EDP – ENERGIAS DE PORTUGAL

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Chaired by António Mexia

Company Participants

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

Miguel Viana: Good afternoon, ladies and gentlemen, thank you for being with us today in the conference call on EDP's First Quarter 2020 Results. We will begin with a brief introduction by our CEO, António Mexia, then our CFO, Miguel Stilwell De Andrade will provide us with an overview of the results and the main developments of the period and then we'll come back to our CEO for a more detailed analysis of the status of our strategy execution in particularly focusing on the impact from COVID-19.

Finally, we will move to a Q&A session in which will be taking your questions, both by phone and via our web page. We expect this call, less no more than 60 minutes, I'll give now the floor to our CEO, António Mexia.

António Mexia: Thank you, Miguel. Good afternoon everybody. Hope you are all well and safe as well as your families and friends. I know that we have been living difficult times. But once more is more value for the work that we have been doing and so thank you very much for attending this results conference call.

I think the key word at this moment is resilience and I would like to start by providing this overview on our performance, and I believe that the start of 2020 was marked by the achievement of very important milestones and show exactly this resilience that derives from our diversified portfolio, and its high quality, which was crucial for the good performance in a volatile environment as well as some decisions that we have taken and are already in our DNA.

EBITDA increased by 6% to EUR980 million, due to the combined effect of wider recovery and strong results in our energy management activity in Iberia. That's more than offset the low wind resources in the period and the negative impact of the 13% devaluation of the Brazilian real. The net profit increased by 45% year-on-year to EUR146 million benefiting from EBITDA contribution and the decrease in average cost of debt by 60 basis points and excluding the non-recurring costs on a hybrid bond buyback of EUR45 million recurrent net profit rose 51% to EUR252 million.
Our net debt-to-EBITDA fell to 3.4 times, adjusted for Regulatory Receivables and the temporary impact from the sale of tariff deficits with our net debt decreasing by 8% to EUR12.7 billion the lowest absolute level over the last 13 years. Additionally, our financial liquidity is at historical

maximum level of EUR6.9 billion, which covers our refinancing needs beyond 2022. I think it's important to share this in this moment.

Finally, our annual dividend of EUR0.19 per share was approved by more than 99% of votes at our virtual AGM on 16th of April. So right in the middle of the lock down period and the payment date will be next week, May the 14th.

I will now pass the word as usual to Miguel Stilwell, our CFO for a more detailed analysis of our results and then I will come back to provide an overview on our strategy execution. Thank you. Miguel?

Miguel Stilwell de Andrade: Thank you, António. So let's start on slide 5, talking about hydro and wind resources, which is obviously a major driver of our result. So hydro resources had a very strong recovery this quarter compared with extremely weak first quarter of 2019. But it's still 9% below the average year. During this period, our reservoirs stood slightly above historical average providing a pretty good indication for the second quarter of 2020, and it's also worth mentioning that April was a pretty good month, 17% above average. For this year, we have I think good hydro resources in general.
Regarding wind resources, so after a decrease of 3 percentage points year-on-year the stood at 10% short of the long-term average in the quarter and the production declined 8%. The major impact on the consolidation of our wind farms following last year's asset rotation deals. So, if we disregarded this effect production would have increased 2% year-on-year and this is something which is quite detailed also in the EDPR presentation and results.

Moving on to slide 6, an important message here is regarding our green positioning renewables, the weight of renewables in our production mix increased from 69% to 79% even though our wind capacity declined following last year's asset rotation deal. Our thermal production declined, and this was mostly driven or almost entirely driven by the coal production in Iberia which was reduced very significantly.

Another important message is our steady focus on growth in renewables. So during the last 12 months we installed around 700 megawatts of wind and solar capacity and we still have another 1.3 gigawatts under construction. However, you can see a decline in installed capacity year-on-year, but this is impacted by the asset rotation deals I mentioned, totaling 1.3 gigawatts of gross capacity.

I'd like to highlight that this number is strongly impacted by the 1 gigawatt gross capacity of the wind farm sold in Europe last July. So we had 51% in this portfolio. If you consider just net capacity this decline would only be around 100 megawatts.

Moving on to slide 7 on the financials. So as António mentioned our EBITDA went up by
6% to EUR980 million on the back of the strong recovery in the hydro in Iberia adding EUR65 million to EBITDA and also the good performance of the client solution energy management activity in Iberia which had a EUR82 million increase year-on-year. So these good results were

offset slightly by the EUR47 million decline in wind and solar activities and the hydro results in Brazil, which were weaker this quarter. I'll go into more detail on each of these platforms in the following slide.

On slide 8, starting with wind and solar, EBITDA declined 12% to EUR340 million mainly due to the reduction in the average installed capacity of 7% and this, as I mentioned is very much related to the deconsolidation of the wind assets sold last year, and so this was around 1 gigawatt in Europe, 137 megawatts in Brazil and around 200 megawatts in the US. So the European platform was the most penalized by the effect.

As I mentioned, the wind resource also worsened and all-in-all production fell 8% year-on-year. The average selling price remained broadly stable. Obviously, very much driven by the fact that we have long-term PPAs tariffs, CFDs in the majority of the wind farm.

Going on to slide 9 and talking about the hydro business here. EBITDA from hydro rose 22% year-on-year to EUR209 million, mostly in Iberia -- partly driven by Iberia. So here in Iberia there the improvement in resources led to an 87% increase in production despite the declining pool prices that we've observed over the last couple of months. The ultimate impact on the segment was immaterial because we basically forward contracted all of the sales for this period.

I think this is an extremely important point and we will probably come back to that later. Please bear in mind that EBITDA had an EUR18 million impact, rising from the clawback in the generation taxes in Spain which had been suspended in the first quarter of last year. But we're still recognizing in the first quarter of 2020.

In Brazil, EBITDA fell 38% excluding ForEx effect due to the obviously unfavorable evolution of the PLD and the GSF versus our contracted position which required the acquisition of energy through bilateral contracts and that penalized the performance.

So moving on to slide 10 and regulated networks, here the EBITDA from networks decreased 2% to EUR237 million. In Portugal, the results were penalized essentially by the decline of 50 basis points from the return on RAB to 4.8% which is very close to the regulatory floor of 4.75% and already reflects the low Portuguese bond yield since October to-date. Obviously, the Portuguese bond yields have increased over the last two months but before then as you know they were extremely low. This effect was just partially compensated by a 1% decline in OpEx in Iberia.

In Brazil, there was a good solid growth of 11% in local currency. This was driven by the growth in the transmission activities with the execution of 63% of investment and the commissioning also the Maranhão transmission line. Distribution EBITDA declined 1% penalized by a 5% decrease in distributed volumes in the period.

Well, let's talk about the segment’s client solutions and energy management on slide 11. There was an increase in 74% to EUR200 million, a strong contribution from energy management in Iberia and António mentioned that right up front, and this resulted from our hedging strategy and the strong volatility in the energy market in the quarter, and so that much more than compensated the 77% decline in the coal production. The supply business also grew EUR13 million versus the first quarter of 2019. This is a business that's been improving steadily over the last couple of quarters, including the impact from the 5% increase in the penetration of supply services. In Brazil, the EBITDA increase was supported by the improvement of thermal variable cost versus the PPA benchmark.

Slide 12, OpEx; OpEx in Iberia was up 1%. I think overall though this is a good achievement given that last year's quarter already had a 3% reduction year-on-year. So it's already a challenging comparison. In Brazil, the OpEx in local currency, excluding growth was up 1% when inflation was close to 4% up. In EDPR, the adjusted core OpEx per megawatt was up 4% following the need to cope with the business plan growth, and also the asset consolidation from last year's asset rotation, and again this is something I know EDPR has already spoken about.

So concluding on the OpEx, excluding FX, it increased 3% reflecting the growth activity while on a like-for-like basis it stood flat. We still expect over the next couple of quarter that the OpEx will come down on a like-for-like basis as we're seeing in the business plan.

Slide 13 financial deleverage; so I think good news here. Our net debt declined 8% mainly supported by the strong results in our operations as I've already described, and this led to a 51% increase of our recurring organic cash flow. So also our net expansion investments of EUR0.1 billion reflect on one hand the expansion build-out activity of around EUR400 million and also the EUR300 million of proceeds from last year's asset rotation deal in Brazil, and also the tax equity partnerships in the US both of which cashed in this quarter.

The change in regulatory receivables and tariff deficit sales, they had a combined cash positive impact of around EUR0.5 billion in this quarter, mainly due to the sales to five bilateral transactions we did it the bank of EUR825 million, and so that impacted a lot of 2020 tariff deficit in the quarter. Around EUR0.6 billion, of which will be just a temporary positive effect, that will then be diluted throughout the rest of 2020. So it's important to bear in mind when doing the net debt-EBITDA numbers that there is this temporary effect although positive in absolute terms it will then be diluted.

And finally, the depreciation of the Brazilian real versus the euro to-date, resulted in a positive impact of around EUR0.2 billion in the period, and so the overall net debt EBITDA excluding regulatory receivables and the temporary effect from the sale of the tariff deficit went down to 3.4 times, as António mentioned it’s a pretty low number certainly versus the last decade. So it would have been 3.2 without the tariff deficit adjustment. But as I say, you need to make that adjustment.

Moving on to slide 14, the total interest related costs declined 20%, EUR35 million year-on-year and this followed a 60 basis point decline in the average cost of debt. This excludes the EUR57 million one-off cost with the liability management at the beginning of the year and also some of the smaller non-interest cost. Overall, this means a cost of 3.4%, which compares with the 3.9% at the end of last year, and the target of 4% we have in the strategic update. So, again this is something, I know we've talked about a lot over the last couple of months. We're expecting to see a decline in the interest costs and we're clearly seeing it here in the first quarter.

Now you can see on the right hand side of the slide, the new debt issues, the top right hand side done at cost significantly below average, and the bonds repurchased are maturing at the bottom right hand side of the slide, you can see they also had cost significantly above average, and this is a trend we expect also to continue going forward for the following quarters and it's compatible as I said with what we've indicated in the past.

On financial liquidity slide 15. So here at the end of March liquidity stood at around EUR6.9 billion covering our refinancing needs beyond 2022. The beginning of April already during the COVID lock down period, we issued a EUR750 million green bond, a 7 year maturity at 1.7% yield and had a lot of interest for the market. I mean it was massively oversubscribed, which I think is obviously positive news in the middle of all this. So, this bond is currently trading at a premium in the secondary market.

So, this combined with the hybrid, and the tariff deficit sale we did early in the year really positions us well I think to face the crisis that we're all living through. It's also worth mentioning that regarding the pending deal we've always indicated, we expect the financial closing of the hydro disposal of the EUR2.2 billion to be done in the second half of 2020. So again, very comfortable with our liquidity position.

Finally, just moving on to the recurring net profit, this rose by 51% to EUR252 million with the hydro energy management in Iberia playing a critical role here, also important to stress something I've mentioned the good performance of our financial results penalized by the one-off cost with the hybrid bond buyback but as you know, with a very positive economic effect.

So I'll pass the word again to António. Before I do that, just again to reiterate, also as mentioned by António earlier I hope you're doing well and safe and we will come out of this stronger than we came into this crisis. Thank you.

António Mexia: Thank you, Miguel very much. So, I will move now to address EDP's action under the current COVID-19 as well as an update on the execution of our strategy.

We see on slide 18, I think it was obvious that the strategy that we presented last year clearly oriented by a wide de-risking approach throughout all our strategic pillars, those 5 pillars of our strategy. So, first, our growth has been focused on a long-term contracted renewables wind and solar at competitive prices as well as regulated network. These are business, which have little exposure to volatility in energy prices and demand.

Indeed, in our investment decisions we have followed not only a strict return criterion but we are also selective in terms of risk with the new investment decisions, having an average contract maturity of 15 years, and the contracted NPV above 60% meaning for example that we have restrained ourselves from investing in commercial solar.

On top of that we have established a target of EUR6 billion of proceeds during the period of '19 to '22 which consists of EUR2 billion from disposable and EUR4 billion from asset rotation. These proceeds will be used to fuel our growth and to deleverage, while reducing our merchant exposure. Regarding our balance sheet, we have the final upfront financial the leverage target of reaching a net debt to EBITDA of 3.2 times already in 2020. In parallel we have retained a conservative policy on the financial liquidity having close to 24 months of financing needs which some of you may have considered as too conservative some months ago, but that today give us additional comfort on the execution of our plan.

Digitalization was also promoted through the call of our strategy and we have committed to invest EUR800 million on digital CAPEX, increase Asset Intelligence operation and process efficiency, and finally we have maintained a sustainable dividend policy consisting of a target payout range of 75 to 85 with a dividend floor of EUR0.19 per share.

ESG criteria are also embedded in the top priorities of our strategy. Namely, through the clear de-carbonization path until 2013, with a target to achieve 90% of renewables in our electricity mix, 90% reduction of CO2 emissions versus 2005 levels and became completely coal free.

Moving to slide 19, the importance given to ESG standards in our strategy is also reflected in the strong committed to all our stakeholder. In our view, ESG is not a trend as I mentioned, it's in our DNA and it is part of our long-term strategy being key to build a resilient company as such now more than ever we are called on to demonstrate our commitment to our stakeholders, and we quickly respond. We have taken numerous initiatives and you will see in the next slide, providing a key positive contribution to our society and of course, enhancing always our reputation.

In slide 20 let's start with our priority, safety of our people. As we promptly implemented specific measures in all geographies to ensure that. For instance, in Portugal we have already had about 70% of our employees working from home two days before the declaration of state of emergency. Currently, overall in our Group more than 72% of our people are working remotely with approximately 100% of the office staff working from home. Of course, this was only possible due the strong digitalization effort in the last year. Indeed, EDP is a case study in Microsoft related to the rollouts of Microsoft teams, which allows us to become more connected collaborative and innovative, something that was crucial for a lock down period.

We have also promptly taken the necessary measures to minimize exposure of our employees, which are critical to ensure the continuity of supply, and those who need to be in the field. Usual ones, such as the delivery personal protective equipment and the reinforcement of cleaning and disinfection. All-in-all we were able to ensure business continuity without any disruption of service and we are convinced that this is a new opportunity to take down the lessons learned and benefit from additional efficiency improvements, namely through these before digitalization which may have important positive impacts in the future.

Now moving to slide 21, aware of the unprecedented times we are currently living, we are also promptly active in taking initiatives contributes to mitigate the impact of COVID-19 in our community. So far, we have donated more than EUR11 million to our main geographies through several initiatives across the most affected areas of society, public health, culture education and the social sector.

Also, and very important to support our suppliers and keep the value chain working, namely small and medium companies we have anticipated the payment of invoices during April and May. Overall, in April we have already paid more than EUR30 million related to almost two months anticipations of invoices and now we are making prompt payments of invoices up to EUR500,000 totaling up to EUR100 million.

This is our way to cooperate with hundreds of partners more than 1,200 in our value chain providing liquidity to promote economic activity and employment. Regarding our clients in page 22, we have also adapted our supply operations to meet their current needs. We have a distinct portfolio of clients in each geography.

In Portugal, we have a higher weight of B2C, while in Spain B2B is clearly the core of our supply activity. In both geographies' direct debits of B2C clients reaches considerable high levels, which could be a mitigator of payments delays in these turbulent times. In Brazil, we have a more balanced mix between B2B and B2C as you know.

Given the COVID context we have mainly implemented three types of measures to support our client. First, we reinforced the visibility of digital channels to continue to ensure high quality of service, while avoiding a physical contact. Second, we suspended the energy cuts, in most cases, clearly ahead of any regulatory decision to do so, and finally we reinforced the flexibility of determined payments and assets not charging any interest in an effort to help those clients that are facing particularly vulnerable situations.

In parallel, we suspended, a significant part of the commercial activities and our field forces was reduced to focus only in urgent intervention. Also, we launched a discount tariff plan for house professional and supplied free energy to hotels that supported the hospitals in the fight against this pandemic.

In slide 23 regarding demand evolution, we can see in the graph on the left that in Portugal, the decline during the lock down period was concentrated in the non-residential segment, particularly in small businesses, which represents 7% of total electricity demand. These deep reductions in electricity demand corresponds to the lock down period and are expected to be smoother in the year with the easing of confinement restrictions.

During the period from January to April Portugal demand declined slightly less than 3% year-on-year. In Spain, electricity demand decreased almost 7% as here the lockdown began earlier and there is a higher weight of Industrial consumption. In Brazil the 4% fall in demand in our concession is related not only with lock down measures as the impact of COVID was felt later in Brazil, but also due to specific issues such as adverse temperature effect and a strong decline in consumption from a single large industrial client in Espiríto Santo which is a free market client and has no impact on our over-contracting position.

Note that's regarding the impact of changes in demand on regulated revenue and networks, the impact is zero in Spain, irrelevant in Portugal and somehow material only in our distribution business in Brazil.

Moving to slide 24, talking about hedging. We are fully hedged for 2020 with all our expected generation hedged at the average selling price, close to EUR55 megawatt hour and an average thermal spread at middle single digit with a good energy management position that should mitigate the impact of the adverse market context.

For ‘21, the expected reduction in electricity production is driven by the disposable of 6 hydro plants in Portugal and we have already hedged 60% of our expected production at the price close to EUR50 megawatt hour. Moreover this 60% hedging does not include the 12 terawatt hours a year of consumption of our B2C clients which as you know, have a very low churn rate.

Finally, we are also in a comfortable position regarding gas long-term contracts, which should represent around 60% of our expected gas needs in 2021. Moreover, following the maturity of two contract in 2020 gas sourcing costs will be more competitive in '21, 50% of which indexed at prices and close to 50% linked to TTF European gas spot price which have a higher correlation with Iberia electric prices as you know.

Brazil, in this geography, you can see that we have a resilient business model well adapted to face the recent increase of volatility financial and energy market. The strong fluctuations of the currency is something that we have lived over our more than 25 years of presence and experience in Brazil, and thus justifies our long-term standing ring fence financing policy with all funding of Brazil operations in local currency, and we continue also to have a more conservative financial leverage in this country with two times net debt to EBITDA ratio. Among the specific measures that we have adopted recently I would highlight the reinforcement of financial liquidity with an additional BRL3 billion through the anticipation of refinancing deals, short-term cash flow enhancement measures including CAPEX management and the adjustment of the dividend policy already in 2020.

Regarding our operations in the last years expansion CAPEX in Brazil has been devoted as you now to long-term contracted activities, namely transmission which have 30 years regulated revenues indexed to inflation and with no demand exposure. On operations that are more exposed to the current downward trend in demand and energy prices, namely hydro, supply and distribution, we expect to mitigate negative impact through our integrated management of energy markets risk in order to take advantage of the natural hedges between the different business segments in Brazil.

Now moving to slide 26, we continue executing successfully our portfolio operating optimization strategy, which will provide clear contributions while deleverage target. On hydro we have announced as everybody knows in December, the sale of six hydro plants in Portugal for EUR2.2 billion. The process is moving forward. The EC approval was already granted, national regulatory requests were already submitted, and the financial closing is expected through the second half of this year eventually in the first quarter.

Those teams have been working on this -- on those sides. In line with what we have stated in 2019 results presentation, we continue also to consider other complementary options of the optimization of our portfolio, both in Iberia and in Brazil. In asset rotation the JV with Engie for the offshore wind was already granted the EC approval and we are working now to complete the process of transfer of assets by each partner for the new company.

Moreover, as we have stated before for 2020 we are working on two deals of asset rotation, totaling 0.7 gigawatts of net capacity. Both processes have now moved to a second stage in order to receive binding offers by the summer.

Regarding renewables in slide 27, we continue developing our pipeline with 1.3 gigawatts under construction while expecting to add 1.6 gigawatts of capacity this year mostly in the U.S. As usual, the majority of the plants are planned to be commissioned in the first quarter. We have seen occasional construction restriction due to COVID, mainly related to the lock down and with supply chain disruption, which can lead to some delays. However, this is not expected to have any material impact on projects fundamentals.

Furthermore, we continue executing new PPAs 500 megawatts year-to-date and even during the lockdown period when we have announced 3 PPAs in three different markets Spain, Mexico and US.

On the next slide, 28, I like to share the vision that we see a green deal as an opportunity to develop a new model of prosperity building a more resilient society. It's true that the world is facing, not only a public health challenge, but also an economic challenge. It's critical that political decision makers in designing the plans for economic rebound post COVID look at the energy transition as key in economic recovery.

As such in the last months we have joined forces with other 179 individual including Ministers, Members of European Parliament, the CEOs of several sectors to reinforce our availability to joint implement Green Field ambition. We have a large pipeline of projects that will promote economic stimulus, job creation and accelerate the energy transition by replacing generation from fossil fuels with renewables generation.

And the timing is right renewables are already more competitive than conventional generation, as we have seen in the several renewables auction that have been taking place around the world and we are witnessing a broad support of the society to green alternatives in all activities sectors. Economic growth and reinvestments are no longer a tradeoff, they go hand in hand and together they can build a more resilient society based on new model of prosperity where everybody wins nobody is left behind.

Moving to last slide, I think that we can say that we have entered into this COVID period in a quite comfortable position, regarding the execution of our business plan which places us in a much more resilient position to cope with the challenges posed by this crisis. First regarding our growth, we have already secured 83% of the planned 7 gigawatts of wind and solar additions between '19 and '22. On transmission we have already executed 63% of BRL3.9 billion CAPEX plan.

Second on portfolio optimization we have already closed and agreed more than half of EUR6 billion proceeds related to disposals and asset rotation. Third, we have already -- we have also reinforced our balance sheet upfront being at 3.4 times in March and with good visibility in reaching 3.2 times by the year end. In parallel, we have a liquidity position of EUR6.9 billion as stressed again by Miguel covering financing needs at least beyond 2022.

On cost we have done well in the first quarter of this year, and our internal vision is that we should have a very strong performance throughout the year with the current environment having a net positive impact in this front also with no doubt the credit context provides an opportunity for accelerated digitalization and associated operational efficiency improvements that were not foreseen before this period.

On shareholder remuneration, next week we will pay our 2019 dividends of EUR0.19 per share as expected and approved, which represents an 81% payout ratio, totally in line with our sustainable dividend policy. We continue to take important steps forward regarding an earlier than expected delivering our decarbonization targets as you can see by our first quarter 2020 figures. It's also considering the expectation for the next quarter.

I would say that overall in all metrics we are close to achieving or surpassing two-third of our targets after 2022, which as I said before, places us in a very comfortable position to face the new challenges ahead. If I have to pick keywords I would pick energy management very successful. Second capital markets management including liability management. Third, deal execution both at asset rotation and asset recharging. Fourth investment execution with unprecedented development of the pipeline. So, these four elements prove that we have been really doing what we should.

So, for 2020 we feel comfortable with the consensus at the EBITDA level, at the net profit. At the debt level we are ahead of our plan.

The business plan was designed to be resilient and EDP is well positioned for paying return. So thank you very much, and let's move to the Q&A Miguel.

Operator: At this time, we will take our first question and our first question is coming from Stefano Bezzato from Credit Suisse.

Stefano Bezzato: Three questions. Yes, hi, good evening. Three questions from me tonight. First on the farm downs, can you, can you give us a bit of color if you've seen any change in the level of interest from potential bidders before and after the COVID-19 outbreak? The second question still related to the COVID-19 outbreak is on working capital what is the worst-case scenario you have in terms of the impact on working capital from delayed bill payments and all other negative impacts we can have, because of the current crisis and how quickly, do you think you can recover that?
And my last question is on your hedging strategy. You're showing a EUR5 per megawatt hour decline in power price achieved from 2020 to 2021, is there any chance you can recover part of this decline through higher supply retail margins?

António Mexia: So thank you Stefano, farm downs were really as you know, it's part of our business model today, part of our recurrent activities and it was important to have the perception post Covid and frankly I just want to confirm the following. We have received the non-binding proposal and the values are exactly what we expected before the crisis. So, I believe that the scarcity effect and look for yield of quality including this renewables scenario, I think it has proven to be very resilient and if anything, we have more people bidding for this than I expected before at the beginning of the process. So, as we see we will reach clearly the figures above EUR200 million that was expected in terms of capital gains for the farm downs for the year and we feel really comfortable with the markets after COVID. What concerns the hedging strategy, I believe that our figures, we are talking about prices before any supply margins and before ancillary services, and I think that they're having already hedged this close to 50% for next year, around 60% is good. We will, of course, keep closing and as you know the second half of the year will be important for this, for the rest -- and of course depending also on the price of CO2. In terms of higher supply margin, it depends very much and I think little bit too early to say, but in what concerns 2021 we feel that we are in a rather safe position, especially with our long retail position in Portugal that of course is less sensitive through any price movement, so clearly, we feel comfortable with what we have and we -- at this stage we would not be hedging in the rest of year. We don't need. Miguel for the COVID working capital.

Miguel Stilwell de Andrade: Hi, Stefano. So clearly in terms of working capital, the measures both approved in Portugal and Spain should have some temporary effect on the working capital and net debt, but we expect to be progressively recovered as of the third quarter 2020 onwards. So really, we should probably expect sort of peek around May, June.

The impact on the 2020 net debt will depend on the obviously on the length of this lockdown period and the recovery afterwards, but in any case, it's important to bear in mind that 62% of our customers in Portugal have electronic billing and almost 100% in Spain and so we think this is something which is very manageable. We've gone through previous crisis is in the past, and I don't think this could be a major issue for us.

Miguel Viana: So we now go to the questions by the Internet and the first question comes from Jose Ruíz. Are you comfortable with net profit consensus forecast for 2020?

António Mexia: Thank you. For 2020 we are comfortable, because that net profit to consensus is around 800, it makes sense with information that we have today. Now that is net profit market consensus with energy tax as a recurring cost. These number does not include non-recurring gains and probably as you know, as we are doing a lot of deals in 2020 we will have some figures coming from there.

And so first, the main uncertainty as everybody knows is will the recovery take place and will there be a second wave of the COVID. In any case, we feel comfortable and the key variables that we need to follow through the rest of the year is basically in Brazil basic business wise and also FX wise of course, we have been seeing a normal -- rather normal year, even if it up to March, it was slightly below a normal year, much better than last year. In April, we are already in a normal year above, April was above. It depends on the last quarter, but we have already 46% of an hydro normal year. So, then the energy management result are supposed to be strong and so we feel totally comfortable with the consensus.

Miguel Viana: Next question coming from Fernando Garcia from Royal Bank of Canada. Could you comment about Portuguese tariff deficit and what are your expectations for 2020?

Miguel Stilwell de Andrade: Okay, so on the tariff deficits, obviously, there -- it's been coming down progressively over the last couple of years, as you know and I think that's been one of the positive messages coming out of the Portuguese electricity system. Obviously, we think that this year it will be impacted by the lower pool prices and lower consumption and so what I could probably say on this is that we expected that probably at the end of the year number would be higher than the 2019 end of year number. So that we could see an increase in the tariff deficit this year which we then expect to be reabsorbed by the system in the following year. So that's basically it, in terms of numbers I think it's still too early to tell, it's something we'll clearly monitor over the next couple of months.

Miguel Viana: And going to another question from the web from Jorge Guimarães JB Capital. What is the expected run rate of Iberia thermal and energy management for the next quarters?

António Mexia: Thank you, Jorge. Energy management was very good in the first quarter, but it's difficult to anticipate for the rest of the year. I would say that the start the second quarter of this year is going well. But we prefer to maintain a cautious approach and I would like you to note the reason some hedging between supply and energy management and thermal. So I think that it was a good year because, as you know, EDP, our strategy is like volatility and the first quarter, we had that volatility that we like.

In what concerns your second question about our peers as I said that there were laying negotiations we planned for 2020 sales, waiting for better market conditions, you can follow as similar strategy, the answer is yes. Our contracting season as I mentioned, normally more concentrated in the first quarter, so, we see no material change on that dynamics.

The third question from you Jorge was if we plan to have some hedging to protect against deficit losses in the devaluation of Brazil real versus the euro. As you know we have a ring-fencing strategy. Miguel can of course enhance on my answer, but clearly the market is not liquid enough it would be too expensive. It's part of the business to have those exposure at the EBITDA level. We have been basically ring-fencing, that's a critical element.

Miguel Viana: Maybe we can go now to another question on the web. If you could elaborate on your gas position and it comes from Fernando Garcia, Royal Bank of Canada, and if you could elaborate on your gas position and contract versus gas customers and expected CCGT output, could you comment as well on your gas contracts characteristics?

António Mexia: Okay, Fernando, thank you. As you know as of today we have 80% of our 2020 gas oil linked. CCGT production forward contracted at negligible spreads. Note that oil prices have come down and these will reflect cheaper oil linked gas productions for the first quarter of 2020. For 2021, on long-term gas contracts represent 60% of our expected gas need, 50% Brent indexed gas, which of course should be more competitive, given the recent decline in oil price and 50% TTF index gas sourced is highly correlated with Iberian gas price.

So a big part of our gas sourcing costs will be TTF. Significant one has a high correlation and we see this as a positive. So our strategy is to link these more and it's what we have been doing. So we feel more comfortable today.

Miguel Viana: now to phone the questions please.

Operator: At this time, we take our next question from Harry Wyburd from Bank of America. Please go ahead, sir.

Harry Wyburd: Hi, good evening, everyone. Three questions from me please. Firstly, if you could go into a bit more detail on LatAm and give us -- Latin America and give us a bit more color on what's happening in Brazil, and one thing that's cropped up on the few calls in the last few days has been the notion of some kind of regulatory relief. So, I'll be interested to know your thoughts on that and then what effect that could have both on earnings, but also on working capital and debt.

And then the second one on the hydro sale, so I'm assuming that you'll be able to fully reiterate that sales is definitely going to go ahead, but a couple of sub questions on it. So firstly, how do you adjust for the water actually in the reservoirs, I suppose the reservoir levels are very high at the moment. So is there any chance of a positive adjustment on the sale price to reflect the higher reservoir levels.

And then on interest costs you're going to get at EUR2.2 billion in the door. I'm looking at page 14 you've got a EUR35 million year-on-year quarterly run rate improvement in interest cost from bond refinancing versus last year. If you just look at the disposal of EUR2.2 billion and if you're retiring bonds at 4.5%, would I be correct to assume that that's about a EUR25 million quarterly run rate improvement in your interest cost just from the asset sale, which should kick in from the fourth quarter of this year. So just interested if you can confirm the numbers and thinking on that.

And then the final one, just on the dividends and interest to your view on what the government stance in Portugal is on dividend, obviously is a very important topic for a lot of companies at the moment. So if you had any view point from the government on that and I guess some people were predicting that 2021 or 2022 might be the year when the dividend increases. Is that something that we can still envisage even in the post-crisis landscape? Thank you.

António Mexia: Thank you. I will start with dividends, and then the hydro sale and I will then pass Miguel to comment also on Brazil. In terms of the dividend policy, we feel very comfortable with our dividend policy and it this target ranges between 75-85% in this quarter. With the information that we have today, I want to be clear, we see the current dividend policy as totally sustainable. It's true that we are in living in exceptional and uncertain times. Nobody is immune totally, but I think that we will always do the best in terms of medium, long-term for the shareholders.

In our view our dividend policy, it's the right balance between the stable shareholder remuneration reinvestment and controls leverage. We are today in a much stronger position versus any previous moment, difficult moment, because of the liquidity. So, we have decided as you've seen to keep the proposal that what we are fully supported by a Supervisory Board then by 99% -- almost 99.9% of the shareholders because dividend in 2019 represents a 50% payout on our cash flow we generated before expansion in the year when we were able to reduce net financial debts over EBITDA to 3.6 from 4, and in terms of environment, we have seen clearly a support for this balanced approach that we have been explaining. We have followed all the CMVM in terms of providing information to shareholders, proving that liquidity was there, that the long-term sustainability of the business and continuity support itself. So we have ran all that was supposed to be checked by namely by European markets authorities as just a recommendation not because it's the only thing that they can do and what we have seen is a rather normal reaction to what it is normal trend of the shares. We have all the Portuguese companies relevant that's had the conditions the proceeds with dividends and they paid what they were expected to do.

We don't expect any major change, but we don't see what will be if you have a major second wave of COVID what will be reaction. But as we speak today. If anything, we see 2020 as being a year where we delivered, fully delivered. So, I don't see why, any reason why we would not propose and why shareholders not like what we have as current dividend policy.

We are comfortable with this. I would like to also in terms of hydro all the revenues of the hydros are fully ours until closing, and so as we see towards the end of the year, we will keep the normal running of the business and by the way I would say that small amount compared to a EUR2.2 billion. But anyway, the revenues are ours until then. The interests costs, it's a mixture as you know in our business plan, we have already included EUR2 billion debt reduction, proceeds from the sale,s and so it was already incorporated but I think and I will pass to Miguel to check your EUR25 million impact on interest first and Miguel on plus regulatory relief in Brazil.

Miguel Stilwell de Andrade: Hi, Harry, so in terms of as António mentioned, this was already built into the business plan. So, what you need to look at is the overall debt level and how that evolves, and so, we're expecting to be around the 12 or below 12 excluding regulatory receivables on that basis. Obviously, we have a large CAPEX program and so that's why it's important not to just look at the isolated impact of the hydro sale but look at it in the context of the overall net debt and investment program that we have.

In any case, what we've said is that certainly versus our business plan, we are doing better than expected in terms of the interest cost. So we highlighted last year that we're expecting around 4% cost of debt and we're well below that as you saw in the first quarter we're at around 3.4, and in terms of absolute numbers I think we were guiding to close to but below EUR100 million overall interest savings over this period.

In terms of LatAm and some detail on Brazil and regulatory relief in particular, so I think the key points on my time from a business perspective in Brazil, the over-contracting on the distribution that they don't have an unbundled system. Also issues around obviously payments of receivables from the customers. I think the good news is that ANEEL, the regulator, is trying to be as helpful as possible and so it is helping finance the distribution companies and also pay for the low income customers, and so to that extent that is providing positive help to that.

On the major structural issues, even though we are less impacted by that maybe than some others, on the GSF which is obviously a key issue for the profitability of the system in Brazil there is currently I think is legislation that is being discussed in Congress and which would provide also a positive uplift on the business there. In any case, that is something which is still being discussed at the level of the Congress and so we will provide further details as soon as I think they become available, but as of today it's still a draft proposal.

Harry Wyburd: Ok many thanks.

Miguel Viana: We can go now to I think the last question from the -- we have two from the phone. So, let's go for the phone for the next question please.

Operator: At this time we will take our next question from Alberto Gandolfi from Goldman Sachs.

Alberto Gandolfi: Hi. Good afternoon everybody and thanks for taking the question and I extend to all of you lot my wishes as well. Thank you for your kind of words. So the three questions are in terms of the client solutions and energy management. Would you mind to dig in just a little bit more into the main drivers? I'm trying to discern here what may be a few months and what may be actually a bit more structural as long this current depressed demand and volume situation persists. So, can you maybe tell us if you had an open position if you manage to be much more flexible in actually procuring from perhaps the spot market. I'm just trying to understand a little bit, I mean you already did like half of my full-year forecast and so I'm just trying to understand, April also started quite well. Trying to gauge, a little bit more on the division.

At the second one is today EDPR talked about -- and you mentioned António actually, some potential delays and I agree, I mean, three, six months delays on projects wouldn't change much the value, given the 30 years of future cash flows. However, can you maybe be more specific about, it looks like almost 85% of your capacity secured? Can you maybe talk a little bit more about the potential risks, and I guess those would be if you can quantify those and I guess the probably already been offset by the Q1 performance in client solutions, but just curious to see if you think this is a fair observation or not.

And the third one is talking about the opportunities on the green deal, the potentially stimulating, relaunching the economy. Question is, you've lowered your financial leverage to 3.4 times and the hydro this quarter is about to come through. But the question is your leverage and/or your portfolio structure suited now to capture all the potential opportunities from the Green Deal or should you maybe strengthen the leverage or do something else? I mean, I still think you be sharing quite a lot of the future growth with the minorities in EDPR if you didn't know fully own it. So maybe if you can elaborate on those dynamics would be great. Thank you.

António Mexia: Thank you. Alberto. I've seen that by the third question that -- at the end of the third question that you like the topic of the COVID-19 the question.

So the first question is, if I could share with you the is a following energy management as I mentioned in our cases -- because our positioning in terms of being long allows us to do what -- when you close a position and you are hedged, you can -- generating can buy because of our scale, and you are big it but not too big to be able to go into the market and buy and then sell to the clients through to higher margin than as if you were generating. So, it's the reason why we like volatility due to this positioning and so it's the reason why -it contributed to a very strong energy management at the beginning. Of course, client solutions, clients after the beginning, middle of March, and the beginning of dynamic situation are less in the rush to take commitments, because they cannot have whatever optimization. So, everything that relates to services is probably slower but it's very small compared to what are the gains that you do on these energy management. That was done in a very smart way by our teams. We cannot anticipate because it depends very much on the evolution, of the pool prices on that volatility to allow to repeat this, but in any case, we feel already very comfortable for the year, and in terms of hedging for next year.

EDPR potential risk. I would like to be clear, in the sense that and if you have seen the question of especially in some delays in CAPEX and commissioning all sectors and mainly in the US have been affected along the value -- your value chain. Most of all our suppliers in those cases have invoke Force Majeure. So, but clearly what we have here as you know we can still qualify to receive 100% of the PTC that's a key question. Value-wise 2, 3, 4 months, it's not meaningful. The question if you go from November, December into January, February. I think that we still can qualify to receive 100% of the PTCs of this year because the law includes clauses of excusable event, and I think if you don't have an excuse with COVID I don't know when you have an excuse or continuous effort. So, we are moving from Safe Harbor, into this scenario and if the company approves, it continues to work on the project although it was not finished until the year end. I think that -- in the period we also shared is I think with everybody. The tax equity markets in US remains very robust, and it's very important to state we have closed a deal with a big institution for all tax equity investment for all the 2020 projects. So, and in the middle of the COVID crisis. So, I think that on that front we are we very comfortable.

And as we have seen, we have been able to tackle different markets besides US, it represents our growth engine but in European markets and also in South America we have been able to tackle those markets. The Green Deal, if I understand your question is I don't think that our leverage or our portfolio structure, even less our portfolio structure is a constraint to advantage of the Green Deal. What I believe the Green Deal gives us is a more stable, it's supposed to give a more stable framework and so less temptations to fool around with the incentives that you need to give to investment and I think it's good news for everybody, but people understanding that you need to give visibility, mainly for example through auctions and the Portuguese market is an example. They will launch a new auction for renewables just before summer.

And so people understand that visibility is a critical element and the Green Deal reinforce is not these commitments with the investibility on the sector. So, but I will not just do more for more and frankly it's not the moments to leverage more. We don't know what the second half of the year will be we feel very comfortable with actual positioning. But we are really committed with the deleveraging and to go to the 3.2 times, and we are not going to change this and this includes of course using cash to buy to minority, here we tend to be rather stubborn not to spend too much cash in buying minority. Thank you.

Miguel Viana: Thank you. We can now go to the last question on the phone. We have some more questions on the web that we will follow-up from the IR level given the timing in terms of closing the call.

Operator: We will now take our final question from Javier Garrido from JPMorgan. Please go ahead.

Javier Garrido: Hi, good evening everybody. Thanks for taking the time for the questions. The first one. Actually, two questions on Portuguese regulation, what are your up to date thoughts about the profile of reduction in specific energy tax particularly now you can anticipate different profile for the reduction in the tariff deficit and also you could update us on the calculation of the clawback, where are we in that process.

Second question would be on the cost of debt. I want to give very specific question to Miguel. Is there any reason at all, why you could see an increase versus the current 3.4%, that you have reported for first quarter? And then a final question and more generic question. As you have mentioned a few times that you have different strategic options in Brazil, without entering into which could be in our favor, there simply would you mind to layout what these -- what are in your view the options that you have in Brazil. Thank you.

António Mexia: Thank you, Javier. First of all, I would also start by the fact that the regulatory risk in Portugal, the one-year extension, we have not mentioned but I would like to highlight is in distribution that is supposed it gives additional visibility. I think it would be good. In terms of the profile in energy tax, the CESE as you know it's supposed to evolve and to be reduced, according to the tariff deficit evolution. The tariff deficit last year decreased. This year we were expecting initially, a 600 then 400 at the final calculations of the tariff deficit probably with the COVID situation we will see rather an increase but, in any case, I would like to state two things. The commitments in terms of verbal commitments and execution committee by the government has not changed relating to the variable that is supposed to follow, the CESE. But I would like to share two things. First is this reduction that if everything pre-COVID was probably the amount of up to EUR10 million. So, it's really not a game changer in our accounts. So, I think it's smart the fact that people respect the principal than the fact that there were calculated at EUR8 million or EUR9 million, or EUR10 million reduction. So that's the most important thing for me.

The second, so let's see how we do you will evolve in the government will take a decision towards the summer, but of course the COVID situation will probably will have an impact, but in any case, I would like to stress that the figures that we have presented in this quarter already include the full payment of CESE for 2020. So, it was specialized in terms of timing. So as always, we pay it at the beginning of the year the full amount and then, if anything we will not have that upside that was supposed well - we were supposed to have pre COVID. In terms of clawback the rules the law is clear, the Secretary of State gives the dispatch and now we are probably just a question of implementing and so we see really a clawback, as an netting off the measure of the 7% paid in Spain and the taxes that are paid in Portugal and in Spain. So we don't we see clawback as we as finally as it should be, as a netting off measure that doesn't allow EDP to have the benefits of the 7% but taking into account both sides of the border.

Strategic options in Brazil, of course, yes. But and then I will pass to Miguel, the specific question of the 3.4, that we share the answer, but anyway. Strategic options in Brazil, as you know we prefer visibility we prefer transmission, distribution. If anything, we were more flexible in generation, by the way in this moment, the fact that we have both allowed us to a little bit because as distribution Brazil is very volume driven, much more than in Europe. Anyway, we are not in a rush in terms of due -- we don't want to crystallize value in Brazil in reais we are not in a rush eventually we can do swaps, we can adjust your portfolio, but we are not in a rush to do anything in Brazil. In Brazil, the key element was to protect cash, cash, cash, liquidity and we have been very focused on these including the dividend policy in out of EDP Brasil that by the way, is specific in Brazil and so we have protected the company and take the measures that we need for this.

In terms of strategic options and the things that we are pursuing is basically as we have presented on the strategic business plan focusing on delivering the deals that we have already presented but also working on optionalities on reducing merchant risk or reducing exposure to the market on lowering exposure to markets where eventually we can see that we are already as we expose. So, that's the trend that we will follow. Miguel.

Miguel Stilwell de Andrade: So Javier, on the 3.4, I mean there are essentially three variables, which impacts the cost of debt, I think the rate, the mix of the different currencies is essentially to the currency dollars euros and real and then any FX impact that are there. I mean obviously the dominant factor here is the rate and that came down substantially over the last couple of months and it's been coming down over the last year.

So we expect that over the full year, the rate would be at 3.4 or even slightly below and that will be as a result of this impact of the lower interest rates of this refinancing that we go on doing in different bonds that are still outstanding. As I showed on the slide in the presentation we still have quite a few bonds, some even maturing this year. One in June and another one in September which are well above 4%. I mean 4.1% and 4.9% are the two ones that are outstanding. So that as those matured obviously there will be replaced by cheaper financing. So, the overall debt cost is expected to come down.

Javier Garrido: Thank very much.

António Mexia: Thank you, I'm receiving a signal from Miguel Viana that we should stop. So I just want to thank you again for your presence and the patience in this difficult moment. Keep you safe, be healthy. Just to stress, we were ahead of the events, nobody could have anticipated this but we were prepared these tough times. So, we were ahead of the events, we are ahead of our plan. We resist but clearly, we are committed to all our targets and as you will see we are, we tend to be stubborn. That relates to being sometimes boring in the sector in the next weeks, we will -- I believe improve in the next time approve what we have been doing again. So, thank you very much. Lets go for it. Keep yourself safe and see you soon.