EDP – ENERGIAS DE PORTUGAL

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Chaired by Miguel Stilwell d' Andrade

Link for conference call replay: Here

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 Quarter 2025 Results conference call. We have today with us our CEO, Miguel Stilwell d'Andrade, and our CFO, Rui Teixeira, which will present you the main highlights of our strategy execution and the first quarter 2025 financial performance. We'll then move to the Q&A session in which we'll be taking your questions both by phone and written questions that you can insert from now onwards at our webcast platform.

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

Miguel Stilwell d'Andrade

Thank you, Miguel. Hello, everyone. Thank you for attending our first quarter results conference call.

So I'd like to start, for those of you that weren't able to listen to yesterday's call from EDP Renewables, to start with a brief remark on the unprecedented blackout of last week in Iberia. I think the first thing to note is while it's yet to be fully explained and we don't know the root cause, it's really important to recognize how both countries were able to fully restore power and safety to the population. And I want in particular to thank the people at EDP and E-REDES, the distribution company in both Portugal and Spain, for all the hard work and the dedication and sort of all the hours they put into to get this the power back online. So I think great work done by the team.

On the other hand, I think the event also really underlines the need for continued investment in the grid infrastructure and interconnections, in particular interconnections between Spain and France. It's been clear for many, many, many years that this is absolutely critical and it would have certainly helped also in this context, but also the need for investment in energy storage and also complementary solutions, for example, the ancillary services. So together with renewables, I think these are the elements that are key to ensure an electricity system that provides clean, reliable, and affordable energy to all. So I think that's just the note I'd like to make on last week's blackout event.

Now, turning to this quarter's results. I think if we go to Slide 3, just starting with a quick recap on the first quarter numbers, EBITDA increased 6% year on year, so it reaches EUR1.4 billion in the first quarter. This is clearly a very good quarter, particularly for the integrated generation and supply business in Iberia. We had a lot of rain, we had higher power prices, certainly versus last year, and we also benefited from a strong demand for flexible generation and ancillary services.

So that was good. On the electricity networks side, we also saw good resilient performance. It actually increased 7% if we exclude the asset rotation gains and FX from last year. Bear in mind that last year we recorded EUR134 million in asset rotation gains, split between the transmission and EDPR transactions, and this year we're not recording any gain, and yet we had this underlying growth.

Wind and solar, underlying performance was also up 20% year on year, excluding gains, as we talked about yesterday, supported by an increase in installed capacity after the record additions executed in the fourth quarter of last year, and also improved renewable resources. So overall net profit increasing 19% year on year, reaching EUR439 million, and reflecting this very strong top line performance.

If you go to Slide 4, and I think this is a particularly interesting slide because it shows there was a quarter with really strong hydro resources, 42% above average, so even better when compared to last year's resources, which were already 38% above average. However, hydro generation decreased year on year since the strong rainfall was crucial to strengthening the reservoir level.

So we took the advantage to really fill up the reservoirs. They were at 60% at the beginning of the year. They're now, well, versus 80% in early 2024. So if you look at the left-hand side graph, you can see that the delta on the production year on year was mostly stored in the form of reservoir.

So we go into this, let's say, second and third quarter with strong reservoir levels. Despite being lower year on year, hydro generation was still above average, so about half a terawatt hour above average, and those uncontracted volumes were sold at much higher prices when compared to the first quarter of 2024. So the electricity pool price in Iberia was almost the double vs. the first quarter of last year, of 2024, and it was EUR85 per megawatt hour in the first quarter of this year. So all in all, reservoir levels are standing at roughly 93% in early May, so maximum highs of the last 10 years.

April was also a very good month in terms of hydro resources, so 52% above average, which leaves us confident for the remaining part of the year. Obviously, the fourth quarter is also an important quarter for us, and so we'll have to see how that goes in relation to hydro. If we move on to Slide 5, so 5, I think what we wanted to talk about on the slide was really stress the value of our flexible generation fleet. You can definitely extract additional value from price volatility in the market, and this is key to complementing intermittent technologies.

We're seeing a clear trend of more value being attributed to this type of assets, so if you look at the final price of electricity in Spain, you can see that the component of it that's attributable to ancillary services and restrictions is constantly increasing, and this is due to a combination of factors. On one hand, increasing electrification, so grid management complexity, higher penetration of intermittent resources, and so all this increases the demand for balancing services that can be provided by flexible generation assets, hydro, gas, and those are really the key assets for us, and obviously pumping. On the other side, this higher penetration of renewables leads to expanded intraday spreads. You can see that on the right hand of the slide, which leads also to improved hydro premiums.

And so talking about EDP's figures, hydro pump spreads as a percentage of baseload prices stood at more than 50% in the first quarter of 2025 and are showing a clear growth trend when compared to past years as a result of this new market profile, which we expect will continue to be like this going forward, and so it's more of a structural issue. If we move on to Slide 6, looking at the overall integrated business, this improved market context, together with the first, a good first quarter in April as well, means that we are updating the guidance for this segment in 2025. So previously we pointed to an integrated Iberian EBITDA of around EUR1 billion to EUR1.1 billion. We're now targeting EUR1.1 billion to EUR1.2 billion.

Most of that has already been locked in, so we have about EUR0.5 billion EBITDA already recorded this quarter, EUR0.4 billion margin locked in already for the remainder of the year. That leaves us with EUR0.3 billion still not locked in. We expect that to come mostly from flexible generation, hydro pump storage, gas. These have lower risk in it, namely hydro, which, as I say, has very healthy reservoirs as of May.

Key drivers for this guidance are strong first quarter and also good numbers for April, reservoir levels at 93% in early May, high weight of locked in margin, assuming normalized volumes, positive prospects for flexible generation, with increasing demand for flexibility services, and also obviously a very resilient client base that provides stability, and that continues to show us an increase on services penetration. So, positive outlook for this integrated business.

Let's talk about networks. So on Slide 7, as you know, by the end of 2024, we proposed a 50% increase in investments for the next regulatory period, 2026 to 2030 in the medium and high voltage electricity networks in Portugal.

There's typically a multi-annual investment program that we have to present every couple of years. We did that with this proposed 50% increase. This proposal has now received a favorable opinion by the regulator. It was the first ever regulatory opinion without any cuts proposed.

So I think there's a general consensus in the sector that there is a need for additional investment in the networks. And I think this is obviously good news for the investment in our networks business. And I think we all recognize that it's absolutely critical for ensuring the energy transition. I'd also like to highlight here that according to the regulator, the impact on tariffs is immaterial.

We're talking about 0.7% accumulated increase in the 2030 tariffs versus 2025 in nominal terms. So this is not a CAGR. This is accumulated increase of 0.7%, which is absolutely immaterial in the context of the cost of the systems. And we want to invest in several fronts here in the networks. Around 45% of the investment in our plan will be allocated to modernization of the grid, around 15% to digitalization, and around 20% to electrification and decarbonization.

Finally, and this topic has grown in importance over the last two weeks, 20% of the investment will be allocated to making our networks more reliable and ensuring a continuous robust service as a renewal penetration in the grid grows. I think it's consensual in the system or in the sector that we need to ensure adequate returns for the electricity networks to support these higher investments and to enhance the assets modernization. On the right hand side of the slide, just a quick wrap up of the key regulatory milestones we'll have this year. So we have the new regulatory period starting in 2026, as I mentioned.

We will be expecting to get a proposal from the regulator on the 15th of October. So that's a draft proposal for the next regulatory period. So we'll have more information then. And then as you know, typically on the December 15th is when we get the final decision from the regulator on the next regulatory period.

So two key milestones, 15th of October and then the 15th of December to get first the draft and then the final opinion. So I think we'll be hopefully having public hearings and discussions over the next couple of months, but at least on the investment side, we already have a positive regulatory opinion on this. It's still dependent on the government's approval. And then we also have to have a discussion around the returns of this additional investment.

Talking about networks in Spain. So if moving on to Slide 8, here, as you know, we've been reinforcing the weight of electricity networks in our portfolio over the last couple of years. So we did the Viesgo acquisition back in late 2020. We basically doubled our networks in Spain.

We already had the Iberio Cantabria networks up in the north in Asturias with the Viesgo acquisition, mostly networks in Cantabria and also part of Asturias. So contiguous networks, we got a lot of synergies out of that. I think we were able to really show the value that came out of that and deliver on the assumptions that were underlined at acquisition. This is an area in the north of Spain which has quite a good growth potential due to high industrial demand per capita and also increasing renewables generation.

However, and this is something that we stressed before and many other players in the sector, we think that the investment conditions in Spain have room for improvement. The return on RAB is currently 5.6% and there's no inflation update. On top of that, there's an investment cap of 0.13% of GDP, so you can't invest, the sector as a whole can't invest more than 0.13% of GDP. We've seen that the government, the Spanish government acknowledges this and recognizes that this needs to be changed. We believe that the regulator agrees that this is urgent and that the current rate should be increased.

The Spanish regulatory period, there'll be a new regulatory period also starting in 2026. The current investment plan for the '26-'28 period is under discussion with the regulator. It was submitted to the regulators on April 30th after a favorable opinion from the regional governments, but this plan is still respecting the current investment caps. So, we've also proposed another plan with a significant increase for the '26-'28 period beyond the current cap.

So, if there's an increase in the cap, we already have an alternative plan already prepared. By the end of the year, we expect that the regulators should improve the new investment limits. This is our estimate on the deadline. It could be that we have further feasibility either in the second or third quarter of 2025.

And regarding the new remuneration framework and regulatory assumptions, we should have a public hearing soon, either in the second quarter, and then the regulators should approve this by year end. So, all in all, for this regulatory period, the key message is that improvement of returns is critical to attract private investment in the networks and critical to support the energy transition. So, we'll see how this evolves over the next couple of quarters. We'll move on to Slide 9 and talk about electricity distribution in Brazil.

So, here we continue to see a continuous increase in electricity demand, and as you know, this is extremely important for the returns for the networks in Brazil. This has been supported by demographics, by economic growth, by electrification trends. The electricity distributed increased 7% in our areas as of the first quarter of 2025. It's after a similar increase in 2024 and an increase of 5% in 2023.

So, definitely, this reinforces the need for additional investment in the electricity networks in Brazil. It's worth highlighting that our two distribution companies in Brazil continue to be a reference in the country in terms of quality in terms of quality of service indicators. EDP São Paulo has registered its best historical record in the duration of interruptions in the electricity distribution in 2024. And now EDP Espírito Santo has also achieved this landmark.

So both of our distribution companies are committed to delivering best quality of service in capitalizing on this market growth. On the right-hand side of the slide, a recap in terms of the distribution companies. So this is obviously a very important year for EDP Espírito Santo. The new regulatory period starts in August of this year.

The regulator has released the regulatory WACC for 2025 at 8.06% versus 7.15% currently. Distribution concession process is ongoing. The regulators recommended that the concession be extended for 30 years at the ministry on the 29th of April. And we expect that there will be the signature of the new concession contract still in the month of May.

And so EDP Espírito Santo will have this additional 30-year concession. And as I say, we expect to hopefully announce that in the coming weeks. We move on to Slide 10, just a quick overview on our transmission business in Brazil. So over the last nine years, we've delivered more than 12 transmission projects and we've been unlocking value both through operating those lines as well as through asset rotation.

We've sold six lines since 2021, amounting to around BRL0.7 billion gains BRL6 billion in asset rotation proceeds, including the asset rotation deal concluded last week on Lot 21. Currently, we hold seven transmission projects. Of these, three are under construction. They're the lines that we won in March of 2024.

And the investment associated with this is BRL2.6 billion, so around EUR0.5 billion. The regulator expects these projects to enter operation between 2027 and 2028, and we expect to reach double-digit equity IRRs with these projects. On the right-hand side of the slide regarding our asset base, we expect it to continue growing through the period of 2025 to 27, reaching 6.7 billion reais in 2027.

Regarding wind and solar on Slide 11.

So as I've mentioned already previously, two gigawatts of new capacity to be added in 2025 on track, all projects under construction, around 70% of the targeted additions with expected commissioning by year-end. Just giving you a little bit more color on these additions in terms of geography, the US., and Europe representing 80%. In terms of technology mix, approximately two-thirds of new capacity coming from solar and storage.

And I wanted to take an opportunity to talk about supply chain strategy, because this is something that we get a lot of questions on. So we adjusted our supply chain strategy over the last two or three years since we had an incident back in 2022 and 23. Since then, we've prioritized the use of domestically manufactured equipment and established partnerships with US based suppliers. And this allows us to mitigate the risks associated with the import tariffs. For '25 and '26 secured capacity, we've already ensured the necessary infrastructure to keep the projects on track. Most of the equipment is already in the US. We're not subject to tariff because it's either domestically made or they're specifically exempt.

And so we estimate tariffs will have a limited impact in our revenues or secured capacity, totaling less than EUR25 million, or around 1% of these projects CapEx. I also wanted to just highlight here our multi-year agreement with First Solar. We announced that back in March of 2023 and that ensures access to the US Manufactured solar modules. And it gives a lot more visibility and comfort surrounding our project pipeline for 2026 and '27.

On the PPAs, we continue to see strong resilient demand, mostly backed by regulated utilities and corporate entities. And on PPA pricing, it will likely be adjusted depending on market changes. At the same time, the Inflation Reduction Act Tax Credits Framework remains a key pillar for our investment strategy. Even yesterday, we've had several Republicans signing a letter defending the maintenance of these tax credits.

We have around 1.5 gigawatts of projects secured under Safe Harbor Agreements, and we've protected our developments from potential legislative adjustments. So all in all, confidence in our efforts in the supply chain management that will pay off and that we can continue to grow in the US., in a sustainable and value-enhancing way. Just another two slides before I pass it over to Rui.

One, talking about efficiency on Side 12. I wanted to just highlight here that we think this continues to be a key competitive advantage. We've been spending a lot of time focusing on this, and this has been reflected also in our numbers. As of the first quarter of 2025, OpEx decreased 2% nominal year-on-year.

If you look at the '23 numbers, you can see a continuous decrease. So minus 3% versus the first quarter of '23 nominal terms, meaning a decrease of 8% versus the first quarter of 2023 in real terms. Because over this period, we had around 5% of inflation, 3% nominal decrease, and also around 8% real decrease. I think this is really impressive when you think that over this period, we grew our installed capacity by 11%.

We grew our distribution network. We grew our transmission business. So this is the result of several measures. I mean, these efficiencies, we've obviously simplified our corporate structure, we've resized and restructured some of our platforms. We've increased the digitalization and automation as a way to optimize the workflows and resources. And these are having an impact on EDP financials, and they will continue to do so in the coming years. So growth and decreasing costs.

I think that's a fantastic equation to keep. So tight control over OpEx, really prioritizing cashflow generation and shareholder value. And with that, that brings me to guidance for the year. I think we're looking at sort of strong integrated generation supply business, helping us feel very comfortable about our EBITDA at EUR4.8 billion and net profit of EUR1.2 billion and net debt around EUR16 billion for the end of the year.

Let's say structural improvements from the flexible generation activity, obviously had a very good first quarter and sort of strong start to the year. We have hydro generation above average in the first quarter and in April and sort of high reservoirs in May. So we can manage over the next couple of months. Then, resilient electricity networks and the underlying businesses positively impacted by this growing electricity demand and the inflation update on the revenues.

Wind and solar is having an increased contribution from new capacity added in the fourth quarter of last year. But on the other hand, we have and are expecting lower asset rotation gains this year versus 2024. On the negative side, we are facing weaker dollar and Brazilian real versus the Euro. And so putting all of that together means that we are confident in delivering this guidance for 2025.

Net debt guidance at EUR16 billion for the year, we're assuming around EUR2 billion of asset rotation proceeds mainly from EDPR and also assuming around EUR1 billion of tax equity proceeds. And then looking forward, we're working on a new strategic update for 2026 onwards that will take into consideration the new regulatory frameworks or the electricity networks in Spain and Portugal. And hopefully we'll also have more visibility on the outlook regarding the energy policies in the US. So we expect that we'll have more visibility on the Inflation Reduction Act, how that sort of settles down over the next couple of months. And so all of this will feed through into the new strategic update from 2026 onwards.

And with that, I pass it over to Rui for the financials. Thank you.

Rui Teixeira

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

So let's move to Slide 15 to start reviewing the financial performance of the first quarter. So recurring EBITDA reached EUR1.4 billion. That's an increase of 6% year on year or 8% if we exclude the forex impact in this period. And this is basically reflecting the renewables clients and the energy management being up by EUR134 million driven as Miguel said before, by the hydro client and energy management, which benefited from higher flex generation. Also improved power prices in Iberia year on year. Also EDPR with an improved underlying performance year on year by EUR23 million up actually, EUR81 million up if we were to exclude the asset rotation gains that, if you recall, were EUR58 million in the first quarter last year. Networks, they are down by EUR72 million, but this reflects the absence of asset rotation gains this year versus EUR76 million last year. So if we exclude the gains, EBITDA from this segment increased EUR4 million euros year-on-year following the strong electricity demand across the different geographies and the performance across the different geographies.

Finally, I would like to highlight the efforts on efficiency in a growth context, OpEx decreasing 2% year-on-year, nominal terms. So the efficiency measures we have been implementing are already positively impacting the bottom line. If we now go through the segments and we go to Slide 16, just a quick wrap-up on the EDPR performance, which we have detailed yesterday. So underlying EBITDA went up 20%, an improved performance year-on-year, and this is on the back of 17% growth in installed capacity following record additions in the first quarter -- In the fourth quarter of '24. Improved wind resources versus the first quarter last year with the renewables index at 1 percentile point above the long-term average, and this led to a 10% increase in electricity generation. On the other side, the average selling price decreasing 5% year-on-year to EUR57 per megawatt hour. This is a combination of lower realized prices in the European portfolio. As we said yesterday, it has to do with a shift in terms of the energy mix with higher weight from regions that have lower prices, also lower average hedging prices, but partially offset by higher realized prices in the US. All in all, EBITDA increased 5% year-on-year with the underlying performance being mitigated by no asset rotation gains in the first quarter this year versus the EUR58 million capital gains that we had in the first quarter of 2024.

Now going to the segment of generation and supply, so the integrated margin. So, on the Slide 17, a deep dive on the Recurring EBITDA, EBITDA on the segment increased 27%, reaching EUR523 million this quarter. This is really great performance. This is obviously backed by our integrated business in Iberia, where we saw a high demand for flexible generation and backup services.

Hydro generation in Iberia was 13% below year-on-year, as we took the opportunity to substantially increase the reservoir levels, as Miguel showed before. And obviously this follows the strong hydro resources in the quarter, which were 42% above the average, and actually versus our expectation. We generated an additional 0.5 terawatt hours that were sold at much higher prices versus last year. If you recall, electricity prices or the spot price increased 90%, so almost doubling versus the first quarter of 2024 to this quarter where the price was EUR85 per megawatt hour, or the average price on the market was EUR85 per megawatt hour. Reservoir levels at 93% as early May, and therefore this brings us -- This gives us confidence for the upcoming quarters.

Slide 18. So really solid performance on the network segment, accounting for 30% of total group EBITDA. The EBITDA from this segment, excluding gains, stood pretty much flat or slightly up year on year. So a EUR6 million increase in Iberia following the increase in electricity distributed, so an additional 3%. Also the increase in supply points, 1 % year on year. I think it's worth highlighting here that we continue to see a strong increase of connection requests related to the energy transition when we for new renewable power to be connected that has increased 25% year on year. In Brazil, EBITDA excluding gains, relatively stable year on year with the 7% increase in electricity demand being offset by the FX impact in this period. So if you look to the underlying values in Brazil in real, both in distribution and in transmission, they are increasing year on year.

EBITDA including asset rotations was about 15% below, and this is obviously after the EUR76 million gain in the transmission deal that was booked in the first quarter last year.

So now moving to Slide 19. Net financial costs in recurring terms increased 8% year on year, resulting from, in one hand, cost of debt that increased from 4.7% to 4.9%, and this is reflecting a higher Brazilian real denominated cost of debt. If we exclude that Brazilian real debt, cost of debt stays stable at 3.3%.

So cost of debt in mostly euros and US., dollars, it's stable year on year. Also on the other hand, higher average debt versus the first quarter, '24. So this is what combined has this increase of 8% year on year on financial costs.

On the right-hand side of the slide, average nominal debt by currency shows a decrease of the US., dollar denominated debt in line with our strategy to reduce exposure to this currency. Finally, highlighting that at the beginning of this year, we issued EUR750 million on green bonds with a 3.5% coupon. More recently, we have signed EUR500 million in loan agreements with EIB to fund renewable energy and green development projects.

So I think this shows that we continue to actively manage our debt and liquidity needs.

On organic cash flow, very quickly, it amounted to EUR0.8 billion in the first quarter of '25. So that's EUR0.1 billion above the first quarter of '24, and really translating the EBITDA performance. So a good conversion of operational performance into cash generation.

The right-hand side of the slide, CapEx decreased from EUR1.1 billion to EUR0.9 billion, with electricity networks weight increasing from 19% to 22%, of which 60% is allocated to Iberia, 40% is allocated to Brazil.

The net debt on Slide 21, as of the first quarter this year, stood at EUR16.1 billion, the main drivers being organic cash flow of EUR0.8 billion, and this partly funding the cash investments that amounting to EUR1.2 billion, mainly from investments in renewables and networks, and including EUR0.3 billion from payments to PP&E suppliers slightly offset by EUR74 million of tax equity proceeds. So, as we showed yesterday, there was some proceeds already booked in the first quarter this year from the tax equity in US. I would also highlight here the share buyback program that we concluded in April this year. It was a program of EUR100 million, embedding an average price of EUR2.89 per share, ex dividend. So, I have to say, I think it was a very successful initiative, implying a PE multiple for '25 of 9.9x, and a dividend yield of 6.9%. Overall, we are maintaining solid credit ratios, namely FFO net debt at 21.3%, and remain fully committed to our triple B credit rating.

Regarding net profit, EUR439 million for the first quarter of this year. That's a 19% increase versus the first quarter last year, at EUR71 million in absolute terms. Increasing EBITDA, reflecting the strong performance on the operational side, also higher D&A and provisions, increasing EUR34 million a year, as a result of our investment path. Increased net financial costs, due to the higher average cost of debt, and increased cost in Brazilian reals, the denominated debt. Higher income taxes, following higher effective tax rate, due to the lower asset rotation gains, year on year, that have a different tax treatment, and also higher noncontrolling interest.

So, excluding capital gains, the underlying net profit shows a very strong 69% increase, versus the first quarter last year. Again, I think it really is the reflection, of the very strong performance of the quarter, and coming across all the different business lines. In reported terms, net profit increased 21% to EUR428 million. So, with this, I would hand back to Miguel, for closing remarks.

Miguel Stilwell d'Andrade

So, thank you. Thank you, Rui. So just as a final couple of comments, I mean, five points. First, good solid first quarter numbers, supporting strong underlying performance.

Net profit up 19% year on year, driven, as you saw, by the integrated generation supply business in Iberia. Improved EDP renewables, underlying performance, and also resilient electricity networks. Second, this integrated business in Iberia, we have a positive outlook for 2025, strong first quarter, and also a good April, month of April. Reservoir levels at 93% by early May, high weight of locked-in margin, positive prospects for flexible generation, increased demand for flexibility services, and higher intraday price volatility.

So, all of that driving this positive outlook for the integrated business for 2025. The networks, resilient electricity networks, significant investment opportunities, and positive regulatory outlook for the next period, 2026 and beyond, both in Portugal and in Spain. And also the new regulatory period and concession extensions for EDP Espírito Santo, and expect the concession extension already this month for Espírito Santo. On wind and solar, good visibility on the 2025 additions, the two gigawatts on time and on budget, and all under construction, and the supply chain under control, and limited exposure to import tariffs in the US. Finally, the overall 2025 outlook, I think we feel comfortable, we have good visibility on the underlying performance in the various business segments, reinforcing our integrated utility with a low-risk controlled profile.

The 2025 guidance for EBITDA is still at EUR4.8 billion, net profit EUR1.2 billion, net debt at EUR16 billion, around EUR16 billion, and finally, as I mentioned earlier, we expect to do the Capital Market Day in November of 2025, providing a strategic update post-2026, and by then we expect to have already better visibility on the regulatory outlook for the distribution and also on the energy policies, particularly in the US. With that, I'd stop there and turn it over to Q&A Thank you.

Questions And Answers

Operator

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

Miguel Viana

Thank you.

I'm going to ask, please, to take only two questions by each person. So the first question come from the line of Pedro Alves from Caixabank. Pedro, please go ahead.

Q — Pedro Alves

Hi.

Good morning. Thank you for the presentation and taking my questions. My first question is on the structural improvement in flexible generation. So clearly, backup services and pumping spreads are performing very well in the current context.

Looking ahead, as we are still short of batteries in Iberia, is there anything that can stop an even stronger demand for balancing services and even higher power price volatility and therefore higher contribution of these assets in the next few years. And the second question is on the full year '26 guidance, if you can reiterate at this stage the guidance for next year despite the weaker FX that we have right now, will the integrated portfolio in Iberia be able to compensate for that and also how much asset rotation gains should we expect for next year? Thank you.

A – Miguel Stilwell d'Andrade

Thank you. So great point here on the flex gen.

I think certainly as you say without significant amount of additional batteries, I mean we will expect to continue to see sort of these high spreads between peak off peak, that's just a function of the energy mix that we have currently in Iberian Peninsula. And then obviously depending on the weather you could have higher volatility in the intraday market, but I'd say that in general we expect that flex gen will continue to be a strong contributor going forward or it's been increasing over the last couple of years. And we expect that it will stay like that also going forward until you have a significant amount of additional batteries or some structural change in the market which we're not seeing. And on the 2026 guidance, yes, I think we're keeping the same assumptions.

We have no reason to change them at this point. We continue to see sort of energy prices which is obviously one of the big drivers still if anything even slightly higher than what we the guidance we've given -- when we gave it out last year in 2024. And in terms of FX, I mean FX is pretty volatile, so we're not sort of making any big adjustments for that. I think they're positives and negatives which can offset each other.

And on the asset rotation gains, I don't think we've given out that specifics yet, so I would keep it for now just take that overall guidance between the various different pieces. And then obviously we can provide further information when we come back to the market probably in the Capital Markets Day in November.

Q – Pedro Alves

Thank you.

A – Miguel Viana

Thank you, Pedro. The next question comes from the line of Javier Garrido from JP Morgan. Javier, please go ahead.

Q – Javier Garrido

Yes.

Good morning, everyone. Thanks for taking my questions. I will stick to the two. The first one would be if you can comment on the impact on EDP from the disconnect between the Portuguese and the Spanish power market and the resulting higher prices in Portugal since the blackout.

And the second question obviously is on your 2025 guidance which is still making me scratch my head. Is your EUR1.2 billion net income guidance for '25 a realistic central case scenario, or is it the worst-case scenario with the information that you have today? Thank you.

A – Miguel Stilwell d'Andrade

Javier, so in relation to your first question, I mean, we don't have an estimate of impacts, but I'd probably break it down into, so there was the actual day, which there was no energy during that day. And then there were a couple of days after that when there was basically quite a strong market splitting and no imports from Spain.

But we are now back to a situation where there's already flux of energy going between both countries. So we expect that this is now normalizing. And so overall, we're talking about maybe a couple of days with some markets higher than normal market splitting. But we don't expect that at least based on the information that we have that would have any material impact.

In relation to the 2025 guidance, I mean, what I can say is it's our best estimate as of today. And so we're comfortable with that number, or we feel even more comfortable than we did before. But there's obviously still several months ahead of us. And so we think it's a realistic number.

And if we, if later down the road, we see reasons to change it or to update it, obviously, you guys will be the first to know. But as of today, I'd say it's a realistic outlook.

A – Miguel Viana

Thank you, Javier. So the next question comes from the line of Alberto Gandolfi from Goldman Sachs. Alberto, please go ahead.

Q – Alberto Gandolfi

Good morning and thank you for taking my two questions. Actually, on similar topics, I mean, your net income before asset rotation gains is already 40% of your guidance. So for 2025. So with high levels of reservoir, can I ask you what concerns you that prevented you from upgrading guidance for 2025? What visibility do you have on ancillary services? I mean, you talk about EUR1.1 billion, EUR1.2 billion, but I suspect ancillary services are not hedged, right? They depend on the volatility in the market. So do you worry that there's going to be a bit of a contraction in ancillary services or do you think those will be stable as well? Because otherwise, myself also, I try to understand why not changing, upgrading, I should say, guidance right now. The second question is on Spanish allowed returns. I'm not asking you to comment on press reports or media, but for me to understand the way you're thinking about it, if really returns were to come out at a 6.5% nominal, say without any extra add-ons, would you still upgrade CapEx in Spain, or would money be better allocated in renewables at EDPR? So should we see CapEx go back up, or maybe EDPR could be a share buyback, potentially.

So, what would be the best use of capital if returns in Spain don't go to where the industry seems to have been asking? And I leave it there, you still have to ask about the EDPR buyout this time. Thank you.

A – Miguel Stilwell d'Andrade

Okay. Thank you, Alberto.

So, well, in relation to your second question, I think, quite simply, I mean, we've seen speculation or reports about the 6.5%. I think what the sector has been asking for is 7.5%. And 6.5% seems low, if you want to attract private investment. Which we think is obviously very necessary in the Iberian Peninsula.

Obviously, it's not just about the returns, it's also about other regulatory assumptions. And so, we have to see all the framework before taking a decision on whether we increase investment or not. But what I'd say is, we would certainly hope and expect and think it's desirable for the system as a whole, I mean, that you have higher than the 6.5%. On the net income, listen, I think a couple of things.

So first, we obviously had good gas margins and events last year, which are not, we're not expecting this year again. Also, we had hedged this year at 70 versus around 90 last year. So also, for the rest of the year, that's we're looking at sort of these lower hedge numbers than we had versus last year. Also, in terms of market prices, for example, in April, they were slightly lower.

So, we had a very first high, good first quarter with the sort of EUR85 per megawatt hour, but April's come down. So, we're also being prudent there in terms of power prices over the next couple of months. And ancillary services, I think we're assuming is pretty much stable going forward. I mean, the combination of all these things make us feel comfortable with the guidance.

And as I say, if we have reason to then upgrade at any point, obviously, we would let you know. But as of today, we would certainly reiterate our existing guidance of the EUR4.8 billion and the EUR1.2 billion.

Q – Alberto Gandolfi

Very clear, thank you.

A – Miguel Stilwell d'Andrade

Thank you.

A – Miguel Viana

Thank you, Alberto. Next question comes from the line of Olly Jeffery from Deutsche Bank. Olly, please go ahead.

Q – Olly Jeffery

Thanks. Just coming back to the flex generation, if I remember correctly, I think in '23, pump storage did EUR50 million. And this year, if we say it's maybe around EUR100 million, maybe you could comment on that.

With the rest of storage and CCGTs, I mean, that might imply EUR200 million. I'm just interested to see how the EBITDA for the flex generation exc. pump storage, how that's changed from last year to this year. And then, kind of medium term, for the hydro-Iberian supply business, previously you guided medium term for around EUR900 million for that business. Given the structural changes we're potentially starting to see, do you see that number now being a bit higher, given the desire to have more firm power and for a set of resources? Thank you very much.

A – Rui Teixeira

Olly, it's Rui here. Do you mind repeating the question? Because I have to say I was a bit lost. Can you repeat? Sorry.

Q – Olly Jeffery

So, I was just asking about the flex gen. EBITDA number this year, where you see? There's around EUR300 million.

I'm just trying to understand for how much of that is pump storage and how much of that EUR300 million is CCGTs and the rest of ancillary services. I'm just trying to understand how the rest of that has grown from last year. So, have you seen -- how much have you seen the ancillary services benefit increase this year versus last year? How much of that contributes in the higher EBITDA? And then the other question was just medium term. I think you guided to Hydro Iberia being around EUR900 million on a normalized basis.

And just given the structural changes we're now starting to potentially see around ancillary services and a greater desire for firm power in Spain, do you see that EUR900 million figure medium term being higher?

A – Rui Teixeira

Great. Got it. Thank you very much. So, again, on the ancillary services and flex generation, it's hard to say how much.

But, yes, we are expecting it to slightly go up. So, and as Miguel was saying, I mean, we see it as an outcome of what is happening structurally in the sense of what is the current market matrix and that's how or why we see that upside. So, then we can follow up offline, if we can help you do sort of a splitting between what is a CCGT versus other elements of the ancillary services. And on that, as you're right, what basically we said was that sort of a cruise speed, this segment of the business should be around the EUR0.9 billion.

I think back in February, we also stated that this could be around the EUR0.9, 1 billion, actually. Exactly because of what we see of the contribution from this, from the hydro pumping spreads versus the base load prices, the contribution of a different ancillary services. So, yes, I think that we are looking to that segment more towards the billion as opposed to the EUR0.9 billion. But we can follow up offline on the other topics.

Q – Olly Jeffery

Thank you very much.

A – Miguel Viana

Thank you, Olly. The next question comes from the line of Jorge Guimaraes from JB Capital.

Jorge, please go ahead.

Q – Jorge Guimarães

Good morning. I have two questions. So, the first one is related to the potential of setting thermal plants in Portugal with so-called black start.

What type of remuneration could you get from the regulator, if any, if you were to fit more plants with this type of facility? And the second one is related with your outlook for the distribution in Portugal. If you can give us, not getting in advance of the capital markets of November, but if you could give us some idea about what would be the impact in the gross margin of distribution in Portugal from the CapEx plan you presented to the regulator. Thank you very much.

A – Miguel Stilwell d'Andrade

Thank you, Jorge.

So, in relation to the black start, so as you know, currently there are two power plants in Portugal that have this ability, which is Castelo do Bode, which is one of our hydro plants, and Tapada do Outeiro, which is a thermal plant located up in the north, which is not ours. It's already been announced by the government that there would be two additional power plants, so Alqueva, a hydro, and Baixo Sabor, a hydro as well, which would also be fitted out with the black start. I'd say that the remuneration, I don't have exact numbers, but it's low single digit, I mean, or single digit numbers. We're not talking about material remuneration for this service.

On the impact on gross margin, I don't have the exact detail, and so I'd leave that for later, but obviously, I mean, what we've said in the past is that this increased investment over the next couple of years would lead to mid-single digit growth in RAB and sort of over that period, and so then you can probably back out what that means in terms of increasing gross margin. Thank you.

Q – Jorge Guimarães

Thank you.

A – Miguel Viana

Thank you, Jorge.

The next question comes from the line of Arthur Sitbon. Arthur, please go ahead.

Q – Arthur Sitbon

Hello. Thank you for taking my question.

The first one is on networks, so Brazil and Iberia. I think on the last conference call, you had talked about EUR1.6 billion of EBITDA in networks in 2026. I was wondering if you would expect any improvement from that given the regulatory review in Brazil that you talked about in the presentation as well as the regulator's opinion on the investment plan for the coming years and maybe your updated expectations on the two regulatory reviews in Iberia. So that would be the first question.

The first one is just ahead of the CMD in November and I'm conscious that you probably can't say much at this stage. I was wondering how you think about financial leverage. Basically, would the goal for you be to have deleveraged significantly by November in order to have a less conservative business plan on capital deployment, whether it be focused on growth investment or cash distribution? And I was wondering actually if maybe one of the reasons why the guidance for '25 doesn't increase is that maybe you assume some dilution from disposal or is the idea to deleverage gradually during the business plan and have an approach more focused on discipline on capital deployment really at the core of the new plan. Thank you very much.

A– Miguel Stilwell d'Andrade

Thank you, Arthur. So in relation to the first one, the guidance that we gave regarding networks, it already included some assumptions regarding sort of increased investment and return. So obviously we're already, even though we don't have the numbers or even a draft proposal, but we already had certain assumptions built into that guidance number. And then obviously what we'll have is confirmation and sort of the final numbers.

And so we'll be able to then give a more precise value, but we already had a certain amount of assumptions in terms of increased investment and returns in that. In relation to the second question, I mean, as you know, and as both Rui and I have mentioned many times, our commitment is to the Triple B and making sure that we maintain that at all times. And then what we do is essentially try to triangulate between growth, balance sheet and dividends. And so that's the balance that we'll be doing for the Capital Markets Day.

So we're not trying to preempt or do an additional acceleration above and beyond what would be necessary to keep the triple B for the Capital Markets Day. We're just trying to make sure that we are able to keep this balance between these three points and hopefully we'll give them more detail in the Capital Markets Day about what our growth rate is, what our dividend policy will be, and also what we expect in terms of ratios and balance sheet for the coming years. But don't read anything into the dilution, don't read anything into the dilution disposals or anything. I think the only thing maybe which I didn't mention on a previous question, I think from Alberto, is don't forget that we've also we increased slightly our guidance for this year on the integrated margin, and we decreased it slightly on the EDPR side because of lower capital gains assumptions, okay? But that's really the only thing you should take into account.

Q – Arthur Sitbon

Very clear, thank you.

A – Miguel Stilwell d'Andrade

Thank you.

A – Miguel Viana

Thank you, Arthur. The next question comes from the line of Gonzalo Bordona from UBS. Gonzalo, please go ahead.

Q – Gonzalo Bordona

Hi, thank you. Thank you for the presentation, for taking my question. On my side, just one follow up on Alberto's questions is he didn't ask about the potential buyout of EDPR, but a broader question, also including this topic. I mean, we get from time-to-time rumors about potential approaches from you or to you with different options, alternatives.

You've probably seen them all. I was wondering what would be your view on any sort of like big M&A corporate transformation, so basically whether that message has changed in any way, and that obviously includes any potential change in the structure, the corporate structure within EDP and EDPR. Thank you.

A - Miguel Stilwell d'Andrade

Thank you, Gonzalo. I'll give the same answer, which I've given many times before.

I mean, so in relation to the structure, we're very comfortable with the current structure. And in terms of big M&A, what we're really focused on as management is on delivering value. And as I showed, it's growing the company, it's being more efficient, decreasing costs. It's anticipating the dividends as we did this year or making sure we're able to sort of have a good shareholder return policy, whether it's dividends and share buybacks.

That's our key focus. That's what we are really working on. And I certainly wouldn't want to speculate on anything else apart from that.

Q – Gonzalo Gordona

Thank you.

A – Miguel Viana

Thank you, Gonzalo. The next question comes from the line Jorge Alonso from Bernstein. Jorge, please go ahead.

Q – Jorge Alonso

Hi, good morning. And thank you very much for taking the questions.

My question is about the energy hedges, especially in EDPR If you can provide some more color about for the hydro, the wind, solar, what are the levels for '25, '26? You have had something for '27. And the other one would be related to the CapEx and renewables, especially in solar outside the US., if you expect the CapEx to come down materially, and if that could boost the profitability of some of your projects, if you are already with some of the procurement open at this stage.

Thank you very much.

A – Rui Teixeira

Hi, Jorge, it's Rui here. So, in what concerns hedges for this year, as we said already, we are at around EUR70 per megawatt hour. If we look into 2026, we have already some hedges done at this around EUR63 per megawatt hour.

So that's in that's for about four terawatt hours. So, I would say good pricing above what you currently see as forward curves in the market. In the CapEx in the US., I'm sorry, do you mind repeating the question because I'm not sure if I follow?

Q – Jorge Alonso

Yes.

If due to what is happening with the targets in the US, if you think that the solar CapEx outside the US., simply because of the oversupply of the Chinese suppliers, can be low and this can create an opportunity for some projects in which the procurement is still open. So, the PPA closed, but CapEx is coming down and then and then creates an opportunity for increasing IRRs.

A – Rui Teixeira

Yes. I got it. Thank you. So maybe starting by saying, I mean, what we have seen is that solar module pricing is at minimum levels versus last year's.

So, at some point, I think it's hard to consider that it can continue to go down. And as you see, some of the solar manufacturers, their numbers aren't looking great. And then if you look to the other components on the on the CapEx, I would say it's hard to think about compressing the labor. And so, my point being that we are not expecting any major shift in terms of downward or reduction on the CapEx.

Again, this will vary region by region. But so, first of all, we are not counting on that. Secondly, so we take that when we are negotiating the PPAs or bidding for CFDs, how we are going to lock in the CapEx, so that we don't open the position in a sense that we would be committing to the power sale without locking in the CapEx. So, to some extent, ultimately, that starts if there was any shift in the pricing on the CapEx side, it starts getting reflected on the on the PPA prices as well.

But targeting always our spread, 250 basis points spread to work. And so, I would say that at least we are not seeing a major contraction on the market in terms of the CapEx.

Q – Jorge Alonso

Thank you.

A – Miguel Viana

So, thank you, Jorge. So, we don't have any more questions, we're reaching the one hour that we're supposed to take the call. So, I'll pass to our CEO for final remarks.

Closing Remarks

Miguel Stilwell d'Andrade

Thank you, Miguel. So just final remarks.

I mean, obviously, it's undeniable that this is a good start to the year, the first quarter. And in April, I think also good positive outlook on Iberia, integrated business, positive outlook on networks, expecting less in terms of asset rotation gains, as we talked about yesterday for 2025. But overall, I think feeling good about the business, reiterating our guidance for the year, and feeling comfortable with that. And I think the key message is that obviously we'll go on providing additional information over the next couple of quarters, but we expect to be back in November with a more detailed analysis of the business and the outlook for the next couple of years.

So in November, we would give that sort of strategic update post-2026, but obviously with additional information '25, '26, and beyond. And with that, thank you very much, and look forward to talking to you again soon.