



Investors
& Analysts'
Briefing

REGULATOR PROPOSAL ON THE FINAL ADJUSTMENT OF CMEC

Lisbon, September 29th 2017: Pursuant to the terms and for the purposes of the article 17 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council and of article 248-A of the Portuguese Securities code, EDP - Energias de Portugal, S.A. ("EDP") is providing the following information to the market:

1. CMEC Final Adjustment

The Portuguese Energy Sector Regulator, ERSE, issued a statement today concerning the calculation of the Final Adjustment of the CMEC mechanism ("Costs for the Maintenance of Contractual Equilibrium"), to be submitted to the Portuguese Government, having presented an amount of €154 million.

The EDP/REN Technical Working Group, in accordance with legislation, calculated a CMEC Final Adjustment amount of €256 million as stated in a report submitted to ERSE, following the strict application of the relevant legal framework, particularly the Decree-Law nr. 240/2004.

EDP does not foresee the reasons for such a discrepancy of amounts and will analyse the report prepared by ERSE as soon as it is made available. Following this analysis, EDP will take forth the decisions and actions considered more adequate.

The consideration of scenarios and changes presented in ERSE's statement is, in EDP's view, a mere theoretical simulation which grossly infringes the law that was the basis of the acceptance, by EDP, of the CMEC mechanism. The adoption of such scenarios and changes would annul the economic neutrality implicit in the process of the early termination of the Power Purchase Agreements ("PPAs" - "*Contratos de Aquisição de Energia*").

Investor Relations Department

Miguel Viana, Head of IR
Sónia Pimpão
João Machado
Maria João Matias
Sérgio Tavares
Noélia Rocha
phone +351 21 001 2834
fax +351 21 001 2899
ir@edp.pt



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Reuters: EDP.LS
Bloomberg: EDP PL

EDP accepted the early termination of the PPAs and their replacement by the CMEC mechanism, in accordance with the Decree-Law nr. 240/2004 (approved and accepted by the European Commission in 2004 and later reaffirmed by the same institution in 2013 and 2017), being the Final Adjustment an essential component of such mechanism. Only the strict fulfilment of such legal and contractual framework shall assure the economic neutrality in which the early termination was based.

2. Alleged overcompensation

Finally, EDP rejects ERSE's allegations in which this entity states that the CMEC mechanism enabled the transfer to a less demanding framework, compared to the existing one under PPA. EDP cannot trace any basis to the alleged overcompensation referred at ERSE's report, amounting to €510m.

In fact, EDP has gathered reliable studies elaborated by internationally renowned independent entities, which demonstrate that the CMEC mechanism translated into a significant cost reduction for Portuguese consumers vis-à-vis what would be supported under PPA regime.

Note that the variable CMEC mechanism is in force since 2007, has been annually audited by independent entities, subject to ERSE's favourable opinion and Government approval, and included by ERSE in the electricity tariffs paid by consumers.

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