EDP – ENERGIAS DE PORTUGAL

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Chaired by Miguel Stilwell d' Andrade

Company Participants

• **Miguel Stilwell d' Andrade**, Chief Executive Officer

• **Rui Manuel Rodrigues Lopes Teixeira**, Chief Financial Officer

• **Miguel Viana**, Head of Investor Relations

Miguel Viana: Good afternoon, ladies and gentlemen. Hope that you are all safe as well as your families and friends. Thank you for being with us today in this conference call of EDP's 2020 results, we will begin with a brief introduction, and the main developments of the period by our CEO Miguel Stilwell d' Andrade, then our CFO Rui Teixeira who to share that will provide us an overview of the year-end results.

Finally, we will then move to the Q&A session in which we'll be taking your questions, both by phone and via our webpage. We anticipate today's calls to be shorter than usual even that tomorrow, will hold our strategic update at 9:00 AM Lisbon and London time to present our strategy. Until 2025 which I also take the opportunity to invite you all to join.

Therefore, this call is expected to last. No more than 50 minutes, I'll give now the floor to our CEO, Miguel Stilwell d' Andrade.

Miguel Stilwell d' Andrade: So good afternoon. Welcome to all of you. It's nice to have you back, and thanks for attending to EDP's 2020 Results Conference Call. I hope you safe and well during these uncertain times I'd move on to talk about the 2020 targets and essentially our resilient business model and execution.

But before I do that. I'd just like to start this results presentation by acknowledging and thanking our teams that EDP, I'm truly honored by our ability to adapt and work on that this current circumstances delivering results and superior value to all stakeholders. So thanks very much to the teams. I think it's been incredibly difficult period. But, but they've been delivering.

The last couple of months in particular have been marked by significant volume of transactions and the teams have delivered flawlessly. I think this a collective team effort. Combined with our resilient business model has allowed us to mitigate the negative impact that the pandemic is causing across sectors globally.

So as we look into the future and tomorrow the strategic update will be providing further insight into what the future looks like for EDP we will continue to invest in the energy transition I expect EDP to continue to play a key role in the recovery of the economies where we operate, as well as to create much needed employment not only ensuring a just transition, but also having a positive impact on society in all of our stakeholders.

So let's move now to our 2020 results in spite of this difficult environment, I'm very pleased to say that we've delivered across all 2020 targets showcasing our resilient business model and strong execution ability in the fourth quarter of 2020, we managed to reach financial closing, in all our key pending transactions and this allows us to start 2021 with the new portfolio with the reinforced low risk profile and fully aligned with the energy transition. We've also added around 800MW of wind and solar capacity in the fourth quarter, reaching 1.6 gigawatts of renewables additions in 2020 and we've also concluded two sizable asset rotation deals in Spain, in the US also in this last quarter, we saw a recovery in power prices both in Iberia and Brazil which had positive impact on our result regarding FX, our performance continues to be negatively impacted by the Brazilian Real depreciation versus the last year. So overall in 2020. Our recurring EBITDA reached EUR3.7 billion in line with our previous guidance. So it increased roughly 3% ex-ForEx recurring net profit increased by 6% to EUR900 million in line with the guidance we provided in the last quarter results this is supported by EBITDA performance, but also by the improvement in the average cost of debt by around 60 basis points, which has been reduced to 3.3%. Our net debt declined 11% to around EUR12 billion leading our net debt to EBITDA ratio decreased to 3.2 times in line with our target. I would like to highlight and stress that the net debt figure in the net debt to EBITDA ratio at the lowest reported by EDP in 13 years. Regarding dividends, the Executive Board of Directors will propose to the Annual Shareholders Meeting taking place in April, the distribution of a 2020 dividend of €0.19 per share, which is a dividend floor or dividend per share and our dividend policy. So, globally we is not only to deliver growth but also in to improve our portfolio in risk profile and this is setting the stage to capture opportunities ahead, and we'll talk about that tomorrow. So move on to Slide 4, so here we can see clearly that electricity demand decreased across the markets where we are present in and there was a slight recovery during the second half of the year, as the economy started to rebound in particular in the fourth quarter in Brazil in our concessionaires with residential demand picking up. In 2020 electricity in demand in Portugal decreased 3.3% year-on-year, while in Spain in Brazil this decline was greater in percentage closer to 5% despite the severe demand shock witnessed across our regions, due to the COVID crisis EDP's recurring EBITDA increased by 3% ex-FX while recurring net profit increased 6% during 2020 to gain sheds proof on our resilient business model. This being said COVID impact to is around EUR100 million at EBITDA level mostly concentrated in the second quarter of 2020 with a more limited impact in the third quarter and the fourth quarter. Move on to Slide 5 and talk about EBITDA, so as mentioned before, recurring EBITDA declined 2% year-on-year. It's penalized by the Brazilian real depreciation of around 25 In the period. Excluding this impact, EBITDA excluding FX increased around 3%.On renewables. Recurring EBITDA increased by 2% year-on-year. This is supported by the recovery of the hydro resources in Iberia to cost to normalized levels when compared to a very dry 2019, although '19 with had a strong fourth quarter this effect combined with a good performance of our asset rotation strategy provided gains of which provide gains of EUR34 million in 2020 more than offset the deconsolidation effect of the wind assets sold in the relatively weak wind resources in the period. So regards to networks EBITDA decreased 11% or 3% if we exclude the adverse FX impact which accounted for most of the decline in Brazil. In local currency, the networks in Brazil, showed a 7% EBITDA increase, mostly driven by the positive tariff updates on the back of inflation updates and this offset the lower volumes of electricity distributed around minus 5% year-on-year. There was also a strong improvement in EBITDA from transmission following the full commissioning of one of our lines and the evolution of construction works in the remaining lines. In Iberia EBITDA evolution reflects mostly the decline of regulated returns to 4.85% in Portugal and to 6% in Spain. Finally, EBITDA in client solutions in energy management was flat, driven by the good performance of energy management in resilience of the supply business, and this is compensated the weaker thermal production and the negative FX impact. Finally, I'd like to highlight that EBITDA was also positively impacted by the good OpEx performance in the period. The OpEx decreasing 3% on a like-for-like basis, not only due to the tight cost control, but also the implementation of several initiatives for cost reduction, including the faster acceleration of the digitalization fueled by all the changes associated with this pandemic. So obviously one of the positive few positive side effect of this pandemic. Let's move on to Slide 6, so here as part of EDP's decarbonization strategy, the year of 2020 was by the closure of Sines which is EDP's largest thermal plant is around 1.2 gigawatts, after 35 years in operation we submitted in October 2020 request for closure also of Soto III in 2021. So now both of these power plants basically will be decommissioned and closing. We are also evaluating the development of other projects in the region. Following up our commitments towards a just transition it was also last year that EDP completed disposal of 2 CCGT plants to Total of around 800MW and this also contributed to reducing the thermal production assets in our portfolio. As a result the combination. The reduction of thermal production together with the addition of more renewable resources, and the integration of years because wind farm portfolio combined 1.6 gigawatts led to a 74% share of renewables in our electricity generation mix. This compares to 66% in 2019. So in total, we have an additional 2.4 gigawatts of wind and solar projects under construction. So as you might expect our revenues from coal will now follow the reduction path representing almost 6% of our revenues in 2020 and it Sines accounted for 2% of that so as we keep accelerating EDP's decarbonization path our specific CO2 emissions fell by 32% this year. So it's a strong downward trend that will be continued also in 2021. If we move to slide 7, and I think this is an important slide because it shows basically a balance of the 2019, 2022 business plan targets, and it shows that although 2020 wasn't a typical year. We managed to achieve and we managed to deliver. Most of the key targets, if not all of the key targets. We will be talking about revised targets tomorrow at the strategic update, and it will be a moment also reflection on how we see EDP going forward, but talk to you a little bit about the targets that we have delivered, we secured 7.7 gigawatts of wind and solar additions in this period 2019 – 2022 period and this exceeded the 7 gigawatts of planned additions that we've had in our strategic plan. We've managed to ensure attractive returns of above 1.4 IRR over wacc for these projects, which is, you know, was a threshold these will be commissioned until 2023 and once again, I think it highlights that we are, continue to see strong returns on the projects that we are taking investment decisions on. We have grown our RAB in the distribution business through Viesgo acquisition and also through organic growth in Brazil, namely the transmission lines. We targeted more than EUR 1 billion per year in the asset rotation proceeds and we've managed to deliver over EUR2.3 billion between 2019 and 2020 with an average premium per megawatt which was 50% above the assumption in our plan, and finally, we managed to exceed our EUR2 billion disposal plan reaching a total of EUR2.7 billion of proceeds this included a successful portfolio reshaping, in which we manage to swap part of Iberian portfolio of merchant hydro in Portugal as well as our retail activity and 2 CCGTs in Spain for Viesgo regulated assets at what we consider very interesting valuations on both sides and I think this clearly reinforces our low risk profile aligned with the energy transition. If we move on to the next slide to talk a little bit about some of the other drivers. So our leverage ratio, net debt to EBITDA as I mentioned earlier, it came down from 4 times to 3.2 times, so in line with what was defined in our plan and also in line with our expected financial deleverage regarding efficiency and digitalization we delivered on our target of EUR50 million in cost savings in 2020 excluding growth and we are on track to meet EUR100 million target by 2022 finally, our total shareholder return in 2020 was a solid 43%, so 30% above the Euro Stoxx utilities in the period, and we are keeping our predictable dividend policy of €0.19 per share, even after the increase in our share capital by 8.5% last August in the capital increase.

So let's talk about the future. The future ahead looks very positive the energy sector, we believe really needs to be transformed and there is a reinforce political will in this effort towards decarbonization this is particularly true across our relevant markets, namely the green deals in Europe and also the plans of the new by the administration in the US we have a renewed management team to deliver on this challenge. And so I strongly believe that EDP is well positioned to deliver on long-term growth and value creation for our stakeholders. We have a unique starting point and I hope you will all be able to join us tomorrow for our strategic update, so that we can present our strategy going forward.

So I'll now pass to our CFO, Rodrigues decided, for a more detailed analysis, Rui.

Rui Manuel Rodrigues Lopes Teixeira: Thank you, Miguel and good afternoon to all of you attending this call today. It is with great pleasure that I will further deep dive on EDP's financial performance for the year of 2020 so starting on EBITDA, a recurring EBITDA very flat combination of higher capital gains on asset rotation that offset wind resources and the consolidation effect.

So starting with be in solar. Despite the COVID pandemic, into further '20, we added 1.6 GW of capacity in 9 different countries. This is almost a double of the capacity added into how 2019. So the recurring EBITDA was broadly broadly stable at EUR1.65 billion in 2020 this is mainly due to impacts from mix three different drivers.

One, the 1% decline in the average installed capacity. Following the consolidation of the wind farms that were part of the two asset rotations one close in Europe in July, 51% of 1 GW, and another one in Brazil in February 2020, 100% of 137-megawatts. Secondly, the 5% reduction in electricity production penalized by a lower than expected wind resources and three, the higher asset rotation gains of EUR434 million in 2020, which included EUR207 million from the establishment of the offshore joint venture Ocean Wind with Engie.

So if we move on to the next slide, the hydro recurring EBITDA was up by 5% this of course is driven by a strong recovery of the hydro resources in Iberia while although penalized by the Brazilian real devaluation so in hydro recurring EBITDA was up by 5% year-on-year to $671 million in Iberia this EBITDA Increased 17% supported by a recovery in Hydro resources. Just to, 3% below we average in Portugal versus a 2019, which as you reminder was a very dry year, this explains the 33% increase of hydro production, the decline of average selling price was mitigated by our hedging strategy, which allowed to show a decline of average selling prices of just 8% year on year versus the 21% decrease. Excluding hedging. In Brazil and the hydro generation performance was impacted by the particularly weak hydro year due to an unfavorable energy context. In the first part of the year. With the very low PLD spot prices not fully compensated by some recovery in the last quarter. If we can move to the next page and moving into networks EBITDA. These are down 11%, mostly driven by the real devaluation, although there was, it was a strong performance in local currency. But as you can see in electricity networks recurring EBITDA amounted to EUR891 million. This is down EUR115 million year-on-year. This is largely reflecting the 25% depreciation of the Brazilian real against the euro, if we were to exclude Forex our recurring EBITDA would have decreased by 2%. In Brazil, the recurring EBITDA in local currency, went up by 7%. This is backed on the 60% increase of transmission EBITDA following the full commission of Lot 11 and the positive evolution of construction works in the remaining five lines, regarding distribution in Brazil. Regarding EBITDA in local currency fell by 3% driven by the 4.6% decline in distributed electricity and by some material positive impacts from tariff revisions in 2019, which were partly compensated by the 2020 annual tariff updates. Coming to Europe in Spain. Recurring EBITDA amounted to EUR136 million, a decline that reflects the new and latest regulatory framework that is approved through 2025 and some positive adjustments from previous years and that were positively impacting our 2019 results. In Portugal, recurring EBITDA decreased to EUR485 million incurred and 2020. It's a 6% decrease year-on-year penalized by the lower rate of return on the RAB although there was a good performance and cost control with the recurring OpEx in Iberia decreasing by 1.6% year-on-year. So quite a strong focus on efficiency.

If we move to client and solution. We will say that was our EBITDA was pretty flat, and of course benefiting from successful hedging strategies in that we implement and overall this group and this one applicable in Iberia. So our EBITDA from client solutions in energy management was at the end of the year with EUR480 million Iberia the good result in energy management compensated the 18% decline in internal production largely explained by the 41% reduction in coal. So the EBITDA from the supply side rose 7% year-on-year fully supported by the recovery of demand in the second half after a very harsh second quarter, particularly in the B2B segment, but also the resilient demand in the B2C segment. Also this business platform has experienced an increased penetration rate of new services, which support positively. The results.In Brazil, EBITDA from supply and the energy management was positively impacted by the mark to market of long-term contracts and this helped to offset the decline in volumes and prices in the supply market and in thermal operations EBITDA benefited from general inflation update to our PPA contracted revenues. So now moving into our efficiency metrics in the operating costs. Our OpEx down 3% on a like-for-like basis, that's excluding growth in 2020 in Iberia OpEx fell by 1% in line with the decline of average headcount Brazilian OpEx decreased by 2% excluding growth that is in local currency. In a period in which the local inflation rate was at 4.5%, and finally, the 1% increase of adjusted core OpEx per megawatt as we EDPR was driven by the growth of their renewables development activity. So quite a strong focus on ensuring efficiency.

So if you move now to the, to the financials interest related costs down by 16%. This is supported by a 60 basis point decline in the average cost of debt to 3.3%. As you can see in the table on the right hand side, the yields in newly issued bonds this year are clearly below the rate in maturing debt. So definitely improving and the overall cost of debt. Also, I think it's worth highlighting that EDP has more than EUR5 billion placed in sustainable financing which has also benefit from a growing investor appetite, capturing the in this very competitive cost of funding.

So I'd like now to move to the next slide, and just to talk a little bit about that. As mentioned by Miguel in the beginning of the presentation. We delivered on our deleverage commitment reducing our ratio net debt to EBITDA. to 3.2 times a very sound leverage for our rating targets. Recurring organic cash flow increased 27% in your year-on-year to EUR1.8 billion, driven by the normalization of Hydro resources also of course by the higher asset rotation gains and lower interest charges net expansion investments rose by 33% due to the step up in expansion activity to EUR1.5 billion of which 88 Percent was allocated to renewable projects under construction or development. This amount was particularly, and I mean is particularly relevant in the was partly compensated by the strong execution of the portfolio reshaping. In December 2020 we completed the 2.7 billion disposal of merchant assets that includes 6 hydro plants in Portugal and a portfolio of 2 CCGTs and the B2C platform in Spain and on the other hand, the acquisition of Viesgo in Spain for a net impact of EUR2.1 billion, that was partially funded by the EUR1 billion equity rights issue that was executed last August. So our core expansion activity mainly included build-out activity this justifying the EUR3.2 billion expansion investment and increased by 58% while proceeds from asset rotation went up to EUR1.7 billion in the period to help and fuel this growth, and as you know, it's a very, it's integral part of our growth pattern. So finally, the EUR0.6 billion positive ForEx impact following the devaluation of the Brazilian real and the US dollar versus euro also contributed to the 11% decline in net debt to 12.2 billion, with the net debt ratio improving to the 3.2 times as I've mentioned before. So if we move to the net profit and net profit went up by 6% this driven by of course, the operational results, but also by lower financial cost and the decline of non-controlling interest. So I think this is also reflect as I mentioned before, the very good results in our energy management in energy management business in Iberia, of course, the recovery of the hydro resources strong performance overall on the financial results and definitely continue to benefit from the low interest rate environment. So these positives more than offset the negative performance of our share in EDP Brasil net profit from the currency depreciation with an overall non-controlling interests down by 7% to EUR346 million, 2020. Net negative non-recurring items impacting the net profit decreased from EUR342 million in 2019 to EUR101 million, leading to 2020 reported net profit of EUR801 million among the several non-recurring effect in 2020. I'd like to highlight the costs related to the closure of Sines coal power plant, the provision on the alleged overcompensation regarding the COMEC plants participation in the ancillary services market during and in 2009-13 the cost of the extraordinary energy tax in Portugal, impairment losses related to thermal power plant in Portugal and Spain curtailment costs due to early retirement Regarding gains from disposals of condition generation and supply operations in the spend in Portugal and gains resulting from the final terms of the regulatory dispute over the GSF cost in Brazil. So, as mentioned before, I think that it's important to highlight that even through even though it was a very tough economic context due to the COVID pandemic. We are very pleased with EDP's performance in 2020 which confirms its distinctive and resilient business profile with this being said, I take the opportunity to thank you all for your time today. We will now open the call for questions. I would also like to remind it as Miguel mentioned before that more, we will be presenting our strategic update. We're going to review of our future business strategy, which we hope that you get all attend. So thank you very much, and we can move to Q&A.

Miguel Viana: Thank you Rui. We can start now with the questions from the phone please?

Operator: Of course. 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. Our first question comes from Sara Piccinini from Mediobanca. Sorry, your line is now open. Please go ahead.

Sara Piccinini: Hi, good evening, and thanks again for taking my questions. I have two, the one and the first one is very specific and I hope to explain me well is actually regarding the CapEx figure in your results report on page 5, I see that the expansion CapEx related to is actually negative, though, is that, is down minus 60% year-on-year.

Yeah, and so I was wondering, can you explain this. This figure why there is a decrease and if this CapEx is allocated to EDPR level and that explains the increase in the financial investments at EDPR level. So if you can help me to understand the figure?

And the second one is related to Brazil you in Brazil, we have at EDP Brazil, we have seen our one-off positive related to the risk negotiation of the Brazil hydro geological risk. So can you say if these one-off impact that we also have an impact on the EBITDA for 2021 going forward. Regarding the hydro in Brazil? Thank you so much.

Rui Manuel Rodrigues Lopes Teixeira: Okay. Maybe I can. So just a quick comment on the Brazilian and this exposure to the presume that you're referring to the, to the GSF right? and the fact that it will come as an extension of the concessions. So here just provided. Okay Yeah, I mean the approval process is ongoing. I mean I think it's well on track. This will result in some compensation in the form of a concession extension in the case of the Enerpeixe. This is about 41 months. But, so what we book in 2020 was 389 million reals Brazilian reals as a one-off gain on accounting, so that's approximately EUR66 million impact at EBITDA and EUR23 million net impact in in net profit. So I mean I can share with you some more light but we book this as a one-off gain on the account. I'm sorry, and then regarding the first question, could you please repeat the first question because I couldn't really follow?

Sara Piccinini: Yeah, sure, Sorry, it's on the investment that you show in page 5 of the results report. So the consolidated CapEx that is EUR2.9 billion, a and that is includes a reduction in the CapEx for networks. So I was just questioning what that's related for?

Miguel Viana: Hi Sara, regarding the financial investments essentially. This increase is related with our investment in Ocean Winds. Okay. So we are so transferring our assets to Ocean Winds the JV. We then in terms of offshore and this is the most, most of the increase of financial investment regarding networks. The decline is also obviously related with the Brazilian real impact, as you know, most significant increase of our CapEx is in Brazil and we have the 25% devaluation of the currency.

Sara Piccinini: Many thanks

Miguel Viana: I think, if I don't know if you have some more questions on the phone, if not we can go for the questions on the, on the, on the web, and the, so the first question that we have is from the analyst Mamedov from Bloomberg. Can you please comment on the recent Spanish renewable auction low prices and the UK at least tender what do this means for the returns from renewables going forward?

Miguel Stilwell d' Andrade: Okay, so thank you first, I think in relation to the Spanish renewable auction we've defended. We've always been defending that we like, when they are these type of auctions for PPAs or in this case, long-term contracted with the system, and so we prefer that type of system. Turning investment into merchant. So we are quite comfortable and we'd like the fact that the Spanish government has moved to this type of auction system. In terms of the actual results I think they are in line with expectations. I mean obviously, the cost of solar has been coming down significantly over time. We are looking at levelized cost of energy for solar in the '20s. So you know well, as you know we around 140MW in that process and meeting the returns that we were looking for and we were sort of in the middle of the pack of and as you know, there were 30 gigawatts which were auctioned at that point. So we're sort of quite comfortable with the result of that, if you compare that, for example, with the solar auction in Portugal where you had results in teen surprises that were much lower than that in one case, I think even 11 euros but many others were sort of 15 years or so. I think the Spanish auction had slightly higher prices and so we think those are more compatible with the sustainable long-term and remuneration that we're looking for. I would differentiate then between onshore wind, solar and offshore, and obviously, we can get more into this tomorrow because we're doing the strategy update. So I don't want to preempt too much but clearly in offshore and around four, I wouldn't necessarily extrapolate I wouldn't at all extrapolates to other parts of the renewable value chain and technology. So I think that is a one-off and it certainly, obviously, it's very low returns that we saw there and, but as I say it is the auction for seabed, and we saw basically the oil and gas coming in we aren't seeing them coming in for example in onshore, solar, and so this is something, as I said, we can get into in more detail. Tomorrow but yeah, I mean, I think one of the advantages that we have is having this global footprint, which means that when we think that things are we're not getting the returns that we like we are able to invest in other geographies and other technologies to get that those returns.

Miguel Viana: Okay. We have also question from Javier Garrido from JP Morgan. Regarding the increase in terms of net financial interest in the fourth quarter, to EUR143 million versus EUR119 million in the third quarter?

Rui Manuel Rodrigues Lopes Teixeira: Yes, thank you. So, hi. So part of this increase is related to non-recurring costs, which are result of the buyback of that in the and that impacts of course in Q4. So overall in Taiwan and 2020 that EUR70 million, EUR30 million of which in the Q4. Also there is a 10 bps increase in the average cost of debt due to the higher interest rates that we observed in Brazil in the Q4. So I would take these two main factors contribute to this increase. Thank you.

Miguel Viana: Okay, and now from Jorge Guimarães JB Capital. Two questions on Portuguese regulation and one is if it's possible, if it's possible to clarify, we would support an eventual at extra tax charge on the hydro sale EDP or acquirers and the other one that maybe we can join. What is your expectation about regulatory risk in Portugal in 2021 regarding sales and the Clawback?

Miguel Stilwell d' Andrade: So first start off by saying that, and as was clear from the result we had approximately EUR90 million of profit in Portugal, it represents roughly 11% our total net profit, which means 90% of our profit is coming from outside Portugal you have seen the EDP Renewables was obviously a big driver of that profit.

Secondly, we always pay our taxes, the taxes which are due. We pay income tax. We pay the derrama, we paid the social tariff, we paid the extraordinary tax, we pay the clawback and so we pay obviously all the taxes and we are by far the largest taxpayer, I would say corporate tax payer in Portugal.

The transaction in question, I assume will be treated in line with the rules applicable in Portugal and in Europe. This is a very standard transaction in terms of the structure essentially, we are talking about transferring six dams together with all of the assets and liabilities associated with these dams which means over a 1,000 contracts so this is not just a simple transaction, the usual structure the most standard structure for doing this is to do a demerger into a new company intend to sell that company to the third party, and that is what is EDP did in this case it has done this in other cases and many other companies do this and EDP has also done this in other countries.

So this is a very standard transaction and and obviously the tax treatment will be whatever is applicable in terms of the Portuguese law so I think this in terms of the tax and. In terms of the expectation in listen to regulatory risk so I think regulatory risk, so essentially I think the question was in relation to the CESE in the clawback.

So what has been the commitment that we've heard from the government and the relevant bodies is that there would be a commitment to reducing the extraordinary tax as a system debt that declines over time, and so I think there is a broad alignment that it makes sense as a, as a system debt that declines that that tax would also be phased out since it is an extraordinary tax and so, we are assuming that it will decline over time.

In relation to the clawback again. I mean the clawback is in place obviously, the value was varying depending on the year the way it's calculated but that's. We are obviously continuing to pay it on the basis that it's been defined. So the regulatory risk, I think is simply in the basis of the calculation because it's already something that's been applied over the last couple of years, and well, so. That said, we would expect it to going forward, but obviously with the current levels or potentially even lower.I think there is also a question on regulatory risk in Brazil. So just a comment there as well, and I think in relation to Brazil, we've been investing in Brazil for over 20 years in since late ' '90s, and I have to say that the Brazilian regulation is clearly one of the more sophisticated and stable ones. I mean obviously Brazil has the macro and the political volatility, which we know associated with the FX, but if you actually look at the structure and the regulatory framework. That's in place, it's actually very predictable. You have a lot of international investors in Brazil in the sector. From all over the world and I believe that there will be no interference and that they will want a fully functioning. If you want, electricity system which is competitive I think one of the things about the Brazilian regulatory framework because, do you have a lot of different distribution companies, a lot of different generation companies. So there's a lot of competition and there is a lot of visibility on who is performing and who is not performing.

So I certainly don't see any need for for any type of interference, and I don't believe that there would be any, interference in the sector.

Miguel Viana: Okay, we have just another question from Jorge Guimaraes regarding CESE as a one-off…

Miguel Stilwell d' Andrade: Oh the CESE as an one-off? Okay.

Miguel Viana: just to clarify that, too. The results that we are presenting in 2020 still include the CESE as a one-off just to clarify?

Miguel Stilwell d' Andrade: Yeah. So, yes, so it's still including sales as a one-off, to be honest, and we are probably going to move it to included to simplify the way we reported. But we will be providing more feedback on that tomorrow.

Miguel Viana: We have a final question from, also from Mamadof from Bloomberg. Can you please comment on your like for like evolution of retail customer portfolio, how do you see the competitive dynamic evolving going forward and its impact on your market share and margins?

Miguel Stilwell d' Andrade: So in terms of retail, so it's actually been. Well, as you know, we sold the B2C in Spain, but we're quite comfortable with the way that the portfolio has evolved, we've had a pretty stable retail customer portfolio in Portugal and B2B, also in Portugal Spend the market shares of stayed broadly, broadly stable. On our side. So in terms of the competitive dynamics there is a lot of competition there are dozens of suppliers in Portugal and hundreds of suppliers in Spain and it goes. It has certain cycles in terms of more or less competition, more or less aggressiveness but I would say that in terms of overall market share in Portugal, we would expect to go on reducing our market share over time, and in terms of margins, we would hope that it would stay a reasonable margin which would ensure the sustainability of the system and all of the different suppliers in the sector. So I think we've seen that coming through, obviously there is some been some years where it's been more pressured. But I think in general, it's important to have a sustainable margin both in Portugal and in Spain to make sure that it's a sustainable business and that's what we've seen in the past, and I'm sure it's going to be in the future also.

Miguel Viana: So we are reaching the 17:50 that we were expecting to finish the call. We don't have any more questions. So we hope to count on you on our strategic presentation tomorrow morning. We'll start from 9:00 AM. Thank you for your participation. At this late hour in the day. Thank you, everyone.

Miguel Stilwell d' Andrade: Thank for taking the time.

Rui Manuel Rodrigues Lopes Teixeira: Thanks.