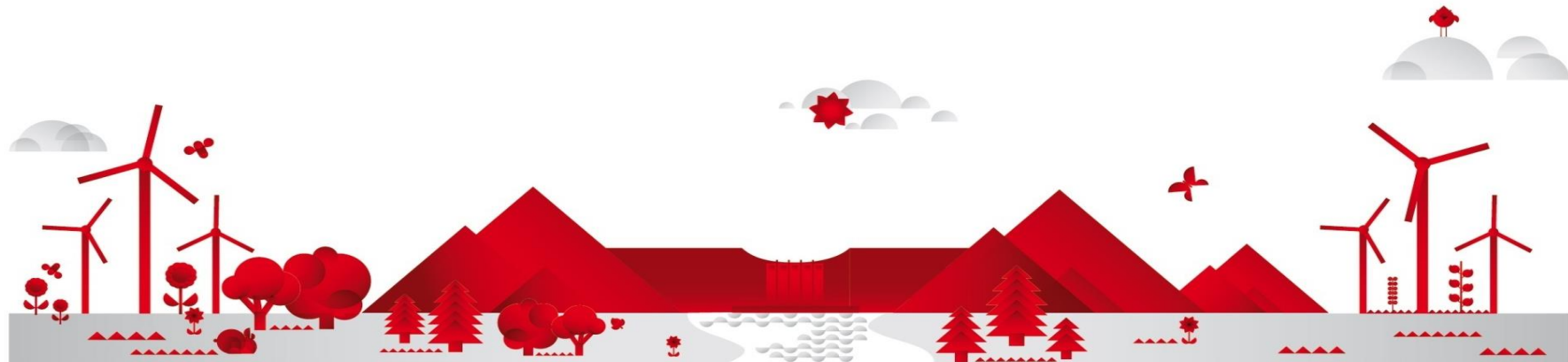




# Results Presentation 1H17

Lisbon, July 28<sup>th</sup>, 2017



# 1H17: Key Highlights



## **Recurring EBITDA: €1,902m, -5% YoY**

62% decline YoY of hydro production in Iberia: 42% below historical avg. in 1H17 vs. 68% above in 1H16

## **Net Profit: €450m, -5% YoY**

Avg. cost of debt -40bp YoY, OPEX IV savings at €71m in 1H17 (27% above target)

## **Net debt at €16.9bn by Jun-17**

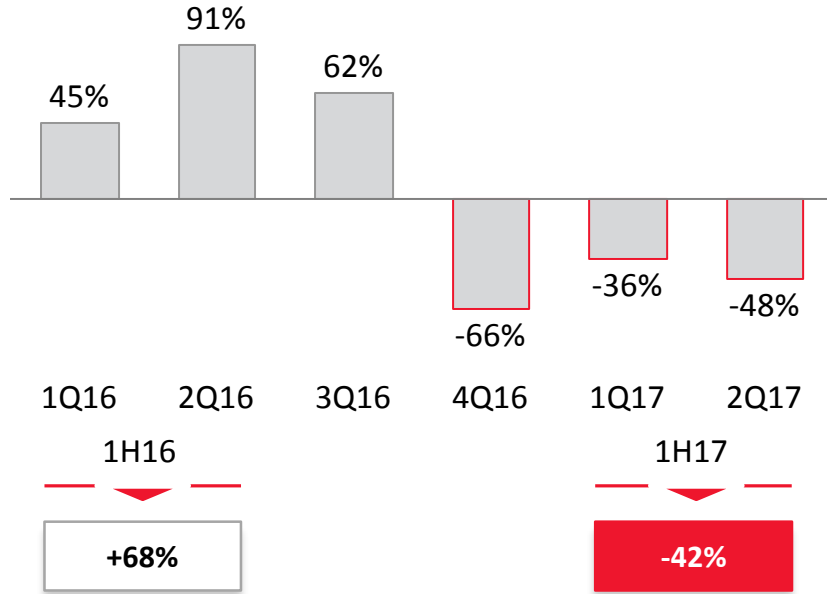
2016 dividend (€0.7bn) fully paid in May and non-recurrent tax payments of €0.6bn (€0.3bn to be refunded in 2H17)

**Disposals: Financial closing of Naturgas (Jul-17) and Portgas (expected 3Q17) represent €2.8bn debt reduction in 3Q17**

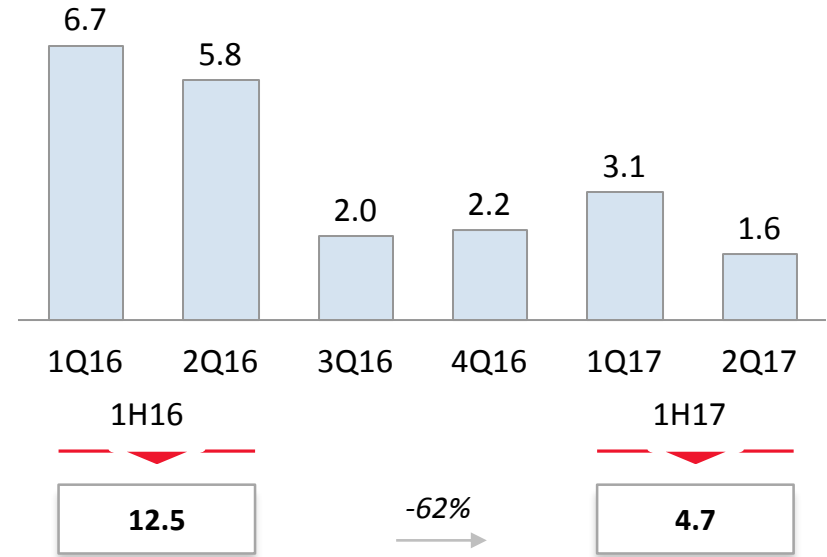
**Tender offer over EDPR free float at €6.75/share: Acceptance period ends on August 3<sup>rd</sup>**

# Hydro production in 1H17: 42% below historical average

**Hydro Coefficient in Portugal: 2016/1H17**  
(Deviation vs. avg. hydro year)

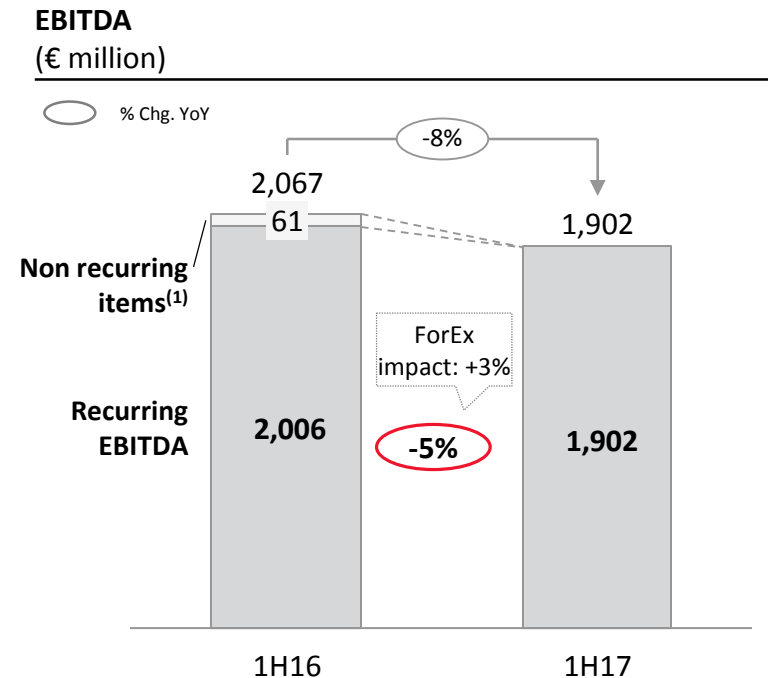


**EDP Hydro Production in Iberia: 2016/1H17**  
(TWh)

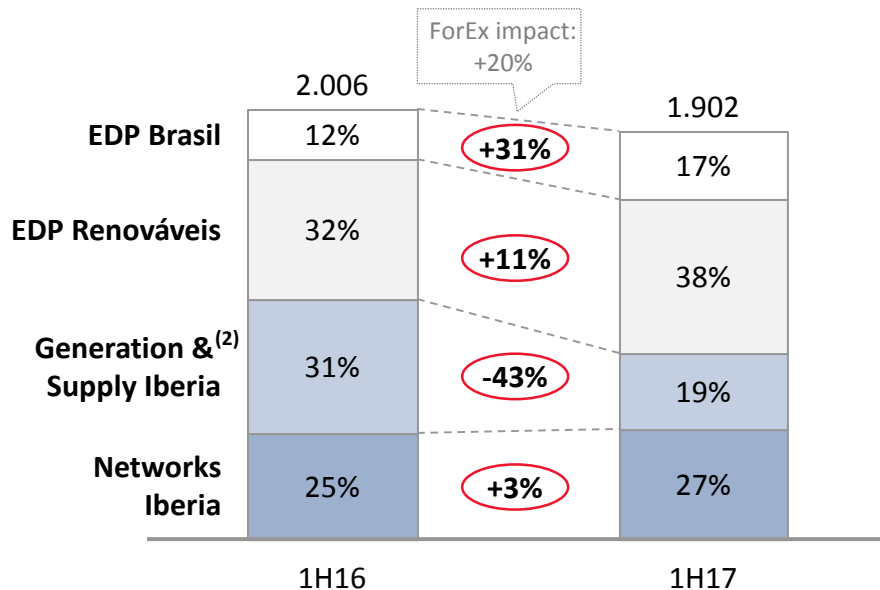


Hydro production in 1H17 -c4.5TWh vs. historical average  
**Easier YoY comparison for 2H17** (2H represents ~40% of a average year)

# Recurring EBITDA: -5%



## Recurring EBITDA (€ million)



**Recurring EBITDA in Iberia (-22% YoY) penalized by adverse hydro production YoY comparison**

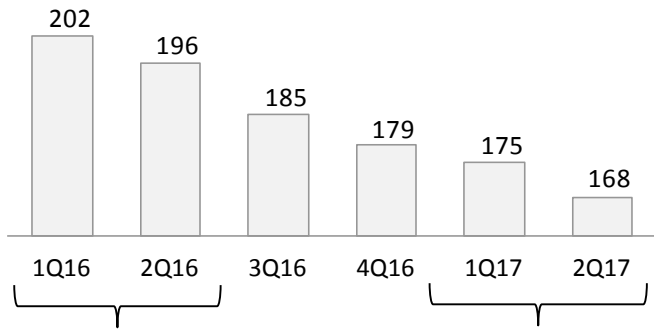
Positive impact from new capacity (renewables), efficiency gains and forex (BRL & USD)

(1) In 1H16: gain on the sale of Pantanal (+€61m); In 1H17: no impact;

(2) Includes "Other"

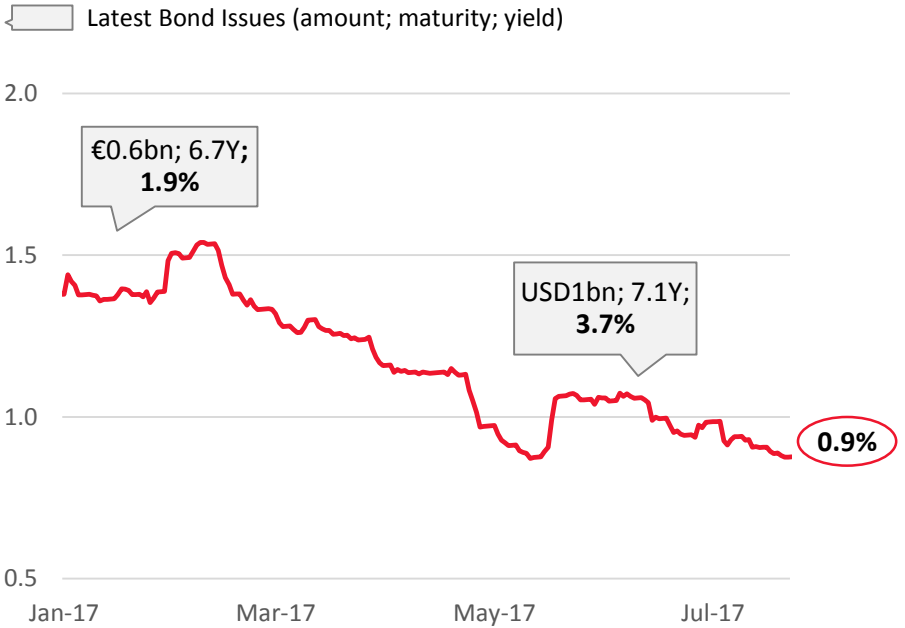
# Net interest costs: -14%

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



	1H16		1H17
Net Interest Cost <sup>(1)</sup> (€m)	398	-14%	343
Avg. Net Debt (€bn)	16.9	-3%	16.4
Avg. Cost of Debt (%)	4.5	-40bp	4.1

**EDP 5-Year Bond Yield (2017 YTD)**  
(%)



**40bp decline in avg. cost of debt: 4.1% in 1H17 vs. 4.5% in 1H16**

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

# EDP Tender Offer over EDPR: 4 Days Left<sup>(1)</sup>



**The offer is voluntary and not subject to the fulfilment of any condition**

**In case EDP holds >90%** of voting rights as a consequence of the offer



**EDP may request the delisting** of EDPR shares from Euronext Lisbon by Euronext Lisbon



Delisting implies EDP to maintain a **permanent order** at the price of €6.75/share for maximum term of 3 to 6 months

	Main drivers	Guidance
<b>Recurring EBITDA</b>	<ul style="list-style-type: none"> <li>Weak hydro volumes Iberia 1H17</li> <li>Gas distribution deconsolidation (most of 2H17)</li> <li>Wind and hydro capacity increases</li> <li>Efficiency improvements</li> </ul>	<b>~€3.6bn</b>
<b>Recurring Net Profit</b>	<ul style="list-style-type: none"> <li>Decline in avg. cost of debt</li> <li>Short term dilution effect from gas disposals (2H17)</li> </ul>	<b>&gt; Recurring Net Profit 2016 <sup>(1)</sup></b>
<b>Net Debt</b>	<ul style="list-style-type: none"> <li>€2.8bn Gas disposals + €0.3bn TEI proceeds (2H17)</li> <li>Organic FCF + €0.3bn VAT refund in 2H17</li> <li>Acceptance rate of EDPR tender offer</li> </ul>	<b>Large debt reduction:</b> exact size dependent on result of EDPR offer

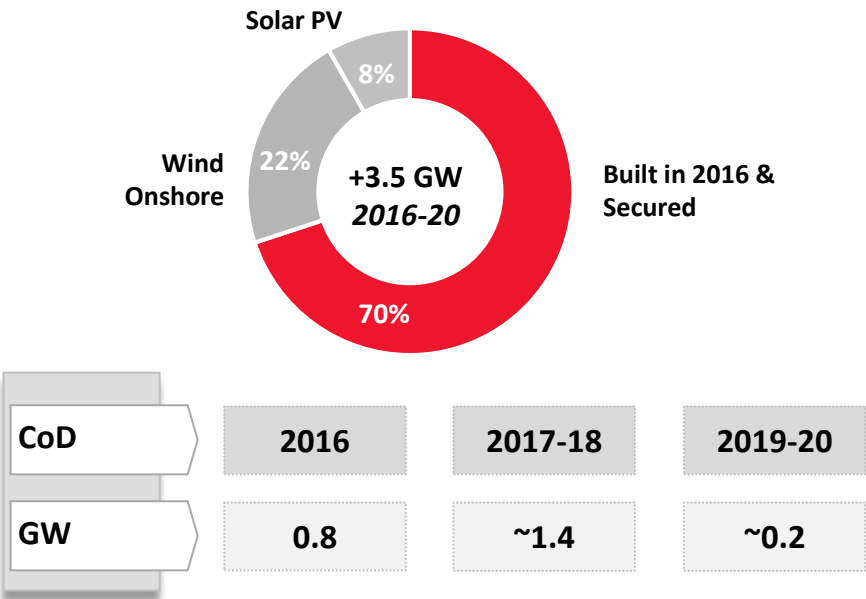
1	CMEC final adjustment	<ul style="list-style-type: none"><li>▪ Calculation clearly defined by law, essentially based on historical data</li><li>▪ EDP to comply with existing contracts</li></ul>
2	Electricity Distribution New regulatory period	<ul style="list-style-type: none"><li>▪ Public audition on June 22<sup>nd</sup>: ERSE proposes extension of regulatory period from 3 to 4 years</li><li>▪ RoRAB: Premium vs. 10 year sovereign bond yield continues to be among the lowest in Europe</li><li>▪ Until Oct. 15<sup>th</sup>: Release of 2018 preliminary regulated revenues and following years' parameters</li></ul>
3	CMEC Judicial Investigation	<ul style="list-style-type: none"><li>▪ Total cooperation and full information-access to judicial authorities</li></ul>

**Active risk management through transparent business procedures**

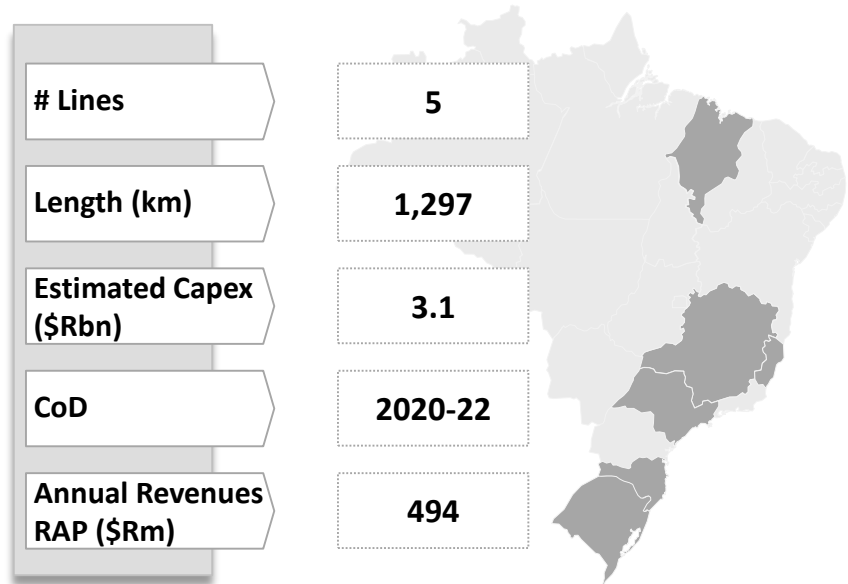


# Main growth projects

## Renewables Installed Capacity: Growth targets 2016-20



## Electricity Transmission Concessions in Brazil

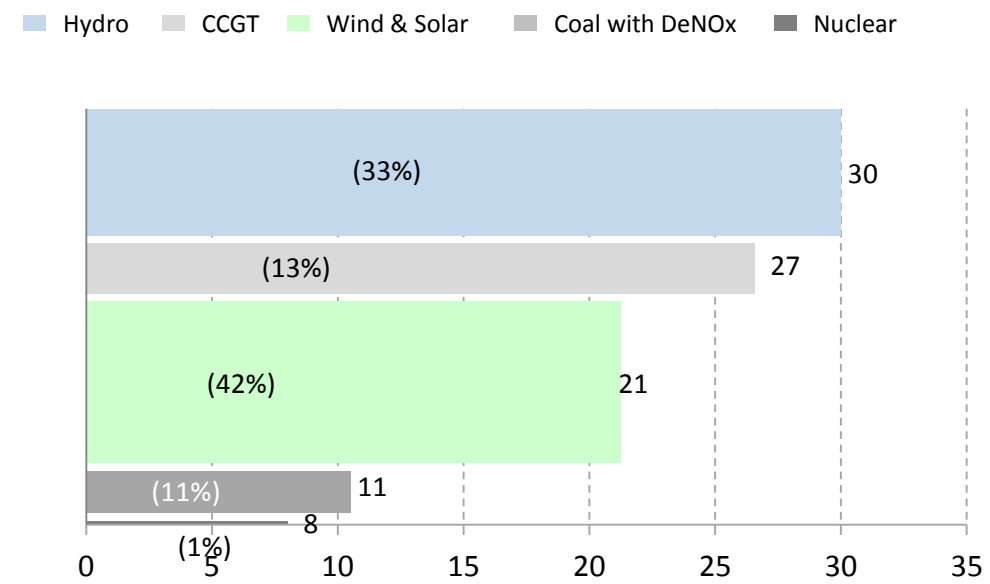


Growth focused on renewables (mostly US) and regulated networks (Brazil transmission capex: €0.8bn)

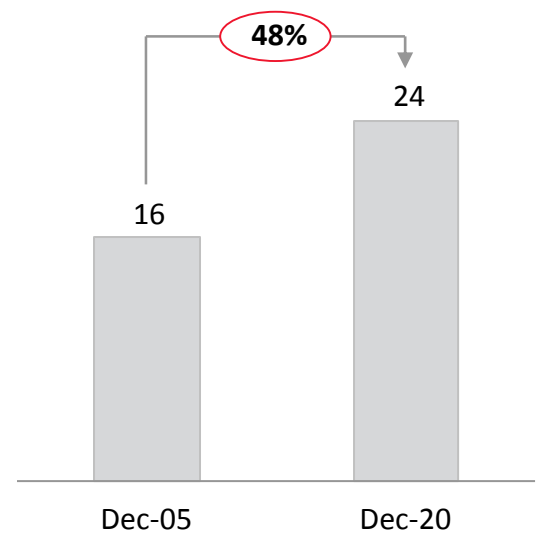
# Continuing to reinforce our distinct portfolio of assets



Average Residual Useful Life of EDP's Generation – 2020E  
by Technology<sup>(1)</sup>



Average Residual Useful Life of EDP's  
Generation Portfolio<sup>(1)</sup> (Years)



**Generation portfolio: low exposure to regulatory/environmental risks as CO<sub>2</sub>, NOx or nuclear lifecycles**  
**Long term contracted generation and regulated networks to represent ~75% of EBITDA by 2020**

(1) Reference Date: Dec-20; Excluding: Special Regime (Mini-hydro, Cogeneration and Biomass) and Including MW attributable by Equity Consolidated Method



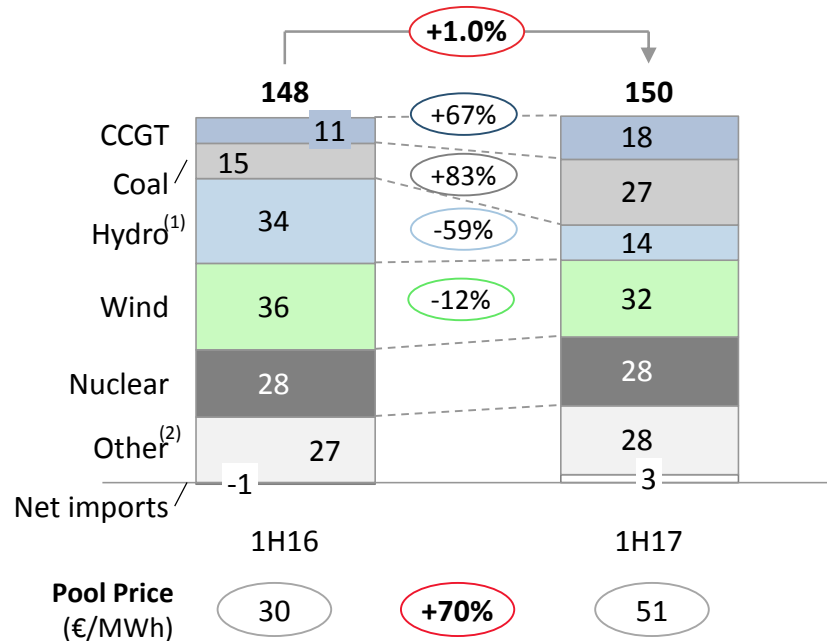
# Results Analysis

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# Overview of Iberian Market in 1H17



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

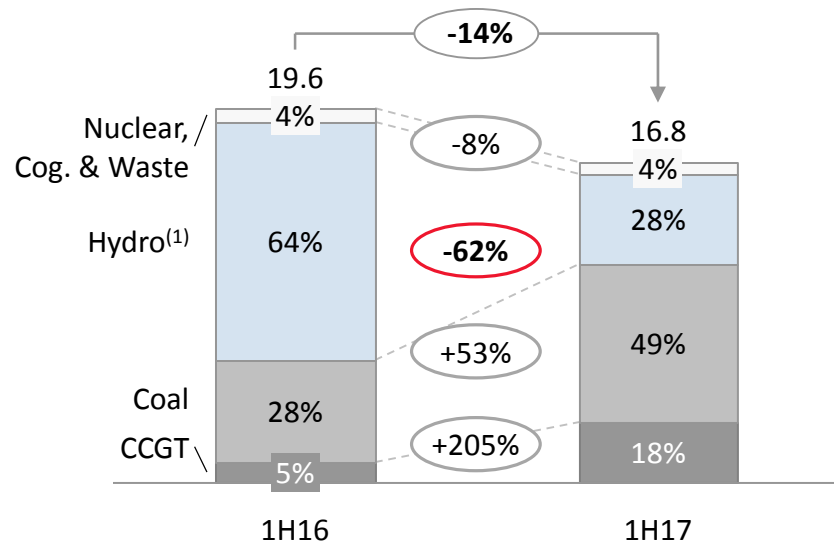


- Electricity demand: +1%
- Hydro production: -59%
- Wind production: -12%
- Coal and CCGT production: +76%
- Net imports from France: 3TWh (all in 2Q17)

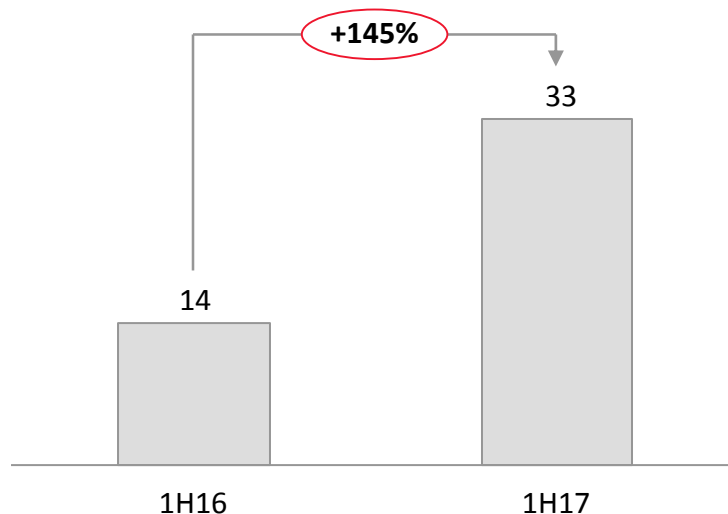
**Low hydro volumes and normalised wind resources: Avg. pool price +70% to €51/MWh**

# Electricity Generation in Iberia

**EDP Generation Iberia – Production <sup>(1)</sup>**  
(TWh)



**Avg. Production Cost**  
(€/MWh)



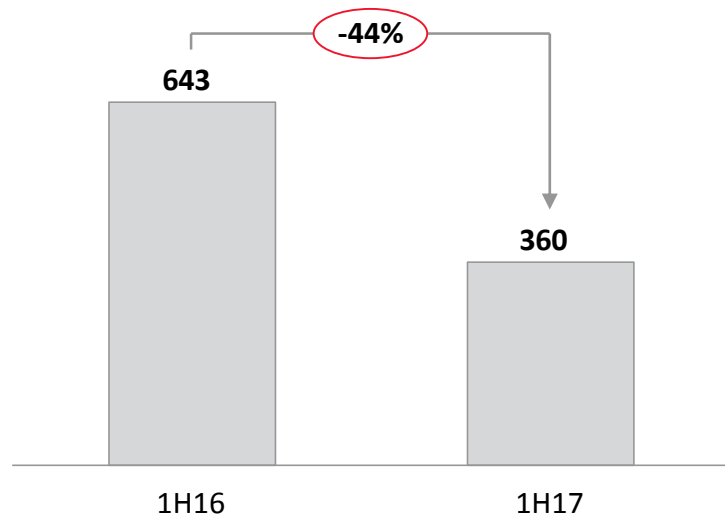
**Strong decline of the weight of hydro on production mix (28% in 1H17 vs. 64% in 1H16)**  
**Avg. production cost more than doubled due sharp increase of thermal production**

(1) Excluding wind and solar and including mini-hydro

# Generation and Supply Iberia (19% EBITDA)



EBITDA Generation & Supply Iberia  
(€ million)



- Avg. sourcing cost +77%
- Energy management: wiped out on high pool prices

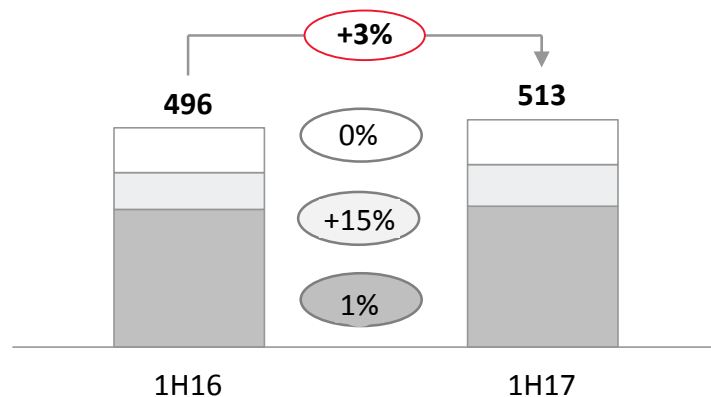
**Weak performance in 1H17 following low hydro production and high pool prices**

# Regulated Energy Networks Iberia (27% of EBITDA)

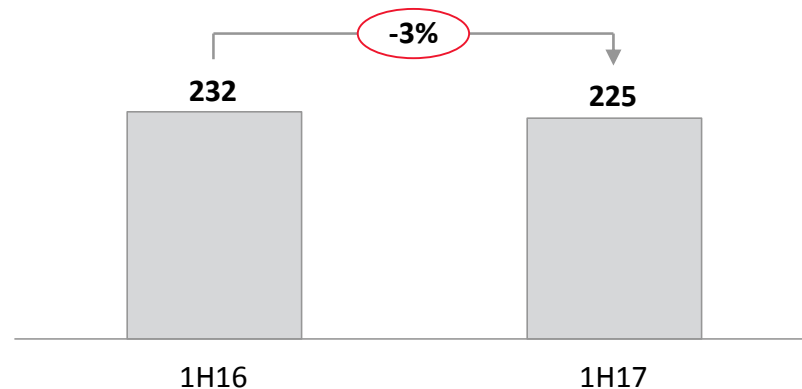


EBITDA - Regulated networks  
(€ million)

Gas Iberia Electricity Spain Electricity Portugal



Controllable Costs<sup>(1)</sup> - Regulated networks  
(€ million)



- **Electricity Portugal:** Slight YoY increase on RoRAB to 6.76%, 3% reduction on controllable costs
- **Electricity Spain:** Tight cost control and provisions reversal

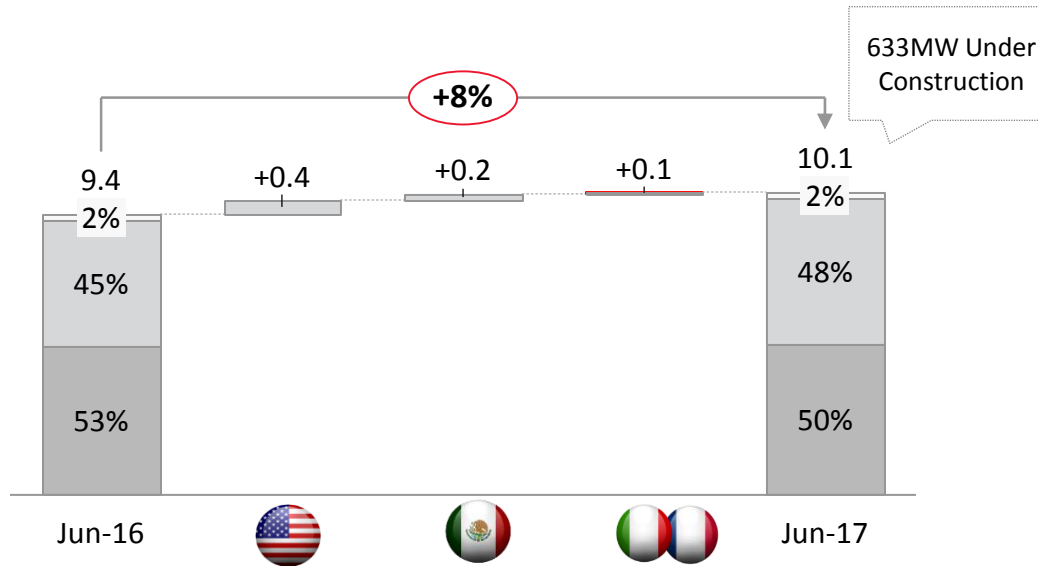
**EBITDA +3% supported by stable regulated revenues and efficiency improvements**

(1) Controllable costs = Supplies & Services + Personnel costs (excluding costs with social benefits)

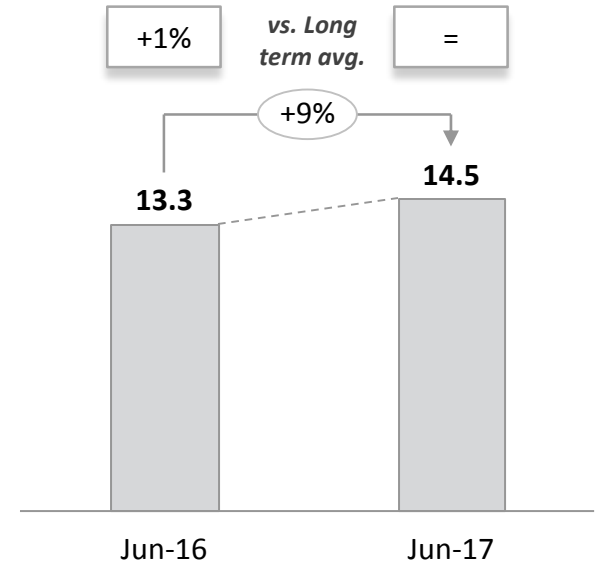
# EDP Renováveis (38% of EBITDA)

## EDPR Installed Capacity (GW)

Brazil
  North America
  Europe



## Production (TWh)

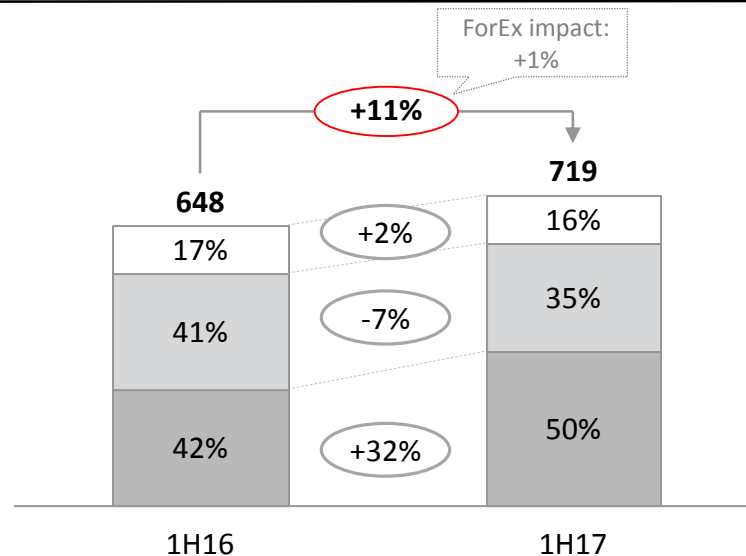
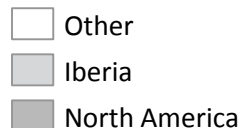


**Installed capacity +8%, due to US (+0.4GW) and Mexico (+0.2GW); more 0.6GW under construction (mostly US)**  
**Production +9%, supported by +8% avg. capacity increase and wind resources in line with long term average**



## EDPR EBITDA

(€ million)

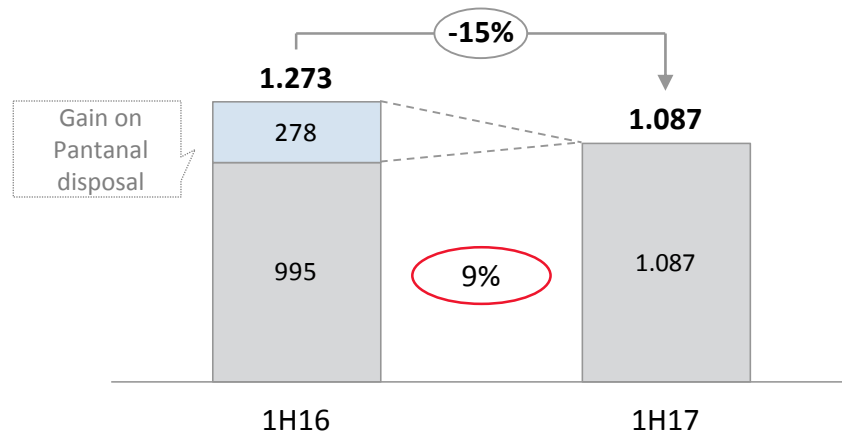


- **North America:** Forex +3%, production +21%, higher revenues from TEI/PTC and USD6m one-off in 1H17
- **Iberia:** Production -9%; EBITDA Spain +1% (avg. selling price +12%); EBITDA Portugal -14% (avg. selling price +1%)
- **Other markets:** EBITDA rest of Europe +2% (installed capacity +5%, avg. selling price -1%)

# EDP Brasil (17% of EBITDA)

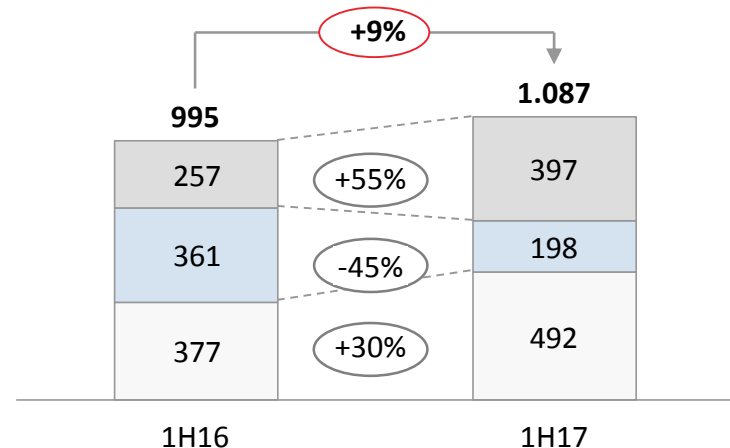
## EDP Brasil EBITDA (BRL million)

Non recurring Recurring



## EDP Brasil Recurring EBITDA (BRL million)

Hydro Generation & Other Pecém I Distribution



- **Distribution:** regulated revenues growth; gain on sale of energy surplus at spot prices in 1H17 (vs. loss in 1H16)
- **Hydro:** Annual contracted sales front-loaded in 1H17, effect to be diluted in 2H17 (GSF 97% in 1H17 vs. 85% 2017E)
- **Pecém coal plant:** One-off insurance compensation revenue in 1H16; 1H17 penalized by increase of spot price (PLD)

# Strong performance on operating costs



Weight on Opex

Business area	Indicator	YoY Change	Main drivers
56% Iberia	Opex	+1%	<ul style="list-style-type: none"><li>Avg. MW: +6%; Avg. # contracts: +6%</li><li>Thermal prod.: +77%; Inflation Portugal +1.4%</li></ul>
25% EDPR	Core Opex/MW (ex-forex):	Flat	<ul style="list-style-type: none"><li>Average installed capacity: +8%</li><li>Opex ex-forex: +8%</li></ul>
19% EDP Brasil	Opex in BRL (inflation adjusted):	Flat	<ul style="list-style-type: none"><li>Opex in BRL: +3%</li><li>Avg. Inflation 1H17: +3.0%<sup>(1)</sup></li></ul>

**Opex IV corporate-wide efficiency programme: €71m savings in 1H17, 27% above target**

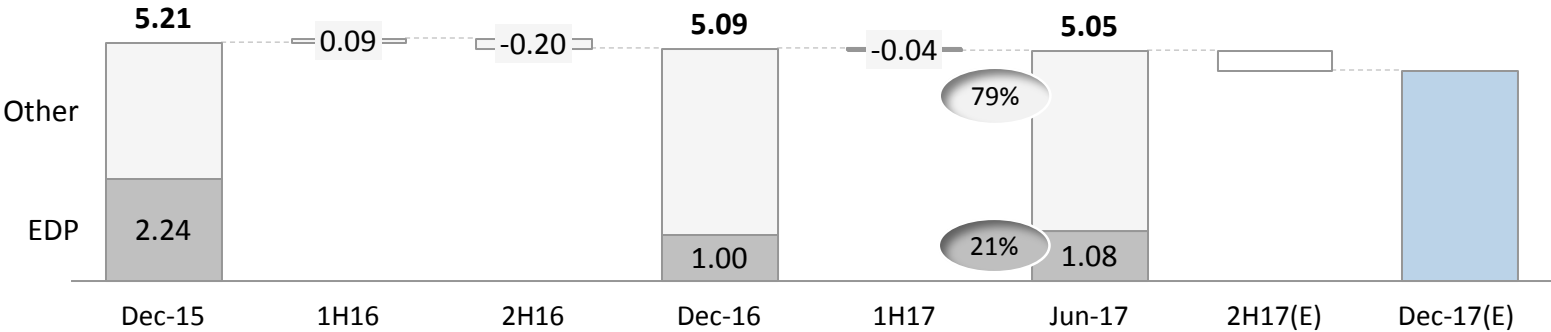
(1) Avg. IPCA 1H17 vs. 1H16

# Portugal Electricity System on track to clear surplus in 2017



Portugal: Electricity System Regulatory Receivables  
(€bn)

○ Share of total receivables in the system



Demand <sup>(1)</sup> (YoY Chg.)	-0.4%	+1.8%	-0.9%
Wind Factor (1.0=avg.)	1.09	0.91	0.99
Special Regime Premium (€/MWh)	71	51	57

Tariff surplus of €42m in 1H17 vs. tariff deficit of €85m in 1H16

(1) Electricity distributed by EDP.

# Adjusted net expansion investments

(€ million)	1H16	1H17	Δ Abs.	
Expansion Capex	460	463	+3	
Change in Equipment Suppliers	409	350	-60	▪ EDPR seasonal effect (post 4Q commissioning)
Change in Consolidation Perimeter	1	216	+215	▪ 1H17: full consolidation of Mexico wind farm
Net Financial Investments <sup>(1)</sup>	(804)	(240)	+564	▪ 1H16: Sale of mini-hydro Brazil and EDPR asset rotation transactions in US and Europe ▪ 1H17: Sale of 49% wind farms Portugal and REN stake
TEI Proceeds	(212)	(2)	+211	▪ TEI deals proceeds normally in 4Q; (proceeds from 2015 TEI deals were exceptionally delayed to 1Q16)
<b>Total Adj. Net Expansion Invest.</b>	<b>(145)</b>	<b>787</b>	<b>+933</b>	

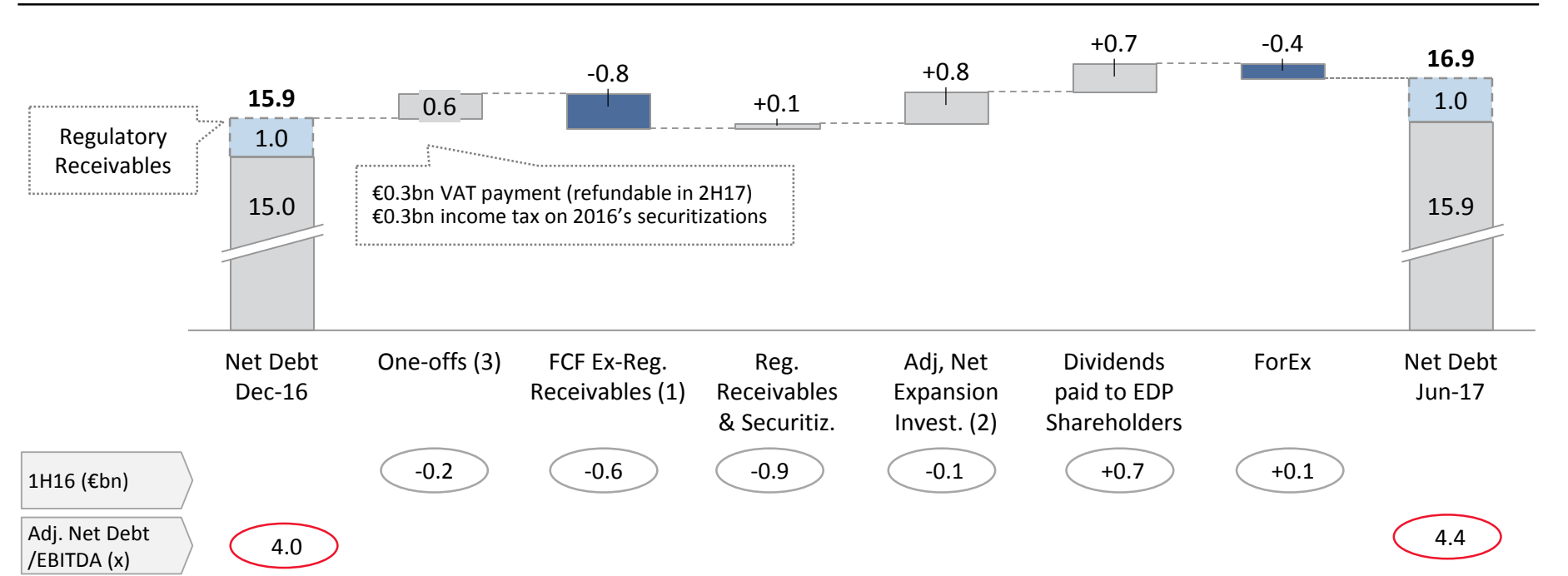
**Disposals agreed:** Gas distribution Iberia (~€3.0bn); closing expected in 3Q17

**TEI proceeds** from 2017 projects announced for 2H17

# Change in net debt

Change in Net Debt: Jun-17 vs. Dec-16

(€ billion)



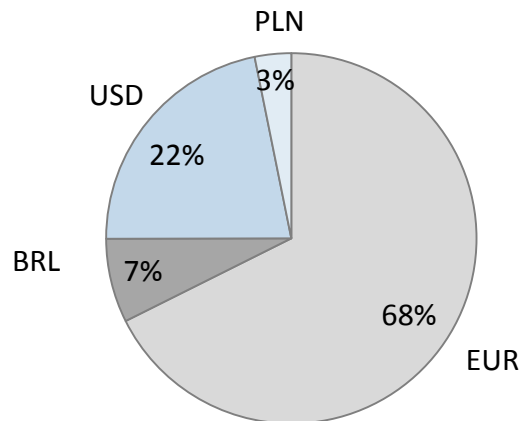
**Sound free cash flow, offset by one-off taxes (€0.6bn) and higher net expansion investments (€0.8bn)**

(1) EBITDA - Maintenance capex - Interest paid - Income taxes + Chg. in work. Capital excluding regulatory receivables; (2) Expansion capex, Net financial investments (incl. shareholder loans transferred in asset rotation deals), TEI proceeds, Chg. in work. capital from equip. suppliers; acquisitions and disposals; and changes in consolidation perimeter.

# Financial Debt profile by currency and maturity



EDP consolidated debt by currency: Jun-17  
(%)

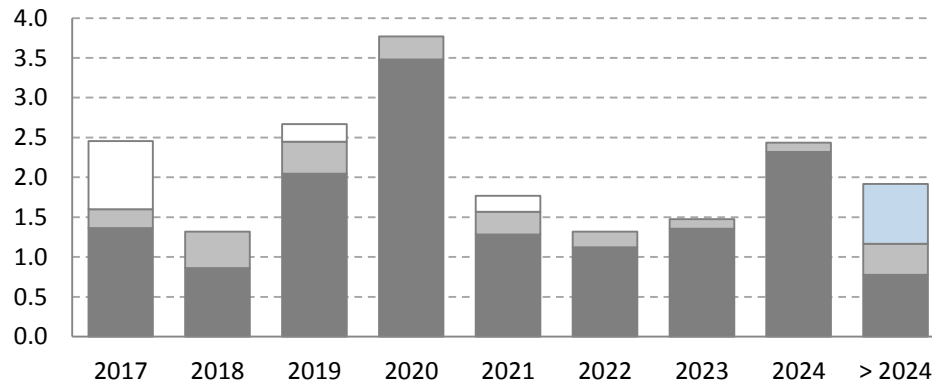


EDP consolidated debt maturity profile as of Jun-17  
(€ billion)

Commercial Paper  
Other Subsidiaries

Hybrid Bond  
EDP S.A. & EDP Finance BV

**Avg. Debt Maturity:**  
**4.6 years**



**Natural hedge policy: Investments and operations funded in local currency to mitigate ForEx risk**

**Average debt maturity: 4.6 years in Jun-17 vs. 5 years in Dec-16**

# Financial liquidity vs. Refinancing needs

Financial liquidity (Jun-17)		Refinancing needs 2017-2019	
▪ Cash & Equivalents:	€2.0bn	▪ 2017:	€2.2bn
		6.625% GBP Bond maturing @ Aug-17	€0.32bn
▪ Available Credit Lines:	€3.8bn	5.75% Eurobond maturing @ Sep-17	€0.75bn
Revolving Credit Facility (Jun-19)	€3.6bn	Bank Loans and ECP	€1.1bn
Other RCF/Credit lines	€0.2bn		
		▪ Refinancing needs 2018:	€0.9bn
		▪ Refinancing needs 2019:	€2.3bn
TOTAL	€5.8bn	TOTAL	€5.4bn

**€5.8bn of financial liquidity by Jun-17 covered refinancing needs beyond 2018**

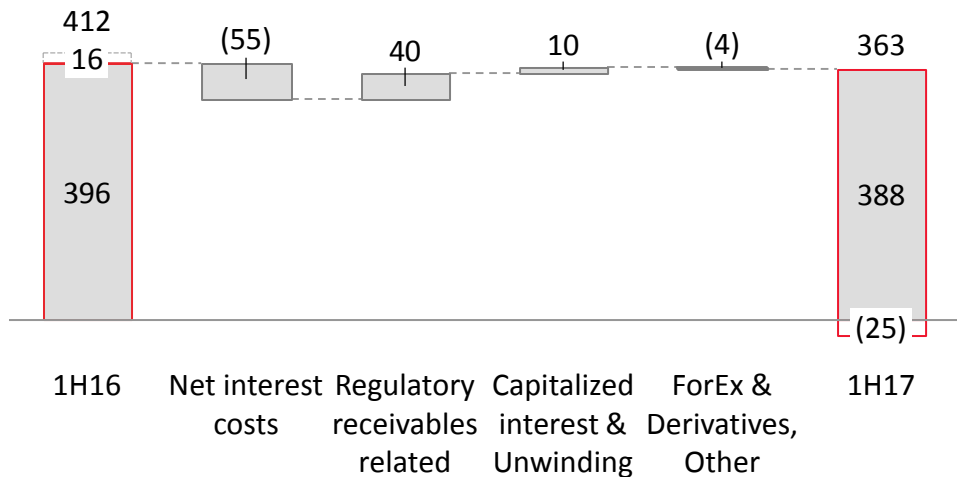


# Financial Results

## Financial Results & Associates: 1H17 vs. 1H16

(€ million of net cost)

□ One-offs<sup>(1)</sup>



- **Net interest costs:** -14% YoY
- **Regulatory receivables related:** 35% decline on balance sheet amounts, lower returns
- **Capitalised interest:** Full commissioning of hydro plants in Portugal
- **Other:** Forex & energy derivatives (-€16m in 1H17 vs. +€5m in 1H16); cost with EDPR's debt prepayment in 1H16 (€22m)

**Lower net financial costs: lower interest costs partially offset by lower financial revenues and forex**

(1) One offs: in 1H17: +€25m (gain on sale of equity stake in REN); in 1H16: -€16m net (-€27m from impairment on BCP and +11m from gain on the sale of Tejo Energia)

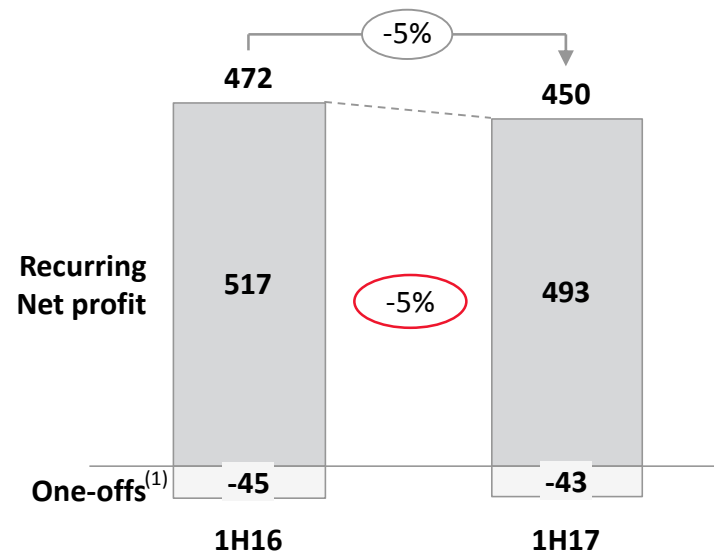
# Net Profit breakdown



(€ million)	1H16	1H17	Δ %	Δ Abs.
<b>EBITDA</b>	<b>2,067</b>	<b>1,902</b>	<b>-8%</b>	<b>-164</b>
Net Depreciations and Provisions	739	710	-4%	-29
<b>EBIT</b>	<b>1,327</b>	<b>1,192</b>	<b>-10%</b>	<b>-135</b>
Financial Results & Associated Companies	(412)	(363)	+12%	+50
Income Taxes	243	119	-51%	-124
Extraordinary Energy Tax in Portugal	59	67	+15%	+9
Non-controlling interests	141	192	+36%	+51
<b>Net Profit</b>	<b>472</b>	<b>450</b>	<b>-5%</b>	<b>-22</b>

## Net Profit (€ million)

○ % Chg. YoY



**Recurring net profit -5%: Lower EBIT mitigated by better financial results and lower effective tax rate**

(1) Adjustments (shown as impact on net profit): i) in 1H16: +€24m from the sale of Pantanal, +€10m on Financial Results, -€59m of Extraordinary energy tax; In 1H17: +€25m at Financial Results level, -€67m of Extraordinary energy tax.



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## Next Events

**July 27<sup>th</sup>:** Release of 1H17 Results

**Sep 8<sup>th</sup>:** BPI Iberian Conference (Cascais)

**Sep 13<sup>th</sup>:** BBVA Iberian Conference (London)

**Sep 14<sup>th</sup>:** Morgan Stanley Utilities Conference (London)

**Sep 15<sup>th</sup>:** Kepler Conference (Paris)

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