EDP - Energias de Portugal
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Chaired by Antonio Mexia

Company Participants

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

Antonio Mexia

So good morning everybody, thank you for your presence in this conference about 2012 results. The first word that I would like to use is of course in a tough environment especially due to challenging Iberian market conditions, not only in terms of demand but also in terms of regulation as everybody can recognise, but also due to non-recurrent items in Brazil, we presented resilient results with a decrease of 3% on EBITDA to €3.6 billion. Of course, these negative effects on Iberian market and especially in non-recurrent in Brazil that all along the year people were not even mentioning whenever we met in one-on ones or on any conference, everybody was keeping his always on the bright side, but non-recurrent items exist. It was strongly compensated but not totally by healthy growth in renewables. Once again, resilience due to the portfolio effect, so if in 2011 the bright news were coming out of Brazil, this year the good news were coming from renewable sector, compensating mainly for the lower Brazilian figures. In this year we have an addition of 880 MW, typically wind, hydro and Brazil, two thirds of which in new hydro and wind, so clearly keeping the same focus on value creation projects on these two technologies that, as you know, in terms of earnings are more protected than other technologies.

Also work to continuous focus and efficiency, it's a pleasure to see people talking again about efficiency and about costs. We have been showing clearly the best net opex over gross margin in our Iberian market and we see the costs growing below inflation and keeping EDP as reference in the sector in our markets. We see also a decline in average cost of debt, 4% compared to 4.1% in previous year, in 2011, clearly below the guidance in 2012 due to what? For everybody a strong decline in Euribor rate, but also a lower margin cost of debt, and I remember that along this period a lot of people were saying, okay, this number can only go north. What we see is that the number went south, so it's good news for us and I think it shows that we did the right strategy in terms of funding.

The net profit was just slightly above €1 billion, €1.012 billion, with a decrease of 10% year-on-year, with an EPS of €0.277 per share.

Based on this, we will propose to the shareholders in the Annual Meeting as committed and as is always the case in EDP a dividend of €0.185 per share fully in cash, the same that was the last year, but clearly respecting what was committed previous year, namely in our last Investors Day.

In terms of highlight of the period I would also like to start mentioning the fact that we were at the €2 billion Capex, lower 7% year-on-year, namely for fewer expansion projects in wind power especially in the US market, and clearly the fact that we went down the road once again as committed in what concerns the deleveraging through disposals. We closed deals for €800 million of disposals, out of which €600 million will be received only in the first half of 2013, but it's clearly gas business, wind business, the deal with Enagas, the deal with Borealis, and the deal with CTG signed at the end of December. All of these as committed showing us that we don't have any hesitation of doing what we told in terms of disposals.

We must also recognise clearly the issue of regulatory receivables going up a bit more than €1 billion in 2012 in Portugal. €300 million of this €1.1 billion increase is due to dry weather, so clearly an increase that is slightly above what we would expect, because of a very dry year where we were below half of what is a normal hydro year in Portugal, 48% to be more exact, of what is a normal year. Fortunately this winter has been totally different. So electricity systems, sustainability agreement is being respected and clearly we see receivables, we feel comfortable with this soft landing and to be fully paid by 2020, based on what I was mentioning, always 1.5% to 2% increase above inflation and, as you know, it was a decision for 2013 by the regulator.

In terms of net debt, basically the increase is due to the increase of these regulatory receivables and it went up 8% to slightly above to €18.2 billion, the same as it was last quarter, so we see the first quarter already changing. Why? Because of part of the disposals and even as we will see in the presentation of one of the cash grants that was received at the beginning of January, it was supposed to be received at the end of December. So clearly the first quarter will show what we want to show. Also, I would like to mention and stress the strong liquidity position, almost €4 billion by December 2012 and almost €6 billion, to be more exact €5.8 billion, already considering deals settled as to February 2013. So clearly one of the issues that was there especially in the first half of 2012 is gone, the question of liquidity, the question of access to debt market; we tackled the market for more than €4 billion in the last seven months, so it shows clearly that we were able to solve one of the key questions that was raised by the market.

A strong improvement of credit markets with lower cost of debt, and one of the worries, the marginal cost of debt of EDP is clearly today totally different from what was the vision three or even worse six months ago. So we see, what, the low risk profile delivering the results. The fact that we have the 85% in regulated long-term contracted even if we suffer in some regulated assets is better than to be overexposed to merchant market; so the diversified market and competitive assets. So once again the portfolio effect. The risk control, the low risk control, efficiency and clearly also in terms of creating optionality; the project of Jari in Brazil is going well, on time and on cost; we won the auction in Brazil, by the way the only one that was able to win some hydro in Brazil with Cachoeira-Caldeirão. So typically we have been delivering also in attractive markets with attractive assets, and also before I pass to Miguel as usual, you see just after the first pages the earnings delivered to shareholders versus main European integrated activities. Sometimes I say that I should put these on t-shirts, but it's clearly to show that we have been delivering as expected and, as you see, actual data in 2011 compared to the consensus in 2009 and the world has changed a lot, and what we see is that EDP is typically on the top and it was exactly the same in an even tougher environment when we compare to actual data, earnings per share 2012 compared to what was the consensus in January 2010, we see everybody at the left, so lower than expected at that time, but clearly with the figures that are very different from the key peers and only matched by companies with a very different profile. By the way if it was not and we assume that for the delay of Pécem at the year-end and also the further deviation on Brazil this year would be, again, even much more positive, so visibility, visibility, visibility, it's a key word. Of course, we have been seeing changes, namely recently in Spain. We can always have something in front of us, but due to our profile, due to our asset allocation policy, due to our low risk approach, I think that we have a very distinctive profile amongst European utilities. Our business model is clearly different and we have a lower sensitivity to energy markets. Of course, we suffer as everybody with changes that can occur whenever; regulators or governments don't need to be anti-cyclical, so clearly 2012 a year where we were protected by our strategy, where we suffered from regulation and non-recurrent elements in Brazil.

So Miguel, if you can, and then we will come back to the Q&A and final remarks.

Miguel Viana

Starting to move now to 2012 operating headlines, we can see that installed capacity rose 1% in 2012 while production declined 6% mostly due to dry weather in the Iberian Peninsula. In terms of the EBITDA breakdown by division, I would highlight the EBITDA decline in Brazil and Iberian market, and 17% growth from EDP Renováveis with long-term contracted and regulated EBITDA maintaining a weight of more than 85% of EBITDA of EDP.

Regarding the EBITDA breakdown by geography, with EDPR EBITDA being also allocated by country, we can see that major growth areas of EDPR were US and rest of Europe, namely Poland and Romania.

Comparing to guidance provided at our May 2012 Investor Day, in 2012 the sum of EBITDA from Iberia and EDP Renováveis came much in line with May 2012 Investor Day guidance, meaning that one-offs in Brazil justify roughly 95% of 2012 EBITDA deviation versus the guidance provided by then.

In terms of operating costs, they rose 3% year-on-year at consolidated level. In Iberia, operating costs rose 2%, impacted by higher commercial costs resulting from the ongoing energy supply liberalisation process. At the level of EDPR operating costs, 13% up or 10% excluding Forex in line with the output growth of EDPR, while in Brazil operating costs rose 5.8% in local currency in line with inflation in Brazil. Note that in 2012 we have accomplished our Opex III target savings of €75 million and we aim now to anticipate our 2014 target for 2013.

Capex in 2012 fell 7% to €2 billion following the slowdown of wind power capacity expansion; note that expansion Capex in 2012 was 100% in new wind and hydro capacity plus the new Pecém coal plant in Brazil, which has a PPA with Brazilian electricity system.

Regarding the execution of our strategic partnership with CTG, on December 2012, EDP agreed with CTG, the sale of 49% minority stake in EDPR Portugal for a total cash-in of €359 million. The regulatory approvals are expected to be concluded in the first half of 2013.

Moving to regulatory receivables, they increased €1.1 billion in 2012, most explained by a similar increase in Portugal. This increase was driven by an increase of €797 million in line with the previously defined by the regulator and an increase of €270 million due to extreme dry weather in 2012 in Portugal.

Regarding the composition of our net debt, it continues to be essentially issued at the holding level through both capital markets and bank loans, with investments and operations funded in local currency to mitigate the Forex risk. Floating rates represent 56% of our debt, providing hedging on inflation.

Our net debt rose €1.35 billion in 2012, mostly driven by increase in regulatory receivables that I previously referred. Note that in first half 2013 we should collect €0.6 billion of disposals, which include €250 million received in February 2013 regarding the sale of gas transmission assets in Spain and the previously referred €360 million of minority stake in Portuguese wind farms, which is being disposed to CTG, which is pending regulatory approvals.

Regarding the activity of EDP in credit markets, between July 2012 and January 2013 EDP raised €4.5 billion of new long-term debt at competitive costs, benefiting from an improvement in credit market conditions.

Regarding the evolution of net debt maturity profile, adjusted for the €1.6 billion credit facility signed in January 2013, average debt maturity increased to 4.3 years by then. By 2012, our financial liquidity position was €3.9 billion, including €2.2 billion of available credit line and €1.7 billion of cash and equivalents. Adding to this, the five-year loan obtained in January 2013 in the amount of €1.6 billion and the sale of gas assets in Spain, which was closed in February 2013, the adjusted financial liquidity stands now at €5.8 billion, which covers refinancing needs beyond 2014. Note that these figures still exclude the impact from the CTG investment in renewable minorities and also the China Development Bank €1 billion commitment. Overall, we can see in page 19 that our net profits fell 10% year-on-year, reflecting the 3% decline on EBITDA. Financial results penalised by increase in average net debt, but benefiting from cost of debt lower at 4.0% in 2012 versus 4.1% in 2011, and also lower impairments on the financial stake in BCP, which was €58 million in 2011 and €5 million in 2012. Non-controlling interests are also lower, reflecting essentially the decrease of EDP Brazil's net profit.

By business areas and moving now to slide 21, we can see that in 2012 Iberian electricity and gas markets were penalised by lower demands, so minus 2.9% demand in Portugal and minus 1.3% in Spain; nevertheless a smaller decline than in 2011.

In this environment, EBITDA from our long-term contracted generation in Iberia fell 4% year-on-year impacted by some negative one-offs and also the lower mini-hydro output which fell 42% year-on-year. Nevertheless, adjusted EBITDA fell just by 0.3% supported by higher inflation, higher availability rates of our plants and the commissioning of the DeNOx facilities at our Sines coal plant.

In terms of operating performance at our liberalised energy activities in Iberia, our total production fell 13% due to very low utilisation rates at our CCGTs, our gas combined plants, while higher coal production was driven by more competitive costs; higher hydro output was essentially backed by capacity expansion as the hydro conditions were worse in 2012 versus 2011.

EBITDA in our liberalised activities in Iberian market fell 14%, reflecting a 13% decline in volumes produced, a flat unit cost at €39 / MWh and no capacity payments in Portugal since June 2012. We were also affected by strong growth in B2C client base, which implies an increase in commercial costs following market liberalisation in Portugal and also lower arbitrage opportunities in the spot market.

On regulated energy networks in Iberia, EBITDA fell 4%, impacted by a €27 million one-off in first quarter 2011 on the sale of our electricity transmission assets to Red Electrica. Adjusted EBITDA fell minus 1% year-on-year on lower regulated revenues from electricity distribution in Spain following the measures announced by the Spanish Government in March 2012.

Regarding a picture in terms of the evolution of overdue debt from customers in Portugal, we saw no material impact on customer collecting cycle, even considering the current adverse economic environment in the country.

Moving to EDP Renováveis in page 27, we can see that EBITDA rose 17%, impacted by an increase of 6% of installed capacity and 10% increase in volumes produced. The increase in absolute terms of the EBITDA was €137 million, driven by the rest of Europe, namely Poland and Romania, Spain and the United States, which roughly half of the positive impact comes from Forex.

Regarding Brazil, we can see on page 28 that in 2012 market conditions were marked by strong electricity demands, although the growth in the southeast region was penalised by a slowdown in terms of industrial consumption, and very important the strong increase of spot prices namely in the second half of the year. This strong increase in spot prices was driven by a strong decline in hydro reservoir levels due to dry weather and some delays in commissioning of new capacity which requested the full dispatch of all available back-up thermal plants, increasing the generation costs and also the spot prices.

This environment affected the EBITDA performance of our subsidiary, EDP Brazil, which shows an EBITDA decline of 15% in local currency, penalised by some non-recurrent events. In distribution, I would highlight the negative tariff deviations on high electricity acquisition costs, reflecting the higher spot price in the market. These higher costs will be passed through to customers in 2013 and 2014, so it's a non-recurrent impact, and we have also the recurrent negative impact from the cut on Bandeirante return on RAB from 10% to 7.5% since October 2011. In generation, the recurrent positive impact from PPA price inflation updates was not enough to compensate the negative impact from the delay of our Pecém coal plant, so adjusted for non-recurrent events our EBITDA in Brazil fell 5% in local currency, reflecting essentially the cut on Bandeirante's return on RAB in the latest regulatory review.

Regarding prospects for 2013 in Brazil, in distribution the recovery of the negative tariff deviations is expected to be more concentrated in the second half of 2013 and in 2014 following the annual tariff updates of Bandeirante in October and Escelsa in August, while in generation we expect Pecém to have between 9 and 10 months of full capacity in 2013, and note that we expect that in the first 12 months of full operation of Pecém to have an EBITDA contribution of roughly BRL 215 million or roughly €85 million. Overall, we expect a significant recovery of EBITDA in Brazil in 2013 versus 2012, but still below what should be its normalised level.

In terms of dividend, the Executive Board of EDP has proposed a flat dividend per share of €0.185 for 2012, fully in cash, which puts EDP in top six dividend yields for 2012 at current share price levels, amongst EuroStoxx 600 companies.

In terms of outlook, for 2013 and starting for macro assumptions, the European Commission has recently revised its GDP forecast, so the new forecasts for Portugal and Spain are now -1.9% GDP in Portugal and -1.4% in Spain. As we know, historically there is a significant correlation between GDP and electricity demand evolution, on top of that we have already the figures for the first two months of the year, so in the Iberian market the electricity demand went down by 6.4%. Adjusted for temperature and working days, a slower decline in Portugal, -1.5% and slightly higher in Spain, -4.7%, and with this information, our new forecast in terms of electricity demand in Iberia for 2013 is now -2%, essentially reflecting the weak macro environment.

Looking to thermal production in Iberia, also looking to the performance in the first two months, we see a decline in terms of utilisation of thermal capacity by roughly 50%, slightly less, a 46% decline. This reflects hydro production coming to normalised levels, so the hydro factor in Portugal was very close to 1 in the first two months of the year and the renewables production increasing not only due to new installed capacity, but also due to very strong wind resources in January and February, so also the referred demand decline contributes to this lower production of thermal generation in the period.

On page 35 we can see also some figures from the first two months of the year, I would highlight on the left hand that pool prices in the first two months were lower year-on-year, so 9% decline, so despite new generation taxes in Spain in 2013 the average pool price year-to-date is €4.7 / MWh lower year-on-year, and also I would highlight that the average pool price in Portugal was slightly below Spain, which is normal given the taxes and given the higher hydro and wind resources. But very important I would highlight that although the pool prices are lower, there's more volatility, so we have higher volatility of prices, which increased the arbitrage opportunities, namely on pool purchases, hydro pumping storage etc, etc.

How do we stand right now in terms of the outlook for 2013 liberalised activities? We have 100% of our commitments of coal fully closed, so we have fully hedged our coal production. In terms of gas, we have covered already 80% of our commitments. We continue growing in terms of wholesale and retail sales of electricity and gas, so I would say that we are quite protected and we still have a good placement in terms of markets to take advantage of some arbitrage opportunities which can happen, namely through replacement of thermal production by electricity purchases, operation of the recently commissioned hydro pumping and repowering capacity in Portugal.

In terms of outlook for regulatory receivables in Portugal, so we maintain the evolution as expected, so we expect an increase in the region of €500 million in 2013. In terms of the first two months of the year, I would highlight on the positive side the hydro production, which is much better than last year, tariff increases that were fully implemented, market liberalisation with the number of clients in free markets increasing faster than expected and all the measures that were announced by the Government in May were already implemented, so the cuts on CMEC, the capacity payments, cogeneration, and wind agreement. On the negative side, of course, demand, which is slightly worse than expected, nevertheless we expect stabilisation during the year to -2% in 2013. On the CO_2 auction we have the issue of lower prices in the market, which decreased the visibility in terms of the volumes and prices of CO_2 auctions to be done in 2013.

We can see on page 38 that Portugal continues to benefit from a cheaper and more mature mix of special regime technologies, we have less solar and more cogeneration versus Spain so lower premiums and lower costs with the special regime, which definitely is an advantage in terms of the future evolution of regulatory receivables in Portugal.

In page 39 we highlight also the amounts of debt that we have available for securitisation and the maturities that they have so we have essentially securitisable assets with relatively short maturities, so 2.5 years in average with a low risk and adequate remuneration which we also consider a competitive advantage.

In terms of Capex we maintain our guidance of €2 billion in line with 2012, reflecting the ongoing expansion in wind, so we expect to install 500 MW mostly in Poland and Romania in 2013, there is a new hydro plant under construction, five hydro plants to be commissioned in 2014-2016 and in Brazil the conclusion of Pecém and most importantly the ongoing construction of Jari and start of construction of Cachoeira Caldeirão.

I will move now to our CEO to EBITDA outlook and closing of the presentation.

António Mexia

Thank you, Miguel. I think that the breakdown of the EBITDA of the company is always useful to understand the issue of visibility of our earnings, our results. What we expect for EBITDA 2013 is a flat year compared to 2012. As you know 2013 was as already foreseen, will be penalised by the shutdown of an important plant in Portugal, Setúbal, and of course by the fact it will be the first full year of the impact of regulatory measures in Iberia.

In what concerns EBITDA for 2014, we see it clearly above EBITDA of 2011 and the key reasons are related to the fact that we will have the first hydros coming out of the CMECs. As you know the implicit price on the CMEC is €25 / MWh so this will be in the free market of course with higher prices. And of course the new hydro capacity that will have impact; as you know in the year of 2014 we will have two new hydros, one mid-year and the other towards the end of the year, and of course wind capacity and especially the consolidation of ENEOP. ENEOP, as you know, is the development of the projects in Portugal; when we won the bid where we have 400 MW in the first phase that will go up. And we will have in 2013 still non-consolidating and in 2014 it will be the first year of the consolidation of those wind farms, after the full project is developed.

Compared to the business plan in May what I would like to stress is basically, what is new? We don't see major changes except for what, in Spain we already considered the first wave of new measures, we had already considered the changes in Portugal, but the numbers did not include what happened later, the taxes, and of course part of the taxes will be passed to the market, but part of it will be of course supported by the company and also the recent renewable package in Spain, and we can elaborate a little bit more on that but of course this will have, even if it is small, but an impact compared to what we expected in May. And the other figure that changed compared to what we talked in May is of course Brazil, namely the rain. Fortunately now everything is getting better, the reservoirs are already above the 40%, but the very dry rainy season had already an impact in 2012 and of course will still have an impact in the first quarter of 2013, but we see this being normalised. When we see on a five/six year period, typically five or six years in Brazil, basically hydro tends to be slightly above what is a normal year and suddenly sometimes you are below. It is the case with a very low rainy season.

Clearly we have an improvement also in terms of mini-hydros compared to 2012, because of now finally we have a normal rainy season in Portugal, so typically we don't see major changes and of course Pecém being fully commissioned during 2013, of course the full impact on a full year of both in 2014 will also contribute to a better year. So, flat 2013.

In what concerns what we see into the future is of course also in terms of consensus, in terms of profit we don't see at this stage any major difference with the consensus. And in what concerns debt we feel comfortable with the consensus, with the securitisation that we anticipate for 2013 compensating the increase that we have already mentioned in the last quarter in terms of receivables, in Portugal peaking in 2013 and then going down, but we expect securitisation deals more than compensate this is in Portugal.

What we see is a resilient business model, of course in a challenging environment and the fact that we will be, in terms of results, delivering what comes from a resilient performance enhanced by diversification. The fact that the capacity additions are concentrated in wind and hydro and in Brazil, we will keep the low risk profile with a strong Capex discipline lowering as we see in 2012, keeping the commitment for 2013. We will do the disposal program, we will use, if it is needed, the flexibility in terms of investment in 2014 and 2015. We have a very comfortable liquidity, financial liquidity position and when we look we have just presented figures where the earnings per share have been €0.277 per share. We see a return on equity of 12.4%. We will see delivering the dividend per share as committed fully in cash and we have clearly an improvement of the visibility of the medium term free cash flow, based on the mix, based on the returns, based on diversification and based on the risk approach, so typically keeping very much in spirit of the figures and the commitments of the business plan that we have presented to the market, with the changes that I just mentioned.

Let's go for the Q&A.

Questions and Answers

Alberto Gandolfi – UBS

Thank you, good morning. I have four questions please, hopefully quite brief. The first one is if you can provide further colour on the securitisation process, which type of agents are effectively interested in acquiring these instruments and what is the process, where are we in the process, what are the main risks to it, and how much would you expect to be done in 2013.

Secondly, a little bit more, like bigger picture question I guess, mostly rotating around Capex, it seems quite obvious at this stage that the fundamentals are not just cyclically bad or the business cycle is quite longer than usual, it seems that something deeper, and also governments don't lose the opportunity to extract cash. Wouldn't it be more prudent to run the company on a lower gearing and say, God forbid, if variable rates were to go up, the earnings power could be in trouble? Why not more aggressive measures at this juncture.

The third question is talking about the Iberian liberalised business in 2013, I understand what you are saying on volatility, the lower prices, ad-hoc taxes, I mean we should expect this business to be meaningfully down because of mostly taxes and ongoing drop in demand in 2013, am I right.

Very, very last one, you talk about EBITDA in Brazil not normalising until 2014, what is normalised figure in your mind. Thank you.

Nuno Alves

Hi Alberto, it's Nuno Alves; I will answer the first one on securitisation. Basically we have started working on a process to try to during 2013 to sell part of the receivable assets. What we are trying to do is to set up a vehicle which will be rated as we have done in the previous two securitisations and then access the market. The main obstacle or not to it is are we going to maintain or is the market going to stay as it is today, during the course of the year. If that is the case we are fairly optimistic we will be able to securitize a good chunk of it, but that is the $6 million question, are we going to have a reasonable market in terms of access and rates during the course of the year? But the expectation is still positive, as the market has been performing well from the beginning of the year.

António Mexia

In what concerns the question of Capex, we have been stressing the fact that the sector against what was the idea for a decade can be cyclical, where regulators and governments tends to be nicer when they need new capacity, and we see already positive signs in Europe, even in markets that were unsuspected to be this new vision, like the British market. Clearly we are being sharp and smart in this. First hydro; first, whenever you ask, you start with hydro, don't stop it at the middle, you need by the way to finish as soon as possible to start producing results, so basically we don't stop hydros, and in any case it is clearly a technology that is much more protected, in the long term value creation there is no doubt, especially due to the fact that two-thirds of what we are doing is repowering, with of course in terms of Capex per megawatt much lower than any other thing.

Then the second layer of growth is renewables and we have been proving that our growth has been coming from where? Where you make money. Where you can create value. Where prices are higher. We have been quite responsible on downgrading the targets and the development in markets that are not delivering value like the US and we were the first to stress this in the first row saying until we can have visibility about this market even with now the PTC extension, you have not heard going to the rooftops screaming that we are back again.

Then last but not least, the focus on Brazil where the investment in Jari and Cachoeira, we are talking of double-digit returns, very attractive projects that clearly you can control on time and on costs, and typically creating a difference. Once again, hydro mainly in Portugal and Brazil, then renewables in specific markets but we will use the flexibility in 2014 and 2015 if we need to keep financials under control, to keep the commitment of net debt over EBITDA less than three times by 2015. We will use it, the question is of course we have already been reducing and at this stage and we will be talking more and eventually different or not in several months, we don't at this stage see any reason and of course we will not stop what makes nonsense to stop. We have now Capex over EBITDA around 55%, very different from three or four years ago and as we have mentioned we will go typically to 50%, but once again hydro, Brazil and renewables is very different from investing in other things because here you have visibility about the revenues and returns.

Liberalised 2013, it will be worse. Of course you still have demand destruction, fortunately for us the regulatory system, especially on Portugal does not impose losses on the regulated part, but of course the liberalised market with lower demand and taxes will be a weak 2013, but at the same time as we have Alqueva II, and the repowering that we have mentioned enables us to compensate part of it, but of course 2013 will be non-exciting for the liberalised market. It is one of the reasons why we have kept our target in terms of the portfolio of liberalised business around 10%, so clearly we put our money where we put our mouth.

Miguel Viana

Hi Alberto, in terms of Brazil, so what we are saying 2012 is that the adjusted EBITDA is R$1.5 billion, okay so on top of that and this has zero impact from Pecém and is slightly negative, so 12 months of Pecém we expect R$215 million so you should add that to the R$1.5 billion, we should have still some slightly negative which is the revision of the return on RAB from Escelsa but it is much smaller the negative of that revision versus the full commissioning of Pecém, so this is what I can give you to help you on the future normalised level.

Pablo Cuadrado – Bank of America Merrill Lynch

Just a few questions, the first one is looking to the guidance of 2013. I think you say on slide 41 you mention that you are planning to have a €66 million one-off in the Spanish distribution, on gas transmission, sorry the Spanish gas business. I was wondering whether you can give a little bit more detail on the back of that.
The second question as well is looking to the liberalised business, Q4 has only provided €75 million EBITDA and I think that the cut on the capacity payments has happened in Q3, I was wondering whether you can provide us if there was anything of that in Q4 of last year that was a little bit special.
The third question will be just to have your view again about the cost of debt going to 2013, after a decrease a little bit in 2012.
The last question is on the dividend, you have said that you feel comfortable with the current consensus approach on net income for 2013 which somehow is indicating that net profit should fall a little bit in 2013 versus 2012. That should trigger potentially the payout to a level closer to 70%, which is above the range that you provided last year. Do you feel totally comfortable setting that floor dividend of €0.185 or do you think that if you break that range you may add.

Nuno Alves

Well, the cost of debt that we are estimating today for 2013, bear in mind it is still beginning of the year, would be roughly between, somewhere between 4.3% and 4.4% for the whole year, so there will be an increase in 2013 on the cost of the funding.

António Mexia

In what concerns the €66 million one-off in 2013, we are talking basically on, because of the value of the gas transaction that is associated with one-off gain, best estimate.

Miguel Viana

Regarding the question on the liberalised activities, so the €35 million, you are right so it is abnormally low so we have some one-offs here related with adjustments versus previous quarters, so if you look to the total liberalised activities in 2012, so in the fourth quarter it is okay, but slightly higher costs which were not accounted in previous quarters and some other non-recurrent adjustments intra-quarter, so I would say that the recurrent level should be more in the region of €18 million in terms of this activity, adjusted for all these issues. I think we have answered all the questions.

Pablo Cuadrado – Bank of America Merrill Lynch

I don't know if I missed the first part of the answers, I missed any comment from the dividend side.

António Mexia

I started with the dividend, so eventually you had a problem of communication. I started by the dividend saying clearly that it is the reason why I mentioned it first even if it was your last question, to be very clear that we will not change the commitment with €0.185 being the floor, especially because we see 2014 being clearly a reversal going back again to above €1 billion, and so clearly we don't see any reason even if for one year you are outside the 55%-65% to change the dividend policy. We did not spend all the time since 2006 building this 85% increase in dividend to change our credibility and our commitments at this stage. It is totally sustainable, totally funded, so it makes sense, so we will not change it.

Manuel Palomo – Exane BNP

I just have a couple of questions, one is on the tax rate which I believe it was particularly low in 2012 and particularly in the last quarter and I would like you to share with us what are your views on this and whether you could elaborate a little bit more on why it was so low and what is your expected tax rate for the coming years.
The second question which would be on the CTG deal and the update, if I am not wrong we should see another announcement quite shortly in order to accomplish with the commitments - well I think it was May this year when we should see another transaction. How is it going and whether we will see or whether you could update us a bit on this?

The third question would be on the thermal production in Iberia. You have shared with us your views on the demand evolution and I would like to ask you what is your view on the CCGTs production going forward, after the low load factors that we have seen both in Spain and Portugal, and in particular once you start your operations in new hydro plants and what to do with these assets. Thank you very much.

Nuno Alves

As far as tax rate, you are right we paid lower tax rate than probably was expected, nonetheless higher than in 2011. The expectations going forward will be for a slight increase but not a very large increase in 2013 and going forward, but we continue to find ways to have a tax rate below what should be expected.

António Mexia

In what concerns CTG deal, we have been working with CTG, until now we have respected the deals. We expect 2013 to deliver what is more or less a total of €1 billion already considering that €359 million already signed, so we are talking about additionally, during this year, we will be talking about north of €600 million additional deals in 2013. We have people working on the assets, we have already identified countries, we have already been discussing issues, so we are on time as agreed to reach this target that is important for the 2013 figures.

In what concerns the thermal production, here when we see what is going on and we see coal being the new kid on the block, the new old kid on the block because everybody was expecting two years that they will be out of business, they are running full steam ahead, you can say, with lower capacity utilisation of CCGT. They have been working on ancillary services. I think that we have flexibility on take-or-pays that protects us in terms of this business. Of course it is a non-exciting business, but typically when you have CO_2 between €3 and €5 in the last weeks it shows that coal will be the sexy fuel and the rest will have to wait for the replacement but this will not be of course influenced by the new hydro capacity in Portugal because this will not represent any major change in what concerns the signals, in terms of coal prices or CO_2 prices that are giving the guidance for this kind of energy mix utilisation. Basically it will be shining for longer than we would like but of course this will depend very much on the CO_2 price.

Carolina Dores – Morgan Stanley

Good morning, thank you for taking my question. I have two. The first one you talked about Capex flexibility; for 2014 and 2015 when would be the latest time where you can take the decision of slow down Capex, because I thought you had to do it by January or can you decide on doing a lower Capex, I don't know, maybe June/July and if 50% is the lowest you could go. The second thing is on the announcement that the regulator in Brazil has granted you part of the compensations for the losses of Pecém. I see in the presentation that you expected a decision in the first half of 2013. Is there hope that you *can receive full compensation of the announcement of yesterday, is the last and final decision from Aneel. Thank you very much.*

Nuno Alves

Carolina the Capex flexibility for 2014 and 2015 what we have said all along is we could if needed reduce the planned investments in 2014 and 2015 to the magnitude of €200-300 million if conditions deteriorate. Those decisions for 2014 and because those Capex cuts would be on the renewables side, they don't need to be done before the third quarter of this year. So, once we have seen how the first half goes and what we have in our hands at that time we will make a decision for 2014 in the third quarter of 2013.

António Mexia

In what concerns Brazil, the decision of yesterday is already basically included in 2012 figures, so we will not have any change with this. Globally, Pecém, it was clearly a problem for 2012 because of the delay. Fortunately it is the opposite on the other projects, namely Jari and even Cachoeira we have just started, but we see a very different mood.
In what concerns Brazil, the key issue is about what we have been discussing about the funding of the tariff deviation created overall in the sector in January and slightly lower in February, and as you know companies have been discussing with the government the possibility of having revenues, somebody on the treasury buying part of this tariff deviation, and as you know if they buy part of the tariff deviation then it will be considered in EBITDA. Tariff deviation in Europe because of legal is on EBITDA in Brazil is not on EBITDA. So there the critical issue is to follow in the next weeks what will be the decision about if the government decides to use the energy money to buy part of the tariff deviation to ease the financial constraints of, it is not our case but as you know some of the smaller disco companies are facing problems because of this huge tariff deviation in January. So, that is the key issue.

Pecém, basically we have number one working well, number two is at the last phase so you will have typically around nine months of working of the second group, so on Pecém the only thing that we can expect is better news than in 2012. So, Brazil is about following tariff deviation and rain, rain is the thing that makes everything, because even the Pecém delay in 2012, the cost of this delay was higher because no rain and you had to buy energy with a high PLD, higher than expected.

Nuno Alves

I have a web question here from Andrew Moulder rather than read the question, the question relates to the CTG agreement and some update on it. Just to clarify because there seems to be a little bit misunderstanding of what was supposed to occur and what has occurred and will occur. On the financing side, there was a commitment of €2 billion to EDP. We have drawn €1 billion in August and there is €1 billion left. The €800 million that we received as a loan from Bank of China was not part of the agreement, so that does not take up the position that was formally committed by the China Development Bank. So, of the €2 billion, €1 billion was drawn, the other €1 billion is still to be decided what to do, but the €800 million clearly was not part of that package.

In as far as the sale of wind farms, €360 million are done, the total amount of the investment that was committed upfront was €2 billion, so there is €1.6 billion left of which we are expecting €600 million in 2013 according to the plan.

Stefano Bezzato – Credit Suisse

Two questions, if I may. First of all, can you please clarify what is the increase in operating cost due to the energy supply liberalization in Portugal? And how much of this increase is to be considered a one-off related to the switching phase? And the second question is on your D&A 2012 includes €53 million of impairments for renewables. Can you give us some guidance on what you expect in D&A in 2013, please?

Nuno Alves

Let me start with the impairments. You are right: there were two or three impairments that affected the 2012 accounts, other than renewables area. Our expectation as of today is there won't be any impairments in 2013, so we have just gone through all the impairment studies, so all the rest is because they didn't have any impairments, otherwise we would have to book the impairment on here. It doesn't mean that during the year through circumstances there won't be others created, but as of today there is none.

Miguel Viana

Stefano, regarding the commercial costs, of course all these liberalization processes costs money, so in the fourth quarter there was a huge increase, so in terms of costs, namely call-centers, contracting costs, bills, so closing new contracts, all that kind of stuff which we estimate around €5 million in the fourth quarter and €10 million in the total year of increase related with all these processes which of course implies an increase in the level of interaction with clients.

Gonzalo Sanchez-Bordona – BPI

I have only one question left. I was wondering what your view on changing the shareholding structure we have seen today with Liberbank combining their stake with Grupo Masaveu, and if you expect any other changes in the short term? Especially I'm referring to Iberdrola, which has been saying for a long time that they could be sellers of *their stake. Also, I would like to know if you would use your treasury shares as a way to facilitate the exit of any of your shareholders, if it was needed, in order to avoid with an overhang risk. Thank you.*

António Mexia

Gonzalo, I think that what we have seen today is good news. I think that this together with the sale of the 4% of the government represents clearly two overhangs out, so everybody has been mentioning the government will sell, Liberbank needs to sell and basically the structure shows that they will stay in the company, they will commit that this new structure will allow the presence of these two Spanish groups will be working and keeping as a minimum the actual participation they have today, so I think it is good news. You are right, the last one that is still hovering in there is Iberdrola but this once again we have been talking for at least five years about this, I have nothing new but it is their decision, but anyway I think that the recent past shows that today we are better, and we have seen the present increase of specific investors that are important in the stability of long term value investors. I think that if anything the shareholder structure today is sounder than it was of course six months ago or a year ago.

Michael Ridley – Mizuho

So, I wanted to ask about the goal of getting leverage to 3x by 2015. On an unadjusted basis you've risen to 5x at the moment, so is it sale of subsidiaries to CTG, or a recovery of EBITDA, or something else that will get you to 3x by 2015? Secondly on liquidity; I know you have adequate liquidity, but what are your issuance plans into the bond market for the next 18 months? Thank you

Nuno Alves

The 3x net debt to EBITDA that we announced last May on the business plan, it is clearly the target. There is no reason today to change the expectations we have for 2015. What we have said all along is if required extra measures than the ones that are previewed and announced on the business plan we will do so in order to meet that goal. As of today we still don't see any need for extra measures other than the ones announced at that time. We continue to expect EBITDA to grow. We continue to expect the deleveraging to occur throughout 2015 and those two together should give us the adjusted, so excluding the sales or non-sales of tariff deficits, ratio of 3x net debt to EBITDA. In terms of issuing plans, clearly we are in a much stronger position today than we were six months ago, we have issued through the loan market and the bond market and other types through deleveraging, we have raised more than €4.5 billion in the last six months which puts us in the position we are today, but nonetheless we will continue to address the markets when we see fit. We had mentioned prior to this call, so we've been talking about we would like in 2013 to access the US market. We have not been there for quite a while. We have needs in the future for Dollar denominated funds, so we will try during 2013 to issue in the US market. In as far as the Euro market, we will be more opportunistic, if we find an opportunity to extend the maturity at reasonable prices, we will access the Euro market but that decision has not been made. The US market, it is something we would like to do, the Euro market is something if it comes in nice we will do.

Closing Comments

António Mexia

Once again everybody thank you and I have just noticed that the pictures that we have been seeing from us and especially mine were pictures taken in 2006/2007, very different times in the sector where people were talking about windfall profit, I don't know if you remember, where everybody was asking us to buy companies and to leverage ourselves to 7x EBITDA, but if you see, in my case except for the glasses I don't look older so it means that we have been protected by our low risk approach and our asset management policy and Nuno Alves eventually is whiter but it looks the same because of the pre-financing strategy we do in advance and so only Miguel looks older, so thank you very much and see you next time.