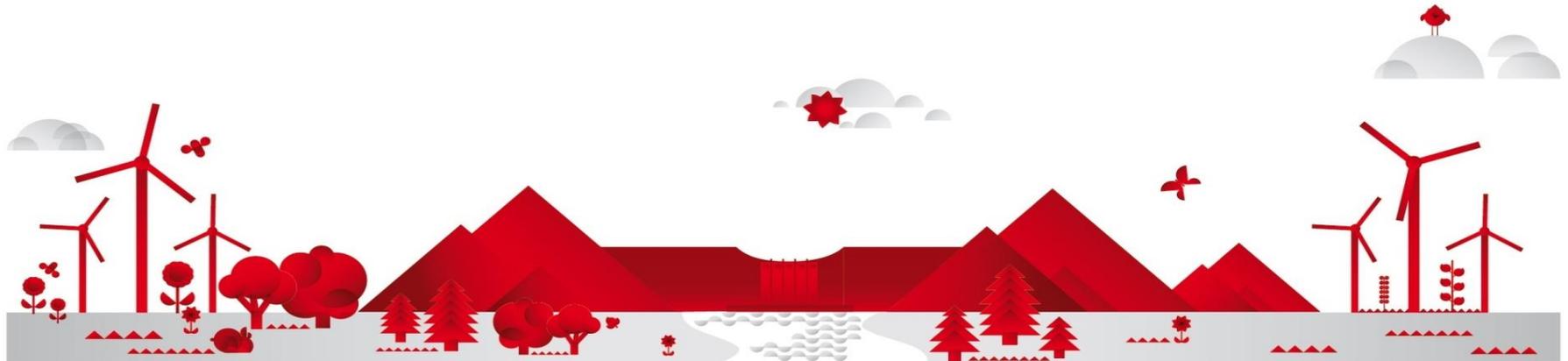




# Results Presentation 1Q17

Lisbon, May 3<sup>rd</sup>, 2017



MEMBER OF  
**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM

## **Recurring EBITDA: €1,011m, -5% YoY**

Hydro production in Iberia -54% YoY: 1Q17 the driest 1Q of the last 5 years, vs. the very rainy 1Q16

## **Recurring Net Profit: €285m, -1% YoY**

Benefiting from interest costs -13%, BRL vs. Euro +29%, lower effective tax rate

## **Net debt flat at €16.0bn by Mar-17**

1Q17 marked by significant expansion investments in wind (US and Mexico) and absence of proceeds from disposals/TEIs

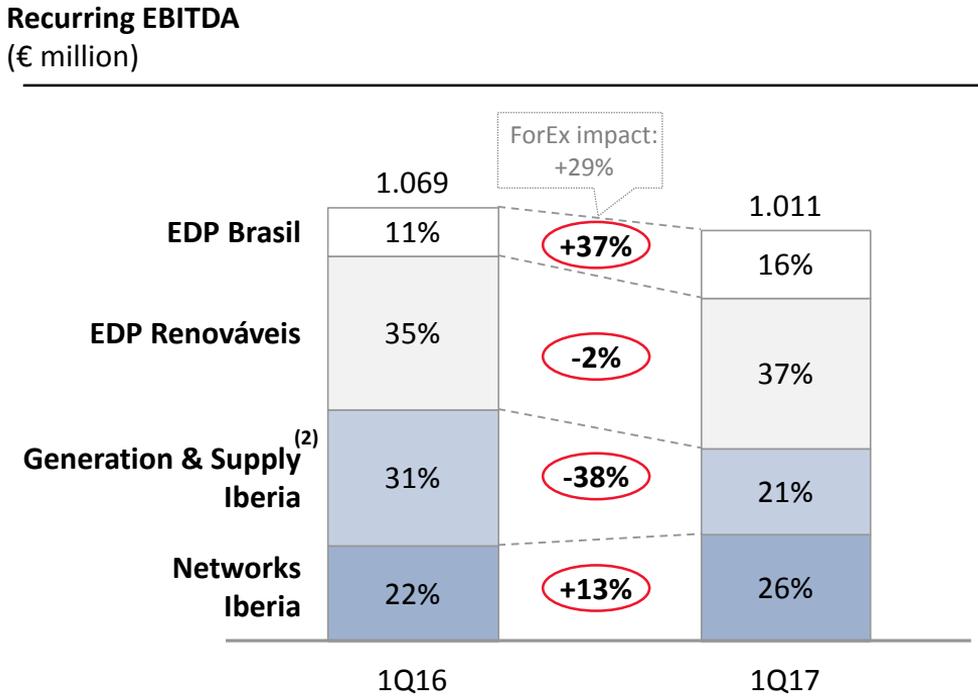
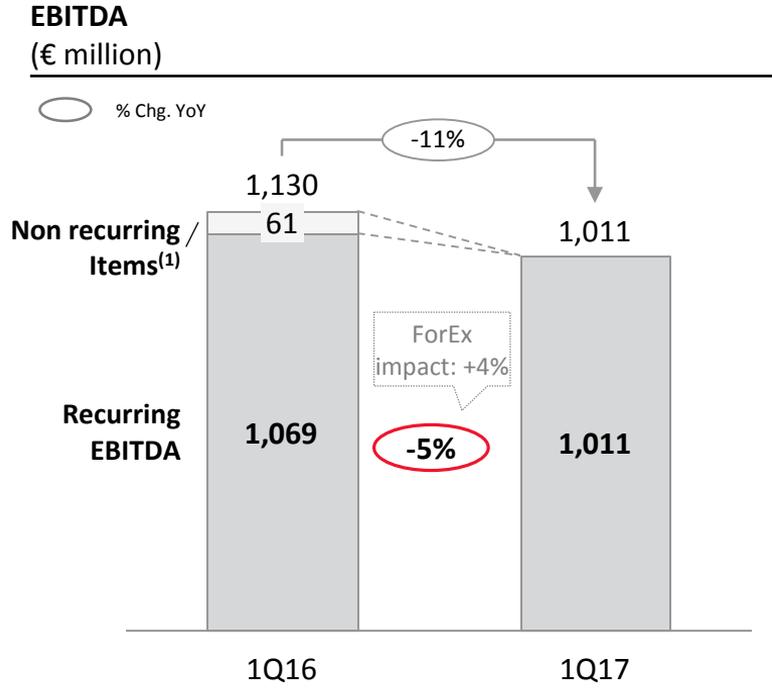
**Apr-17: Definitive Agreements for disposal of gas distribution: ~€3.0bn proceeds; capital gains > €0.7bn**

**March 27<sup>th</sup>: Preliminary announcement of voluntary tender offer over EDPR's 22.5% free float at €6.80/share**

**AGM on April 19<sup>th</sup>: Approval of annual dividend of €0.19/share; Payment: May 17<sup>th</sup> (ex-dividend: May 15<sup>th</sup>)**

**DPS +3% YoY, 72% pay-out ratio: Sustainable dividend policy**

# Recurring EBITDA: -5%

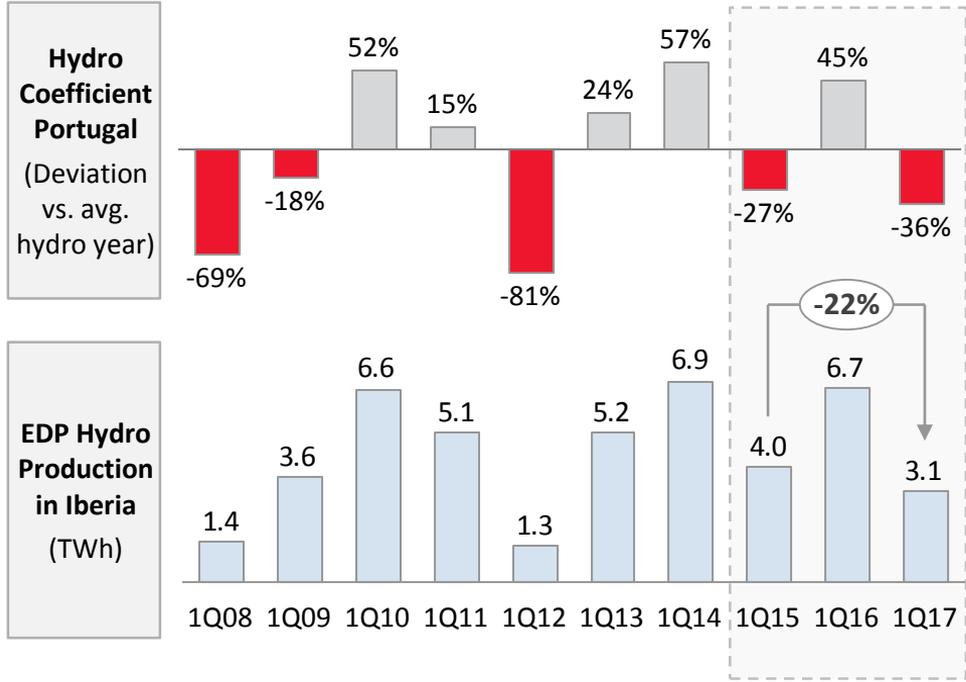


**Iberian recurring EBITDA -17% YoY, penalized by hydro volumes impact on generation & supply**  
 Positive impacts: stronger BRL & USD, growth in regulated networks (Iberia & Brazil) and efficiency gains

(1) In 1Q16: gain on the sale of Pantanal (+€61m); In 1Q17: No impact; (2) Includes "Other"

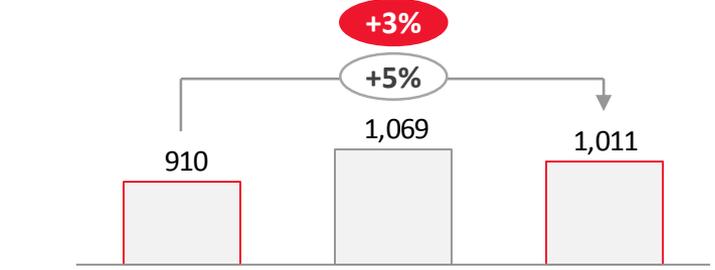
# Hydro production in 1Q17: 36% below long-term average

**Hydro Coefficient and Power Production in 1Q: Last 10 Years**  
(Deviation vs. avg. hydro year; TWh)

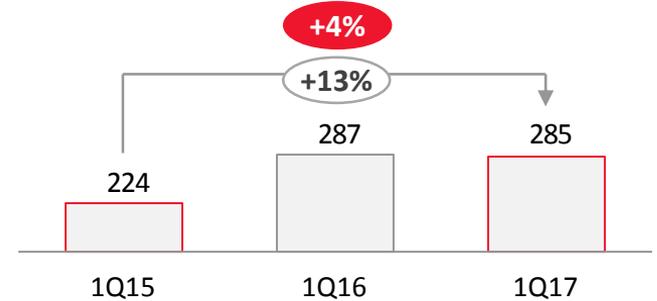


**Recurring EBITDA**  
(€ million)

Target CAGR 2015-20  
CAGR 1Q15-17



**Recurring Net Profit**  
(€ million)



**Resilient business model: recurring EBITDA and earnings growth vs. 2015 base clearly above 2016-20 growth targets**

**Regulated and long term contracted operations performing fully in line with expectations**

2017 key moving parts:

**Low Hydro  
Production  
Iberia YTD**

- No impact on medium-term guidance
- Easier YoY comparison in 2H17 (hydro factor 4Q16 Portugal of 0.50x)

**Gas Networks  
Disposals**

- Net debt reduction driven by ~€3.0bn cash proceeds (including ~€0.2bn over the next 5 years)
- EBITDA: -€210m/year recurring post closing, capital gains >€0.7bn (at closing)

**EDPR  
tender offer**

- €6.80 offer per share represents maximum €1.3bn financial investment

**Magnitude of net debt reduction dependent to outcome of tender offer over EDPR**

**Recurring Net Profit 2017 > Recurring Net Profit 2016**

## Investments: Focus on renewables and electricity networks

### Hydro Portugal & Brazil

- Long and sizeable investment cycle ending in 2017

### Wind & Solar LT Contracted

- 0.4GW under construction; >65% of 2016-20 additions target secured (mostly US)

### EDPR Tender offer

- Integration trends: Renewables, storage, smart grids and customers

### Brazil electricity transmission

- R\$3bn expected investment (95% in 2019-21); Expected RoE: 12%-14% (80% BNDES funding)

## Capital recycling through the execution of value accretive deals

### Gas distribution Iberia

- Adequate timing, given strong appetite from potential buyers: clearly value enhancing

### Asset-rotation Partnerships

- Deal agreed with CTG on wind portfolio Portugal (€0.2bn); Continue to explore opportunities

## Value accretive growth preserving financial deleverage targets



**Visibility on profitable growth driven by renewables and regulated networks** (avg. MW +6% YoY)

**Deleverage commitment**  
Improved visibility with €3bn of gas networks disposals

**Keeping a low risk profile:**  
~75% weight of EBITDA from Regulated and LT Contracted  
Value of portfolio diversification by market and technology

**Reinforced efficiency:**  
OPEX IV savings in 1Q17: 21% above target

**Sustainable dividend policy**  
€0.19 per share as a floor (72% payout in 2016)

**Keeping a distinctive profile amongst European Utilities**



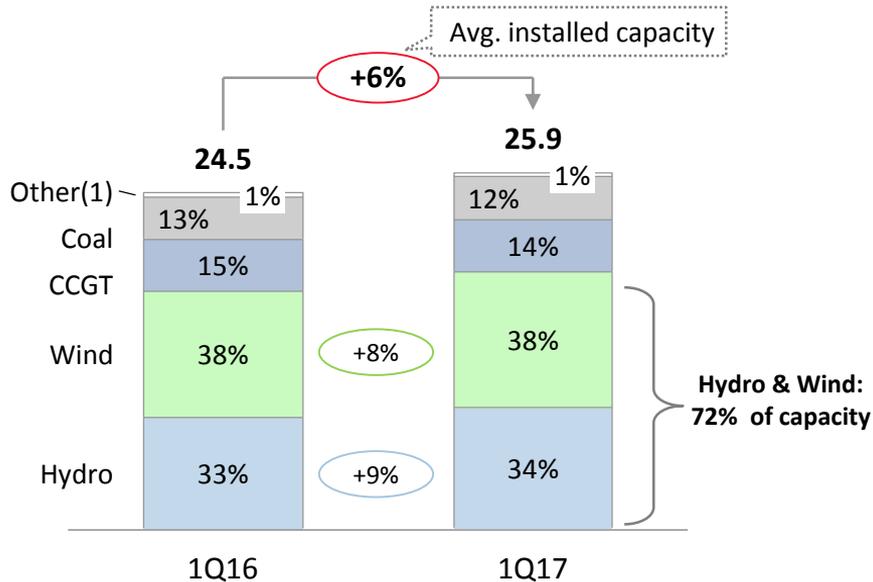
# Results Analysis

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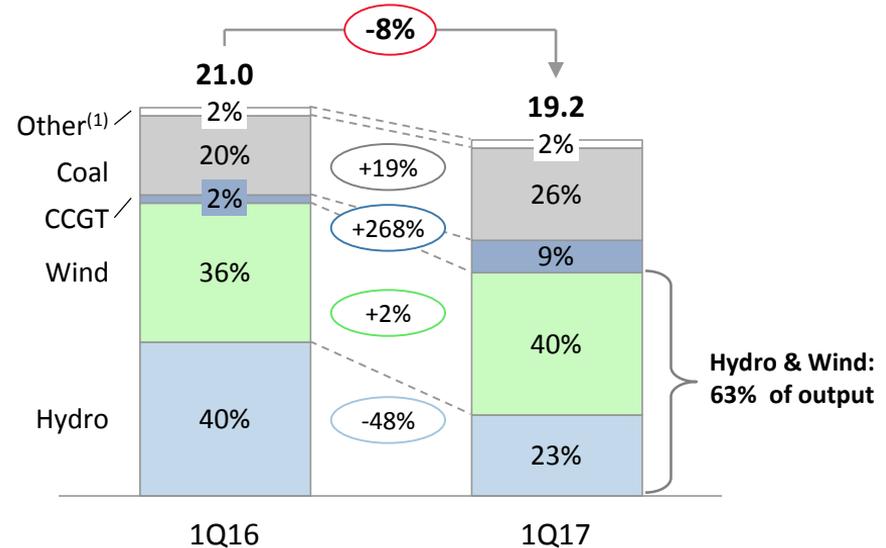
# EDP's global generation portfolio: reinforced with more competitive renewables



Installed Capacity (GW)



Production Breakdown (TWh)



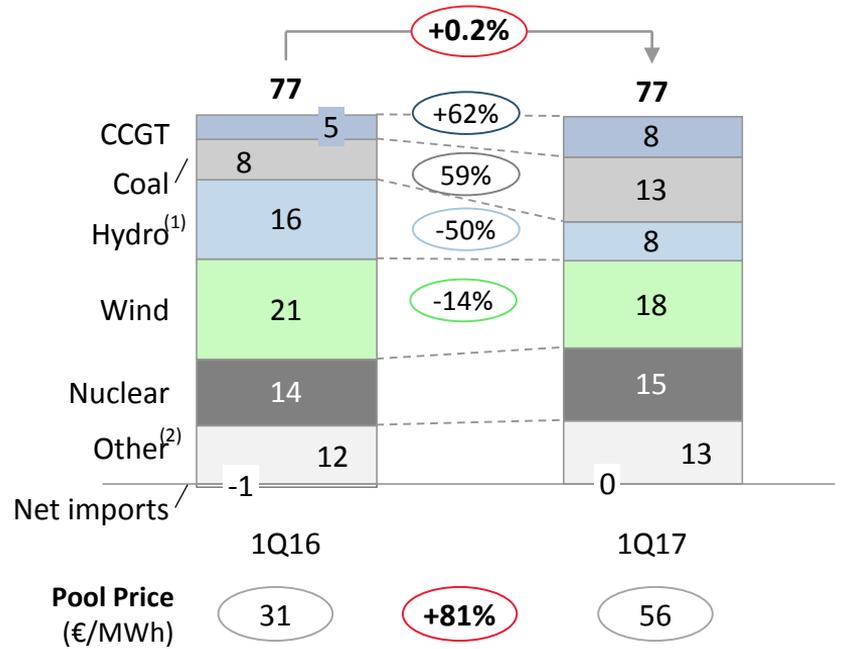
**Installed capacity +6%: +0.7GW wind (mostly US and Mexico), +0.7GW Hydro pumping Portugal**

**Electricity production -8%: 48% reduction in hydro (-54% Iberia, -24% Brazil); sharp increase in CCGT output**

(1) Others include thermal special regime (cogeneration, biomass), nuclear and solar

# Overview of Iberian Market in 1Q17

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



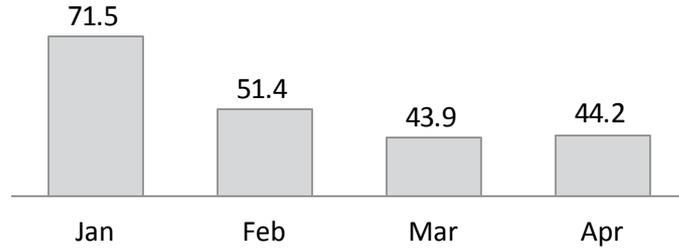
- **Electricity demand: +0.2%**
- **Hydro production: -50%;**
- **Coal and CCGT production: +59%**
- **Wind production: -14%** Portugal: 16% above LT avg. in 1Q16, in line with LT average in 1Q17
- **Absence of net imports from France in 1Q17**

**Low hydro volumes and nuclear outages in France: Avg. pool price +81% to €56/MWh**

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

# Iberian electricity market environment

**Spain - Spot Electricity Price (Monthly avg. 2017)**  
(€/MWh)



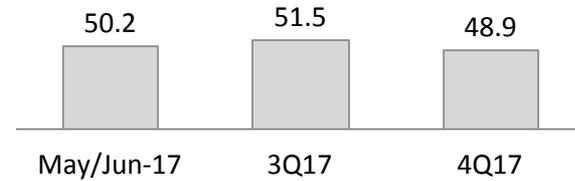
Hydro Factor PT (1.0 = avg.)	Jan	Feb	Mar	Apr
	0.36	0.92	0.67	0.42

Hydro output Iberia (TWh)	Jan	Feb	Mar	Apr
	3.3	2.2	3.9	2.7

Demand Iberia (YoY Chg. %)	Jan	Feb	Mar	Apr
	+7.6	-4.1	-2.2	-5.8

Net Imports France (TWh)	Jan	Feb	Mar	Apr
	-0.3	0.5	1.8	1.6

**Spain - Forward Electricity Prices for Remaining 2017<sup>(1)</sup>**  
(€/MWh)



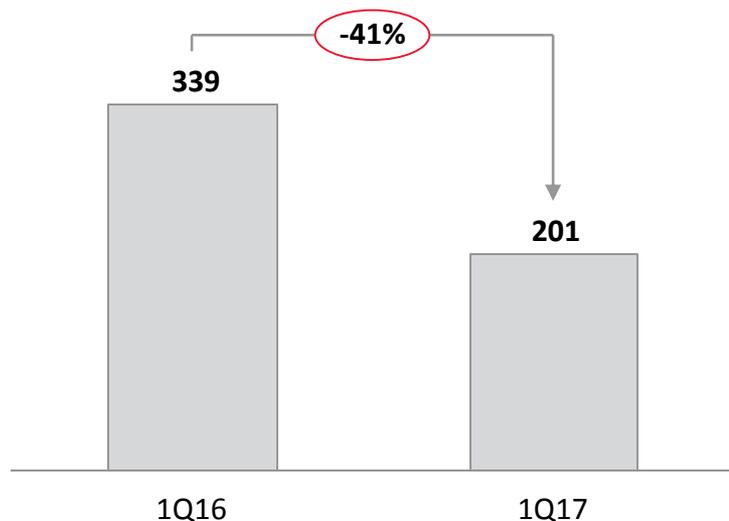
## EDP hedging strategy in energy markets:

- Forward sales: 30TWh of electricity sold at ~€55/MWh, mostly hedged through residential & SMEs
- Improved thermal spreads locked-in vs. 2016
- CCGTs in short term markets: room to explore short-term peak modulation / ancillary services needs

**After a complex environment in 1Q17 (namely in Jan-17) normalisation expected for the remaining of 2017**

# Generation and Supply Iberia (21% EBITDA)

## EBITDA Generation & Supply Iberia (€ million)



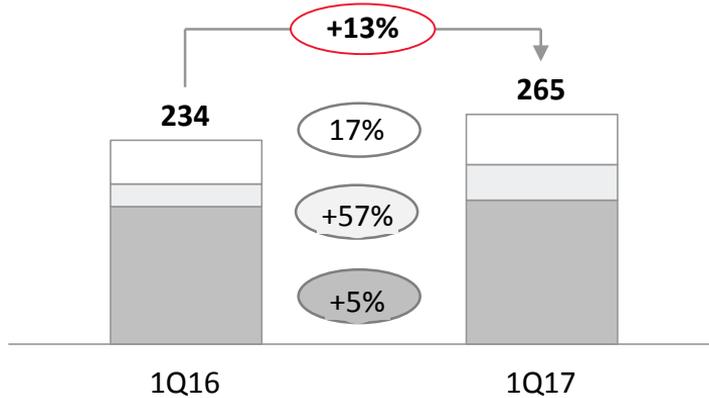
- **Hydro:** Capacity +12%, production -54%
- **Avg. sourcing cost +76%:**
  - Lower weight of hydro on production mix (33% in 1Q17 vs. 62% in 1Q16)
  - High spot price inflates the cost of demand forecast deviations in supply
- **Energy management:** wiped out on high pool prices, particularly in Jan-17

**Weak performance in 1Q17 following low hydro production and high pool prices**

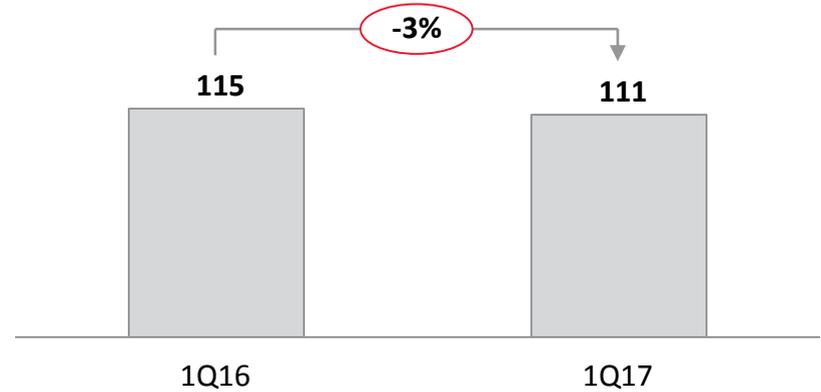
# Regulated Energy Networks Iberia (26% of EBITDA)

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

□ Gas Iberia   □ Electricity Spain   ■ Electricity Portugal



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



- **Electricity Spain:** positive impact from new remuneration model (in place as from Jun-16, retroactive to Jan-16)
- **Electricity Portugal:** RoRAB +44bp YoY to 6.8% (indexed to Portugal Gov. 10Y yields moving average)
- **Efficiency:** Controllable costs -3% YoY

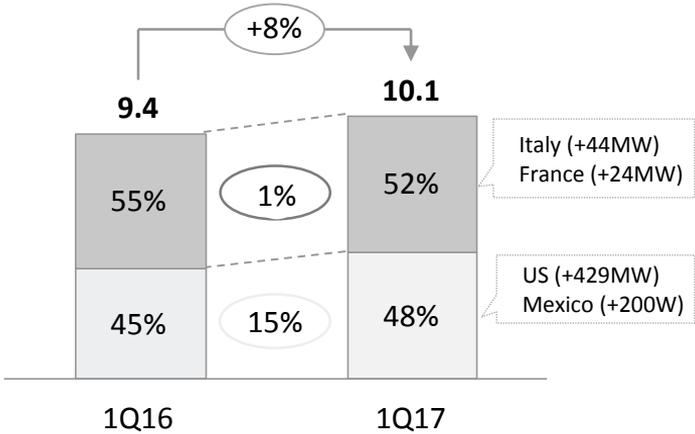
**EBITDA +13% supported by electricity distribution returns and efficiency**

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

# EDP Renováveis (37% of EBITDA)

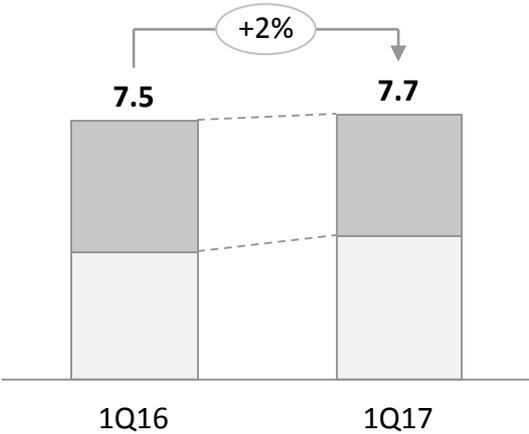
**EDPR Installed Capacity (GW)**

■ Europe and Brazil   ■ North America



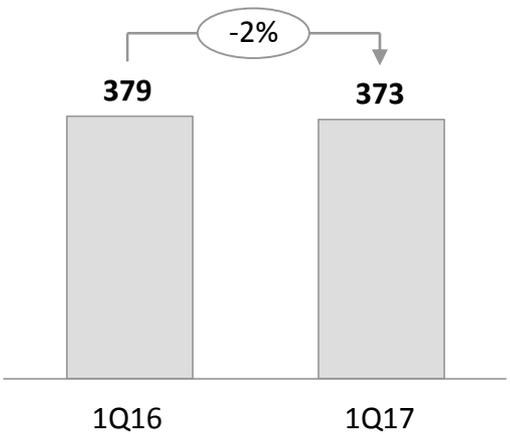
**Production (TWh)**

**+7%** vs. Long Term avg. **+1%**



**EDPR EBITDA (€ million)**

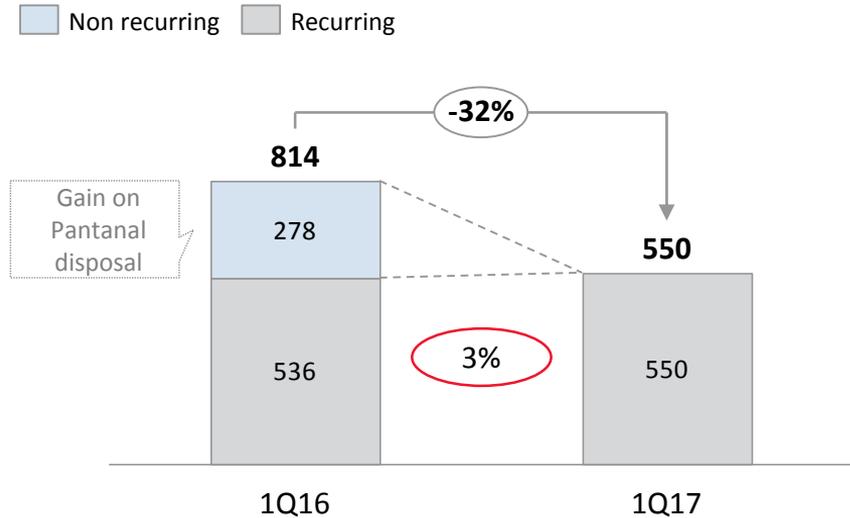
ForEx impact: +2%



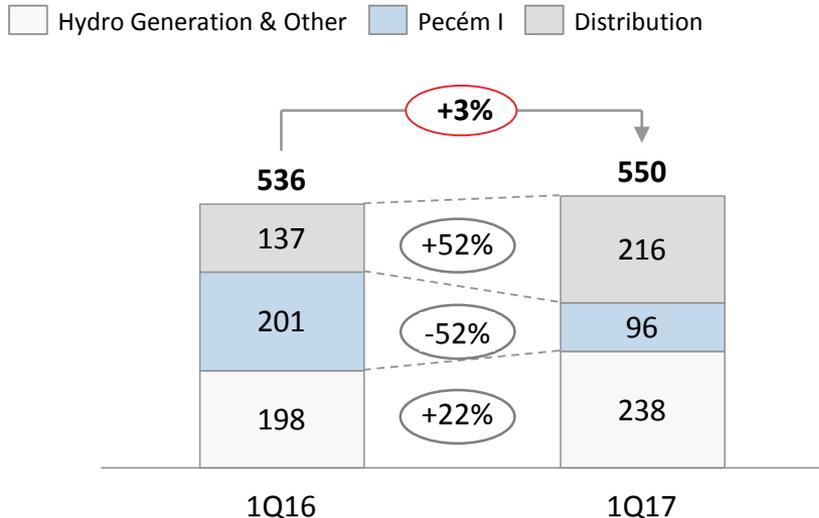
**EBITDA -2%; Portfolio expansion offset by normalisation of wind resources, positive forex impact**

# EDP Brasil (16% of EBITDA)

**EDP Brasil EBITDA**  
(BRL million)



**EDP Brasil Recurring EBITDA**  
(BRL million)



- **Distribution:** Increase of regulated revenues; lower negative impact from overcontracting (increase of PLD)
- **Hydro Generation:** Strong performance in 1Q17 (GSF 109%) to be diluted over 2017 (2017 GSF forecast ~85%)
- **Pecém coal plant:** 1Q16 impacted by insurance compensation revenue, 1Q17 penalized by increase of PLD

# Strong performance on operating costs

● Weight on Opex

Business area	Indicator	YoY Change	Main drivers
55% Iberia	Opex	+2%	<ul style="list-style-type: none"> <li>Avg. MW: +6%; Avg. # customers: +1%</li> <li>Thermal prod.: +60%; Inflation Portugal +1.4%</li> </ul>
25% EDPR	Core Opex/MW:	-1%	<ul style="list-style-type: none"> <li>Average installed capacity: +8%</li> <li>Opex ex-forex: +6%</li> </ul>
20% EDP Brasil	Opex in BRL (inflation adjusted):	+1%	<ul style="list-style-type: none"> <li>Opex in BRL:+6%</li> <li>Avg. Inflation 1Q17: +4.9%<sup>(1)</sup></li> </ul>

**Opex IV corporate-wide efficiency programme: €34m savings in 1Q17, 21% above target**

(1) Avg. IPCA 1Q17 vs. 1Q16

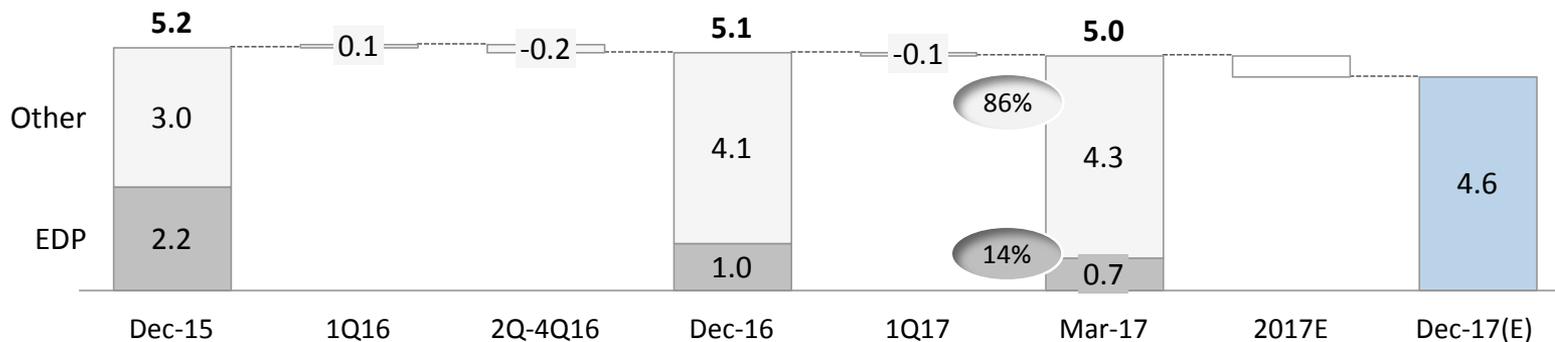
# Portugal Electricity System on track to ~€0.5bn surplus in 2017



## Portugal: Electricity System Regulatory Receivables

(€bn)

○ Share of total receivables in the system



Demand<sup>(1)</sup> (YoY Chg.)

+0.7%

-0.6%

Wind Factor (1.0=avg.)

1.00

1.01

Special Regime Premium (€/MWh)

63

51

**Tariff surplus of €56m in 1Q17 vs. tariff deficit of €59m in 1Q16**

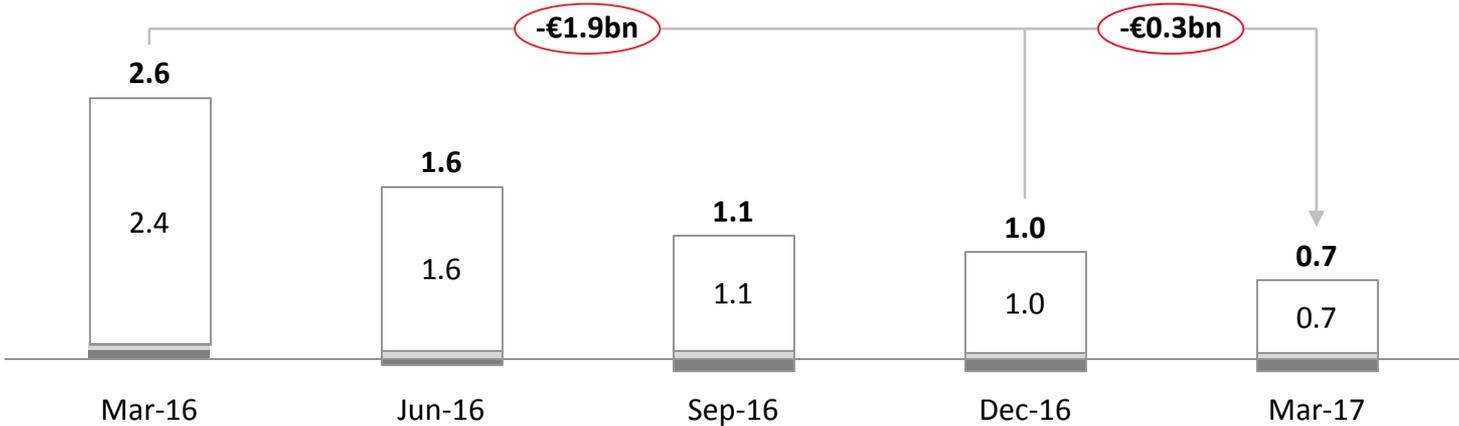
(1) Electricity distributed by EDP.

# EDP's regulatory receivables at a 9-Year bottom



Net Regulatory Receivables: EDP Balance Sheet  
(€ billion)

Portugal Spain Brazil



- **Portugal: -€0.3bn YTD;** including €0.6bn of sales without recourse in 1Q17
- **Brazil: €0.1bn regulatory payables in Mar-17** on lower than expected sourcing costs (to be reverted)

# Adjusted net expansion investments

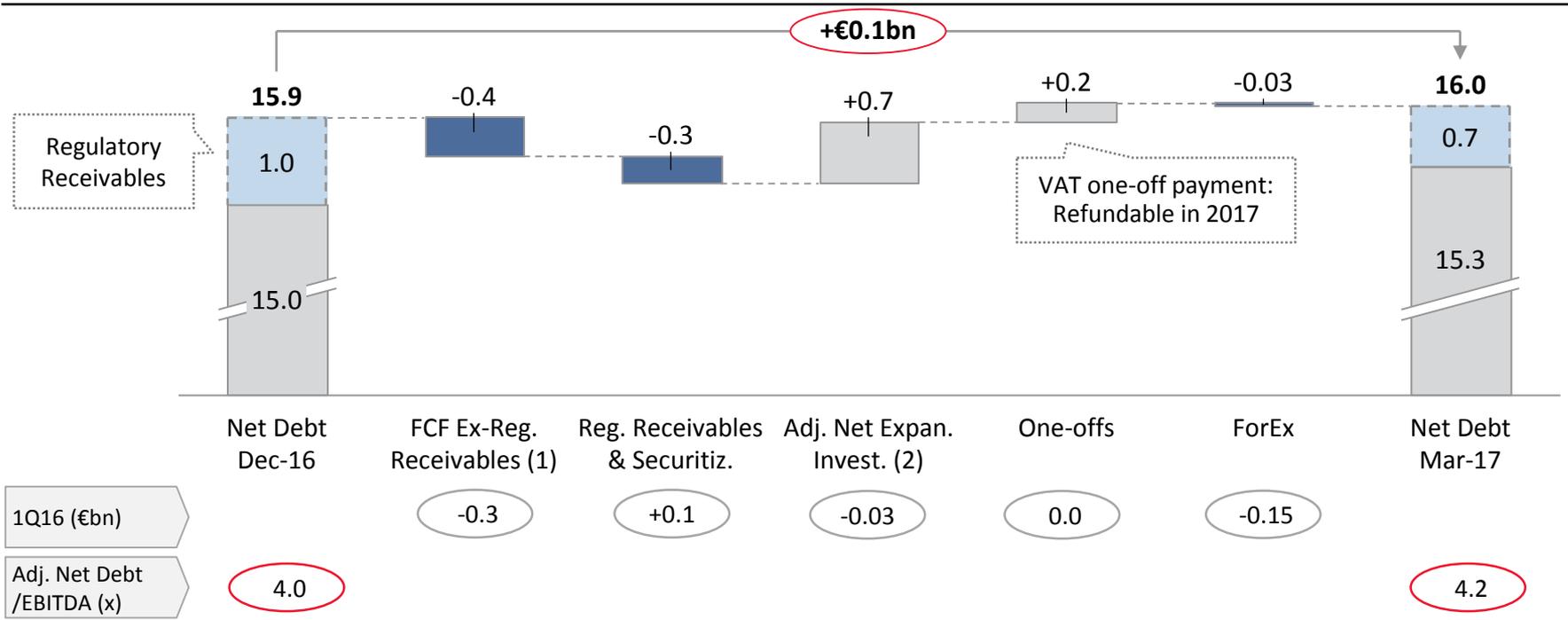
(€ million)	1Q16	1Q17	Δ Abs.	
Expansion Capex	127	112	-15	<ul style="list-style-type: none"> <li>▪ New hydro plants Portugal reaching full completion</li> </ul>
Change in Equipment Suppliers	322	309	-13	<ul style="list-style-type: none"> <li>▪ Seasonal 1Q effect at EDPR level (post 4Q commissioning)</li> </ul>
Change in Consolidation Perimeter	25	215	+190	<ul style="list-style-type: none"> <li>▪ 1Q17: full consolidation of Mexico wind farm</li> </ul>
Net Financial Investments	(292)	27	+319	<ul style="list-style-type: none"> <li>▪ 1Q16: US wind asset rotation deal and Pantanal mini-hydro disposal in Brazil</li> </ul>
TEI Proceeds	(216)	-	+216	<ul style="list-style-type: none"> <li>▪ 1Q16: TEI proceeds corresponding to 2015 US projects</li> </ul>
<b>Total Adj. Net Expansion Invest.</b>	<b>(33)</b>	<b>662</b>	<b>+696</b>	

**Disposals agreed:** Gas distribution Iberia (~€3.0bn), wind portfolio Portugal (49% stake, €0.2bn); closing expected in 2Q/3Q17  
**TEI proceeds** from 2017 projects expected in 4Q17; **hydro plants under construction Portugal/Brazil:** completion in 2017

# Change in net debt

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

(€ billion)



1Q16 (€bn)

Adj. Net Debt / EBITDA (x)

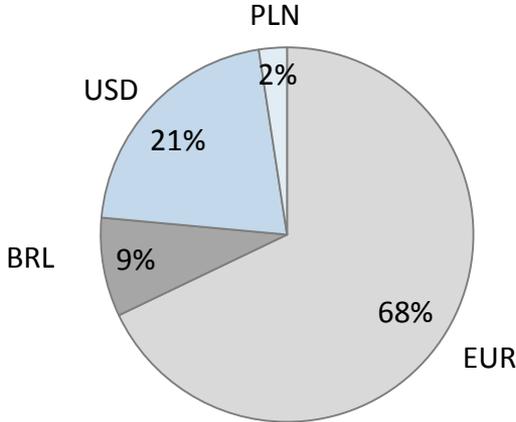
**Sound free cash flow, offset by one-off VAT (€0.2bn) and higher net expansion investments (€0.7bn)**

(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.

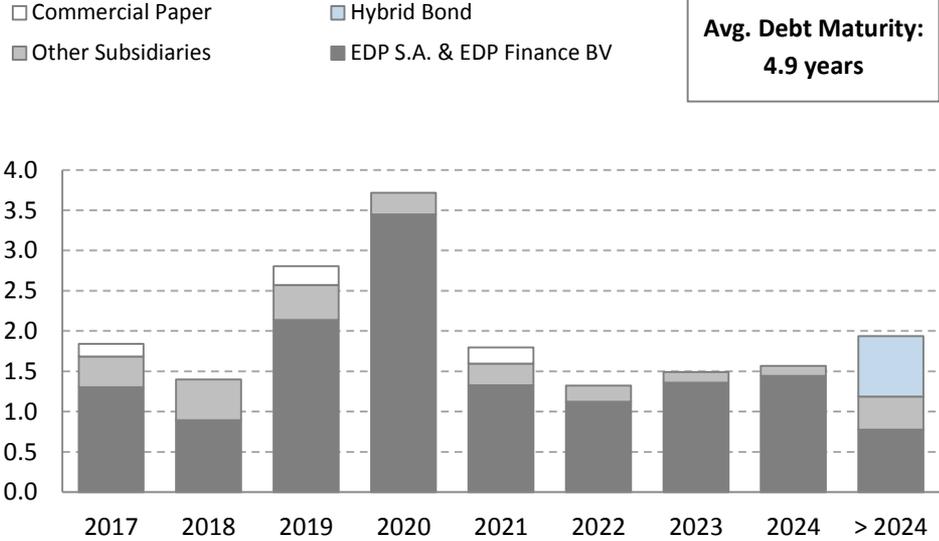
# Financial Debt profile by currency and maturity



**EDP consolidated debt by currency: Mar-17 (%)**



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



**Natural hedge policy: Investments and operations funded in local currency to mitigate ForEx risk**  
**Average debt maturity: 4.9 years in Mar-17 vs. 5 years in Dec-16**

# Financial liquidity vs. Refinancing needs

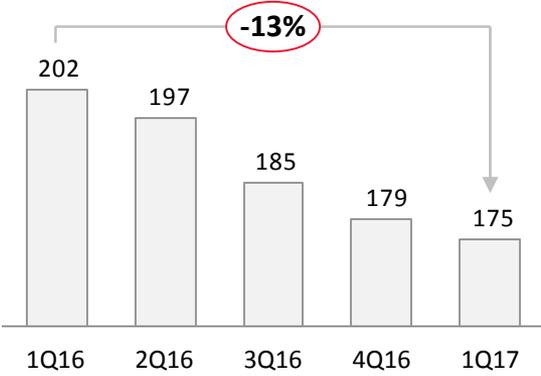
Financial liquidity (Mar-17)	
▪ <b>Cash &amp; Equivalents:</b>	<b>€1.6bn</b>
▪ <b>Available Credit Lines:</b>	<b>€4.0bn</b>
Revolving Credit Facility (Jun-19)	€3.73bn
Other RCF/Credit lines	€0.26bn
<b>TOTAL</b>	<b>€5.6bn</b>

Refinancing needs 2017-2019	
▪ <b>2017:</b>	<b>€1.5bn</b>
6.625% GBP Bond maturing @Aug-17	€0.32bn
5.75% Eurobond maturing @ Sep-17	€0.75bn
Bank Loans and ECP	€0.4bn
▪ <b>Refinancing needs 2018:</b>	<b>€0.9bn</b>
▪ <b>Refinancing needs 2019:</b>	<b>€2.4bn</b>
<b>TOTAL</b>	<b>€4.8bn</b>

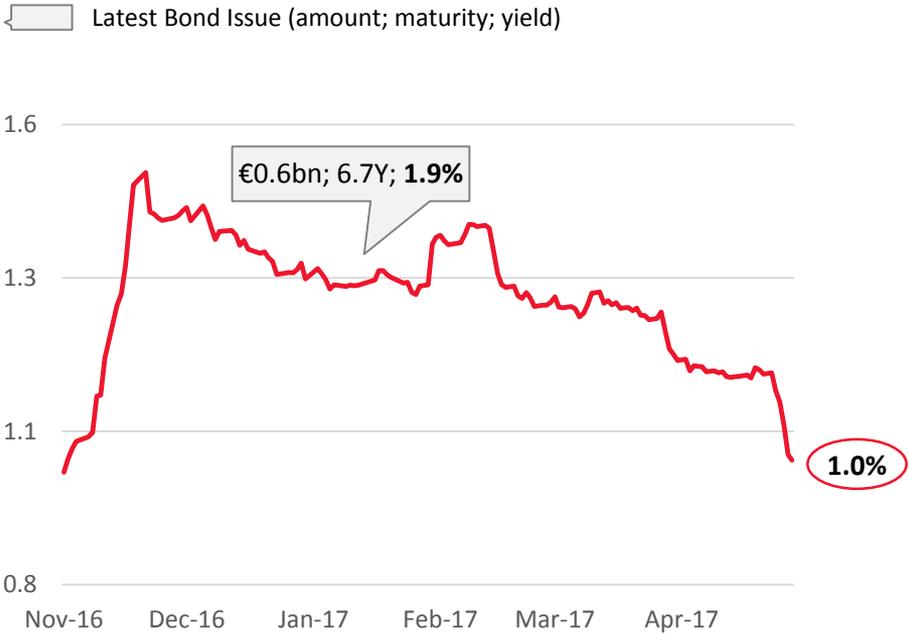
**€5.6bn of financial liquidity by Mar-17 covered refinancing needs beyond 2018**

# Net interest costs: -13%

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



**EDP 5-Year Bond Yield (last 6 months)**  
(%)



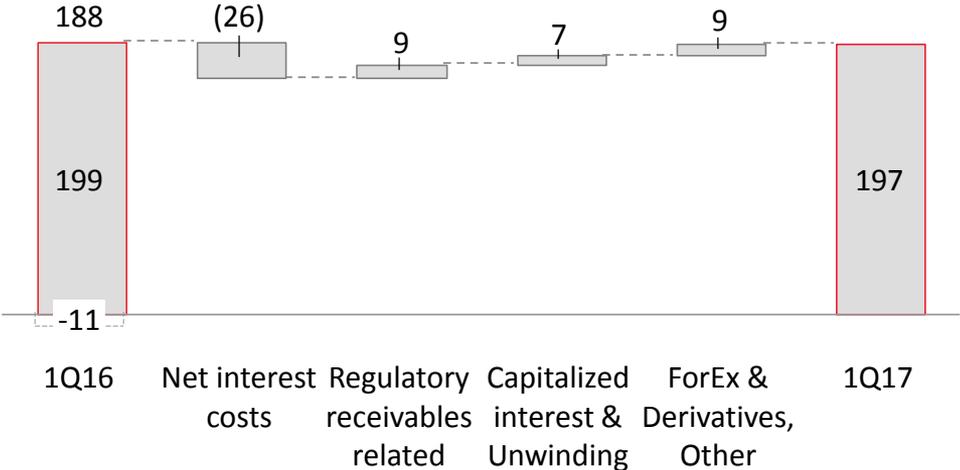
**Steady deleveraging process and marginal cost clearly below average cost of debt**

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

# Financial Results

## Financial Results & Associates: 1Q17 vs. 1Q16 (€ million of net cost)

□ One-offs<sup>(1)</sup>



- **Net interest costs:** -13% YoY
- **Regulatory receivables related:** 75% decline on balance sheet, lower returns
- **Capitalised interest:** Commissioning of Venda Nova III hydro plant in Jan-17; Unwinding: Increase of TEIs amount
- **Other:** Forex & energy derivatives (-€5m in 1Q17 vs. +€6m in 1Q16)

**Flat recurrent net financial costs: lower interest costs offset by lower financial revenues and forex**

(1) One offs in 1Q16: gain on the sale of Tejo Energia (€13m)

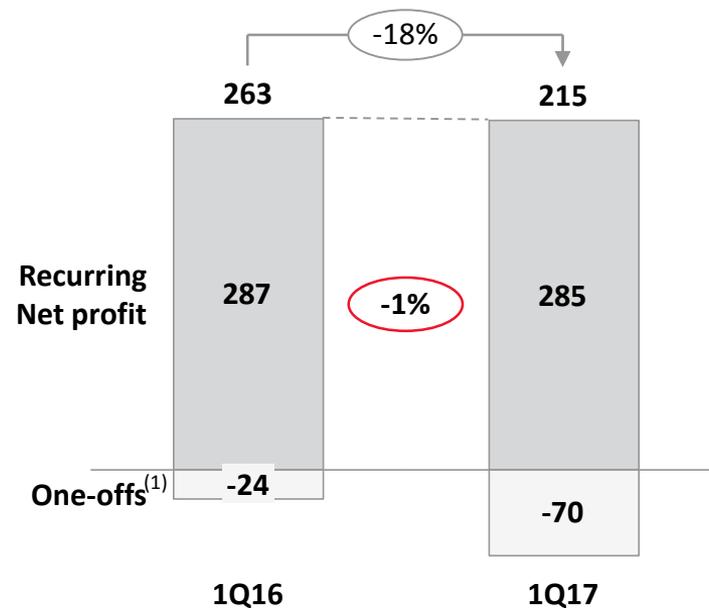
# Net Profit breakdown



(€ million)	1Q16	1Q17	Δ %	Δ Abs.
<b>EBITDA</b>	<b>1,130</b>	<b>1,011</b>	<b>-11%</b>	<b>-119</b>
Net Depreciations and Provisions	369	363	-2%	-6
<b>EBIT</b>	<b>760</b>	<b>648</b>	<b>-15%</b>	<b>-113</b>
Financial Results & Associated Companies	(188)	(197)	+5%	-10
Income Taxes	152	66	-57%	-86
Extraordinary Energy Tax in Portugal	59	70	+18%	+11
Non-controlling interests	100	100	+0%	+0
<b>Net Profit</b>	<b>263</b>	<b>215</b>	<b>-18%</b>	<b>-47</b>

## Net Profit (€ million)

○ % Chg. YoY



(1) Adjustments (shown net of tax and minorities): i) at EBITDA level, +€24m in 1Q16, Zero in 1Q17; at Financial Results level, +€11m in 1Q16, zero in 1Q17; at Extraordinary energy tax, -€59m in 1Q16, -€70m in 1Q17.



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## Next Events

**May 10<sup>th</sup>-12<sup>th</sup>:** London: Roadshow

**May 17<sup>th</sup>-19<sup>th</sup>:** US Roadshow (Chicago/Boston/NYC)

**May 11<sup>th</sup>:** Frankfurt ESN Conference

**Jun 6<sup>th</sup>-7<sup>th</sup>:** Credit Suisse Conference (London)

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



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