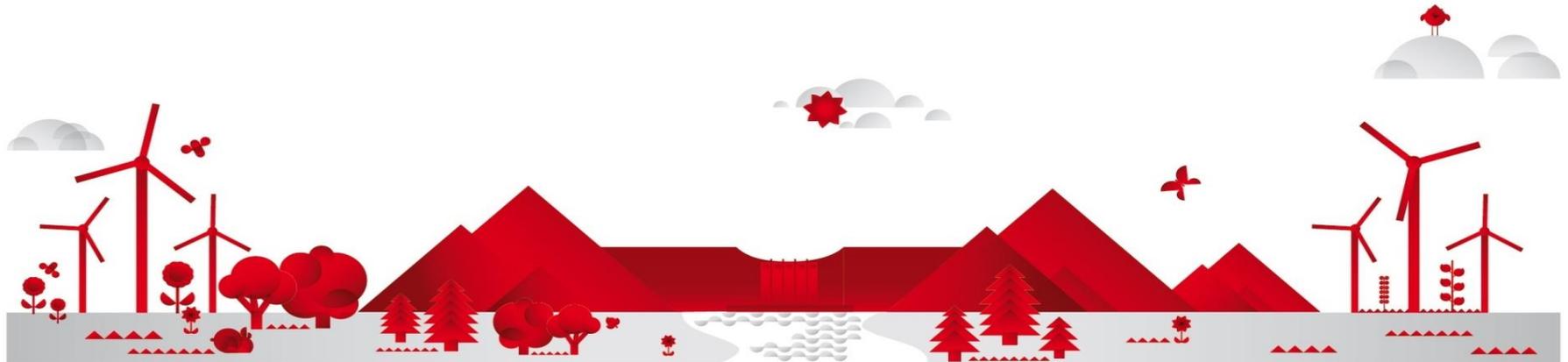




# Results Presentation 2016

Lisbon, March 3<sup>rd</sup>, 2017



MEMBER OF  
**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM

# 2016 Results: Full delivery of commitments

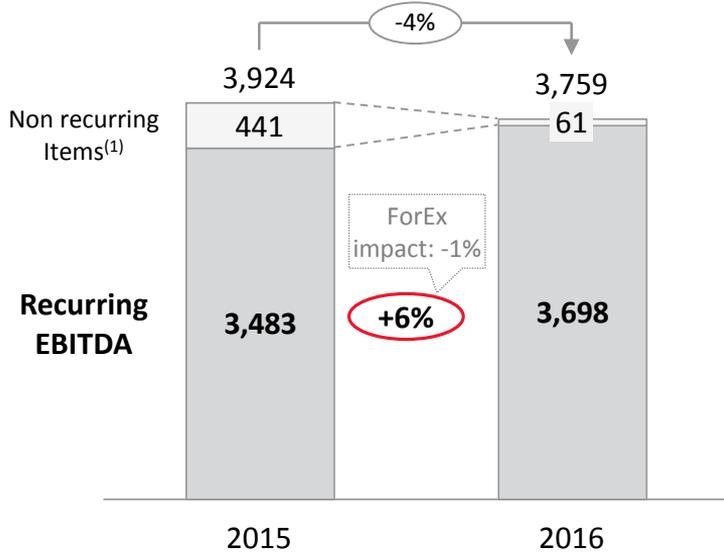
	Guidance May-16	Guidance July-16	Reported	Main highlights
<b>EBITDA</b>	>€3.6bn	~€3.75bn	<b>€3.759bn</b>	<ul style="list-style-type: none"> <li>Good energy management and hydro production</li> <li>Delivery of +6% avg. capacity (all renewables)</li> </ul>
<b>Net Profit</b>	~€900m	~€950m	<b>€961m</b>	<ul style="list-style-type: none"> <li>Interest costs -14%</li> <li>One-offs neutral below EBITDA: Negative on financials (mostly debt prepayments); Positive on taxes (4Q16)</li> </ul>
<b>Net Debt</b>	~€16.5bn	~€16.0bn	<b>€15.9bn</b>	<ul style="list-style-type: none"> <li>Regulatory receivables down by 62%</li> <li>Negative impact from forex (-€0.3bn)</li> </ul>
<b>Dividend</b>	€0.19	€0.19	<b>€0.19<sup>(1)</sup></b>	<ul style="list-style-type: none"> <li>+3% YoY</li> <li>72% pay-out</li> </ul>

(1) Dividend per share to be proposed by Executive Board of Directors to the next ASM

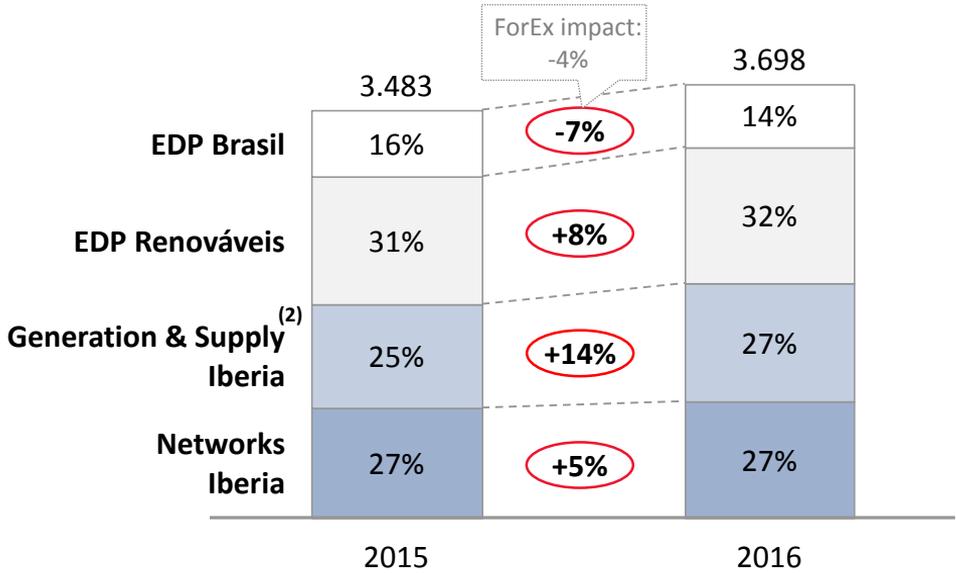
# Recurring EBITDA: +6% based on portfolio growth and efficiency

**EBITDA**  
(€ million)

○ % Chg. YoY



**Recurring EBITDA**  
(€ million)



**Iberian recurrent EBITDA +9% growth, above portfolio average**

Hydro growth & energy hedging strategy + improved networks regulation in Spain + efficiency gains

(1) In 2015: i) gain on disposal of gas distribution assets in Spain (-€89m); ii) gain from Pecém I acquisition (-€295m) iii) net one-offs at EDPR level (€57m); in 2016: gain on the sale of Pantanal (+€61m)

(2) Includes "Other"

# Strong performance on operating costs

● Weight on Opex

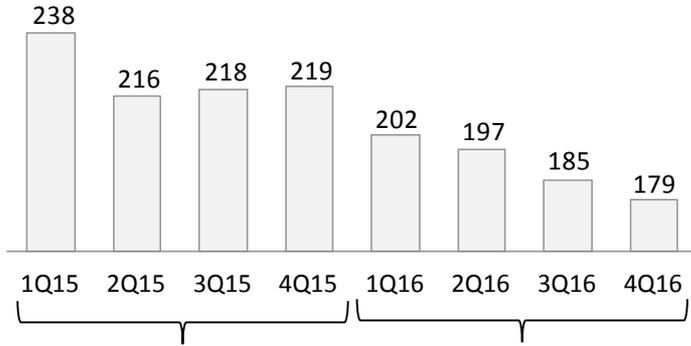
Business area	Indicator	YoY Change	Main drivers
58% Iberia	Opex	0%	<ul style="list-style-type: none"> <li>Generation capacity: +1%; # customers: +2%</li> <li>Avg. headcount: -1%; Inflation Portugal +0.6%</li> </ul>
25% EDPR	Core Opex/MW:	-5%	<ul style="list-style-type: none"> <li>Average installed capacity: +11%</li> <li>Opex: +6%</li> </ul>
17% EDP Brasil	Opex in BRL - inflation adjusted (Pro-forma):	-2%	<ul style="list-style-type: none"> <li>Opex in BRL: +4% pro-forma<sup>(1)</sup></li> <li>Inflation 2016: +6.3%<sup>(2)</sup></li> </ul>

**Opex IV corporate-wide efficiency programme: €105m savings in 2016, 22% above target**

(1) Including 12 months of Pecém opex both in 2015 and 2016; (2) IPCA

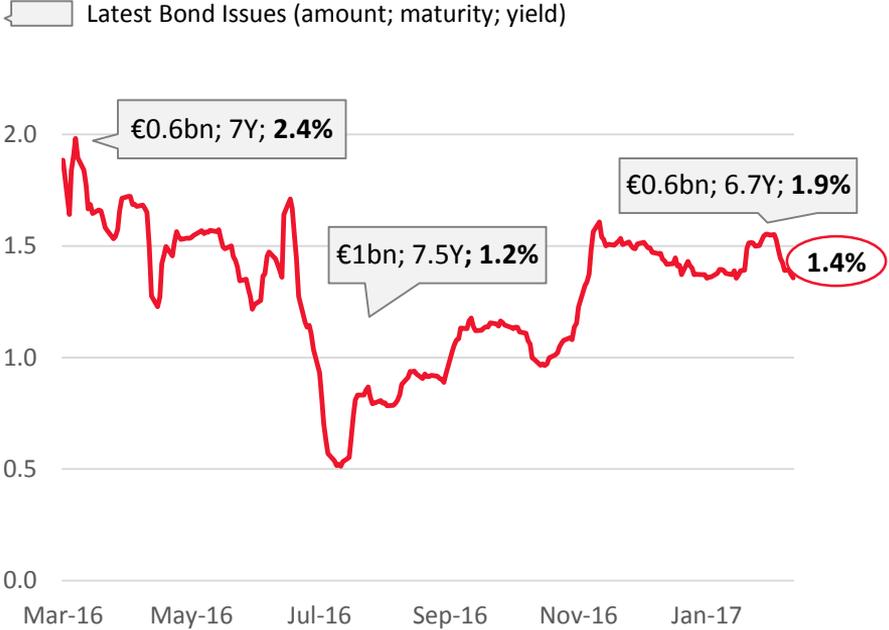
# Net interest costs: -14%

**Net Interest Cost <sup>(1)</sup>**  
(€ million)



	2015	Change	2016
Net Interest Cost <sup>(1)</sup> (€m)	892	-14%	763
Avg. Net Debt (€bn)	17.3	-5%	16.4
Avg. Cost of Debt (%)	4.7	-30bp	4.4

**EDP 5-Year Bond Yield (last 12 months)**  
(%)

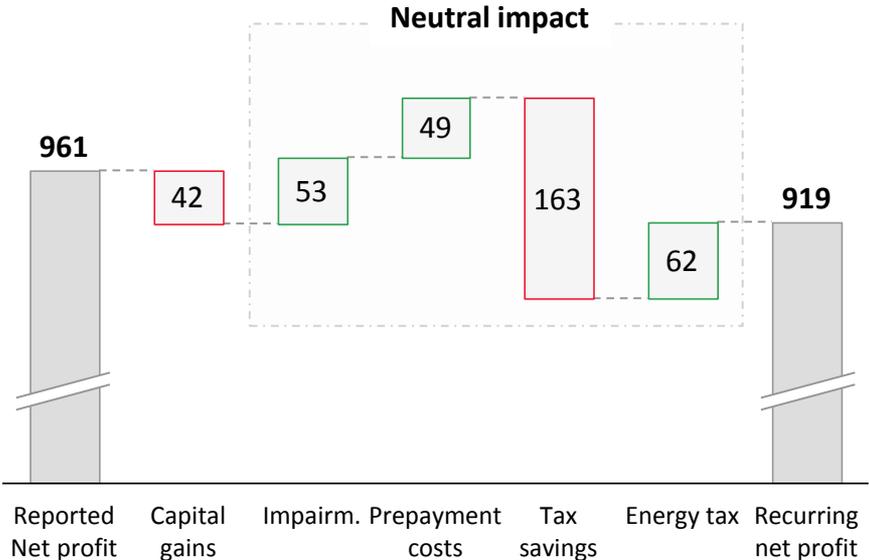


**Steady deleverage process and marginal cost clearly below average cost of debt**

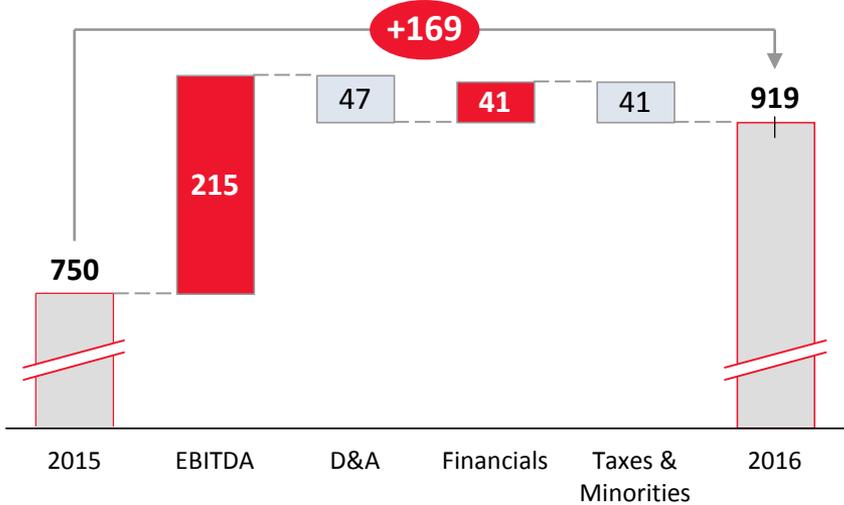
(1) 4Q16 net interest cost excludes non recurring costs with bond buybacks (€49m)

# Recurring Net profit: +23%

**Net profit 2016**  
(€ million)



**Recurring net profit**  
(€ million)



**Supported by growth in recurring EBITDA (87% of which in Iberia) and lower interest costs**

## EBITDA drivers for 2017

### Iberia



Growth: Hydro capacity +1.4GW in 2016 & 2017; Free market supply increase in # of customers



Hydro production & energy management: Challenging YoY comparison



Efficiency: Further improvements (Opex IV)

### EDPR



**Avg. installed capacity: +7%-9% YoY** (benefiting from 2016 & 2017 additions)

### EDP Brasil



**Distribution:** EBITDA growth supported by Escelsa rate review (Aug-16) and market improvement



**Avg. BRL vs. EUR +30% YTD**

**Positive impact from refinancing costs below average: Avg. cost of debt -10bps to 4.3%**

**Delivery of growth and deleverage targets consistent with 2016-2020 plan**

# On track to deliver our 2020 targets



		2016	2020 target
<b>1</b>	<b>Focused Growth</b>	EBITDA growth	<div style="border: 1px solid red; padding: 2px; display: inline-block;">+6%<sup>(1)</sup></div> <span style="font-size: 2em; vertical-align: middle;">➔</span> <div style="border: 1px solid red; padding: 2px; display: inline-block;">+3% CAGR</div>
<b>2</b>	<b>Continue Financial Deleveraging</b>	Adj. Net Debt/EBITDA <sup>(2)</sup>	<div style="border: 1px solid red; padding: 2px; display: inline-block;">4.0x</div> <span style="font-size: 2em; vertical-align: middle;">➔</span> <div style="border: 1px solid red; padding: 2px; display: inline-block;">~3.0x</div>
		Avg. cost of debt	<div style="border: 1px solid red; padding: 2px; display: inline-block;">4.4%</div> <span style="font-size: 2em; vertical-align: middle;">➔</span> <div style="border: 1px solid red; padding: 2px; display: inline-block;">4.2%</div>
<b>3</b>	<b>Keep Low Risk Profile</b>	Weight of renewables on inst. capacity	<div style="border: 1px solid red; padding: 2px; display: inline-block;">72%</div> <span style="font-size: 2em; vertical-align: middle;">➔</span> <div style="border: 1px solid red; padding: 2px; display: inline-block;">76%</div>
<b>4</b>	<b>Reinforce Efficiency</b>	Opex IV programme (Cost savings/year)	<div style="border: 1px solid red; padding: 2px; display: inline-block;">€105m</div> <span style="font-size: 2em; vertical-align: middle;">➔</span> <div style="border: 1px solid red; padding: 2px; display: inline-block;">€200m</div>
<b>5</b>	<b>Deliver Attractive Returns</b>	Net profit growth	<div style="border: 1px solid red; padding: 2px; display: inline-block;">+8%<sup>(3)</sup></div> <span style="font-size: 2em; vertical-align: middle;">➔</span> <div style="border: 1px solid red; padding: 2px; display: inline-block;">+4% CAGR</div>
		Divided pay-out (€0.19/share as a floor)	<div style="border: 1px solid red; padding: 2px; display: inline-block;">72%</div> <span style="font-size: 2em; vertical-align: middle;">➔</span> <div style="border: 1px solid red; padding: 2px; display: inline-block;">65%-75%</div>

(1) Recurring EBITDA; (2) Net debt excluding regulatory receivables; (3) Recurring net profit in 2016 of €919m vs. €850m net profit base for 2015, as stated in business plan for 2016-20, presented in May-16



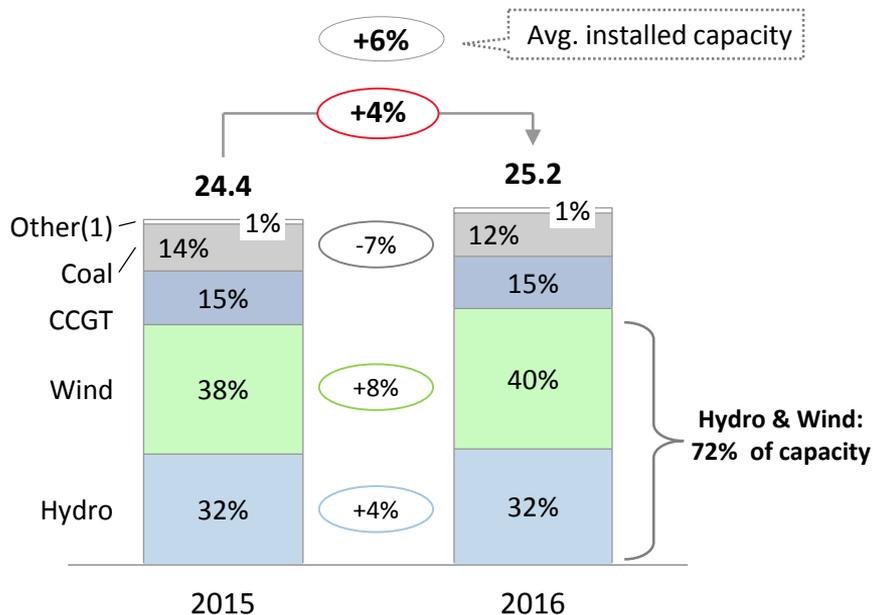
# Results Analysis

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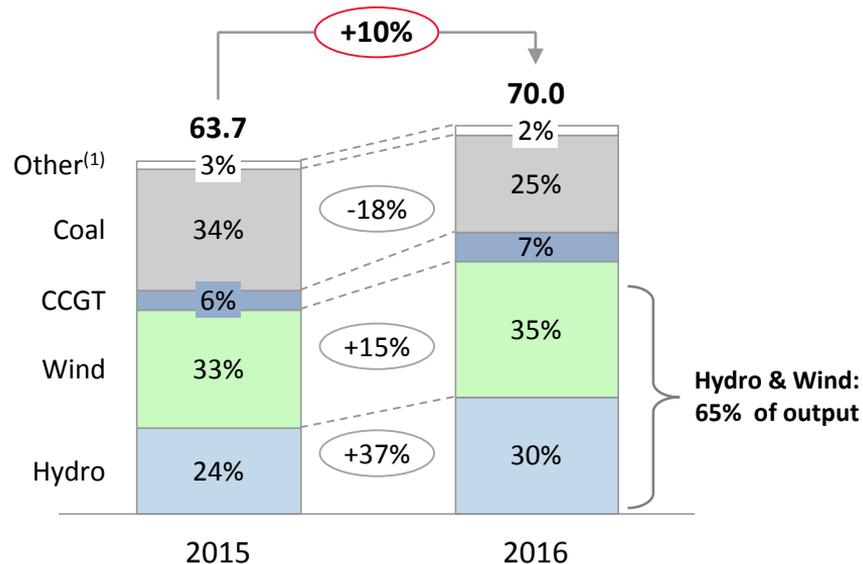
# EDP's global generation portfolio: reinforced with more competitive renewables



Installed Capacity (GW)



Production Breakdown (TWh)



**Installed capacity +4%: +0.8GW wind, +0.4GW Hydro Portugal, -0.2GW coal Spain**

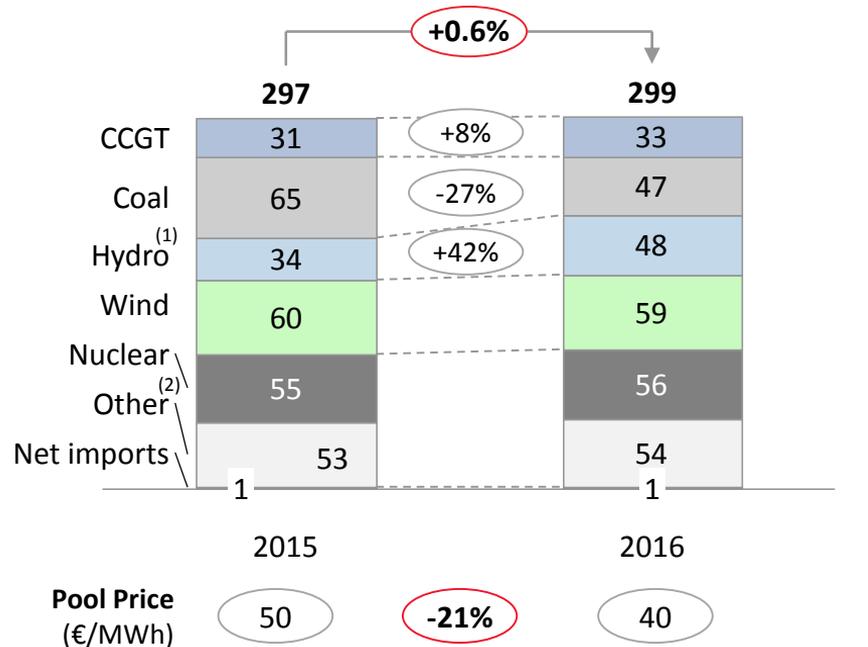
**Electricity production +10%: improved hydro resources in Iberia and wind/hydro capacity additions**

(1) Others include thermal special regime (cogeneration, biomass), nuclear and solar

# Overview of Iberian Market in 2016



Electricity Demand and Supply in Iberia <sup>(1)</sup>  
(TWh)



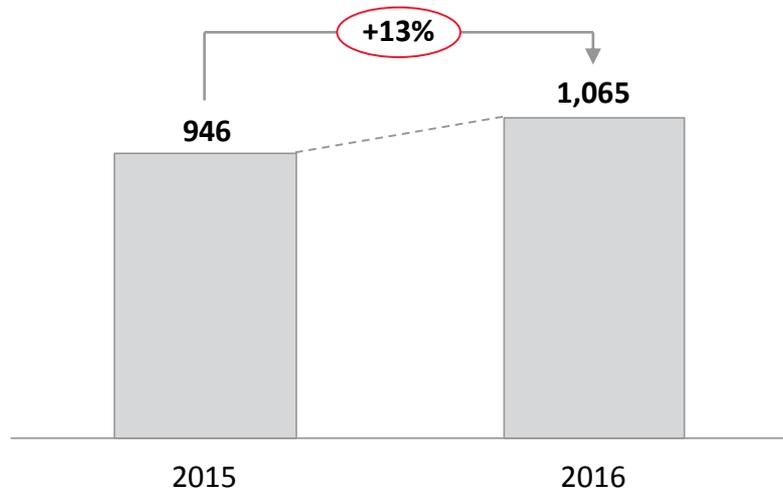
- **Electricity demand:** +0.6% in Spain and Portugal, following +2% YoY step up in 4Q16
- **Hydro production:** +42%, hydro index Portugal 1.33 in 2016 vs. 0.74 in 2015 (but 0.5 in 4Q16)
- **Coal and gas power plants production:** -16%, mainly driven by coal
- **Gas demand:** +3% in Iberia, with a strong recovery in 4Q16 (+14% YoY)

**Strong hydro volumes justify 21% YoY decline in avg. pool price to €40/MWh in 2016**

(1) Net of pumping; (2) Other special regime (ex wind) and electricity consumption by thermal plants.

# Generation and Supply Iberia (27% EBITDA)

## EBITDA Generation & Supply Iberia (€ million)



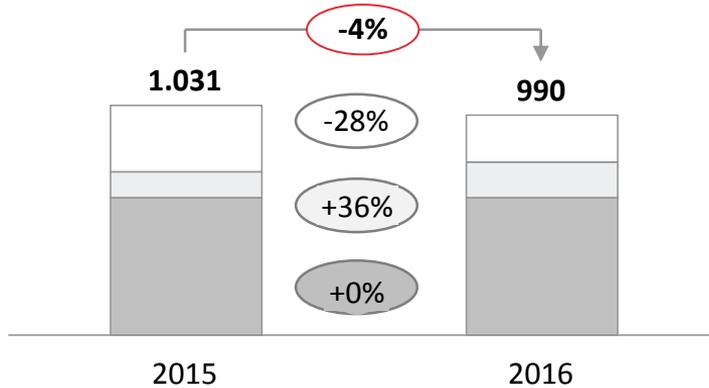
- **Hydro:** Capacity +7%, production +98%
- **Avg. sourcing cost -23%:**  
Avg. generation cost -30%, hydro weight in generation mix reached 43% (vs. 25% in 2015)
- **Long market position on clients:** electricity production in 2016 represented 56% of electricity volumes sold to clients
- **Energy management:** benefiting from strong volatility in energy markets (1H16)

**Good performance in 2016 following hydro resources above avg. and good energy management results**

# Regulated Energy Networks Iberia (27% of EBITDA)

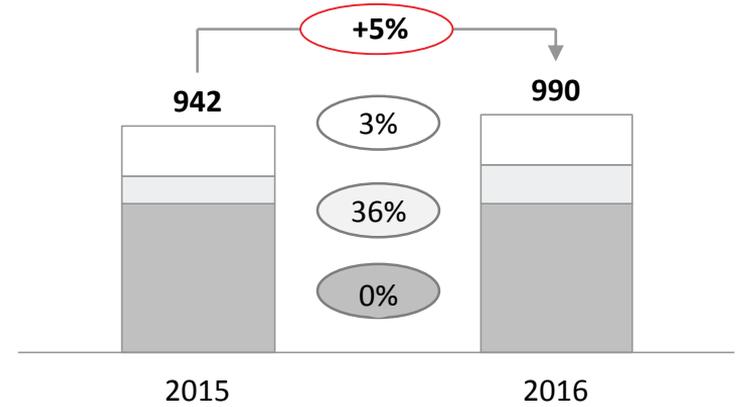
**EBITDA - Regulated networks**  
(€ million)

□ Gas Iberia   □ Electricity Spain   □ Electricity Portugal



**Adjusted EBITDA<sup>(1)</sup> - Regulated networks**  
(€ million)

□ Gas Iberia   □ Electricity Spain   □ Electricity Portugal



- **Electricity Spain:** positive impact from new regulatory framework
- **Electricity Portugal:** RoRAB at 6.48% (+14bps YoY); good performance on costs
- **Gas Iberia:** Tight cost control; One off gain of €89m on the sale of Murcia in 2015

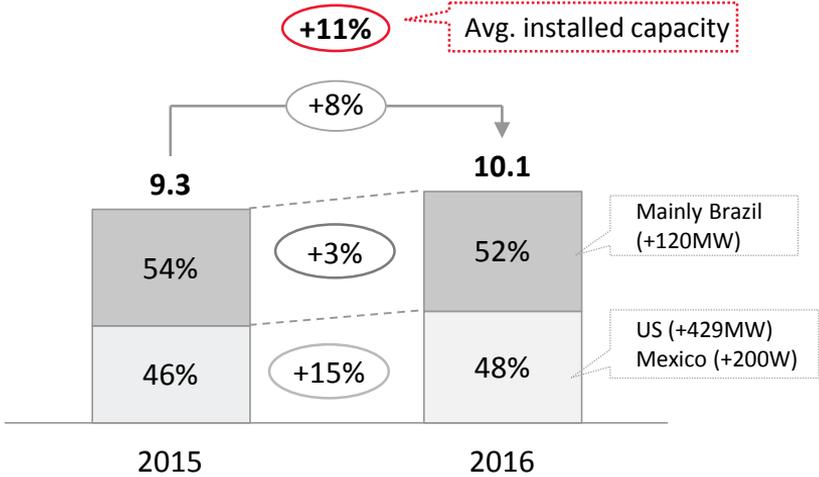
**Adjusted EBITDA +5% supported by improved remuneration for electricity distribution in Spain**

(1) Excluding €89m gain in 2015, on the sale of gas assets in Murcia.

# EDP Renováveis (32% of EBITDA)

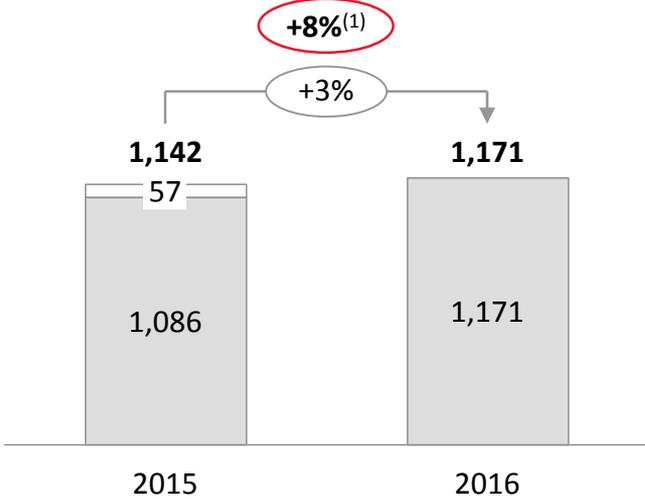
## EDPR Installed Capacity (GW)

■ Europe and Brazil   ■ North America



## EDPR EBITDA (€ million)

○ Adjusted



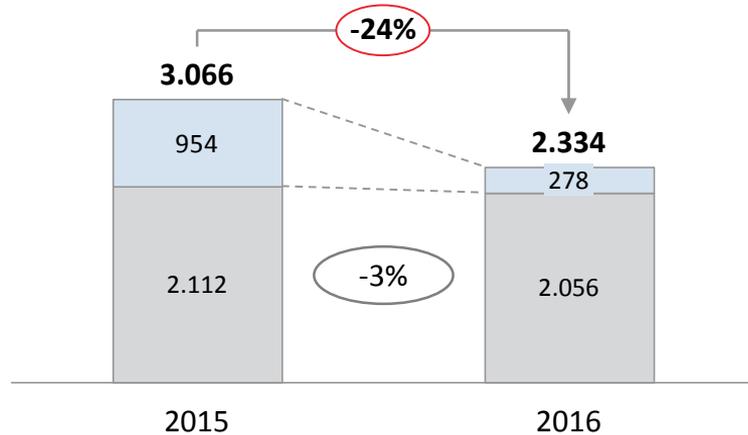
**Adjusted EBITDA +8% based on +11% avg. capacity and wind production 4% below historical average**

(1) Recurring EBITDA reported by EDPR (+12% YoY) based on one offs of -€58m YoY; scope of non-recurring items adapted to the appropriate materiality criteria for the size of each consolidation perimeter

# EDP Brasil (14% of EBITDA)

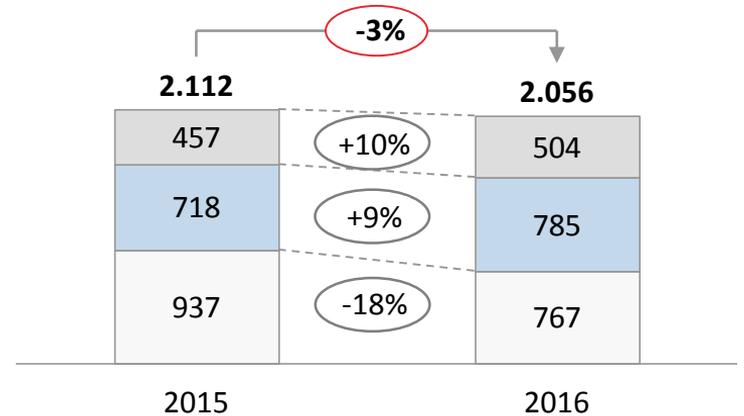
**EDP Brasil EBITDA**  
(BRL million)

Capital Gains    Recurring



**EDP Brasil Recurring<sup>(1)</sup> EBITDA**  
(BRL million)

Distribution    Hydro Generation & Other    Pecém



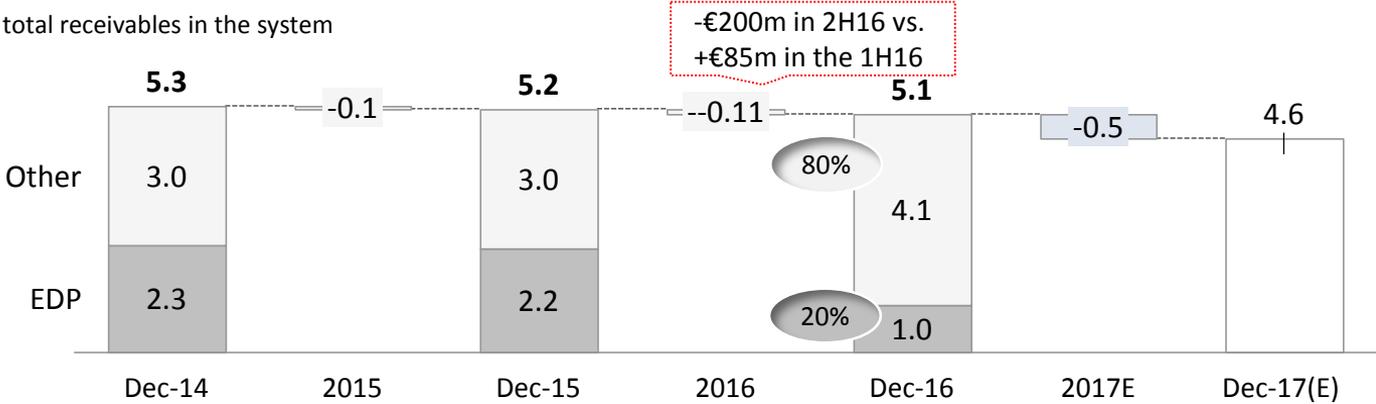
- **Generation:** Hydro deficit costs immaterial in 2016; **Pecém** consolidation since May-15
- **Distribution:** penalised by lower demand in our regions (-5%) and losses from overcontracted energy volumes

(1) Adjustments in 2016: R\$278m gain from sale of Pantanal hydro plants; Adjustments in 2015: R\$885m gain from Pecém I acquisition in 2015 and R\$69m gain from sale to EDPR in 2015 (intra-group)

# Portugal Electricity System Regulatory Receivables

Portugal: Electricity System Regulatory Receivables (€bn)

○ Share of total receivables in the system



-€200m in 2H16 vs. +€85m in the 1H16

Demand <sup>(1)</sup> (YoY Chg.)	+1.1%	+0.7%
Wind Factor (1.0=avg.)	1.01	1.00
Special Regime Premium (€/MWh)	60	63

	2017E ERSE	Jan/Feb -17
Demand (YoY; %)	<b>+1.35%</b> <sup>(2)</sup>	+1.5% <sup>(3)</sup>
Pool Price (€/MWh)	<b>47.3</b>	62.0
Special Regime Production (TWh)	<b>flat YoY</b>	-0.6 YoY

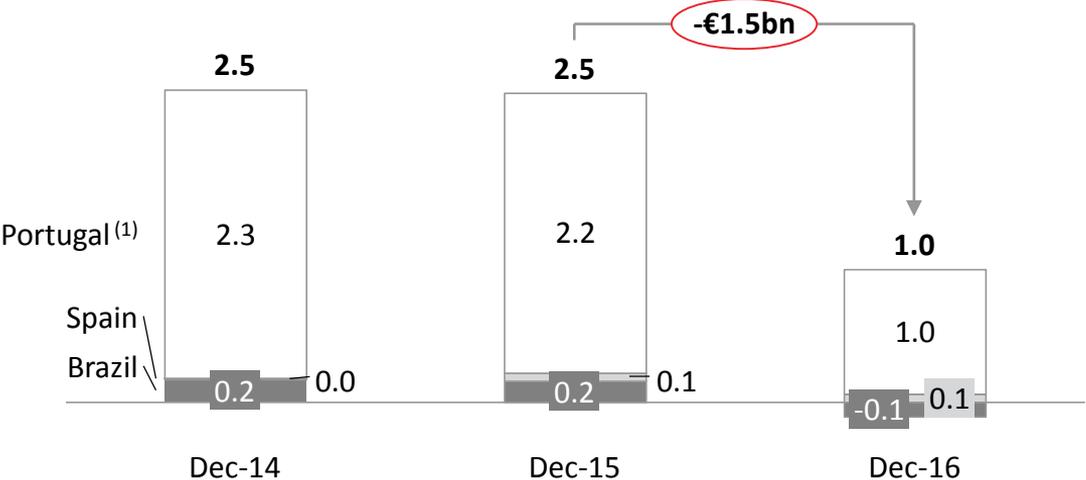
**Annual tariff surplus expected to widen from €0.1bn in 2015 and 2016 to €0.5bn in 2017**

(1) Electricity distributed by EDP (2) 2017E Electricity distributed by ERSE vs. real 2016 (3) Gross demand in January/February. Source: REN.

# Regulatory receivables on EDP balance sheet: -€1.5bn in 2016



**Net Regulatory Receivables: EDP Balance Sheet**  
(€ million)



- **Portugal: -€1.2bn;** following sale of receivables to third parties (non recourse) and system's tariff surplus
- **Brazil: -€0.3bn;** regulatory payables of €0.1bn, due to energy costs below tariff assumptions

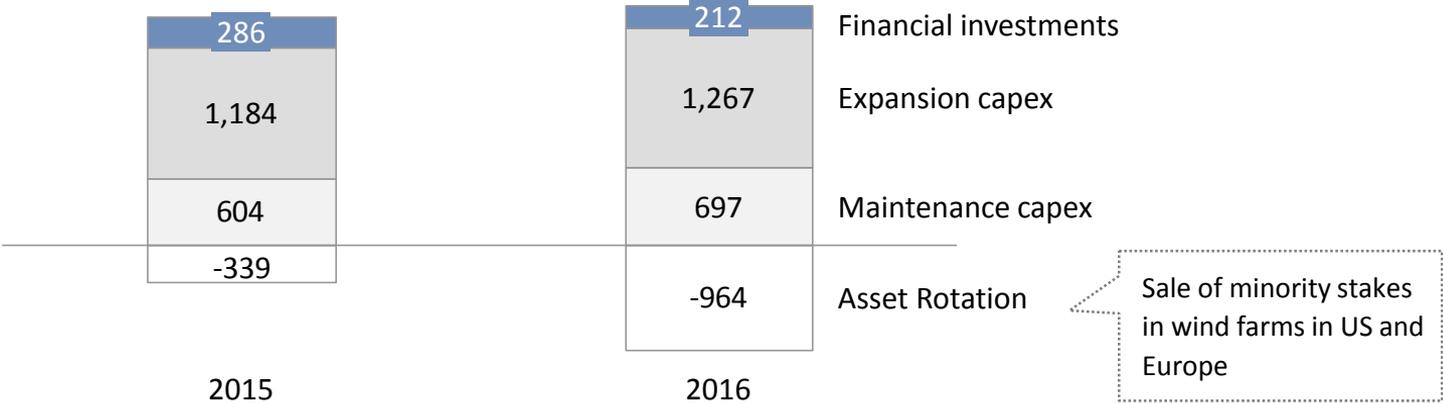
(1) Includes electricity and gas regulated activities in Portugal

# Net investments: Impacted by ~€1bn Asset Rotation in 2016



Net Investments <sup>(1)</sup>  
(€ million)

Net Investments  
Capex

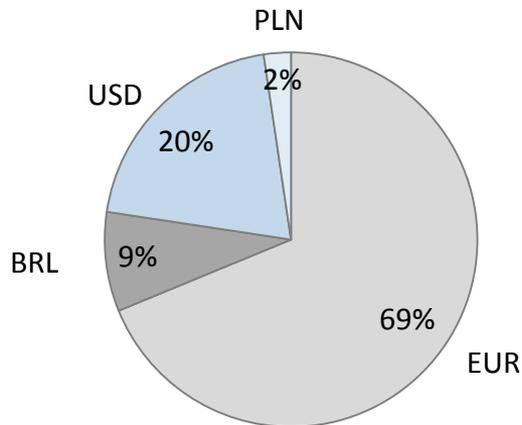


**Expansion Investments:** YoY growth in wind (safe harbour in US); YoY decline in hydro Portugal (conclusion of works)  
**Maintenance investments:** Mostly Regulated networks (Iberia & Brazil); pluri-annual works in Iberian generation

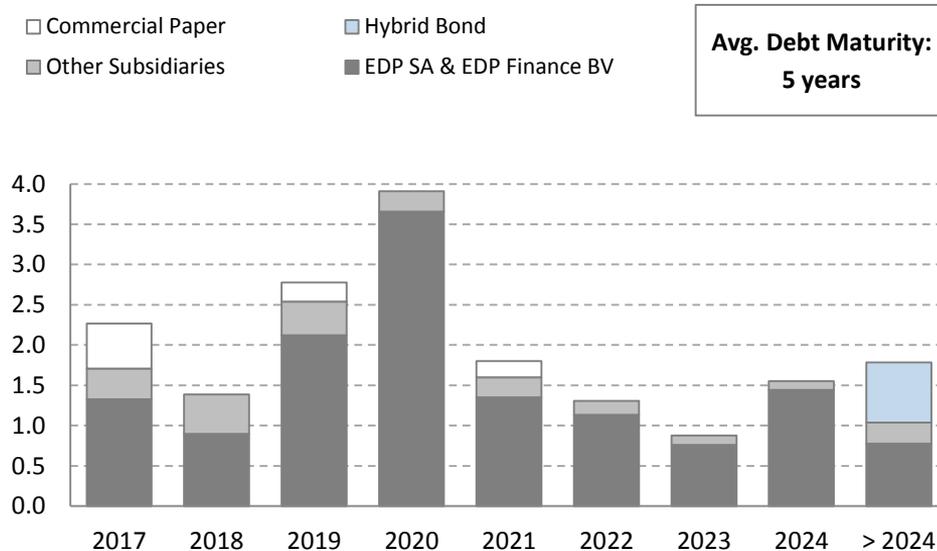
# Financial Debt profile by currency and maturity



EDP consolidated debt by currency: Dec-16 (%)



EDP consolidated debt maturity profile as of Dec-16 (€ billion)



**Investments and operations funded in local currency to mitigate ForEx risk: natural hedge policy**  
**Extension of average debt maturity from 4.8 years in Dec-15 to 5 years in Dec-16**

# Financial liquidity vs. Refinancing needs

Financial liquidity (Dec-16)		Refinancing needs 2016-2019	
▪ Cash & Equivalents:	€1.5bn	▪ 2017:	€2.3bn
▪ Available Credit Lines:	€3.7bn	▪ 2018:	€1.4bn
Revolving Credit Facility (Jun-19)	€3.15bn	▪ 2019:	€2.8bn
Other RCF/Credit lines	€0.55bn		
<b>TOTAL</b>	<b>€5.3bn</b>	<b>TOTAL</b>	<b>€6.5bn</b>

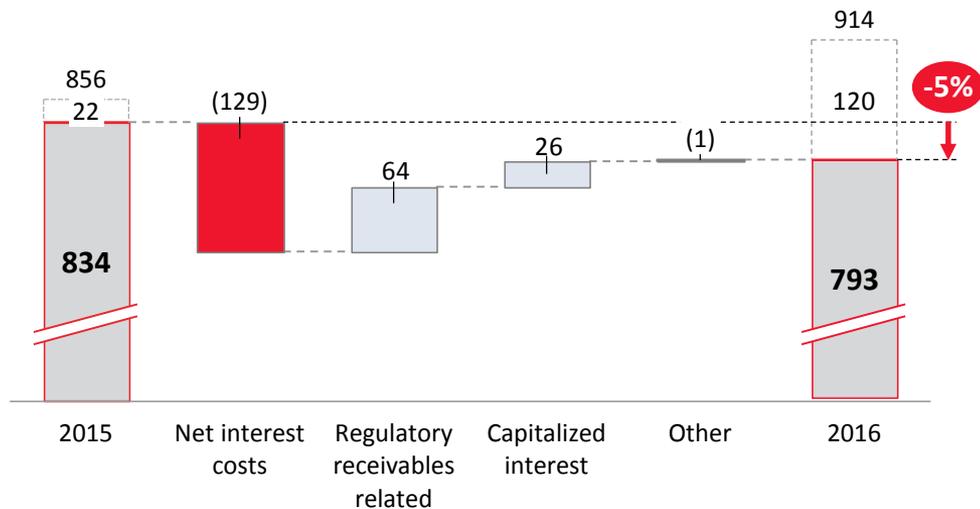
**€5.3bn of financial liquidity by Dec-16 covered refinancing needs beyond 2018**

# Financial Results

## Financial Results & Associates: 2016 vs. 2015

(€ million of net cost)

□ One-offs<sup>(1)</sup>



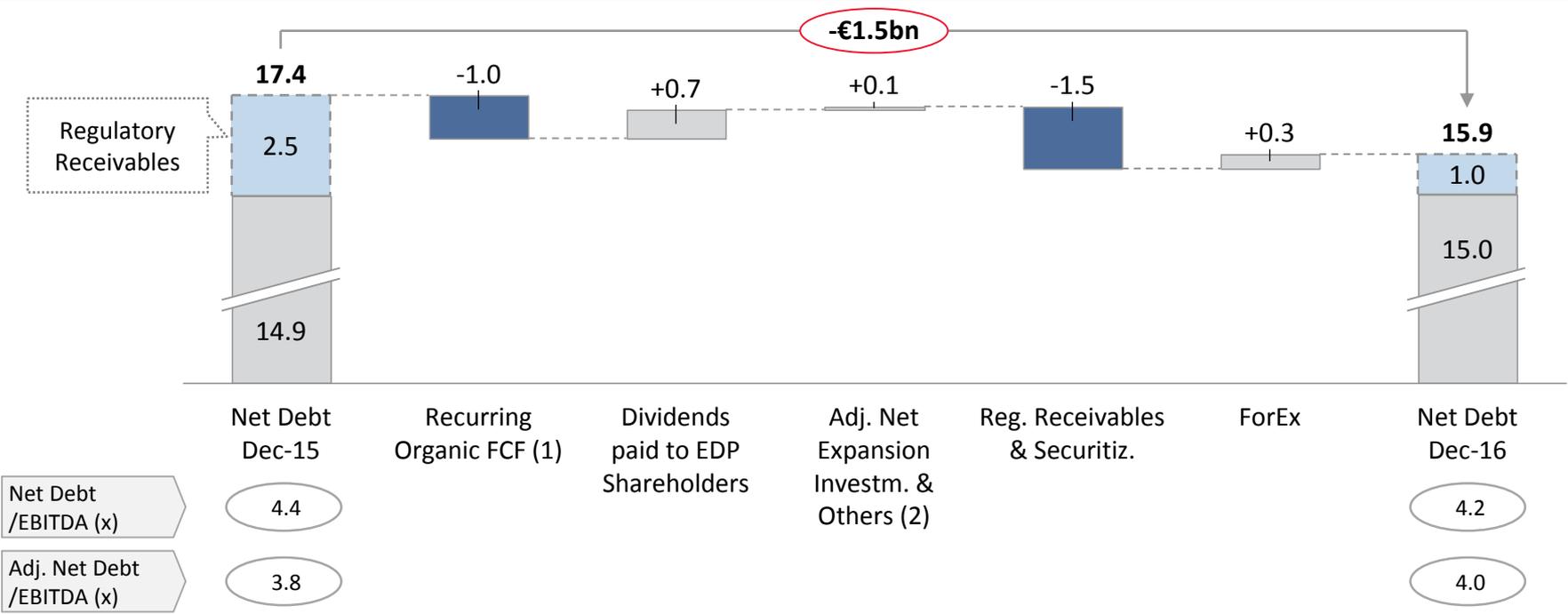
- **Net interest costs:** -14%
- **Regulatory receivables related :** 62% decline on balance sheet, lower returns
- **Capitalised interest:** Commissioning of 2 hydro plants in 1H16 (additional 2 in 1H17)
- **Other:** Forex & energy derivatives (-€18m in 2016 vs. -€35m in 2015), TEIs (-€11m YoY)
- **One-offs costs 2016:** €74m from anticipated payment of more expensive debt

**5% reduction on net financial costs: lower interest costs partially eroded by lower financial revenues**

(1) One offs in 2016: Impairments at BCP (€31m) and São Manoel hydro plan in Brasil (€26m), debt prepayment costs (€74m) gain on the sale of Tejo Energia (€11m); One-offs in 2015: Impairment at BCP (€22m)

# Net debt change: -8% or -€1.5bn in 2016

Change in Net Debt: Dec-16 vs. Dec-15  
(€ billion)



**Strong free cash flow generation, lower regulatory receivables (-€1.5bn YoY), adverse ForEx impact (€0.3bn)**

(1) EBITDA - Maintenance capex - Interest paid - Income taxes + Chg. in work. Capital excluding regulatory receivables; (2) Expansion capex, Net financial investments (incl. shareholder loans transferred in asset rotation deals), TEI proceeds, Chg. in work. capital from equip. suppliers; acquisitions and disposals; and other (€0.5bn, including €0.3bn of one-off tax payments and €0.1bn of one-off contribution to pension funds).

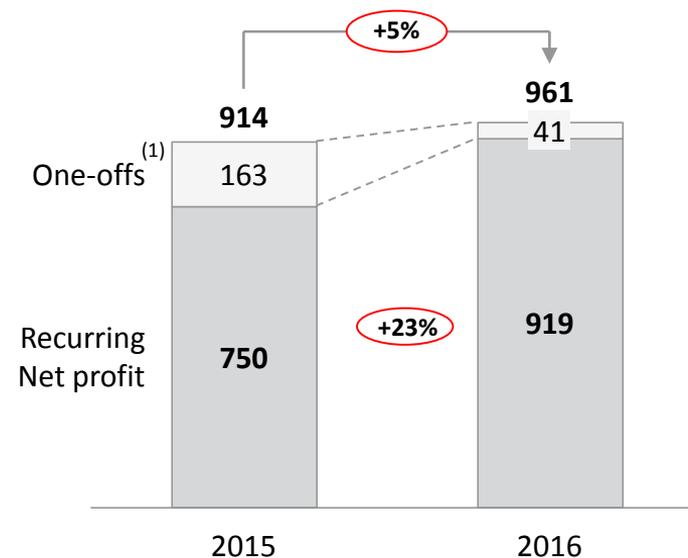
# Net Profit breakdown



(€ million)	2015	2016	Δ %	Δ Abs.
<b>EBITDA</b>	<b>3,924</b>	<b>3,759</b>	<b>-4%</b>	<b>-165</b>
Net Depreciations and Provisions	1,481	1,495	+1%	+15
<b>EBIT</b>	<b>2,443</b>	<b>2,264</b>	<b>-7%</b>	<b>-179</b>
Financial Results & Associated Companies	(856)	(914)	+7%	-57
Income Taxes	278	89	-68%	-189
Extraordinary Energy Tax in Portugal	62	62	-1%	-0
Non-controlling interests	334	240	-28%	-95
<b>Net Profit</b>	<b>913</b>	<b>961</b>	<b>+5%</b>	<b>+48</b>

## Net Profit (€ million)

○ % Chg. YoY



(1) Adjustments in 2016 (shown net of tax and minorities): +€31m (vs. +€279m in 2015) at EBITDA level; -€10m (vs. -€36m in 2015) at depreciation, amortization and provision level; -€80m (vs. -€17m in 2015), at Financial results level; +€163m on Income tax.



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## Next Events

Mar 6<sup>th</sup>-7<sup>th</sup> NY & Boston Roadshow

Mar 8<sup>th</sup>-10<sup>th</sup>: Geneva, Paris, Netherlands Roadshow

Mar 13<sup>th</sup>- 15<sup>th</sup> London Investor Meetings / Eiffel Conference

Mar 17<sup>th</sup> - Madrid Roadshow

May 3<sup>rd</sup> - EDP 1Q17 Results



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