

## Q1 2016 Earnings Call

### Company Participants

- Henrique Manuel Marques Faria Lima Freire, Chief Financial Officer
- Miguel Nuno Simoes Nunes Ferreira Setas, Chief Executive Officer

### Other Participants

- Carolina Carneiro, Analyst
- Marcello Carbone, Analyst
- Sergio Tamashiro, Analyst
- Unidentified Participant

### Presentation

#### Operator

Good afternoon, and welcome to the conference call of EDP Energias do Brasil to discuss the Earnings of the First Quarter 2016. All participants are in listen-only mode. Later on, we are going to open for questions and answers, and further instructions will be provided.  
(Operator Instructions)

This conference call, together with the slides, will be simultaneously broadcast [ph] on the company's website, [www.edp.com.br/ri](http://www.edp.com.br/ri). In there, you will also find the company's earnings release.

Before going on, EDP Energias do Brasil would like to let you know that any statements made during this conference call relative to the Company's business outlook, as well as projections, operating and financial goals relative to its potential growth are based on assumptions based on the company's management with regard to the future of EDP Energias do Brasil. Forward-looking statements depend on the country's economic scenario, performance and regulation of the electric industry in addition to other variables and therefore are subject to changes.

Now, we are going to turn the call to Mr. Miguel Setas, CEO and Investor Relations Officer of Brasil that is going to start the call. Please, Mr. Setas, you may go on.

#### **Miguel Nuno Simoes Nunes Ferreira Setas** {BIO 15901389 <GO>}

Good afternoon, everyone. I'd like to thank you all for joining us in this earnings call of EDP Energias do Brasil regarding the first quarter 2016.

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Here with me are today our CFO, Henrique Freire; and our Finance and IR Officer, Mayte Albuquerque. In this quarter, we decided to have a shorter presentation focusing on the main results, and then -- this is based on the feedback that we got from the market with regards to the length of our calls. Also, I'd like to remind you that because of the increase of capital that we announced to the market today, we are in silence period that prevents us to give guidance about future events. And therefore, we ask for your understanding for this limitation that we have in today's call.

Now, we are going to start. On slide number 4 of our presentation of the earnings results, should give you a summarized view about the main highlights of the quarter and also anything that you saw in our press release. In generation, I would like to tell you that today we closed the test operations of the first equipment of Cachoeira Caldeirao plant, which is in completion of 97%, and therefore we are in conditions to ask for authorization for commercial operations.

Based on this authorization, we are going to have an advance of about eight months in the first machine compared to the schedule that we had, that should start on the 1st of January 2017. In Sao Manoel, we are with a completion rate of 49%, completely within schedule. And also we are within the budgets that was estimated at first. As for the same, the last quarter, that is the first quarter of 2016, was another quarter to consolidate this plant in terms of operating performance and economic performance as well. We've reported some availability around 90% and EBITDA of BRL201 million positive. In a way, we are confirming the scenario of consolidation that the Company has been presenting in last quarters.

As for our hydrological energy, first we have the renegotiation based on the hydrological risk that started in the beginning of this year. And with that, we had an additional positive impact of BRL11 million in the quarter. Also, the numbers of GSF are slightly above those recorded in the previous year. And also credit for that -- and thus [ph] will that have had a positive impact of BRL160 million comparing the first quarter '16 and the first quarter '15. So a very different scenario that we had in the previous year.

I think that you know of the impact that we had today in volumes of distribution, minus 5% in EDP Bandeirante and 11% in EDP Escelsa, because of the macroeconomic scenario that we have in Brazil and in the case of Escelsa due to the downtime of a large client of ours because of the incidents that we had in the City of Mariana, and that had an impact in a major client of ours in Espirito Santo. As for losses, we continue to reduce our losses in EDP Escelsa. As you know, it is in this distribution company that we have focusing our efforts between regulatory losses and effective losses. In the first quarter, we advanced with this gap a bit more. And in EDP Bandeirante, we had an increase of 0.77 percentage points, basically resulting from adjustments that were a consequence of invoicing billing periods and load reductions. This is something that we believe is to be reversed in previous -- next quarters.

Still about distribution, I have one word about this over-contracting, you know, one of our distributors is about [ph] 105% of contracts, and that has an impact in margin, and it accounted for minus 16% [ph] -- 16 million because of this effect of over-contracting. As for commercialization, we know that our availability is affected by the energy scenario. We

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all know that margins in this quarter were quite affected, because of the reduction of average sales purchase prices that is, we in this quarter had a negative impact in this business.

Also, I would like to talk a bit about cost control and our financial discipline. We continue with our commitment to reduce our costs below inflation rate. And if we compare 2016 with the previous year, we have an addition of 7.3% [ph]. And for that I reduced or decreased from this account per se and prospects for doubtful creditors. You know that our net ratio -- net debt-to-EBITDA ratio was 1.4 times. Later on, we are going to mention that this amount does not account for recurring events, and also the debt that we have in progress that are in construction and that were not part of our spot prices. So this amount is a bit illusive and does not enable us to have a very precise level of our leverage. In fact, this amount is higher.

Also I would like to talk about the completion of the sale of Pantanal Energetica. We had 51 megawatts of installed capacity. The completion of this transaction occurred this quarter with a cash effect of 355 million and an accounting gain of BRL278 million, obviously an important reflect in the final results that we had for the first quarter 2016.

Well, later on, I'm going to come back to talk about the increase of capital that was announced yesterday, but before that, I'm going to turn the call Henrique Freire, our CFO, that is going into detail the results of the quarter.

## **Henrique Manuel Marques Faria Lima Freire {BIO 19117781 <GO>}**

Okay. We are going to start with slide number 5. Good afternoon, everyone. We are going to show net EBITDA for the quarter. As you can see, our EBITDA in the first quarter reached 807 million compared to 409 million in the first quarter of 2015. So the amount almost doubled and we tried to graphically explain that we have an increase in gross margin of 96 million and we also had a positive effect in generation, negative in distribution and commercialization.

In generation, we have an effect of 228 million of margin gains, 164 from Pecem that was not in our consolidation numbers for 2015 and the remainder comes from 214. You see, the effects of GSF and provisions that in the period compared to last year, GSF went to 69 -- from 69 to 87 and provision for bad debt was 338 and this period was 34. So the combined effect with the seasonalization of our Energest led to a combined gain of BRL123 million with the difference of the hydrological risk. In this first quarter, we also renegotiated to the hydrological risk, and therefore this business is settled.

Also in this period, we had compared to the contracts we had in the first quarter 2015, to today, we had a reduction of margin of 45 million, especially within our field. Our contract closed and Pantanal that was sold in the end of January 2016. And therefore compared to '15, we have this difference.

In distribution, we had some effects, as Miguel mentioned, of over-contracting in Bandeirante; also the exchange rate of Itaipu that affect our margin, because the

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differences of exchange rates was -- an affection [ph] -- it affects the net income that starts to be neutral. But it did have an impact. Despite continuing to have a positive evolution in terms of losses, our gross margin in distribution of this quarter compared to previous quarter was 26 million below. Commercialization 35 million for the reasons explained by Miguel, the market and also a reduction of margin. As for PMSO, I would like to tell you that in 2015, we implemented a methodology where we identified several measures to optimize cost.

This is a continuous work that we have been conducting and that has evolved in a factory way, I would say. If we eliminate effects that are not comparable, like Pecem and others, we are talking about BRL330 [ph] million. If we exclude that and not provisions that had an increase of 12 million, we have an increase of 7.3% in our PMSO, compared to the previous year. So clearly below inflation, so with a real gain.

PDD is something that the media has been talking about. Although we have increased our activities even in a point that is still not as we want, we have to be even more active to fight default rates and our provision for bad credit. We see an increase of the spectrum [ph] in this first quarter compared to last year. We also had gains in the sale of our investments Pantanal, 166 million. We had 355 million and 35 million of retained prices. We still have some contract issues to be settled, but we have the accounting gain of 390 million to 168 [ph] million. So that basically explains the effect of 87 million.

In terms of net income, and starting with our EBITDA. Again, we are with the consolidation of Pecem in this quarter and we have a result of BRL191 million, BRL97 million above that of last year. Once again, this has to do with the consolidation of Pecem this year. The financial costs were already there. We have a debt with the NPS, another with IGP in dollars that we have a swap with a LIBOR pre-fixed rate. And that makes the financial cost of Pecem in last quarters to increase our financial costs. In line to that, we closed the quarter with net income of BRL302 million compared to BRL84 million in 2015.

On slide number 6 we have our indebtedness. You know that our consolidated gross debt totaled 6.4 billion on March 31st, 2016, an increase of 209 million compared to the end of 2015, resulting of the issuance of 220 million in group distributors. Net debt reached 4.600 [ph] million, a reduction of net debt in this period of 352 million. It's important to highlight that two points contributed to the reduction of the net debt, the sale of the Pantanal, and also the regulatory liabilities of Bandeirante and Escelsa, which caused the reduction in the period.

And therefore, we could slightly reduce our net debt as a whole. As for the debt -- net debt/EBITDA ratio, as we show in this chart, it reached 1.4 times. Of course, this is an accounting amount. If you took into consideration non-recurring gains of capital and other events that were non-recurring in the period and also the consolidations that we had, projects that were not completed, but that are in our accounting, we are talking about Jari, Cachoeira and Sao Manoel. And if you think of our share of capital, we would be talking about the net debt/EBITDA ratio of 2.8 times. So this is the effective number, 1.4 times is an amount that can be misleading, in terms of net debt/EBITDA ratio.

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Our average cost of debt in this first quarter was 13.12% compared to 12.85% in the last quarter 2015. And this increase was basically due to the increase of average cost of TJLP in Brazil and as well as the accrued CDI that is the debt is getting more expensive in Brazil. We have had an increase in financial costs of our debt, and therefore we have this increase.

Also I'd like to highlight, already in the second quarter in April, we completed the fifth emission of debentures 250 million in Energias do Brasil. Debentures of infrastructure and (inaudible) with reimbursement in the fifth and sixth year. And also in Energest, we had an issuance of simple debentures of 90 million at CDI plus 2.1.

I'm going to turn the call back to Miguel Setas.

### **Miguel Nuno Simoes Nunes Ferreira Setas** {BIO 15901389 <GO>}

Well, thank you, Henrique. On page 7, we have a summary of our increase of capital. And the terms, as you all know, are part of the corporate data that were published yesterday in the end of the market trading. So we have BRL766 million as minimum and maximum of BRL1.5 billion. The shareholders that have the ordinary shares of the company, according to Article 171 of the Corporation Law, we'll have preemptive rights to subscribe new shares to be issued in proportion to their shareholdings in the company and the controlling shareholders of the -- commit themselves to subscribe to its share of the capital increase and they intend -- and indicate that they intend to subscribe to any potential unsubscribed shares of minority shareholders in the second round of leftovers. The use of proceeds of this capital increase is also defined in our corporate data according to our Board of Directors. The idea is to strengthen the company's capital structure and its cash position to meet medium and long-term capital needs for the development of its operating and investment activities, and also to strengthen the company's liquidity rate and reduce leverage, indebtedness levels.

In this specific case, just for us to be a bit more concrete, obviously, what is being analyzed in terms of use of proceeds is to reduce our exposure to more expensive debts with less tax or fiscal efficiency. And here I'm talking about debts in our holding that you know are fiscally inefficient and also debts that we have in some of our controlled companies like Pecem, where we accrued losses in terms of deferred income taxes, because of negative results that cannot be used.

And therefore, fiscally speaking, we have a potential inefficiency that can be reversed in the company. So these are two examples, holding and Pecem, that would enable us to release value by increasing capital. Of course, the company is also considering the option of using these proceeds for its investment activities, investment in projects that are already negotiated, plants that are under construction like Sao Manoel, or even future investments that have not yet been identified. So this increase of capital, as it is today, will enable the company to effectively strengthen its balance sheet, capital structure and it is something that gives us the flexibility to invest in the future of the company from now on.

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And the key dates are already established on the slide. We have the cut-off date for May the 4th, then the exercise of pre-emptive rights from May 5th to June the 3rd, and the final date of delivery of shares July the 11th. We don't have here, but the financial realization of this increase of capital would be completed on June the 29th. You're going to see that on the last slide of this presentation.

And on slide 8, we tried to graphically show you what Miguel is saying, a bit of history of the debt. And I would like to talk a bit about our leverage. We have to have prudent leverage in Brazil. And we have to adjust to the interest rates that the market has been practicing. And if you take a look at our history from 2012 to 2016, we see an increase of interest rates of -- from 8.94 to 14.25, we're talking about spreads and that means that debts are more expensive today, the financial market is more restricted, credit is more restricted and several analysts know that the debt is getting more expensive. We are part of the market. And although EDP has access to credits which is very healthy, and this is clear in the history of the company.

But anyway, if we take a look at this slide, you see an increase of our net debt/EBITDA ratio. When we eliminate non-recurring effect, it would go up to 2.34 times, as I mentioned. In addition to that, if we were to include the projects that are not still in the consolidation plan, it would be 2.8 times. The increase of capital -- we see that we have a simple math here, but if you make an adjustment of that, we are going to go to the ratio at 1.59 [ph] times and if we do not consider the projects, 2.1 times. So once again, we are going back to levels that are close to our historical levels in EDP. Miguel. On the final slide, you have a calendar on page 9. I, on page 7, already gave you a summary of this time line. So I'm not going to spend too much time on this date. So I would just like to close by telling you that this is a moment of uncertainty of the country as a whole. It's a moment in which EDP understood that it was timely and convenient to reinforce its liquidity in Brazil, and it reflects our long-term commitment with the Brazilian electric sector. I think this increase of capital was very clear, in terms of positioning the Company in this aspect.

And this is how I would like to end my presentation.

## Questions And Answers

### Operator

Ladies and gentlemen, we are going now to start the Q&A session. (Operator Instructions) Our first question comes from Marcello Carbone from UBS Bank.

### Q - Marcello Carbone

Thanks for your call. I have two questions. First to talk about your results a little. What we saw is a very weak result in distribution. And when you try to put it on a recurring base, it gives me an impression that the EBITDA is already below the regulatory EBITDA. My question is, when do you think you are going back to at least regulatory levels, in the past you were even beyond the regulatory level, but I understand now that, that's not the case.

And also about the increase of capital, I would like to understand if you are looking into any acquisition in the short-term or if you have nothing in sight? And if there is an acquisition, would that be in generation, distribution or any particular kind of business? And as for generation, you said that you had to left the fields of renewable energy, if you're thinking of going back to this area, or if this is not a possibility? Thank you very much.

## **A - Miguel Nuno Simoes Nunes Ferreira Setas {BIO 15901389 <GO>}**

Hi, Marcello. As for distribution, I would like to mention the following. The main effect that are affecting our distribution business, as you know, have to do with a drop in conception and then obviously, our expectation is that when Brazil improves its macroeconomic scenario, we're going to reverse this trend. We also have the effect, as you know, of over-contracting.

And in this specific case, there is a set of regulatory uncertainties that today enable us to say that paths are being found to minimize this over-contracting effect in the several distribution companies, especially in Bandeirante in our case. So there is a set of measures that we can even discuss about that tell us that we are going to minimize this effect. As for losses, as you have seen, we have gradually reduced our losses in our distribution companies, particularly in Escelsa. Escelsa last year had a reduction of approximately 3 percentage points in commercial losses, non-technical losses and therefore obviously, the tariff revision of Escelsa in 2016 will make the difference reduce even further. Today, the regulatory curve is 7.87% [ph], but it's going to be repositioned to a much higher amount close to our current loss amount. So this gap that we have between regulatory losses and effective losses affect our results, but our expectation is that we have all the means to reverse this trend. This quarter, we had a negative number, but we do expect to reverse this number in the following quarters.

As for your question with regard to acquisitions, of course, the company's management should look into all opportunities that are in the market. This is something that we do to try and identify any opportunities of investments, but we have -- still have very solid criteria for that, in terms of capital allocation. So for the moment, we do not have any concrete opportunity that can be communicated to the market. We don't have anything right now to say, but what we can say is that we are always looking into opportunities that the market can offer. And we haven't changed our strategy.

Our focus in already answering your question is not to go back to the renewable energy. We do not want to focus on renewables, we want to focus on mid-sized clients, hydroelectric, focusing on generation and distribution. This is our strategy and we are not going to change that, at least not for now.

## **Q - Marcello Carbone**

Okay, thank you very much.

## **Operator**

Our next question comes from Carolina Carneiro from Santander.

## Q - Carolina Carneiro

Good afternoon, everyone. My question is almost a follow-up of the previous question with regards to the reason that led to increase of capital. On slide 8, you talk about the adjusted net debt indicator, making all the adjustments that were interesting and getting to a number of 2.3 times. And then looking into your cash and CapEx that you have for the short-term, it doesn't seem to me that your liquidity was so alarming.

So my question is, why are you going to increase capital now, given the fact that you do not have any operation for acquisition on the way? Is it because you think that debt market is completely closed, giving no possibilities to company? Just to try to understand, you have excellent capital discipline, but I would like to try and understand why at 2.3 times ratio, you felt the need of increasing your capital since there is no movement in terms of M&A, that is the company does not really need high liquidity rates now.

## A - Miguel Nuno Simoes Nunes Ferreira Setas {BIO 15901389 <GO>}

Hi, Carolina, thanks for your question. Well, my first comment is the following. In fact, as we explained the company's level of indebtedness, considering all the projects that we have in Sao Manoel, Cachoeira Caldeirao and Jari, we would get to 2.8 times net debt/EBITDA. So this level is very close to what we mentioned was the maximum ratio, which was 3 times.

The second comment is that we believe that the current moment of uncertainty in the country and that reflected in an increase in the cost of debt and credit restrictions would lead us to be prudent enough to reinforce our liquidity levels in the company, even without not having any acquisition or M&A at sight. So the country's current economic -- macroeconomic level leads us to that.

And third, I would like to mention that this increase of capital has the objective, and I mentioned that to unlock values that in a way are not accessible to the company. Namely, I'm talking about the possibility of prepaying very expensive debt in the holding. As you know, we had an insurance of debentures and we still have debt that has a very high cost.

I would like to mention, in particular, the BRL317 million that would be pre-payable with a cost of 17%, 16.9% that was an investment that we needed to buy Pecem, it's an investment with Banco do Brasil. So it is an inefficient debt for the holding in terms of its cost, and also if you think tax wise and also of our controlled companies, namely Pecem. That generated an accumulation of net results and fiscal credits because of the negative results of Pecem we cannot realize. So there are a lot of values in the holding and in Pecem that with this increase of capital could be unlocked. And again, this is a moment where we are analyzing all concrete options that the company has that can be the best for the future of the company.

## Q - Carolina Carneiro

Okay, thank you very much.



**A - Miguel Nuno Simoes Nunes Ferreira Setas** {BIO 15901389 <GO>}

Thank you.

## Operator

Our next question comes from Sergio Tamashiro.

**Q - Sergio Tamashiro** {BIO 2274485 <GO>}

Good afternoon, everyone. With regard to the increase of capital, I would like to continue the discussion. I can see that you have an imbalance in company's indebtedness that is the consolidated areas are not so high indebtedness. We do not see the indebtedness of the companies that are not completely consolidated. And then the holding itself, the holding has a debt of almost BRL900 million, a very little debt that is maturing this year.

So my question is, why don't you have other options other than increasing capital even with the result of your distributors? You have cash, you didn't payout all the results of last year 262, the payout of dividends were 71. So, couldn't you get more resources from the operating companies that have cash to reduce the indebtedness of the holding instead of increasing capital?

**A - Henrique Manuel Marques Faria Lima Freire** {BIO 19117781 <GO>}

Well, this is Henrique, Sergio. Well, thanks for your question. In the call, I said that we had a reduction of indebtedness in this first quarter, because of the sale of Pantanal and also the regulatory liabilities. It looks like you have an abundance of cash here, but this is going to be reversed in 2017. So the situation, if you think of the short time, you can be right. In the next three, four, five months that could be the situation of the company, of liquidity.

But if you think in the mid-term, this is not true and therefore our option. I think that this issue of fiscal efficiency is very important, both in the holding and also other companies of ours like Pecem, we do not have the fiscal efficiency. We lost that. And this is a volume that can be captured in a good way. So you have to create value. And if you don't do that, sometimes you can destroy value to your shareholders. And this is what we believe in, and that is the basis for us to keep leverage levels at the way they were, both in Brazil with the interest rates that we have and the restraints that we have in the tax system. We have to be very cautious.

**Q - Sergio Tamashiro** {BIO 2274485 <GO>}

Okay. Let me just ask you a question about Pantanal. You said that you received 355 million by the end of January. But if you take a look at your balance sheet, you had 64 and it went to 270. So you had an increase of 215 and you received 350. So you have about 150 million and you did not reduce your indebtedness. Was it any payments that you had for the holding?

**A - Miguel Nuno Simoes Nunes Ferreira Setas** {BIO 15901389 <GO>}

We have a set of investments, especially in Sao Manoel, so we have investments in Sao Manoel in this quarter. And basically they explain the variation you referred to.

**Q - Sergio Tamashiro** {BIO 2274485 <GO>}

Okay. Now, you're talking about the cost of debt and the acquisition of Pecem of that with Banco do Brasil that is 17%. But if you think of the cost of capital and equity is even higher, wouldn't it be advisable to roll out that even the more expensive, especially because this is a mid-term and equities are constant that with shareholders. My question is, was it your last resort [ph]? Did you consider the sale of other assets including Pantanal, any companies that are more mature that could have been sold?

**A - Miguel Nuno Simoes Nunes Ferreira Setas** {BIO 15901389 <GO>}

Well, first, I would like to say that the credit market is not closed and it not has been closed for EDP. I think this is very interesting to highlight that we had issuances of that. Our increase of capital was announced yesterday, and it has no connection with a lack of credit. It's not really a last resort and we do not have the situation. What we think is that this is a move that creates value. It is going to have a positive influence on our earnings per share. We are going to have a tax gain. I insist on this point. And therefore, I believe that for shareholders, it increases the value of the company, because the debt that we have does not improve our cost of capital, it does not bring us tax yields. So I don't know if I answered your question, but it was not a last resort.

**Q - Sergio Tamashiro** {BIO 2274485 <GO>}

Yes, I think so. Thank you very much.

**Operator**

Our next question comes from (inaudible) from Citigroup.

**Q - Unidentified Participant**

I have a question about Sao Manoel. Hello, can you hear me?

**A - Miguel Nuno Simoes Nunes Ferreira Setas** {BIO 15901389 <GO>}

Oh, yes. Now we can, sorry.

**Q - Unidentified Participant**

I just have a quick question about Sao Manoel. Do you have any estimates that want the need of additional investments that you're going to need for this plant?

**A - Miguel Nuno Simoes Nunes Ferreira Setas** {BIO 15901389 <GO>}

We have about 330 million additional, in how many years? Well, we should have the project completed by the end of 2017. We start the PPA in '18. So it will be in this period. So it's going to be completed between '16 and '17.

## Q - Unidentified Participant

Okay, thank you very much. If you continue at this pace, okay.

## Operator

Our next question comes from Marcello Carbone from UBS Bank.

## Q - Unidentified Participant

If you allow just one more question, I would just like to understand the trading results a bit. I see that this is somehow to be reversed in the remainder of the year. What would be an EBITDA that we could expect for the trading in 2016? And in terms of increases in spot prices, do you think they are sustainable, they're going to be kept at this level, or do you think they're going to go down again? Just trying to understand what your views on spot prices are.

And also, I heard from some agents in the market that we might have a change in the methodology to calculate spot prices to try and include all this patch rates, and therefore, I would -- this would cause an increase in spot prices. Do you think this is actually being discussed? When could you comment on that?

## A - Miguel Nuno Simoes Nunes Ferreira Setas {BIO 15901389 <GO>}

Marcello, thanks for your question. Starting with your last question. Yes, effectively, there is some work being conducted with the market in order to be able to change the risk aversion parameters that would lead to a recalculation of spot prices. This is a negotiation in progress in the industry and our expectation is that this can use some results as of January 2017. That is this is not something that would have an impact in 2016. But indeed, this is something that is ongoing and we have been following the process.

As for the results of the commercialization company, indeed, this quarter was a quarter that because of the reduction of consumption, mainly clients expressed their clauses of flexibility in contract and that added to a reduction of prices in the short-term market lead to a negative margin on our part. Our expectation is that along this year, this result is going to be reversed. We obviously cannot give you any guidance about the results for the end of the year, but we do believe that the levels we are going to get to this segment of business are going to be below what our historical levels have been.

## Q - Unidentified Participant

Okay, but just try to understand your position a bit. If the spot price goes up, is it good for the company based on the way you are exposed or not?

## A - Miguel Nuno Simoes Nunes Ferreira Setas {BIO 15901389 <GO>}

Well, as you know, the commercialization company has two rationales. We have long-term commercial work where spot prices do not really have much weight and I would say that our portfolio is basically based on mid, long-term contracts. So the trading is a top-up our basic portfolio.

And the second sector, more than a lower price is volatility that is, in the periods in which spot prices are -- show volatility, then you can have better results. So what happens today and it happened yesterday as well differently from 2014, we have low levels of price with the low volatility. The scenario in which we operate with greater margins is a market with high prices and high volatility.

## Q - Unidentified Participant

Okay, I understand. Thank you very much.

## Operator

(Operator Instructions) Thank you. Since there are no further questions, EDP's conference call on the earnings of the first quarter 2016 is now closed. Questions that were taken on the webcast are going to be later on answered by the IR team. We thank you very much for joining us and wish you a good afternoon. Thank you.

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