# 2015

# Financial Results

## Conference call and webcast

**Date: Friday**, 4th March, 2016, 11:30 am (UK/Portuguese time)

**Webcast:** www.edp.pt

**By Phone dial-In number: +44 (0)207 162 0077  Conference ID: 957523**
**Replay:** By Phone dial-In number: +44 (0)207 031 4064  Conference ID: 957523

**Lisbon, March 3rd 2016**

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# Content



*The financial statements presented in this document are non-audited. Pursuant to the adoption of IFRIC21, 2014 and 2015 financial statements here presented were restated for comparison purposes.*

*The source from all operational data is EDP.*

# Main Highlights

| Income Statement (€ m) | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| **Gross Profit** | **5,455** | **5,367** | **2%** | **+88** |
| Supplies and services | 921 | 897 | 3% | +24 |
| Personnel costs, employees benefits | 653 | 555 | 18% | +98 |
| Other operating costs (net) | (43) | 272 | - | -315 |
| **Net Operating costs (1)** | **1,531** | **1,725** | **-11%** | **-194** |
| **EBITDA** | **3,924** | **3,642** | **8%** | **+282** |
| Provisions | 16 | 52 | -69% | -36 |
| Amortisation and impairment (2) | 1,465 | 1,397 | 5% | +67 |
| **EBIT** | **2,443** | **2,193** | **11%** | **+250** |
| Financial Results | (833) | (572) | -46% | -261 |
| Share of net profit joint ventures/associates | (24) | 15 | - | -39 |
| **Pre-tax profit** | **1,587** | **1,636** | **-3%** | **-49** |
| Income taxes | 278 | 311 | -11% | -33 |
| Extraord. contribution energy sector | 62 | 61 | 1% | +1 |
| Net profit for the period | 1,247 | 1,264 | -1% | -17 |
| **Net Profit** | **913** | **1,040** | **-12%** | **-128** |
| Non-controlling Interest | 334 | 223 | 50% | +111 |

| Key Operational Data | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| Employees | 12,084 | 11,798 | 2.4% | +287 |
| Installed capacity (MW) | 24,364 | 22,469 | 8.4% | +1,895 |

| Key Financial Data (€ m) | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| FFO (Funds from operations) | 2,606 | 2,440 | 7% | +167 |
| Capex | 1,788 | 1,872 | -4% | -84 |
| Maintenance | 604 | 623 | -3% | -19 |
| Expansion | 1,184 | 1,249 | -5% | -65 |
| Net investments | 1,735 | 1,794 | -3% | -58 |

| Key Balance Sheet Data (€ m) | Dec-15 | Dec-14 | Δ % | Δ Abs. |
|---|---|---|---|---|
| Equity book value | 8,670 | 8,681 | 0% | -12 |
| Net debt | 17,380 | 17,042 | 2% | +338 |
| Regulatory receivables | 2,477 | 2,504 | -1% | -27 |
| Net debt/EBITDA (x)(4) | 4.4x | 4.7x | -5% | -0.2x |
| Adjusted net debt (3)/EBITDA (x) | 3.8x | 4.0x | -6% | -0.2x |

**Consolidated EBITDA** amounted to €3,924m in 2015, 8% higher YoY. Note that EBITDA includes: (i) In 2014, +€131m on the sale of a 50% equity stake in Jari/Cachoeira-Caldeirão to CTG, +€81m net impact from restructuring issues (impact from the new Collective Labour Agreement in Portugal, 'CLA', net of costs with pre-retirement program); (ii) In 2015, +€295m following the acquisition of Eneva's 50% stake in Pecém (2Q), +€89m derived from the sale of gas assets in Spain (1Q) and +€57m net impact at EDPR. Excluding these impacts, **adjusted EBITDA** totalled €3,483m in 2015 (+2% YoY), capped by an unfavourable ForEx impact (-€51m or -1% of EBITDA, mainly due to BRL 16% depreciation vs. Euro) and adverse conditions for the hydro and wind production in EDP's main markets. In **Brazil**, the drought resulted in a hydro deficit of 15% in 2015 (vs. 9% in 2014), prompting for a €95m hit in 2015 EBITDA. Even so, measures taken in 4Q15 to cap hydro risk exposure to 8% at 40% of our portfolio (effective as from 1-Jan-15), along with lower market prices and less harsh weather conditions in 4Q15, resulted in a €32m YoY recovery in 4Q15. In **Portugal**, hydro resources in 2015 fell 26% short of LT average, compared to a 27% premium in 2014. At **EDP Renováveis** ('EDPR') level, the average load factor fell 3% short of P50 scenario in 2015 (vs. +1% in 2014).

In **Iberia**, the 9% fall in EBITDA, to €1,924m in 2015, mainly reflects 2015's poor hydro resources and weak results with energy management (vs. last year's outstanding results). **EDPR**'s 26% rise in EBITDA, to €1,142m, was prompted by higher average capacity on stream (+10% YoY), higher prices in Spain; but also by a ForEx impact (+€74m), mainly due to USD appreciation vs Euro, and by the net one-off impact (+c€57m). **EDP Brasil**'s ('EDPB') 38% rise in EBITDA, to €857m, was supported by the bottoming out of drought situation in 4Q15 and by the gain booked in the wake of full control of Pecém I. The positive impact on growth from the full consolidation as from May 15th of the good-performer Pecém I plant (+€146m ex-Forex) was mitigated by the adverse impact of ForEx (-€125m).

**EDP Group operating costs** totalled €1,574m in 2015. On a YoY basis, excluding the €81m net gain booked in 2014 (on the aforementioned restructuring issues) and additional costs with employees benefits in 2015 (€16m), operating costs: (i) fell 1% YoY in **Iberia**, impacted headcount reduction (-1%); (ii) rose 8% YoY at EDPR (excluding ForEx) on portfolio expansion; and (iii) rose 9% in Brazil (excluding ForEx), reflecting the full consolidation of Pecém I and tight cost control. **Other net operating costs/(revenues)** totalled -€43m in 2015 (vs. €272m cost in 2014), reflecting the aforementioned one off impacts (2015: sale of assets in Spain, gain in Pecém I, net gain at EDPR level; in 2014, gain on the sale of 50% in Jari/CC); and higher cost with generation taxes in Spain and clawback in Portugal. EDP group's costs with clawback, social tariff and extraordinary energy tax in Portugal; and with generation taxes and other levies in Spain, all relative to 2015, amounted to €262m in 2015 (+€36m YoY). In Portugal, eligibility criteria to access social tariffs was updated in Nov-14. Implicit discount to tariffs, which is supported by conventional generators, rounds 20%. As a result, and following strong marketing efforts by EDP to increase customer awareness about this benefit, total clients with social tariff rose from 43k in Dec-14 to 100k in Dec-15.

**EBIT rose 11%, to €2,443m in 2015**, mainly driven by EBITDA and higher depreciation (+5% mainly due to USD appreciation and full consolidation of Pecém I). **Net financial costs** worth €833m in 2015, up from €572m in 2014, largely impacted by: i) in 2014, the €118m one-off gain booked on the sale of 50% stake in EDP Asia; ii) in 2015, nearly one-off costs of €50m booked in the wake of the early repayment of some more expensive debt in our portfolio and the mark-to-market of our equity stake in BCP. Average cost of debt was stable YoY at 4.7%. **Non-controlling interests** reached €334m in 2015, mainly impacted by the one-off gain booked on the acquisition of Pecém I (+€127m). Overall, **net profit attributable to EDP shareholders** amounted to €913m in 2015. Excluding one-off gains booked in 2014 (+€136m; details on page 4) and 2015 (+€163m, details on page 4), adjusted net profit stood at €749m in 2015 (-17% YoY), penalised by weak wind/hydro resources in several geographies, weak results with energy management and adverse ForEx impact.

**Net debt** rose from €17bn in Dec-14 to €17.4bn in Dec-15. Adjusted for €0.5bn proceeds in Jan-16, from both asset rotation deal signed with Axium in Oct-15 and from institutional partnership structure signed in Nov-15, net debt would have stood at €16.9bn. Net debt evolution in 2015 reflects: i) the consolidation of Pecém I (+€0.6bn), which was mitigated by the 50% equity content of the issued hybrid bond (€0.375bn); ii) €1.5bn reduction, prompted by funds from operations (FFO), net of maintenance capex and change in working capital; (iii) €0.7bn increase following the payment of 2014 annual dividend; (iv) €0.8bn rise due to the net impact from expansion capex (hydro and wind), changes in working capital with fixed asset suppliers, net proceeds from TEIs and other net investments; (v) +€86m from ForEx impact mainly due to USD appreciation vs. Euro. Total cash and available liquidity facilities amounted to €5.4bn by Dec-15. This liquidity position allows EDP to cover its refinancing needs beyond 2017.

**EDP's Executive Board of Directors will submit to the ASM a proposal for the distribution of €0.185 dividend per share as to 2015FY.**

(1) Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits) + Other operating costs (net); (2) Depreciation and amortisation expense net of compensation for depreciation and amortisation of subsidised assets; (3) Net of regulatory receivables.

# EBITDA Breakdown

| EBITDA (€ m) | 2015 | 2014 | Δ % | Δ Abs. | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 2Q15 | 3Q15 | 4Q15 | 4Q15 YoY Δ % | 4Q15 YoY Δ Abs. | 4Q15 QoQ Δ % | 4Q15 QoQ Δ Abs. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| LT Contracted Generation | 583 | 671 | -13% | -88 | 176 | 180 | 156 | 159 | 153 | 169 | 144 | 117 | -26% | -42 | -19% | -27 |
| Liberalised Activities Iberia | 364 | 416 | -13% | -53 | 186 | 125 | 54 | 51 | 102 | 81 | 93 | 88 | 74% | 37 | -5% | -5 |
| Regulated Networks Iberia | 1,031 | 1,042 | -1% | -11 | 245 | 314 | 257 | 226 | 324 | 245 | 242 | 221 | -2% | -5 | -9% | -21 |
| Wind & Solar Power | 1,142 | 903 | 26% | +239 | 271 | 223 | 147 | 261 | 295 | 253 | 235 | 360 | 38% | 99 | 54% | 126 |
| Brazil | 857 | 619 | 38% | +238 | 127 | 139 | 108 | 245 | 129 | 372 | 154 | 202 | -18% | -43 | 31% | 48 |
| Other | (53) | (9) | -486% | -44 | 2 | (2) | (2) | (7) | (15) | 24 | (7) | (55) | -653% | -48 | -698% | -48 |
| **Consolidated** | **3,924** | **3,642** | **8%** | **+282** | **1,007** | **980** | **721** | **935** | **988** | **1,143** | **860** | **933** | **0%** | **-2** | **8%** | **73** |

**Consolidated EBITDA** amounted to €3,924m in 2015, 8% higher YoY, including the following one-offs: (i) **In 2014**, +€131m on the sale of a 50% equity stake in Jari/Cachoeira-Caldeirão to CTG and +€81m net impact from restructuring issues (impact from the new Collective Labour Agreement in Portugal, 'CLA', net of costs with pre-retirement program); (ii) **In 2015**, +€295m in the wake of the acquisition of Eneva's 50% stake in Pecém (2Q), +€89m derived from the sale of gas assets in Spain (1H15) and +€57m net impact at EDPR level. Excluding these impacts, adjusted EBITDA rose 2%, to €3,483m in 2015, impacted by €64m gain booked in 2014, in the wake of legal change in the accounting regulatory receivables in Brazil relative to 2013.

EBITDA in 2015 was penalised by abnormally adverse weather conditions in different geographies. In Brazil, the more severe drought in 2015 translated into hydro generation deficit of 15% (versus 9% in 2014), curbing EBITDA by €95m in 2015 – even so, measures taken in 4Q15 to cap hydro risk exposure to 8% at 40% of our portfolio (effective as from Jan 1st, 2015), along with lower market prices and less harsh weather conditions, have resulted in a €32m YoY improvement on EBITDA. In Portugal, hydro resources in 2015 fell 26% short of LT average, compared to a 27% premium over LT average in 2014. At EDPR level, the average load factor was 3% lower than the P50 scenario in 2015, versus +1% in 2014. ForEx impact on EBITDA totalled -€51m (-1% of EBITDA), reflecting the mixed impact from average BRL depreciation (-16%) and USD appreciation (+20%), both vs. Euro.

**LONG TERM CONTRACTED GENERATION IN IBERIA (15% of EBITDA) –** EBITDA fell by 13%, to €583m in 2015, impacted lower production at our mini-hydro special regime plants (-45% YoY), natural depreciation of PPA/CMEC asset base under a low-inflation environment and lower net impact from non-recurrent items vis-à-vis 2014's positive one-off impacts.

**LIBERALISED ACTIVITIES IN IBERIA (9% of EBITDA) –** EBITDA was €53m lower YoY, at €364m in 2015, driven by less attractive margins in gas wholesale/retail market (-€15m on gas supply gross profit), higher generation taxes in Iberia resulting from higher own production and prices (-€28m YoY on EBITDA); and a more expensive generation mix largely due to scarcer hydro resources (hydro accounted for 25% of total generation compared to 41% in 2014), combined with adverse impact from lower price volatility. Additionally, scarce hydro reserves in 2015 dictated delays in the start-up of operations at new hydro plants, leading to a limited contribution to EBITDA.

**REGULATED NETWORKS IN IBERIA (26% of EBITDA) –** EBITDA fell 1% YoY, to €1,031m in 2015, materially impacted by one-offs items in both 2014 and 2015, mainly derived from: (i) in 2014, the establishment of the new CLA in Portugal and the anticipated pre-retirement program; (ii) in 2015, the sale of some gas assets in Spain to Redexis. Adjusted EBITDA declined by 4% YoY (-€38m), supported by lower regulated revenues in the wake of assets disposal and tight cost control. Gross profit fell 4% YoY (-€67m) in 2015, reflecting: i) in Portugal, a lower RoRAB (down from 8.26% in 2014 to 6.34% in 2015 in the wake of Portugal's lower sovereign risk) in electricity distribution and fast clients' switching to free market; and (ii) in Spain, lower regulated revenues in the wake of the disposal of distribution assets to Redexis.

**WIND & SOLAR POWER (29% of EBITDA) –** EDPR's EBITDA went up by 26% YoY (+€239m) to €1,142m in 2015, including the net gain mainly deriving from the control acquisition over some assets of ENEOP (€125m) and write-offs (-€72m, following a strict focus of development efforts in the regions with sound business fundamentals). Excluding non-recurrent items, EBITDA advanced by 20%, driven by a positive ForEx impact (+€74m mainly stemming from 20% appreciation of USD vs. EUR), higher production (+€106m YoY), higher avg. final price, mainly backed by higher relative production towards PPA/Hedged capacity along with the increase in prices in Spain.

**BRAZIL (22% of EBITDA)** - EDPB's contribution to consolidated EBITDA was 38% higher YoY (+€238m), to €857m in 2015, including the adverse ForEx impact (-€125m, in the wake 16% depreciation of BRL vs. Euro) and the following one-off impacts: i) in 2015, impact from the acquisition of Eneva's 50% stake in Pecém I (+€267m at EDPB level) and from the sale to EDPR of wind assets in Brazil (€18m with no impact at EDP consolidated level due to intra-segment adjustment at EDP holding level); ii) in 2014, impact from the disposal of 50% of Jari and Cachoeira-Caldeirão (+€131m) and from the recognition of regulatory receivables relative to 2013 (+€64m). Adjusted for one-offs, local currency EBITDA rose 59% YoY, to R$2,112m in 2015. Generation and Supply EBITDA grew by 74% YoY (+R$548m), reflecting the full consolidation of Pecém since May 15th (+R$457m) and better performance at our hydro plants (+R$136m YoY). This performance was backed by an efficient strategy for seasonal allocation of volumes sold and higher average plants' availability. The impact from low GSF improved from -R$394m in 2014 to -R$295m in 2015, backed by lower PLD (-58% YoY, to an avg. R$288/MWh in 2015) and lower GSF (from 91% in 2014 to 85% in 2015, despite recovery in 4Q15, to 89%). EBITDA from distribution stood at R$937m, impacted by an inflation update on the fixed assets' terminal value (+R$152m in 2015) and annual tariff readjustments at our DisCos.

# Profit & Loss Items below EBITDA

| Profit & Loss Items below EBITDA (€ m) | 2015 | 2014 | Δ % | Δ Abs. | 1Q15 | 2Q15 | 3Q15 | 4Q15 | 4Q15 QoQ Δ % | 4Q15 QoQ Δ Abs. |
|---|---|---|---|---|---|---|---|---|---|---|
| **EBITDA** | **3,924** | **3,642** | **8%** | **282** | **988** | **1,143** | **860** | **933** | **8%** | **73** |
| Provisions | 16 | 52 | -69% | -36 | 1 | 3 | 6 | 7 | 22% | 1 |
| Amortisation and impairment | 1,465 | 1,397 | 5% | 67 | 337 | 353 | 369 | 406 | 10% | 37 |
| **EBIT** | **2,443** | **2,193** | **11%** | **250** | **651** | **788** | **485** | **520** | **7%** | **35** |
| Net financial interest | (892) | (883) | -1% | -8 | (238) | (216) | (218) | (219) | 1% | -1 |
| Capitalized financial costs | 84 | 169 | -50% | -85 | 32 | 15 | 18 | 18 | 0% | 0 |
| Net foreign exchange differences and derivates | (35) | (52) | 33% | 17 | (40) | 26 | (33) | 11 | -133% | 44 |
| Investment income | 12 | 5 | 141% | 7 | 0 | 9 | 3 | 0 | - | -3 |
| Unwinding w/ pension & medical care responsibilities | (44) | (64) | 31% | 20 | (11) | (11) | (11) | (11) | -2% | 0 |
| Capital Gains/(Losses) | (1) | 118 | - | -119 | - | 1 | 0 | (1) | -1618% | -1 |
| Other Financials | 43 | 135 | -68% | -92 | 50 | 19 | (22) | (5) | -78% | 17 |
| **Financial Results** | **(833)** | **(572)** | **-46%** | **-261** | **(208)** | **(156)** | **(262)** | **(207)** | **-21%** | **55** |
| **Share of net profit in joint ventures and associates** | **(24)** | **15** | **-** | **-39** | **(2)** | **(22)** | **(2)** | **1** | **-168%** | **3** |
| **Pre-tax Profit** | **1,587** | **1,636** | **-3%** | **-49** | **441** | **610** | **222** | **314** | **42%** | **92** |
| **Income Taxes** | **278** | **311** | **-11%** | **-33** | **82** | **112** | **42** | **42** | **0%** | **-0** |
| *Effective Tax rate (%)* | *18%* | *19%* | *-* | *-1.5 pp* | *19%* | *18%* | *19%* | *13%* | | *0.1 pp* |
| **Extraordinary Contribution for the Energy Sector** | **62** | **61** | **1%** | **1** | **61** | **(0)** | **-** | **1** | **0%** | **1** |
| EDP Renováveis | 114 | 77 | 48% | 37 | 39 | 19 | 12 | 45 | 290% | 34 |
| Energias do Brasil | 207 | 141 | 46% | 65 | 18 | 127 | 18 | 44 | 144% | 26 |
| Other | 14 | 5 | 160% | 8 | 5 | 2 | 1 | 6 | 600% | 5 |
| **Non-controlling Interests** | **334** | **223** | **50%** | **111** | **62** | **148** | **30** | **94** | **212%** | **64** |
| **Net Profit Attributable to Shareholders of EDP** | **913** | **1,040** | **-12%** | **-128** | **237** | **350** | **149** | **177** | **19%** | **28** |

**Amortisation and impairment** (net of compensation from depreciation and amortisation of subsidised assets) rose 5% YoY to €1,465m in 2015, reflecting: (i) in 2015, higher depreciation charges at EDPR (+€84m YoY), derived from the new capacity installed over the last 12 months and the USD appreciation against the EUR and an impairment (€22m in 2015 vs. €27m in 2014); (ii) depreciation charges of Pecém following consolidation (+€31m); (iii) an impairment of €27m at the Group level on EDP Brasil's Escelsa, due to the BRL devaluation; and (v) in 2014, a €27m impairment at our hydro plant of Alvito.

**Net financial costs** rose 46% YoY to €833m in 2015, including a €25m one-off cost related with early repayment in 2015 of some more expensive funding in our debt portfolio. **Net interest expenses** rose 1% YoY due to the USD appreciation vs. Euro and its impact on interest paid on USD-denominated debt. **Net ForEx differences and derivatives** totalled -€35m in 2015 (+€17m YoY in 2015) and are mostly related to mark-to-market of USD/EUR and USD/BRL. **Capitalised financial costs** fell €85m YoY, to €84m in 2015, due to lower investments in new hydro projects and by the equity-method consolidation of Jari/CC (as from Jun-14). **Other financials** (€43m in 2015, -€92m YoY) includes, in 2015, a €56m gain with the tariff securitisation and a €22m impairment due to a devaluation of our financial stake in BCP; and in 2014, a €78m gain with the tariff securitisation.

**Share of net profit in joint ventures and associates** amounted to -€24m in 2015 (-€39m YoY), with the following main contributors: EDPR's 40% equity stake in ENEOP, which started being fully consolidated since Sep-15 (€6m in 2015, -€7m YoY); our 50% share in Jari/Cachoeira-Caldeirão (-€19m in 2015 vs. 2014); our share in EDP Asia (CEM) (-€10M YoY in 2015); and in spite of our 50% equity stake in Pecém I (-€22m in 2015 vs. -€38m in 2014; fully consolidated as from May 15th).

**Income taxes** amounted to €278m in 2015, representing an effective tax rate of 18% (vs. 19% in 2014). 2015 income taxes include a €36m impact from the gain booked in the acquisition of Pecém. Moreover, it is worth to note that the gain booked in 2015 on the sale of gas assets in Spain has no impact on the taxable income perimeter. Also noteworthy is the 2pp fall in the corporate tax rate in Iberia: (i) In Portugal, from 31.5% in 2014 to 29.5% in 2015; (ii) in Spain, from 30% in 2014 to 28% in 2015. Additionally, 2015 results reflect the full-year impact from EDP's share on the extraordinary contribution (0.85% on net assets) applied to the energy sector in Portugal (€62m in 2015 vs. €61m in 2014).

**Non-controlling interests** reached €334m in 2015 (+€111m YoY), reflecting the gain booked on the acquisition of 50% stake in Pecém at EDP Brasil's level (€127m), the capital gain booked on sale of gas assets at Naturgas level (5% minority stake) in 1Q15, the share of minorities on higher net profit for the share capital not held by EDP at EDP Brasil's and EDPR, as well as higher minorities at EDPR level (+€27m YoY in 2015).

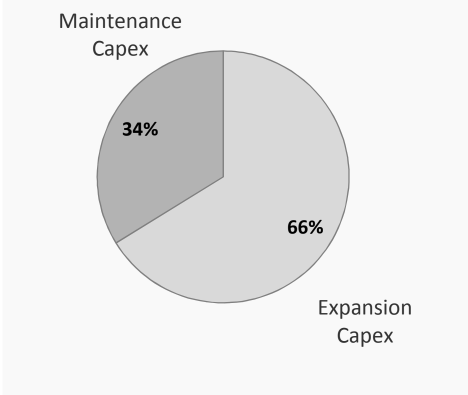
Overall, **net profit attributable to EDP shareholders** was 12% lower YoY, at €913m in 2015, impacted by financial results and higher non-controlling interests. Excluding non-recurrent events[1], adjusted net profit in the 2015 amounted to €750m (-17% YoY in 2015 vs. €905m in 2014).

(1) Non-recurrent events: (i) in 2015 (+€163m), gains with acquisition of 50% stake at Pecém (+€132m) and on the sale of assets in Murcia (+€85m), on EDPR's +€47m due to ENEOP consolidation (net of write-offs and impairments), on BCP's stake impairment (-€17m) and Escelsa's impairment (-€21m), and on the extraordinary energy tax (-€62m); (ii) in 2014 (+€135m), gains arising from the CLA agreed net of restructuring costs (+€55m), on impairments (-€26m), on the sale of 50% stake in Jari/Cachoeira-Cladeirão (+€50m), on the capital gain from of the sale of EDP Asia (+€118m) and the extraordinary energy tax (-€61m).

# Capital Expenditure & Net Investments

| Capex (€ m) | 2015 | 2014 | Δ % | Δ Abs. | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 2Q15 | 3Q15 | 4Q15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| LT contracted gen. Iberia | 28 | 36 | -20% | -7 | 3 | 7 | 10 | 16 | 4 | 7 | 6 | 12 |
| Liberalised activities Iberia | 388 | 559 | -30% | -170 | 124 | 171 | 115 | 148 | 93 | 96 | 79 | 121 |
| Regulated networks Iberia | 377 | 382 | -1% | -5 | 70 | 89 | 87 | 136 | 69 | 78 | 77 | 153 |
| Wind & solar power | 901 | 710 | 27% | +191 | 44 | 69 | 165 | 432 | 163 | 159 | 274 | 306 |
| Brazil | 114 | 119 | -4% | -5 | 26 | 28 | 39 | 26 | 21 | 24 | 25 | 44 |
| Other | (20) | 67 | - | -87 | 11 | 17 | 15 | 24 | 14 | 15 | 17 | (66) |
| **EDP Group** | **1,788** | **1,872** | **-4%** | **-84** | **278** | **381** | **431** | **782** | **362** | **379** | **477** | **570** |
| **Expansion Capex** | **1,184** | **1,249** | **-5%** | **-65** | **166** | **233** | **278** | **572** | **260** | **244** | **348** | **331** |
| **Maintenance Capex** | **604** | **623** | **-3%** | **-19** | **112** | **148** | **153** | **210** | **102** | **134** | **129** | **238** |

**CAPEX 2015**




| Generation Projects Under Construction (€ m) | MW | Capex 2015 | Acc. Capex (1) |
|---|---|---|---|
| Hydro Portugal | 1,368 | 268 | 1,592 |
| Wind Power (2) | 144 | 43 | 49 |
| **Total** | **1,512** | **311** | **1,642** |

| Net financial investments/(Divestments) (€m) | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| **Financial Investments** | **286** | **137** | **-** | **+149** |
| Consolidation Perimeter EDPR | 114 | 20 | - | +93 |
| Brazil generation | 168 | 60 | - | +108 |
| Other | 5 | 57 | - | -53 |
| **Financial Divestments** | **694** | **338** | **-** | **+356** |
| Gas assets (Iberia) | 271 | - | - | +271 |
| EDP Brasil (Jari & C. Caldeirão) | - | 134 | - | -134 |
| Wind assets | 417 | 109 | - | +308 |
| Other | 6 | 95 | - | -90 |
| **Total** | **(408)** | **(201)** | **-** | **-207** |

| Net Investments (€m) | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| Capex | 1,788 | 1,872 | -4% | -84 |
| Financial investments | 286 | 137 | - | +149 |
| EDPR's asset rotation proceeds | (339) | (215) | - | -123 |
| **Total** | **1,735** | **1,794** | **-3%** | **-58** |

**Consolidated capex** amounted to €1,788m in 2015, the bulk of which (67%) devoted to the construction of new hydro & wind capacity. Maintenance capex was 3% lower YoY (-€19m), at €604m in 2015, mostly concentrated in regulated networks in Iberia and Brazil. **Overall, net investments amounted to €1,735m in 2015 (vs. €1,794m in 2014).**

**Capex in hydro capacity under construction in Portugal** totalled €268m, including the capital spending on the construction of Baixo Sabor downstream dam (30MW), which came online in 1Q15. As of Dec-15, EDP had 4 hydro projects under construction: (i) Salamonde II (207MW), which came online in Jan-16; (ii) Baixo Sabor (upstream plant of 142MW), which start-up is expected to occur in 1Q16; (iii) Venda Nova III, due in 2H16 (756MW); and (iv) Foz-Tua (263 MW) expected to start-up operations in late 2016/early 2017. In addition, in 1H15 EDP commissioned Ribeiradio/Ermida hydro plants (82MW). **Capex in new wind capacity** (EDPR) amounted to €901m in 2015 (of which €106m derived from USD appreciation vs. Euro), mostly allocated to capacity additions in 2015 (+519MW, excluding the 613MW relating to ENEOP), 144MW of capacity under construction (83% in Brazil and 17% in Europe) and enhancements in capacity already in operation. **In Brazil,** capex totalled €114m in 2015 and was mostly devoted to our distribution business. **Other capex** reflects in 2014 and 2015 the construction of EDP's new headquarters in Lisbon and, in 4Q15, the sale of EDP's headquarters building in Oporto.

**Overall**, and excluding new hydro projects in Brazil, EDP has spent €1.6bn so far in 1.5GW of new generation capacity under construction. Note that EDP Brasil's construction works of new generation capacity are fully concentrated in equity-method accounted hydro projects: Cachoeira-Caldeirão (219MW), with PPA due in Jan-17 (completion rate at 95%), and S. Manoel (700MW), with PPA due in May-18 (in early stage of construction).

**Net financial divestments** totalled €408m in 2015. **Financial divestments** amounted to €694m in 2015, including i) €241m from the sale to Redexis of gas distribution assets in Spain in 1H15; ii) €339m from EDPR disposal of a minority stake in a US wind farm of 1,101MW to Fiera Axium and of a minority stake in a 30MW-solar PV park; iii) €79m from the conclusion of EDPR's sale of minority stakes in wind farms in Brazil to CWEI Brasil, a CTG subsidiary; and iv) €30m from the sale of a minority stake in Setgás in 4Q15. **Financial investments in 2015** amounted to €286m, reflecting i) the acquisition of Eneva's 50% stake in Pecém I facility (€91m); ii) EDPB's equity contributions to C. Caldeirão and S. Manoel hydro projects (€70m); and iii) within the scope of EDPR, the settlement of ENEOP's asset split (€50m) and the acquisition of minority stakes in already controlled SPVs in Spain.

**Looking forward**, EDP has agreed on the following financial divestments and investments for 2016: i) sale by EDPR of a minority stake in a US portfolio of wind assets to Axium, already cashed in Jan-16 ($308m); ii) sale by EDPB of Pantanal in Brazil, completed in Jan-16 (R$0.4bn); iii) sale by EDPR of a minority stake in a portfolio of wind assets in Poland and Italy to CTG expected to occur in 2H16 (€0.4bn); and iv) acquisition of gas distribution assets in the north of Spain to Repsol to be concluded in 2H16 with an enterprise value of €0.1bn.

(1) Accumulated capex net of debts to equipment suppliers; (2) Amount of accumulated capex includes capacity under construction & development

# FFO & Cash Flow Statement

| Funds from Operations (€m) | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| **EBITDA** | **3,924** | **3,642** | **8%** | **+282** |
| Current income tax | (280) | (115) | -144% | -165 |
| Net financial interests | (892) | (883) | -1% | -8 |
| Net Income and dividends received from Associates | (11) | 20 | - | -32 |
| Non-cash items | (134) | (225) | 40% | +91 |
| **FFO - Funds From Operations** | **2,606** | **2,440** | **7%** | **+167** |

| Consolidated Cash Flow (€m) - Indirect Method | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| **EBITDA** | **3,924** | **3,642** | **8%** | **+282** |
| Current income tax | (280) | (115) | -144% | -165 |
| Changes in operating working capital | (560) | (279) | -101% | -281 |
| Regulatory Receivables | 27 | 182 | -85% | -155 |
| Non-cash items | (134) | (225) | 40% | +91 |
| Other working capital | (452) | (236) | -92% | -216 |
| **Net Cash from Operating Activities** | **3,084** | **3,249** | **-5%** | **-165** |
| Capex | (1,788) | (1,872) | 4% | +84 |
| Expansion | (1,184) | (1,249) | 5% | +65 |
| Maintenance | (604) | (623) | 3% | +19 |
| Changes in working capital from equipment suppliers | 24 | 171 | -86% | -147 |
| Net financial (investments)/divestments | 408 | 201 | 103% | +207 |
| Net financial interests paid | (847) | (719) | -18% | -128 |
| Dividends received from Associates | 34 | 38 | -11% | -4 |
| Dividends paid | (801) | (796) | -1% | -6 |
| EDP Shareholders | (672) | (672) | 0% | -0 |
| Other | (129) | (124) | -4% | -5 |
| Proceeds from Institutional Partnerships in US wind | 68 | 148 | -54% | -80 |
| Effect of exchange rate fluctuations | (86) | (403) | 79% | +318 |
| Other non-operating changes | (435) | 23 | - | -459 |
| **Decrease/(Increase) in Net Debt** | **(338)** | **41** | **-** | **-379** |

| Consolidated Cash Flow (€m) - Direct Method | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| **Operating Activities** | | | | |
| Cash receipts from customers | 14,357 | 14,803 | -3% | -445 |
| Proceeds from tariff adjustments sales | 903 | 1,557 | -42% | -654 |
| Cash paid to suppliers and personnel | (11,294) | (12,230) | 8% | +936 |
| Concession rents & other | (740) | (654) | -13% | -86 |
| **Net Cash from Operations** | **3,226** | **3,476** | **-7%** | **-250** |
| Income tax received/(paid) | (142) | (227) | 38% | +85 |
| **Net Cash from Operating Activities** | **3,084** | **3,249** | **-5%** | **-165** |
| **Net Cash from Investing Activities** | **(1,633)** | **(1,449)** | **-13%** | **-184** |
| **Net Cash from Financing Activities** | **(2,780)** | **(1,378)** | **-102%** | **-1,402** |
| **Changes in Cash and Cash Equivalents** | **(1,329)** | **422** | **-** | **-1,751** |
| Effect of exchange rate fluctuations | (40) | 35 | - | -75 |

**Funds from operations (FFO) amounted to €2,606m in 2015**, reflecting a €282m increase in EBITDA (see details on page 3), which was partly counteracted by the following impacts: i) a €32m decrease in 'Net income and dividends received from Associates' essentially related to negative contributions from Pecém I coal facility and Jari hydro plant in Brasil in 2015 (see details on page 22) and ii) a €165m increase in current income taxes. Note that 'non-cash items' include a €129m negative impact related to the Collective Labour Agreement established in Portugal in 2014, which is fully compensated at EBITDA level.

**Net cash from operating activities fell €165m YoY to €3,084m in 2015**. **Regulatory receivables** declined €155m vs. Dec-14, driven by: i) €79m of net cash proceeds from regulated activities in Portugal, including -€844m from the securitisation deals undertaken in 2015; ii) a €68m increase from Spain, reflecting +€70m from EDP España share of the gas tariff deficit; and iii) -€16m of regulatory receivables from our electricity distribution activities in Brazil. '**Other changes in working capital'** amounted to -€452m in 2015, comprising: i) a €295m gain booked within the acquisition of Eneva's 50% stake in Pecém at a discount in 2Q; ii) an €89m gain derived from the sale of gas distribution assets in Spain; iii) net one-offs at EDPR level of c€57m, reflecting essentially the impact from the €125m gain booked subsequent to the control acquisition over some assets of ENEOP which was partly offset by the €72m cost derived from write-offs, mainly in Europe and North America; and iv) higher income from institutional partnerships in the US (+€74m). These preceding impacts were partly offset by a fall in coal inventories and gains with tariff deficit securitisation deals (€56m). It is worth recalling that 'other changes in working capital' in 2014 were negatively impacted by a €131m one-off gain booked on the sale of 50% equity stakes in Jari/Cachoeira-Caldeirão hydro projects (Brazil) to CWEI (CTG).

**Expansion capex totaled €1,184m in 2015**, translating the ongoing construction of new hydro and wind capacity. Note that **change in working capital from equipment suppliers** relates essentially to the renewable projects construction and development activity at EDPR level.

**Net financial divestments amounted to €408m in 2015**, including the sale of gas distribution assets to Redexis in Spain (€241m) and a minority stake in Setgás (€30m), as well as EDPR disposal of minority stakes as part of the execution of its asset rotation strategy (€339m) and the strategic partnership with CTG (€79m). Financial investments in 2015 include, among others, the acquisition of Eneva's 50% stake in Pecém I (€91m) and the settlement of ENEOP's asset split (€50m).

On May 14th, 2015, EDP paid its **annual dividend** amounting to €672m (or €0.185/share, flat vs. the previous year). Note that the amount of €801m of dividends paid in 2015 also includes the amounts paid to noncontrolling interests, namely at the level of EDP Renováveis (€51m) and EDP Brasil (€75m).

**Proceeds from Institutional Partnerships in US** reflect the establishment of new institutional tax equity financing structures in US in 2015 (99MW Rising Tree South and Arbuckle wind farm) and the proceeds received from the last tranche of a structure signed in the 4Q14 (€242m), which impact on net debt was partly offset by the retention of tax benefits by institutional investors (€174m).

**Effects of exchange rate fluctuations** reflect the impact of USD appreciation (€475m), which more than compensated the effect of BRL depreciation (€391m) during the period, both against the Euro.

**Other non-operating changes** reflect the impact from the acquisition and full control of Pecém I (€0.6bn) and ENEOP consolidation (€142m). This was partly mitigated by the 50% equity content of the hybrid bond issue, which led to a decrease on net debt of €375m.

On balance, **net debt** decrease €338m vs. Dec-14 to €17.4bn as of Dec-15.

# Statement of Consolidated Financial Position

| Assets (€ m) | Dec-15 | Dec-14 | Δ Abs. |
|---|---|---|---|
| | Dec. vs. Dec. | | |
| Property, plant and equipment, net | 22,774 | 20,523 | 2,251 |
| Intangible assets, net | 5,525 | 5,813 | -288 |
| Goodwill | 3,389 | 3,321 | 67 |
| Financial investments and assets held for sale, net | 1,028 | 1,272 | -244 |
| Tax assets, deferred and current | 587 | 590 | -3 |
| Inventories | 204 | 266 | -62 |
| Trade receivables, net | 1,997 | 2,120 | -123 |
| Other assets, net | 5,708 | 5,923 | -215 |
| Collateral deposits | 80 | 429 | -349 |
| Cash and cash equivalents | 1,245 | 2,614 | -1,369 |
| **Total Assets** | **42,537** | **42,873** | **-336** |

| Equity (€ m) | Dec-15 | Dec-14 | Δ Abs. |
|---|---|---|---|
| Equity attributable to equity holders of EDP | 8,670 | 8,681 | -12 |
| Non-controling Interest | 3,452 | 3,288 | 164 |
| **Total Equity** | **12,121** | **11,969** | **152** |

| Liabilities (€ m) | Dec-15 | Dec-14 | Δ Abs. |
|---|---|---|---|
| Financial debt, of wich: | 19,271 | 20,298 | -1,028 |
| *Medium and long-term* | *15,654* | *16,401* | *-747* |
| *Short term* | *3,617* | *3,897* | *-281* |
| Employee benefits (detail below) | 1,823 | 1,880 | -57 |
| Institutional partnership liability (US wind) | 1,165 | 1,067 | 98 |
| Provisions | 506 | 486 | 21 |
| Tax liabilities, deferred and current | 1,312 | 1,221 | 92 |
| Deferred income from inst. partnerships | 791 | 735 | 56 |
| Other liabilities, net | 5,547 | 5,217 | 329 |
| **Total Liabilities** | **30,415** | **30,904** | **-488** |
| **Total Equity and Liabilities** | **42,537** | **42,873** | **-336** |

| Employee Benefits (€m) (1) | Dec-15 | Dec-14 | Δ Abs. |
|---|---|---|---|
| Pensions (2) | 883 | 930 | -47 |
| Medical care and other | 940 | 950 | -10 |
| **Employee Benefits** | **1,823** | **1,880** | **-57** |

| Regulatory Receivables (€m) | Dec-15 | Dec-14 | Δ Abs. |
|---|---|---|---|
| Portugal Distribution and Gas (3) | 2,021 | 2,203 | -182 |
| Portugal Annual CMEC Deviation | 216 | 112 | 103 |
| Spain | 70 | 2 | 68 |
| Brazil | 170 | 187 | -16 |
| **Regulatory Receivables** | **2,477** | **2,504** | **-27** |

Total amount of **property, plant & equipment and intangible assets** increased €2.0bn vs. Dec-14 to €28.3bn as of Dec-15, mainly reflecting: i) +€1.2bn impact of the full consolidation of Pecém since May 15th; ii) +€0.8m impact related with the full consolidation of ENEOP since December 1st; iii) +€1.8bn of capex in the period; iv) -€1.5bn from depreciations in the same period; and v) -€0.2bn mainly resulting from the net effect of the depreciation of the Brazilian real against the Euro (-25%) and of the appreciation of the US Dollar against the Euro (+12%) between Dec-14 and Dec-15. As of Dec-15, EDP's balance sheet included €3.8bn of works in progress (13% of total consolidated tangible and intangible assets) largely related to investments already incurred in regulated networks, power plants, wind farms development, equipment or concession rights which are not yet operating.

The book value of **financial investments & assets held for sale** went down €0.2bn vs. Dec-14, to €1.0bn as of Dec-15, reflecting the conclusion, in Jan-15, of the sale of the gas assets in Spain; the full consolidation of Pecém I and some of ENEOP's assets; and the mark-to-market of some of our financial stakes; partly offset by equity contributions to Jari and São Manoel (€0.1bn). Note that, by Dec-15, financial investments essentially refer to our financial stakes in Jari (50%), Cachoeira Caldeirão (50%), EDP Asia (50%), which is the owner of a 21% stake in CEM, REN (3.5%) and BCP (2.0%).

**Tax assets net of liabilities, deferred and current**, went down €0.1bn vs. Dec-14, mostly due to current income tax calculation. **Trade receivables and other assets (net)** decreased €0.3bn vs. Dec-14 to €7.7bn as of Dec-15, driven essentially by the securitisation deals achieved, which were partly offset by regulatory receivables generated during the period, but also due to the impact of the decrease in other debtors, following the elimination of some intragroup credits between EDP Group and Pecém and ENEOP, as a consequence of the full consolidation of Pecém since May-15 and ENEOP since Dec-15.

Total amount of EDP's **net regulatory receivables** went down €27m vs. Dec-14, to €2.5bn as of Dec-15, reflecting: i) a €79m decrease from Portugal; ii) a €68m increase from Spain; and iii) a €16m reduction from Brazil.

**Equity book value** was flat at €8.7bn as of Dec-15, mainly reflecting the €913m of net profit for the period, offset by the payment of dividends of €672m and the BRL devaluation against the Euro (-€0.3bn). **Non-controlling interest** increased €0.2bn to €3.5bn as of Dec-15, mostly deriving from the asset rotation disposals closed by EDPR in 2015 and the EUR/USD and EUR/BRL volatility.

**Pension fund, medical care and other employee benefit liabilities** (gross, before deferred taxes) fell by €57m vs. Dec-14 to €1,823m as of Dec-15, reflecting the recurrent payment of pension and medical care expenses in 2015. **Institutional partnership liabilities net of deferred income** increased €98m vs. Dec-14 to €1,165m as of Dec-15 reflecting the US Dollar appreciation and the benefits appropriated by the tax equity partners during the period.

(1) Gross, befores deferred taxes; (2) Pensions include the Provision for the HR Restructuring Program costs of EDP Distribuição, which is being recovered through the tariffs; (3) Tariff deviations to be recovered/(returned) through tariffs in the following years by electricity distribution and last resort supply and gas in Portugal.

# Consolidated Net Financial Debt

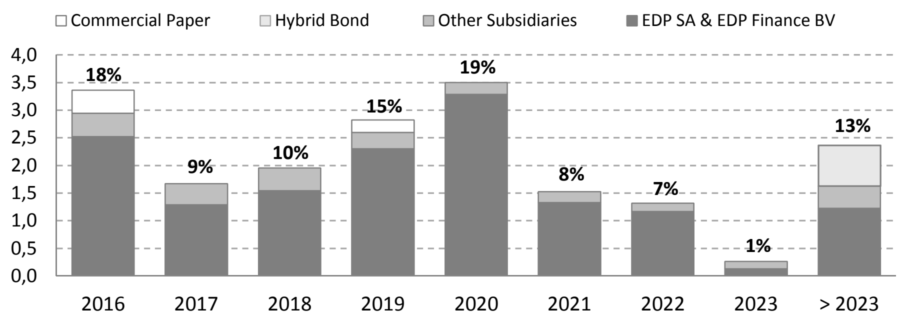
| Nominal Financial Debt by Company (€m) | Dec-15 | Dec-14 | Δ % | Δ Abs. |
|---|---|---|---|---|
| EDP S.A. and EDP Finance BV | 16,157 | 17,676 | -9% | -1,519 |
| EDP Produção & Other | 115 | 178 | -36% | -63 |
| EDP Renováveis | 1,080 | 928 | 16% | 152 |
| EDP Brasil | 1,415 | 988 | 43% | 427 |
| **Nominal Financial Debt** | **18,767** | **19,769** | **-5%** | **-1,003** |
| Accrued Interest on Debt | 332 | 371 | -11% | -39 |
| Fair Value of Hedged Debt | 172 | 157 | 9% | 14 |
| Derivatives associated with Debt (2) | (175) | (202) | 14% | 27 |
| Collateral deposits associated with Debt | (80) | (429) | 81% | 349 |
| Hybrid adjustment (50% equity content) | (381) | - | - | -381 |
| **Total Financial Debt** | **18,635** | **19,667** | **-5%** | **-1,032** |
| **Cash and cash equivalents** | **1,245** | **2,614** | **-52%** | **-1,369** |
| EDP S.A., EDP Finance BV and Other | 680 | 1,989 | -66% | -1,308 |
| EDP Renováveis | 299 | 369 | -19% | -70 |
| EDP Brasil | 267 | 257 | 4% | 10 |
| **Financial assets at fair value through P&L** | **9** | **11** | **-13%** | **-1** |
| **EDP Consolidated Net Debt** | **17,380** | **17,042** | **2%** | **338** |

| Credit Lines by Dec-15 (€m) | Maximum Amount | Number of Counterparts | Available Amount | Maturity |
|---|---|---|---|---|
| Revolving Credit Facility | 3,150 | 21 | 3,150 | Jun/19 |
| Revolving Credit Facility | 500 | 16 | 500 | Feb/20 |
| Revolving Credit Facility | 175 | 2 | 175 | 2016 |
| Domestic Credit Lines | 182 | 8 | 182 | Renewable |
| Underwritten CP Programmes | 100 | 1 | 100 | 2016 |
| **Total Credit Lines** | **4,107** | | **4,107** | |

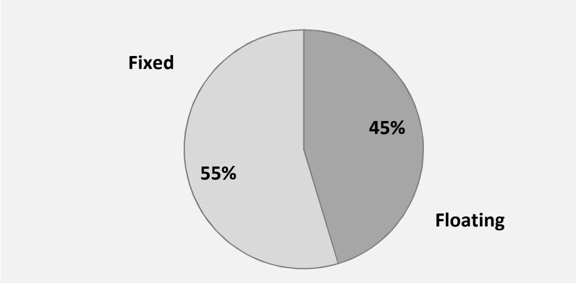
| Debt Ratings | S&P | Moody's | Fitch |
|---|---|---|---|
| **EDP SA & EDP Finance BV** | **BB+/Positive/B** | **Baa3/Stable/P3** | **BBB-/Stab/F3** |
| Last Rating Action | 14/10/2015 | 12/02/2016 | 05/11/2015 |

| Debt Ratios | Dec-15 (3) | Dec-14 |
|---|---|---|
| Net Debt / EBITDA | 4.4x | 4.7x |
| Net Debt / EBITDA adjust. by Reg. Receivables | 3.8x | 4.0x |

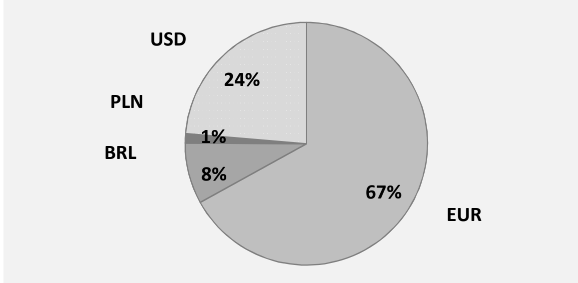
**Debt Maturity (€ m) by Dec-15 (1)**




**Debt by Interest Rate Type - Dec-15 (1)**




**Debt by Currency - Dec-15 (1)**




**EDP's financial debt** is essentially issued at holding level (EDP S.A. and EDP Finance B.V.) through both debt capital markets and bank loans. Maintaining access to diversified sources of funding and assuring refinancing needs 12-24 months ahead continue to be part of the company's funding strategy. In terms of credit rating, in Oct-15, S&P affirmed EDP long-term rating at 'BB+', with a Positive outlook. In Nov-15, Fitch affirmed EDP at "BBB-", maintaining the outlook at Stable. More recently, in Feb-16, Moody's affirmed EDP's credit rating at "Baa3" with Stable outlook. This rating affirmation follows a review of EDP's and other European utility companies' exposure to the power price environment, reflecting EDP's low exposure to lower power prices, as well as its financial flexibility.

Looking at 2015 **major debt repayments and refinancing deals**, in Feb-15, EDP signed a €2bn 5-year credit facility with a syndicate of 16 international banks that was used to early repay a €1.6bn term loan signed in Jan-13 and which would mature in Jan-17 (50%) and Jan-18 (50%). The new facility pays EURIBOR+1.1% (vs. EURIBOR+4% in the prior facility) and includes a €500m Revolving Credit Facility Tranche. In Mar-15, EDP repaid, at maturity, a €1bn 3.25% Eurobond that had been swapped to floating rate. In Apr-15, EDP issued a €750m Eurobond maturing in Apr-2025 with a coupon of 2%. In Jun-15, EDP repaid, at maturity, a €0.5bn Eurobond with a coupon of 3.75%. In Sep-15, EDP issued a non-call up to 5.5 year subordinated bond in the amount of €750m, with final maturity date in September 2075 and a coupon of 5.375%. In line with the approach taken by the rating agencies, half of the hybrid is classified as equity, improving EDP's credit metrics and reinforcing its deleverage path. In Nov-15, EDP early repaid a €150m floating rate bond that matured in Oct-2018. During 2015, EDP also early repaid bilateral loans amounting to more than €1bn, which were due to mature in one or two years.

As a result of the refinancing exercises aforementioned, by Dec-15 **average debt maturity** had increased from 4.0 years in Dec-14 to 4.8 years in Dec-15 (hybrid bond is not included in this figure). The weight of consolidated financial debt raised through capital markets reached 69%, while the remaining of the debt was raised essentially through bank loans. Refinancing needs in 2016 amount to €2.95bn, including i) €1,25bn of bonds maturing in 1H16; ii) €1.0bn of bonds maturing in 3Q16; iii) €0.2bn of Euro Commercial Paper maturing in 1Q16; and iv) €0.5bn of other facilities maturing throughout the year. 2017 refinancing needs amount to €1.3bn consisting mostly of bond loans. Total cash and available liquidity facilities amounted to €5.4bn by Dec-15. This liquidity position allows EDP to cover its refinancing needs beyond 2017.

(1) Nominal Value includes 100% of the hybrid bond; (2) Derivatives designated for net investment and fair-value hedge of debt; (3) Based on 2015 EBITDA of €3,924m and net debt excluding 50% of hybrid bond issue.

# Business Areas

# Iberian Electricity and Gas Markets

| Electricity Balance (TWh) | Portugal | | | Spain | | | Iberian Peninsula | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | Δ% | 2015 | 2014 | Δ% | 2015 | 2014 | Δ% |
| Hydro | 8.8 | 14.7 | -40% | 30.8 | 42.6 | -28% | 39.6 | 57.2 | -31% |
| Nuclear | - | - | - | 54.8 | 54.9 | -0.2% | 54.8 | 54.9 | -0% |
| Coal | 13.7 | 11.1 | 24% | 50.9 | 41.1 | 24% | 64.6 | 52.2 | 24% |
| CCGT | 5.2 | 1.4 | 273% | 25.3 | 21.3 | 19% | 30.6 | 22.7 | 34% |
| Fuel/gas/diesel | - | - | - | - | - | - | - | - | - |
| (-)Pumping | (1.5) | (1.1) | 36% | (4.5) | (5.3) | -15% | (6.0) | (6.4) | -7% |
| **Conventional Regime** | **26.2** | **26.1** | **1%** | **157.3** | **154.6** | **2%** | **183.5** | **180.6** | **2%** |
| Wind | 11.3 | 11.8 | -4% | 47.7 | 50.6 | -6% | 59.0 | 62.4 | -5% |
| Other | 9.1 | 10.0 | -9% | 44.5 | 43.1 | 3% | 53.6 | 53.1 | 1% |
| **Special Regime** | **20.5** | **21.9** | **-6%** | **92.2** | **93.7** | **-2%** | **112.6** | **115.6** | **-3%** |
| Import/(export) net | 2.3 | 0.9 | 151% | (1.5) | (4.7) | -69% | 0.8 | (3.8) | - |
| **Gross demand (before grid losses)** | **49.0** | **48.8** | **0.3%** | **248.0** | **243.6** | **1.8%** | **297.0** | **292.4** | **1.6%** |
| Adjust. temperature, working days | | | 0.1% | | | 1.6% | | | n.a. |

| Gas Demand (TWh) | Portugal | | | Spain | | | Iberian Peninsula | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | Δ% | 2015 | 2014 | Δ% | 2015 | 2014 | Δ% |
| Conventional demand | 39.9 | 40.8 | -2% | 254.1 | 249.8 | 2% | 293.9 | 290.7 | 1% |
| Demand for electricity generation | 11.0 | 3.2 | 242% | 61.2 | 51.8 | 18% | 72.2 | 55.0 | 31% |
| **Total Demand** | **50.9** | **44.1** | **16%** | **315.2** | **301.6** | **5%** | **366.1** | **345.7** | **6%** |

**Electricity demand in Iberia** rose by 1.6% YoY in 2015, reflecting a moderate demand recovery from previous years' declines. In Spain (84% of Iberia), demand increased 1.8% in 2015 and 1.6% adjusted for temperature and working days. In Portugal (16% of total), demand was 0.3% higher YoY in 2015 (broadly stable when adjusted for temperature and working days). In 4Q15, demand fell by 0.6% YoY, reflecting a 2.5% fall in Portugal and a 0.3% fall in Spain, penalised by milder weather in the period.

**Installed capacity in Iberia** rose by 1% in 2015 (+1.2GW), mainly reflecting the addition of new hydro (Portugal: +0.1GW; Spain: +0.9GW) and new special regime capacity in Iberia (mostly wind). This was partially mitigated by the shutdown of cogeneration capacity. In Portugal, both the downstream dam of Baixo Sabor hydro plant (30MW) and Ribeiradio/Ermida (82MW) came on stream in 2015.

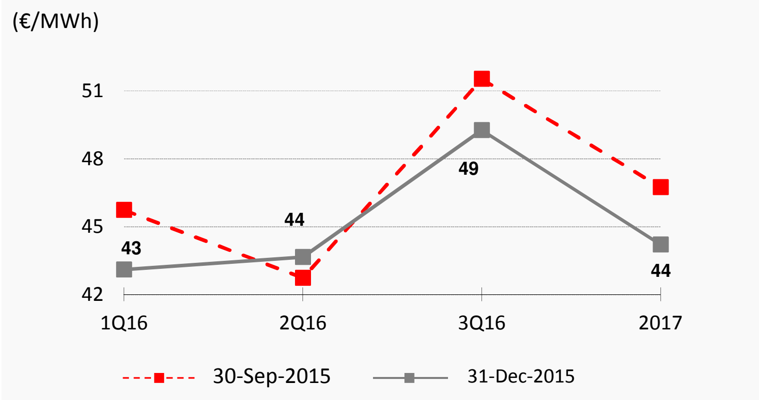
**Residual thermal demand (RTD)** rose by 27% YoY (+20TWh YoY) in 2015 (+19% YoY in 4Q15), leading to 24% YoY rise in coal output (+12TWh) and a 34% YoY increase in output from CCGT (+8TWh YoY). Accordingly, $CO_2$ emissions were 23% higher in 2015. The surge in RTD is explained by: (i) 17TWh YoY fall in hydro output (net of pumping), due to the dry weather (hydro factors in Portugal and Spain were more than 40% weaker YoY, falling 26% and 40% short of LT average, respectively); (ii) 5TWh rise in gross demand in Iberia; and (iii) 3TWh lower output in wind on weaker resources (9% lower YoY, at 1.01 in 2015). In turn, Iberia became a net importer in 4Q15 and 2015, with a 4TWh YoY negative impact on RTD, prompted by dry weather and doubling of interconnection capacity between France and Spain in 4Q15 (from 1.4GW to 2.8GW). Overall, higher demand and lower hydro/wind resources were largely tackled by thermal generation, leading to higher avg. load factors at both coal (+12p.p. YoY to 58% in Spain) and CCGTs (+1p.p. YoY to 11%).

**Average electricity spot price in Spain** was c20% higher YoY in 2015, at €50/MWh, both in Portugal and Spain. Average $CO_2$ prices advanced 29% YoY in 2015, to €7.7/ton in 2015. Average electricity final price in Spain stood €13/MWh above pool price (16% higher YoY, at €63/MWh), as a result of the contribution from profiling, restriction market, ancillary services and capacity payments.

**In the Iberian gas market**, consumption increased by 6% YoY in 2015, fuelled by higher consumption for electricity generation purposes (+31% YoY, on higher working hours at CCGTs) and by a 1% rise in conventional demand.

| Installed Capacity in Electricity (GW) | Iberian Peninsula | | |
|---|---|---|---|
| | 2015 | 2014 | Δ% |
| Hydro | 23.1 | 22.1 | 5% |
| Nuclear | 7.0 | 7.0 | - |
| Coal | 11.7 | 11.7 | 0% |
| CCGT | 28.8 | 28.8 | 0% |
| Fuel/gas/diesel | 0.8 | 0.8 | 0% |
| **Conventional Regime** | **71.4** | **70.4** | **1%** |
| Wind | 27.9 | 27.7 | 1% |
| Other special regime | 20.0 | 20.0 | 0% |
| **Special Regime** | **47.9** | **47.7** | **0%** |
| **Total** | **119.3** | **118.1** | **1%** |

**Iberian Electricity Forward Market (OMIP)**




| Main Drivers | 2015 | 2014 | Δ% |
|---|---|---|---|
| Hydro coeficient (1.0 = avg. year) | | | |
| Portugal | 0.74 | 1.27 | -42% |
| Spain | 0.60 | 1.20 | -50% |
| Wind coeficient (1.0 = avg. year) | | | |
| Portugal | 1.01 | 1.11 | -9% |
| Electricity spot price, €/MWh (1) | | | |
| Portugal | 50.4 | 41.9 | 20% |
| Spain | 50.3 | 42.1 | 19% |
| Electricity final price, €/MWh (1) (2) | | | |
| Spain | 63.0 | 54.4 | 16% |
| CO2 allowances (EUA), €/ton (1) | 7.7 | 6.0 | 29% |
| Coal (API2 CIF ARA), USD/t (1) | 56.8 | 75.3 | -25% |
| Gas NBP, €/MWh(1) | 20.0 | 21.1 | -5% |
| Brent, USD/bbl (1) | 52.5 | 99.0 | -47% |
| EUR/USD (1) | 1.11 | 1.33 | -16% |

Sources: EDP, REN, REE, Enagas, OMEL, OMIP; (1) Average in the period; (2) Final price reflects spot price and system costs (capacity payment, ancillary services).

# LT Contracted Generation in Iberian Market: PPA/CMEC & Special Regime

| Income Statement (€ m) | 2015 | 2014 | Δ% | Δ Abs. |
|---|---|---|---|---|
| **PPA/CMEC Revenues** | **1,033** | **1,005** | **3%** | **+28** |
| Revenues in the market (i) | 828 | 846 | -2% | -19 |
| Annual deviation (ii) | 160 | 100 | 60% | +60 |
| PPAs/CMECs accrued income (iii) | 46 | 59 | -22% | -13 |
| **PPA/CMEC Direct Costs** | **367** | **280** | **31%** | **+86** |
| Coal | 213 | 193 | 10% | +20 |
| Fuel oil | 1 | 2 | -55% | -1 |
| CO2 and other costs (net) | 153 | 85 | 80% | +68 |
| **Gross Profit PPA/CMEC** | **666** | **725** | **-8%** | **-58** |
| Thermal (cogen., waste, biomass) | 13 | 10 | 34% | +3 |
| Mini-hydro | 38 | 56 | -32% | -18 |
| **Gross Profit Special Regime** | **51** | **66** | **-22%** | **-15** |
| Net Operating costs (1) | 135 | 119 | 13% | +15 |
| **EBITDA** | **583** | **671** | **-13%** | **-88** |
| Net depreciation and provision | 161 | 174 | -7% | -13 |
| **EBIT** | **422** | **497** | **-15%** | **-75** |
| At Fin. Results: Hedging Gains (Losses) (2) | 7 | 2 | 217% | +5 |
| Employees (#) | 1,106 | 1,149 | -4% | -43 |

| PPA/CMEC: Key Data | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| **Real/Contracted Availability** | | | | |
| Hydro | 1.05 | 1.04 | 1% | +0.0 |
| Coal | 1.08 | 1.07 | 1% | +0.0 |
| **Installed Capacity (MW)** | **4,470** | **4,470** | - | - |
| Hydro | 3,290 | 3,290 | - | - |
| Coal | 1,180 | 1,180 | - | - |
| **Output (GWh)** | **14,631** | **17,160** | **-15%** | **-2,529** |
| Hydro | 4,975 | 9,031 | -45% | **-4,057** |
| Coal | 9,657 | 8,129 | 19% | **+1,528** |

| Special Regime: Key Data | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| **Output (GWh)** | **663** | **997** | **-34%** | **-335** |
| Mini-hydro Portugal | 349 | 631 | -45% | -281 |
| Thermal Portugal | 183 | 214 | -15% | -31 |
| Thermal Spain | 131 | 153 | -15% | -22 |
| **Average Gross Profit (€/MWh)** | | | | |
| Mini-hydro Portugal | 88 | 88 | -0% | -0 |
| Thermal Portugal (3) | 31 | 24 | 31% | +7 |
| Thermal Spain | 58 | 40 | 44% | +18 |

| Capex (€ m) | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| PPA/CMEC Generation | 27 | 33 | -19% | -6 |
| Special Regime | 1 | 2 | -39% | -1 |
| **Total** | **28** | **36** | **-20%** | **-7** |

**EBITDA from LT contracted generation** fell by 13% (-€88m YoY), to €583m in 2015, impacted by lower production at our mini-hydro special regime plants (-45% YoY), natural depreciation of PPA/CMEC asset base under a low-inflation environment and lower net impact from non-recurrent items vis-à-vis 2014's positive one-off impacts.

**Gross profit from PPA/CMEC** was 8% lower YoY, at €666m in 2015, reflecting the natural depreciation of the asset base in a context of very low inflation and adverse results with fuel procurement, following the decline in fuel market prices between the moment of procurement and the moment of consumption. Note that, as a result of EDP's strategy to hedge these changes through derivative financial instruments, this impact is ultimately compensated at the level of financial results.

The **annual deviation** between market gross profit under CMECs assumptions and gross profit under actual market conditions totalled €160m in 2015, including a €4m adjustment relative to 2014. Annual deviation relative to 2015 reached €156m, the bulk of which relative to hydro plants, reflecting hydro resources in Portugal 26% short of LT average. This amount is due to be received in up to 24 months through access tariffs. Deviation at hydro plants totalled €133m mostly due to a 35% shortfall of production vs. CMEC's reference. Avg. realised price was 4% lower than CMEC's reference. In turn, total gross profit at our Sines coal plant was €23m below the CMEC's reference in 2015, since additional remuneration stemming from this plants' outperformance of contracted availability standards and remuneration from DeNOx investments outstood a marginally higher market gross profit achieved in the market vis-à-vis CMEC's reference (reflecting production 13% higher than reference output and avg. clean dark spread below the CMEC's reference).

**Gross profit from special regime** was €15m lower YoY, at €51m in 2015, driven by a 45% fall in mini-hydro generation, on the back of much weaker hydro resources in Portugal YoY. Thermal generation in Iberia decreased, mostly due to the sale of idle capacity in Spain. In 2015, Ermida mini-hydro plant, a 7MW-plant adjacent to Ribeiradio hydro plant came on stream in Portugal, raising EDP's total mini-hydro installed capacity in Portugal to 164MW.

**Net operating costs**[1] increased by 13% YoY (+€15m), to €135m in 2015, reflecting 2014's €12m net impact from the new CLA in Portugal and cost related to a new early retirement program.

**Net amortisation charges and provisions** were 7% lower YoY, at €161m in 2015, reflecting lower asset base at PPA/CMEC and the one-off provisions on thermal special regime plants in Spain in 2014.

Looking forward, it is worth mentioning the end of PPA at 7 hydro plants in Portugal on 31-Dec-15. As a result, the operation of these plants (627MW, 1.7TWh production on an average hydro year; €52/MWh price implicit on PPA) will be transferred to our merchant generation portfolio. Accordingly, a total of 2.7GW of hydro capacity (annual production in an average year of 5.1TWh) and 1.18GW of coal capacity will keep operating under PPA/CMEC in 2016.

**Explanatory note on PPA/CMEC:**
In July 2007 the long term contracts that EDP had with the Portuguese electricity regulated system (PPA) were replaced by the CMEC (Cost of Maintenance of Contractual Equilibrium) financial system to conciliate: (1) the preservation of the NPV of PPA, based on real pre-tax ROA of 8.5%, and a stable contracted gross profit over the next 10 years; and (2) the need to increase liquidity in the Iberian electricity wholesale market. In terms of EDP's P&L, the total gross profit resulting from CMECs' financial system will keep the same profile over the next 10 years as the former PPA.
PPA/CMEC gross profit has 3 components:
**(i) Revenues in the market**, resulting from the sale of electricity in the Iberian wholesale market and including both ancillary services and capacity payments.
**(ii) Annual deviation ('revisibility')**, equivalent to the difference between CMEC's initial assumptions made in 2007 (outputs, market prices, fuel and $CO_2$ costs) and real market data. This annual deviation will be paid/received by EDP, through regulated tariffs, up to two years after occurring.
**(iii) PPA/CMEC Accrued Income**, reflecting the differences in the period between PPA and CMEC assumed at the beginning of the system in July 2007.

(1) Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits) + Other operating costs (net); (2) Includes a €10m realised gain in 2014 and €0.8m gain in 2015;
(3) Excludes Energin, shutdown in Jan-14.

# Liberalised Activities in the Iberian Market

| Income Statement (€ m) | 2015 | 2014 | Δ% | Δ Abs. |
|---|---|---|---|---|
| **Gross Profit** | **879** | **868** | **1%** | **+12** |
| Electricity generation | 594 | 592 | 0% | +2 |
| Portugal | 239 | 281 | -15% | -42 |
| Spain | 347 | 316 | 10% | +31 |
| Adjustments | 8 | (5) | - | +13 |
| Electricity supply | 209 | 197 | 6% | +12 |
| Gas supply | 70 | 85 | -17% | -15 |
| Adjustments | 6 | (6) | - | +12 |
| Net Operating costs (1) | 516 | 451 | 14% | +64 |
| **EBITDA** | **364** | **416** | **-13%** | **-53** |
| Provisions | 11 | 19 | -40% | -8 |
| Amortisation and impairment | 200 | 234 | -14% | -33 |
| **EBIT** | **152** | **164** | **-7%** | **-12** |

| Electricity Performance | 2015 | 2014 | Δ% | 2015 | 2014 | Δ% |
|---|---|---|---|---|---|---|
| | Output (GWh) | | | Variable Cost (€/MWh) (2) | | |
| Generation Output | 18,355 | 14,984 | 22% | 31.8 | 26.0 | 22% |
| Electricity Purchases | 35,395 | 35,565 | -0% | 58.8 | 49.3 | 19% |
| **Electricity Sources** | **53,750** | **50,549** | **6%** | **50.5** | **43.2** | **17%** |
| | Volumes Sold (GWh) | | | Average Price (€/MWh) (3) | | |
| Grid Losses | 977 | 1,502 | -35% | n.a. | n.a. | - |
| Retail - Final clients | 34,295 | 34,465 | -0% | 65.3 | 62.5 | 4% |
| Wholesale market | 18,478 | 14,582 | 27% | 59.5 | 58.4 | 2% |
| **Electricity Uses** | **53,750** | **50,549** | **6%** | **62.2** | **59.5** | **4%** |

| Electricity Gross Profit (€ m) | 2015 | 2014 | Δ% | Δ Abs. |
|---|---|---|---|---|
| Before hedging (€/MWh) | 11.6 | 16.3 | -29% | -4.7 |
| From Hedging (€/MWh) (4) | 0.8 | (1.4) | - | +2.2 |
| Unit margin (€/MWh) | 12.4 | 14.9 | -17% | -2.5 |
| Total Volume (TWh) | 53.8 | 50.5 | 6% | +3.2 |
| **Subtotal** | **669** | **756** | **-12%** | **-87** |
| **Others (5)** | **134** | **34** | **n.a.** | **+101** |
| **Total** | **802.9** | **789.1** | **2%** | **+13.9** |

| Gas Uses (TWh) | 2015 | 2014 | Δ% | Δ Abs. |
|---|---|---|---|---|
| Consumed by own power plants | 6.6 | 5.0 | 34% | +1.7 |
| Sold in wholesale markets | 18.8 | 20.4 | -8% | -1.6 |
| Sold to Clients | 12.5 | 14.1 | -12% | -1.6 |
| **Total** | **37.9** | **39.5** | **-4%** | **-1.6** |

**EBITDA from liberalised activities** was €53m lower YoY, at €364m in 2015, driven by less attractive margins in gas wholesale/retail market (-€15m on gross profit), higher generation taxes in Iberia resulting from higher own production and prices (+€28m in costs YoY); and a more expensive generation mix largely due to scarcer hydro resources (hydro accounted for 25% of total generation compared to 41% in 2014), combined with an adverse impact from lower price volatility. Additionally, scarce hydro reserves in 2015 dictated delays in the start-up of operations at new hydro plants, leading to a limited contribution to EBITDA.

**Gross profit in the electricity business** rose 2% in 2015, to €803m, following a lower avg. unit margin (down from €14.9/MWh in 2014 to €12.4/MWh in 2015), higher volumes sold (+6% YoY) and higher revenues from distinct sources (+€101m YoY, to €134m in 2015), mainly backed by: i) lower adverse adjustments in 2015 (vs. 2014) to costs of energy supplied in previous years in the supply; ii) higher revenues in generation (mark to market of $CO_2$ licenses and others); iii) higher capacity payments; and (iv) higher revenues from energy services. Capacity payments in Portugal were re-introduced in 2015 (€18m in 2015, o.w. €3m relative to 2014), while capacity payments in Spain (unitary-wise, higher than in Portugal) were stable YoY. Hydro output fell 27% YoY, penalised by hydro resources 26% below the LT average in Portugal (vs. 27% above-the-average resources in 2014). The lower contribution from hydro, along with higher contribution from CCGT's to the generation mix, justified a 22% rise in the avg. generation cost. **Net operating costs** were 14% higher YoY (+€64m), supported by an increase in generation taxes in Spain and clawback in Portugal, mainly derived from higher production (+€28m YoY to €141m in 2015); client portfolio expansion in Portugal; and net impact from positive 2014 one-offs (+€16m YoY).

**Unit margin**(2)(3): Avg. electricity spread before hedging was €5/MWh lower YoY, at €11.6/MWh in 2015, mainly impacted by a more expensive mix of electricity sources vs. 2014. **Avg. sourcing cost** increased by 17% YoY (-1% YoY in 4Q15), to €51/MWh in 2015, driven by lower weight of hydro in the generation mix, higher contribution from more-expensive CCGT production and by higher cost of electricity purchases (+19% YoY, broadly in line with higher pool prices). **Avg. selling price** was 4% higher in 2015, as a result of: (i) a 4% rise in avg. selling price to final clients prompted by a change in the clients mix; and (ii) a 2% rise in the avg. selling price in the wholesale market (as higher pool prices and partly offset by lower revenues from ancillary services). Note that following the Dispatch 4694/2014, the price of the secondary regulation in Portugal is capped by prices in Spain.

**Volumes**: Total volume sold rose by 6% to 54TWh in 2015, reflecting higher sales in the wholesale market (+27%). Our generation output met 54% of electricity sales to final clients.

**Our gas sourcing activity** in 2015 was based on an annual c.3.6bcm portfolio of long term contracts, which flexibility has been enhanced through several contract renegotiations (including take or pay flexibility). From 2H14 to date, margins in the wholesale market and in supply to large industrial clients became less attractive. As a result, the volume of gas supplied fell by 4% YoY, to 38TWh (3.3bcm) in 2015, as sales in wholesale markets decreased 8% YoY and sales to final clients fell 12%. Conversely, higher production at our CCGTs resulted in higher gas consumption (+34% YoY).

EDP is adapting its hedging strategy to the current market conditions, making use of flexibility stemming from the integrated management of gas and electricity operations in Iberia. As a result, EDP has maximised gas consumption between power production, wholesale/retail markets, having so far secured spark spreads for over 90% of its gas sourcing commitments for 2016. Also, EDP has fully forward contracted dark spreads for its expected coal output for 2016. Alongside, EDP has already forward contracted electricity sales with clients of 27TWh at an avg. price c€55/MWh for 2016 (excluding naturally-hedged price-indexed sales).

(1) Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits) + Other operating costs (net); (2) Variable cost: fuel cost, CO2 cost net of free allowances, hedging costs (gains), system costs;
(3) Average selling price: includes selling price (net of TPA tariff), ancillary services and others; (4) Includes results from hedging on electricity;
(5) Includes capacity payments, services rendered and others.

# Liberalised Electricity Generation in the Iberian Market

| Income Statement (€ m) | 2015 | 2014 | Δ% | Δ Abs. |
|---|---|---|---|---|
| **Gross Profit** | **594** | **592** | **0%** | **+2** |
| Portugal | 239 | 281 | -15% | -42 |
| Spain | 347 | 316 | 10% | +31 |
| Adjustments | 8 | (5) | - | +13 |
| Supplies and services | 64 | 67 | -4% | -3 |
| Personnel costs | 47 | 38 | 22% | +9 |
| Costs with social benefits | 0 | 1 | - | -1 |
| Other operating costs (net) | 180 | 138 | 31% | +42 |
| **Net Operating costs (1)** | **291** | **244** | **19%** | **+47** |
| **EBITDA** | **303** | **348** | **-13%** | **-45** |
| Provisions | 3 | 5 | -33% | -2 |
| Amortisation and impairment | 190 | 226 | -16% | -36 |
| **EBIT** | **109** | **117** | **-7%** | **-8** |
| **Employees (#)** | **576** | **616** | **-6%** | **-40** |

| Key Operating Data | 2015 | 2014 | Δ% | Δ Abs. |
|---|---|---|---|---|
| **Generation Output (GWh)** | **18,397** | **15,063** | **22%** | **+3,333** |
| CCGT | 3,666 | 1,163 | 215% | +2,503 |
| Coal | 8,946 | 6,414 | 39% | +2,532 |
| Hydro | 4,559 | 6,282 | -27% | -1,724 |
| Nuclear | 1,227 | 1,204 | 2% | +22 |
| **Generation Costs (€/MWh) (2)** | **31.8** | **26.0** | **22%** | **+5.8** |
| CCGT | 66.8 | 106.7 | -37% | -39.9 |
| Coal | 34.3 | 38.0 | -10% | -3.7 |
| Hydro | 5.6 | 2.6 | 113% | +3.0 |
| Nuclear | 5.0 | 4.8 | 5% | +0.2 |
| **Load Factors (%)** | | | | |
| CCGT | 11% | 4% | - | 8p.p. |
| Coal | 70% | 50% | - | 20p.p. |
| Hydro | 21% | 29% | - | -8p.p. |
| Nuclear | 90% | 88% | - | 2p.p. |
| **CO2 Emissions (mn tones)** | | | | |
| Total emissions (3) | 11.9 | 8.6 | 38% | +3.3 |

| Capex (€ m) | 2015 | 2014 | Δ% | Δ Abs. |
|---|---|---|---|---|
| Expansion | 332 | 502 | -34% | -170 |
| Maintenance | 40 | 36 | 10% | +3 |
| **Total** | **372** | **538** | **-31%** | **-166** |

Our liberalised generation & supply activities are jointly managed as most of our production is sold to our supply units at fixed prices.

**Output** from our generation plants rose by 22% in 2015, mainly due to a higher contribution from thermal capacity, in the wake of below-the-average hydro resources. In 2015, the decrease in hydro output in (-1.7TWh) was more than offset by higher production at our coal and CCGTs plants (+2.5TWh each). In 4Q15, output advanced 32% YoY (+1.2TWh), backed by similar production increase at CCGT and coal plants (+0.8TWh) and by a 0.3TWh decline in hydro production. **Avg. production cost** was 22% higher YoY, at €32/MWh in 2015, reflecting a more intense pumping activity and the replacement of the cheaper-technology hydro (25% of total output in 2015 vs. 41% in 2014) by CCGT production – a more expensive technology, despite the significant higher fixed cost dilution achieved in 2015.

**Coal: Output** was up 39% YoY in 2015 (+42% YoY in 4Q15), backed by higher thermal demand. **Avg. load factor** reached 70% in 2015 (+20p.p. YoY). Domestic coal incentives in Spain ended in 2014. **Avg. production cost** fell 10% YoY, to €34/MWh in 2015 (-16% YoY in 4Q15), on the back of declining cost of coal and $CO_2$ consumed.

**CCGTs: Output** was 215% higher YoY in 2015 (+1.7x YoY in 4Q15), driven by higher thermal demand. Load factor rose by 8pp YoY, to 11% in 2015, following a 15% load factor in 4Q15 (+9pp YoY). **Avg. production cost** fell 37% YoY, to €67/MWh in 2015, reflecting higher dilution of the fixed cost with gas procurement and a decline in the gas variable cost.

**Hydro & Nuclear:** Output from hydro plants fell 27% YoY in 2015, following hydro resources 26% below the LT average in 2015 compared to 27% premium over LT average resources in 2014 (Portugal). The **avg. cost of hydro production** increased from €2.6/MWh in 2014 to €5.6/MWh in 2015, reflecting a more intensive pumping activity following scarcer hydro reserves. Pumping activity is mainly concentrated at our Alqueva plant, at an avg. cost correspondent to a c40% discount to the avg. pool price (almost in line with 2014). Our 15.5% share in the production of Trillo plant (nuclear) delivered a 2% increase in output, with an implicit avg. load factor of 90% in 2015 (+2pp YoY).

**Net operating costs**[(1)] increased by 19% YoY, to €291m in 2015, supported by an increase in generation taxes in Spain and costs with clawback in Portugal, derived from higher own production and prices (+€28m YoY) and positive one-offs booked in 2014 (+€16m YoY, following from new CLA in Portugal, costs related to early-retirement program in Iberia, recovery of nuclear eco-levies paid in previous years in Spain). The sum of clawback levy charged in Portugal and the generation taxes in Spain amounted to €141m.

**Amortisations and impairment charges** were 16% lower YoY, at €190m in 2015, largely reflecting last year's €27m impairment at Alvito.

**Capex** totalled €372m in 2015, mostly devoted to new hydro capacity under construction in Portugal. Baixo Sabor's downstream dam (30MW) came online in the 1Q15 and Ribeiradio plant (75MW) started up operations in Jun-15. Due to the lack of hydro resources, EBITDA contribution in 2015 was limited. Construction works and hydro reserves building-up at Salamonde II (207MW) and Baixo Sabor (142MW) were almost completed by Dec-15: Salamonde II started operations in Jan-16 and Baixo Sabor is expected to start-up operations in 1Q16. The remaining 2 plants under construction are Venda Nova III and Foz-Tua are expected to start up operations in 2H16 and late 2016/early 2017, respectively. Also worth to note is EDP group's ongoing investments in DeNOx facilities: in 2015, EDP invested €29m at Aboño II and Soto III coal plants. As part of this investment plans, these plants are expected to register a c2month stoppage in mid 2016. As to the remaining coal fleet in the free market, EDP will keep production at Aboño I (without DeNOx). As for Soto II (239MW), operations ceased the end of 2015.

(1) Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits) + Other operating costs (net);
(2) Includes fuel costs, CO2 emission costs net of free allowances, hedging results; (3) Includes CO2 emissions from Aboño plant, which burns blast furnace gases.

# Liberalised Electricity and Gas Supply in the Iberian Market

| Income Statement (€ m) | Energy Supply in Spain | | | |
|---|---|---|---|---|
| | 2015 | 2014 | Δ% | Δ Abs. |
| **Gross Profit** | **135** | **185** | **-27%** | **-50** |
| Supplies and services | 64 | 65 | -1% | -1 |
| Personnel costs | 11 | 11 | 2% | +0 |
| Costs with social benefits | 0 | 0 | -4% | -0 |
| Other operating costs (net) | 28 | 28 | 0% | -0 |
| **Net Operating costs (1)** | **103** | **104** | **-1%** | **-1** |
| **EBITDA** | **32** | **81** | **-61%** | **-49** |
| Provisions | 2 | 14 | - | -13 |
| Amortisation and impairment | 4 | 4 | -16% | -1 |
| **EBIT** | **26** | **62** | **-58%** | **-36** |

| Income Statement (€ m) | Energy Supply in Portugal | | | |
|---|---|---|---|---|
| | 2015 | 2014 | Δ% | Δ Abs. |
| **Gross Profit** | **143** | **97** | **47%** | **+46** |
| Supplies and services | 91 | 75 | 22% | +17 |
| Personnel costs | 12 | 11 | 10% | +1 |
| Costs with social benefits | - | - | - | - |
| Other operating costs (net) | 19 | 18 | 3% | +0 |
| **Net Operating costs (1)** | **122** | **104** | **17%** | **+18** |
| **EBITDA** | **21** | **(7)** | **-** | **+28** |
| Provisions | 7 | (0) | - | +7 |
| Net depreciation and amortization | 6 | 3 | 83% | +3 |
| **EBIT** | **8** | **(10)** | **-** | **+18** |

| Key data | 2015 | 2014 | Δ% | Δ Abs |
|---|---|---|---|---|
| **Energy Supply in Spain** | | | | |
| **Electricity - Free market** | | | | |
| Volume Sold (GWh) | 15,027 | 16,804 | -11% | -1,777 |
| Market Share (%) | 8% | 9% | - | -1p.p. |
| Clients (th.) | 774 | 719 | 8% | +55 |
| **Electricity - Last resort supply** | | | | |
| Volume Sold (GWh) | 497 | 513 | -3% | -16 |
| Clients (th.) | 238 | 247 | -4% | -9 |
| **Gas - Free market & Last resort supply** | | | | |
| Volume Sold (GWh) | 26,590 | 30,833 | -14% | -4,242 |
| Market Share (%) (2) | 3% | 4% | - | -1p.p. |
| Clients (th.) | 837 | 832 | 1% | +5 |
| **Energy Supply in Portugal** | | | | |
| **Electricity - Free market** | | | | |
| Volume Sold (GWh) | 17,164 | 15,613 | 10% | +1,551 |
| Market Share (%) | 43% | 46% | - | -3p.p. |
| Clients (th.) | 3,713 | 3,056 | 22% | +657 |
| **Gas - Free market** | | | | |
| Volume Sold (GWh) | 4,708 | 3,719 | 27% | 989 |
| Market Share (%) (2) (3) | 11% | 10% | - | 0p.p. |
| Clients (th.) | 501 | 389 | 29% | +111 |
| **Capex (€m)** | **16** | **20** | **-20%** | **-4** |
| **Employees (#)** | **356** | **325** | **10%** | **+31** |

Our electricity and gas supply activities in Portugal and Spain are managed in single energy platforms, ensuring a responsive and competitive commercial structure. EDP Group's subsidiaries that operate in this business segment have intra-group electricity and gas procurement contracts with our generation and energy trading divisions.

**Energy Supply in Spain**

**Gross profit at our supply activities in Spain** fell by 27% YoY (-€50m), to €135m in 2015, mainly impacted by lower margins in the gas wholesale/retail market.

**Electricity volume** supplied to our clients in the free market fell by 11% YoY, to 15.0TWh in 2015 (-5% YoY in 4Q15). EDP's strategy to focus on the most attractive customer segments resulted in an 8% expansion of client portfolio, mainly prompted by the residential segment. Market share (including only retail volumes) fell by 1pp YoY, to 8% in 2015.

**Gas volume** supplied declined by 14%, to 27TWh in 2015 (-2% YoY in 4Q15), reflecting lower margins in the wholesale/retail market vis-à-vis more attractive spreads on our own CCGTs (and higher load factors). Market share (including retail volumes only) was 1p.p. down YoY, to 3% in 2015, reflecting EDP's strategy to focus in the most attractive customer segments.

**Net operating costs** were 1% lower YoY, at €103m in 2015, supported by stable client base, with higher penetration of dual-fuel customers, and strict cost control.

**Energy Supply in Portugal**

**Market Environment** – In line with the rules and calendar defined for the liberalisation of electricity supply in Portugal, the switching of electricity consumers to the free market over 2014/15 was very strong: by the end of Dec-15, the number of consumers in the free market soared to 4.4 million, elevating the total consumption in the free market to over 89% of the total market.

**Gross profit at our supply activities in Portugal** rose by 47% (+€46m YoY), to €143m in 2015, driven by higher volume of electricity and gas supplied, higher penetration of energy services and lower adjustments to past years' costs arising from improved accuracy achieved throughout 2014 on the definition of inputs underlying the estimation of real energy costs.

**Electricity volume** supplied to EDP clients in the free market in Portugal advanced 10% YoY (+4% YoY in 4Q15), to 17TWh in 2015, propelled by a 22% expansion of our client base. EDP's market share in the free market was 3 pp lower YoY at 43% in Dec-15, in line with EDP's strategy to focus on the most attractive residential/SMEs segments.

**Gas volume** supplied to EDP clients in Portugal rose by 27% YoY, to 4.7TWh in 2015 (+31% YoY in 4Q15), reflecting growth in the residential segment following the gas market liberalisation. The strong pace of gas supply liberalisation, along with our successful dual offer (electricity + gas) to residential clients, prompted a surge in the number of clients to 501k in Dec-15, corresponding to +111k YoY. Our market share was stable, at 10.5% in Jun-15 (latest information available).

**Net operating costs** rose by 17% YoY, to €122m in the 2015, reflecting portfolio expansion (higher costs with client services such as call center, billing and provisioning) and increasing share of residential clients in the portfolio.

(1) Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits) + Other operating costs (net).
(2) Market-share for retail market; excludes wholesale. (3) Based on latest available information: Jun-15 and Dec-14.

# EDP Renováveis: Financial Performance

| Income Statement | EDP Renováveis (€ m) | | | |
|---|---|---|---|---|
| | 2015 | 2014 | Δ % | Δ Abs. |
| **Gross Profit** | **1,350** | **1,153** | **17%** | **+196** |
| Supplies and services | 293 | 257 | 14% | +36 |
| Personnel costs | 84 | 66 | 27% | +18 |
| Other operating costs (net) | (170) | (73) | 133% | -97 |
| **Net Operating Costs (1)** | **207** | **250** | **-17%** | **-43** |
| **EBITDA** | **1,142** | **903** | **26%** | **+239** |
| Provisions | (0) | 0 | - | -0 |
| Amortisation and impairment | 565 | 481 | 17% | +84 |
| **EBIT** | **578** | **422** | **37%** | **+155** |
| Financial Results | (285) | (250) | 14% | -36 |
| Share of Profit from associates | (2) | 22 | - | -23 |
| **Pre-tax profit** | **291** | **194** | **50%** | **+97** |

| Opex Performance | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| Opex/Avg. MW (€ th) (2) | 67.7 | 55.0 | 23% | +13 |
| Employees (#) | 1,018 | 919 | 11% | +99 |

| Operational Overview | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| **Installed Capacity (MW)** | **9,281** | **8,149** | **14%** | **+1132** |
| Europe | 4,965 | 4,231 | 17% | +734 |
| North America | 4,233 | 3,835 | 10% | +398 |
| Brazil | 84 | 84 | 0% | - |
| **Output (GWh)** | **21,388** | **19,763** | **8%** | **+1625** |
| **Avg. Load Factor (%)** | **29%** | **30%** | **-** | **-1 p.p.** |
| **Avg. Elect. Price (€/MWh)** | **64** | **59** | **9%** | **+5** |
| **EBITDA (€m)** | **1,142** | **903** | **26%** | **+239** |
| Europe (3) | 690 | 544 | 27% | +146 |
| North America | 462 | 359 | 29% | +103 |
| Brazil | 12 | 15 | -20% | -3 |
| Other & Adjustments | (22) | (16) | 39% | -6 |
| **EBIT (€m)** | **578** | **422** | **37%** | **+155** |
| Europe (3) | 401 | 275 | 46% | +126 |
| North America | 195 | 157 | 24% | +38 |
| Brazil | 7 | 9 | -23% | -2 |
| Other & Adjustments | (25) | (19) | 32% | -6 |
| **Capex (€m)** | **901** | **710** | **27%** | **+191** |
| Europe(3) | 182 | 142 | 29% | +41 |
| North America | 646 | 543 | 19% | +103 |
| Brazil | 73 | 25 | - | +47 |
| Other & Adjustments | 0 | 0 | -75% | - |

| EDPR Equity Market Data | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| Share price at end of period (€/share) | 7.25 | 5.40 | 34% | 1.9 |
| Number of Shares Issued (million) | 872.3 | 872.3 | - | - |
| Stake Owned by EDP (%) | 77.5% | 77.5% | - | - |

| EDPR Key Balance Sheet Figures (€ m) | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| Bank Loans and Other (Net) | 572 | 659 | -13% | -87 |
| Loans with EDP Group (Net) | 3,135 | 2,794 | 12% | +342 |
| **Net Financial Debt** | **3,707** | **3,283** | **13%** | **+425** |
| **Non-controlling interests** | **863** | **549** | **57%** | **+314** |
| **Net Institutional Partnership Liability (4)** | **1,165** | **1,067** | **9%** | **+98** |
| **Equity Book Value** | **5,971** | **5,782** | **3%** | **+189** |
| EUR/USD - End of Period Rate | 1.09 | 1.21 | 12% | -0.13 |

| EDPR Financial Results (€ m) | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| Net Interest Costs | (189) | (205) | 8% | +16 |
| Institutional Partnership costs (non-cash) | (79) | (57) | -40% | -22 |
| Capitalised Costs | 23 | 27 | -14% | -4 |
| Forex Differences and Derivatives | (3) | (5) | 46% | +2 |
| Other | (37) | (10) | - | -27 |
| **Financial Results** | **(285)** | **(250)** | **-14%** | **-36** |

EDP Renováveis ('EDPR') owns, operates and develops EDP Group's wind and solar capacity. As of Dec-15, EDPR operated 9,637MW, of which 356MW equity-method accounted. EDPR's EBITDA derives mainly from PPA-contracted and regulated tariff schemes (90% of output) and is geographically widespread: 40% in North America, 24% from Portugal, 21% from Spain, and the rest derived in France, Poland, Romania, Belgium, Italy and Brazil. As from Sep 1st, EDPR fully consolidates further 613MW in Portugal, following the acquisition of control over some assets ENEOP (vs. previous equity consolidation of 533MW).

**EDPR's EBITDA went up by 26% YoY (+€239m) to €1142m in 2015,** including the net positive impact from the €125m gain booked subsequent to the control acquisition over some assets of ENEOP and from €72m cost derived from write-offs. The write-offs occurred mainly in Europe and North America, following a strict focus of development efforts in the regions with sound business fundamentals. Excluding these impacts, EBITDA advanced by 20% YoY, driven by a positive ForEx impact (+€74m) mainly stemming from 20% appreciation of USD vs. EUR, higher production (+€106m YoY), higher avg. final price (+€28m) and higher operating costs resulting from portfolio expansion.

**Electricity output** advanced 8% YoY to 21TWh in 2015, supported by 10% increase in average capacity on stream and weaker wind resources, particularly in US and Iberia. Avg. load factor fell 1p.p. at 29% in 2015. Average selling price advanced by 9% YoY to €64/MWh, driven by stronger USD, higher relative production towards PPA/Hedged along with the increase in the realised prices in the pool, in Spain.

**Operating costs** (supplies & services + personnel costs) rose by 17% YoY (+€54m), reflecting ForEx impact (+€25m). Excluding Forex, operating costs rose by 8%, below the increase in avg. capacity on stream. **Other operating costs** (net) fell €97m mainly driven by higher income from TEIs (+€74m, which include €30m of update of tax equity investors' post-flip residual interest accretion in 2015), Forex impact, the aforementioned write-offs and ENEOP gain, and the 7% generation tax on sales in Spain (+10% YoY to €26m). **EBIT** increased by 37% YoY, to €578m in 2015.

**Amortization and impairments** increased (+€84m) reflecting the ForEx impact (+€43m), impairments (+€22m) mainly related to a more conservative scenario for the remaining useful life of EDPR assets in Romania and, to a lower extent, portfolio expansion and full consolidation of EDPR's new interest on ENEOP's assets. **Capex** (net) amounted to €901m in 2015: 72% of total capex was devoted to the US market, the main growth region in 2015-17E; 20% to Europe and 8% to Brazil. **Net proceeds from asset rotation** deals amounted to €316m in 2015. EDPR reached, two years in advance, the asset rotation program target of €700m, expected for the 2014-2017 period by raising proceeds amounting c.€800m.

**EDPR's net debt in Dec-15 amounted to €3.7bn (vs. €3.3bn in Dec-14),** mainly reflecting the full consolidation of EDPR's assets arising from ENEOP split (€142m), forex translation (€130m), particularly USD appreciation (+12% YTD) as 40% of debt is USD-denominated and amounts distributed as dividends and capital (€115m). Among others, net debt evolution translates the investments done in the period, net proceeds from asset rotation deals, and proceeds from tax equity partnerships (€242m). **Liabilities with Institutional Partnerships** amounted to €1,165m in Dec-15, reflecting the USD appreciation, the tax benefits allocated to institutional investors (€174m) and the establishment of new institutional tax equity financing structures during the period. **Non-controlling interests** amount to €863m, reflecting non-controlling interests in North America (c71%), Europe (c24%) and Brazil (c5%).

**Net financial costs** rose by 14%, to €285m in 2015. Net interest costs fell by 8% YoY on lower avg. cost of debt (4.3% in Dec-15 vs. 5.2% in Dec-14), due to EDPR re-negotiation of part of its long-term debt arrangements with EDP. **Institutional Partnership costs** were €22m higher vs. 2014, reflecting mainly ForEx impact and new tax equity deals. Other financial expenses totaled €37m, including one-off costs with the cancelation of project finance structures in certain operating wind farms and replaced with debt at lower cost. **Share of profit from associates** was €23m lower YoY, at -€1.5m in 2015, reflecting lesser contribution from EDPR's associates in Spain and US, and the full consolidation of ENEOP as from Sep 1st.

(1) Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits) + Other operating costs (net); (2) Opex excluding Other Operating Income; Ratio calculated considering average MW in operation
(3) Includes Holding costs and adjustments at the level of EDPR Europe; (4) Net of deferred revenue.

# EDP Renováveis: North America & Brazil

| North America | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| EUR/USD - Avg. of period rate | 1.11 | 1.33 | 20% | -0.2 |
| **Installed capacity (MW)** | **4,233** | **3,835** | **10%** | **+398** |
| PPA's/Hedged/Feed-in tariff | 3,689 | 3,281 | 12% | +408 |
| Merchant | 544 | 554 | -2% | -10 |
| Avg. Load Factor (%) | 32% | 33% | - | -1 p.p. |
| **Electricity Output (GWh)** | **11,103** | **10,204** | **9%** | **+900** |
| PPA's/Hedged/Feed-in tariff | 9,355 | 8,443 | 11% | +912 |
| Merchant | 1,749 | 1,761 | -1% | -12 |
| **Avg. Final Selling Price (USD/MWh)** | **51.0** | **50.8** | **0%** | **+0.2** |
| PPA's/Hedged/Feed-in tariff | 52.8 | 52.8 | 0% | -0.0 |
| Merchant | 43.8 | 41.4 | 6% | +2 |
| **Adjusted Gross Profit (USD m)** | **772** | **672** | **15%** | **+100** |
| Gross Profit (USD m) | 553 | 508 | 9% | +45 |
| PTC Revenues & Other (USD m) | 219 | 164 | 33% | +55 |
| **EBITDA (USD m)** | **513** | **477** | **7%** | **+35** |
| EBIT (USD m) | 216 | 208 | 4% | +8 |
| Installed capacity (MW Equity) | 179 | 179 | 0% | - |
| **Net Capex (USD m)** | **717** | **722** | **-1%** | **-5** |
| Gross Capex | 717 | 722 | -1% | -5 |
| Cash grant received | - | - | - | - |
| **Capacity under construction (MW)** | **200** | **299** | **-33%** | **-99** |

| Brazil | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| Euro/Real - Average of period rate | 3.70 | 3.12 | -16% | +0.58 |
| **Installed Capacity (MW)** | **84** | **84** | **-** | **-** |
| Avg. Load Factor (%) | 30% | 32% | - | -2 p.p. |
| Electricity Output (GWh) | 222 | 236 | -6% | -14 |
| Avg. Final Selling Price (R$/MWh) | 370 | 346 | 7% | +24 |
| Gross Profit (R$ m) | 79 | 78 | 1% | +1 |
| **EBITDA (R$ m)** | **45** | **48** | **-5%** | **-2** |
| EBIT (R$ m) | 27 | 29 | -9% | -3 |
| **Capex (R$ m)** | **270** | **79** | **-** | **+190** |
| **Capacity under construction (MW)** | **120** | **120** | **-** | **-** |

**In North America**, installed capacity totalled 4.233MW in Dec-15 (4,203MW in US, 30MW in Canada). New capacity additions in 2015 (+398MW) were fully concentrated in US (2Q15/4Q15). From the total installed capacity, 3.7GW (87%) is under LT contracted remuneration schemes (PPA/Hedge) providing higher visibility on cash flow generation. Additionally, EDPR owns an equity position in other wind projects, equivalent to 179MW.

**EBITDA was 7% higher YoY (USD35m), at USD513m in 2015**, propelled by i) a higher output (+9% YoY to 11,1GWh) on the back of capacity additions which more than compensated the lower load factor and ii) a stable average selling price of USD51/MWh. **Wind resources** were weaker (32% vs 33% YoY), particularly in the central region, justifying a 1p.p. YoY fall in avg. overall load factor in 2015. **Average selling price** derived from higher relative production towards PPA/Hedged (flat at USD52.8/MWh), along with the recover in the realised merchant price (+6% YoY, to USD44/MWh). In Canada, avg. selling price was at USD113/MWh. Non-recurrent operational costs affecting EBITDA, were USD52m as regards to write-offs related to specific projects abandonments (USD46m), and the booking of property taxes related to new wind farms.

EDPR's growth plans in **NA** grounds on PPA-contracted projects, reinforcing the group's low risk profile. As of Dec-15, EDPR had completed 398MW of **new wind capacity** in US, +199MW at Waverly in Kansas; +100MW from Arbuckle in Oklahoma; +99MW from Rising Tree South in California; and 200MW of **wind capacity under construction** in Mexico (consolidation through equity method). **PPAs secured for upcoming installations** include 755MW due to be commissioned in 2016-17 (Ohio 100MW 12-year PPA; New York 155MW 20-year PPA; Maine 250MW 15-year PPA; Texas 250 MW 15-20-year PPA).

Within the scope of its **asset rotation strategy**, in 2015, EDPR concluded: i) the sale to Fiera Axium, of a minority stake in a wind farm portfolio of 1,101MW (US) (agreed in Aug-14) for a total of USD348m; ii) the sale to DIF III of a minority stake in a 30MW solar PV power plant (California) (agreed in Mar-15), with a cash-in of USD30m; iii) the sale to Axium of a minority interest in a US wind portfolio with a total production capacity of 1,002MW for a total of USD308m, received in Jan-16.

Proceeds from **institutional equity financing structures** amounted to USD268m for the sale of interests in: 99MW-park Rising Tree North (last tranche amounting (+USD43m); 99MW-park Rising Three South (+USD117m); and 100 MW-park Arbuckle (+USD116m). Additionally EDPR signed a new institutional equity financing structure in Oct-15, with Google Inc., for the 199 MW Waverly wind farm (+USD238m, cash-in in 1Q16).

**In Brazil**, EDPR has 84MW of installed capacity and 377MW under development. From EDPR's 377MW under development: i) 120MW are already under construction (PPA-contracted for 20 years with a PPA price of R$97/MWh); ii) 117MW due in Jan-18, with a PPA price of R$109/MWh; iii) 140MW due in 2018, with a PPA price of R$199/MWh (signed in Nov-15).

EDPR's EBITDA in Brazil was 5% lower YoY, at R$45m in 2015, reflecting a 2p.p. fall in the avg. load factor to 30% in 2015, due to weak wind resources, and 7% rise in the avg. selling price, to BRL370/MWh, mainly driven by PPA's inflation indexation.

In Apr-15, EDPR and EDP Brasil agreed in the transaction price of $R190m for the acquisition of a 45% stake in EDPR Brasil (including earn-out payments). Final closing of the sale occurred at the end of 2015 for R$176m received by EDP Brasil. Under EDP's strategic partnership with CTG, in May-15, EDPR completed the sale to CTG's subsidiary in Brazil, CWEI Brasil, of a 49% equity stake in 84MW in operation and 237MW under development. As a result, EDPR cashed-in R$261m.

Energy is sold either under PPAs (up to 20 years), Hedges or Merchant prices; Green Certificates (Renewable Energy Credits, REC) subject to each State regulation
Tax Incentive: (i) PTC collected for 10-years since COD ($23/MWh in 2013); (ii) Wind farms beginning construction in 2009-10 could opt for 30% cash grant in lieu of PTC

Feed-in Tariff for 20 years (Ontario)

Installed capacity under PROINFA program
Competitive auctions awarding 20-years PPAs

# EDP Renováveis: Spain & Portugal

| Spain | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| **Installed capacity (MW)** | **2,194** | **2,194** | **0%** | **+0** |
| Avg. load factor (%) | 26% | 28% | - | -2 p.p. |
| **Production (GWh)** | **4,847** | **5,176** | **-6%** | **-329** |
| Prod. w/capac. complement (GWh) | 4,438 | 4,747 | | |
| Standard production (GWh) | 4,100 | 4,097 | | |
| Above/(below) std. prod. (GWh) | 338 | 650 | | |
| Prod. w/o cap. complement (GWh) | 409 | 429 | | |
| **Avg. Price (€/MWh)** | **76.1** | **67.0** | **14%** | **+9** |
| Total GWh: realised pool (€/MWh) | 45 | 35 | 30% | +10 |
| Regulatory adj. on std. GWh (€m) | - | 4.9 | | |
| Complement (€m) | 158 | 160.9 | | |
| Hedging gains/(losses) (€m) | -8.4 | 0.7 | | |
| Gross profit (1) | 367 | 345 | 6% | +21 |
| **EBITDA (1)** | **241** | **227** | **6%** | **+14** |
| EBIT (1) | 108 | 94 | 15% | +14 |
| Installed capacity (MW Equity) | 177 | 174 | 2% | +3 |
| **Capex (€m)** | **5** | **5** | **-1%** | **-0** |
| **Capacity under construction (MW)** | **-** | **2** | **-** | **-2** |

| Portugal | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| **Installed capacity (MW)** | **1,247** | **624** | **100%** | **+623** |
| Avg. Load factor (%) | 27% | 30% | -10% | -3 p.p. |
| Electricity output (GWh) | 1,991 | 1,652 | 21% | +339 |
| Avg. selling price (€/MWh) | 95 | 98 | -3% | -3 |
| Gross profit | 190 | 166 | 15% | +24 |
| **EBITDA** | **278** | **134** | **107%** | **+143** |
| EBIT | 234 | 107 | 119% | +127 |
| Installed capacity (MW Equity) | - | 533 | - | -533 |
| **Capex (€m)** | **16** | **8** | **92%** | **+8** |
| **Capacity under construction (MW)** | **-** | **6** | **-** | **-6** |

**In Spain, EDPR's EBITDA rose by 6% YoY (+€14m), to €241m in 2015,** supported by higher realised price achieved in the market (€45/MWh in 2015, up from €35/MWh in 2014).

**Installed capacity** in Spain stood stable at 2,194MW in 2015 (MW EBITDA), to which accrues 177MW, equivalent to EDPR's equity position in other wind projects (equity-method consolidated).

**Electricity output in Spain** fell by 6% YoY, to 4.8TWh in 2015, reflecting outstanding wind conditions in 2014 – 92% of production generated by capacity entitled to receive complement. Average price advanced by 14% YoY, to €76MWh in 2015, propelled by a sharp increase of realised pool price (€45/MWh in 2015) and €158m revenues from capacity complement (2014 complement includes €2m from 2013 adjustments). As part of its risk-controlled strategy, EDPR hedged 2.6TWh at €47/MWh for 2016 and 2.0TWh at €46/MWh for 2017.

**In Portugal**, EDPR owns a portfolio of 1.2GW, including 613MW, resulting from the asset split of ENEOP. This 613MW capacity is fully consolidated as from Sep 1st , before this date, EDPR consolidated through equity method a 40% equity stake in ENEOP, (533MW atributable) and 2MW of solar capacity. In the 4Q15 occurred the settlement of ENEOP asset split, corresponding to €50m of financial investment.

**EDPR's EBITDA in Portugal amounted to €278m in 2015 (+€143m YoY)**, including a €125m gain booked subsequent to the control acquisition over some assets and liabilities of ENEOP. Wind production in 2015 was 21% higher YoY, reflecting the consolidation of new capacity. **Average load factor** fell 3p.p. YoY, to 27% in 2015 – though still above the LT average (wind factor: 1.01 in 2015 vs. 1.11 in 2014). **Average selling price** was 3% lower YoY, due to ENEOP consolidation.

In line with the MoU signed between EDPR and CTG in Dec-13, EDPR expects to reach an agreement for the final terms of the sale to CTG of a 49% in its ENEOP-based assets. At present, CTG owns a 49% stake in other block of wind capacity in Portugal, representing 622MW of installed capacity.

- Wind energy receives pool price and a premium per MW, if necessary, in order to achieve a target return established as 'Spanish 10-year Bond yields + 300bp' (currently at 7.4%); Every 3 years, there will revisions as to compensate deviations from the expected pool price (€49/MWh – regulator scenario).
- Premium calculation is based on standard assets (standard load factor, production and costs); Capacity complement per MW is paid for a 20-year period and varies with the year of commissioning

- MW EBITDA: Feed-in Tariff updated with inflation and inversely correlated with load factor. Duration: 15 years (Feed-in tariff updated with inflation) + 7 years (extension cap/floor system: €74/MWh - €98/MWh). The 7-year extension of tariff as from 16th year was secured in exchange for an annual payment between 2013 and 2020 (€4m/year for EDPR).
- ENEOP MW (MW Equity up to Aug-15, MW EBITDA since Sep-15): price defined in a international competitive tender and set for 15 years (or the first 33 GWh per MW). Tariff for first year established at c.€74/MWh and CPI monthly update for following years;

(1) Includes hedging results in energy markets.

# EDP Renováveis: Rest of Europe

| Rest of Europe | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| **Installed capacity (MW)** | **1,523** | **1,413** | **8%** | **+111** |
| Avg. load factor (%) | 27% | 24% | 13% | 3 p.p. |
| Electricity output (GWh) | 3,225 | 2,495 | 29% | +729 |
| Avg. selling price (€/MWh) | 86 | 96 | -10% | -10 |
| **Poland** | | | | |
| Installed capacity (MW) | 468 | 392 | 20% | +77 |
| Avg. load factor (%) | 28% | 24% | 16% | 4 p.p. |
| Electricity output (GWh) | 951 | 793 | 20% | +158 |
| Avg. selling price (PLN/MWh) | 367 | 396 | -7% | -29 |
| EUR/PLN - Avg. Rate in period | 4.18 | 4.18 | 0% | +0 |
| **Romania** | | | | |
| Installed capacity (MW) | 521 | 521 | 0% | - |
| Avg. load factor (%) | 26% | 22% | 19% | 4 p.p. |
| Electricity output (GWh) | 1,127 | 712 | 58% | +415 |
| Avg. selling price (RON/MWh) | 321 | 419 | -23% | -98 |
| EUR/RON - Avg. Rate in period | 4.45 | 4.44 | 0% | +0 |
| **France** | | | | |
| Installed capacity (MW) | 364 | 340 | 7% | +24 |
| Avg. load factor (%) | 26% | 24% | 7% | 2 p.p. |
| Electricity output (GWh) | 785 | 695 | 13% | +90 |
| Avg. selling price (€/MWh) | 91 | 90 | 1% | +0 |
| **Belgium & Italy** | | | | |
| Installed capacity (MW) | 171 | 161 | 6% | +10 |
| Avg. load factor (%) | 27% | 25% | 8% | 2 p.p. |
| Electricity output (GWh) | 362 | 295 | 23% | +67 |
| Avg. selling price (€/MWh) | 114 | 115 | -1% | -2 |
| Gross profit | 272 | 234 | 16% | +38 |
| **EBITDA** | **179** | **169** | **6%** | **+10** |
| EBIT | 70 | 65 | 8% | +5 |
| **Capex (€m)** | **170** | **125** | **36%** | **+45** |
| **Capacity under construction (MW)** | **24** | **16** | **50%** | **+8** |

In **European markets outside of Iberia**, EBITDA rose by 6% YoY (+€10m), to €179m in 2015, driven by higher avg. capacity on stream (+14% YoY), higher avg. load factor (+3p.p. to 27% YoY), lower avg. selling price (-10% YoY, due to lower prices in Romania with green certificates being sold at the floor of the regulated collar). As of Dec-15, EDPR had completed +111MW of **new wind capacity** (77MW in Poland, 24MW in France and 10 MW in Italy) and +24MW **under construction** in France.

**In Poland**, EDPR operates 468MW of wind capacity remunerated in accordance with electricity price + GC regulatory scheme. In detail, as of Dec-15, the 468MW were under the following commercial structures: 270MW under PPA agreements; 122MW receiving 'regulated price + GC' and 77MW receiving 'wholesale market + GC', being managed within EDPR's risk management strategy. **Wind output** rose by 20% YoY, to 951GWh, mainly reflecting higher avg. capacity on stream and higher load factor (+4p.p. to 28% in 2015). **Average selling price** was 7% lower YoY, at PLN367/MWh.

**In Romania**, EDPR operates 521MW: 471MW of wind and 50MW of solar PV. **Electricity output** surged by 58% YoY, to 1.1TWh in 2015 (69MWh solar-based), propelled by higher avg. MW in operation and an increase o 4p.p. in the avg. load factor to 26%. In turn, avg. selling price fell by 23% YoY to RON321/MWh, as green certificates ("GCs") were sold at the floor of the regulated collar.

**In France**, EDPR added 24MW of new wind capacity in the last 12 months (fully concentrated in 4Q15), raising total installed capacity in the market to 364MW. **Wind output** rose by 13% YoY, to 785GWh in 2015, backed by higher average capacity on stream and higher load factor (26% vs 24% YoY). **Average tariff** in the period was 1% higher YoY, at €91/MWh, reflecting a low inflation context.

**In Belgium**, the 71MW in operation increased its output by 18% YoY to 152GWh on the back of higher avg. load factor +3% YoY (driven by stronger wind resources in 4Q15). Average selling price decreased by 2% YoY to €109/MWh in 2015, reflecting the PPA price structure.

**In Italy**, where EDPR installed 10MW of new wind capacity in the last 12 months (fully concentrated in 3Q15), output advanced 26% YoY, reflecting capacity additions and a 2p.p. YoY increase in avg. load factor, to 28% in 2015. Average selling tariff was 1% lower YoY, at €118/MWh, reflecting the lower price of capacity added under the new regime (auctions vs. old regime).

In Dec-15, EDPR agreed with 'Investment Fund LP' – a fully-owned subsidiary of CTG– the sale of 49% of equity shareholding and shareholder loans in a portfolio of wind assets with 392MW of capacity in Poland and 100MW in Italy, for a total of €392m. The agreement is made in the context of the €2bn strategic partnership established between EDP and CTG.

- Price set either through bilateral contracts or selling to distributor at regulated price (PLN163.6/MWh in 2015); Wind receive 1 GC/MWh which can be traded in the market. Electric suppliers have a substitution fee for non compliance with GC obligation (2014: PLN300/MWh)
- Wind and solar production are sold at 'market price + GC'. Wind assets receive 2 GC/MWh until 2017 and 1 GC/MWh after 2017 until completing 15 years. 1 out of the 2 GC earned until Mar-17 can only be sold from Jan-18. Solar assets receive 6 GC/MWh for 15 years. 2 out of the 6 GC earned until Mar-2017 can only be sold after Apr-2017. GC are tradable on market under a cap and floor system (cap €59.9 / floor €29.4)
- Feed-in tariff for 15 years: (i) €82/MWh up to 10$^{th}$ year, inflation updated; (ii) Years 11-15: €82/MWh @ 2,400 hours, decreasing to €28/MWh @3,600 hours
- Wind & solar energy sold at 'Market price + green certificate (GC)'; Separate GC prices with cap and floor for Wallonia (€65/MWh-100/MWh) and Flanders (€90/MWh-100/MWh); Option to negotiate long-term PPAs
- Projects online before 2013 receive: (i) For 2015, GC price from GSE will be €97.4; (ii) As from 2016, 'pool + premium' (premium = 1 x (€180/MWh - "P-1") x 0.78). New assets: competitive auctions awarding 20-years PPAs

# Regulated Networks & Regulatory Receivables in Iberia

| Income Statement (€ m) | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| **Gross Profit** | **1,675** | **1,742** | **-4%** | **-67** |
| Supplies and services | 345 | 379 | -9% | -34 |
| Personnel costs | 123 | 134 | -8% | -11 |
| Costs with social benefits | 33 | (35) | - | +69 |
| Other operating costs (net) | 143 | 222 | -36% | -80 |
| **Net Operating Costs (1)** | **644** | **700** | **-8%** | **-56** |
| **EBITDA** | **1,031** | **1,042** | **-1%** | **-11** |
| Provisions | 7 | 2 | 244% | +5 |
| Amortisation and impairment | 331 | 340 | -3% | -9 |
| **EBIT** | **693** | **700** | **-1%** | **-7** |

| Capex & Opex Performance | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| **Controllable Operating Costs (5)** | **468** | **513** | **-9%** | **-46** |
| Cont. costs/client (€/client) | 58 | 63 | -8% | -5 |
| Cont. costs/km of network (€/Km) | 1,814 | 1,985 | -9% | -171 |
| Employees (#) | 3,867 | 3,916 | -1% | -49 |
| **Capex (Net of Subsidies) (€m)** | **377** | **382** | **-1%** | **-5** |
| Network ('000 Km) | 258 | 259 | -0% | -1 |

| Regulatory Receivables (€ m) | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| **Total Net Iberia Regulatory Receivables** | **2,306** | **2,317** | **-0%** | **-11** |
| **Spain - Tariff deficit** | | | | |
| **Beginning of Period** | **2** | **264** | **-99%** | **-262** |
| Previous periods tariff deficits (4) | 68 | (262) | - | +330 |
| Tariff deficit in the period | - | - | - | - |
| Other (3) | - | - | - | - |
| **End of Period** | **70** | **2** | **-** | **+68** |
| **Portugal - Last Resort Supplier + Distribution + Gas** | | | | |
| **Beginning of Period** | **2,203** | **2,045** | **8%** | **+158** |
| Previous periods tariff deviation (2) | (1,605) | (1,806) | 11% | +201 |
| Tariff deviation in the period | 1,356 | 1,886 | -28% | -530 |
| Other (3) | 67 | 78 | -13% | -10 |
| **End of Period** | **2,021** | **2,203** | **-8%** | **-182** |
| **Portugal - CMEC's** | | | | |
| **Beginning of Period** | **112** | **377** | **-70%** | **-265** |
| (Recovery)/Return in the Period | (56) | (365) | 85% | +309 |
| Deviation in the period | 160 | 100 | 60% | +60 |
| Other | 0 | 0 | n.m. | -0 |
| **End of Period** | **216** | **112** | **92%** | **+103** |

Regulated networks in Iberia include our activities of distribution of electricity and gas, in Portugal and Spain.

**EBITDA from regulated networks** decreased by 1% YoY (-€11m), to €1,031m in 2015, impacted by (i) in **2014**, an €87m one-off gain derived from the establishment of the new Collective Labour Agreement, the impact from an anticipated pre-retirement program (-€30m) and the positive impact in gas distribution in Portugal from the recovery of past costs related to underground occupancy (€8m); (ii) in **2015**, an €89m one-off gain booked on the sale of gas assets in Spain to Redexis in 1H and a €4m net recovery of previous years' regulated revenues in electricity distribution in Spain. Disregarding these impacts, EBITDA from regulated networks in Iberia declined by 4% YoY (-€38m), driven by a decrease in regulated revenues which was partially offset by lower operating costs. Gross profit declined by 4% YoY (-€67m) in 2015, reflecting: (i) in Portugal, a lower return on RAB in electricity distribution derived from the lower sovereign risk and fast clients' switching to free market; (ii) in Spain, lower gas regulated revenues impacted by the disposal of distribution assets.

**Controllable operating costs** fell by 9% YoY (-€46m), reflecting essentially a decrease in supplies and services (lower maintenance/repair works and lower client services stemming from clients switching from LRS to the liberalized market) and lower personnel costs. **Capex** went down by 1% YoY (-€5m) in 2015, amounting to €377m.

In Portugal, 2015 was marked by the decrease in total debt owed by the electricity system to EDP and to financial investors, from €5.3bn in Dec-14 to €5.2bn in Dec-15. Additionally, according to ERSE's final version of 2016 tariffs, released on 15-Dec-2015, Portuguese electricity system's regulatory receivables are expected to decline by €0.4bn over 2016.

**Regulatory receivables owed to EDP in Iberia** declined by €11m in 2015, from €2,317m in Dec-14 to €2,306m in Dec-15, driven by a €79m decrease in Portugal and a €68m increase in Spain.

**EDP's regulatory receivables from electricity distribution, last resort supply and gas distribution in Portugal** fell from €2,203m in Dec-14 to €2,021m in Dec-15 driven by: **(1)** **-**€844m following the sale without recourse of the right to receive part of the 2014 and 2015 tariff deficits; **(2)** +€1,511m regarding the ex-ante tariff deficit for 2015, to be fully recovered under a 5-year payment schedule ending in 2019 and remunerated at 3.01% annual return; **(3)** -€761m recovered through tariffs related to negative previous years' deviations and to past tariff deficits; **(4)** -€134m of new electricity tariff deviations returned to the system in 2015; and **(5)** -€22m of deviations returned to the system in the gas distribution. The main drivers for new tariff deviations generated during 2015, focused in electricity distribution and LRS, were: **(i)** -€56m on lower-than-expected special regime production (2% below ERSE assumption) and overcost (€60/MWh in 2015 vs. €61/MWh assumed by ERSE in the calculation of 2015 tariffs); **(ii)** -€47m (amount to return to the tariffs) due to lower costs with electricity purchases; and **(iii)** +€43m tariff deviation generated in electricity distribution activity (lower demand, in particular during the 4Q15 and deviations on consumption mix).

**Regulatory receivables from CMECs** increased from €112m in Dec-14 to €216m in Dec-15 due to: **(1)** €56m recovered in 2015 through tariffs, related to 2013 and 2014 negative deviations and **(2)** €160m negative deviation in 2015, due to be received in 2016-2017 (more details on page 11).

**Regulatory receivables in Spain** amount to €70m in Dec-15, increasing from €44m in Sep-15, due to the booking of EDP España share of 2014 gas tariff deficit, which has been estimated for the whole system at €1,011m according to a Ministerial Order Proposal of Nov-15 vs. €700m in Sep-15. Regarding the electricity system in Spain, it is worth mentioning that the final settlement issued by CNMC for 2014 indicated a tariff surplus of €550m.

(1) Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits + Concession fees) + Other operating costs (net)
(2) Includes the assignment to a third party of the right to tariff deficits/adjustments and recovery or pay-back through the tariffs of previous years' tariff deviations. (3) Includes interests on tariff deviations.
(4) Includes the recovery/payment of previous periods tariff deficits. (5) Supplies & services and personnel costs.

# Electricity Distribution and Last Resort Supply in Portugal

| Income Statement (€ m) | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| **Gross Profit** | **1,243** | **1,286** | **-3%** | **-43** |
| Supplies and services | 262 | 287 | -9% | -25 |
| Personnel costs | 94 | 102 | -8% | -8 |
| Costs with social benefits | 32 | (40) | - | +72 |
| Concession fees | 251 | 253 | -1% | -2 |
| Other operating costs (net) | (13) | (12) | -13% | -2 |
| **Net Operating Costs (1)** | **626** | **590** | **6%** | **+35** |
| **EBITDA** | **618** | **696** | **-11%** | **-78** |
| Provisions | 8 | 2 | 238% | +5 |
| Amortisation and impairment | 240 | 240 | 0% | +0 |
| **EBIT** | **370** | **453** | **-18%** | **-84** |

| Gross Profit Performance | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| **Gross Profit (€m)** | **1,243** | **1,286** | **-3%** | **-43** |
| Regulated gross profit | 1,240 | 1,278 | -3% | -38 |
| Non-regulated gross profit | 3 | 8 | -63% | -5 |
| **Distribution Grid** | | | | |
| Regulated revenues (€ m) | 1,186 | 1,201 | -1% | -16 |
| Electricity distributed (GWh) | 44,277 | 43,808 | 1.1% | +469 |
| Supply Points (th) | 6,107 | 6,083 | 0% | +24 |
| **Last Resort Supply** | | | | |
| Regulated revenues (€ m) | 55 | 77 | -29% | -22 |
| Clients supplied (th) | 1,731 | 2,520 | -31% | -790 |
| Electricity sold (GWh) | 5,675 | 9,247 | -39% | -3,573 |

| Capex & Opex Performance | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| **Controllable Operating Costs (2)** | **356** | **389** | **-9%** | **-34** |
| Cont. costs/client (€/client) | 58.3 | 64.0 | -9% | -6 |
| Cont. costs/km of network (€/Km) | 1,582 | 1,742 | -9% | -160 |
| Employees (#) | 3,340 | 3,358 | -1% | -18 |
| **Capex (Net of Subsidies) (€m)** | **307** | **305** | **1%** | **+2** |
| Network ('000 Km) | 225 | 224 | 1% | +1 |
| Equival. interruption time (min.) (3) | 54 | 60 | -10% | -6 |

**EBITDA from electricity distribution and last resort supply (LRS) in Portugal decreased by 11% (-€78m), to €618m in 2015**, reflecting in 2014 i) an €87m one-off gain stemming from the establishment of new Collective Labour Agreement and ii) the impact from an anticipated pre-retirement program (-27m€). Disregarding these effects, EBITDA decreased by 3% (-€18m), primarily driven by a lower return on RAB, which was partially mitigated by lower operating costs.

In 2015, **distribution grid regulated revenues** declined by 1% (-€16m), to €1,186m. This was largely attributable to a lower return on RAB as a consequence of lower sovereign bond yields, which came down from 8.26% in 2014 to 6.34% in 2015, reflecting an avg. 10-year Portuguese bond yields of 2.6% between October 2014 and September 2015 vs. 3.6% defined on a preliminary basis. In 2015, distributed electricity rose by 1%, following a recovery in the demand from the industrial segment and a slight decrease in grid distribution losses.

**Last resort supplier (EDP SU) regulated revenues** were 29% lower (-€22m), amounting to €55m in 2015, mainly reflecting consumers' fast switching to the free market. As part of the rules and calendar defined for the phasing out of regulated tariffs in Portugal, EDP SU can no longer contract new clients (since January 1st 2013). The **volume of electricity supplied** by our LRS fell by 39% YoY, to 5.7TWh in 2015. Total clients supplied declined 790 thousand YoY (-31% YoY), to 1,731 thousand in Dec-15 (representing 28% of total electricity clients), mostly related with the residential segment.

**Controllable operating costs** declined by 9% in 2015 (-€34m), which is largely attributed to efficiencies on maintenance/repair works, a reduction in client services mostly driven by consumers' switching to the free market and lower personnel costs. The evolution of costs with social benefits reflects in 2014 the mixed impact from i) an €87m one-off gain booked in 2Q14 following the establishment of the new Collective Labour Agreement and ii) an anticipated pre-retirement program in 4Q14 (-27m€).

**Capex** increased by 1% (+€2m) in 2015 to €307m. EIT dropped considerably to a record low, from 60 minutes in 2014 to 54 minutes in 2015, reflecting favourable weather conditions as well as the efficiency and resilience of the grid.

On 15-Dec-2015, ERSE released the final version of 2016 electricity tariffs, setting a 2.5% average tariff increase for normal low voltage (NLV) segment, applicable to clients in the regulated market (out of the Social Tariff) and a 0.9% increase in the social tariff. The social tariff represents a discount on the electricity bill of around 20% for vulnerable consumers, conveying no additional cost for the electricity system, as this cost is supported by conventional power generators. Additionally, these customers' electricity bill benefit from a social benefit (13.8%) aimed at neutralising the impact from higher VAT, which funded by the State Budget. As of Dec-15, and following strong marketing efforts by EDP to increase customer awareness about this benefit, there were 100 thousand customers in Portugal benefiting social tariff vs. 43 thousand in Dec-14.

**Electricity distribution regulated revenues were set at €1,182m for 2016,** based on: (1) regulated rate of return on assets (RoRAB) set at 6.34% for 2016, on a preliminary base (vs. 6.75% in 2015), reflecting an underlying avg. 10-year Portuguese bond yields of 2.6%; the ultimate RoRAB will depend on the daily average of the Portugal's 10Y bond yield between October of year 't-1' and September of year 't', with a floor at 6% and a cap at 9.5%; (2) an expected electricity demand in Portugal of 45.1 TWh in 2016 (1.8% above 2015 electricity distributed); and (3) a GDP deflator of 0.8%.

**Last resort electricity supply activity regulated revenues for 2016 were set** on the following assumptions: (1) regulated revenues of €40m in 2016; (2) a forecast for average electricity procurement price of €53.0/MWh, based on a forecast for average pool price of €49.2/MWh; (3) a forecast for average special regime premium of €59.3/MWh and (4) a forecast of 21.6TWh for special regime generation (5.4% above 2015).

(1) Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits + Concession fees) + Other operating costs (net)
(2) Supplies & services and personnel costs. (3) Adjusted for non-recurring impacts (rainstorms, high winds and summer fires).

# Electricity and Gas Networks in Spain and Gas Networks in Portugal

| Income Statement (€ m) | Electricity Spain 2015 | 2014 | % Δ | Abs. Δ | Gas Spain 2015 | 2014 | % Δ | Abs. Δ | Gas Portugal 2015 | 2014 | % Δ | Abs. Δ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Gross Profit** | **167** | **163** | **2%** | **4** | **201** | **226** | **-11%** | **-25** | **64** | **67** | **-4%** | **-3** |
| Supplies and services | 38 | 41 | -7% | -3 | 30 | 36 | -15% | -6 | 15 | 15 | -3% | -1 |
| Personnel costs | 18 | 21 | -15% | -3 | 9 | 10 | -1% | -0 | 2 | 2 | 8% | 0 |
| Costs with social benefits | 1 | 4 | - | -3 | 0 | 1 | -16% | -0 | 0 | 0 | 129% | 0 |
| Other operating costs (net) | (8) | (10) | -28% | 3 | (88) | (1) | n.m. | -87 | 0 | (7) | - | 8 |
| **Net Operating Costs (1)** | **49** | **55** | **-11%** | **-6** | **(48)** | **45** | **-** | **-93** | **17** | **10** | **80%** | **8** |
| **EBITDA** | **118** | **108** | **10%** | **10** | **248** | **181** | **37%** | **68** | **47** | **57** | **-18%** | **-11** |
| Provisions | 0 | - | - | **0** | (0) | (0) | n.m. | **0** | (1) | 0 | n.m. | **-1** |
| Amortisation and impairment | 36 | 35 | 3% | **1** | 39 | 49 | -20% | **-10** | 16 | 15 | 3% | **1** |
| **EBIT** | **82** | **73** | **13%** | **9** | **209** | **132** | **59%** | **78** | **31** | **42** | **-25%** | **-10** |
| **Capex (net os subsidies)** | **32** | **34** | **-4%** | **-1** | **17** | **21** | **-19%** | **-4** | **20** | **22** | **-9%** | **-2** |
| **Gross Profit** | **167** | **163** | **2%** | **4** | **201** | **226** | **-11%** | **-25** | **64** | **67** | **-4%** | **-3** |
| Regulated Revenues | 157 | 156 | 0% | 1 | 178 | 198 | -10% | -20 | 62 | 64 | -3% | -2 |
| Non-regulated gross profit | 10 | 7 | 45% | 3 | 23 | 28 | -18% | -5 | 2 | 3 | -29% | -1 |

| Iberian Regulated Networks | 2015 | 2014 | % Δ | Abs. Δ |
|---|---|---|---|---|
| **Number Supply Points (th)** | | | | |
| Electricity Spain | 660 | 659 | 0% | +1 |
| Gas Spain | 918 | 1,026 | -11% | -108 |
| Gas Portugal | 330 | 319 | 4% | +11 |
| **Energy Distributed (GWh)** | | | | |
| Electricity Spain | 9,168 | 9,177 | 0% | -9 |
| Gas Spain | 27,093 | 46,970 | -42% | -19.8k |
| Gas Portugal | 6,907 | 6,876 | 0% | +31 |
| **Network (Km)** | | | | |
| Electricity Spain | 20,396 | 20,268 | 1% | +128 |
| Gas Spain | 7,715 | 10,143 | -24% | -2,429 |
| Gas Portugal | 4,856 | 4,653 | 4% | +203 |
| **Employees (#)** | | | | |
| Electricity Spain | 297 | 294 | 1% | +3 |
| Gas Spain | 165 | 202 | -18% | -37 |
| Gas Portugal | 65 | 62 | 5% | +3 |

## ELECTRICITY DISTRIBUTION IN SPAIN

**EBITDA from our electricity distribution activity in Spain** rose by 10% (+€10m) in 2015, reflecting a €4m net recovery of previous years' regulated revenues. Excluding this impact, EBITDA increased by 6% (+€7m), driven by operational cost efficiencies. **Electricity distributed** by EDP España, mostly in the region of Asturias, was stable at 9.2TWh in 2015.

In Dec-13, the Spanish Government approved Law 24/2013 and RD 1048/2013 that establish the new regulatory framework for electricity distribution assets, maintaining the principles announced in Jul-13 by RD 9/2013 (return on RAB equivalent to a 200bp premium over 10-year Spanish bond yields and equaling to 6.5%, in 2014-2020). The terms of electricity regulated revenues of EDP España for the year 2016 should be released in 1Q16.

## GAS REGULATED NETWORKS IN SPAIN

**EBITDA of gas distribution in Spain** in 2015 amounted to €248m (+€68m YoY), reflecting an €89m one-off gain stemming from the sale of gas assets to Redexis in 1H15. Excluding this impact, EBITDA fell by 12% (-€21m), reflecting a decrease in regulated revenues derived from the de-consolidation of gas distribution assets and regulatory review. **Volume of gas distributed** fell by 42%, to 27.1TWh in 2015, owing to the disposal of distribution gas assets (excluding this impact, gas distributed rose by 3%).

According to law 18/2014 of Oct-14, regulated gas activities will be squared by a 6-year regulatory period and subject to possible adjustments every 3 years. The remuneration model for gas distribution activities was maintained although inflation update factor is eliminated, allowed revenues are cut and returns are more dependent on demand. The impact of the preceding measures on EDP in 2015 and in the following years is €9m vs. €4.7m in 2014. Gas distribution regulated revenues totaled **€172m** in 2015, excluding €19m of full year regulated revenues attributable to Gas Energía Distribución Murcia and the remaining asset perimeter sold to Redexis in 1H15.

According to a Ministerial Order released in Dec-15, gas distribution regulated revenues will be flat in 2016, amounting to **€172m**.

In Jan-16, EDP has reached an agreement with Repsol for the acquisition of liquefied propane gas distribution assets, in Naturgas incumbent areas (Basque Country, Cantabria and Asturias regions). The agreed transaction price represents an enterprise value of €116 million, with an expected incremental annual EBITDA of €13 million. The completion of the transaction is expected to occur in 2H16.

## GAS REGULATED ACTIVITIES IN PORTUGAL

**EBITDA from gas regulated activities in Portugal** decreased by 18% (-€11m), to €47m in 2015, particularly influenced by the recognition of past cost recoveries in the amount of €8m in 3Q14, related to underground occupancy charges. Excluding this impact, EBITDA from gas regulated activities in Portugal was down by 5% (-€3m), due to lower regulated revenues in the supply business derived from consumers' switching to the free market and a lower return on RAB (7.94% in 2015 vs. 8.41% in 2014) linked to the decline in sovereign bond yields. **Volume distributed** was flat in 2015 at 6.9TWh, reflecting milder weather conditions, in particular during 4Q15.

Under the current gas regulatory period (from Jul-13 to Jun-16), the rate of return on assets is indexed to the avg. Portuguese Republic 10-year bond yield between Apr 1st and Mar 31st prior to the beginning of each regulatory year, with a floor at 7.83% and cap at 11%. The preliminary rate of return on RAB for the period from Jul-15 to Jun-16 was set at 7.94%.

On 15-Jun-2015, ERSE released 2015/16 tariffs and regulated revenues for our gas distribution and LRS activities in Portugal, setting an average 7.3% decrease of LRS tariff for small clients (low consumption segment <= 10 $m^3$/year) to be in place from 1-Jul-2015 until 30-Jun-2016. Gas distribution and LRS regulated revenues for EDP in the period amount to **€59m** and **€4m**, respectively.

(1) Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits) + Other operating costs (net)

# EDP - Energias do Brasil: Financial Performance

| Income Statement | Consolidated (R$ m) | | | | Consolidated (€ m) | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | Δ % | Δ Abs. | 2015 | 2014 | Δ % | Δ Abs. |
| **Gross Profit** | **3,072** | **2,538** | **21%** | **+534** | **831** | **813** | **2%** | **+18** |
| Supplies and services | 547 | 500 | 9% | +47 | 148 | 160 | -8% | -12 |
| Personnel costs and employee benefits | 419 | 388 | 8% | +32 | 113 | 124 | -9% | -11 |
| Other operating costs (net) | (960) | (283) | 240% | -678 | (288) | (91) | 218% | -197 |
| **Net Operating Costs (1)** | **6** | **605** | **-99%** | **-599** | **(27)** | **194** | **-** | **-220** |
| **EBITDA** | **3,066** | **1,933** | **59%** | **+1133** | **857** | **619** | **38%** | **+238** |
| Provisions | 35 | 31 | 12% | +4 | 9 | 10 | -5% | -1 |
| Amortisation and impairment | 470 | 353 | 33% | +117 | 127 | 113 | 12% | +14 |
| **EBIT** | **2,562** | **1,548** | **65%** | **+1013** | **721** | **496** | **45%** | **+225** |
| Financial results | (668) | (316) | -111% | -352 | (181) | (101) | 78% | -79 |
| Results from associates | (114) | (71) | -59% | -42 | (31) | (23) | - | -8 |
| **Pre-tax profit** | **1,780** | **1,161** | **53%** | **+619** | **509** | **372** | **37%** | **+137** |

| Capex & Financial Investments | (R$ m) | | | | (€ m) | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | Δ % | Δ Abs. | 2015 | 2014 | Δ % | Δ Abs. |
| **Capex** | **420** | **370** | **13%** | **+50** | **114** | **119** | **-4%** | **-5** |
| **Financial Investments** | **566** | **186** | **204%** | **+380** | **168** | **60** | **182%** | **+108** |

| Energias do Brasil | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| Share price at end of period (R$/share) | 12.04 | 8.97 | 34% | +3.07 |
| Number of shares Issued (million) | 476.4 | 476.4 | - | - |
| Treasury stock (million) | 0.8 | 0.8 | - | - |
| Number of shares owned by EDP (million) | 243.0 | 243.0 | - | - |
| Euro/Real - End of period rate | 4.31 | 3.22 | -25% | +1.09 |
| Euro/Real - Average of period rate | 3.70 | 3.12 | -16% | +0.58 |
| Inflation rate (IPCA - YoY) | 10.7% | 3.7% | - | - |
| Net Debt / EBITDA (x) | 1.6 | 1.3 | - | +0.3 |
| Average Cost of Debt (%) | 11.9 | 10.9 | - | 1.1p.p. |
| Average Interest Rate (CDI) | 11.7 | 10.8 | - | 0.9p.p. |
| Employees (#) | 2,940 | 2,648 | 11% | +292 |

| Key Balance Sheet Figures (R$ Million) | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| Net financial debt | 5,035 | 2,506 | 101% | +2,529 |
| Regulatory receivables | 735 | 602 | 22% | +133 |
| Non-controling Interests | 1,675 | 1,670 | 0% | +5 |
| Equity book value | 5,869 | 4,938 | 19% | +931 |

| Financial Results (R$ Million) | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| Net Interest Costs | (524) | (341) | -54% | -183 |
| Capitalised Costs | 2 | 46 | -95% | -43 |
| Forex Differences and Derivatives | (133) | (0) | -32400% | -132 |
| Other | (13) | (20) | 32% | +6 |
| **Financial Results** | **(668)** | **(316)** | **-111%** | **-352** |

**In local currency, EDP Brasil ("EDPB") EBITDA increased 59% YoY (+R$1,133m) to R$3,066m in 2015,** impacted by the capital gain booked with the acquisition of 50% Pecém I, which is now fully consolidated by EDPB. The capital gains of Pecém (+R$885m) and from the sale of the renewable assets to EDPR (R$69m), as well as the capital gain booked with the disposal of 50% of Jari and Cachoeira Caldeirão in 2014 (R$408m) were booked at 'other operating income' level. Additionally, distribution EBITDA was impacted by the recognition of regulatory receivables from 2013 (+R$199m). **Adjusted by these one-off effects**, EBITDA would have increased 59% YoY to R$2,112m. **EBITDA in distribution** went up by R$15m to R$937m in 2015, impacted by the mentioned update on the fixed assets' terminal value (+R$155m vs. 2014), and by the positive effect of +R$199m in 2014 related with the recognition of regulatory receivables from 2013. Adjusted by these effects, EBITDA would be up 8% YoY (+R$59m), driven by higher regulated revenues, essentially reflecting the annual tariff readjustments at our DisCos. **Generation and Supply EBITDA** went up 74% YoY (+R$548m), reflecting the full consolidation of Pecém since May 15th (+R$457m) and better performance at our hydro plants (+R$136m YoY) due to an efficient strategy for seasonal allocation of volumes sold and an improvement on the average plants' availability, and a less severe impact of the hydro deficit (in spite of GSF at 85% in 2015 vs. 91% in 2014) due to lower market prices in 2015 (avg. PLD of R$288/MWh in 2015 vs. R$690/MWh in 2014). EBITDA performance in Euro terms was penalised by the 16% depreciation of BRL vs. the EUR (-€125m impact).

**Net operating costs** decreased by R$599m YoY mostly due to the booking of the aforementioned capital gains at 'other operating income' level. At Opex level, costs increased 9% due to Pecém's full consolidation. Ex-Pecém, costs would be down 1%, in spite of an inflation of 11%.

Personnel costs increased 8% YoY, reflecting a cost control policy. Supplies & services went up 9% YoY due to Pecém's consolidation.

**Net financial costs** increased 111% YoY to R$668m in 2015, translating: i) higher net debt; i)) higher net interest costs reflecting an increase average cost of debt (+1.1pp) to 11.9% in 2015; ii) lower capitalised interests reflecting the equity consolidation of Jari and Cachoeira Caldeirão hydro projects (vs. full consolidation in 2014); and iii) the ForEx differences and Derivatives (-R$133m) impacted negatively by the USD appreciation against the BRL on Pecém USD funding (hedged to BRL) and on the purchases of electricity (in USD) from Itaipu by the DisCos (passed through tariffs). **Net financial debt** increased 101% YoY, reflecting mostly the full consolidation of Pecém whose impact in debt amounted to R$2,071m.

**Results from associates** totalled -R$114m in 2015, down R$42m YoY, reflecting a negative contribution from Jari hydro power plant (-R$23m in 2015) driven by extra gains in 2014 due to early start of operation, but also net losses from Pecém I coal facility for the period before its full consolidation (-R$84m in 2015 vs. -R$118m in 2014).

As of Dec-15, hydro reservoirs in the Southeast/Center-West ("SE-CW") regions were at 30% of their maximum level (vs. 19% in Dec-14). Although Jan/Feb-15 ended up being some of the worst months in terms of rainfall levels for the period, the rest of the year benefitted from some recovery and by the end of Feb-16 reservoir levels were above 50%. The demand contraction (-0.7% YoY in 2015), coupled with the reservoir levels' recovery, has enabled the GSF to recover, and the thermal generation used as back-up to be reduced, allowing PLD to retract to its floor level. Some thermal capacity should be still generating through 2016 and thus some hydro deficit is still expected. Nevertheless, PLD prices are expected to stay close to the floor level of R$30/MWh with the exception of the northeast region.

(1) Net Operating Costs = Operating Costs (Supplies and services + Personnel costs + Costs with social benefits) + Other operating costs (net);

# Brazil: Electricity Distribution

| Income Statement (R$ m) | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| **Gross Profit** | **1,569** | **1,661** | **-6%** | **-92** |
| Supplies and services | 357 | 349 | 2% | +8 |
| Personnel costs and employee benefi | 294 | 274 | 7% | +19 |
| Other operating costs (net) | (18) | 116 | - | -134 |
| **Net Operating Costs (1)** | **632** | **739** | **-15%** | **-107** |
| **EBITDA** | **937** | **922** | **2%** | **+15** |
| Provisions | 35 | 23 | 52% | +12 |
| Amortisation and impairment | 181 | 187 | -3% | -6 |
| **EBIT** | **721** | **712** | **1%** | **+9** |

| Gross Profit Performance | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| **Gross Profit (R$ m)** | **1,569** | **1,661** | **-6%** | **-92** |
| Regulated revenues | 1,569 | 1,462 | 7% | +107 |
| Change in reg. receivables | - | 199 | - | - |
| **Regulatory Receivables (R$ m)** | | | | |
| **Beginning of period** | **602** | **199** | **203%** | **+403** |
| Past deviations | (425) | (110) | 288% | -316 |
| Annual deviation (2) | 773 | 1,449 | -47% | -677 |
| CDE/ACR Account (3) | (214) | (937) | -77% | +723 |
| **End of period** | **735** | **602** | **22%** | **+133** |
| **Clients Connected (th)** | **3,257** | **3,152** | **3%** | **+105** |
| Bandeirante | 1,780 | 1,725 | 3% | +55 |
| Escelsa | 1,476 | 1,426 | 4% | +50 |
| **Electricity Distributed (GWh)** | **25,713** | **26,443** | **-3%** | **-730** |
| Bandeirante | 14,623 | 15,452 | -5% | -829 |
| Escelsa | 11,091 | 10,992 | 1% | +99 |
| From which: To clients in Free Market (GWh) | 9,354 | 9,903 | -6% | -549 |
| **Electricity Sold (GWh)** | **16,359** | **16,540** | **-1%** | **-180** |
| **Bandeirante** | **9,259** | **9,639** | **-4%** | **-380** |
| Resid., Commerc. & Other | 6,892 | 7,021 | -2% | -129 |
| Industrial | 2,367 | 2,618 | -10% | -251 |
| **Escelsa** | **7,100** | **6,900** | **3%** | **+199** |
| Resid., Commerc. & Other | 5,997 | 5,690 | 5% | +307 |
| Industrial | 1,103 | 1,211 | -9% | -108 |

| Capex & Opex Performance | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| **Controllable Operating Costs (4)** | **621** | **593** | **5%** | **+28** |
| Cont. costs/client (R$/client) | 191 | 188 | 1% | +2 |
| Cont. costs/km (R$/Km) | 7 | 7 | 4% | +0 |
| **Employees (#)** | **2,210** | **2,181** | **1%** | **+29** |
| **Capex (net of subsidies) (R$m)** | **320** | **303** | **6%** | **+17** |
| Network ('000 Km) | 91 | 90 | 1% | +1 |

**EBITDA from our electricity distribution activity in Brazil went up by 2% YoY to R$937 in 2015**, due to (i) higher regulated revenues (+R$107m YoY in 2015), following the annual tariff readjustments at both our DisCos; (ii) a higher inflation update of +R$152m in 2015 (+R$155m YoY vs. 2014) on the fixed assets' terminal value at 'other operating costs' level; and (iii) in spite of the positive effect of +R$199m in 2014 related with the recognition of regulatory receivables from 2013 at gross profit level. Adjusted by (ii) and (iii), EBITDA would be up 8% YoY (+R$59m), driven by higher regulated revenues, mostly due to the annual tariff readjustments at both our DisCos.

**Regulated revenues went up 7% YoY (+R$107m) to R$1,569m in 2015** (+R$24M in 4Q15 vs. 4Q14), mostly reflecting the annual tariff readjustments at both Escelsa (+27% in Aug-14 and 2% in Aug-15) and Bandeirante (+22% in Oct-14 and +16% in Oct-15).

**Volumes of electricity sold** went down 1% YoY in 2015, translating a reduction of 9% in industrial volumes, reflecting lower industrial activity, as well as lower consumption from the non-metallic minerals, chemical and automotive sectors, partially offset by 1% increase in the 'residential, commercial & other' segments, mainly due to higher demand in the rural segments on dry weather, namely for Escelsa's region. At the same time, **volumes distributed** to industrial clients in the free market went down 6% YoY to 9.4TWh in 2015, reflecting the cooling of the industrial production in the São Paulo region.

Demand decrease had thus a slightly negative impact on gross profit, which has been partly compensated by a trajectory of lower non-technical losses, in spite of the economic situation in Brazil. Non-technical losses in the low-voltage segment have decreased for both DisCos: Bandeirante's level stood at 10.6% (-1.6pp YoY vs. 2014) and Escelsa's at 14.9% (-3pp YoY vs. 2014). Provisions for doubtful clients increased in 2015 (+R$44m YoY), derived by the economic situation but also due to the significant tariff increases in 2014-15. EDPB has been tackling the situation by increasing proximity to clients with positive effects in the last quarter (provision for doubtfull clients/million R$ in revenue decreased 33% for Bandeirante and 13% for Escelsa). Additionally, in 2015, both Bandeirante and Escelsa had comfortable contracted volumes (Bandeirante: 111% in 2015 vs. 101% in 2014; Escelsa 99% in 2015 vs. 89% in 2014).

As of Dec-15, **regulatory receivables** amounted to R$735m (vs. R$602m as of Dec-14 and R$735 as of Dec-15). In 2015, a R$773m negative tariff deviation was created, essentially related to higher energy costs than the ones incorporated in the tariffs, which were partly compensated by R$214m of contributions from CCEE (ACR account) regarding Nov/Dec-14 shortfall; also, R$425m were received regarding past deviations. All in all, regulatory receivables went up R$133m vs. Dez-14, to R$735m as of Dec-15, to be collected through tariffs in the following years. Regulatory receivables also benefitted from: i) the so-called "tariff flags", a mechanism that adjusts tariffs automatically since Jan-15, so as to signal consumers for higher electricity costs; and ii) ANEEL's approval of extraordinary tariff increases at both our DisCos as from March 2nd, 2015 (Escelsa: +33.27% and Bandeirante: +32.18%). **Regulatory-wise**, return on regulated asset base in 2015 was at 8.1% (after taxes). In Feb-15, the Brazilian regulator (ANEEL) proposed a real post-tax WACC of 8.09% to be applied to distribution on the upcoming 4$^{th}$ revision cycle, which started for Bandeirante this October (the upcoming revision for Escelsa is in Aug-16). In fact, Bandeirante saw its Regulatory Asset Base reviewed to R$1.667bn (from the previous R$1.545bn).

**Controllable operating costs increased 5% YoY to R$621m in 2015**, driven by a 7% increase in personnel costs, reflecting the annual salary update (below inflation levels). Supplies and services reflect higher expenses with O&M, IT and clients' services. **Other operating costs** were down R$134m YoY, translating a positive update on the fixed assets' terminal value (-R$155m YoY in 2015), partly offset by higher provisions for doubtful clients (+R$44m YoY in 2015). **Distribution capex** was up 6% YoY to R$320m in 2015. On a recurring basis, distribution capex is mostly devoted to customer services activities and to the reinforcement of the network quality of service.

(1) Net operating costs = operating costs (Supplies and services + Personnel costs + Costs with social benefits) + Other operating costs (net); (2) Net of extraordinary tariff increase and tariff flags impacts;
(3) Including financial update of the corresponding regulatory assets/liabilities; (4) S&S and Personnel costs.

# Brazil: Electricity Generation and Supply

| Income Statement (R$M) | Generation | | | |
|---|---|---|---|---|
| | 2015 | 2014 | Δ % | Δ Abs. |
| **Gross Profit** | **1,423** | **755** | **89%** | **+669** |
| Supplies and services | 123 | 69 | 77% | +54 |
| Personnel costs and employee benefits | 69 | 48 | 45% | +21 |
| Other operating costs (net) | (1) | (0) | - | -0 |
| **Net Operating Costs (1)** | **191** | **116** | **64%** | **+75** |
| **EBITDA** | **1,232** | **638** | **93%** | **+594** |
| Provisions | 0 | 1 | -52% | -0 |
| Amortisation and impairment | 274 | 153 | 79% | +121 |
| **EBIT** | **958** | **484** | **98%** | **+473** |

| Key Data | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| **Gross Profit (R$ m)** | **1,423** | **755** | **89%** | **+669** |
| **Hydro** | **889** | **755** | **18%** | **+135** |
| PPA contracted revenues & Other | 1,185 | 1,149 | 3% | +36 |
| GSF impact (net of hedging) | (295) | (394) | 25% | +99 |
| **Thermal** | **534** | **-** | **-** | **+534** |
| PPA contracted revenues | 528 | - | - | +528 |
| Other | 5 | - | - | +5 |
| **Installed Capacity (MW)** | **2,517** | **1,797** | **40%** | **+720** |
| Hydro | 1,797 | 1,797 | - | - |
| Thermal | 720 | - | - | +720 |
| **Installed Capacity (MW Equity)** | **187** | **547** | **-66%** | **-360** |
| **Electricity Sold (GWh)** | **12,057** | **8,260** | **46%** | **+3,797** |
| PPA contracted | 11,113 | 8,082 | 37% | +3,030 |
| Hydro | 7,718 | 8,082 | -5% | -364 |
| Thermal | 3,394 | - | - | +3,394 |
| Other | 454 | 178 | 155% | +276 |
| **Avg. Hydro PPA Sale Price (R$/MWh) (2)** | **169** | **165** | **2%** | **+4** |
| **Capex (R$ m)** | **94** | **60** | **56%** | **+33** |
| **Financial Investments (R$ m)** | **566** | **186** | **204%** | **+380** |
| **Employees (#)** | **538** | **281** | **91%** | **+257** |

| EBITDA Breakdown (R$ m) | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| Pecém (100%) | 457 | - | - | +457 |
| Lajeado (73% owned by EDPB) | 335 | 240 | 40% | +95 |
| Peixe Angical (60% owned by EDPB) | 266 | 230 | 15% | +35 |
| Other (100%) | 174 | 168 | 3% | +6 |
| **EBITDA** | **1,232** | **638** | **93%** | **+594** |

| Supply | 2015 | 2014 | Δ % | Δ Abs. |
|---|---|---|---|---|
| **Gross profit (R$ m)** | **77** | **114** | **-33%** | **-37** |
| Net Operating costs (1) (R$ m) | 19 | 10 | 84% | +9 |
| **EBITDA (R$ m)** | **57** | **103** | **-45%** | **-46** |
| **Electricity sales (GWh)** | **10,600** | **13,052** | **-19%** | **-2,453** |

**EBITDA from our electricity generation activities in Brazil went up 93% YoY (+R$594m) to R$1,232m in the 2015**, reflecting the full consolidation of Pecém since May 15th (R$457m) and better performance at the hydro plants (+R$136m YoY) due to an efficient strategy for seasonal allocation of volumes sold; an improvement on the average plants' availability; and a less severe impact of the hydro deficit and the subsequent need to purchase energy at market prices higher than the PPAs contracted prices (avg. PLD of R$288/MWh in 2015 vs. R$690/MWh in 2014).

**Hydro gross profit increased 18% YoY (+R$135m) to R$889m in 2015**, in spite of a higher YoY hydro deficit (GSF at 85% vs. 91% in 2014), on the back of improved availability of the plants and a seasonal allocation of volumes that shifted production towards the beginning of the year, when market prices (PLD) were particularly higher than the PPAs contracted price (PLD: 1Q15 at R$388/MWh vs. 4Q15 at R$177/MWh). Additionally, in late 2015, ANEEL introduced an option for an insurance for hydro generators, protecting their PPA obligations in case of a hydro deficit (at a cost depending on the protection level). EDPB subscribed the insurance for a protection at ~92% level for a portion of its assets (no risk if GSF falls below 92%). Of the total physical guarantee of the portfolio of hydro plants, 40% subscribed the insurance in 2015. The impact is retroactive to Jan-15 and allowed for R$41m positive recovery of 2015's R$389m GSF losses (vs. R$496m losses in 2014). All in all, considering also short-term sales contracted at higher prices (hedges), GSF impact in 2015 stood at R$295m (vs. R$394m in 2014). Another ~7% of the portfolio subscribed the insurance, but the impact in results will only come in 1Q16. Jari plant (equity consolidated) also subscribed the insurance with a R$15m recovery in 2015. Excluding the impact from GSF (net of hedging and insurance), gross profit went up R$36m YoY, reflecting higher volumes of electricity sold at higher prices. It is worth mentioning that Peixe Angical hydro power plant PPA ended in Jan-16, and most of the capacity has already been sold, while a small remaining part of the volumes can be used to offset any exposure to GSF impact that might still occur in 2016.

Pecém I is now fully consolidated since May 15th, following the conclusion of the purchase of ENEVA's 50% stake. Pecém's gross profit was R$534m in 2015, of which R$528m related to PPA fixed revenues. Since the purchase of the asset, EDPB managed to achieve important improvements, both operationally (availability factor of 88% in 2015 vs. 71% in 2014) and in regulatory terms (a less penalising formula for availability deviations was approved in Dec-15, allowing the recovery of R$135m previously registered as losses for availability below the contracted level). Additionally, volumes now generated ahead of the PPA contracted volumes, allow Pecém to profit from the sale of the excess capacity at market prices in the northeast region.

**Electricity volumes sold** increased 46% YoY to 12.1TWh in 2015 reflecting mostly the full consolidation of Pecém (+3.4TWh). **Average hydro selling price** went up 2% YoY.

EDPB operates 2.7GW of capacity, of which 0.2GW are equity consolidated. Equity consolidated capacity refers to a 50% equity stake in Santo António do Jari hydro power plant (373MW in partnership with CTG). **Santo Antonio do Jari** is fully operational since Dec-14. In 2015, Jari contributed with a net loss of R$23m (@50%), reflecting the negative impact of low GSF.

**Capex** surged by 56% YoY to R$94m in 2015 mostly due to maintenance works in Pecém. Note that equity investments devoted to Cachoeira Caldeirão and São Manoel hydro projects are classified as 'financial Investments' (equity-method accounted); in 2015, **financial Investments** totalled R$552m, which were essentially devoted to the acquisition of the 50% stake of Pecém (R$300m), but also to Cachoeira Caldeirão construction works. **Cachoeira Caldeirão,** a 219MW project 50%-owned by EDPB (in partnership with CTG), has a PPA starting in Jan-17 (~95% concluded - to be commissioned in 2016); and ii) **São Manoel**, a 700MW project, 33.3%-owned by EDPB (in partnership with CTG and Furnas) – this project is in early stage of construction and has a PPA starting in May-18.

**Electricity supply gross profit decreased 33% YoY (-R$37m) to R$77m in 2015**, reflecting lower volumes supplied to clients and an exceptionally strong 2014, which benefitted from higher spot prices and higher price volatility.

(1) Operating costs (Supplies & services + Personnel costs + Costs with social benefits) + Other operating costs (net); (2) Calculated with PPA prices and volumes.

# Income Statements & Annex

# Income Statement by Business Area

| 2015 (€m) | Long-Term Contracted Generation | Iberian Liberalised Activities | Regulated Networks Iberia | EDP Renováveis | Brazil | Corpor. Activ. & Adjustments | EDP Group |
|---|---|---|---|---|---|---|---|
| **Revenues from energy sales and services and other** | **1,137** | **9,026** | **5,406** | **1,372** | **2,734** | **(4,157)** | **15,517** |
| **Gross Profit** | **718** | **879** | **1,675** | **1,350** | **831** | **3** | **5,455** |
| Supplies and services | 58 | 219 | 345 | 293 | 148 | (142) | 921 |
| Personnel costs | 64 | 66 | 123 | 75 | 103 | 146 | 576 |
| Costs with social benefits | 0 | 4 | 33 | 9 | 11 | 19 | 77 |
| Other operating costs (net) | 13 | 226 | 143 | (170) | (288) | 33 | (43) |
| **Operating costs** | **135** | **516** | **644** | **207** | **(27)** | **56** | **1,531** |
| **EBITDA** | **583** | **364** | **1,031** | **1,142** | **857** | **(53)** | **3,924** |
| Provisions | (0) | 11 | 7 | (0) | 9 | (11) | 16 |
| Amortisation and impairment (1) | 161 | 200 | 331 | 565 | 127 | 80 | 1,465 |
| **EBIT** | **422** | **152** | **693** | **578** | **721** | **(122)** | **2,443** |

| 2014 (€m) | Long-Term Contracted Generation | Iberian Liberalised Activities | Regulated Networks Iberia | EDP Renováveis | Brazil | Corpor. Activ. & Adjustments | EDP Group |
|---|---|---|---|---|---|---|---|
| **Revenues from energy sales and services and other** | **1,153** | **8,618** | **6,409** | **1,171** | **2,851** | **(3,909)** | **16,294** |
| **Gross Profit** | **790** | **868** | **1,742** | **1,153** | **813** | **1** | **5,367** |
| Supplies and services | 69 | 206 | 379 | 257 | 160 | (174) | 897 |
| Personnel costs | 49 | 58 | 134 | 59 | 112 | 170 | 582 |
| Costs with social benefits | 0 | 3 | (35) | 8 | 12 | (14) | (26) |
| Other operating costs (net) | 2 | 184 | 222 | (73) | (91) | 28 | 272 |
| **Operating costs** | **119** | **451** | **700** | **250** | **194** | **10** | **1,725** |
| **EBITDA** | **671** | **416** | **1,042** | **903** | **619** | **(9)** | **3,642** |
| Provisions | 8 | 19 | 2 | 0 | 10 | 13 | 52 |
| Amortisation and impairment (1) | 166 | 234 | 340 | 481 | 113 | 64 | 1,397 |
| **EBIT** | **497** | **164** | **700** | **422** | **496** | **(86)** | **2,193** |

(1) Depreciation and amortisation expense net of compensation for depreciation and amortisation of subsidised assets.

# Quarterly Income Statement

| Quarterly P&L (€ m) | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 2Q15 | 3Q15 | 4Q15 | Δ YoY % | Δ QoQ % |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues from energy sales and services and other** | **4,327** | **3,692** | **3,804** | **4,471** | **4,135** | **3,812** | **3,657** | **3,912** | **-12%** | **7%** |
| **Cost of energy sales and other** | **(2,844)** | **(2,476)** | **(2,624)** | **(2,982)** | **(2,712)** | **(2,486)** | **(2,346)** | **(2,518)** | **16%** | **-7%** |
| **Gross Profit** | **1,483** | **1,216** | **1,180** | **1,488** | **1,423** | **1,327** | **1,311** | **1,394** | **-6%** | **6%** |
| Supplies and services | 202 | 220 | 221 | 254 | 207 | 227 | 224 | 263 | 3% | 17% |
| Personnel costs and Employee Benefits | 164 | 37 | 147 | 208 | 161 | 164 | 148 | 181 | -13% | 23% |
| Other operating costs (net) | 110 | (20) | 91 | 92 | 67 | (207) | 79 | 18 | -81% | -78% |
| **Operating costs** | **476** | **236** | **459** | **554** | **435** | **184** | **450** | **461** | **-17%** | **2%** |
| **EBITDA** | **1,007** | **980** | **721** | **935** | **988** | **1,143** | **860** | **933** | **-0%** | **8%** |
| Provisions | 7 | 11 | 4 | 31 | 1 | 3 | 6 | 7 | -77% | 22% |
| Amortisation and impairment (1) | 324 | 357 | 334 | 383 | 337 | 353 | 369 | 406 | 6% | 10% |
| **EBIT** | **676** | **612** | **384** | **521** | **651** | **788** | **485** | **520** | **-0%** | **7%** |
| Financial Results | (147) | (98) | (208) | (118) | (208) | (156) | (262) | (207) | -75% | 21% |
| Share of net profit in joint ventures and associates | 12 | (4) | 17 | (10) | (2) | (22) | (2) | 1 | - | - |
| **Profit before income tax and CESE** | **541** | **510** | **192** | **393** | **441** | **610** | **222** | **314** | **-20%** | **42%** |
| Income taxes | 180 | 58 | 35 | 37 | 82 | 112 | 42 | 42 | 12% | -0% |
| Extraordinary contribution for the energy sector | **61** | - | **-** | (0) | **61** | - | - | 1 | - | - |
| Net Profit for the period | 299 | 452 | 157 | 356 | 298 | 498 | 180 | 271 | -24% | 51% |
| **Net Profit Attributable to EDP** | **237** | **397** | **132** | **274** | **237** | **350** | **149** | **177** | **-36%** | **19%** |
| Non-controlling Interests | 62 | 55 | 25 | 82 | 62 | 148 | 31 | 94 | 16% | 209% |

Note: quarterly data in 2014 and 2015 were restated as to reflect the application of IFRIC21
(1) Depreciation and amortisation expense net of compensation for depreciation and amortisation of subsidised assets.

# EDP - Installed capacity & electricity generation

| Technology | Installed Capacity - MW (1) | | | | Electricity Generation (GWh) | | | | Electricity Generation (GWh) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | Δ MW | Δ % | 2015 | 2014 | Δ GWh | Δ % | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 2Q15 | 3Q15 | 4Q15 |
| **PPA/CMEC (Portugal)** | **4,470** | **4,470** | **0** | **0%** | **14,631** | **17,160** | **-2,529** | **-15%** | **5,002** | **4,099** | **3,622** | **4,437** | **4,151** | **3,639** | **3,258** | **3,582** |
| **Hydro** | **3,290** | **3,290** | **0** | **0%** | **4,975** | **9,031** | **-4,057** | **-45%** | **3,739** | **2,120** | **1,075** | **2,097** | **1,903** | **1,160** | **787** | **1,125** |
| Run off the river | 1,056 | 1,056 | | | 2,486 | 3,730 | | | 2,124 | 370 | 424 | 812 | 938 | 659 | 393 | 497 |
| Reservoir | 2,234 | 2,234 | | | 2,489 | 5,301 | | | 1,615 | 1,750 | 651 | 1,285 | 965 | 501 | 394 | 628 |
| **Coal - Sines** | **1,180** | **1,180** | **0** | **0%** | **9,657** | **8,129** | **1,528** | **19%** | **1,263** | **1,979** | **2,546** | **2,340** | **2,248** | **2,480** | **2,471** | **2,457** |
| **Special Regime (Ex-Wind)** | **213** | **274** | **-62** | **-22%** | **663** | **997** | **-335** | **-34%** | **414** | **212** | **112** | **260** | **222** | **173** | **84** | **184** |
| **Portugal** | **188** | **181** | **7** | **4%** | **532** | **845** | **-312** | **-37%** | **347** | **178** | **82** | **238** | **190** | **138** | **47** | **158** |
| Small-Hydro | 164 | 157 | | | 349 | 631 | | | 278 | 127 | 39 | 186 | 138 | 88 | 4 | 120 |
| Cogeneration | 24 | 24 | | | 183 | 214 | | | 69 | 50 | 42 | 52 | 52 | 50 | 43 | 38 |
| **Spain** | **25** | **93** | **-69** | **-73%** | **131** | **153** | **-22** | **-15%** | **67** | **34** | **30** | **21** | **33** | **35** | **37** | **26** |
| Cogeneration+Waste | 25 | 93 | | | 131 | 153 | | | 67 | 34 | 30 | 21 | 33 | 35 | 37 | 26 |
| **Liberalised Iberia** | **7,882** | **7,777** | **105** | **1%** | **18,397** | **15,063** | **3,333** | **22%** | **4,186** | **3,286** | **3,747** | **3,844** | **4,709** | **4,038** | **4,572** | **5,077** |
| **Hydro** | **2,527** | **2,422** | **105** | **4%** | **4,559** | **6,282** | **-1,724** | **-27%** | **2,834** | **1,507** | **740** | **1,201** | **1,910** | **1,175** | **601** | **873** |
| Portugal | 2,101 | 1,996 | | | 3,766 | 5,335 | | | 2,399 | 1,261 | 673 | 1,001 | 1,495 | 969 | 541 | 760 |
| Spain | 426 | 426 | | | 793 | 947 | | | 435 | 246 | 67 | 200 | 414 | 206 | 60 | 113 |
| **Coal** | **1,463** | **1,463** | **0** | **0%** | **8,946** | **6,414** | **2,532** | **39%** | **862** | **1,521** | **2,191** | **1,840** | **2,058** | **1,972** | **2,299** | **2,617** |
| Aboño I | 342 | 342 | | | 1,875 | 1,679 | | | 193 | 317 | 601 | 568 | 524 | 63 | 649 | 639 |
| Aboño II | 536 | 536 | | | 4,068 | 3,387 | | | 597 | 886 | 992 | 911 | 922 | 1,053 | 1,077 | 1,016 |
| Soto Ribera II | 239 | 239 | | | 937 | 541 | | | 36 | 115 | 148 | 242 | 190 | 358 | 22 | 367 |
| Soto Ribera III | 346 | 346 | | | 2,067 | 807 | | | 36 | 203 | 450 | 119 | 422 | 497 | 551 | 596 |
| **CCGT** | **3,736** | **3,736** | **0** | **0%** | **3,666** | **1,163** | **2,503** | **215%** | **158** | **61** | **480** | **464** | **411** | **675** | **1,334** | **1,246** |
| Ribatejo (3 groups) | 1,176 | 1,176 | | | 748 | 229 | | | 28 | 21 | 114 | 66 | 54 | 133 | 126 | 434 |
| Lares (2 groups) | 863 | 863 | | | 1,836 | 278 | | | 8 | 3 | 221 | 46 | 136 | 429 | 867 | 403 |
| Castejón (2 groups) | 843 | 843 | | | 724 | 368 | | | 66 | 17 | 103 | 182 | 143 | 98 | 228 | 255 |
| Soto IV & V (2 groups) | 854 | 854 | | | 358 | 289 | | | 56 | 20 | 43 | 170 | 77 | 15 | 113 | 154 |
| **Nuclear - Trillo** | **156** | **156** | **0** | **0%** | **1,227** | **1,204** | **22** | **2%** | **332** | **197** | **336** | **339** | **331** | **215** | **339** | **342** |
| **Wind (More detail on page 15)** | **9,199** | **8,067** | **1,132** | **14%** | **21,237** | **19,695** | **1,541** | **8%** | **6,101** | **4,833** | **3,382** | **5,380** | **5,757** | **5,006** | **4,106** | **6,367** |
| Iberia | 3,439 | 2,816 | | | 6,834 | 6,826 | | | 2,330 | 1,539 | 1,203 | 1,754 | 2,004 | 1,529 | 1,387 | 1,915 |
| Rest of Europe | 1,473 | 1,363 | | | 3,155 | 2,436 | | | 791 | 513 | 431 | 701 | 916 | 700 | 605 | 934 |
| North America | 4,203 | 3,805 | | | 11,025 | 10,198 | | | 2,930 | 2,727 | 1,678 | 2,862 | 2,792 | 2,728 | 2,052 | 3,452 |
| Brazil | 84 | 84 | | | 222 | 236 | | | 49 | 54 | 70 | 63 | 46 | 49 | 61 | 66 |
| **Solar** | **82** | **82** | **0** | **0%** | **151** | **67** | **84** | **124%** | **11** | **20** | **22** | **14** | **29** | **50** | **46** | **26** |
| **Brazil (Ex-Wind)** | **2,517** | **1,797** | **720** | **40%** | **8,627** | **7,236** | **1,390** | **19%** | **2,341** | **1,650** | **1,322** | **1,923** | **1,624** | **2,247** | **2,226** | **2,530** |
| **Hydro** | **1,797** | **1,797** | **0** | **0%** | **5,599** | **7,236** | **-1,638** | **-23%** | **2,341** | **1,650** | **1,322** | **1,923** | **1,624** | **1,638** | **1,091** | **1,247** |
| Lajeado | 903 | 903 | | | 2,723 | 3,388 | | | 1,205 | 814 | 528 | 841 | 827 | 829 | 477 | 589 |
| Peixe Angical | 499 | 499 | | | 2,005 | 2,386 | | | 667 | 458 | 540 | 721 | 522 | 497 | 445 | 541 |
| Energest | 396 | 396 | | | 871 | 1,462 | | | 469 | 378 | 254 | 361 | 274 | 311 | 169 | 117 |
| **Coal (Pecém I)** | **720** | **0** | **720** | **-** | **3,028** | **0** | **3,028** | **-** | **0** | **0** | **0** | **0** | **0** | **610** | **1,135** | 1,283 |
| **TOTAL** | **24,364** | **22,469** | **1,895** | **8%** | **63,706** | **60,220** | **3,485** | **6%** | **18,056** | **14,100** | **12,207** | **15,858** | **16,492** | **15,154** | **14,292** | **17,767** |

| Equity Consolidated | Installed Capacity - MW (2) | | | |
|---|---|---|---|---|
| | 2015 | 2014 | Δ MW | Δ % |
| Iberia Special Regime (Ex-Wind) | 46 | 50 | -4 | -8% |
| EDPR Wind | 356 | 886 | -530 | -60% |
| Brazil Hydro | 187 | 187 | 0 | 0% |
| Brazil Thermal | 0 | 360 | -360 | - |
| **TOTAL** | **589** | **1,484** | **-895** | **-60%** |

(1) Installed capacity that contributed to the revenues in the period.

(2) MW attributable to associated companies consolidated by equity method

# EDP - Volumes distributed, clients connected and networks

## ELECTRICITY

| Electricity Distributed (GWh) | 2015 | 2014 | Δ GWh | Δ % |
|---|---|---|---|---|
| **Portugal** | **44,277** | **43,808** | **469** | **1.1%** |
| Very High Voltage | 2,174 | 2,113 | 61 | 2.9% |
| High / Medium Voltage | 21,035 | 20,730 | 304 | 1.5% |
| Low Voltage | 21,069 | 20,965 | 104 | 0.5% |
| **Spain** | **9,168** | **9,177** | **-9** | **-0.1%** |
| High / Medium Voltage | 6,945 | 6,795 | 150 | 2.2% |
| Low Voltage | 2,223 | 2,382 | -159 | -6.7% |
| **Brazil** | **25,713** | **26,443** | **-730** | **-2.8%** |
| Free Clients | 9,354 | 9,903 | -549 | -5.5% |
| Industrial | 3,470 | 3,829 | -359 | -9.4% |
| Residential, Comercial & Other | 12,889 | 12,711 | 178 | 1.4% |
| **TOTAL** | **79,159** | **79,428** | **-269** | **-0.3%** |

| Clients Connected (th) | 2015 | 2014 | Abs. Δ | Δ % |
|---|---|---|---|---|
| **Portugal** | **6,107** | **6,083** | **24.3** | **0.4%** |
| Very High / High / Medium Voltage | 24 | 24 | 0.3 | 1.1% |
| Special Low Voltage | 34 | 34 | 0.6 | 1.8% |
| Low Voltage | 6,048 | 6,025 | 23.5 | 0.4% |
| **Spain** | **660** | **659** | **0.8** | **0.1%** |
| High / Medium Voltage | 1 | 1 | - | 0.0% |
| Low Voltage | 659 | 658 | 0.8 | 0.1% |
| **Brazil** | **3,257** | **3,152** | **105.2** | **3.3%** |
| Bandeirante | 1,780 | 1,725 | 54.9 | 3.2% |
| Escelsa | 1,476 | 1,426 | 50.3 | 3.5% |
| **TOTAL** | **10,024** | **9,894** | **130.3** | **1.3%** |

| Networks | 2015 | 2014 | Abs. Δ | Δ % |
|---|---|---|---|---|
| **Lenght of the networks (Km)** | **335,573** | **333,313** | **2,260** | **0.7%** |
| Portugal | 224,849 | 223,523 | 1,326 | 0.6% |
| Spain | 20,396 | 20,268 | 128 | 0.6% |
| Brazil | 90,327 | 89,522 | 806 | 0.9% |
| **Losses (% of electricity distributed)** | | | | |
| Portugal (1) | 9.7% | 10.3% | -0.6 pp | |
| Spain | 4.1% | 4.1% | 0.0 pp | |
| Brazil | | | | |
| Bandeirante | 9.0% | 9.5% | -0.5 pp | |
| Technical | 5.4% | 5.5% | -0.1 pp | |
| Comercial | 3.6% | 3.9% | -0.4 pp | |
| Escelsa | 13.5% | 13.7% | -0.2 pp | |
| Technical | 8.2% | 7.6% | 0.6 pp | |
| Comercial | 5.3% | 6.1% | -0.8 pp | |

## GAS

| Gas Distributed (GWh) | 2015 | 2014 | Δ GWh | Δ % |
|---|---|---|---|---|
| **Portugal** | **6,907** | **6,876** | **31** | **0.5%** |
| Low Pressure | 1,021 | 1,008 | 12 | 1.2% |
| Medium Pressure | 5,861 | 5,845 | 17 | 0.3% |
| LPG | 25 | 23 | 2 | 9.4% |
| **Spain** | **27,093** | **46,970** | **-19,877** | **-42.3%** |
| Low Pressure | 8,256 | 7,968 | 287 | 3.6% |
| Medium Pressure | 18,838 | 39,002 | -20,164 | -51.7% |
| **TOTAL** | **34,001** | **53,846** | **-19,845** | **-36.9%** |

| Supply Points (th) | 2015 | 2014 | Abs. Δ | Δ % |
|---|---|---|---|---|
| **Portugal** | **330** | **319** | **11** | **3.5%** |
| Low Pressure | 324 | 312 | 12 | 3.9% |
| Medium Pressure | 1.4 | 1.4 | 0.0 | 1.9% |
| LPG | 4.1 | 5.0 | -0.8 | -16.9% |
| **Spain** | **918** | **1,026** | **-108** | **-10.6%** |
| Low Pressure | 917 | 1,026 | -108 | -10.6% |
| Medium Pressure | 0.7 | 0.7 | 0 | -3.0% |
| **TOTAL** | **1,248** | **1,345** | **-97.3** | **-7.2%** |

| Networks | 2015 | 2014 | Abs. Δ | Δ % |
|---|---|---|---|---|
| **Lenght of the networks (Km)** | **12,570** | **14,797** | **-2,226** | **-15.0%** |
| Portugal | 4,856 | 4,653 | 203 | 4.4% |
| Spain | 7,715 | 10,143 | -2,429 | -23.9% |

(1) Excludes Very High Voltage

# EDP - Sustainability performance

| 4Q15 Main Events |
|---|

**EDP recognised by the Carbon Disclosure Project for combating climate change.** EDP obtained the maximum score of 100 A, and is now part of the "A Listers", consisting of 113 companies, 5% of the group of companies assessed.

**EDP is a constituent of the FTSE4Good Global Index.** The assessment methodology is based on a set of 350 indicators grouped into three pillars (environmental, social and governance).

**EDP Brasil remains in the Corporate Sustainability Index (ISE).** For the 10th consecutive year, EDP is a part of the ISE portfolio compiled by BM&F Bovespa, and is one of the companies standing out for their commitment to sustainability, equity, transparency and accountability.

**"Preparing EDP for The Breakthrough Challenge" with John Elkingthon.** A Sustainability talk was promoted to debate internally on the emergence of a new paradigm in the world economy, and the risks and opportunities for EDP. The contribution of private sector to a low carbon economy was also approached, with the contribution of Maria Mendiluce (Director of WBCSD - Climate & Energy).

| EDP Internal Sustainability Index (base 2010-12) | 2015 | 2014 | Δ % |
|---|---|---|---|
| **Sustainab. Index (a) (b)** | **97** | **105** | **-7%** |
| Environmental | 83 | 102 | -19% |
| %Weight | 33% | 33% | |
| Economic | 105 | 105 | 0% |
| %Weight | 37% | 37% | |
| Social | 104 | 107 | -3% |
| %Weight | 30% | 30% | |

This Sustainability Index was developed by EDP and is based on 33 sustainability performance indicators.

| Economic Metrics (b) | 2015 | 2014 | Δ % |
|---|---|---|---|
| **Economic Value (€m)** | **17,278** | **17,672** | **-2%** |
| Distributed | 15,163 | 15,373 | -1% |
| Accumulated | 2,115 | 2,299 | -8% |
| **Energy Serv. Rev. (€m) (1)** | **1,008** | **962** | **5%** |
| Energy Efficiency Serv. (c) | 80 | 68 | 17% |

| Social Metrics (b) | 2015 | 2014 | Δ % |
|---|---|---|---|
| **Employees (d)** | **12,084** | **11,798** | **2%** |
| **Training (hours)** | **443,105** | **516,659** | **-14%** |
| **On-duty Accidents** | **49** | **33** | **48%** |
| Severity Rate (Tg) | 106 | 119 | -10% |
| Frequency rate (Tf) | 2 | 2 | 45% |
| Freq. rate EDP+ESP (Tf)(e) | 3 | 4 | -10% |

| Environmental Metrics (b) | 2015 | 2014 | Δ % |
|---|---|---|---|
| **Absolute Atmospheric Emissions (kt)** | | | |
| CO2 (f) | 24,783 | 16,522 | 50% |
| Nox | 24.4 | 16.4 | 49% |
| SO2 | 24.2 | 14.4 | 68% |
| Particle | 1.406 | 0.586 | 140% |
| **Specific Atmospheric Emissions (g/KWh)** | | | |
| CO2 (f) | 391.2 | 275.6 | 42% |
| Nox | 0.39 | 0.27 | 41% |
| SO2 | 0.38 | 0.24 | 59% |
| **GHG emissions (ktCO2 eq)** | | | |
| Direct Emissions (scope 1) | 24,815 | 16,551 | 50% |
| Indirect emissions (scope 2) | 2,641 | 2,214 | 19% |
| Other indirect emissions (scope 3) | 20,299 | 15,065 | 35% |
| **Primary Energy Consumption (TJ) (g)** | **252,345** | **161,512** | **56%** |
| **Max. Net Certified Capacity (%)** | **90%** | **96%** | **(6 p.p.)** |
| **Water Use (103 m3)** | **1,750,160** | **1,633,540** | **7%** |
| **Total Waste (t) (h)** | **642,362** | **362,031** | **77%** |
| **Environmental Matters (€ th)** | **104,620** | **83,670** | 25% |
| Investments | 53,901 | 39,025 | 38% |
| Expenses | 50,719 | 44,645 | 14% |
| **Environmental Fees and Penalties (€ th)** | **35** | **78** | **-56%** |

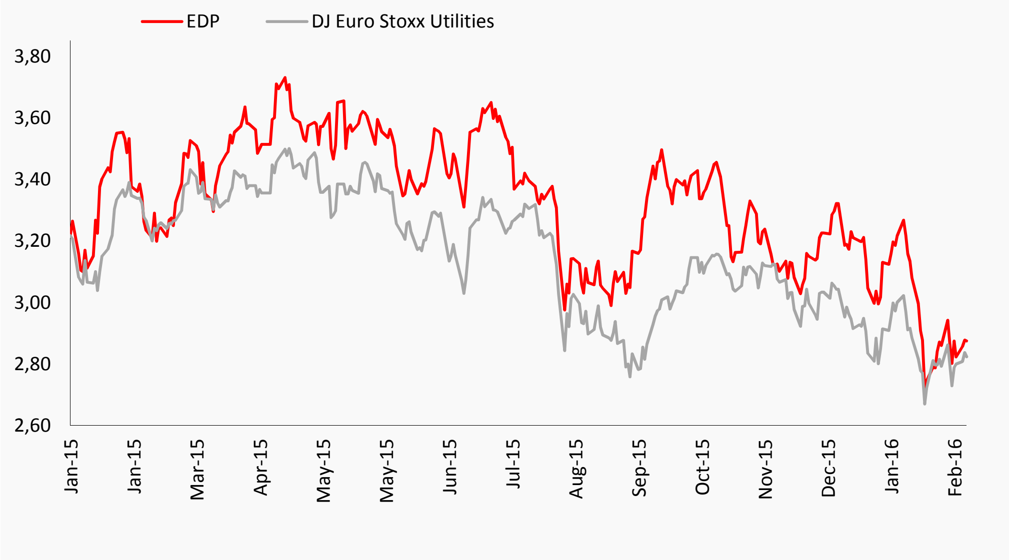
| Environmental Metrics - CO2 Emissions (b) | | | | | | |
|---|---|---|---|---|---|---|
| **CO2 Emissions** | **Absolute (ktCO2)** | | **Specific (t/MWh)** | | **Generation (i) (GWh)** | |
| | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** |
| **Long-Term Contracted** | **12,392** | **7,399** | **0.98** | **0.91** | **12,684** | **8,129** |
| Coal Portugal (PPA/CMEC) | 8,684 | 7,399 | 0.90 | 0.91 | 9,657 | 8,129 |
| Coal Brazil (Pecém) | 3,708 | - | - | - | 3,028 | - |
| **Liberalised** | **11,931** | **8,647** | **0.95** | **1.14** | **12,612** | **7,577** |
| Coal Spain | 10,472 | 8,142 | 1.17 | 1.27 | 8,946 | 6,414 |
| CCGT Iberia | 1,459 | 505 | 0.40 | 0.43 | 3,666 | 1,163 |
| **Special Regime** | **460** | **476** | **0.39** | **0.36** | **1,184** | **1,305** |
| Cogeneration + Waste | 460 | 476 | 0.39 | 0.36 | 1,184 | 1,305 |
| **Thermal Generation** | **24,783** | **16,522** | **0.94** | **0.97** | **26,480** | **17,011** |
| **CO2 Free Generation** | | | | | **36,870** | **42,943** |
| **CO2 Emissions** | | | **0.39** | **0.28** | **63,350** | **59,954** |

(a) Includes only Energy Efficiency Services (formerly named Energy Services Invoicing) and considers only the support from public authorities recognised in the income statement.
(b) 2015 figures reflect full consolidation of Pecém coal plant since May.
(c) Energy Efficiency Services formely named Energy Services Invoicing. 2014 figure restated to reflect methodological changes.
(d) Including Executive Social Bodies.
(e) ESP: External Services Provider.
(f) Excluding vehicle fleet and natural gas consumption and losses.
(g) Including vehicle fleet.
(h) Waste sent to final disposal.
(i) Includes heat generation (2014: 938 GWh vs 2015: 871 GWh).

(1) Energy Efficiency Services and Suplementary Energy Services: services provided under energy supply, instalation of more efficient and/or building retrofit, and sustainable mobility, which generate revenues for the company.

# EDP Share Performance

**EDP Stock Performance on Euronext Lisbon**




| EDP Stock Market Performance | YTD | 52W<br>02/03/2016 | 2014 |
|---|---|---|---|
| **EDP Share Price (Euronext Lisbon - €)** | | | |
| Close | 2.875 | 2.875 | 3.218 |
| Max | 3.332 | 3.749 | 3.749 |
| Min | 2.702 | 2.702 | 2.620 |
| Average | 3.014 | 3.304 | 3.286 |
| **EDP's Liquidity in Euronext Lisbon** | | | |
| Turnover (€ m) | 1,098 | 6,059 | 4,896 |
| Average Daily Turnover (€ m) | 25 | 23 | 19 |
| Traded Volume (million shares) | 364 | 1,834 | 1,490 |
| Avg. Daily Volume (million shares) | 8.3 | 7.0 | 5.7 |

| EDP Share Data | 2015 | 2014 | Δ % |
|---|---|---|---|
| Number of shares Issued (million) | 3,656.5 | 3,656.5 | - |
| Treasury stock (million) | 21.4 | 23.3 | -7.9% |

**EDP's Main Events**

**19-Jan:** Fitch affirms EDP at "BBB-" and outlook at stable
**30-Jan:** Standard & Poor's affirms EDP's 'BB+' rating and outlook is revised to positive
**30-Jan:** Conclusion of the sale of gas distribution assets in Murcia to Redexis
**3-Feb:** José de Mello decreases its ownership interest in the share capital of EDP
**13-Feb:** Moody's upgrades EDP to "Baa3" with stable outlook
**27-Feb:** ANEEL approved extraordinary tariff revisions for EDP Bandeirante and EDP Escelsa
**27-Feb:** EDP signed credit facility of €2,000 million
**18-Mar:** EDP to receive €500 million in securitization of electricity tariff deficit in Portugal
**16-Apr:** EDP issues €750 million bond maturing in April 2025
**21-Apr:** EDP'S Annual General Shareholders Meeting
**14-May:** Payment of gross dividend of €0.185 per share for the 2014 financial year
**15-May:** EDP Brazil completed the acquisition of Eneva's stake in Pecém I plant
**15-May:** Capital Group notifies qualified shareholding in EDP
**18-May:** EDP sells €186 Million of tariff deficit in Portugal
**19-May:** EDPR concludes the sale of minority stakes in wind farms in Brazil to CTG
**22-Jun:** EDPR to study the development of a new asset rotation program
**15-Jul:** EDP Brazil announces the disposal of two mini-hydro plants in Mato Grosso do Sul
**5-Aug:** ANEEL approves average tariff increase of 2.04% at Escelsa's annual tariff readjustment process
**19-Aug:** EDPR informs about deliberation by the Competition Authority regarding ENEOP
**10-Sep:** EDP prices €750 million subordinated notes
**14-Oct:** S&P affirmed EDP at "BB+" with positive outlook
**20-Oct:** ANEEL aproves an average tariff increase of 16.14% at EDP Bandeirante's periodic tariff revision
**05-Nov:** Fitch affirms EDP at "BBB-" and Outlook at stable
**06-Nov:** EDP acquires 25.3% stake in Portgas
**09-Nov:** EDP sells 19.83% stake in Setgas
**12-Nov:** Guoxin notifies qualified shareholding in EDP
**26-Nov:** EDPR exceeds the 2014-17 asset rotation target by establishing a new asset rotation transaction
**14-Dec:** EDP sells €93 million of tariff deficit in Portugal
**15-Dec:** ERSE announces final electricity tariffs for 2016
**28-Dec:** EDP group announces the sale of minority stakes in wind parks in Poland and Italy
**29-Dec:** EDP Brasil announces its decision regarding the proposal for the hydro risk renegotiation
**29-Dec:** EDP sells €100 million of tariff deficit in Portugal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Source: Bloomberg