EDP – ENERGIAS DE PORTUGAL

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Chaired by Miguel Stilwell d' Andrade

Company Participants

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

• **Rui Teixeira**, Chief Financial Officer

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

Miguel Viana

Good morning, ladies and gentlemen. Thanks for attending EDP's First Half '23 Results Conference Call. So we have today with us our CEO, Miguel Stilwell de Andrade and our CFO, Rui Teixeira, which will present you the main highlights of the first of '23 financial performance.

We'll then move to the Q&A session in which we'll be taking your questions both by phone or written questions that you can insert from now onwards at our webpage.

I'll give now the floor to our CEO, Miguel Stilwell de Andrade.

Miguel Stilwell d'Andrade

Thank you, Miguel. Good morning, everyone and thank you for attending today's conference call. So I wanted to talk about EDP performance in the first half. I suggest we go straight into Slide 3, which has a summary, basically, of the key highlights. What I'd say is we had a very strong performance in the first half. I mean, we had an EBITDA of EUR2.5 billion, it's the highest over the last decade, an increase of 24% year-on-year. And essentially, it reflects a couple of different issues.

First, the recovery of the integrated margin in Iberia. So as the electricity and gas sourcing costs have reduced from peak levels, that's allowed the margin to expand. There's been a good recovery of hydro generation, 68% year-on-year, 68% up year-on-year. It's slightly below expected, so slightly below what would be an average hydro year. But I think, the important thing is that we've better, certainly better than last year, which is where we had that terrible drought. And also, we've been able to keep the storage levels at record high levels. And I think, that means we're going into the summer and then into the autumn with very good hydro storage levels.

Resilience of the electricity networks in Brazil: generally, networks globally are representing around 30% of total EBITDA. That's been also a strong source of stability. On the EBITDA side, on the renewal side, penalized by weaker wind and solar performance, we talked about that on Wednesday and on the call, as I mentioned at the time, the El Niño weather event, it's leading to much lower wind resources in the U.S., particularly in Central America. Lower generation, and obviously, not having had asset rotation gains in the first half of 2023 means that was impact, EDPR was impacted by that. As you know, we've since, this week we've already announced two asset rotation transactions. They'll be coming in the second, or being booked in the second half of the year, so we're not seeing that in the first half results, and I'll talk a little bit about that later on.

Overall, recurring net profits at over EUR500 million, so a strong increase, 72% up on the first half of last year, driven by EBITDA growth, mitigated to a certain extent by higher effective tax rates in line with the previous quarter, since the profits are coming from geographies with higher marginal tax rates.

Now, let's go to Slide 4 and talk about something that we commented in the Capital Markets Day, and I think, is an important milestone for the company. It's the buyout of the EDP Brazil minorities. So, we launched the tender offer. As you know, we announced that on the day of the capital markets, it was at a 22% premium. On July 11th, we had the results of the auction of the tender offer, and it allowed us to increase our stake in EDP Brazil from 56% to 88%, and to move forward with the delisting of the company. We then went further; we continued buying shares in the market under the Brazilian, sort of let's say, regulations and tender offer processes. And we managed to achieve the 95% squeeze out threshold, which means that we will reach 100% stake when the process is concluded in the next few weeks. So, we will essentially take EDP Brasil private as was the intention. We raised a EUR1 billion at the time and now we've successfully concluded the transaction ahead of schedule.

The shares, they were acquired as you know, for a price of BRL23.73 per share. It's, as I mentioned, the 22% premium versus the previous day was offer launch, and it's already deducted of the dividend which was paid in the meantime. I think, it's worth mentioning that in this context, in these months that the tender offer lasted, there has been positive developments in the electricity sector and the macro environment in Brazil. We started with positive news from the distribution concession renewal. So, it's a proposal in line with previous renewals, and that's something that's under discussion in Brazil at the moment, but positive prospects. It will certainly reduce the sector risk perception that was very visible by the way our performance of the index and the various different utilities in Brazil. And so, the overall Brazilian utilities index has increased by around 25% since the offer launch.

On the macro, we're seeing a decrease in interest rates with a 10-year bond yields down 270 basis points since the offer launch, and the SELIC rate is expected also to be cut in the short term. On the currency, we have also positive developments, we have a strengthening Brazilian real on the back of positive market momentum. And so, we've had a 5% depreciation since the euro since the offer launch. Important to mention that we've locked in the euro Brazilian exchange rate for the full acquisition of EDP Brazil minorities. So when we raised the EUR1 billion at the Capital Markets Day, we locked in essentially the Brazilian real. And so that's led to around EUR40 million savings on the FX versus if we hadn't done that. So overall, positive prospects on economic growth also in Brazil with the GDP growth revised upwards from 1.9% to 2.5%. So honestly, I think, it was good timing and very well executed.

We move on to Slide 5. Here just to talk about the impact that this will have on the EDP overall consolidated results. So EDP Brazil earnings will be fully consolidated in the second half of the year and will have a significant contribution to the earnings growth. You can see that there on the left-hand side of the chart. We expect an impact on net profit of around EUR90 million to be recorded this year, and around EUR120 million from 2024 onwards. So, considering the EUR1 billion investment and the mentioned earnings contribution, this represents a 12% return on equity, so a significant return, and I think, a healthy investment. Our strategy overall in Brazil, we've talked about in the past, but it's never too much to reiterate, it's fully aligned with the energy transition and in fact with the Brazilian government's objectives. In fact, President Lula just announced yesterday that in August, they'll be coming out with more significant proposals to drive the energy transition in Brazil. It's already done a lot, but it's, obviously, there's still a lot they continue to do.

So we'll, on our side, we'll be very much focused on electricity networks. We'll be pursuing organic growth, and distribution and transmission, and also on the renewable side, where we're scaling up both solar B2B business, so utility scale and distributed generation. But then we're also working on reshuffling the portfolio. And this is something we said we were going to do, and we're doing it, and we'll be showing concrete results in the short term. We will be coal free by 2025, so the same sale process is ongoing, and we should be able to communicate that shortly. We're also progressing in the active rotation of the transmission. We're looking for further reduction of the exposure to hydro, following the Mascarenhas power plant disposal in 2022. So we expect our overall group exposure to Brazil to converge to our target long-term level over the next few years. Finally, we expect this transaction to bring operating and financial synergies between EDP Brazil and EDP Renewables Brazil that will be materialized in 2024, and those are not included in the net profit numbers that you see there on the chart.

Moving on to Slide 6 and talking about integrated generation and supply in Iberia: so here we had a strong recovery in the first half. We had a long position on clients in the context of a decreasing pool price. That allowed us to optimize our generation and buy electricity in the market to deliver to our clients. So, for 2023, we expect to continue with a slightly long position on clients, and an improvement of integrated margin versus 2022. 85% of the margin is already locked in, and that leaves us confident for the remaining part of the year. For 2024, we already have an expected long position of close to 8 terawatt hours relating to B2C clients, and we've already sold around 50% of base flow generation volumes at a price, which is higher than EUR65 per megawatt hour. I think, it demonstrates our strong position in clients and our advanced hedging positions. So positive prospects for 2024 also here. All in all, I think, it shows the value of having a diversified and integrated portfolio, and also allowing us to optimize the energy sourcing costs too for our customer needs.

Now, if we move to Slide 7, just talking a bit about EDP renewables, and I know, I've talked about that on Wednesday, but just to give you a brief recap. So well on track for the 8.9 gigawatts on for the execution of the secured capacity, 8.9 gigawatts already secured, which represents more than 50% of the target capacity. In terms of the forecast additions for 2023, we're expecting to add around 3 gigawatts, concentrated very much in the end of the year. So all in all, for '23 and '24, as mentioned earlier, we're expecting capacity additions to range from 3.5 gigawatts to 3.9 gigawatts per year on average. And that will depend essentially on the pace of recovery of the U.S. solar supply chain issues, and the timing of the transmission line license in Colombia, which as I said, is 500 megawatts. And so it's obviously quite binary what year it falls in. As we mentioned in the EDPR call, we will and we have continued to work toward diversifying our supplier base. For 2024, the solar equipment is well diversified. We have eight different module suppliers for the U.S., we have five for Europe, and for 2025, we have more than four suppliers per region. As you know, our big issue this year, it was already last year, but this year is around the 900 megawatts of LONGi panels specifically, which are having difficulties in importing into the U.S., and that's moving the projects to 2024. I would just also like to highlight that we have 5 gigawatts of capacity under construction, which some sizable projects are expected post-2023, namely the offshore project in the UK and France, and the project I mentioned in Colombia.

On slide 8, talking about asset rotation, I think, definitely one of the strong highlights of this call. When we spoke just two days ago at the EDP renewables conference call, we'd already signed the asset rotation of 257 megawatts in Spain, very attractive multiples. But just yesterday, we signed another transaction in Poland. And so overall, improving our asset rotation metrics significantly when compared with similar deals closed last year. So, contrary to a lot of expectations and a lot of questions that we get, we continue to see a healthy asset rotation market, and we also continue to see very healthy transaction multiples. So clearly, asset rotation for '23 expected to surpass the EUR0.3 billion guidance that we provide in the Capital Markets Day.

Overall, the ratio of capital gains over capital employed over the 40%, which is a 21%, 22% average. And I think, again, we have a high-quality portfolio. We're seeing interest from now, more strategic players rather than an Infra funds, who value assets with merchant exposure to pool prices, and also this repowering and hybrid optionality, which we have in our portfolio. So, all in all, positive deals. We are pursuing other transactions with good prospects both in Europe, LatAm and North America. We'll give visibility on that over the coming months. And so, wrapping up, upgrading the provision of capital gains for the end of the year to more than EUR300 million, and proceeds of more than EUR1.5 billion to achieve around 25% of the target proceeds for the full business plan horizon.

Moving on to Slide 9, just a quick word on Solar DG. So last month, we had the opportunity to have some of you on our offsite, Solar DG offsite, and talk about the strategy for the business. We are accelerating the Solar DG business, we've deployed capacity 30x versus 2019, reaching close to 1.6 gigawatts peak in the first half of 2023. On track to delivering the business plan commitment to 4 gigawatt peak additions in the period of the business plan until 2026. As I said, 1.3 gigawatt peak capacity already secured across our four regional hubs. When we spoke at the Capital Markets Day, we've made a strong bet on Solar DG, targeting investment of around EUR2.5 billion over the business plan period, about 12% of our total investment in renewables, and it's going to translate into a strong EBITDA growth, going from around zero in 2022 to around EUR0.3 billion in 2026, so tripling over the business plan horizon. The technology itself, as we've mentioned, it's significant upsides in terms of time to market, good flexibility in terms of grid connection, and also dependent on the system operator, less dependency on permitting or supply chain issues. And so good also cost savings for clients versus fully loaded energy costs from the grid. So, it's a good, nice business, and it's growing at a very healthy pace.

On Slide 10, I just wanted to touch on something which comes up or has been coming up, questions that have been coming up recently, which is the regulated receivables. So, in 2023, we are seeing an increase in regulatory receivables: it reached about EUR0.9 billion in the first half. The increase comes mainly from deviations in the electricity wholesale price, actually verified in the first half of '23 versus the regulatory assumptions. If you look at the actual numbers, and so you can see them on the slide there, the first half electricity wholesale price in Iberia was at around EUR88 per megawatt hour. The regulatory assumption, which was underlying the negative access tariffs for 2023, assumed a EUR213 per megawatt hour wholesale price. So obviously a big difference there. The regular has rectified these assumptions as of the end of the first half. They made an exceptional update of tariffs in which they increased the access tariffs and reduced the pool price assumption. So, they're decreasing the amount of the deviation versus the actual market conditions. So, we expect that this update to the tariffs will positively impact the amount of regulatory receivables in our balance sheet, and it will decrease the pace of regulatory working capital increase. So, I think, the regulator there took quick action to try, and obviously adjust to the market conditions. So, another point I just wanted to make on this slide is, looking at the past level of regulatory receivables, I think, one thing is very clear: we've had positive and negative fluctuations in the past, they were always well managed by us through securitization. This year will not be different. We expect to securitize the deficit deviations until the end of the year, and so reduce the negative impact you currently see in net debt. So, this is a short-term issue, something that we've seen in the past. We've dealt with it in the past. I think, all of you have seen that evidence, very clear evidence of that. So, we don't expect 2023 to be any different from that.

On Slide 11, and just before I hand it over to Rui, just a couple of comments on, say on, more on the ESG side, and also what we're seeing in terms of the energy transition. The first is the normalization of the hydro conditions in Iberia. So that, together with a decrease in the thermal activity, means that the renewables for hydro, wind and solar accounted for 80% of our total generation, so a 10% percentage point increase year-on-year. So, we are truly becoming an all-green company. Revenues from coal decreased 2 percentage points year-on-year to 4.5%, so that's a trend we expect to continue over the next quarter, so we're fully on track to deliver on our coal-free commitment, meaning zero contribution of coal power generation to our revenues by the 25-year end. I'm sure we'll be anticipating that. This significant decline of thermal generation has also improved our alignment with the EU taxonomy to 73% on revenue, so 19 percentage points higher year-on-year, and around 97% of our CAPEX is fully aligned with that taxonomy. Another consequence of the reduced thermal generation was the decline of Scope 1 and Scope 2 emissions by 47% versus 2020 levels. So, we're on track, perfectly on track, to achieve our ambition of reducing these emissions by 95% by 2030, compared to 2020 levels. And apart from the strong metrics I just mentioned, I think, it's also important just to highlight a couple of innovation projects which are extremely relevant. One was the Alqueva's floating solar: it was distinguished under the innovation category in the European Sustainability Energy Awards for 2023 by the European Commission. I think, it really reinforces the pioneering work we're doing here. Some of you might have seen this either online or maybe even physically. I think, it's, I mean, the concept of having hybrids of putting together wind, solar, hydro batteries, this is really becoming something of substance and material. And I'm sure it will scale up over time. Also in June, we received authorization to start the first hybrid project in Spain, adding to the project we had in Portugal, which was commissioned earlier this year. So, as I said, beginning to ramp-up, no longer just innovation projects but becoming a reality. And finally, just to say on the hydrogen front, we had two projects awarded funding from the EU innovation fund, so we've now got a total of around EUR200 million already awarded to EDP hydrogen projects in both Spain and Portugal. So again, I think, showing good progress on these areas, smaller scale for now, but definitely we're at the beginning of an interesting, let's say, S-curve for these technologies. With that, I'll stop here and turn it over to you Rui, and then I'll come back at the end for closing remarks.

Thank you.

Rui Teixeira

Thank you, Miguel, and good morning to you all.

So, I'd like to take us through now the first half results, and starting by Slide 13. Regarding EBITDA, increased 24% year-on-year to EUR2.5 billion in the first half of this year. So, regarding EBITDA for renewables, clients, and energy management, was up by EUR0.5 billion, and this is mainly driven by improved energy management results due to the lower electricity and gas sourcing costs versus the peak levels that we saw in 2022. And this is mitigating the decrease in wind and solar EBITDA due to the absence of asset rotation gains in the first half of this year. As Miguel said, we'll be looking at this in the second half, as well as the lower wind resources that we already mentioned two days ago. Moreover, in electricity networks, EBITDA flat year-on-year, driven by the growth in Brazilian networks, mainly the growth in transmission businesses, which mitigated the decrease year-on-year on networks in Iberia's EBITDA.

So if you move now to Slide 14, as we already mentioned, hydro generation has strongly recovered from the very weak levels of last year. We have reached 4.7 terawatt-hours of hydro generation in the first half this year, that's a 68% increase year-on-year. The increase resulted in hydro generation above average in the first quarter and slightly below average in the second quarter. But more than stressing this increase year-on-year, I think, it's worth to highlight that we were able to maintain our reservoir levels at around 80% of the maximum capacity as of today, very close to the maximum levels of the last 10 years for the summer of the year, and higher than the historical, so leaving us confident in terms of hydro production for the rest of the year.

If we now move to Slide 15, on integrated generation and supply, we had a strong rebound versus 2022 due to improved results in Iberia. So as you recall, hydro client solutions and energy management segment in Iberia in the first half last year was negatively impacted by a hydro shortfall in a context of record high electricity spot prices with the increasing sourcing costs, which led EBITDA to stay at EUR126 million last year. So, on the contrary, in the first half this year, we have electricity and gas sourcing costs lower given the decrease in electricity and gas spot prices, and this allows us to purchase in the market at the low spot prices. Hydro resources in Portugal up versus a very dry first half last year. And finally, you have a positive year-on-year comparison with no material negative impact from market-to-market on energy contracts in the first half this year, that in 2022 was mostly related to the derivatives of the Cheniere gas contract. So that being said, we reached an integrated EBITDA in Iberia of EUR0.82 billion. Regarding Brazil, I would say flattish EBITDA, only minus EUR6 million, reflecting lower volume from the sale of Mascarenhas Hydro Power plant in the fourth quarter last year, despite better hydro conditions.

Moving on to Slide 16, EBITDA from EDPR decreased 22% year-on-year. And this was mainly driven by the absence of asset rotation gains on a year-on-year basis, which amounted to EUR99 million in the first half last year. And as I said, no, still no, this year, no booking of asset rotation gains this semester, so into the second half. Lower wind resources, with renewables index 5% below the long-term gross capacity factor, again mainly driven by the El Niño weather event in the U.S., despite the 10% growth in installed capacity year-on-year. The retroactive change of regulated revenues in Spain in the second quarter of this year that amounted to EUR52 million, again this is no cash and no impact on value. Lower energy prices, minus 8% year-on-year, mainly driven by lower pool prices, on the back of the lower reference price in Spain for the RECORE assets, together with the lower electricity markets year-on-year across Europe. Year-on-year performance was out in Europe and North America and was partly compensated by a positive contribution in South America and APAC.

So now if we move to Slide 17, electricity networks stable year-on-year reflecting mainly a 4% increase in Brazil, with transmission, expansion, and the tariff updates to inflation being offset by higher over contracting costs. In Iberia, EBITDA decreased 4%. In Portugal, EBITDA decreased EUR2 million euros year-on-year, with the increase in the rate of return on RAB, being mitigated by the increase in OPEX. In Spain, EBITDA decreased EUR14 million from higher OPEX as a result of inflation impacting the O&M and personal costs, and most importantly, given that in the first half of 2022 was impacted by a recovery of revenues from previous years. We continue to focus on the digitalization and efficiency of our electricity networks. The total number of installed smart meters increased 7 million across geographies in the first half of this year, and this is leveraged by the rollout of smart meters, the volume of telemetered emitted energy in Portugal and Spain already represents 86% and 99% respectively.

So now looking at the financial on the cost of debt on Slide 18. Cost of debt at 4.8%, and this includes the Brazilian Real denominated debt. So that's the 30 basis points up versus the first half 2022. If we exclude the Brazilian denominated debt, the Brazilian real denominated cost of debt at 3.1% in the first half this year, pretty much flat quarter-on-quarter in comparison with 2.7% last year. Increase year-on-year mostly due to U.S. dollars denominated debt given the higher interest rate environment, and the Brazilian cost of debt is pretty much stable year-on-year. Excluding FX differences in derivatives, adjusted net financial interest decreased 4% year-on-year to EUR418 million.

So, I would like also to build up on the strong financial liquidity position that we show on Slide 19. As of June, this year, we have more than EUR9 billion of available liquidity, of which EUR3 billion cash equivalents and the remaining EUR6 billion of available credit lines. Actually, just today, we announced a sustainability-linked revolving credit facility in the amount of EUR3 billion, replacing the current RCF in the amount of EUR2.1 billion, thus strengthening our liquidity position by approximately EUR1 billion. With this RCF, we have now enough liquidity to cover refinancing needs beyond 2026, as we can see from the graph on the left-hand side of the slide. On the right-hand side of the slide, we can see that currently most of our debt is fixed around 74% and denominated in U.S. and euros. As we have stated in previous conference calls, in 2022 we pre-hedged the benchmark interest cost for EUR1 billion and $1 billion on the new debt issues for 2023 and 2024. For the EUR1 billion this year, we have successfully executed a senior bond emission by issuing a EUR750 million green bond to which 75% of euro interest rate pre-hedging was allocated. So, the bond was priced at 3.875%, but since we already had the five-year midswap pre-hedge for the amounts to be refinanced in 2023 at 1.8%, this led to an implicit yield of 2.5% in these senior bond issuance, so definitely extremely low yield under current market conditions. On the U.S. dollar, more recently we have been revising our funding strategy by currency and resulted in the decision to reduce the weight of U.S. dollar funding, so we have settled the U.S. dollar pre-hedge, which translated into a gain of EUR37 million in our financial results.

So now if we move to Slide 20; net debt increased to EUR15.2 billion as of June this year and this is mainly impacted by recurring organic cash flow of approximately EUR0.4 billion on the back of a strong EBITDA performance in the first half of the year, and including the settlement of the anticipation of regulatory remuneration in 2022 amounting to EUR0.3 billion. If we include this impact, organic cash flows stood at

EUR0.7 billion. The regulatory working capital at EUR2 billion from the reversal of the cash inflow effect that we registered last year, 2022, together with the increase in deviation from the actual wholesale prices versus what the regulator was estimating. Net expansion investments amounting to EUR2 billion, and finally EUR2 billion from equity capital increases, of which EUR1 billion EDP, EUR1 billion in EDPR, and a dividend payment of EUR0.8 billion in May this year. Finally, despite the increase in net debt, the strong performance in the first half this year and the referred EUR2 billion equity raise led to an improved credit ratios, with net debt to EBITDA at 3.2x, and an FFO over net debt at 19% in the first half this year. So, both improving year-on-year. So, all in all, solid financial ratios, sustaining the recent upgrade by Moody's to BAA2 with stable output.

On the net profit, on Slide 21, and just before returning to Miguel, I would like to highlight that recurring net profit amounted to EUR517 million, an increase versus last year when we recorded a EUR301 million net profit. So, reflecting really the strong performing on the operation side, particularly from the integrated generation position, supply business, and electricity networks. Below EBITDA, I would like to highlight that financial costs effectively up on the back of the higher cost of debt, and higher income taxes from higher effective tax rates related to no asset rotations in the first half this year, and higher weighting results from Iberian operations and in Brazil too, regions that have effective tax rates above the portfolio average.

With this, I would now hand over to Miguel for the closing remarks and thank you very much for your time today.

Miguel Stilwell d'Andrade

Yes. Thank you, Rui.

So now just moving to Slide 23, and just talking a little bit about the rest of 2023. First, we're expecting recurring EBITDA around EUR5 billion, recurring net profit around EUR1.1 billion, so sound performance by the integrated portfolio and backed obviously by the improved market conditions. Also, as we mentioned, the asset rotation and execution continues to have a good solid contribution. So, we're expecting asset rotation gains above EUR300 million this year. And also, we obviously have the full consolidation of EDP Brazil, contributing with close to EUR200 million in net profit in 2023, around EUR90 million. Net debt for the year, expected at EUR15 billion with a positive contribution of these asset rotation proceeds I mentioned, but also assuming the tariff deficit securitizations by the end of the year.

So we're talking also a net debt EBITDA of around three, which is obviously a very healthy, solid balance sheet. So all in all, very confident for the rest of 2023 with the diversification and the resilience of our portfolio backing this earnings guidance.

If I move on to the next slide, and just some closing remarks before going on to Q&A. First, the results for the first half were very much supported by the hydro and supply conditions, normalizing in Iberia, but even so, our hydro was below, let's say, an average, in any case, we were able to store it and take advantage of the volatility in the energy prices. This mitigated the weaker wind resource and regulatory impact at the EDPR level.

Secondly, is that we had an important or we took an important step in the execution of our strategy when we successfully finished the tender offer for EDP resolve minority. So, we have reached 95% stake, which is a squeeze-out threshold. We are moving to 100%, and so we'll have the process concluded in the third quarter of 2023. And so, we'll be consolidating EDP Brazil from the second half or for the second half of 2023 onwards, translating in a return on equity of 12% on this investment, at least.

For the first half of 2023, it's also very much impacted by a strong recovery of integrated generation and supply business in Iberia, so that's the third point. This long position in clients is expected to persist in 2023, and we've got 85% of our integrated margin already locked in, so confident for the remaining part of the year.

On renewables and regarding capacity deployment, since the CMD already reached around 9 gigawatts secured, so more than 50% of the target. We expect to install around 3 gigawatts in our key markets, and we're reinforcing our strategy to diversify the solar supply chain, as you know, to avoid further constraints. So that's been one of the big issues that we had in the first half of this year, or that we're having in 2023 in general.

In terms of asset rotation, so this fifth point, very attractive multiples for the two transactions that we just recently announced this week. The asset rotation gains over capital employed above 40%, so the average of '21, '22 definitely shows, or above the 40% that we had for '21, '22, which shows the value of our renewable's portfolio. And finally, just to say, our integrated portfolio, the network's resilience, the strong asset rotation execution, the fact that we have 100% earnings consolidation in EDP Brazil in the second half, support the earnings outlook of around EUR1.1 billion recurring net profit.

So, with that, I just stop here. I know we can move to Q&A, and the I'll have some closing remarks, but thank you.

<u>Questions And Answers</u>

Operator

Ladies and gentlemen, the Q&A session starts now. (Operator Instructions)

Miguel Viana

Okay. So the first question comes from Alberto Gandolfi from Goldman Sachs. Alberto, please go ahead.

Q — Alberto Gandolfi

Miguel, thank you. And thank you management, thank you for taking my question. I'll stick to three.

The first one is on full year guidance, and I'm really trying to understand the underlying earnings power. So I wanted to test one thing. You just talked about asset rotation gains over capital employed of circa 40%. You also had historically about probably EUR1 billion proceeds, or less than EUR1 billion, leading to EUR300 million asset rotation gain. If now you're targeting EUR1.5 billion or higher, should we just take proportionally a ratio and say EUR1.5 billion is EUR450 million gains for the second half?

And the second part of the question is that, if that is the case, you deliver the recurring net income in excess of EUR500 million for the first half, EUR450 million gains at EDPR level would be EUR300 million for your bottom line, so we're above EUR800 million. So you're telling us that you expect an underlying recurring net income for EDP before gains for the second half below EUR300 million. How realistic is that? Sounds a bit prudent considering the reservoir level that you have and the pricing you see on the screen.

The second question is on net debt. Would you mind maybe elaborating a little bit more on a breach between H1 and year end? Because I guess at the end of June, you had not spent yet about EUR1 billion to buy-out Brazil. So if you can give us an indication on securitization, the total amount of disposal, not just asset rotation, but the total amount of disposals you do expect to close for the second half, that would be extremely helpful.

And last question, we discussed that on the EDPR, I was just trying to get a bit deeper on, you said in that call that, you saw U.S. PPA prices up 70% since 2020. We've done the same calculation. And I guess the question to you though is, this clearly means higher absolute returns, does it also mean greater value creation? Or in any case, it's higher absolute returns, which is already good enough. And maybe if you can give us any idea of what these higher returns look like. How big is that? Thank you.

A – Miguel Stilwell d'Andrade

Alberto, hi. So thanks for your questions, it's very insightful, as usual. So in relation to the first one, for the question around the asset rotation gains of a CapEx of around 40% to EUR1.5 billion, does that translate into roughly EUR450 million? I mean, approximately, if you want to use that as a guideline, that's okay. In relation to, I guess, the other part of that question, so what does it mean for the remainder of the year? Yes, I mean, that's, let's say, taking a, I'm not sure if it's a prudent approach, but it's what we're guiding to. And obviously, if we can beat that, we will certainly do that. But let's say, that's what I'd say for this at the moment. But EUR1.5 billion to EUR450 million, probably not too far off from what we expect for the full year. On the second point, Rui, do you want to take that?

A - Rui Teixeira

Sure. Hi, Alberto. So I mean, I would say broadly speaking, what we'll be doing is maximizing that securitization between now and the end of the year. Just with a quick note, so the regulator will propose, let's say, a draft on the tariffs by October 15, and then it's a final decision by December 15. So it's likely, this is likely to be really a year-end event, but that's something that we have in our, as a main objective for this year is to securitize. Pretty much in line with, I mean, same process we did over the last years. And then secondly, we are counting indefinitely on closing the asset rotations that we just announced, closing in the second half. We have a couple more going on in the Americas. If they go according to plan, we would be announcing those throughout the second half and closing it by the end of the year. And as you know, we also have Pecém, the coal plant, which is in the final stages of negotiation. Actually, in the first half books, we are treating it as an asset available for sale. So I would say that yes, we will be counting on those proceeds as well as the deficit securitization and then it's the CapEx expansion just going in the normal rate. So that's why we are targeting that we actually will be close or around this EUR15 billion of net debt by the year end.

A – Miguel Stilwell d'Andrade

And now that's on the third point on the absolute returns. Yes. So that's exactly how we see it. The absolute returns have been going up, primarily as a function of cost of capital as well. So keeping sort of our spread over cost of capital, as cost of capital goes up pushes up the absolute returns as well. And obviously, that's a good thing as you say. And so just to reconfirm also the higher PPA prices are reflecting that higher cost of capital and they're reflecting higher CapEx. In terms of relative value creation, as you know, we typically guide to the 200 plus basis points of spread above the cost of capital, so we expect that to stay roughly the same or increase. Many times, we also use a multiplier 1.4x, so as cost of capital goes up, that spread also goes up. I think, the bottom line, as you rightly point out, and that's our view as well is, higher absolute returns definitely a good thing, so I wouldn't argue with that. And I think, that is what we're seeing in terms of the investment decisions we're taking. Thank you.

Q – Alberto Gandolfi

Very clear, thank you.

Miguel Viana

Okay, we have now a question from Javier Garrido at JP Morgan. Javier, please go ahead.

Q - Javier Garrido

Hi, good morning. Thank you for taking my questions. Actually, a few of them were the ones that Alberto just made, and I'm scratching my head still with the guidance, as he's probably doing too. But anyway, on the performance in the first half, is there any item trading gain or trading mark-to-market that should reverse in the second half of the year, just to have a feeling of what could happen in the second half with 85% of hedging that you have already locked in?

The second question is on the integrated margin with the current power prices, I mean, '23 is a bit of a strange year, because wholesale power prices have declined, but if wholesale power prices stay stable where they are now more or less, how do you see your integrated margins in '24? Particularly, do you see them consistent with your guidance, your targets for 2024?

And then finally, a very specific question, after this impairment on Pecém, what's the book value of Pecém, please? Thank you.

A – Miguel Stilwell d'Andrade

Hi, Javier. Sorry, I just didn't catch the third question. So if could you just repeat that?

Q - Javier Garrido

So what is the book value of Pecém after the impairment?

A – Miguel Stilwell d'Andrade

Okay. Okay, so in relation to the first point, no, there's no specific trading gain that would be reversed in the second half. I mean, the only thing I'd say there perhaps is that on the supply side, so we typically lock in client prices, which are stable throughout the year or fixed, and then you have a sourcing, let's say, schedule or sourcing cost, which can vary throughout the year. So in certain quarters, you can have a higher margins, and in other quarters you'll have lower margins. So that's not a question of trading gains, it's simply a question of the sourcing costs, how they're spread throughout the year.

And in terms of the second question, so the integrated margin with the current power prices, as you say as well, there's definitely a gain as power prices are coming down, as I just mentioned also in the previous question, so that's been captured here. In relation to 2024, I mean I'd say we're relatively comfortable with the guidance that we've seen when we came out in the capital markets day. And so obviously, we'll provide further information over the next quarters as we go on locking in more of that 2024 margin. But I'd say it hasn't deviated significantly from what we were seeing originally. And in terms of Pecém, I think, the book value is currently around or slightly above EUR100 million at the moment. So I think, with the impairments that were done in this first half or actually in this last quarter, as we moved it to mark-to-market, that should bring the expected sale price to around the book value, or let's say, the adjusted book value. Just bear in mind that we deconsolidated EUR150 million of debt already in the first half of 2023, okay? So that's also take that into account when you're looking at the values. So you look at the assets for sale, EUR150 million deconsolidated of debt, book value slightly above EUR100 million.

Q – Javier Garrido

That's clear. Thank you.

Miguel Viana

Okay. Our next question comes from Manuel Palomo from BNP Paribas. Manuel, please go ahead.

Q – Manuel Palomo

Hello. Good morning, everyone, and thanks for taking my questions. I will stick to two given that some of my questions have been already answered.

Question number one, I understand that the very strong performance of the liberalized business is partly explained by your pumping hydro assets. So I wanted, if possible, to give us some reference about volumes generated from pumping assets and also a stretch, at least a reference about, how the stretch today compares with the stretch in previous years, if it's possible.

And then secondly, I'd like to have a bit of detail on two specific items in the balance sheets and the evolution up to the year end. One is the lease liability, what is your expectation? I guess that maybe a steady growth to the year end. And more importantly, the tax equity Investor agreements, what is your expectation towards the year-end, given that a big chunk of the growth should come from the U.S.? Thank you very much.

A – Miguel Stilwell d'Andrade

Manuel, I'm sorry. I apologize, but again, maybe it's the sound here in our room, but could you just repeat the second and third question?

Q – Manuel Palomo

Well, there were two, actually.

A – Miguel Stilwell d'Andrade

Yes. The pump hydro I got, and I'll answer that. But just on the second and the third.

Q – Manuel Palomo

Okay, the other one is whether you could give us some visibility about the expected amount of lease liabilities by year-end, and also, more importantly, the amount of TEI, tax equity investor agreements, by year-end, given most of your growth will come from the U.S.

A – Miguel Stilwell d'Andrade

Okay, got it. Thanks. So in relation to the first part, yes, we're seeing a higher margin, on pumping, pump storage. We're seeing a higher margin per megawatt hour. The volumes are slightly lower year-on-year versus 2022. But in absolute terms, we're talking about an EBITDA contribution in the mid-double-digit million euros for the full year 2023. So, the slightly lower volumes, it's actually part of a very conscious strategic decision. So, as we mentioned during the presentation, we have very high reservoir levels in Portugal. It's close to the highest in the last 10 years, it's around 80%. And so that gives us good confidence now for the summer period and for the autumn. And so hydro has good potential also for the next years. And I mean, just a little bit of detail on that. So the unit margin of pumping goes from around EUR20 per megawatt hour in 2022 to around EUR50 per megawatt hour in 2023, but then we have slightly lower volumes. But the overall EBITDA increases. On the other two questions, Rui, balance sheet.

A - Rui Teixeira

Yes. Hi, Manuel. So on the operating leases liabilities of this IFRS-16, I would say, stable around the EUR1.4 billion to EUR1.5 billion. And regarding the tax equity investment, so I would expect that this year, of course meeting the CODs by the end of the year, I would expect an additional 0.5 gigawatts to 0.7 gigawatts, but then we will also have the tax equity that follows the asset rotation part. And therefore, we would see a decrease driven by that. So probably I would say, flattish towards the end of the year. And maybe just a quick comment on the tax equity side. I mean, this is something that we have been naturally keep working in the U.S. Again, highlighting the importance of the strong relationship that we have been building with the banks. So as of now, I can say that we have good traction for our deals as we are already marketing even for 2025. So just taking the advantage to give you that, I think, at a positive note. Thank you.

Q – Manuel Palomo

Thank you.

Miguel Viana

Okay, our next question comes from Jorge Guimaraes at JB Capital. Jorge, please go ahead.

Q - Jorge Guimarães

Hi, good afternoon. I have three questions, if I might.

The first is if you can elaborate on the impact of the over-contracting problems in Brazil. How much is EBITDA in Brazil below run rate on the back of this question?

The second question is, what type of returns should we expect from the securitization, if the return levels are close to what they were in the past?

And the third one is a bit of a follow-up on this matter of the Manuel question. Are you feeling any impact of curtailment in your ability to pump, to perform hydro-pumping in Iberia? And if so can it hamper in the future the profitability or partially hamper the profitability of this technology? Thank you very much.

A – Miguel Stilwell d'Andrade

Okay, thank you. So in terms of the over-contracting in Brazil, we're talking probably about EUR10 million to EUR20 million impact, and so that's something that has been varying and will vary throughout the year, but I'd say that's sort of more or less the ballpark figure we're talking about.

And in terms of returns on securitization, I think, our point here is, we don't want to gain or lose money with the securitization. So this for us is just something we don't want on our balance sheet. The returns, the spread is fixed by the regulator, obviously, together with the government. All we ask for and all we need really is just to have a market return so that we can offload that debt, and we're not counting on any capital gains, but also not on any capital losses on that securitization.

On the third point. I'd say, honestly, no. Curtailment is not an issue, in particular, because I mean, there's a very localized issue on curtailment that we had in the second quarter or first half with renewables in specific areas of Spain. We expect this to come down, the curtailment in these areas to come down and there is very specific and talking to the teams, we think the second half will have much less curtailment. But irrespective of this, I think, the point is that our pumping is mostly in Portugal, in hydro. If anything, it actually helps increase the value of this pumping and it increases unit margin. So honestly, the answer is no. It does not impact - curtailment does not impact pumping volumes or, if anything, it expands margins. And so we expect this to be an area, which continues to grow in value over the coming years. Thanks.

Miguel Viana

Okay. So, the next question comes from Meike Becker from HSBC. Meike, please go ahead.

Q – Meike Becker

Thank you so much for taking my questions. I have two, if I may.

Can we come back to the value creation for the renewables, because I believe that sort of is really an important driver here. And as you mentioned, you also look at this multiplier of 1.4x over the WACC. And in the past, I believe you have also communicated in this basis points, and you have said that new projects were almost at 300 basis points over the WACC, as opposed to your expectations of 200 plus, so much higher. This might have come down to sort of like a little bit less than 300 basis points, sort of like, I don't know, a year or two ago. But if we, I don't know, say that WACC have increased by 100 basis points or 200 basis points and we put the EUR1.4 billion multiplier on top, wouldn't we sort of like, couldn't we believe that your spreads have actually increased by 50 basis points to 100 basis points, so we could actually be for new projects comfortably above 300 basis points? So that sort of like, would be great if you could comment on this sort of like triangulation.

And the second question is, some of your peers have very favourably talked about the repowering opportunities for players with as with established wind portfolios in the U.S. It would be great if you could talk about your repowering opportunities and the tax credits in the U.S. Thank you.

A – Miguel Stilwell d'Andrade

Thank you, Meike. So, on the first question, you make a very good point, and I think it's also relating to the comments which Alberto was making earlier. So, as cost of capital goes up, if we're using the multiplier of EUR1.4 billion, the spread should also increase, at least by the EUR0.4 billion. We do look also at the overall absolute spread, which should be above 200 basis points, and desirably in the past on a portfolio level, it's been around 300 basis points. I think, we could see some margin expansion, but I think, also it's important to take into account the market dynamics or the competitive dynamics in the different markets. And so I do believe that these investment opportunities now, we're seeing not only good absolute returns, but we're also seeing good healthy spreads. I mean, they will depend on the different markets, if they're increasing or not, but they're certainly not. So well, I would say generally they are increasing in most markets. In relation to the second, but I don't want to get too specific, because obviously this is, that ends up being quite sensitive information, but hopefully that helps you. So I would say, yes, spreads are not only healthy, but that's increasing. But we need to take into account the market dynamics, and so we can stay competitive.

On powering and repowering in hybrids. This is definitely, well, you talked about repowering, I'll also talk about hybrids, because I think, both of these are essentially what you're taking is a scarce asset, which is grid interconnection, typically with existing projects. And you're either repurposing that project, so the repowering, putting in either bigger turbines, using that available interconnection to repower with more efficient turbines, or you're doing things like hybrid, using that same interconnection point and putting in different technologies. So you've got a wind project, and you put in some solar. Or you've got a hydro project, and you put in some wind and or solar. I think, both of these are important drivers of growth. They're built into our business plan. We're certainly, looking at all of our projects globally, and seeing how we can either repower or how we can put hybrids on them. And so that's built in. So yes, we do look at it as a major driver of growth for the coming years in many of the different markets.

Q – Meike Becker

Very helpful. Thank you so much.

A – Miguel Stilwell d'Andrade

Sorry, one little comment on this. You'll have seen even in the transaction that we announced yesterday. So hybrids are becoming more-and-more priced into these transactions. And so it's something that's, for those of you who go back a couple of years, typically we're talking about plain vanilla projects. The market wasn't necessarily pricing this in, but now it is becoming more-and-more priced in. And so you see the multiples, they continue to be very healthy on these asset rotations, a lot of it has to do because you're not just looking at the underlying asset, you're looking at all the optionality that's there. In some cases, it's the merchant optionality, in other cases, it's the optionality to build hybrids or to repower, and that's then being built into the multiples. So I think, this is an important factor. When you, it's not just a question of looking at, okay, we've got 100 megawatts of certain technology and you just apply a standard multiple to that, that comes out of your DCF. It's what is the additional optionality that you can get, the additional megawatts you can add on to that existing project. And I think, that's definitely a change I see and that we all see in the market over the last few years or something in the relatively short term. Thanks.

Miguel Viana

Okay, thank you, Meike. We have a next question coming from Olly Jeffery Deutsche Bank. Olly, please go ahead.

Q – Olly Jeffery

Thank you. Two questions for me, please. The first one is on the earlier consolidation of the EDP Brazil than expected. Can you please just remind us, compared to your expectations at the start of the year, how much lower do you expect minorities for the full year to be now compared to the start of the year from consolidating EDP Brazil earlier than first planned?

And the second question is on at the EDPR level with regards to Colombia and the U.S., and the additional costs that you're incurring there. My understanding is that effectively you've got two groups of costs associated with these. One is the loss of revenue from the project starting later than you first envisaged, and the other is cost of having to meet your obligation for the PPAs that were presumably starting at the time when you thought these projects were going to start. So the question I have is for looking at 2024, if we assume the Colombian project doesn't start until 2025, what is the all-in cost versus budget from having that project not running, but also if you can't have the PPA renegotiated. What is the lower EBITDA we should expect versus budget in 2024 for, and also in the U.S. I know, the project is starting but presumably you'll have a chunk at the start of 2024, where you'll still be paying for the PPA. So what is the cost there versus budget? Thank you very much.

A – Miguel Stilwell d'Andrade

Okay, Olly. So just on the first question, so on the consolidation and the minorities, I think, in the take private, we're expecting it to impact around EUR86 million on the net profit for the second half of 2023 versus the Capital Market Day assumptions. I'd say that the value creation of taking it private and the acquisition of minorities, it's improved on the basis of stronger currency and also lower interest rate assumptions.

In terms of the additional costs, I think, you've framed it exactly right. So have two types of effect. It's not just in relation to Colombia, it's in relation to projects which are delayed. Losses of revenue and or costs of those obligations. And that's in many cases, for example, like the U.S. projects, the loss of revenue is something that you can never get around. I mean, if you're not generating revenue, if the project is not working, you're not producing by definition. On the cost of the obligations, for example, in the U.S., it's been possible to renegotiate PPAs, and reduce the liquidated damages, and sort of push back the date of the COD. So I think, the U.S. team has done a fantastic work there, really reducing the cost of this. It doesn't mean it's zero, but it's certainly much lower than would otherwise be expected if nothing had been done. So great work there. In the case of Colombia, we are on the same track. So we continue to look at renegotiating the PPAs or finding ways of differing this cost. And so I wouldn't want to get into specific numbers, but we're talking about double-digit millions. We will obviously provide information once we have a clearer visibility, but we are in the process of trying to renegotiate PPAs, and ensure that the project also continues to be NPV-positive. And so that's what I'd say on this point. Okay, thank you.

Miguel Viana

Okay. So we have the next question coming from Pedro Alves, CaixaBank BP. Pedro, please go ahead.

Q – Pedro Alves

Hi, good morning. Thank you for taking my questions. Two if I may.

And the first one, and sorry if this is a typical question around capital allocation. But given strong proceeds and valuation from asset rotation, it looks clearly above your initial expectations. Latest results are not disappointing and yet the share price does not respond. So given the persistent gap between valuations of your assets in the private market versus the equity market, would you consider at some point a stronger push for asset disposals to eventually fund share buyback programs as long as you keep obviously the BBB ratings?

And secondly, about supply, in Iberia volumes there was a double-digit decline in the second quarter year-on-year. So I was wondering, if this was affected by some market share loss and if you can update us on the outlook, and margin in supply for the coming quarters. Thank you.

A – Miguel Stilwell d'Andrade

Thank you, Pedro. So capital allocation push for asset disposals to do share buybacks. I mean, I think, we have an aggressive investment program, which was set out in the Capital Market Day, and we're very much focused on doing that. It also included, as you say, asset rotations, and that was also clearly identified up front. We haven't considered doing buybacks. I think, that would put pressure on the balance sheet, or we would then be foregoing the investments that we're doing. If at some point we feel that trade-off is worth doing, we'll obviously look at it. I don't think we're there yet, and so we continue to be very much focused just on the execution of the investment program and keeping a solid BBB balance sheet.

On the second point, on the supply. So we haven't seen any material or even not material change in market shares over time. I mean, we continue to be competitive in the market. We have, I think, a very comprehensive value proposition. It's not just about price. It's about quality of service. It's about access to our network. Our network is in our stores and things throughout Portugal. It's about services, additional services that we sell to the customers. And so I'd say, we haven't seen a material change in market share in terms of number of consumers throughout this period. Does that answer your second question? I'm not sure if I completely got it.

Q – Pedro Alves

Yes. And regarding margin for the second half, if you see any kind of downward pressure from current levels?

A – Miguel Stilwell d'Andrade

No. I think, what you see is, you have the regulator increase access tariffs and as I mentioned earlier in the presentation, increased access tariffs based on the fact that there's lower wholesale prices. That's a pass-through, the change in access tariffs to our customers. So from that point of view, there's not a change in margins. But there is seasonality throughout the year in terms of what is the sourcing cost. And so the actual margin will, might vary from quarter-to-quarter. But actually, that's maybe the only thing.

Q – Pedro Alves

Thank you very much.

Miguel Viana

Okay. We have the last question on the phone from Fernando Garcia, RBC. Fernando, please go ahead.

Q – Fernando Garcia

Thank you for taking my questions. I have three.

So first one is, I would like your thoughts also, I'm curious to know, you're taking into account current share price underperformance despite the recent asset rotation, but it's still very good valuations, probably at similar levels when EDPR was at its peak. Then on Brazil, transaction completed with basic contribution to earnings, and finally confident message regarding future renewable capacity growth and returns. So I wanted your thoughts there. That is my first question.

The second question is, how are we in the process of approval of social tariffs in Portugal?

And then lastly, my third question is, last year's gas was a negative driver of results. I would like to know what can you elaborate about performance in 2023 so far, and what to expect in gas profitability for EDP in the future? Thank you.

A – Miguel Stilwell d'Andrade

On the first one, it's difficult to speculate on why the share price does what it does on any particular day or month, but I think, I'd focus much more on the underlying business, which is what we can control and what we can explain. I think, we've done great disposals and great valuations just this week. You look at the multiples, and when, I think, about some of the skepticism or some of the doubts that people had about the asset rotation, and you see time-and-time again we continue to deliver on that, so I think, that continues to be positive news. You look at the acquisition in Brazil, we bought the minorities at 22% premium. The market's gone up 25% in the meantime. We have more visibility on the concessions. We have more visibility in terms of the macro environment in Brazil. They're doing a structural reform. So I think, great timing, great execution in terms of that in Brazil. We look at the number of megawatts that were under construction. I mean, they'll come online. It's a question of time, so they're under construction, whether it's in 2023, 2024, '25, '26, we have the business plan to execute and we're confident there. So honestly, I look at the underlying business, and I think, on an overall basis, it's definitely progressing well.

The share price, I mean, as I say, it's difficult to speculate on any particular day why, it does what it does.

I can focus on social tariff, if you're talking about the second question on social tariff. Social tariff, the government has said, and it's said it clearly and publicly that it will evolve to the Spanish model. So, there will be a more fair, the spread of the cost of the social tariff between the different market agents, which is what we've always defended. We've always said that the social tariff, we're not against the social tariff. We think it's something that governments are perfectly entitled to implement in their countries. It's the financing of it that should be fair. And that's something that was supported by the European Commission. The Portuguese government has said that they're working on it. Even recently, I heard some comments from the minister, mentioning that they were in the final stages of approving this revised financing model. So on that, again, confident that it will come out in a way which certainly reduces the cost of it for EDP, and spreads it throughout the sector, which is what makes sense.

In relation to the third question, if I understood correctly, so gas last year was a negative driver of results. And so if we could comment on the performance so far, well, 2023, definitely much better than '22. A couple of different reasons, convergence of the TTF mid gas spread, so last year that had a negative impact, this year did much better given the lower prices and 2022, well, versus the '22 high spot gas prices. Last year, we also had some curtailment from the Trinidad and Tobago contract. This year, that impact is obviously, much lower because the TTF prices are down. So overall, our long-term strategy is to decarbonize and just reduce our presence in the gas business over the next couple of years, and we're working on that. And so hopefully this helps answer your question.

Miguel Viana

Okay. We'll go just for a final question on the web from Jorge Alonso from SocGen. Could you elaborate what could be the next steps in Brazil? Any exploration in asset rotation, disposals, cost-cutting efficiencies?

A – Miguel Stilwell d'Andrade

Sure. So on Brazil, as I mentioned earlier, so the strategy is very much focused on renewables, it's focused on networks. I think, it's good to take the company private, EDP Brazil, because I think it allows to have a much more streamlined operation in Brazil.

Definitely, if there are, there will be efficiencies for sure. But not, it's just about on the cost side. I mean, you can talk about cash management in Brazil in Reais, you can talk about tax, you can talk about just having a more efficient structure. But I think, there are also important synergies, let's say, commercial synergies, because you have in EDP Brazil trading platform, you have customers. And one of the key things about Brazil is, there's a lot of opportunities there for renewables. The difficulty in Brazil is not getting access to the permitting or the access to the network.

Typically, it's about having the offtakers. In other countries, it's the other way around. In other countries, it's very difficult to get projects, but when you get them, it's quite easy to get the offtakers. And so I think, getting EDP Renewables Brazil, and EDP

Brazil working as a more integrated company on that respect, I think, will also bring quite a lot of value. And we're already seeing that in terms of some of the projects that we're taking investment decisions on. We will also, as I mentioned, be selling Pecém very soon. We already booked it as asset for sale in the first half account. So that closing is expected in 2023. I mentioned the asset rotation and transmission; I mentioned continuing to reduce hydro exposure. So all of these things, I think, that was part of the plan when we made the tender offer for the Brazilian minorities and we'll be executing and hopefully overdelivering on that.

Miguel Viana

Okay, so we'll address then at the IR level the pending questions on written, which most of them were already answered. And so passing to Miguel, our CEO, for final remarks.

A – Miguel Stilwell d'Andrade

So just as a final comment, listen, I've already touched on a lot of points throughout the call, but first half, definitely very strong results for the EDP Group, very confident for the full year guidance.

Obviously, we also work to then over deliver on things, whether it's on the transactions or whether it's on the execution. So overall, what I'd say is we've come up to the first half of the year, more disappointing results for EDPR, but the overall EDP group as a whole, I think, definitely very strong results, which we expect will continue for the rest of the year. So I just leave that note out there.

Thanks and have a great vacation, if you are taking a vacation now in August, and I hope you get some time to recharge and I hope to see again post summer. Thank you.