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Chaired by António Mexia

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## Company Participants

- **António Mexia**, Chief Executive Officer
  - **Miguel Stilwell de Andrade**, Chief Financial Officer
  - **Miguel Viana**, Head of Investor Relations
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**Miguel Viana:** Good morning, ladies and gentlemen. Thanks for being with us today for the conference call on EDP's 2019 third quarter results. As usual, we will begin with a presentation by our CEO, António Mexia and our CFO, Miguel Stilwell de Andrade, which will provide us an overview of the results and the main developments of this period. We'll move to a Q&A session, in which we will be taking your questions both by phone and via our web page, [www.edp.com](http://www.edp.com). expect this call to last no more than 60 minutes. I'll give now the floor to our CEO, António Mexia.

**António Mexia:** So good morning, everybody. Thanks, as usual, for those that are attending in this results conference call. So, the first slide that I want to share with you, the Slide three. Basically, we have the key highlights. And the key highlights give us an overview of our performance over the first nine months.

At EBITDA level, we see an increase by 10% to EUR 2.66 billion, with a strong growth across all our three business platforms. That's important. In renewables, over the last 12 months, we have commissioned 0.9 GW of new wind capacity. At the same time, we have been delivering our assets rotation strategy. We closed in the beginning of August an important deal involving an attributable capacity of 500 megawatts of wind farms in Europe. And in late July, we have announced an additional assets rotation deal in Brazil, which is expected to be closed before the end of this year.

In networks, we showed also a very sound growth, mainly in Brazil. In distribution, the recent regulatory review implied a significant growth of our regulated asset base, providing good visibility on returns over the next three years. And in transmission, we have 4 lines under construction and 1 additional under development, in which we are managing to anticipate again causal and optimized funding conditions. That will be added to our first line that is already operational since last December.

On the other hand, our performance this year is strongly affected by the weak hydro resources in Portugal, which were 39% below long-term average in the first nine months of the year.

Our recurring net profit increased by 7% to EUR585 million, reflecting operational performance but also a temporary increase in financial costs partially related to the EUR1 billion hybrid bond, important for our structure, issued last year -- last January; and higher weight of US dollars and Brazilian real. Why, because it's where we are growing. They justify the 4% average cost of debt in

the period. Note that this average cost of debt does not yet reflect the recent significant decline of our refinancing costs, as it was shown by our 7-year bonds issued in September at a record low yield of 40 basis points. We have a strong potential from benefiting from this low interest rate environment with EUR4 billion of bonds maturing until 2022 that have coupons in the region of 4% to 5%.

Our reported net profit stood at EUR460 million, negatively impacted by an EUR87 million provision related to Fridão. This provision booked for prudence reasons refers mainly to invest amounts, since 2008 in addition to the EUR280 million down payment following the preliminary awarding of this hydro project concession to EDP. After the 2016 government's decision to suspend the project for a three years period, the Portuguese government decided not to move forward with the process, so we now expect that the exact terms of the financial settlement should be now defined by an arbitration process that, as you know, is the quickest system to have results.

Our net debt fell by 5% year-on-year, to EUR13.8 billion in September 2019, with expansion CapEx of around EUR900 million partially compensated by asset rotation proceeds of EUR800 million and benefiting as well from a good performance on organic cash flow, free cash flow, which rose significantly to EUR1 billion.

Now going into details. Slide Four. As we can see, our hydro production in Iberia fell, as I mentioned, by 47% year-on-year with low hydro resources, which were 39% below or more than 4 terawatts hour below the average -- historical average, which compares to 20% above average in the first nine months of 2018. So clearly, they are different years. As expected, due to seasonality, the third quarter had no material impact on these accumulated figures. Regarding wind resources, they were 4% below long-term average in the nine months, which is exactly the same figure of the same period in the last year. Still, our wind production increased by 6% due to increased installed capacity and higher load factors in new wind farms.

Moving to Slide Five. EBITDA increased by 10% year-on-year. Going into detail, we now spread for -- by business units. Firstly, from renewables we have an increase by 7%, with a major contribution from wind and solar, where EBITDA boosted by 40%, with assets rotation transaction in Europe generating a EUR226 million gain. However, and that's important, even excluding these gains and exchange rate effect, EBITDA from wind and solar increased by 11% year-on-year backed on our installed capacity and higher average selling price. For negative side, we have the hydro. So the low impact -- the low volumes in Iberia implied a negative impact around EUR250 million on EBITDA, partially compensated by higher average price. Moving to networks. EBITDA increased by 18%, mainly supported by robust growth in Brazil. We entered into a new regulatory period for both of our distribution concession in this country, with the higher EBITDA coming from the recognition of a higher RAB, while the return on RAB is maintained at 8.1% until 2002 -- 2022 and until -- in Espírito Santo and 2023 in São Paulo. So good visibility until the end of our -- the business plan. Additionally, EBITDA was also backed on a 3% increase in electricity demand and the positive impact from tariffs updates. In transmission, we benefited from the rollout of the lines that we have under construction. In Iberia, EBITDA increased backed by sound cost performance evolution, with adjusted OpEx down by 4%. Lastly, in client solutions and energy management, EBITDA was 19% up, supported by operations in Iberia following the normalization of the operating margins in the supply business after the adverse conditions that we faced in 2018, as well as the good results from energy management and hedging through forward sales and 84%

increase in gas generation, which far then compensated the strong decline in coal load factors especially in the third quarter. On the other hand, EBITDA from these activities in Brazil declined by EUR51 million, penalized by lower supply volumes and one rough impact in our coal plant in 2018 from the revision of contracted availability level.

Moving to Slide Six, OpEx. We continued to see a strong performance on operating costs. OpEx on a like-for-like basis showed a 1% nominal decline. In Iberia, OpEx was flat but with 4% reduction in adjusted OpEx from networks in Portugal. In Brazil, OpEx in local currency increased 3% in nominal terms or almost minus 1% in real terms in a period of significant expansion of activity. At renewables, at EDPR, adjusted core OpEx per megawatt, which exclude Forex impact and one-offs, in fact was flat year-on-year. Summing up, basically OpEx year-on-year evolution was slightly below inflation in all our key geographies, translating into savings in real terms despite increasing activities.

Moving to Slide Seven and Net profits. Our recurring net profit increased 7% year-on-year to EUR585 million, strongly supported by EBITDA improvement, mostly on renewables as we have seen and networks and, as I mentioned before, but partially penalized by high financial costs and income taxes. Regarding our reported net profit, it increased by 55% year-on-year to EUR460 million following a year-on-year reduction of negative nonrecurring items in Portugal, namely in the third quarter of 2018, the provision on the CMEC innovatory costs, and in the third quarter of '19, the provision on some costs related to Fridão, as already referred. EDPR net profit increased 197% year-on-year, significantly impacted by gains from the asset rotation. In Brazil, net profit increased by 12% year-on-year in local currency, propelled by strong growth in network, partially offset by lower results in energy management. In Spain, the lower net profit reflects the deterioration of gross margin from our coal plants as well as a positive fiscal impact in last year results. Finally, operations in Portugal posted a net loss of EUR33 million, penalized by the low hydro resources, by the provision of Fridão hydro project and the maintenance of heavy level of taxes and regulatory costs. We will talk about these later.

Slide Nine. We are delivering our growth targets. So, in terms of updates of our strategic plan, I would like to highlight that we have reached 70% of long-term contracts agreed for our planned renewables addition up to 2022. I remember, in March, we were at 40%, when we talked in our strategic update, so we almost doubled since March our long term, with a total of 4.9 GW secured out of the 7 GW of our target. So, since December '18, we secured 2.4, of which 1.6 in North America, both in wind and solar, 0.6 in LatAm, including 500 of wind in Colombia and 0.3 GW in Europe. The last three months, last quarter, have been very intensive in adding 1.8 GW of new contracts, with visibility on delivering and prices. Overall, in the presentation of the first half results, we had 40% -- 47% -- 46% of our 7 GW target. And now three months later, we have 70%, so this clearly shows our strong focus on execution of our strategic plan and, I believe, gives visibility on our top, first commitment in terms of the business plan.

Still regarding with wind offshore. We were informed yesterday that our Mayflower wind offshore project in US was awarded by Massachusetts state with an 800-megawatt PPA, for 2025 a 20 years PPA. We are waiting for the Connecticut results, which will be announced soon. And the establishment of the JV with Engie for wind offshore is moving forward as expected from the first - - the recent evolutions is good -- is good news.

Moving to Slide 10. On networks in Brazil, it's worth to highlight the very relevant outcome from the recent regulatory reviews of EDP Espírito Santo and now EDP São Paulo; and as I mentioned, providing visibility of returns, 1 -- 8.1% return on RAB, the same as the previous regulatory period, until August 2022 and October 2023. Additionally, our EBITDA was enhanced through high regulated asset base, which increased by 28% in Espírito Santo and 45% in São Paulo with respect to the first year of the previous regulatory period, which was 2016 for Espírito Santo and 2015 for São Paulo. So clear here, 99-plus of the investment was recognized. I remember that, a decade ago, we had -- the level was 85%, 86%. And we have now best in class in Brazil, by far.

So finally. We continue executing our growth in transmission, which represents now a total investment of EUR3.9 billion in six projects. The first line is already operational. Four projects under construction, and the most recent line in our portfolio in permitting stage. All conditions are met for the execution of transmission once again and repeatedly, ahead of schedule. Furthermore, better-than-expected funding conditions have also revealed as a clear driver of value enhancement. This driver is expected to double our expected NPV from this project.

Slide 11. So, regarding the execution of assets rotation strategy, we have agreed on two relevant transactions this year, the sale of our 51% stake in 997 megawatts in Europe, which was closed in July with EURO.8 billion proceeds; and the sale of 137 wind farm in Brazil, which is expected to be closed in the fourth quarter of this year. The implicit valuation of these deals was higher than initially assumed in our plans, reflecting the strong buyer's appetite for these kinds of assets, providing the low interest rates context and current sustainable investment trend. These two deals represent EUR1.1 billion of proceeds or more than 25% of our target of EUR4 billion assets rotation proceeds between '19 and '22.

Regarding asset disposals, we are working on the execution of our more than EUR2 billion proceeds target. We have a potential portfolio of about 1.7 GW of merchant generation assets in Portugal, on which there is an ongoing due diligence process by a selected group of interest parties. Potential bidding offers are to be submitted by year-end, while full execution and closing is expected in 2020. So, we are exactly on track of what -- with what we committed in March and we repeated just before summer. Moreover, in line with what we defined in our strategic plan, we continue to develop other options regarding disposal of assets, which can be -- it can be complementary or as alternative to the ongoing process that I have just mentioned.

Slide 12. Last month EDP was ranked as global leader within integrated utilities by the Dow Jones Sustainability Index, which is a clear recognition of our commitment to pursue a transparent strategy aligned with the energy transition. Also, to highlight that we have achieved the highest score, 100 of 100, in 9 categories, namely climate strategy, water-related risks and stakeholder engagement. I think basically it shows that we are competitive. So also, in September, within the scope of the UN, we were 1 of the 87 global corporations that have pledged to reduce emissions and ensure global warming does not exceed 1.5 after 2050, assuming as well a commitment with net 0 emission by no later than 2050. We have already concrete targets to contribute to these achievements such as a reduction of specific CO2 emissions by 90% by 2030 versus 2005, and more than 90% share of renewable generation in our portfolio as we announced in the strategic update. Overall, we affirm our strong engagement with decarbonization, by pursuing the best practice, aligning our strategy with energy transition and with transparent disclosure of ESG -- ISG metrics. We are well positioned for leading the energy transition, creating clear value for all our stakeholders.

So, moving to Slide 13. Now we have -- I have already mentioned the main highlights of the last quarter, but I would like to share with you our current expectation for 2019 full year, the period that will be obviously marked by the low hydro volumes in Iberia, as we have seen in previous slides.

We expect to reach 2019 EBITDA close to EUR3.6 billion, slightly above what we shared with you at the first half results conference call mostly due to the referred positive regulatory developments in Brazil and assuming renewables production close to historical average in the last two months of the year.

Regarding net profit, we expect to reach a figure close to EUR0.8 billion, excluding nonrecurring items, in line with our previous expectation. Finally, I would like to stress that over these first nine months we have gained -- we have very important steps to execute the full delivery of the strategic plan. So, I think that one of the key highlights of today is that we have been focusing on delivering what we have committed in terms of sustainable growth and balanced business plan.

Regarding accelerated and focused growth pillar. We have reached 4.9 GW of long-term contracts for renewables capacity additions, which represents 70%, as I mentioned. So, I think that we have been clearly performing very well. In a moment where a lot of you and everybody asks, "Can you be competitive in a market where everybody now wants the same and is targeting the same areas?" We have been proving that we are clearly, if anything, ahead of the curve very well. In networks Brazil, we have now full visibility on regulatory returns for the period of our plan following the recent 36% average increase in RAB. We continue to focus on delivering the new lines ahead of schedule and, of course, below costs.

Regarding our strategy of continuous portfolio optimization. We have our assets rotation program as a clear driver of value, through the monetization of fully valid renewables projects to reinvest in new projects in development stage. This has become a recurrent piece of our renewables business and an important part of our strategy. I think that, allows to grow faster, it derisks, it gives you optionality, so I think it's clearly the best strategy. For this year, we have already crystallized EUR1.1 billion of value at valuations, as I mentioned, better than assumed in our plan and representing 1/4 of our targets up to 2022. Furthermore, regarding asset disposal program, as I just mentioned, and I want to stress this again, we are fully on track to deliver the target proceeds of more than EUR2 billion before the end of 2020, with visibility until the end of this year.

Regarding cost of debt. It was penalized in the period by the increasing rates of hydro bonds and dollar and Brazilian reais, the fact that they are bigger now than they were before, but our most recent refinancing, seven years green bond that we issued in September at a record low, as I mentioned, is a good example of what are the current prospects regarding the refinancing of the EUR4 billion bond maturity that we have until 2022. Most of them are paying interests well above the 4%. On the efficiency and digitalization front, we have achieved a 1% reduction of OpEx. So as a result of several initiatives under developing in order to continue always to improve our efficiency. I believe that the last quarter clearly shows, in terms of growth, visibility of regulatory assets, in terms of efficiency, in terms of optionality, shows that we are clearly delivering all our commitments.

Now I will pass to Miguel for a detailed analysis, and then we can go back to the Q&A. Thank you.

**Miguel Stilwell de Andrade:** Well, thank you, António.

Let's move on to Slide 15. And here on Slide 15, you can see that during the last 12 months, we've built over 900 megawatts of wind farm, about 2/3 of these additions coming through in North America. On the other hand, though, we've sold 1.4 GW of wind capacity of which 400 megawatts in North America related to the deal we announced in December 2018, and 1 gigawatt in Europe, of which we had 51%, so just 0.5 GW net of minority, the deal that António has already mentioned. So additionally, we also sold around 0.2 GW of small hydro plants in the fourth quarter of 2018 in Portugal and Brazil. So obviously that's explains this movement that you can see here on the graph on the left side. So, all together, September 2019, we had 26.3 GW of installed capacity, of which 73% related to renewables sources.

Concerning generation mix, so on the right-hand side. So, the main highlight goes to the six terawatt hour reduction year-on-year on hydro generation mostly due to the weak hydro resources in Portugal which we've talked about and which were 39% below long-term average.

On the other hand, our generation from wind and solar increased one terawatt hour, backed by the 3% increase in average capacity and the higher load factors from new additions, but it's also important to highlight that in this period thermal generation declined one terawatt hour, with gas generation almost doubling year-on-year from a low base, and finally, replacing coal generation given that there's been an increase in CO2 prices and lower gas prices. So, all together, in the first nine months of 2019, we had 48 terawatt hours of electricity of with 64% from renewable sources, which is which is very penalized by hydro scarcity in Portugal and doesn't reflect ongoing basis.

Moving on to Slide 16. So here, wind and solar EBITDA increases 40% year-on-year to EUR1.2 billion. So significantly impacted by the EUR226 million asset rotation gain in Europe you can see here. Even excluding this impact, EBITDA would have grown by 10%. I think it's important to highlight. So, it would have grown excluding this impact, driven by the increase in average installed capacity of 3%, mainly in the US and Brazil. And also, the higher average selling price by 6%, mainly in Brazil, but also benefiting from a 6% appreciation of the US dollar versus the euro; and also benefiting from a 6% increase in electricity production. And despite stable deviation of wind resources versus the historical average on a year-on-year basis, the new wind farms have higher load factors than existing portfolio. So that explains basically deviation -- or the movements on the EBITDA in wind and solar.

Moving on to Slide 17 and EBITDA from hydro. So here you can see it's decreased with 34% year-on-year to EUR443 million, mostly explained by the weak hydro resources in Portugal, as I mentioned, the hydro coefficient 39% below historical average. So as a result, the hydro generation in Iberia this year was almost half of the previous year at 5.9 terawatt hours. But this impact was slightly mitigated by a 3% increase in the average selling price, reflecting the hydro increased opportunity cost, as well as due to our forward sales hedging strategy. So furthermore, pumping volume also rose 10% year-on-year, optimizing production from the low reserves, with stable pumping margins in the region of EUR15 per megawatt hour. In Brazil. Brazil EBITDA from hydro declined 40% year-on-year due to several factors, so first, 8% decline of installed capacity due to the disposal of the mini hydro plants by the end of 2018, secondly, lower average selling price, and third, our hedging strategy, which allocated a higher percentage of our annual energy contracts to the second half of the year.

Moving on to Slide 18 and the regulated networks. So, regarding our network activities, EBITDA increased 18% to EUR749 million. In Brazil, EBITDA increased 59%, propelled by both distribution

and transmission operations and already discussed that and António mentioned that. So, in distribution, the start of this new regulatory period implied a significant revision of the regulated asset base recognized by Aneel, implying a EUR59 million increase from the update of the present value of our distribution concession residual asset value, but the results of the distribution operations also benefited from the annual tariff updates and the 3% increase year-on-year on electricity demand, mostly in Espírito Santo state. In transmission, 2019 is the first year of material EBITDA contribution following the entrance into operation of our first-line in December 2018 as well as progressing construction work on the other four lines. In Iberia, Networks EBITDA performance was mainly supported by a 4% decline in OpEx, which EBITDA was also impacted by Portugal declining rate of return, which was obviously connected to the evolution of Portugal's 10-year bond yield.

Moving on to Slide 19. So, Client Solutions and Energy Management. This includes the supply, energy management and thermal generation. EBITDA from these operations increased 19% year-on-year to EUR284 million. In relation to supply in Iberia, EBITDA improvements resulted from the normalization of operating margins, starting from a particularly difficult 2018. It's something we've talked about already in the strategic update back in March and also increasing penetration of new service. So, we had an increase of, overall, EUR64 million.

Regarding thermal and energy management in Iberia, we have better results from energy management and forward hedging operations. We've more than offset the duration of the coal load factors, which can go from 80% in the third quarter of 2018 to 22% in the third quarter of 2019. In Brazil, EBITDA from these activities declined mainly due to lower volumes in supply and weaker results from the hedging strategy. So, in thermal, last year's results were positively impacted by a EUR25 million gain due to the downward revision of the contracted availability level. Excluding this effect, thermal's EBITDA was stable year-on-year.

Going on to Slide 20 and talking about the Portuguese electricity system debt. So, I think the key note here is that the regulator released a proposal for the electricity tariffs in Portugal for 2020 back on the 15th of October. The final proposal will be out on the 15th of December. So, it's clear from this proposal that the Portuguese electricity system is following a sustainable path downward with continuous reduction in electricity system debt, which is forecasted to reduce by EUR0.6 billion to 2.9 billion by 2020. So, this is -- you can see this has come a long way since the peak a couple of years ago. So, it's expected that the tariff debt will continue to be gradually reducing until being paid fully down by or before 2025, so that's in line with our expectations. In parallel, the regulator defined tariffs for the last-resort consumers so proposing a decline of 0.4%, again, demonstrating the financial sustainability of the electricity system in Portugal. For our distribution operations, the rate of return on RAB is expected to be the same as in 2019, so it's 5.16%, it will be, then, adjusted after as according to the Portuguese 10-year bond yield. Regarding the CESE that is the extraordinary energy tax, so the amounts referring to 2020 should be defined by the Annual State Budget. The first government proposal should be presented to the parliament by December 15. Typically, this is done on the 15th of October given -- however, given we had elections, now, at the beginning of October, it's deferred by two months.

So, to conclude on this section, I'd just like to remind that the results of the recent Portuguese solar auction, also, with 1.3 GW awarded at an average tariff of EUR21 per megawatt hour. I think it's also a sign of the potential gains to the system -- electricity system from the new renewal

addition. So clearly, we're talking about a sustainable system. So, I think some of the concerns we had two years ago are fairly over.

Slide 21, net debt. Net debt at EUR13.8 billion in September 2019. So, a 2% rise versus December '18, but it's a 1% decline year-on-year. So, the main impacts on net debt are first, recurring organic cash flow, which is almost EUR1 billion, which is a 1% increase year-on-year despite the weak results from hydro, and their offset by gains from the asset rotation. Secondly, the net expansion investments amounted to EUR2.9 billion as a combination of net expansion investments with a significant weight devoted to renewals and transmission. And then also on the other side, EUR1 billion proceeds from asset rotation deals. Obviously, there's also the payment in May of the annual dividend amounting to around EUR700 million. And then there's also the positive EUR500 million from the 50% equity content on the hybrid bonds issued in January. And then there's some other effects relating to exchange rates and some regulatory receivables. So overall, adjusted net debt to recurring EBITDA reduced to 3.8 times down from 4.

Slide 22 and talking about financial results. So here, net financial costs stood at EUR545 million in the nine months of 2019, so this is an increase of 23% in relation to the same period of last year. But this figure is highly impacted by some particular volatile items not relating to interest costs. So, just to remind, in the nine months of 2018, so last year, the one-offs were -- so there's an IFRS 16 adjustment of EUR25 million, there's a Celesc bad-will impact of EUR15 million, there's a capital gains of EUR19 million, mostly related to Moray East project that we sold down last year. And then also, both 2018 and '19, there's the results of net forex and derivatives mark-to-market, which totaled a negative year-on-year impact of EUR24 million. So, stripping that out, as a result, the interest-related costs rose by 4%, EUR17 million, basically justified on one hand by a 20 basis point increase in the average cost of debt, 4%. And there's also a difference in the mix because of the higher weight of US dollars and Brazilian real in our overall consolidated net debt, which is, where we're doing most of our investment. And then there's also an impact of US dollar valuation.

So, if we look also at Slide 23, we've included the slide just to show that -- I mean, EDP Five-year yields in euro are near 0 territory. I mean, they've fallen 115 basis points since last December. Our US dollar and Brazilian yields have also fallen at close by 200 basis points and 300 basis points, respectively. So, this significant decline in our medium and long-term yields improves expectations regarding refinancing in the following years. So, note that we have EUR4 billion of bonds, both euros and US, maturing until 2022. Mainly several bonds with coupon rates in the region of 4% and 5%. You can see here on Slide 23. This number does not include the EUR750 million hybrid with the 5.375% coupon rate with a first call option in March 2021. But we also have almost EUR1 billion of debt in Brazilian reais, which will mature by 2022, and which will also bring a significant opportunity of interest cost savings given, where the financing costs in reais have gone over last couple of months. So, we have -- we expect to get some material savings in the near future just because of this low interest rate environment, which means that our overall 4% great additions in our business plan now means I think we can beat that going forward. To conclude, I'd just like to mention that we still have around EUR7.7 billion in liquidity, of which EUR5.9 million relating to available credit lines, covering our refinancing needs beyond 2022, protecting us from any volatility in the credit markets and also enabling us to manage, basically, the refinancing on some of the transactions that we expect over the next 12 months.

So, Slide 24, last slide. From here, you can see sort of the breakdown of the net profit waterfall. Our EBIT rose by 36%, following the 10% rise in EBITDA. There's a reduction in the amount of

provisions given that last year we had the EUR285 million of extraordinary provision relating to the alleged CMEC overcompensation. Financial results and associates went down by EUR97 million due to the previously referred adverse year-on-year comparison of noninterest-related items and also a 20-basis point increase in the average cost of debt. Income tax expense increases by EUR95 million year-on-year, with an effective tax rate at 15% on the nine months of '19, so it's still a fairly low effective tax rate. And regarding noncontrolling interest, this includes EUR158 million relating to EDP Renewables and the EUR114 million relating to Brazil. So, the total amount increases by EUR35 million. It mostly reflects the increase of EDPR net profits and the public profit tariff. Overall, recurrent net profit grows 7% to EUR460 million, while our reported net profit grew 55%, EUR585 million. So, that concludes my section of the presentation. Now I'll turn it over to Miguel Viana to do the Q&A.

**Miguel Viana:** Thank you, Miguel. So, we'll start here with some questions from the web. And then we go to the phone. So, the first question that we have from the web is from Andrew Moulder from CreditSights, essentially on the wake effect that was discussed in the last couple of days on the cause of Orsted and Iberdrola, and how do we see that in terms of our investment decisions.

**António Mexia:** So thank you, Miguel. Clearly, I believe that, we have presented our load factor expectations to investors based on 25 years of wind resource and predictive models between 2018 and since '94. And the conclusion is that EDP has been experienced stable wind resources with very low volatility. And this was, again, explained yesterday by EDP Renewables. Finally, I believe that our internalization activity brings more value into the equation. So, it means that we have know-how, example of calibrating models. But overall, what I would like to say is that we have been advanced, well, in the learning curve. We have suffered some of these problems, of course, but it was in 2007, 2008, so at the beginning of our development. So, we have learned a lot of things in the last decade. So, we are now very sure, very confident about what we have been showing and commitment that, by the way, proved by the recent figures.

**Miguel Viana:** Still in renewables, we have questions from Jorge Alonso from Soc Gen and also from Elchin Mammadov from Bloomberg regarding the Mayflower project that we have won yesterday, if we give some more details on the next steps.

**António Mexia:** So clearly, this is very good news. As you know, we were the leaders in onshore in US, we have been successful in Europe in offshore, namely a new guy in France that, clearly, we wanted to add our footprint. And we did it through a -- in a process that we have now consolidated our leadership positioning. And with returns that are respecting everything that has been shared with you. We are talking about 1.5 times equity returns with double-digits even before any strategy of sell-down. So, these 20-years PPAs, first, now in Massachusetts with 800 megawatts. And now, we expect to even enhance this if -- with the Connecticut results show that we have been very, very -- doing a very good job in the last year to be prepared to win this with very interesting returns in a state where the commitment is about doing more offshore wind and the investment in ports has been very significant. So, the potential in that area is big and it shows that when we -- in last December, we auctioned for the site. We did it well. And then the team is the first to be congratulated. They did a fantastic job that is very important for EDP.

**Miguel Viana:** Wind offshore but now on floating, we have a different question also from Elchin Mammadov from -- in terms of South Korean partnership and how do we see this evolution of floating technology.

**António Mexia:** So first of all, Korea, yes, there's WindPower Korea, Aker Solutions and EDPR, it's consortium. We had the ambition to develop an initial 500 megawatts floating. And why it's important? First, because the South Korean government calls for 13 GW of offshore wind installed by 2030. So, the potential is huge. And so, we believe that we are adding value by combining established industry leaders in renewables and offshore project development. Alongside with the local markets and, basically, the industry expertise provided by the WindPower Korea. And I would like to highlight that the wind float that we are developing, the wind float technology that we have been developing throughout the last, I'll say, mainly five years, with the new project in Portugal with 25 megawatts with turbines of 8.5, the biggest in this technology with the floating technology. The learning curve on our side has been very relevant, and we'll show that we are in the forefront of these new opportunities in floating offshore. And of course, this plus the rest that we have just mentioned in the US, it means that now we are clearly already in the top five in the world of offshore, and we want to go up in that ranking.

**Miguel Viana:** Now a question also from Jorge Alonso regarding a special energy tax in Portugal. If we have some expectation here, some development.

**António Mexia:** Thank you. That question is relevant. As you know, probably only in the 2020 public budget, we will have visibility of how it is. But it's very relevant to mention that the system debt deleveraging is progressing and clearly indicates room for a reduction already in 2020. So, this is important. As you know, a budget proposal will be released by – before Christmas and two relevant commitments were assumed last year is that -- and it was already included in the budget last year. To reduce the energy tax as the system deleveraged, and it's the case, and to allocate 2/3 of the revenues from energy tax to the electricity system. So, I believe that we have everything to expect that reduction because both criteria are supposed to be met. Just mentioning the system debt, the system debt declined by -- in the first nine months, by EUR160 million since December 2018 to EUR 3.7billion, clearly accelerating in the third quarter. I remember that EDP's share is 10%, only 10% of the total system at the end of September. For the full year, it will decline by -- typically by EURO.3 billion, with a negative impact from weaker demand, partially due to mild temperatures. But it means that EDP regulatory receivables are expected to be broadly stable. And it's important to mention, the 2020 debt proposal signals a decline again of EURO.6 billion in the debt. So, it means that we will be well below the 2012 level and so all the conditions for the CESE changing are there.

**Miguel Viana:** We have now question from Arthur Sitbon from Morgan Stanley. The guidance on 2019 EBITDA has increased, but the recurring net profit outlook remains in line with what had been mentioned in the first half results conference call. Could you walk us through the moving parts below the EBITDA level in the P&L, if any of this is more negative than expected?

**António Mexia:** So, this is clearly the fact that, what is growing in our company, the areas where we have minority. So, renewables, Brazil, so whenever you go from up there to down there, you have the impact of this, where the growth is. As you know, typically, the negative impact is in Iberia, it was the hydro and regulatory issues in Portugal. The first, of course, below average the second already included in our vision. And of course, below the line, you have financial costs in 2019, the fact of the hybrid, the fact that we have increased the share of dollars and reais. But I would like to stress this. We will see the benefits of lower rates because of the fact that we have a big refinancing program relatively to the others. And by the way, the average maturity was considered eventually a problem one or three years ago. Now, it's an opportunity. So, it's always

like this in life. So, we have an opportunity to have, throughout the period in 2022, the impact of lower financial costs.

**Miguel Viana:** A question also from Jorge Alonso, Soc Gen, regarding net debt guidance for the end of the year.

**António Mexia:** So, I don't know, Miguel, if you want to share at this time.

**Miguel Stilwell de Andrade:** I mean, I think for our net debt end of the year, we'll be looking roughly in line with the close of last year. I mean, obviously, this year, the leverage pace was slightly slower-than-expected just because there was also much weaker than average hydro conditions, but we should be close to EUR13.5 billion, that's what we're aiming for. I think there was also a part of this question which was the tax impact for the Fridão provision. I mean, this will be tax deductible. And so, the bottom line impact of the EUR87 million is around EUR50 million.

**Miguel Viana:** Philippe Ourpatian from ODDO and Elchin Mammadov from Bloomberg. They asked for an update in terms of the disposal plant in Iberia.

**António Mexia:** So, the process, as I mentioned and now I would like to stress again, because I know that it's relevant. After growth, after asset rotation in Europe, of course, the disposals is probably one of the top three issues that we want to give full visibility. The process is progressing with no changes from what we said before. As we speak, either asset in Iberia is the most likely option. We have alternative complementary disposals in Iberia are also being considered. If it's the case, we totally think it's important to have plan B. So, it means that we will keep the necessary flexibility, eyeing on a reduction of exposure to the market. We will make sure that the process results in a clear benefit for our business plan execution and shareholder value. And finally, we remain confident of full execution before 2020 year-end, and we expect to give visibility until the end of this year or, maximum, beginning of the early, early 2020. So, we -- as you know, the fundamentals are there. We have a very high market share in generation in Portugal. So, it makes sense to everybody being aligned on this process. So, it's diversity to generation players in Portugal. And the process is going as everything that relates to Portuguese government and anything that relates to Brussels is going as normal. So, we expect this process to be, as we announced in March, exactly keeping the pace.

**Miguel Viana:** We have a question also from still from Mammadov from Bloomberg. The load factors of coal-fired power plants in Iberia have deteriorated sharply, do you plan to book coal asset impairments anytime soon?

**António Mexia:** So, as you know, every year, we revisit the issue. Typically, in the last -- at the year-end. By then, we always incorporate expectations for commodity prices as well as the remaining life of assets as is normal, in order to assess potential impairments. So, we know coal plants have been working much fewer hours this year, which will certainly be factored in together with expectations for future role in the daily and ancillary markets. Higher CO2 prices and lower gas prices have reduced coal plant headroom. So clearly, we have been already doing some moves in the recent years. And we will repeat the exercise every year to go through -- to give transparency to our expectations in what concerns this call. As you know, we are leaders in the commitment of decarbonization, but of course, this means a transition, and we need to evaluate exactly what does it mean in terms of the impact of -- in any case, it's noncash. We will be having the exercise as usual.

**Miguel Viana:** And we have a final question on the web before we move to a couple of questions on the phone. So, it's regarding hydro EBITDA in terms of the positive impacts from hedging in these first nine months of the year. So, what we have here, essentially, is that our average selling price shows an increase of 3%, as we show in our results release. This compares to the 10% decline of power prices. Obviously, there is here a positive impact from hedging, which we estimate in the region of EUR70 million. Obviously, you have other impacts, namely the increase of realized premium versus base loads given that the load factors of hydro were lower than average. So, finalizing here the answer of questions through the web. We'll move now to the phone, where we have a couple of questions.

**Operator:** We will now take our first question from Alberto Gandolfi from Goldman Sachs. Please go ahead.

**Alberto Gandolfi, Goldman Sachs:** Thank you and good afternoon everyone. The first question, please, I have is on the hydro disposals. And as we are getting close to, hopefully, the conclusion of this. I was wondering if you're still sticking to your idea of dedicating all of the proceeds to paying down debt or if you see room sometime towards the end of the plan, perhaps, to accelerate investments in maybe, I don't know, domestic renewables given the trends we are in merchant solar or to grow dividends, perhaps? The second question is -- and if you can't answer this, I'm happy to take it offline. But is there an easy way to think about the non-cash items included in the EBITDA. With all the new IFRS changes, I'm trying to figure out the cash conversion of EBITDA. And if not, happy to take it offline. The third one is on European consolidation. I mean, recently, the CFO of a company that is in the industry, a similar market cap to yours says that he expects lots of M&A in the next few years in utilities as companies try to reposition for the next 10, 20, 30 years. You seem to own lots of assets that people would want for the next 10, 20, 30 years. So, I'm wondering if proactively you think there could be value for shareholders from consolidation, if you were to merge with someone else. What would be the advantages? Why would that be the case? What's the value of scale, I guess, in developing renewables is the question. Thank you.

**António Mexia:** Thank you, Alberto. Typically, the second question will probably need to be a live answer then they should not be over the phone. But because it's, of course, very interesting but, of course, not obvious at all. But let's start with the first, and then let's move to the second, proceeds. As you know, we have tried very clearly in this call to highlight that before -- okay, you can have more rain, a little bit less rain, you can have some hurdles in terms of noncash provision. But we want it clear to give the visibility about commitment delivering the key pillars of the business plan. Visibility on growth. I think that's better than anybody was expecting, a huge impact of new PPA signed in a very competitive market and entering new markets that are exciting and with very attractive returns. So, I'm talking about US. I'm talking about Colombia. Then the second pillar is about the asset rotation at better prices than we expected, taking advantage of, of course, of the market condition. But finally, the idea of proceeds of -- and reducing exposure to Iberia market was always focused on the deleveraging and keeping debt down. So, if anything, we -- the first commitment is put the balance sheet in the place, where we have committed. And of course, this allows us to have additional flexibility, if it's the case, to do some more. But we have not missed any opportunity because of lack of financial strength. We have been delivering everything that we need. And we have always been able to find business structure, business models and financial structures that will deliver that growth and sharing that growth with our shareholders. I think that, even the asset rotation, it's a good -- I think that we are a good set in what concerns the

different valuations between public and private markets and EDP. I think it's bridging very well the difference between both markets. So, let's do what we have been doing that I think it is clearly value-enhancing for the shareholders and adjust the speed of growth, but it will be, of course, just doing more as we have been doing until now. European consolidation. I remember, again, when I - - we started long ago in this industry that I was told by a lot of people that we would only have four utilities. It was 2006 or 2007, that we would only have four utilities in Europe. It was written by somebody that I will not -- it's not you. But the question is, do I see room for people trying to improve their positioning in energy position? Clearly, yes. But what I would like also to answer is, we have defined a strategy that permits -- that allows ourselves to control our destiny. So, it means that we know what we want. We have anticipated the trends. So typically, we have done the partnerships that we need, namely we are building the partnerships that we need in offshore. We have been clearly being able to prove that we are able to grow now soundly in solar. So, I think that we control our destiny. And frankly, a lot of people probably need more out what we have, and I need less what they have. So frankly, I'm not over-excited about that story.

**Miguel Viana:** And we are reaching the -- just the 1 hour of the call, so I will just move to the final remarks by the CEO, and we'll follow-up any more technical question through the IR team.

**António Mexia:** So, after this is my last comment, that shows that, of course, the industry is -- it's an exciting industry, however, the Alberto question. It's going to be an exciting world, because everything has been changing, as you know, business models, economics, marginal cost of the adding technologies, the importance of the client. I think that, as a final remark, I know that we have sometimes in EDP, relative to our size we have a lot of moving parts of small items, provisions, below the lines, whatever. So, details, especially in Iberia, not to say -- to mention Portugal. But I think that the big picture is, we know exactly what we want to do. We have been able clearly to deliver in very competitive markets with very -- either in solar, either now recently in offshore, and new markets and also regulatory basis like challenging like in Brazil. We have been clearly best-in-class in what drives our growth, and we have been humble enough to know that we need to keep our sound balance sheet and not going out of tune just because we have a specific macro situation. So, I think that we feel responsible on that balanced approach and keeping control of our story as leading the energy transition. So, thank you for your time and see you soon