EDP - Energias de Portugal
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Chaired by António Mexia

Company Participants

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

António Mexia

Hello, everybody. Good morning. Thank you for your presence, especially our Spanish friends, because I know today is a national holiday. So thanks to be on the phone.

As usual we are here to present our third quarter 2013 figures. I would like to start as usual, by saying a word about EBITDA. EBITDA grew 2% year on year to €2.8 billion, and the blocks here are very clear.

In Iberian operations ex-wind we have a reduction of 5%, impacted on the negative side by adverse regulatory changes and, also, the market conditions. But what I would like to stress is the positive things that strongly offset these negative impacts.

First, the strong hydro volumes, but especially two things, the good energy management that is almost responsible for €100 million, and also the very tight cost control with an Opex reduction of 1%, year on year. So in what depends on us, energy management and cost control, I think that the results are distinctive.

Second block: Brazil, with a 25% increase in euros, year on year, and a 42% year on year in Brazilian Reais. We see a very strong third quarter, mainly marked by the high recovery of regulatory receivables through CDE. I think that's an important issue.

As you know, because of weather conditions and the impact on distribution companies on the Discos, the CDE mechanism was used to accelerate the recovery of regulatory receivables. I think it's a plus. It shows clearly that the system, when it was in a stress situation, found the solutions and this is important in terms of credibility.

So, a very strong recovery of regulatory receivables, but also the first positive EBITDA at Pecém power plant. So a very strong quarter in Brazil overall.

Third block: Renewables, with a 5% year-on-year increase. This growth was supported by capacity additions out of Iberia that were slightly penalized by adverse regulatory changes in Spain. So, the ex-Iberia going well, in terms of growth, and the regulatory changes already had an impact in Spain.

If we go down then we see the average cost of debt at 4.3% for the nine months, compared to 4% the same period last year.

And overall, we see net profit of €792 million, flat year on year.

Other highlights of the period. Before the detailed presentation, I would like to mention the increase of €300 million in terms of receivables in Portugal and Spain to €3 billion, overall, by end of September. But, clearly, what we should see is that we have €1 billion securitization deals cashed in these first nine months - 75% of which in Portugal. But, as we have seen recently, on the Spanish side, we have also seen very positive operations in terms of reducing our exposure in terms of receivables.

In terms of Capex, we see a 3% decrease to €1.16 billion. Basically, we are talking about the new hydro capacity execution in Portugal and Brazil, and wind outside Iberia.

In terms of disposals we have €600 million for the first nine months. We have already seen this: the gas transmission in Spain and the 49% transaction with CTG related to EDPR in Portugal assets.

The net debt fell by €100 million, 1%, to €18.1 billion by September. This includes, of course, the dividend, almost €800 million, the regulatory receivables already mentioned, and the expansion Capex of around €700 million.

We have also, as you know, issued a €750 million bond, seven-year maturity. And by the end of September, it's always good to stress, the €4.8 billion cash and available credit lines. So the re-financing needs are covered until the first quarter of 2015, proceeding with almost two years in advance, in terms of the funding strategy.

So, overall, I would say in typical words, resilience. The fact that our regulators and long-term contracted basis and diversified portfolio protected our earnings, gives strong visibility not only at EBITDA level, but also in terms of net profit.

And I like this last line that Miguel always prepares for us, the low-risk: focus on risk control, efficiency improvement, and ongoing growth prospects, as the part of our branding, of our logo, in terms of low risk, profit growth and clearly delivering on efficiency.

So, overall, I think we have once again a resilient quarter. I think that in what depends on us both on regulatory basis, but also energy management and costs, we are doing what is expected from us. So we are doing our job.

We are reaping the benefits of our portfolio approach in renewables. We are also extracting the benefit of our focus in Brazil. And, of course, we are already impacted by the adverse regulatory changes that have been happening on the Iberian market.

So I will pass now to Miguel, and then I will do the last part.

Miguel Viana

Okay, thank you. Regarding weather and market conditions in Iberia in the first nine months of 2013, they were marked by strong hydro and wind volumes, namely in the first half 2013, which are quite positive for our generation mix.

Note that in the first half 2013 the low pool prices, and EDP's long position on clients, supported the good energy management results while in the third quarter 2013 these market conditions changed as the pool price was higher at the level of €50 /MWh.

In terms of electricity consumption in Portugal, it grew by 1.9% in the third quarter 2013, in line with the other recent positive leading indicators. I would highlight also that this is the first quarter of demand year-on-year growth since the fourth quarter 2010. And on top of that, in more recent data in October 2013, demand in Portugal rose 1.3% year on year, showing signs of stabilization in terms of demand evolution.

In terms of EDP's operating performance in the period, installed capacity was flat year on year, as the new capacity in terms of hydro in Portugal, coal in Brazil, and wind out of Iberia was compensated by the impact of the decommissioning of Setubal fuel oil plant. Power production rose 14%, mostly due to rainy and windy weather conditions in Iberia.

In terms of EBITDA breakdown by division, on page 7, we can see that the major contributions to EBITDA growth came from EDP Brazil, 25% year on year, and EDP Renováveis, 5% growth, which more than compensated the EBITDA decline in Iberia in that period. Note that long-term contract activities and regulated activities continue to represent more than 85% of our EBITDA.

Regarding EBITDA breakdown by market, we can see that Brazil and USA were the major contributors to EBITDA growth in the period. Excluding Forex, namely associated to the depreciation of the Brazil real versus the euro by 12%, and the US dollar versus the euro by 3%, EBITDA growth would have been 5%, year on year.

In terms of efficiency operating costs rose 1% in the period, with operating cost in Iberia decreasing by 1%, clearly below the inflation in the period, both in Portugal and Spain. Operating cost in EDP Renováveis went up by 6% in euro terms, in line with the increase of installed capacity in the period. And operating cost in Brazil went up by 14% in local currency, reflecting the restructuring of operations, and also the commissioning of Pecém I coal plant in the period. With this, EDP has accomplished its Opex III target savings of €99 million for the period, anticipating the 2014 target for 2013.

Moving to page 10 regarding Capex, it fell by 3%, or a 5% increase when we exclude the €91 million cash grant in US. Expansion Capex in the period included the ongoing construction works of the five hydro plants in Portugal, of which 61% of Capex was already incurred, and also reflects lower expansion Capex in wind, as the projects in Poland and Romania are now in final stage and new projects are still in early stages regarding US.

Regulatory receivables rose by around €300 million since December 2012, to €3 billion by September 2013, reflecting an increase in Portugal by €300 million, an increase in Spain by €40 million, and a decline in Brazil by €63 million.

In page 12, regarding the evolution more in detail of regulatory receivables from Portugal in EDP's balance sheet. We can see that in the first nine months of 2013 the period was marked by negative deviations versus initial assumptions made by the Regulator when setting the 2013 tariffs. First, the major deviation was a €0.4 billion negative deviation from higher special regime production than expected and pool prices in the first nine months of the period. The second deviation was the deviation of €0.2 billion, related to no cash in of revenues from CO_2 auctions in the period. These revenues should be fully collected in the fourth quarter of the year, although they are being impacted by the decline of the CO_2 prices. Finally, we had also a negative impact of €0.1 billion related with lower-than-expected demand in the first nine months of the year. Note that the evolution of regulatory receivables in the fourth quarter 2013 is expected to benefit from lower margin on special regime tariffs, higher pool prices and a more stable demand performance in the period.

Moving to net debt, it stood at €18.1 billion by September, with investments and operations funded in local currency, so with an adequate mix in terms of currency, and floating rates having 55% weight, which provides some hedging on inflation. In terms of change year on year, net debt fell by €100 million, including the dividends payment by €800 million, both to EDP shareholders and the shareholders of our subsidiaries, an increase of €0.3 billion of regulatory receivables, and expansion Capex of €0.7 billion. It includes also a positive Forex impact of €259 million, mostly due to the US dollar depreciation versus the euro in the period.

Our financial liquidity position stood at €4.8 billion by September, including €3 billion of total credit lines available and cash and equivalents of €1.8 billion. The €750 million bond, issued in September 2013, has reinforced the liquidity and extended our average debt maturity.

In terms of average debt maturity profile, the average debt maturity stood at 3.9 years by September 2013, benefiting from the €1.6 billion credit facility signed in January, which extended the average debt maturity and reinforced also our financial flexibility. Adding to this, the €0.1 billion of underwritten commercial paper signed in October 2013 and also the bond issue of €150 million announced yesterday, total financial liquidity stands above €5 billion, clearly covering the refinancing needs of EDP until the first quarter of 2015. Note that on top of this, we should highlight the already-referred around €200 million of proceeds from securitizations in Spain collected in October 2013 and around €100 million cash in from disposals of EDPR, which are still pending.

Overall, in terms of net profit breakdown, we can see that after the 2% increase of EBITDA, we had also a 6% increase on depreciations, essentially driven by new capacity additions. Cost of debt, already referred, increase from 4.0% to 4.3%. There was a decline in terms of income taxes reflecting also the impact of asset tax basis revaluation in Spain in the period. A slightly higher non-controlling interests on the increase of net profits at EDPR and EDP Brazil, which finally resulted in a flat net profit at €792 million in the first nine months of 2013.

Taking a look on the performance by business area, we can see that market conditions for liberalized generation in Iberia were impacted by a 2.5% decline on Iberian electricity demand and also, a 37% decline on thermal power demand due to lower demand and the strong hydro and wind resources in the first nine months of the year.

Our liberalized power plants in Iberia showed a 3% production increase as hydro weight rose from 15% to 36% on rainy weather and new added capacity, namely Alqueva II. And also, there was a strong decline in thermal load factors on the back of lower residual thermal demand, with namely our CCGT load factors falling to 4% in the first nine months of the year. Overall, the EBITDA of our liberalized energy activities in Iberia stood flat, year on year, as the adverse regulatory development and lower profitability of thermal plants were fully offset by the lower sourcing costs, along with the benefits of our long position in clients.

Moving to EBITDA, in terms of long-term contracted generation activities in Iberia, it fell by 11% in the period impacted essentially by the decommissioning of our Setubal fuel oil plant in December 2012. We had also the positive impact from the stronger increase in mini-hydro production in the period, which partially compensated the negative impact from Setubal.

In regulated energy networks in Iberia, EBITDA fell by 5%. The major driver was the lower return on RAB in the electricity distribution in Portugal, which was driven by the indexation of this rate to the five-year CDS of Portuguese Republic, which recorded a decline in the period.

Moving to EDP Renováveis, EBITDA grew 5% in the period. Per major geographies, we saw a 5% increase in Iberia on stronger production growth, but also penalized by the new generation tax in Spain. EBITDA at EDPR in US went up by 6%, benefiting from a 5% increase in average selling price, a one-off gain of €14 million, and also the negative Forex impact of €9 million. And finally, in other markets, EBITDA went up 3% benefiting from new capacity, but still in ramp-up stages and still penalized by lower load factors and lower prices, namely in Poland and Romania.

Finally, in Brazil, EDP Brasil's EBITDA in local currency went up by 42%, year on year, or 8% adjusted. The major adjustments are, of course, in distribution, as the EBITDA in distribution in the first nine months of 2012 was 31% what we would see as a normalized level and in the first nine months of 2013, our EBITDA was 37% above the normalized level. In generation, excluding Pecém, or let's say excluding the accumulative negative contribution of Pecém, the EBITDA from generation and other rose by 4%.

Taking a closer look at the EBITDA performance in our distribution in Brazil, we can see that, while the first nine months of 2012 EBITDA was significantly penalized by tariff deviations in the period, in the first nine months of 2013 the new mechanism of CDE contributions, created by the government essentially to avoid the short-term cash constraints to distributors, more than compensated the negative tariff deviations in the period and mainly having a strong impact in the third quarter 2013, contributing to a decrease of regulatory receivables in Brazil from R$283 million in March 2013 to R$78 million by September 2013.

In generation in Brazil, we would highlight the significant recovery of Pecém, which had already a positive EBITDA contribution in the third quarter of 2013 of R$20 million.

I would now move to our CEO for the outlook from these nine months 2013 presentation.

António Mexia

Thank you, Miguel. To talk about the outlook, of course, we need to mention some of the most recent measures in the sector, especially those that are fresh in Portugal. Even if we have already talked about this with all of you, I would mention something about this again. Basically, we are talking about a kind of fiscal package and kind of a second energy package.

On page 30, what we mention is the fiscal measures that are today introduced in the state budget for 2014, still to be approved late November by the parliament. But what the government proposes is clear: it's an extraordinary contribution by the energy sector in 2014.

The sectors impacted are electricity, gas and oil. The measure is a 0.85% non-deductible tax on fixed tangible and intangible assets. And clearly, you have exemptions that we would like to stress: the power plants not yet in operation beginning of next year; plants with license awarded through competitive processes; also specially wind, mini-hydro and biomass; and last but not least, all the CCGTs that work less than 2,000 hours in 2013. Unfortunately, we have a lot. So clearly, the exemptions are common sense, either because they were sectors that have already done agreements, for example, wind with payments of extensions. So, clearly, there was an agreement on this. And also, the assets that are clearly affected by the market conditions, like the CCGTs.

It's also important to say that of the €150 million of expected proceeds, €50 million, one-third, is to be allocated to tariff deficit reduction and energy efficiency measures.

In terms of tax, we have already stated, we expect an impact of around €45million to EDP, but we still have to see the final version approved by the parliament.

Second energy package, page 31. What we would like to stress is this is clearly a complement to the first package that was presented in May 2012 with some optimization measures. Something that we find very reasonable in terms of claw backs on eventual gains made by Portuguese generators. In 2014, clearly, the impact of this must take in consideration the tax package. So the provisional here estimated depends very much on what we have mentioned prior in terms of tax package.

And the rest, basically, in what concerns 2014, we just have to mention the normal optimization, transparent mechanism of ancillary services and market rules on an Iberian fair market where basic rules are the same on both sides of the border. So we don't see here major impacts in 2014 and 2015, because clearly, the biggest chunk will be concentrated after 2015.

Then I would also like to mention regulatory receivables in Portugal. As we have already mentioned in previous presentations, we expect the peaking in December 2014, so next year, peaking at €5.3 billion. It's the first element that I would like to stress, exactly what we have been stating to the market. We see that the increase of system receivables in the third quarter was quite small, only €70 million, considering no revenues of CO_2. And we should stress two things, first an improvement of electricity demand and CO_2 prices, but specially the fact that, in the 2014 ERSE proposal, we see a 2.8% increase.

So once again we are respecting the rules of inflation plus between 1.5% to 2% increase. As expected inflation is 1%, it means that this proposal respects what was mentioned, the basic tariff increases, to absorb and to assure the convergence to zero towards the end of the decade. That's an important element.

Another important element on the right side of the slide is that we have around €1.6 billion deficit, the one that was created in 2011, 2012, and 2013, that are clearly available for securitization. And the interest rates associated made credible that we could do something in the market, not only in 2014 and we will be looking forward to work on this front. We have also €1.5 billion to be created in 2014 and collected onwards. So clearly, we have visibility on the sustainable system, converging to zero in 2020. And with the tariff proposal we're expecting, what is critical, the tariff increases to absorb this deficit.

In terms of our outlook for 2013, to the year end, we still expect a low single-digit in terms of EBITDA. We still expect to be flat, year on year, in terms of earnings per share. And we're still committed with net debt at the end of the year being below 2012 debt.

This guidance includes already the impact from new regulatory measures in Spain that, of course, are still to be clarified. But, as you know, part of it is retroactive to July, so we have already included part of this impact. Average cost of debt should be below 4.5% year end.

In terms of the different parts of our EBITDA, in terms of liberalized activities, it depends on hydro resources and market volatility. In terms of Brazil, we are still ramping up. It means that the last quarter will be better in Pecém. Of course, we should be clear in what concerns a very strong third quarter, because of the CDE payments one-off. So in terms of the last quarter, we expect to get closer to a normalized level in this last quarter. In terms of wind power, clearly, what we need to know exactly is the impact of the new remuneration scheme in Spain. We still need to know if, by end of November, we have visibility on those rules. In terms of the Iberian regulated energy networks, we don't expect anything new in 2013. And then we can discuss, if we want later on, some of these expected 2014 evolutions.

Now I would like to mention what we have presented in page 34: downward revision of Capex guidance for 2014 and 2015. I remember some of you mentioned that when we stated the flexibility approach saying, okay, it's nice words, but let's see exactly what does it mean. What does it mean is, as we have stated, whenever external conditions justify changes, in what depends on us, to respect the deleveraging commitment, going down and approaching 3 times net debt over EBITDA in 2015.

What we have here is clear: a commitment that we are already slightly below €2 billion in 2013. So below what was expected in 2012, but on the dot of what we have been presenting. But, clearly, here what we would like to stress is the €1.7 billion in 2014 and the €1.5 billion in 2015. We are talking about a reduction on average of €400 million a year, so a total of €800 million reduction for those two years. And I think it's been clear about something that we have always stated is our commitment and avoid any denial in what concerns the impact of market conditions, namely regulatory conditions.

So overall, in the last page is the usual sound performance enhanced by diversification, profitable growth, keeping low risk, and keeping focused on efficiency that enables us to maintain the guidance for 2013 in terms of EBITDA, net profit, and net debt. So resilience, delivering on the deleveraging, quality of our asset mix, diversified portfolio and risk management is clearly what we have been doing.

And even with this, Capex guidance adjustment shows that we are serious, strongly committed to the deleveraging up to 2015 targets.

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

Questions and Answers

Pablo Cuadrado - BofA Merrill Lynch

Pablo Cuadrado, BofA Merrill Lynch. Just three questions from my side. The first one is on the Capex cut. While, you have explained perfectly what you are proposing today to do and the €800 million cut for the next three years, I wanted basically to understand where the cuts are located, are you talking clearly about the new hydro assets in Portugal, the *new assets as well generation in Brazil, also talking about wind? So I wanted to understand where the savings and the cuttings are coming from.*

The second question is on the Portuguese regulatory changes, wanted to have a figure for 2014. Clearly, you explained perfectly the two different impacts that you have, €45 million for the fiscal package, which is not deductible but you have as well the reduction in the corporate tax rate. And later on, on the energy side, the €12 million impact that you have. So I wanted, if possible, to know on a net basis, which is the impact of the two packages that you are expecting for next year, assuming that all this is approved and there is no change.

And the third question is on the receivables in Portugal. I think during the beginning of the year, you defended that you would try to maintain the regulatory receivables at least at the same level that in 2012, meaning that if there was an increase, you were supposed to make securitizations, as you did. Clearly, the tariff proposal for next year implies that there is going to be more receivables. So the question is: are you also planning to make more securitizations, given that also the credit markets keep working okay? So I wanted to have a flavour on that. Thank you.

António Mexia

Thank you, Pablo. First, I will go through the Capex reduction. Clearly what we are talking about is a reduction at the renewables development pace. We are talking now about 500 MW in 2014 and 300 MW in 2015. But the figures, to square you, we are also talking about an anticipation of some investment of renewables to 2013, already included in the €2 billion, and we are talking about more than €100 million, especially in the US market because of PTC's mechanism. So we have anticipated, because of our successful approach and as you know, in the last 12 months, we have signed 750 MW of PPA for new assets and 250 MW of existing assets. So I think that we did quite well in that market. So, we were able to anticipate 2013. And even with the anticipation, we stayed below the Capex that we have mentioned to the market. It's a reduction of renewables, anticipation of renewables. Third, also due to the non-growth demand situation in Iberia, overall, in terms of average, recent past and near future, we see also a small reduction in investment in regulated assets. So, this represents the bulk of this reduction. But, clearly, the biggest chunk is reduction of expansion on renewables.

Nuno, the €45 million…

Nuno Alves

The net/net will be €45 million, after the tax impact, because what you have is €45 million from this new tax and then the energy package increase, which we've talked about €25 million roughly pre-tax, meaning €15 million after tax, which will be compensated by the decrease in the 2%, which is another €15 million. So net/net, the impact is €45 million. In terms of the tariff deficit, what you said is right. Our objective is that roughly by year end, we should have a total amount of regulatory receivables in the balance sheet similar, or not much greater than what it was in 2012. We still have two months until the end of year, we'll see. We've just recently collected about €230 million of the FADE transactions in Spain and we will see what we can do until the end of the year. But the objective is still the same.

Alberto Gandolfi – UBS

I have three questions. The first one is on Portuguese regulation. Effectively, it looks like the attitude of the government hasn't really changed. This was more of an imposition. However, it was triggered by a tariff deficit, which still exists and actually continues to grow and is becoming quite of an issue. So, how can we think about the risk of further intervention? And, more importantly, how are you trying to prepare for it? How are you approaching the government? What solutions could happen? And do you seem to think if there is a tariff increase, because that's the same promiss as we had before last month and yet, we had an impact of that we weren't thinking about. And can you also a little bit elaborate on the idea of extending PPA in Portugal at a lower level? What could that be the near-term impact on earnings, even though it would be NPV neutral?

Secondly, on the securitization, I was curious to understand what would it take for you to securitize more than actually the new deficit created? So why can't you try to securitize much more than this €500 million increase? Can you try to do €1 billion next year, for instance or something like that? And what would be your net debt to EBITDA target realistically for the end of next year?

And very last question, for 2014, there must be a reason you haven't provided guidance maybe in the slides. But my question would be consensus for 2014 shows €3.7 billion EBITDA and just over €900 million net income. Are you comfortable with that still?

António Mexia

Alberto. Thank you for your questions. First: Portuguese regulation. I would like to stress that the second package was not triggered by a bigger tariff deficit. This second energy package, as I like to call it, is basically to cover areas that were not covered namely, when you mentioned about the measure of claw back of eventual gains, due to fiscal conditions in Spain - Portugal versus Spain. It's not because they are different, it's because it's normal to consider this. So, I would like to stress this. It's not because of the tariff deficit evolution that we have a second package. It's because it's covering areas that were not covered in the first, and especially because these areas should be tackled in any case. What I really want to stress is that the perception today of everybody, I think at the regulatory level across the government, and I think it's clear that the tariff deficit system is totally sustainable, based on tariff increases, if you respect the rule of 1.5% to 2% above inflation. And the increase in 2013 and the expected increase in 2014, respect these rules. The improvements on demand condition are critical for the sustainability and what we have seeing in the recent past is that the demand increases are there. So especially in what concerns the industrial sector and the export sector have been giving clear signs of recovery of demand increases. So we feel today, and I want to really stress this, we feel totally comfortable with the fact that the system is sustainable and that the tariff measures and the assumptions on demand and costs that are behind this just reinforce this conviction that we have been presenting to the market. So, we don't expect any new regulatory measures. It means that we don't expect any third energy package, because the first two are totally compatible, normal in this sustainability environment.

I would also like to talk about the consensus. At this stage, of course, mentioned that we need to know more about the impact of the renewables remuneration in Spain to have a final clear vision about 2014. At this stage, we feel comfortable with EBITDA and the net profit consensus. But, of course, we need to know more about two things. First, the regulatory impact in Spain on renewables and also, we need to know exactly what will be the impact of accounting consolidation method in what concerns Pecém and some of wind farms in Spain. So it's accounting issues. So pro forma, I would say, clearly that we feel comfortable with the consensus and the net profit for 2014. We just need to wait for the renewables scheme in Spain.

Nuno Alves

Just in as far as the securitization more or less going forward. Obviously timing is an issue. Was also important for future securitizations that, once again, as we always stated but we know that investors like to see the regulator, once he announces the new tariff, or the proposal for the tariff, as once again as he has to included the payment of those deficits. So that gives extra strength to what already is a very good asset, so that investors feel comfortable. So from now onwards, or from December 15 onwards, I would say in as far as we are concerned, as long as markets are behaving as they are right now, we will try to securitize some more. But my best target would be sometime the first half of next year. We'll try to do it sooner rather than later, but it's going to depend on the market. We are ready. We have done it. We are comfortable we can do it again. It's a question of time.

António Mexia

Alberto, it's a question that we have not raised today, but we have raised in prior meetings. Just to stress, if we pick the Capex reduction, because you asked what was flexibility. Now we say is that if we pick the €800 million reduction plus the €200 million almost in 2013, compared to the initial scenario, we are talking about €1 billion Capex reduction of the former initial plan, of course the 2013 was already reduced. I think it's a strong commitment and it's a strong translation of what we mean about using flexibility. Thank you.

Alberto Gandolfi – UBS

Thank you.

Carolina Dores - Morgan Stanley

I have three questions. The first one regards ancillary services in Portugal, because you still don't know exactly the impact. I was just wondering if you can give us an idea of what revenues have you achieved in 2013 with this service. The next two questions regard your disposal plan with CTG. First one is in the CapEx reduction that you announced, is there any benefit that is included from the co-CapEx, or if we should consider the remaining €1.6 billion/€1.7 billion of disposals on your cash flow on top of the CapEx reduction? The last question on the CTG is that if you still expect to announce the €1 billion disposals before the end of the year? If you can give us an update on how this process is evolving since the second quarter conference call. Thank you.

António Mexia

Carolina. Thank you for your questions. I will talk a little bit about CTG. First question about CTG, these figures are like for like, and so when we talk about the reduction, it can have an impact on co-investment or not. But typically, like we compare pears with pears and apples with apples, so it's exactly the same that was expected before. So it may have an impact, of course, on the co-investment. In 2013, what I would like to stress once again, as I did in the last quarter presentation, is that we want to have visibility about the €1 billion disposal until the year end. It means that we need to give visibility about €600 million that are missing. We have done around €400 million, so the next €600 million. This, of course, as we have already mentioned, clearly, probably include some assets in Brazil, some hydro assets in Brazil. But we also want to give visibility about the renewals front. And as you know, what happened in Spain made us postpone to have visibility in what concerns the value of those assets, because it's difficult to do this transaction with this uncertainty. So we are focusing again on giving visibility. The commitment stays the same, knowing after the end of the year where we will receive the additional €600 million for the €1 billion package. Of course, the financial closing of this will be typically in the first half of 2014. As we have done last year, we will be telling the market which agreements we have reached, which assets are involved, and to give this clear visibility and we'll have the financial closing in the first half of 2014.

Miguel Viana

Well, I don't have here the exact figures of ancillary services. But I would say that, obviously, in 2012 and 2013, they were a little bit higher, because they normally increase in periods where the pool price goes down, and in periods in which the system is more unstable due to more wind. But I would assume that probably in the region of €40 million to €60 million should not be far away from that figure, but we can come back to you later on.

Gonzalo Sanchez-Bordona – BPI

Yes, good morning. This is Gonzalo Sánchez-Bordona from BPI. Thank you for taking my questions. One would be some clarifications on the Capex cut. Looking at your presentation, I see that one of the reasons would be a delivery of new hydro plants in Portugal. I just wanted to understand if this is a delay or this is just a general comment in the presentation. And which amount of this Capex reduction would be accounted on that? Also on the Capex cut, I would like to know if your expected ForEx evolution has anything to do with this and to what extent this reduction could be due to lower ForEx from Brazil, for instance? Third clarification would this have any impact in your guidance for 2015 target, in terms of EBITDA and EPS? Then my second question would be on the one-off tax that we'll see in Portugal in 2014 if approved. I just wanted to know if you have any comfort from the government that this would be effectively a one-off only in 2014, or do you see any risks of this becoming something more permanent? Thank you.

António Mexia

First, the Capex reduction also includes a slower development of the new hydro in Portugal, a new project that was supposed to be launched. The delay is also due to all the authorizations that we need to have to launch this last new hydro. And we have postponed the launching by around one/two years, but this represents a minor reduction. So we are talking about less than €100 million of the total reduction of €800 million. So the biggest impact is clearly from reduction of renewables and anticipation of renewables. In what concerns the Capex evolution, it depends on the Forex. It's a very small, so it's almost immaterial. Really what you are talking about is doing less megawatts.

In what concerns 2014 tax, commitments are one-offs. Let's be clear, this is included on the 2014 budget. It was introduced, because, in the negotiations of the Troika, the public deficit expansion, the government would like to have 4.5% and they needed to respect the 4%, so at the end they needed additional revenues and lower costs. I believe that the fact that the package is for all the sectors, and not just focused on a specific part of the energy, but all energy sectors, is positive. If it's going to be repeated? Until now we don't have any material reason to expect this. I believe that the government states that they are taking extra measures. So, at this stage, I like to think that it's only for 2014, and it should be. But we never know and we need to have a clear vision onwards. Any commitment today, of course, can be challenged next year, according to the needs. But I think that the good sign is that the government is taking the measures in what concerns the cost-cutting side. And I believe that we should consider this only for 2014, at this stage.

In terms of the last question…

Nuno Alves

Capex cut impact on EBITDA going forward. Well, for the 2015 it would be totally immaterial. For the 2016, clearly, there will be less EBITDA than if we were investing in wind at the same pace as we were before. So that will only be the change, I would say would be in 2016. For 2015, basically it's immaterial.

Gonzalo Sanchez-Bordona – BPI

Thank you.

Javier Garrido – JP Morgan

Only two questions remain. First would be on the net debt to EBITDA target for 2015. You have very well explained now the adjustment to Capex and what are the implications for Capex and EBITDA. But is this enough for you to feel comfortable to meet the net debt over EBITDA target of 3 times? Or do you think, you also mentioned in the past that you have flexibility in your asset disposal plan and you could think of additional disposals, do you think you would need additional disposals in order to get to that target? And the second question is whether you have any more visibility or any more insight about the wholesale market reform in Spain, any more detail or any more intelligence about what could be the areas that will be affected by this reform? Thank you.

Antónia Mexia

So in what concerns the wholesale market reform, I think, it's done. I think that even the Spanish market, if anything, they did in terms of what concerns tariff deficit, they were too ambitious to reduce it, certainly in one year. So I think that they went too far. It was not needed. We just expect now to know exactly what will be the remuneration on renewables. The rest we don't expect and we can be surprised but we don't see any major change coming in the near future, additional change. Nuno, do you want to talk about the target of…

Nuno Alves

Okay. Clearly, the 3 times net debt to EBITDA guidance for 2015 is, as we've always stated, one of the most, or the strongest commitments of EDP. So we will continue to do whatever it takes to get as close as we can to the 3 times. Clearly, this cut in the Capex shows our determination in that. As we go forward, if we have to take other measures, as long as they make sense in order to reach the number, we will do so. Clearly, there is going to be, and Antonio has just touched it a little bit, as of next year there's some accounting changes in what concerns joint ventures. So there is going to be, out of that, a clear impact, both on EBITDA going forward, and on net debt, as you deconsolidate some of those assets. We will have to see how that comes out, but we are by no ways getting around it, the commitment will be maintained to reach as close as we can to the 3 times, and that is something we intend to keep on working towards.

António Mexia

Yes, anyhow, Javier I would like to say, as Nuno mentioned, we will not change our commitment. At the same time, we will not change the dividend policy. It's also a strong commitment that we have. We have, as we mentioned, adjust elsewhere if we need it, but we don't have an intention unless the shareholders, of course, think otherwise, they can always change views in the Annual Meeting, but we don't foresee any intention to change the dividend policy.

Javier Garrido – JPMorgan

That's very clear, thank you.

Questions from the Internet

Nuno Alves

I have a few questions from the Internet. I have several questions, I'll try to, without reading the questions, try to address some of the issues here. Regulatory receivables, I think we talked enough. There's not much else I can add. The debt targets for 2014, we maintain, clearly, the view that every year going forward the debt will be lower than the year before, so that's the commitment. We will do that this year and in 2014 it will be lower than in 2013. The 3 times, we have talked about it. The reduction of dividends, we talked about it, it's a no.

Would we try to push forward more disposals beyond the CTG ones? Well, in this case we have announced on the business plan that we would do, outside the CTG disposals, roughly €300 million until the end of 2015. We have already announced close to that by the EDP Renováveis so far, so I would say that number will be surpassed. And we continue to see if there are opportunities that, without changing the profile of the Company and which makes financial sense to do, but we have no commitment right now to go beyond those numbers. But, clearly, the renewables will, before we get to the end of 2015, clearly surpass the €300 million.

In terms of electricity prices for 2014 and 2015, I think we are currently forecasting for 2014 roughly €48, which is a bit higher than we had, on average, in 2013. Mind you, we are also seeing, clearly, growth in the electricity demand in Portugal. The number is not out yet for Portugal for October, but we, clearly, are expecting at least 1% adjusted. So there will be more than 1% on top of all the last three or four months, which is as before. And finally, we are starting to see, I just saw the numbers from Spain for the month of

September, we're starting to see the numbers in Spain starting to improve. They're still not positive, but they are a lot less negative than they were six months ago. For 2015 we will probably expect a little higher price than 2014 but, as of now, not very relevant.

In terms of the liquidity position and what we intend to do, there's two or three questions here. I don't know if it's miss-written or misunderstood. We have currently on hand all the cash and facilities ready to pay all the 2013 and the 2014 maturities. We already have part of the 2015 covered. And this does not include any further disposals to, in particular CTG. So if we put that on top, we will be probably halfway through 2015 cover. So liquidity-wise, I don't know if the slide didn't show, but the 2014 is not an issue. We already have it in hand. In as far as EDP going back to the markets, we continue to monitor and we would expect some time either until the end of this year/beginning of next year to be in the market again, be it in euros or dollars. We continue to monitor it and as we see fit, we will do so. I think from here I've answered most of them.

Manuel Palomo - Exane BNP Paribas

Just a couple of questions, one is a reminder if I may? If I'm not wrong Mr. Mexia mentioned that one of the key topics of the key assumptions, in order to reach that reduction in receivables in Portugal, was the evolution of the demand. Could you again share with us what are the assumptions behind your calculations, in order to reach the reduction in the receivables in 2020? That's number one. Second one, maybe a small for Nuno. We've seen a little of an increase in the cost of the net debt. Well, below 4.5% that you're hinting to by the year end looks like you still see some scope for an increase in the net debt. However, on the other side, I've seen that the floating debt has increased in percentage terms. So are you thinking about reducing that exposure to floating, or why the potential increase in the net debt cost? And the last one is just a clarification on the target, €1 billion divestment to CTG. You mentioned that, well maybe it could be monetized in the first half 2014, but basically that you're still working on reaching €1 billion target divestments to CTG before the year end. Am I right? Thank you.

António Mexia

Yes, thank you for your questions. Demand evolution, to be able to absorb that until the end of the decade, we are typically talking about 1% increase, on average, for the next year, so 1% increase. And it's what now, it's foreseen also already for 2014. And as Nuno mentioned the evolution in the last four months, is showing clearly that these figures are totally credible.

€1 billion with CTG. Yes, the idea is to have full visibility on the agreements that justify the additional €600 million that we need to, and we want to show to, the market until the end of December, including wind and hydro assets as I mentioned in Brazil and, of course, in Europe. And the financial closing of this should happen, because of the legal authorization that we all need for this transaction to have the financial closing to happen by end of first half 2014. So clearly, we will show the market what are the agreements where we base our additional €600 million that we have mentioned reach €1 billion in 2013. Nuno, about floating…

Nuno Alves

Well, first, I guess there was a question about the cost. Guiding for year end, I would guide at 4.4%, so a slight increase from where we are today. I don't think we will reach the 4.5% this year, so 4.4% will be the guidance for 2013. For 2014 and 2015, I would say, 4.6%/4.7%. That will be the best guidance I can give you today. But clearly, below the 5% we had on the business plan when we announced back in 2012. So better than the plan, slightly worse than in 2013, but then it should peak at around the 4.6%/4.7%, around that level. In as far as fixed floating, we've always had this policy. It has always been around the 50/50. It is a little bit more now on the floating than the 50/50, no particular reason. We continue to see for the time being no issues with the euro rate in particular. So we will continue to have a little bit more exposure to floating than otherwise, but no issues here.

Manuel Palomo - Exane BNP Paribas

Thank you.

Closing Comments

António Mexia

Thank you. If there is no further question I would like just to say two or three words, and repeat some of the key message. I think that we have been showing, as usual, the resilience. I think that the regulation management in all geography, I think it's a very important issue today in the sector. I think that the results are there. I think that we are doing what is expected from our side.

In terms of efficiency, I like to see that there is no question that we still are the best-performing utility in the Iberia market with the lowest net Opex over gross margin. We are reaching probably in 2013 the target that we're expected to be reached in 2014. So once again, one year of anticipation.

In what concerns asset disposals, then on CTG, we are doing what was expected, probably better. In what concerns CTG, even with all the changes that were not foreseen, and that makes more difficult in terms of valid visibility, namely, let's say, the Spanish assets, we are doing what is needed to show the market the €1 billion at end of 2013 and the €2 billion target for 2015 are always guiding us.

Stronger commitment in terms of deleveraging. We intend to present in the first half of next year, in the second quarter, we will do an Investors Day that will show our figures until 2017. But today we wanted, right now, to give clear message in terms of what we need to do in terms of deleveraging, namely the Capex reduction. We didn't postpone that decision, we are announcing it now.

We are also keeping the commitment in terms of dividend policy. So I think that we are managing quite well the external impact also, due to our portfolio and our risk management policy. But we do what we need to do in what depend upon us to keep this deleveraging commitment core to our business plan, and also keeping the dividend policy core to our DNA in the relation with the market.

So once again, thank you for your presence. And for our Spanish friends, have a nice holiday after this, hopefully there is not a lot of calls. And thank you and see you soon. Bye, bye.