



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**

António Mexia

Good morning everybody. We are here to talk about the Q3 2012 figures of EDP. As usual I am here with Nuno, CFO and Miguel, IR and his team. What I would like to start with is basically we have no major surprises in a very difficult environment for the sector, with the exception of Brasil and we will talk about this later, but no surprises and overall very resilient results. I have been stressing this in the last quarters, very resilient results, due to the portfolio diversification; the asset allocation policy of the recent past and also for all the risk management approach of our group, so clearly resilient results and no surprises.

EBITDA goes down by 1.2% to €2.7bn and the key drivers were stable Iberian operations ex-wind, so flat year-on-year in a very challenging, as you can imagine, macro and regulatory environment. These results already include the costs of the measures introduced in Portugal and the first wave in Spain to control the costs of the system, but what I would like to stress here is of course the very tight cost control, flat year-on-year, so an increase of 0.3%, so almost zero, which means that in what depends on us, we have been very tough and we have been protecting our earnings in these markets not only with our risk management approach, fighting for adequate, balance, regulatory results as it was the case in Portugal, and on the Opex side the results are also very clear, with tough cost control, so Iberia flat year-on-year.

Second, Brazil...Brazil you see in Euros a 28% decrease and of course it was already expected due to new revision in Bandeirante but clearly what we have seen are also non-recurrent events. Clearly the high energy costs with the significant tariff deviation that will be received next year, so on the distribution side you basically see a negative impact of these energy costs going up mainly due to low hydro in Brazil that will be recovered next year as it is established in the system. And of course we have also to consider the Pécem coal plant delay that is now final test of Group 1, and we have been already working on a daily basis as we are close to the commissioning of the first group in the



next days hopefully, so clearly something that is external, something that is our fault but overall Brazil is what is pulling down the results.

Third, you have the wind power, huge increase, by 23%, not only because we have increased the 6% year-on-year the installed capacity – three-quarters of this capacity are outside Iberia and it shows that we have been tackling new markets that will be responsible for the growth in the near future. But I would also like to stress not only the load factors but also the average sale price increase of 11% year-on-year, mainly in Europe. So EBITDA minus 1%.

Then let's talk about the average cost of debt. What you see is that we were able to keep this at 4%, so flat, versus the end of the year and also flat versus the same period last year. We have been keeping these costs below our guidance in May 2012. Of course the decline on Euribor rate and also the lower refinancing costs compared to what we expected, both are contributing to this low cost of debt, much lower than companies in the sector that are based on countries with a better rating, so I think this is significant in terms of what we have been doing on this front.

In terms of net profit we have a decrease of 3.5%, down to €795m. What I would like to stress is clearly, if we had to choose something in Q3, I would like to stress the strong improvement in the credit markets and the fact that we have been able to tackle the market for €2.5bn long-term debt that puts us today in a very comfortable financial liquidity position of €5bn plus the €3bn still to be delivered on the CTG partnership, €2bn on assets sale and €1bn on the second tranche of the financing that we have already used €1bn. The strong improvement of credit markets and the fact that we were able to be the first Portuguese company after the bailout to tackle in the world market at five years with a coupon of 5.75%, I think is a very interesting result and puts us today in a very different position from 3 months ago.

Regulatory receivables: we have an increase of €900m in the first 9 months. Basically the reasons are lower sales in Spain, by the Spanish Government, and also increase in Portugal, a significant part of which was due to very dry weather. On average we are at one-third of what it should be the rain in a normal year, so this contributes of course to higher regulatory receivables. In what concerns 2013, the regulator has proposed 2.8% increase, which is in line with what was agreed. It supports the system's sustainability. I remember that what was seen for sustainability was expected inflation plus an increase of between 1.5 and 2%, which is exactly what we have here in front of us. For the annual increase, we can have quarterly increases next year but for the first annual increase it is in line with what was agreed, so hopefully the signs are on the sustainability side of the system in Portugal.

On the Capex, we have decreased, as committed, 11% and we are now at €1.2bn, basically with fewer expansion projects in new wind power capacity. At this divestment level what I would like to stress is the disposal not only of the gas transmission that was already announced the last time – the financial closing will be probably next January, just at the beginning of next year – but also the 49% announced yesterday in 4 wind farms of



a total of 599MW, so a position of 49% on these fleet, with cash-in expected still this year. Overall, these two disposals are relating with €440m cash-in for EDP.

The net debt evolution – we have an increase of 7.7% year-to-date, mainly driven as I mentioned by regulatory receivables, so from the increase of €1.3bn, €1bn is of regulatory receivables and the rest was supposed to be compensated by the gas sale but as mentioned, because of legal and regulatory issues, will only be cash-in probably in January. Liquidity was treated as our priority and I think the results are clear. We wanted to show clearly that the market could see the results in terms of wind farm disposals, not only for those that are committed with China Three Gorges, the first tranche is still to be expected before the year-end. The first part of the €800m for the first 12 months between May and May, is still expected to be signed before the year-end. We wanted mostly to show that this kind of transaction, and we are in presence of the biggest of this kind in the market, could be done with other investors. When you see the implicit value per MW of US\$2.4m, basically 30% above the replacement cost, this means that the team has been doing a good job on this front. This proves our strong commitment not only in terms of guaranteeing the liquidity but also in what depends on us, keeping the financials under control, including the disposal front.

So, overall, we have resilient results due to our low risk profile and due to our more than 85% regulated long-term contracted portfolio, and also due to diversification in markets and competitive assets. Clearly, last year Brazil brought us good news and this year, also because of non-recurrent, I stress this once again, is bringing less good news but renewables is taking the lead again. What we have is clearly the value of this portfolio, low-risk approach and delivering growth based on our ongoing projects. We still have the same perception for the year-end and I think 2012 will be a year of no surprises to what the market was expecting.

If we have basically fixed target privatisation as our number one priority, the second priority is regulation, now that we have visibility on Portugal. With very balanced approaches we have now visibility for what is going on in Spain and we have also visibility for what is going on in Brasil. Regulation was the second pillar and the third pillar is financing. We have clearly acquired a very comfortable financial liquidity position. Fourth is asset disposal, so we have delivered on all four fronts that were the priorities for 2012.

I will pass now to Miguel and I'll come back for the Q&A. Thank you.

Miguel Viana

Thank you, Antonio. Starting in terms of EDP's installed capacity it increased 1% in the period, as the net impact from the commissioning of two new hydro plants in Portugal, 0.4GW of new wind in several markets and the decommissioning of our Carregado fuel oil plant in Portugal. Note that wind and hydro represents now 65% of total capacity and represented 59% of energy produced in the first 9M2012, with hydro production being affected by dry weather in the period.



Regarding 9M2012 EBITDA breakdown, consolidated EBITDA growth was penalised by the non-recurrent effects referred before at level of EDP Brasil, while EDP Renováveis growth was driven by new installed capacity, 75% of which came from outside Iberia, mostly in US, Poland and Romania. By division we can see that EBITDA in liberalised activities, regulated networks and long-term contract generation in Iberia showed a combined flat performance year-on-year and that long-term contract and regulated activities continued to represent more than 85% of EBITDA, which supported EDP Brasil's performance year-on-year.

Regarding operating costs, by business area we can see that in Iberia operating costs increased just 0.3% year-on-year, clearly below the inflation in Portugal and Spain during this period. At the level of EDP Renováveis, operating costs rose 11%, in line with the increase of generation output in the period and in Brazil operating costs rose 3% in Euro terms and 8% in local currency. Capex fell 11%, or around €150m year-on-year, following the slowdown of wind power capacity expansion in the period. Note that expansion Capex was 100% made in wind, hydro and Brazil during the first 9M2012.

Regulatory receivables increased €1bn in the period, with Portugal having the major contribution for this increase. This increase in Portugal was due to close to €0.7bn increase which was mostly in line with the increase predefined by the regulator for 2012 and €239m due to extremely dry weather in the period. Regarding net debt, as we can see on page 10, this increased by €1.3bn, mostly driven by the increase of regulatory receivables. Note that this figure does not include yet the cash from the disposals of €440m already agreed with Enagás and Borealis, which are expected to be cashed-in before the end of Q1 2013.

An important development for EDP in Q3 2012 was the strong improvement in credit market conditions. This, together with the first step in the execution of our partnership with China Three Gorges, namely the €1bn loan from China Development Bank which was agreed before the referred improvement of credit market conditions, allowed EDP to raise €2.5bn of medium-long term debt between July and October 2012. This access to new funding at competitive cost supported the significant increase of our financial liquidity position.

In terms of debt maturities, following the maturity of a US\$1bn bond issue which EDP paid in November 2nd, through the multi-currency loan agreed in October 2012 with the Bank of China, we do not have any material maturity in 2012 anymore. The floating rates of 52% weight provide hedging on inflation and bring a positive impact from recent decline in Euribor rates.

Regarding financial liquidity, EDP's position in September 2012 was €1.9bn of credit lines available and €2.2bn cash, totalling €4.2bn of financial liquidity. This, added to the recent loan from Bank of China, more than covers all our funding needs for 2013. Further contributions for financial liquidity and deleverage in the future should come from the referred €440m of disposals which the cash-in is expected in Q1 2013, and €2bn of CTG's investment in wind minorities, which was agreed until 2015. Moreover, we still have



additional €1bn funding commitment by China Development Bank, which is expected to be raised in 2013/2014.

Overall, in terms of net profit breakdown, we can see that net depreciations and provisions increased by 1% as a combined impact from increase of wind farms accounting useful life and new capacity in operation. Net financial costs fell 6% as cost of debt remained flat, at 4%, and we had less impairment on our financial stake in BCP, while minorities or non-controlling interest fell 15% essentially as a result of the decrease of EDP Brasil's net profit.

In terms of business areas, starting with the market environment for our Iberian operations, we can see that electricity demand fell 1.4% in Iberia, or 3.2% in Portugal and 1% in Spain. The significant decline in Portugal came mostly from the residential and SMEs segments, while demand remained flat in the industrial segment, driven by exports. On the gas side, lower demand from electricity generators was partially offset by growth in the conventional demand.

Regarding EBITDA in long-term contracted generation in Iberia it fell 2% year-on-year, penalised by a 57% decline in mini-hydro output under the special regime. PPA/CMECs EBITDA remained flat, benefiting from a stable 8.5% return on assets pre-tax real, with no risk on volumes and prices. Regarding the operating performance of our liberalised energy activities in Iberia, production fell 20% due to very low utilisation of our combined gas plants in the first 9 months 2012, while the increase in coal production in this period was driven by more competitive costs versus gas.

Overall, EBITDA in our Iberian liberalised activities remained flat, as an 18% rise in achieved unit margin compensated the 10% decline in volume and the lower revenues from capacity payment in Portugal. Regarding regulated energy networks in Iberia, excluding some small one-offs in the first 9 months 2011 and in the first 9 months of 2012, adjusted EBITDA increased 5% year-on-year, supported essentially by the increase on return on RAB in electricity in Portugal, which increased from 8.56% to 10.05% and also reflecting a 7% cut in regulated revenues in electricity distribution in Spain.

In terms of operating performance, we would like to highlight a strong improvement on quality of service in our divisions in Iberia. In terms of key indicators of control over clients' bad debt in Portugal, we continued to see a stable level of both average collecting periods and bad debts, even considering the current difficult market environment. At our subsidiary, EDP Renováveis, EBITDA rose 23% year-on-year, essentially on a 6% increase of installed capacity, so 429MW of new installed capacity, 70% of which added outside Iberia. The key market contributors for EBITDA growth were Poland, Romania and the US.

Finally, EDP Brasil, EBITDA fell 23% year-on-year in local currency, driven by several non-recurrent events. Our distribution division was penalised by non-recurrent negative tariff deviations on higher electricity acquisition costs, which should be passed through to customers mostly in 2013. EBITDA in distribution was also penalised by recurrent negative impact from the cut in Bandeirante's return on RAB from 10% to 7.5% since October 2011. In generation, the negative non-recurrent impact from Pécem's delay was



R\$23m in the first 9 months of the year. Adjusted EBITDA fell 6% in local currency, or 12% in euro terms, driven essentially by the cut in Bandeirante's return on RAB in the regulatory review.

I will pass now to our CEO for some comments on EDP's operating and financial outlook and conclusions.

António Mexia

Let's start with receivables. As I mentioned earlier, the proposal of 2.8% fulfils the commitment and what was stated to the market of inflation plus the bracket between 1.5 and 2%. At the same time it has been clear that the Government and the Regulator is trying to make the last resort consumers to pay a premium transitory tariff that would be, by the way, quarterly updated. We can also and we should consider the cost reduction of the system by €350m next year. This is the impact of the package that was announced by the Government mid-year 2012 and it will already have an impact in terms of sustainability of the system. In any case, as we have been mentioning, 2013 was already expected to be the peak of the regulatory receivables. This peak is slightly higher, mainly because of 2012 being a very dry year and we expect the regulatory receivables in 2013 to increase by something in the order of €400m-€500m, without any securitisation, so we here don't consider at the moment any securitisation but of course we will be working on that front.

What is available for securitisation? €141m to be collected in 2013 paying 4% interest and around €1bn between 2013 and 2016, paying above 6% interest and it is clear the difference between the Portuguese and the Spanish system. As you know, the Spanish system is Euribor plus 50 bps and here we get back the cost of our debt, in certain cases higher than our average related to our marginal cost of debt. Of course we would prefer not have this on our balance sheet. We will be working to take out at least part of it off our balance sheet, of the Portuguese part. In any case, we get paid for a decent interest on this, so that is a significant difference compared to the Spanish system. In any case, we see this peaking in 2013, as already foreseen going according to the rules, driving to close to zero by 2020, except for the part of the €500m securitization that was already sold three years ago.

In what concerns EBITDA outlook, we expect for 2012 as you see 10% on the Liberalised Activities in Iberia. As you see, Brazil will have much lower participation than in the previous year and also lower than in the future, basically for the non-recurrent. That wind power represent 25%; regulated energy networks 30% and long-term contracted 21%, so we expect EBITDA flat in 2012 and 2013, including already one-off events in 2012. When we were announcing flat for 2013 it was already expected. We are now of course in 2012 and we feel comfortable with the consensus, but of course we have to consider compared to what was expected at the beginning of the year, these the one-offs in Brazil, even if you include the one that was basically EDP's fault, the Pécem delay; if you consider in the figures the tariff deviation that we will be recovered in 2013, clearly we are at the level we announced at the beginning of the year.



The EBITDA for 2014 will be clearly above 2011. Why? Because, as you know, the first three hydro plants were transferred from the CMECs, with an implicit price of €25/MWh to the market price, plus all the new hydro and wind capacity, plus the consolidation of ENEOP, the wind farm developed in Portugal that today is not consolidated, so all of this will make, as it was already announced at the Investor's Day, 2014 will be a year where you have a big difference in terms of EBITDA.

Going back to the key messages on Q3: sound operating performance; total control of cost of debt and net profit, earnings per share decreased by 3.5% mainly driven by one-offs in Brazil. We keep the selective growth and our targets of not only in wind but in terms of new technologies it means that we are doing what is expected on time and on cost. We keep the low-risk approach and the question of tackling new markets like Brazil, Poland and Romania. We have been able to open new growth platforms that are today responsible for attractive returns and, of course, mainly what I would like to stress is the liquidity position and all the work that has been done on this front in the last quarter.

The disposals: I think it is a good time. A lot of people have been talking about minority stakes and we have been talking about minority stakes disposal in wind farms and here we have a meaningful deal with scale and with good investors, with good returns and we have good partners so typically delivering on something that everybody was expecting. The execution of the 2012-2015 Business Plan as presented in May 2012 is our key target, based on the mix, sustainable returns, portfolio effects and our low-risk approach, so no surprises and delivering as promised are the key words. Thank you. Let's go for the Q&A.

Questions and Answers

Alberto Gandolfi – UBS London

Hi, good morning everyone, it's Alberto Gandolfi from UBS and thanks for the presentation, it's all very clear, so forgive me in advance if my questions are going to mostly focus on the debt. First of all it looks like 2014 is going to be a key turnaround year for you, when you have a step-up in your EBITDA and by then you will have sold some assets to China Three Gorges, and the question is what should we expect for Capex for 2014? Would you try to put even more emphasis on cash-flow generation or do you think your current business as usual plan is good enough to keep leverage under control?

The second question is about the receivables: you have €2.7bn, what can you do to try to speed up the securitisation? Is it just dependent on market conditions and the healthiness of the banking system or is there something on your side, you could do something creative, to trying to cash-in this money earlier?

And the last question is: what is your strategic thinking on Brazil, in light of what has been happening in the past several months, i.e. once the capacity has been built, the regulatory



political outlook seems to have changed a little bit. We have seen new project building at prices not very competitively by Electrobras and we have seen changes in the concession system. The returns in distribution have been correctly, I would guess, coming down, so is there growth opportunities plateau and, if so, would you think about lowering your exposure to Brasil somehow, perhaps divest in one of your subsidiaries? Thank you.

Nuno Alves

Alberto, it's Nuno. The issue of securitising it obviously is not a straightforward issue. It is isolated debt. It does not pay for the high-yield investors sufficiently. It is a low-risk asset as we see it. It is a question of being inventive on how we will be able to get it up, but it takes time. We have been working on it. We don't have light at the end of the tunnel, as of yet. We will continue the effort to see if we can do something in 2013, but it is not an easy asset in terms of its liquidity and size that can be placed in the market. That is the Spanish one. On top of that it does not have the Spanish Kingdom guarantee or the size that makes it more enjoyable by banks and institutional investors.

António Mexia

Alberto, it's António. About investment in 2014, I would like to start answering this question using the words 'investment flexibility' that we have presented in the Investor's Day last May. Eventually some of you think that we just put this to calm people down and that flexibility will never be used. What I can tell you is the following: flexibility exists. We don't have commitment in terms of being overbought on anything or any commitment in terms of, especially on the wind, that does not allow us to reduce investment, if we want to reduce investment with 12 months in advance; that is clear. I want to be very clear on this front.

What I would like to tell you is that if we will be below the €2bn in 2014, the cash-flow generation and that reduction is clearly our priority, we will use and we will state the degree of usage of this flexibility that must be decided at the beginning of next year, also according to additional information that we will have, mainly on disposal or tariff deficit. What Nuno has been mentioning about what could we sell about tariff deficit will of course make us go tougher or less tougher in what concerns using the flexibility that we will use if we need to keep the financials under control. That is very clear and the message is there is no hesitation about this.

Another element that is decisive is that, as you know, we have presented in the Investor's Day €100m disposal of minority stakes in wind farms, apart from those of China Three Gorges, in the next three years, 2013, 2014 and 2015. The transaction of yesterday for US\$230m, more-or-less €180m, represents more than half of that target for those three years, so it is important that we have already been pre-delivering on that front and we intend to do more job on this asset rotation. It means going further on sale of minority stakes, to be able to crystallise value and to move from more mature markets



into less mature markets where you can have competitive advantage in terms of first move advantage.

So, let's be very clear: we will use the flexibility. We will dive below the €2bn if we understand that the other fronts are not delivering as we would expect, because we want to keep financials under control. To be below 3x on 2015 is our core commitment and we will take all the decisions concerning reducing Capex, increasing asset disposals and everything that is needed to deliver on that front.

In what concerns Brazil, I think that we have proven several things: first that we only go to auctions and we only win auctions when you make money. We never enter a room where you will leave the room saying that we were the craziest guy; we only win, and it was the case for the last wind farms where we won the right to 120MW, with very attractive returns. It was also the case when we bought the rights of Jari that now is on time and below cost in this hydro project of almost 400MW. So I think we have been proving that we take the right decisions in what concerns not going crazy, just showing MW for MW, or whatever in the Brazilian market.

The recent decisions on the regulatory front, you have to compare two things: the ones that were decided on distribution level in what concerns Bandeirante; when you compare what was the tariff reduction in Bandeirante with our key peers, you can easily understand that we have outperformed the market in the sense that the final result is better for Bandeirante than for our peers, and slightly above what we expected and the market expected. In what concerns generation, basically there is no impact on us because we have no concessions to be under renegotiation before 2026. And if anything it can only have a positive marginal impact on distribution, due to lower energy prices, and to eventually higher demand.

So on Brazil the last decisions were basically favourable for us, so the weak results of Brazil are mainly due this year to two things: tariff deviation that we'll recover mainly in 2013, something that is automatic in the system due to the increase on energy prices by the distribution companies, and second of course we assume the delay on Pécem that comes almost with one-year delay, it has an impact but, even with this, the 2013 results are in line with what we have committed at the beginning of the year. So Brazil we will not change our strategy because I believe we have outperformed the market both in distribution and also in what concerns the generation decision.

Alberto Gandolfi – UBS London

António forgive me, a quick follow on. You just mentioned, very briefly, your net debt to EBITDA intention is below 3x in 2015?

Antonio Mexia

Yes. We stick to that commitment as a core commitment.



Alberto Gandolfi – UBS London

Thank you.

Pablo Cuadrado – Merrill Lynch

Good morning everyone, it's Pablo Cuadrado from Merrill Lynch. Just a few questions and the first one is on the cost of debt; it's still at 4%... the performance of the short-term interest rates in the last months is suggesting that there should not be a significant increase for next year, but I just wanted to listen from Nuno what is his expectation for next year.

The second question is trying to get a bit deeper in Brasil, clearly you have properly explained that there are a few one-offs there this year and I was wondering whether you can provide some kind of guidance of basically which is the recurrent EBITDA that you expect for next year, once Pécem is already up and running?

The third question, very quick, is looking to this improvement on the CDS and the credit markets, could you elaborate a little bit what is the expected impact that you may have on the domestic distribution assets?

Antonio Mexia

Sorry Pablo, can you repeat the third question?

Pablo Cuadrado – Merrill Lynch

Sorry, yes, I was trying to refer to the new framework that was deployed last year on the domestic distribution and how it is linked to the CDS performance of Portugal, where clearly there has been a significant improvement here, so basically I think that for next year there might be an adjustment there and I am wondering whether we can have an idea of what is your expectation?

Nuno Alves

Pablo, in as far as the cost of debt, obviously we are pleased with the lower rate, however it is not a thing that we can expect to go much further, so I think we have reached the bottom of the low short-term rates, even though we continue to think these Euribor-type rates and U.S. rates at least the short-term rates, will continue very low for the next year, probably through 2014. Mind you, with the marginal cost that we are having today being higher than the average cost, what we continue to expect is 2013 cost of debt to go up from the current levels. That was assumed in the Investor's Day and the numbers that you had at the Investor's Day for the average cost of debt for 2013, 14 and



15 are still the ones in place, even though if we had to guide today we'd probably guide slightly lower than what we said at that time.

The CDS remuneration in Portugal, well we have closed the 2012 number, the average CDS ended at September 30th, so we have the number for the full year this year and we know exactly what is going to be the full-year number. For 2013 it is probably going to work out 1.5 to 2% below what we got on remuneration this year and roughly we are expecting about €30m less on the allowed revenues of the distribution network for next year.

António Mexia

Pablo, in what concerns Brazil, as you know we have a listed company so of course I prefer them to state directly but if you see what was the deviation, around €70m in distribution and most of it will be recovered next year, and if you can see with Pécem we can expect easily €85m new revenues for next year. These are two significant figures that will change the shape of Brazil.

Pablo Cuadrado – Merrill Lynch

Thank you.

Carolina Dores – Morgan Stanley London

Hi, good morning, it's Carolina Dores from Morgan Stanley. I have three questions, the first on Pécem, the losses that you are incurring since the project has been delayed, is there any way you can try to appeal with ANEEL and try to recover these losses? Also, I just wanted to confirm that the second turbine is okay to start working in the first quarter of 2013?

The second question is on China Three Gorges disposals. I understand that the target of the €800m disposals by May 2013 is confirmed. Do you have a target for how much you want to do through the whole year 2012?

And the third question is on dividends: given your focus on reducing debt, is dividend something that you would consider having some flexibility in reducing it in 2013, or is this out of the question?

Miguel Viana

Carolina, can you repeat the last question please?

Carolina Dores – Morgan Stanley London

It's on dividends: because you are so focused on reducing debt, would you consider reducing dividends in 2013, for instance, because it's a difficult year for your operations?

António Mexia

It's António. So Carolina let's be clear, no change in dividends. We have been very clear since 2006 on that policy. We have always delivered in very difficult times where eventually the questions were even tougher and it's not at this moment that we will change the commitment of proposing it, of course, it's the shareholders' meeting that will decide but the management will propose, as I mentioned, on the brackets on the payout ratio with a minimum of 18.5 cents/share, so we will not change that commitment in 2013 and onwards.

In what concerns Pécem, we have been following daily the tests of the first group and things are improving much better. We have been working with the authorities and we expect this, as I mentioned in the next days, the second group until the end of the year. Clearly we expect these to be working, both groups, in Q1 next year. It relates with the €85m that I've mentioned prior, in terms of new revenues from Pécem through Energias do Brasil.

In what concerns CTG, as you know we have a commitment of €800m asset sale to CTG of minority stakes from May to May, it means between the financial closing and May next year; we expect the first to be closed before the year-end. We expect this first tranche to be typically around let's say €300m, it is the visibility we have today. As I have mentioned, the country is chosen, the assets are chosen, 95% is done and we are now expecting through November to solve the final details. If we say that talking about €400m proceeds up to May next year, I think we feel comfortable with this and even if we reach the agreement for the second part of the €800m, and the financial closing will be eventually later than May but we do need to reach an agreement by May for the €800m, so this is clear commitment from our partners. I have no reasons, on the contrary, the teams are working well so I think that even the support for the participation of the Chinese banks that was a softer commitment, the money is already there, so I think that the partnership has been proving strong and delivering on time so we don't expect any change.

Nuno Alves

In as far as Pécem, we have accounted already R\$25m. That is the best expectation that we have. The worst case that we have would have to be supported, however we have appealed to ANEEL and if the appeal is a success then we will reverse but, as of today, we have booked on the Q3 accounts that take it to the end of the year in the worst case scenario.



Carolina Dores – Morgan Stanley London

Thank you.

Javier Suarez – Nomura

Hi, good morning, this is Javier Suarez at Nomura. I have also three questions. The first one is on the outlook; you have given an update on the EBITDA outlook and I was just wondering if you can give us also an update on the net profit component of annual growth rate in the period 2011-2015 and if there is any reason why there is no outlook on the EPS of the company in this presentation? A related question is if you can give us an update on the structural cash-flow generation of the company in the year 2013-14 without disposals. Which could be the likely EPS dilution effect that the EPS when compared with the year 2011, as a consequence of the disposal?

The final question is just a follow-up question on the asset disposals to China Three Gorges; obviously the first asset location has been identified and I just wanted to have an update on the second set of assets to be disposed, if the decision on the location has been already decided and that if you can share with us where those assets are allocated?

Thank you

Nuno Alves

The outlook for 2015 that we announced back in May, as a bracket, we continue to believe we will meet that bracket. And obviously when we announced the May Capital Markets Day we had not known yet what regulatory changes would happen in Spain, so those were not included in there but, apart from that, everything was included there. We maintain the growth to 2015 that we mentioned back in May. In as far as 2012, we maintain today that we will be on the consensus line by the end of the year.

In as far as the 2013-14 free cash flow, we continue to maintain the position that 2013 is going to be fairly flat and 2014 will be positive after interest, taxes and dividends, so we will be free cash-flow positive in 2014.

António Mexia

Javier, in what concerns the second phase, we have already also predetermined the second, and I would prefer not to mention the countries but typically it will be once again probably part of Europe, eventually starting with the U.S., but for us it was also important to see how the market, not only are we able to do this business with CTG in terms of wind farms, but also we are able to deliver important, significant and profitable deals with other investors, as it was the case with Borealis. And of course the U.S. market today has more opportunities for this kind of deals than European ones, because you have local investors based on the PPAs, like those kind of deals, so typically we have been



focusing on the U.S. markets for these kind of deals and we are focusing in the first place with China Three Gorges, and the European market, so to quote both targets, okay?

Javier Suarez – Nomura

Many thanks.

Gonzalo Sanchez-Bordona – BPI

Yes, good morning, it's Gonzalo Sanchez-Bordona, BPI. I have three questions, if I may, and the first one would be on the liberalised business in Iberia. I was wondering if you could provide some guidance on the margins for next year, given that a big part of your thermal generation is already hedged. Then, also on the liberalised business, I was wondering if you could tell us if you expect any impact from the full liberalisation of the market in Portugal and likely in Spain one or two years afterwards, in terms of margins or your business there.

And then, on the minorities in wind farms, I would like to know if the acceleration of your target for disposals in the U.S. that we've seen yesterday and other geographies could have an impact on the deal with CTG, in the sense that it could be affecting some of the assets that were more interesting for CTG for further tranches, not next year but afterwards? I just wanted to have your opinion on that. Thank you.

Miguel Viana

Hi Gonzalo. Regarding the margins in the liberalised markets for 2013, we don't see any major change. What we have covered is 100% of the expected coal purchases for the next year, for this year, and also in terms of gas we are well covered, so we have relatively small volume covered with clients, we have just 6TWh with clients in Spain. We will have to wait for the final draft of the new taxes on generation in Spain to see the final outcome but, excluding taxes, I would say we don't see any material change in terms of margins from 2012 to 2013.

António Mexia

In what concerns wind farms, let's be also clear on that point. This deal that was announced yesterday had already been a little bit worked before, the privatisation and it was stopped for a while to be sure that the new partner would not have the perception that eventually we would be taking out some of the best assets and they would be excluded. Not the best way to start partnerships, with this kind of suspicion, so clearly this was very clear. There is no idea about this, everybody knows exactly what is the kind of assets, as of yesterday, it was no conflicting at all and it will not conflict for the next phases. We know exactly what are the kinds that the market prefers and also CTG



prefers, so I would like to say that not only do we have a lot of assets, to do this, but also the transparency on dealing with this makes it totally complementary and non-competing, so it will not have any impact on the disposals with CTG.

Michael Ridley – Mizuho

Good day, it's Michael Ridley from Mizuho. I wanted to ask about your deleveraging plan which I think was unveiled in May of this year to push net debt to EBITDA down to 3x by 2015 and my concern with that was always that it was rather back-ended. We have seen your leverage actually rise in the first nine months of this year, so could you talk about the glide path to get to 3x by the end of 2015? Thank you very much.

Nuno Alves

There's sufficient detail on the Investor Day's presentation to guide you through. So, to clarify, the commitment is 3x net debt to EBITDA, excluding the regulatory receivables and the clear path is we have an annual cash flow that shows you how much we are reducing the debt, how much are the disposals and how much is free cash flow. There is a clear slide in there which materially has not changed at all, so you can use that one.

António Mexia

Michael, just to stress once again what I have stated at the beginning. If in 2013 we feel that the total including tariff deficit for any reason is more difficult to unload the additional tariff deficits created in 2013, especially because it was a dry year as I mentioned, we will adjust the investment in 2014-15 according to that commitment. What Nuno said and the detailed approach of this, so the slide of the flexibility was not there just to look nice and I want to be challenged in any quarter with this, we will adjust it if the signals in what concerns the market on the let's say the non-business debt increases. So let us be clear on this, we will be below 3x ex-receivables but, in any case, the overall investment programme will be adjusted in 2014 if it is needed. With 12 months in advance we will adjust whenever we need to adjust the target.

Michael Ridley – Mizuho

Thank you very much.

Jorge Alonso – Société Generale

Hi everybody this is Jorge Alonso from Société Generale. My question is regarding the net debt considering no disposals and just the operating cash flow, when do you expect that the net debt will start decreasing? Thank you very much.



Nuno Alves

As I mentioned, if you exclude the disposals and you exclude any tariff deficit positive or negative, the company will be free cash-flow positive, as of 2014. Next year it's going to be fairly neutral, maybe slightly negative, but as of 2014 it is going to be positive.

António Mexia

Once again, to stress, all of this as Nuno mentioned when we presented in May our Investor's Day we had at that moment already closed let's say the Portuguese global regulatory framework, not only for distribution that was already set last year but also in what concerns the measures to reduce cost, introduced by the government this time. We gave a clear visibility, penny by penny, cent by cent of what would be the cost of those measures, year by year, with the toughest year in 2013.

We have now also good visibility of what is expected in the Spanish market. At that time it was not considered. Once again, 2013 will be clearly the toughest year because, as we already hedged part, we cannot pass through to the clients. We have the perception that the global figure for 2014 will be rather small, very and much lower than our market share in that market, so I think that considering all the big changes on the regulatory front, in all the markets that we have including renewables, Spain, Brazil, Portugal, I think that having cash flow flat next year, I think it's good but it will always be also complemented with anything that we need to do with the disposal front and Capex adjustment to be sure that our commitment in terms of global financing ratios will be kept.

That is a strong commitment and we will be working on all fronts and I believe the recent news, not only about the funding but especially about disposals and hopefully to have good news also on disposals of tariff deficit. It proves that we are focused on what we need to focused, to make people comfortable with the visibility of earnings and visibility of cash flow.

Closing Comments

António Mexia

As there are no additional questions, I thank you again for your presence and hope to see you soon. Bye, bye.