

*edp*

# Acquisition of Viesgo & Rights Issue

Lisbon, 15<sup>th</sup> of July 2020



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## Disclaimer (2/2)

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EDP is announcing  
today...



## The Acquisition of Viesgo

another important step towards enhancing our risk profile and reshaping our Iberian portfolio through increased exposure to electricity distribution networks and renewables



## The launch of a €1.0 bn Rights Issue

to partially fund the acquisition and retain flexibility to pursue growth in renewables and electricity networks

## Key Topics

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1  Acquisition of Viesgo for an Enterprise Value of €2.7 Bn

2  €1 Bn Rights Issue launch

3  Our journey so far and where we go from here

## TRANSACTION RATIONALE

We are announcing a landmark acquisition that reinforces our positioning at the forefront of the energy transition...

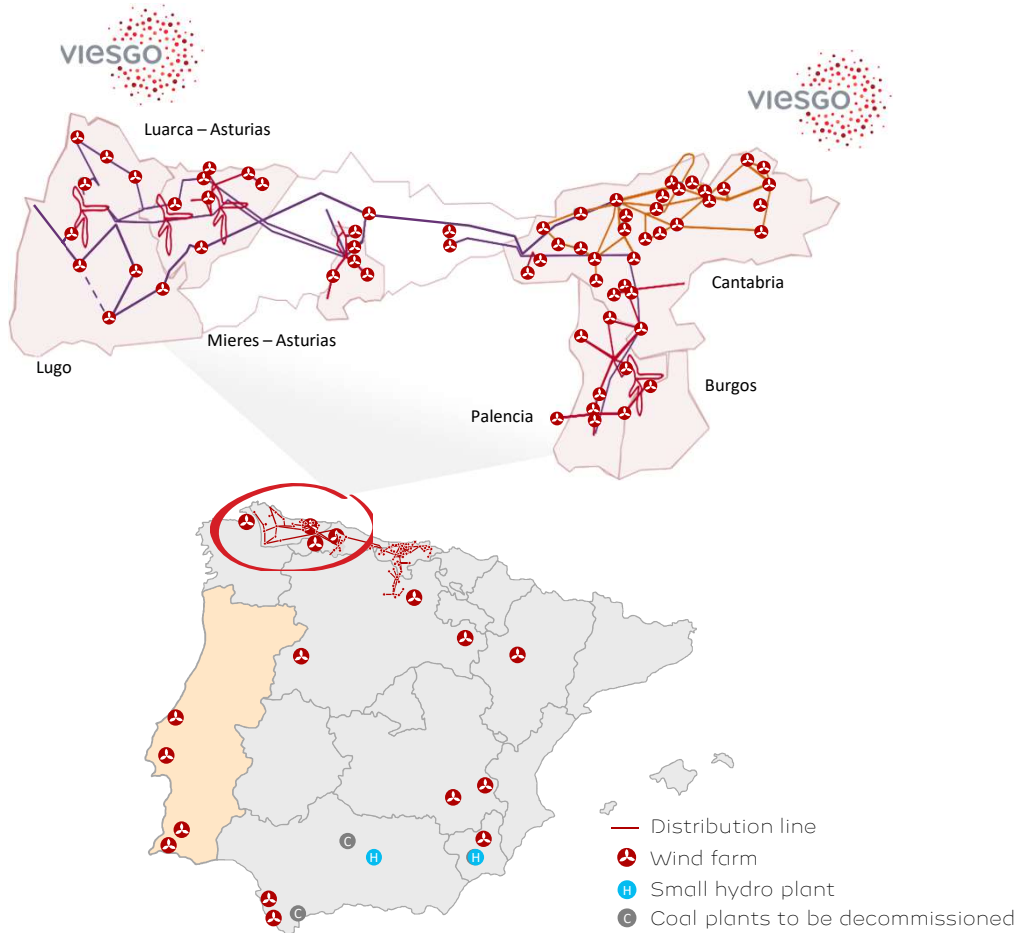


Acquisition focused on growth in electricity networks and renewables, as critical enablers of the energy transition	<b>+€238 Mn</b> EBITDA 2019	
High-quality business with perpetual distribution license, full regulatory visibility until 2025 and strong CAPEX growth potential	<b>&gt;95%</b> Regulated EBITDA	
Strong industrial project and value creation potential driven by EDP's presence in Spain and in adjacent networks	<b>+€1.0 Bn</b> Regulated Asset Base	
Renewables portfolio with top tier wind resource and extension/repowering potential	<b>+0.5 GW</b> Renewables capacity (EBITDA + Equity MW)	
Potential interconnection rights providing growth and value upside potential post coal decommissioning in 2021	<b>+0.9 GW</b> potential interconnection Rights	

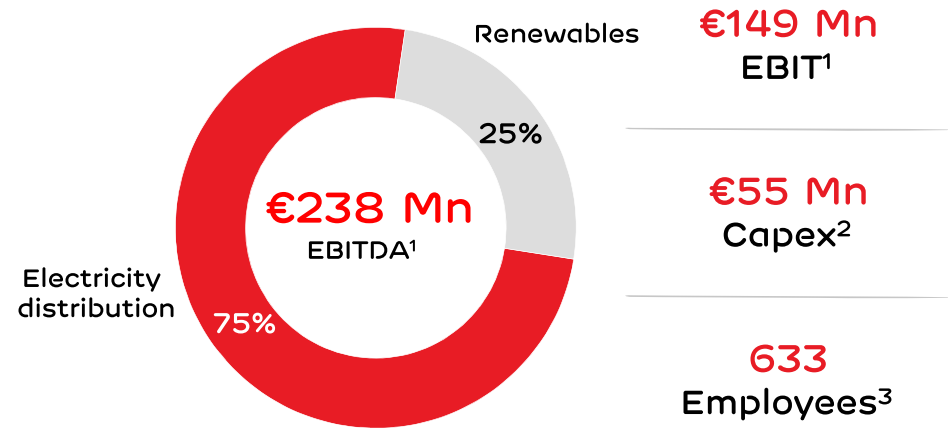
Quality assets in a unique bilateral transaction with concurrent long-term partnership in Spanish distribution networks

## VIESGO OVERVIEW

... with a low risk, 95% regulated, portfolio of distribution networks and renewable assets, fully aligned with EDP's strategic vision



### Viesgo key figures



>95% of regulated EBITDA



Focused on the Energy Transition

Note: 2019 figures

1. EBITDA and EBIT on an IFRS basis, excluding coal
2. Gross CAPEX deducted from 3rd party contributions
3. Average employees at Viesgo obtained from statutory accounts

## DISTRIBUTION

Viesgo acquisition more than doubles our presence in electricity networks in Spain, contributing towards a more regulated profile...



Adjacent networks with **stable regulatory framework** and strong cash flow visibility:

- ✓ Perpetual license and strong CAPEX growth potential
- ✓ RAB based system immune to volume and commodity risk
- ✓ Full regulatory clarity until 2025:
  - ✓ Fixed RoRAB of 5.58%
  - ✓ Accepted cost base fully defined

## Spanish Distribution business key metrics

VIESGO	Combined edp + VIESGO
+ €1.0 Bn RAB <sup>1</sup>	€1.8 Bn
+ €176 Mn EBITDA <sup>2</sup>	€320 Mn
+ €55 Mn Capex <sup>3</sup>	€94 Mn
+ 347 Employees <sup>4</sup>	646

Note: 2019 figures

1. Regulated Asset Base post Lesividad according to recent court decisions and assuming no recovery from ongoing discussions with CNMV

2. EBITDA on an IFRS basis. EBITDA from E-REDEs excludes effect of revenue from previous years

3. Gross CAPEX, deducted from 3<sup>rd</sup> party contributions

4. average employees in the distribution companies (E-REDEs, Viesgo Distribución and Begasa) according to the statutory accounts



## RENEWABLES & INTERCONNECTION RIGHTS

... adding a high quality renewables portfolio with low-risk profile and growth potential from extension/repowering and interconnection rights



### High-quality Renewables Portfolio



#### Strong Wind Resource

**29%**  
Average load factor

#### Low-Risk Profile

**87%**  
MW Regulated<sup>3</sup> with an average ~7 years  
of remaining regulated life and  
remuneration rate of 7.4% (Rinv)<sup>4</sup>

#### Extension/Repowering Potential

**>260 Net MWs**  
with load factor above 30%  
(including CEASA<sup>5</sup>)

### Positioned to access interconnection Rights

**912 MW**  
Installed Capacity

**2021**  
Decommissioning Target

#### Decommissioning ongoing

Formal authorization requested in Puente Nuevo and process initiated in Los Barrios

#### Interconnection Rights

Projects submitted/under assessment with strong wind & solar resources

#### Spain and EU Incentives

To further accelerate the energy transition

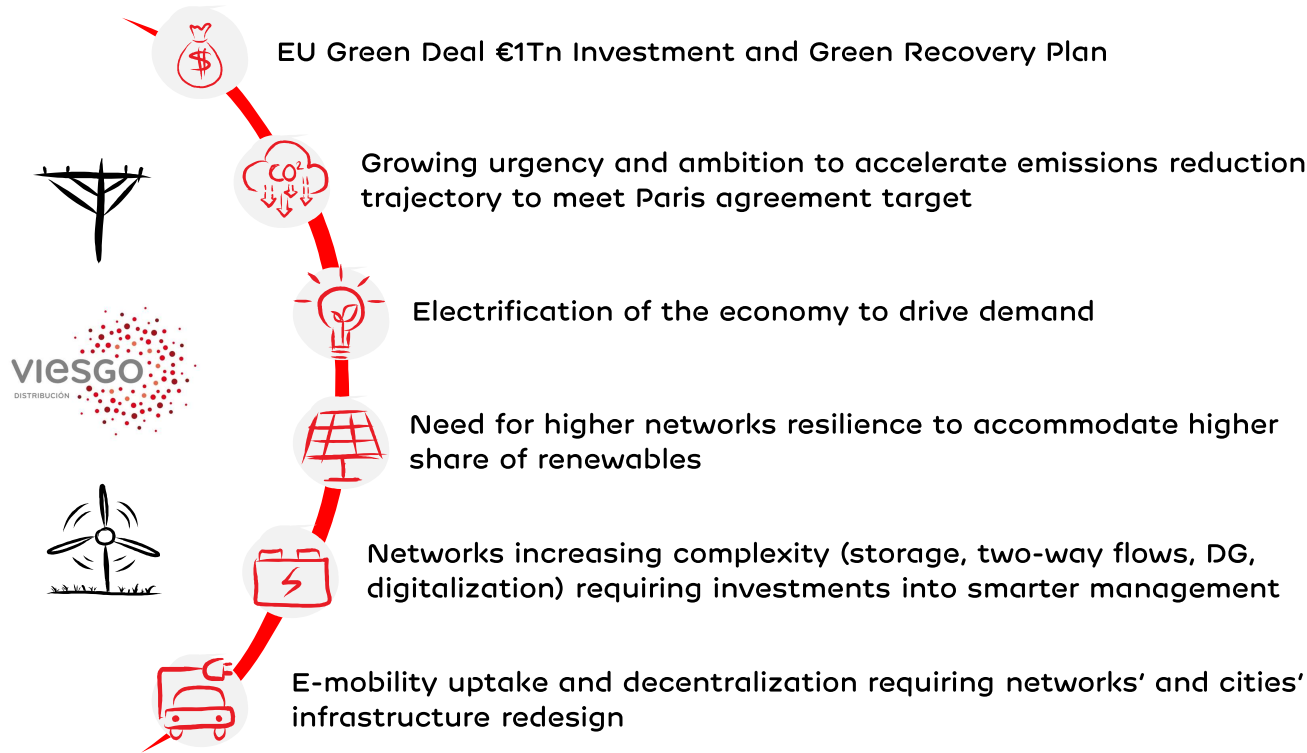
Note: 2019 figures

1. Weighted average by net MWs
2. EBITDA including equity earnings
3. Portion of the portfolio (net MW) currently under regulated framework

4. For assets benefiting from the regulatory regime
5. 5 windfarms co-owned with EDPR (50/50%)

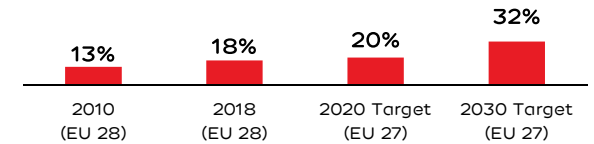
## SOLID SECTOR OUTLOOK

Transaction occurs at a turning point in the European effort towards enabling the energy transition and carbon neutrality...



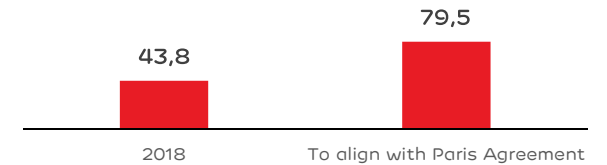
### EU RES target<sup>1</sup>

[% final consumption]



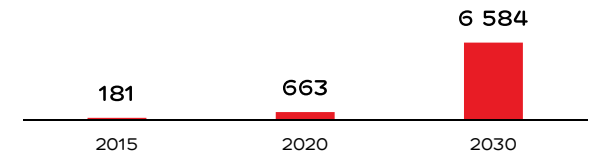
### Networks investment in Europe<sup>2</sup>

[Annual investments in \$ Bn - 2018 real terms]



### EV sales in Europe<sup>3</sup>

[k units sold]



Viesgo transaction reinforces opportunity to actively participate on a wide green and electrification investment program driving growth and value creation in renewables energy alongside electricity distribution

Source: (1) Eurostat; (2) 2018 value from IEA World Energy Investment 2019 and the value to align with Paris agreement is the estimated average investment in 2019-2040 in the IEA WEO19 Sustainable Development Scenario; (3) BloombergNEF - Electric Vehicle Outlook 2019 - Annual passenger EV sales by Region

## STRONG GROWTH PROSPECTS

... with recent Spanish legislation providing strong growth prospects and value creation potential to the Viesgo portfolio



### Spanish Legislation

National Energy plan (PNIEC<sup>1</sup>)

Economic Recovery Legislation approved on June 24<sup>th</sup>



Significant investment acceleration in networks and renewables foreseen in the PNIEC



Increase of Distribution Capex thresholds by 8%<sup>2</sup>



Renewable auctions framework to be published



Simplified licensing and interconnection access for existing renewables projects



Active push for thermal plants closing and respective access to interconnection rights under the Just Transition framework



EU and recent Spanish legislation to accelerate long term growth potential in networks and renewables and unlock additional value

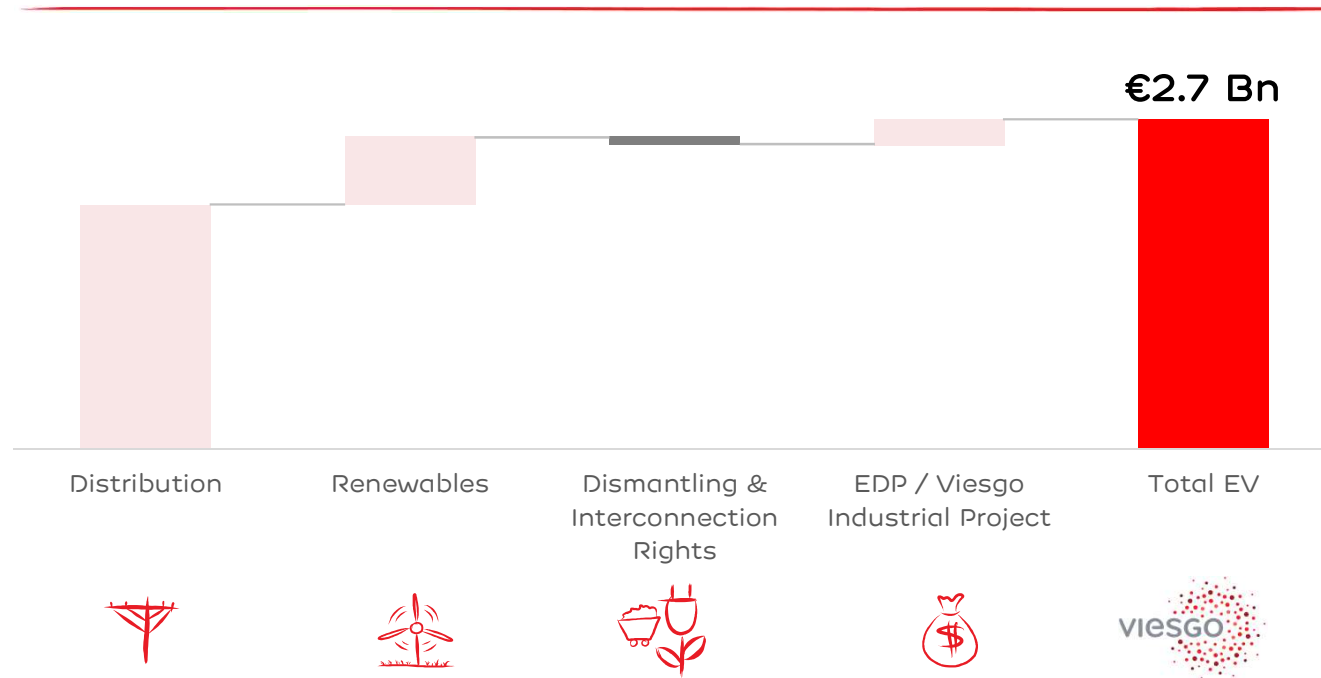
1. PNIEC: Plan Nacional Integrado de Energía y Clima  
2. CAPEX regulatory threshold increased from 0.13% of Spanish national GDP to 0.14%

## TRANSACTION OVERVIEW

We secured Viesgo through a bilateral deal with terms in line with recent market references...




### Viesgo Enterprise Value



 Enterprise Value<sup>1</sup>  
**€2.7 Bn**

 EBITDA Multiple<sup>2</sup>  
**11.8x**

 Existing Net Financial Debt  
**€1.1 Bn**

The transaction is subject to customary approvals, including EU anti-trust, Spanish FDI for MSCIF investment and CNMC, among other, which are expected to occur until 2020YE

1. Enterprise Value means the sum of the equity value of a company or asset (including minority interests) with its financial debt and debt-like liabilities net of cash and equivalents;

2. EBITDA 2019 on an IFRS basis. EBITDA and EV excluding coal

Note: The transaction will not trigger a change of control under Viesgo's existing EUR 11 billion of external debt.

## TRANSACTION STRUCTURE

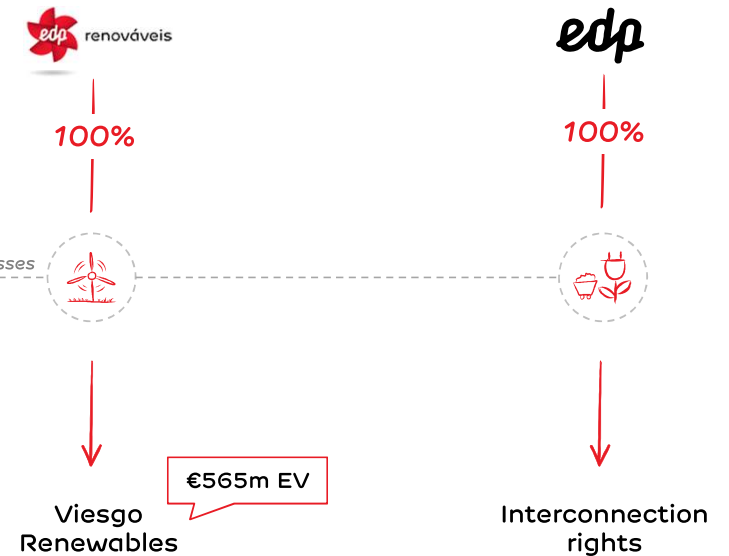
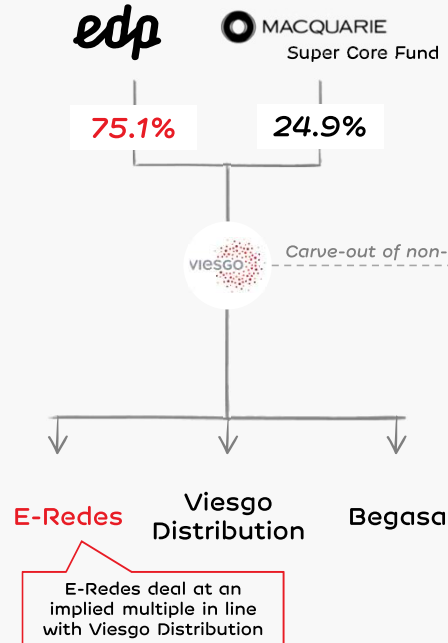
# ... resulting in a long term partnership with Macquarie Super Core Fund in Spanish electricity distribution



EDP and MSCIF to enter into a long term partnership for electricity distribution in Spain ...

... with EDP/EDPR retaining 100% of Viesgo renewables and dismantling & interconnection rights

- ✓ EDP to have a 75.1% stake  
Net equity investment of c. €0.9 plus consolidation of c. €1.1 Bn net debt
- ✓ Macquarie Super Core Fund acquires 24.9% stake as a new investor through an investment of c. €0.7 Bn
- ✓ EDP to control and consolidate Viesgo under the established shareholders agreement
- ✓ EDP with majority Board Representation including appointment of Chairman, CEO and CFO
- ✓ Both shareholders commit to an investment grade credit rating at the Distribution business



EDP's significant presence in the entire Spanish value chain drives a strong industrial project and value creation potential

Note: Viesgo perimeter also includes a 5% stake in OMIE and a 5% stake in OMIP

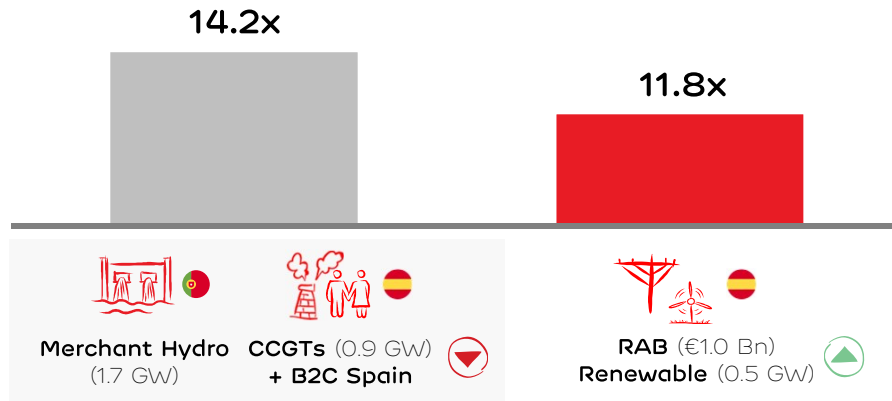
## IBERIAN PORTFOLIO RESHAPING

Viesgo represents another important step in the reshaping of our Iberian portfolio: value crystallization, lower risk, alignment with energy transition



### Iberian portfolio reshaping deals...

EV/EBITDA<sup>1</sup>



### ... reinforcing low risk profile

EBITDA<sup>1</sup> (€ Mn)



Reduction of Iberian merchant exposure further reinforced by the anticipated closure of Sines and Soto coal plants in 2021



Increased exposure to regulated electricity networks, improving risk profile



Maintains a competitive Iberian generation mix focused on Renewables



1. Based on 2019 EBITDA except for Merchant Hydro which is base on 2018 figures. EV and EBITDA of Viesgo excluding coal

## Key Topics

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2  €1 Bn Rights Issue launch

3  Our journey so far and where we go from here

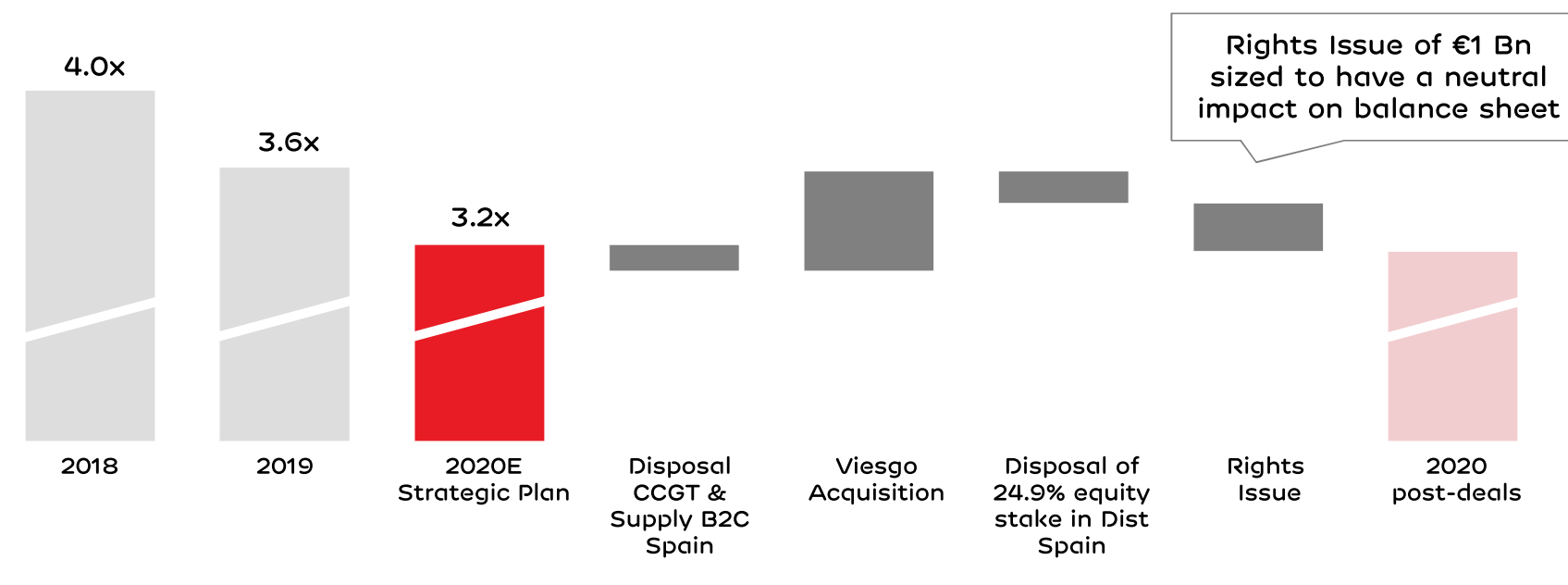
## FINANCIAL DELEVERAGE COMMITMENT

Rights Issue of €1 Bn to partially fund Viesgo's value enhancing acquisition while preserving Strategic Plan's financial leverage commitment



Illustrative

### Net Debt<sup>1</sup> / EBITDA



Reiteration of EDP target to reach solid investment grade (BBB): strengthening business profile while maintaining the deleveraging trajectory and flexibility for continued growth in energy transition

1. Net Debt adjusted for regulatory receivables



## RIGHTS ISSUE KEY TERMS

Rights Issue set to raise €1,020 Mn at a subscription price of €3.30 per share...

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**€1 Bn**

Rights Issue

**Capital increase with preferential subscription rights** for EDP's eligible existing shareholders and investors acquiring such preferential subscription rights

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**€3.30**

Per share

**Subscription price** (discount to TERP<sup>1</sup> of 23% vs. closing price on 15<sup>th</sup> July 2020)

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**309 Mn**

New shares

**New shares issued**, representing 8.45% of EDP's share capital before the Rights Issue

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**1**

Subscription right

**Subscription right** per each existing EDP's share

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**~0.085**

Subscription factor

**Subscription factor** of 0.085035375 new shares per 1 existing share of the company (excluding treasury shares)

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**100% underwritten by Banking Syndicate and Joint Bookrunners**

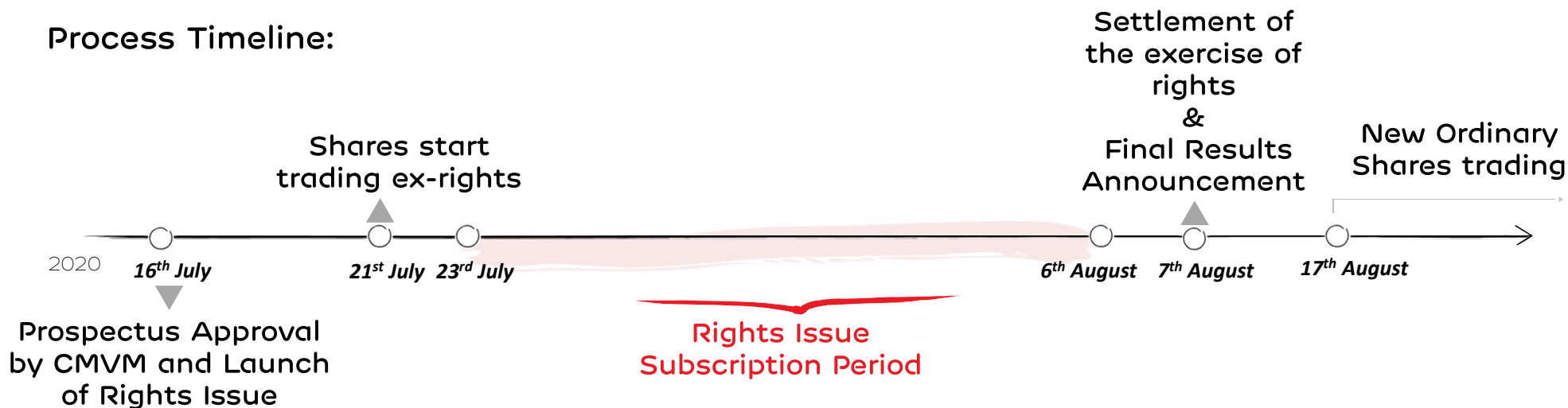
1. Theoretical ex-rights price

## RIGHTS ISSUE TIMELINE

...with the Offer subscription period running until early August



### Process Timeline:



### Key dates:

17<sup>th</sup> – 31<sup>st</sup> July

▶ Roadshow

23<sup>rd</sup> July – 3<sup>rd</sup> August

▶ Rights Trading Period

23<sup>rd</sup> July – 6<sup>th</sup> August

▶ Rights Issue Subscription Period

7<sup>th</sup> August

▶ Announcement of the Offer results & settlement of the exercise of rights

## Key Topics

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3  Our journey so far and where we go from here

## LOW RISK PROFILE CONTRIBUTION

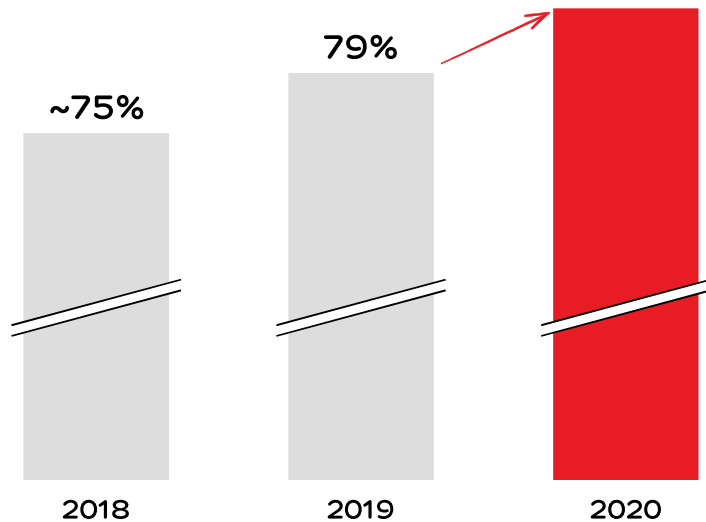
EBITDA from regulated/LT contracted activities to be reinforced with higher weight of regulated networks further de-risking the Group's earnings profile



*Illustrative*

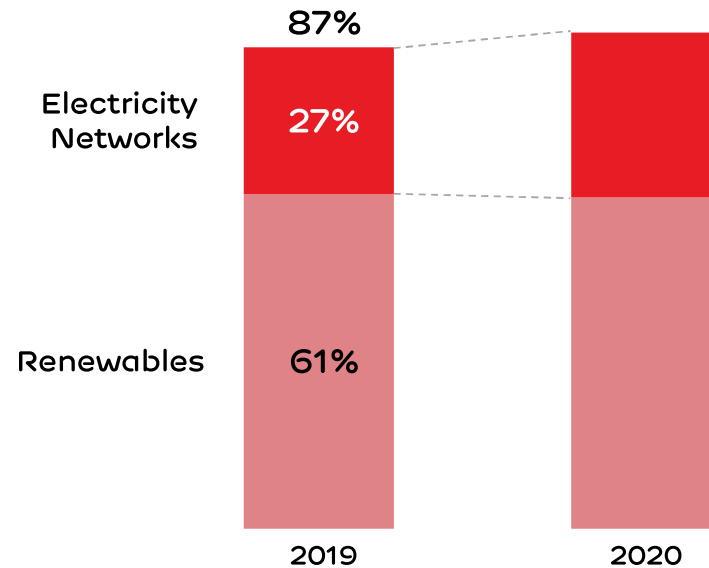
Regulated & Long term contracted activities...

% of EBITDA regulated/contracted



...reinforced with increased weight of electricity networks

% EBITDA renewables/electricity networks


















Reinforcing the weight of activities aligned with EU Green Taxonomy and the Energy transition

## 2019-2022 STRATEGIC PLAN ENHANCEMENT

# An exceptional acquisition opportunity to further enhance EDP's equity story and deliver value to shareholders



STRATEGIC PILLARS	SOUND TRACK RECORD AND POSITIVE OUTLOOK
 Accelerated and focused growth	 Wind and solar additions for 2019-2022: <b>84%</b> of target already secured  <b>EU Green recovery plan, US fiscal incentives:</b> Potential new investment opportunities
 Continuous portfolio optimization	 Iberian portfolio reshaping deals: <b>value crystallization, improved low risk profile</b>  Renewables <b>asset rotation strategy: positive market outlook</b> (+0.7 GW target for 2020)
 Solid balance sheet and low risk profile	 <b>Improving business risk profile:</b> higher weight of long term contracted EBITDA and Renewables & Networks contribution; <b>well positioned for the energy transition</b>  €1 Bn capital increase to partially fund Viesgo's acquisition, <b>while preserving deleveraging trajectory</b> and growth flexibility
 Efficient and digitally enabled	 EDP has been delivering <b>high quality of service and cost efficiency</b> in its networks  Continued focus on <b>Opex efficiency opportunities</b> through accelerated digitalisation
 Attractive shareholder remuneration	 Overall deal (Viesgo acquisition + Rights Issue) <b>is EPS accretive</b> , improving risk and growth profile  <b>Dividend floor of €0.19/share</b> with sustainable EPS growth to deliver DPS increase

## ATTRACTIVE SHAREHOLDER REMUNERATION

Earnings resilience in 2020 with the overall deal enhancing EDP going forward and reinforcing dividend policy sustainability



Outlook for 2020: Earnings resilience...

Recurring Net income 2020E:

**€0.85 - €0.90 Bn<sup>1</sup>**

*(single digit growth YoY despite material challenging context)*

Main expected impacts YoY

- ↑ Energy management
- ↑ Renewables (asset rotation)
- ↑ Interest costs
- ↓ COVID – Brazilian economic context/FX and Iberian weaker supply demand

...overall transaction structurally positive for EDP...



Deal is **EPS accretive** (Viesgo acquisition and rights issue)



Clear improvement of **business risk profile**



**Neutral impact on credit metrics**, allowing for **continuous growth in renewables**



...reinforcing dividend policy sustainability

**€0.19/share**

Dividend per share floor

**75 - 85%**

Target payout range

**Sustainable EPS growth to deliver DPS increase**

**Leading the energy transition to create superior value for our shareholders**

1. Recurring Net Profit excludes exceptional and non-recurring items (including CESE) and excludes any potential NI coming from the Viesgo acquisition in 2020

# Appendix

## RIGHTS ISSUE KEY TERMS

Rights Issue set to raise €1,020 Mn at a subscription price of €3.30 per share...



### Offer Structure

- Capital increase with preferential subscription rights for EDP - Energias de Portugal (“EDP” or the “Company”) eligible existing shareholders and investors acquiring such preferential subscription rights (the “Rights Issue”)
- Public offering in Portugal
- Private placement to international institutional investors (144A – Reg S)

### Offer Size and Distribution

- €1,020,172,880.10
- Proposed placing of 309,143,297 New Ordinary Shares
  - Representing around 8.45% of the Company's issued share capital prior to Rights Issue

### Subscription Price

- €3.30 per share (discount to theoretical ex-rights price of 23.02% vs. closing price on the 15<sup>th</sup> of July 2020)

### Subscription Factor

- 0.085035375 new shares for each existing share of the Company (excluding treasury shares)
- Subscription factor of 0.085035375

### Terms

- New shares will rank pari passu with existing shares i.e. new shares entitle their holders to any dividends paid after their date of issuance (will be fungible with existing shares after admission to trading)

### Use of Proceeds

- The proceeds of the Rights Issue will be used to: Partially finance the acquisition of Viesgo

### Underwriters

- Joint Global Coordinators and Joint Bookrunners: J.P. Morgan Securities plc, Millennium BCP and Morgan Stanley & Co. International plc
- Joint Bookrunners: BNP Paribas, BofA Securities Europe SA and Goldman Sachs International
- Total underwriting commitment of 100%



## NON-IFRS FINANCIAL MEASURES PRESENTED AS APMS

The definition of each of the non-IFRS financial measures presents as APM's can be found below



EBITDA	"EBITDA" is an alternative metric of performance non-audited, meaning earnings before interest, tax, depreciations and amortizations, and calculated as revenues from energy sales and services and other minus cost of energy sales and other, deducted of supplies and services and personnel costs and employee benefits plus/minus other income/expenses minus impairment losses on trade receivables and debtors. In operating segments information, EBITDA corresponds to "Gross Operating Profit". This APM has been presented to the market consistently by the Group. Accordingly, EBITDA is referred to as a measure of the company's "Gross Operating Profit" derived from its business
Net Debt adjusted for regulatory receivables	"Net Debt adjusted for regulatory receivables" is an alternative metric of performance non-audited, that shows a company's overall debt situation calculated using company's view of debt situation. It includes Financial Debt, Cash and Cash Equivalents, Short-term financial assets at fair-value and fair value hedge and collateral deposits associated to financial debt, 50% of the amount related with the issuance of a subordinated debt instruments (hybrid) and the regulatory receivables (amount owed to EDP by the electricity tariff system in Portugal, Brazil and Spain). This APM translates the concept of financial debt minus liquidity and other adjustments necessary within the context of EDP's business and is presented as a measure of the company's leverage for comparison purposes with EBITDA as a ratio.
Net Debt adjusted for regulatory receivables to EBITDA	"Net Debt adjusted for regulatory receivables to EBITDA" is an alternative metric of performance non-audited, meaning the ratio of Net Debt adjusted for regulatory receivables to EBITDA.
Capex	"Capex" is an alternative metric of performance non-audited, meaning capital expenditure, that includes additions in Property, Plant and Equipment, Intangible Assets and amounts receivable from concessions - IFRIC 12 under the financial asset model, excluding CO2 licenses and Green certificates, net of increases in Government grants, customers contributions for investment and sales of properties in the period. This APM is accordant with the concept of capital expenditure adjusted by some specific effects of EDP's business and has been presented to the market consistently by the company. In this, it is referred to as a measure of the company's capital expenditure.
Recurring EBITDA	"Recurring EBITDA" is an alternative metric of performance non-audited, meaning EBITDA less exceptional and non-recurring items. "Recurring Net Profit" is an alternative metric of performance non-audited, meaning net profit attributable to equity holders of EDP less exceptional and non-recurring items. These non-recurring and/or exceptional items include one-off impairment charges, capital gains/losses on sales of assets (excluding gains or losses derived from sales of assets pursuant to the Group's asset rotation strategy), costs associated with retroactive regulatory changes, human resources or debt restructuring costs and the CESE energy tax in Portugal.

## NON-IFRS FINANCIAL MEASURES PRESENTED AS APMS



### The corresponding reconciliation is mapped below

#### Reconciliation of the Capex formula

Million Euros	1st quarter 2020	1st quarter 2019	2019	2018	2017
Total Fixed Assets additions (2)	555	361	1,795	2,520	2,007
Concession Rights - IFRIC 12	101	130	771	-	-
Emission of CO <sub>2</sub> Licenses and Green Certificates	-8	-124	-296	-301	-111
Investment Grants	0	1	2	63	-11
Other Investments (3)	0	-22	13	-37	-144
Discomission of Tangible Assets (4)	-2	-2	-36	-12	-16
<b>Capex (1)</b>	<b>425</b>	<b>243</b>	<b>2,258</b>	<b>2,031</b>	<b>1,728</b>

(1) Items disclosed in the "Reconciliation of information between Operating Segments and Financial Statements" note to the consolidated financial statements.

(2) Includes the total additions of the period of Property, Plant & Equipment and Intangible Assets as disclosed in the respective notes to the consolidated financial statements.

(3) In 2017, refers mainly to the in-kind contribution of the Lisbon headquarter (EUR 120 million), lease contract of the Lisbon headquarter (EUR 55 million), partially compensated by the held for sale reclassification of the investment in the intangible assets of EDP Gas Distribuição (EUR 14 million), which was sold in the fourth quarter of 2017.

(4) "Discomission of Tangible Assets includes i) "Dismantling/discomission of PP&E" in 1Q2020 and 2019 reports, and, ii) "Discomission of Property, plant and equipment" in 1Q2019 and 2018 reports, as disclosed in the "Reconciliation of information between Operating Segments and Financial Statements".

#### Reconciliation between net profit for the period attributable to equity holders of EDP to EBITDA starting from the income statements previously

Thousand Euros	1st quarter 2020	1st quarter 2019	2019	2018	2017
Net profit for the period attributable to equity holders of EDP (+)	145,851	100,460	511,751	519,189	1,113,169
Net profit for the period attributable to non-controlling interests (+)	90,136	97,644	387,576	356,892	328,266
<b>Net profit for the period</b>	<b>235,987</b>	<b>198,104</b>	<b>899,327</b>	<b>876,081</b>	<b>1,441,435</b>
Extraordinary contribution to the energy sector (CESE) (-)	-62,759	-67,046	-68,477	-65,345	-69,246
Income tax expense (-)	-92,426	-98,735	-225,901	-99,666	-10,304
<b>Profit before income tax and CESE</b>	<b>391,172</b>	<b>363,885</b>	<b>1,193,705</b>	<b>1,041,092</b>	<b>1,520,985</b>
Financial expenses (-)	-331,214	-264,205	-1,057,591	-1,010,390	-1,248,089
Financial income (-)	125,397	78,546	387,817	456,245	439,636
Share of net profit in joint ventures and associates (*) (-)	(*)	(*)	25,011	10,858	11,521
	<b>596,989</b>	<b>549,544</b>	<b>1,838,468</b>	<b>1,584,379</b>	<b>2,317,917</b>
Amortisation and impairment (-)	-366,657	-373,633	-1,765,619	-1,444,812	-1,675,659
Provisions (-)	-15,929	-3,622	-101,530	-287,938	3,627
<b>EBITDA</b>	<b>979,575</b>	<b>926,799</b>	<b>3,705,617</b>	<b>3,317,129</b>	<b>3,989,949</b>

(\*) Change in results in Joint Ventures and Associates as described in note 2a) of the interim report of the 1st quarter of 2020.

Restated for 1st quarter 2019. After 2019 included in EBITDA.

#### Reconciliation of the Net Debt adjusted for regulatory receivables

Million Euros	1st quarter 2020	2019	2018	2017
Non-current and current financial debt (1)	15,297	16,571	16,085	16,918
Cash and cash equivalents (2)	-1,445	-1,543	-1,803	-2,400
Short-term financial assets at fair-value (3)	-105	-99	-102	-38
Fair Value Hedge (4)	-85	-135	-117	-141
Non-current and current collateral deposits associated to financial debt (5)	-53	-61	-193	-45
50% of the hybrid bonds (6)	-897	-906	-391	-391
<b>Regulatory Receivables</b>	<b>-455</b>	<b>-370</b>	<b>-287</b>	<b>-370</b>
o.w. Amounts receivable from tariff adjustments - Electricity - Portugal (current and non-current) (7)	-434	-346	-225	-870
o.w. Amounts receivable from tariff adjustments - Electricity - Brazil (current and non-current) (7)	-57	-80	-110	-77
o.w. Included in Amounts receivable relating to CMEC (current and non-current) (7)	-101	-101	-96	-237
o.w. Amounts payable from tariff adjustments - Electricity - Portugal (current and non-current) (8)	58	44	86	261
o.w. Amounts payable from tariff adjustments - Electricity - Brazil (current and non-current) (8) (9)	52	76	39	52
o.w. Included in other creditors and sundry operations (8)	28	37	19	1
<b>Net Debt adjusted for regulatory receivables</b>	<b>12,258</b>	<b>13,467</b>	<b>13,191</b>	<b>13,032</b>

(1) Refer to "Financial debt" note to the financial statements of each period.

(2) Refer to "Cash and cash equivalents" note to the financial statements of each period.

(3) Included in "Other debtors and other assets" note to the financial statements of each period.

(4) Refer to "Derivative financial instruments" note to the financial statements of each period, which comprises "Interest rate swaps" and "Cross-currency interest rate swaps".

(5) Refer to "Financial debt" note to the financial statements of each period.

(6) Refer to "Financial Risk Management Policies" note to the financial statements of each period. Amount considers 50% of the contractual undiscounted cash flows and the estimated interests due of the hybrid bonds.

(7) Refer to "Debtors and other assets from commercial activities" note to the financial statements of each period. For CMEC, refer to portion relating to revisibilitiv.

(8) Refer to "Trade payables and other liabilities from commercial activities" note to the financial statements of each period.

(9) For the period ended March 31, 2020 and December 31, 2019, the recognition of EUR 311 million and EUR 389 million, against tax receivable as a result of the non-inclusion of the amounts of VAT borne in the basis of calculation of PIS and COFINS, is excluded.