EDP – ENERGIAS DE PORTUGAL

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Chaired by Miguel Stilwell de Andrade

Company Participants

- **Miguel Stilwell de Andrade**, Interim Chief Executive Officer and Chief Financial Officer
- **Miguel Viana**, Head of Investor Relations

Miguel Viana: Good morning, ladies and gentlemen. Thanks for being with us today in the conference call on EDP's first half 2020 results, which at this time -- the results are being reported exceptionally right after the summer holidays period. We hope you managed to take some rest and recharge batteries. We'll begin with the main highlights on the results, and then we'll provide an update on the strategy execution. We'll then move to the Q&A session, in which we'll be taking your questions both by phone and via our web page, www.edp.com. The call is expected to last no more than 60 minutes.

I'll give now the floor to our interim CEO and also CFO, Miguel de Andrade.

Miguel Stilwell de Andrade: Hello, welcome, everyone -- everybody. Thanks for taking the call. And I hope you had a good summer break. I'm pleased to present a pretty solid set of results for EDP this morning. You all have seen they came out last night. And to take you through it. Maybe just before I go through some of the numbers, just to mention that COVID has definitely presented some challenges over these last few months. But I really think it also shows that the strong foundations of our business and the resilience and the robust response that has allowed us to continue to make progress on the execution of our strategic business plan.

We talk about the Viesgo acquisition in Spain, which we announced in July and that was a significant achievement for us, and it really allows us to grow in activities that we believe are fully aligned with the energy transition, namely networks and renewables. We also continue to see important regulatory developments and a growing public support for the green agenda technologies in our core markets in Europe and the U.S. I think that's come out also very intensely over the last couple of months, and while I think we've also felt the impact of the COVID pandemic, it's also been really a catalyst for progress in an area where we're very well positioned to generate additional value and more opportunities. So being out a couple of months, but I think it's also highlighted the strength of our business.

So let's go to the presentation in terms of the highlights for the first half. On this period, EBITDA fell 3% year-on-year to around EUR 1.9 billion. So on one hand, the EBITDA benefited from the recovery of the hydro in Iberia to close to the historic average in the first half of 2020. So compared to a very dry first half of 2019. So the hydro factor was approximately one. We also had very robust results in the Energy management segment and this was driven by our hedging strategy in the energy markets. This benefited obviously from the significant decline in the energy prices and the increase in the energy markets volatility. However, we also saw some negative pressure on the EBITDA from the depreciation of the Brazilian real and the contraction of the electricity demand in some of our key markets. I mean, obviously, this affected both our supply operations in Iberia and also the performance in our distribution business in Brazil, where not unbundled, as you know, the supply and distribution are essentially the same thing.

In terms of recurring net profit, this increased by 8% to EUR509 million. This was exclusively driven by the Iberian business, had an increase of EUR120 million, so it almost doubled. So I think this is a really strong performance from the Iberian business this year. This more than compensated EDPR and EDP Brazil's lower contribution. In addition, we also saw the average cost of debt improved by 70 basis points to 3.3%. And this is essentially as we see more competitive refinancing costs when compared to our maturing debt.

Overall, the reported net profit decreased by 22%, so this is dragged by nonrecurring items in the first half of 2020. Essentially, key items here are the impairments in the coal assets following the closure or the anticipated closure of Sines Coal plant in 2021. We announced that in July and also the one-off cost of the hybrid bond repurchase, which we did in the first quarter of this year. Net debt, down 2% year-to-date to EUR14.1 billion. Obviously, this reflects in the first half of the payment of the annual dividend in the second quarter. This a recurring event every year. So there's more pressure on the second quarter. Also like to note that the net debt in June 2020 was flat versus June '19. And so as a result, the ratio of net debt-to-EBITDA was 3.7x in June 2020. Just slightly above the 3.6% in December '19 and clearly below the 4.1% shown last year year-to-date -- last year, June '19.

In terms of cash flow, recurring organic cash flow rose EUR0.3 billion to EUR1 billion. This is obviously supported by better performance and activities in which we don't have partners or minority interests and also the lower interest costs. So despite the COVID restrictions, and I think this is important to note, our expansion investments continue to move forward at a good pace, and they reached around EUR800 million, of which almost 90% was allocated to new renewable projects. And the remaining -- the expansion of the electricity networks in Brazil. We've also made good progress on the implementation of our strategy post June 2020. So as you know, we closed the agreement for the acquisition of Viesgo at a good valuation. This includes, as you know, the long-term partnership with Macquarie for electricity distribution business in Spain. It reinforces our regulated and long-term contracted risk profile. And we've had the opportunity to talk about this in detail in July. So I won't spend much time on this. Obviously, associated with this, we raised the EUR1 billion for the rights issue, representing around 8.5% increase in share capital. But I think this was well received by the markets. It's was critical to support the Viesgo acquisition. I'll touch a little bit more on this later on, but I think the general perception was very positive.

Finally, we also announced over the last month through asset rotation deals totaling EUR1.1 billion of enterprise value. So the first deal, which we announced in mid-August was 240 megawatts in Spain at an EV multiple of EUR2.1 million per megawatt. This is for a portfolio with an average age of 9 years. The second deal, which we announced this week, refers to 560 megawatts in the U.S. at a EV of $2.1 million per megawatt as of COD. So I just highlighted as of COD is the reference that we should use. Implicit valuations in these transactions did support the positive outlook that we've shared with you in the first quarter conference call. So I think just reinforcing this trend that we've had.

Let's move forward to the next slide. So on EBITDA, and the breakdown by business platform. So as I mentioned, consolidated EBITDA down 3% year on year, but would have been flat if we excluded the Forex impact, namely the Brazilian real, which depreciated 20% versus the euro. Within renewables and despite the 83% increase in our hydro production in Iberia, just 4% below historical average, the hydro -- the EBITDA had an 8% decline, mainly due to the decline in the wind and the solar. This in turn is explained by the winds resource in our global wind farms portfolio was 9% below long-term average.

The Average capacity in operation decreased by 6%, and this is essentially due to the asset rotation last year, 51% stake in a 1 gigawatt wind portfolio. So obviously, that has a relevant impact on EBITDA level, it was EUR87 million year-on-year impact on EBITDA. Obviously, at the net profit level, this is much less relevant since it's also plus minorities. Finally, the decrease in asset rotation gains by EUR74 million year-on-year. So in the first half of 2020, the asset rotation gains were EUR145 million, reflecting the valuation in the shareholding adjustments from the transfer of most of our offshore wind assets, the new 50-50 wind offshore joint venture with Engie as you know, is called Ocean Winds.

Turning to networks. The 7% fall in EBITDA is mostly related to the depreciation of the Brazilian real. In local currency, EBITDA from networks in Brazil grew 12%, supported by the expansion of the transmission activities, fully mitigating the 8% decline of electricity demand in our distribution areas. In Iberia, EBITDA evolution reflects the decline of regulated returns in Portugal to 4.9% roughly and in Spain to around 6%.

Finally, the improvements in client solutions in energy management, I think this is a strong improvement, it's fully driven by the positive hedging results in Iberia, partially offset by the 17% decline in EBITDA from supply in Iberia, mostly given the contraction in electricity supply volumes by 7%. This was most relevant in the B2B segments, where the decrease in volumes reaching 14% and was only partially mitigated by the 1.5% increment in the B2C segment.

Let's move forward to the next slide, on financing costs. So here, interest costs down 16% supported by 70 basis points decline in the average cost of net debt, as I mentioned, and a 6% decrease in the average debt. Now, this better performance is due to the more active debt management, as the rates of maturing debt were much higher than those for new financing we've got this year. But it's also -- to mention, it's also a significant reduction in the short-term rates in Brazil.

So as you can see here on the table on the right-hand side, we continue to have some short-term debt maturities with relatively high rates that will be maturing over the next quarter. So this should continue to support the downward trend on the average cost of debt over the next couple of years. This is something I think we've been flagging and you guys have also asked us about this for the last year or so. And I think we're seeing that flowing through now the P&L.

Let's move forward to the next slide, on recurrent net profit. So here the FX negative effects impacted EBITDA is obviously more diluted at the EBIT level, and even more at the net profit level. We typically fund our operations in the local currency. So below EBIT, there's a positive impact from lower net financing costs, and there's also lower minority interest both at EDPR and EDP Brazil. This is partially offset by a slight increase in effective income tax. So, overall recurring net profit, up 8% to EUR509 million. Reported net profit significantly impacted for the reasons I've already mentioned, so mainly coal and the repurchase of the hybrid bond.

So let's move now to strategy execution and just a few slides on this and a few key messages. Just quickly recapping what we've done since we announced our strategic update back in March 19. So I think we've really shown in this period basically a year-and-half that we've been front-loading the execution of this plan. So this has been really important, particularly given what's happened in the last couple of months with COVID, because we've managed to really lock in a lot of value creation and put us on the right path to extract value from growth opportunities that we've been developing now for a number of years.

Then renewables, as you know, 84% of the 7 gigawatt target for this period with long-term contracts. We're well positioned now for accelerated growth in Europe and in the US. Brazil delivering on the transmission project ahead of the regulatory schedule even taking into account the COVID restrictions. Viesgo, stronger presence in activities aligned with the energy transition in our core markets and I think also a significant number of synergies.

Regarding portfolio optimization, so we've already closed our grid more than 55% of the EUR4 billion proceeds related to the asset rotation. On top of that, we've announced a EUR2.7 billion of proceeds from two disposals in Iberia. So the six hydro plants in Portugal and the two CCGTs in the B2C supply portfolio. So overall, I think, we consider this proactive portfolio restructuring has been a major source of value creation.

On the balance sheet, obviously reinforced EUR1 billion of rights issue. as mentioned, reinforced the low operating risk profile with the increased weight for funds with the regulated activities.

On efficiency, fully on track to meet the targets in our strategic plan, OPEX decreasing 3% year-on-year in the first half of 2020. Obviously, part of that has to do with COVID, but it's also really allows us to accelerate some of these savings, given increased digitalization and also greater operational efficiency that we were redesigning during this period. So, I think, it's given us a boost in that respect as well.

On shareholder remuneration, so we're comfortable with the sustainability of our dividend policy, as you know, the EUR0.19 floor, target payout 75% to 85%. And we're completely committed to reinforcing our green positioning and accelerating our decarbonization. So as you know, that's a key part of our strategy and it will continue to be.

In the first half of 2020, 80% of our electricity production came from renewables and our CO_2 emissions factor decreased by 57%. Obviously, this is very much supported by the 74% contraction in coal production. Our green position is also reinforced not only by the closure of coal, but also involvement in some of the energy transition projects, including -we're beginning to participate in the green hydrogen project in Portugal, we have some storage projects under analysis for Soto 3. And we also have some renewable projects that we intend to develop in Viesgo's coal sites, which are being decommissioned in the south of Spain. So, definitely green positioning is extremely important for us.

Let's just move forward to the next slide, so just a quick note here on the rights issue. So, as you know, successful 8.5% increase. I won't dwell much on this, but I think the market reaction to the operation show the merits of the combined acquisition and the rights issue deal, and as I say, which is done.

We will move forward to the next slide, Slide 10. I think, here, this is, I think, an interesting slide. So it shows how we've been active in reshaping our Iberian portfolio. So, just reminding you, in December, we announced the disposable of six hydro plants in Portugal for the EUR2.2 billion, so really gotten the EU merger control approval, and we believe that Portuguese regulatory approvals are also on track.

In May, we had the sales to Total of the CCGTs and the B2C portfolio, EU merger control already approved this transaction, as you know, last couple of weeks, and the transaction and the restructuring in carve-out of the assets is ongoing, so again on track. And then in July, we also announced the acquisition of Viesgo, more recent deal. So it's still ongoing approvals, both at the European and Spanish regulatory level, but again, we think that's on track and expect that to be done by the fourth quarter. In fact, we expect all these transactions to be completed in the fourth quarter 2020. As we indicated in the strategic update, so the overall aim of the Group is to reduce merchant price exposure and to really enhance the visibility of our revenue by increasing our long-term contracted assets. So, I think these recent transactions are really strong step in this direction.

A note here, just regarding the integrated industrial project for Viesgo, so we're already working on a plan to be implemented in the first 100 days. And we expect to kick-off just after the financial closing of the transaction, but this is something we already have the team working on in fully developing the 100-day plan.

Let's just move on to Slide 11; maybe a note here on the asset rotation. So, last couple of weeks have been really busy for the teams here in terms of finalizing these deals. Last -so, back in August we announced the sale of this 240 megawatts, as I mentioned, in Spain; 2.1 million per megawatt. By comparison, our previous asset rotation deal in April was at around a multiple of 1.6. So, significant uplift in value despite a slightly older portfolio. So, I think, here the message is lot of competition, despite the COVID situation and very attractive prices.

This week we announced a sale of an 80% stake in a 560-megawatt portfolio in the US, it is both wind and solar for an implicit EV multiple of $2.1 million per megawatt as a COD, as I mentioned. If we only considered the wind assets, the multiple would be around $2.4 million per megawatt. So, that's also a significant increase versus our previous transaction in North America.

So, obviously, the EV multiples expansion in these transactions is not only due to the lower interest rates both in Europe and in the US, because the 10-year government bond yields are declined by about 1% in Spain and about 2% in the US, but we continue to see, as I mentioned, strong appetite among institutional investors for these green assets with regulators or long-term contracted revenues. So I think there's a strong market there for the product.

Let's move forward to Slide 12, so here in terms of build out. So despite the COVID, we've managed to keep strong execution of the PPAs. We have 84% of 7 gigawatts, as I mentioned. In terms of project delivery, there have been postponements, as you know, as we've mentioned earlier imposed by COVID on some construction activities and also on the manufacturers value chain. In some cases, this could imply some delays for up to around 500 megawatts of wind (Technical Difficulty), which we had under construction in the US for 2020. It might slip from the fourth quarter to the first quarter of 2021, but I don't think this has any impact or material impact from a valuation perspective. The PTCs will still be there. So it's really just COD will be beginning of '21. As you know, there was this extension for versus the previous PTC versus the previous target of December 2020. So we're pretty comfortable there.

In relation to installed capacity, by 2020, the number should be offset by the consolidation of the 500 megawatts of wind capacity coming from Viesgo, which represents financial closing is also expected before year-end.

Regarding offshore wind, the JV is done. So established Ocean Winds, as you know, brings positive impact because of the assets we transferred, and the revaluations that were done. Two remaining assets would be transferred from our side Mayflower and so in the US and Wind Float in Portugal before the end of this year. And on the Engie side, Seamade in Belgium is also expected before the end of this year.

In relation to our project, the Wind Float Atlantic, this was commissioned in the summer. I think, it's an interesting -- some have asked us about this project. It's an interesting milestone for the offshore industry. The largest turbine ever installed on a floating platform. And the two projects more also in relation to offshore two other projects that are pretty advanced stage of construction. So Seamade in Belgium and Morais in the UK. So I think, also going to be good references for our offshore targets. So they continue to evolve in line with the construction schedules, and I think that's on track.

Let's move on to Slide 13. And here just I think a more high-level note just on additional opportunities on the green recovery. I think we've seen important developments and public support for the green technologies in general, and obviously, for wind in particular. In Europe, number of mechanisms have been designed by European institutions for the economies, environment, digitalization, basically aiming to promote a recovery on, based on a more sustainable economic model. So, this really fits well with our strategy. I think, we're really well positioned to benefit from it.

Overall, the National Energy Plans estimate over 340 gigawatts of newer onshore wind and solar capacity by 2030; of which, 55% correspond to eight European countries where we're already present. So, it's important also not to forget other investments that will be key, namely the hydro, electric mobility, smart grids where we've also been very active. So I think in general, good news for where we are strategically.

The European institutions also created the Just Transition Fund, which can also be used to support regions affected by the coal plant shutdown. So I think this will also be an added incentive to accelerate this transition and really accelerate the shutdown of coal and moving to renewables. In the US, definitely, we benefit from the extension of the PTCs and also some pretty ambitious energy transition policies that will be discussed in the run up to November's election. So, again, pretty exciting times, I think, for the green economy.

So now let's move to Slide 14 and just a word on Brazil. So Brazil has obviously been significantly impacted by the pandemic. But I think it's also been interesting to see that the Brazilian institutions have reacted, and I think, in a really solid way to create several mechanisms to support electricity companies in the sector and the consumers. So just to highlight a couple of these.

In distribution, I mean, I would like to mention the creation of the COVID Account for this increase in liquidity for the company. It's also a pass-through of costs related to the estimated COVID impact due to the surplus of long-term contracted electricity volumes. So last July, EDP Brasil got essentially around BRL600 million referring to the COVID accounts, which reinforce the financial liquidity. So, it was a good measure for the sector as a whole and obviously we benefited from that.

In generation, there was a recent approval by the Senate of new legislation to solve GSF issue. I think this is a critical step to reduce the regulatory uncertainty. It's still the presidential approval, which is required to proceed, with the release of the detailed rules from the regulator, the solution involves the extension of the concession periods for some hydro plants in exchange for some upfront payments that will solve some pending financial settlement. So, it will solve some uncertainty that existed until now. So I think that's also an important step that took place in August.

In transmission, we had some delays in the construction works given COVID, but the construction has resumed, 71% of total CapEx with six transmission lines was already executed. Last month, we announced the completion of the second part of the Lot 11 in the Maranhão State. It's fully operational now 12 months ahead of regulatory schedule. And regarding future transmission options, we will obviously continue to review opportunities, but we'll also be disciplined in the way that we approach this, as you know, we are, when we go into these auctions.

Looking at the macro environment, strong depreciation of Brazilian real, so that worsens our financial in euros, but also some positive indicators from a macro view in Brazil, namely, really low interest rates, I mean, record low interest rates, the Selic, with the benchmark rate just recently we set it 2% by the Brazilian Central Bank, so in that sense, also greatly reducing the funding cost in Brazil.

In March 2020, so beginning of the crisis, Brazil took several preventive measures to protect the financial liquidity, obviously those with a lot of uncertainty at the time. So, they initially cut the dividend proposals and they had some CAPEX postponements and increase of credit lines. So as a result, they had a very strong financial liquidity of BRL3.4 billion, low leverage of around 2 times net debt/EBITDA. But given they're in the strong position, things seem to be recovering. Brazil just now announced a share buyback program and clarification on the dividend policy setting the dividend floor of the BRL1 per share with a 50% payout on adjusted net profit. So this is very much in line with the dividend proposal announced by Brazil in March, which was withdrawn because of the COVID, but we're now reaffirming that and maintaining that for the next three years.

And in the release, in the press release that the Company made, it was also stated that the absence of investment opportunities in Brazil at attractive conditions, the remaining cash flow will be distributed either as buybacks or additional dividends. But basically, the idea is to have an optimized capital structure in Brazil, and make sure that it's efficient.

So let's just move to Slide 15, talk a little bit about something which I know also interests many of you, which is Iberian energy markets. So, as already mentioned, we had pretty solid results in energy management in the first-half. This compensated the negative effects from weaker volumes and low energy prices. For the rest of the year, we expect much lower energy management results, below the average of the last five semesters. So really, the first-half and particularly the first quarter, was exceptionally good. And obviously, going forward, so for the remaining months of the year, the second half will be, the reason for this is on the back of hedging, and it's got to do with seasonality in basically the recovery of energy prices. So just wanted to remind you though that this expectation is already reflected in our guidance, which we've been providing.

Also in relation to '21 and also something like to highlight and we've been doing that over the last couple of months is we are reducing our merchant exposure. So disposal to hydro, as I mentioned, CCGT plans, the B2C portfolio, the shutdown of the coal. So, all of this contributes to reducing our merchant exposure in Iberia. We also have now almost 100% of our hydro nuclear production hedge at an average price of around EUR45 per megawatt hour. So this is in line with the forward prices. And 60% of our expected gas production, CCGT production at mid-single digit spread on average. So this is essentially 2021, pretty much locked in.

So let's just quick mention on Slide 16 on impacts just to say, as I've mentioned before, it really shows throughout this really challenging time we have shown lot of resilience, particularly in the second quarter of 2020 was particularly tough in terms of the lockdown, in terms of the impact on the economy. And I think despite that, we're able to have solid results.

Of course, this has to do also the adaption capacity of the Company, but also our people. So there's a lot of focus here on the business plan execution throughout this period, despite the lockdown, and ever being remote, there's a lot of support for our suppliers to clients, I mean, just generally the community. So I think, in general, we try to really have a holistic stakeholders view here. This translated also into a good quality of service also even in terms of both the supply and the distribution business.

Coming out of this, I think there's really an opportunity to take some of the lessons learnt and benefit not only from an efficiency point of view, it's obviously relevant, digitalization, but I think also new ways of working, and so, I think this is really making us also reflect on how we -- even post-pandemic how we will reflect that in the way that people interact here in the office and everything, and so, I think that will bring a lot of benefits also in terms of motivation for our team.

Last slide, let's just move into summary. So we're maintaining the financial guidance that we shared with you just a month ago in the Viesgo acquisition and the rights issue presentation. So despite 2020 being difficult for COVID, we are keeping solid earnings resilience, recurring EBITDA EUR3.6 billion, recurring net income EUR0.85 billion to EUR0.90 billion target. As you know, our recurring net profit assumes CESE as nonrecurring. So if you take that out, we're sort of at 0.8 and including the sales.

In terms of the deals we expect to do in the fourth quarter, we expect to conclude in the fourth quarter, I think that will be deposited, obviously, for the post 2020 period. So we see Viesgo clearly earnings enhancing significant value from the industrial project. And also, I think the better than expected terms of the Viesgo acquisition deals allow us to take a more optimistic view versus our strategic plan assumptions regarding the transactions over the next couple of years.

So, we still have around EUR2 billion, slightly less than that to do in the next couple of years. I think what we've seen in terms of the after rotations over the last 18 months, 24months, has allowed us to be slightly more optimistic versus our assumptions. We also see improved growth opportunities for renewables both wind onshore, offshore, solar, hybrid may include also storage green hydrogen, I think just there's a lot of moving pieces here, which I think will give us good opportunities to create value, improved economics, a lot of public support both in Europe and in the US. So, I think, we have some tail winds here.

The portfolio restructuring, and the focus goes in the long-term contracted and regular activities, also going to reduce our merchant exposure and improve our low risk profile. And that together with very supportive credit markets and lower yields for longer should allow us to also continue to reduce our average cost of debt. So, this overall combined effect allows us to feel comfortable about the dividend policies I mentioned. So, just generally, I think we continue to see a very positive outlook regarding EDP's capacity to lead this energy transition to really continue to create value for our stakeholders and our shareholders obviously.

So, we obviously then have a couple of annexes. I'm not going to go through that. But you have a lot of information we typically provide in other presentations, and we can refer to that in the Q&A if necessary. Let's just stop here and turn it back over to the Miguel Viana.

Miguel Viana: Yes, we can start now the Q&A session. Maybe we'll start with the questions on the phone, please.

Operator: Ladies and gentlemen if would like to ask a question ate this time please press star 1 on your telephone keypad, to cancel your question please press star 2. We will take our first question from Mr. Alberto Gandolfi from Goldman Sachs. Please go ahead.

Alberto Gandolfi: Thank you so much for taking my questions. I will stick to three. And the first one is a bit pedantic and I apologize in advance, but just to be clear on your EUR3.6 billion EBITDA for 2020 and EUR0.85 billion to EUR0.9 billion, you call it recurring, but I think out there, there's different definitions by different people like analysts, investors. Would you be so kind to tell us how much asset rotation or offshore JV gains you are included in there? And what one-off costs do you include in there? I tell you this because you're talking about EUR190 million one-off costs from the bottom line, from Sines, the liability management early purchases of bond and the extraordinary tax. But you don't explain it here. That's also not recurring. So, I was wondering how you treat that here.

And lastly, you're not really leaving here a big COVID impact like some of your competitors. So I was wondering can you give us EUR1 million figure impact from COVID, not currency, but perhaps just volumes and maybe adjusted for some of the extra gains in energy management you have. So, it would be great to really get to a clean, clean, clean figure here to understand your underlying earnings power, which I believe is the key debate today.

Second question. I'm really intrigued, Miguel, by your comment that talks about 85% secured of the 7 gigawatts. And if I put that together with your recent balance sheet measures, it's very interesting the sentence you use there, you said we are well positioned for growth opportunities in Europe and the US. Can you elaborate on that? The balance sheet of EDP by year-end when once you close all those transactions probably going to be EUR5 billion stronger, really EUR5 billion broadly, so securitization, asset rotation, disposal. What are you going to do with all this money? I mean, I guess your growth opportunities, you talk about renewable. Can you give us more? Tell us what is the organization ready to deploy? Is it going to 3 to 3.5 to 4 gigawatts within the next three years of gross capacity additions. I'm not asking your preview of the CMD, but just trying to understand what's the potential here.

Last question, very quick, also quite surprised, given that most of your enterprise value is renewables, you do not seem to show a pipeline here. Can you share it with us a gross pipeline? We know some projects will never materialize, we know some projects will, we know you need to keep every day working to beef up the pipeline. But can you tell us a snapshot of where it is today? Thank you.

Miguel Stilwell de Andrade: Thank you, Alberto. So in relation to your first question, just how much asset rotation is in the recurring numbers I was talking about. So, we're expecting that for the full year, we should be close to 0.4. So, I think we had 145 in the first-half, and we've had two recent deals which will be closing in the second quarter. I think, from the multiples you can assume that there's obviously going to be relevant capital gains associated with that. So, I think we'll be well ahead of what was our initial expectation. That's allowing us to mitigate the impacts of the COVID, which was the second part of this question.

So asset rotations, close to 0.4. And what I would like to highlight though, also it does show the recurring power of this business model, because it's not one, it's not two, it's not three, it's not four, it's already several transactions that we've been doing over the last couple of years or not certainly last two years, selling majority stakes where we have consistently shown not only the market appetite for these assets, but also the interest and the sort of the attractiveness of these assets, which is obviously increased even during this period.

Also, in this question in terms of one-off costs, so as I say, in Sines, we're obviously impairing the asset value, we're also impairing some of the coal value, and restructuring costs associated with that. The liability management is what it is. It's obviously the hybrid buyback at the beginning of the year and understands as well. And I think this is detailed in the presentation, but essentially, that's sort of the one-off which is clearly signaled and is not part of these numbers. In relation to the Spanish coal, we'd already done that last year. So really the big Sines -- the coal is really -- Sines now in the second quarter.

In relation to COVID, so we were obviously impacted by COVID and heavily impacted by COVID. Everyone was. It has an impact at the EBITDA level, let's say, above 0.1 billion in terms of then don't forget, a lot of this was also in Brazil. So when it gets down to the net profit line, it's mitigated. And in Iberia, it was also impacted our commercial business, and then -- but then that was also mitigated by part of our energy management. So I certainly wouldn't draw the assumption, on the contrary, we were heavily impacted by COVID, but fortunately we also had other levers, which then allowed us to mitigate that impact. So that on a recurring basis, we ended up in a good place.

In relation to your second question, so the well positioned for growth, listen, I think we're focused on the business plan, as I mentioned, we're still at 84%. We can look at it as we're positive we're 84%, and say that we still have some work to do to get to the 100%. We would look at going to the market at the beginning of 2021 and providing an update on how we see the Company going forward for the next couple of years, and we would then be able to elaborate a little bit more. But just in -- also in relation to this question, I think it's a relevant point. I mean, our balance sheet will be at the end of the year, where we wanted it to be. In other words, we are still a BBB- rating and we have the objective of trying to move to a BBB rating. And so that means that we need to be consistent in the way that we move in this direction. So it's not the transactions we're doing are allowing us to get a little bit more freedom and to move towards the BBB. Doesn't mean that we're suddenly have a huge amount of space. And so we are moving in the right direction, but on track so in line with what we expected. So I'd say that in relation to the capacity for more growth, really I'd like to probably answer that when we do a full sort of CMD, when we can take all the different pieces, put them together and have a sort of a solid coherent plan rather than just answering it just a part of it in relation specifically to renewals.

In growth pipeline, for the third question, you're right, we don't typically provide lot of information on pipeline. Obviously, as we go on closing the PPAs, we provide that. We have a very large pipeline, which has allowed us to feed and -- it's basically a funnel and I think we've talked about this little bit in the past, I mean, in some of the conversations that sometimes you need to be developing this pipeline for four, five, six years in different geographies until you actually get it to maturity. So we don't provide that information. But I think the fact that we are able to deliver the PPAs and deliver the growth shows that it's a pretty solid pipeline that we have, that's backing that funnel.

Alberto Gandolfi: Sorry, Miguel. Just to be clear on the first answer and thank you that was very comprehensive. So you have EUR400 million gains from rotation before taxes and those not very high tax rate here. And then you have EUR200 million one-off cost, EUR100 million volume cost on both on a pre-tax basis and on the EUR100 big chunk of it is Brazil. So, it's kind of -- if I were to think EBITDA, it would be EUR400 million gains and EUR300 million cost, right?

Miguel Stilwell de Andrade: Yeah.

Alberto Gandolfi: Thank you.

Miguel Stilwell de Andrade: Roughly.

Alberto Gandolfi: Thank you so much.

Miguel Stilwell de Andrade: My pleasure.

Operator: We will take our next question from the line of Harry Wyburd from Bank of America.

Harry Wyburd: Hi, everyone. And three questions from me please. So, first two, I'm afraid also on the guidance. So I'm just kind of a sense when rewinding back to May, your first quarter results, it's a fairly positive update. And I think certainly my interpretation was that the wind was sort of more blowing towards essentially this year coming out ahead of guidance and you sort of updated it and the range you given to perhaps a touch below if you pedantic, and what I'm interested in is what's changed. You sort of alluded to a less good outlook in the second-half Iberia retail. So compared to where we were when we were last speaking in sort of early to mid May, what's really changed in the second half? Has there been a sort of negative movement in the outlook for retail or any other part of the business that perhaps need means or some of the less looking at a kind of guidance upgrade or beat or is it just as the COVID impacts were actually bigger than what you'd anticipated back in May?

And second one, sort of very granular, so mainly yes/no question. So, just that 0.85 to 0.90 guidance and 0.4 of gains includes an assumption for the remaining assets that are going to be folded into the Engie JV or would that be upside to those figures? And what are you assuming for the US dollar in your 0.85 to 0.9? So is that based upon a mark-to-market as of today?

And then third and final question, just on legal case, so as I understand it, there's now a potential legal case where EDP would be the defendant, can you just help us understand the timeline on that case? Is that something that is expected? Perhaps a drag on for years or tons of years or is this something that you think could come to heads relatively quickly? Thank you.

Miguel Stilwell de Andrade: Okay, Harry. So thanks for the questions. So maybe on positives and negatives versus May, so I think in May we were -- we had already tried to factor in a lot of the moving pieces which is, so as I mentioned earlier, we were hit hard by COVID. There are also some positives that we were already beginning to see. And so we sort of built that into our view at the time. And positives, we have already seen the lower interest rates. We were seeing already higher gains in the asset rotation. Some of the negatives, let's say, been highlighted over the last couple of months. A stronger devaluation of the Brazilian real and obviously the demand, so I think, definitely those pieces have continued to move, but the positive ones we're already seeing, I think the Brazilian real has continued to devalue a little bit further versus where we were back in May.

And in terms of the energy management also for the remaining part of the year, I think, as I mentioned, we had an extremely or extraordinarily strong first quarter. Second quarter was good, but obviously the strong and typically the second half of the year is less strong than the first-half. So, as I mentioned, that's already built into our target. So, we're already now in September, where you had the chance to sort of incorporate the latest assumptions and I think these positives and negatives needed to be comfortable with the guidance we provided a month ago.

In relation to your question on the net profit, so, yes, the guidance already assumes the gains that may come in from moving the remaining projects into the JV. So, that's also built in. So essentially

Mayflower and Seamade, which are the ones that have -- will have the greatest impact in that. So, that's relatively quick question. And I think you also asked about the euro-dollar, that's 1.15 roughly is what we were assuming for that forecast.

In relation to the legal case, listen, there's not really very much I can add to what we said in the past. So, timeline is uncertain, but certainly it's something that we don't expect a lot of news in the short-term it could drag on, as you know, the legal cases in Portugal typically do drag on for a number of years. There's not any information that I can provide, no news in this respect. August was a pretty slow month due to holidays, and nothing more to say here.

Harry Wyburd: Okay. Many thanks. And just perhaps just on the legal case, because you had to provision anything in your accounts for that?

Miguel Stilwell de Andrade: No. Listen, I'll be very clear about that. We have not provisioned and we have no intention of provisioning. I mean, there's, in fact, there's not even any number out there that we could possibly even try to understand what it -- have a reference for that. So, no provision, no intention of provisioning and no even -- not even a reference that exists.

Harry Wyburd: Got it. Very clear. Thank you.

Miguel Stilwell de Andrade: Okay.

Miguel Viana: We can go to the next question on the phone please.

Operator: We will take our next question from the line of Arthur Sitbon from Morgan Stanley. Sorry, now the next question comes from Manuel Palomo from Exane.

Manuel Palomo: Hello. Good morning, everyone. Thanks for taking the question. I've just got two questions. Well, one regarding Portugal, in which I will ask you to please update us on the latest extraordinary energy tax? And two, related to recent auction, and well, what's your view on the results from that auction and why you did not gain any or why you were not awarded any of these projects in the under the different optionalities for the auction?

Second one, and again, not trying to preview your CMD in the future, but I was wondering whether you could tell us what is the run rate in terms of installations that EDPR could do? Are you already at the peak of that or do you see still some room for improvements in the coming future? Thank you.

Miguel Stilwell de Andrade: Hi, Manuel. So, in relation to the Portuguese regulation, I think, essentially, we have three different topics that we typically talk about, which is the CESE, the clawback, and the social tariff. I would say that in relation to the CESE sort of extraordinary tax, clearly there is a commitment to have this evolve, and that was set out in the government's budget for the year that it should be reduced in line with the system debt. Unfortunately, this coincides with the COVID and so the system that is actually not expected to decline this year. We do expect it to continue to decline going forward, because the COVID is obviously a one-off impact. So, it creates short-term pressures this year, but then we continue when we look forward, when we project the tariffs going forward and the systems debt, we continue to see it's completely sustainable and will fall away over the next couple of years. So in that respect, I think that political commitment is still there. And it's a question now of following this and seeing how it evolves.

In relation to the clawback, again, I think some -- maybe some positive news on that, which we hope will come out over the next couple of weeks maybe, essentially, some steps were taken, as you know, the Secretary of State already mentioned that we should net off the sales and the social tariffs against the clawback, and so that now needs to be detailed and reflected in specific regulatory -- regulation. And that's being done. So hopefully, we'll have some news coming out of that, probably.

In terms of the social tariff, not really any news on that. So no change there. But that's Portuguese regulation. In terms of solar auction, we obviously go to these auctions and we participate in the same way we participate in many other auctions around the world. And, we do our best, we setup the teams, we try to find the locations we use our pipeline. But then we're also disciplined about what we see is the return that we expect for these type of projects, and so we'll go in and we'll have a price that we're willing to go to, and then it goes beyond that, and will step out and will invest elsewhere.

I think it was interesting to see the solar auction. So obviously we'd also participated last year. They know we were awarded, not in the auction, but afterwards with the project there. But this year, it had a particularity which is you could also bid with storage. So 75% of the solar of the 700 megawatts ended up being taken in the modality which is solar plus storage. That ended up being extremely competitive and stayed on a CFD basis if we had to do in one case, it was EUR11 per megawatt hour and in some cases it could even potentially be negative, so very aggressive prices.

I have to also mention here that half of those megawatts were won by a South Korean company, which is also a producer of panels and storage. So they may have, say, a different view on the economics, and so they're able to be more competitive there. I can't really tell, but I guess it would be certainly interesting to try and understand a little bit more of those economics there. But it's part of life. I mean, we go to these auctions, we win some, we lose some, and that's just have to be disciplined in how we approach this.

In relation to the question on the run rate, so clearly, we are ramping up, as you know, in renewables. We were at a run rate of around 700 megawatts, and we're ramping up to around 2 gigawatts. We have the pipeline. And I think that's something that we've all stressed is -- the big change, I think, strategically that we had was to build as much as we can, and then if necessary sell part of it to continue to recycle that capital. From an organizational perspective, we've also been ramping up. We've been hiring a lot of people. We've been sort of building out the organization, obviously, to match that. So this year, we would be already -- obviously now with the COVID, it's been slightly delayed the number of megawatts we're building this year, but we'd already be getting close to 2 gigawatt, so within 1.5 to 1.9 type range. And I say some of those megawatts have slipped into 2021, but I think the organization is there.

So we continue to ramp up the organization. I think we had the heart of it, the core, we already had in terms of energy assessment in terms of the relationship with the turbine manufacturers. So I think that's there, and so we're really flashing out in the different markets and in some markets where we already are to make sure we can continue to deliver those megawatts. So I mean, this is all just to say, we're comfortable with the run rate at the 2 gigawatts. I'd wait to see sort of the full CMD to talk about any other numbers are from that.

Manuel Palomo: Okay. Thank you.

Miguel Viana: We'll try now to answer some questions from the web. We have here some questions regarding Viesgo acquisition in terms of integration. So, Stefano Bezzato from Credit Suisse and Jorge Guimarães from JB Capital. Are you in position to provide more detail on the expected synergies and tax benefits from the synergy with Viesgo? Is it now possible for a more detailed view about potential synergies? and also Jorge Alonso what happens with the same direction? Miguel.

Miguel Stilwell de Andrade: So, first, as I mentioned, we're focused now on executing the M&A side and trying to get that close by the end of the year, and getting this through the different regulatory hurdles. We're also, in parallel, working on the integration plans for the first 100 days. So we're, this will be basically doubling our size more than doubling our size in networks for permanent concessions, would be combining two industrial projects. So obviously, I think we can all intuitively understand that this has a lot of value creation potential.

I've seen some of the numbers from some of you guys, some sell-side analysts, and we're comfortable with those numbers. I think they're aligned with the benchmark for these kinds of deals, certainly our internal numbers would not be very different from those, but I really can't share much more detail than that. I would just also say in relation to the tax issue, I mean, obviously, since we will have more than 75% in the distribution holding company, we will have the full fiscal consolidation with the EDP Spain perimeter. So, we expect that to also generate significant value.

Miguel Viana: We have then a question also regarding from Jorge Guimarâes in terms of coal plants of Viesgo impact on EBITDA in 2021. I think, this is quite easy maybe, we don't expect any EBITDA contributions. We expect that all the extraordinary costs for shutdown will be already accounted both in 2019 and 2020.

And finally, I think we have -- we are reaching the end of the call. We have a last one on the fixed income from James Sparrow, BNP Paribas. Can you talk about your funding needs after the capital increase and recent asset sales, having issued equity, you no longer need to issue heavy debt, will the focus be more on issuing cheaper senior debt in the future. Miguel?

Miguel Stilwell de Andrade: The answer here is yes. I mean, we'll continue to issue senior debt. Probably most of it will either be euros or dollars. We also think it's important to distinguish with dollars since most of our growth are -- big part of our growth is also US dollar-driven. Hybrids, listen, they are tool and we may use them in the future. So, I would never say never. We need to reinforce credit metrics, but certainly we don't have any plans to do that at the moment. We're just focused on executing the deleverage plan, which doesn't require any more habits for that. The capital increase was obviously just necessary, because of the Viesgo acquisition.

Miguel Viana: I think we can we can conclude, Miguel. I don't know if you have any final remarks.

Miguel Stilwell de Andrade: Listen, I think, it's -- obviously, the second quarter was a tough quarter and we would have liked to go talk to you guys on July and present on that. But as you know, it wasn't possible. I think we are very comfortable, we have solid results. We're comfortable with the guidance and we're comfortable, in terms of the asset rotation deals. We're comfortable in terms of the way we're managing the energy management. So, we're feeling very positive about the Company. And several of you raised this in terms of our future prospects, I would prefer to have a, let's say, a comprehensive discussion and presentation to you all on this in the future, but certainly we're feeling very good about the Company and about the prospects going forward. So, I think we're in a good place.

Miguel Viana: With this we finish the call, thank you very much for your participation and hope to have you in the next weeks in some interactions in several conferences and then on the third quarter results conference call that is reaching very close already. Bye.