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 morning ladies and gentlemen. Thanks for being here with us today for the Strategic Update Presentation of EDP 2019-2022. Just going through the agenda. First, we'll start with the 2018 results presentation, which was already released to the market before market opening today.

The first part of main highlights will be presented by our CEO Antonio Mexia and then more detailed part by our CFO Miguel Stilwell. Then we'll have a short Q&A session and we'll move to the strategic presentation, which in the meanwhile will be also made available in the CMVM. We'll also make available to the people in the room pen drives with the presentation, so we'll not have hard copies given our sustainable policy. And the strategic presentation, the first part will be presented by -- with the strategic part by our CEO, followed by the presentation of the platforms and financial part by our CFO Afterwards, we will have a Q&A focused on the strategic presentation and we'll invite everybody to a light lunch afterwards. So we'll start then with the 2018 results by our CEO Antonio Mexia.

António Mexia: So thank you Miguel. Thank you everybody. Good morning. We will have basically two parts when thinking about -talking about '18 and when talking about a bright future.

Just to note, the question of not having the small book that everybody loves to take notes is because of saving the planet but also being digital. So it's mandatory now. So but thank you again and I would like to today to start with the results, and let me see. So I'm just showing in the screen -- can we move this to this screen to the left? So we see on this first slide that with the -- starting with the recurrent EBITDA, it decreased by 3% to around 3.3 billion.

This includes of course the positive contribution from the increase of 2% of our installed capacity, 100% of it through renewables addition. On the negative side, and we need to talk about this, our results were penalized by a very weak wind resource year, namely in the second half. We fell short 6% of the long-term average and we were at six years low.

While regarding the hydro resources, despite the full year of 2018 in line with the annual average, the fourth quarter alone was marked by very weak hydro conditions.

Our performance in '18 continued extremely penalized by heavy taxes and levies and adverse regulatory decisions in Portugal. They were already anticipated. They were basically introduced in 2017, but of course the impact, the full-fledged was in '18. We will see these in detail because I think it's important that you analyze the '18 regarding these figures.

We also had a strong performance regarding OpEx, posting a 3% decline in Iberia and 1% improvement in real terms in Brazil. I think that you will see now but also looking to the future, now we all need to talk about efficient. We have been talking about efficient for a long time, and clearly, we have been delivering. Our recurring net profit rose 3% to EUR797 million, positively impacted by the 12% decline on interest costs, following the decline on cost of debt by 30 basis points to 3.8% out of -- down from 4.1%.

Note that the reported year-on-year profit slightly above 50% is strongly impacted by non-recurrent items, namely a negative one-off provision of 285 million related to the decision, as you know, of retroactive cuts on the CMEC's revenue, which EDP is currently challenging in court. And also, the second item was a 600 positive, so it's a very sizable gain on the sale of Naturgas in '17. That is one-off. We are going to challenging them. We are sure -- pretty sure that we'll be successful. Not tomorrow; it will take time, but anyway. We fully provisioned the 297.

Our net debt was down from 13.9 to 13.5 comparing December to December, reflecting a 50% growth in our recurrent organic cash flow. I think that's an important item that we want to share with you. So we grew for a little bit more than EUR600 million to EUR1.2 billion. So -- and also this is due to a good news is we have also a 600 million decrease year-on-year in regulatory receivables.

Regarding dividend distribution, the management is proposing the maintenance of a dividend per share of 0.19, which corresponds to our floor. We are committed to this floor. Of course, subject to the approval of our annual shareholders' meeting that will take place on the 24th of April, and we expect that this dividend will pay -- be fully paid in May.

Moving to slide 3, highlights from focused growth, optimization and efficiency. What we see is that we were rather busy in terms of our business plan execution, despite all the challenge that we have shared with you. We have continued our growth strategy based on renewables and also in Brazil. Regarding wind onshore and solar, in '18 we have built over 800 megawatts of capacity and secured PPAs of 1.3 gigas, of which 0.4 gigas refer to big solar projects, one in US and another one in Brazil.

Regarding offshore, we also had a busy year. On Moray East project in UK starting construction following the closing of final investment decision and the project finance in December. In France, we finally got full visibility after a long work on the long-term tariff regime, and our project were granted the environmental permits. Finally, in the US., we were awarded a lease area in Massachusetts, as you know, which could accommodate up to 1.6 giga and which we will now start to develop in the partnership. Moving to Brazil, clearly, the keyword in terms of growth is networks.

We have commissioned our first transmission line last December, 20 months ahead of the initial schedule. And I think it's important. Basically, we have been repeating here what we did also in the generation project well ahead of and clear a difference to the other players in the market.

Furthermore, we have built a 23.55% stake in Celesc, which we had as management involvement in the company and of course optionality for the future.

We were also very active on portfolio optimization with the execution of the first sale of majority stake in the portfolio of wind farms, 500 megawatts in US and Canada, which allowed us to recycle capital with upfront value crystallization. So in order to maintain a low risk profile for our investors, we have also reduced our stakes in wind offshore projects from 77 to 33.3 stake in Moray East and from 42 to -- 43 to 29.5 in our two French projects. Lastly, we have disposed several noncore assets during 2018, namely mini hydro assets in Portugal and Brazil and biomass operations in Portugal with more than 218 million cash effect. I think it's a step. There are steps in the clear direction that shows exactly what we want to do.

In terms of efficiency, we have kept a steady outperformance of our targets, reaching 200 million savings in 2018, anticipating our OpEx target by two years.

In terms of financing, we have sold EUR1.3 billion of tariff deficit as mentioned, and we have been pioneers in green bond issuing in Portugal with a seven years, EUR600 million bond in October with a yield of 1.95. And more recently already in January, we issued a EUR1 billion green hybrid priced at a yield of 4.5. So I think it's two important instruments.

Moving to slide 4 and understanding Iberia. Clearly, we are heavily penalized by adverse regulation. So the last negative regulatory item was the decision of the alleged innovatory costs of CMEC representing what, as I mentioned, the EUR285 million provision and the lower than contracted final adjustment of the CMEC as decided by the government, which together represented 303 million one-off costs in 2018. Since EDP considered such decisions violate contracted terms, it has taken the necessary steps to protect its interests and rights. Notwithstanding this, EDP presently provisioned these issues.

The energy tax (CESE) corresponding, as you know, to 0.85% on assets kept in place despite it's supposed extraordinary nature and represented a negative impact of 65 million in earnings, 40 million in generation and 25 million in distribution. Worth is to note that, something that people have talked a lot in the past, the Portuguese electricity system debt decreased by EUR800 million to an overall debt of EUR3.8 billion, proving the system steady, deleveraging past, which will enhance the progressive phasing out of the energy tax as envisaged in the public account. So clearly, we are on the phasing out and this gives rooms and credibility to that idea of the sales vanishing.

So in terms of generation tax, in '18, this amounted to 65 -- 56 million, reflecting the changes introduced in the second half of '17 until the suspension of clawback since October 2018. In any case, contrary to the European Commission recommendations, the cost of social tariff in Portugal continued to be supported by conventional power plants representing an 84 extra cost to the EDP. Finally, the start of the new regulatory period for electricity distribution in Portugal has also an adverse impact on regulated revenues, which showed a 164 million year-on-year decrease last year.

All in all, our results in 2018 encompass a EUR672 million negative impact from sector taxes and devised retroactive cuts on CMEC and year-on-year cuts on regulated revenues. So some -- of course, a lot of them are one-offs, but the figure is big.

Slide number 5. We control what we can control. Of course, we can work. Then we challenge what we cannot control, but talking about another thing that we cannot control, but we see that 2018 was marked by the normalization of hydro resources in Portugal, although very weak, as I mentioned, in the last quarter, and abnormally low wind resources in our main markets. So we have a gradual improvement, significant gradual improvement of our hydro resources but six years low for wind. Hydro production was 5% above historical average despite a dry last quarter. This compares to a very dry period last year, which justifies the 85% year-on-year increase on our hydro production area. On the other hand, wind resources, as I mentioned, was at this record low.

On slide number 6, talking about recurrent EBITDA. It increased 2% ex-ForEx because of this hydro improvement and growth in Brazil offsetting weaker wind resources and regulatory cuts in Portugal. So recurrent EBITDA is penalized by a 5% negative impact from ForEx, was significant last year, resulting from the depreciation of Brazilian real and US dollar versus the euro. So excluding ForEx, recurring EBITDA would have grown 2% versus last year.

First in Brazil. EBITDA grew 14%, 14% in local currency, propelled by a decrease in energy losses in distribution and higher demand coupled with our low-risk hedging strategy on hydro volumes and energy prices. Secondly, in Iberia, an increase of 1%, minus 2% in Portugal and plus 12% in Spain due to the increase of hydro production, partially mitigated by regulatory measures in Portugal. Finally, in renewables, EBITDA excluding ForEx impact went down 2% year-on-year, reflecting not only the wind resource, as I mentioned, 6% below long-term average, but also the decline in average revenue per megawatt, as you know, expected with the extension of some of the PTCs after 10 years in US. This trend, as I explained in previous conference calls, is associated to the increased competiveness of renewables and of course with this change of the US market.

In slide 7, the strong performance. Let's go through what really you control. Strong performance on operating costs. We continue to see a strong performance. Excluding ForEx, operating costs showed a 1% nominal growth in the period in which our average generation capacity grew more than 1% and the number of customers connected with rose by 1%. In Iberia, OpEx fell by 3% in nominal terms and almost 4% in real terms, in line with the 4% reduction in average headcount in Iberia. We had less 275 people. In the last three years, we are talking about less 560 people.

In Brazil, OpEx in local currency increased 3% or almost minus 1% in real terms considering the inflation of close to 4% in the period of the expansion activity with 2% increase in the number of customers connected in distribution. So recovery clear in Brazil.

At EDPR, core OpEx per megawatt excluding ForEx and one-offs rose 3%, reflecting the development of our O&M self-performing strategy. We are sure that will allow us to achieve significant efficiency improvements in the near future.

Moving to slide 8, let's talk about recurring net profit. Overall, our recurring net profit rose 3% to EUR797 million, benefiting from lower financial costs, hydro recovery from weak levels in '17 and underlying growth in Brazil, which more than compensated the effect from adverse regulatory changes in Portugal and weak -- the non-offs and weak wind resources in 2018.

Recurrent net profit in Portugal decreased by 16% as the hydro recovery and OpEx nominal reduction was offset by those regulatory changes. In Spain, recurring net profit rose by 8%, and note that in Portugal, the company showed a reported net loss of 18 million for the first time since the first privatization stage of the company in 1997. The contribution of Brazil to our consolidated net profit rose 29% or EUR25 million following the 108% increase of EDP's Brazil reported net profit in local currency. EDPR's contribution also increased by 21%, propelled by a 14% increase of EDPR's net profit and our EDP stake, 82.6% since August '17.

So and once again I would stress, the organic cash flow, growing and being enough to -- not only to support the dividend proposal that we will -- we have presented and we will be voted by shareholders, but also the expansion CapEx. Having said this, I will pass to Miguel. So thank you.

Miguel Stilwell: Thank you, António. Good morning everyone. So moving on to some of the more detailed results analysis, and we see here on slide 11. You basically see that the focus continues clearly to be in the growth in renewables. And so now renewables by capacity already represents around 75% of the total capacity. This is including also hydro and wind and solar. In terms of electricity production, also representing two thirds of the total production. So an increase in 22% in the year of 2019, mostly driven by obviously the increase in hydro production versus the previous year.

Moving forward to look at the different business units, if you look at EDPR EBITDA, obviously, this decreases 5% year-on-year to approximately 1.3 billion. This includes a negative ForEx impact of roughly around 3%. On one hand, EDPR's average installed capacity rises by 6% to 10.8 gigawatts. However, some of these benefits were offset by the weaker wind resources, which António just mentioned, which were 6% below the long-term average in 2018. The EBITDA was also impacted by a 7% decrease in the average selling price excluding ForEx. This was a consequence mostly of the lower prices in Poland, Romania and the US and also by the termination of some of the ten-year PTCs, which led to a 15% decrease or 14% decrease in PTC revenues. Again, this was already anticipated when we were looking at 2018.

Moving forward to look at generation and supply in Iberia, so here there's an increase in recurring EBITDA of roughly 40%, mainly driven by the hydro resources, which increased overall to roughly 800 million. This has got to do with obviously the normalization of the annual hydro resources despite the weak hydro resources in the fourth quarter. Overall, we have roughly 13.7 terawatt hours of production in 2018, which accounted for 39% of EDP's own production, prompting a 14% decrease in the average sourcing costs to roughly EUR29 per megawatt hour, which you can see here, so a 14% decrease. The end of the CMEC of the old regime, which ended in June 2017 also had an impact of roughly 103 million year-on-year in terms of EBITDA. The 5 million left over is just a correction from previous years.

Looking at EDP Brasil in local currency, we see that there's an increase of 12% in EBITDA to roughly BRL2.5 billion. So in terms of efficiency, the trajectory is very good, so a decrease in the nontechnical losses over the last quarters, which we've been seeing in the dis-cos. So we see here both for Espírito Santo and Sao Paulo, a decrease of 0.8 and 1.1 percentage points. Pecém coal plant also had a very strong performance in 2018, and we were able to maintain the availability levels well above the contractual benchmarks. So this translated into an availability premium of BRL135 million compared to the penalty we'd had in the previous year. This was partially offset by the programmed maintenance that occurred in the second half of 2018.

Finally, and I think it's worth noting, the good results on the hedging strategy, which reached a total amount of BRL151 million, so 121 million greater than the previous year.

Looking at regulated networks in Iberia, so this decreased 19%. This is already excluding the gas distribution networks which had been sold in 2017. So this decrease reflects mainly the networks in Portugal which represent obviously 77% of the EBITDA in the segment.

The OpEx had a good performance, so it improved 3% year-on-year despite the 3% growth in volumes distributed. However, this was not enough to compensate the impact from the regulatory review in Portugal, which mostly justified the 13% decrease in regulated revenues. Additionally, in terms of EBITDA from our distribution network in Spain, it's amounted to EUR145 million and reflects a relatively prudent accounting approach, some possible negative regulatory changes which we have called the *levisidad*.

Now let's look at net debt. So net debt decreases to EUR13.5 billion as of December 2018. This reflects, as António mentioned earlier, EUR1.2 billion of recurring organic cash flow. Reflects the dividend payments to our shareholders of 700 million and also around 400 million of net expansion investments in the period, mostly allocated to wind onshore in the US but also to regulated networks in Brazil.

Additionally, the net debt was also positively impacted by the EUR600 million reduction in the regulatory receivables, which we sold over 2018. This was relating to the tariff deficit and also a good performance of the electricity system debt, which, as was mentioned, reduced roughly 800 million over the period of 2018. So as a result, the stock of debt in electricity system is now roughly 3.8 billion in 2018, benefiting from the demand growth in Portugal and also the past cost cuts. Overall, the net debt to recurring EBITDA stood at roughly four times.

Now talking about financial liquidity. We have EUR7.6 billion of liquidity, including the EUR1.9 billion of cash and equivalents. We also have EUR5.7 billion of available credit lines. Part of these were recently extended as of March 2018 for another five years, plus extendable for another two years. So this covers our refinance needs beyond 2021, so a very comfortable position.

It's also worth highlighting the EUR750 million Eurobond issue we did in June with a yield of 1.67%, the securitization of EUR1.3 billion of tariff deficit in Portugal and then, as has already been mentioned, the first ever green bond of 600 million, which we issued in October with a seven year maturity. 2018, we continued down this green path, and we're now reinforcing the balance sheet as of January with a EUR1 billion subordinated green note of the 4.5% mentioned.

Looking at financial costs, the net financial costs decreased 32% year-on-year. Firstly, this is related partly to the net interest costs which reduced by 12% or EUR77 million year-on-year. This is supported by a 30 basis points decline in the average cost of debt to 3.8% overall, and 11% year-on-year decrease in the average debt, obviously relating to - in 2017 when we sold Naturgas. Secondly, there's a positive impact of EUR30 million from ForEx and derivatives that are essentially tied to the evolution of the US dollar against the euro. And thirdly, a EUR87 million gain on the reduction of our equity stakes in wind offshore, mostly in the UK and France, just part of our recurring asset rotation strategy. Finally, 46 million, which is relating to other items, mostly the bad will associated with the acquisition of our stake in Celesc, some higher financial guarantees, revenues in Brazil of around 14 million and also lower costs with our tax equity investments of around 8 million.

And finally, in terms of last slide, so reported net profit amounts to 519 million in 2018 with obviously a significant year-on-year decline, which is very impacted by one-off results. In particular, when comparing with 2017, the EUR574 million gain from the sale of the gas distribution in Spain, which is was booked in the third quarter 2017 and also the 285 million one-off provision relating to the CMEC, which Antonio mentioned. There's also an issue that the higher share of results in EDP Brasil and EDP Renewables, as they had better results. There's also more significant percentage of minorities coming out on that line.

So excluding some -- these extraordinary items and one-off impacts, the net profit in 2018 increased 3% to EUR797 million, which benefits, as has been mentioned in this presentation, from the strong improvement in financial results and associates, which increased by 238 million and also the very strong net profit growth in EDPR and EDP Brasil. So overall, this positive evolution of financial results together with the underlying growth in Brazil and hydro recovery more than compensates the decline in the EBITDA prompted by the regulatory changes in Portugal, the weaker wind resources and ForEx. And so that basically would conclude the presentation. I think the idea now would be to turn it over to Q&A. Thanks.

Miguel Viana: Thank you, Miguel. So we will go for a short Q&A session on the results before moving to -- we have there Rui Dias from UBS The micro please just that people in the webcast could listen. In the third row there. There.

Rui Dias: Good morning everyone. I have a few questions, but I'm going to keep this one -- I'm just going to start with one specifically on the 2018 results. It's about the other cash flow line. Just very quickly, just to confirm if the 300 million of other cash flow includes CESE that you haven't paid since 2017.

And also if you -- I mean, you mentioned that you have extraordinary pension contributions on that line, but last year you also had extraordinary pension contributions. So the question is when should we expect to see these extraordinary contributions to stop? Thank you.

Miguel Stilwell: So in relation to the first question, yes, the CESE payment was done in 2018 and so it's included there in that cash flow item. In relation to the extraordinary pensions, so this -- we were contributing to the pension plan in relation to Medical Act, and that's, if you want, that's sort of the technical term -- the particularly strong contributions over the last two, three years. It will now settle into a more recurrent lower level of contribution to the pension plan along a more foreseeable line. So the contribution should reduce quite significantly going forward versus what they were in the previous years.

Miguel Viana: Next question? I don't know if someone else has some more questions on the results. Well, if there is no more questions, we will move for a short video, an introduction of the strategic update and then our CEO, Antonio Mexia, will start with the strategic part of the presentation.

(Audio-Video Presentation)

António Mexia: So I hope you liked the movie. It's a pleasure to be here. And I would like to start remembering, the first time when I arrived, the industry coming from the oil side, it was in 2006, and we were presenting in London our vision for the sector and what we believed that would be the evolution. And I remember that time that EDP was considered eventually not very interesting because we were not enough exposed to energy prices in the market. Finally then we have seen that some of those contracts were challenged, but anyway, we were not there. But clearly, what I would like to stress is at that moment, in 2006, we have decided that we wanted to be driven by renewables in a world that should be different and also having the idea of -- the disclaimer. It takes just one hour. And so when we have decided in 2006 this is what we are going to do. We are going to see two people on stage, our context, our vision, our platforms, our financials and our final remarks.

But clearly, when we started in 2006, we needed to create a vision that I believe at that time was really different. Different in the sense that renewables were considered -- now it looks absurd, but they were considered by a lot of them as pet projects. Too small, not enough centralized, not big enough. So it was against what was the philosophy of the sector.

I would say that eventually, we were not the first mover, but we have a first mover advantage even if we are eventually the number two. But clearly, we moved into an exciting journey that I believe we need now to retell the story. Why? Because I think that we have basically anticipated the energy transition, not on its full-fledged, namely including all that now is today digital and the client focus that is clearly stronger than anybody expected, but clearly the scaling up of renewables and also the need to go global. So in this period, we have multiplied by more than three renewables. And you will see today that we define renewables as water, wind and solar. That's an important element. So I think that we created a distinctive story because we have more than tripled our free CO_2 generation and we have more than doubled our international presence.

So we went abroad and we went greener. I think it was a decisive moment. And so the idea is we have anticipated – the idea that I want to share is we have, in certain way, anticipated and this is important because the price and the potential of getting in and getting in first is better and is cheaper than coming in last. So that idea of anticipation I think is important.

Also of course we have also eventually underestimated, not anticipated, issues related with the regulation or legal structure in Portugal inherited from those words that we have been hearing like the CMEC for a while that basically replaced the old contracts. And clearly, this had an effect, as we have seen in 2018 mainly.

So what we have today is a story that I believe is very compelling, but it's a little bit blurred, blurred by this -- the last, I would say, 18 months in terms of regulatory issues in Portugal. We call it regulatory, but a lot of them is basically also legal, but regulatory, legal in terms of pen, having a pen and also to the fact that we have been -- we are now under an offer by our biggest shareholder, CTG. So for one reason, we have spent a lot of time on our one-on-ones talking about Portuguese situation. Everything else disappeared. So it was difficult to explain what we have been doing.

People were typically focused on the what is the issue, what is the hot topic, what is the problem? And the second is of course when you are on an offer, you need to be consistent with that situation. You need to say -- you can say what you can say. We have done our report. You know what is our position. So we have been doing what is expected to do in this kind of situation.

But clearly, we have a plan, we have a vision. We have a vision that is shared by a team. By the way, today besides Miguel Stilwell, I have here Manso Neto, with us Joao Manso Neto, CEO of Renewables and also Miguel Setas, CEO of Brazil. So we are a team that believes really on this vision that we are going to explain today and all the key targets that we want to share with you up to 2022. So we felt the need that it was more or less obvious to reconnect with the market and to tell us about the story and especially how this vision shared by all of us in the team, shared by 12,000 people that have been very focused on delivering this value.

Sometimes, it's easy to pass in the current situation those news, but we are very focused. We have anticipated, we have that vision, we believe on this, and we need to share it with you. And by the way, the last -- I mentioned 2006, my first visit to London to share our vision. But the last one -- the last time we were here was in May '16, so it was already a long time.

So since '16, a lot of things happened, a lot of things blurring our story came over. And now we want to say that, okay, clouds -- look through the clouds and look into what we really believe is a good vision and good fundamentals. That's a critical thing, and having that long-term perspective up to 2022.

So starting by what eventually we have been missing, people have been missing is what we have done because of that focus on the issue of Portugal. You see basically, I would like to stress four things, the sustainable growth, the strong value creation, the improved efficiency and also the stronger balance sheet that we have reached between '16 and '18, so since last time we met in Investors Day. Today, we are just doing a strategic update, a lighter, no deep dive, but clear giving due to the circumstances, but we will be sharing our key targets. And the key idea that I want to share is that all platforms over delivered. We have over delivered in everything that we committed in 2016, but of course, we were impacted by these relevant cuts in Portugal.

But I want to stress really what we have delivered since '16. What we have been doing basically in the last almost three years. So first, sustained growth. What we see is we have deployed more than 2 GW and secured 1.8 GW of wind and solar for this period. We have, as you will see, a strong visibility even post-2020. So clearly, this is an element that I need to stress is we know exactly where, when, how, everything is -- the big chunk of this has names, dates, so clearly earmarked. And also we have anticipated -- and I think that's very relevant as you'll see and the figure shows that it's very relevant -- we have anticipated the interest of going into this transmission market in Brazil, and we opened a new vector on growth with an investment that will present more or less 800 million, and as I mentioned already, delivered with more than 20 months in advance the first line. So we have been creating this optionality in a very visible way.

But at the same time, we have been also strongly crystallizing value with the shareholders. I believe that the change -- and we will see towards the future, the change of the nature of the business, mainly in renewables, calls for this. This makes sense because it crystallizes values, it derisks and it helps financing a sharper growth, diversifying your risk. So we have done in this period 1.6 billion of cash of these minority sales, what we call asset rotation. We have executed at the end of last year the first majority, so the bigger, the first farm down for 500 megawatts with a huge impact than we will see. I have a slide for this. Miguel will show this. It's a way of really using less capital, having a huge impact upfront and a very important return in terms of our shareholders. So you will see this in detail. And of course, we have disposed a significant amount of noncore assets in Iberia. So it's a process that is not starting today, it has already started. We sold 3.2 billion of assets in Iberia as you've seen, both in Spain and in Portugal, of course, the biggest being Naturgas. But relevant, we have done this with 700 million gains.

It's relevant. So we have rebalanced our portfolio and we have done this in a way that has immediately created -- captured the value for our shareholders. So as an example, so we have the $70 million net equity cash in the US. It's a good figure, and we had multiples like in Naturgas, you remember, it was 16 times EBITDA. So here we have been above -- as I mentioned, we have been above the commitments of 2016.

So the idea of over delivering in what you control, it's important. So we promised, we committed and we have done more in terms of giving visibility. We have done more in what concerns creating new areas. We have done more in terms of crystallizing value and derisking.

But also we have done more than we have committed in terms of OpEx savings. Eventually '15-'16, people were not very interested in costs, but now a lot of people talked about costs. I think it's important. We also always thought that it was relevant. We are already in what we call the OpEx V So as you know, it's like in those movies with several -- V, VI, VII, VIII. So we have reached the 2020 target with two years in advance. The figures that we have shared with you, that would be reached by '20; we reached them by 2018. We have an OpEx reduction of 4% nominal in Iberia, and clearly also real -- in real terms in Brazil.

And we have an improvement management of renewable assets with 3% reduction on core OpEx per megawatt in our platform. So I think this is important. And we have basically also an issue that of course a lot of you always asked us, but we reduced our net debt by 4 billion, supported by free cash flow, by disposals and by decline in regulatory receivables. Here, minus 2.2 billion. And of course also the improvement of our financing costs, going almost 1% down; to be more exact, 90 basis points.

So I think that we have going in that circle of gross value, efficiency and stronger balance sheet, I think '16, '18, it's good. And we have done this having behind us also a track record of sustainability. Sustainability, let's talk about this a little briefly, but sustainability is what? It's do we have inside the company and in our behaviors and in our culture the mentality, the needs, the competitive advantage for the future? And we have been clearly recognized by more than -- those critical indexes for more than 10 years. In the Dow Jones Sustainability Index, we have been in the last years of the integrated utilities either number one or number two. In '18, we were number two. In '17, we were number one. I think in '16, we are number two. So we are moving from one to two.

And we have been clearly in all of these indexes performing well, so in FTSE4Good, on MSCI, on Euronext, on STOXX, on Green Awards, so -- and what I like to share with you is the idea that we are considered leader, so best ranking, number one of those utilities in risk management, in green capital allocation, climate change issue, human rights, biodiversity and talent attraction. So these are elements that are important. And here it's not my data, it's people that score companies and try to understand if you have it or not.

And the idea is we have it. And I think that we are basically talking about the triple bottom line. So people, plan and profit, and I think it makes a lot of sense. We have this structure in a good way, and it also talks about what's going on in our people.

Basically, companies are better or worse, also considering if you have the right people in the right place. Looking forward, we can spend here a lot of time. Now everybody in any presentation will share with you a lot of data about how the future will be. There are enormous amount of figures, billions and trillions, and so it looks very big.

But what I would like typically to share with you is something that I've been stressing for a while is that the future will be electric. That's clear. And so -- and we want to deliver this on a clean, affordable, reliable. And you have all of these figures that everybody knows that are important. So what does it mean? There is a lot of opportunities. So if you see this as an opportunity, and we see this as an opportunity, if you -- if this is consistent with what we have been doing previously, it makes sense that you can grab that opportunity. So clean, affordable and reliable. And of course, at the core of this, renewables growth will be supported by sound fundamentals. So we'll have an enormous amount of capacity additions, so this will be very strong. So we will be going to more than 42 gigas a year between '19 and '22.

And the key issue is that we go in a system with sound economics. Wind onshore and solar already are highly competitive at market prices. And of course, as we have seen, learning curve (inaudible) refurnishing. Everybody was surprised by the movement on that learning curve, and all these three technologies will become more and more efficient, so lower costs. So there is no doubt that the future will be electric and will be greener. And also because we have a solid support now to reach long-term renewables and climate targets, both in Europe and the US and also why because technology has helped also to commit to this target.

Because you don't have any longer that perception that eventually if you target too nicely and too strongly, you could have problems. So typically, this square is something that makes sense is of course renewables supported by sound fundamentals. And so besides decarbonization, you have another two Ds, so decarbonization, digitalization, decentralization. And this of course will accelerate new client solutions and smarter networks.

Clients are at the center of the energy transition, pushing for new solutions. Energy efficiency, decentralized generation and storage, new business models, EVs. And so -- and also smarter -- and grids needs to be smarter. So this looks very intelligent, also as green -- also in the green part. So probably it's difficult to meet somebody that will be in this stage talking about different topics. So the topics are the same, but the question is how do you address those topics? Where do you put the money? How do you put the money, with which criteria? And of course, already anticipating the new economics associated with these trends because that's the critical issue. Of course, everybody knows that it will be greener and everybody knows it will be client focused. So the question is how do you do it? The devil is in the fourth D, on the details. So decarbonization, digitalization, decentralization, but of course, the details is the issue. And clearly, we will -- I think that we have been proving that we know how to choose those details where that makes the difference and how to transform these into targets and execution capabilities.

So what is our vision? The clearly -- probably, it doesn't look very different from we started in 2006. Of course, the word then is this transition was not still there for anybody, but was clearly going into a sector that was changing, should be greener with last year or two, but leading the energy transition to create superior value. It's what basically we have been doing. And the question we want to lead and we want to lead -- leading is not a question of scale; it's a question of creating value and doing differently, and we have been -- we will be showing exactly how do we think that we are different. What everybody tries to do is why we do it better.

So here we will go through five pillars and anchored on varied frequencies and platforms. Our strategy of five pillars, the accelerate and focused growth, continuous portfolio optimization, solid balance sheet and low risk profile, efficient and digitally enabled and attractive shareholder remuneration.

Is it a total transformation from what we have been doing? No, but it's again a transformation. It's again a transformation, it's again a new phase of the company. If you pick the words, of course, and as we have been showing, we have been -- this optimization will be probably enhanced clearly. We have more of this rotation. It makes a lot of sense. It's not because you need; it's because it makes sense. You'll see of course more probably of new enablers in the market, but clearly, it's consistent with what we have been doing, but it's again, a transformation of the company. And even how we organize ourselves and the relation between these platforms is also a signal clear of how we intend to transform.

So let's start by focusing in our vision of leading the energy transition to create superior value. So where do we start from? I believe that we are in a very privileged position to capitalize on the energy transition. Why? Because we are an early mover in renewables. We have a total installed capacity of 21 gigas, we are top five in wind in the world with 12 gigas installed, and we have more than 9 gigas of hydro.

We have invested more than 20 billion over the 12 years, 75% of which in wind onshore and 40% of this in the US market. We are in a privileged position because the weight of renewables in the energy production increased from 20% in 2005 to 66% in 2018. It will be clearly above 70 in 2022. Of course, this includes, let's recall always we are talking about water, wind and solar, so wind onshore and offshore.

And we will be clearly well above 90% in 2030 where we see, of course, still a presence of gas as a backup. So excluding gas, that will represent clearly less than 10%. We will be basically a green generating company.

And we are already leading. The word green is the word, the keyword. But if you look into green, we have already distinctive positioning. Why? We are already leading that green activity. We have 65% of our EBITDA from renewables, 40% from wind and solar and 25% from hydro. It means that we have 2.5 times more renewables than our average integrated players. So we are more comparable to a renewables player on the other side. So we have only one to the left. Basically also the high quality and a young fleet. Age matters. We have more than 25 years of residual life, 22 for wind and solar and 33 for hydro. So we are greener and we tend to be younger. Younger in the sense of the visibility of the years that we have in front of us.

We start from a leading position. So our vision is what? Those 3 Ds plus the details that we are going to share is de-carbonization, renewables represent more than 90%, coal free by 2030, lead the coal free movement of the sector. We want to be in that line. Reduce -- we are in that line.

Reduce 90% specific CO2 emissions by 2030 versus 2005, that's the rule. Second, digitization and decentralization. Helping our clients to embark on our mission of decarbonization. We have installed more than 4 million decentralized solar panels. Have 1 million with e-mobility charging and solutions clients, and have 100% of Smart Grids in Iberia due to digital enabler.

So typically, we see ourselves moving from generation into the client relation into this total sustainable green world. Let's go and have a dive on those strategies before I pass to Miguel to talk about the platforms. Accelerate and focus growth, our first pillar. We will accelerate investment with a 60% increase in the annual CapEx to EUR2.9 billion with the previous plan. So between 2016 and 2020, the targets were EUR1.8 billion. We will be investing EUR2.9 billion and we will continuously focus more renewables, 75% will be renewables, 20% relates to networks, we have networks, and those small part 5% in clients and energy solutions. So we will be investing 12 billion in the period with an increase of 60% on an annual basis.

And of course, more international growth. Basically 40% in North America and 35% in Europe. And we have clear visibility. This is an element that really it's very important.

Throwing figures on a paper, it's easy, but you need to trust those figures. And clearly the element that I want to share with you is the high visibility on the 12 billion CapEx between '19 and '22. We have 75% of CapEx secured or under active negotiations, and the remaining 25%, as you'll see, refers to an existing pipeline of renewables of more than 16 gigas. So typically, the figures are important.

And if we look closer to '19 and '20 period, we have 100% of that CapEx is secured or under active negotiations, so full visibility for '19 and '20. And for '21-'22, the figure is slightly above 60%. So key figures for you to retain. 2.9 gigas already secured, 2 gigas under active negotiation, so it means close to the end, and 2 visible pipeline, 2 gigas to find in a pipeline of 16. So I think that's interesting enough to see what is coming in front of us.

So we are really increasing the pace. We are increasing the pace with full visibility, but we are doing this with a very disciplined framework, as always. I think that we are used to it. So basically, as you know, we have certain thresholds and I think these are figures that we like to share, not a lot of people share with their investors and other stakeholders but clearly, we have a minimum threshold of IRR over WACC of 1.4, 25% of NPV relating to the CapEx, so returns, and also contracted period above 15 years and contracted NPV should be a percentage above 60%. And we have been checking this, we have been checking this. And the last big 60 projects, so we are talking about 60 projects, we have been achieving in the recent past 1.5, 35%, 20 years and more than around 70%. So it shows that whenever you invest, you need to respect criteria. It's not piling megawatts. It's basically creating value, respecting those attractive returns, having the idea of time to cash, having the idea of low risk. So everything matters in whenever you take a decision in whenever country, in whenever technology, whenever -- even when you are talking green.

And we have a track record of delivery, not only these figures, but also in terms of PPA origination. We have been top three PPA secured and number two in C&I segment in 2018. I think it's important. So these figures are important because it shows that we are doing it. So typically, you repeat what you have been doing well.

And with a selective approach, we have entered more of around 200 RFP and we have won 5%. So we have been on top, but we have been also doing this with visibility on the profitability that we want. And also another example is the We have been top three PPA secured and number two in C&I segment in 2018. I think it's important. So these figures are important because it shows that we are doing it. So typically, you repeat what you have been doing well.

And also another example is the Brazilian transmission auction. We have 40% above peers remuneration based on public and comparable information from the auctions. If you see the auctions, as you know, we have reference prices and costs. If you compare these, so this is public data, our returns in the auctions that we won, the returns are 40% above what was attained by our peers. So I think this is an interesting figure because it shows discipline. Green must be wild in the sense that you are in the nature, but it needs to be disciplined also.

Besides this, I would also like that we are going to use our proven assets rotation model to create value and to accelerate renewables growth. And here, again, we have a good track record since 2012, so it allows the development crystallizing value upfront. We have EUR3.1 billion proceeds between 2012 and '18. So it shows what? It shows recurrence, it shows capability.

We have a growing appetite for majority stakes, so full upfront value crystallization now flowing through P&L. When you sell minorities, it goes only to your balance sheet, but clearly, you are going to have going through the P&L, and that first deal closed in December with a significant value creation of around $129 million. What is our commitment for 2019-'22? 4 billion of proceeds assumed in the plan on sales of majority stakes. And it allows to retain investor value, O&M contracts and then it allows you to speed up your development plan, so clear visibility on '19 execution and then more prudent assumption post-2020.

But this is -- clearly, it shows, in our opinion, we are first mover in the assets rotation. I think that other people are doing this, especially in the offshore, but we understand that this clearly makes sense because it allows you to derisk, to crystallize value, to go faster, to do more that we could do and of course, to create value for your shareholder. And we are doing this basically also with a huge track record, and the secondary market exists. So if you have any question, the doubt is not here. What I’ve tried to explain is on the other side. Are we ready to do the 7 -- the 8 billion investment on renewables? Yes! Does the market exist for this? That's the easy part.

So we will generate basically 6 billion of asset, of sale proceeds to reinvest in renewables and to strengthen our balance sheet. So keywords is of course creating value and deleveraging. So we continuously assess, continue to assess portfolio optimization strategy that create long-term shareholder value. So we have a 12 billion investment plan combined with a 6 billion capital reallocation plan, 4 plus billion of asset rotation with the merits that I have already shown and 2 plus billion disposal in the next 12 to 18 months, mainly in Iberia. And that criteria typically is we want to deleverage, so it means it needs to be significant, and we want to reduce the merchant exposure and of course starting with the thermal position. So improve risk profile and free capital to strengthen the balance sheet is critical.

So I've shown you, we are going to invest 12 billion, we are going to asset rotation more than 4, disposals more than 2, focus in Iberia and focus on reducing and it also shows that we have been doing -- we have already sold 3.2 billion in Iberia, so which shows that we want to be balanced each time our portfolio and being more focused, of course, in renewables and improving this risk profile. So we want really to have visibility on those items before the year-end. We want really on disposal to have visibility by the year-end.

So we will keep adjusting our portfolio to better align, it's the reason why it's a transformation. The pillars are the same, the strategy is driven towards the same vision, driven by the same ideas but it's again a transformation. So our diversified portfolio, we need -- the key issue is it's going to be further optimized. If we pick the keywords here, you have what? Renewables and networks, 90%. We want to reduce merchant. We want basically to reduce thermal, so decrease exposure while managing for value. This is the key items. If you have a title, you know exactly what we want to do. And growth geographies, North America and rest of Europe, and clearly, North America is the key engine but also the rest of Europe. And in what concerns Brazil, Latin America maintain exposure but also adding this idea of growth optionality. So we need to understand exactly what is the characteristics of those market and behave accordingly and of course decreasing the exposure to Iberia. We have started being basically only a Portuguese company. We will -- we are covering more than 16 countries and this rebalance is clearly moving.

So we want to keep delivering where we control and exit everything that we don't like or we don't control. Basically, you should focus where you are better. So we have also a solid balance sheet and low-risk profile. We are targeting a solid investment grade, BBB. We will deleverage in the short term and here, I would like to say the following. When we met last time, the three times that you see these here in 2022, you saw it in 2020. And now we are below 3.2. Second, postponing -- it's not postponing. We have a clear target. The net debt, that decreased, as you know, by 4 billion in the recent past. We are going to decrease it by 2 billion in 2020. And clearly the figures in 2020 would be reached and the figures of '18 will be already reached, the ones that we have talked in '16, if it was not for the surprises in regulation that I've mentioned previously.

So strong cash flow generation. We have seen this already in '18, disposable and 2 billion net debt reduction, so -- and of course, reinforcing this low risk profile with more than 75% contracted exposure and 80% Europe and US to be maintained. Targeting BBB flat, so this 11.5 billion debt between '20 and '22, and the FFO over net debt above 20% in 2022.

And also a word in terms of low-risk profile and solid balance sheet. We have a better regulatory visibility, and we can approach this in Portugal, in Spain, in US and in Brazil. Key markets, but we have seen the trends in what people -- the full support of this energy transition. That's today clear in Portugal. So Portugal needs 23 billion investment until 2030. We will have auctions for solar, the wind over equipment. So things moved -- are moving in what concerns the energy transition. As I mentioned, a very steady decline. In our balance sheet, we have the peak of more than 5 billion tariff debt in our balance sheet, and we ended up 2018 with slightly more than 200 million. So from 5 -- more than 5 billion, 200 million, the overall the system is clearly going down. It's now worth of 3 billion, but clearly this evolution of the system is good news for everybody, for the sector, for the clients, so -- and of course, it leads to the expectation of the CESE as it was stated by the government, progressive reduction.

And of course, everything that relates to the special taxes that we have seen recently, reduction or elimination, the important and the climate targets in Spain, of course additional visibility of returns to up to 2025. We have elections, I know, but as we speak. Renewables portfolio standards in US in 29 states, covering 56% of US electricity sales, environment restriction, and the clear visibility on PTCs and ITCs. So a lot of elements that were uncertain especially in US market with the political changes, now we have full visibility. And of course already in Brazil the ANEEL return distribution at 1.5 -- 1.1% until 2022-23 in what concerns our business. And of course, a government that is today totally focused on attracting foreign investment. So we have an environment today that is better than it was before.

Moving now to efficiency. We will keep driving efficiency across the organization. The clear commitments, we have the strong -- once again, can we trust the future? Let's talk if you have walked the talk in the past. So 4% nominal reduction in Iberia, 4% real terms in Brazil, so we will not stop. We are targeting 100 million like-for-like annual savings until 2022. Therefore, we'll be steady. 50 million already expected by 2020.

Maintain the generational replacement, embedding new skills in the organization and of course, delivers operational excellence. Zero-based. We have been doing zero-basing budgets everywhere. Natural headcount reduction. We have now a ratio for any two people that leave, retire, we have only one getting in, with different skills and digital enablement. So typically, this is an important commitment going back to a figure that we like, leading the industry with 27% of OpEx, net effects of gross margin. So that's -- I think the figures are quite relevant and cumulative, we are talking about 300 million cumulative between 2019 and '22, so 100 million here and 300 million cumulative in the period.

Here just to mention what, a lot of people spend a lot of time talking about this, but I think it's relevant, but let's be focused. 800 million in digital CapEx including the platforms. It will deliver efficient revenue gains across the organization. We are not obsessed of piling digital but it relates with the IT, digital, smart meter, so everything that relates to that intelligent part.

We will have more than 300 digital MVP initiatives. So I think it's important for the client relations, for the assets and operation, including a very interesting domain for us, predictive maintenance and the process 95% digitalized. So everybody's going -- trying to do a smart organization. Not the smarter grids, not a smarter relation with the clients, but also a much smarter organization I think that we are doing it -- committed to doing.

And this of course is very, very enhanced by open innovation. We have partnerships with more than 50 trusted partners and biggest parts of web summits. We have capital in -- venture capital in small companies. So basically, we are – we really believe on these open innovation and changing the skills that we have, leading to what I call everything will be electric and everything needs to be intelligent-bound, so basically we will be a more flexible and global organization. People, people, people. It's not very easy, but I think that one of the things that probably you already recognize about EDP's team is that typically, we have good teams and we have top teams in the industry. So we have more than 500 agile experts as part of the embracing people on digital and agile mindset. So we have more flexible, more collaborative ways of working.

On those indexes, people recognize that we do better on this front. We want to be -- multiply by four our top performers to critical positions ratios, so signal competition to critical positions. And we have diverse and digital skills and upskill current workforce by up to 85% new competency needed. So everybody's trying to do the same. We have been doing this in a rather good way in terms of changing the culture of the company. You just -- if you visit our office and you see people working there, you see me that everybody feels smart and digital.

So attractive shareholder remuneration. We have clearly a distinctive green position. 65% share of EBITDA in renewables. It's top two among European utilities. More than 25 years average life of renewables assets, so I think that this is relevant. We want, of course, to deliver strong earnings growth. Our commitment -- once again, commitment is to grow by 7% on average per year. We will be around 900 million in 2020 and clearly, above the 1 billion cap in 2022. And attractive shareholder remuneration as dividend per shares. Why? We have a solid floor. This floor has resisted to everything. We have always -- we have never seen -- I think it's quite unique, we have never changed our commitment in terms of a solid floor of 0.19 per share. We are targeting now, a different range, a target payout of 75 to 85 and a sustainable EPS growth, if achieved to be delivered as a DPS increase. So sustainable EPS, growth to deliver a DPS increase. So we keep the floor, we change the target payout and we will share growth with the shareholders, and that's a clear commitment.

So what I've tried to do is we are transforming, again, the company. We are transforming, again, the company. A very focused growth, a very ambitious optimization program, totally committed, it's a commitment, a much stronger balance sheet, a very flexible focused discipline and efficient organization and a clear commitment to share this with the shareholders. So the commitments are clear and also, how we are going to deliver these two platforms.

And this positioning in renewables, networks, client solutions and energy management shows that we structure ourselves and we take decisions and the competition for those decisions in terms of capital allocation and who goes where and where people move inside the company. We need to understand exactly how to structure our business in a way that allows us to deliver those commitments. So the commitments are clear and our platforms.

Now I'll pass the word to Miguel to explain about this platform, and I will come back to the remarks. Thanks. Miguel, the floor is yours.

Miguel Stilwell de Andrade: So once again, good morning, everyone. So, I will go into the detail now of the fourth D that Antonio talked about in terms of the platforms and some of the concrete numbers.

I think the first point to make is that we will be reporting now on a new segmentation, which is basically these three platforms. This is clearly aligned with the energy transition and it's also clearly aligned with how we see ourselves evolving from a structure and organizational point of view. Renewables including wind, solar and hydro, as Antonio mentioned, 65% of it, of our EBITDA is already in this platform, 25% in networks, which includes distribution in Portugal, Spain and in Brazil. It also includes the transmission, which is being built out in Brazil and then roughly -- well, less than 10% around client solutions and energy management, which includes both the client, the trading and the residual thermal we still have in our portfolio.

So clearly, a much more simple and focused structure, how we see the company aligned with the energy transition. And clearly, also enables us to share best practices and efficiency across the organization. So where will we be investing? So we talked about the EUR12 billion of CapEx investment over this period, '19 to '22, 75% on a gross basis going into renewables and 20% into networks. We will be doing over EUR4 billion of asset rotations to get roughly 7 billion of net investments and then 2.5 billion of maintenance.

You get 5 billion of net expansion investments, 83% of which will go into renewables. Most of this, as has been mentioned, will go into either North America, in Europe and also some into Latin America, mainly in renewables, and also the build-out of the transmission networks in Brazil, which is included here in this 30%. So we clearly see value in having this diversified renewables platform. As you see, it's a platform which is basically 50-50 in terms of hydro and in wind and solar.

Although the wind and solar will continue to grow over the next couple of years, and I'll show that in more detail further on. Clearly, we believe we have distinctive development in operational capabilities, and that's been shown in the track record over the past decade in terms of buildout, and we see it as a key growth platform for the future. In terms of hydro and the geographies where we're present, we see an enormous flexibility value from the pumping storage, which we have a lot of. Very strong cash flow generation, it's efficient and it's got a very long-term value.

So we're talking about long-term concessions in all of the geographies where we're in. So overall, it's a technologically and geographically diversified portfolio with a very unique green profile. So specifically, let's talk about growth. What we're seeing is from a build-out of roughly 700 megawatts per year from the '16 to '18.

We will double that for the period of 2019-2020. As was mentioned, we have extremely high visibility on this, so all of this with PPA is already locked in, and we will triple it for the period '21 to '22. So for this period, 40% already secured, 20% or 30% under active negotiations, and we have a pipeline, as was mentioned, of over 16 gigawatts in the various geographies where we're in, from which we will be able to source the additional megawatts for the remaining period of 2019 to 2022. So how do we see these four technologies evolving in terms of net additions? Clearly, wind onshore will be growing from the roughly 11.5 gigawatts, adding an additional 5, 5.5 gigawatts, so 70% of the net additions.

It's a mature technology, there's definitely a lot of market appetite out there for this technology. We're already a top five global player with a distinctive track record. So we are very comfortable with achieving these growth rates. Solar PV, we haven't been as present in the past, but it is definitely increasing their relevance.

We have strong visibility already with 400 megawatts secured and another 400 megawatts under negotiation. We see it as a sizable opportunity, high market competitiveness. We are targeting 1.5 to 2 gigawatts, mostly in the 2021, 2022 period. But as I say, already with pretty good visibility on 800 megawatts of that.

Wind offshore, again, a very interesting high-growth area, so we see a lot of growth potential there. What we've looked at doing is building the projects, diversifying the risk by selling down and partnering up with other companies, and we've shown that track record over the last couple of years. We've got 4.4 gigawatts growth under development in these joint ventures, most of it will come after 2022, so beyond the scope of this business plan. However, by 2025, we would expect over 2 gigawatts of growth capacity to come online, basically around these projects.

And finally, hydro here, a relatively mature technology. We have a nice portfolio both in Portugal, Spain and in Brazil and basically managing this portfolio for efficiency. A residual addition over this period but a very nice business to have. So definitely, this is a platform which will be driven by this development, the PPA generation O&M and the hedging capabilities that we've shown over the last couple of years.

So maybe just a deep dive on solar and wind offshore, which is probably less familiar to you. So in solar PV, it's already cost competitive in most of our geographies, and I think what we like about this renewables platform is we should be in the technologies that are most competitive wherever we are. So if solar is competitive, we'll be there. If wind is competitive, we will be there.

If hydro is competitive, we will be there. It is cost competitive, it will increase the competitiveness in the US post 2020. As you know, the PTCs phase out and the ITCs will still remain for a while longer, so solar will become more competitive in '21, '22 period. And we will leverage on the client base in Iberia and Brazil also to lock in corporate PPAs to make this project viable.

We already have secured 400 megawatts, as I mentioned, so a 15-year PPA in Brazil, COD beginning of '22, Riverstart in the US which will come online in the '21, '22 period, again with a 20-year PPA Additional initiatives we have in the pipeline. As we know, we have upcoming auctions in Portugal of around 1.5 gigawatts, so we will be participating auctions. And we're also exploring hybrid wind-solar solutions, which quite frankly, we think is quite interesting because this is a good way of reducing the cost associated with the new solar. You basically use the existing infrastructure to connect to the network and you become more efficient and competitive in those projects.

In relation to wind offshore, again, a technology which is becoming increasingly cost competitive, and we've seen that in one project we are present in the UK and Scotland where we got a 15 year CFD, 950 megawatt. As you know, we sold part of that down now in 2018. We are definitely developing these partnerships to derisk. These are big projects, we like developing them.

We also like to share the burden with some of our partners. And we are building out capabilities, so both in France with a 20-year feed-in-tariff for '23, '24. We recently won a lease in the US., and we will also be looking at the PPAs that will come online over the next couple of years in the US for that.

And looking also at an extension of Moray, so Moray West, again, preparing for an auction which may come this year or the following year. So that's by technology, let's look at in terms of geographies. So North America, as I mentioned, a very liquid market, good visibility on the PTCs and ITCs. We've got a very diversified geographical footprint, so we work in many states.

That allows us to take advantage of, for example, in the Midwest where there's a lot of wind resource, very low costs, very competitive, including with coal and gas. And then you've also got the coastlines with higher costs, but also a very big predisposition to contract renewable projects. So we work the full geographic scope. Approximately 4 to 4.5 gigawatts of additions over this period.

In Europe, around 1.8 to 2.2 gigawatts. Again, Europe, very strong target in terms of renewable buildout, so we'll definitely take advantage of that. And then in Latin America, mostly Brazil, also strong fundamentals. We've been present there, we are one of the top three wind developers in Brazil in terms of megawatts, and we will continue to develop that over the next couple of periods.

We will look at new markets, but clearly, some key criteria. So strong market size, strong fundamentals, low risk and contracted profile. As Antonio mentioned, we will go into projects when we have clear visibility on the returns and that we can lock in a part of that risk and revenue. And obviously, stable market and regulatory context.

Let's talk about asset rotation because this is a very big part of our plan and a very relevant one. I talked about the added additions that we are going to have coming online to approximately over 2 gigawatts in the '21, '22 period. Roughly 50% will be to keep and manage and the other 50% we will be selling down, rotating that, just leveraging on the market appetite and liquidity. And there's a huge market appetite and liquidity for these assets once they have been derisked, and we've shown that over the last couple of years.

This allows us to crystallize the NPV upfront, makes it less capital-intensive. So unlike a lot of utilities, we have a lot more opportunities than we have capital, which is a fantastic thing. It means that we can develop those options, crystallize them and redeploy that capital back into the business. So recycle capital in the renewables space.

It allows us in some of the structures to retain the industrial value added because we continue to manage those projects, and we continue to manage those wind farms even after they're built and once we've sold the majority stake. We've been showing that, as I mentioned, since 2012, 15 -- over 15 transactions already done in terms of asset rotation, with over EUR3 billion of proceeds and historically a 2% to 3% margin or a 2% to 4% margin between the rate of return when we start building it. Once we've derisked it and we sell it, we get a much -- the buyers are accepting a much lower rate of return. So basically, that's the value crystallization you get from doing this asset rotation.

So really allows us to accelerate this plan and not be limited by our capital base. So it's a good way to create more value for shareholders. Let me give you a specific example, and this is just a case study on the US transaction we did at the end of the year in which we worked on over the second half. So this is a 500-megawatt case study, included two windfarms in the US and one in Canada.

One of the US wind farms had a COD at the end of 2018, the Canadian one will only be at the end of 2019. Because people believe in EDP, they believe in our track record, they believe in the quality of the assets that we build out. We've done a $200 million equity investment and we basically sold already 80% before we have even completed two of the wind farms. So people believe that we can deliver and that we can deliver on time and on budget.

We cashed in $270 million, that meant we've got a $70 million net equity cash-in, 100 megawatts for free because basically, you not only got paid all of your capital put in but you kept a 20% corresponding to 100 megawatts. Capital gain of $120 million roughly $260,000 per megawatt. So basically, we sold before the projects were even completed and had a fast turnaround of less than one year in terms of this buildout. So this is a good case study and this is the type of transaction we will want to keep doing within the context of that asset rotation strategy.

So just to wrap up this section on renewables, just three sort of key numbers. So over EUR8 billion of investment plan in renewables over this period, with over EUR4 billion of asset rotations and roughly EUR4 billion of asset rotations and roughly EUR4 billion of net investments. We expect installed capacity to increase to roughly 25 gigawatts and under management, 28 gigawatts because we will keep some of the -- managing some of the projects that we sell down. And in terms of EBITDA to grow by 17% to EUR2.5 billion.

This already includes the disposals that Antonio talked about, this is very important. So this already factors in the sale of some assets. So it's not -- if you want to exclude that, you wouldn't have to add that to these numbers. So this includes already those disposal numbers.

And then roughly EUR100 million of additional equity coming in from the projects that we sold down. Let's talk about networks. So we have a low risk portfolio stabilized with growth potential. It's a nice, solid, stable long-term cash flow generation.

It helps fund growth also in other areas of the business. It's got a low risk profile, which is important for the balance sheet and rating agencies like it, and they should. It's got a sizable capital deployment, recurrent. Every year, reinvesting and getting a rate of return in that, and it allows us basically to align the networks with the energy transition.

So the investments we're doing are typically modernization and maintenance of those networks. In relation to Iberia, clearly maximizing the value by modernizing the grid and getting maximum efficiency. Obviously, keep monitoring the regulatory settings and we will analyze partial value crystallization, leveraging on market appetite. So this is something we are analyzing and we will look at going forward to make sure we are maximizing the value and extracting maximum value for shareholders.

In Brazil, we are aiming for superior execution of existing projects, mainly in the transmission. As you know, an ambitious plan there that we have been delivered not on time and on budget but before time and below budget, and also continue to improve the operations. And then be open to value -- consolidation and value-accretive growth opportunities that may come up. We've shown that, we go to auctions when they make sense and if we get the right returns.

We also go to the auctions if we don't get the right returns, that's no problem, we'll walk away. So we will not do anything below what we think are fair returns that we like. So overall, I think the networks are well positioned for the energy transition, they're clearly a key pillar here as part of the strategy and underpinned by an improving regulatory environment. So now just two slides, one on Iberia and one on Brazil.

So just to recap, and most of you probably know this. So in Portugal, we have roughly EUR3 billion of RAB, with different rates of return on the high-voltage and medium-voltage and also on the low-voltage. And in Spain, we've got roughly EUR1 billion, it's EUR950 million actually. A 6.5% rate of return. So here typically, we go in doing the investment in modernization and the depreciation and amortization is in line with that CapEx, so you have a stable RAB.

The focus is being very much on efficiency, so we've got a historical efficiency gain of 3.6%. We've increasing the smart meter penetration, so over 70% smart meter penetration by 2020. In Spain, it's already 100%, it's a legal requirement. In Portugal, we are building that out at roughly 500,000, 600,000 smart meters per year.

And in general, continue to modernize the grids, as I mentioned. The current regulatory cycle in Portugal is in place until 2020, so it's stable. As we saw in the results 2018, we had a decrease in the regulatory revenue from 2017 to 2018. It's now stable for this three-year period.

The low voltage tender process in Portugal, and this is an ongoing analysis so the regulator came out with their sort of plan or a study, which foresee a couple of regions. The government has said they would prefer to have one region. The framework is not yet defined. Quite frankly, we don't expect any visibility on this really this year, so there will be ongoing analysis.

And in 2020, we will probably then get better visibility on that going forward. But our base case is that, that will be there in our business plan numbers, as you know. In a worst case scenario, you get RAB back, so if that was to disappear. There's additional visibility on the returns in Spain and many of you know that, also from the Spanish regulator and government.

Obviously, there's now elections. Let's see, but in general, I think we're fairly comfortable with the rate of returns we're assuming here. In general, I think we'd have a role to play in the energy transition. And so what there needs to be is a good, solid regulatory framework to support this.

In Brazil, in distribution. So clearly, unlike Iberia where you've basically got CapEx and depreciation and amortization in line, in Brazil, there's a strong buildout or a strong CapEx program. It's a good return on RAB RAB overall increasing roughly 900 million. Strong track record over the last three years in terms of reducing the grid losses, reducing the grid interruption time and also in terms of OpEx per client reduction.

So very good business that is all the right tendencies in terms of operational improvement. In transmission, over BRL3 billion of investment, 12% to 14% this is return on equity. And we've been talking about this, but I just want to highlight. So we went into the auctions with certain investment thresholds, which is at 12% to 14%.

We have actually managed to anticipate construction well ahead of what we had planned and also get much cheaper funding than we had also planned. So we've doubled the NPV that we were expecting to get from these projects, which is obviously a very nice thing to happen for shareholders. So we'll keep assessing future growth and are open to value crystallization opportunities. This is how we look at rotating capital, including in also Brazil, we have been doing that.

And you saw also some of the sell downs of the mini hydros in Brazil this year, so that is definitely a part of our business. So rotate capital, deploy it into businesses or in new projects that add value. When you can crystallize it at good value, we then recycle that back into the business and keep generating NPV. So just to wrap up this section on net worth, so 2.4 billion of total CapEx over this period, roughly 600 million per year, 1.1 billion in Iberia and the rest in Brazil in distribution and transmission, so the 0.7 billion is in transmission.

The regulated asset base increased 15% mostly in Brazil. As you can see, Iberia is expected to stay roughly flat and then EBITDA to grow, driven by the investments in Brazil, again mostly in transmission projects as they get built out. So now talking about client solutions and energy management. Here, we've put clients in the middle and this basically because it relates energy management and also the client solutions that we're developing.

In energy management, this is increasingly relevant, particularly when you have a big renewable portfolio. So not only do you need to sell the energy and to manage the renewables intermittency, but the thermals capacity backup especially gas going forward is a useful complement to that renewable intermittency. In terms of sourcing, it's definitely very important to be able to originate corporate PPAs and to do hedging in the various geographies.

In the US, typically, we do that through corporate PPAs or with regulated utilities. In Iberia, increasingly, we were the first company to sign up a corporate PPA in Spain in relation to Pascual, which was one of the clients we have there. We manage the spot on the forward energy market both in electricity, gas, coal, CO2 and we also provide ancillary services typically through our thermal plant. So that's also a very important part of this energy management.

In clients, definitely supplying electricity and gas with good quality of service, be cost efficient. And then this is an area which is relevant, which is things like e-mobility and just more generally distributed generation, which we think can have a very attractive opportunity to grow in the future. We are being very active in Portugal, Spain until recently in distributed generation. From a regulatory point of view, it wasn't possible to do.

If that market opens up, we will definitely look at it as a complement to the client portfolio. Talking now specifically on energy management and the value we see there. So this allows us really to optimize the energy we're producing and trading. And in the case of Iberia, you see clearly, we have a balanced portfolio between renewables and non-renewables and also our B2C and B2B customers.

So this allows for a certain natural hedge with the customers and the hydro pumping also allows us for some flexibility. So we do see value in this integration in Iberia. In Brazil, this is really for 2016, '17, '18, but you see the losses we would have had if we hadn't had an active energy management strategy. Basically, with the lack of water, we would have had a BRL600 million loss as a result of less water in the PLD costs.

Because of the active hedging strategy, we actually had a positive result at the end of the day. So this shows the value of the proactive energy management. On clients, a 10 million client base, basically with improved operations. Here the focus is on quality, increasing the service contracts, penetration, digitalization to really reduce costs, and that's obviously a huge trend if you want to be competitive in this market and also fostering the new solutions, namely services, solar, e-mobility, so we do see an opportunity there.

For example, we've given a study here in terms of decentralized solar we have in Brazil, building out over the next couple of years. Overall, we do expect this to expand the margins significantly. So this is the average of '16-'18. We have been higher than that. 2020, we are expecting roughly 60 million and 100 million. This looks like a big increase, but in terms of EBITDA margin, we are talking still about 1.7% EBITDA margin.

So basically wrapping up this section, we see a strong increase of energy under management to 81 terawatt hours, mostly driven by the increase in the renewables. Growth driven from services, you see here. We are not focused on growth for growth's sake. Here we are focused on growing the services, which adds a nice margin to our client business, and we do see significant EBITDA growth, driven mostly from Iberia.

So overall, putting this all together and some of key numbers, in renewables, the installed capacity growing to 25 gigawatts and 2.5 billion of EBITDA The networks, the RAB, increasing to 6 billion, so 15% increase and EBITDA growing to 1.1 billion of EBITDA, and client solutions, energy management mostly growing is the services contract and the margin and increasing to roughly 0.5 billion of EBITDA. What does this plan translate to overall?

And I think these are five key numbers really to look at. EBITDA growing to over 4 billion over this period, mostly driven by renewables and networks. Net income growing to over 1 billion, investments roughly the 2.9 billion per year, the net debt decreasing to 11.5 billion. That's a 2 billion decrease and the Net Debt/EBITDA basically around 3.2 or below 3.2 in 2020 and below 3 in 2022, and these are commitments to the market. From a financial policy perspective, and this is one side, but it's really in line with what we've been doing in the past.

We have a prudent financial policy. We typically have a strong liquidity position. I think you saw that in the 2018 results presentation. We do liability management to improve the cost of debt.

We did that at the end of last year, we've done that also in 2017. Typically, we have liquidity for 12 to 24 months of refinancing ahead, and that's obviously critical for rating agencies and for ourselves to feel comfortable going forward. Funding, we do that at a centralized level, with one exception, which is Brazil, which is ring fenced and that's done at the local level. So 80% of that is done at the centralized level.

Rating, we will be targeting a BBB rating over this period, driven by this decrease in debt. Our funding sources typically, we get them from the debt capital markets but we also have significant liquidity resources from revolving credit facilities. And finally, how do we manage our risks, both interests and foreign exchange? We typically invest in the same currency, where we'll be getting our revenue from. We also -- typically, we have a prudent interest rate.

We are assuming here 55% fixed rate debt. That's been increasing over time. We've been benefiting also obviously from the low interest rate environment we've had over the last couple of years. We will continue to manage this proactively.

So finally, just in terms of the overall sources of cash and uses of cash. So where are we getting the cash from? And where are we using it? Where are we investing it? We're getting over EUR8 billion of organic cash flows. So this is before maintenance CapEx. We're assuming over EUR2 billion of disposals and we are assuming roughly EUR2 billion from tax equity investments or from the green hybrid.

So actually part of that is already done, that was done in January. So that adds up to a total of EUR12 billion or over EUR12 billion sources of cash. We will be paying out roughly 3 billion of dividends. We will be deleveraging roughly 2 billion and we will be investing over 7 billion in both expansion CapEx and in maintenance.

So the expansion as we saw was roughly 5 billion and the maintenance, roughly 2.5 billion. So we are committing our funds to deleverage, to pay dividends and to invest in the business, and I think that's the cycle of generating the cash and reinvesting that and sharing that with the shareholders and paying down debt. Now I'll pass it over to Antonio to closing remarks. Thank you.

António Mexia: Thank you, Miguel. So leading the energy transition. Could it be here? Or in other presentation? Eventually. But not in the same way.

The question is really, I would like to -- after this morning, that people understand exactly why we are distinctive equity story that has been blurred by at least those recent events. And then I will try to understand how we are not just talking about one thing or another, we are basically finding a good balance of all the critical details to reach this leadership position. So we have been continuously engaging with all the stakeholders. We have a focused company.

We have exposure to renewables and networks. We have been clearly sponsoring liberalization and client services, everywhere we are. Of course Portugal, but it's clear again, the case in Brazil, in Spain. So we have -- it's in our DNA.

Investment-grade, shareholder revenue ratio, everything -- and by the way, we are here today after supervisory board yesterday approving this vision to 2022 where you have key shareholders, but as you know, a majority of independents. So but the idea is we are ready -- we have been ready for the future. Forget about the clouds, those clouds that appeared for a while. And we have been ready also because we have always embraced this sustainability model, this triple bottom line of business in a consistent way.

I'm not putting this because it's politically correct or because everybody does this today. We have been doing this for a long time when nobody give a damn about showing those charts of sustainability or indexes. And clearly, this relates with gender and equality because it makes a smarter organization, employees that are engaged with society, investing in access to energy, as you remember, we had the first refugee camp in the world in Kenya, where we don't have either investors, as I know, or clients. The safety standards, the social investments, the question of leading by example on several items.

So like fleets and so typically, we have been clearly focused on eight of the sustainability development goal, but I think that, we have been consistent. I will not spend -- we can talk for hours, but I think it's clear. As Miguel showed and wrapping up all these five pillars that I've mentioned, the figures are clear. They are ambitious, they are mainly credible.

So this acceleration of our vision, I think it's very, very clear. Why? Because it leverages on what we do well and it just -- we just go faster. So the track record is important. So the question is the growth, the EUR12 billion investment, the asset rotation, we explained why clearly it makes sense and how we can do it.

The very focused, more than EUR2 billion disposals, consistent to what we have been doing already, the solid balance sheet and what concerns the targets, the efficiency, the attractive shareholder return, everything, those -- these figures that have already been shown so I will not repeat them, not to have an overdose of the same figure. But I would like to enhance this, the credibility issue. You can say, plenty of people, whatever you want, but people, every institution, every company is about the story. A story that people need to like, I suppose, if not, we would not be telling those stories.

But they are credible that at the end, everybody will be happy, the nice stories that -- and clearly, but they need to have that vision, that idea of a future, something that you mix better than others. Something that is, I would say, attractive but at the same time, credible. Those even when you -- and credible why? Because the story that we have been telling previously, it's already good. Clearly, we have been delivering.

So this company I think has been for more than clearly one decade a good storyteller. Why? Because the story was true. And clearly, we committed, we delivered. We were surprised by things that we didn't anticipate, yes, but we mainly anticipated the key items.

And credibility, 7 gigas gross in renewables. 70% already secured or being negotiated at 2022, and everything secured for '19 and '20. I think it's good news. It's visibility.

It's -- okay, let's take the cloud out and see exactly what we have. Asset rotation. We have 3.1 billion proceeds since 2012. I think it's a good figure.

Strong visibility for '19 and prudent approach for 2020. These assets rotation where we were one among the first to understand the value of this strategy. Disposals. Not only we have a good quality asset base because when you – so you can.

We have several alternatives, by the way, so yeah, several alternatives. That's important. But clearly, we have a track record of 3.2 billion in the last two years. So it's not starting.

Strong efficiency capture. We have always, since we met, always either with one year or two years in advance. So we say, okay, we should promise more. No, but we promised and of course, it's not the end of promise for over delivery, but the targets have been tough, clear and delivered.

So a 4% reduction between '16 and '18 in Iberia, I think it's interesting, and real terms in Brazil. Also in that country, you need to do it. And if you see those, if you compare in Brazil the net OpEx of a gross margin, you have probably the number, the reference now in the sector clearly. Attractive share on remuneration.

8 billion dividends since 2005. Keeping it secure and growing floor. So we started from 0.10 and we grew up to 0.19. So clearly, we can and we will deliver the commitments.

So just as a final slide, we have anticipated from 20% to 70% more than renewals generation in 2022. We have delivered superior value. If you compare total shareholder return, we have stock utility in the same period, we delivered 150 compared to 65. I think it's better than the reverse.

And we are in a unique position. Why? Because everybody is green, but we are greener, and so basically also we have people that now need to talk about structure and costs. We have been talking about this for a while. We have people that are buying growth platform because they were not exposed.

All of this is organic. We are not buying and we are not moving from a nonorganic to organic. We are already organic growth. With the exception of the first move where we bought the platform in the US, we have been basically organic. So we don't buy growth. We grow. And I think it's interesting this.

Of course, do we need focus, companies of our side? Of course, compared to what eventually was five or six years ago, needed -- need what? More focus, yes. Today, companies of our scale and even bigger, we are no longer expected to be good in everything, everywhere, and be the setting the example. This is the reason why I believe that this plan, this strategic update shows a transformation based on the same pillars, but it is a transformation in a world where you need to explain exactly what you do better than the others. Why? Because then, it's the only reason or the best reason for people to understand why you are an option to be better exposed to these energy transitions.

Why we feel that we are a better option to -- for people to be exposed to the energy transition, exposed in the – invested in the energy transition. We don't need to criticize our old structure, our old team, our old asset portfolio. I'm just mentioning these, I don't know why but we don't need to be talking about how things are going now to be so fine. They have been fine.

We have been really doing, of course, the other people that do this, don't ask me names. But there are other peoples. But they are the people that don't do this. Don't ask me names. The list will be long anyway.

So, the question is we have also recognized that we need to focus and this focus, recognizing what we do best and also this adjustment is made through capabilities and through means that we have already used and done. It's not changing with no track record. It's track record in what we grow but it's also track record in what we don't -- won't grow anymore and eventually even reduce.

So, I think that's the key issue. It's about -- I started the presentation, talking about 2006, it was a long time ago. When I see the pictures taken at that time, I see that I'm eventually different. We are all different.

But typically, one thing is the same is that the vision is we believed exactly what was our goal, our destiny and I think that we delivered rather good. What do I don't like? What I don't like is clear. Something that blurs and makes people out of focus of what we should be focused. Because we are focused and clearly what -- this reconnection with the market in the currency consensus as of course because we need -- we have not been talking and we need to talk.

Not only what we have been doing in the last 6 to 10 months. I think it's a huge scope, especially in the current context. But clearly, to have this clear visibility and hopefully, we were able to say that we know we are growing and that we are clearly a distinctive, value proposition that by the way sometimes is discounted by those clouds that when it's going out -- some clouds are, I would say, whiter. The sky is bluer, much more blue today.

So typically even if this was not a deep dive, I believe that the commitments are very clear, very strong and very detailed in what concerns how we are going to reach those. So, thank you and now let's Q&A Miguel, if you want to join me. Joao and Rui, they're all going to join us to.

Q&A

António Mexia: So thank you. And now let's go to Q&A. Miguel, if you want to join me as well and Rui, Rui is going to join us, too. Miguel?

Miguel Viana: We will have also some questions from the web, so we are going to have to take some questions maybe from here and just to highlight for the people that are following us on the webcast and I think we have more than 500 people following us on the webcast, so you can also make your questions.

I think we can start with the questions in the room. I have here in the left here, maybe for the microphone for that everybody can hear. Carolina Dores from Morgan Stanley.

Carolina Dores (Morgan Stanley): Hi. Hello. Good morning. Thanks for taking my questions. I have to − first on the 2 billion of disposals that you mentioned, Antonio, most of it seemed to be on the new division, the energy management where the thermo is, but still that EBIDTA guidance for that division is going up a lot. So, I guess, my question is, how is the dilution of this disposal that you are baking into the plan?

Second one on the slide where − that's probably for Miguel, that you go through the sources of cash. There's 2 billion of sources that it's basically hybrid tax equity and changes in regulatory receivables. I was wondering if you could give us the breakdown. Are you just doing more tax equity or this is also a function of more hybrids and lower stock of disposals?

António Mexia: Thank you, Carolina. So about 2 billion deleverage and were there − it's true. Clearly, first of all, deleverage is a top priority. And in this context, clearly because also it makes sense in terms of business structure, we envisage story of Iberia. At that divestment of an hybrid generation, portfolio can make sense to consider. So probably, of course, we want − the key priorities, I told, is it needs to be meaningful. It needs preferentially to reduce our merchant exposure. But we are aware that probably we need an Iberia generation portfolio. And of course this will have thermal but eventually also non-thermal assets. We cannot, of course at this moment, tell you exactly the portfolios − we have been working on those by the way. So we have not − we will not start today.

We have been working on this. Of course, the final decisions will depend upon interest founds, values, of course and impact on our portfolio. But clearly, we're talking about Iberia and on the other side what we see today on that − so on the sales side and the 2 billion disposal, it's a clear commitment. As it concerns to your question why that part, clients and energy management, goes up, I guess Miguel has stressed this already and showing not only what we have been doing in Brazil but also we have been doing in the margins evolutions that we expect to have in Portugal and in Spain and in the markets that we have, where we are. And clearly, we see ourselves in the evolution in the last four years make it totally credible to more than triple the results. And I think that the figure we presented, more than triple the margins that we make with the clients through services, through energy management, through energy solutions. So we are really confident, in the last three, four years show these increased. So even with the sales, let's say, what we can call the service parts to our clients and energy management will assure that growth. So let's be clear about the disposal. Let's be clear also with what we expect about that energy management part. Miguel.

Miguel Stilwell de Andrade: On the cash flow parts, so what we're assuming in those 2 billion is roughly the 500 million of the hybrid, which is already done and locked in as of January. We're also assuming tax equity just roughly 1.2 billion and the rest is regulatory receivables. Essentially, that's sort of three key components of that, those 2 billion.

Miguel Viana: We can go for a next question here. José Ruiz from Macquarie. Second row here.

José Ruiz (Macquarie Capital): Hi, José Ruiz from Macquarie. Just two questions on dividend. First of all, I would like to test your commitment to the 3 billion dividends in this period because your dividend policy is based on dividend payout. If we see other clouds, would you reduce that commitment? And the second question is regarding − you mentioned other potential disposal. You talked about crystallization of networks, which I understand is a minority stake. I would like to understand why would you do that considering that you - with the existing plan, you're deleveraging and you're delivering on dividend. And just on that question, would you consider returning cash to shareholders if that was the case?

António Mexia: So José, thank you. Dividend. You know, the advantage of being − you have been bearing us and me particularly for a long time, is that you can test exactly what we have been doing in the past. And if we have told the truth, we have never changed dividend policy even when the clouds were tough, even when everybody was talking that Portugal will leave the euro and everybody was asking me how I would pay debt in *Escudos*. You don't remember those times but − and of course with the reason clouds of regulatory, we have not changed and we will not change. So the best thing is cloud's bigger than the ones that we have lived. Impossible, impossible. I'm old enough to say that it's impossible. So the clouds are gone of that scale clearly and we will not change the dividend policy. Then shareholders can vote otherwise. They can vote less if they want. Sometimes it will be curious, but they can vote less.

Networks, minority stakes. Of course, the question is we want to be very clear in what concerns the two plus disposals. We have been clear and sometimes people have not noticed because it was min hydros here, mini hydros there, then biomass, but all of these was more than 200. And people have eventually not even noticed. But clearly, in terms of cash proceeds more than in terms of value. The question is why? Because typically we don't have taboos and of course the only taboo is to fulfill the commitment. I need to fulfill − we need to fulfill the two plus. We try as we showed − we will go − our preferred path is reducing merchant in Iberia. But we also need to show people that if it's by any chance impossible for any reason that I don't see, but clearly we are stating alternatives. The question is we always need to have alternatives but always in the scale that makes sense. It's a reason why. And clearly as we speak today, even the current situation of the decisions of the low voltage in Portugal, probably being postponed to 2020 would advise not to take any decision that will leave money on the table before time.

Clearly, we are moving in the right direction, smaller number of region, eventually only one. Let's see. But clearly, uncertainty is not the bad thing. So let's try whether it makes sense and the other is clearly just optionality because the commitment is there, the 2-billion commitment is there.

Miguel Viana: We have a question there from Credit Suisse from Stefano Bezzatto.

Stefano Bezzatto (Credit Suisse): Yes. It's Stefano from Credit Suisse. Thank you for taking my questions. I have three. The first one on renewables and on EDPR minorities. Looks like renewable is your core engine of growth in this plan. Given also the valuation of EDPR today, would it make sense for you to reconsider taking over EDPR minorities? The second question is on the sell downs. If you can share with us what's the level of capital gains that is embedded in your current forecasts. And finally, the third question on the energy tax in Portugal. What's your best guess on the timing for this tax to be reduced or removed? Thank you.

António Mexia: Thank you Stefano. EDP renewables. We are comfortable with the current situation. We are not at all in a hurry. One clear thing, we will not spend cash buying minorities. We have a huge amount of organic opportunities that we want to implement now. We have visibility on that pipeline that we need to find - besides that we have clear visibility and we need additional two on the 16. So our focus is on that part of the story and not buying minorities. We consider EDPR to be integrated within EDP group. We are convinced it's the reason why we shared with this mood to have a solid plan that will benefit all the shareholders, EDP and EDPR. Our portfolio optimization plan will allow firepower to boost investment in renewables. So even question of when you talk about platform cash providing hydro, so the constraint of balance sheet in that part reduces. So we are centered on this but we are not really in a hurry to change anything. The renewables pipeline will be supported by the generating cash that we have proven here. So we are considering − of course, we have these integrated in the group, but we are not considering any transaction at this stage to be very clear.

Second, energy tax. Energy taxes, you know, the government was clear in the budget − the last budget approved that the energy tax would be reduced progressively with the reduction of the tariffs deficit. The tariff deficit evolution has been really strong. Last year, we had the reduction of 800 million on the system. And so everything is credible. And in our assumptions, we believe that in 2022, the tax will be around 40%. So we'll have a progressive probably towards the end, but clearly our assumption believes that the tax will still be around 40% in 2022. The capital gain embeds.

Miguel Stilwell de Andrade: So in terms of capital gains that embedded, as we mentioned, we've taken a relatively prudent approach where we showed the case study on the US and I wouldn't want to get into specific numbers, but you can assume it's quite more than that, that what we've incorporated in our numbers just to be prudent and on a descending basis. So that's what's in those numbers.

Miguel Viana: Next question, we have here Gonzalo from BPI.

Gonzalo Sanchez-Bordona (BPI): Hi, good morning, Gonzalo Sanchez-Bordona from BPI. Couple of questions on my side. On the 2 billion disposal program, would you consider going above that level if the right opportunities arise or you just limit in yourselves to 2 billion? I'm just assuming you might find more opportunities from renewables for that or even you would use the sale of majority stakes if that's the case. So I would like to get a view on that. And then second question − I've seen, I think, it was this week in Portugal Express that the European Commission has been looking again into the hydro concessions in Portugal. So I was wondering if you could provide an update on how is that going and what next steps do you expect? I think it's been a process that has taken many years already. Just wondering if you could update us on that. Thank you.

António Mexia: Thank you. So going above the 2 billion. We have put two plus, so above 2 billion. At this stage, I think that we have clear balance between what is asset rotation, the farm downs with 4 billion and the two billon disposals of other assets. I think it makes sense, but of course it can be adjusted by what, 2.5. The only thing that I wanted to be - we want it to be very clear here is that we have a figure, a minimum figure that we want to reach. It's the figure that we want to show that has full credibility still in 2019 and could be implemented in the 12 to 18 months but with visibility. So we have tried in every detail not to overdo it in the sense, oh, but then it's too big, you cannot do it. So I think that − but of course, if the opportunity is there, we could do more than the 2 billion.

European Commission. As you know, it's an old question that basically it is related not only with Portugal but a lot of countries where part of the European Commission, because there are different parts of European Commission, always consider the idea of the obligation today of course of doing auctions for the hydros. But as you know, the decision in 2007 was totally based on legislation that existed, applying what was the legal structure at that time by the way. And the European Commission has already considered two things that by the way, that the result of the extension was a fair according to market conditions. So that that was a really important part and they understood that by the way, doing a competition at that moment which looked strange because there were assets that were not available in those moments, so people − nobody would be bidding. So typically − but it's true that whenever there are other countries that would like to keep their hydros for the locals, they always go back to this. If anything this, it supports the vision of eventually hybrid, not the hybrid that Miguel was mentioning, but the hybrid generation mix that we consider to sell. So, if anything, it enhances what everybody loves it. More competition. Even if − I remind people, the Iberia market is a fully integrated market, very competitive where EDP has 14% of generation market share. So just for us to understand exactly what we are talking about.

Miguel Viana: We have one more question there from Fernando Garcia[?] from Royal Bank of Canada.

Fernando Garcia (Royal Bank of Canada): Fernando Garcia, Royal Bank of Canada. I have a couple of questions. First one is on the 2019 tariffs. Portuguese regulators achieved a reduction of tariffs thanks to the 285 million euros commented in the presentation of the CMEC. So my question here is, in a sense of any regulatory cut for 2020, what is your estimated tariff increase necessary to achieve the reduction in the tariff deficit that is forecasted by the regulator. A second question is regarding taxes. So you have reached very low taxes in the last year. So I wanted to know your forecasts. And if, let's say you continue maintaining this very low tax rate, could you provide further reasons. And last third one on clarification is you mentioned 5 million customers in Portugal. You have 4 million in liberalized. So I wonder if the figure is liberalized and regulated customers. Thank you.

António Mexia: So Fernando, thank you. For the taxes, I will pass to the taxpayer when we pay tax. So tariffs, as you know, we totally disagree with the 285. We were very clear. It cannot be considered an innovation because by the way, the regulator, the different government for 10 years approved everything that has to do with this item. So we challenged these whatever. We will challenge this. But of the 285 that we have totally provision this year, only around 90 were used to reduce the tariffs in 2019. So it means that they still have a margin of the 285 to be used in any reduction that people like to see on the tariffs. But I wanted to be clear in one thing is that the system evolution is going exactly as foreseen and we have been very clear for years and it was – three, four, five years ago, it was much more difficult to believe that the tariff deficit would peak. And then we have surpluses that clearly are consistent with tariff evolution that is acceptable or whatever. You can say what is accepted.

So I believe that dynamics today in the market are clearly in the sense that the credibility of that going down makes no need for any measure or any new invention about creation of innovative measures to cope with the tariff evolution. The system is totally sustainable and the tariff deficit is clearly vanishing well before, for example, our neighbour. And so clearly if it's 21 or 22, it's more or less irrelevant difference in the final year, but evolution is clearly positive according to what was estimated at five or six years ago. Taxes.

Miguel Stilwell de Andrade: So on taxes, we're assuming that the tax rate converges to a normal tax rate in the mid-twenties, sort of around 24% over - up to 22. So the current low tax rate will not be maintained going forward. So that's what's in the assumptions.

António Mexia: So just to your last question was about liberalized clients. I'm sorry, Fernando, can you repeat - I have lost a little bit of - oh if the 5 million clients.

Miguel Stilwell de Andrade: Yes, it includes the regulated clients.

António Mexia: Yes. It includes the regulated clients.

Miguel Stilwell de Andrade: Also part of the question of Fernando was the evolution of the distribution tariffs – is that it or is this sort of overall tariff rate?

António Mexia: I wanted to be sure that we captured your last question.

Miguel Viana: It's answered, I think.

António Mexia: Okay. Thank you, Fernando. Sorry.

Miguel Viana: Next question from the room. We have one.

Question: Juan Pablo Berrios from Sagil Capital. My question is regarding the asset sales that you've. Are you considering also as a part of those potential asset sales energy sales to Brazil either entirely or some part of it like distribution or the transmission or the generation business?

António Mexia: I don't lose the third question. So Brazil plays today a relevant role in our business as we see and has been value creative for EDP. There is an exposure fully aligned with our strategy, basically renewables and networks. So regulated. Highly accreative providing significant growth. As you've seen net income is growing at solid double digit. It's the growth with the significant visibility. So it's a de-risk growth, namely transmission. So we have not been – we never went crazy there. So clearly let's be clear that we have been always in the moment where everybody was excited. I remember moments when Europe was in a bad situation that everybody on one-on-one's said why don't you sell everything you have in Europe and buy in Brazil? Two years later, they say, why don't you sell everything you have in Brazil and buy only in Europe? So I've seen everything in all these 13 years that I've been doing roadshows with EDP. But going back, we have a long-term attractive annualized total shareholder return, so about 14% since the IPO a year.

Brazil provides growth optionality to our equity story with the level of exposure that we are comfortable as we have seen − we were clear in the sectors that we want to grow, the regions where we want to grow. And here we talked about maintaining an optionality. But of course having these in consideration, we always consider any value creation opportunity that reinforce our strategy and enhance our value.

So typically, once again, we will not be buying minorities. Just to repeat the answer that I was asked about renewables, we will not be spending money. So we will not be buying securities because three months ago the question is if you would be buying in Brazil, we are not buying the minorities in Brazil. Brazil is consistent with our strategy, but once again we consider anything that enhances value for that asset in a platform that can be very interesting.

Miguel Viana: Rui Dias from UBS.

Rui Dias (UBS): Thank you, Miguel. Just one last question. On net debt to EBITDA, the question is do you really have to go below three times by 2022? In case you have much more - in case you are successful in crystallizing much more of your current projects pipeline in renewable, wouldn't you be comfortable with a higher level and what will be that level? Thank you.

António Mexia: The question of about three times is eventually the one that sometimes I feel − not saying, embarrassed is not − I'm never embarrassed, but I'm sometimes worried, do people believe because we have been postponing that three times. Okay. And I've explained exactly why the question is going into that direction. The firm commitment is about the level of debt to show that after 2020 to 2022, we will reduce from 3.2 or below 3.2 in that direction through fewer growths of EBITDA. But of course we have also strong commitment with the rating agencies and we will be looking not only for that ratio. It's the reason why we explain and we are focused also on the FFO over net debt because we have a clear rating commitment. So once again, the three times is because it's a figure that we have been keeping with us for a long time. We have been consistent with the targets of deleveraging and of course, but we can live - depending upon the FFO over net debt, we can live eventually with a slightly different figure. So I agree with you.

Miguel Viana: So maybe we can put now some questions from the web and we have from ODDO from Philippe Ourpatian. Regarding the net debt EBITDA target for 2022. What is our assumption in terms of regulatory receivables? How much do we assume in 2022 in terms of these amounts?

António Mexia: Phillippe, thank you for a question. I think it's totally residual. We have at the end of '18, I think it's slightly more than 200. And I think at the time if I'm not mistaken, we are talking about slightly above 100 million. So it's a very small amount.

Miguel Viana: From Javier Garrido, a question regarding the payout ratio, the 75% to 85% payout ratio. And a question regarding the gains on the target disposals. So on the 2 billion euros. If these gains will impact or not the dividend and regarding the payout of 75% to 85%.

António Mexia: It depends very much what will be the capital gain on those sales. So it depends − I cannot answer you today. It depends on what you are going to sell. As I've mentioned, we are setting different alternatives. We have also been clear about the criteria meaningful reducing merchants, our key priorities. So depending upon what we move, we will also act accordingly. But we tend to stick to our - if we can prove to people that you can accelerate growth or you are doing the right stuff with shareholders' money. I don't see any reason to have bumps on the dividend policy, on the dividend amount. So as we have been talking in the future since we arrived, we have increased from 10 to 19 cents. So we have almost doubled the dividend. I think the dividend should avoid bumpy roads because we have been behaving like an utility should be; low risk, visibility on the cash flows, asset allocation, anticipating the energy trends. So I think that, let's not talk about something that I really don't know exactly what will be the item that we are going to sell.

Miguel Viana: Well, we are already almost three hours off of the session. I think we get the opportunity to continue making some questions in the light lunch afterwards. I will pass now to the CEO for just some final remarks.

António Mexia: I don't know what is the lunch menu, I must confess. I just wanted to share what is the menu that we have in front of us. I think it's a very interesting menu with − we like proteins. We don't like − we excluded the fats, so it's a very healthy menu for our shareholders. I think that we know exactly what we need to do and throughout the lunch, I can share with any individual or collective question that you want to raise to our team − for me or to the team. Thank you very much. Thank you. Thank you.