# Results Presentation
# 9M17

Lisbon, November 3rd, 2017

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# 9M17: Key Highlights

**EBITDA €3,269m, +13% YoY** benefiting from gain on Naturgas disposal

**Recurring EBITDA(1) €2,711m, -4% YoY** penalised by 52% decline YoY of hydro production in Iberia

**OPEX IV efficiency programme** achieved savings of €103m in 9M17 (23% above target)

Opex in Iberia: **-1% YoY**; OPEX/MW EDPR **-2% YoY**; OPEX in Brazil evolving **below inflation**

**Net debt of €15.1bn by Sep-17, -5% YTD**

Portfolio reshuffling (disposal of Naturgas & reinforecement in EDPR stake to 82.6%): -€1.9bn on net debt

**Rating upgrade by S&P in Aug-17**: investment grade with stable outlook by the 3 credit agencies

**Net interest costs -13% YoY**, following 40bp decline in avg. cost of debt to 4.1%

**Net Profit €1,147m, +86% YoY**

**Recurring Net Profit €633m, -4% YoY**

(1) In 9M16: gain on the sale of Pantanal (+€61m); In 9M17: gain on the sale of gas distribution in Spain (+€558m) (2) Includes "Other"

# 4% decline of recurring EBITDA reflects portfolio diversification

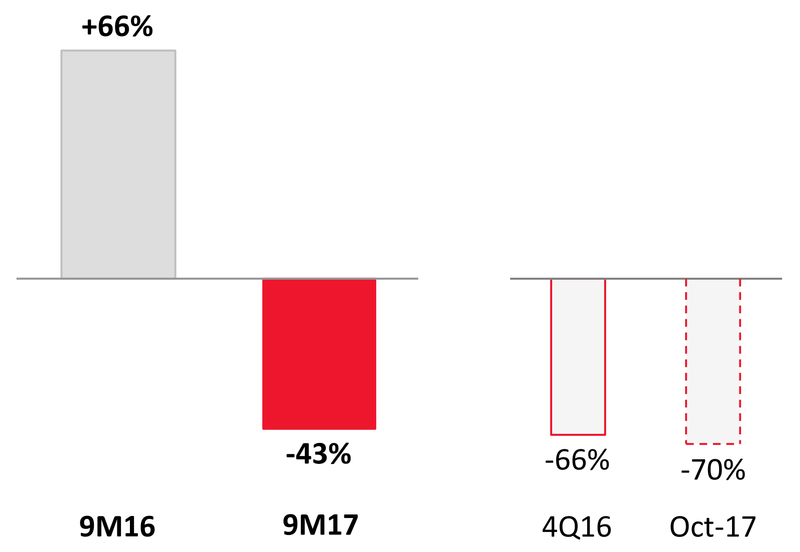
Weight on Recurring EBITDA

| Weight on Recurring EBITDA | Segment | Recurring EBITDA YoY change | Comments |
| --- | --- | --- | --- |
| 37% | EDPR | +17% | ▪ EBITDA growth driven by US, Mexico, Brazil and 1st farm down in UK offshore<br>▪ Production +10%, supported by +8% avg. capacity (mostly US, Mexico) and higher load factor |
| 27% | Regulated Networks Iberia | -4% | ▪ Deconsolidation of gas distribution Spain from Jul-17 onwards: -€24m impact in 3Q17<br>▪ Pro-forma EBITDA Electricity Portugal and Spain -1% YoY |
| 19% | Generation & Supply | -35% | ▪ Extremely adverse hydro conditions: -43% in 9M17 vs. historical average<br>▪ Strong increase of sourcing costs due to very weak hydro and higher fuel/regulatory costs |
| 17% | EDP Brasil | $+13\%_{EUR}$<br>$+1\%_{BRL}$ | ▪ Integrated hedging strategy for the whole portfolio: generation/distribution/supply<br>▪ Mitigation of impact from weaker hydro: active management of uncontracted volumes |

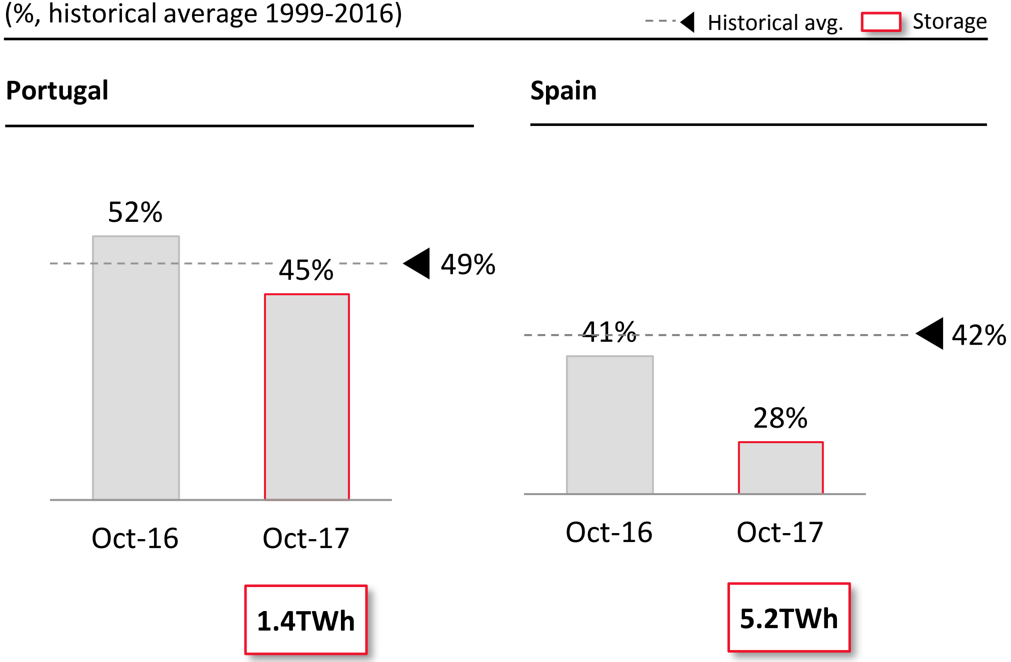
**Strong decline in EBITDA in Iberia -20% YoY (low hydro, Naturgas deconsolidation from Jul-17) partially mitigated by EBITDA growth in renewables and Brazil**

# Abnormally low hydro resources in Iberia in 2017

**Hydro Production: Hydro Coefficient in Portugal**
(Deviation vs. avg. hydro year)



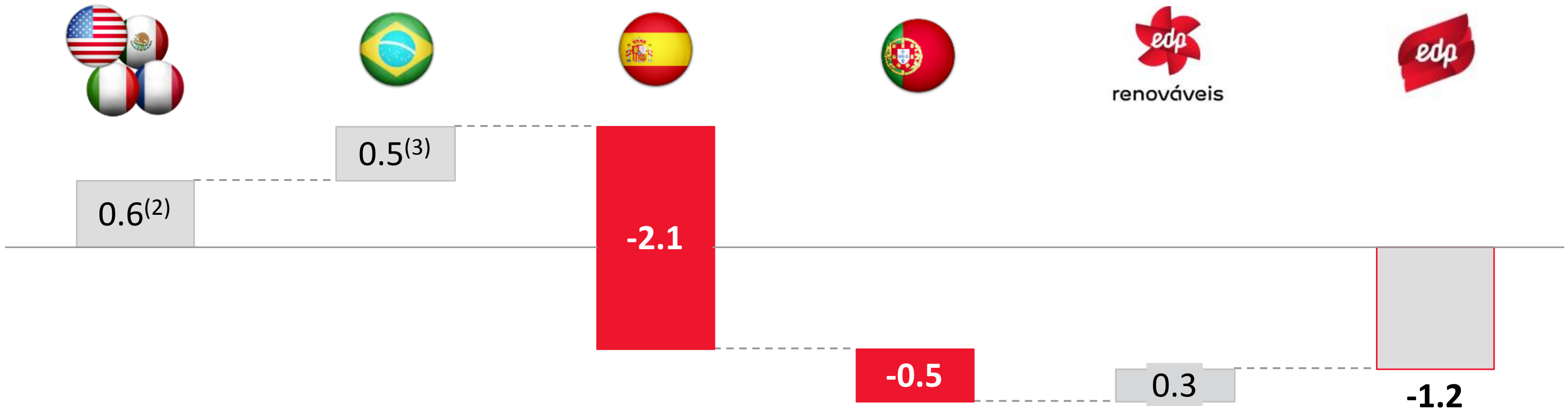

**Hydro reservoirs in Iberia: Oct-17**
(%, historical average 1999-2016)




**EDP hydro production Iberia in 9M17: -c.6TWh vs. historical average**

# Asset allocation strategy 2017

**Net investments[1] 2017E: geographical breakdown**
(€bn)




~0.6GW of renewables with PPA/FiT

New hydro and wind with PPA; Regulated networks

Sale of gas assets;

Sale of gas distribution and 49% in some wind farms

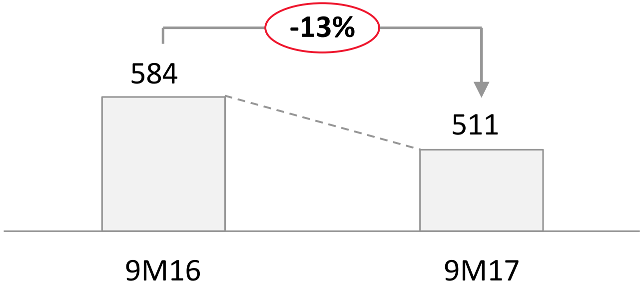
Acquisition of 5.1% stake in EDPR

**Additional financial flexibility enhanced by lower acceptance rate of EDPR tender: +€1bn**
**Clear trend on geographical mix**

(1) Net of TEIs (2) EDPR Capex in rest of the world allocated to US (3) Includes at EDPR level in Brazil

# Steady decline of interest costs and average cost of debt

**Net Interest Cost**
(€ million)




| Avg. Cost of Debt (%) | 4.5 | -40bp | **4.1** |
|---|---|---|---|

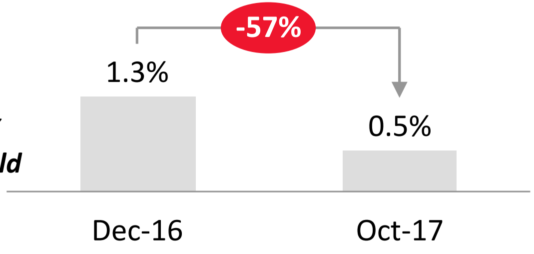
| | Last update | | LT credit rating | Outlook |
|---|---|---|---|---|
| **S&P** | 08/08/17 | ↑ | BBB- | Stable |
| **Moody's** | 03/04/17 | → | Baa3 | Stable |
| **Fitch** | 31/10/16 | → | BBB- | Stable |

**Marginal Cost of Debt**
(%)

Weight on Consolidated net debt

**EUR** 65%

***EDP 5Y Bond Yield***




**USD** 25%

| ***EDP 5Y Bond Yield*** | Dec-16 | | Oct-17 |
|---|---|---|---|
| | 3.7%[1] | *-17%* | 3.1% |

**BRL** 8%

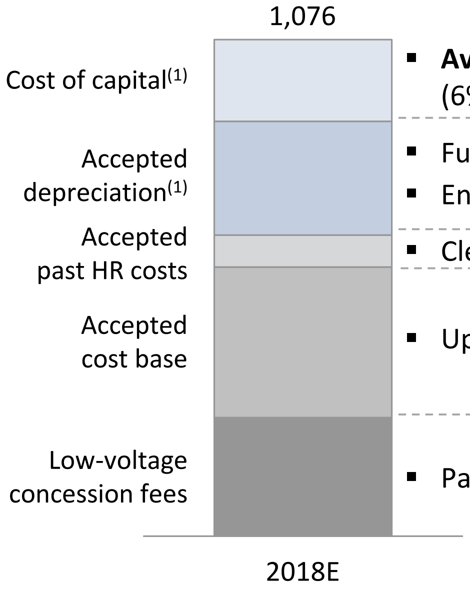
| ***CDI Avg. Rate*** | Dec-16 | | Oct-17 |
|---|---|---|---|
| | 14.1% | *-23%* | 10.8% |

**Upgrade by S&P on Aug. 8th: Investment grade with stable outlook by the 3 credit agencies**
**Marginal cost of funding: clear YTD declines in our 3 major currencies**

(1) EDP 4Y Bond Yield

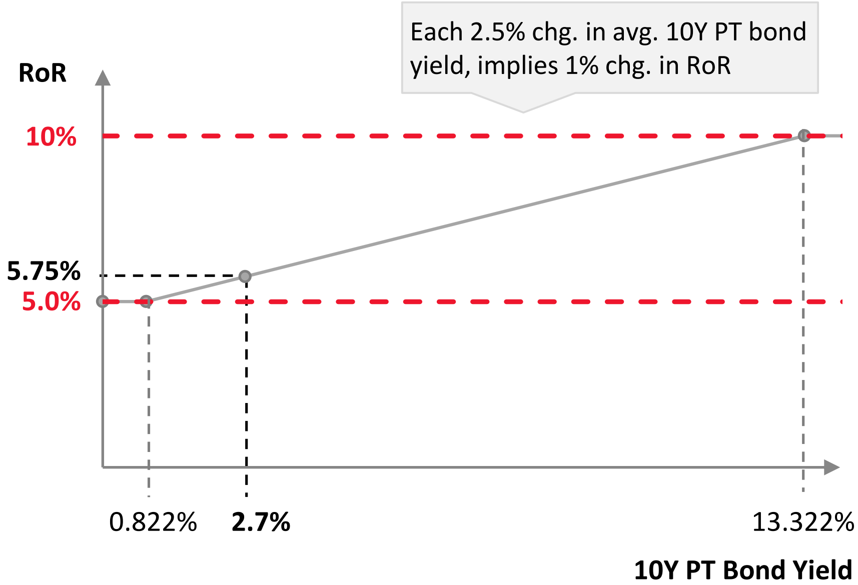
# Electricity Distribution in Portugal: new regulatory period

**Regulated Revenues: 2018E**
(€m)




- **Avg. RoR ~5.85%** (6% Low Voltage; 5.75% H&MV)
- Fully based on IFRS
- End of PT GAAP "Heritage"
- Clear recognition
- Updated at GDP deflator – 2%
- Pass-through cost

**Return on RAB in H&M Voltage: Methodology for 2018-20(2)**
(%; bp)




**Clear regulatory framework for 2018-20: annual RoRAB linked to long-term yields; efficiency incentives**

(1) Low-voltage capex base also subject to efficiency factor (2) 2018E: in accordance with Tariffs Proposal submitted for appreciation to the Tariff Council on October 13th, 2017. ERSE will approve the Final document up to December 15th, 2017

# Regulatory issues under discussion: electricity generation Portugal

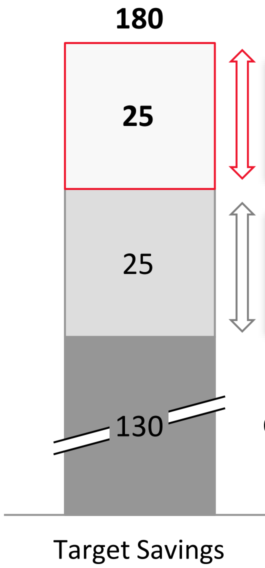
| | CMEC Final Adjustment (receivable over 2018-2027) | Changes in generation taxes | Previous years adjustments |
|---|---|---|---|
| **Recent Developments** | ERSE calculation: +**€154m** no detail on methodology assumed in 2018 tariff proposal | Government decided to exclude paid social tariff and CESE(1) from **"clawback tax" calculation** | **Government decided to revise "Clawback tax" paid in 2015-17** based on new methodology; ERSE assumed it in 2018 tariffs |
| **Next steps** | Energy State Bureau revision **Government final decision**: **Expected before 2017YE** | Government to **define new clawback parameters** and previous years adjustments amount until the end of November | |

**Defending the strict application of legal frameworks in place and international competitive fairness criteria**

(1) Extraordinary energy tax (2) Single Iberian Electricity Market

# Further efficiency efforts

**Annual cost savings: 2018E**
(€m)




**Doubling of outperformance vs. Opex IV savings target**

Expected outperformance vs. OPEX IV target
(measures taken until Sep-17)

OPEX IV Target Savings for 2018

**Additional Cost Savings Key Drivers:**

| | |
|---|---|
| **Zero Base Budgeting** | ▪ On the wave of successful previous programmes in EDP Brasil and generation in Portugal<br>▪ Launch of new Zero Base Budget across divisions |
| **O&M Management** | ▪ Optimise portfolio management through life-cycle<br>▪ Expand self-perform and M3 Programmes in EDPR |
| **Digitalisation and Automation** | ▪ Wide range improvement of efficiency organisation, processes, data analytics, customer relationship management, etc. |
| **Headcount** | ▪ Reinforcement of staff restructuring programme |

**Targeting to double outperformance vs. OPEX IV target for 2018 to a total of €50m**

# Update on asset allocation for 2018-20

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| Capex | Strong visibility at EDPR<br>~0.8GW committed | 5 transmission lines in Brazil<br>R$3.1bn o.w. 95% in 2019-21<br><br>EDPR already secured growth with PPAs/FiT: avg. 0.2GW/year | |
| Asset Rotations | EDPR asset rotations: flexibility on timing (€0.6bn) | | |
| Other levers | Built-Operate-Transfer (majority stakes) as part of renewables business | | |

**Strong visibility in organic growth (renewables and Brazil)**

**Asset rotation model to be complemented with BOT model**

# Update on Guidance 2017 following harsher 2H market conditions

| | Previous Guidance | New Guidance | Key highlights |
|---|---|---|---|
| **Recurring EBITDA** | ~€3.6bn | **€3.5-3.6bn** | ▪ Generation & supply Iberia in 2H17 marked by:<br>1) **Weaker than expected hydro volumes**<br>2) **Increase of electricity pool prices** (Nuclear France, coal)<br>3) **Higher regulatory costs**<br>▪ **Negative impact on EBITDA 2H17: €70m-€80m** |
| **Recurring Net Profit(1)** | ≥€919m | **€850-900m** | |
| **Net Debt** | Dependent on EDPR tender acceptance | **€14.0-14.5bn** | ▪ Depending  exact timing of €0.3bn VAT recovery Spain |
| **Dividend** | €0.19€/share floor | **€0.19€/share floor** | ▪ Maintenance of dividend policy |

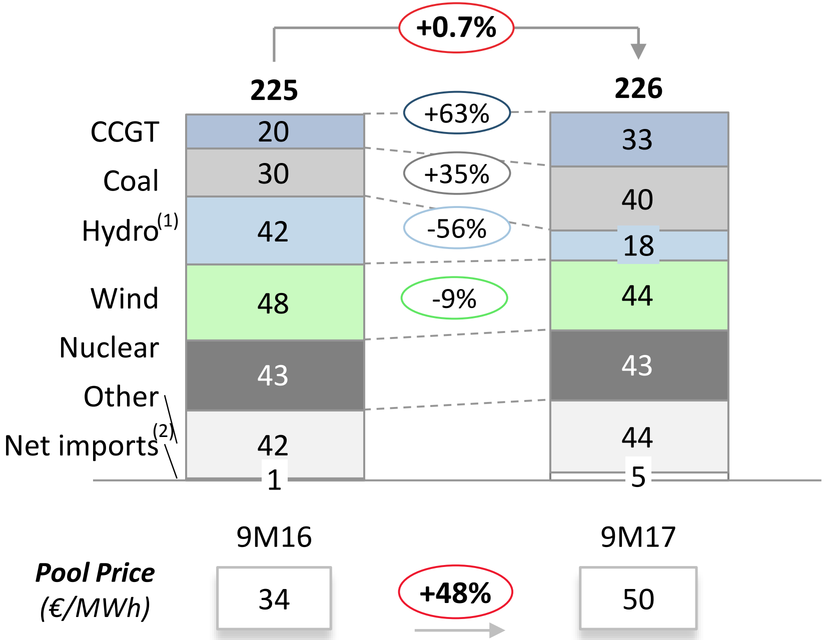
**Next strategy update to be presented in 2Q18: Extending visibility on financial targets post 2020**

(1) Assumes €69m of extraordinary energy tax in Portugal as non-recurring item

# Results Analysis

# Overview of Iberian Market in 9M17

**Electricity Demand and Supply in Iberia** (1)
(TWh)



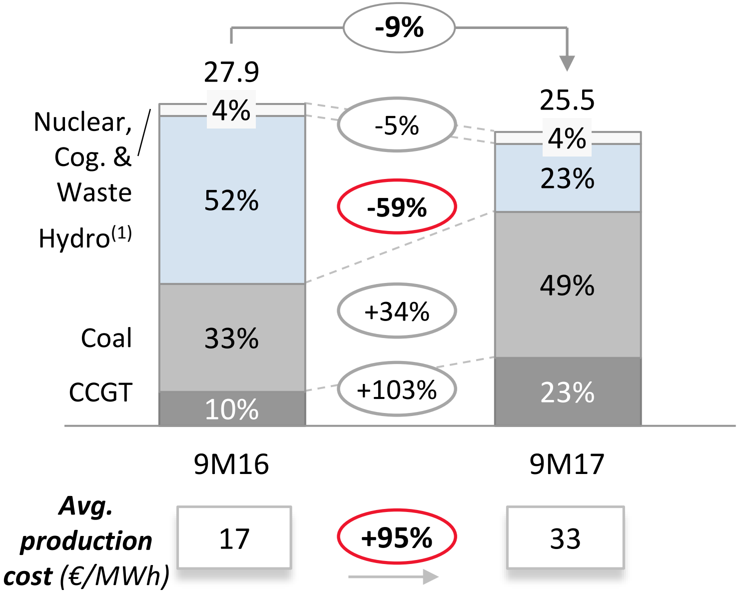

- **Electricity demand:** +0.7%
- **Hydro production:** -56%
- **Wind production:** -9%
- **Coal and CCGT production:** +47%
- **Net imports from France:** 5TWh

**Low hydro volumes and increase of fuel costs: avg. pool price +48% to €50/MWh**

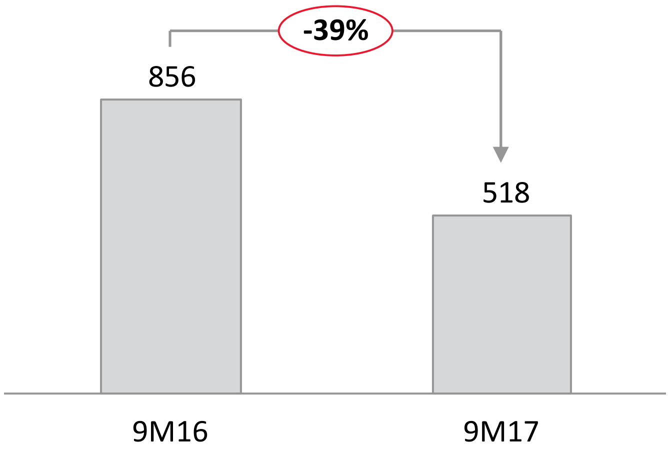
(1) Net of pumping; (2) Other special regime (ex wind).

# Generation and Supply Iberia (19% EBITDA)

**EDP Generation Iberia – Production** (1)
(TWh)




**EBITDA Generation & Supply Iberia**
(€ million)

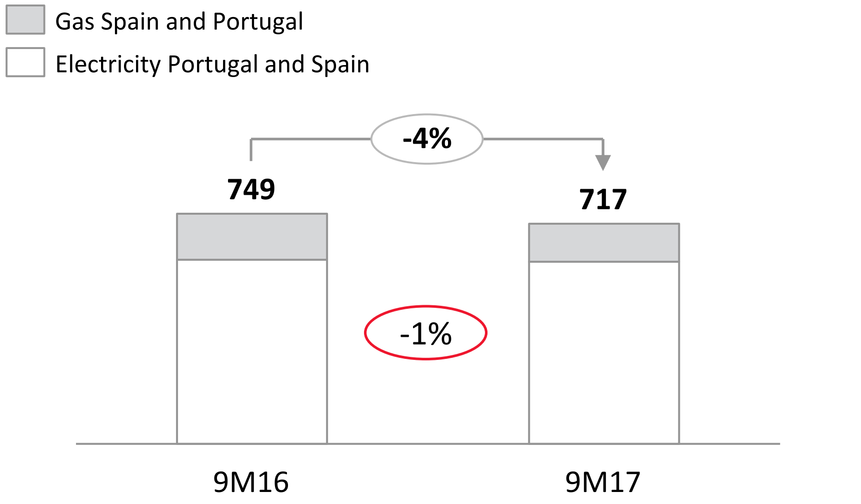



**Strong increase of sourcing costs due to very weak hydro and higher fuel/regulatory costs**
**Avg. production cost +95% YoY vs. avg selling price to customers +2% YoY**

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

# Regulated Energy Networks Iberia (27% of EBITDA)

**EBITDA - Regulated networks**
(€ million)




- **Gas Spain:** sold on July 27th
- **Gas Portugal:** sold on October 4th
- **Electricity Portugal and Spain EBITDA~-1% YoY:**
  - Negative adjustments from previous years
  - OPEX -1% YoY

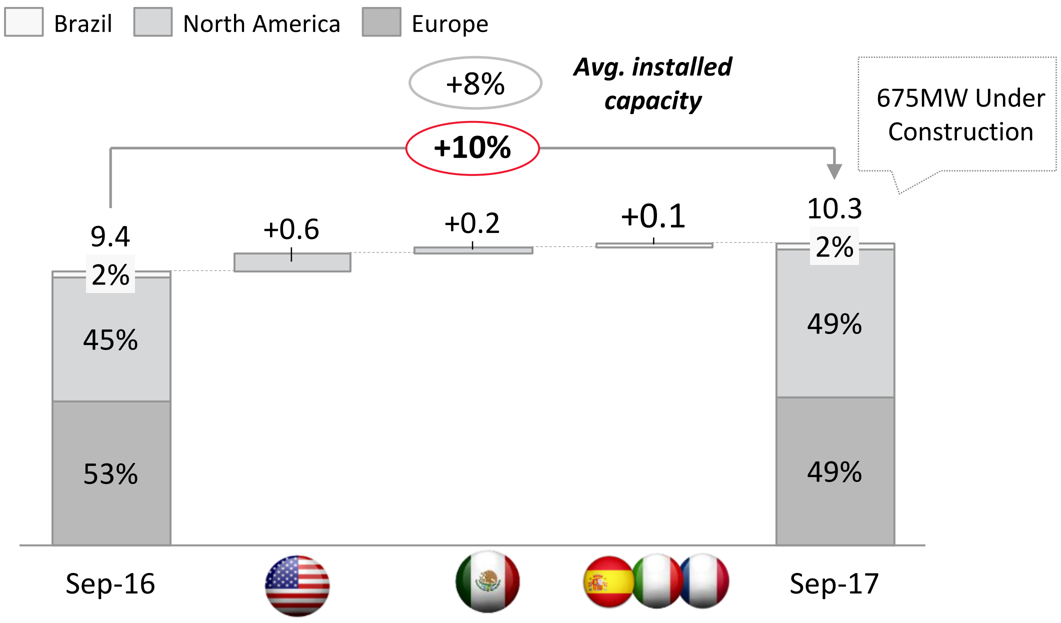
**Deconsolidation of gas distribution Spain from Jul-17 onwards: -€24m impact in 3Q17**

**Pro-forma EBITDA Electricity Portugal and Spain -1% YoY**

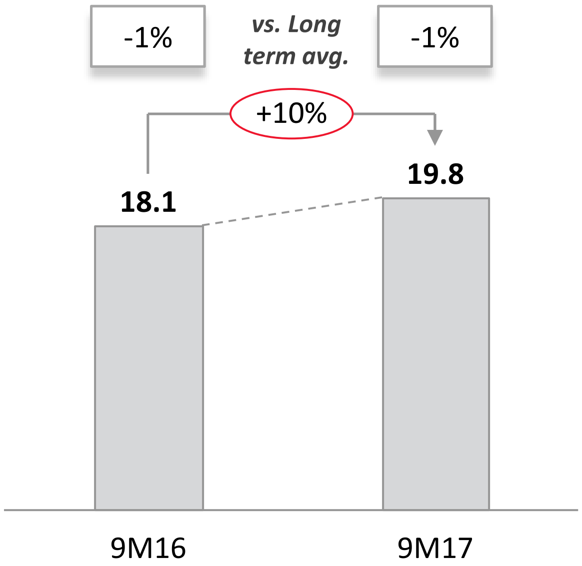
(1) Controllable costs = Supplies & Services + Personnel costs (excluding costs with social benefits)

# EDP Renováveis (37% of EBITDA)

**EDPR Installed Capacity**
(GW)




**Production**
(TWh)

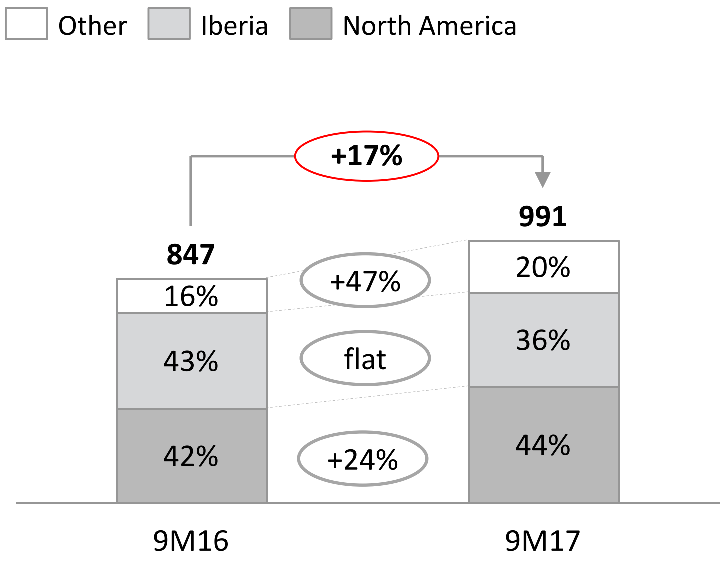



**Installed capacity +10%, due to US and Mexico; more 0.7GW under construction (mostly US)**

**Production +10%, supported by +8% avg. capacity increase and higher load factor**

# EDP Renováveis (37% of EBITDA)

**EDPR EBITDA**
(€ million)

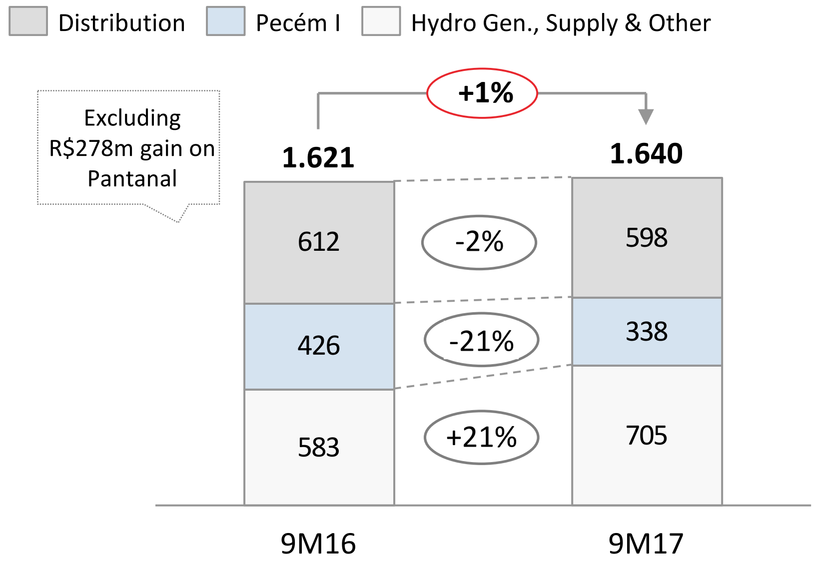



- **EBITDA North America +24% YoY**: capacity + 20%, higher load factor, flat avg. price
- **EBITDA Iberia flat YoY:** +4% in Spain (higher avg. price); -5% in Portugal (lower wind resources)
- **EBITDA Other markets +47% YoY**:
  - new capacity (Italy, France, Brazil);
  - $1^{st}$ farm down in UK offshore project;
  - temporary reduction in PPA volumes in Brazil

**EBITDA growth driven by US, Mexico, Brazil and UK offshore**

# EDP Brasil (17% of EBITDA)

## EDP Brasil Recurring EBITDA
(BRL million)




## Key operating indicators

| | 9M16 | 9M17 | 3Q17 |
|---|---|---|---|
| Hydro Reservoirs (%) | 34 | 19 | 19 |
| GSF (%) | 87 | 86 | 62% |
| PLD (R$/MWh) | 71 | 298 | 436 |

**Integrated hedging strategy for the whole business portfolio: generation/distribution/supply**

**Mitigation of negative impact from weaker hydro: active management of contracted/uncontracted volumes**

# Strong performance on operating costs

Weight on Opex

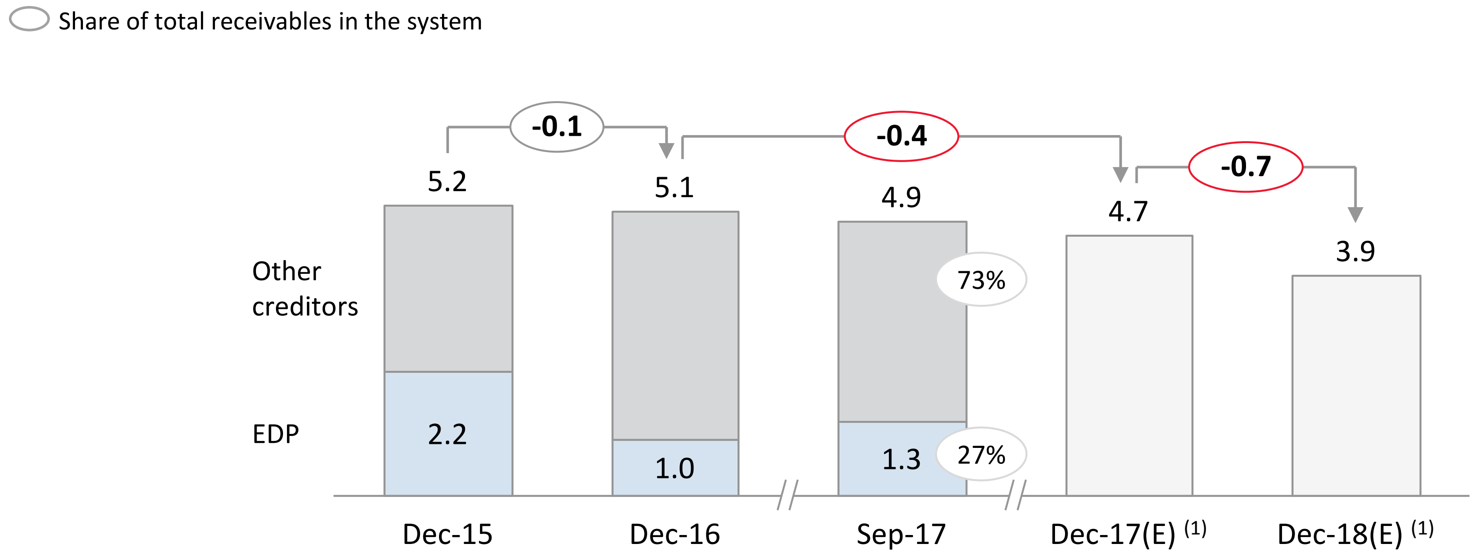
| Weight on Opex | Business area | Indicator | YoY Change | Main drivers |
|---|---|---|---|---|
| 56% | Iberia | Opex | -1% | ▪ Avg. MW: +6%; Customer contracts: +5%;<br>▪ Thermal production: +51%;<br>▪ Inflation Portugal +1.3%[1] |
| 25% | EDPR | Core Opex/MW (ex-forex): | -2% | ▪ Average installed capacity: +8%<br>▪ Opex ex-forex: +6% |
| 19% | EDP Brasil | Opex in BRL (inflation adjusted): | -0.2% | ▪ Opex in BRL:+3.5%<br>▪ Avg. Inflation 9M17: +3.7%[2] |

**Opex IV corporate-wide efficiency programme: €103m savings in 9M17, 23% above target**

(1) Avg. IPC 9M17 vs. 9M16 (2) Avg. IPCA 9M17 vs. 9M16

# Portugal Electricity System: debt with a clear downward trend

**Portugal: Electricity System Regulatory Receivables**
(€bn)




**Total system debt to decrease €0.4bn in 2017, €0.7bn in 2018**

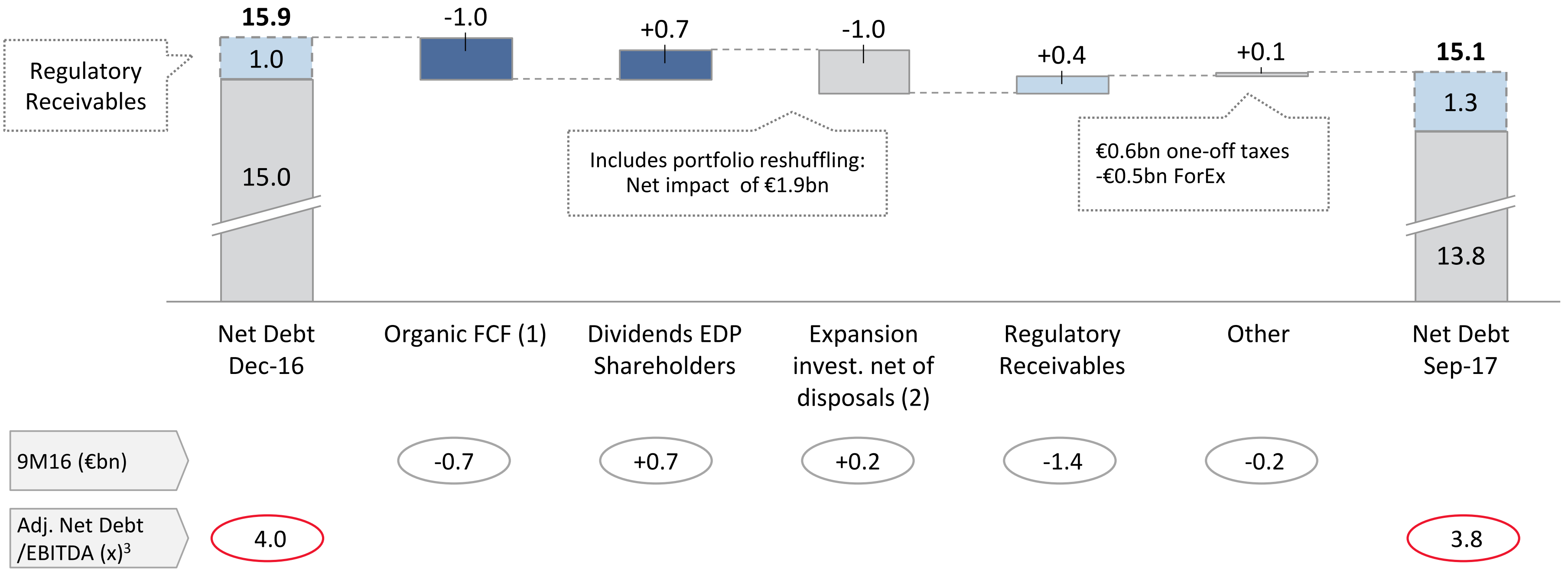
**EDP stake by Dec-17 expected to be flat YoY (~€1bn) on further securitisations**

(1) Estimates based on ERSE's Proposal for 2018 Tariffs

# Net debt ex-regulatory receivables: -€1.2bn YTD

**Change in Net Debt: Sep-17 vs. Dec-16**

(€ billion)




**Sound free cash flow, one-off taxes (€0.6bn) and €1.9bn impact from portfolio reshuffling**

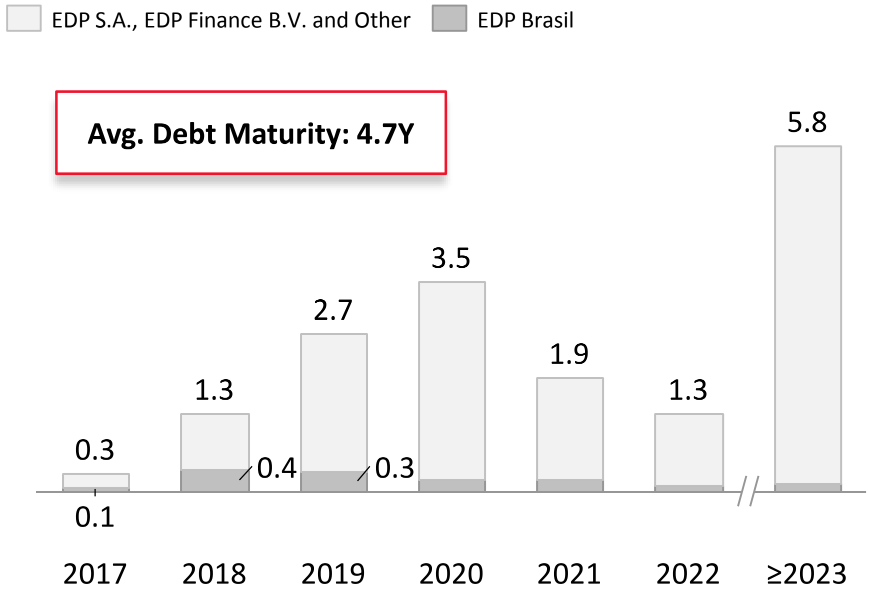
(1) EBITDA - Maintenance capex - Interest paid - Income taxes + Chg. in work. capital excluding regulatory receivables; (2) Expansion capex, Net financial investments (incl. shareholder loans transferred in asset rotation deals), TEI proceeds, Chg. in work. capital from equip. suppliers; acquisitions and disposals; and changes in consolidation perimeter. (3) Net Debt ex-Reg Receivables and trailing recurring EBITDA

# Financial liquidity and debt maturity profile

**Financial liquidity as of Oct-17[1]**
(€bn)

| | |
|---|---|
| **Cash & Equivalents:** | **€1.4bn** |
| **Available Credit Lines:** | **€4.1bn** |
| Revolving Credit Facility maturing on Oct-22[1] | €3.3bn |
| Other RCF's and Credit Lines | €0.8bn |
| **Total Liquidity** | **€5.5bn** |

**EDP consolidated debt maturity profile as of Sep-17**
(€bn)

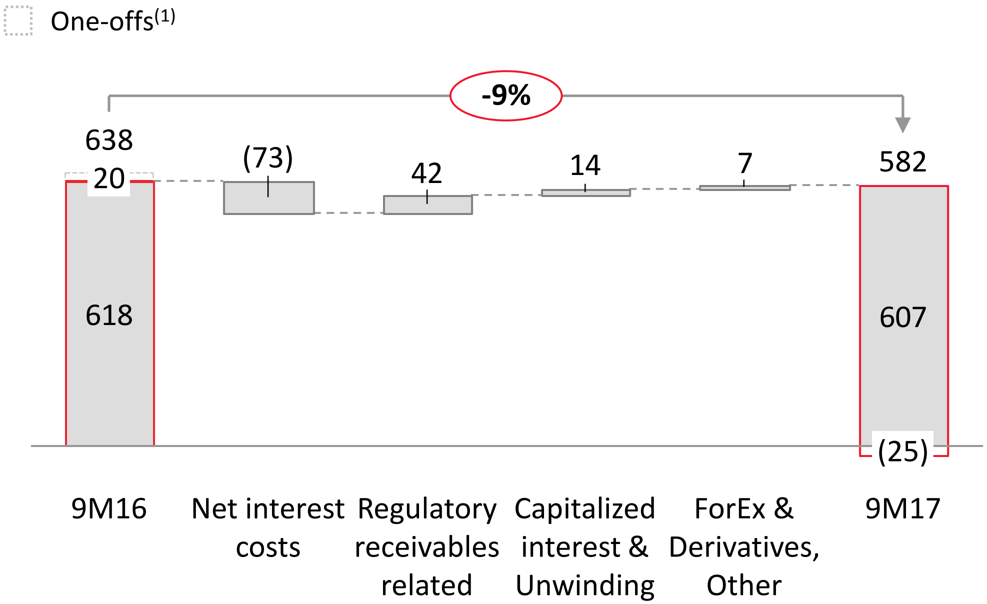



**€5.5bn available liquidity by Oct-17 covers refinancing needs beyond 2019**

(1) The maturity of a €3,3bn RCF was extended from Jun-19 to Jun-22 in Oct-2017

# Recurring net financial costs: -9% YoY

**Financial Results & Associates: 9M17 vs. 9M16**
(€ million of net cost)




- **Net interest costs:** -13% YoY
- **Lower revenues from regulatory receivables** due to lower interest rates
- **Lower capitalised interest** following full commissioning of hydro plants in Portugal
- **Other:** Forex & energy derivatives (-€44m in 9M17 vs. -€11M in 9M16); cost with debt prepayment in 9M16 (€26m, mostly at EDPR level)

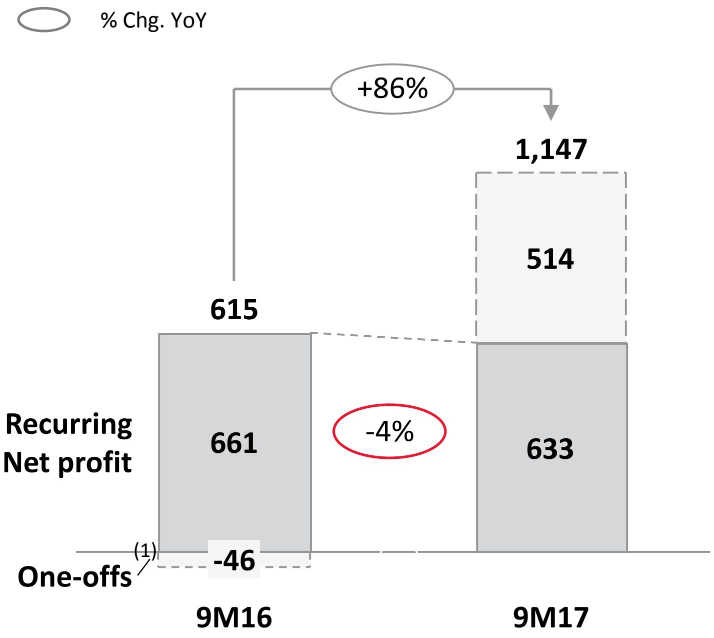
**13% decline of interest costs partially offset by lower financial revenues and negative forex**

(1) One offs: in 9M17: +€25m (gain on sale of equity stake in REN); in 9M16: -€20m net (-€31m from impairment on BCP; +€11m gain on the sale of equity stake in Tejo Energia)

# Net Profit breakdown

| (€ million) | 9M16 | 9M17 | Δ % | Δ Abs. |
|---|---|---|---|---|
| **EBITDA** | **2.893** | **3.269** | **+13%** | **+376** |
| Net Depreciations and Provisions | 1.100 | 1.056 | -4% | -44 |
| **EBIT** | **1.792** | **2.213** | **+23%** | **+421** |
| Financial Results & Associated Companies | (638) | (582) | +9% | +56 |
| Income Taxes | 300 | 175 | -41% | -124 |
| Extraordinary Energy Tax in Portugal | 61 | 69 | +15% | +9 |
| Non-controlling interests | 179 | 239 | +34% | +60 |
| **Net Profit** | **615** | **1.147** | **+86%** | **+532** |

**Net Profit**
(€ million)




**Recurring net profit -4%: Lower EBIT mitigated by better financial results and lower effective tax rate**

(1) Adjustments (shown as impact on net profit): (i) in 9M16 (-€46m): gain from the sale of Pantanal (+€27m), gain from the sale of Tejo Energia stake (+€11m); impairment at our stake in BCP (-€24m) and the extraordinary energy tax (-€61m); (ii) in 9M17 (+€514m): gain from the sale of Naturgás Energia Distribución (€558m), gain from the sale of REN stake (+€25m) and the extraordinary energy tax (-€69m).

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**Nov 2nd:** Release of 9M17 Results

**Nov 7th:** Roadshow Brussels (Kepler)

**Nov 8th:** Roadshow Netherlands (Kepler)

**Nov 9th:** Roadshow London (Morgan Stanley)

**Nov 15th:** UBS Conference (London)

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