



**EDP - Energias de Portugal**  
**Friday, 8<sup>th</sup> May 2015**  
**11:30 Hrs UK time**  
Chaired by António Mexia

**Company Participants**

- **António Mexia, Chief Executive Officer**
- **Nuno Alves, Chief Financial Officer**
- **Miguel Viana, Head of Investor Relations**

**Antonio Mexia**

Hello. Good morning everybody. Thank you for being present in this conference call about the first quarter results. I will be guiding you through the first seven slides and then I will pass to Miguel as usual for the detailed presentation, but I will go through the highlights.

As you've seen the EBITDA is basically flat going 1% down to EUR1.017 billion and we will be talking about what – whether less water, less wind and it will be seen on all the key markets, so a bit everywhere, something that is quite rare in our history.

We will be talking about liberalised market, we will be talking about costs, about accounting, about financial cost, but clearly I want to stress that we have once again stronger results in this environment.

The net profit stayed flat at EUR297 million. The financial cost were penalized by ForEx but we have a lower effective tax rate. And also I believe that we need to stress our net debt going down by 2%, EUR263 million less, to EUR16.8 billion.

And here I would like to talk about US dollar. If you put together the EUR300 million in the last quarter of last year the more than EUR400 million impact of the first quarter with the evolution of US-Euro rate, we have a total of EUR700 million.

So if we put together these two we would be talking about net debt to be today at around EUR16 billion and clearly the dollar is mainly an accounting, as you know, our policy of ring-fence clearly allows us to tell this.

In terms of value creation for advancing in the future, we will receive, if it was the case, more dollars for our investments, but in the short term we have clearly an accounting, and I would stress accounting, issue. Even with this the net debt is – as we were committed to is going down, is going in the right direction.



Also, something that have been discussed a lot in this kind of meetings, the regulatory receivables – I think that the first quarter confirmed the flat nature of the evolution in 2015, so the sustainability of the system is clearly proven, the market is just delivering what we have been stating in the last year and clearly we see the peak in 2015 and then going down in '16 and strongly then with the creation of tariff surpluses and going closer to zero at the end of the decade, so the sustainability of the system that now is less talked about because it's not an issue, but I want to stress this positive confirmation.

We have paid the dividend of 18.5 cents, the 65% payout, so clearly the sustainable dividend policy is there.

So now in a more detailed, we see the first quarter on slide three. We see clearly the penalized weaker in hydro volumes everywhere, GSF in Brazil going down from 96% to 79%. Now things will improve – we'll talk about this. The hydro positions in Portugal were clearly well above the average last year and now below average this year, 157% last year – 74% this year.

And also in EDPR a very strong load factor last year, 12% above average and this year slightly below 3%, the quarter average and this has a material impact with wind and hydro representing 69% of generation mix this year compared to 85% in the same quarter last year.

In terms of EBITDA breakdown, you have – because of what we have stated of the weak hydro conditions, a lower result in generation and supply, but also due to the fact that we had lower volatility in the Iberian market in terms of price. The trading – these very strong trading gains of first quarter last year would not be repeatable because of lower hydro and also lower volatility.

Good news coming from renewables – the recovery of prices in Spain and the US, of course the positive price even if the impact on debt and EBITDA still not the same in relative terms and clearly these prices effect compensates the weaker average in terms of load factor.

In Brazil, the low GSF was balanced by improvements on regulated revenues and distribution and regulated networks, of course what was expected, the gain – more than 95% of the gain of the sale of gas assets with the sale of Gas Murcia, we have still EUR5 million that will have an impact in this quarter.

But what I would like to stress is the lower OpEx. We have 4% lower OpEx year on year in Iberia, so clearly putting focus on efficiency. So globally, growth in renewables and regulated networks and naturally weaker performance in generation due to hydro conditions.

Cost of funding – another issue in slide five – strong reduction on five-years bond deal of EDP from 1.9% to 1.3%. That allowed us to do very significant, relevant funding deals and fairly the EUR2 billion credit facility five-years EURIBOR plus 1.1%, just to compare to EURIBOR plus 4% in the previous deal, that's positively priced by this one.



EUR500 million securitization of tariff deficit at 2% yield and the 10-year bond, something that was gone for a while, 10-year bond EUR750 million at 2% yield. So clearly a strong quarter with more than EUR3.2 billion credit yields executed and I think it's significant the average debt and maturity extended to 4.4 years.

And even if the cost of debt of 4.7% because as you know, we have been replacing old, particularly deals with very small spread, but clearly now we see – and all the conditions are there to fulfil the target of 4.6% at year end and clearly we'll see the cost of debt going down onwards.

On slide six, it was about growth and investments. As you've seen the five plants in Portugal – four of which will be delivered in the near future. We have 88% completion rate, so we have the investment mainly behind us – that's important – and we'll have a small contribution this year because they will be towards the end of the year but already with an impact in 2016.

In wind, 600 megawatts under construction plus 900 megawatts with long term agreements mainly in US and also a bit in LatAm.

In hydro also we need to talk about Brazil 2 new hydros under construction. As you know, equity accounted because we are – one is 50/50 and the other we have one-third, but clearly what I would like to stress is the good track record. Jari was anticipated almost four months and in what concerns Cachoeira Caldeirao, as I stated last time we met, we clearly see anticipation from January 2017 to somewhere already next year, so I think it's also good news.

We have been able to do before time and I think in Brazil especially it has a strong value. We also see the conclusion of – we have visibility on the conclusion of the 50% stake in Pecém from ENEVA. Last week we have the creditors' approval so bondholders and credit approved now, we just have to wait for the final legal decision of the referee – legal referee on the deal.

So clearly we have the key milestones were – are already behind us. And so we see capital recycling also important. We have already then more than 70% of the asset rotation targets for the business plan of 2014 to 2017.

We have also visibility about the CTG partnership, the wind sale in Brazil and the sales of wind also and we expect towards the end of the year to have – going from the EUR1.3 billion to do EUR1.7 billion visibility – in terms of the visibility of the 2 billion total target.

We have the disposal of course of the gas distribution assets in Spain with the proceeds and the gains that we have already mentioned to the market.

So what we can see here is that we have the good balance that we are – it was a key element in our business plan and our strategy – the balance between growth and deleveraging. Do what we have to do in asset rotation and disposals and partnership mainly with CTG and at the same time giving very detailed and visibility about either on



wind growth both in Iberia but also everywhere US, new projects like Brazil and wind in geographies mainly in the US.

So I think that we can reaffirm the distinctive equity story of EDP. Visibility on growth – we know exactly where we are going to go, in which projects and when we are going to complete them. I think it's important element in this moment.

Second, the deleverage commitments, so giving visibility of medium term free cash flow potential – that's clear, keeping the low risk profile. So we still have more than 85% of EBITDA from regulated and long term contracted, and also the commitment towards the dividend policy that was recently proven again.

So the first quarter, if anything, and we will see this confirms our equity story and I will turn over to the guidance for the full year. So Miguel, if now can run through the presentation.

### **Miguel Viana**

Thank you, Antonio. So we'll go through the results analysis and looking first for the market conditions in Iberia. We can see that we had the much lower wind and hydro volumes in the first quarter 2015 versus last year.

So hydro volumes 26% below average and wind volumes 14% above average in Iberia which compares with 40% above average in the same quarter last year. This implied that the thermal production in the Iberian Peninsula has doubled year on year and allowing also a recovery on coal prices versus a very low level in the first quarter 2014.

Moving to the evolution of electricity demand in Iberia, it went up 2.2% year on year, with the split of plus 2.3% in Spain and 1.5% in Portugal, which is a sign of economic recovery in both countries.

Adjusted for temperature in working days, demand was flat year on year in Portugal and 1.5% up in Spain.

In terms of gas demand it was up 6.6% in Iberia, supported by conventional demand recovery by 3% on colder weather and also higher demand for gas for electricity production namely for CCGT's which went up by 37% year on year.

Looking at our electricity generation operations in Iberia, we can see that production in liberalised market went up 12% with a strong increase in coal production compensating the decline in other volumes.

And in our PPA/CMEC plants – deviation versus market gross profit in the first quarter 2015 was close to zero in coal and amounting to EUR56 million in hydro explained by



volumes – hydro volumes 40% lower than historical average, so strong performance in terms of thermal generation compensating the weaker hydro production.

EBITDA in our generation and supply operations in Iberia as a whole went down 29% year on year. In liberalized energy activities in Iberia, EBITDA decreased 44% or EUR85 million.

Note that this is driven essentially by the doubling of the average generation cost on lower hydro volumes but also the first – note that the first quarter 2014 was marked by significant gains on energy management of our loan position in clients.

On top of that, we had also significant gas sales in wholesale markets, both of which were almost non-existent in the first quarter 2015. Finally, generation tax in Spain, we're up EUR15 million also year on year on higher generation revenues versus last year.

On the other hand, EBITDA performance of long-term contract generation in Iberia went down 13% or EUR22 million, penalized essentially by the 50% decline on mini-hydro volumes in Portugal.

Moving to EBITDA in regulated energy network in Iberia. EBITDA in electricity in Portugal went down 2%, following the start of the new regulatory period which has a return on RAB declining to 6.36% in first quarter 2015.

Note that this performance includes also a positive impact from efficiency improvement. Regarding electricity distribution in Spain, it was impacted by slight increase in regulated revenues but also a EUR7 million recovery of deviations from previous years.

Finally, in terms of gas distribution in Iberia, it is impacted by the EUR78 million gain from the disposal of Gas Murcia.

Overall, adjusted EBITDA went down 2% year on year, reflecting essentially the lower return on RAB in electricity in Portugal, but also significant efficiency improvement in all operations.

Moving to EBITDA in EDP Renovaveis, it went up 10% year on year while supported essentially by higher prices and also stronger dollar. By key markets, EBITDA in North America went up 29% in euros and 6% in dollars, what reflects 22% appreciation of the dollar versus the euro in the period but also an increase of average selling price by 10% in dollars which compensated weak wind volumes in the first quarter 2015.

In Iberia EBITDA was stable year on year, reflecting outstanding wind resources in the first quarter 2014 and also a good recovery in coal prices in Spain in this quarter.

Finally, EBITDA from other markets grew 7%, following higher average capacity and load factors and also lower prices in Romania.



In terms of evolution of market environment in Brazil, we can see in slide 15 that hydro production in the first quarter 2015 was 58% of historical average which has led to a strong thermal dispatch to preserve hydro reservoirs under these low rainfall conditions.

This fact has penalized the generation companies with the hydro PPA essentially by – an increase by five times of the hydro generation deficit which is the inversion of the GSF. At least the strong increase in terms of hydro generation deficits as a load, a good recovery on hydro reservoirs from 19% in end of 2014 to 33% in April 2015, impacting significantly the decline on the risk of electricity rationing for 2015.

The negative impact from lower GSF and higher hydro generation deficit for generators was partially compensated by a reduction on the cap of the spot price from BRL388 per megawatt hour since January 2015 which reduced the acquisition cost for generators with PPA which are facing these production shortfalls.

Moving to situation for distribution companies, the first quarter 2015 was marked by the recovery of pending regulatory receivables from November and December 2014 which were paid by 'Conta ACR' in the first quarter.

Also it was marked by the significant tariff increases implemented by the regulators to reflect the real increase of system cost which in related terms over the last 12 months amounted to around 70% in both of our distributors.

In this context, we can see in page 16 that EBITDA of EDP Brasil went up 1% year on year in local currency as a result of growth of regulated revenues in distribution, with EBITDA and distribution going up by 64%, offsetting the negative impact from GSF in generation which implied a decline on EBITDA of generation and supply, another by 32% year on year.

Moving to operating results – to operating cost at consolidated level, they were flat year on year in the quarter. By major divisions, OpEx in Iberia was down 4% year on year on the execution of OpEx III efficiency program and also headcount reduction mostly due to early retirements in Portugal.

OpEx at EDP Renovaveis level went down 1% including ForEx despite the 5% increase in installed capacity while OpEx in Brazil went up 6% in BRL, in line with local inflation in the period.

Overall the OpEx III efficiency program recorded EUR44 million of savings in the first quarter 2015 which represented 16% improvement year on year.

Moving to net investment – the increase 54% year on year in the quarter to EUR377 million reflecting an increase of construction activity at level of EDP Renovaveis and a slowdown in hydro investment in Portugal, given the final stage of construction of the five hydro plants that we are building which have reached the completion rate of 88%.



In terms of breakdown 70% of our investments were expansion CapEx in wind in US and Brazil with PPA and also in the hydro project in Portugal with pumping and also having also the two projects in hydro in Brazil which also have PPA.

25% of the investments were located to our regulated energy network in Portugal, Spain and Brazil. Moving to page 19, regarding the evolution of regulatory receivables in Portugal, the increase EUR50 million in the quarter following above average wind resources in Portugal, so more precisely 14% above average.

And I would say that electricity system debt continues to be expected to remain at its peak level of EUR5.3 billion over 2015 as previously guided by EDP.

Moving to regulatory receivables at the level of EDP balance sheet – they have declined by EUR226 million in the quarter mostly due to the EUR242 million decline in Portugal following the impact from securitization EUR465 million which far more than compensate – which has more than compensated the deficit in the period.

In Spain we have recognized our EUR44 million share of gas tariff deficit in Spain while in Brazil receivables went down EUR26 million following the collection of shortfall of CCEE relative to November and December and also the positive impact from tariff increases.

Net debt decreased EUR0.3 billion in the quarter or EUR0.7 billion excluding the negative ForEx impact, so EUR436 million mostly due to 13% depreciation of the dollar versus the euro and also reflecting the 24% weight of the dollar denominated debt in our consolidated debt.

This results from our natural hedging policy on assets and liabilities management under which investments and operations are funded in local currency to mitigate ForEx rate.

Average custom debt went up 10 basis points, still reflecting the recent debt maturities at lower cost over 2014 and first quarter 2015 and average debt maturity was extended to 4.4 years in March following essentially the new five-year revolving facility signed in February 2015.

In terms of financial liquidity, it amounted to EUR5.8 billion in March with the breakdown of EUR2.2 billion of cash in equivalent and available credit line amounting to EUR3.6 billion, completely covering the refinancing needs that we have until 2016.

Moving to financial results on page 24, we can see that financial results went down by EUR61 million in the period reflecting higher net financial interests on increase on average cost of debt but also impacts from ForEx.

We had also ForEx differences of EUR14 million loss in the first quarter 2015 versus a gain of EUR19 million in the first quarter 2014 which reflects the previous referred appreciation of the dollar.



Tariff deficit securitization gain as partially compensated the ForEx impact EUR32 million gain in the first quarter 2015 versus EUR12 million gain the first quarter 2014.

Overall, at P&L level in page 25, we can see that following the 1% decline on EBITDA, EBIT went down 3% given the higher depreciation on stronger dollar and also the new capacity installed by EDPR.

Financial results went down by EUR74 million. Income taxes went down impacted by no tax impact from the sale of Gas Murcia but also the lower corporate rate in Portugal and Spain. Afterwards we have extraordinary energy tax in Portugal and non-controlling interest flat year on year which resulted in the net profit flat year on year at EUR297 million.

I will pass now to our CEO for the slide on 2015 outlook.

### **Antonio Mexia**

Thank you, Miguel. So when we are looking to year end we see ourselves very comfortable in what concerns the net profit guidance above EUR900 million, assuming the average cost of debt of around 4.6.

Also at the level of net debt being below 17 with the execution of the tariff deficit, the assets rotation and the deals with CTG, but let's talk a little bit about EBITDA.

So business, what we see liberalised activities, the low hydro volumes in the first quarter should be mitigated by better thermal spreads in the second half and I think it's important to stress that even if the rain volumes were well below last year and also below the average, the hydro reservoirs in Spain are at high levels and this could have of course positive impact on the rest of the year.

The hydro additions will have only a marginal impact on the last quarter as I've already stated and in terms of hedging, we have sold 26 terawatts at 55. We have locked the spreads for more than 90% of the gas sourcing and 60% of the coal output.

A word on Brazil. We assume the GSF, the assumption of 83% makes sense. Today we are no longer talking about rationing. I think that the last week's evolution with the last month being at long term average makes everybody more comfortable and the GSF looks today credible and the full consolidation of Pecém is expected on the second half.

As we have already talked, some of the key milestones are already behind us. And we have also a positive contribution October onwards with return on RAB increase on Bandeirante from 7.5 to 8.1.



In terms of wind, of course assuming normalized wind volumes, we see a positive year and of course we count with the full consolidation of ENEOP at this moment on the second half of 2015.

In terms of regulated assets, as I mentioned, additional small gain on the sales just 5 million left, so the deal is already behind us. And clearly the return on RAB slightly above the 6% floor that was already estimated the last time we met.

So we see that the first quarter mainly impacted by dollar and by lower wind and water, the focus on deleveraging, the focus on cost, focusing on delivering assets, the deals – so we feel that the first quarter just contributes to the visibility of the year end results.

Thank you and let's go for the Q&A.

### **Alberto Gandolfi, UBS**

Hi, good morning. Thanks for taking my questions. I will stick to three. The first one is that I kind of have noticed that you are reporting 4.4 years average debt maturity. So in your old plan you have been quite conservative, as I understand this is the last set of renegotiation that increased your average cost of debt, so why shouldn't we adopt 2.5% cost of debt, 4.5 to 5 years from now? Or even if it were 3% assuming there's a bit of an increase going forward in some of the rate, so I'm trying to see where am I failing with my logic.

Secondly, the risk of you saying I'm not going to answer to that but you always comment if you are happy or not on your guidance – I'm trying to understand can you a little bit comment on what you think is going to drive growth between 2015 and 2016?

We are already almost in mid-May so halfway through this year. Next year consensus is looking at 1 billion net income. Are you happy with that? And can you help us a little bit navigate through the key drivers in terms of operating growth, savings from refinancing, drop in the net debt as of next year, at least qualitatively if you don't want to express an opinion from a quantitative perspective.

Last one, I think I asked this last six months ago but I will try again – the point is that I think it's very – your growth path has been very clear and consistent and congruent for many quarters but I wonder at what stage you will be running out of options.

The hydro in Portugal is about to be delivered. Wind additions in the US are not accelerating – you're still adding wind but, you know, I'm not sure you will continue on this at this pace or not and Brazil – OK, there's as much as you can invest into, so I'm wondering what is the next leg of growth for you. Are you open to ask swaps to try to enter new markets? Are you open to mergers? Are you open to anything else that could a little bit reinvent or open up new avenues for growth? Can you maybe elaborate a little



bit regions and technologies that might potentially be of any interest to you? Thank you so much.

### **Nuno Alves**

Alberto, this is Nuno. I will try to answer the first one. The sound wasn't great so I'm not sure I got everything right. I guess you were aiming at interest rates and why don't they fall more five years from now I guess that was the brunt of it.

We have to look at the interest rate that we provide is the average from all the currencies and clearly we do not get in Brazil anywhere near to 1% or 2% neither do we get it in the States and those together are more than a quarter of our debt in Brazilian real and US dollar, so those will not come down.

In the near future, I don't see them coming down anywhere. In as far as the euro, what we can say is that from now onwards we see the cost dropping, so as we have mentioned previously the last bond that would mature with a marginal cost that was lower than what we can achieve today has been paid, so from now onwards we should start seeing the average cost coming down and in fact we can start to assume that the guidance that we are given for '16 and '17 which was on average 4.4%, today it's probably closer to 4.1 or 4.2%.

Clearly we'll have a drop in '16 and clearly we'll have a drop in '17 and beyond that we're guiding the future but the trend is there but unfortunately unless Brazilian and US start – the rates coming down, I don't think 2.5% average cost is available.

Just one more issue, the objective that was traced that we are – we'll continue to proceed is to have average life of at least five years. We want to get to that level in 2016, so we will not push it to get it done immediately, but in 2016, we should achieve that, so we are on track with the plan to bring the average life to more than five years.

### **Antonio Mexia**

Yes, Alberto, if we are comfortable not with the 1 billion for next year, the answer is yes. What is driving growth? What you can see clearly we have new additions in Iberia as you know the dams that we have talked about that will contribute on liberalised activities.

We see of course the results of the growth that we have been providing in renewables mainly in the US with the ones that we are building, but also I've stressed the ones that we are already constructing in terms of long term with PPA – long term agreement.



We have also the Brazilian assets even with the dissipation hopefully of Cachoeira Caldeirao, so visibility about next year I believe is already quite good and we feel at this stage already comfortable with the building for the next year.

What concerns our business plan? Running out of options. I think it's not the case. I think clearly the conclusion of the hydro in Portugal was by the way long expected by us because it's now time to collect from a big investment, important – significant CapEx that will now materialize in EBITDA and it was already included in the business plan in the average CapEx reduction in the deleveraging that we need and we committed by 2017.

So we will see growth where – mainly, once again, renewables, in '15, '16 mainly driven by the US but also with other opportunities like the Brazilian market and others that we have tackled. I think it's today obvious and renewables have been detailed on this.

We have also the new hydros in Brazil. Of course we are considering options in what concerns Latin America outside Brazil. We can develop new projects but clearly it will take time so our commitment is keeping to the business plan until 2017.

We know what we are going to deliver up to that date, concentrate on that balance between deleveraging and growth and then consider other options. We don't see – we see ourselves having chosen the track that utilities today like to see – projects on generation side that they have visibility on the cash flows.

We don't anticipate any kind of M&A that some other people could be talking. As you know it's not our options. It has not been and will not be, so we are not running out of options. We are creating options for – after 2017 business plan and we will talk when we feel comfortable about them.

**Carolina Dores, Morgan Stanley**

Hi. Good morning. Thanks for taking my questions. I have three questions if I may. First one, on your guidance for EUR17 billion of EBITDA by year end, what is your FX assumption and if you are assuming any additional asset rotation other than those that you have already announced?

Second one is on Brazil and it's a little bit on the back of Alberto's question on growth – despite the crisis in the sector, there are some assets that are for sale in Brazil like Eletrobras distribution company, you have a generation plant right next door to Pecém, if acquisition in Brazil something that you would envision?

And my third question is electricity demand in Portugal. It's been quite weak in April, do you have any visibility on what's driving that and what you have seen as demand growth in May? Thank you very much.



## **Nuno Alves**

The FX assumption for 2017, if I was not mistaken is EUR1.3 for US dollar, so we're clearly – we would have to revise that as of today. In terms of asset rotation, we are continuing to pursue asset rotation until we reach the EUR700 million that was part of the business plan.

I guess that was also mentioned in the EDPR conference call, so we are currently pursuing it. We have good expectations that we might get to the end of this year with the EUR700 million.

## **Antonio Mexia**

What concerns Brazil? Asset sale distribution companies, Eletrobras – I think that we have proven in the past that we try to avoid places that can be regulated but unstable and clearly it was the case with – when we swapped the control of DisCo company in Mato Grosso for the control of Lajeado when we swapped this with the Grupo (Redo) five years ago.

So we are not looking into areas where it could be challenging to do all the – let's say all investments that we need to do on those areas because typically they are difficult areas business-wise and also politically-wise.

And what concerns generation asset? Brazil is always a fertile territory so people say that there will be acquisition possibilities. Let's be very clear on this – we are focused on finding opportunity in hydro – mid-size hydro. We're typically – we preferred greenfield development to anything else.

We don't mind with the second end options like it was the case of Jari. As you know, we bought Jari from a developer and it's clear one of our best projects even paying debt to the developer. Eventually there will be stress assets in theory, we could have stress assets in that market that could fulfill – I'd say the conditions of value creation, size, partnership with our key partner like CTG, but it's clearly not our main target but we will of course look into any possibility of this value creation but we are not in any mood that will change the balance between growth and deleveraging and I want to be very clear on this front.

And not of course let's say change the nature of our business in Brazil from a developer into an M&A operator. And what concerns April – we don't have any specific reason but...



**Miguel Viana**

I would say it's just one month, for the four months since the beginning of the year we are up 0.6% so we are fully in line to reach a growth in the region of 1%, so one month is not meaningful so let's see how do we reach to the first half of the year.

**Antonio Mexia**

In terms of economic evolution in Portugal and the exports I've seen is going in the direction that is not consistent with – it doesn't match this energy demand profile so something probably strange happened but not structural.

**Stefano Bezzato, Credit Suisse**

Hi. Two questions if I may. The first one, can you shed some light on the investigation in the supply market that, if I remember correctly, was launched by the Portuguese regulator in April? Do you expect anything meaningful – any meaningful impact on EDP?

And the second question is more in general, I'm interested to know where you stand on the capacity market debate in Europe. This morning we heard one of your competitors basically saying that capacity markets are not a solution for the generation sector in Europe and that instead you need the deeper reform of energy markets with long term price signal. Would you agree with this view?

**Antonio Mexia**

Stefano, thank you. Some light on the supply market investigation, this is typically normal procedure. Every year we have – it's normal regulated activity. It's auditing, recommendations, improvements to do – that's normal stuff.

Clearly we are talking about I would say second, even a third-tier issue in what concerns the audit done by independent audit companies, so I don't see anything material. It doesn't go to the core of what is the issue on the supply market, so I think it's just normal stuff and we will of course be involved in a normal way.

What is at stake is really not at the core of the nature of the business relation between regulated and non-regulated, so it's clear, nothing material in my opinion.

Second, capacity market debate, I think that people in the last two or three years have been doing their mindset revamping after some denial phase where everybody was talking about energy market alone.



Then some of those – because they were surprised by the results on their merchant capacity and the backup capacity started talking about capacity market. Capacity market are, let's say, one step within the direction of the long term contract, but what we have been telling and personally I've been defending and showing, that is my opinion well before others did is that we need – the energy market alone no longer provides signals for optimization at the same time for long term investments.

The UK market is the best example, so you need long term contract and of course capacity – the capacity market, depending on the timeframe is, let's say a lighter version of that, but clearly what we will see in the future is that we need reforms at the CO2 market and I think it's important the Czech decision not support the Polish I think is important.

On the other side, everybody is starting to understand that you need visibility on the returns on investment 30 to 40 years. The capacity market is just a small version of – a light version of long term visibility.

Clearly, we will see more exciting competition in the future and I think we are going in that direction with auctions, that of course it was – what was mentioned this morning once again, is people need to have the kind of situation. I think that was considered totally crazy three or four years ago – now it's presented as a solution, so eventually we'll see people telling exactly the opposite to what they were telling four years ago.

We will be working on this front as EDP and not only as EDP, myself – I will be working clearly on this front.

### **Martin Young, RBC Capital Markets**

Just two questions – in light of the announcement yesterday by Enel Green Power, that they are looking to dispose of ENEOP. Wondered if there was anything creative you could do in that respect and whether you had any interest whatsoever in those assets.

And then secondly you seem quite bullish on the development of the Portuguese electricity sector. Are you very confident that as we move into 2016 we won't see a repetition of the extraordinary energy tax that's currently in place? Thank you.

### **Antonio Mexia**

Thank you, Martin. In what concerns the Enel Green Power sale, we will not be involved. We will just keep our share of the ENEOP project and of course the nature of the buyers – we have been doing asset rotation and clearly the buyers will be the guys that have the same nature that will buy the assets from Enel, so we will keep our share of the business



and not be more involved. In terms of – in Enel, so we just – what concerns ENEOP, we will stick to our shares.

Bullish on electricity sector, let's say, what I'm saying is macro evolution in Portugal is going OK. The depth – the deals are clearly going in the right direction. Structurally, we have seen a stable regulation, so we see stability of the system and what concerns adding the tariff increases plus the demand evolution there too will prove that the system is sustainable.

So the system by itself is totally, let's say, round. And what concerns energy tax, I think even if part of the tax was driven to the – directed to the tax deficit, the other was revenue for the budget. What we see and we have already mentioned this is we see temporary measures like energy tax is temporary. Our position has been very clear. If the nature of the tax goes from a, let's say, temporary to a more structural one, we could not accept it. We have seen the actual government saying that they will reduce first to 15 and to 25 and then disappear. I think it's exciting, in the right direction.

We should be of course quicker and not in two pace approach. We would like to see it disappearing totally in 2016. This can only be dealt with the new government after the elections because it will be the decision taken and what concerns the budget for 2016.

In any case what was said was already positive. First, reduction of the extraordinary measures; second, the perception that it is of course discriminatory towards all the energy sector, everything that is temporary and discriminatory should clearly disappear as soon as appear, but we will take our decision in due time in the right place after it's included in the budget.

But it's clearly eventually the only issue. The sustainability of the system is clearly today confirms and is out of question.

### **Miguel Viana**

So let's go for the last question on the phone and then we'll go through the questions on the web.

### **Unai Franco, Merrill Lynch**

Yes, hello to everyone. Thanks for taking my questions. Most of it has already been dealt with. Just to follow up on the cost front, on the OpEx front, you have EUR44 million savings in the first quarter, I believe. Could you give us some colour and an update versus the full year target for this year, how those EUR44 million compare and are you going to be able to maybe exceed those targets?



And then the other question is regarding the timeline and the amount that you expect to cash in on the asset disposals that you have already agreed in the last few quarters – what is the amount outstanding that you think are going to be able to cash in before the end of the year? Could you give us some colour on the timeline? Thank you.

**Miguel Viana**

Could you repeat the second question, please? Because we had a problem in the line.

**Unai Franco, Merrill Lynch**

Yes, sorry. The second question is regarding the proceeds that you are expecting to cash in from the asset disposal deals that you have already signed in recent quarters. Could you give us some update on when do you expect those to be cashed in and what is the outstanding amount by the end of the year? Thank you.

**Miguel Viana**

OK, thank you.

**Nuno Alves**

The asset disposals that we'll cash in as of right now, we have the sale of US assets rotation has been paid in April selecting and that the only outstanding amount to be collected is 49% of the wind business in Brazil which probably will be in the second half of this year, but it's much smaller amount.

There's a little bit on the gas business but that is small amount. So the major one to be cashed in as of right now is the dollar one which was if I remember about USD340 million. And that has been cashed in.

**Miguel Viana**

Regarding the detail on OpEx targets, we can provide you further details later on but I will say that the objective continues to be to maintain this rhythm of achievement above the target presented in the Investor Day.



Maybe we can go to the questions on the web.

1<sup>st</sup> Question: Can we expect liability management exercises in 2015 or will EDP prefer to refinance debt as and when it matures?

**Nuno Alves**

Clearly as of today we don't see us doing anything in this front. It doesn't mean that in the second half we cannot look at it, but as of today we're not looking at it right now.

**Antonio Mexia**

That's it.

Once again, thank you for your presence. The quarter – weak water and wind and strong dollar but clearly the evolution on the different market and the structural conditions including Brazil make us comfortable for 2015 so I believe everything is going in the right direction. Thank you for your presence and see you soon. Bye-bye.