



# Results Presentation 1H13

Lisbon, July 26<sup>th</sup>, 2013



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# 1H13: Highlights of the period



**EBITDA 1H13: €1,957m, +4% YoY**

**Iberia: high volumes of hydro and wind power production in 1Q13 and 2Q13** (hydro factor 1.28 in 1H13)  
Power prices in Iberia in 2Q13 were even lower than in 1Q13

Portugal: no capacity payments, lower RoRAB in distribution; Spain: new generation taxes, new wind regime  
**EBITDA in 1H13 impacted by several adverse regulatory developments in Iberia**

**EBITDA in Brazil: +1% YoY in local currency, -9% in Euros, penalized by BRL depreciation by 10%**  
**Improving context in 2Q13: Pecém I group 2 start of commercial operation in May**

**Avg. cost of debt of 4.2% in 1H13 (vs. 4.0% in 1H12)**

**Net Profit: €603m, +4% YoY**

# 1H13: Highlights of the period



**Net debt decreased €0.5bn (-3%) YTD to €17.7bn by Jun-13**

€671m annual dividend (€0.185 per share) fully paid in cash to EDP shareholders in May-13

**Tariff deficits: Successful securitisation in Portugal of €714m in 2Q13 + €249m deals in Spain over 1H13**

Post securitisations, regulatory receivables in Iberia remained stable YTD at €2.7bn by Jun-13

**Disposal of 1<sup>st</sup> minority stake to CTG (€368m) closed in 2Q13**, gas transmission Spain sold in 1Q13 (€258m)  
Capex €635m (-8%): Expansion in power generation Brazil, wind power out-of-Iberia, 5 hydro plants Portugal

Cash proceeds from securitisations and disposals have reinforced financial liquidity

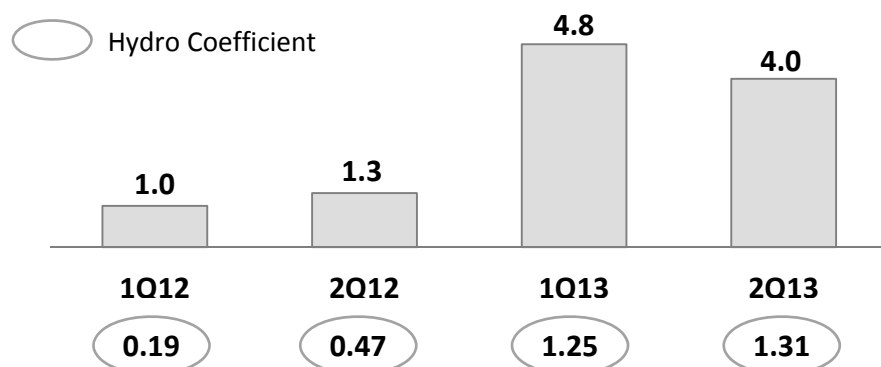
**€4.5bn of cash and available credit lines by Jun-13: refinancing needs covered through 2014**

Low-risk profile: Over 85% regulated/LT contracted; Diversified markets and competitive assets  
**Focus on risk control + efficiency improvements + delivery of ongoing growth projects**

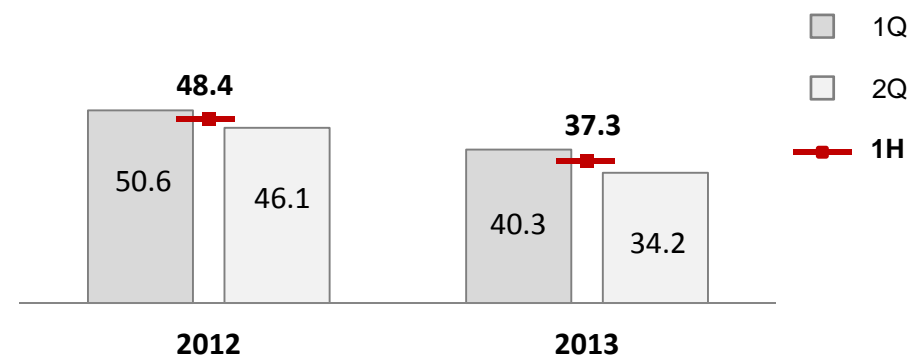
# Weather and market prices in Iberia:



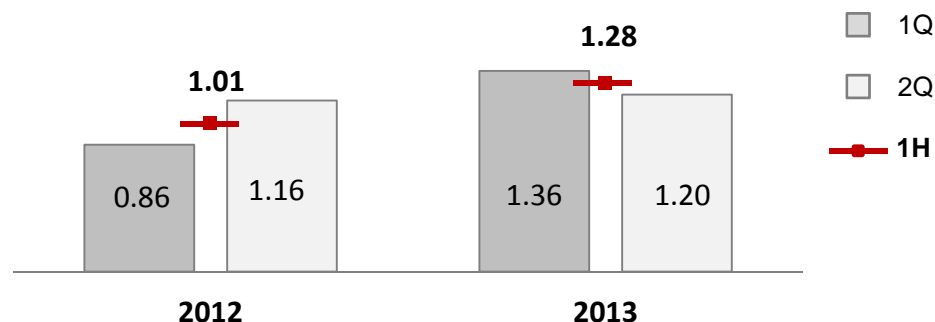
**Hydro & Mini-Hydro Power Production – Portugal <sup>(1)</sup>**  
(TWh)



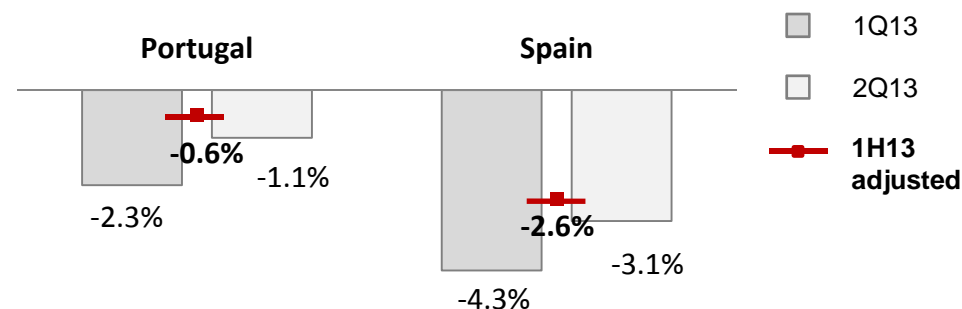
**Avg. Pool Price in Spain**  
(€/MWh)



**Portugal wind production factor**  
(1.0 = avg. year)



**Electricity demand in Iberia**  
(Var. %)



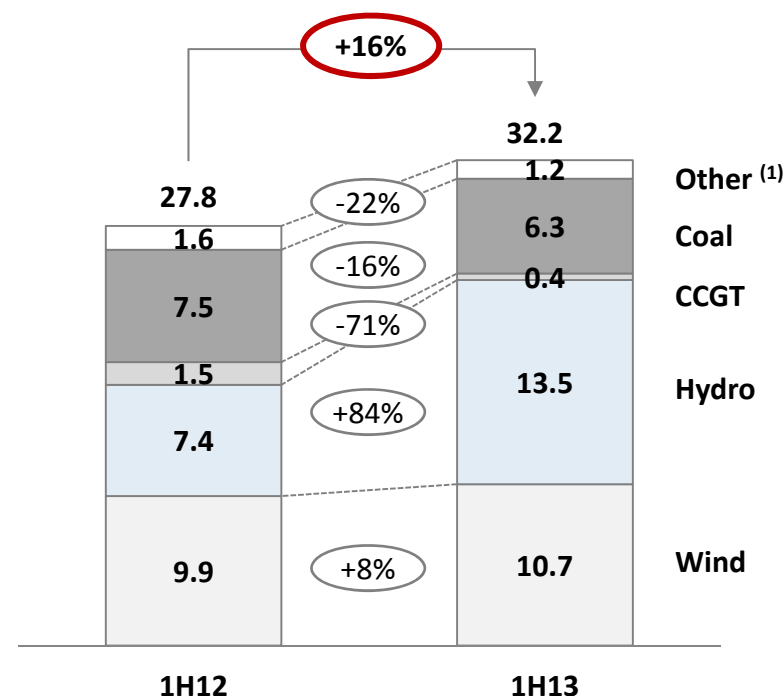
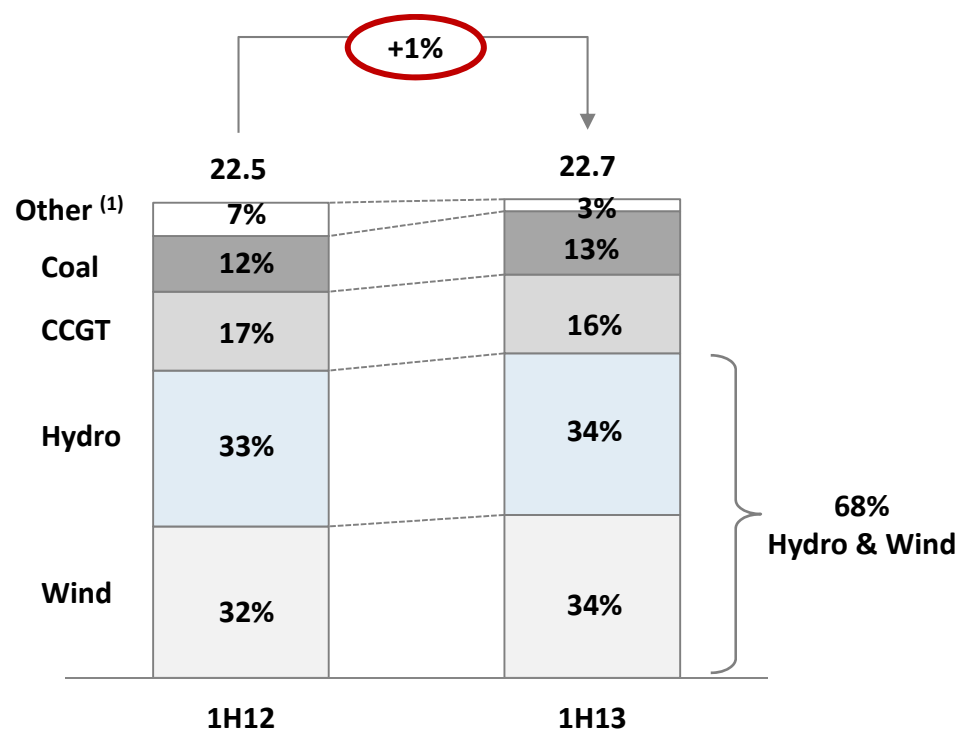
**Strong hydro and wind volumes in Iberia in 1Q13 and still in 2Q13: Positive for EDP's generation mix**  
**Pool price in 2Q13 even lower than in 1Q13: favourable for EDP's long position in clients**

# 1H13 Operating Headlines: Hydro & wind represented 75% of EDP's power production



Installed Capacity  
(GW)

Generation Breakdown by Technology  
(TWh)



**Installed capacity +1% YoY: -0.9GW oil Portugal; +0.3GW hydro Portugal; +0.4GW coal Brazil; +0.6GW wind;**  
**Power production +16% due to rainy and windy weather conditions in Iberia in 1H13**

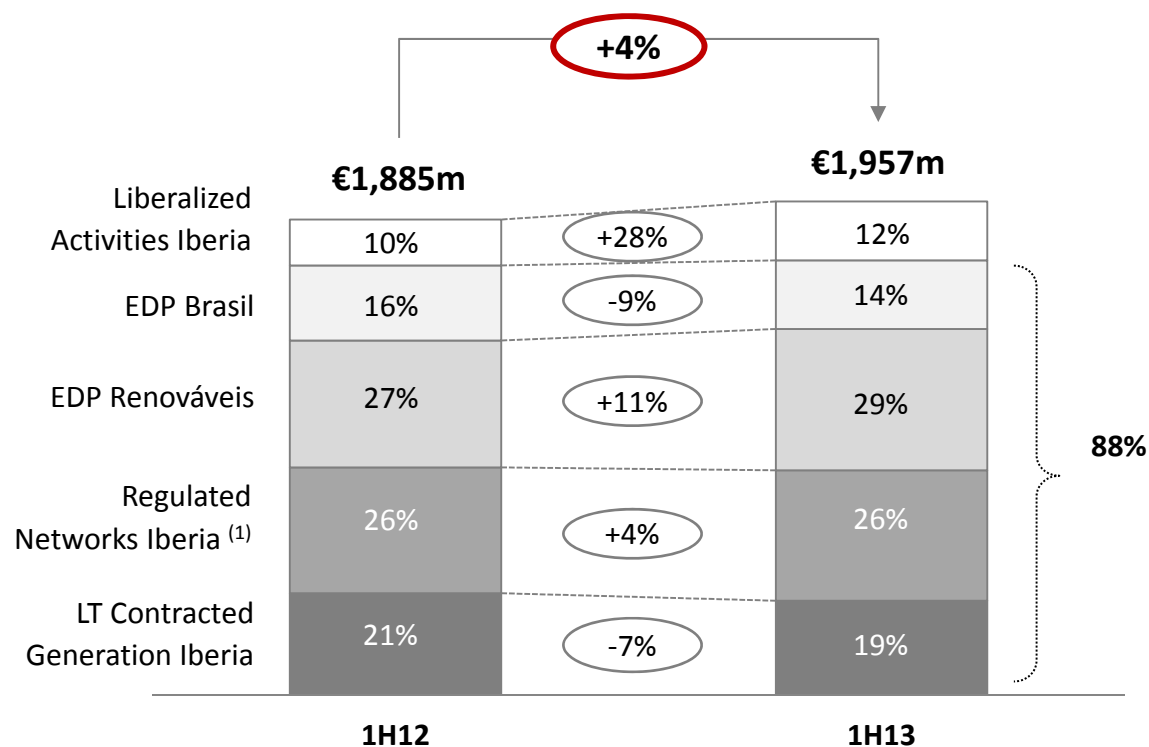
(1) Fuel oil, thermal special regime (cogeneration, biomass), nuclear and solar

# EBITDA 1H13: Breakdown by division



## EBITDA Breakdown by division (€ million)

○ % Chg. YoY



**LT Contracted Activities and Regulated activities > 85% of EBITDA: Support for a resilient performance**

(1) Includes regulated networks and other.

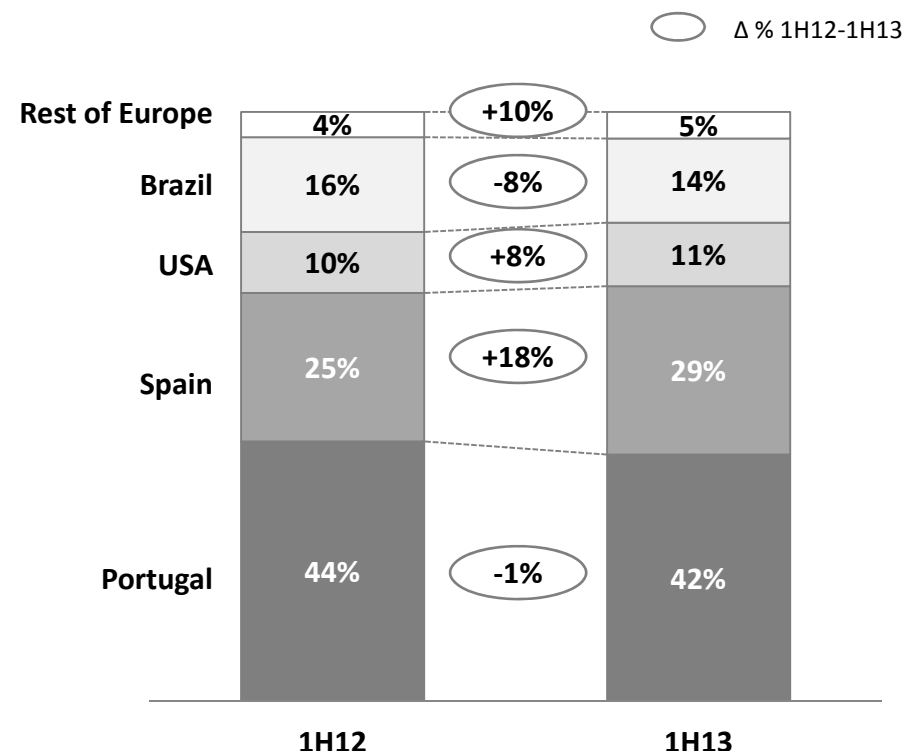
# 1H13 EBITDA: Breakdown by market



EBITDA Breakdown by Major Subsidiaries: 1H13 vs. 1H12 (%)

	1H12	1H13	Var. %	Var. Abs.
EDP Brasil	298	272	-9%	-26
EDP España	330	372	+13%	+42
EDP Renováveis	504	560	+11%	+57
Portugal & other <sup>(1)</sup>	753	752	-0.2%	-2
<b>Grupo EDP</b>	<b>1,885</b>	<b>1,957</b>	<b>+4%</b>	<b>+72</b>

EBITDA Breakdown by Geography<sup>(2)</sup>: 1H13 vs. 1H12 (%)



**EDPR growth driven by windy 1H13 in Iberia & capacity expansion; Spain includes €56m one-off gain**  
**Excluding impact from disposal of gas transmission Spain: EBITDA in 1H13 was €1,901m, +1% YoY (+€16m)**

(1) Includes consolidation adjustments and other subsidiaries

(2) EDPR EBITDA allocated by country of origin



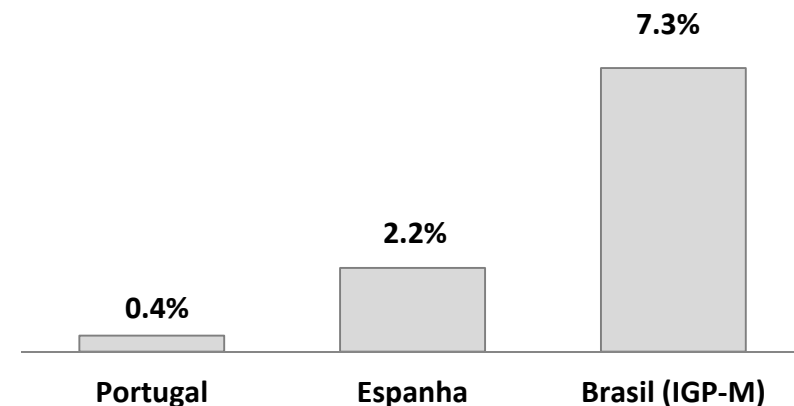
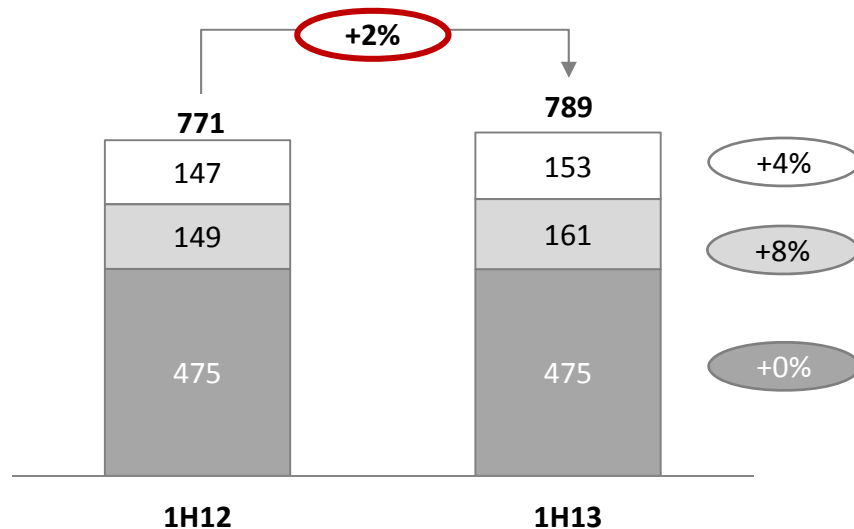
# Operating costs: Opex/Gross Profit<sup>(1)</sup> at 26% in 1H13



Operating costs <sup>(2)</sup> : 1H13 vs. 1H12  
(€ million)

1H13 YoY Inflation <sup>(3)</sup>  
(%)

□ Brazil    □ EDPR    ■ Iberia



- **Iberia:** Operating costs flat YoY, below inflation
- **EDPR:** Operating costs +8%, in line with capacity increase
- **Brazil:** Operating costs +4% (+12% in local currency; start of Pecém I operations)

**Accomplishment of OPEX III target savings in 1H13: ~€64m**  
**Anticipation of 2014 target for 2013**

(1) Gross profit adjusted for PTC revenues;

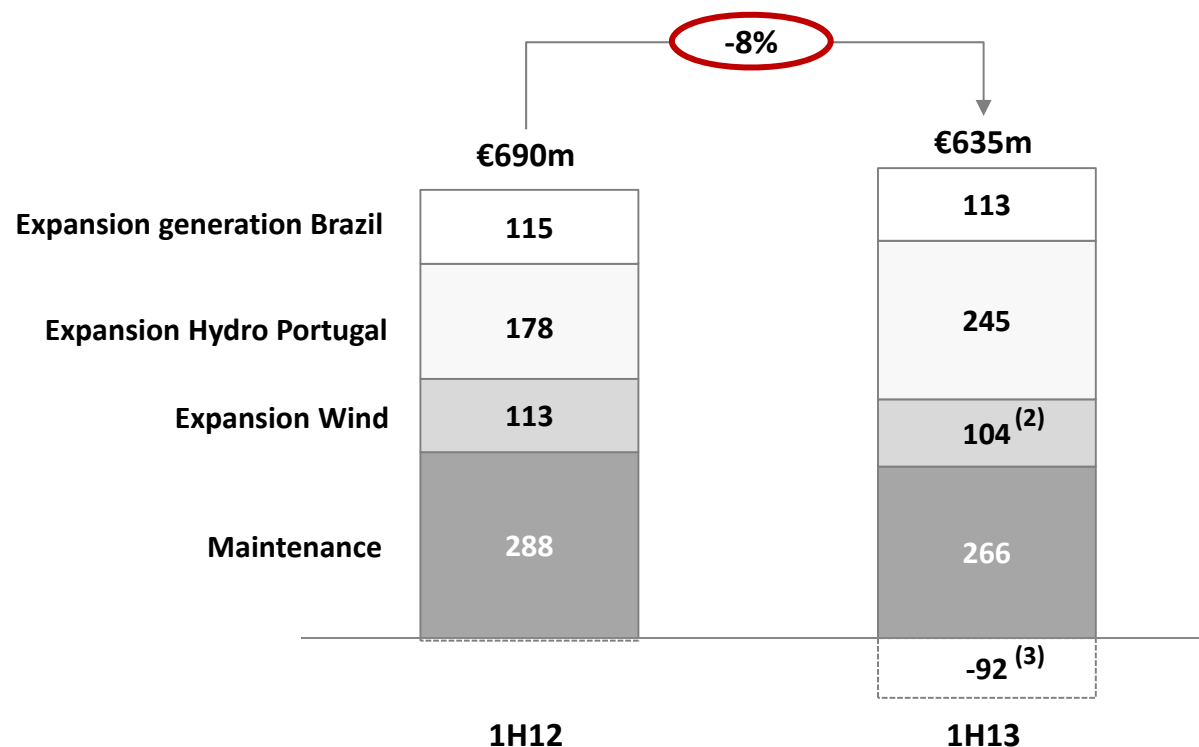
(2) OPEX=Supplies & Services + Personnel costs & employees' benefits excluding restructuring costs

(3) Portugal and Spain: INE; Brazil: FVG; monthly average for IGP-M.

# Capex: Execution of Selective Growth



Consolidated Capex by technology <sup>(1)</sup>  
(€ million)



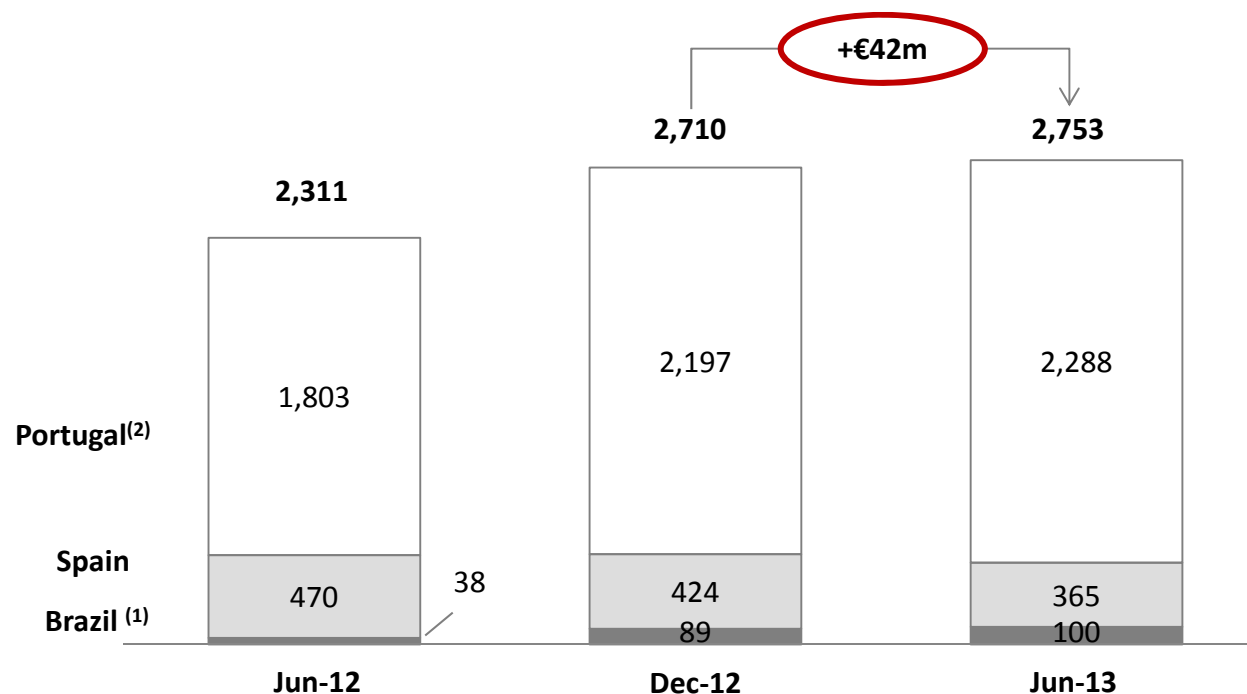
**Capex -8% YoY, or +5% YoY excluding €92m cash grant in US**  
**Higher expansion capex in 5 new hydro facilities in Portugal: 55% of capex already incurred**  
**Lower expansion capex in wind: focused in Poland, Romania and Italy**

(1) Capex net of investment subsidies; (2) Gross capex, includes solar; (3) Federal cash grant in US related to EDPR's investment in a wind farm installed in 2012

# Net regulatory receivables by Jun-13



## Regulatory Receivables (€ million)



**Portugal: +€91m** (tariff deficit/deviations of +€805m in 1H13, securitisations done by EDP -€714m)

**Spain: -€59m** (tariff deficit of +€190m in 1H13, securitisations done by FADE -€249m)

**Brazil: +€11m** (negative tariff deviations of +€114m in 1H13, cash received from CDE -€96m)

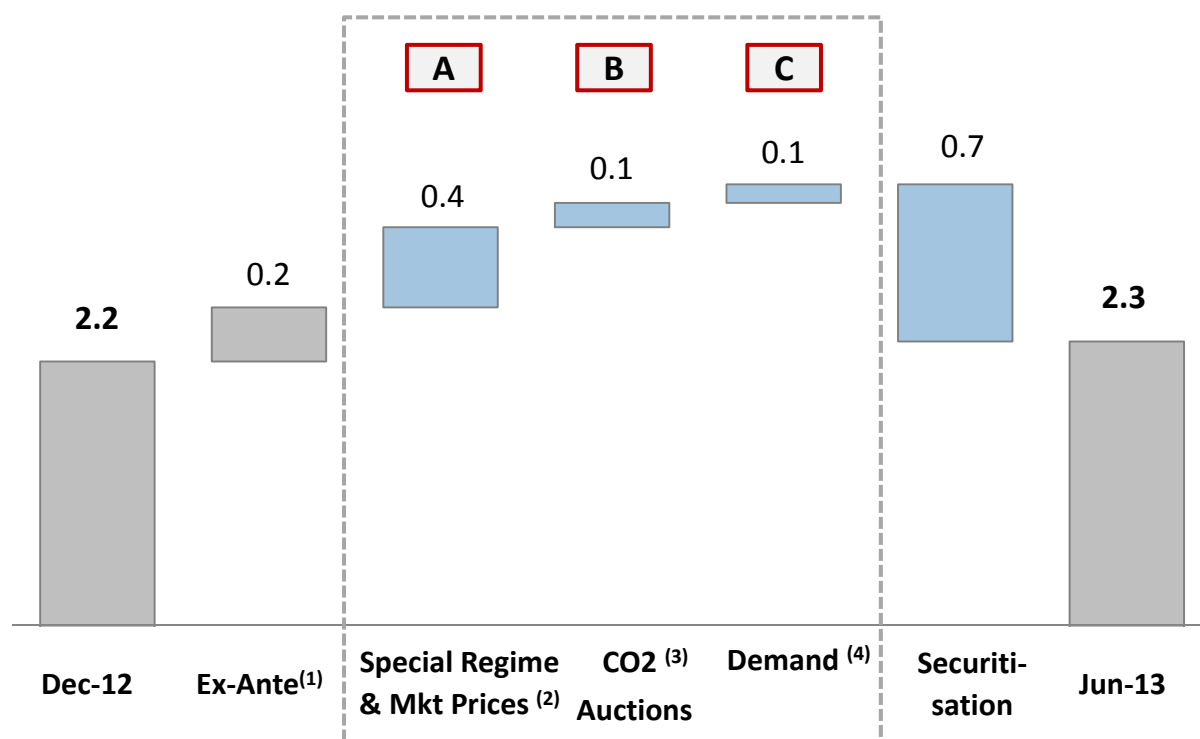
(1) Brazil's Regulatory Receivables are out of Balance Sheet;

(2) Includes gas regulated activity in Portugal

# Regulatory receivables in Portugal: Breakdown of 1H13 evolution



## Regulatory Receivables in Portugal (€ billion)



**A**

- **Special regime production: +25% YoY in 1H13** abnormally high wind and mini-hydro volumes
- **Low pool price in 1H13:** Higher costs with special regime premiums and with CMEC
- **Positive prospects for 2H13:** lower special regime volumes, higher pool prices, use of CMEC's hydro plants' high reservoir levels as of Jun-13

**B**

- **No cash-in of revenues from CO<sub>2</sub> auctions in 1H13:** 2013 revenues to be fully collected in 2H13, being impacted by lower CO<sub>2</sub> prices

**C**

- **Demand:** volumes distributed -3% YoY in 1H13 vs. ERSE's forecast of +1.7% for 2013; positive demand trends in 2Q13/Jul-13

**Strong Special Regime production and low power prices in 1H13 impacted regulatory receivables  
2H13 expected to be more favourable: lower special regime production, higher prices, more stable demand**

(1) Predefined by the regulator when setting 2013 tariffs; (2) Includes volume and price deviations in special regime production, generation under CMEC system, last resort supplier electricity purchases and other;

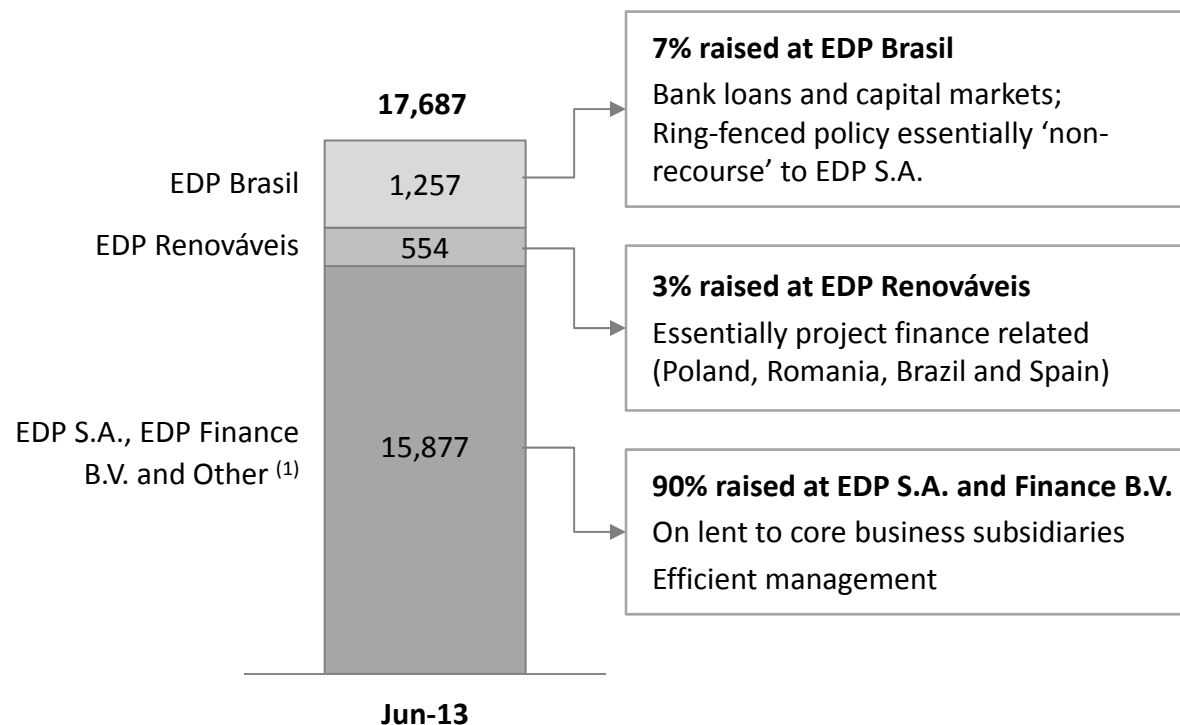
(3) Related to the allocation of 80% of electricity system's 2013 CO<sub>2</sub> revenues from auctions as well as other measures; (4) Deviations between total demand and consumption mix vs. ERSE's assumptions in the setting of 2013 tariffs

# Net debt



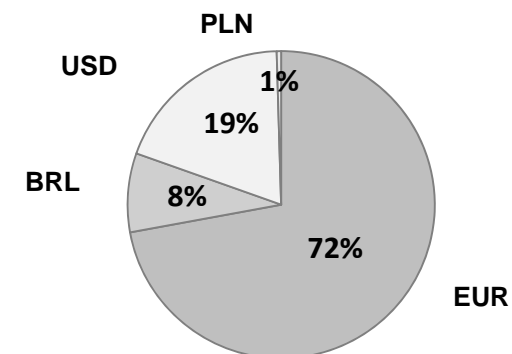
## EDP consolidated net debt position: Jun-13

(€ million)



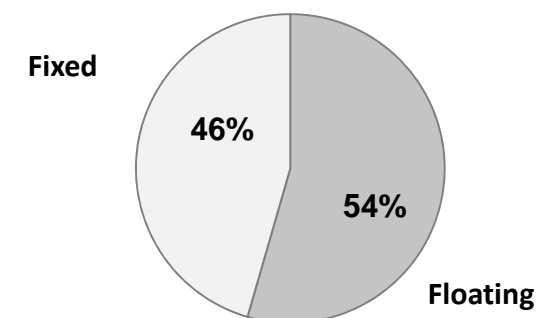
## EDP consolidated debt by currency: Jun-13

(%)



## Debt by interest rate term: Jun-13

(%)



**Debt essentially issued at holding level through both capital markets (public and private) and bank loans**

**Investments and operations funded in local currency, to mitigate ForEx risk**

**Floating rates 55% weight provide hedging on inflation: positive impact from recent decline in Euribor rates**

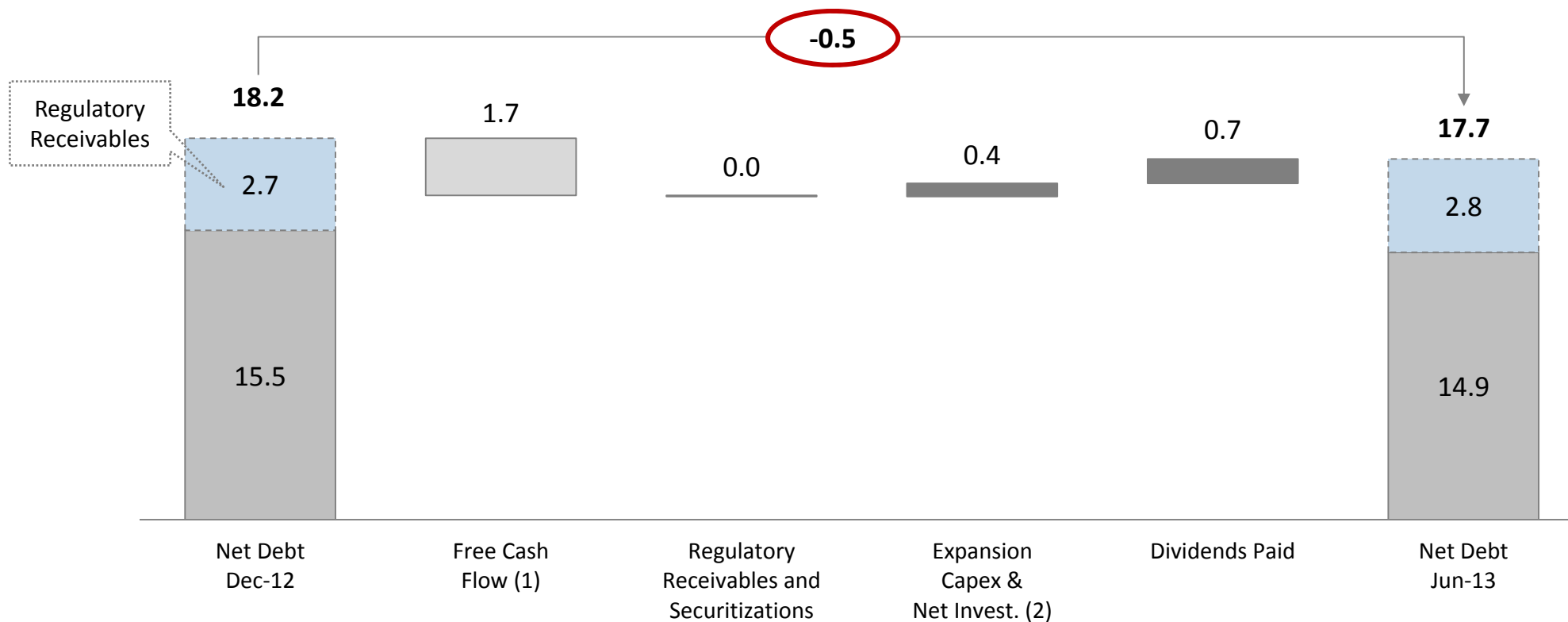
(1) Including accrued interest, fair value hedge and collateral deposits associated with debt.

# Change in Net debt



## Change in Net Debt: Jun-13 vs. Dec-12

(€ billion)



**Net debt decreased €0.5bn supported by securitizations in Portugal and Spain (€1bn) and disposals (€0.6bn)**  
 €671m annual dividend (€0.185 per share) fully paid in cash to EDP shareholders in May-13

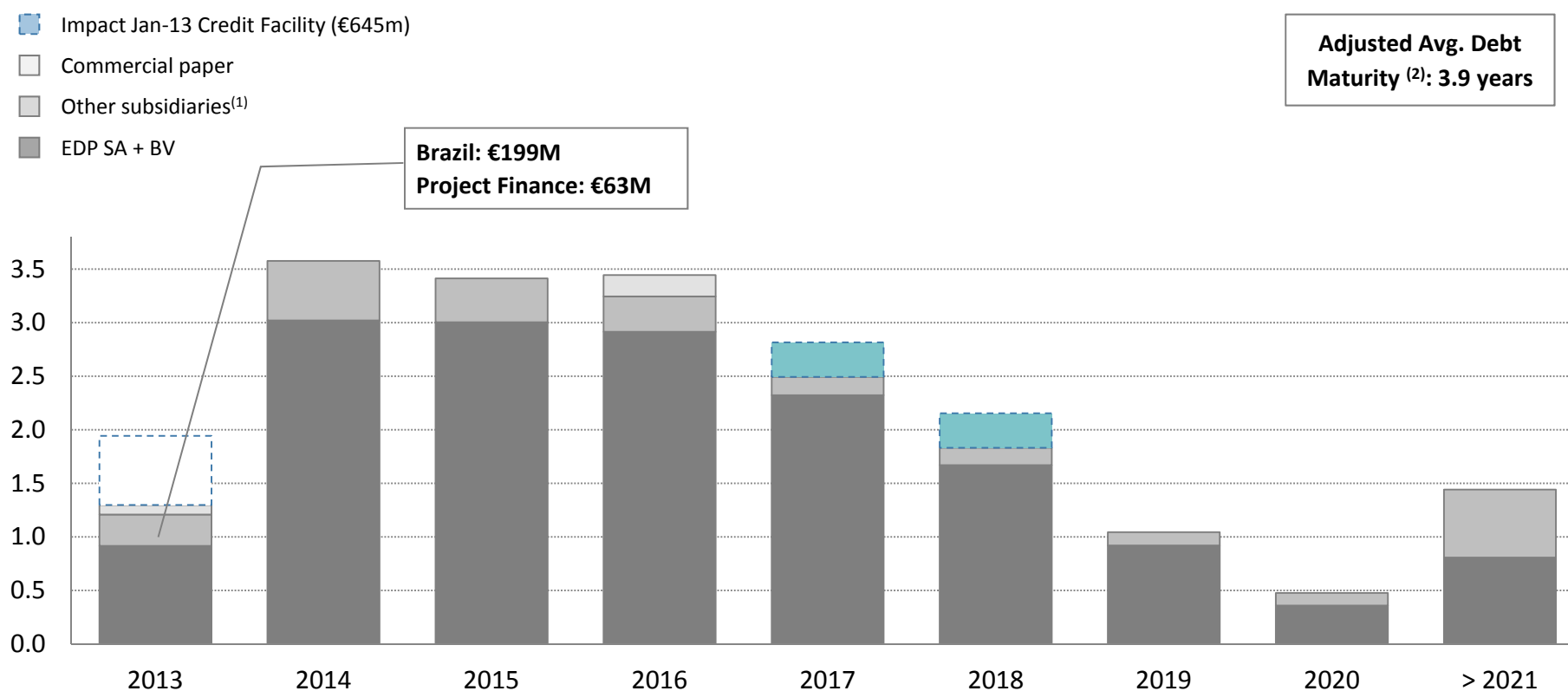
(1) EBITDA - Income taxes - Maintenance capex - Interest paid + Chg. in working capital + Forex

(2) Expansion capex, Net investments and Chg. in working capital from equipment suppliers

# Net Debt Profile



## EDP consolidated debt maturity profile (€ billion)



**€1.6bn credit facility signed in Jan-13 extends the avg. debt maturity and reinforced financial flexibility**

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

(2) Including the impact from the remaining €645m to be drawn out of the €1.6bn credit facility signed in Jan-13 (€955m tranche was already drawn for early repayment of €925m RCF maturing in Apr-13)

# Financial Liquidity position



(€ million)					
Sources of liquidity (Jun-13)					
Instrument	Maximum Amount	Number of counterparties	Utilised	Available	Maturity
Revolving Credit Facility	2,000	21	150	1,850	03-11-2015
Domestic Credit Lines	159	8	0	159	Renewable
Underwritten CP Programmes	150	1	0	150	Renewable
Term Loan <sup>(1)</sup>	1,600	16	955	645	31-01-2018
<b>Total Credit Lines</b>	<b>3,909</b>		<b>1,105</b>	<b>2,804</b>	
<b>Cash &amp; Equivalents:</b>				<b>1,730</b>	
<b>Total Liquidity Available</b>				<b>4,534</b>	

**Financial liquidity of €4.5bn by Jun-13**

(1) Signed in Jan-13 and available to refinance the €1.1bn RCF maturing in Nov-13



# Main sources and uses of funds



Sources of funds	Use of funds
<ul style="list-style-type: none"><li>▪ Cash &amp; Equivalents (Jun-13) : €1.7bn</li><li>▪ Available Credit Lines (Jun-13): €2.8bn</li></ul>	<ul style="list-style-type: none"><li>▪ Refinancing needs in 2013:<ul style="list-style-type: none"><li>RCF maturing in Nov-13 €1.1bn</li><li>Bond maturing in Dec-13 €0.35bn</li><li>Loans maturing in 2013: €0.1bn</li></ul></li><li>▪ Total 2013 €1.6bn</li><li>▪ Refinancing needs in 2014: €3.0bn</li></ul>
<b>TOTAL €4.5bn</b>	<b>TOTAL €4.6bn</b>

**Financial liquidity covers refinancing needs through 2014**

# Net Profit breakdown



(€ million)	1H12	1H13	Δ %	Δ Abs.
<b>EBITDA</b>	<b>1.885</b>	<b>1.957</b>	<b>+4%</b>	<b>+72</b>
Net Depreciations and Provisions	711	742	+4%	+32
<b>EBIT</b>	<b>1.174</b>	<b>1.214</b>	<b>+3%</b>	<b>+40</b>
Financial Results & Associated Companies <sup>(1)</sup>	(340)	(314)	-8%	+26
Income Taxes	159	190	+20%	+31
Non-controlling interests	94	107	+14%	+13
<b>Net Profit</b>	<b>582</b>	<b>603</b>	<b>+4%</b>	<b>+21</b>

New capacity in EDPR and new hydro in Portugal partially offset by decommissioning of Setúbal oil plant

Asset tax base revaluation in Spain (Ley 16/2012)

Increase of net profit in EDP Renováveis outpace decline of net profit in EDP Brasil

(1) Includes capital gains / losses



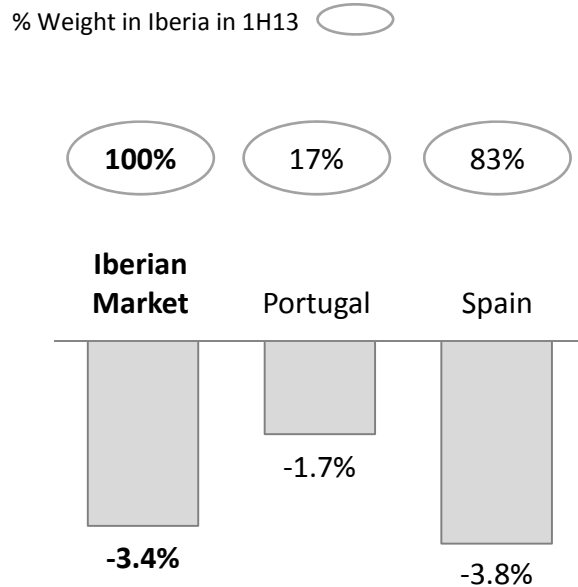
## Business Areas

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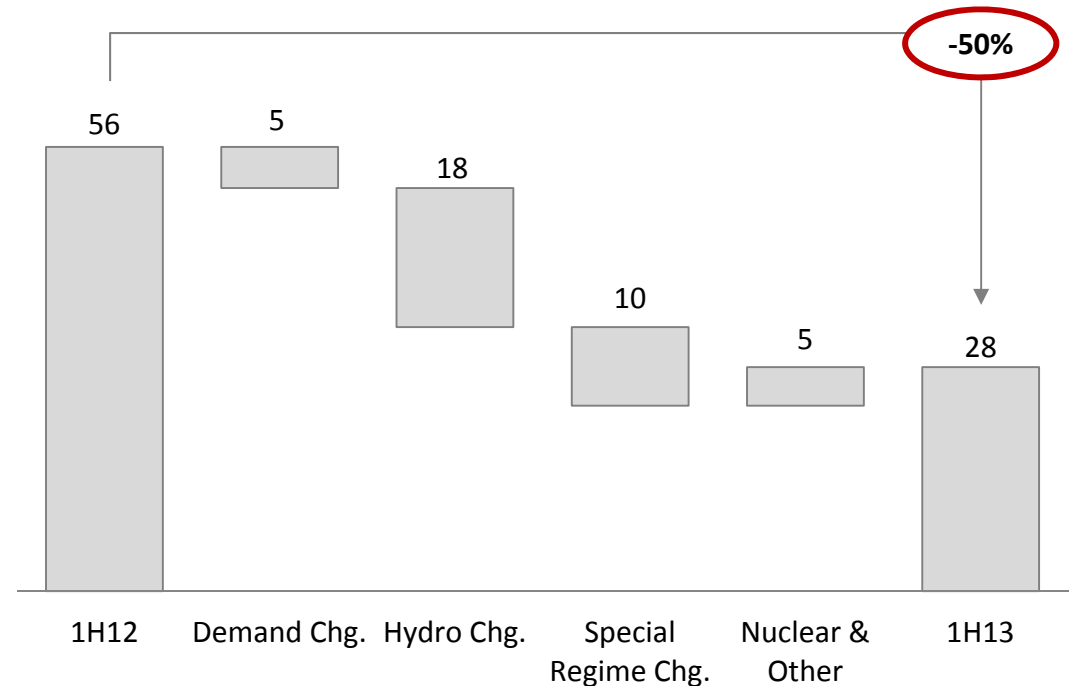
# Iberia: Electricity and Thermal power demand



## Electricity Demand in Iberian Market ( $\Delta\%$ YoY)



## Thermal Power Production in Iberian market (TWh)



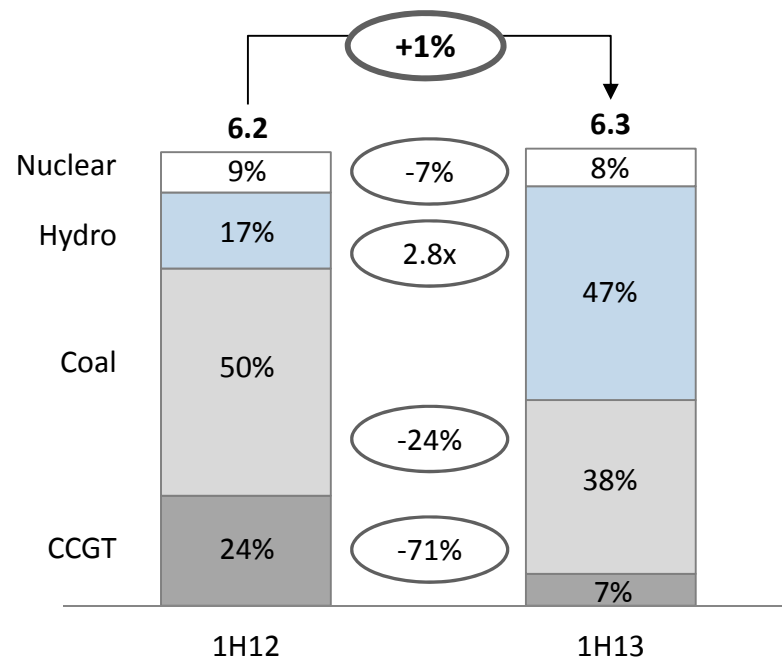
**Electricity demand decline 1H13:** Lower decline in 2Q13 (-2.8%) vs. 1Q13 (-4.0%) in Iberia

**Thermal power production decreased ~50%:** lower demand, strong hydro and wind resources in 1H13

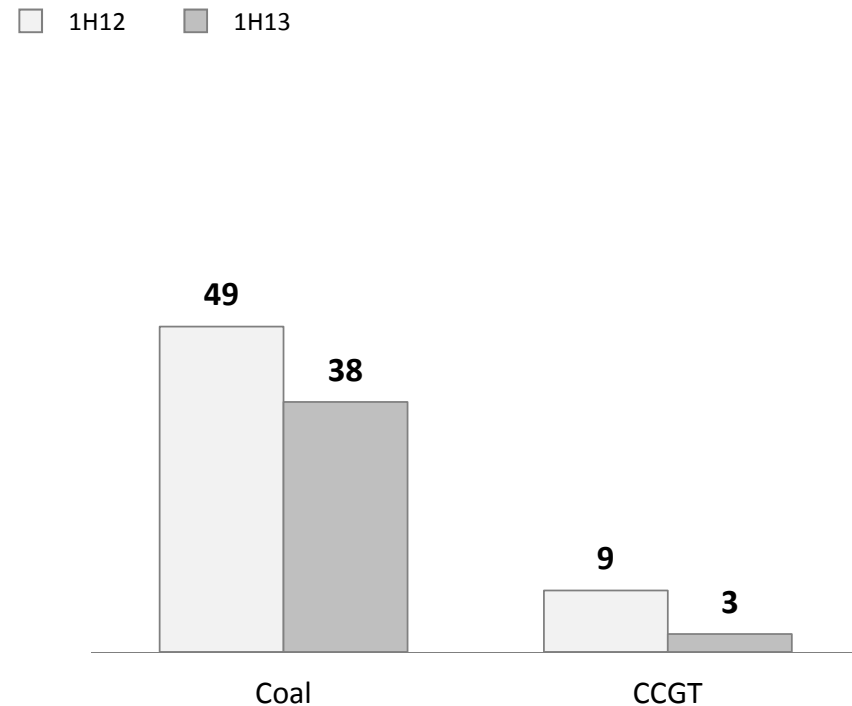
# Liberalised Energy Activities Iberia (12% EBITDA)



EDP Liberalised Power Plants Iberia – Production  
(TWh)



EDP Coal vs. CCGT – Load factors in 1H12 and 1H13  
(%)

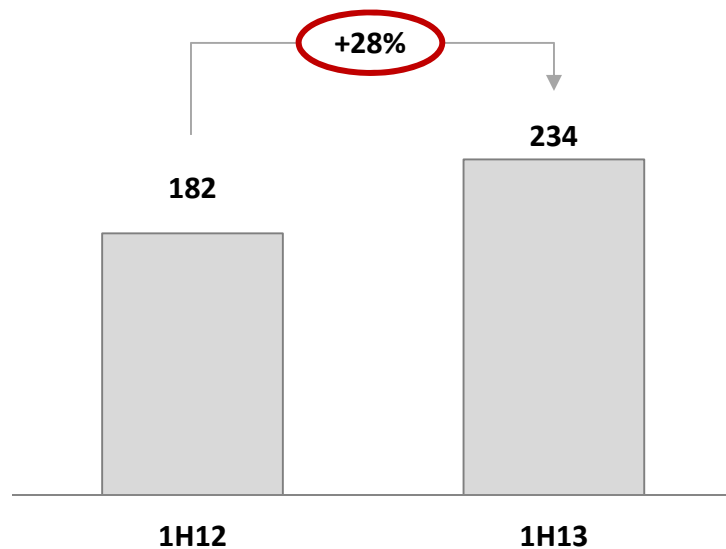


**Production +1%; hydro weight up from 17% to 47% on wet weather and new hydro capacity (Alqueva II)**  
**Strong decline in thermal load factors on the back of lower residual thermal demand**

# Liberalised Energy Activities Iberia (12% EBITDA)



EBITDA Liberalised Activities in Iberian Market  
(€ million)



- **Negative regulatory developments:** No thermal capacity payments in Portugal (vs. €19m in 1H12), new generation taxes in Spain (€29m in 1H13).
- **Deterioration of thermal plants profitability:** very low utilisation levels and higher production costs
- **Average generation cost -35% YoY** on increase of hydro weight in the mix of generation
- **Long position in clients:** Electricity production represented 27% of electricity supplied to clients; sales to clients in Iberia: stable volumes / prices.
- **Average electricity purchasing cost: -17% YoY** on lower pool prices and active energy management

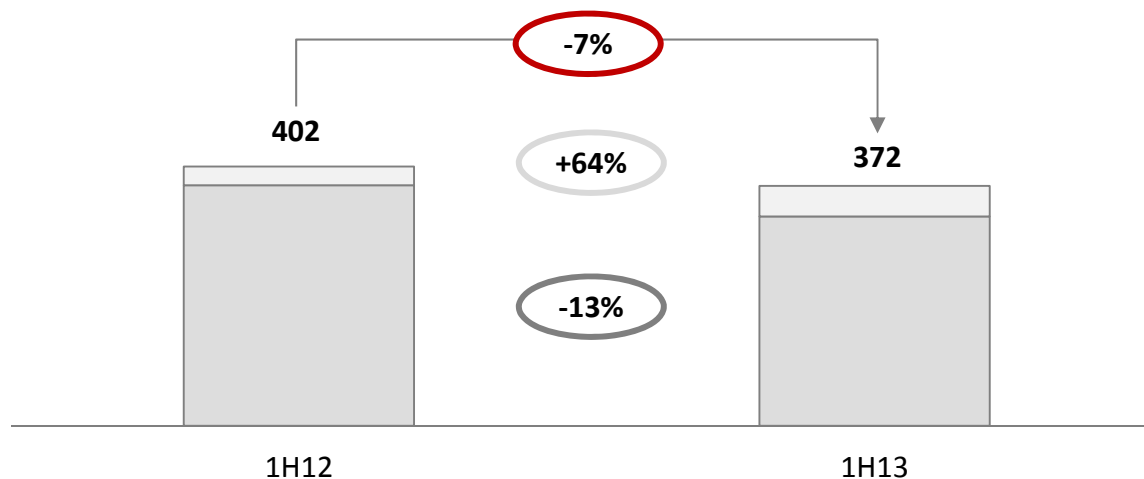
**EBITDA growth achieved through (1) strong hydro volumes leveraged by hydro capacity additions in 4Q11/4Q12 and (2) positive impact from low prices on our long position in clients through active energy management**

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



## EBITDA LT Contracted Generation (€ million)

■ PPA/CMEC    □ Special regime



- **PPA/CMEC:** decommissioning of Setubal fueloil plant in Dec-12 (EBITDA 1H12: €56m)
- **Special regime:** +2.2x YoY increase of mini-hydro production (EBITDA +€28m YoY)

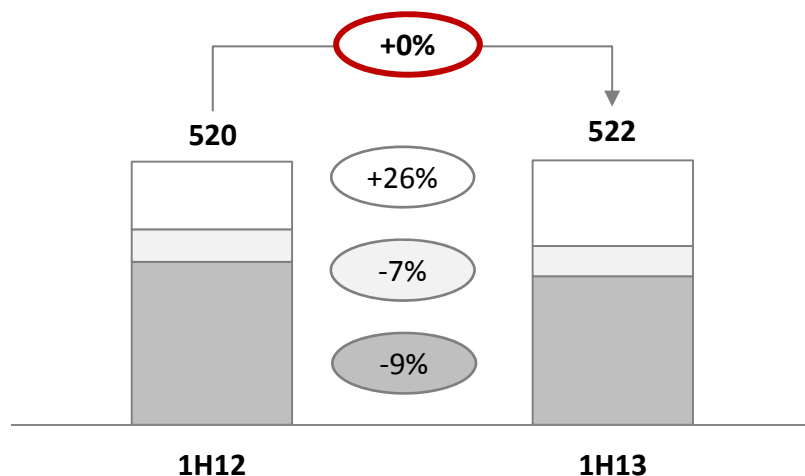
**PPA/CMECs with stable 8.5% Return on Asset pre-tax real, no risk on volumes and prices/margins**

# Regulated Energy Networks Iberia (26% of EBITDA)



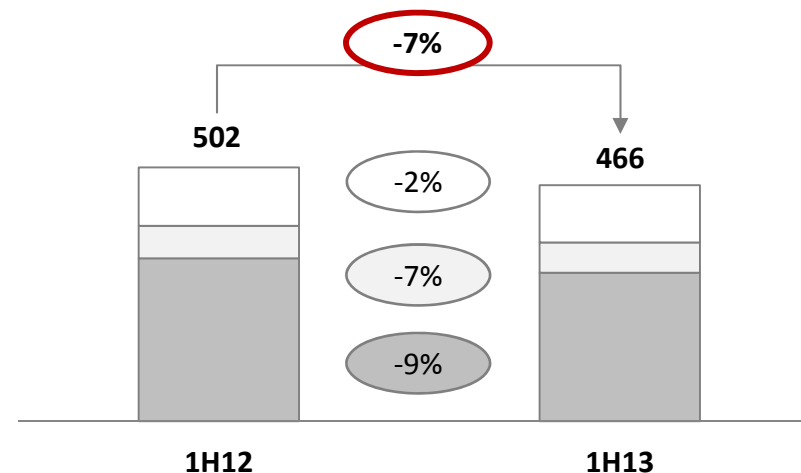
## EBITDA (€ million)

- Gas Iberia
- Electricity Spain
- Electricity Portugal



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

- Gas Iberia
- Electricity Spain
- Electricity Portugal



- **Electricity Portugal:** RoRAB down from 10.3% in 1H12 to 8.5% in 1H13 on indexation to 5Y CDS of Portuguese Republic
- **Gas Iberia:** Gas transmission Spain disposal: one-off gain of €56m booked in 1H13, EBITDA 1H12: €15m

**Adjusted EBITDA -7% YoY driven by lower sovereign interest rates in Portugal**

(1) Excludes: i) €56m one-off gain related to the sale of gas transmission assets to Enagas in 1H13; ii) de-consolidation of gas transmission assets in 1H13 (€15m EBITDA in 1H12); (iii) €3m related with the economic and financial balance of gas Portugal concession agreement in 1H12

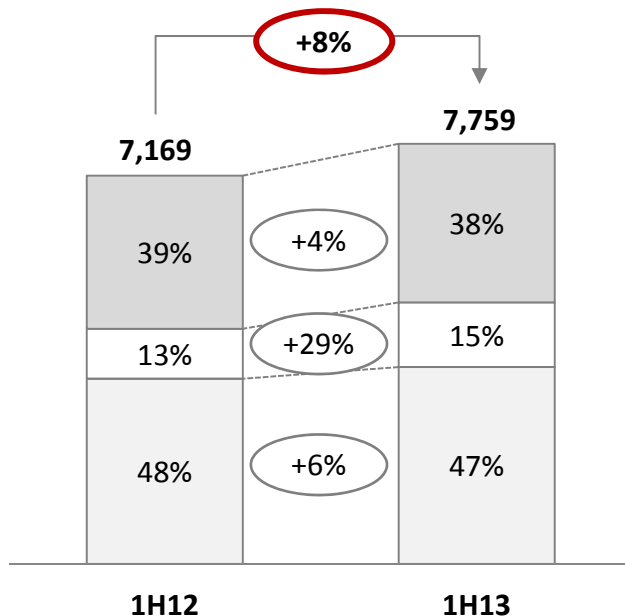


# EDP Renováveis (29% of EBITDA): Strong growth driven by new installed capacity



**Installed Capacity  
(MW)**

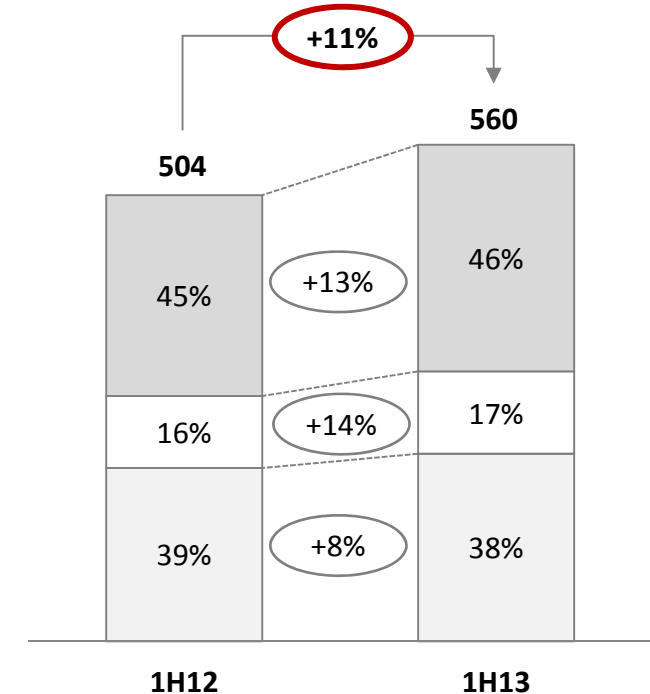
■ Iberia    ■ USA    ■ Other<sup>(1)</sup>



**Wind Power Production  
(GWh)**



**EBITDA  
(€ million)**



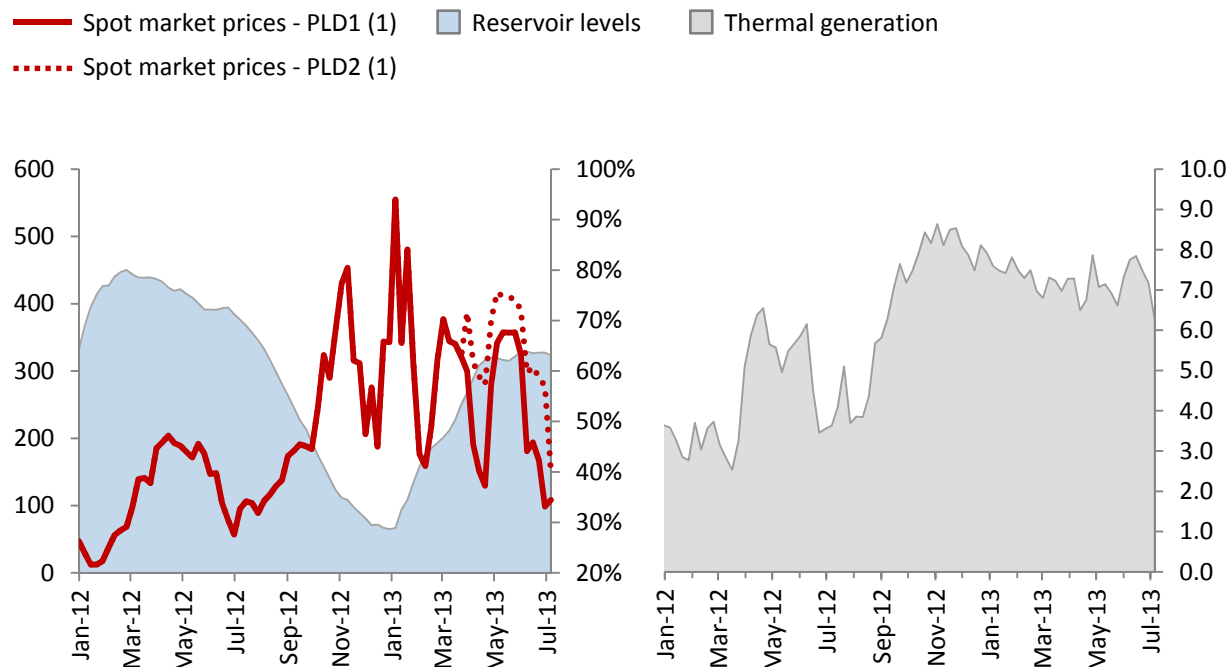
**Installed Capacity +8% YoY (+589MW); Strong output increase in Iberia (+20% YoY) on extremely windy 1H13**  
**EBITDA in 1H13 impacted by new generation taxes in Spain (€19m) and an one-off gain in US (€14m)**

(1) Includes Rest of Europe and Brazil

# Brazilian Electricity System: Positive developments in 2Q13



## Spot prices vs. hydro reservoir levels and thermal generation in Southeast - Central West region (R\$/MWh; %; Avg. TW)



### Regulatory receivables in Distribution

**DisCos with involuntary short position in spot market since Jan-13** due to change in price/volume mix of PPA contracts

**Additional costs with energy acquisition**  
Upward pressure in regulatory receivables

**Cash payments by CDE:** regulatory receivables recovered faster by DisCos, more stable EBITDA

**Recovery of hydro reservoirs: 64% in Jun-13 (vs. 73% in Jun-12 and 29% in Dec-12)**

**Lower thermal production in 2Q13; decline of electricity spot prices (R\$250/MWh<sup>(2)</sup> in 2Q13 vs. R\$323/MWh<sup>(2)</sup> in 1Q13)**

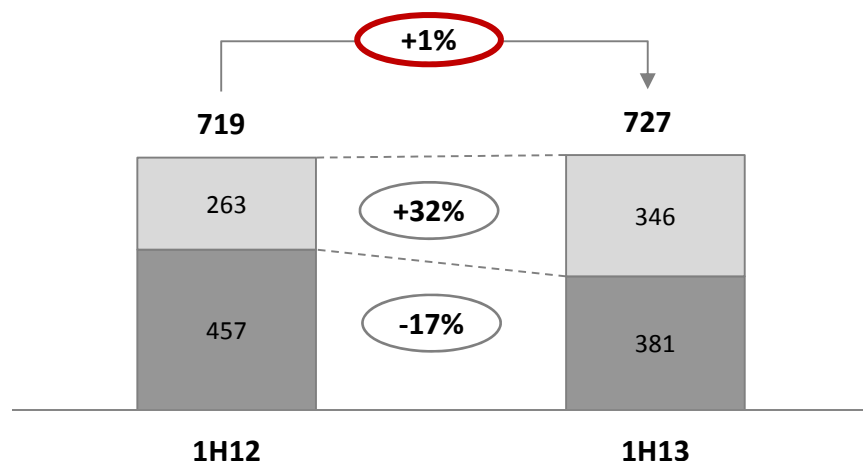
# EDP Brasil (14% of EBITDA)

## EBITDA +1% YoY in local currency



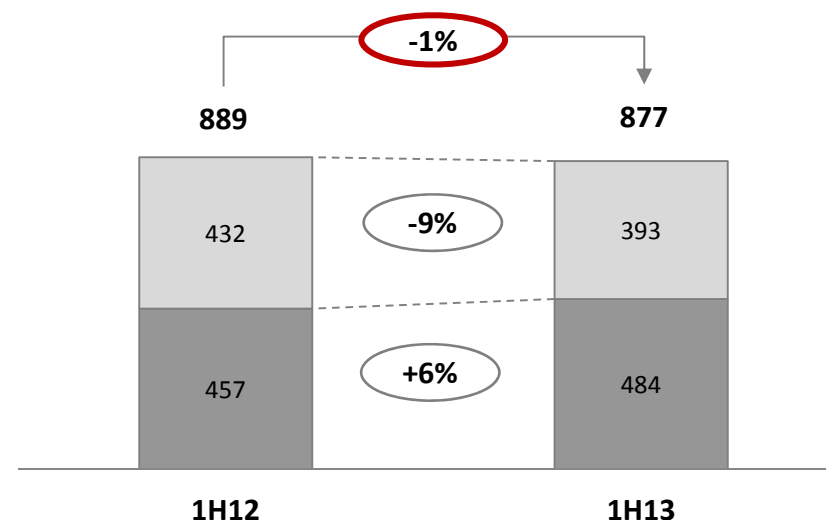
### EDP Brasil EBITDA (BRL million)

■ Generation & Other ■ Distribution



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

■ Generation & Other ■ Distribution



- **EBITDA in Euros: -9%YoY** (BRL 10% depreciation, €29m negative forex impact)
- **Distribution:** 1H12 EBITDA reflects freeze of Bandeirante's tariffs; 1H13 EBITDA translates higher energy costs mostly covered by CDE; Adjusted EBITDA -9% YoY on lower Bandeirante's RoRAB (incorporated in tariffs in Oct-12)
- **Generation & Other: full commissioning of Pecém in May-13** (EBITDA Pecém 2Q13: -BRL32m vs. -BRL72m in 1Q13)

**EBITDA +1% YoY in local currency: still penalized by tariff deviations in distribution and negative EBITDA in Pecém**

(1) Adjustments in distribution: i) tariff deviations and CDE contributions (-R\$47m in 1H13 vs. -R\$186m in 1H12) and ii) the 1H12 one-off gain with the sale of buildings in 1H12 (R\$16m); Adjustment in generation and other: the 1H13 negative contribution from Pecém I (R\$104m)



# Outlook

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# Spanish Electricity Sector: New regulatory proposals announced in Jul-13



Action Areas	Impact on System Costs		Main Measures	Impact on EDP	
	2013E	2014E		2013E	2014E
Tariffs	€0.4bn	€0.9bn	▪ Access tariff to increase +6.5% (+3.2% in avg. total tariff)		
Public Budget Funding	€2.2bn	€0.9bn	▪ Transfer of funds from the Spanish State Budget		
Distribution & Transmission	€0.44bn	€0.5bn	▪ Rate of return cut from ~8% to 6.5% (nominal pre-tax)	€9m	€11m
Social Tariff	€0.0bn	€0.2bn	▪ To be fully supported by Utilities	€0m	€5m
Capacity Payments	€0.15bn	€0.3bn	▪ Cut in capacity payment from €26/kW/yr to €10/kW/yr but doubling the remaining payment period	€10m	€20m
<b>Sub-total</b>				<b>€19m</b>	<b>€36m</b>
Special Regime	€0.75bn	€1.6bn	▪ Change to a new remuneration scheme: pool price + capacity payment per MW to guarantee a 7.5% RoRAB nominal pre-tax; to be revised every 3 years	?	?
<b>Total Impact</b>	<b>€3.9bn</b>	<b>€4.5bn<sup>(1)</sup></b>		<b>?</b>	<b>?</b>
Other	?	?	▪ Changes in the remuneration rules of ancillary services + auctions to mothball CCGT capacity + interruptibility auctions + changes in the availability incentive mechanism	?	?

**Estimated negative impact for EDP (excl. special regime and other): €19m in 2013E and €36m in 2014E**  
**Full impact on EDP's financials to be reassessed when all details are unveiled (expected to be known in 4Q13)**

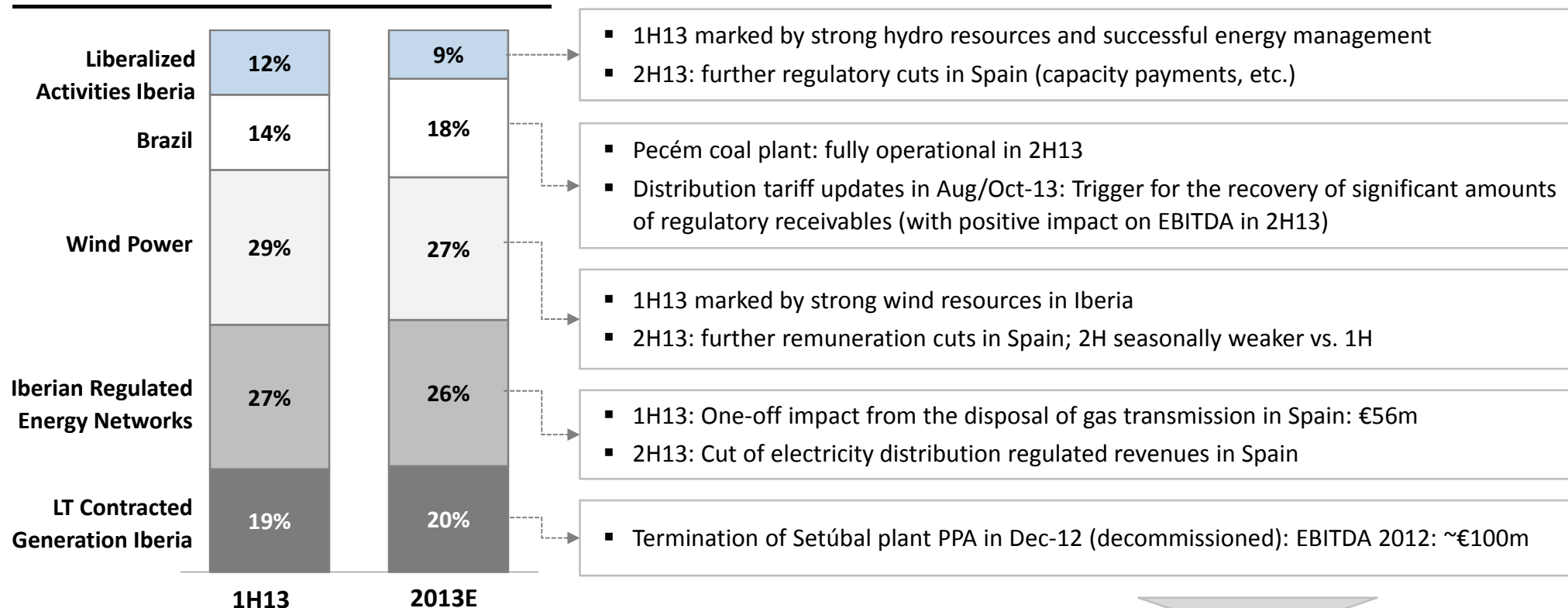
(1) Includes €100m estimated impact from cut in non-mainland costs

# Outlook for 2013



## EBITDA Breakdown

(%)



- Guidance includes impact from new regulatory measures in Spain
- Average cost of debt 2013E: < 4.5% (vs. 4.2% in 1H13)
- Effective tax rate 2013E in line with 1H13

- **EBITDA growth YoY 2013E: Low single digit**
- **Net Profit/EPS 2013E: Flat YoY**
- **Net Debt 2013E < Net Debt 2012**

# A resilient business model in a challenging environment



## Sound performance enhanced by diversification

- **EBITDA: +4%**
- **Cost of debt: 4.2% in 1H13 (vs. 4.0% in 1H12)**
- **Net Profit/EPS: +4%**

## Profitable Growth

- **Expansion capex driven by new capacity:** Hydro Portugal, generation Brazil, wind (out of Iberia)

## Keeping Low Risk profile

- **Tariff deficit securitisations:** ~€1bn proceeds in 1H13 (€714m in Portugal, €249m in Spain)
- **Disposals:** 1<sup>st</sup> sale of a minority stake to CTG (Jun-13), Gas transmission in Spain (1Q13)
- **Lower net debt in 1H13:** -€0.5bn YTD to €17.7bn
- **Strong financial liquidity:** Refinancing needs covered through 2014

**2012 annual dividend of €671m (€0.185 per share) fully paid in cash to EDP shareholders in May-13**

**Resilient performance and improvements on deleverage supported by strategy execution**  
**High quality asset mix, sustainable returns, diversified markets and adequate risk management**



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## Visit EDP Website

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

**Link Results & Presentations:**

**<http://www.edp.pt/EDPI/Internet/EN/Group/Investors/Publications/default.htm>**

## Next Events

**July 25<sup>th</sup>: 1H13 Results**

**September 11<sup>th</sup>: BBVA Conference (London)**

**September 12<sup>th</sup>: Morgan Stanley Conference (London)**

**September 13<sup>th</sup>: BPI Iberian Conference (Porto)**