



# Results Presentation 9M14

Lisbon, October 31<sup>st</sup>, 2014



MEMBER OF  
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# 9M14: Highlights of the period



**EBITDA: €2,715m, -3% YoY**

**EBITDA in Iberia (ex-wind): +2% YoY excluding one-offs** (€56m in 9M13 vs. €129m in 9M14)

Strong hydro, good energy management and tight cost control compensate regulatory cuts

**EDP Renováveis: EBITDA -6% YoY**

New capacity additions not enough to compensate the more adverse remuneration in Spain vs. 9M13

**EBITDA in Brazil: -21% YoY in local currency; -29% YoY in Euro terms due to BRL depreciation vs. EUR**

Excluding Jari/CC capital gain and DisCo's tariff deviations: EBITDA -13% YoY in BRL, penalised by the drought

**Net Profit: €786m, -1% YoY**

# 9M14: Highlights of the period



**Net debt +€0.4bn YTD to €17.5bn in Set-14**

+€0.3bn forex impact mainly due to USD appreciation vs. EUR; no tariff deficit securitisations in 3Q14

**Net Investments<sup>(1)</sup>: €1,108m (-15% YoY);** Capex focused on hydro in Portugal and wind projects in US

**EDPR's assets rotation:** €0.4bn proceeds from deals agreed in US & France (financial closing in 4Q14/1Q15)

**Stable amount of regulatory receivables owed to EDP: -€0.1bn YTD at €2.7bn by Sep-14**

Portuguese electricity system global regulatory receivables: good performance in 3Q14 (+€50m QoQ)

**€1bn Eurobond issued in Sep-14: 7-year maturity, yield of 2.73%**

€5.5bn of financial liquidity by Sep-14: **Refinancing needs covered until mid 2016**

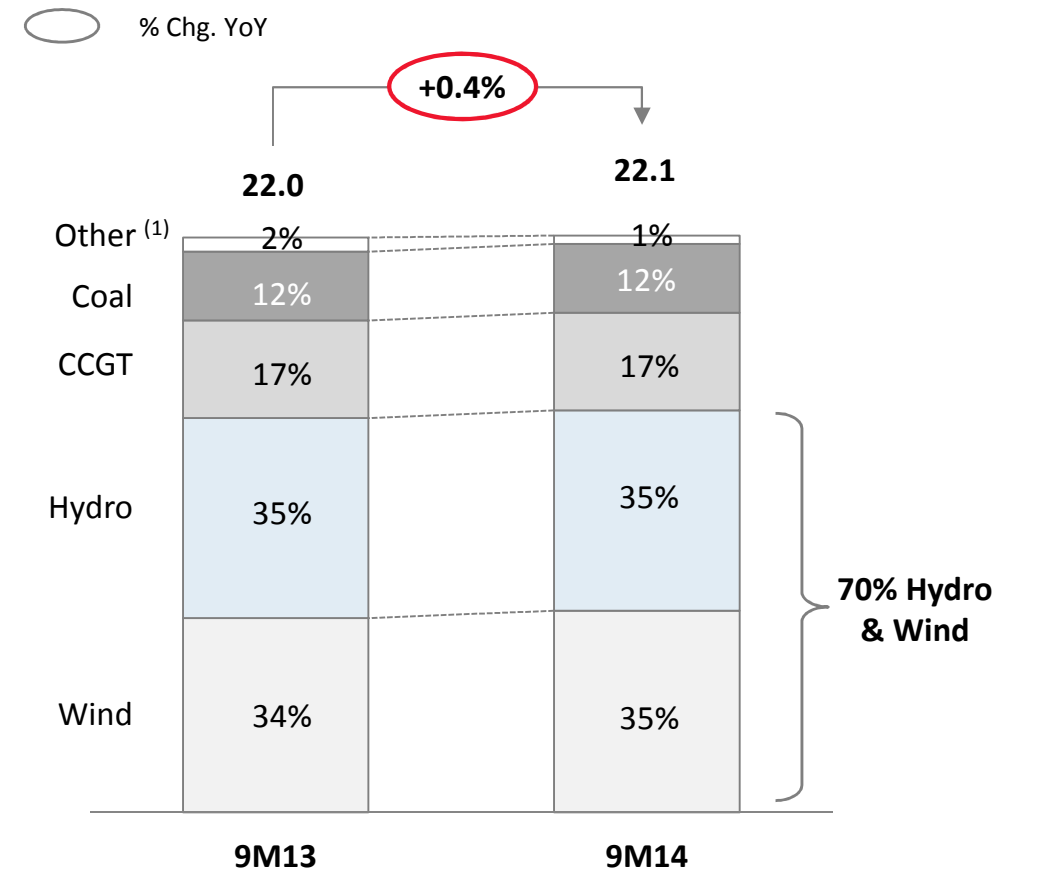
**Low-risk profile: Portfolio highly regulated/LT contracted, diversified markets and competitive assets**

**Focus on risk control + efficiency improvements + delivery of ongoing growth projects**

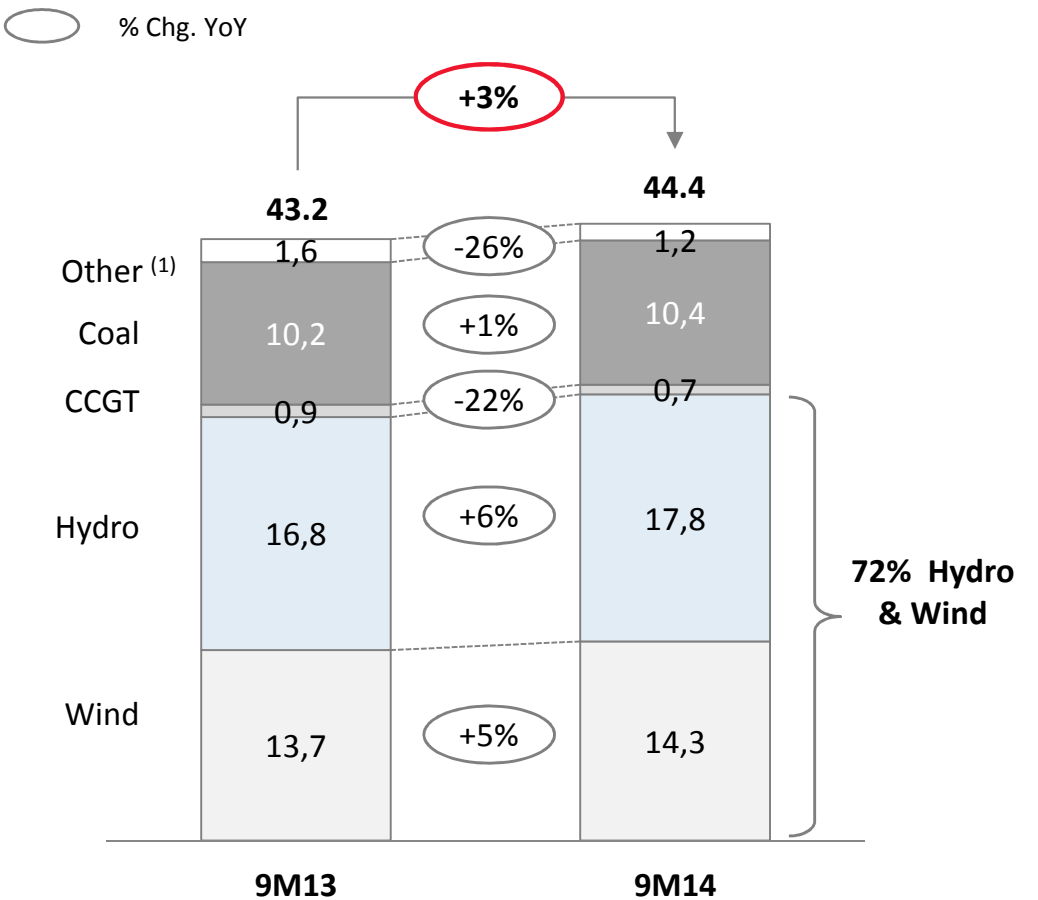
9M14 Operational Headlines:  
Increasing weight of Hydro & Wind in EDP's generation mix

edp

Installed Capacity  
(GW)



Generation Breakdown by Technology  
(TWh)



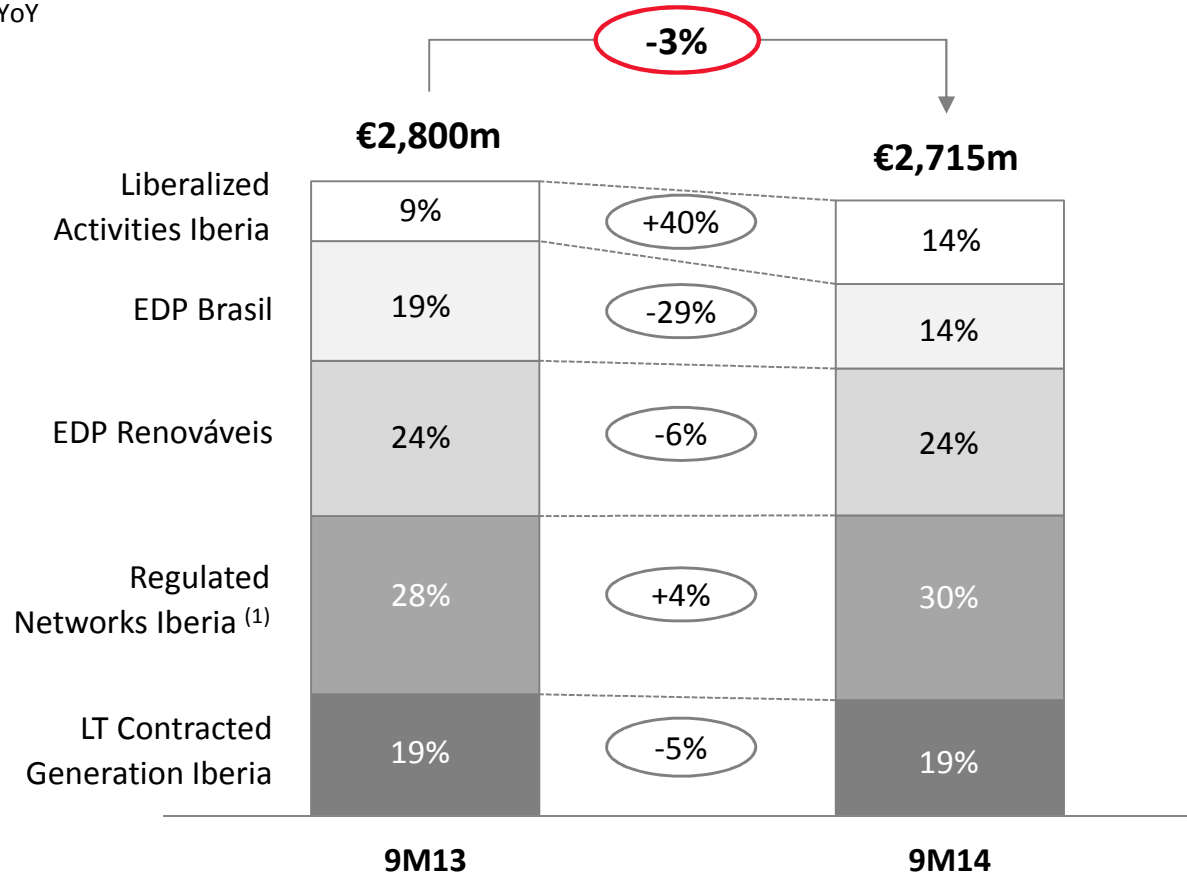
**Installed capacity +0.4%:** +0.3GW of new wind out of Iberia; shut down of 0.2GW old oil & cogen in Portugal

**Power production +3% due to rainy weather conditions in Iberia in 1H14 and YoY wind capacity increase**

# EBITDA: -3% YoY (including -2% forex impact)

## EBITDA Breakdown by division (€ million)

○ % Chg. YoY



**ForEx impact: -2% or -€50m, mostly due to BRL devaluation vs. Euro**

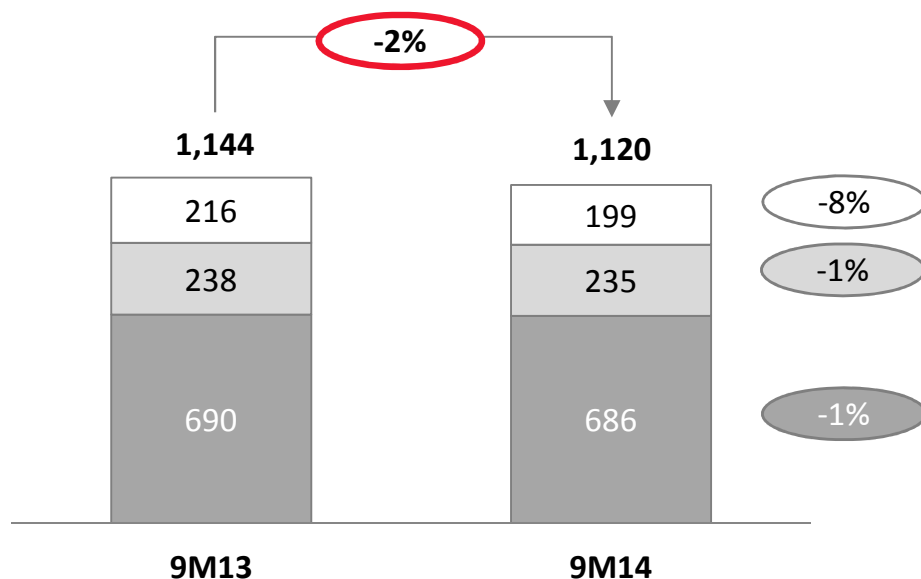
**Resilient performance in Iberia outstood by drought in Brazil and adverse context at EDPR**

(1) Includes regulated networks and other

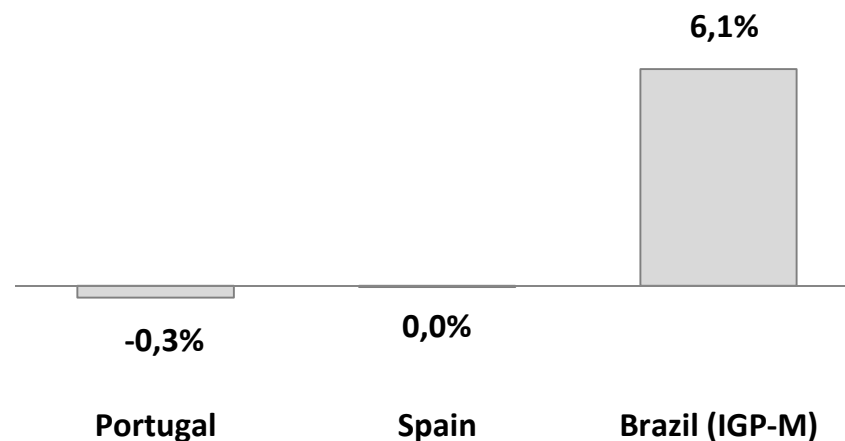
# Operating costs: -2% YoY

## Operating costs<sup>(2)</sup>: 9M14 vs. 9M13 (€ million)

□ Brazil    □ EDPR    ■ Iberia



## 9M14 YoY Inflation<sup>(3)</sup> (%)



- **Iberia:** -1% YoY on successful execution of OPEX III program and headcount reduction (early retirements in Portugal)
- **EDPR:** -1% YoY (flat YoY excluding forex), despite the 4% increase of installed capacity
- **Brazil:** -8% in Euro terms; +3% in local currency, clearly below inflation (includes +6.5% annual salary update)

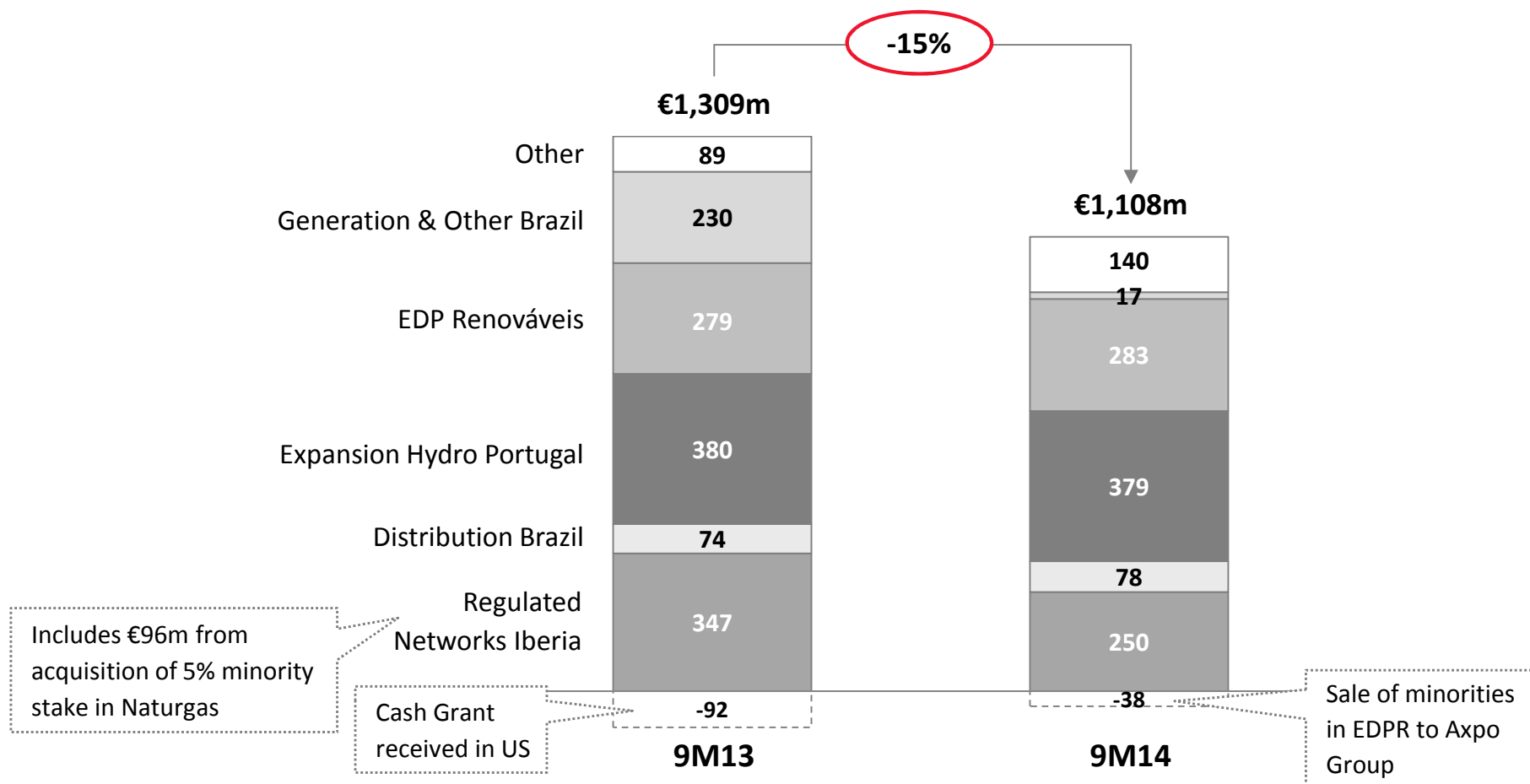
**OPEX III efficiency program: ~€110m savings accomplished until Sep-14; 2015 target anticipated for 2014**

**Opex/Gross Profit<sup>(1)</sup> at 28% in 9M14**

# Investments: Focus on new wind & hydro capacity and Regulated networks



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



**Expansion capex: 700MW of new wind capacity being built in US and Brazil (all with PPAs already signed)**  
**5 ongoing hydro projects in Portugal reached 84% rate of completion; Maintenance capex: €434m**

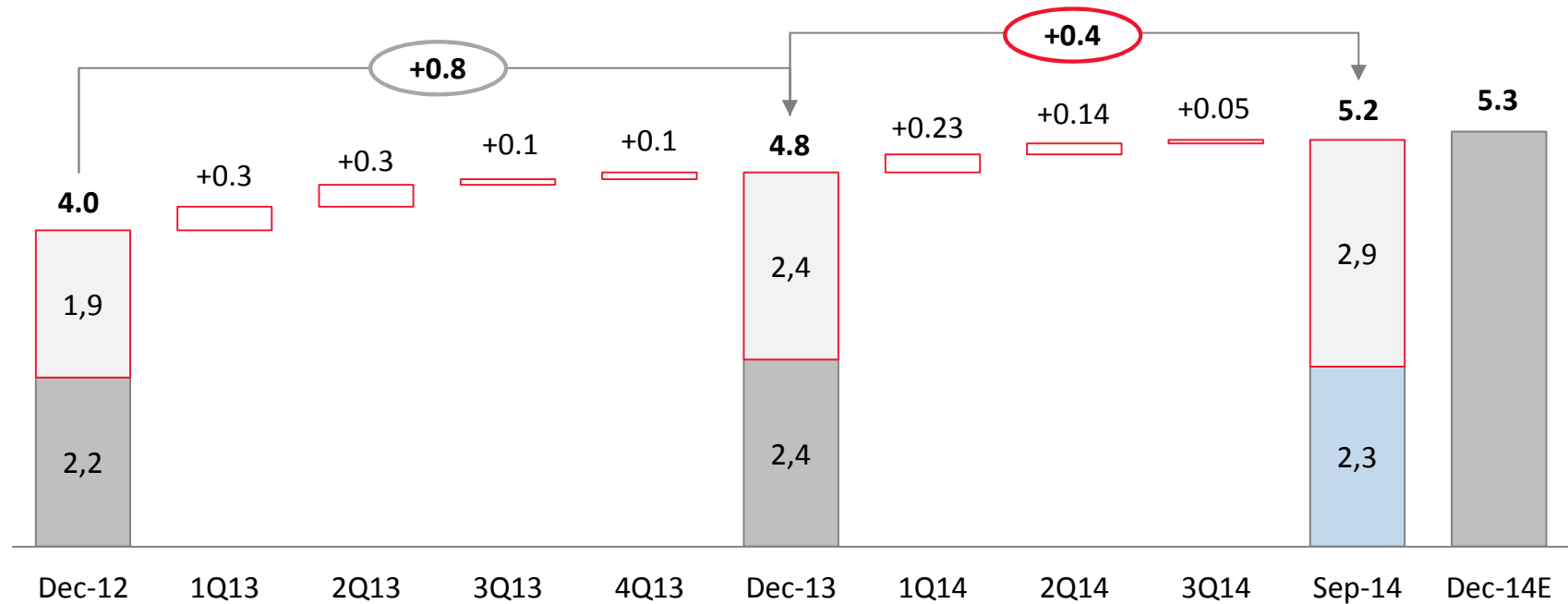
(1) Capex net of investment subsidies + Financial Investments - Financial Divestments related to EDPR's asset rotation strategy (9M14: €38m from sale to Axpo Group, of which €28m for equity stake and €10m for shareholder loans)



# Regulatory receivables in Portugal

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

Owed to Financial Investors (Securitized)  
 Owed to EDP



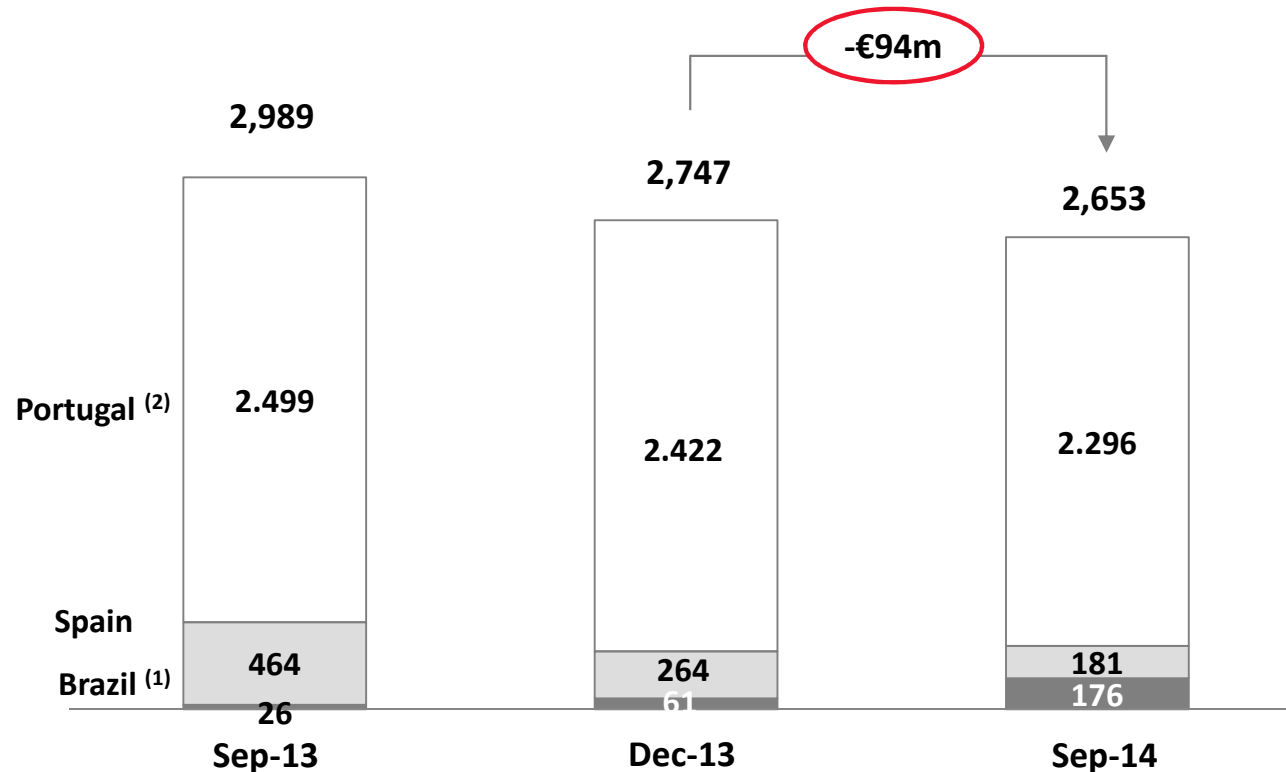
Demand growth (%)	-2.8%	-2.2%	-1.1%	+2.0%	+2.2%	+0.2%	+0.7%	+0.0%	-2.1%
Wind factor (1.0 = avg.)	1.03	1.36	1.19	0.99	1.12	1.18	1.40	1.08	0.96
Special Regime Premium (€/MWh)	68	71	80	65	50	66	81	73	64

**Good performance in 3Q14: just +€50m QoQ despite a -2.1% YoY change in demand due to a mild summer**  
**€5.2bn by Sep-14, reinforces the forecast of €5.3bn by Dec-14 remaining flat over 2015**

# Evolution of EDP's total regulatory receivables



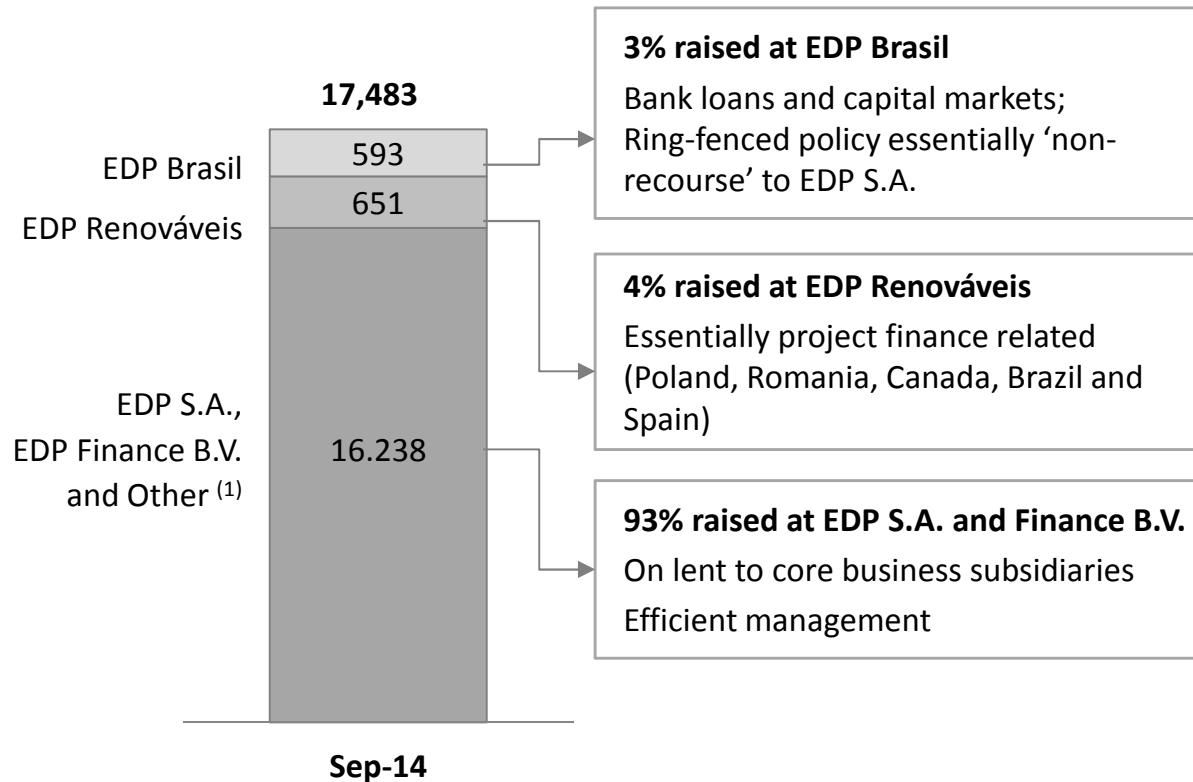
## EDP's Net Regulatory Receivables (€ million)



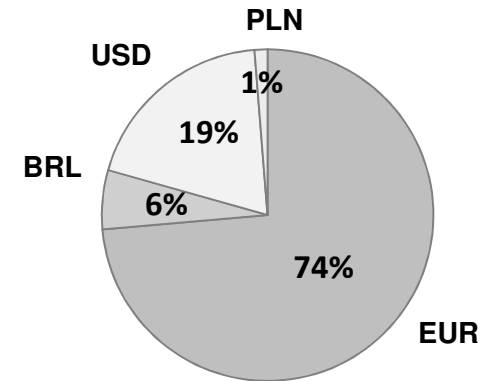
- **Portugal: -€126m** (tariff deficit to EDP: +€688m in 1H14, +€219m in 3Q14; securitisations: -€1,033m in 1H14)
- **Spain: -€83m YTD**, mostly on adjustments to 2013 deficit
- **Brazil: +€115m YTD**, negative tariff deviation not fully compensated by cash collection from CDE/CCEE

# EDP's Net Debt Breakdown: Sep-14

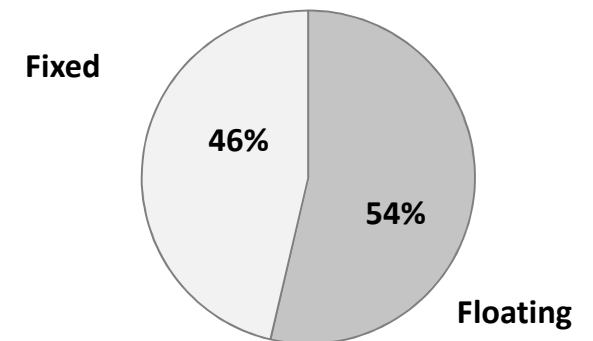
## EDP consolidated net debt position: Sep-14 (€ million)



## EDP consolidated debt by currency: Sep-14 (%)



## Debt by interest rate term: Sep-14 (%)



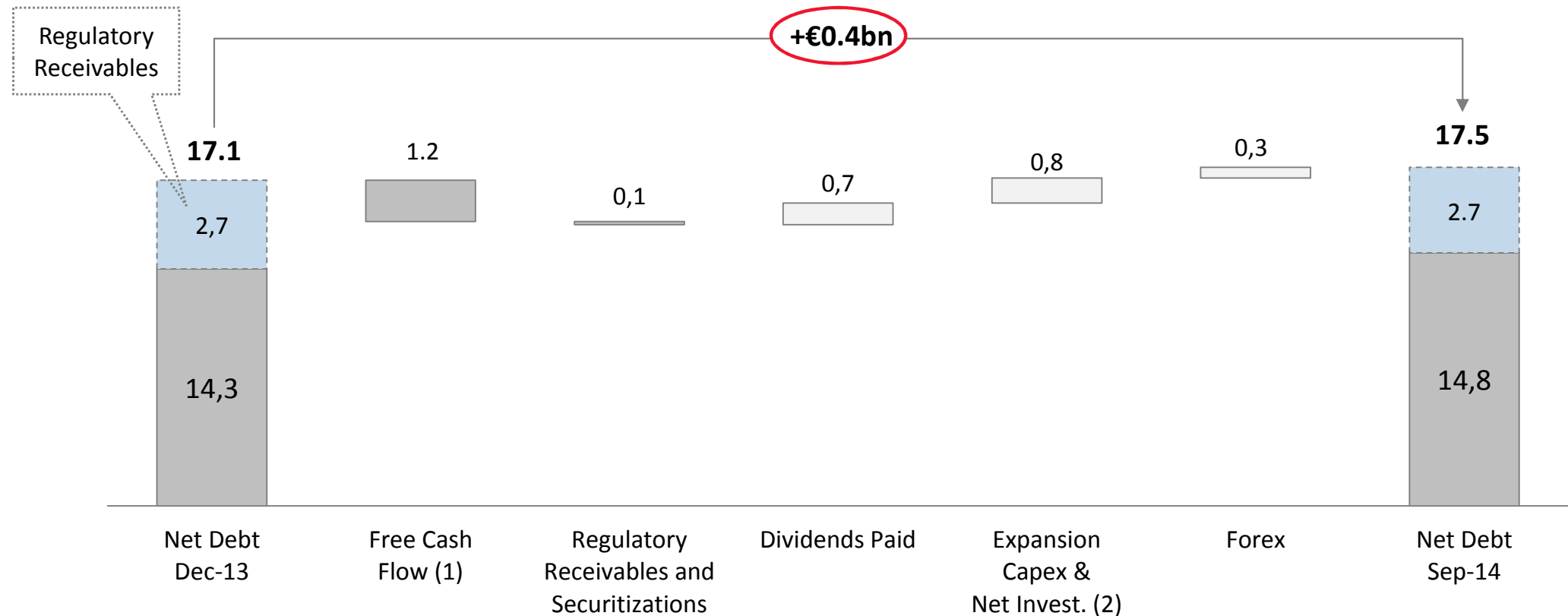
**Debt essentially issued at holding level through both capital markets (public and private) and bank loans**  
**Investments and operations funded in local currency to mitigate ForEx risk**  
**Floating rates: 54% weight provides hedging on inflation**

(1) Including accrued interest, fair value hedge and collateral deposits associated with debt.

# 9M13 Change in Net Debt

Change in Net Debt: Sep-14 vs. Dec-13

(€ billion)



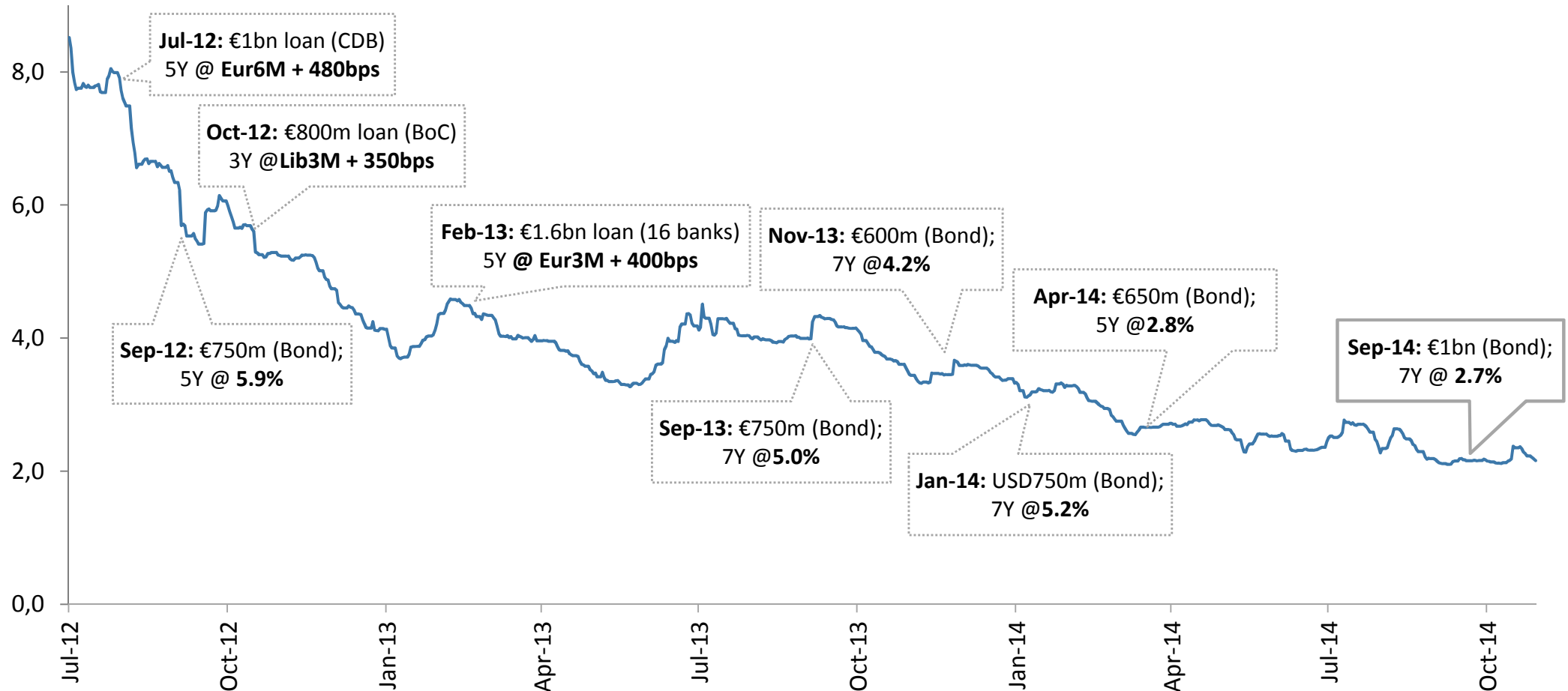
**Negative ForEx impact: €333m mostly due to the USD appreciation vs. the Euro**

**EDPR's assets rotation deals already agreed in US & France: Proceeds of €0.4bn to be cashed-in in 4Q14/1Q15**

# EDP's major debt issues since Jul-12

## EDP 5 year bond yield / EDP major debt issues since Jul-12

(%)



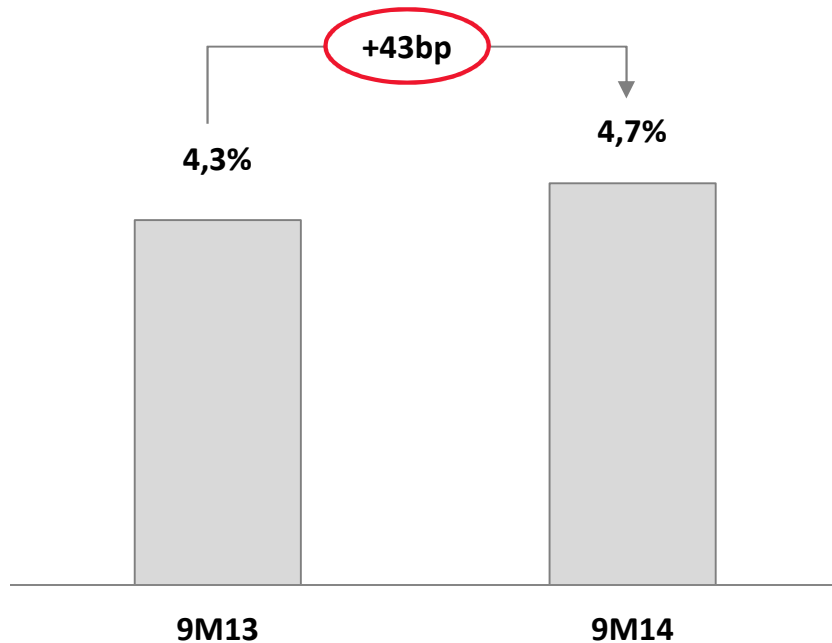
**€1bn bond issue in Sep-14, 7 years and 4 months maturity, 2.7% yield**

Tariff deficit securitisations: €3.0bn in 2013/9M14 of which €2.3bn in Portugal and €0.8bn in Spain

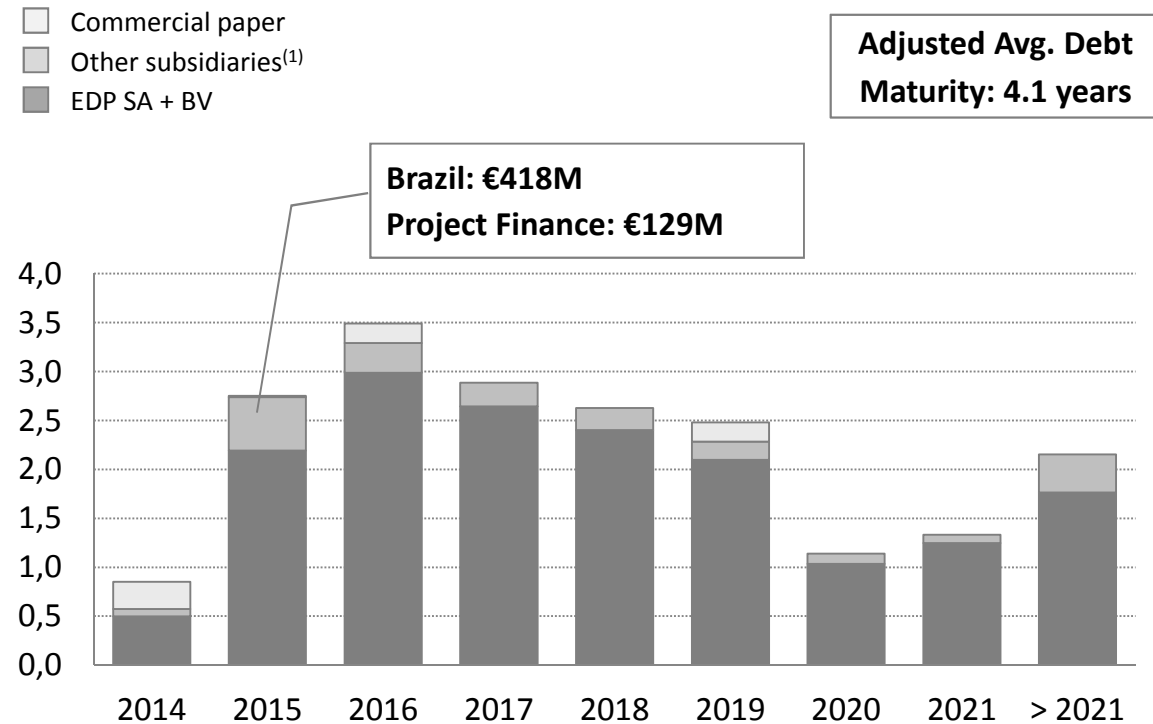
# Financial Debt: Average cost and maturity profile



Avg. Cost of Debt: 9M14 vs. 9M13  
(%)



EDP consolidated debt maturity profile as of Sep-14  
(€ billion)



Higher avg. cost of debt justified by some debt matured over 9M14 which was paying a low avg. interest

Average debt maturity by Sep-14: 4.1 years

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

# Financial Liquidity position



Sources of liquidity (Sep-14)					
(€ million)					
Instrument	Maximum Amount	Number of counterparties	Utilised	Available	Maturity
Revolving Credit Facility	3,150	21	0	3,150	Jun-2019
Domestic Credit Lines	199	9	0	199	Renewable
Underwritten CP	100	1	0	100	Oct-2016
Total Credit Lines	3,449		0	3,449	
Cash & Equivalents:				2,058	
Total Liquidity Available				5,507	

Financial liquidity by Sep-14: €5.5bn

# Main sources and uses of funds



## Sources of funds

- **Cash & Equivalents (Sep-14) :** €2.1bn
- **Available Credit Lines (Sep-14):** €3.4bn

**TOTAL** €5.5bn

## Use of funds

### ▪ Refinancing needs in 2014:

Bonds maturing in Dec-14 €0.4bn

**Total 2014** €0.4bn

### ▪ Refinancing needs in 2015:

Bonds maturing in 1Q15 €1.1bn

Bonds maturing in 2Q15 €0.75bn

Loans maturing in 2015 €0.5bn

**Total 2015** €2.3bn

**TOTAL** €2.7bn

**Financial liquidity covers refinancing needs until mid-2016**



# Net Profit breakdown



(€ million)	9M13	9M14	Δ %	Δ Abs.	
<b>EBITDA</b>	<b>2,800</b>	<b>2,715</b>	<b>-3%</b>	<b>-85</b>	
Net Depreciations and Provisions	1,094	1,036	-5%	-58	Extension of useful life of thermal plants in Iberia and cogen impairments in 4Q13; distribution asset's write down in Brazil in 9M13 (-€20M)
<b>EBIT</b>	<b>1,706</b>	<b>1,680</b>	<b>-2%</b>	<b>-26</b>	
Financial Results & Associated Companies <sup>(1)</sup>	(502)	(429)	-15%	+74	<ul style="list-style-type: none"> <li>▪ Average net debt: -€0.6bn</li> <li>▪ Equity results from Pecém (+€49m YoY)</li> <li>▪ Capitalized costs (+€29m YoY on higher WIP)</li> <li>▪ Tariff deficit securitisation gains (+€26m YoY)</li> </ul>
Income Taxes	263	276	+5%	+13	
Non-controlling interests	149	143	-4%	-5	Lower net profit at the level of EDP Renováveis and EDP Brasil
Extraordinary Energy Tax in Portugal	-	46	-	+46	
<b>Net Profit</b>	<b>792</b>	<b>786</b>	<b>-1%</b>	<b>-6</b>	

(1) Includes capital gains/losses



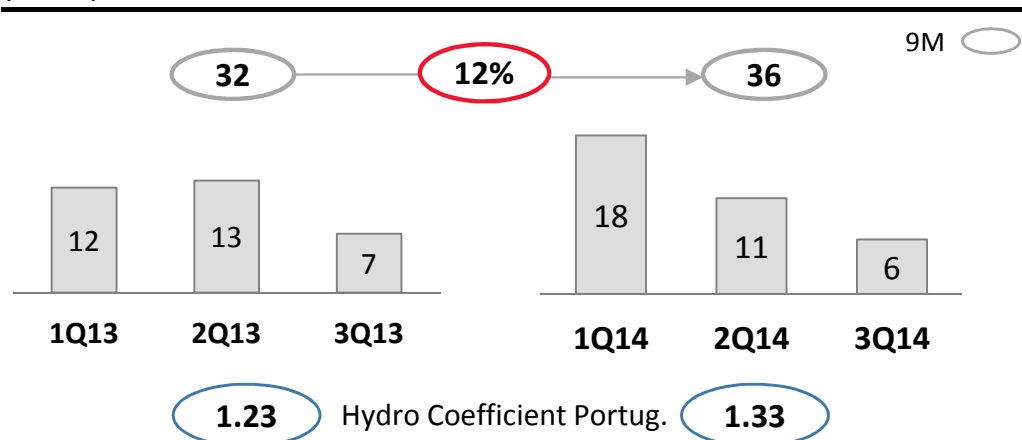
# Business Areas

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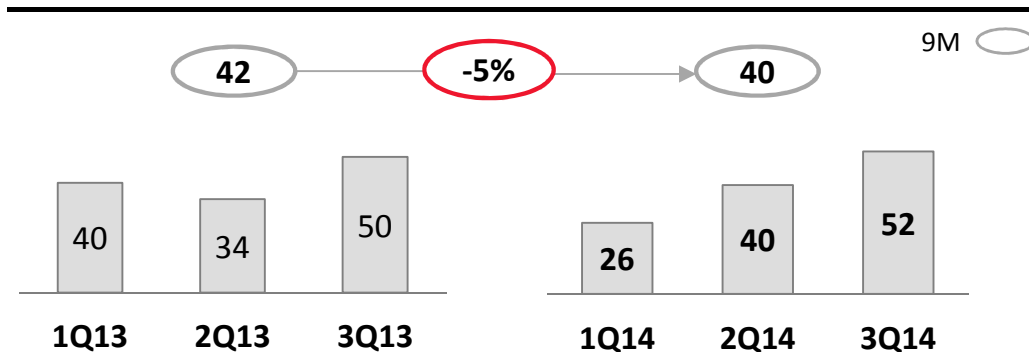
# Electricity market environment in Iberia: 9M14 vs. 9M13



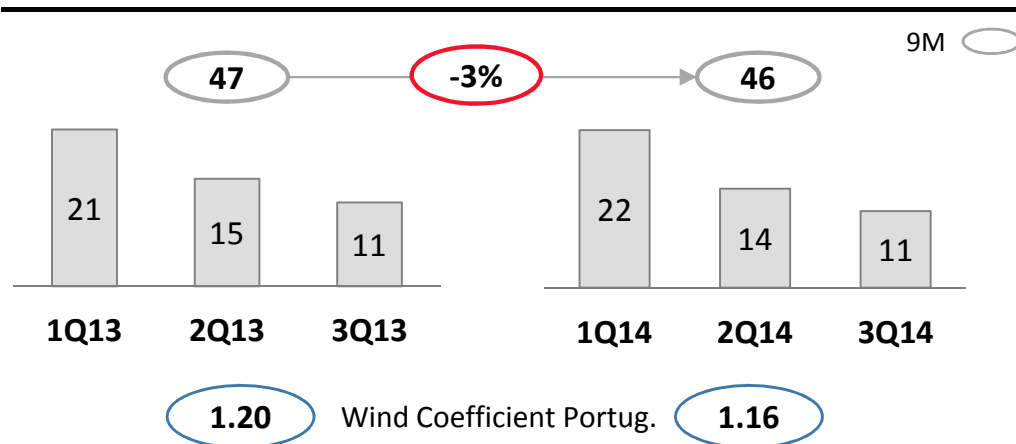
**Hydro & Mini-Hydro Power Production – Iberia <sup>(1)</sup>**  
(TWh)



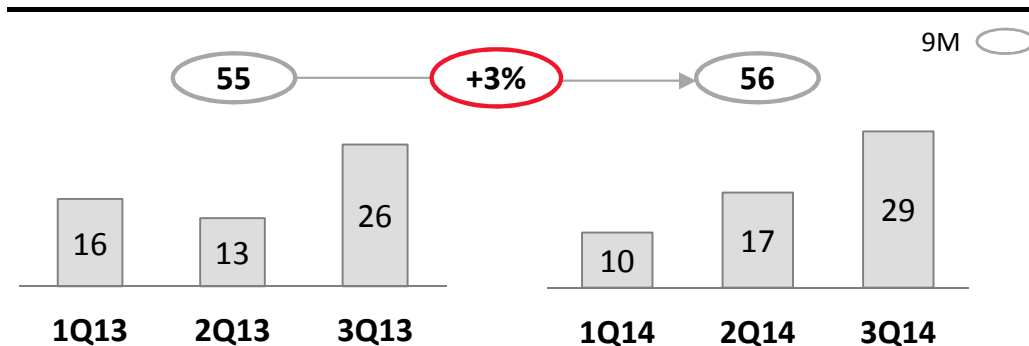
**Avg. Pool Price in Spain**  
(€/MWh)



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



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

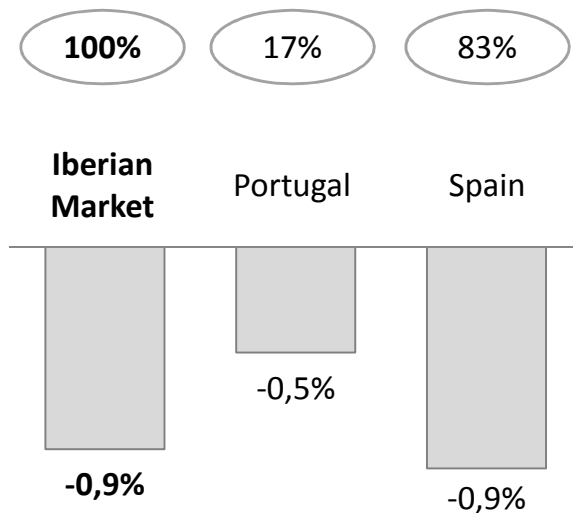


**3Q14: lower wind of hydro volumes vs. 1H14 allowed recovery of thermal production and pool prices**

# Iberia: Electricity Demand

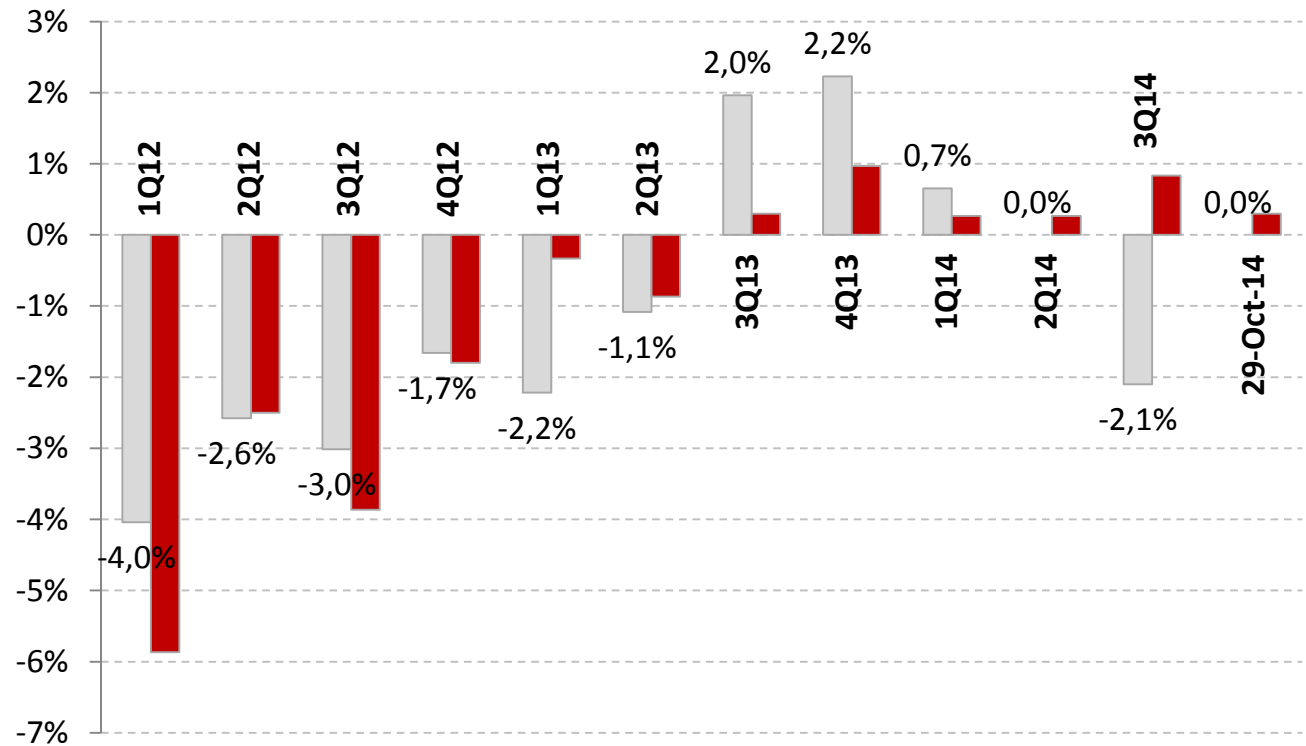
## Electricity Demand in Iberian Market 9M14 <sup>(1)</sup> ( $\Delta\%$ YoY)

% Weight in Iberia in 9M14



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

Real Adjusted <sup>(2)</sup>



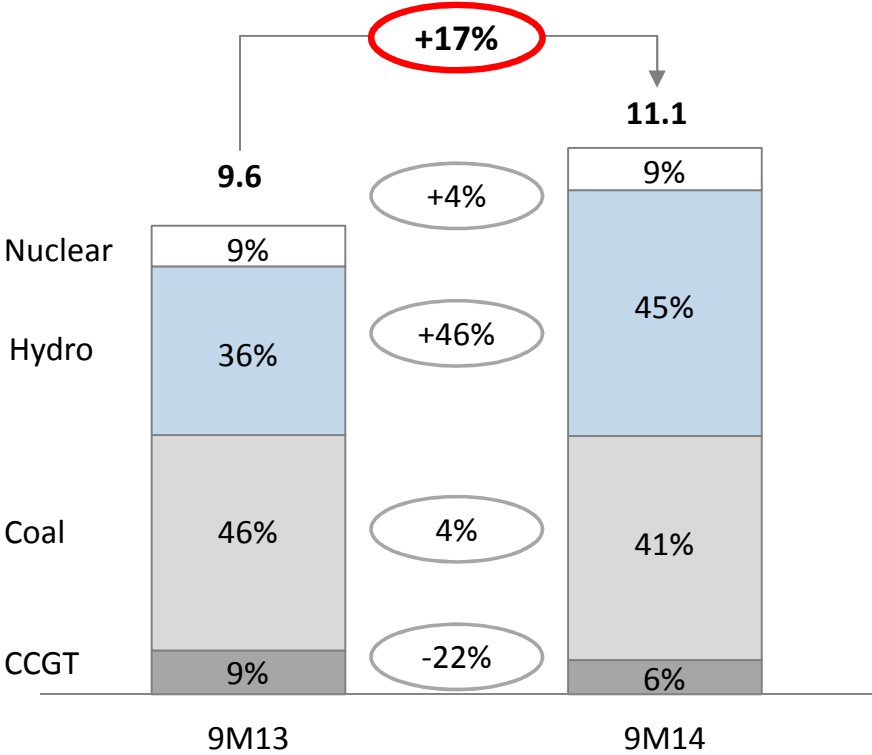
**Electricity demand in 9M14:** -0.9% on milder weather (adj. for temperature & working days: PT:+0.5%; SP:+0.3%)  
**Portuguese Electricity Demand:** October-to-date flat YoY (+0.3% adjusted<sup>(2)</sup> YoY)

# Liberalised Energy Activities Iberia (14% EBITDA)



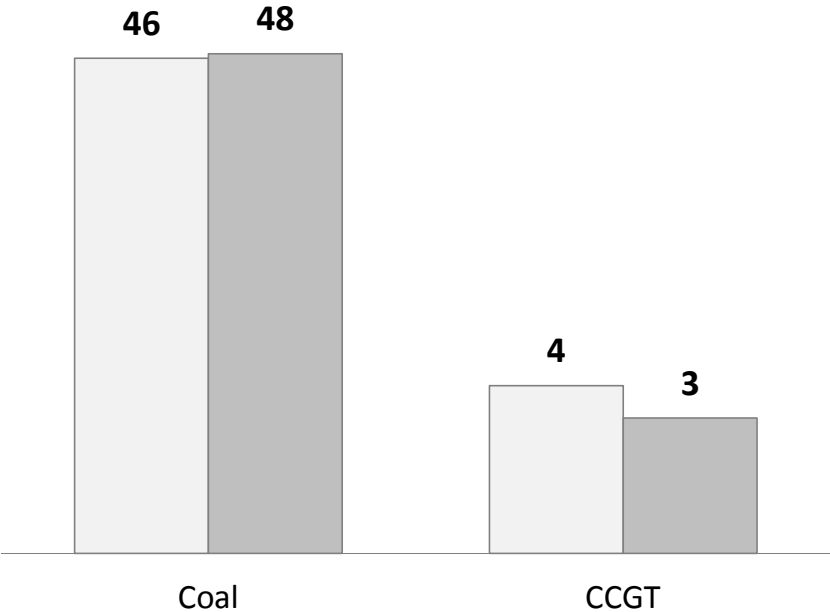
EDP Liberalised Power Plants Iberia – Production  
(TWh)

○ % Chg. YoY



EDP Coal vs. CCGT – Load factors in 9M14 and 9M13  
(%)

□ 9M14    ■ 9M13

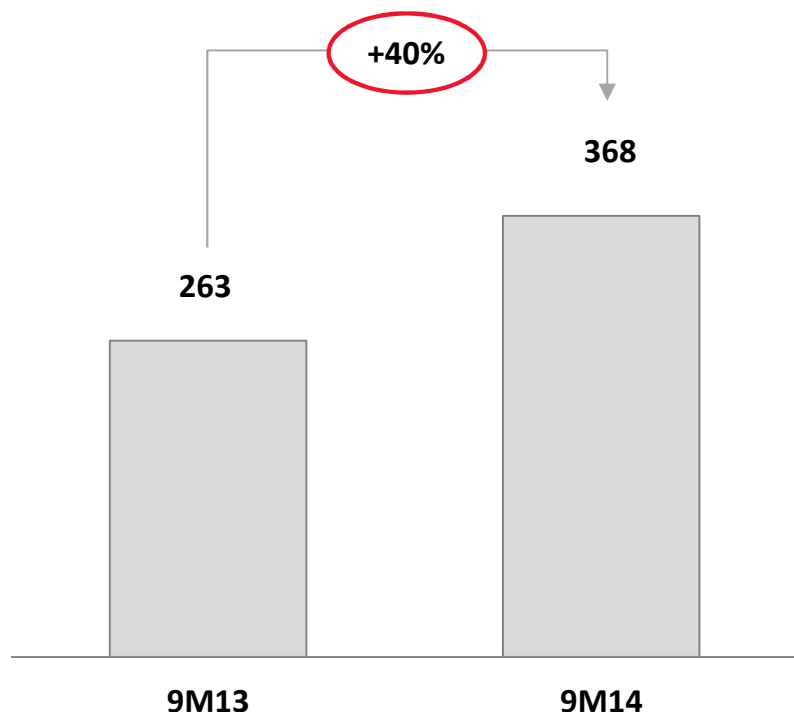


**Production +17%; hydro +46%** on transfer from 3 hydro plants to liberalised (PPA ended 2013) and rainy weather  
**Thermal load factors: no material changes YoY**

# Liberalised Energy Activities Iberia (14% EBITDA)



EBITDA Liberalised Activities in Iberian Market  
(€ million)



## Lower sourcing costs along with long position in clients

- **3 hydro plants transferred from PPA/CMEC:** +2.0TWh in 9M14
- **Avg. generation cost -21% YoY** on higher weight of hydro
- **Long position in clients:** 26TWh sold to clients vs. 11TWh own production
- **Avg. purchasing cost: -5% YoY** on lower pool prices
- **Gas supply:** +€36m mainly on sales in the wholesale market

## Adverse regulatory developments Lower profitability of thermal plants



- **Regulatory developments:** -€9m YoY on clawback in Portugal and -€10m YoY on cuts in capacity payments in Spain; Generation taxes in Spain (€71m in 9M14).
- **CCGTs:** continuing low utilisation levels due to negative spark spreads

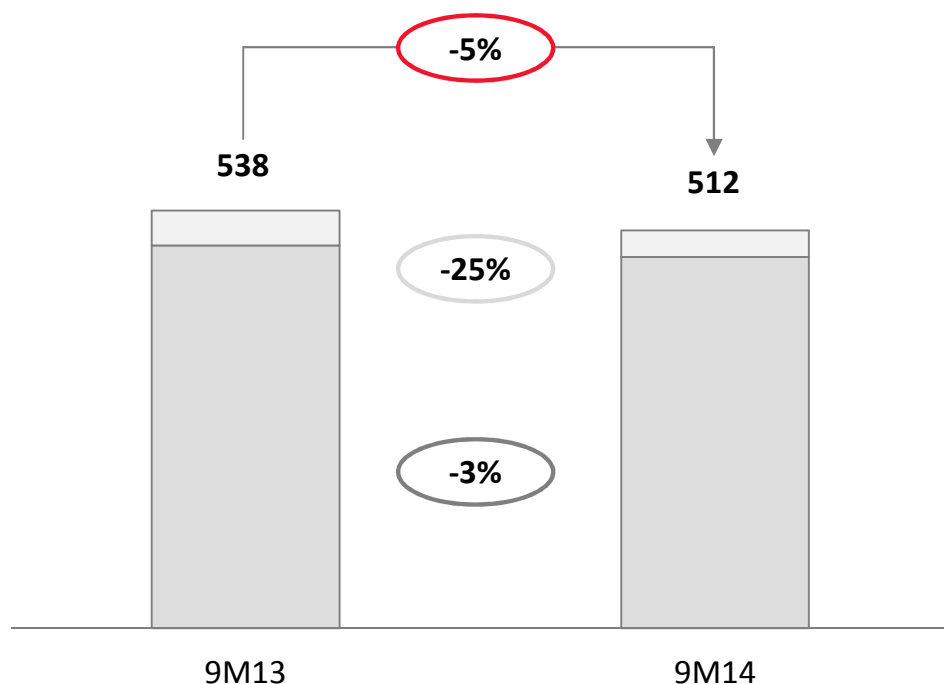
**EBITDA 40% up YoY on: (1) strong hydro volumes leveraged by new hydro capacity; (2) positive impact from energy management of our long position in clients and (3) negative impact from regulatory changes**

# Long Term Contracted Generation Iberia (19% of EBITDA)



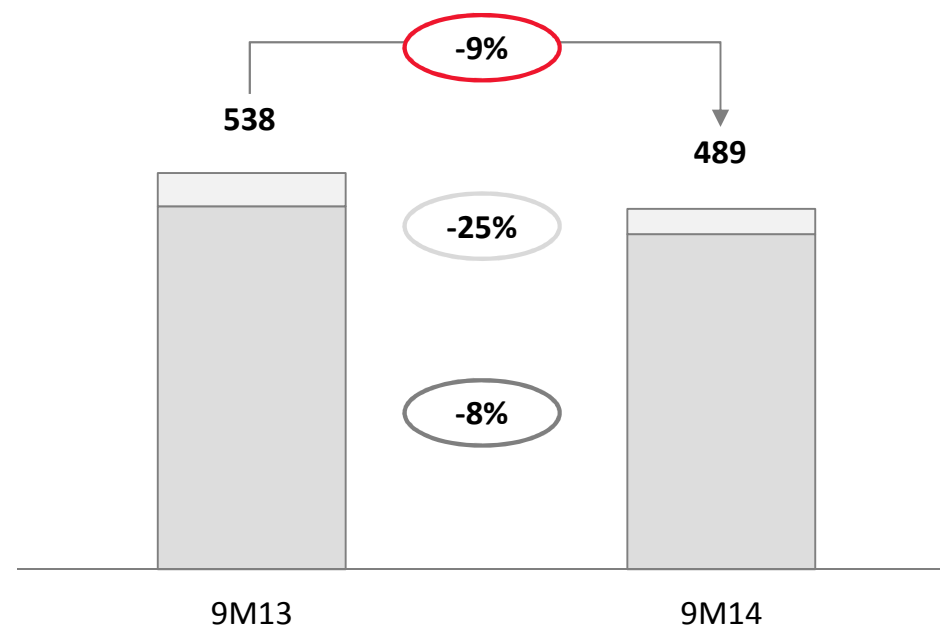
**EBITDA**  
(€ million)

■ PPA/CMEC □ Special regime



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

■ PPA/CMEC □ Special regime



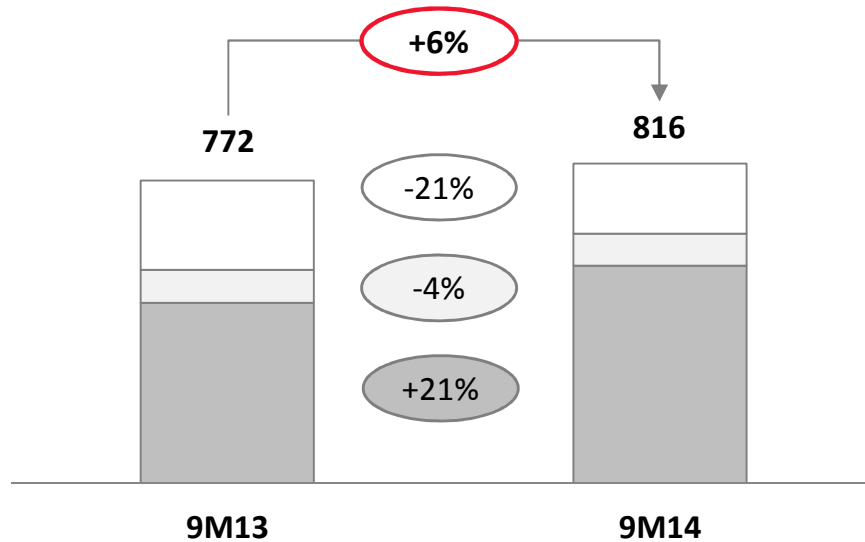
**Adjusted EBITDA -9% on the transfer of 3 hydro plants from PPA/CMEC to liberalised market (PPA end, gross profit 9M13: €46m) and special regime production outage at several thermal plants on cuts on regulated revenues**

(1) Excludes the impact of the new collective labour agreement in Portugal in 9M14

# Regulated Energy Networks Iberia (30% of EBITDA)

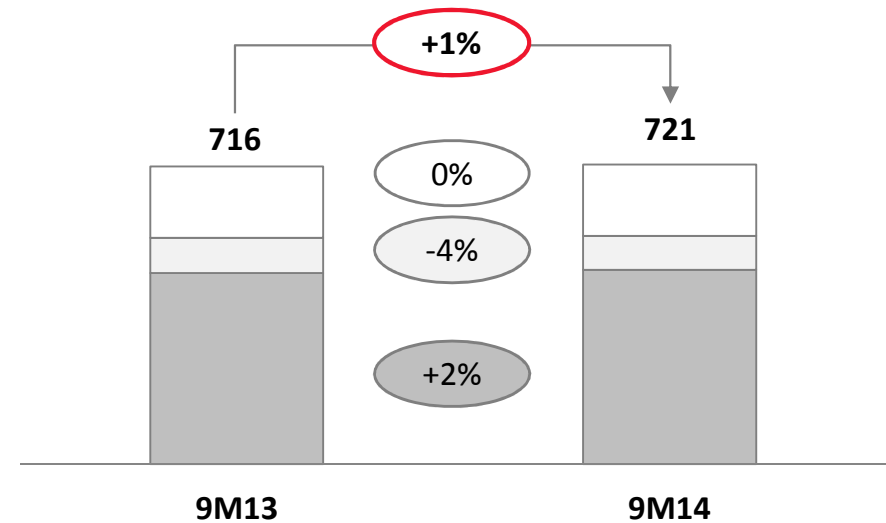
## EBITDA (€ million)

- Gas Iberia
- Electricity Spain
- Electricity Portugal



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

- Gas Iberia
- Electricity Spain
- Electricity Portugal



- **Electricity Portugal:** Tight cost control (OPEX: - 7% YoY); RoRAB down from 8.56% in 9M13 to 8.26% in 9M14
- **Electricity Spain:** -€3m YoY due to lower contribution from new grid connections (application of IFRIC18)
- **Gas Iberia:** one-off gain of €56m in 1Q13 on sale of gas transmission in Spain; one-off gain of €8m in Portugal in 3Q14

**Adjusted EBITDA +1% YoY reflects good performance on operating costs**

(1) Excludes the gain with the sale of gas transmission assets in Spain in 9M13 and the impact from the new collective labour agreement in Portugal in 9M14

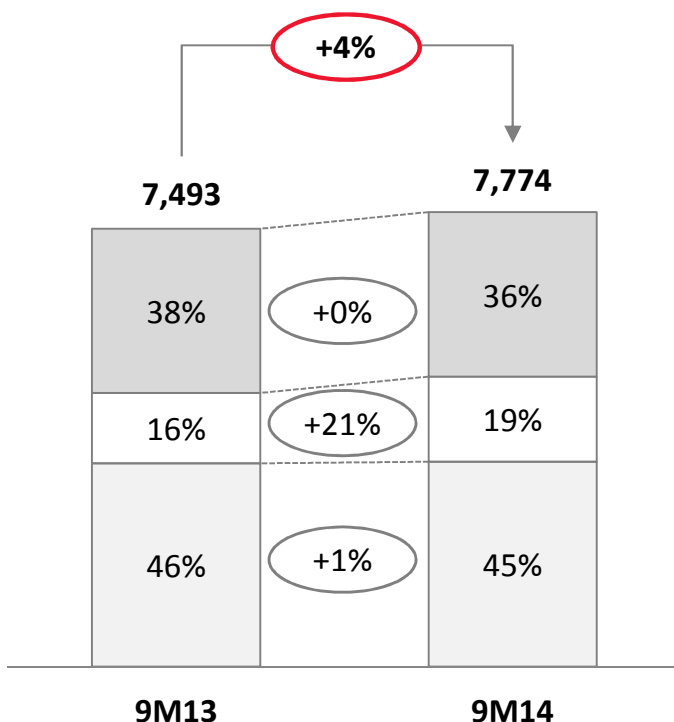


# EDP Renováveis (24% of EBITDA): Growth from capacity additions mitigated by regulatory changes in Spain

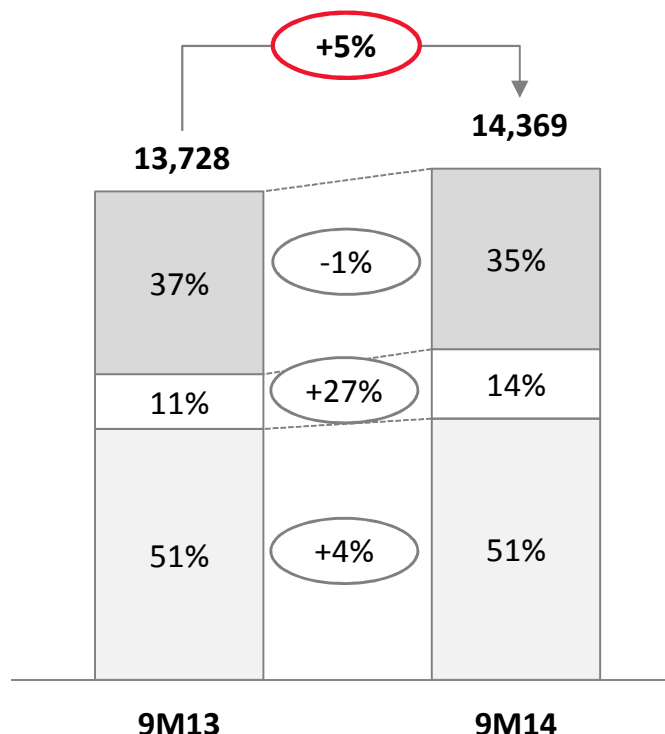


**Installed Capacity  
(MW)**

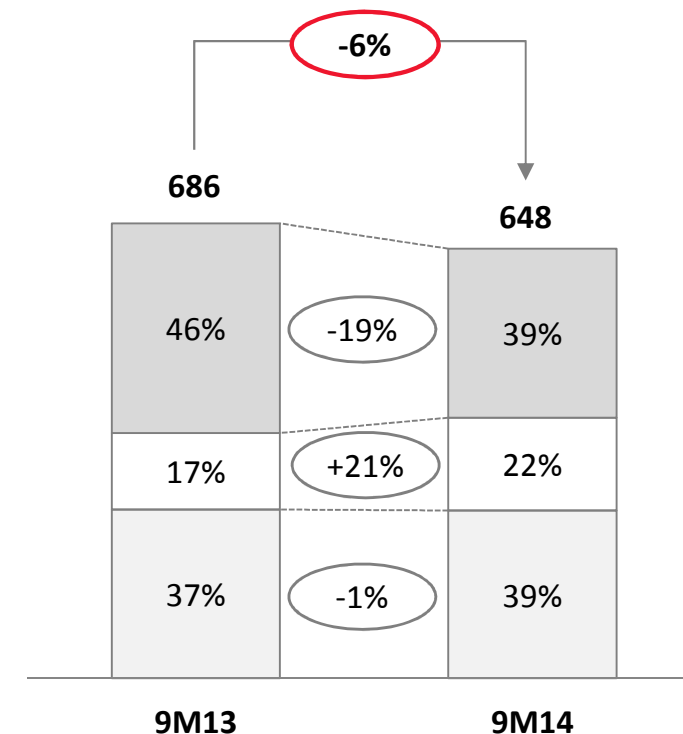
■ Iberia ■ North America ■ Other<sup>(1)</sup>



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



**EBITDA  
(€ million)**



- **EBITDA Iberia: -19%**; Revenues in 9M14 penalised by the new regulation in Spain and low pool prices
- **EBITDA NA: -1% in Euros, Adj. EBITDA in USD +8%** (excluding USD18m one-off gain in 1Q13); average selling price +4%
- **EBITDA other markets: +21%**; capacity additions in Romania, Poland, France and Italy; lower prices in Romania

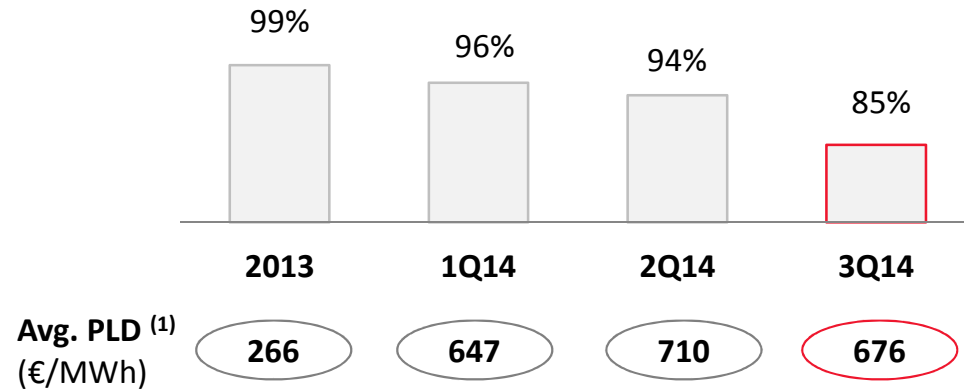
(1) Includes Rest of Europe and Brazil

(2) includes solar production (33GWh in 9M13 and 54GWh in 9M14)

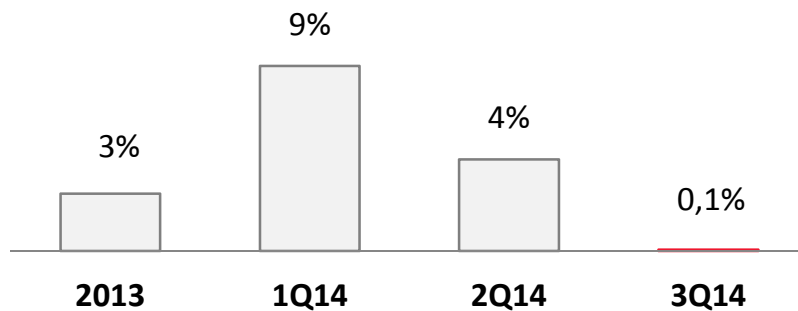
# Brazilian Electricity System: 3Q14 environment







## Hydro Generation Scaling Factor (GSF) (%)



## Electricity demand in Brazil - 2014 YoY Change (%)



## 3Q14 developments

-  **Strong thermal dispatch in order to preserve hydro reservoirs / hydro GSF of 85% in 3Q14:** i) DisCo's overcost of R\$1.3bn in Jul/Ago (vs. R\$5bn in 2Q14) following the A-0 generation auction in Apr-14; GenCo's deficit of R\$9.6bn<sup>(2)</sup> in 3Q14
-  **Slowdown of demand growth:** +0.1% YoY in 3Q14
-  **Aug-14: CCEE/ACR contracted new loan of R\$6.58bn:** R\$3.4bn already transferred to DisCos to cover for May/Aug-14 higher costs;
-  **Disco's annual tariff updates:** several double digit increases approved by ANEEL; Escelsa: +26.54% from August 7<sup>th</sup> onwards

## Utilities continue facing significant challenges

**Hydro plants producing below PPA contractual levels; CCEE/ACR financing the receivables growth in distribution**

(1) Source: CCEE: Based on weekly prices (using PLD 1 between Apr-13 and Aug-13);

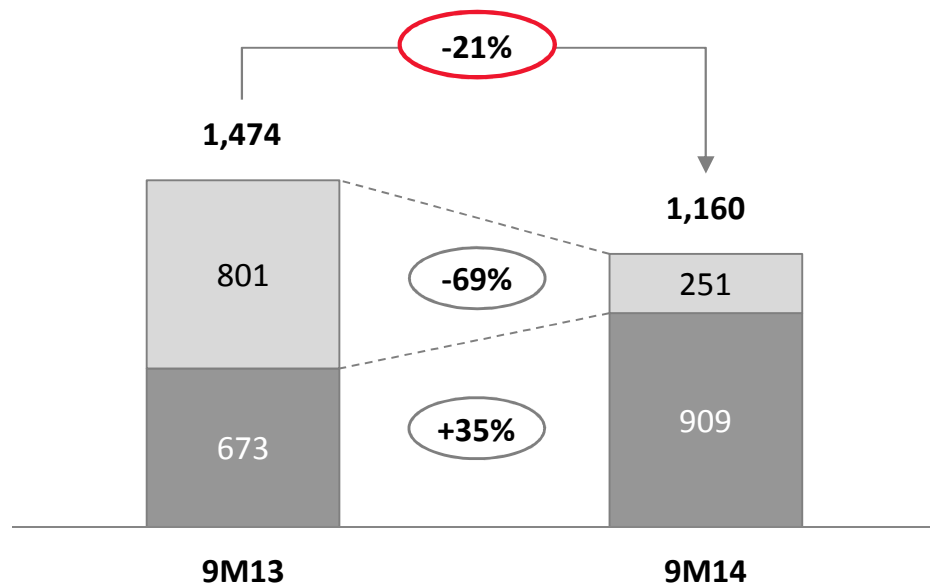
(2) Source: CCEE "Boletim Info PLD"; Considering R\$2.2m forecast for Sep-14

# EDP Brasil (14% of EBITDA): Reported EBITDA in local currency -21% YoY, adjusted EBITDA -13% YoY



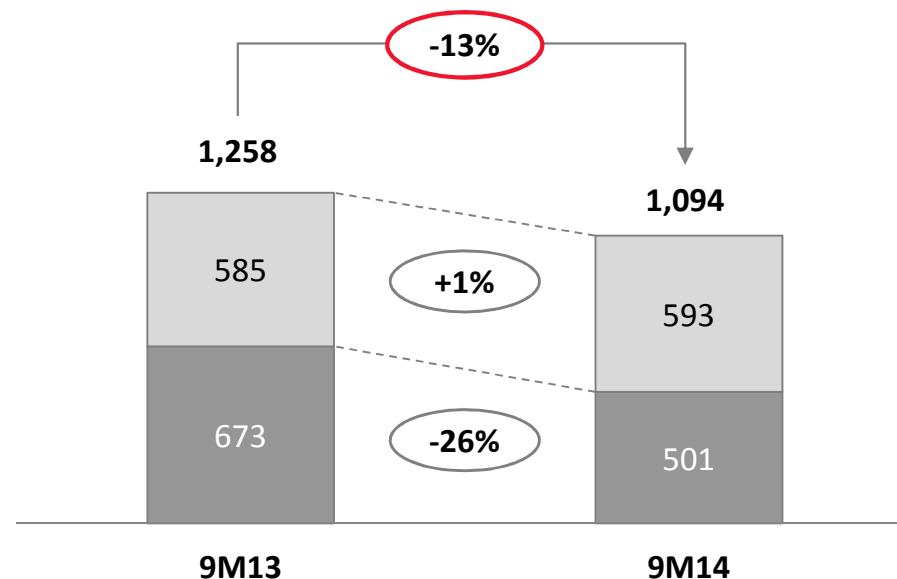
## EDP Brasil reported EBITDA (BRL million)

■ Generation & Other ■ Distribution



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

■ Generation & Other ■ Distribution



- **Distribution: -69% on adverse evolution of net tariff deviations (+R\$343m in 9M14 vs. -R\$163m in 9M13)**
- **Generation: +35% on gain with sale of Jari and C Caldeirão 50% stakes to CTG (R\$408m)**

- **Distribution: +1% on higher regulated revenues, on demand growth and favorable settlements related to previous years**
- **Generation: -26% on higher costs with energy purchases in spot market (GSF 92% in 9M14), mitigated by short term hedge (net impact: +R\$181m YoY)**

(1) Adjustments in Distribution: i) tariff deviations net of CDE contributions and of previous years' recoveries (-R\$343m in 9M14 vs. +R\$163m in 9M13); ii) R\$53m capital gain in 9M13 on sale of a building; Adjustment in Generation and Other: i) R\$408m one-off gain in 9M14 with the sale of 50% equity stakes in Jari and Cachoeira Caldeirão to CTG



# Regulatory Update Portugal

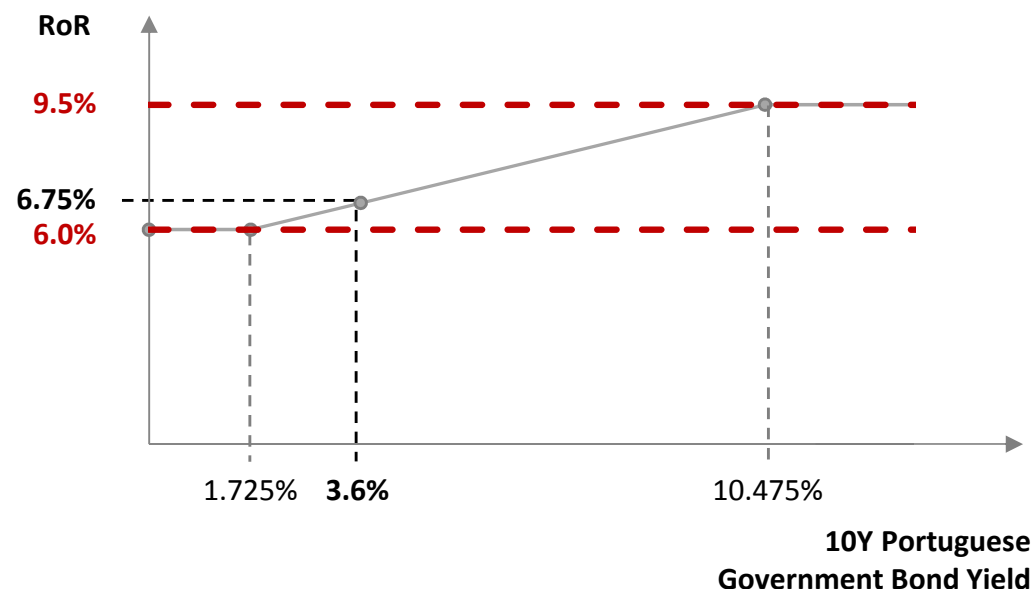
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# Electricity distribution and Last resort Supplier: ERSE's proposal on 2015 regulated revenues and 2015-2017 RoR



## Return on RAB: Calculation Methodology

(%; bp)



## Regulated Revenues 2015E <sup>(1)</sup>

(€ million)

	2014E	2015E	Δ Abs.	Δ %
Distribution Activity	1,205	1,194	-11	-1%
Last Resort Supply Activity	74	61	-13	-17%
<b>Regulated Revenues</b>	<b>1,279</b>	<b>1,255</b>	<b>-24</b>	<b>-2%</b>

- **Preliminary RoR of 6.75% for 2015E** (based on avg. 10Y Port. Government Bond yield of 3.6%) vs. 8.26% in 2014
- Methodology for 2015-17: RoR for year t indexed to avg. of 10Y Port. Govern. bond yield between Oct. of year t-1 and Sep. of year t; **each 2.5% chg. in avg. 10Y Govern. bond yield, implies 1% chg. in RoR; floor at 6.0% and cap at 9.5%**

- **Regulated Revenues: -€24m in 2015E vs. 2014E)** based on preliminary 6.75% RoR (+/-2.5% chg. on avg. 10Y Gov. bond yield, implies +/-€30m on EBITDA)
- **Electricity demand:** ERSE is forecasting **+0.5% YoY for 2014E and +0.8% YoY for 2015E** (+/-1% chg. on demand, implies +/-€2m on EBITDA)

(1) 2015E: in accordance with Tariffs Proposal submitted for appreciation to the Tariff Council on October 15<sup>th</sup>, 2014. ERSE will approve the Final document up to December 15<sup>th</sup>, 2014

# Portuguese electricity system receivables to stay flat in 2015E vs. 2014E, and converging to zero by ~2020



Electricity Regulatory Receivables - Portugal  
(€bn)



**ERSE 2015 Tariffs Proposal: + 3.3% final normal low voltage clients**

**Electricity system's receivables to stay flat in 2015 vs. 2014; On track for system's sustainability**  
+€391m of system medium to long-term debt; -€380m from previous year adjustments' recoveries



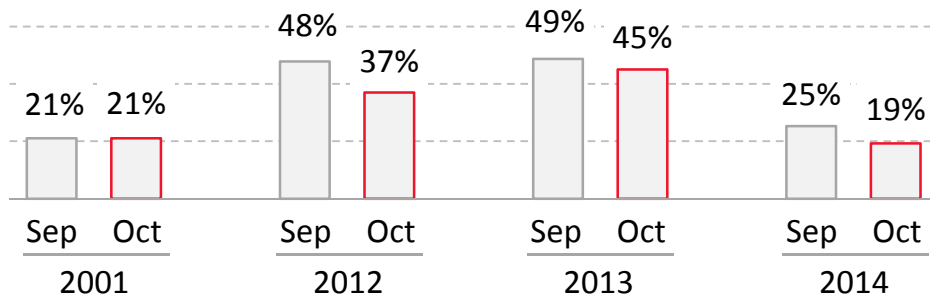
# Outlook




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# EDP Brasil: 4Q14/2015 prospects

## Generation





Hydro reservoirs – Southeast/Center-West Regions <sup>(3)</sup>  
(%)



-  **Gen. Scaling Factor (GSF)**  
Oct-14: 91%<sup>(1)</sup>; 4Q14E: ~90%
-  **PLD: avg. Oct-14 at €770/MWh<sup>(2)</sup>**
-  **ANEEL proposal for new PLD calculation methodology from Jan-15 onwards:** i) lower cap from R\$822/MWh to R\$388/MWh; ii) higher floor from R\$15/MWh to R\$30/MWh

**Low GSF scenario in 4Q14 to help reservoir levels recovery**  
Generators to keep satisfying PPA obligations though purchases in spot market

## Distribution

-  **CCEE/ACR cash advance of regulatory receivables to Discos:** R\$3.1bn still available to cover needs until the end of 2014
-  **EDP Brasil Disco's annual tariff updates to keep helping deviations' recovery:** +22.34% tariff increase for Bandeirante (Oct-14)
-  **Jan-15: introduction of "Tariffs Flags"** to signal final consumers for higher energy costs; introduction of variable tariffs to increase demand sensitivity to price
-  **Ongoing discussions for possible change in regulatory receivables accounting:** enable DisCos to register at the level of P&L and Balance Sheet past/current tariff deviations which are recoverable in the future

**CCEE/ACR contributions and tariff increases to keep improving Disco's EBITDA and cash flow**

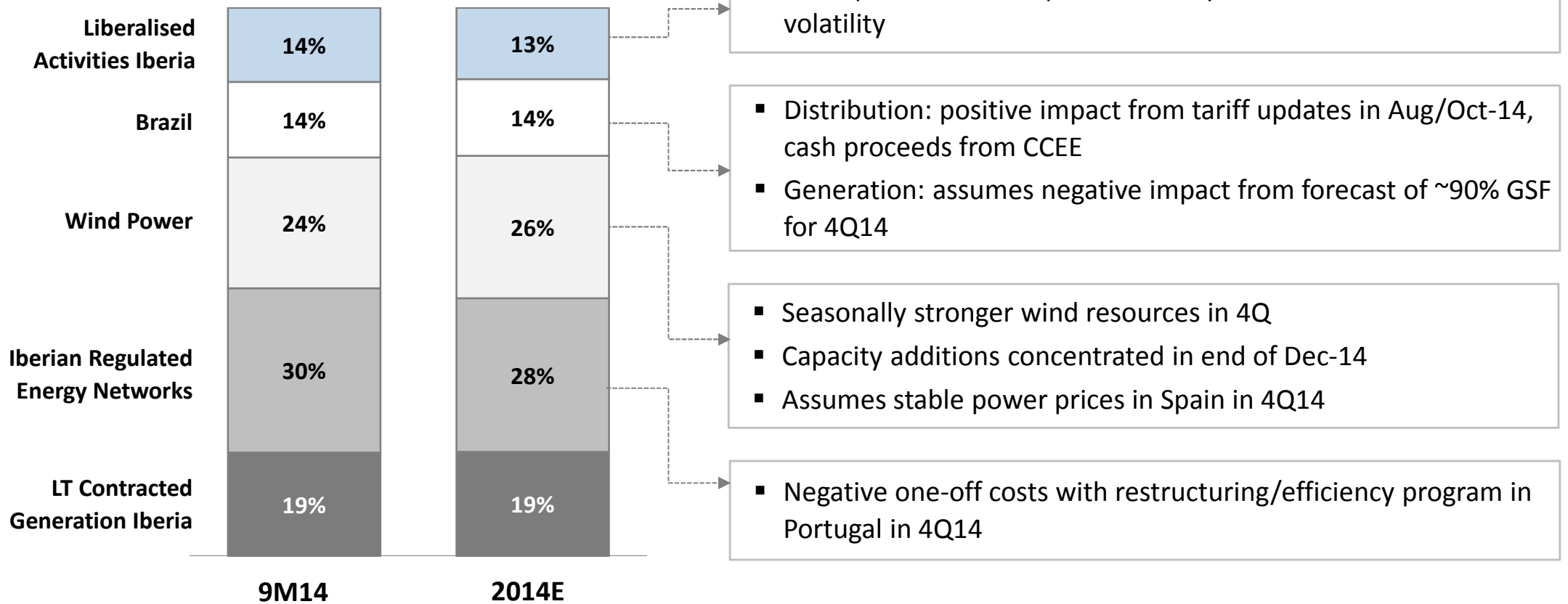


# Outlook for 2014



## EBITDA Breakdown

(%)



- 2014E guidance does not include potential accounting change regarding tariff deviations in Brazil
- Net debt forecast assumes stable forex and slight decline of EDP's regulatory receivables over 4Q14

- EBITDA 2014E: ~ €3.500m**
- Net Profit 2014E: > €900m**
- Net Debt 2014E: ~€17bn**

# A resilient business model in a challenging environment



**Sound performance  
enhanced by  
diversification**

- **EBITDA: -3%**
- **Net Profit/EPS: -1%**
- **OPEX III cost savings corporate program: ~€110m in 9M14** (anticipation of 2015 target)

**Profitable Growth**

- **Expansion capex:** Execution of new hydro in Portugal and Brazil; new wind in US (with PPAs)

**Keeping  
Low Risk profile**

- **JV with CTG on hydro Brazil + EDPR assets rotation:** ~€0.7bn executed/agreed in 9M14
- **Regulatory receivables: -€0.1bn**
- **Strong financial liquidity:** Refinancing needs covered until mid 2016

**Guidance for 2014E: maintenance for EBITDA (~€3.5bn); slight improvement for Net Profit (>€900m)**

**Improvement on the visibility of EDP's medium term Free Cash Flow potential**

**Based on high quality asset mix, with stable returns, in diversified markets and adequate risk management**



## Visit EDP Website

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

Link Results & Presentations:

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

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## Next Events

Oct 30<sup>th</sup>: Release of 9M14 Results

Nov 5<sup>th</sup>-7<sup>th</sup>: Roadshow Boston/New York (Morgan Stanley)

Nov 11<sup>th</sup>-12<sup>th</sup>: UBS European Conference in London

Nov 12<sup>th</sup>-13<sup>th</sup>: EEI Conference in Dallas

Nov 25<sup>th</sup>-27<sup>th</sup>: Roadshow Singapore/Sydney (Santander)

Nov 26<sup>th</sup>: JP Morgan Utility & Infrastructure Conference in London

Nov 27<sup>th</sup>: Morgan Stanley Paris Utilities Seminar