Nuno Alves

Just trying to see if I need the glasses or not. Well, thank you, everybody, for coming. It's great to see such a live audience and a lot of familiar faces, and it's good and an important day for EDP. We can start here with the slide that has the numbers that most of you know well. This is historic. This is just 2014 and 2015. The breakdown of the slides, since it's new, will help because it will come back later on for the preview of the business plan.

And essentially, what we're trying to show here is that over 2014 and 2015, the company generates roughly €1.5 billion of free cash flow, which we've been – or we divided in 2014 and 2015, €700 million to dividends, €700 million to investments and then €100 million to pay down debt. We excluded here the regulatory assets, not to complicate things but that's in assets. What has happened? And I will utilize this at a later stage.

Clearly, the deleverage for the – compared to 2014, 2017 business plan is something we would have liked to have performed better. We all know the reasons. António has gone through them. But in as far as the issues that we have to take on our ends, we will continue to do so. And so, the company will maintain the CapEx that was promised for 2016 and 2017 at €1.2 billion per year, a significant reduction from the years before. With that, we will decrease the debt, at least in that part, as expected. And I will talk forward on that.

Going forward, we do expect €1.6 billion of asset rotation. João has talked about it. He's also mentioned that the big chunk of it is done. So, we're left with about 40% of this to be done over the next 40 years, which allows the EDPR to pick and choose the timing and the best projects that they want. We're also having in this business plan, €1 billion of disposals. Those include the remaining CTG plus two or three small disposals that we have in the business plan that will make up the amount of €1 billion.

Average going forward of €1.4 billion net investments through the period. Most of the investment as expected in renewables and in the networks. There's still a little bit of blue on the hydro and generation, which has to do with Iberia. Most of it has to do with the end of the hydro investments in Portugal. As you know, we still have two hydro plants to begin this year and one left for next year.

All and all, and starting with what we've been talking about, as a recurrent number for 2015 when we take all those extraordinary items, which was about €3.6 billion of EBITDA and €850 million of net profit, which António just confirmed the guidance. And I think it's safe to say that we will meet the expectations of the market of a higher than €3.6 billion EBITDA at the end of the year and of €900 million in net income. And what we are guiding as a result of this business plan is 3% annual growth of net income through 2020 and 4% increase on the net profit through the same period.

What are the drivers of the growth going forward? While it's no surprise, it has been in the past and will continue to be so that most of our investment will be in EDPR and in that will be on onshore wind. We continue to have plenty of opportunities that – with PPAs in good places which create value and we intend to develop those. And that will deliver 8% annual growth of the EBITDA at that business and will make the percentage overall go from 30% to 37%.

Brazil will continue to grow. But unfortunately, the real expectations that we do have in the market as today will eat up the EBITDA growth. So, when it translated into euros basically will stay flat. And Iberia will grow 2 percentage points a year. Based on what? A slight improvement on the market conditions. We've seen the assumptions. I think there's nothing drastic in there. So, we're not upping the EBITDA based on oil prices of 100 and pool prices at 70. So, it's a slight increase which we have seen in the recent couple of months and we expect it to continue very slowly but surely we expect this to improve going forward.

For the efficiency improvements. As António mentioned, we have another OpEx plan that will deliver significant savings going forward and obviously we do have all of the hydro capacity at least from 2017 onwards to deliver the EBITDA that we bet it on. As a negative, we do have clearly the CMEC phase out. But all in all, 2 percentage points of increase of EBITDA in Iberia.

In terms of the breakdown, geographic and by business unit, I would say that geographically it doesn't change much, they take a transformation, no transaction. The change what you see is the U.S. they will continue to grow essentially at the expense of Portugal and that is to the investment in wind in the U.S.

And as far as by segment, the major difference is within the supply and generation with the end of the CMECs. Clearly from 2018 the long contracted generation in Portugal will be miniscule so most of it will be under liberalised as far as the business units go, EDPR will grow at the expense of EDP Brazil and the networks overall in the business plan.

Tariff deficit. Clearly amended. Those that we see regularly at least once every quarter and follow the deficit in Portugal. I think that the numbers are coming in right in line what was shown more than three years ago, so the expectation is for this to continue. Clearly, we see no reason to change that. We're having tariffs; the government has committed to the tariffs of 1.5% to 2% increase going forward, and the demand slowly has improved during this year. So, we're almost at the levels that we need but only now would not have this impact anyways. But clearly, we continue to see it going down and the slight rise in the first quarter was a little bit untypical, but it's the first quarter and the reason is too much wind, prices too low, creating a little bit of deficit but it's also in turn the good news for the results. So, we changed €50 million and more deficit for those results.

In terms of the average cost of debt, we maintained the guidance we have previously given on the 2014/2017 plans. So, the average cost for 2016 and 2017 should go down to 4.4%. The first quarter was 4.5%, but we have no reason to change that. And we are expecting that another 20 basis points down for the average from 2018 onwards.

Some of you might ask it's not coming down when you're reaching at 2%. The reason is simples. Most of the debt that we are paying is the euro. And so, when you weigh the average of the interest rates, the dollar will weigh more and the dollar is a little bit more expensive than the average. So, it will keep on coming down but not as fast as just the marginal cost of ratios.

So, let's go back to the first slide, which is our expectation for the business plan for free cash flow. So, in essence, we are guiding for average of €3.9 billion of EBITDA for the period. Then you do have the breakdown of interest, taxes, working capital, minorities, et cetera, and we get the free cash flow of €1.7 billion. And this is essentially the money we have available that belong to shareholders. A big decision is how you split this one between dividends, investments, and paying down debt.

Obviously, I think that after a few months of hard work we came up with a very satisfying proposition, which kept, at least, the board members happy and the supervisory board also and I hope it pleases you best. So, António will talk a little bit more about the dividend. We maintain the aggressiveness and the growth, so we will grow. So, my colleagues do have almost the money they wanted to invest and they do also have some money to lower the debt and reach the targets that we propose. This plan previews excluding the regulatory receivables changes, €400 million per year of reduction in net debt. So, we are talking about €2 billion less in the five-year period.

Which will drive and this is a cornerstone of this business plan, the credit ratios, to the levels where we think we should be. So, we will be below 3.5 times by 2018 and we should reach the 3 times by 2020 and hopefully we will also have as the business plan shows clearly above 20% FFO to net debt which should finally put us where we would like to be.

In terms of the business profile of the company, it will change with the CMECs. Clearly, as we've shown with the renewable part has increased and will compensate. If we have done nothing, this is major change in the business profile. But nonetheless, we will continue to have 75% of regulated or similar type returns, which compares very favorable with the average of utilities and we will continue as you've seen presentation-after-presentation, with the idea, focus, and clearly only investing in defined returns as you can call it that way.

In terms of the debt, nothing new. These are the first quarter numbers. It's the €17 billion. 50/50 floating and fixed which has been typical of us. The market has been, this is probably the good news out of everything that has been bad. I mean, the capital markets has been good. Even the banking news are good today. It seems that banks finally are willing and being more aggressive on lending. So, we are at a good stage for, at least, for my finance department this is a good time.

In terms of credit FX risk, we maintain the policy of financing all of the businesses in the currency of the cash flows. We will continue to do so. This is – we still believe this is the best way to mitigate the risk of the debt in the currencies. Clearly, sometimes then we do have – if the volatility is very high as it was last year, a little the impact up or down depending where it goes on the financials. But we prefer that then to incur mismatches on the FX.

In terms of liquidity, this used to be a slide very important. I think it's more and more no brainer. Clearly, the issue today has turned around. The issue is not anymore to have a huge liquidity even though we do have. We currently have everything done for 2016, 2017 and 2018 which is a lot more than the 24 months we typically used to have. The issue today is how to maintain a shorter cash position as possible because banks are not paying. In some cases, you might even have to pay to have deposits. So, we will have – we've changed that policy at the beginning of the year. We'll try to use a little bit more in the credit lines and see if we don't lose so much money on treasury management.

The profile is fine. The profile is also online with what we've been guiding. We will end up 2016 with higher than five-year average maturity. There's no really any issue right now here. We've – we will issue – every time we go to the market, and I'm not saying we're going to go to the market this year again. But every time, we will issue the 7-year or 10-year bonds in order to enlarge the maturity and at least as long as Draghi is helping a little bit.

Finally from my side, what we do have, I think the world balance business plan from a balance sheet standpoint and a business standpoint, we will have €1.4 billion of net investment for the period. We will have 3% growth annual of EBITDA through the period with more than 75% of the business contracted. We will reduce the financial average to reach three times by 2020 and we will have the cost of funding go down to 4.2% for the years of 2018 to 2020, and hopefully I'll be back in 2020 to celebrate. Thank you very much.