



9M16

# Financial Results

## Conference call and webcast

**Date:** Friday, 4<sup>th</sup> November, 2016, 11:30 am (UK/Portuguese time)

**Webcast:** [www.edp.pt](http://www.edp.pt)

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*The financial statements presented in this document are non-audited. Pursuant to the adoption of IFRIC21, 1Q15 financial statements here presented were restated for comparison purposes.*

*The source from all operational data is EDP.*

# Main Highlights

Income Statement (€ m)	9M16	9M15	Δ %	Δ Abs.
<b>Gross Profit</b>	<b>4,263</b>	<b>4,060</b>	<b>5%</b>	<b>+203</b>
Supplies and services	674	658	3%	+16
Personnel costs, employees benefits	487	472	3%	+15
Other operating costs (net)	210	(60)	-	+270
<b>Net Operating costs (1)</b>	<b>1,371</b>	<b>1,069</b>	<b>28%</b>	<b>+302</b>
<b>EBITDA</b>	<b>2,893</b>	<b>2,991</b>	<b>-3%</b>	<b>-99</b>
Provisions	(15)	9	-	-24
Amortisation and impairment (2)	1,115	1,058	5%	+57
<b>EBIT</b>	<b>1,792</b>	<b>1,924</b>	<b>-7%</b>	<b>-131</b>
Financial Results	(635)	(626)	-1%	-9
Share of net profit joint ventures/associates	(3)	(25)	89%	+22
<b>Pre-tax profit</b>	<b>1,155</b>	<b>1,273</b>	<b>-9%</b>	<b>-118</b>
Income taxes	300	236	27%	+64
Extraord. contribution energy sector	61	61	-0%	-0
Net profit for the period	794	976	-19%	-182
<b>Net Profit</b>	<b>615</b>	<b>736</b>	<b>-16%</b>	<b>-121</b>
Non-controlling Interest	179	240	-25%	-61

Key Operational Data	9M16	9M15	Δ %	Δ Abs.
Employees	11,975	12,019	-0%	-44
Installed capacity (MW)	24,550	23,960	2%	+590

Key Financial Data (€ m)	9M16	9M15	Δ %	Δ Abs.
FFO (Funds from operations)	1,562	2,020	-23%	-458
Capex	1,160	1,218	-5%	-58
Maintenance	439	366	20%	+73
Expansion	721	852	-15%	-131
Net investments	505	1,069	-53%	-564

Key Balance Sheet Data (€ m)	Sep-16	Dec-15	Δ %	Δ Abs.
Equity book value	8,967	8,670	3%	+297
Net debt	15,963	17,380	-8%	-1,417
Regulatory receivables	1,087	2,477	-56%	-1,390
Net debt/EBITDA (x) (4)	4.2x	4.4x	-6%	-0.3x
Adjusted net debt/EBITDA (x) (3)(4)	3.9x	3.8x	1%	0.1x

**Consolidated EBITDA** amounted to €2,893m in 9M16 (-3% YoY), impacted by lower one-off impacts YoY: i) +€424m in 9M15, in the wake of the acquisition of Eneva's 50% stake in Pecém (+€295m), sale of gas assets in Spain (+€89m) and net one-offs at EDPR level (nearly €40m); and (ii) +€61m in 9M16, following the sale of the Pantanal mini-hydros, in Brazil. Excluding these impacts, **adjusted EBITDA rose by 10% YoY (+€264m), to €2,832m in 9M16**, reflecting improving weather conditions in Iberia and Brazil; and avg. portfolio expansion. ForEx impact was negative by €61m or -2% of EBITDA, mainly due to BRL 11% avg. depreciation vs. Euro.

**Installed capacity** at EDP group grew by 2% YoY, to 24.6GW in 9M16, on the back of: i) 380MW of new hydro capacity, following the start up of operations at Salomonde 2 (223MW in 1Q16) and Baixo Sabor (182MW, the bulk in 1Q16); ii) +502MW of wind capacity (mostly in US and Brazil); iii) shutdown Soto 2 coal plant, in Spain (239MW) in Jan-16. Average installed capacity advanced by 7%, impacted by the full consolidation of Pecém I (as from May-15) and assets resulting from ENEOP asset split (Sep-15).

**In Iberia**, adjusted EBITDA advanced 10% YoY, propelled by new capacity on stream, strong hydro resources and price volatility (particularly when compared to 2015's poor hydro and price context) and improving regulatory terms in electricity distribution, in Spain. **EDPR's** 14% rise in recurrent EBITDA was mainly prompted by higher average capacity on stream (+13% YoY). **EDP Brasil's** ('EDPB') contribution to recurrent EBITDA was 4% higher YoY in euro terms: the adverse ForEx impact largely mitigated EBITDA growth in local currency (+19% YoY, driven by the full consolidation of Pecém I plant as of May-15 and wipe out of 9M15 losses related to hydro deficit).

**EDP Group operating costs** were 3% higher YoY, at €1,161m in 9M16 driven by: (i) slight increase in **Iberia** (+1% YoY), impacted by higher costs with client services (+2% on total number of clients) and a 1% decline in average headcount; (ii) 8% YoY increase at EDPR level, mainly reflecting portfolio expansion and a 5% YoY decline in the core Opex/avg. MW; (iii) 1% YoY increase in Brazil, reflecting BRL depreciation vs. Euro and tight cost control on one hand; and the wider consolidation perimeter (Pecém), on the other hand. **All in all, OPEX/Gross profit fell by 1pp YoY, to 26%. Other net operating costs/(revenues)** rose from a €60m revenue in 9M15 to €210m cost in 9M16, mainly supported by lower one-off gains YoY (€363m lower YoY as previously detailed). EDP group's costs with clawback, social tariff and extraordinary energy tax in Portugal, and with generation taxes and other levies in Spain amounted to €182m in 9M16.

**EBIT fell by 7%, to €1,792m in 9M16**, reflecting EBITDA evolution and higher depreciation, mainly backed by portfolio expansion. **Net financial results** amounted to -€635m in 9M16 (were €9m lower YoY), including: i) lower interest costs (-13% YoY) prompted by a decline in the avg. cost of debt (-20bp YoY, to 4.5%) and lower average net debt (-€0.5bn YoY); ii) lower financial revenues related to regulatory receivables (-€48m YoY on lower volume and interest); iii) impairment at our stake in BCP (-€31m in 9M16, -€9m YoY); iv) lower capitalised expenses (-€22m YoY); v) debt prepayment fees mostly at EDPR level (-€26m in 9M16); (vi) lower financial revenues from shareholder loans following ENEOP full consolidation (-€15m YoY); and (vii) higher costs with TEIs (-€10m YoY). **Non-controlling interests** fell by €61m YoY, to €179m in the 9M16, driven by lower results at EDP Brasil in the wake of lower one-off gains YoY. Overall, **net profit attributable to EDP shareholders** amounted to €615m in 9M16 (-16% YoY). Excluding one-off gains booked in 9M15 (+€172m; details on page 4) and 9M16 (-€46m, details on page 4), **adjusted net profit rose 17% YoY, to €667m in 9M16**.

**Net debt** fell by €1.4bn YTD (-8%), to €16.0bn in Sep-16, albeit the payment of full-year dividend in May-16 (€0.7bn). The main drivers for net debt reduction were: i) €1.4bn reduction in regulatory receivables driven by the sale of tariff deficit (€2.0bn); ii) €0.7bn organic free cash flow generated; iii) €0.7bn expansion capex (wind and hydro), net of €0.8bn proceeds from asset rotation deals and net financial investments (€0.2bn); and iv) €0.2bn cash in from the minorities' contribution for the successfully concluded capital increase at EDP Brasil (R\$1.5bn). Total cash and available liquidity facilities amounted to €5.8bn by Sep-16. This liquidity position allows EDP to cover its refinancing needs beyond 2019.

(1) Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits) + Other operating costs (net); (2) Depreciation and amortisation expense net of compensation for depreciation and amortisation of subsidised assets; (3) Net of regulatory receivables; (4) Based on trailing 12 months EBITDA of €3,825m and net debt excluding 50% of hybrid bond issue

# EBITDA Breakdown

EBITDA (€ m)	9M16	9M15	Δ %	Δ Abs.	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	3Q16 YoY		3Q16 QoQ	
													Δ %	Δ Abs.	Δ %	Δ Abs.
LT Contracted Generation	395	466	-15%	-70	153	169	144	117	133	142	120		-16%	-23	-15%	-21
Liberalised Activities Iberia	458	276	66%	+183	102	81	93	88	205	162	92		-1%	-1	-43%	-70
Regulated Networks Iberia	749	810	-8%	-61	324	245	242	221	234	262	254		5%	12	-3%	-8
Wind & Solar Power	847	782	8%	+65	295	253	235	360	379	269	198		-15%	-36	-26%	-71
Brazil	464	655	-29%	-191	129	372	154	202	185	116	163		5%	8	40%	47
Other	(21)	2	-	-23	(15)	24	(7)	(55)	(6)	(14)	(1)		80%	6	90%	12
<b>Consolidated</b>	<b>2,893</b>	<b>2,991</b>	<b>-3%</b>	<b>-99</b>	<b>988</b>	<b>1,143</b>	<b>860</b>	<b>933</b>	<b>1,130</b>	<b>937</b>	<b>826</b>		<b>-4%</b>	<b>-34</b>	<b>-12%</b>	<b>-111</b>

**Consolidated EBITDA** amounted to €2,893m in 9M16 (-3% YoY), including the following one-offs: (i) **In 9M15**, +€295m one-off booked in the wake of the acquisition of Eneva's 50% stake in Pecém (€267m at the level of Brazil; €28m at the holding level in 2Q), +€89m one-off derived from the sale of gas assets in Spain (1Q), and nearly €40m net one-off at EDPR level in 3Q; (ii) **in 9M16**, +€61m in the wake of the sale of the Pantanal mini-hydros in Brazil (1Q). Excluding the aforementioned one-offs, **adjusted EBITDA advanced by 10% YoY, to €2,832m in the 9M16**, propelled by stronger hydro production (hydro resources in Portugal weaker than average in 9M15 vs. stronger than average in 9M16), higher results with energy management in the liberalised business in Iberia and expansion in installed capacity (average capacity: +7% YoY). The average BRL depreciation vs. Euro, by 11%, resulted in 2% negative impact on EBITDA (-€61m).

**LONG TERM CONTRACTED GENERATION IN IBERIA (14% of EBITDA)** – EBITDA fell by 15% (-€70m YoY), to €395m in 9M16, mainly reflecting the transfer of 8 hydro plants to our merchant portfolio following the termination of respective PPAs (9M15 gross profit: €65m). These plants have a total installed capacity of 627MW and an annual production 1.7TWh (on an average hydro year).

**LIBERALISED ACTIVITIES IN IBERIA (16% of EBITDA)** – EBITDA surged €183m YoY, to €458m in 9M16, propelled by cheaper average generation cost, backed by a sharp recovery in hydro resources and production (51% weight in generation mix in 9M16 vs. 28% in 9M15); and by higher results with energy management in the wake of low-price context and high price volatility, particularly in 1H16. Gross profit in the electricity business rose by 31% in 9M16, to €789m, driven by an increase in avg. unit margin (up from €12.4/MWh in 9M15 to €17.1/MWh in 9M16) and volumes sold (+9% YoY). Our customer portfolio grew at a slower pace, but the rise in average margin per client, prompted by higher product (dual offer) and services penetration, along with increase digitalisation (30% YoY increase in electronic invoicing) pave the way for an improvement in the profitability of this business.

**REGULATED NETWORKS IN IBERIA (26% of EBITDA)** – EBITDA decreased by 8% YoY (-€61m), to €749m in 9M16, mainly impacted by an €89m one-off gain booked on the sale of gas distribution assets in Spain to Redexis in 1Q15. Excluding this effect, EBITDA regulated networks in Iberia advanced by 4% YoY (+€28m), supported by the new regulatory terms applicable to electricity distribution in Spain as from Jan 1<sup>st</sup> and tight cost control.

Gross profit rose by 2% YoY (+€27m) in 9M16, reflecting: (i) in Spain, higher regulated revenues in electricity distribution, only partially compensated by the de-consolidation of gas assets sold in 1Q15; (ii) in Portugal, lower return on RAB in gas distribution in the wake of the regulatory review applicable as from Jul-16 and lower revenues in electricity last resort supply (following the contraction of activity); which were only partially compensated by a slight increase in RoRAB in electricity distribution (6.48% in 9M16 vs. 6.34% in 9M15).

**WIND & SOLAR POWER (29% of EBITDA)** – EDPR's EBITDA rose by 8% YoY (+€65m), to €847m in 9M16, reflecting: i) higher production (+20% YoY), driven by a 13% increase in avg. capacity on stream and stronger wind resources (+1pp YoY on load factor, to 29% in 9M16); and ii) income from new tax equity deals during the period. In turn, avg. selling price was 7% lower YoY, to €60/MWh in 9M16, supported by: i) in Spain, lower pool prices; ii) in US, lower prices implicit in the new PPAs signed, end of one PPA contract and postponement of REC sales.

**BRAZIL (16% of EBITDA)** - EDPB's contribution to consolidated EBITDA was 29% lower YoY (-€191m), at €464m in the 9M16, reflecting lower one-offs YoY: i) In 9M15, gain booked in the wake of the acquisition of Eneva's 50% stake in Pecém (+€267m); ii) in 9M16, gain on the disposal of Pantanal mini-hydro plants (+€61m). The ForEx impact stood at -€59m, in the wake of a 11% depreciation of BRL vs. Euro. **Adjusted for one-off impacts, local currency EBITDA rose 19% YoY** (+R\$255m), to R\$1,621m in 9M16. EBITDA from Generation and Supply rose by R\$273m YoY, to R\$1,081m, reflecting the full consolidation of Pecém I since May-15 (+R\$181m) and better performance at our hydro plants (+R\$151m YoY) supported by a negligible impact of the hydro deficit vs. a higher loss in the 9M15 (GSF at 87% in 9M16 vs. 82% in 9M15, coupled with avg. PLD of R\$71/MWh in 9M16 vs. R\$325/MWh in 9M15). In turn, EBITDA from distribution fell by R\$35m to R\$612m in the 9M16, as: (i) the impact from overcontracting at Bandeirante (-R\$55m YoY to -R\$30m in 9M16), lower demand (-R\$21m YoY) and the Itaipu FX impacts (-R\$81m YoY, to -R\$23m in the 9M16); outstood (ii) the positive impact of the concessions assets' residual value (R\$199m), particularly following Escelsa regulatory review (Aug-16).

# Profit & Loss Items below EBITDA

Profit & Loss Items below EBITDA (€ m)	9M16	9M15	Δ %	Δ Abs.	1Q16	2Q16	3Q16	4Q16	3Q16 QoQ	
									Δ %	Δ Abs.
<b>EBITDA</b>	<b>2,893</b>	<b>2,991</b>	<b>-3%</b>	<b>-99</b>	<b>1,130</b>	<b>937</b>	<b>826</b>		<b>-12%</b>	<b>-111</b>
Provisions	(15)	9	-	-24	3	(8)	(10)		20%	-2
Amortisation and impairment	1,115	1,058	5%	57	366	378	371		-2%	-8
<b>EBIT</b>	<b>1,792</b>	<b>1,924</b>	<b>-7%</b>	<b>-131</b>	<b>760</b>	<b>567</b>	<b>465</b>		<b>-18%</b>	<b>-102</b>
Net financial interest	(584)	(672)	13%	89	(202)	(197)	(185)		-6%	11
Capitalized financial costs	43	65	-34%	-22	14	14	15		8%	1
Net foreign exchange differences and derivatives	(11)	(46)	77%	36	6	(1)	(16)		1336%	-15
Investment income	4	12	-67%	-8	0	3	1		-	-2
Unwinding w/ pension & medical care responsibilities	(33)	(33)	1%	0	(10)	(12)	(11)		-5%	1
Capital Gains/(Losses)	13	1	n.m.	12	13	0	(0)		-709%	-1
Other Financials	(68)	47	-	-115	(2)	(36)	(30)		-15%	5
<b>Financial Results</b>	<b>(635)</b>	<b>(626)</b>	<b>-1%</b>	<b>-9</b>	<b>(180)</b>	<b>(228)</b>	<b>(227)</b>		<b>0%</b>	<b>0</b>
<b>Share of net profit in joint ventures and associates</b>	<b>(3)</b>	<b>(25)</b>	<b>89%</b>	<b>22</b>	<b>(8)</b>	<b>3</b>	<b>2</b>		<b>-41%</b>	<b>-1</b>
<b>Pre-tax Profit</b>	<b>1,155</b>	<b>1,273</b>	<b>-9%</b>	<b>-118</b>	<b>573</b>	<b>342</b>	<b>240</b>		<b>-30%</b>	<b>-103</b>
<b>Income Taxes</b>	<b>300</b>	<b>236</b>	<b>27%</b>	<b>64</b>	<b>152</b>	<b>91</b>	<b>57</b>		<b>-38%</b>	<b>-34</b>
Effective Tax rate (%)	26%	19%	-	7.4 pp	26%	27%	24%			-0.0 pp
<b>Extraordinary Contribution for the Energy Sector</b>	<b>61</b>	<b>61</b>	<b>0%</b>	<b>-0</b>	<b>59</b>	<b>-</b>	<b>2</b>		<b>0%</b>	<b>2</b>
EDP Renováveis	85	69	22%	15	60	22	3		-87%	-19
EDP Brasil	97	163	-40%	-66	40	20	37		87%	17
Other	(2)	8	-	-10	(0)	0	(2)		-2200%	-2
<b>Non-controlling Interests</b>	<b>179</b>	<b>240</b>	<b>-25%</b>	<b>-61</b>	<b>100</b>	<b>42</b>	<b>38</b>		<b>-9%</b>	<b>-4</b>
<b>Net Profit Attributable to Shareholders of EDP</b>	<b>615</b>	<b>736</b>	<b>-16%</b>	<b>-121</b>	<b>263</b>	<b>209</b>	<b>143</b>		<b>-32%</b>	<b>-67</b>

**Amortisation and impairment** (net of compensation from depreciation and amortisation of subsidised assets) rose 5% YoY to €1,115m in the 9M16, reflecting: (i) higher depreciation charges at EDPR (+€35m YoY), derived from the new capacity installed over the last 12 months; (ii) depreciation charges of Pecém following consolidation (+€16m); (iii) hydro capacity commissioned in Portugal (+€15m YoY).

**Net financial costs** increased 1% YoY to €635m in the 9M16. **Net interest expenses** decreased 13% YoY due to lower avg. cost of debt of 4.5% (vs. 4.7% in the 9M15) and lower avg. net debt (-€0.5bn YoY). **Net ForEx differences and derivatives** totalled -€11m in the 9M16 (+€36m YoY). **Capitalised financial costs** fell €22m YoY, to €43m in the 9M16, due to the commissioning of new hydro plants in Portugal. **Capital gains** reached €13m, mostly related with the sale of our equity stake in Tejo Energia in the 1Q16 (+€11m). **Other financials** (-€68m in the 9M16, -€115m YoY) impacted by: (i) lower financial revenues associated with regulatory receivables (-€48m YoY) due to lower amount on balance sheet, lower avg. interest rate and lower gains on securitisations; (ii) an impairment of €31m in the 9M16 (vs. €22m in the 9M15) related with our financial stake in BCP; (iii) debt prepayment fees of €26m in 9M16 mostly at EDPR level (vs. €25m in the 9M15); (iv) lower financial revenues from shareholder loans to ENEOP following full consolidation since Sep-15 (-€15m YoY); and (v) costs with TEIs (-€10m YoY), translating new tax equity deals.

**Share of net profit in joint ventures and associates** amounted to -€3m in the 9M16 (+€22m YoY), related with 2 equity accounted hydro plants in Brazil and stakes in wind parks in US and Spain. 9M15 performance was penalised by losses at Pecém (-€25m) before its full consolidation in May-15.

**Income taxes** amounted to €300m in the 9M16, representing an effective tax rate of 26% (vs. 19% in the 9M15). The gain booked in the 9M15 on the sale of gas assets in Spain had no impact on the taxable income perimeter, thus impacting negatively the YoY comparison. Additionally, the 9M16 results reflects the full-year impact from EDP's share on the extraordinary contribution (0.85% on net assets) applied to the energy sector in Portugal (€61m in the 9M16).

**Non-controlling interests** amounted to €179m in the 9M16, reflecting a gain of €25m with the sale of Pantanal hydro plant by EDP Brasil in 1Q16 (vs. a gain with the purchase of Pecém's 50% stake at EDP Brasil's level in the 2Q15 (€127m). Other than EDPR and EDPB, it is worth noting that EDP purchased the remainder of Naturgas and holds now 97% of Portgás, following recent minority purchases.

Overall, **net profit attributable to EDP shareholders** was 16% lower YoY, at €615m in the 9M16, impacted by the gain with Pecém's 50% stake acquisition in the 9M15 and offset by higher operational performance. Excluding non-recurrent events<sup>(1)</sup>, adjusted net profit in the 9M16 amounted to €661m (+17% YoY vs. €564m in the 9M15).

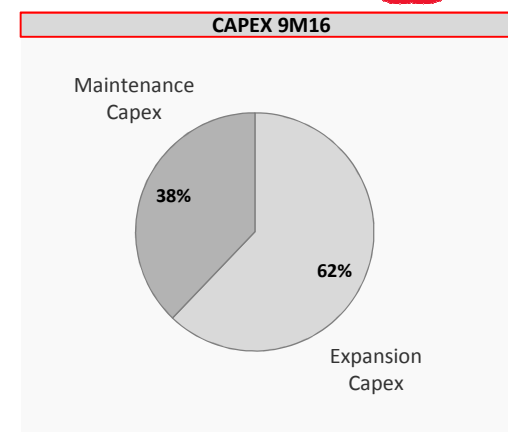
(1) *Non-recurrent events: (i) in 9M15 (+€172m), gain on the sale of assets in Murcia (+€85m), gain on Pecém's 50% stake acquisition (+€132m), cost with impairment at our stake in BCP (-€17m), on EDPR's +€33m due to ENEOP consolidation (net of write-offs), and the extraordinary energy tax (-€61m); (ii) in 9M16 (-€46m), gain on the sale of Pantanal in Brazil (+€27m), capital gain from of the sale of Tejo Energia stake (+€11m), cost with impairment at our stake in BCP (-€24m) and the extraordinary energy tax (-€61m).*

# Capital Expenditure & Net Investments



Capex (€ m)	9M16	9M15	Δ %	Δ Abs.
LT contracted gen. Iberia	21	16	31%	+5
Liberalised activities Iberia	196	268	-27%	-71
Regulated networks Iberia	233	223	4%	+10
Wind & solar power	583	595	-2%	-13
Brazil	107	70	53%	+37
Other	20	45	-57%	-26
<b>EDP Group</b>	<b>1,160</b>	<b>1,218</b>	<b>-5%</b>	<b>-58</b>
<b>Expansion Capex</b>	<b>721</b>	<b>852</b>	<b>-15%</b>	<b>-131</b>
<b>Maintenance Capex</b>	<b>439</b>	<b>366</b>	<b>20%</b>	<b>+73</b>

1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
4	7	6	12	1	12	8	
93	96	79	121	48	65	83	
69	78	77	153	65	83	85	
163	159	274	306	89	290	204	
21	24	25	44	21	37	49	
14	15	17	(66)	9	4	7	
<b>362</b>	<b>379</b>	<b>477</b>	<b>570</b>	<b>233</b>	<b>491</b>	<b>436</b>	
<b>260</b>	<b>244</b>	<b>348</b>	<b>331</b>	<b>127</b>	<b>334</b>	<b>261</b>	
<b>102</b>	<b>134</b>	<b>129</b>	<b>238</b>	<b>106</b>	<b>157</b>	<b>176</b>	



Net financial investments/(Divestments) (€m)	9M16	9M15	Δ %	Δ Abs.
<b>Financial Investments</b>	<b>287</b>	<b>189</b>	<b>52%</b>	<b>+98</b>
Consolidation Perimeter EDPR	48	44	9%	+4
Brazil generation	95	143	-34%	-48
Gas assets (Iberia) (1)	127	-	-	+127
Other	18	2	691%	+16
<b>Financial Divestments</b>	<b>681</b>	<b>662</b>	<b>3%</b>	<b>+19</b>
Gas assets (Iberia)	0	241	-100%	-240
EDP Brasil (Pantanal)	83	-	-	+83
Wind assets	581	417	39%	+163
Other	18	4	342%	+14
<b>Total</b>	<b>(394)</b>	<b>(473)</b>	<b>17%</b>	<b>+79</b>

Net Investments (€m)	9M16	9M15	Δ %	Δ Abs.
Capex	1,160	1,218	-5%	-58
Financial investments	174	189	-8%	-15
EDPR's asset rotation proceeds	(829)	(339)	-145%	-490
<b>Total</b>	<b>505</b>	<b>1,069</b>	<b>-53%</b>	<b>-564</b>

**Consolidated capex** amounted to €1,160m in the 9M16, mostly (60%) devoted to the construction of new hydro & wind capacity. Maintenance capex was 20% higher YoY (+€73m), at €439m in the 9M16, mostly in regulated networks in Iberia and Brazil and on maintenance works at our coal plants in Iberia.

**Capex in hydro capacity under construction in Portugal** totalled €108m, following the delivery of new capacity. During the 9M16, 2 hydro plants started operations: Salamonde 2 (207MW) and Baixo Sabor (full commissioning following +158MW YoY). As of Sep-16, EDP had 2 hydro projects under construction: i) Venda Nova 3 pumping facility (756MW); and ii) Foz-Tua new hydro reservoir (263MW), both expected to start-up operations in early 2017. **Capex in new wind capacity** (EDPR) amounted to €583m in 9M16 (of which 79% in North America). Wind capacity additions since Sep-15 amounted to 502MW, of which 120MW in Brazil, 299MW in the US and 83MW in Europe. Wind capacity under construction reached 788MW in Sep-16 (54% in North America, 25% in Mexico, 16% in Brazil, 5% in Europe). **In Brazil**, capex totalled €107m in 9M16 and was mostly devoted to our electricity distribution networks.

**Net financial divestments** totalled €394m in the 9M16. **Financial divestments** amounted to €681m in 9M16, comprising: i) €581m at EDPR level, including the sales of minority equity shareholdings in portfolios of wind assets in US, to Axiom, in the 1Q16 and in Europe, to EFG Hermes, in the 2Q16 (shareholder loans included in the deal not considered here); ii) €83m from the sale of Pantanal mini-hydro by EDPB (51MW), in the 1Q16; and iii) €17m from the sale of our equity stake in Tejo-Energia coal plant, in the 1Q16. **Financial investments in the 9M16** amounted to €287m, reflecting mostly the acquisition of additional stakes in Portgás (€44m) and in Naturgas (€38m); the first impact of the acquisition of liquefied propane gas distribution assets from Repsol in the North of Spain (€45m); as well as EDPB's equity contributions mostly to S. Manoel hydro project (€95m).

**Overall, net investments amounted to €505m in the 9M16 (vs. €1,069m in 9M15)**, including €1,160m of capex, €174m of financial investments and €829m of proceeds from asset rotation deals by EDPR (including €272m of shareholder loans regarding the asset rotation deal in Europe).

Worth noting the closing of the sale by EDPR of minority stakes in wind farms in Poland and Italy to CTG (€363m) in Oct-16, thus not included in the accounts for 9M16.

(1) Different from financial statement as includes the capex impact of the acquisition of liquefied propane gas distribution assets from Repsol in the North of Spain (€45m, initial impact in Sep-16).



# FFO & Cash Flow Statement

Funds from Operations (€m)	9M16	9M15	Δ %	Δ Abs.
EBITDA	2,893	2,991	-3%	-99
Current income tax	(673)	(183)	-269%	-490
Net financial interests	(584)	(672)	13%	+89
Net Income and dividends received from Associates	1	(13)	-	+14
Non-cash items	(75)	(103)	27%	+28
<b>FFO - Funds From Operations</b>	<b>1,562</b>	<b>2,020</b>	<b>-23%</b>	<b>-458</b>

Consolidated Cash Flow (€m) - Indirect Method	9M16	9M15	Δ %	Δ Abs.
EBITDA	2,893	2,991	-3%	-99
Current income tax	(673)	(183)	-269%	-490
Changes in operating working capital	1,310	(408)	-	+1,718
Regulatory Receivables	1,390	58	2314%	+1,333
Non-cash items	(75)	(103)	27%	+28
Other working capital	(5)	(363)	99%	+358

<b>Net Cash from Operating Activities</b>	<b>3,530</b>	<b>2,400</b>	<b>47%</b>	<b>+1,129</b>
Capex	(1,160)	(1,218)	5%	+58
Expansion	(721)	(852)	15%	+131
Maintenance	(439)	(366)	-20%	-73
Changes in working capital from equipment suppliers	(363)	(176)	-106%	-187
Net financial (investments)/divestments	394	473	-17%	-79
Net financial interests paid	(624)	(722)	14%	+97
Dividends received from Associates	20	33	-40%	-13
Dividends paid	(832)	(741)	-12%	-90
EDP Shareholders	(673)	(672)	0%	-1
Other	(159)	(69)	-130%	-90
Proceeds from Institutional Partnerships in US wind	77	(4)	-	+81
Effect of exchange rate fluctuations	(45)	0	-	-46
Other non-operating changes	420	(324)	-	+744
<b>Decrease/(Increase) in Net Debt</b>	<b>1,417</b>	<b>(279)</b>	<b>-</b>	<b>+1,696</b>

Consolidated Cash Flow (€m) - Direct Method	9M16	9M15	Δ %	Δ Abs.
<b>Operating Activities</b>				
Cash receipts from customers	9,849	10,937	-10%	-1,088
Proceeds from tariff adjustments sales	2,058	699	194%	+1,359
Cash paid to suppliers and personnel	(7,617)	(8,724)	13%	+1,107
Concession rents & other	(419)	(489)	14%	+70
<b>Net Cash from Operations</b>	<b>3,872</b>	<b>2,423</b>	<b>60%</b>	<b>+1,448</b>
Income tax received/(paid)	(342)	(23)	-1386%	-319

<b>Net Cash from Operating Activities</b>	<b>3,530</b>	<b>2,400</b>	<b>47%</b>	<b>+1,129</b>
<b>Net Cash from Investing Activities</b>	<b>(1,627)</b>	<b>(1,147)</b>	<b>-42%</b>	<b>-479</b>
<b>Net Cash from Financing Activities</b>	<b>(1,559)</b>	<b>(2,671)</b>	<b>42%</b>	<b>+1,113</b>
<b>Changes in Cash and Cash Equivalents</b>	<b>344</b>	<b>(1,418)</b>	<b>-</b>	<b>+1,763</b>
Effect of exchange rate fluctuations	87	(102)	-	+189

**Funds from operations (FFO) decreased 23% YoY to €1,562m in 9M16**, mostly reflecting i) a €99m decrease in EBITDA (see details on page 3); ii) a €490m increase in current income tax related to the increase of taxable revenue due to higher amount of tariff deficit sales in 9M16; and iii) a €89m decrease in net financial interests, benefitting from a lower average cost of debt (4.5% in 9M16 vs. 4.7% 9M15).

**Net cash from operating activities increased €1,129m YoY to €3,529m in 9M16**, impacted by a positive contribution from change in **regulatory receivables** increased to €1,390m, driven by: i) a €1,103m decrease vs. Dec-15 from regulated activities in Portugal, including -€2.0bn from the securitisation deals undertaken in 9M16; and ii) a €289m decrease vs. Dec-15 in our regulatory receivables from our electricity distribution activities in Brazil. **'Other changes in working capital'**, which amounted to -€5m in 9M16, including a €61m gain booked derived from the sale of Pantanal mini-hydro plant in Brazil.

**Expansion capex totalled €721m in 9M16**, translating the ongoing construction of new hydro and wind capacity. **Change in working capital from equipment suppliers** is largely attributable to invoice payments to equipment suppliers related to investments in renewables at EDPR level.

**Net financial divestments amounted to €394m in 9M16**, mostly reflecting EDPR disposal of a minority stake in a portfolio of wind assets in US (€279m) and in a portfolio of European assets (€550m, o.w. partly reflected in other non-operating charges as shareholder loans), the sale of Pantanal mini-hydro plant by EDPB (€83m), the acquisition of an additional stake in Portgás (€44m) and in Naturgas (€38m), and the initial part of the acquisition of liquefied propane gas distribution assets from Repsol in the North of Spain (€45m) in Sep-16.

On May 18<sup>th</sup>, 2016, EDP paid its annual dividend amounting to €673m (or €0.185/share, flat vs. the previous year). Note that the amount of €832m of dividends paid in 9M16 also includes the amounts paid to non-controlling interests, mostly at the level of EDP Renováveis and EDP Brasil.

**Proceeds from Institutional Partnerships in US** reflect the establishment of a new tax equity financing structure in US related to the 199MW Waverly wind farm (€211m), which impact on net debt was partly offset by the retention of tax benefits by institutional investors (€133m).

**Effects of exchange rate fluctuations** reflect the impact of BRL appreciation against the Euro (+19%).

**Other non-operating changes** in 9M16 reflect the impact of the decrease of intragroup shareholder loans (€273m) related with the disposal of a minority stake in a portfolio of European assets and EDP Brasil capital increase (€184m).

On balance, **net debt** went down €1,417m vs. Dec-15 to €16.0bn as of Sep-16.

# Statement of Consolidated Financial Position



Assets (€ m)	Set vs. Dec		
	Sep-16	Dec-15	Δ Abs.
Property, plant and equipment, net	23,035	22,774	261
Intangible assets, net	5,470	5,525	-54
Goodwill	3,374	3,389	-15
Financial investments and assets held for sale, net	977	1,028	-51
Tax assets, deferred and current	835	587	248
Inventories	224	204	20
Trade receivables, net	1,934	1,997	-62
Other assets, net	4,593	5,708	-1,116
Collateral deposits	76	80	-4
Cash and cash equivalents	1,677	1,245	431
<b>Total Assets</b>	<b>42,195</b>	<b>42,537</b>	<b>-342</b>
Equity (€ m)	Sep-16	Dec-15	Δ Abs.
Equity attributable to equity holders of EDP	8,967	8,670	297
Non-controlling Interest	4,154	3,452	702
<b>Total Equity</b>	<b>13,120</b>	<b>12,121</b>	<b>999</b>
Liabilities (€ m)	Sep-16	Dec-15	Δ Abs.
Financial debt, of which:	18,290	19,271	-981
Medium and long-term	15,965	15,654	311
Short term	2,325	3,617	-1,291
Employee benefits (detail below)	1,768	1,823	-55
Institutional partnership liability (US wind)	1,105	1,165	-60
Provisions	495	506	-11
Tax liabilities, deferred and current	1,636	1,312	324
Deferred income from inst. partnerships	766	791	-26
Other liabilities, net	5,014	5,547	-532
<b>Total Liabilities</b>	<b>29,075</b>	<b>30,415</b>	<b>-1,341</b>
<b>Total Equity and Liabilities</b>	<b>42,195</b>	<b>42,537</b>	<b>-342</b>
Employee Benefits (€m) (1)	Sep-16	Dec-15	Δ Abs.
Pensions (2)	809	883	-75
Medical care and other	960	940	19
<b>Employee Benefits</b>	<b>1,768</b>	<b>1,823</b>	<b>-55</b>
Regulatory Receivables (€m)	Sep-16	Dec-15	Δ Abs.
Portugal Distribution and Gas (3)	869	2,021	-1,151
Portugal Annual CMEC Deviation	264	216	48
Spain	71	70	1
Brazil	-118	170	-289
<b>Regulatory Receivables</b>	<b>1,087</b>	<b>2,477</b>	<b>-1,390</b>

Total amount of **property, plant & equipment and intangible assets** increased €0.2bn vs. Dec-15 to €28.5bn as of Sep-16, mainly reflecting: -€1.1bn from depreciations in the period and -€0.2bn mainly resulting from the net effect of the depreciation of the USD against the Euro (-2%) and of the appreciation of the BRL against the Euro (+19%) between Dec-15 and Sep-16, which in turn were more than offset by €1.2bn of capex in the period. As of Sep-16, EDP's balance sheet included €3.1bn of works in progress (11% of total consolidated tangible and intangible assets) largely related to investments already incurred in regulated networks, power plants, wind farms development, equipment or concession rights which are not yet operating.

The book value of **financial investments & assets held for sale** went down €0.1bn vs. Dec-15, to €1.0bn as of Sep-16, mainly reflecting the conclusion of the sale of Pantanal mini-hydros in Brazil and of our equity stake in Tejo Energia coal plant, as well as the impairment registered on our stake in BCP. Note that, by Dec-15, financial investments essentially refer to our equity stakes, at EDP Brasil level, in Jari (50%), Cachoeira Caldeirão (50%) and São Manoel (33%); at EDP Group level, in EDP Asia (50%), which is the owner of a 21% stake in CEM, REN (3.5%) and BCP (2.0%); and, at EDPR level, equity stakes in 356MW in wind farms in the US and in Spain.

**Tax assets net of liabilities, deferred and current**, went down €0.1bn vs. Dec-15, mostly due to the increase of current income tax calculation and liabilities related to the increase of sales of tariff deficit in Portugal in 9M16. **Trade receivables and other assets (net)** decreased €1.2bn vs. Dec-15 to €6.5bn as of Sep-16, driven essentially by lower regulatory receivables in Brazil and impacted by securitizations in Portugal.

Total amount of EDP's **net regulatory receivables** went down €1,390m vs. Dec-15, to €1.1bn as of Sep-16, reflecting a €1.1bn decrease from Portugal and a €289m reduction from Brazil.

**Equity book value** increased to €9.0bn as of Sep-16, mainly reflecting the €615m of net profit for the period, the positive impact of the BRL appreciation vs. EUR, gains on disposals of minority stakes on EDPR's asset rotation deals in US and Europe and on the 5% stake acquisition of Naturgas, offset by the €673m annual dividend payment. **Non-controlling interest** increased €0.7bn to €4.2bn as of Sep-16, mostly deriving from the previously mentioned asset rotation deals at EDPR level and to the 49% stake of EDP Brasil's capital increase subscribed by minorities.

**Pension fund, medical care and other employee benefit liabilities** (gross, before deferred taxes) fell by €55m vs. Dec-15 to €1,768m as of Sep-16, reflecting the recurrent payment of pension and medical care expenses in the 9M16. **Institutional partnership liabilities and deferred income** decreased €0.1 vs. Dec-15 to €1.9bn as of Sep-16 reflecting the benefits appropriated by the tax equity partners during the period and by the completion of a sale of tax equity (€211m), partly offset by the depreciation of the USD vs. EUR (-2%).

(1) Gross, before deferred taxes; (2) Pensions include the Provision for the HR Restructuring Program costs of EDP Distribuição, which is being recovered through the tariffs; through tariffs in the following years by electricity distribution and last resort supply and gas in Portugal.

(3) Tariff deviations to be recovered/(returned)

# Consolidated Net Financial Debt

Nominal Financial Debt by Company (€m)	Sep-16	Dec-15	Δ %	Δ Abs.
EDP S.A. and EDP Finance BV	15,430	16,157	-4%	-727
EDP Produção & Other	104	115	-9%	-10
EDP Renováveis	879	1,080	-19%	-201
EDP Brasil	1,529	1,415	8%	114
<b>Nominal Financial Debt</b>	<b>17,942</b>	<b>18,767</b>	<b>-4%</b>	<b>-824</b>

Accrued Interest on Debt	221	332	-33%	-111
Fair Value of Hedged Debt	127	172	-26%	-45
Derivatives associated with Debt (2)	(177)	(175)	-1%	-2
Collateral deposits associated with Debt	(76)	(80)	4%	4
Hybrid adjustment (50% equity content)	(386)	(381)	-1%	-5
<b>Total Financial Debt</b>	<b>17,650</b>	<b>18,635</b>	<b>-5%</b>	<b>-985</b>

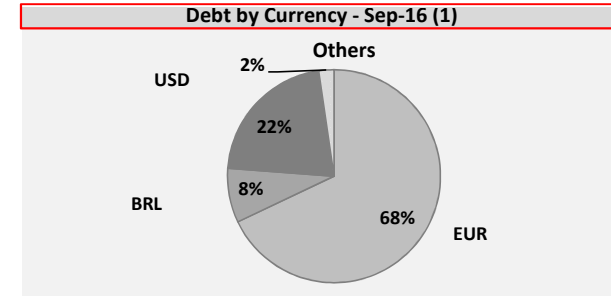
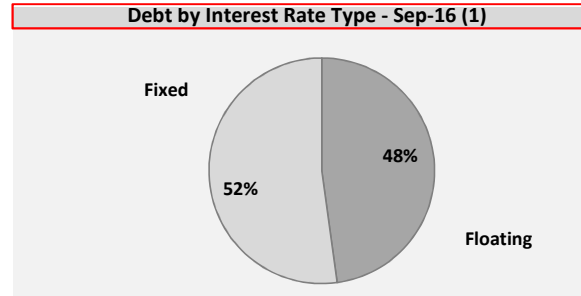
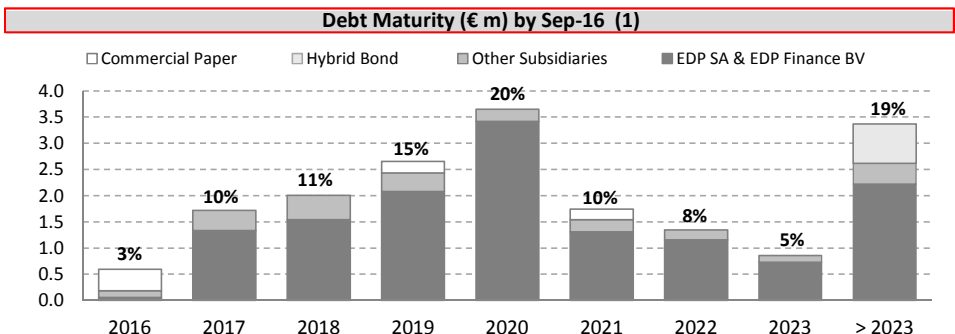
<b>Cash and cash equivalents</b>	<b>1,677</b>	<b>1,245</b>	<b>35%</b>	<b>431</b>
EDP S.A., EDP Finance BV and Other	727	680	7%	47
EDP Renováveis	266	299	-11%	-33
EDP Brasil	684	267	156%	417
<b>Financial assets at fair value through P&amp;L</b>	<b>11</b>	<b>9</b>	<b>14%</b>	<b>1</b>

<b>EDP Consolidated Net Debt</b>	<b>15,963</b>	<b>17,380</b>	<b>-8%</b>	<b>-1,417</b>
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Credit Lines by Sep-16 (€m)	Maximum Amount	Number of Counterparts	Available Amount	Maturity
Revolving Credit Facilities	175	2	175	Dec16/Jul17
Revolving Credit Facility	3,150	21	3,150	Jun-19
Revolving Credit Facility	500	16	500	Feb-20
Domestic Credit Lines	155	8	155	Renewable
Underwritten CP Programmes	100	1	100	2021
<b>Total Credit Lines</b>	<b>4,080</b>		<b>4,080</b>	

Debt Ratings	S&P	Moody's	Fitch
<b>EDP SA &amp; EDP Finance BV</b>	<b>BB+/Positive/B</b>	<b>Baa3/Stable/P3</b>	<b>BBB-/Stab/F3</b>
Last Rating Action	14-10-2015	12-02-2016	31-10-2016

Debt Ratios	Sep-16 (3)	Dec-15
Net Debt / EBITDA	4.2x	4.4x
Net Debt / EBITDA adjust. by Reg. Receivables	3.9x	3.8x



EDP's financial debt is essentially issued at holding level (EDP S.A. and EDP Finance B.V.) through both debt capital markets and bank loans. Maintaining access to diversified sources of funding and assuring refinancing needs at least 12-24 months ahead continue to be part of the company's funding strategy. In Feb-16, Moody's affirmed EDP's credit rating at "Baa3" with Stable outlook. This rating affirmation follows a review of EDP's and other European utility companies' exposure to the power price environment, reflecting EDP's low exposure to lower power prices, as well as its financial flexibility. In Oct-16, Fitch affirmed EDP's credit rating at "BBB-" with Stable outlook.

Looking at 9M16 major debt repayments and refinancing deals, in Feb-16, EDP repaid, at maturity, a €750m 5.875% Eurobond. In Mar-16, EDP issued a 7 year eurobond in the amount of €600m, with final maturity date in March 2023, and a coupon of 2.375%. In Jun-16 EDP reimbursed, at maturity, a €500m 4.625% Eurobond. In Aug-16, EDP issued a 7.5 year eurobond in the amount of €1,000m, with final maturity date in March 2023, and a coupon of 1.125%. In Sep-16 EDP reimbursed, at maturity, a €1,000m 4.75% Eurobond. EDP's long dated bond issues are in line with the Group's financial policy of extending the average term of its debt portfolio and reinforcing its financial flexibility.

As of Sep-16 average debt maturity was 5 years (hybrid bond is not included in this figure). The weight of consolidated financial debt through capital markets stood at 69%, while the remaining debt was raised essentially through bank loans. Refinancing needs in 4Q16 amount to €0.4bn consisting mostly of commercial paper. Refinancing needs in 2017 amount to €1.3bn consisting mostly of bonds: €750m 5.75% eurobond maturing in Sep-17 and €320m 6.625% eurobond maturing in Aug-17. In 2018, refinancing needs amount €1.5bn with an USD1bn 6% eurobond maturing in Feb-18. Total cash and available liquidity facilities amounted to €5.8bn by Sep-16. This liquidity position allows EDP to cover its refinancing needs beyond 2019.





**Business Areas**

# Iberian Electricity and Gas Markets

Electricity Balance (TWh)	Portugal			Spain			Iberian Peninsula		
	9M16	9M15	Δ%	9M16	9M15	Δ%	9M16	9M15	Δ%
Hydro	13.2	6.9	92%	33.4	25.0	34%	46.6	31.8	46%
Nuclear	-	-	-	42.9	41.8	2.6%	42.9	41.8	3%
Coal	8.2	10.1	-19%	21.4	37.4	-43%	29.6	47.5	-38%
CCGT	4.7	3.6	30%	15.5	18.5	-16%	20.1	22.1	-9%
Fuel/gas/diesel	-	-	-	-	-	-	-	-	-
(-)Pumping	(1.0)	(1.0)	2%	(3.9)	(3.2)	22%	(4.9)	(4.2)	18%
<b>Conventional Regime</b>	<b>25.1</b>	<b>19.6</b>	<b>28%</b>	<b>109.3</b>	<b>119.5</b>	<b>-9%</b>	<b>134.3</b>	<b>139.1</b>	<b>-3%</b>
Wind	9.3	8.2	13%	38.4	36.6	5%	47.6	44.8	6%
Other	7.2	7.0	4%	34.4	34.4	-0%	41.6	41.4	1%
<b>Special Regime</b>	<b>16.5</b>	<b>15.1</b>	<b>9%</b>	<b>72.8</b>	<b>71.0</b>	<b>2%</b>	<b>89.2</b>	<b>86.2</b>	<b>4%</b>
Import/(export) net	(4.6)	2.1	-	5.8	(3.0)	-	1.2	(0.9)	-
<b>Gross demand (before grid losses)</b>	<b>36.9</b>	<b>36.8</b>	<b>0.3%</b>	<b>187.8</b>	<b>187.5</b>	<b>0.1%</b>	<b>224.7</b>	<b>224.3</b>	<b>0.2%</b>
Adjust. temperature, working days			0.4%			-0.1%			n.a.

Gas Demand (TWh)	Portugal			Spain			Iberian Peninsula		
	9M16	9M15	Δ%	9M16	9M15	Δ%	9M16	9M15	Δ%
Conventional demand	29.9	31.1	-4%	188.7	185.8	2%	218.6	216.9	1%
Demand for electricity generation	9.7	7.6	28%	37.8	44.6	-15%	47.5	52.3	-9%
<b>Total Demand</b>	<b>39.6</b>	<b>38.8</b>	<b>2%</b>	<b>226.5</b>	<b>230.4</b>	<b>-2%</b>	<b>266.1</b>	<b>269.2</b>	<b>-1%</b>

**Electricity demand in Iberia** was marginally up YoY in 9M16 (+0.2%), following a moderate recovery in 3Q16 (+0.6%) in the wake of a more favourable temperature and calendar effects. In Spain (84% of Iberia), demand adjusted for temperature and working days was virtually unchanged (-0.1% YoY). In Portugal (16% of total), demand adjusted for temperature and working days increased YoY by 0.4% in 9M16.

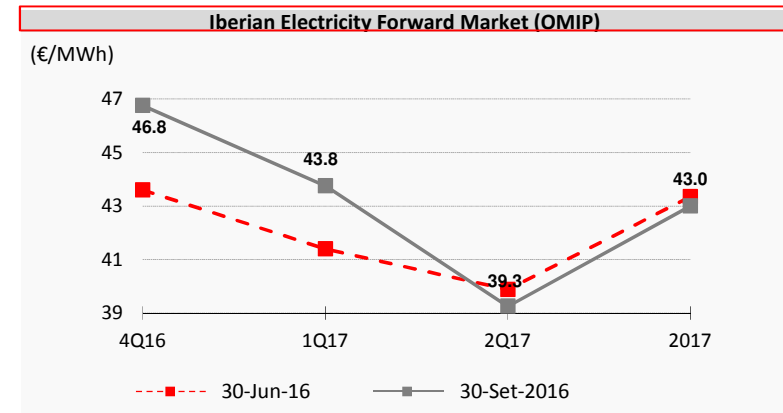
**Installed capacity in Iberia** rose by 0.5GW, mainly reflecting the addition of new hydro capacity (Portugal: +0.4GW; Spain: +0.9GW) and, to a lower extent, new special regime capacity in Iberia (mostly wind). This was partially mitigated by the shutdown of coal and fuel oil capacity in Spain.

**Residual thermal demand (RTD)** fell 29% YoY (-20TWh YoY) in 9M16, supported by: (i) 14TWh YoY rise in hydro output (net of pumping) driven by strong hydro conditions (66% above the average year in Portugal and +30% in Spain); (ii) 3TWh increase in output from wind, on slightly higher resources YoY (9% above the average year in Portugal); (iii) 2TWh increase in net imports, mainly concentrated in 3Q16; and (iv) 1TWh increase in nuclear output; and (iv) higher demand in Iberia (+0.4TWh). As a result, coal output dropped 38% YoY (-18TWh) and output from CCGT fell 9% YoY (-2TWh YoY). Overall, strong hydro and wind resources have largely displaced thermal capacity in 9M16, leading to an avg. load factors at both coal (-17p.p. YoY to 29%) and CCGTs (-1p.p. YoY to 8%). In 3Q16 alone, RTD fell by 4.8TWh largely due to higher net imports (+2.2TWh) and continuing stronger hydro and wind-based energy production.

**Average electricity spot price** was 32% lower YoY, at €34/MWh in 9M16 (€42/MWh in 3Q16 up from €30/MWh in 1H16), both in Portugal and Spain. Average CO<sub>2</sub> prices fell 29% YoY in 9M16, to €5.3/ton (avg.). Average electricity final price in Spain fell 34% to €42/MWh in 9M16. The difference between final electricity price and pool price is explained by the contribution from profiling, restriction market, ancillary services and capacity payments.

**In the Iberian gas market**, consumption fell by 1% YoY in 9M16, reflecting a 9% drop in consumption for electricity generation purposes (18% of total consumption), on lower working hours at CCGT and a slight recovery in conventional demand in the period (82% of total consumption).

Installed Capacity in Electricity (GW)	Iberian Peninsula		
	9M16	9M15	Δ%
Hydro	23.5	22.2	6%
Nuclear	7.0	7.0	-
Coal	11.3	11.7	-4%
CCGT	28.8	28.8	0%
Fuel/gas/diesel	-	0.8	-
<b>Conventional Regime</b>	<b>70.6</b>	<b>70.5</b>	<b>0%</b>
Wind	28.2	27.9	1%
Other special regime	20.2	20.0	1%
<b>Special Regime</b>	<b>48.4</b>	<b>47.9</b>	<b>1%</b>
<b>Total</b>	<b>118.9</b>	<b>118.4</b>	<b>0.4%</b>



Main Drivers	9M16	9M15	Δ%
Hydro coefficient (1.0 = avg. year)			
Portugal	1.66	0.78	113%
Spain	1.30	0.70	86%
Wind coefficient (1.0 = avg. year)			
Portugal	1.09	1.05	4%
Electricity spot price, €/MWh (1)			
Portugal	33.7	50.1	-33%
Spain	34.0	50.0	-32%
Electricity final price, €/MWh (1) (2)			
Spain	41.5	63.3	-34%
CO2 allowances (EUA), €/ton (1)	5.3	7.4	-29%
Coal (API2 CIF ARA), USD/t (1)	51.3	58.5	-12%
Gas NBP, €/MWh(1)	13.1	20.9	-37%
Brent, USD/bbl (1)	41.8	55.4	-25%
EUR/USD (1)	1.12	1.11	0%

# LT Contracted Generation in Iberian Market: PPA/CMEC & Special Regime



Income Statement (€ m)	9M16	9M15	Δ%	Δ Abs.
<b>PPA/CMEC Revenues</b>	<b>618</b>	<b>776</b>	<b>-20%</b>	<b>-158</b>
Revenues in the market (i)	453	620	-27%	-167
Annual deviation (ii)	96	88	9%	+8
PPAs/CMECs accrued income (iii)	69	68	1%	+1
<b>PPA/CMEC Direct Costs</b>	<b>196</b>	<b>246</b>	<b>-20%</b>	<b>-50</b>
Coal	115	161	-29%	-46
Fuel oil	1	1	31%	+0
CO2 and other costs (net)	81	85	-5%	-4
<b>Gross Profit PPA/CMEC</b>	<b>422</b>	<b>530</b>	<b>-20%</b>	<b>-108</b>
Thermal (cogeneration) (1)	5	10	-55%	-6
Mini-hydro	49	21	135%	+28
<b>Gross Profit Special Regime</b>	<b>54</b>	<b>31</b>	<b>73%</b>	<b>+23</b>
Net Operating costs (2)	81	95	-15%	-15
<b>EBITDA</b>	<b>395</b>	<b>466</b>	<b>-15%</b>	<b>-70</b>
Net depreciation and provision	97	116	-17%	-20
<b>EBIT</b>	<b>299</b>	<b>349</b>	<b>-14%</b>	<b>-51</b>
At Fin. Results: Hedging Gains (Losses) (3)	(19)	9	-	-28
Employees (#)	1,019	1,128	-10%	-109

PPA/CMEC: Key Data	9M16	9M15	Δ %	Δ Abs.
<b>Real/Contracted Availability</b>				
Hydro	1.05	1.05	-0%	-0.0
Coal	1.05	1.07	-2%	-0.0
<b>Installed Capacity (MW)</b>	<b>3,843</b>	<b>4,470</b>	<b>-14%</b>	<b>-627</b>
Hydro	2,663	3,290	-19%	-627
Coal	1,180	1,180	-	-
<b>Output (GWh)</b>	<b>12,040</b>	<b>11,049</b>	<b>9%</b>	<b>+992</b>
Hydro	6,232	3,850	62%	+2,382
Coal	5,809	7,199	-19%	-1,391

Special Regime: Key Data	9M16	9M15	Δ %	Δ Abs.
<b>Output (GWh)</b>	<b>638</b>	<b>493</b>	<b>29%</b>	<b>+145</b>
Mini-hydro Portugal	499	243	105%	+256
Thermal Portugal	139	145	-4%	-6
Thermal Spain (1)	-	105	-	-68
<b>Average Gross Profit (€/MWh)</b>				
Mini-hydro Portugal	99	86	15%	+13
Thermal Portugal	33	25	33%	+8
Thermal Spain (1)	-	57	-	-

Capex (€ m)	9M16	9M15	Δ %	Δ Abs.
PPA/CMEC Generation	21	15	34%	+5
Special Regime	1	1	-22%	-0
<b>Total</b>	<b>21</b>	<b>16</b>	<b>31%</b>	<b>+5</b>

**EBITDA from LT contracted generation** fell by 15% (-€70m YoY), to €395m in 9M16, mainly reflecting the transfer of 8 hydro plants to our merchant portfolio following the termination of respective PPAs (9M15 gross profit: €65m). These plants have a total installed capacity of 627MW and an annual production 1.7TWh (on an average hydro year).

**Gross profit from PPA/CMEC** was 20% lower YoY, at €422m in 9M16, driven by the aforementioned end of PPA contracts in Dec-15, the natural depreciation of the asset base in a context of very low inflation and adverse results with fuel procurement, following the decline in CO<sub>2</sub> and fuel market prices between the moment of procurement and the moment of consumption. Note that, as a result of EDP's strategy to hedge these changes through derivative financial instruments, this impact is ultimately compensated at the level of financial results.

The **annual deviation** between market gross profit under CMECs assumptions and gross profit under actual market conditions totalled €96m in 9M16, mostly concentrated in 1H16 (only €10m in 3Q16). This amount is due to be received in up to 24 months through access tariffs. Deviation at hydro plants totalled €11m in 9M16, since higher output (56% above the CMEC reference), prompted by hydro resources 66% above average hydro year, was outstated by realised price 42% below the CMEC's reference and adverse impact from low inflation. In turn, total gross profit at our Sines coal plant was €85m below the CMEC's reference in 9M16, due to the combined effect of shorter volumes (-9%) and avg. clean dark spread 32% below CMEC reference.

**Gross profit from special regime** was €23m higher YoY, at €54m in 9M16, fully driven by a 105% surge in mini-hydro production backed by strong hydro conditions.

**Net operating costs<sup>(2)</sup>** fell by 15% YoY, to €81m in 9M16, supported by the transfer to our merchant portfolio of the hydro capacity which PPA terminated in 2015 and by natural reduction in headcount.

**Net amortisation charges and provisions** amounted to €97m in 9M16, reflecting lower asset base at PPA/CMEC.

**Capex in LT contracted generation** was €5m higher in 9M16, at €21m, which is largely attributable to maintenance works at Sines power plant.

## Explanatory note on PPA/CMEC:

In July 2007 the long term contracts that EDP had with the Portuguese electricity regulated system (PPA) were replaced by the CMEC (Cost of Maintenance of Contractual Equilibrium) financial system to conciliate: (1) the preservation of the NPV of PPA, based on real pre-tax ROA of 8.5%, and a stable contracted gross profit over the next 10 years; and (2) the need to increase liquidity in the Iberian electricity wholesale market. In terms of EDP's P&L, the total gross profit resulting from CMECs' financial system will keep the same profile over the next 10 years as the former PPA.

PPA/CMEC gross profit has 3 components:

(i) **Revenues in the market**, resulting from the sale of electricity in the Iberian wholesale market and including both ancillary services and capacity payments.

(ii) **Annual deviation ('revisibility')**, equivalent to the difference between CMEC's initial assumptions made in 2007 (outputs, market prices, fuel and CO<sub>2</sub> costs) and real market data. This annual deviation will be paid/received by EDP, through regulated tariffs, up to two years after occurring.

(iii) **PPA/CMEC Accrued Income**, reflecting the differences in the period between PPA and CMEC assumed at the beginning of the system in July 2007.

(1) As from January 1st, 2016, cogeneration and waste under the special regime in Spain are reported in Liberalised Activities in Iberia

(2) Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits) + Other operating costs (net); (3) Includes a realised cost of €18m in 2016 and a gain of €5m in 2015

# Liberalised Activities in the Iberian Market



Income Statement (€ m)	9M16	9M15	Δ%	Δ Abs.
<b>Gross Profit</b>	<b>863</b>	<b>656</b>	<b>31%</b>	<b>+207</b>
Electricity generation	602	441	37%	+161
Portugal	361	175	106%	+186
Spain	265	257	3%	+8
Adjustments	(24)	8	-	-33
Electricity supply	190	161	18%	+29
Gas supply	67	50	35%	+18
Adjustments	3	4	-32%	-1
Net Operating costs (1)	404	381	6%	+24
<b>EBITDA</b>	<b>458</b>	<b>276</b>	<b>66%</b>	<b>+183</b>
Provisions	(25)	1	-	-25
Amortisation and impairment	172	150	15%	+23
<b>EBIT</b>	<b>311</b>	<b>125</b>	<b>148%</b>	<b>+186</b>

Electricity Performance	9M16	9M15	Δ%	9M16	9M15	Δ%
	Output (GWh)			Variable Cost (€/MWh) (2)		
Generation Output	15,163	13,293	14%	19.1	31.8	-40%
Electricity Purchases	28,367	26,536	7%	40.8	58.8	-31%
<b>Electricity Sources</b>	<b>43,529</b>	<b>39,829</b>	<b>9%</b>	<b>33.9</b>	<b>50.7</b>	<b>-33%</b>
	Volumes Sold (GWh)			Average Price (€/MWh) (3)		
Grid Losses	967	676	43%	n.a.	n.a.	-
Retail - Final clients	27,542	25,725	7%	60.2	65.1	-8%
Wholesale market	15,021	13,428	12%	42.3	60.2	-30%
<b>Electricity Uses</b>	<b>43,529</b>	<b>39,829</b>	<b>9%</b>	<b>52.7</b>	<b>62.3</b>	<b>-16%</b>

Electricity Gross Profit (€ m)	9M16	9M15	Δ%	Δ Abs.
Before hedging (€/MWh)	18.7	11.6	61%	+7.1
From Hedging (€/MWh) (4)	(1.7)	0.8	-	-2.4
Unit margin (€/MWh)	17.1	12.4	37%	+4.7
Total Volume (TWh)	43.5	39.8	9%	+3.7
<b>Subtotal</b>	<b>744</b>	<b>495</b>	<b>50%</b>	<b>+249</b>
<b>Others (5)</b>	<b>48</b>	<b>107</b>	<b>n.a.</b>	<b>-58</b>
<b>Total</b>	<b>792</b>	<b>602</b>	<b>32%</b>	<b>+190</b>

Gas Uses (TWh)	9M16	9M15	Δ%	Δ Abs.
Consumed by own power plants	5.0	4.1	22%	+0.9
Sold in wholesale markets	10.9	13.6	-20%	-2.7
Sold to Clients	7.7	9.1	-16%	-1.5
<b>Total</b>	<b>23.6</b>	<b>26.8</b>	<b>-12%</b>	<b>-3.2</b>

**EBITDA from liberalised activities** was €183m higher YoY, at €458m in 9M16, backed by a cheaper average generation cost, prompted by a sharp recovery in hydro resources and production (51% weight in generation mix in 9M16 vs. 28% in 9M15); and by higher results with energy management in the wake of low-price context and high price volatility during 1H16.

Note that, as a result of the end of PPAs at 8 hydro plants in Dec-15, 627MW of hydro capacity was transferred from the LT Contracted portfolio (1.6TWh in 9M16) to liberalised generation portfolio.

**Gross profit in the electricity business** rose by 31% in 9M16, to €789m, driven by an increase in avg. unit margin (up from €12.4/MWh in 9M15 to €17.1/MWh in 9M16) and volumes sold (+9% YoY).

**Unit margin** <sup>(2)(3)</sup>: Avg. electricity spread before hedging advanced from €11.6/MWh in 9M15, to €18.7/MWh in 9M16, mainly propelled by a cheaper mix of electricity sources. **Avg. sourcing cost** fell by 33% YoY, to €34/MWh in 9M16, supported by a cheaper generation mix (-40% YoY on higher contribution from hydro and cheaper coal and gas based production) and cheaper electricity purchases derived from low pool prices in the period. **Avg. selling price** was 16% lower in 9M16, as a result of: (i) an 8% decline in avg. selling prices to retail clients derived from lower cost of electricity; and (ii) a 30% fall in the average selling prices in the wholesale market (on lower spot prices).

**Volumes**: Total volume sold rose by 9% to 44TWh in 9M16, reflecting a 7% increase in volumes sold to retail and 12% rise in volumes sold in the wholesale market. Our generation output met 55% of electricity sales to final clients.

**Net operating costs** <sup>(4)</sup> were 6% higher YoY, reflecting higher supplies and services tied to new capacity additions, capacity transferred from LT Contracted portfolio and client portfolio expansion.

**Our gas sourcing activity** in 2016 is based on c3.1bcm/year LT contracts. In 9M16, total gas consumed declined by 10%, as a result of scarcer arbitrage opportunities in the wholesale market and lower sales to clients.

EDP is adapting its hedging strategy to the current market conditions, making use of flexibility stemming from the integrated management of gas and electricity operations in Iberia. As a result, EDP has maximised gas consumption between power production, wholesale/retail markets, having so far secured spark spreads for close all its gas sourcing commitments for 2016. Also, EDP has fully forward contracted dark spreads for its expected coal output for 2016. Alongside, EDP has already forward contracted electricity sales with clients of 38TWh for 2016 and ~24TWh for 2017, at an avg. price of c€55/MWh (excluding naturally-hedged price-indexed sales).

(1) Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits) + Other operating costs (net); (2) Variable cost: fuel cost, CO2 cost net of free allowances, hedging costs (gains), system costs;

(3) Average selling price: includes selling price (net of TPA tariff), ancillary services and others; (4) Includes results from hedging on electricity;

(5) Includes capacity payments, services rendered and others.

# Liberalised Electricity Generation in the Iberian Market



## Income Statement (€ m)

	9M16	9M15	Δ%	Δ Abs.
<b>Gross Profit</b>	<b>602</b>	<b>442</b>	<b>36%</b>	<b>+160</b>
Portugal	361	175	106%	+186
Spain	265	257	3%	+8
Adjustments	(24)	8	-	-33
Supplies and services	57	47	21%	+10
Personnel costs	39	37	5%	+2
Costs with social benefits	-	0	-	-0
Other operating costs (net)	122	131	-7%	-9
<b>Net Operating costs (1)</b>	<b>217</b>	<b>215</b>	<b>1%</b>	<b>+2</b>
<b>EBITDA</b>	<b>385</b>	<b>227</b>	<b>69%</b>	<b>+157</b>
Provisions	0	(1)	-	+1
Amortisation and impairment	165	143	15%	+22
<b>EBIT</b>	<b>219</b>	<b>85</b>	<b>158%</b>	<b>+134</b>

<b>Employees (#)</b>	<b>622</b>	<b>575</b>	<b>8%</b>	<b>+47</b>
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## Key Operating Data

	9M16	9M15	Δ%	Δ Abs.
<b>Generation Output (GWh)</b>	<b>15,163</b>	<b>13,293</b>	<b>14%</b>	<b>+1,870</b>
CCGT	2,926	2,420	21%	+506
Coal	3,513	6,329	-44%	-2,816
Hydro	7,738	3,659	111%	+4,079
Nuclear	898	885	1%	+13
Cogeneration and Waste (2)	88	-	-	+88
<b>Generation Costs (€/MWh) (3)</b>	<b>19.1</b>	<b>31.8</b>	<b>-40%</b>	<b>-12.7</b>
CCGT	51.6	70.7	-27%	-19.2
Coal	29.8	35.5	-16%	-5.7
Hydro	2.6	6.1	-57%	-3.4
Nuclear	5.1	5.0	2%	+0.1
<b>Load Factors (%)</b>				
CCGT	12%	10%	-	2p.p.
Coal	44%	66%	-	-22p.p.
Hydro	33%	23%	-	11p.p.
Nuclear	88%	87%	-	1p.p.
<b>CO2 Emissions (mn tones)</b>				
Total emissions (4)	3.9	6.2	-37%	-2.3

## Capex (€ m)

	9M16	9M15	Δ%	Δ Abs.
Expansion	134	232	-42%	-99
Maintenance	53	27	95%	+26
<b>Total</b>	<b>187</b>	<b>260</b>	<b>-28%</b>	<b>-73</b>

Our liberalised generation & supply activities are jointly managed as most of our production is sold to our supply units at fixed prices.

Our conventional generation portfolio in Iberia market grew 10% YoY, to 8,678MW in Sep-16, reflecting: (i) the start up of operations at our repowering Salomonde 2 (223MW in 1H16), the full commissioning of Baixo Sabor (+158MW YoY in 9M16); (ii) the shutdown of Soto 2 in Jan-16 (239MW); and (iii) the transfer in Jan-16 of 8 hydro plants (627MW, 'Ex-PPA plants') to merchant portfolio following the end of respective PPAs.

**Output** from our generation plants was 14% higher in 9M16, mainly propelled by higher contribution from hydro plants in the wake of stronger hydro resources and the contribution from 'Ex-PPA plants', as from Jan-16. The rise in hydro output was partially offset by lower production at our coal plants (-2.8TWh). **Avg. production cost** was 40% lower YoY, at €19/MWh in 9M16, reflecting the much higher contribution from the cheaper technology, hydro: 51% of total output in 9M16 vs. 28% in 9M15. Additionally, lower average generation cost reflects cheaper coal and gas-based production in the wake of the decline of coal/brent and CO<sub>2</sub> prices.

**CCGTs: Output** rose by 21% YoY in 9M16, following a 43% YoY surge in 3Q16 backed gas' improving cost competitiveness relative to coal. Avg. load factor advanced 7pp YoY, to 23% in 3Q16, shifting 9M16 load factor to 12% in 9M16. **Avg. production cost** fell 27% YoY, to €52/MWh in 9M16, reflecting a decline in the gas variable and, more importantly, increasing dilution of fixed cost as production increased.

**Coal: Output** fell 44% in 9M16, reflecting strong hydro and wind resources in Iberia (particularly in 1H16) and several outages at our coal plants (namely Soto 3 and Aboño 2), as part of DeNOx upgrade process and related works. **Avg. load factor** was 22p.p. lower YoY, at 44% in 9M16, following a 19pp YoY decline in 3Q16, to 52%. **Avg. production cost** declined by 16%, to €30/MWh, supported by a lower cost with coal and CO<sub>2</sub>.

**Hydro & Nuclear:** Hydro generation rose by 111% in 9M16 (+4.1GWh), mainly propelled by the contribution from ex-PPA plants (1.6TWh), by the contribution of new hydro capacity and strong hydro resources, particularly in the North/Centre of Portugal. The **avg. cost of hydro production** fell from €6.1/MWh in 9M15 to €2.6/MWh in 9M16, reflecting a higher dilution of pumping cost in a high hydro-reserve context. Our 15.5% share in the production of Trillo plant (nuclear) corresponded to an avg. load factor of 88% in 9M16.

**Net operating costs<sup>(1)</sup>** broadly stable YoY, at €217m in 9M16, mainly impacted by higher supplies and services derived from portfolio expansion (new hydro capacity and Ex-PPA capacity); and by lower generation taxes in Spain, prompted by lower prices.

**Net depreciation charges** rose by €22m, to €165m in 9M16, driven by new capacity additions.

**Capex** fell by €73m YoY, to €187m in 9M16, mainly supported by lower expansion capex devoted to new hydro capacity in Portugal, following the delivery of new capacity. Maintenance capex amounted to €53m in 9M16, boosted by additional maintenance works at Aboño 2, as part of the programmed stoppage for DeNOx upgrade purposes. As of Sep-16, 2 plants continue under construction: Venda Nova 3 pumping facility and Foz-Tua new hydro reservoir, both expected to start up operations in early 2017. Also worth to note is EDP group's ongoing investments in DeNOx facilities: as part of investment plans (€26m invested in 9M16), Aboño 2 and Soto 3 are expected to register further outages in 4Q16 and 1Q17.

(1) Net Operating Costs = Operating Costs (S&S + Personnel costs + Costs w/ social benefits) + Other operating costs (net); (2) As from January 1st, 2016, cogeneration and waste under the special regime in Spain are reported in Liberalised Activities.

(3) Includes fuel costs, CO<sub>2</sub> emission costs net of free allowances, hedging results; Avg. Cost includes cogeneration and waste; (4) Includes CO<sub>2</sub> emissions from Aboño plant, which burns blast furnace gases.



# Liberalised Electricity and Gas Supply in the Iberian Market



Income Statement (€ m)	Energy Supply in Spain			
	9M16	9M15	Δ%	Δ Abs.
<b>Gross Profit</b>	<b>106</b>	<b>105</b>	<b>1%</b>	<b>+1</b>
Supplies and services	51	44	15%	+7
Personnel costs	8	8	1%	+0
Costs with social benefits	0	0	-48%	-0
Other operating costs (net)	24	26	-8%	-2
<b>Net Operating costs (1)</b>	<b>83</b>	<b>78</b>	<b>6%</b>	<b>+5</b>
<b>EBITDA</b>	<b>23</b>	<b>26</b>	<b>-14%</b>	<b>-4</b>
Provisions	(25)	2	-	-27
Amortisation and impairment	2	2	-24%	-1
<b>EBIT</b>	<b>46</b>	<b>23</b>	<b>104%</b>	<b>+23</b>

Income Statement (€ m)	Energy Supply in Portugal			
	9M16	9M15	Δ%	Δ Abs.
<b>Gross Profit</b>	<b>141</b>	<b>106</b>	<b>33%</b>	<b>+35</b>
Supplies and services	79	62	29%	+18
Personnel costs	10	9	7%	+1
Costs with social benefits	0	-	-	+0
Other operating costs (net)	16	17	-8%	-1
<b>Net Operating costs (1)</b>	<b>105</b>	<b>88</b>	<b>19%</b>	<b>+17</b>
<b>EBITDA</b>	<b>36</b>	<b>18</b>	<b>103%</b>	<b>+18</b>
Provisions	(0)	0	-	-0
Net depreciation and amortization	5	4	35%	+1
<b>EBIT</b>	<b>31</b>	<b>14</b>	<b>125%</b>	<b>+17</b>

Key data	9M16	9M15	Δ%	Δ Abs.
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## Energy Supply in Spain

<b>Electricity - Free market</b>				
Volume Sold (GWh)	12,328	11,296	9%	+1,032
Market Share (%)	9%	8%	-	0p.p.
Clients (th.)	827	758	9%	+69
<b>Electricity - Last resort supply</b>				
Volume Sold (GWh)	352	373	-6%	-21
Clients (th.)	230	241	-5%	-11
<b>Gas - Free market &amp; Last resort supply</b>				
Volume Sold (GWh)	15,670	19,375	-19%	-3,705
Market Share (%) (2)	3%	3%	-	0p.p.
Clients (th.)	847	831	2%	+16

## Energy Supply in Portugal

<b>Electricity - Free market</b>				
Volume Sold (GWh)	13,634	12,842	6%	+792
Market Share (%) (3)	45%	45%	-	0p.p.
Clients (th.)	3,969	3,577	11%	+392
<b>Gas - Free market</b>				
Volume Sold (GWh)	2,922	2,810	4%	112
Market Share (%) (2) (4)	-	11%	-	-
Clients (th.)	575	476	21%	+99
<b>Capex (€m)</b>	<b>9</b>	<b>9</b>	<b>10%</b>	<b>+1</b>
<b>Employees (#)</b>	<b>365</b>	<b>339</b>	<b>8%</b>	<b>+26</b>

Our electricity and gas supply activities in Portugal and Spain are managed in single energy platforms, ensuring a responsive and competitive commercial structure. EDP Group's subsidiaries that operate in this business segment have intra-group electricity and gas procurement contracts with our generation and energy trading divisions.

## Energy Supply in Spain

**Gross profit at our supply activities in Spain** broadly stable, at €106m in 9M16, reflecting the mixed impact from lower gains with gas trading activities and higher results in the supply business.

**Electricity volume** supplied to our clients in the free market rose by 9% YoY in 9M16, in line with client portfolio expansion in the last 12 months. Market share (including only retail volumes) was broadly stable YoY, at 9% in 9M16. **Gas volume** supplied declined by 19% YoY, to 16TWh in 9M16, reflecting EDP's strategy to focus in the most attractive customer segments and milder weather conditions. Market share (including retail volumes only) was stable YoY, at 3% in 9M16.

**Net operating costs** were 6% higher YoY, at €83m in 9M16, reflecting higher costs with client services driven by client portfolio expansion. **EBIT** in 9M16 was positively impacted by a reversal of excess provisions created in previous years.

## Energy Supply in Portugal

The strong pace of switching of electricity customers to the free market over the past years is now decelerating, as most of the customers are already in the free market. By the end of Sep-16, the number of customers in the free market reached 4.7 million (+437 thousand customers YoY), while 98% of customers that remain in the regulated market are residential.

In this context, EDP expanded its portfolio by 11% YoY (+392 thousand YoY), to 4.0m customers in Sep-16, even if this represents a deceleration vis-à-vis new customers contracted in 9M15 (+845 thousand YoY). In line with its strategy to improve customers' satisfaction and revenues per client, EDP: (i) has expanded its dual offer (electricity+gas) by 21% YoY, (ii) increased the weight of energy services rendered; and (ii) booked a 27% YoY reduction in the number of claims per thousand of clients, reaping fruits from significant investments in new CRM system, which go-live happened in 2015.

**Gross profit at our supply activities in Portugal** rose by 33% (+€35m YoY), to €141m in 9M16, driven by customer portfolio expansion and higher margin per customer.

**Net operating costs<sup>(1)</sup>** were €17m higher YoY, at €105m in 9M16, reflecting portfolio expansion (higher costs with client services such as call center, billing and provisioning) and increasing share of residential clients in the portfolio. EDP is building the ground for a decrease in cost per client through higher digitalisation rate: electronic invoicing in the group grew by 30% YoY while paper invoicing retreated 8% YoY.

(1) Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits) + Other operating costs (net).

(2) Market-share for retail market; excludes wholesale. (3) Data as of Jun-16; (4) Based on latest available information: Jun-15

# EDP Renováveis: Financial Performance

Income Statement	EDP Renováveis (€ m)			
	9M16	9M15	Δ %	Δ Abs.
<b>Gross Profit</b>	<b>1,068</b>	<b>962</b>	<b>11%</b>	<b>+106</b>
Supplies and services	222	209	6%	+13
Personnel costs	69	61	14%	+8
Other operating costs (net)	(69)	(89)	-23%	+20
<b>Net Operating Costs (1)</b>	<b>221</b>	<b>180</b>	<b>23%</b>	<b>+41</b>
<b>EBITDA</b>	<b>847</b>	<b>782</b>	<b>8%</b>	<b>+65</b>
Provisions	(0)	(0)	-	+0
Amortisation and impairment	443	408	8%	+35
<b>EBIT</b>	<b>404</b>	<b>374</b>	<b>8%</b>	<b>+30</b>
Financial Results	(259)	(212)	22%	-47
Share of Profit from associates	(2)	0	-	-3
<b>Pre-tax profit</b>	<b>143</b>	<b>163</b>	<b>-12%</b>	<b>-20</b>

Opex Performance	9M16	9M15	Δ %	Δ Abs.
Core Opex/Avg. MW (€ th) (2)	31.3	32.9	-5%	-2
Employees (#)	1,061	1,009	5%	+52

EDP Renováveis ('EDPR') owns, operates and develops EDP Group's wind and solar capacity. As of Sep-16, EDPR operated 9,735 MW (+98MW YTD) of which 356MW equity-method accounted. EDPR's EBITDA derives mainly from PPA-contracted and regulated tariff schemes and is geographically widespread: 42% in North America, 21% from Portugal, 18% from Spain and the rest derived in France, Poland, Romania, Belgium, Italy and Brazil.

**EDPR's EBITDA went up by 8% YoY (+€65m) to €847m in 9M16**, reflecting: i) higher avg. capacity on stream (+13%); ii) higher load factor (+1p.p.) and iii) new tax equity deals during the period; which more than compensate the lower avg. selling price (-7%) and higher operating costs (S&S and personnel costs) +€21m YoY. Furthermore, EBITDA evolution in 9M16 is impacted by: i) in 9M15, a net impact of €40m resulting from the gain subsequent to the control acquisition of certain assets from ENEOP and write-offs; and ii) in 9M16, -€15m related to other items and write-offs.

**Electricity output** advanced +20% YoY to 18TWh in 9M16, supported by an increase of avg. capacity in operation and stronger wind resources, avg. load factor went up 1p.p. to 29% in 9M16, benefiting from better wind resources in US and Iberia, particularly in 1Q16. **Average selling price** decreased 7% YoY to €60/MWh, driven by lower Spanish pool prices, the prices below the portfolio average from ENEOP assets, new PPAs in US and lower volume on REC sales YoY.

**Operating costs** (supplies & services + personnel costs) rose by 8% YoY (+€21m), reflecting higher headcount (1,061 employees in 9M16 vs. 1,009 in 9M15) and higher O&M costs (+6m YoY), both resulting from portfolio growth. Core Opex per avg. MW decreased 5% to €31.3K/Avg. MW in 9M16, following tight cost discipline. **Other operating costs** (net) decrease €20m (-23% YoY) as a result of non-recurring costs (mainly write-offs) from 9M15, new tax equity deals and lower taxes on generation sales in Spain.

Operational Overview	9M16	9M15	Δ %	Δ Abs.
<b>Installed Capacity (MW)</b>	<b>9,379</b>	<b>8,878</b>	<b>6%</b>	<b>+502</b>
Europe	4,942	4,860	2%	+83
North America	4,233	3,934	8%	+299
Brazil	204	84	143%	+120
<b>Output (GWh)</b>	<b>18,054</b>	<b>14,994</b>	<b>20%</b>	<b>+3059</b>
<b>Avg. Load Factor (%)</b>	<b>29%</b>	<b>28%</b>	<b>-</b>	<b>1 p.p.</b>
<b>Avg. Elect. Price (€/MWh)</b>	<b>60</b>	<b>65</b>	<b>-7%</b>	<b>-5</b>
<b>EBITDA (€m)</b>	<b>847</b>	<b>782</b>	<b>8%</b>	<b>+65</b>
Europe (3)	497	509	-3%	-13
North America	354	282	26%	+72
Brazil	16	9	68%	+6
Other & Adjustments	(19)	(18)	6%	-1
<b>EBIT (€m)</b>	<b>404</b>	<b>374</b>	<b>8%</b>	<b>+30</b>
Europe (3)	275	306	-10%	-31
North America	140	84	68%	+57
Brazil	10	5	91%	+5
Other & Adjustments	(21)	(21)	4%	-1
<b>Capex (€m)</b>	<b>583</b>	<b>595</b>	<b>-2%</b>	<b>-13</b>
Europe (3)	73	77	-6%	-5
North America	464	474	-2%	-10
Brazil	46	44	4%	+2
Other & Adjustments	-	0	-	-

EDPR Equity Market Data	9M16	9M15	Δ %	Δ Abs.
Share price at end of period (€/share)	7.2	5.9	22%	1.3
Number of Shares Issued (million)	872.3	872.3	-	-
Stake Owned by EDP (%)	77.5%	77.5%	-	-

EDPR Key Balance Sheet Figures (€ m)	9M16	9M15	Δ %	Δ Abs.
Bank Loans and Other (Net)	574	645	-11%	-71
Loans with EDP Group (Net)	2,821	3,042	-7%	-221
<b>Net Financial Debt</b>	<b>3,396</b>	<b>3,686</b>	<b>-8%</b>	<b>-291</b>
<b>Non-controlling interests</b>	<b>1,251</b>	<b>874</b>	<b>43%</b>	<b>+377</b>
<b>Net Institutional Partnership Liability (4)</b>	<b>1,105</b>	<b>1,114</b>	<b>-1%</b>	<b>-9</b>
<b>Equity Book Value</b>	<b>6,067</b>	<b>5,904</b>	<b>3%</b>	<b>+163</b>

EUR/USD - End of Period Rate	1.12	1.12	0%	0.00
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EDPR Financial Results (€ m)	9M16	9M15	Δ %	Δ Abs.
Net Interest Costs	(134)	(141)	5%	+7
Institutional Partnership costs (non-cash)	(68)	(58)	-17%	-10
Capitalised Costs	18	16	13%	+2
Forex Differences and Derivatives	5	(1)	-	+6
Other	(80)	(27)	-	-53

<b>Financial Results</b>	<b>(259)</b>	<b>(212)</b>	<b>-22%</b>	<b>-47</b>
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**EBIT** increased by 8% YoY, to €404m in 9M16. Amortization and impairments increased (+€35m) in line with higher avg. MW in operation and the full consolidation of EDPR's new interest on ENEOP's assets since Sep-15.

**Capex** amounted to €583m (-2% YoY): 79% of total capex was devoted to the US market, the main growth region in 2016-2020, 13% to Europe, and 8% to Brazil. **Net proceeds from asset rotation deals** amounted to €829m in 9M16, reflecting the closing of the asset rotation deal with Axium in the US (€279m) in Jan-16, and the deal with EFG Hermes in Europe (€550m) in Apr-16.

**EDPR's net debt in Sep-16 amounted to €3.4bn** (vs. €3.7bn in Dec-15) mainly reflecting: i) the closing of the asset rotation deals and the investments in the period (-€224m); and net cash from tax equity partnerships (-€78m). Additionally, net debt evolution translates dividends paid (€129m), forex translation and others. **Liabilities with Institutional Partnerships** amounted to €1,105m in Sep-16, reflecting the tax benefits paid to institutional investors (+€60m YTD) and the establishment of new institutional tax equity financing structures during the period. **Non-controlling interests** at balance sheet level rose by €377m in 9M16 to €1,251m, including non-controlling interests in North America (c67%), Europe (c29%) and Brazil (c4%).

**Net financial costs** rose by €47m to €259m in 9M16, penalised by other financial expenses (+€53m YoY) which includes €30m of negative impact on early project finance structures cancellation and financial results brought from ENEOP consolidation. **Net interest costs** fell by 5% YoY, on lower avg. cost of debt in the period, largely due to EDPR re-negotiation of part of its long-term debt arrangements with EDP. **Institutional Partnership costs** were €10m higher vs. 9M15, translating mainly new tax equity deals. Forex differences and derivatives had a positive impact of €6m YoY. **Share of profit from associates** was -€2m (-€3m YoY) mainly reflecting EDPR minority interests in US and Spain.

(1) Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits) + Other operating costs (net);

(2) Core Opex defined by Supplies and services (including O&M activities) and Personnel costs; (3) Includes Holding costs and adjustments at the level of EDPR Europe; (4) Net of deferred revenue;

# EDP Renováveis: North America & Brazil



North America	9M16	9M15	Δ %	Δ Abs.
EUR/USD - Avg. of period rate	1.12	1.11	0%	+0.0
<b>Installed capacity (MW)</b>	<b>4,233</b>	<b>3,934</b>	<b>8%</b>	<b>+299</b>
PPA's/Hedged/Feed-in tariff	3,489	3,390	3%	+99
Merchant	744	544	37%	+200
Avg. Load Factor (%)	32%	30%	-	2 p.p.
<b>Electricity Output (GWh)</b>	<b>9,033</b>	<b>7,638</b>	<b>18%</b>	<b>+1,396</b>
PPA's/Hedged/Feed-in tariff	7,496	6,500	15%	+996
Merchant	1,537	1,137	35%	+400
<b>Avg. Final Selling Price (USD/MWh)</b>	<b>46.9</b>	<b>52.1</b>	<b>-10%</b>	<b>-5.2</b>
PPA's/Hedged/Feed-in tariff	48.9	52.6	-7%	-3.6
Merchant	34.9	46.8	-25%	-12
<b>Adjusted Gross Profit (USD m)</b>	<b>566</b>	<b>519</b>	<b>9%</b>	<b>+47</b>
Gross Profit (USD m)	407	388	5%	+19
PTC Revenues & Other (USD m)	159	130	22%	+29
<b>EBITDA (USD m)</b>	<b>395</b>	<b>314</b>	<b>26%</b>	<b>+81</b>
EBIT (USD m)	157	93	68%	+63
Installed capacity (MW Equity)	179	179	0%	-
<b>Net Capex (USD m)</b>	<b>517</b>	<b>528</b>	<b>-2%</b>	<b>-11</b>
Gross Capex	517	528	-2%	-11
Cash grant received	-	-	-	-
<b>Capacity under construction (MW)</b>	<b>629</b>	<b>299</b>	<b>110%</b>	<b>+330</b>

Brazil	9M16	9M15	Δ %	Δ Abs.
Euro/Real - Average of period rate	3.96	3.52	-11%	+0.43
<b>Installed Capacity (MW)</b>	<b>204</b>	<b>84</b>	<b>143%</b>	<b>+120</b>
Avg. Load Factor (%)	30%	28%	-	2 p.p.
Electricity Output (GWh)	440	156	182%	+284
Avg. Final Selling Price (R\$/MWh)	225	371	-39%	-145
Gross Profit (R\$ m)	91	55	65%	+36
<b>EBITDA (R\$ m)</b>	<b>62</b>	<b>33</b>	<b>89%</b>	<b>+29</b>
EBIT (R\$ m)	41	19	115%	+22
<b>Capex (R\$ m)</b>	<b>167</b>	<b>156</b>	<b>-</b>	<b>+11</b>
<b>Capacity under construction (MW)</b>	<b>127</b>	<b>120</b>	<b>6%</b>	<b>+7</b>

**In North America**, installed capacity totalled 4,233MW in Sep-16 from which 4,203MW in US, and 30MW in Canada (MW EBITDA). New capacity additions in the last 12 months (+299MW) were fully concentrated in US (4Q15). From the total installed capacity, 3.5GW (82%) are under LT contracted remuneration schemes (PPA/Hedge) which allows an extensive visibility over cash flow generation. Additionally, EDPR owns an equity position in other wind projects, equivalent to 179MW.

**EBITDA was 26% higher YoY (+USD81m), to USD395m in 9M16**, propelled by: i) a surge in the output (+18% YoY to 9GWh) on the back of capacity additions in the past 12 months; ii) the higher load factor (32% vs 30% YoY) that more than mitigated the lower average selling price of USD46.9/MWh (-10% YoY) and iii) income from institutional partnerships which raised 22% YoY to USD159m. **Wind resources** were stronger (particularly in West region, +4p.p. YoY), justifying a 2p.p. rise in avg. overall load factor in 9M16. **Average selling price** was negatively impacted by: i) lower PPA/Hedged/Feed-in tariff prices (-7% YoY), to USD48.9/MWh and ii) lower realised merchant price (-25% YoY), to USD34.9/MWh in 9M16. PPA/Hedged/Feed-in tariff were penalised due to lower new PPA's prices and with the end of PPA for Lone Star II in Dec-15 (200MW wind farm). Realised merchant price fell on lower volumes of sales of Renewable Energy Credits vs. 9M15, and with the recovery of wind resources in 9M16 vs. 9M15. In Canada, avg. selling price was at \$110/MWh, 4% lower YoY mainly reflecting the forex impact.

EDPR's growth plans in **NA** grounds on PPA-contracted projects, reinforcing the group's low risk profile. As of Sep-16, EDPR had completed 299MW of **new wind capacity** in US, +199MW at Waverly in Kansas; and +100MW from Arbuckle in Oklahoma. **Wind capacity under construction** summed up +629MW: 429MW in the US and 200MW in Mexico (consolidation through equity method), all expected to be commissioned in 4Q16.

Within the scope of its **asset rotation** deals EDPR cashed-in USD308m in 1Q16, for the sale to Axiom of a minority interest in US wind portfolio with a total production capacity of 1,002MW. Additionally, in respect to **institutional equity financing structures** EDPR cashed-in USD238m also in 1Q16 from the partnership with Google Inc. signed in Oct-15. In Sep-16, EDPR secured more USD342 million of institutional equity financing, in exchange for an interest in two wind projects, representing 328MW (250 MW Hidalgo wind farm, and 78 MW Jericho Rise wind farm). Under this agreement, funding will take place close to the start of operations of both projects, which is scheduled for the fourth quarter of 2016.

**In Brazil**, EBITDA was 89% higher YoY, at R\$62m in 9M16, reflecting +120MW of new capacity on stream (Baixa do Feijão) and a 2p.p. increase in the avg. load factor to 30% in 9M16, that more than offset by the decrease in the avg. selling price to R\$225/MWh in 9M16 from R\$371/MWh in 9M15 due to Baixa do Feijão lower PPA's price.

EDPR's installed capacity in Brazil (204MW) operates under long-term contracts providing large visibility over cash-flow generation. From the 204MW installed capacity, 120MW started its operation in Jan-16, awarded according with an auction system with a PPA price of R\$97/MWh. As of Sep-16, EDPR had 127MW **under construction** which was awarded with a PPA in Dec-13 to be due in 2017. Additionally, in Nov-15 it was established a new PPA for new capacity, currently under development, to be due in 2018 – prices are inflation updated over the 20 PPA period.



Energy is sold either under PPAs (up to 20 years), Hedges or Merchant prices; Green Certificates (Renewable Energy Credits, REC) subject to each State regulation  
Tax Incentive: (i) PTC collected for 10-years since COD (\$23/MWh in 2013); (ii) Wind farms beginning construction in 2009-10 could opt for 30% cash grant in lieu of PTC



Feed-in Tariff for 20 years (Ontario)



Installed capacity under PROINFA program  
Competitive auctions awarding 20-years PPAs

# EDP Renováveis: Spain & Portugal



Spain	9M16	9M15	Δ %	Δ Abs.
<b>Installed capacity (MW)</b>	<b>2,194</b>	<b>2,194</b>	<b>0%</b>	<b>+0</b>
Avg. load factor (%)	28%	26%	-	2 p.p.
<b>Production (GWh)</b>	<b>3,982</b>	<b>3,705</b>	<b>7%</b>	<b>+277</b>
Prod. w/capac. complement (GWh)	3,668	3,415		
Standard production (GWh)	2,955	2,955		
Above/(below) std. prod. (GWh)	713	460		
Prod. w/o cap. complement (GWh)	314	290		
<b>Avg. Price (€/MWh)</b>	<b>69.2</b>	<b>73.7</b>	<b>-6%</b>	<b>-5</b>
Total GWh: realised pool (€/MWh)	30.0	44.9	-33%	-15
Regulatory adj. on std. GWh (€m)	16	0		
Complement (€m)	113	114		
Hedging gains/(losses) (€m)	28	-6		
Gross profit (1)	275	272	1%	+4
<b>EBITDA (1)</b>	<b>184</b>	<b>181</b>	<b>1%</b>	<b>+2</b>
EBIT (1)	84	88	-4%	-4
Installed capacity (MW Equity)	177	174	2%	+3
<b>Capex (€m)</b>	<b>3</b>	<b>2</b>	<b>60%</b>	<b>+1</b>
<b>Capacity under construction (MW)</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-2</b>

Portugal	9M16	9M15	Δ %	Δ Abs.
<b>Installed capacity (MW)</b>	<b>1,251</b>	<b>1,243</b>	<b>1%</b>	<b>+8</b>
Avg. Load factor (%)	28%	27%	6%	2 p.p.
Electricity output (GWh)	2,317	1,218	90%	+1,099
Avg. selling price (€/MWh)	91	105	-13%	-14
Gross profit	212	129	65%	+83
<b>EBITDA</b>	<b>177</b>	<b>208</b>	<b>-15%</b>	<b>-31</b>
EBIT	127	184	-31%	-57
Installed capacity (MW Equity)	-	-	-	-
<b>Capex (€m)</b>	<b>26</b>	<b>10</b>	<b>150%</b>	<b>+16</b>
<b>Capacity under construction (MW)</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>-4</b>

**In Spain**, EDPR installed capacity stood unchanged at 2,194MW in 9M16 (MW EBITDA), to which accrues 177MW, equivalent to EDPR's equity position in other wind projects (equity-method consolidated).

**EBITDA in Spain slightly increased by 1% YoY at €184m in 9M16**, driven by higher final output (+7% YoY, to 4TWh) propelled by the higher load factor (28% in 9M16 vs. 26% in 9M15) offsetting the lower avg. selling price at €69.2/MWh (-6% YoY). **Average selling price** was impacted by lower realised pool prices, at €30/MWh in 9M16 vs €44.9/MWh in 9M15, on the back of +€16m of regulatory adjustment<sup>(2)</sup>, and more wind resource. Gains from hedged capacity in Spain amounted €28m in the period. It is worth mentioning that 91% of Spanish capacity is entitled to receive capacity complement. As part of its risk-controlled strategy, EDPR hedged 1.2TWh for 4Q16 and 3.8TWh for 2017, both at €44/MWh.

**In Portugal**, EDPR owns a portfolio of 1.251MW, including 613MW, deriving from the asset split of ENEOP, which is fully consolidated as from Sep 1<sup>st</sup>, 2015 and 2MW of solar capacity.

**EBITDA in Portugal amounted to €177m in 9M16 (-€31m YoY)** including the net non-recurrent items from the gain booked subsequent to the acquisition control of some assets of ENEOP in 9M15. Excluding non-recurrent events, EBITDA positive evolution reflects the higher production (2.3GWh in 9M16 vs. 1.2GWh in 9M15), and the higher average load factor +1p.p. to 28% YoY – above the LT average (wind factor: 1.09 in 9M16). **Average selling price** fell by 13% YoY to €92MWh in 9M16, due to the lower feed-in tariffs entitled to wind farms transferred from ENEOP.

EDPR reached an agreement with Ventivest in 4Q15, for the acquisition of special purpose vehicles (SPVs) that hold licenses to a total of 216MW of wind energy capacity in Portugal. This new capacity will be remunerated according to a feed-in tariff for a 20-year period and the commissioning is expected to occur in 2018.

In line with the **asset rotation strategy**, in Apr-16 EDPR signed an agreement with EFG Hermes establishing the sale of 49% equity shareholding and outstanding shareholders loans in a total fully-owned portfolio of 664MW European wind onshore assets for a total consideration of €550m, in which 348MW are located in Spain and 191MW are located in Portugal (part of ex-ENEOP assets).



- Wind energy receives pool price and a premium per MW, if necessary, in order to achieve a target return established as 'Spanish 10-year Bond yields + 300bp' (currently at 7.4%); Every 3 years, there will revisions as to compensate deviations from the expected pool price (€50/MWh – regulator scenario).
- Premium calculation is based on standard assets (standard load factor, production and costs); Capacity complement per MW is paid for a 20-year period and varies with the year of commissioning



- MW EBITDA: Feed-in Tariff updated with inflation and inversely correlated with load factor. Duration: 15 years (Feed-in tariff updated with inflation) + 7 years (extension cap/floor system: €74/MWh - €98/MWh). The 7-year extension of tariff as from 16<sup>th</sup> year was secured in exchange for an annual payment between 2013 and 2020 (€4m/year for EDPR).
- ENEOP MW (MW Equity up to Aug-15, MW EBITDA since Sep-15): price defined in a international competitive tender and set for 15 years (or the first 33 GWh per MW). Tariff for first year established at c.€74/MWh and CPI monthly update for following years;



# EDP Renováveis: Rest of Europe



Rest of Europe	9M16	9M15	Δ %	Δ Abs.
<b>Installed capacity (MW)</b>	<b>1,497</b>	<b>1,423</b>	<b>5%</b>	<b>+75</b>
Avg. load factor (%)	23%	26%	-10%	-2 p.p.
Electricity output (GWh)	2,282	2,279	0%	+4
Avg. selling price (€/MWh)	85	88	-3%	-3
<b>Poland</b>				
Installed capacity (MW)	418	392	7%	+27
Avg. load factor (%)	21%	26%	-16%	-4 p.p.
Electricity output (GWh)	625	647	-3%	-22
Avg. selling price (PLN/MWh)	341	395	-14%	-54
EUR/PLN - Avg. Rate in period	4.36	4.16	-5%	+0
<b>Romania</b>				
Installed capacity (MW)	521	521	0%	-
Avg. load factor (%)	24%	26%	-9%	-2 p.p.
Electricity output (GWh)	791	838	-6%	-47
Avg. selling price (RON/MWh)	345	321	8%	+24
EUR/RON - Avg. Rate in period	4.49	4.44	-1%	+0
<b>France</b>				
Installed capacity (MW)	388	340	14%	+48
Avg. load factor (%)	24%	24%	-2%	-0 p.p.
Electricity output (GWh)	582	536	9%	+46
Avg. selling price (€/MWh)	90	91	-1%	-0
<b>Belgium &amp; Italy</b>				
Installed capacity (MW)	171	171	0%	-
Avg. load factor (%)	25%	27%	-5%	-1 p.p.
Electricity output (GWh)	284	257	10%	+26
Avg. selling price (€/MWh)	113	115	-2%	-2
Gross profit	192	197	-2%	-4
<b>EBITDA</b>	<b>138</b>	<b>146</b>	<b>-6%</b>	<b>-9</b>
EBIT	68	70	-3%	-2
<b>Capex (€m)</b>	<b>42</b>	<b>69</b>	<b>-39%</b>	<b>-26</b>
<b>Capacity under construction (MW)</b>	<b>32</b>	<b>125</b>	<b>-74%</b>	<b>-92</b>

In **European markets outside of Iberia**, EDPR had a total installed capacity of 1,497MW in Sep-16, +75MW YoY (+77MW in Poland, +48MW in France and -50MW resulting from the sale of 60% share in a Polish wind farm in order to complete the acquisition of the remaining stake of 35% in a 54MW wind farm that already fully consolidated), and 32MW **under construction**: 18MW in France and 14MW in Italy.

**EDPR's EBITDA in Rest of Europe decreased by 6% YoY (-€9m), to €138m in 9M16**, in spite of the higher avg. capacity on stream (+8%), propelled by: i) an avg. load factor considerably lower (-3p.p. YoY), and ii) lower avg. selling price at 85€/MWh (-3% YoY).

In **Poland**, EDPR operates 418MW of wind capacity +27MW YoY. **Wind output** decreased by 3% in 9M16, to 625GWh, mainly reflecting the weaker load factor at 21% (-4p.p. YoY), offsetting the higher avg. capacity in operation. **Average selling price** was 14% lower YoY, at PLN341/MWh driven by lower revenues with green certificates.

In **Romania**, EDPR operates 521MW: 471MW in wind and 50MW of solar PV. **Wind output** went down by 6% YoY, to 791MWh in 9M16 (57MWh solar-based), propelled by lower load factor at 24% in 9M16 vs 26% in 9M15. In turn, **avg. selling price** went up by 8% YoY to RON345/MWh in 9M16, as wholesale prices started to recover.

In **France**, EDPR added 12MW of new wind capacity QoQ, raising its total installed capacity in the market to 388MW. **Wind output** rose by 9% YoY, to 582GWh in 9M16, backed by higher average capacity on stream while the avg. load factor remained at 24% YoY. **Average tariff** was stable YoY, at €90/MWh, reflecting the inflation indexed feed-in tariff.

In **Belgium**, the 71MW in operation decreased its output by 6% YoY to 95GWh on the back of slightly lower avg. load factor -1p.p. YoY. **Average selling price** was stable at €109/MWh YoY, reflecting the actual PPA price structure.

In **Italy**, EDPR operates a total portfolio of 100MW of wind technology in 9M16. **Wind output** advanced 20% YoY to 189GWh, reflecting more avg. capacity on stream which offset the 2p.p. YoY fall in avg. load factor to 28% in 9M16. **Average selling tariff** decreased to €116/MWh in 9M16, due to a different mix of wind farms in operation (auctions vs old regime).

In line with the aforementioned **asset rotation** agreement signed in Apr-16, the remaining 125MW from the referred European portfolio wind assets are located in France (54MW of which 24MW are not in operation yet) and in Belgium (71MW).



- Price set either through bilateral contracts or selling to distributor at regulated price (PLN167.45/MWh for 3Q16); Wind receive 1 GC/MWh which can be traded in the market. Electric suppliers have a substitution fee for non compliance with GC obligation (2016: PLN300/MWh)



- Wind and solar production are sold at 'market price + GC'. Wind assets receive 2 GC/MWh until 2017 and 1 GC/MWh after 2017 until completing 15 years. 1 out of the 2 GC earned until Mar-17 can only be sold from Jan-18. Solar assets receive 6 GC/MWh for 15 years. 2 out of the 6 GC earned until Mar-2017 can only be sold after Apr-2017. GC are tradable on market under a cap and floor system (cap €59.9 / floor €29.4)



- Feed-in tariff for 15 years: (i) €82/MWh up to 10<sup>th</sup> year, inflation updated; (ii) Years 11-15: €82/MWh @ 2,400 hours, decreasing to €28/MWh @3,600 hours



- Wind & solar energy sold at 'Market price + green certificate (GC)'; Separate GC prices with cap and floor for Wallonia (€65/MWh-100/MWh) and Flanders (€90/MWh-100/MWh); Option to negotiate long-term PPAs



- Projects online before 2013 receive: (i) For 2015, GC price from GSE will be €97.4; (ii) As from 2016, 'pool + premium' (premium = 1 x (€180/MWh - "P-1") x 0.78). New assets: competitive auctions awarding 20-years PPAs



# Regulated Networks & Regulatory Receivables in Iberia

Income Statement (€ m)	9M16	9M15	Δ %	Δ Abs.
<b>Gross Profit</b>	<b>1,291</b>	<b>1,264</b>	<b>2%</b>	<b>+27</b>
Supplies and services	247	252	-2%	-5
Personnel costs	89	91	-2%	-2
Costs with social benefits	19	17	14%	+2
Other operating costs (net)	186	93	100%	+93
<b>Net Operating Costs (1)</b>	<b>542</b>	<b>453</b>	<b>19%</b>	<b>+88</b>
<b>EBITDA</b>	<b>749</b>	<b>810</b>	<b>-8%</b>	<b>-61</b>
Provisions	6	3	-	+3
Amortisation and impairment	254	247	3%	+7
<b>EBIT</b>	<b>490</b>	<b>560</b>	<b>-13%</b>	<b>-71</b>

Capex & Opex Performance	9M16	9M15	Δ %	Δ Abs.
<b>Controllable Operating Costs (5)</b>	<b>336</b>	<b>343</b>	<b>-2%</b>	<b>-7</b>
Cont. costs/client (€/client)	44	43	1%	+1
Cont. costs/km of network (€/Km)	1,298	1,334	-3%	-35
Employees (#)	3,788	3,858	-2%	-70
<b>Capex (Net of Subsidies) (€m)</b>	<b>233</b>	<b>223</b>	<b>4%</b>	<b>+10</b>
Network ('000 Km)	259	257	1%	+1

Regulatory Receivables (€ m)	9M16	9M15	Δ %	Δ Abs.
<b>Total Net Iberia Regulatory Receivables</b>	<b>1,205</b>	<b>2,261</b>	<b>-47%</b>	<b>-1,057</b>
<b>Spain - Tariff deficit</b>				
<b>Beginning of Period</b>	<b>70</b>	<b>2</b>	<b>-</b>	<b>+68</b>
Previous periods tariff deficits (4)	-	42	-	-42
Tariff deficit in the period	-	-	-	-
Other (3)	1	-	-	+1
<b>End of Period</b>	<b>71</b>	<b>44</b>	<b>61%</b>	<b>+27</b>

<b>Portugal - Last Resort Supplier + Distribution + Gas</b>				
<b>Beginning of Period</b>	<b>2,021</b>	<b>2,203</b>	<b>-8%</b>	<b>-182</b>
Recoveries in the period (2)	(2,266)	(1,239)	-83%	-1,027
Tariff deviation/deficit in the period	1,001	1,013	-1%	-12
Other (3)	114	56	101%	+57
<b>End of Period</b>	<b>869</b>	<b>2,033</b>	<b>-57%</b>	<b>-1,164</b>

<b>Portugal - CMEC's</b>				
<b>Beginning of Period</b>	<b>216</b>	<b>112</b>	<b>92%</b>	<b>+103</b>
(Recovery)/Return in the Period	(47)	(16)	-192%	-31
Deviation in the period	96	88	9%	+8
Other	-	0	n.m.	-0
<b>End of Period</b>	<b>264</b>	<b>184</b>	<b>44%</b>	<b>+80</b>

Regulated networks in Iberia include our activities of distribution of electricity and gas, in Portugal and Spain.

**EBITDA from regulated networks** decreased by 8% YoY (-€61m), to €749m in 9M16, mainly impacted by an €89m one-off gain booked on the sale of gas distribution assets in Spain to Redexis in 1S15. Excluding this effect, EBITDA regulated networks in Iberia advanced by 4% YoY (+€28m), mainly impacted by the new regulatory terms applicable to electricity distribution in Spain as from Jan 1<sup>st</sup> and tight cost control.

**Gross profit rose** by 2% YoY (+€27m) in 9M16, reflecting: (i) in Spain, higher regulated revenues in electricity distribution, only partially compensated by the de-consolidation of gas assets sold in 1Q15; (ii) in Portugal, lower return on RAB in gas distribution in the wake of the regulatory review applicable as from Jul-16 and lower revenues in electricity last resort supply (following the contraction of activity); which were only partially compensated by a slight increase in RoRAB in electricity distribution (6.48% in 9M16 vs. 6.34% in 9M15).

**Controllable operating<sup>(5)</sup> costs** fell by 2% YoY (-€7m), following lower costs with client services and lower personnel costs, on headcount reduction (-2%). **Capex** amounted to €233m in 9M16, including €24m invested in smart grids in Portugal.

In Portugal, **total debt owed by the electricity system decreased by €99m during the 3Q16**, to €5.2bn by the end of Sep-16, driven by a 45% QoQ increase in spot price and normalised wind resources in the period. Year to date, total debt owed by the electricity system to EDP and to financial investors fell by €14m.

On 14-Oct-2016, ERSE released its **proposal for 2017 electricity tariffs**, setting a 1.2% average tariff increase for normal low voltage (NLV) segment, applicable to all residential clients in the regulated market. According to ERSE's proposal, Portuguese electricity system's regulatory receivables are expected to decline by €547m over 2017. The 2017 tariff update and decline in the system's regulatory receivables includes the impact of the government Ordinance nr. 268-B/2016, of October 13th, 2016, which assumes that power generators under special regime, which benefit of guaranteed remuneration, will pay to the electricity system in 2017 an estimated amount of €140m relative to public grants received in the past which will therefore be used to reduce the tariff increase while the other half will be used to reduce the system's regulatory receivables.

**Regulatory receivables owed to EDP in Iberia** fell by €1,1bn year to date, from €2,306m in Dec-15 to €1,205m in Sep-16, driven by Portugal.

**EDP's regulatory receivables from electricity distribution, last resort supply and gas distribution in Portugal** fell from €2,021m in Dec-15 to €869m in Sep-16 driven by: **(1)** -€2,013m following the sale without recourse of the right to receive part of the 2014-16 tariff deficits; **(2)** +€935m of ex-ante tariff deficit for 2016, to be fully recovered under a 5-year payment schedule ending in 2020 and remunerated at 2.24% annual return; **(3)** -€252m recovered through tariffs related to negative previous years' deviations and to past tariff deficits; **(4)** +€76m of new electricity tariff deviations created in 9M16; and **(5)** -€10m of deviations returned to the system in gas distribution. The main drivers for new tariff deviations in the electricity in Portugal generated in 9M16 was the special regime overcost (€69/MWh in 9M16 vs. €59/MWh assumed by ERSE in the calculation of 2016 tariffs), amounting to +€161m; which was partially compensated by cheaper-than-expected electricity purchases by the last resort supplier (-€68m, an amount to return to the tariffs).

**Regulatory receivables from CMECs** slightly increased from €216m in Dec-15 to €264m in Sep-16 due to: **(1)** €47m recovered in 2016 through tariffs, related to 2014 and 2015 negative deviations and **(2)** €96m negative deviation in 9M16, due to be received in 2017-2018 (more details on page 11).

**Regulatory receivables in Spain** amounted to €71m in Sep-16, corresponding to the share of EDP España in the gas tariff deficit in Spain.

(1) Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits + Concession fees) + Other operating costs (net)

(2) Includes the assignment to a third party of the right to tariff deficits/adjustments and recovery or pay-back through the tariffs of previous years' tariff deviations. (3) Includes interest on tariff deviations.

(4) Includes the recovery/payment of previous periods tariff deficits.

(5) Supplies & services and personnel costs.

# Electricity Distribution and Last Resort Supply in Portugal



Income Statement (€ m)	9M16	9M15	Δ %	Δ Abs.
<b>Gross Profit</b>	<b>931</b>	<b>933</b>	<b>-0%</b>	<b>-1</b>
Supplies and services	184	196	-6%	-11
Personnel costs	68	70	-3%	-2
Costs with social benefits	18	15	17%	+3
Concession fees	189	188	1%	+1
Other operating costs (net)	(3)	(6)	45%	+3
<b>Net Operating Costs (1)</b>	<b>456</b>	<b>463</b>	<b>-2%</b>	<b>-7</b>
<b>EBITDA</b>	<b>475</b>	<b>469</b>	<b>1%</b>	<b>+6</b>
Provisions	6	2	264%	+4
Amortisation and impairment	182	179	1%	+2
<b>EBIT</b>	<b>287</b>	<b>288</b>	<b>-0%</b>	<b>-1</b>

Gross Profit Performance	9M16	9M15	Δ %	Δ Abs.
<b>Gross Profit (€m)</b>	<b>931</b>	<b>933</b>	<b>-0%</b>	<b>-1</b>
Regulated gross profit	927	927	-0%	-0
Non-regulated gross profit	4	5	-24%	-1
<b>Distribution Grid</b>				
Regulated revenues (€ m)	892	881	1%	+11
Electricity distributed (GWh)	33,412	33,393	0.1%	+19
Supply Points (th)	6,137	6,102	1%	+36
<b>Last Resort Supply</b>				
Regulated revenues (€ m)	35	46	-24%	-11
Clients supplied (th)	1,468	1,869	-21%	-401
Electricity sold (GWh)	3,245	4,446	-27%	-1,202

Capex & Opex Performance	9M16	9M15	Δ %	Δ Abs.
<b>Controllable Operating Costs (2)</b>	<b>253</b>	<b>266</b>	<b>-5%</b>	<b>-14</b>
Cont. costs/client (€/client)	41.1	43.6	-6%	-2
Cont. costs/km of network (€/km)	1,120	1,185	-5%	-64
Employees (#)	3,265	3,329	-2%	-64
<b>Capex (Net of Subsidies) (€m)</b>	<b>183</b>	<b>181</b>	<b>1%</b>	<b>+2</b>
Network ('000 Km)	225	225	0%	+1
Equival. interruption time (min.) (3)	38	40	-6%	-3

**EBITDA from electricity distribution and last resort supply (LRS) in Portugal rose 1% YoY to €475m in 9M16**, mainly reflecting the mixed impact from tight cost control and the contraction in regulated supply clients base prompted by the ongoing liberalisation process.

**For 2016, regulated revenues** in electricity distribution activity amounts to €1,182m, based on: (1) preliminary rate of return on assets (RoRAB) of 6.34% (reflecting an underlying avg. 10-year Portuguese bond yields of 2.6%), even if the ultimate RoRAB derived from the daily average of Portugal's 10Y bond yield between Oct-15 and Sept-16 is higher, at 6.48%; (2) an expected electricity demand in Portugal of 45.1 TWh in 2016 (1.8% above 2015 electricity distributed); and (3) a GDP deflator of 0.8%. Regarding **last resort electricity supply activity**, regulated revenues set for 2016 amount to €40m. Some of the assumptions relevant for the evolution of the electricity system debt were: (1) average special regime premium at €59.3/MWh; (2) average electricity procurement price at €53.0/MWh (based on a forecast for average pool price of €49.2/MWh); (3) 21.6TWh of special regime generation (5.4% above 2015).

On 14-Oct-2016, ERSE released its **proposal for 2017 electricity tariffs**, setting regulated revenues proposed for 2017 amount to €1,199m in electricity distribution and €39m in the last resort electricity supply.

**In 9M16, distribution grid regulated revenues** increased by 1% YoY (+€11m), to €892m, reflecting a 14bp YoY increase in return on RAB, to 6.48% in 9M16. Electricity distributed was broadly stable in 9M16 (+0.1% YoY), supported by a 0.9% YoY increase in 3Q16.

**Last resort supplier (EDP SU) regulated revenues** decreased 24% YoY (-€11m), to €35m in 9M16, as a result of consumers' switching to the free market. As part of the rules and calendar defined for the phasing out of regulated tariffs in Portugal, EDP SU can no longer contract new clients (since January 1<sup>st</sup> 2013). The **volume of electricity supplied** by our LRS fell by 27% YoY, to 3.2TWh in 9M16. **Total number of clients supplied** declined by 401 thousands YoY (-21% YoY), to 1,468 thousands in Sep-16 (representing 24% of total electricity clients), mostly in the residential segment.

**Controllable operating<sup>(2)</sup> costs** declined by 5% YoY (-€14m) in 9M16, supported by lower costs with client services and a 2% headcount reduction.

**Capex** was broadly stable at €183m in 9M16, including a €24m invested in smart grids. EIT decreased from 40 minutes in 9M15 to 38 minutes in 9M16.

(1) Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits + Concession fees) + Other operating costs (net)

(2) Supplies & services and personnel costs. (3) Adjusted for non-recurring impacts (rainstorms, high winds and summer fires).

# Electricity and Gas Networks in Spain and Gas Networks in Portugal



Income Statement (€ m)	Electricity Spain				Gas Spain				Gas Portugal				Iberian Regulated Networks	9M16	9M15	% Δ	Abs. Δ
	9M16	9M15	% Δ	Abs. Δ	9M16	9M15	% Δ	Abs. Δ	9M16	9M15	% Δ	Abs. Δ					
<b>Gross Profit</b>	<b>167</b>	<b>132</b>	<b>27%</b>	<b>35</b>	<b>144</b>	<b>152</b>	<b>-5%</b>	<b>-8</b>	<b>49</b>	<b>48</b>	<b>4%</b>	<b>2</b>	<b>Number Supply Points (th)</b>				
Supplies and services	30	26	18%	5	22	20	8%	2	10	10	4%	0	Electricity Spain	661	660	0%	+1
Personnel costs	14	14	6%	1	6	6	-9%	-1	1	1	15%	0	Gas Spain	924	915	1%	+9
Costs with social benefits	1	1	-	-0	0	0	-6%	-0	0	0	47%	0	Gas Portugal	338	326	4%	+13
Other operating costs (net)	(2)	(1)	37%	-0	1	(88)	n.m.	89	0	0	-27%	-0	<b>Energy Distributed (GWh)</b>				
<b>Net Operating Costs (1)</b>	<b>44</b>	<b>39</b>	<b>12%</b>	<b>5</b>	<b>29</b>	<b>(61)</b>	<b>-</b>	<b>90</b>	<b>12</b>	<b>12</b>	<b>5%</b>	<b>1</b>	Electricity Spain	6,915	6,873	0.6%	+42
<b>EBITDA</b>	<b>123</b>	<b>92</b>	<b>33%</b>	<b>30</b>	<b>115</b>	<b>213</b>	<b>-46%</b>	<b>-98</b>	<b>37</b>	<b>36</b>	<b>4%</b>	<b>1</b>	Gas Spain	19,775	21,025	-6%	-1.2k
Provisions	0	2	-	-2	0	(0)	n.m.	0	0	(1)	n.m.	1	Gas Portugal	5,271	5,135	3%	+136
Amortisation and impairment	30	26	15%	4	30	30	1%	0	12	12	0%	0	<b>Network (Km)</b>				
<b>EBIT</b>	<b>92</b>	<b>64</b>	<b>45%</b>	<b>28</b>	<b>85</b>	<b>184</b>	<b>-54%</b>	<b>-99</b>	<b>25</b>	<b>24</b>	<b>3%</b>	<b>1</b>	Electricity Spain	20,448	20,392	0%	+56
<b>Capex (net of subsidies)</b>	<b>23</b>	<b>21</b>	<b>11%</b>	<b>2</b>	<b>14</b>	<b>13</b>	<b>5%</b>	<b>1</b>	<b>14</b>	<b>9</b>	<b>53%</b>	<b>5</b>	Gas Spain	8,032	7,700	4%	+331
<b>Gross Profit</b>	<b>167</b>	<b>132</b>	<b>27%</b>	<b>35</b>	<b>144</b>	<b>152</b>	<b>-5%</b>	<b>-8</b>	<b>49</b>	<b>48</b>	<b>4%</b>	<b>2</b>	Gas Portugal	5,010	4,720	6%	+290
Regulated Revenues	137	118	16%	19	126	133	-6%	-7	46	46	-0%	-0	<b>Employees (#)</b>				
Non-regulated gross profit	30	14	119%	16	18	19	-4%	-1	4	2	119%	2	Electricity Spain	291	297	-2%	-6
													Gas Spain	167	168	-1%	-1
													Gas Portugal	65	64	2%	+1

## ELECTRICITY DISTRIBUTION IN SPAIN

**EBITDA from our electricity distribution activity in Spain** advanced by €30m YoY, to €123m in 9M16, mainly reflecting final regulatory terms unveiled in Jun-16 and applicable since early 2016. **Electricity distributed** by EDP España, mostly in the region of Asturias rose by 0.6% YoY in 9M15, to 6.9TWh.

In Dec-13, the Spanish Government approved Law 24/2013 and RDL 1048/2013 establishing the new regulatory framework for electricity distribution assets, maintaining the principles announced in Jul-13 by RD 9/2013 (return on RAB equivalent to a 200bp premium over 10-year Spanish bond yields and equaling to 6.5%). The final terms applicable to regulated revenues for electricity distribution were released in the Ministerial orders IET 2660/2015 and IET980/2016 (Jun-16). As a result, the respective terms will be applicable for the period 2016-19 and electricity distribution regulated revenues are set at €182m in 2016 (+18% YoY).

## GAS REGULATED NETWORKS IN SPAIN

**EBITDA of gas distribution in Spain** in 9M16 amounted to €115m (-€98m YoY), reflecting a €89m one-off gain stemming from the sale of assets held by Gas Energía Distribución Murcia to Redexis in 1H15. Excluding this impact, EBITDA declined by 7% YoY (-€9m), due to the de-consolidation of gas assets sold in 1Q15 and lower previous years' adjustments. **Volume of gas distributed** fell by 6% YoY, to 19.8TWh in 9M16, due to milder weather conditions.

According to a Ministerial Order released in Dec-15, gas distribution regulated revenues are stable in 2016, at €172m.

In Jan-16, EDP has reached an agreement with Repsol for the acquisition of liquefied propane gas distribution assets, in Naturgas incumbent areas (Basque Country, Cantabria and Asturias regions). The agreed transaction was partially completed in Sep-16 and the price paid represented an enterprise value of €116 million, with an expected incremental annual EBITDA of €13 million (immaterial contribution in 9M16).

## GAS REGULATED ACTIVITIES IN PORTUGAL

**EBITDA from gas regulated activities in Portugal** amounted to €37m in 9M16 (+€1m YoY), reflecting a return on RAB of 7.85% in 1H16 and 6.2% in 3Q16. **Volume distributed** was 3% higher YoY, at 5.3TWh in 9M16, broadly in line with portfolio expansion.

On 15-Jun-16, ERSE unveiled a proposal for an average 18.6% decrease for last resort tariff for retail clients (low consumption segment <= 10 m<sup>3</sup>/year) to be in place from 1-Jul-16 to 30-Jun-17. Under the new gas regulatory framework, the rate of return on assets is indexed to the avg. Portuguese Republic 10-year bond yield between Apr 1<sup>st</sup> and Mar 31<sup>st</sup> prior to the beginning of each regulatory year, with a floor at 5.7% and cap at 9.3%. The preliminary rate of return on RAB for the period from Jul-16 to Jun-17 was set at 6.2%. Allowed revenues for the regulatory year from Jul-16 to Jun-17 amounts to €54m.

(1) Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits) + Other operating costs (net)

# EDP - Energias do Brasil: Financial Performance



Income Statement	Consolidated (R\$ m)				Consolidated (€ m)			
	9M16	9M15	Δ %	Δ Abs.	9M16	9M15	Δ %	Δ Abs.
<b>Gross Profit</b>	<b>2,308</b>	<b>2,150</b>	<b>7%</b>	<b>+157</b>	<b>583</b>	<b>610</b>	<b>-4%</b>	<b>-27</b>
Supplies and services	442	392	13%	+49	112	111	0%	+0
Personnel costs and employee benefits	337	292	15%	+45	85	83	3%	+2
Other operating costs (net)	(370)	(786)	-53%	+415	(78)	(239)	-68%	+162
<b>Net Operating Costs (1)</b>	<b>409</b>	<b>(101)</b>	<b>-</b>	<b>+510</b>	<b>119</b>	<b>(45)</b>	<b>-</b>	<b>+164</b>
<b>EBITDA</b>	<b>1,899</b>	<b>2,251</b>	<b>-16%</b>	<b>-352</b>	<b>464</b>	<b>655</b>	<b>-29%</b>	<b>-191</b>
Provisions	14	22	-37%	-8	3	6	-44%	-3
Amortisation and impairment	417	337	24%	+81	105	96	10%	+10
<b>EBIT</b>	<b>1,468</b>	<b>1,893</b>	<b>-22%</b>	<b>-425</b>	<b>355</b>	<b>553</b>	<b>-36%</b>	<b>-199</b>
Financial results	(464)	(484)	4%	+20	(117)	(137)	-15%	+20
Results from associates	(31)	(120)	74%	+89	(8)	(34)	-	+26
<b>Pre-tax profit</b>	<b>973</b>	<b>1,289</b>	<b>-25%</b>	<b>-317</b>	<b>230</b>	<b>382</b>	<b>-40%</b>	<b>-152</b>

Capex & Financial Investments	(R\$ m)				(€ m)			
	9M16	9M15	Δ %	Δ Abs.	9M16	9M15	Δ %	Δ Abs.
<b>Capex</b>	<b>424</b>	<b>246</b>	<b>72%</b>	<b>+177</b>	<b>107</b>	<b>70</b>	<b>53%</b>	<b>+37</b>
<b>Financial Investments</b>	<b>391</b>	<b>475</b>	<b>-18%</b>	<b>-84</b>	<b>95</b>	<b>143</b>	<b>-34%</b>	<b>-48</b>

In local currency, EDP Brasil ("EDPB") EBITDA decreased 16% YoY (-R\$352m) to R\$1,899m in the 9M16, impacted, in the 9M16, by the capital gain of R\$278m booked with the sale of Pantanal mini-hydro in 1Q16; and, in the 9M15, by the capital gain of R\$885m with the purchase of Pecém in 2Q15, both at 'other operating income' level. **Adjusted by the abovementioned one-off effects**, EBITDA would have increased 19% YoY to R\$1,621m. **Generation and Supply EBITDA** went up by R\$273m to R\$1,081m, reflecting the full consolidation of Pecém since May-15 (+R\$181m) and better performance at our hydro plants (+R\$151m YoY) due to a negligible impact of the hydro deficit vs. a stronger impact in the 9M15 (GSF at 87% in 9M16 vs. 82% in 9M15 and avg. PLD of R\$71/MWh in 9M16 vs. R\$325/MWh in 9M15). **EBITDA in distribution** fell by R\$35m to R\$612m in the 9M16, impacted by overcontracted volumes at Bandeirante, lower demand and the Itaipu FX impacts (recouped at financial results' level), which were partially offset by the positive impact of the update on the concessions assets' residual value. EBITDA performance in Euro terms was penalised by the 11% depreciation of avg. BRL vs. the EUR (-€59m impact).

**Net operating costs** increased by R\$510m YoY mostly due to the booking of the aforementioned capital gains at 'other operating income' level. At Opex level, costs increased 14% due to Pecém's full consolidation. On a pro-forma, including Pecém since Jan-15, costs would go up 1%, in spite of a local inflation rate of 9% in the period. Personnel costs increased 15% YoY, or 9% ex-Pecém, in line with inflation, while supplies & services went up 13% YoY, or 4% ex-Pecém.

Energias do Brasil	9M16	9M15	Δ %	Δ Abs.
Share price at end of period (R\$/share)	14.38	11.48	25%	+2.90
Number of shares Issued (million) <sup>2</sup>	606.9	476.4	-	-
Treasury stock (million)	0.8	0.8	-	-
Number of shares owned by EDP (million) <sup>2</sup>	310.8	243.0	-	-
Euro/Real - End of period rate	3.62	4.48	24%	-0.86
Euro/Real - Average of period rate	3.96	3.52	-11%	+0.43
Inflation rate (IPCA - YoY)	8.5%	9.5%	-	-
Net Debt / EBITDA (x)	1.1	1.6	-	-0.5
Average Cost of Debt (%)	11.7	11.7	-	-0.1p.p.
Average Interest Rate (CDI)	13.7	11.7	-	1.9p.p.
Employees (#)	2,910	2,922	0%	-12

Key Balance Sheet Figures (R\$ Million)	9M16	9M15	Δ %	Δ Abs.
Net financial debt	3,072	4,835	-36%	-1,762
Regulatory receivables	(428)	829	-	-1,257
Non-controlling Interests	1,654	1,731	-4%	-77
Equity book value	7,960	5,843	36%	+2,118

Financial Results (R\$ Million)	9M16	9M15	Δ %	Δ Abs.
Net Interest Costs	(372)	(359)	-4%	-13
Capitalised Costs	4	1	152%	+2
Forex Differences and Derivatives	(107)	(151)	29%	+44
Other	12	25	-54%	-14
<b>Financial Results</b>	<b>(464)</b>	<b>(484)</b>	<b>4%</b>	<b>+20</b>

**Net financial debt** decreased 36% YoY (or -R\$1.8bn), driven by the R\$1.5bn proceeds of the capital increase applied on an early payment in Jun-16 of a R\$300m debt at EDPB holding level, which was costing ~16% (118.7% of average interest rate - CDI), while the remaining proceeds implied an increase on liquidity from R\$1.3bn by Sep-15 to R\$2.5bn by Sep-16. The available liquidity should partially be applied to early pay further expensive debt. **Net financial costs** decreased 4% YoY to R\$464m in the 9M16, following a significant inversion in the 3Q16 (R\$130 vs. R\$276 in the 3Q15), with the avg. cost of debt flat at 11.7%, in spite of an increase on the market's average interest rate - CDI from 11.7% to 13.7%.

**Results from associates** totalled -R\$31m in the 9M16, reflecting a negative contribution from Jari hydro power plant (-R\$17m in the 9M16) commissioned in 2015, but also from Cachoeira-Caldeirão (-R\$12m in the 9M16) commissioned in the 9M16.

As of Sep-16, hydro reservoirs in the Southeast/Center-West ("SE-CW") regions were at ~40% of their maximum level (vs. 30% in Dec-15 and 32% in Sep-15). Sluggish demand during 2015/9M16, coupled with the reservoir levels' recovery, has enabled GSF to recover, and the reduction of thermal production, allowing PLD to retract to lower levels, in spite of some late recovery as dry season starts. Some thermal capacity should be still generating throughout 4Q16 and thus some hydro deficit is still expected. Some demand recovery has been observed in the 9M16, but still at low levels (+1.3% YoY).

(1) Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits) + Other operating costs (net); (2) Nr of shares includes capital increase approved in July, 8th.



# Brazil: Electricity Distribution

Income Statement (R\$ m)	9M16	9M15	Δ %	Δ Abs.
<b>Gross Profit</b>	<b>1,074</b>	<b>1,195</b>	<b>-10%</b>	<b>-121</b>
Supplies and services	292	264	11%	+28
Personnel costs and employee benefits	219	205	7%	+14
Other operating costs (net)	(49)	80	-	-129
<b>Net Operating Costs (1)</b>	<b>462</b>	<b>548</b>	<b>-16%</b>	<b>-87</b>
<b>EBITDA</b>	<b>612</b>	<b>646</b>	<b>-5%</b>	<b>-35</b>
Provisions	18	23	-20%	-5
Amortisation and impairment	138	137	1%	+2
<b>EBIT</b>	<b>455</b>	<b>487</b>	<b>-7%</b>	<b>-32</b>

Gross Profit Performance	9M16	9M15	Δ %	Δ Abs.
<b>Gross Profit (R\$ m)</b>	<b>1,074</b>	<b>1,195</b>	<b>-10%</b>	<b>-121</b>
Regulated revenues	1,149	1,156	-1%	-7
Other	(75)	39	-	-114
<b>Regulatory Receivables (R\$ m)</b>				
<b>Beginning of period</b>	<b>735</b>	<b>602</b>	<b>22%</b>	<b>+133</b>
Past deviations	(496)	(246)	102%	-250
Annual deviation (2)	(667)	688	-	-1,354
CDE/ACR Account (3)	-	(214)	-	+214
<b>End of period</b>	<b>(428)</b>	<b>829</b>	<b>-</b>	<b>-1,257</b>
<b>Clients Connected (th)</b>	<b>3,299</b>	<b>3,217</b>	<b>3%</b>	<b>+82</b>
Bandeirante	1,797	1,753	3%	+44
Escelsa	1,502	1,465	3%	+37
<b>Electricity Distributed (GWh)</b>	<b>18,308</b>	<b>19,330</b>	<b>-5%</b>	<b>-1,022</b>
Bandeirante	10,802	10,919	-1%	-117
Escelsa	7,506	8,411	-11%	-905
From which:				
To clients in Free Market (GWh)	7,061	7,687	-8%	-625
<b>Electricity Sold (GWh)</b>	<b>11,236</b>	<b>11,410</b>	<b>-2%</b>	<b>-174</b>
<b>Bandeirante</b>	<b>6,523</b>	<b>6,607</b>	<b>-1%</b>	<b>-84</b>
Resid., Commerc. & Other	5,076	4,852	5%	+224
Industrial	1,447	1,756	-18%	-309
<b>Escelsa</b>	<b>4,713</b>	<b>4,803</b>	<b>-2%</b>	<b>-90</b>
Resid., Commerc. & Other	4,001	3,969	1%	+32
Industrial	712	834	-15%	-122

Capex & Opex Performance	9M16	9M15	Δ %	Δ Abs.
<b>Controllable Operating Costs (4)</b>	<b>480</b>	<b>447</b>	<b>7%</b>	<b>+33</b>
Cont. costs/client (R\$/client)	146	139	5%	+7
Cont. costs/km (R\$/Km)	5	5	6%	+0
<b>Employees (#)</b>	<b>2,168</b>	<b>2,200</b>	<b>-1%</b>	<b>-32</b>
<b>Capex (net of subsidies) (R\$m)</b>	<b>346</b>	<b>198</b>	<b>75%</b>	<b>+148</b>
Network ('000 Km)	91	90	1%	+1

**EBITDA from our electricity distribution activity in Brazil fell by R\$35m YoY to R\$612m in the 9M16**, mostly due to (i) a gain of R\$199m in the 9M16 (vs. R\$28m in the 9M15) with the update on the concessions assets' residual value; offset by (ii) overcontracting at Bandeirante; (iii) lower demand; and (iv) lower pass-through of FX losses from Itaipu (compensated at financial results' level). If we exclude the impact of the update on the concessions assets' residual value, EBITDA would have decreased 33% to R\$413m in the 9M16 vs. R\$619m in the 9M15.

**Gross profit went down 10% YoY to R\$1,074m** in the 9M16, reflecting partly a **regulated revenues' decrease of 1% YoY (-R\$7m) to R\$1,149m**, mostly due to a decrease in demand (-R\$21m YoY in the 9M16), partially offset by the yearly tariff adjustment, which is positive for Escelsa but negative for Bandeirante, given the lower accepted regulatory cost base following 2015's tariff revision. More significantly, gross profit was impacted by overcontracting at Bandeirante (-R\$30m in the 9M16 vs. +R\$25m in the 9M15) and lower pass-through of FX losses from Itaipu (-R\$22m in the 9M16 vs. +R\$58m in the 9M15, fully compensated at financial results' level).

**Volumes of electricity sold** went down 2% YoY in the 9M16, translating a reduction of 17% in industrial demand. At the same time, **volumes distributed** to industrial clients in the free market also fell by 8% YoY to 7.1TWh in the 9M16, reflecting the lower industrial production due to the tough macroeconomic conditions in Brazil, but also the stoppage of one important client in the mining industry in Escelsa's concession area.

Demand decrease had thus a slightly negative impact on gross profit, which has been partly compensated by a trajectory of lower non-technical losses, in spite of the economic situation. Non-technical losses in the low-voltage segment have decreased both for Escelsa, reaching 14.3% (-0.9pp YoY vs. Sep-15), as well as for Bandeirante, whose level stood at 9.7% (-1.0pp YoY vs. Sep-15). Provisions for doubtful clients increased in the 9M16 to R\$88m (+R\$29m YoY in the 9M16, -R\$3m YoY in the 3Q16), derived from the economic situation but also due to the significant tariff increases in 2014-15, which are now starting to recede. EDPB has been tackling the situation by increasing proximity to clients. Additionally, in the 9M16, Bandeirante suffered with over-contracted volumes (-R\$30m in the 9M16), since the volumes of energy procurement it contracted surpassed by more than 5% of the volumes demanded by clients. The 105% ratio between volumes procured/sold is the threshold after which any gain/loss from the sale of energy surplus in the spot market is not passed-through into tariffs, and in 2016 it has been originating a loss due to the decline of spot price (PLD), which is now lower than long term sourcing contracted prices. The market design for 2017 has been reviewed, allowing for more adjustment of volumes between regulated and the liberalised market, which should reduce the overcontracting significantly.

As of Sep-16, **regulatory receivables** are negative (in fact, regulatory payables) and amounted to -R\$428m (vs. R\$735m of receivables as of Dec-15). In the 9M16, a R\$667m positive tariff deviation was created, essentially related to lower energy costs than the ones incorporated in the tariffs. Additionally, R\$496m were received regarding past deviations. All in all, regulatory receivables went down R\$1,163m vs. Dec-15, to -R\$428m as of Sep-16, to be paid back to the system in the following years. Tariff revisions at Escelsa in Aug-16 (+3% tariff update) and Bandeirante in Oct-16 (-24% tariff update) already consider the current negative regulatory receivables to be recovered by the system. Note that real post-tax WACC of 8.1% is being applied to distribution on the 4<sup>th</sup> revision cycle, which started for Bandeirante in Oct-15 and in Aug-16 for Escelsa.

**Controllable operating costs increased 7% YoY to R\$480m in the 9M16**, driven by a 7% increase in personnel costs, reflecting the annual salary update (below inflation levels). Supplies and services reflect higher expenses with O&M, IT and clients' services. **Other operating costs** were down R\$129m YoY, translating a gain with the update on the concessions assets' residual value (R\$199m gain in the 9M16 vs. R\$28m gain in the 9M15, mostly derived from Escelsa's 27% increase on RAB following its 7<sup>th</sup> periodic tariff revision), which was partly offset by +R\$29m YoY impact related with provisions for doubtful clients. **Distribution capex** was up 75% YoY to R\$346m in the 9M16, following a stronger focus on capex for customer services activities and to the reinforcement of the network quality of service.

(1) Net operating costs = operating costs (Supplies and services + Personnel costs + Costs with social benefits) + Other operating costs (net); (2) Net of extraordinary tariff increase and tariff flags impacts;  
(3) Including financial update of the corresponding regulatory assets/liabilities; (4) S&S and Personnel costs.



# Brazil: Electricity Generation and Supply

Income Statement (R\$m)	Generation			
	9M16	9M15	Δ %	Δ Abs.
<b>Gross Profit</b>	<b>1,211</b>	<b>885</b>	<b>37%</b>	<b>+326</b>
Supplies and services	114	78	47%	+36
Personnel costs and employee benefits	69	46	48%	+22
Other operating costs (net)	(54)	10	-	-64
<b>Net Operating Costs (1)</b>	<b>128</b>	<b>134</b>	<b>-4%</b>	<b>-6</b>
<b>EBITDA</b>	<b>1,083</b>	<b>751</b>	<b>44%</b>	<b>+332</b>
Provisions	0	0	41%	+0
Amortisation and impairment	261	189	38%	+72
<b>EBIT</b>	<b>822</b>	<b>562</b>	<b>46%</b>	<b>+260</b>

Key Data				
	9M16	9M15	Δ %	Δ Abs.
<b>Gross Profit (R\$ m)</b>	<b>1,211</b>	<b>885</b>	<b>37%</b>	<b>+326</b>
<b>Hydro</b>	<b>748</b>	<b>592</b>	<b>26%</b>	<b>+156</b>
PPA contracted revenues & Other	767	906	-15%	-139
GSF impact (net of hedging)	(19)	(314)	94%	+295
<b>Thermal</b>	<b>463</b>	<b>292</b>	<b>59%</b>	<b>+171</b>
PPA contracted revenues	553	337	64%	+216
Other	(89)	(45)	-100%	-45
<b>Installed Capacity (MW)</b>	<b>2,466</b>	<b>2,517</b>	<b>-2%</b>	<b>-51</b>
Hydro	1,745	1,797	-3%	-51
Thermal	720	720	0%	+0
<b>Installed Capacity (MW Equity)</b>	<b>296</b>	<b>187</b>	<b>59%</b>	<b>+110</b>
<b>Electricity Sold (GWh)</b>	<b>10,013</b>	<b>8,787</b>	<b>14%</b>	<b>+1,226</b>
PPA contracted	9,026	7,595	19%	+1,431
Hydro	5,685	5,914	-4%	-229
Thermal	3,341	1,680	99%	+1,660
Other	987	1,192	-17%	-205
<b>Avg. Hydro PPA Sale Price (R\$/MWh) (2)</b>	<b>163</b>	<b>167</b>	<b>-2%</b>	<b>-4</b>
<b>Capex (R\$ m)</b>	<b>55</b>	<b>43</b>	<b>26%</b>	<b>+11</b>
<b>Financial Investments (R\$ m)</b>	<b>391</b>	<b>475</b>	<b>-18%</b>	<b>-84</b>
<b>Employees (#)</b>	<b>516</b>	<b>534</b>	<b>-3%</b>	<b>-18</b>

EBITDA Breakdown (R\$ m)				
	9M16	9M15	Δ %	Δ Abs.
Pecém (100%)	426	244	74%	+181
Lajeado (73% owned by EDPB)	347	214	63%	+134
Peixe Angical (60% owned by EDPB)	172	182	-6%	-10
Other (100%)	138	111	24%	+27
<b>EBITDA</b>	<b>1,083</b>	<b>751</b>	<b>44%</b>	<b>+332</b>

Supply				
	9M16	9M15	Δ %	Δ Abs.
<b>Gross profit (R\$ m)</b>	<b>19</b>	<b>67</b>	<b>-71%</b>	<b>-48</b>
Net Operating costs (1) (R\$ m)	21	10	113%	+11
<b>EBITDA (R\$ m)</b>	<b>(2)</b>	<b>57</b>	<b>-</b>	<b>-59</b>
<b>Electricity sales (GWh)</b>	<b>8,964</b>	<b>7,993</b>	<b>12%</b>	<b>+971</b>

**EBITDA from our electricity generation activities in Brazil went up 44% YoY (+R\$332m in the 9M16) to R\$1,083m in the 9M16**, reflecting the full consolidation of Pecém since May-15 (+R\$181m YoY) and better performance at the hydro plants (+R\$151m YoY; +R\$18m in the 3Q16 YoY) due to a low impact of the hydro deficit vs. 9M15, mostly due to the fall in spot prices (avg. PLD of just R\$71/MWh in the 9M16 vs. R\$325/MWh in the 9M15, in spite of an increase in the 3Q16 with the start of the dry season), but also given the greater protection against hydro deficits following the insurance subscribed in Dec-15.

**Hydro gross profit increased by R\$156m YoY in the 9M16 to R\$748m (+R\$20m YoY in the 3Q16)**, mostly due to the above mentioned fall in PLD prices, but also due to a lower GSF in the period (GSF at 87% vs. 82% in the 9M15), on the back of the recovery of the reservoir levels (currently at ~40% vs. 32% by Sep-15). Additionally, EDPB subscribed the hydro insurance for a protection at ~92% level for a portion of its assets (no risk if GSF falls below 92%). Of the total physical guarantee of the portfolio of hydro plants, 47% subscribed the insurance. The combination of the hydro insurance, the 7% of volumes left unsold for hedging purposes and the GSF impact led to a loss of R\$19m vs. a loss of R\$314m in the 9M15. The abovementioned lower YoY negative impact was partly offset by the decrease of the **avg. price of hydro** volumes, which reached R\$163/MWh in the 9M16, 2% below YoY. PPA prices are inflation updated, yet the decrease YoY is justified by the end of some PPAs in Peixe Angical hydro plant in Jan-16. Most of the plant's capacity was sold in shorter term contracts at lower prices (currently ~R\$160/MWh vs. previous ~R\$210/MWh). Additionally, **hydro volumes sold** have decreased by 4%, mostly due to (i) the sale of Pantanal mini-hydro in Jan-16; and (ii) the abovementioned strategic allocation of 7% of volumes to spot market for the purpose of offsetting the hydro deficit in which the system still incurs.

Pecém's gross profit was R\$463m in the 9M16, of which R\$553m related to PPA fixed revenues. Since the purchase of the asset, EDPB managed to achieve important improvements, both operationally (availability stood at 87% in the 9M16 and 82% in the 3Q16, penalized by programmed maintenance works), in regulatory terms (a less penalising formula for availability deviations was approved in Dec-15) and in market terms (decrease in spot electricity prices enabled a decrease in the cost of penalties on past unavailability). Additionally, volumes now generated ahead of the PPA contracted volumes (740 GWh in the 9M16) allow Pecém to profit from the sale of the excess capacity at market prices in the northeast region. Worth noting that Pecém's EBITDA in the 9M16 was positively impacted in the 1Q16 by an insurance recovery related with a stoppage in one of the plant's groups in 2014. The 3Q16 was, nevertheless, a tougher quarter with EBITDA at R\$64m vs. R\$160m in the 2Q16, due to lower availability, which coupled with higher PLD prices in the quarter, affected negatively the provision for penalties for unavailability.

EDPB operates 2.8GW of capacity, of which 0.3GW are equity consolidated. Equity accounted capacity refers to a 50% equity stake in **Santo Antônio do Jari** hydro power plant (373MW) and to a 50% equity stake in **Cachoeira-Caldeirão** hydro power plant (219MW, entirely online since Aug-16), both in partnership with CTG. In the 9M16, Jari contributed with a net loss of R\$17m (@50%), reflecting the impact of the interest costs, given the initial stage of the asset's life, while Cachoeira-Caldeirão, whose PPA starts in Jan-17, contributed with a net loss of R\$12m (@50%).

**Capex** surged by 26% YoY to R\$55m in the 9M16 mostly due to maintenance works in Pecém. Note that equity investments devoted to Cachoeira Caldeirão (now concluded) and São Manoel hydro projects are classified as 'financial Investments' (equity-method accounted); in the 9M16, **financial Investments** totalled R\$391m, which were essentially devoted to São Manoel's construction works. **São Manoel**, a 700MW project (33.3%-owned by EDPB in partnership with CTG and Furnas), is under construction (78% concluded) and has a PPA starting in May-18.

**Electricity supply gross profit decreased 71% YoY (-R\$48m) to R\$19m in the 9M16**, reflecting lower margins given lower spot prices.



## Income Statements & Annex

# Income Statement by Business Area



9M16 (€m)	Long-Term Contracted Generation	Iberian Liberalised Activities	Regulated Networks Iberia	EDP Renováveis	Brazil	Corpor. Activ. & Adjustments	EDP Group
Revenues from energy sales and services and other	698	6,116	4,110	1,090	1,677	(3,107)	10,585
Gross Profit	476	863	1,291	1,068	583	(17)	4,263
Supplies and services	34	186	247	222	112	(126)	674
Personnel costs and employee benefits	40	57	109	69	85	128	487
Other operating costs (net)	7	161	186	(69)	(78)	3	210
Operating costs	81	404	542	221	119	4	1,371
EBITDA	395	458	749	847	464	(21)	2,893
Provisions	0	(25)	6	(0)	3	(0)	(15)
Amortisation and impairment (1)	96	172	254	443	105	45	1,115
EBIT	299	311	490	404	355	(66)	1,792

9M15 (€m)	Long-Term Contracted Generation	Iberian Liberalised Activities	Regulated Networks Iberia	EDP Renováveis	Brazil	Corpor. Activ. & Adjustments	EDP Group
Revenues from energy sales and services and other	848	6,806	4,048	978	2,032	(3,107)	11,605
Gross Profit	561	656	1,264	962	610	7	4,060
Supplies and services	42	153	252	209	111	(109)	658
Personnel costs and employee benefits	46	54	108	61	83	120	472
Other operating costs (net)	7	174	93	(89)	(239)	(5)	(60)
Operating costs	95	381	453	180	(45)	5	1,069
EBITDA	466	276	810	782	655	2	2,991
Provisions	(0)	1	3	(0)	6	(0)	9
Amortisation and impairment (1)	117	150	247	408	96	41	1,058
EBIT	349	125	560	374	553	(39)	1,924

(1) Depreciation and amortisation expense net of compensation for depreciation and amortisation of subsidised assets.

# Quarterly Income Statement



Quarterly P&L (€ m)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	Δ YoY %	Δ QoQ %
Revenues from energy sales and services and other	4,135	3,812	3,657	3,912	3,787	3,361	3,437		-6%	2%
Cost of energy sales and other	(2,712)	(2,486)	(2,346)	(2,518)	(2,240)	(1,938)	(2,143)		9%	-11%
<b>Gross Profit</b>	<b>1,423</b>	<b>1,327</b>	<b>1,311</b>	<b>1,394</b>	<b>1,547</b>	<b>1,423</b>	<b>1,294</b>		<b>-1%</b>	<b>-9%</b>
Supplies and services	207	227	224	263	205	230	239		7%	4%
Personnel costs and Employee Benefits	161	164	148	181	161	162	163		11%	1%
Other operating costs (net)	67	(207)	79	18	51	93	66		-17%	-29%
<b>Operating costs</b>	<b>435</b>	<b>184</b>	<b>450</b>	<b>461</b>	<b>417</b>	<b>486</b>	<b>468</b>		<b>4%</b>	<b>-4%</b>
<b>EBITDA</b>	<b>988</b>	<b>1,143</b>	<b>860</b>	<b>933</b>	<b>1,130</b>	<b>937</b>	<b>826</b>		<b>-4%</b>	<b>-12%</b>
Provisions	1	3	6	7	3	(8)	(10)		-	-20%
Amortisation and impairment (1)	337	353	369	406	366	378	371		0%	-2%
<b>EBIT</b>	<b>651</b>	<b>788</b>	<b>485</b>	<b>520</b>	<b>760</b>	<b>567</b>	<b>465</b>		<b>-4%</b>	<b>-18%</b>
Financial Results	(208)	(156)	(262)	(207)	(180)	(228)	(227)		13%	0%
Share of net profit in joint ventures and associates	(2)	(22)	(2)	1	(8)	3	2		-	-41%
<b>Profit before income tax and CESE</b>	<b>441</b>	<b>610</b>	<b>222</b>	<b>314</b>	<b>573</b>	<b>342</b>	<b>240</b>		<b>8%</b>	<b>-30%</b>
Income taxes	82	112	42	42	152	91	57		35%	-38%
Extraordinary contribution for the energy sector	61	-	-	1	59	-	2		-	-
Net Profit for the period	298	498	180	271	362	251	181		1%	-28%
<b>Net Profit Attributable to EDP</b>	<b>237</b>	<b>350</b>	<b>149</b>	<b>177</b>	<b>263</b>	<b>209</b>	<b>143</b>		<b>-4%</b>	<b>-32%</b>
Non-controlling Interests	62	148	31	94	100	42	38		24%	-9%

Note: quarterly data in the 1Q15 was restated as to reflect the application of IFRIC21

(1) Depreciation and amortisation expense net of compensation for depreciation and amortisation of subsidised assets.

# EDP - Installed capacity & electricity generation



Technology	Installed Capacity - MW (1)				Electricity Generation (GWh)				Electricity Generation (GWh)							
	9M16	9M15	Δ MW	Δ %	9M16	9M15	Δ GWh	Δ %	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
<b>PPA/CMEC (Portugal)</b>	<b>3,843</b>	<b>4,470</b>	<b>-627</b>	<b>-14%</b>	<b>12,040</b>	<b>11,049</b>	<b>992</b>	<b>9%</b>	<b>4,151</b>	<b>3,639</b>	<b>3,258</b>	<b>3,582</b>	<b>4,627</b>	<b>3,992</b>	<b>3,421</b>	
<b>Hydro</b>	<b>2,663</b>	<b>3,290</b>	<b>-627</b>	<b>-19%</b>	<b>6,232</b>	<b>3,850</b>	<b>2,382</b>	<b>62%</b>	<b>1,903</b>	<b>1,160</b>	<b>787</b>	<b>1,125</b>	<b>2,854</b>	<b>2,462</b>	<b>916</b>	
Run off the river	1,056	1,056			3,348	1,989			938	659	393	497	1,430	1,419	499	
Reservoir	1,607	2,234			2,883	1,860			965	501	394	628	1,424	1,043	416	
<b>Coal - Sines</b>	<b>1,180</b>	<b>1,180</b>	<b>0</b>	<b>0%</b>	<b>5,809</b>	<b>7,199</b>	<b>-1,391</b>	<b>-19%</b>	<b>2,248</b>	<b>2,480</b>	<b>2,471</b>	<b>2,457</b>	<b>1,773</b>	<b>1,530</b>	<b>2,505</b>	
<b>Special Regime (Ex-Wind)</b>	<b>184</b>	<b>213</b>	<b>-29</b>	<b>-14%</b>	<b>638</b>	<b>479</b>	<b>159</b>	<b>33%</b>	<b>222</b>	<b>173</b>	<b>84</b>	<b>184</b>	<b>311</b>	<b>262</b>	<b>65</b>	
<b>Portugal</b>	<b>184</b>	<b>188</b>	<b>-4</b>	<b>-2%</b>	<b>638</b>	<b>374</b>	<b>264</b>	<b>71%</b>	<b>190</b>	<b>138</b>	<b>47</b>	<b>158</b>	<b>311</b>	<b>262</b>	<b>65</b>	
Small-Hydro	160	164			499	230			138	88	4	120	259	214	27	
Cogeneration	24	24			139	145			52	50	43	38	52	48	39	
<b>Spain</b>	<b>0</b>	<b>25</b>	<b>-25</b>	<b>-</b>	<b>0</b>	<b>105</b>	<b>-105</b>	<b>-</b>	<b>33</b>	<b>35</b>	<b>37</b>	<b>26</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Cogeneration+Waste (2)	0	25			0	105			33	35	37	26	0	0	0	
<b>Liberalised Iberia</b>	<b>8,678</b>	<b>7,882</b>	<b>796</b>	<b>10%</b>	<b>15,196</b>	<b>13,319</b>	<b>1,877</b>	<b>14%</b>	<b>4,709</b>	<b>4,038</b>	<b>4,572</b>	<b>5,077</b>	<b>5,693</b>	<b>4,734</b>	<b>4,769</b>	
<b>Hydro</b>	<b>3,537</b>	<b>2,527</b>	<b>1,010</b>	<b>40%</b>	<b>7,772</b>	<b>3,686</b>	<b>4,086</b>	<b>111%</b>	<b>1,910</b>	<b>1,175</b>	<b>601</b>	<b>873</b>	<b>3,540</b>	<b>3,153</b>	<b>1,080</b>	
Portugal	3,111	2,101			6,933	3,006			1,495	969	541	760	3,080	2,851	1,002	
Spain	426	426			839	680			414	206	60	113	460	301	77	
<b>Coal</b>	<b>1,224</b>	<b>1,463</b>	<b>-239</b>	<b>-16%</b>	<b>3,513</b>	<b>6,329</b>	<b>-2,816</b>	<b>-44%</b>	<b>2,058</b>	<b>1,972</b>	<b>2,299</b>	<b>2,617</b>	<b>1,333</b>	<b>769</b>	<b>1,411</b>	
Aboño I	342	342			1,322	1,236			524	63	649	639	309	452	561	
Aboño II	536	536			1,595	3,051			922	1,053	1,077	1,016	854	194	547	
Soto Ribera II	0	239			0	570			190	358	22	367	0	0	0	
Soto Ribera III	346	346			597	1,471			422	497	551	596	170	123	303	
<b>CCGT</b>	<b>3,736</b>	<b>3,736</b>	<b>0</b>	<b>0%</b>	<b>2,926</b>	<b>2,420</b>	<b>506</b>	<b>21%</b>	<b>411</b>	<b>675</b>	<b>1,334</b>	<b>1,246</b>	<b>465</b>	<b>552</b>	<b>1,909</b>	
Ribatejo (3 groups)	1,176	1,176			948	314			54	133	126	434	168	314	466	
Lares (2 groups)	863	863			1,068	1,433			136	429	867	403	63	67	938	
Castejón (2 groups)	843	843			799	469			143	98	228	255	135	161	503	
Soto IV & V (2 groups)	854	854			111	205			77	15	113	154	99	9	2	
<b>Nuclear - Trillo</b>	<b>156</b>	<b>156</b>	<b>0</b>	<b>0%</b>	<b>898</b>	<b>885</b>	<b>13</b>	<b>1%</b>	<b>331</b>	<b>215</b>	<b>339</b>	<b>342</b>	<b>330</b>	<b>230</b>	<b>338</b>	
<b>Cogeneration and Waste (2)</b>	<b>25</b>	<b>-</b>	<b>25</b>	<b>-</b>	<b>88</b>	<b>-</b>	<b>88</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26</b>	<b>31</b>	<b>31</b>	
<b>Wind (More detail on page 15)</b>	<b>9,297</b>	<b>8,795</b>	<b>502</b>	<b>6%</b>	<b>17,937</b>	<b>14,869</b>	<b>3,067</b>	<b>21%</b>	<b>5,757</b>	<b>5,006</b>	<b>4,106</b>	<b>6,367</b>	<b>7,508</b>	<b>5,733</b>	<b>4,695</b>	
Iberia	3,443	3,435			6,296	4,920			2,004	1,529	1,387	1,915	2,696	1,933	1,667	
Rest of Europe	1,447	1,373			2,225	2,221			916	700	605	934	1,078	616	532	
North America	4,203	3,904			8,976	7,572			2,792	2,728	2,052	3,452	3,680	3,033	2,262	
Brazil	204	84			440	156			46	49	61	66	54	151	234	
<b>Solar</b>	<b>82</b>	<b>82</b>	<b>0</b>	<b>0%</b>	<b>117</b>	<b>125</b>	<b>-8</b>	<b>-6%</b>	<b>29</b>	<b>50</b>	<b>46</b>	<b>26</b>	<b>27</b>	<b>46</b>	<b>44</b>	
<b>Brazil (Ex-Wind)</b>	<b>2,466</b>	<b>2,517</b>	<b>-51</b>	<b>-2%</b>	<b>6,729</b>	<b>6,097</b>	<b>632</b>	<b>10%</b>	<b>1,624</b>	<b>2,247</b>	<b>2,226</b>	<b>2,530</b>	<b>2,764</b>	<b>2,068</b>	<b>1,897</b>	
<b>Hydro</b>	<b>1,745</b>	<b>1,797</b>	<b>-51</b>	<b>-3%</b>	<b>3,389</b>	<b>4,352</b>	<b>-964</b>	<b>-22%</b>	<b>1,624</b>	<b>1,638</b>	<b>1,091</b>	<b>1,247</b>	<b>1,640</b>	<b>853</b>	<b>896</b>	
Lajeado	903	903			1,696	2,134			827	829	477	589	889	396	412	
Peixe Angical	499	499			1,306	1,464			522	497	445	541	579	327	400	
Energest	344	396			386	754			274	311	169	117	172	130	84	
<b>Coal (Pecém I)</b>	<b>720</b>	<b>720</b>	<b>0</b>	<b>0%</b>	<b>3,341</b>	<b>1,745</b>	<b>1,596</b>	<b>91%</b>	<b>0</b>	<b>610</b>	<b>1,135</b>	<b>1,283</b>	<b>1,124</b>	<b>1,215</b>	<b>1,001</b>	
<b>TOTAL</b>	<b>24,550</b>	<b>23,960</b>	<b>590</b>	<b>2%</b>	<b>52,658</b>	<b>45,939</b>	<b>6,719</b>	<b>15%</b>	<b>16,492</b>	<b>15,154</b>	<b>14,292</b>	<b>17,767</b>	<b>20,931</b>	<b>16,836</b>	<b>14,891</b>	
Equity Consolidated	Installed Capacity - MW (3)															
	9M16	9M15	Δ MW	Δ %												
Iberia Special Regime (Ex-Wind)	41	46	-5	-11%												
EDPR Wind	356	353	3	1%												
Brazil Hydro	296	187	110	59%												
<b>TOTAL</b>	<b>693</b>	<b>586</b>	<b>107</b>	<b>18%</b>												

(1) Installed capacity that contributed to the revenues in the period.

(2) As from January 1st 2016, cogeneration and waste under special regime in Spain are reported in Liberalised Iberia

(3) MW attributable to associated companies consolidated by equity method



# EDP - Volumes distributed, clients connected and networks



ELECTRICITY				
Electricity Distributed (GWh)	9M16	9M15	Δ GWh	Δ %
<b>Portugal</b>	<b>22,287</b>	<b>22,368</b>	<b>-82</b>	<b>-0.4%</b>
Very High Voltage	1,085	1,083	2	0.2%
High / Medium Voltage	10,323	10,435	-112	-1.1%
Low Voltage	10,879	10,851	28	0.3%
<b>Spain</b>	<b>4,637</b>	<b>4,630</b>	<b>7</b>	<b>0.2%</b>
High / Medium Voltage	3,499	3,472	27	0.8%
Low Voltage	1,139	1,159	-20	-1.7%
<b>Brazil</b>	<b>18,297</b>	<b>19,330</b>	<b>-1,032</b>	<b>-5.3%</b>
Free Clients	6,598	7,192	-593	-8.3%
Industrial	2,159	2,590	-431	-16.6%
Residential, Comercial & Other	9,539	9,548	-8	-0.1%
<b>TOTAL</b>	<b>45,221</b>	<b>46,328</b>	<b>-1,107</b>	<b>-2.4%</b>

Clients Connected (th)	9M16	9M15	Abs. Δ	Δ %
<b>Portugal</b>	<b>6,126</b>	<b>6,094</b>	<b>32.7</b>	<b>0.5%</b>
Very High / High / Medium Voltage	24	24	0.3	1.2%
Special Low Voltage	35	34	0.5	1.5%
Low Voltage	6,067	6,035	31.9	0.5%
<b>Spain</b>	<b>661</b>	<b>659</b>	<b>1.5</b>	<b>0.2%</b>
High / Medium Voltage	1	1	-0.0	-0.2%
Low Voltage	659	658	1.5	0.2%
<b>Brazil</b>	<b>3,299</b>	<b>3,217</b>	<b>81.7</b>	<b>2.5%</b>
Bandeirante	1,797	1,753	44.3	2.5%
Escelsa	1,502	1,465	37.4	2.6%
<b>TOTAL</b>	<b>10,086</b>	<b>9,970</b>	<b>115.9</b>	<b>1.2%</b>

Networks	9M16	9M15	Abs. Δ	Δ %
<b>Lenght of the networks (Km)</b>	<b>336,846</b>	<b>335,004</b>	<b>1,842</b>	<b>0.5%</b>
Portugal	225,092	224,498	594	0.3%
Spain	20,411	20,325	86	0.4%
Brazil	91,342	90,181	1,161	1.3%

<b>Losses (% of electricity distributed)</b>			
Portugal (1)	9.4%	9.7%	-0.3 pp
Spain	4.4%	4.7%	-0.3 pp
Brazil			
Bandeirante	8.8%	9.0%	-0.2 pp
Technical	5.5%	5.4%	0.1 pp
Comercial	3.3%	3.5%	-0.3 pp
Escelsa	14.2%	13.2%	1.0 pp
Technical	8.7%	7.9%	0.7 pp
Comercial	5.5%	5.2%	0.3 pp

GAS				
Gas Distributed (GWh)	9M16	9M15	Δ GWh	Δ %
<b>Portugal</b>	<b>5,271</b>	<b>5,135</b>	<b>136</b>	<b>2.7%</b>
Low Pressure	797	773	24	3.2%
Medium Pressure	4,456	4,343	113	2.6%
LPG	18	19	-1	-5.7%
<b>Spain</b>	<b>19,775</b>	<b>21,025</b>	<b>-1,250</b>	<b>-5.9%</b>
Low Pressure	6,117	6,837	-720	-10.5%
Medium Pressure	13,658	14,188	-530	-3.7%
<b>TOTAL</b>	<b>25,046</b>	<b>26,160</b>	<b>-1,114</b>	<b>-4.3%</b>

Supply Points (th)	9M16	9M15	Abs. Δ	Δ %
<b>Portugal</b>	<b>338</b>	<b>326</b>	<b>13</b>	<b>3.8%</b>
Low Pressure	334	320	14	4.3%
Medium Pressure	1.5	1.4	0.1	3.8%
LPG	3.5	4.6	-1.1	-24.7%
<b>Spain</b>	<b>924</b>	<b>915</b>	<b>9</b>	<b>1.0%</b>
Low Pressure	923	914	9	1.0%
Medium Pressure	0.7	0.7	0	0.9%
<b>TOTAL</b>	<b>1,262</b>	<b>1,241</b>	<b>21.5</b>	<b>1.7%</b>

Networks	9M16	9M15	Abs. Δ	Δ %
<b>Lenght of the networks (Km)</b>	<b>13,041</b>	<b>12,420</b>	<b>621</b>	<b>5.0%</b>
Portugal	5,010	4,720	290	6.1%
Spain	8,032	7,700	331	4.3%

(1) Excludes Very High Voltage



# EDP - Sustainability performance

## Main Events 9M16

### EDP among the five best energy brands in the world

EDP was shortlisted for the Charge Energy Branding Awards, in the Best Energy Brand category. The aim of these global awards is to draw attention to the need for a strong brand in a fast-changing environment, such as the energy sector.

### EDP distinguished for the promotion of equal opportunities in the workplace

EDP was ranked 12th in the first edition of the Thomson Reuters Diversity & Inclusion Index and Ratings (D&I). This analysis evaluates the performance of 4,200 listed companies with regard to respect for diversity in the workplace environment.

### EDP is part of the Dow Jones Sustainability World Index

EDP is part of the Dow Jones Sustainability World Index for the 9th year running, ranking among the top 5 electric utilities in the world.

## EDP Internal Sustainability Index (base 2010-12)

	9M16	9M15	Δ %
<b>Sustainab. Index (a)(b)(c)</b>	<b>106</b>	<b>102</b>	<b>3%</b>
Environmental %Weight	104 33%	98 33%	7%
Economic %Weight	103 37%	104 37%	-1%
Social %Weight	111 30%	105 30%	5%

This Sustainability Index was developed by EDP and is based on 33 sustainability performance indicators.

Economic Metrics	9M16	9M15	Δ %
<b>Economic Value (€m)</b>	<b>11,704</b>	<b>12,986</b>	<b>-10%</b>
Distributed	10,795	11,501	-6%
Accumulated	909	1,485	-39%
<b>Energy Serv. Rev. (€m)(1)</b>	<b>815</b>	<b>780</b>	<b>4%</b>
Energy Efficiency Serv.(d)	34	34	-
<b>Social Metrics</b>	<b>9M16</b>	<b>9M15</b>	<b>Δ %</b>
<b>Employees</b>	<b>11,975</b>	<b>12,019</b>	<b>0%</b>
<b>Total hours of training</b>	<b>212,443</b>	<b>254,617</b>	<b>-17%</b>
<b>On-duty Accidents (e)(f)</b>	<b>146</b>	<b>134</b>	<b>9%</b>
Severity Rate (Tg) (e)	178	198	-10%
Freq. rate (Tf) (e)	3.3	3.2	2%
Fatal accidents (3rds)	5	13	-62%

Environmental Metrics	9M16	9M15	Δ %
<b>Absolute Atmospheric Emissions (kt)</b>			
CO2 (b)(g)	13,252	14,694	-10%
NOx	16.7	14.5	15%
SO2	14.6	12.4	17%
Particle	0.801	0.635	26%
<b>Specific Atmospheric Emissions (g/KWh)</b>			
CO2 (b)(g)	252.9	321.5	-21%
NOx	0.32	0.32	0%
SO2	0.28	0.27	2%
<b>GHG emissions (ktCO2 eq)</b>			
Direct Emissions (scope 1) (b)	13,272	15,427	-14%
Indirect emissions (scope 2) (c)	556	354	57%
<b>Primary Energy Consumption (TJ) (h)</b>	<b>155,301</b>	<b>178,604</b>	<b>-13%</b>
<b>Max. Net Certified Capacity (%)</b>	<b>91%</b>	<b>90%</b>	<b>1 p.p.</b>
<b>Water Use (103 m3)</b>	<b>1,012,083</b>	<b>1,292,068</b>	<b>-22%</b>
<b>Total Waste to final disposal (t)</b>	<b>321,621</b>	<b>461,273</b>	<b>-30%</b>
<b>Environmental Matters (€ th)</b>	<b>95,154</b>	<b>57,459</b>	<b>66%</b>
Investments	52,754	26,862	96%
Expenses	42,400	30,597	39%
<b>Environmental Fees and Penalties (€)</b>	<b>27,379</b>	<b>25,907</b>	<b>6%</b>

## Environmental Metrics - CO2 Emissions

CO2 Emissions	Absolute (ktCO2) (b)		Specific (t/MWh)		Generation (i) (GWh)	
	9M16	9M15	9M16	9M15	9M16	9M15
<b>Long-Term Contracted</b>	<b>9,215</b>	<b>8,366</b>	<b>1.01</b>	<b>0.94</b>	<b>9,149</b>	<b>8,944</b>
Coal Portugal (PPA/CMEC)	5,261	6,530	0.91	0.91	5,809	7,199
Coal Brazil (Pecém)	3,953	1,835	1.18	1.05	3,341	1,745
<b>Liberalised</b>	<b>3,914</b>	<b>6,207</b>	<b>0.61</b>	<b>0.71</b>	<b>6,439</b>	<b>8,749</b>
Coal Spain	2,768	5,233	0.79	0.83	3,513	6,329
CCGT Iberia	1,146	974	0.39	0.40	2,926	2,420
<b>Special Regime</b>	<b>124</b>	<b>122</b>	<b>0.14</b>	<b>0.13</b>	<b>872</b>	<b>903</b>
Cogeneration + Waste	124	122	0.14	0.13	872	903
<b>Thermal Generation</b>	<b>13,252</b>	<b>14,694</b>	<b>0.81</b>	<b>0.79</b>	<b>16,460</b>	<b>18,596</b>
<b>CO2 Free Generation</b>					<b>35,945</b>	<b>27,111</b>
<b>CO2 Emissions</b>			<b>0.25</b>	<b>0.32</b>	<b>52,405</b>	<b>45,707</b>

(a) Energy Services take into account only Energy Efficiency Services, indicator known as Energy Services Invoicing in the previous years; Only the support from public authorities recognised in the income statement is considered.

(b) Instead of what EDP has reported before, the stationary emissions do not include those produced by the burning of ArcelorMittal steel gases in EDP's power plant in Spain, which totalled 2,131.1 ktCO2 in 2016 and 2,496.4 ktCO2 in 2015. These emissions are allocated to the industrial sector.

(c) Scope 2 emissions according with GHG Protocol based location methodology. The 2015 figure was revised to avoid double counting regarding scope 1 emissions.

(d) Indicator formerly known as Energy Services Invoicing.

(e) EDP + ESP; ESP: External Services Provider

(f) Accidents leading to an absence of one more calendar day and fatalities.

(g) Excludes fleet and consumption and loss of natural gas. This information is included in GHG emissions.

(h) Including vehicle fleet.

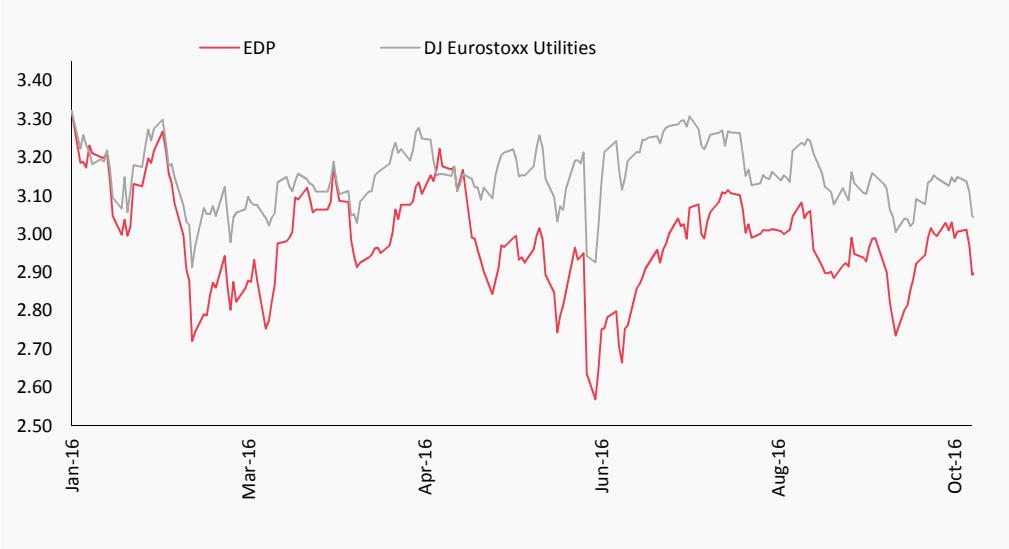
(i) Includes heat generation (9M15: 654 GWh vs 9M16: 645 GWh).

(1) Energy Efficiency Services and Supplementary Energy Services: services provided under energy supply, instalation of more efficient and/or building retrofit, and sustainable mobility, which generate revenues for the company.

# EDP Share Performance



## EDP Stock Performance on Euronext Lisbon



## EDP's Main Events

- 25-Jan:** EDP acquires gas distribution assets from Repsol in the North of Spain
- 29-Jan:** Conclusion of sale by EDP Brasil of two mini-hydro plants in Mato Grosso do Sul
- 29-Jan:** EDP sells €94 million of tariff deficit in Portugal
- 15-Feb:** Moody's affirms EDO at "Baa3" and outlook at Stable
- 17-Mar:** EDP issues €600 million bond maturing in March 2023
- 7-Apr:** Norges Bank notifies qualified shareholding in EDP
- 15-Apr:** Norges Bank qualified shareholding – amendment of title of imputation
- 18-Apr:** EDP sells €700 million of tariff deficit in Portugal
- 19-Apr:** EDPR announces an asset rotation transaction in Europe, for a total consideration of €550 million
- 20-Apr:** EDP's Annual General Shareholders Meeting
- 21-Apr:** Payment of Dividends – Financial Year 2015
- 2-May:** EDP Brasil aproves share capital increase of up to R\$1,500m
- 9-May:** EDP sells €348 million of tariff deficit in Portugal
- 27-May:** EDP announces the signing of a MoU for further development of EDP/CTG strategic partnership
- 7-Jun:** EDPB share capital increase 98% subscribed
- 7-Jun:** EDP sells €73 million of tariff deficit in Portugal
- 21-Jun:** Norges Bank qualified shareholding – amendment of title of imputation
- 1-Jul:** EDP sells €200 million of tariff deficit in Portugal
- 5-Jul:** EDP exercises its call option of 5% stake in Naturgas
- 15-Jul:** EDP announces mandate and investor calls for a potential securitization transaction of tariff deficit in Portugal
- 21-Jul:** EDP to receive EUR 600 million in securitization of electricity tariff deficit in Portugal
- 2-Aug:** ANEEL approves an average tariff decrease of 2.8% at EDP Escelsa's periodic tariff revision
- 4-Aug:** EDP issues €1,000 million bond maturing in february 2024
- 18-Aug:** Capital Group decreases its ownership interest in the share capital of EDP
- 16-Oct:** ERSE announces proposal for electricity tariffs in 2017
- 19-Oct:** ANEEL approves a -23.53% tariff update at EDP Bandeirante
- 25-Oct:** EDP sells €100 million of tariff deficit in Portugal
- 27-Oct:** EDPR concludes the sale of minority stakes in Poland and Italy
- 27-Oct:** EDP sells €76 million of tariff deficit in Portugal
- 31-Oct:** Fitch affirms EDP at "BBB-" and outlook at stable
- 31-Oct:** Norges Bank qualified shareholding – amendment of title of imputation

## EDP Stock Market Performance

YTD

52W

2015

02-11-2016

### EDP Share Price (Euronext Lisbon - €)

Close	2.893	2.893	3.321
Max	3.332	3.489	3.749
Min	2.702	2.702	2.951
Average	3.008	3.065	3.371

### EDP's Liquidity in Euronext Lisbon

Turnover (€ m)	2,099	3,059	5,987
Average Daily Turnover (€ m)	24	23	23
Traded Volume (million shares)	698	998	1,776
Avg. Daily Volume (million shares)	7.9	7.6	6.8

## EDP Share Data

9M16

9M15

Δ %

Number of shares Issued (million)	3,656.5	3,656.5	-
Treasury stock (million)	21.7	22.3	-2.7%

### Investor Relations Department

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