# EDPR

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Chaired by Miguel Stilwell d' Andrade

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## Company Participants

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

• **Rui Teixeira**, Chief Financial Officer

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

## Other Participants

• **Alberto Gandolfi**, Analyst

• **Arthur Sitbon**, Analyst

• **Alexandre Roncier**, Analyst

• **Jorge Alonso**, Analyst

• **Javier Garrido**, Analyst

• **Jenny Ping**, Analyst

• **Olly Jeffery**, Analyst

• **Jorge Guimaraes**, Analyst

• **Manuel Palomo**, Analyst

• **Enrico Bartoli**, Analyst

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**Miguel Viana:** Good morning, everyone. Thank you for attending EDPR's 1H24 results conference call.

Our group CEO, Miguel Stilwell d'Andrade and group CFO, Rui Teixeira will run you through the financial performance over the first half of the year along with a brief execution update. We'll then move to Q&A. We will be taking your questions in the conference chat or by phone. The duration of the call will be 60 minutes.

I will now give the floor to our CEO, Miguel Stilwell d'Andrade.

**Miguel Stilwell d'Andrade:** Thank you, Miguel. Good morning, everyone. It's great to have this call first thing in the morning and be able to discuss the first half of EDPR's performance or the first half of 2024 EDPR's performance. So I'll start with the short updates on the business performance, and we can go straight into Slide 4. And then before I pass over to Rui for the financials.

But if we focus on this first slide, I think it gives us a good summary of the highlights of the first half of the year. So in terms of generation, for the first six months of the year, we saw a recovery of the wind both in North America and in Europe versus the previous year, and also the new capacity additions together with the normalization of the renewable resources meant that we had an increase in the generation of around 5% year-on-year to around 19 terawatt hours.

So as you remember, we had the El Nino effect sort of at the last year towards the end of last year, beginning of this year, but that effect seems to have diminished and gone away. Let's see how the second half goes, but it seems like the El Nino is over.

Capacity additions, so it's increased 2.9 GWs year-on-year, strong contribution from the U.S., solar projects. We're keeping a high level of projects under construction still around 4.5 GWs, and keeping our target deployments on track for the year. So now end of July, we have pretty good line of sight, U.S. projects doing very well, and the rest of the geography is also on track.

Average selling price, stable year-on-year at EUR61 per MW hour. Declining trend, we've already anticipated in Europe due to the fall in the spot electricity prices. However, we had the strong hedging position at competitive prices, and so that's supporting a stronger selling price, we'll talk a little bit about that also in the guidance.

Inefficiency, definitely saw several improvements. We've been working hard on this, improving our core Opex per average MW, so this declined around 8% year- on-year. It's resulting from a stabilization of costs and into Group synergies. We see good opportunities to continue this trend and to leverage the economies of scale. Now the new organizational structure also coming into place.

Finally, it was also a good period in terms of delivering our Asset Rotation program. We rotated around 800 MWs in the U.S., Canada, Italy, so we had a total implied average multiple of EUR1.6 billion EV per MW. So, this was an important contribution to our asset rotation process for the year.

If we move forward to the next slide and talk a little bit about the renewables demand, and this is something we've talked about quite often in the previous calls as well. So, we continue to see strong demand for renewable energy worldwide. We've signed 1.3 GW of PPAs during this first half, all at very competitive prices and good returns. In particular, we're seeing very attractive projects coming out of the U.S., so I think that's definitely a positive.

More than 60% of these PPAs have been closed with major global tech companies, who are committed to the energy transition and have their own ESG targets. And we're also growing in new business lines like storage, so we're keeping a conservative business approach but securing long-term contracts, low-risk markets with a high percentage of NPV contracted, I'll talk about that in just a second.

Overall, we're keeping very focused on these long-term contracts, mitigating the portfolio exposure to the wholesale prices, average tenure of around 15 years for these PPAs. And I think one of the positive things about the new organizational structure is we're able to serve these global customers, particularly these big tech, with this Global Client Solutions team.

So, just yesterday, we announced the PPA in Japan, Fukushima, with a big tech company. It's the same that we're selling to energy in the U.S., Spain, Scotland, Brazil. So, it's really a global relationship, and these are the type of relationships that we will continue to foster and develop.

To move on to Slide 6, I'm talking about the hedging volumes, which I mentioned briefly previously. So as you know, we hedge, typically it's competitive prices and we've had a high volume already for this year hedged. And that's offset a big part of the decline of the wholesale prices in Europe, mainly in Iberia.

Given the higher than expected positive impact from our hedging strategy, combined with the portfolio mix effect, our average selling price for 2024 is now expected to be at the higher end of our guidance range. So around EUR55 per MW hour. However, our generation volumes for 2024 are expected to be at the lower-end of our guidance, driven by a lower than expected wind resource in Brazil and the portfolio mix effect.

Another consideration is that in the second quarter of 2024, we registered an unprecedented number of hours with the Iberian pool prices below EUR5.00 per MW hour. There was a peak in April where about 60% of the hours were below this level, mainly during the sun hours. And I think this is something that's been widely discussed in the sector.

So it's important to understand that this implies a loss in generation output in order to limit economic loss that could be associated by generating extremely low prices or even negative prices. Obviously, we're not going to generate negative prices. So looking forward for '25 and '26, we're seeing forward prices moving slightly up versus what we'd seen sort of a few months ago. And this could have a positive impact on our average selling price for the next couple of years.

If we move forward to Slide 7, talking about the U.S. So we believe that the traditional wind and solar business in the U.S., will be insulated for political reason. And there's essentially three reasons for that. Solar ITCs and the wind PTCs have been extended in the past, even under Republican administrations. As you know, we've been investing in the U.S., since 2007, and I think throughout these times, there's also been some debate about this. But ultimately, this has been a bipartisan issue, which has extended these PTCs and ITCs.

There is a growing bipartisan support for the domestic energy supply and local manufacturing. And 80% of the domestic manufacturing investments have been awarded to Republican led districts. So political risk, we think, is mitigated. On top of this, in relation to EDPR's business, we have a procurement strategy which is now focused on avoiding risks associated with import tariffs and the Uyghur Forced Labor Protection Act, which, as you know, was an issue for us at the end of 2022 and for 2023.

And one of the things I'd like to highlight is that all of our solar equipment for 2024 is already on site. The equipment for 2025 is already 100% secured and will be 100% locally assembled in the U.S., with polysilicon not sourced from China. For the years '26 to '28, we already have our first solar contract in place, which we communicated last year, and that will also be eligible for the bonus adder for local content. So, I think we're well-placed in terms of our U.S. operations.

If we move forward to Slide 8, talking a little bit about the Capex. So, we've been increasing our investments 18% up year-on-year, 4.5 GWs of assets under construction and more pipeline under development. And that's what will support not just the CODs we'll be having this year, but also the ones over the next couple of years.

As planned, we're focusing our investments in low-risk markets, with North America and Europe representing most of our investment. And in-line with the strategy, this year we've also had a significant weight of our Capex in solar and storage technologies, 2.6 GWs of these technologies under construction.

So, we're working to ensure that we also increase the percentage of wind towards the back-end of the business plan period, and also even towards the back-end of this decade. So, very focused also on increasing then the percentage of wind. We think that that's a premium product, and -- but it takes longer to develop. And so, we'll be ramping-up over time.

On Slide 9. Talking a little bit about storage. So, Storage, I think everyone recognizes that it's become a really important part of the global decarbonization trend. It's absolutely critical to complement the various renewable generation, which is intermittent.

And we're committed to deploying a total of around 700 MWs until 2026. Following a relatively conservative strategy with lithium-ion batteries, it's the most mature technology around, typically, these investments are backed by long-term contracts with like tolling agreements or floor structures with asset optimization upsides.

We've already secured more than 85% of this target. Really good projects. I think we've given a couple of numbers here. So, average cash yields more than 13%, strong contracted profiles, an average of 80% contracted NPV, average project IRRs more than 11%. So, really strong projects with good cash yields.

During the first six months of the year, we signed around 400 MWs of different storage contracts in North America and the UK, all of them with reliable off-takers and solid long-term profiles. So, this year has seen good progress on the storage front and will be an important precedent for this business at EDP Renovaveis. We've already installed 57 MWs, and we expect to have a total of around 200 MWs of storage projects installed by the end of the year.

This is something we've been working on already for the last couple of years, building a pipeline even before the Inflation Reduction Act came out. I mean, I remember having a lot of discussions with the team, basically thinking about how we could start building up this pipeline, and now we're seeing it come to fruition.

On Slide 10, just a word about efficiency, which as you know we've been highlighting over the last couple of calls. I think it's really important as we grow that we get these economies of scale. So we have been very focused on core markets to begin with, been simplifying our company structure. We've been trying to extract value from our global footprint. So leveraging our synergies between EDP and EDPR. So everything that we can to really strip out costs on the backend, back offices, sort of corporate functions.

And the result of that is during this period, core Opex per average MW in operation has decreased 8% year-on-year. We expect that to continue over the rest of the year. And I think that will put us on a good path to get the targeted Group savings for the year. So these are not versus a theoretical base case, these are actual concrete numbers that we're getting in terms of cost reductions.

I think the new organizational model also allows us to leverage the asset management, the energy management and the client solutions across the organization and across the different regions and essentially get those economies of scale that we're looking for.

We move on to Slide 11, just before I pass over to Rui, on asset rotation. So it was a good semester in terms of the transactions. We rotated about 0.8 GWs, as I mentioned in the U.S., Canada, Italy. Already talked about the EV per MW multiple of around EUR1.6 million, total proceeds around EUR1.2 billion and total asset rotation gains around EUR171 million. And so an average return on invested capital for around 15% cash-on-cash.

Looking forward, we have several deals in the market, different stages of maturity, some expected to be closed before year-end, some of them that could also be closed just in early 2025. So we'll be managing those over the rest of the year. And I'd say that while in the last couple of years, the asset rotation gains were concentrated in the second part of the year. In 2024, we expect these gains to be more front loaded this year. And then obviously we'll keep you updated over the rest of the year on how this is going.

And I'll stop here and I'll pass it over to Rui before coming back for closing remarks. Thank you.

**Rui Teixeira:** Thank you, Miguel. Good morning to you all. And let's move on to the first half financial results. So starting on Slide 13. Electricity sales increased by 5% year-on-year due to the higher generation and a resilient average portfolio price. The increased contributions from new investments driven by the strength of our net additions of 1,400 MWs over the last 12 months and an increase in wind resources, primarily in North America, led to a robust 5% growth in a total renewable generation that is nearly 19 terawatt hours in the first half 2024.

Also during this first half, our large portfolio of high quality, long-term contracted clean energy assets, and hedging strategy delivered a resilient average selling price close to EUR61 per MW hour, pretty much in line with last year's. So, both these factors resulted in an increase of 5% in electricity sales to EUR1.1 billion in the first half of 2024.

If we now go through the Slide 14 and go on the different EBITDA elements, EBITDA increased 26% year-on-year, that's an almost EUR200 million above the first half 2023, to a total of EUR960 million. And this is the result of a strong contribution from both existing and new capacity additions, increased tax equity revenues due to the 15% growth in North America's generation, improved efficiency in core Opex, and obviously positively impacted by the asset rotation gains of EUR171 million.

Other costs include non-cash impacts of EUR18 million related to IFRS 9, EUR26 million from the unwinding of the Romanian hedge executed in 2023. We also have in this line a cost of EUR34 million in Colombia, and this is mainly related to the short position outstanding after the PPA renegotiations.

And maybe regarding this project, let me give you just a quick update about the current status. So we have now a total of 77.4% of the generation renegotiated, postponing energy deliveries between 2025 and July 2027. This number was previously 70%. We have reached agreement with 89 communities, and we expect to finalize agreement with the remaining eight during Q3-Q4.

We have requested for the environmental permit. It was submitted, and we expect approval within the next six months. However, there is no significant progress made in the discussions with the regulator and government regarding the improvement of the economic conditions. So a go-no-go decision, as you know will be taken by your end.

If we move to Slide 15, financial results amounted to EUR223 million in the first half of 2024. Our average cost of debt reduced from 4.8% to 4.7% as a result of the rebalancing the U.S. dollar denominated funding strategy. Net debt increased EUR1.2 billion, supporting the growth, the strong growth and construction activities, and more than 70% materials post 2026, thus a limited refinancing risk in the short- medium-term.

Note that in the first half of 2023, we had a positive impact from the settlement of dollar pre-hedging as a result of the optimization of the euro-U.S. dollar position. And in the first half, we have EUR17 million of negative impact from FX derivatives from the investment in Colombia.

On Slide 16, looking at the net debt, as of June this year, net debt was EUR7.5 billion, an increase versus December 2023 of about EUR1.7 billion. This is mainly driven by, of course, the growth effort with EUR2.3 billion of expansion Capex and approximately EUR0.1 billion of financial investments. And this is partially funded, as we just saw, by the asset rotation pursuits.

The asset rotation deal in Italy was closed in July, so that positive impact is recorded in Q3. However, if we had received those still in June, net debt would have been EUR7.2 billion. During the year, we expect to close additional asset rotation transactions and tax equity pursuits as we bring the projects online towards the year- end.

So moving to Slide 17, just to wrap up and before handing back to Miguel, I would like to highlight the strong net profit of EUR210 million in the first half this year. It compares to EUR102 million of recurring net profit in the first half last year. And, of course, this is driven by the top-line evolution, the asset rotation gains that more than offset the impacts that we have from Colombia that amount to EUR46 million.

So, Miguel, back to you for closing remarks.

**Miguel Stilwell d'Andrade:** Thank you, Rui. So just a couple of comments then to, before we pass over to Q&A. Just highlight first. First half performance, definitely driven by return to normal levels of wind resource, and that led to an increase of 5% increase year-on-year in generation. Stable year-on-year average selling price at EUR61 per MW hour, reflecting the higher pricing environment in North America, but then slightly lower prices in Europe.

However, it demonstrated resilience versus the wholesale prices trends backed by a higher proportion of hedges at competitive prices. So as you know, our business is very much price times quantity, down slightly overall, but more of the same guidance for the rest of the year, but price towards the top-end of the range.

Capacity additions, 2.9 GWs year-on-year, so 800 MWs just in the first half of this year. Strong contribution from the U.S. solar projects, 4.5 GWs under construction and on track toward the growth targets. Expansion Capex also up 18% year-on-year, so higher at about EUR2.3 billion in line with the growth execution plans. Our efficiency strategy is evolving positively.

Core Opex over average MW down 8% year-on-year. Strong asset rotation execution with around 800 MWs rotated during the period. So with three transactions, implied average EV per MW of EUR1.6 million and a capital gain of around EUR171 million. Overall, positive business performance EBITDA up 26% year-on-year, EUR960 million, 3% up X gains year-on-year, driven by an increase in generation, stable prices and asset rotation gains. Finally, net income at EUR210 million driven by top-line and asset rotation gains despite higher financials.

Just before closing the presentation, I just wanted to highlight, we continue to see solid renewable demand growth in EDPR's core markets. This is reflected in the strong execution of new PPA contracts, the 1.3 GWs that we have this year already, mainly with big tech companies, of which 60% in the U.S., providing good revenue visibility and good future returns or expected returns.

And with that, I'd stop here, and we can now move to Q&A. Thank you.

## Q&A

**Operator:** Thank you. Ladies and gentlemen, the Q&A session starts now. (Operator Instruction).

**Miguel Viana:** Well, we have the first question from the line of Javier Garrido from J.P. Morgan. Javier, please go ahead.

**Javier Garrido – JP Morgan:** Thanks, Miguel. Good morning, everyone. I have two questions, please. First question is on achieved prices. The new guidance of ASP is EUR55 per MW hour, but that still looks conservative versus the EUR61 per MW hour delivered in the first half. Was the strong second quarter ASP boosted by any exceptional, like a non-recurring rate deal or any other potential exceptional? Otherwise, I know that new solar capacity additions should depress the achieved price, but still, any other reason for being conservative on the average for the year?

And then the second question is on the Opex average MWs. It was a very impressive drop of 8% year-on-year, but how much is due to the fact that the Opex per MW for solar is lower than in wind, and how much would be a like-or-like drop because of management actions? Thank you.

**Miguel Stilwell d'Andrade:** Hi, Javier. So, well, just maybe taking your second one first. The big part of this is management action. So, the solar, it may have slightly lower Opex per MW, but really what's driving it, I think, is a strong focus on fewer markets, reducing back office costs, trying to be very limited in terms of the number of additional headcounts and making sure that we are getting the maximum economies of scale in terms of driving the asset management across the organization.

We can then come back with more specifics showing that, but I'd say it was very much a result of specific initiatives we put in place to extract those economies of scale.

In terms of achieved prices, I mean, we're giving here a general guidance for the year. I would say that there's not like any abnormal issues in the first half of the year, but I don't know Rui, if you want to comment on.

**Rui Teixeira:** Yes, Miguel. So in the second quarter, we had good result from REC sales and that was obviously a positive impact. This was a new year. In the U.S. and in Poland in the second half we are not considering that we would have any abnormal positive impacts, for example, coming from these REC sales.

And also bear in mind that we'll have the COD of plants that have older PPAs, which obviously have lower prices, namely solar in the U.S. that were contracted back in '21, '22. So that's how we are seeing this convergence to the sort of EUR55 level.

**Javier Garrido – JP Morgan:** Thanks. Thanks, Miguel and Rui. Is there any guidance, an indication of how much you got with these REC deals in the U.S. and Poland? Some rough indication would be welcome.

**Miguel Stilwell d'Andrade:** Okay. Javier, let me take that back and I'll send it over to you.

**Miguel Viana:** Okay, thank you. Javier. So next question comes from Enrico Bartoli from Mediobanca. Enrico, please go ahead.

**Enrico Bartoli – Mediobanca:** Hi. Hi. Good morning. Thanks for taking my question. I have two as well. First of all, you're right that you are accelerating in storage. And I was wondering if you can provide some details on the market that you consider most interesting in this moment. I guess Texas may be one of them. And your approach in terms of defining where to invest in terms of the share of renewables between these capacity payments or the exposure to arbitrage in the market, what you are interested in?

And second one is related to the outlook for asset rotation. You mentioned that you have some additional transactions under discussion for the second half. If you can provide some color on, say, the evolution that you are seeing in terms of demand for asset rotation, particularly with some flavor on Iberia in the U.S. and on the other markets where you are exploring the opportunities. Thank you.

**Miguel Stilwell d'Andrade:** Thank you. So in terms of storage, I mean, clearly, the U.S. is where we're seeing the most opportunities, some also in the in the UK. But the U.S., particularly now with the Inflation Reduction Act and the ITC, that is providing, let's say, good, robust economics for storage, both standalone and co-located.

What I'd say is that a lot of a lot of our storage is co-located. Some of it, for example, in California, some of our solar projects. And so most customers, it's almost a default in most cases where they are asking for a solar project together with the storage component and basically locking in a tolling agreement for that or sort of a long- term contract for that.

UK is also an interesting market for storage. It's got a much more sophisticated regulation and market which allows it to do revenue stacking for storage assets. Continental Europe still doesn't really have a regulatory framework for storage, unfortunately, which would allow storage to really take off in a big way. So we've been looking at this and we're moving forward with maybe some smaller projects but very sort of local.

What we've been advocating in Brussels but also sort of in the different national markets and different governments is that they really need to develop this regulation for storage either with capacity payments or with sort of remunerating some of the ancillary services that batteries can provide so that you can build up a more robust business case for storage on continental Europe.

In the U.S., it's very easy because the ITC just makes economics work. UK, as I said, it's a more market-based approach but it still gets it to work, continental Europe less so.

On the Asset Rotation, so transactions working on -- I'm not going to give you super specifics but mostly I'd say Europe, also some in the U.S. but in Europe probably you might see something coming out of Poland. But we're working on those and we'll provide you more information on that, let's say, once they happen. I just want to manage expectations on that and just given that the project, let's say the processes are confidential at the moment.

**Miguel Viana:** Okay, thank you. Enrico. So next question comes from Alberto Gandolfo from Goldman Sachs. Alberto, please go ahead.

**Alberto Gandolfi – Goldman Sachs:** Miguel, thank you and good morning. I have three, please. The first one is, can you talk about the evolution of IRRs in the U.S., on the PPAs you've been signing this year because I can see very resilient PPA prices. More solar contracts and solar equipment costs have been coming down. So it seems to me that between lower equipment in solar and cost of capital, the IRR in absolute terms is up and the IRR minus SWAC should also be up. Is this a correct assessment? And maybe if you can quantify, please.

The second question is, it's early days, but have you had the chance to do any power demand outlook work on Europe, Iberia in particular? And have you been able to discuss with the Chief Executives of the big tech in Europe? What's the outlook for data center PPAs in Europe? And can you maybe talk a little bit about what you're hearing there, even though, as I said, early days.

Last question. The first half, let's call it clean, although, I mean, there's lots of adjustments, but let's say before asset rotation gain EBITDA is a touch below EUR800 million, and usually your second half is stronger, because you're adding capacity, and we know spot prices have been recovering versus the second quarter. So is it a fair assessment to expect the typical seasonality whereby the second half of the year is stronger than the first half before asset rotation gains? So is that a reasonable logic? What I'm trying to get to is that you seem to be on track to be above EUR1.6 billion, if this logic is correct, for the underline. Thank you.

**Miguel Stilwell d'Andrade:** Thank you, Alberto. So on the IRRs in the U.S., so clearly, as you mentioned, the IRRs, the absolute is up, and we've talked about that, so high single-digit, even double- digits in the case of storage, so spreads above the 250 basis points that we'd indicated, and I think feeling very comfortable with those projects, both in terms of the returns and also in terms of the visibility on the Capex.

Normally, when we're running the projects and taking the investment decisions, we're looking at where the Capex equipment costs, sort of where the solar equipment costs and the VOS, et cetera, is at any particular point in time, so we're not counting on equipment costs coming down, and we've been, let's say, somewhat burnt in the past, so we're being prudent, we're being, building in significant contingencies already to get these IRRs.

And so what I'd say is we're not counting on them coming down, and if anything, we have contingencies built in that still allow us to get to these, more than 250 basis points spread. So perhaps I'll leave it there on that first question, unless you then want me to go deeper.

On the power demand outlook, listen, I think, this is definitely an ongoing discussion. I mean, even yesterday, I was talking to a high-level executive at a big tech who was visiting us. Listen, I think everyone is seeing the demand coming, and it's here. This is maybe, when we talked at one point about, other trends of about demand or sort of further down the road, this is happening today. I mean, you're getting calls today, you're getting solicitations today for PPA starting, if possible tomorrow, but otherwise, '25, '26, '27, '28, going out as far as that.

I think there is definitely, a couple of insights. One, they do want to locate data centers close to where the clients are. Latency continues to be important. And so you will continue to see data centers certainly being built up in the U.S., but in Europe as well, whether it's in the U.K., whether it's in Iberia or other locations.

In Iberia in particular, I think there is a big willingness to put data centers here. There is obviously a need to connect these, and so access to the network is critical. The power then is here. I mean the renewable generation in Iberia, as you know, we've got a lot of cheap, clean energy, so I think we will see significant demand.

If you want specific numbers, then we can talk about that offline. I mean there's a lot of analysis going on from different analysts and certain companies, but it's looking quite healthy. After a long period of flat demand, it looks like demand is actually going to be increasing over the next couple of years, so let's see.

On the final question on the EBITDA for the second half, yes, the second half is typically stronger. So we would expect the second half to be a touch above the first half, excluding asset rotation gains. So, taking your underlying first half and increasing it slightly for the second half, so we continue to feel comfortable with the guidance we gave for the EBITDA for the year.

**Miguel Viana:** Okay, thank you. Alberto. So next question comes from Olly Jeffery from Deutsche Bank. Olly, please go ahead.

**Olly jeffery – Deutsche Bank:** Thanks. Good morning. Two questions, please. So, one is just focusing on the Colombia project. It seems like the key here is whether you can unlock compensation from the Colombian government, and just how is progress going there? I mean, I know you said that, compensation is no major update, but is that because compensation is stalling? Are they challenging? And just how do you feel the chances are of that project going ahead in terms of go, no-go? Is it still kind of 50-50, a bit better, a bit worse than that? Any visibility on that would be great.

And then just to come back to gains for the full-year, you've probably gone slightly above the midpoint of the EUR300 million target for this year. Are you kind of putting out the message that you think EUR300 million might be a bit of a struggle because of getting some of the processes done in time? Or is EUR300 million still kind of the right number? It's just it's not going to be, we're not going to be in excess of that. Yeah, some clarification around that would be very helpful. Thank you

**Miguel Stilwell d'Andrade:** Hi Olly. So in relation to Columbia, so as you said, or as Rui mentioned in his presentation, I think critical is to get the environmental license because without that, you can't even take any go, no-go decision. It's just by default, no-go. So I think I just stress that that is positive that that's moving forward.

I think on the compensation front, I mean, clearly that is going to be a relevant input into the decision. I mean, the government has been supportive so far on the environmental license and they understand the challenges around the project. So I mean, I really, -- I need to be careful about how to manage expectations.

But what I would say is we're not, we're certainly not going to do the project if we don't think it's economically viable or if we're not getting, we want to make sure we get good returns or returns at least that justify moving forward with the project. And so that's what we're focused on, honestly.

We're also exploring partnership opportunities either with local players or others that would also help de-risk the project. And so we're working on these various fronts and again, I don't want to preempt any decision that we would take later in the year based on the best information we have at the point, at that point. I think the only thing I will say is that we will take a decision one way or the other just because we need to have clarity on this and then move forward one in one direction or the other. But we don't want it to go past this year.

On the EUR300 million, we've got several transactions underway, as I mentioned earlier. So whether it's in Europe and in the U.S., I think the actual value that we'll have for capital gains this year will depend also on the timing of these transactions. I mean, obviously, I would expect to go above the EUR300 million, which has been what we've had in previous years. And now it's certainly -- but as you've seen from the first half, we continue to see good opportunities to get, let's say, good multiples, good capital gains. The actual number will depend a little bit on the timings and whether they slip into 2025 or whether we manage to bring them in this year.

**Miguel Viana:** Okay, thank you. Olly. So next question comes from Jorge Guimaraes from JB Capital. Jorge, please go ahead.

**Jorge Guimaraes – JB Capital:** Good morning. Thank you for taking my question. I have three. One of them is a clarification about the prices in the U.S., the prices in Q2 are the average revenue divided by MWs is very good. I wanted to understand how much is effectively underlying price evolution and how much is related to the direct sales you just mentioned. And what is the outlook for U.S. prices? This would be the first one.

The second one is you mentioned you have been signing a lot of batteries deals. How are these being remunerated? Is it capacity payments, trading opportunities, or a mix of both? And finally, if you could elaborate a bit on the reference in Page 6 of the presentation where you say that the production will be lower on Brazil and the portfolio mix effect. What exactly do you mean by portfolio mix effect? Thank you very much

**Miguel Stilwell d'Andrade:** Jorge, can you repeat just the first question because the line was not so good?

**Jorge Guimaraes – JB Capital:** It's on the U.S. prices, if the trend seen in Q2 is expected until year end? And how much of the apparently good price in Q2, it's from the direct sales, and how much is price, effectively?

**Rui Teixeira:** Okay, Jorge, it's Rui here. So, yes, as I mentioned, so we had a positive impact on direct sales in the first quarter. As I said, it was U.S. and Poland. So, your question about

U.S., I mean, it will depend on how we see that direct market evolving into the second half. As I also mentioned, we'll have some of the PPA signed back in '21-'22 also kicking in. So, I'd probably see sort of a stable into the second half. But again, it will depend on how also we manage those REC opportunities.

**Miguel Stilwell d'Andrade:** On the second question, the battery remuneration. Okay. Yes. So, on the battery remuneration, listen, either it can be a tolling agreement where they're basically paying us almost like a fixed fee to then be able to -- let's say for the off-takers to then be able to use the battery and manage it almost themselves.

And the second type is where we, for example, in the UK, you can do revenue stacking. So you can get, for example, a capacity payment. You can then also get revenues from other additional services like frequency modulation, obviously the arbitrage intraday. So you just go on basically adding different revenue streams. So that would be sort of a more UK type approach.

In the U.S., you also have, in some cases where you, let's say you have, or in the UK as well, you have optimizers. So you're getting that fixed fee with -- but where someone is actually managing it. That's the type of asset or the type of contract we prefer. So where it's co-located with our solar, we are not necessarily going to be doing the optimization ourselves, but someone will be, let's say, paying us for that investment and then doing the optimization on their own overall portfolio.

I think on the third question that you had, which was on generation, so as I mentioned, I think the lower wind resource in Brazil, as you know, Brazil typically has a very high wind resource. So the impact has been quite relevant there in terms of lower wind production. And I think when we talk about portfolio effect, it's just that since there's a lot of production coming out of Brazil, just given the high load factors, when it's producing less, it has a bigger impact overall, like in terms of the terawatt hours that are missing.

So I think that's basically the effect. I mean, in countries where you have very low NCFs or load factors, even if there's a slight reduction, it's on a lower base. So it doesn't have as much effect as when you have, for example, in Brazil or in the U.S., where it's very high, where typically much higher NCFs.

**Miguel Viana:** Okay, thank you. Jorge. So next question comes from Arthur Sitbon from Morgan Stanley. Arthur, please go ahead.

**Arthur Sitbon – Morgan Stanley:** Hello, thank you for taking my question. The first one is on the net income guidance for 2024. It was set at EUR400 million. I was wondering if you confirmed that guidance. You were mentioning there is some level of uncertainty around the timing of asset rotation. Again, I was wondering if that has any impact on that guidance or not. That's the first question.

The second one is just on the debt evolution. I think there were quite a few elements that didn't help the debt in the first half in terms of working capital, both in the cash flow from operation and in what you include in the Capex. Will that normalize in the second half or will you rely solely on asset rotation proceeds and tax equity to get to the EUR7 billion targeted? Thank you very much.

**Miguel Stilwell d'Andrade:** Yes. Thank you, Arthur. So I'll do the first and pass to Rui for the second. On the net income, we maintain the target. So as we mentioned, I think we had, or we're expecting a slightly better second half than the first half on the underlying. We had a good first half in terms of asset rotation proceeds and capital gains. And, we're working hard to make sure that we can also bring on the additional transactions in the second half. So I'd say definitely maintain it.

On the debt side, Rui.

**Rui Teixeira:** Hi, Arthur. So yes, towards the year end, well, again, highlighting that already in July, we cashed in the Italian after the rotation proceeds. So that's already cashed in. Yes, towards the year end, we, as we close further asset rotations, that would be the main driver in terms of the evolution of the net debt. I mean, working capital should evolve as well as we bring some of the projects online. And obviously, there will be some starting up construction. There should be also an evolution there.

But you're right, I mean, the proceeds and the tax equity proceeds, which we expect mostly to come. I mean, there is a significant part coming in also in Q4, given that's when we will be commissioning the different plans. So I would say asset rotation and tax equity proceeds will be a key to get us to the debt levels that we want

**Miguel Viana:** Okay, thank you. Arthur. So next question comes from Manuel Palomo from BNP. Manuel, please go ahead.

**Manuel Palomo – BNP Paribas:** Hello. Good morning, everyone. Thanks for taking my questions. Most of them have been answered, so I will speak to two. It's just one clarification, confirmation. You mentioned that you have done 2.9 GW gross year-on-year, 0.8 GW year-to- date. I wonder whether the around 4 GWs for 2024 is still valid, meaning that you expect huge installation in the second half of the year.

The second one is on the U.S. and the U.S. election in particular. You somehow played down a bit the risk of a potential Trump win, but I wonder whether you think that it would be realistic, assuming that some slowdown in U.S., installations were Trump to win. And my question is, do you think you will have enough opportunities elsewhere in order to compensate for any potential slowdown in the U.S., in order to maintain that run-rate of around 3 GWs per year even beyond 2026? Thank you

**Miguel Stilwell d'Andrade:** Thank you. So in relation to the capacity, definitely. So we maintain the guidance we gave in May. I think, we typically do have a back-loaded number of installations that come in sort of particularly towards the end of the year. That happens every year, and it's going to happen this year as well. But as I mentioned earlier, certainly, the U.S., we've got panels on site. Projects are coming online even as we speak.

So good visibility there and in Europe and the rest of the places also as well. So definitely keeping that guidance. I think it was 3.5 GWs to 4 GWs, but that will depend a little bit on the timings, but definitely comfortable with that.

On the U.S., elections risk, so I think what I mentioned was just the fact that we've, seen various different administrations, Republican and Democrat, and in this case, including a Trump administration. One of the things that strikes me about the U.S., is a big part of the renewables growth is very much state-driven. There aren't a lot of federal or there isn't any federal licenses that such are required. I mean, you need it for the transmission, but not to build out the renewables.

So really, the only thing that discusses is if the IRA was at risk or not, and I don't think that that's the case, and I don't think that that's good. I think the consensus in the market is clearly that you would not touch this part of the IRA, maybe at the margin EVs and hydrogen and stuff like that, but not the sort of the core PTCs and ITCs.

So I would say that, state-driven PTCs and ITCs have been bipartisan for many years now. We have a strong pipeline that's moving forward and which is necessary. It's required by the big tech, so they need to build out the data centers. They want to comply with their ESG targets, and so that gives us a lot of comfort that, we will continue to see strong demand in the U.S., and that even under a Trump administration, that demand would continue to be there.

Having said all that, I think one of the good things about EDPR is we have a big portfolio, and we are present in multiple different geographies, and we have a lot of different opportunities. And, what we do is we try to choose the best opportunities and the best risk-return projects. And so, we would always try to adapt to any circumstances, whether it's in the U.S., or anywhere else, to the different dynamics and go on adjusting our portfolio.

And I think one of the good things we've done over the last couple of years is really build up a strong pipeline in the multiple different geographies that we can leverage to continue to grow going forward. So not particularly worried about the U.S. elections, continue to see a lot of demand driven by the states and the big tech, which will continue to be there. But we have fortunately a lot of opportunities all over the world. Thank you

**Miguel Viana:** Okay, thank you. Manuel. So next question comes from Alexandre Roncier from Bank of America. Alex, please go ahead.

**Alexandre Roncier – BofA:** Hi, good morning. Thanks for taking my question. I've got two, please. The first one is just to come back on Columbia and I am, mindful that obviously things are not defined about a go or no go, but I think there was a World Bank report like not so long ago in June about Columbia being like quite overlooked, actually, for offshore wind. And you had, I think as well, the first seabed tenders at the last COP '28.

Like, wouldn't it make sense for you to stay in the country or even go with the project, even if the returns are perhaps a little bit poorer than your actual targets, just to leverage the experience and perhaps create goodwill with the government and maybe win some business there with ocean wind?

And then my second question is about batteries. I think you signed a tolling agreement in the U.S. A few days or a couple of weeks ago. And I was wondering if ultimately, given the perspective and good traction you're seeing on storage, you would actually continue with a de-risked approach to storage and batteries? Or would you actually be willing to take on a little bit more trading risk and that's perhaps leveraging the capabilities you've got at the EDP level? Thank you.

**Miguel Stilwell d'Andrade:** Yeah, that's some great questions, I think, in relation to Columbia, I mean, we'll take a very rational decision on this and based on the project economics and not, we will not do anything counting on future projects or offshore wind, et cetera.

Obviously, we want to keep goodwill with the government, but I think above all, we want to make sure that we are doing a good service to our shareholders and to the company by taking the rational decision on whether to move forward with Columbia or not. And so, and I think given the offshore wind still seems to be quite far off in Columbia, I wouldn't say it's a input or a factor in the decision making for this project.

On the batteries in the U.S., we like this de-risked approach, good returns with low risk. I mean, you can't. So that seems to be like a sweet spot. So as you know, we will keep doing as many of these as we can. And, and that would be our preference.

Obviously, I think we do have good trading capabilities, we do have, a strong energy management team sort of in the various different geographies, but we're working sort of at a global level.

So we will look at sort of arbitrage opportunities. And so we, but I would say probably not so much in the U.S., because I think you are able to get these de-risked good return projects. But perhaps in Europe, I was talking about there not being a regulatory environment in Europe, really to have this sort of de-risked storage approach. So there we might look at it, but we do have a more integrated portfolio in Europe.

So we might look at storage, let's say, more on that side on the trading side and see if there are ways to build up that revenue stacking business case to allow us to move forward with some of the storage opportunities. So bottom-line, de-risked approach as much as possible in the U.S. In Europe, we may look to leverage on the trading capabilities going forward.

**Miguel Viana:** Thank you, Alex. So the last question comes from Jorge Alonso from Bernstein. Jorge, please go ahead.

**Jorge Alonso – Bernstein:** Hi, thank you very much and good morning to everyone. Yeah, I have only two questions, please. One is regarding the energy hedges. If you can provide some more color, if you have the opportunity to hedge some more energy for 2025, 2026, taking advantage of higher prices or the increase in prices in Iberia and as well, if you have already hedged as well the open position in the U.S., especially for 2026.

The other question is regarding the Opex that you have been mentioning that you have made a big effort reducing the core Opex. If you can provide some color about what would be expected as well for 2025, 2026 in this regard. Thank you very much.

**Miguel Stilwell d'Andrade:** Okay, I'll do the second one, if you want to take the first one. On the Opex for 2025 and 2026, so I think it will be a continuation of what you're seeing in this year. I think we gave some guidance, if I'm not mistaken, in the May presentation where we talked about sort of around, if I'm not mistaken, off the top of my head, 6% reduction in core Opex per MW over the period until 2026. So that's what we would use, let's say, as the guidance.

And as I say, this is very much driven by specific initiatives in the back office, having a global business services area, having a much simpler corporate structure and reducing duplications, et cetera. So that guidance, I think you can find it there in that presentation.

On the energy hedges, Rui, do you want to take that?

**Rui Teixeira:** Thank you, Miguel. Hi, Jorge. So, I mean, no material differences. So again, in 2024, we have about 10% exposed. And as you know, we typically leave a small tail of long position. So I would say that probably, well, there might be some evolution with the second half, but so that's where we are right now. Hedging prices above EUR80 per MW hour in Europe.

In the rest of the world, I would say that, of course, it's more on the U.S., side that represents part of that or a substantial part of that exposure. 2025, we are still around the 15%. It's about the hedges in place. So 15% merchant, the hedges in place are above EUR70 per MW hour in Europe. And we'll keep on looking to the market and see if it makes sense to lock in some additional positions.

2026, pretty much the same level as well, 25%. As you know, the markets are, -- they will start getting more depth as we move into 2025. So that's probably the moment when we start looking into further hedges for 2026. So, ballpark, same levels as we were a couple of months ago.

**Miguel Viana:** So thank you, Jorge. So we have no more questions from phone. And so with this, I'll pass to our CEO for the final remarks. Miguel, please go ahead.

**Miguel Stilwell d'Andrade:** Thank you, Miguel. So I'd say we reached the first half of this year in a relatively good position. I think we have, good underlying performance, particularly if you take out Columbia. I think, the wind levels normalizing, energy prices remaining relatively strong, and above all, continue to see good projects coming online or, -- say being closed in terms of good PPAs with good returns, good spreads, and low risk. So that's giving us a lot of confidence, not just for this year, but also going forward.

The capacity additions, we're confident on that, that we'll deliver that for the rest of the year. The asset rotations for the first half, I think we had a, great proceeds and good capital gains, particularly in the Italian portfolio. And we'll keep working on the remaining asset rotations for this year, particularly the ones in Europe and in the U.S., and we'll give you visibility on that as we go on rolling those out.

Efficiency, I think we're continuing to see the effects of the program that we are implementing. And so that will continue to drive that sort of 6% decrease core Opex per MW over the next couple of years. So not just this year, but also the following years. So overall, I think, we can expect to see good growth at EDPR on the underlying basis and even with the capital gains as well on the net income side over the next, not just this year, but also the next couple of years.

Overall, demand remains strong and I think that's the most important thing is that the underlying macro trends of growth and the sort of the demand from big tech in the various different geographies, whether it's in the U.S. or in Europe or even APAC, as I mentioned, we signed the PPA just yesterday in Japan, that continues to be there. We continue to have good visibility on that over the next couple of years and that's what's going to drive the growth for the sector and for EDPR in particular.

The fact that we are a global company, and that we have these global relationships, I think is really allowing us to leverage that and take advantage of that global demand because as I say, in many cases we're taking, signing these contracts with the customer in multiple different geographies and that's, I think, a competitive advantage versus other smaller, medium-sized developers, which will maybe be just more local and not have this type of relationship.

So, feeling good and I hope for those of you, well, maybe we'll talk again next week if you're on the call for EDP. Otherwise, I wish you a great holiday and I hope you get some time off. Thanks.