EDP 2011 Year-End Results
Friday, 9th March 2012
11:00 Hrs UK time
Chaired by Antonio Mexia

Company Participants

- **António Mexia, Chief Executive Officer**
- **Nuno Alves, Chief Financial Officer**
- **Miguel Viana, Head of Investor Relations**

Antonio Mexia

Good morning everybody. We are here to present the results for 2011. I would like, as usual, to start with the key message and then pass to Miguel for the full presentation, and I will come back for the Q&A.

I firmly believe that the results of 2011 are solid, with an increase of 4% of EBITDA. This sound growth is based on our diversified portfolio. We have now 58% of our EBITDA outside Portugal, which means that going global has been of course increasing our resilience and increasing the possibility to show figures that I believe are once again quite different from the rest of the sector. How can we see this portfolio? We see Spain, when we consider the Iberian market, Spain we had much better results; better regulation; better liberalised market in the last quarter, mainly through coal. Brazil eventually slowing down in the first quarter, so eventually less exciting than what everybody expected. Portugal more-or-less what we could expect and of course in renewables, the balanced portfolio bringing also resilience to the results. So clearly, diversification of the portfolio is critical for our results.

In what concerns regulation, besides what happened in Spain, I also would like to stress that we closed the revision for 2012-2014 for the distribution in Portugal. Return on RAB increased from 8.5% to 9.5%. Actually, and we'll see this further on in the presentation, we are on 10.3% which by itself brings €25m more that more than compensates the lower demand that takes out €10m. Clearly, the fact that we have lower sensitivity to our regulated revenues and the fact that you take this to a formula where it increases according to the risk I think is interesting and brings additional value. We have of course also continued focused on efficiency and we have a decrease year-on-year in Iberia (so a more mature market) of 4%, and overall we have just an increase of 2% including of course wind power and Brazil. We keep our ratio of Opex/gross margin at 27%, once again a reference in the Iberian sector. Overall, you see a net profit increasing also by 4%, earnings per share €0.31, with a global net profit of €1,125m. Backed on this we proposed a dividend per share as it was committed a while ago for €0.185 per share.

In terms of Capex, Capex translates our commitment in terms of reducing because of the evolution of not only the energy market but also the commitment in terms of improving financials in the company. The Capex fell 19% to lower than €2.2bn, especially because of the lower capacity additions in the US market. In the disposals program we reached €440m cash proceeds, so basically we delivered more than 90% of our initial target and this because we put on hold some of the deals that we were foreseeing because of the privatisation. Namely when we mentioned at the beginning of the year, the sale of minority stakes in wind farms; we stopped all the deals that we have in the pipeline. Why? Because we needed to know exactly who would be the winner of the privatisation process and how this would fit into the joint strategy. Clearly, if you don't consider the minority stakes in wind farms, we have a better than expected disposals program. At the same time we sold but we also bought. Bought because we have some put options and the investment on the put options was €445m. Also because we have decided, close to the end of the year, to take a very good opportunity in hydro, through Jari that was not foreseen at the beginning of the year in Brazil.

In terms of regulatory receivables, I would like to stress that we expected a decrease but finally we had an increase of €0.2bn, going up to €1.6bn by December 2011.Why? Basically two reasons: rising energy costs and also slowdown of securitisation in Spain, even if the beginning of 2012 shows good results, with already cashing in from EDP €175m. The net debt increased by 4% (we have a lot of 4%'s around) to €16.9bn, but we kept net debt over EBITDA stable, at 4.1x year-on-year. Financial liquidity - always relevant since a while ago - we ended up December 2011 with more than €4bn in cash and equivalents and credit lines, and also the fact that as we mentioned, with the privatisation of EDP, we have €4bn from the CTG deal; €2bn in minority sales in wind farms plus the firm funding of new credit line of €2bn. With this, we have already told you this, but I would like to stress that we have visibility of our financials until mid-2015.

So, overall, a sound year based on the diversified portfolio and at the end of the year, the successful privatisation with CTG, strong shareholder and especially also a strong partner of EDP, enhances the potential for EDP and all the stakeholders and of course the shareholders in terms of growth options, co-investments, funding and giving additional visibility at different levels for EDP business for the future. Miguel, please go through the presentation, then I will come back. Thank you.

Miguel Viana

Thanks Antonio. We will start with slide 4 in which we show that for two years in a row, so 2010 and 2011, EDP managed to deliver better than expected EPS versus what was the expectations of the market by January 2009, just after the start of this crisis. I would say that this performance is a little bit against what is the recent trend amongst European integrated utilities and of course the reason is also supported on the distinct profile of our business portfolio, namely the 85% long-term contracted and regulated activities in terms of our EBITDA with sustainable returns and having two-thirds of our generation fleet being hydro and wind.

Moving to page 5, in terms of the demand performance in the major markets for EDP, you can see that we had a distinct performance between Brazil and the Iberian Peninsula. In Brazil we had 3.6% growth in 2011, driven by the residential segment; nevertheless with some slowdown in 4Q2011, namely driven by the industrial segment, with demand in Brazil increasing just by 1.4% year-on-year in December. In terms of electricity demand in Iberia it went down by 2.3% in 2011, with a decline even stronger in 4Q2011, by a 5% drop in both countries. In terms of gas, the lower demand from electricity generation justified the 6% decline in terms of gas demand in Iberia, which was even more accentuated in the fourth quarter, showing a 13% decline year-on-year.

In terms of our operating figures in 2011, we show a 6% increase of installed capacity, so plus 1.2GW totally focused in terms of new wind and hydro capacity, and wind and hydro represented 63% of total capacity and 62% of energy produced in 2011. In terms of EBITDA breakdown, we can see that Spain and EDP Renováveis were the key contributors to EBITDA growth, Spain through regulated networks with improvement in terms of regulation in distribution of electricity and improvement in terms of the performance of coal generation, and EDPR driven by capacity increase which justify the 2011 EBITDA growth. Note also the increasing rate of EBITDA out of Portugal, 58% in 2011 versus 52% in 2009 – in this two-year period the EBITDA growth drivers were clearly Brazil and EDPR.

Still in terms of EBITDA breakdown, but now in terms of activity, we can see that 4% growth of EBITDA can also be split by once again wind power growing by 12%, regulated networks 17%, a slight growth in Brazil, 1% and declines in terms of liberalised activities in Iberia and in terms of long-term contracted generation. The Forex impact was almost immaterial, just -0.3% so -€13m in US and +€1m in Brazil. As we have announced in 3Q2011, we did the reclassification from operating to financial costs of the cost of carry with pension and medical care responsibilities in P&L, so this had a positive impact on EBITDA and a negative impact on financial costs of €88m in 2011; excluding these reclassifications on a proforma basis our EBITDA increased 2% year-on-year in 2011.

Moving to efficiency, we can see that our operating costs increased 2% year-on-year but with different evolutions in terms of divisions. In Iberia operating costs fell 4% versus inflation in Portugal and Spain, above 3% in the period, and reflecting headcount reduction and lower restructuring costs. In Brazil operating costs increased 12% which compares with 8.7% inflation in the period with significant non-recurrent networks O&M works namely in 4Q2011. At level of EDPR the 14% increase in operating cost is essentially in line with the 11% increase of installed capacity. In terms of Capex, we can see that the 19% decline in Capex to €2.2bn is fully in line with our previous guidance and reflects also the reduction in terms of wind power capacity additions in US; note that the 2011 expansion Capex is fully allocated to wind, hydro and Brazil generation.

In terms of regulatory receivables, in 2011 we had an increase of €204m, to €1,647m by December 2011 in terms of the weight in our net debt, as a combined impact from: first, an higher than expected system costs in Portugal and Spain due to higher than expected energy costs but also lower hydro production and also weaker than expected demand. On the other hand, note that there was some securitisation and private placement in 2011, namely in Portugal with the private placement of €185m in September 2011 and in Spain we had €504m of securitisation. Nevertheless, there was some slowdown in 2H2011 which there was again a restart of the process in the period of January and February 2012 – the securitisations done in this period of 2012 correspond to €125m attributable to EDP.

In terms of net debt evolution, net debt increased 4% or €0.7bn in 2011, with the increase being driven essentially by: first, regulatory receivables which increased €0.2bn as we referred before, versus an expected decline. This decline was initially expected was an increase and note also that we had this low 2H2011 securitisations in Spain and the high power prices which explains this increase. Note also that this increase in net debt included an increase in terms of net financial investments above €0.2bn, including financial investments of €0.7bn, namely the payment of minority put options of Naturgas and Genesa, include also the €0.1bn investment in the acquisition of construction rights in Jari hydro plant in Brazil. It includes also in the case of Eneop the front payment for private finance of €0.1bn, which in 2012 was already approved by European Investment Bank and, on the side of disposals, as already referred to by the CEO, was lower, amounting to €440m, referenced to the stake in EDP Brasil and the stake in Ampla.

Overall, in terms of P&L full breakdown, the referred 4% increase in EBITDA; net depreciations and provisions went down by 4% leading EBIT to increase 10% so, in terms of financial results, the cost of debt increased by 60 basis points, from 3.5% in 2010 to 4.1% in 2011, includes also €58m of impairment on financial stake in BCP (a non-recurrent impact) and of course the referred reclassification of interest cost with employee responsibilities, the €88m that we referred before. Capital gains not significant in 2011 include essentially the impact from Ampla and SEASA and income taxes reflecting one-off fiscal impacts in 2011 in terms of the fiscal consolidation perimeter in Iberia. Non-controlling interests increased essentially due to better results at EDPR and the disposal of our stake in EDP Brasil, we reduced our position in EDP Brazil from 65% to 51% in 2011, resulting in a net profit growth of 4% to €1,125m in 2011.

Moving to business areas on page 16, we can see that EBITDA in long-term contracted generation in Iberia fell by 6%, penalised by the end of Carregado's PPA in 2010, with a negative impact of €85m; proforma adjusted for these impacts EBITDA increased 4% on higher inflation, higher availability rates and commissioning of 50% of Sines DeNOx facilities.

In terms of operating performance in our liberalised energy activities in Iberia on page 17, we can see that production declined by 11%, essentially due to lower utilisation rates of combined cycles and lower hydro output, but note that there was a significant increase in terms of coal production due to more competitive cost and the new law on Spanish domestic coal that was published in 2011. In terms of financial performance in our liberalised energy activities in Iberia, you can see that the average selling price increased by 17% to €57.5/MWh; nevertheless, this increase was not enough to compensate an increase in average sourcing cost by 26% to €49.7/MWh, meaning that average unit margins fell 17%, to €8.8/MWh and justified the 13% decline in EBITDA in this business area.

In terms of regulated networks on page 19, you can see that EBITDA increased 17% but nevertheless, adjusted for non-recurrent issues, adjusted EBITDA increased by 4% to €1,012m in 2011. In terms of major divisions, you can see that in terms of electricity in Portugal the recurrent EBITDA increased 1%, as low demand & low inflation input in tariffs balanced lower controllable costs. In terms of electricity in Spain, excluding the gain on the sale to REE of electric transmission assets, recurrent EBITDA increased by 3% on better regulation and in terms of Gas Iberia our EBITDA increased by 11% on both increase of number of supply points and volume growth. In terms of efficiency in regulated energy networks, we can see that EDP showed a 10% decline in terms of Opex per km of network and a 9% decline in terms of Opex per connected customers, and at the same time showing a higher quality of service, so equivalent interruption time in electricity distribution in Portugal went down by 35% to 75 minutes in 2011.

In terms of commercial activity in Portugal and control over bills collection, which is a point that arises more interestingly these days, there was no material change on customer collecting cycle, even considering the adverse economic environment; note that the average collecting period remains in line with previous years at 32 days. Regarding the performance of our subsidiary EDP Renováveis which has already reported its results, installed capacity increased 11% to 7,157MW which supported the EBITDA growth of 12% to €801m. This growth was driven essentially by Rest of Europe (Poland, Romania), Brazil and Spain. In terms of Brazil, our EBITDA increased 1% in local currency with negligible Forex impact, but including some non-recurrent issues namely in distribution. In distribution EBITDA was down 9% year-on-year, penalised by annual deviations and slowdown in volumes sold in 4Q2011, driven by the industrial segment. Adjusted for these items, EBITDA in distribution increased 3% and puts adjusted EBITDA in Brazil increasing by 9%.

In terms of assets and funding, in terms of our asset portfolio our installed capacity increased by 88% in the last 6 years, driven by greenfield wind & hydro power capacity additions and increasing the average residual useful life of our portfolio from 16 to 24 years. In terms of our portfolio in terms of average residual useful life, you can see that hydro and wind technologies with longer useful life represent 65% of our total portfolio, providing a sustainable cash-flow stream over the next 24 years on average, without need of replacement Capex. In terms of funding during 2011, EDP accessed a diversified portfolio of funding sources, so we raised €3.6bn through diversified sources of funding. At the same time, during 2011, we made cash payments on debt maturities of €2.7bn and I would highlight, in 4Q2011, in terms of new funding deals, the 200 million 3-year retail bond issue with 6.0% coupon which was 1.4x oversubscribed and USD124m of new deals on Tax Equity Investments in US.

In terms of debt profile, average debt maturity stands at 4.4 years and the weight of medium to long-term debt in our total gross debt breakdown there was a slight increase, and in terms of interest rates we maintain a balanced mix between fixed rates and floating rates. In terms of financial liquidity, by December it totalled €4.1bn, as a mix of €1.7bn of cash and €2.4bn of available credit lines, with the most sizeable being our RCF of €2bn which matures in November 2015. On top of that, in December, we closed the deal with CTG which should add a further €4bn of financial liquidity until 2015 so, adjusted for the CTG deal, our financing needs are now covered until mid-2015. In terms of short-term maturities for 2012, we have €1.7bn of bonds maturing in 2012 and €0.4bn in terms of loans, which is perfectly comfortable in terms of the €4.1bn currently available financial liquidity.

In terms of credit ratings, EDP suffered recently some downgrades by S&P and Moody’s, penalised by the maximum notch differential allowed between EDP and Portugal Sovereign, so right now EDP is 1 notch above Portugal by S&P and 2 notches above Portugal by Moody’s. Nevertheless, we consider that these by-the-book credit agencies methodologies are unable to reflect EDP’s distinct credit profile and from these we highlight here some points, namely the geographical diversification, the high quality of our generation fleet, our resilient EBITDA, the fact that our operations in Portugal have low sensitivity to the economic cycle, the fact of having now our funding needs covered until mid-2015 after the deal with CTG and reinforcement of the shareholder structure following the privatisation deal. Moreover, we consider that EDP's financial leverage is consistent with its low operating risk and long asset maturity and EDP has already affirmed that, following CTG's deal, this deal reinforces EDP's commitment to a target net debt to EBITDA below 3x by 2015, based on focus on free cash flow and the credit profile strengthened by the partnership with CTG.

Finally, in terms of outlook for 2012, first regarding regulatory update in Portugal, following the final approval of distribution tariffs in December, we know that we have the regulated revenues in distribution of €1.38bn which represents a €71m increase versus 2010. Nevertheless, we know also that the Portuguese Republic CDS 5 Years is slightly above what was assumed for the calculation of the 9.5% return, so this implies a slight positive impact in terms of our EBITDA. Demand is slightly lower, but the positive impact from better rate is stronger than the negative impact from lower demand. In terms of regulatory receivables the figure of close to €400m was the amount assumed in the calculation of 2012 tariffs by ERSE, and we still have some securatisable receivables, namely €141m to be collected in 2013 and €939m to be collected between 2013 and 2016. We also highlight the liberalisation process in Portugal, with increasing liberalisation and the recent approval of the liberalisation schedule in February 2012 by the government.

On page 35 we do also an update in terms of the energy sector measures set by the MoU with IMF, European Commission and European Central Bank in which I would say that most of the points were already done and clarified, namely the part of privatisation, the part of elimination of special rights, the part referred before in terms of liberalisation. Also in terms of additions of new capacity in Portugal, it was announced the freeze of new licences to any new capacity not licensed in Portugal, and we would highlight that MoU measures are based on respect of existing contracts namely referring now negotiation on a voluntary basis and that capacity payments are relevant for fair competition in Iberian market between generation in Portugal and in Spain.

In terms of outlook for liberalised activities, despite weak demand, the low hydro reserves support thermal production, namely coal which has been working very strongly in January and February, and the lower coal and CO2 costs improve the clean dark spread. On the other side, in terms of combined cycle, the higher oil prices are deteriorating the spark spreads.

Overall, we expect that in terms of our liberalised activities in 2012, we have already committed all our coal sourcing commitments and, for now 80% of the gas commitments through sales in wholesale and retail markets, as you can see in slide 37.

On page 38 we can see that, in terms of Capex, we maintain our commitment of €2bn from which the key components of expansion are Brazil, hydro and wind, as it was already in 2011 and we expect to maintain the previous commitment. In terms of the CTG partnership, the closing of the deal is now expected to occur in April and we maintain the target of the sale of the first €800m of equity minority stakes in wind farms to be concluded in the first 12 months after deal closing. In terms of EBITDA breakdown we maintain our guidance of EBITDA middle single digit.

Finally, for the next slide, I will pass again to the CEO for the final remarks.

Antonio Mexia

Just to finalise before the Q&A, I think that what we state in slide 41, the last one, is really a resilient business model, which is a better solution in a challenging environment as is the case in the sector and of course in the financial market. We have a mix of sound operating performance in terms of EBITDA, in terms of efficiency drivers, in terms of control of our financials and of course a cost of debt that is lower than the average of the sector even with our ratings.

We see clearly an improvement in earnings per share. We see growth, of course more in line with what makes sense in a moment like this, 6% year-on-year and 11% on wind power. This growth is selective, basically we are talking about wind, water in Portugal and Brazil and overall the sound operating performance and focused growth is kept in line with the low-risk approach in terms of improved regulatory visibility in Portugal until 2014, in terms of financial liquidity, especially with the partnership with CTG, the lower Capex of readjusting our profile making it more adequate in terms of the overall environment, and of course the increased value of this diversification as Miguel has been stressing along the presentation. In terms of guidance for 2012 I would like to start saying that even with this demand reduction we keep the EBITDA middle single-digit growth year-on-year as a target and low single digit for the net profit.

In what concerns the detail for the next years, we expect to present the Business Plan 2012-2015 next May, with a full detailed presentation of these figures including already the impact of, of course, the partnership and the privatisation process, so improving visibility of EDP's medium-term free-cash-flow and we keep on based on what, on high quality asset mix, sustainable returns, diversified markets and risk management. We keep the same guidance for 2012, what I think is positive in this industry.

Questions and Answers

Pablo Cuadrado – Bank of America

Good afternoon to everyone. Is Pablo Cuadrado from Bank of America Merrill Lynch. I have a few questions. The first one is, looking at the electricity demand performance during the first months in Portugal which have been very weak, I don't know if you can update us which is the amount of the regulatory receivables that you will spend by the end of this year. I know the regulator talks about €400m, but I think with better demand, if you can link that assumption as well with the net debt figure that you should expect for 2012.

The second question is on the guidance, when looking to the bottom line of the guidance for this year where you have presented that you are still present or project some kind of growth, I was wondering whether you can give us the assumptions behind that guidance, looking to the financial expenses, the tax rate or if you are assuming potential book gains or not.

The third question is I was wondering whether you can provide us some also guidance on the liberalised profitability. Do you expect your margins to remain stable around €9/MWh during this year or do you expect further erosion there?

The last one probably is a question for the Capital Market Day but I will try. It's looking to the dividend and the pay-out implied in the 2011 accounts, which is around 60% and assuming the dividend of €0.2 per share which would imply a higher pay-out, do you feel comfortable with a pay-out above 60% or do you think that there is something that you could be adjusting in the future business plan?

Miguel Viana

Hi, Pablo, it's Miguel Viana. The first one on the regulatory receivables in Portugal, so the figure assumed by the regulator in tariffs is €0.4bn. Now we just have two months until now and we will have to wait for the development for the next ten months but obviously the first two months, they are not great essentially because of the dry period and the demand that is low but we still have ten months going forward, so we don't have any update on this. I'll pass now to Mr. Mexia the further questions.

Nuno Alves

In terms of guidance, you all appreciate that we intend to provide you four year guidance to 2015 in May, so we're currently elaborating that with the Supervisory Board and the new shareholder to see where we are going to go. So most of that information we would prefer to wait for May to give it to you, with the exception which we can be very confident and there is not much you can do right now inasfar as 2012 P&L numbers and for that the guidance has been EBITDA middle single digit growth. We are assuming then, which was already made public last year, for this year 4.3% average interest rate and we are assuming that the tax rate will probably be around 20% for the year 2012. So those are the main guidelines and, if you put all of that together, we should end up with low single digit growth on net income for 2012. The other elements after the debt ratios, we will leave for May.

Miguel Viana

There was another question on the unit margin for liberalised business... In terms of what is contracted, we don't see any reason to be much different from the 2011 figure but, of course, that will depend also on arbitrage opportunities and on the spot market evolution but with the current information that we have in terms of forward contracting, we don't expect any material change versus 2011 in terms of unit margin.

António Mexia

Also in terms of dividends, I think that one of our key message and feeling that we have been passing is that, as we have been performing according to what was expected and typically overall better than the sector, we thought that it makes a lot of sense to share these with the shareholders, so keep the commitment of the dividend policy, especially now with additional visibility in what concerns the partnership with China Three Gorges, the new shareholder and all the deals that are involved. So it is the reason of the proposal of the €0.185. In what concerns the future, of course, basically I would like to talk about this in May but, just to be clear, for 2011 we have not adopted the script dividend for now because legally it is very complicated in Portugal. We have been working but we need to be sure that we will have a legal framework in Portugal that will enable us to use these without any issues. So we are working to have clear answers in terms of structure to be proposed, if it makes sense to include it in the proposal for next year.

Overall, of course, we will, as I am repeating myself, propose this in May but we are fully aware of what makes sense in the policy due to the gross expectations and, of course, conditions of the financial market. So when we are able to share with the shareholders, it was the case until now, we do it. Then in May we will see according to the next plan what makes sense.

Javier Garrido – JP Morgan

Good Morning. Javier Garrido from JP Morgan. Actually most of my questions have already been made by Pablo but I have still two small questions. Firstly, on Brazilian regulations if you could update us what is your expectation for the evolution of the regulated revenues for your distributors in Brazil particularly once the regulatory reviews are implemented in the annual update. The second question would be on your depreciation run rate. There has been significant increase in 4Q, even stripping out the exceptionals in EDP Renovaveis, still there has been an increase in the rest of the Group. I was wondering if you could give us, if there is any additional exceptionals there or if we should take that as the ongoing rate for future quarters. Thank you

Miguel Viana

Hi, Javier. In terms of Brazil regulation, I would say that the process is now quite closed and so in our Bandeirante division in next October, the new tariffs that will be set between October 2012 and October 2013 will already reflect the new regulatory framework, with retroactive impact, so with the adjustments with retroactive impact until October 2011. So in the case of Escelsa it will continue until the next regulatory review, which is in 2014 – sorry, 2013. I will pass now on the depreciation to Nuno Alves.

Nuno Alves

Javier, in fact, there's two extraordinaries in the 4Q so there's €10m in a decommissioning plant in Portugal, so that's done, finished. I don't know if that's what you were addressing but there was on the EDPR accounts €35m goodwill on the Italian assets that was taken into depreciation line. So we have €45m extraordinaries in 4Q.

Right, thank you very much.

Bruno Silva - BPI

Good morning, Bruno Silva, BPI. I know you are trying not to disclose information that will only be approved for your strategic presentation but I think it would be important to have your opinion, not necessarily what you were effectively approving for the next strategic plan, regarding potential asset rotation or rationalization and then clearly thinking about again on Brazil distribution, if you believe that would make sense to tackle that opportunity or not. And also, in your opinion, with the changes in EDP shareholding structure as well as the attractive upside of EDPR, would you say it is more or less likely today, considering a buyout of EDPR. It is basically that I would just try to ask you also as a follow-up on previous questions on net debt guidance and you mentioned regarding regulatory receivables, the potential for securitisation in Portugal, do you believe that it would be feasible any time soon? Thank you very much.

António Mexia

So, Bruno, let me actually start by Renewables. In what concerns Renewables, we have already stated and eventually I will repeat myself, that we have no intention to change our position in times to come, so there is no change in what concerns Renewables as a listed company.

In what concerns Brazil, Brazil we have been very clear in the sense of we want profitable growth. We consider Brazil as an important market. I think that the new shareholder shares our vision, so clearly we will keep Brazil as a key market. We have been committed but not stubborn. We have proven in the past that we make moves that make sense. At this each stage, we have nothing new to tell because we believe that there is still value of the current strategy of balanced portfolio, growth mainly in generation, including here also Renewables. So there is no change and we don't see by the way nothing happening in the sector in Brazil. A lot of things have been talked about, consolidation sales, buying, but everybody is basically stuck in this corner and we don't see any reason at this stage to move. Nuno, do you want to talk about securitisation?

Nuno Alves

In terms of the Portuguese tariff deficit, what you have today, we have two – we have €140m which is due from the CMEC's which was at the end of last year postponed, so rather than receiving in 2012, we will receive in 2013. It's a one year, the amount is not very large, so it's a doable transaction, it's a question of price. So I would expect to have it done this year but it's a question of price, how much the buyer is willing to pay for that asset. Inasfar as the larger one which has to do with the Renewables which was delayed five years, that's about €1bn, that's five years, it's a little bit more complex. We are working on it to see if we come up with an alternative solution but there might be also the possibility of selling it during this year or at least to partially monetise that position.

Thank you very much.

Javier Suarez – Nomura

Hi, good morning, this is Javier Suarez at Nomura. One question on the regulatory update in both Portugal and Spain. In Portugal we have seen this document from the Minister of Finance suggesting that the condition that currently applies to cogeneration and capacity payment could be modified and the document was also mentioning the possibility of doing some modification in existing contracts for the electricity sector. The question is would you be so kind to explain us your view to what this document is referring to and the possible implications for EDP? The second thing is in the regulatory in Spain, the latest news that you have on what the government may intend, the timing and the possible effect on your profitability on the Spanish market. Thank you.

António Mexia

Okay, let's start by Spain, it's easier: nobody knows. You have a lot of news, so trying to speculate today doesn't make any sense. Everybody is struggling, so let's keep some – not lose some time. The only thing that makes us more comfortable is that you don't see anything retroactive. You see eventually them capturing value on, by the way technologies where we are not directly involved, typically where eventually they perceive that there are windfall profits. It is not the case where we are placed.

In what concerns Portugal, since the beginning we have shown that it makes a lot of sense to change what is the framework, so we totally agree and support this change and we believe that they should be ambitious in what concerns limiting the benefits of cogeneration after the first 15 years. In what concerns capacity payment, I would like to stress that capacity payment today in Portugal, as was recently introduced, it is much slower than, for example, in Spain, the difference being that Spain is 30% higher than in Portugal. Even in other countries like Ireland where you have intervention, you have a capacity payment that is four times what it is today in Portugal. In any case, we see eventual change in this. If they make sense in a system that would keep the rules of incentives in terms of availability and investment, we are ready to look for it. We should bear in mind that, in the context of Iberian markets, rules should not be different in this field from both sides of the border and already Portugal is at advantage in the sense it is lower.

In terms of CMEC's, here, once again I will repeat myself. The approach is, of course, a negotiated approach and we have been very clear since the beginning with everybody, including the market, what we can accept and what we will not accept. So this has not changed. Eventually bearing the label of being stubborn here, we are stubborn in the sense that we have already stated what we can accept and we are not ready to change the NPV of the contracts. They are supported by a strong legal framework. By the way, the CMEC's and the other PPA's were decided on a competitive basis, so we don't see any reason to change our position in what concerns flexible for short term. Eventually cash-wise we are open. NPV's, it's not on the table.

Thank you.

Alberto Gandolfi – UBS

Hi, good morning, it's Alberto Gandolfi, UBS. I have three on my side. One is more a follow-up on the CMEC's. Just to be specific, your position of being NPV neutral is very clear but what would be a near term earnings or free-cash-flow impact that you would consider unreasonable and would not accept because the NPV neutral can be achieved over 20/30/50 years but for the near term cash-flow makes a huge difference. Sticking to cash, in terms of the dividend payment, can you confirm that the main dividend would be entirely cash? Lastly, on refinancing and liquidity, you basically said that your refinancing is done until 2015 without doing anything but, if you did that, you have zero cash on balance sheet and you would entirely use your credit lines, which typically are seen more as a back-up. So out of that perhaps about €4bn are not really, really something you would want to use or you would impair your normal course of running the business. So how are you going to think about this €4bn? What are you planning to do and when? Thank you.

Nuno Alves

Ok, Alberto, thank you. I am glad you're taking concern that I might run out of money, so I should do something, you're right there.

Because I care.

Now we will continue to do other types of transactions. I think you're addressing this mostly has to do with the capital markets. Let's face it, we are in a new ground. We are in a new, we probably will have a set of fixed income investors but I think it is with the urgency that we don't have currently in terms of refinancing, we would see it not before announcing our business plan any intention to go to the capital markets unless something changes drastically. Mind you, part of the, not 2012 but 2015, in fact, all of the refinancing we have to do in 2015 are all banking lines. So our most immediate refinancing needs is going to renegotiate the syndicated loan club deal which we have with those institutions to refinance 2015 and there alone, we're talking an amount of somewhere between €1.5bn to €2bn which we intend to negotiate. Other than that, we will continue to utilise the various forms of refinancing we have done in the past. We have announced a project finance last week for the Renewables business in Spain of almost €200m. We will probably go to the retail market again soon and do another bond. We are using other financing tools, so we have various ways to refinance but, as far as capital markets, it's on hold at least until we have the business plan out because I think it will be clearer and we think it will help the fixed income investors to realise what our credit profile is going to be going forward.

António Mexia

Alberto, in what concerns the dividend, it is going to be cash as I stated before, so I confirm it. The script dividend was basically abandoned because it was not straightforward and the tax implications are different, all those in different geographies, with different rates. So basically you need a framework and this framework, we have started working on this more than six months ago, almost nine months ago. As in Portugal you don't have any legal framework, we would prefer to have one that is clear and does not create any mess, so this is going to be cash. In what concerns the CMEC's, once again that is very clear. We will not accept anything that will not be neutral in terms of NPV and, of course, we can only accept something in cash that is non-material and will not create any issue cash-wise. As Nuno has already mentioned, when the CMEC's issue of last year was postponed one year for €140m, we have accepted it. We understood, it was a soft landing. By the way of a system that I want to stress it again, the figures are clear: Portugal will basically cancel deficits in the next two years and we'll repay all the debt associated with deficit, so the stock, by 2020, even before if you have increases on real prices of between 1.5% and 2%. So it is a sustainable position with moderate, even below what the European Commission today foresees for increases of real prices of energy, electricity in Europe. So we feel comfortable with the sustainability. We are ready to help on the soft landing because you don't have a structural problem that you need to, especially in 2012 it is already the case and 2013 may be a soft landing, but it must be non-material and not jeopardise our cash position. We will not accept anything and, as you know, it is based on the contracts, especially in the context of our privatisation deal, if anything changes, it must be agreed between the parties.

Thank you.

Carolina Dores – Morgan Stanley

Hi, good morning, Carolina Dores from Morgan Stanley. I have two questions. One is a follow-up on Portuguese regulation. How much saying do you have on capacity payments? Can this just be scrapped by the government or these have to be renegotiated as well? My understanding is that it is totally up for the government. Second question is on disposals. There are some articles in the press saying about your selling your gas transport assets in Spain to Enagas, if you can make any comments on that.

António Mexia

On disposals and about the disposals in the newspapers, we cannot comment. As you know, we have been focusing in the core business but that is all that we can answer at this stage. In what concerns capacity payments, formally capacity payment is not a contract. It's a framework that was established starting in – the basis is a legal document in 2003, a decree-law that was then integrated on the electricity law in 2007 and it was only formalised and formal implemented in 2010. Clearly it was bearing in mind the existence of an integrated Iberian market. So any decision at this level should bear in mind this philosophy. Of course, it could in theory changed only by somebody writing something on a paper without asking anybody else. With all the implications that you have in a system that, of course, as everybody knows, especially on the thermal side, on the liberalised part needs. This, if not, you should down plans and we have not been talking about this but other players like Endesa and others have been mentioning, the necessity of keeping this to the equilibrium of the system. If common sense prevails, we don't see any reasonable change but, of course, we expect some change but something that makes sense and keeps incentives and availability as a driver that was behind in any case of this measure.

Thank you.

Miguel Viana

We will go now to the questions on the internet. We have one question from Andrew Moulder from CreditSights. Andrew asks now that you are below investment grade with both Moody's and S&P, are there any increased costs on using your credit lines and are you seeing increased costs or additional warranties being required by any of your trade suppliers?

The other question that also Andrew does is if we are considering to do any kind of bond issues in China now that we have CTG as a shareholder and if this is a market that EDP is looking to. So I'll pass to Nuno to answer these questions.

Nuno Alves

Okay, inasfar as our club deals or capital market transactions, there's no rating trigger, so there's no impact there on existing syndicated loans or revolving credit facilities or any bond that we have outstanding. There's no issues there. Obviously there has been in cases that were, for instance, in the US PPA's market where we have to post letters of credit with the utilities when you negotiate a PPA. You do have rating triggers and in some cases we have to post higher amounts of letters of credit because of the downgrade. I am sure there has also been increased costs due to the rating triggers put by credit charges by banks and all of that but up until now we haven't noticed any major impact due to the rating on anything and, most importantly, on the financing there's no issues.

Inasfar as the Chinese market, I was there the first week of February I guess. I went to Beijing and I went to Hong Kong. That is one of the avenues we are looking at going forward. I probably would not expect it in the near term but it's something we are considering, not for tomorrow but later this year, maybe next year, we will probably start utilising Hong Kong as a platform to issue out of, yes.

Miguel Viana

We go now for the last question.

Adrien Fourcade – Deutsche Bank

Adrien Fourcade from Deutsche Bank. I had three questions basically. The first one is regarding the improvement in other operating costs that you have seen in Q4 which have gone to €41m profit versus an €85m charge in Q3. I wanted to understand what it was related to and whether this would be recurring over 2012. The second one is about your guidance for 2012, whether that implies any capital gains included. And the third one is on the maturity of your underwritten CP programs, if you could give us some details on that. Thank you.

António Mexia

Just for the guidance of 2012, before passing to Nuno, there is no capital gain considered in the guidance. Nuno, for the improvement of other...

Nuno Alves

I don't know if it's on the details on the handout, I assume it is. On the other costs, there is some extraordinaries, other income, other costs, the most relevant one being the opposite what I just mentioned under depreciation charge of the goodwill in Italy. There's a gain above the EBITDA which has to do with exactly the same thing. So we have around €50m other income on the 4Q and on the Renewables business and the €35m increases on the depreciation charge, so net net it's at €15m plus. The lines are different but I would assume the handout has all the details on this type of transaction.

Inasfar as CP program, we do have the European Commercial Paper CP program which we have had and used in the past immensely. As you probably are aware, for I would say half of last year it came down to zero and it had no issuance. Currently we have seen a little pick-up since I would say December of last year but we are nowhere near the numbers we used to have. We used to run €700m-€800m typically on average of CP outstanding. We currently have probably around €50m or €60m, something like that, so a much smaller amount but I guess that is something that has hurt not just us but most companies, including banks, around the world. So it seems that CP's are not in favour today.

Thank you very much.

Closing Comments

Just to thank everybody for being present. Hopefully, we were able to demonstrate once more how we intend to deliver to what we commit, naturally typically are very transparent in what guides our moves in terms of our targets, our challenges. 2011 was already a tough year for the sector as everybody knows. It started even before 2011 but we have proven that we have been able the mix of diversification, cost control, focus, also deliver good results on regulatory fronts. Of course, there are challenges but we believe that, especially in the context of the privatisation and the partnership of CTG, we have additional visibility today. We have additional muscle that we can use, especially in the commitment to the financial improvement of the company with the ratios in 2015 committed and we are going clearly in that direction already in 2012. So overall, we feel very comfortable that we will have an interesting investors' day in May to present our messages, our targets and our ambitions for 2012-2015 and we feel comfortable and today more comfortable than we felt six months ago, keeping this as an exciting company. So thank you for your presence and see you soon, bye-bye.