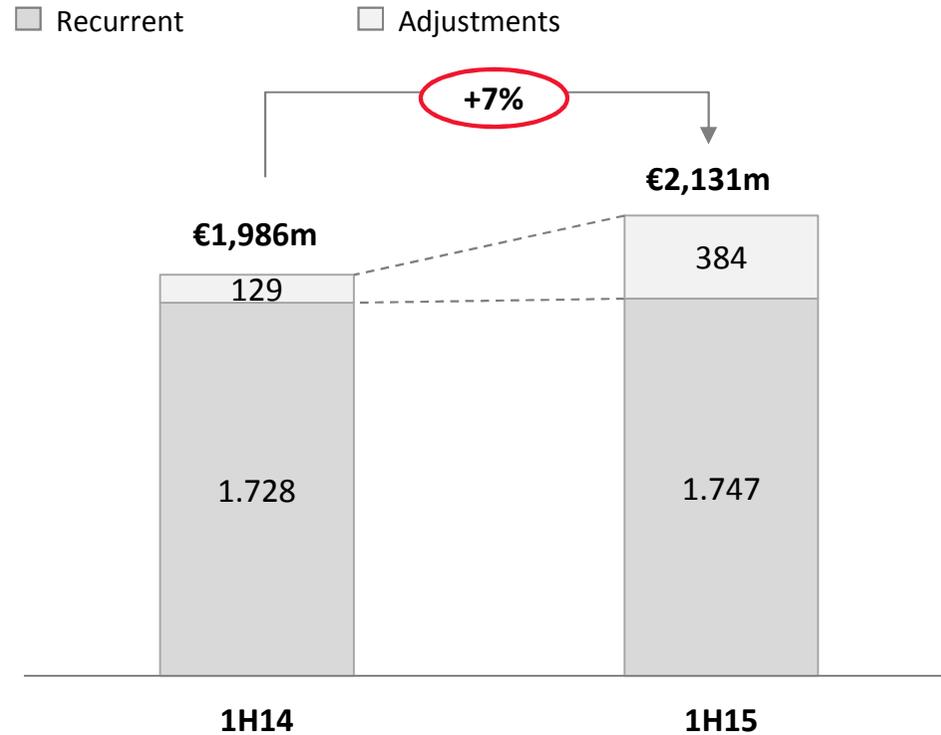


**Hydro & wind represented 65% of EDP's generation mix in 1H15 vs 79% in 1H14**

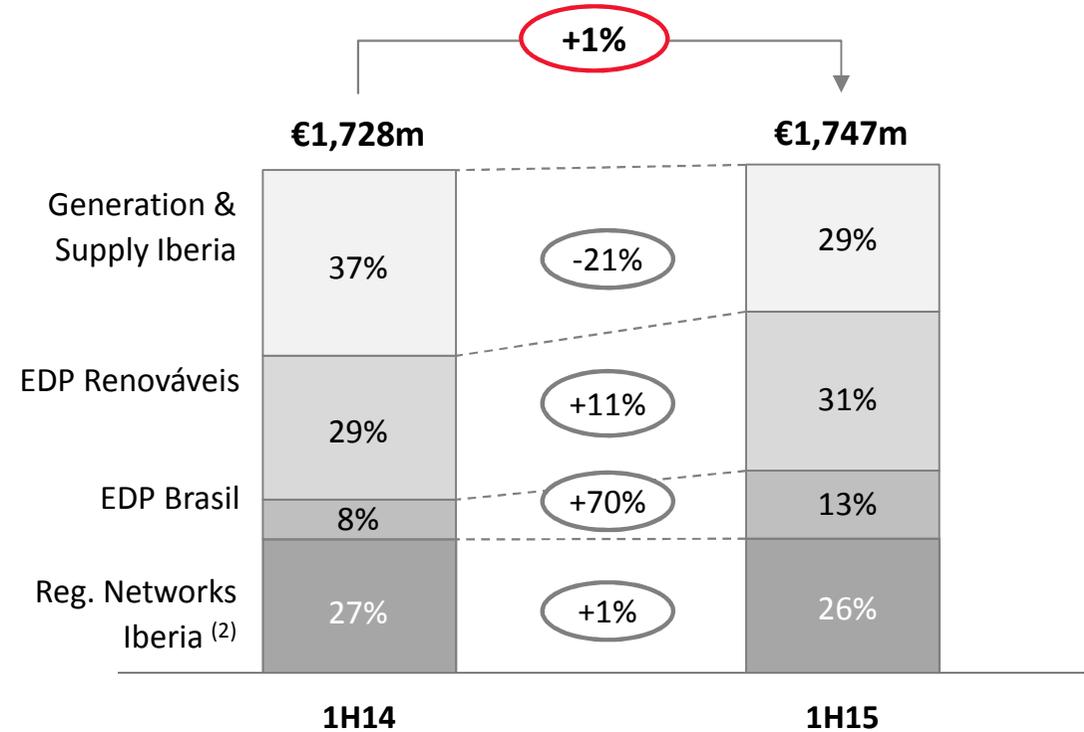
# EBITDA +7%; Adjusted EBITDA +1% supported by EDP Brasil and EDPR



## EDP EBITDA (€ million)



## EDP Adjusted <sup>(1)</sup> EBITDA (€ million)



### Adjustments:

- **In 1H14:** (+) gain on sale of Jari/CC; (+) PV of new collective labor agreement;
- **In 1H15:** (+) gain on disposal of Gas Murcia<sup>(2)</sup>, (+) gain on Pecém acquisition

**Forex Impact:** +1%



**Generation&Supply Iberia:** hydro volumes weak in 1H15 vs. strong in 1H14; energy management gains: strong in 1H14, irrelevant in 1H15



**EDP Renováveis:** recovery of prices in Spain and US; new capacity; Weaker wind resources in 1H15 vs. 1H14; Positive ForEx



**EDP Brasil:** Negative tariff deviations in distribution in 1H14



**Regul. networks Iberia:** Lower RoRAB in Portugal, higher efficiency

(1) Adjustments in 1H14: i) gain on sale of Jari / CC (-€129m); ii) gain on new Collective Labour Agreements in Portugal (-€129m); Adjustments in 1H15: i) gain on disposal of Gas Murcia and remaining asset perimeter sold to Redexis (-€89m); ii) gain from Pecém I acquisition in 1H15 (-€295m, from which €267m at EDP Brasil level and €28m at holding level) (2) Includes Regulated Networks and Others

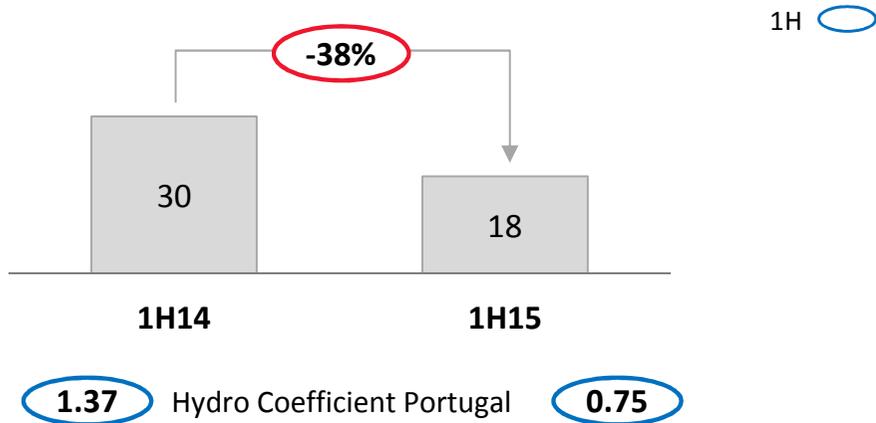


# Results Analysis

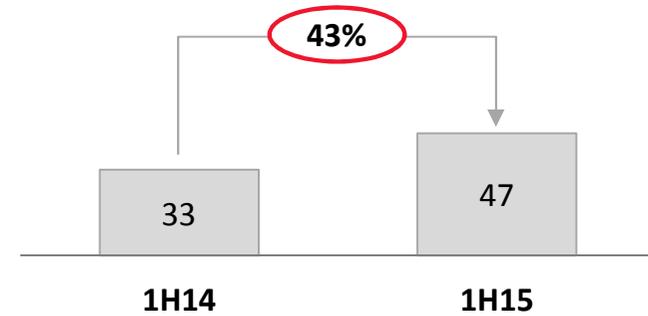
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# Market Conditions in Iberia:

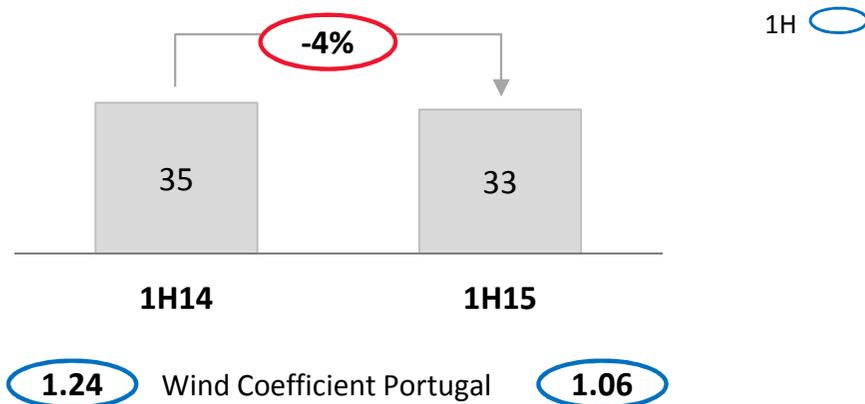
**Hydro & Mini-Hydro Power Production – Iberia <sup>(1)</sup>**  
(TWh)



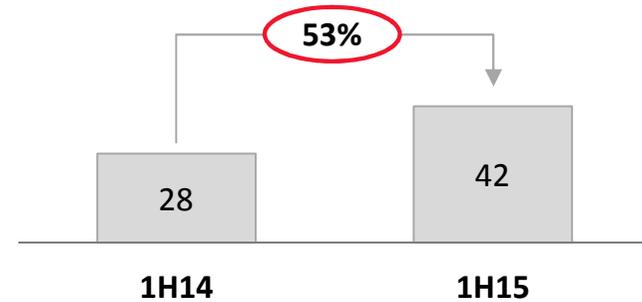
**Avg. Pool Price in Spain**  
(€/MWh)



**Wind Power Production – Iberia**  
(TWh)



**Thermal Power Production in Iberian market**  
(TWh)

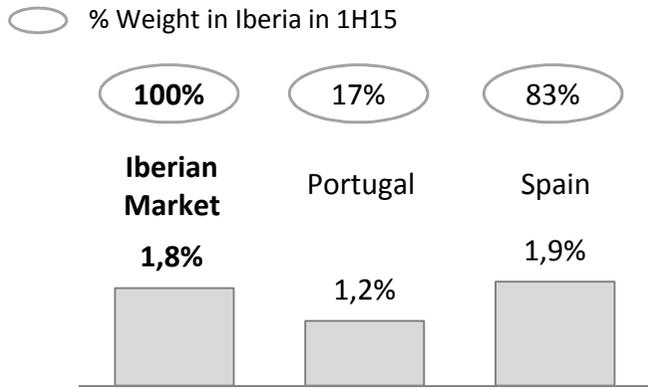


**Much lower wind and hydro volumes in 1H15 vs. 1H14 led to surge in thermal production and pool prices**

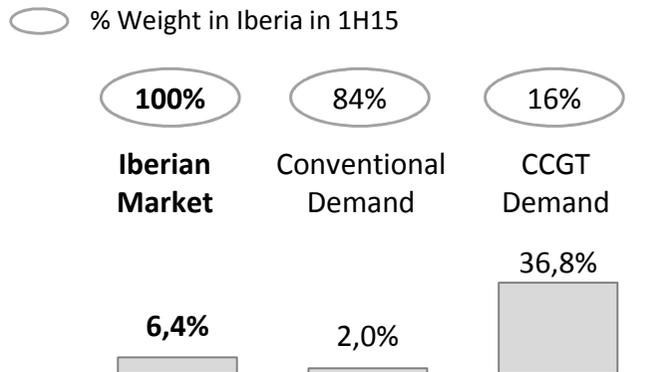
(1) Net of pumping

# Iberia: Energy Demand

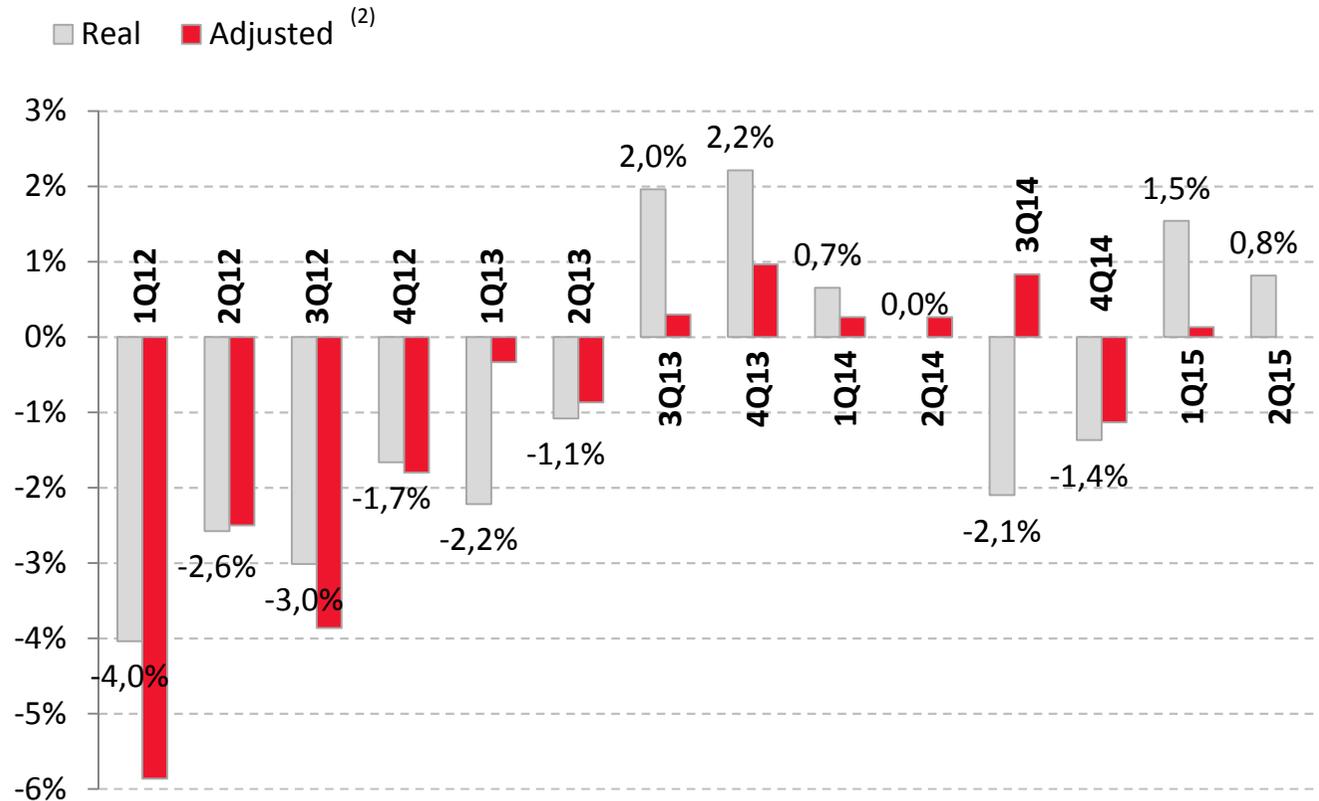
**Electricity Demand in Iberian Market 1H15 <sup>(1)</sup>**  
( $\Delta\%$  YoY)



**Gas Demand in Iberian Market 1H15 <sup>(3)</sup>**  
( $\Delta\%$  YoY)



**Electricity demand Portugal <sup>(1)</sup>**  
( $\Delta\%$  YoY)



**Electricity demand Iberia in 1H15: +1.7% signalling economic recovery**  
Adjusted for temperature & working days: flat YoY in Portugal and +0.5% in Spain

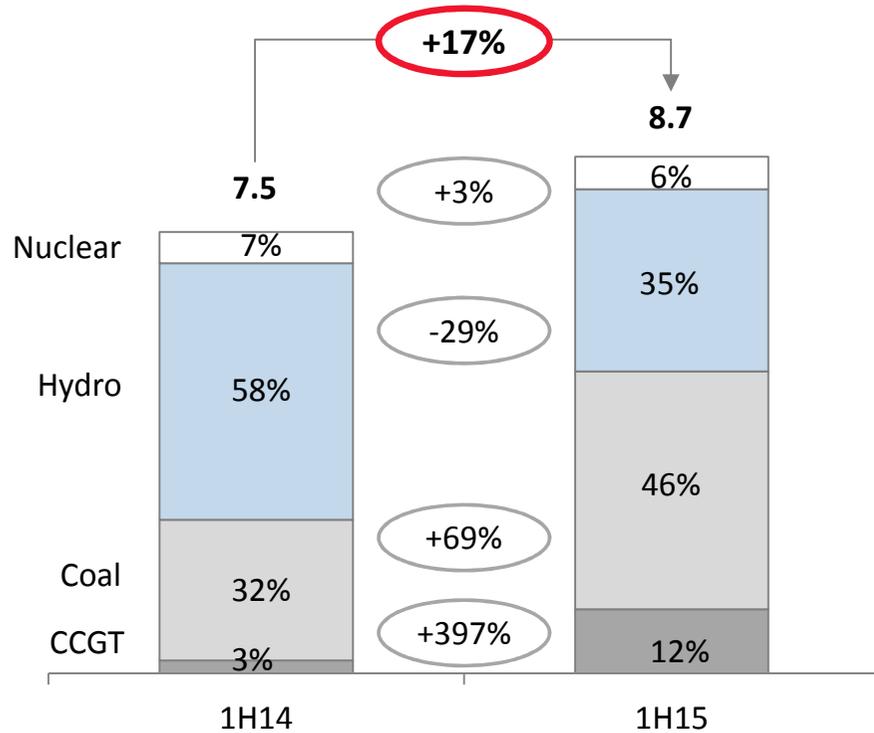
(1) Source: REN and REE. Figures of electricity demand correspond to gross demand (before grid losses); (2) Adjusted for temperature and working days

(3) Source: REN and Enagas

# Electricity Generation in Iberia

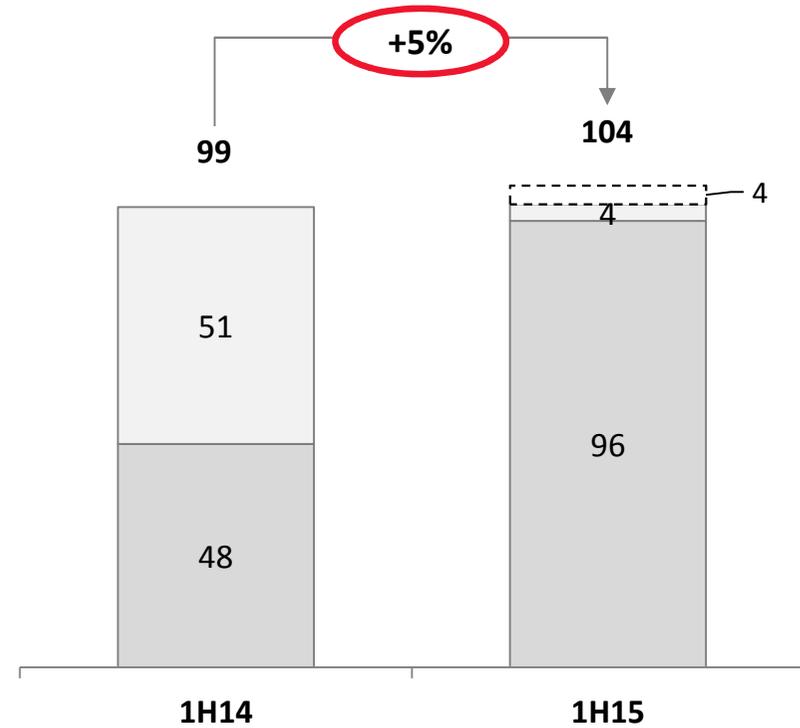
**EDP Liberalised Generation Portfolio – Production (TWh)**

○ % Chg. YoY



**EDP PPA/CMEC Plants in Portugal: market deviation<sup>(1)</sup> (€ million)**

□ Coal    ■ Hydro    ▨ 2014 Adjustment



**Strong increase in coal & CCGT production compensates decline in hydro volumes**

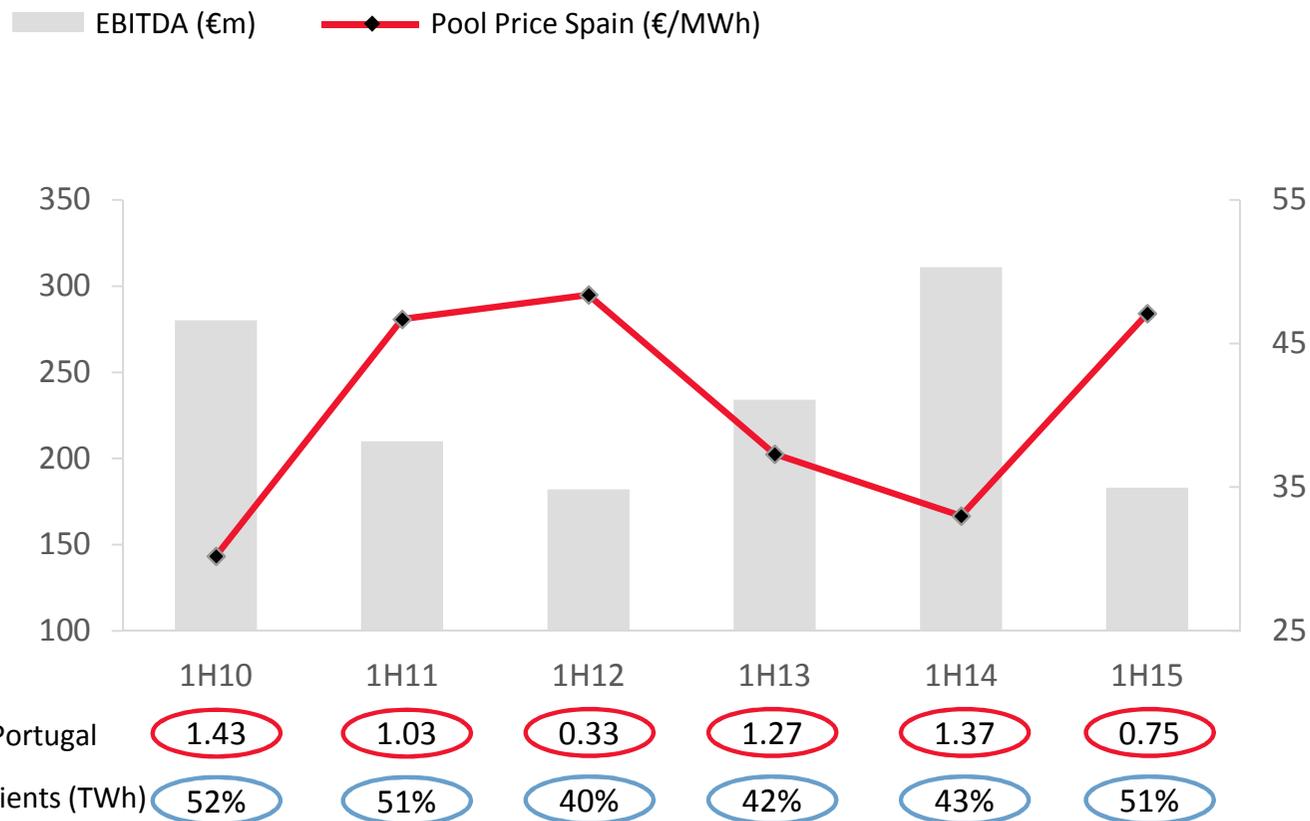
**PPA/CMEC deviation in 1H15: close to zero in coal, €96m in hydro due to volumes 39% lower than expected**

(1) Difference between gross profit of power plants under CMECs assumptions and gross profit of power plants in the market

# EDP Liberalised Activities Iberia in 1H15: Market environment



**EBITDA Liberalised Activities in Iberia vs. Hydro Volumes and Pool Price**  
(€ million and €/MWh)



## EDP market positioning:

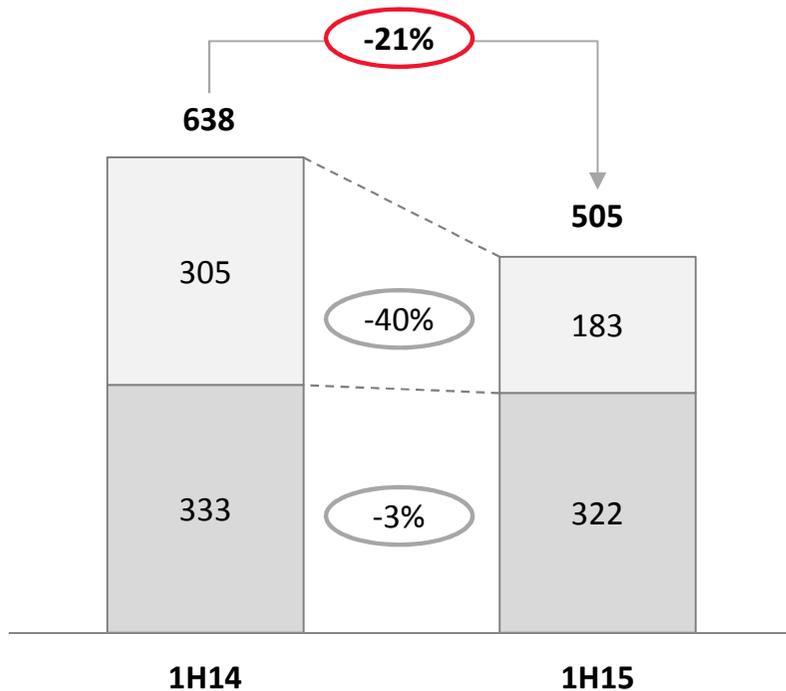
- Significant weight of hydro in generation mix
- Long position in sales to final clients vs. own production in the market
- Energy management gains: tend to be reduced in dry years

**1H15 performance penalised by weak hydro production and lower gains on energy management**

# Generation and Supply Iberia (24% EBITDA)

## Adjusted EBITDA<sup>(1)</sup> Generation & Supply Iberia (€ million)

□ Liberalised Activities □ Long Term Contracted Generation



### Liberalised Energy Activities in Iberia<sup>(1)</sup>: -40% (-€122m)

- Avg. generation cost +62% YoY on lower hydro volumes
- 1H14 performance marked by significant gains on energy management of our long position in clients and on gas sales in wholesale markets which were almost non existent in 1H15
- Generation Taxes in Spain +€18m YoY<sup>(2)</sup> on higher generation revenues

### Long Term Contracted Generation Iberia<sup>(1)</sup>: -3% (-€11m)

- PPA/CMEC: immaterial inflation update
- Mini-hydro volumes -44% YoY

**Outstanding performance in 1H14 with very strong hydro volumes and significant volatility in energy markets**  
**1H15 marked by below average hydro volumes in Iberia and fewer opportunities for energy management**

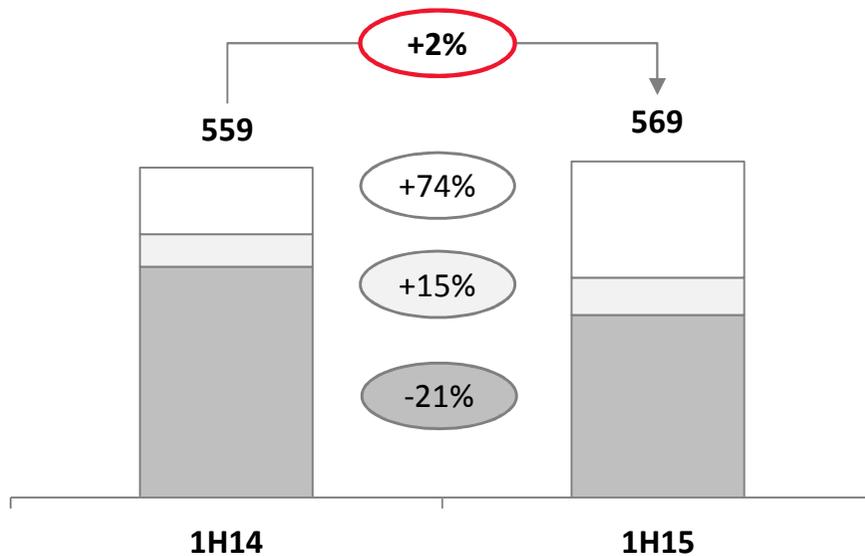
(1) 1H14 EBITDA excluding the gain from new Collective Labour Agreement: +€23m in LT Contracted, +€6m in Liberalised activities;

(2) Includes liberalised generation (+€17m YoY) and special regime (+€1m YoY)

# Regulated Energy Networks Iberia (27% of EBITDA)

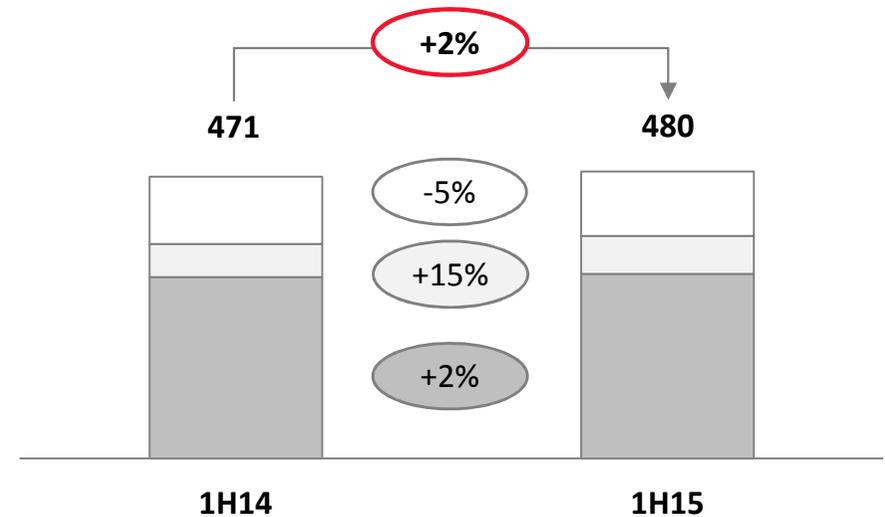
## EBITDA (€ million)

- Gas Iberia
- Electricity Spain
- Electricity Portugal



## Adjusted EBITDA <sup>(1)</sup> (€ million)

- Gas Iberia
- Electricity Spain
- Electricity Portugal



- **Electricity Portugal:** New regulatory period 2015/2017 with RoRAB down to 6.33% in 1H15; efficiency improvements
- **Electricity Spain:** slight increase of regulated revenues, recovery of deviations from previous years (€7m)
- **Gas Iberia:** Disposal of Gas Murcia in 1H15 (€89m capital gain)

**Adjusted EBITDA +2% YoY on significant efficiency improvements, despite lower RoRAB in electricity Portugal**

(1) 1H15 excludes €89m gain on the sale of gas assets in Murcia; 1H14 excludes €87m one-off gain derived from the establishment of the new Collective Labour Agreement.

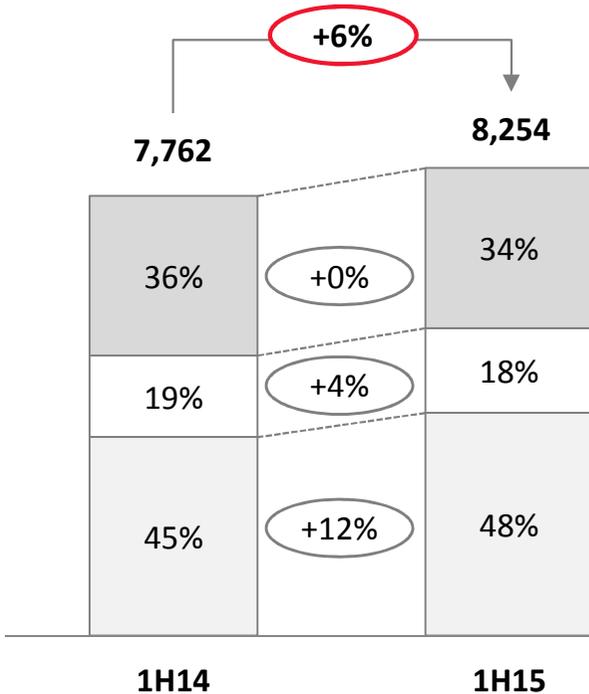


# EDP Renováveis (26% of EBITDA)

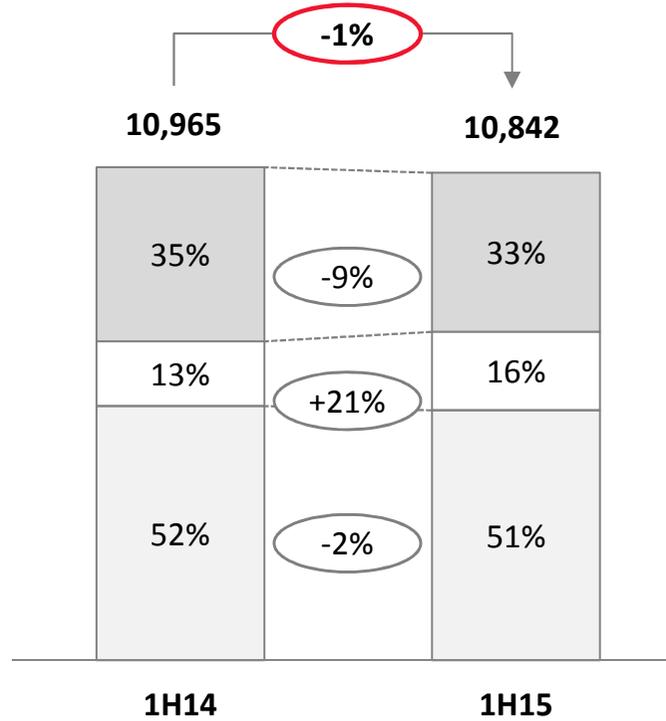
## Growth supported by higher prices and stronger USD

**Installed Capacity**  
(MW)

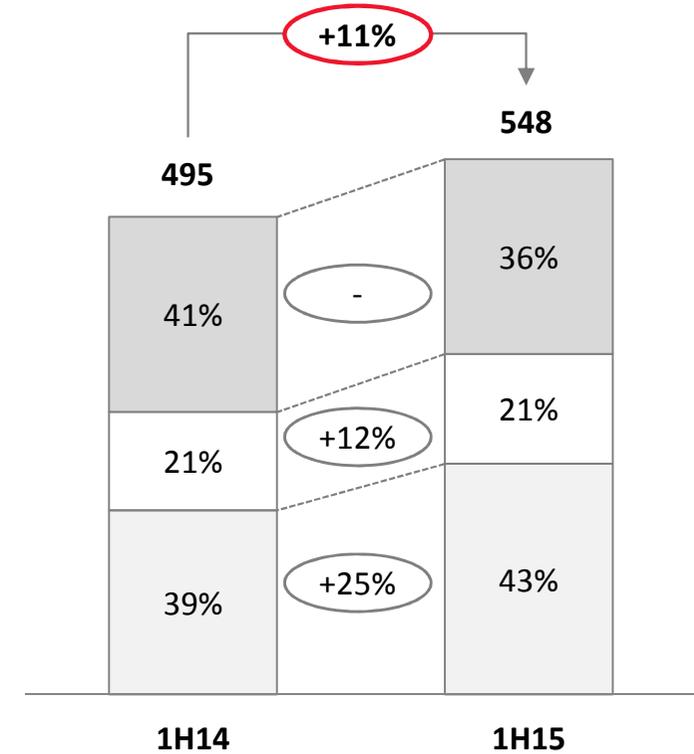
■ Iberia □ North America □ Other<sup>(1)</sup>



**Production<sup>(2)</sup>**  
(GWh)



**EBITDA**  
(€ million)



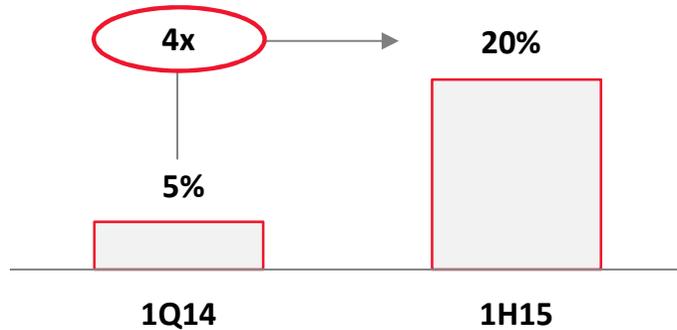
- **N. America: +25% in Euros, +2% in USD** (avg. USD/EUR +23% YoY, +€45m forex impact); avg. selling price +3% YoY in USD
- **Iberia: Stable**; Outstanding wind resources in 1H14 and recovery in pool prices in Spain in 1H15
- **Other markets: +12%**; Higher average capacity and average load factor; lower prices in Romania

(1) Includes Rest of Europe and Brazil

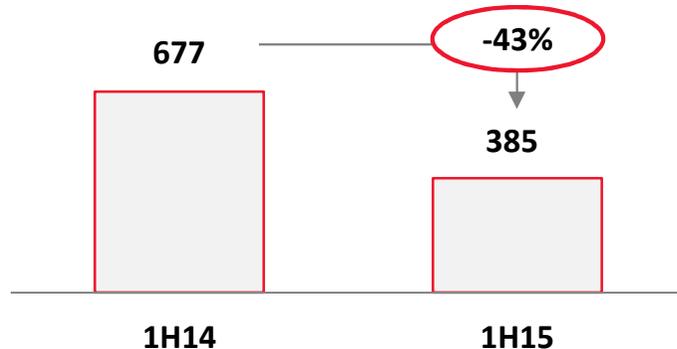
(2) includes wind and solar production (31GWh in 1H14 and 79GWh in 1H15)

# Brazilian Electricity System: 1H15 environment

## Hydro Generation Deficit (1-GSF; in %)



## Spot Market Price (PLD) <sup>(1)</sup> (€/MWh)



## 1H15 developments

- ↓ **Rainfall level vs. historical avg.** <sup>(2)</sup>: 58% in 1Q15 and 93% in 2Q15
- ↓ **Strong thermal dispatch** to preserve hydro reservoirs under low rainfall conditions: Penalising Gencos w/ hydro PPAs
- ↑ Hydro reservoirs up from 19% in Dec-14 to 37% in Jun-15
- ↑ **Spot price (PLD) cap level cut to R\$388/MWh since Jan-15**: reduces acquisition costs for GenCos with PPAs
- ↑ **Tariff updates to reflect the real increase of system costs**: (1) “Tariffs Flags” at R\$55/MWh in Mar-15 (up from R\$30/MWh in Jan/Feb-15); (2) Extraordinary tariff increases in place since Mar-15
- ↑ **Decline of power demand in 1H15**: -2.1% YoY

**Decline on risk of electricity rationing for 2015**

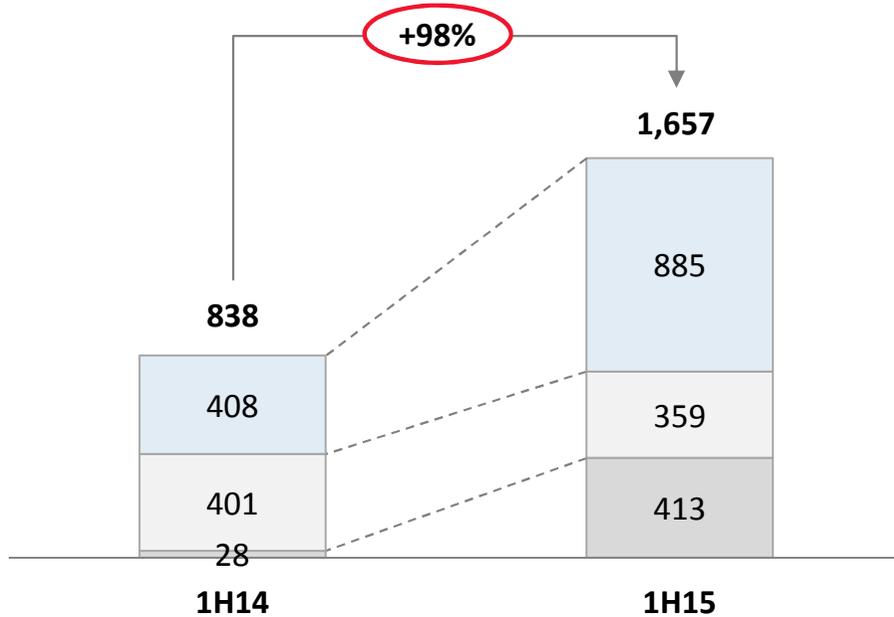
**Hydro generators with PPA contacts penalized by decline of hydro dispatch (GSF of 80% in 1H15)**

# EDP Brasil (24% of EBITDA): Reported EBITDA in local currency +98% YoY, adjusted EBITDA flat YoY



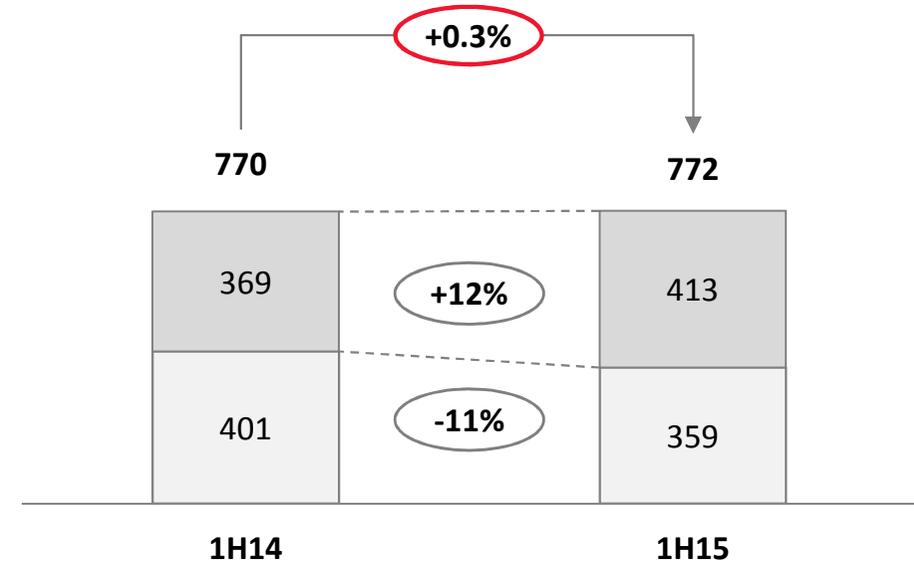
## EDP Brasil reported EBITDA (BRL million)

■ Generation & Other    ■ Capital Gains  
■ Distribution



## EDP Brasil Adjusted<sup>(1)</sup> EBITDA (BRL million)

■ Distribution  
■ Generation & Other



- **Generation:** +BRL408m in 1H14 with sale of 50% stakes in Jari & C. Caldeirão hydro plants; +BRL885m in 1H15 from Pecém acquisition;
- **Distribution:** +BRL340m YoY on tariff deviations

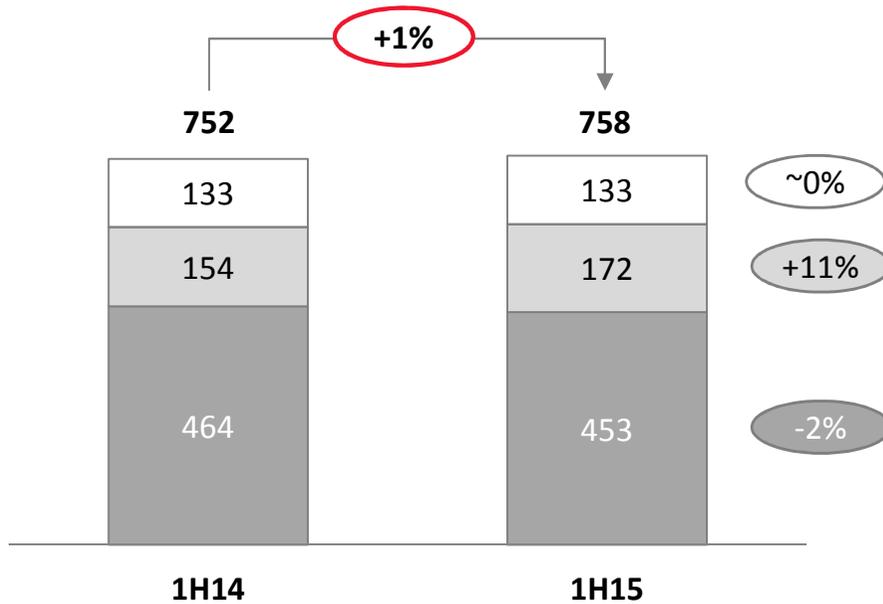
- **Generation:** Higher GSF losses (BRL290m in 1H15 vs. BRL46m in 1H14) mitigated by favorable seasonal volumes allocation in 1H15 and 45 days of Pecém I EBITDA (BRL77m)
- **Distribution:** supported by tariff increases

(1) Adjustments in Distribution: i) Change in accounting method of regulatory receivables (+R\$340m in 1H14); Other adjustments: i) R\$408m one-off gain in 2014 with the sale of 50% equity stakes in Jari and Cachoeira Caldeirão in 1H14; ii) R\$885m gain from Pecém I acquisition in 1H15

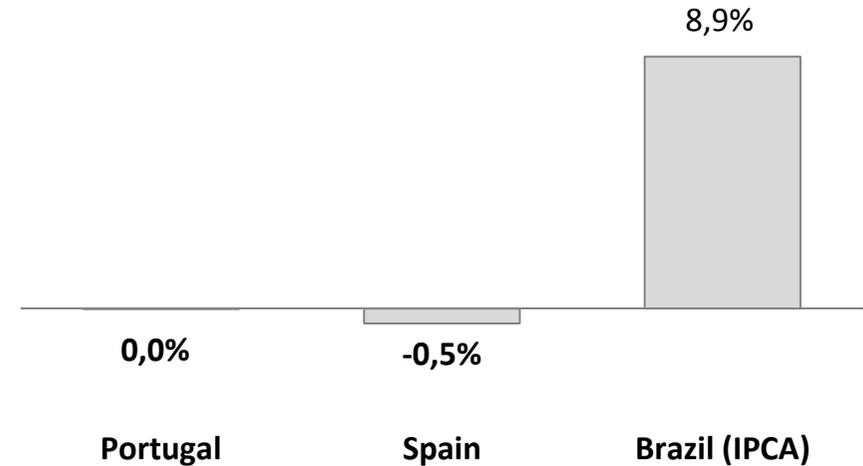
# Operating costs: flat YoY

## Operating costs<sup>(2)</sup>: 1H15 vs. 1H14 (€ million)

□ Brazil   □ EDPR   □ Iberia



## 1H15 YoY Inflation<sup>(3)</sup> (%)



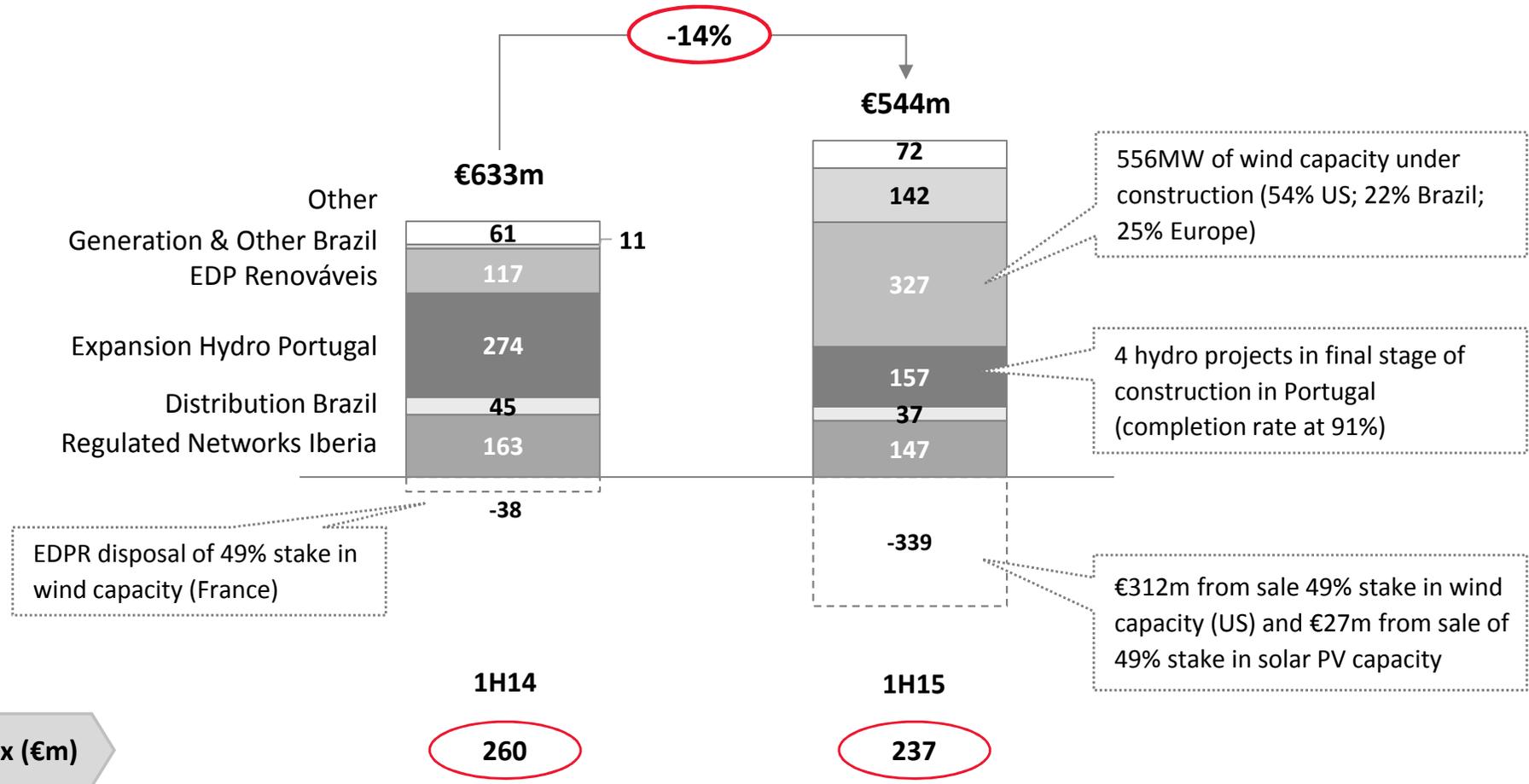
- **Iberia:** -2% YoY on execution of OPEX III efficiency program and headcount reduction (early retirements in Portugal)
- **EDPR:** +11% YoY in Euro terms; +2% ex-FX impact, despite the 6% increase in installed capacity
- **Brazil:** ~0% in Euro terms; +5% in BRL, including 45 days of Pecém costs: below local inflation

**OPEX III efficiency program: €88m savings accomplished in 1H15 (+19% YoY)**

**Opex/Gross Profit<sup>(1)</sup> at 27% in 1H15**

# Investments breakdown

Net Investments breakdown by division <sup>(1)</sup>  
(€ million)



Maintenance Capex (€m)

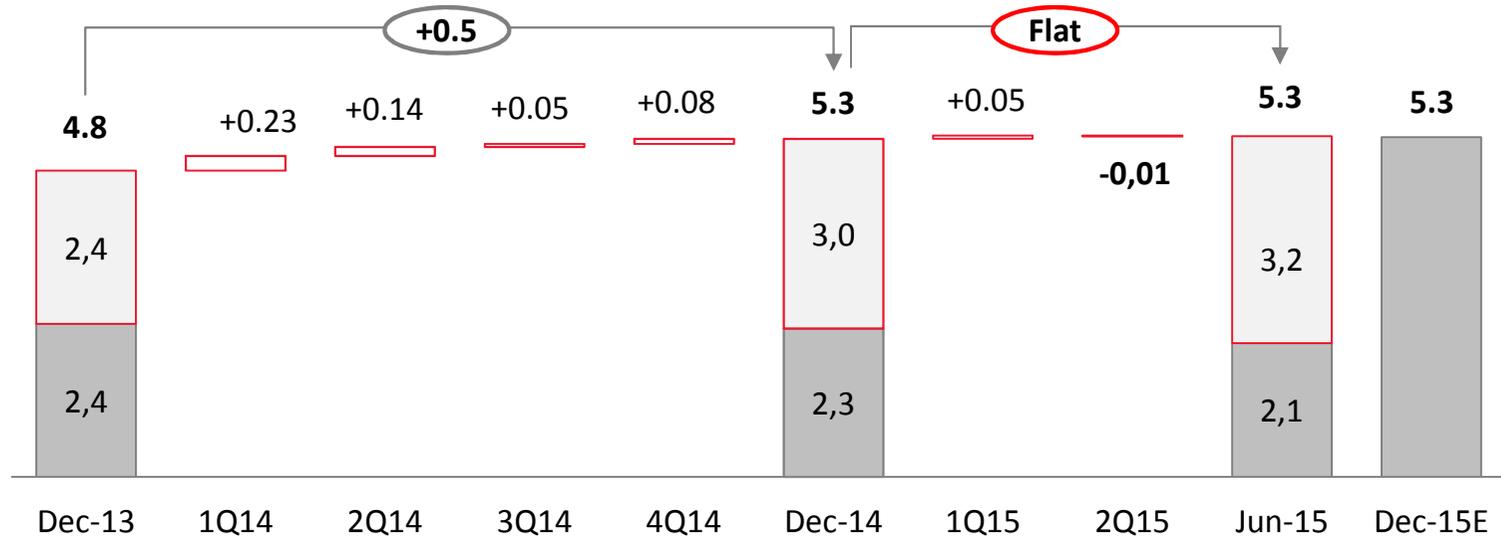
**68% of investments: Expansion in wind US (with PPAs); hydro Portugal (w/ pumping); hydro Brazil (PPA)**  
**25% of investments: Regulated energy networks (Portugal, Spain and Brazil)**

(1) Capex net of investment subsidies + Financial Investments - Proceeds from EDPR's asset rotation strategy (1H14: €38m from Axpo Group in France; 1H15: €27m from DIF III in Canada and €312m from Fiera Axium in US)

# Evolution of Regulatory receivables in Portugal: Slight Tariff surplus in 2Q15

## Global Regulatory receivables in the Portuguese electricity system (€bn)

Owed to Financial Investors (Securitized)  
 Owed to EDP



	Dec-13	1Q14	2Q14	3Q14	4Q14	Dec-14	1Q15	2Q15	Jun-15
Demand growth (%)	+0.2%	+0.7%	+0.0%	-2.1%	-1.5%	-0.7%	+1.5%	+0.8%	+1.2%
Wind factor (1.0 = avg.)	1.18	1.40	1.08	0.96	0.99	1.11	1.14	0.98	1.06
Special Regime Premium (€/MWh)	66	81	73	64	52	69	64	65	65

	2015E ERSE Jan/Jul-15 <sup>(2)</sup>	
Demand (YoY; %)	+1.8% <sup>(1)</sup>	+1.5%
Pool Price (€/MWh)	50.5	48.8
Special Regime Production (TWh)	-0.9 YoY	-1.2 YoY

**-€10m in 2Q15, +€38m in 1H15: penalized by low hydro and above avg. wind volumes**

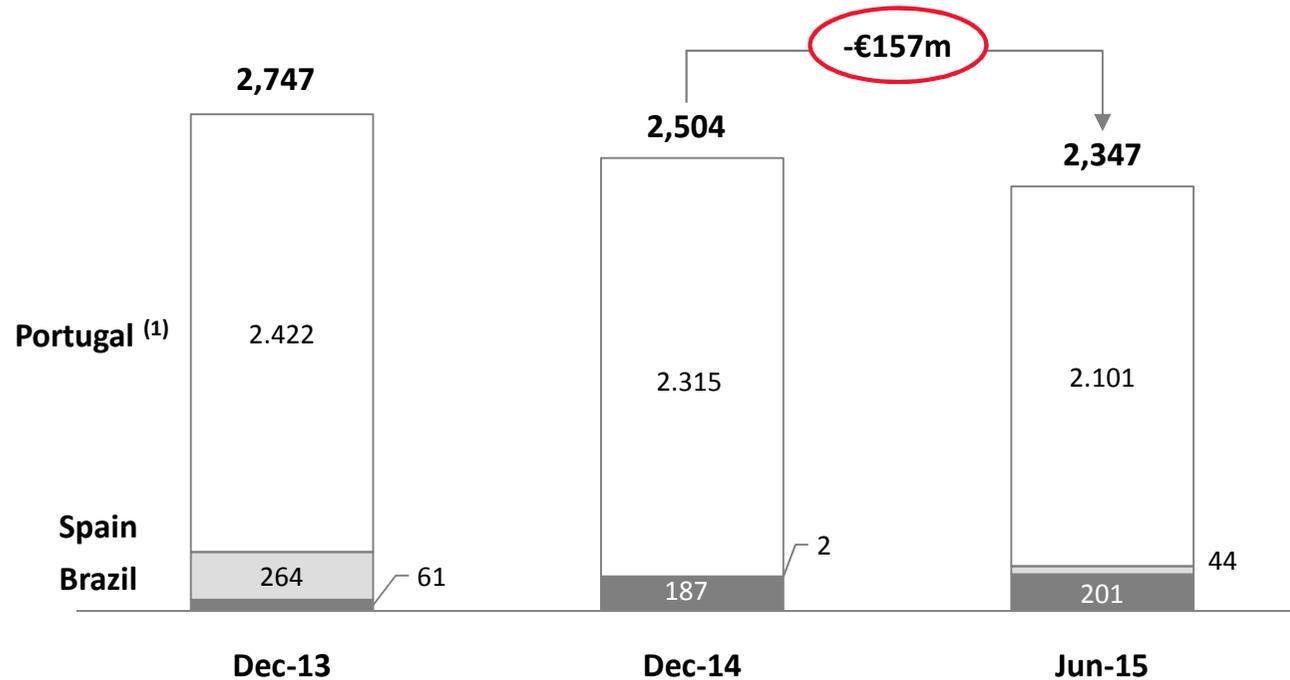
Good performance in July: Higher power & CO<sub>2</sub> prices and demand growth; lower SR production and cogen tariff

(1) Electricity Distribution 2015E vs. 2014 (ERSE)

(2) All figures reflect data as of July 23, 2015

# EDP's regulatory receivables

## EDP's Net Regulatory Receivables (€ million)



- **Portugal: -€214m YTD** (securitisations: -€651m; ex-ante deficit: +€750m; net deviations<sup>(2)</sup>: -€313m)
- **Spain: +€42m YTD**, recognition of our share of gas tariff deficit in Spain
- **Brazil: +€15m YTD**, due to higher energy costs than the ones incorporated in tariffs

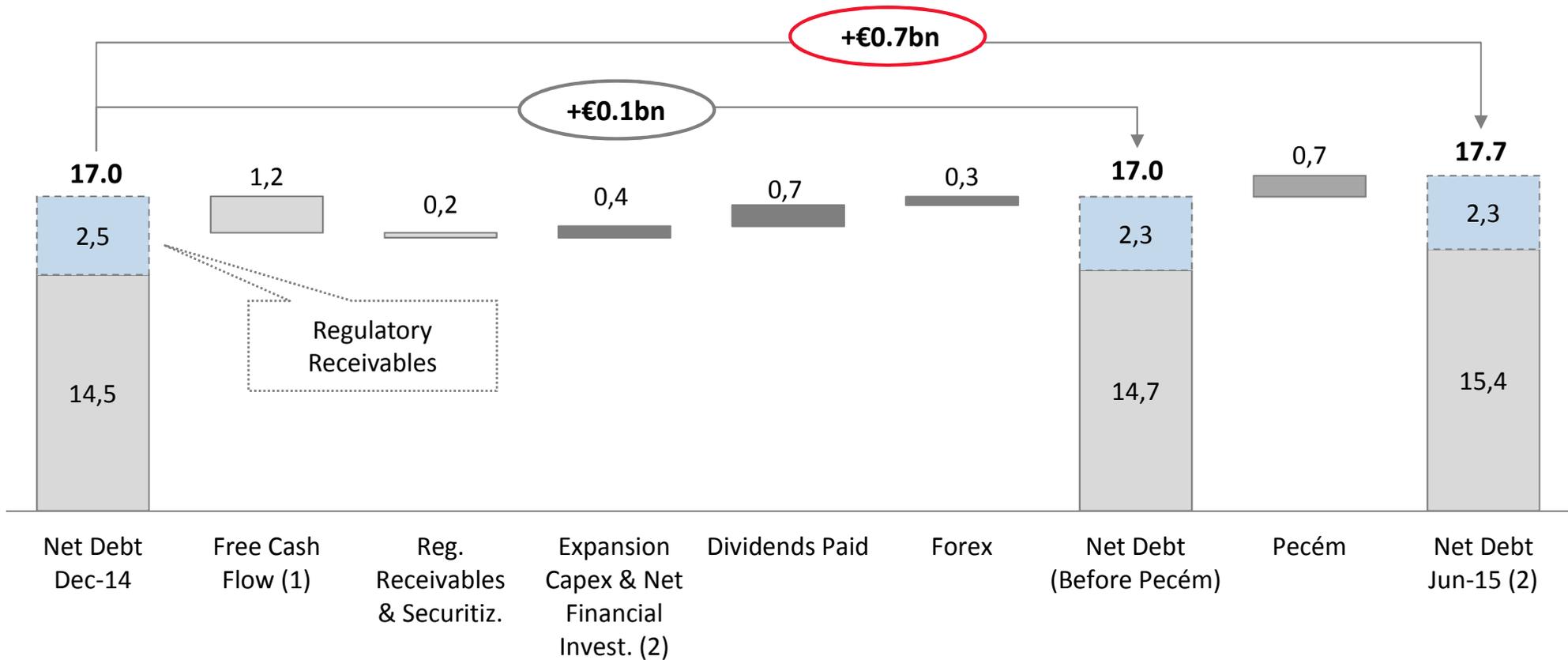
(1) Includes electricity and gas regulated activities in Portugal;

(2) Includes new deviations generated, net of recoveries from deviations and past deficits

# 1H15 Change in Net Debt

Change in Net Debt: Jun-15 vs. Dec-14

(€ billion)



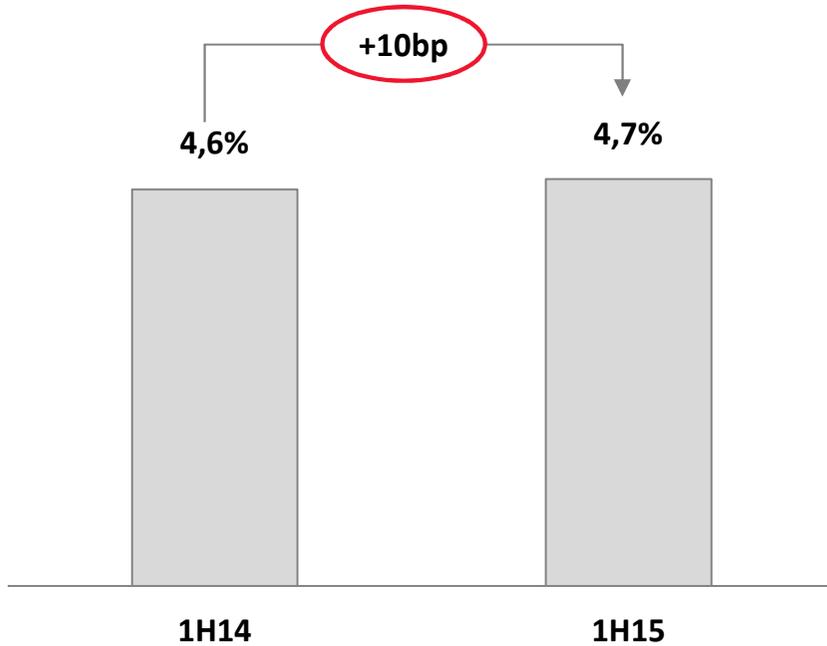
**Negative impact from ForEx (+€0.3bn) and Pecém (+€0.7bn: acquisition of 50% and full debt consolidation)**

As of Jun-15, 23% of financial debt was USD denominated

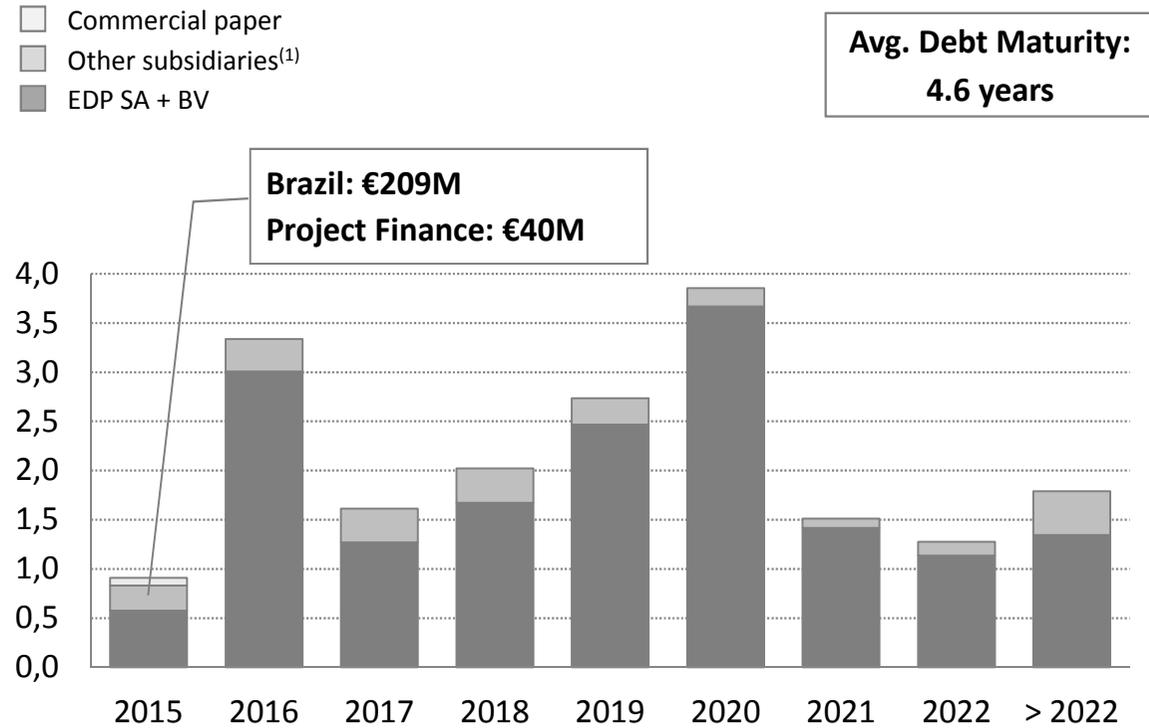
**Natural hedge policy: Investments and operations funded in local currency to mitigate ForEx risk**

# Financial Debt: Average cost and maturity profile

**Avg. Cost of Debt: 1H15 vs. 1H14 (%)**



**EDP consolidated debt maturity profile as of Jun-15 (€ billion)**



**Higher avg. cost of debt due to lower cost of some debt maturities over 2014/1H15**  
**Avg. debt maturity: 4.6 years in Jun-15 (vs. 4.0 years as of Dec-14)**

(1) Includes essentially EDP Brasil and project finance at EDPR level.

# Main sources and uses of funds

## Sources of funds

▪ <b>Cash &amp; Equivalents (Jun-15):</b>	<b>€1.4bn</b>
▪ <b>Available Credit Lines (Jun-15):</b>	
Revolving Credit Facilities	€3.34bn
Other Credit Lines	€0.3bn
<b>Total</b>	<b>€3.64bn</b>
<b>TOTAL</b>	<b>€5.0bn</b>

## Use of funds

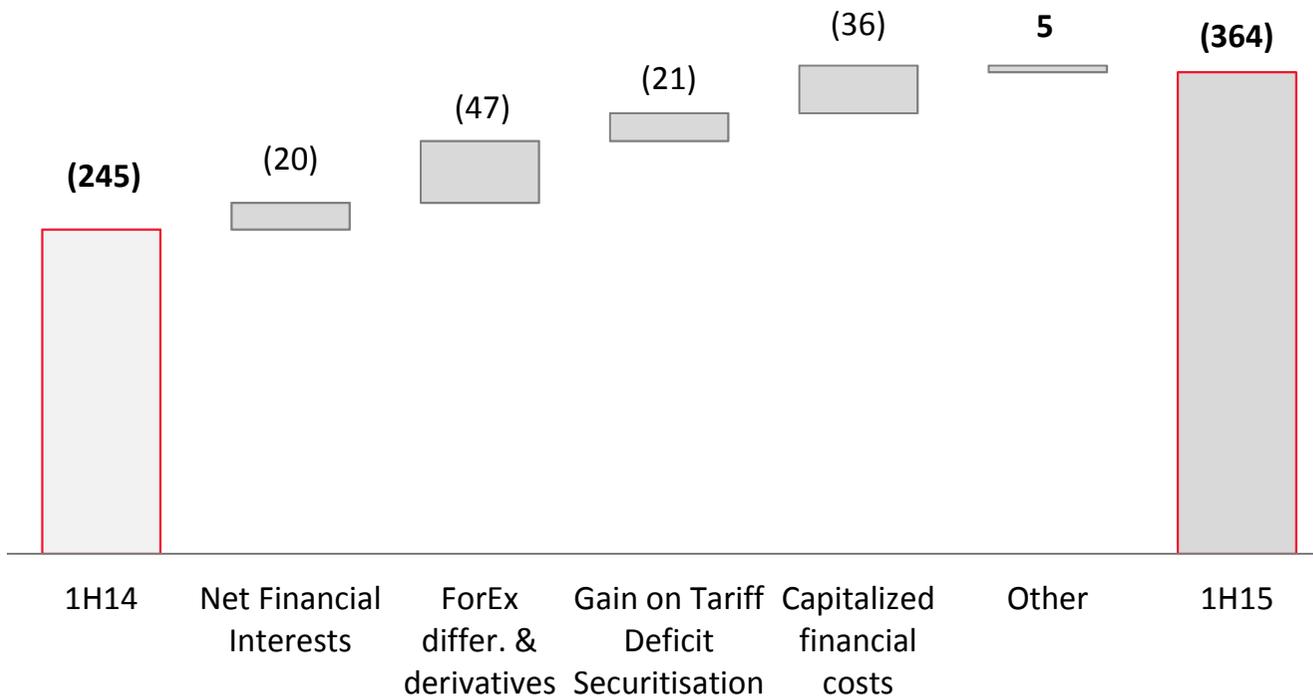
▪ <b>Refinancing needs in 2015 (loans):</b>	<b>€0.6bn</b>
▪ <b>Refinancing needs in 2016:</b>	<b>€2.8bn</b>
Bonds maturing in Feb-16	€0.75bn
Bonds maturing in Jun-16	€0.5bn
Bonds maturing in Sep-16	€1.0bn
Other maturing in 2016	€0.5bn
▪ <b>Refinancing needs in 2017:</b>	<b>€1.3bn</b>
<b>TOTAL</b>	<b>€4.7bn</b>

**Financial liquidity covers refinancing needs until 2017**

# Financial Results

## Financial Results: 1H15 vs. 1H14

(€m)



- **Higher net financial interests:**  
+10bps on avg. cost of debt and +23% USD/EUR
- **ForEx: €14m losses in 1H15 vs. €33m gain in 1H14 (non-cash)**
- **Gains of tariff Deficit Securitisation:**  
€46m in 1H15 vs. €67m in 1H14
- **Lower capitalised costs:** mostly related to hydro projects under construction in Portugal

**2H15 Financial results negatively impact by adverse ForEx and lower capitalized costs**

# Net Profit breakdown

(€ million)	1H14	1H15	Δ %	Δ Abs.	
<b>EBITDA</b>	<b>1.986</b>	<b>2.131</b>	<b>+7%</b>	<b>+145</b>	<ul style="list-style-type: none"> <li>▪ <b>Adoption of IFRIC 21:</b> changes the accounting of levies to the moment in which they are due vs. previous linear accounting over the year;</li> <li>▪ 1H14 results restated for comparison purposes</li> <li>▪ Impact on net profit: -€43m in 1H14 and -€45m in 1H15; neutral on full year accounts.</li> </ul>
Amortisation, Impairm. and Provisions	698	692	-1%	-6	
<b>EBIT</b>	<b>1.288</b>	<b>1.438</b>	<b>+12%</b>	<b>+150</b>	
Financial Results & Associated Companies	(237)	(388)	+63%	-150	<ul style="list-style-type: none"> <li>▪ Low tax impact from gain on sale of Gas Murcia and gain on Pecém acquisition</li> <li>▪ Lower corporate rates in Portugal and Spain</li> </ul>
Income Taxes	239	194	-19%	-45	
Extraordinary Energy Tax in Portugal	61	61	-1%	-1	<ul style="list-style-type: none"> <li>▪ Extraordinary energy tax: 0.85% on net fixed assets in Portugal (full year cost under IFRIC 21)</li> </ul>
Non-controlling interests	117	209	+79%	+92	<ul style="list-style-type: none"> <li>▪ Higher at EDPB's level due to gain on Pecém acquisition</li> </ul>
<b>Net Profit</b>	<b>634</b>	<b>587</b>	<b>-7%</b>	<b>-47</b>	<ul style="list-style-type: none"> <li>▪ <b>Adjusted net profit<sup>(1)</sup>:</b> -23% YoY from €557m in 1H14 to €431m in 1H15</li> </ul>

(1) Non-recurrent impacts 1H14: Gain with sale of 50% of Jari/CC; booking on negative tariff deviations in Brazil; new collective labour agreement in Portugal; Non-recurrent impacts 1H15: Gain on the sale of gas distribution assets in Murcia; Gain derived from the acquisition of Pecém I



# Outlook

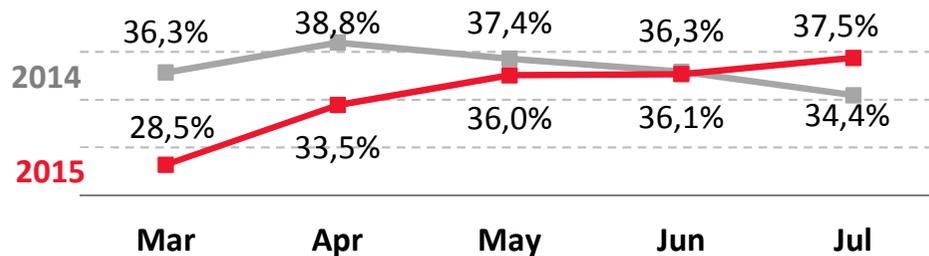
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# EDP Brasil: Recent developments improve earnings prospects

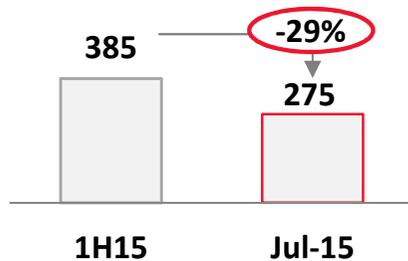
## Regulatory and Market developments

↑ Government talks to limit Generators' losses with GSF

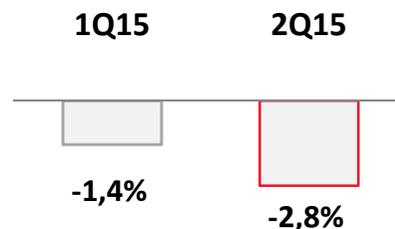
↑ Hydro reservoirs – Southeast/Center-West Regions <sup>(1)</sup> (%)



↑ Spot market price (PLD) <sup>(2)</sup> (€/MWh)



↑ Demand evolution <sup>(3)</sup> (% Chg. YoY)



## Improved earnings prospects for EDP Brasil

### Generation:

- Prospects of lower GSF costs (reservoirs >, PLD <)
- 2H15: Potential gain on seasonal volume (PLD <)
- Pecém: declining penalties (availability >, PLD <)

### Distribution:

- Potentially lower PLD reduces regulatory receivables and eases pressure on customers tariffs
- New regulatory period: RoRAB up from 7.5% to 8.1% (Bandeirante: in Oct-15; Escelsa: in Aug-16)

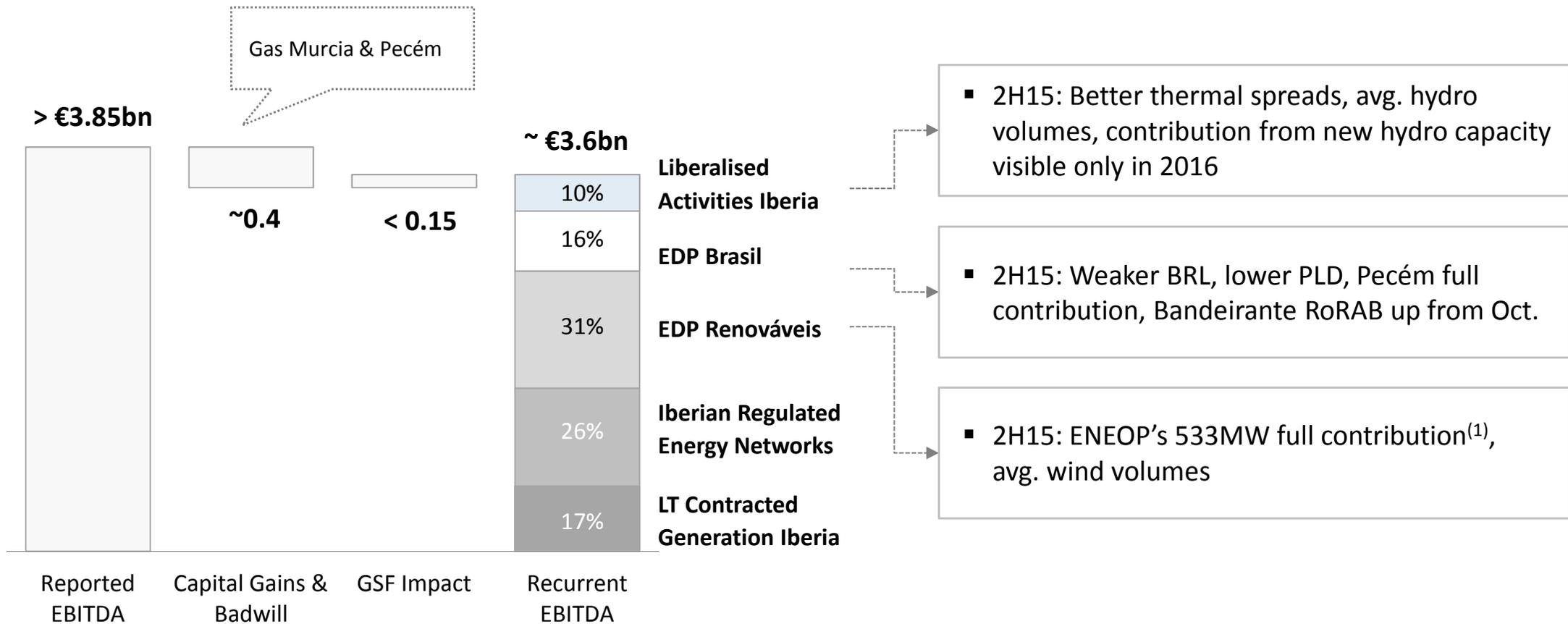
Losses with GSF/Hydro deficit may potentially be reduced in 2H15/2016 depending on:

(1) regulatory decision on a cap for GSF penalties; (2) lower PLD spot price / higher hydro reservoirs

# 2015 Outlook

## EBITDA Breakdown

(%)



- **Net Profit 2015E ~€950m: assuming average cost of debt of ~4.6%**
- **Net Debt < €17bn: execution of tariff deficit securitisations, asset rotation deals and CTG partnership**

(1) Date of full consolidation to depend on the date of conclusion of the deal/assets' split.



# Capital allocation: A balanced and value enhancing approach between growth and deleverage

## Disposals

## Investments

### Execution of 2014-17E Business Plan

- **CTG Partnership:** €1bn of deals executed;  
Under discussion for 2H15: ENEOP and other EU deals
- **EDPR Asset Rotation deals:** €0.5bn executed;  
One deal in US under analysis for 2H15E

- **Hydro Portugal:** 1.4GW (4 plants) at 91% completion;  
0.1GW commissioned in 2Q15
- **Wind:** 556MW under construction; +0.9GW for  
2016-17E with PPA/LT contracts secured
- **Hydro Brazil:** 0.3GW (equity consol.) under construction

### Opportunistic Deals

- **Gas assets Spain** (Jan-15) & **mini-hydro Brazil** (1Q16E)

- **Acquisition of Eneva's 50% stake in Pecém I** (Jun-15)

### Growth Acceleration Upside

- **Possibility of listing a minority stake of an EDPR YieldCo** with European assets (under analysis)

- **Sizeable value enhancing opportunities to execute wind power PPAs in US**

**Potential upside on medium-term growth without losing focus on delivery of financial commitments for 2017**



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## Visit EDP Website

**Site: [www.edp.pt](http://www.edp.pt)**

**Link Results & Presentations:**

**<http://www.edp.pt/en/Investidores/Resultados/Pages/Resultados.aspx>**

## Next Events

**Sept 11<sup>th</sup>: BPI Iberian Conference in Oporto**

**Sept 15<sup>th</sup>: BBVA Iberian Conference in London**

**Sept 17<sup>th</sup>: Morgan Stanley Power and Utility Conference in London**

**Sept 17-18<sup>th</sup>: Kepler-Cheuvreux Autumn Conference in Paris**

**Sept 29-30<sup>th</sup>: Santander Euro Latam Conference in New York**