

EDP, S.A.

Thursday, July 31th, 2025

08:30 am Lisbon/UK time

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. Thank you for attending EDP's first half 2025 results conference call. We have today with us our CEO, Miguel Stilwell d'Andrade, and our CFO, Rui Ferreira, which will present to you the main highlights of our strategic execution and financial performance in the first half 2025.

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 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 half results conference call.

Just to say we had a strong and solid set of results here in the first half, and I think this is setting us up well for the full year, which is why we also have a slight revision of the guidance upwards. And so, if we go into the first slide, and I can do a quick recap, basically, of our first half. First, underlying net profit increased by 27% year on year, reaching 752 million.

So that shows, I think, the value of the integrated business in Iberia. And we'll go more into depth in that later on. Solid delivery by EDPR, which we talked about yesterday, and also resilient to electricity networks.

Integrated business in Iberia had good results. I mean, we had a structural increase in demand for flexible generation. We had good hydro volumes, well above average.

But we also had solid results from our electricity networks segment. We had EBITDA growing 6% year on year, excluding asset rotation gains and effects. And again, that shows a strong operational performance across all geographies.

So again, we went into quite a lot of detail on the call yesterday on that. The wind and solar fronts underlying EBITDA was up 20% year on year, supported by the ramp up of new capacity added in the fourth quarter. Asset rotation gains immaterial this semester, only 9 million compared to 243 million in the first half of last year.

Again, strength of our underlying performance. And so overall, just a strong set of results showing the value of our integrated model.

If we move forward to the next slide, slide four, talking a little bit about the flex gen demand and also the need for more investment. Clearly, we're seeing a shift in market dynamics. I mean, there's much more value being placed on flexible generation assets. I mean, the value of flex gen is becoming very clear when we look at the final electricity price in Spain.

And we see that the share attributed to ancillary services and restrictions has been steadily increasing. So, from around five euros per megawatt hour back in 2015 to around 18 euros per megawatt hour in the first half of 2025. At the same time, we're also seeing a growing momentum around new remuneration schemes for this type of assets.

And so just to highlight that in Spain, there were around 700 million euros in grants for energy storage that submitted this month. And there was also the launch of a new capacity mechanism, which is currently under public consultation. So we'll see the result of that over the next couple of months.

All of this going hand in hand with the need for additional investment in electricity networks, so particularly in Iberia, our main market. I think it's pretty clear to everyone, I think it's a market consensus that it's key to support and to accelerate investments in grids. First, there's more electrification of the economy, particularly in the industry, heating and electric mobility.

There's also a lot more development of data centers and green hydrogen projects. And so just looking at some of, you know, some key data points and looking at EDP's numbers, we've seen an increase of around 126 percent in e-mobility related supply points in the first half of 2025 versus the first half of 2023, so in a two-year space. And we continue to see a rise in electricity demand with electricity distributed by EDP increasing 3 percent year on year in the first half of 2025.

Also, increasing penetration of intermittent renewable technologies like wind and solar, and as you know, in Iberia, clearly a lot of resources for that, so abundant resources on both of those. And in our distribution companies, we've seen an increase of 18 percent in renewables connected to the grid in the first half of 2025 versus the first half of 2023. Finally, and as we stressed in previous presentations, I mean, we think it's really critical to invest.

In a more modern and digital grid, so in Portugal, for example, I think I've given this number before, but it's worth reiterating around 45 percent of transformers are over 40 years old. So, I think that just shows the urgency of having an infrastructure

renewal in both Portugal and Spain. If we move on to the next slide and talk about hydro.

So, we had really strong hydro resources in Iberia in the first half. Hydro inflows were 41 percent above the long-term average, so even higher than the level seen in the first half of 2024, which was already quite strong. Despite that, hydro generation was lower year on year, and that's because the rainfall was primarily used to establish reservoir levels, mostly during the first quarter, which started the year at around 60 percent. And that was already significantly below the 80 percent that we'd seen at the beginning of 2024. So, we use a lot of that rain to replenish the reservoirs.

And you can see that on the left-hand side of the slide, the year-on-year delta in hydro production was largely stored and in the reservoirs. And so now we're at 83 percent in July. So well above historical averages and the highest levels in the past decade. So, positioning as well, I think, for the next couple of months.

So even though we had lower generation year on year, the hydro output remained above average, and the uncontracted volumes were sold at higher prices year on year with the Iberian pool price reaching 62 euros per megawatt hour versus 39 euros per megawatt hour in the first half of 2024. Contracted volumes, however, were sold at a lower price, namely 70 euros per megawatt hour versus 90 euros per megawatt hour in the first half of last year. So that was already pretty much expected.

I mean, as you know, we go on forward hedging and obviously the hedges for this year were lower than last year. But that was already baked into, I think, to everyone's estimates. Overall, the strong performance in the first half of the year, combined with the high reservoir levels, gives us very strong confidence for the remainder of the year.

If we move on to slide six. So as I mentioned, a strong first half of the year, meaning that we update our guidance for the segment in 2025 to the top end of the range we'd previously given. So, at the time of the last results conference call, we'd said that integrated Iberian EBITDA of around 1.1 to 1.2 billion, we're now expecting to be more towards the 1.2 billion with the bulk of it already locked in. So around 80% margin locked in. Key drivers for the delivery of this guidance are high weight of locked in margin.

So assuming the normalized volumes and going forward a strong first half, but with some normalization already seen in the second quarter, as usual, a third quarter, which just naturally has lower hydro volumes. I mean, July was lower than average, but in general, this quarter is lower. And then towards the second half of the year, we expect higher sourcing costs.

So in line with the trend we've experienced in the second quarter, we expect that the system operator will continue to call on thermal generation, which, as you know, has lower margins in terms of the ancillary services. So this, combined with the summer months, will lead to a lower weight of hydro generation in the total generation mix, increasing our sourcing costs for the second half of the year.

Then on the last quarter, we've already faced some costs with ancillary services on the supply side, which we expect to persist in the second half of the year. On the positive side, we have very strong reservoir levels, as I mentioned, and we are seeing an increase in the Spanish future our baseload forward prices at more than 70 euros per megawatt hour in the second half of 2025. So some positives, some negatives, I think, driving us through this second half.

If we move to electricity networks in Iberia, on slide seven, and the regulatory outlook. I'd say the first point I wanted to make here is that it's really important to have a supportive framework and adequate returns to enable the investments for the energy transition. As you know, in Spain, the regulator launched a public consultation proposing a 6.46% return for the next regulatory period, together with the phased transition to a Totex model starting in 2029.

However, we believe that these returns or the proposed returns are clearly short of European average, where the returns for electricity networks are above 7%. So we hope that the ongoing discussions will result in an improved return that Spain could converge to this benchmark.

The proposal from the regulator is currently under public consultation. We'll be submitting our comments by early August and by the end of the year, we should have the new regulatory framework and investment limits approved.

I mean, hopefully well before that, we'll have better visibility on these issues. In Portugal, the need for higher returns is equally important. And as you recall, we have proposed a 50 percent increase in high and medium voltage investments, which has already received a favourable opinion from the regulator without any material impact on the end user tariffs. However, the implementation is still subject to the final regulatory framework and return definitions. As I just mentioned in relation to Spain, the same is true for Portugal. So, the return rate in Portugal should clearly be adjusted to ensure that the required investments are attractive and can be executed.

We need a more modern, a more digital and an expansion of the grid infrastructure. And I think it's important to note that in Portugal we still have the extraordinary tax, although that's not applicable to new investments and meters that are not remunerated. So clearly there needs to be an upward adjustment of the returns if we are to see this additional investment.

Regarding the key milestones for Portugal. In relation to the regulated revenues framework for 2026 to 29, we should get visibility on that on the 15th of October, so that the regulator will release the proposal for the regulated revenues in 2026 and the assumptions also for the new regulatory period. December 15th, as usual, is when we would have the final decision.

But hopefully the proposal will already reflect the key guidelines and numbers. We move on to slide eight and talking a little bit about networks in Brazil. A couple of important points here.

First, we recently signed, so earlier this month, the 30-year concession extension for EDP Espírito Santo, so that's now in place until 2055. This was really important. I know we'd already got, and we'd flagged some visibility that this was going to be extended, but we've now actually signed the contract with the presence of the government and the state governor. And we've been working, obviously, very closely with the Brazilian government to get this done. The concession for EDP Espírito Santo was expiring now in July. So it was really important to get this extension formally approved and signed. And that's done. They've been renewed with no upfront financial burden, but obviously with clear performance standards in terms of quality, efficiency and financial metrics.

I think one of the interesting things about Brazil is they've extended the concessions because they recognise that we've managed them well. We've provided good quality of service. We've provided good investments, contributed to the electrification of the economy, and so I think we are reference players in the sector and our operations are clearly aligned with the regulated requirements. So that was very positive news there. We also expect EDP São Paulo concession to be extended from 2028 to 2058 under similar terms. That renewal has also been approved by the regulator. We're still pending the signature, but the regulator has already given the green light on that.

Looking ahead, the tariff review for EDP Espírito Santo is scheduled for August 2025. They're setting the regulatory parameters for the period 2025 to 2030. So the regulatory period has been extended from three years to five years. And just some preliminary figures from the public consultation, I think they show a return on RAB increasing from 7.15% to 8.03%. So, it's also a 46% increase in the regulated asset base. So good recognition of the investments that we've executed over the last couple of years. All in all, I think reinforcing long-term visibility and stability for our distribution business in Brazil and supporting our investment plan of around 3.3 billion reais in electricity distribution in Brazil for 2025 and 2026.

If we move now to slide nine and wind and solar, again, just quickly highlighting a couple of comments here because we already touched on some of these in yesterday's call. We're on track to deliver the two gigawatts of new wind and solar capacity in 2025. 70% of it planned for the fourth quarter. The execution is progressing on time and on budget. So I think highly confident on that.

Looking ahead to 2026, we already have good visibility. It was up to one and a half gigawatts of capacity additions of which 65% is already secured, mostly in low risk markets of the US and Europe and the rest is under advanced negotiation.

On the asset rotation side, execution also progressing very well. As you know, we targeted around 2 billion euros of proceeds for 2025. We've already closed a significant percentage of this in Spain, US, Belgium, France, more recently Greece. The remaining 1.3 billion is already under binding bids. As we've previously stated, we expect around 0.1 billion in gains. Most of the proceeds concentrated obviously in the second half of the year, more towards the end of the year. Besides the wind and solar transactions, I just also wanted to highlight that we are successfully executing our

capacity additions plan and ensuring we have the financial flexibility to reinvest in future growth. I just wanted to touch here very quickly on the issue, one of the issues which was raised around data centers.

I mean, we have strong connections with a lot of the big tech. We have assets and expertise that allow us to really benefit from and support the expected data center growth. The focus has been on our side in promoting loads or either just supply contracts as we've been doing with many of the solar and wind projects having PPAs directly with the big tech.

But we've also been promoting co-location with renewable development. So leveraging on shared grid connection infrastructure and land and empowered land opportunities. I think we do have a good portfolio that's very suited for co-location opportunities in both the US and Iberia.

I mean, in the US, we have renewable assets with mixed technologies, with scale. So we can facilitate the connection to large data center developments. I mean, they obviously have a wide geographic footprint. Some of our assets are located near existing or potential data center hubs. And our assets can also operate as a door to electricity grid through our substations and power lines. So reducing costs and time to market.

And that's something we've been working on and there's even some public news recently in Texas, for example, relating to that. In Iberia, we have several renewable assets under development that may connect directly to data centers or in Spain be leveraged to secure grid connections for demand. So we also have several plots of land on the sites of thermal power plants, some of them in good connections, good location for data centers.

Recently, for example, we also did, well, we have an agreement with Merlin to do a hundred megawatts actually behind the meter sort of as a direct connection to a data center that's been developed there. So I think we have a lot of good examples of the way that we are continuing to serve this demand growth that's coming out from the data center growth.

If we move forward to OPEX here again, very strong performance, really delivering a lot of efficiency gains. We've done a big organizational simplification and streamlining, and we were also investing heavily in digital and just sort of automating several of the processes. I mean, this is an ongoing continuous process that we are driving throughout the company. We actually reduced nominally OPEX, so it decreased to around 930 million in the first half of 2025, down from 960 million in the first half of 24, despite 3% inflation in this period, and despite the tremendous growth of megawatts and grids in this period. So a 6% decrease in real terms at the same time that we are significantly growing the company. So this is really significant gains in productivity and efficiency.

We are obviously working very much on the supplies and services side, but we're also working on our workforce structure, making sure it's aligned with our future growth trajectory. You can see the number of employees actually decreased 5% year on year, and there's been just an overall decrease in headcount since the first half of

2023. If you look at the OPEX over gross profit, clearly the trend is very positive. We're decreasing from 26% down to 24% in the first half of 2025. And again, very focused on having lean operations, centralised procurement, implementation of AI and digital driven initiative to optimise O&M, decision-making, customer experience, and all of this while making a really strong effort to keep also the human side of the business. So we are very focused on keeping talent, making sure people are engaged, making sure they're adapted, making sure that there's full dedication to being enablers of this transformation.

So we're focused on making sure that we have the best people to actually drive this change and drive these productivity gains. Looking ahead, definitely committed to embedding this culture of continuous improvement, leveraging technology and data to unlock further efficiencies and making sure that we keep our cost base agile and scalable as we grow and continue to drive these economies of scale.

Looking at 2025, we're upgrading the guidance for 25 following the strong performance in the first half of this year. So the integrated business in Iberia has continued to outperform, as I mentioned, and that's the key driver for this upgrade in guidance. So contributing to around 1.2 billion of EBITDA, as I mentioned, above average hydro generation and strong demand for FlexGen.

Electricity networks, we're seeing solid underlying growth supported by higher electricity consumption and the inflation update on regulated revenues.

Wind and solar, we're targeting around 1.9 billion of EBITDA and we expect to deliver around 100 million in asset rotation gains in the second half of the year.

And so as a result, putting all of this together, we're saying that our recurring EBITDA, we now expect it to be in the 4.8 to 4.9 billion euro range, net profit 1.2 to 1.3 billion euro range and net debt remaining around 16 billion, assuming 2 billion in asset rotation proceeds and a billion in tax equity proceeds.

Obviously, and I've mentioned this before, we will be doing the capital market stay on November 6th this year, and we will be able to provide additional colour and visibility on not just 2025, but 26 and beyond.

And sort of talking a little bit about the strategy and the growth outlook. And with that, I'll just stop there, pass it over to Rui to go through some of the financial numbers in more detail. Thank you.

Rui Teixeira

Thank you, Miguel, and good morning. So let's move now to slide 13, to review the financial performance, which I believe it's a very strong one in the first half of this year. If you look at EBITDA, it reached 2.6 billion in the first half of the year. That's a 7% increase on underlying year-on-year, so excluding the asset rotation capital gains from last year. If we exclude also the FX impacts, actually went up by 9%. So if you now look at the recurring figures, renewables, clients, and energy management decreased 41 million year-on-year.

This includes a 30 million decrease in hydro clients and energy management with the year-on-year comparison impacted by low gas sourcing costs in the first half of 2024. This was in Iberia, but also an FX impact in Brazil, and the stable performance from EDPR. However, when excluding the asset rotation capital gains, EDPR's EBITDA increased 159 million, and this shows the strong underlying performance.

On the network side, EBITDA declined by 72 million, again, due to the absence of asset rotation this half or these first six months. Which reached 71 million in the first half of 2024. So excluding those, the segment stood flat year-on-year, supported by the strong electricity demand across all the geographies, but obviously impacted by the effects of the Brazilian Real.

So now, sorry, moving to slide 14, to our hydro clients and energy management segment. EBITDA for the first half stood at 858 million euros. This represents a 3% decrease versus last year. And this is a reflection of a mixed set of dynamics.

So in Iberia, first half last year was impacted by extraordinary impacts on gas sourcing costs. Hydro generation volumes were down at 7.3 terawatt hours versus 7.8 terawatt hours in the first half of 24. That's a 6% decline. However, hydro and contracted volumes were sold at higher prices, with a 58% increase in electricity spot price, which rose from 39 euros per megawatt hour to 62 euros per megawatt hour. Pumping generation increased by 13%, and CCGT generation tripled from 0.6 to 3 terawatt hours, reflecting the system operator requests. And this was mainly after the blackout. However, it's important to note that CCGTs have lower margin as compared to hydro, and therefore it has an impact on the gross profit. I would also highlight that in the first half of 25, we had an increase in ancillary services revenues from the generation side, but also some costs on the supply side, which we expect to persist in the second half of the year.

On a net basis, the impact from ancillary services was obviously positive. In Brazil, EBITDA declined slightly from 97 million euros to 75 million euros, but that is mainly due to FX impact, so Brazilian real devaluation impact. Overall, despite the slight decline in headline figures, the segment continues very solid.

If we now move to slide 15, and turning to the electricity network segment, recurring EBITDA reached 765 million euros in the first half of the year. It represents a 9% decrease year on year, but the decline is primarily explained by the absence of asset rotation gains that amounted to 71 million euros in the first half of 24. Excluding these gains, the underlying performance was solid, obviously impacted by Brazilian real effects, and therefore EBITDA remaining flat.

So you see a 23 million increase of EBITDA in Iberia, following inflation update in Portugal and RAB growth in Iberia overall. And then a 24 million decrease in EBITDA in Brazilian operations, excluding gains. If we exclude the FX impact, actually Brazil would increase 7% following what is the performance of the distribution as well as the transmission businesses there.

So all in all, EBITDA for electricity networks, excluding asset rotation gains and forex impact increased 6%, showing a strong operational performance.

On slide 16, wind and solar, underlying EBITDA grew 20% year on year, or 21% if we exclude FX. And this reflects naturally the strong performance that we highlighted yesterday on EDPR's call.

So that's a 12% increase in electricity generation, driven by the ramp up of new capacity added in 2024, impacted also by a slight decline in wind resources compared to the first half of last year, with lower wind resources in Europe offsetting better resources in North America. Also lower average selling price, decreased by 9% year on year to around 55 euros per megawatt hour, and this is mainly due to lower realised prices in Europe and Brazil.

So now moving to slide 17, financial costs. In recurring terms increased 6% year on year, resulting from higher average debt versus the first half of 24, and cost of debt increasing from 4.6% to 4.8%, reflecting higher Brazilian real denominated cost of debt. If we exclude the Brazilian real cost of debt, the rest, which is mainly or primarily euros and US dollar, stayed stable at 3.3%. Obviously here, this first half, we had lower capitalizations that have an impact in terms of the financial costs reflected into the P&L. On the right-hand side of the slide, average nominal debt by currency shows a decrease of US dollar denominated debt in line with our strategy to reduce the exposure on the balance sheet to this currency. And finally, highlighting that in May this year, we issued 750 million euros of green bonds with a 4.5% coupon and maturity in 2055. So we continue to actively manage our debt and liquidity needs.

Net debt on slide 18 stood at 17.2 billion euros, up from the 15.6 billion year-end 2024. This increase is the consequence of executing the investment plan, the annual payment of dividends with proceeds from asset rotation and tax equity expected to be mostly concentrated in the second half of this year. So the key drivers on the change in net debt include as I said, 1.5 billion organic cash flow reflecting better working capital performance with organic cash flow increasing 0.4 billion euros year on year from around 1 billion in the first half last year. 0.8 billion of dividend annual payment executed in May, 1.9 billion of net cash investment, including 2.1 billion of cash capex that includes 0.4 billion related to working capital. The changes with PP&E suppliers, and this is offset by around 0.2 billion of asset rotation proceeds and 0.1 billion of tax equity proceeds on the first half of the year. Also 0.6 billion of regulatory receivables and about 0.1 from FX and other, this is mostly from US dollar denominated debt. So despite the higher debt, the leverage ratios remain solid. Net debt to EBITDA stood at 3.8 times and FFO to net debt at 19.5%. So really strong metrics. Obviously this is the reflection of a very disciplined financial management and expectation also of strong cash inflows during the second half of the year as we close asset rotations, as we close the tax equity proceeds, and this will support further deleveraging to achieve our 16 billion euros target by the year end.

Now on net profit, slide 19, recurring net profit at 752 million euros. So that's around 3% decline versus last year, and this is mostly reflecting the lower EBITDA, the 72 million euros year on year, as I said, because of the asset rotation gains, if it was not

for that actually would be increasing. The higher depreciations and amortisations and provisions increasing 64 million year on year as a result of the investment plan. Increased net financial costs due to the higher average cost of debt and lower capitalizations. Again, that cost of debt driven primarily by the Brazilian real denominated part of the balance sheet. Lower income taxes and lower non-controlling interest. So excluding capital gains, the underlying net profit shows a strong 27% increase versus the first half of 24.

So definitely a good performance in this quarter and coming across all the business lines. Reported terms, net profit reached 709 million euros, including the negative impact of 43 million, which is most related to US ocean winds. With this, I would hand over to you, Miguel, for closing remarks.

Miguel Stilwell d'Andrade

Okay, thank you, Rui. So just a couple of quick comments before we wrap up and pass to Q&A. To reiterate, strong first half results.

Underlying EBITDA up 7% year on year. Underlying net profit up 27% year on year. Organic cash flow up 0.4 billion year on year. So clearly strong improvement on operational performance driven by solid wind and solar delivery, good electricity networks results and a solid integrated business in Iberia. So quite frankly, I think we're very pleased with the first half results. Improved outlook for integrated business in Iberia.

Reservoir levels at historical highs, 83% in July. A high weight of locked in margins and also growing demand for flexibility and ancillary services seen as a structural change in the market. So again, positive outlook for integrated business.

Electricity networks, some key regulatory milestones coming up in 2025. And there's a public consultation underway for new remuneration framework and also return on investment in Spain, which is going to be really important for us to take decisions on that. In Iberia, modernization, digitalization remain key. I've talked about that. I've talked about sort of the age of the transformers and sort of the amount of investment that is required. And so an improvement of returns is required to foster investment.

In Brazil, we have this concession extensions of 30 years for EDP Espírito Santo with tariff review in August 2025 and also formal approval of 30-year extensions in EDP Sao Paulo. Overall guidance upgraded, supported by this first half performance in all segments. And the 2025 guidance for EBITDA 4.8 to 4.9, as I mentioned, net profit 1.2 to 1.3 and the net debt at around 16 billion euros. So overall, as I said, good first half, well positioned for second half and for meeting the guidance that we have for the year. Finally, I just mentioned it, but Capital Markets Day, November 6th, we will be providing a lot more color. So even if we don't get into a lot of detail today on the Q&A, obviously we will take note of all of the questions and request for information then come back to you November 6th.

With that, I'd stop and pass it over to Miguel for Q&A.

Questions and Answers

Operator

Thank you, ladies and gentlemen, the Q&A session starts now. (Instructions).

Miguel Viana

Thank you. So the first question comes from the line of Pedro Alves from CaixaBank. Pedro, please go ahead.

Q – Pedro Alves

Hi, good morning and thank you for the presentation. I have just one question on how should we think about the group strategy and capital allocation ahead of the Capital Markets Day. So we continue to see on one hand some consolidation rumors out there, some doubts on the structural direction of the equity story of the group.

So can you please tell us if we should expect EDP to present an organic growth plan in November with EBITDA net profit growing organically while keeping your balance sheet under control? I think it's fair to say that you are not probably in your comfort zone in terms of balance sheet. So can we expect EDP to eventually increasingly shift into the sale of minority stakes, raise the stock of the hybrid bonds, or even consider an equity raise like one of your peers recently did?

Sorry, I know you may want to elaborate on all of these in the Capital Markets Day, but any early thoughts on that would be helpful. Thank you.

A – Miguel Stilwell d'Andrade

Sure, Pedro. Listen, let's be very clear. What we are working on is a business plan which allows us to continue to deliver on long-term value creation for the company and both organically 2025, 2026 and beyond.

We will be setting out EBITDA net income, sort of a net debt estimates and how we see the business developing over the next couple of years. I'm not sure I quite understood your point about the comfort zone of the balance sheet. I think we have a solid triple B balance sheet and that's going to continue to be a key pillar of our strategy going forward.

And so we'll continue to manage basically the three pillars, growth, dividends, and balance sheet. And we'll be constantly adjusting and sort of optimising for those three pillars.

And I don't think we have any plans of changing that, of keeping the triple B rating, of continuing to have a solid dividend policy and continue to have sort of a solid and profitable growth plan going forward. I mean, we have no objectives or targets of doing any capital raising. I think we are comfortable with the current structure and comfortable with the current outlook for the business.

So, I mean, we are updating the market in terms of estimates beyond 2026, that was our commitment. But I think that's what sort of you can count on, organic growth, profitable, taking advantage of all the opportunities we see out there, keeping a solid balance sheet and keeping sort of an attractive dividend policy. But obviously we'll be giving more color and more detail on that in the capital markets there.

Q – Pedro Alves

Okay, Thank you.

A – Miguel Viana

Thank you, Pedro. So the next question comes from the line of Arthur Sitbon from Morgan Stanley.

Arthur, please go ahead.

Q – Arthur Sitbon

Hello, thank you for taking my question. The first question is, you flagged in your presentation that electricity distributed in Iberia for EDP is up 3% year on year in H1 2025. I think it's a bit of a different trend to what we've seen in the first half of the year in North of Europe, where demand seems less dynamic.

I was wondering if this 3% increase is largely related to the heat wave that there was in May, June, or if basically you're really starting to see a pickup in electricity demand, and if so, what do you attribute it to? Is it data centers? Is it broader electrification?

Any granularity that you have in your database on the type of clients driving that or the type of equipment? I guess that would be quite interesting to know. And the second question, I was wondering, you flagged very quickly this agreement on data centers with Merlin.

I was wondering if you could provide some more detailed financials around this deal, in particular the IRR-WAC spread of the agreement, and if there is anything worth mentioning about the deal versus usual solar contract that you signed. Thank you very much.

A – Miguel Stilwell d'Andrade

Okay, thank you, Arthur. So on the demand growth, I'd say it's just the economies have been doing well. I mean, both Portugal and Spain have had a pretty robust

economy over the last, certainly over the last couple of months and years, but, and so we see electrification, we see new clients being connected, we see more EVs, I gave that data point, we see data centers.

So just, it seems to be a broader, more general growth in demand driven by the economy, not any sort of particular, or certainly not sort of, you talked about a heat wave, I don't think it's sort of a specific one-off like that. So I think it's a more structural growth, but let's see also how it develops. On the second point, so this was, I mean, this is the project which is still to be developed, but I think it's publicly announced, it's 100, so they're developing a data center in Carregado, actually very close to one of our CCGT plants, just slightly north of Lisbon, and it's 100 megawatt DG project, but we don't disclose specific, well, clearly the returns are attractive, they're above our targets. We don't disclose specific numbers for projects, but they definitely meet our investment criteria. And as I say, it's an interesting project because it's a direct DG, large DG project, which then connects directly into the data center.

But we don't give out the specific numbers on projects.

Q – Arthur Sitbon

Maybe without giving specific numbers, is it a contracted profile on the solar plant, or do you deliver a certain profile?

A – Miguel Stilwell d'Andrade

No, it's contracted, I mean, it's fully contracted. So there's a specific PPA with pay as produced, specific price, which guarantees us an attractive return on that. So we're working on that development.

But as I said, listen, we have many, many other examples of that. But I think it's certain in the capital markets that we can then take a step back and look at sort of all the different projects that we're assigning, whether it's here or in other geographies as well.

Q – Arthur Sitbon

Thank you very much.

A – Miguel Viana

Thank you, Arthur. So the next question comes from the line of Jorge Guimarães from JB Capital. Jorge, please go ahead.

Q – Jorge Guimarães

Good morning. Thank you for the presentation. Two questions, if I may.

The first is the follow-up on your mention to the ancillary services impact. You mentioned that it's positive. And I was wondering if you can give us some color on the monetary impact of the blackout.

What is translated into Q2, gross margin, what we expect, should we expect until the year end? The second is a bit of your view on the new remuneration proposal in Spain. Not so much on the financial remuneration rate, but on the OPEC's allowance, which seems to be pretty harsh on the tenancy proposal.

And the third one is related with the recent, with the message that REN is conveying about CESE. If you expect that based on the rulings about the CESE on gas in Portugal, we could see first a reduction on the CESE going forward and potentially some recovery of past amount delivered. Thank you very much.

A – Miguel Stilwell d'Andrade

Okay, so on the ancillary services, I'll ask Rui to touch on that. I'll just talk about the other two points. So in the remuneration in Spain, two points, as you mentioned rightly, I think it's important to look at the overall parameters and not just focus obviously just on the headline number, although that's an important point as well.

Clearly we would like to see a higher headline number. 6.46 is obviously higher than the current 5.6, but it seems below the European average. And there's a public report on that, which points towards more than seven.

So that's on one side. In terms of the allowed OPEC's for us, bear in mind that we have slightly smaller distribution companies in Spain, which have their own allowed OPEC's sort of parameters. And so we have a slightly different take or slightly more positive take on that issue, maybe than some of the others, but I prefer to comment once we have the overall package put together. But what I'd say is we don't think we'd be as much affected as some others about the review and the allowed OPEC's parameters.

On the CESE, what I'd say is the following. First, it's, I've said this often, but clearly a tax, which doesn't make a lot of sense, it's on assets.

Having said that, our understanding is that the CESE does not apply on future investments, but it's obviously still applicable to the stock. So over time, that would go on decreasing. We think that clearly this tax is unconstitutional at the moment, given that it was created in an extraordinary moment, and that extraordinary moment has long gone. It was created back in 2014, when Portugal has been intervened by the Troika. I mean, we are in 2025. It makes no sense to continue to have this tax. And I think, I'm not sure exactly what REN said about the message, but what we would assume is that it doesn't make sense to have an extraordinary tax when you clearly don't have any extraordinary moment any longer. So we would hope to get some conclusion on this and some visibility from the courts on this soon, but obviously the courts have their time. Maybe on that, I pass it over to Rui for the first point.

A – Rui Teixeira

Thank you, Miguel. Hi, Jorge. Listen, on the ancillary, I mean, the negative impact. So, again, just repeat, overall, it's a positive. The negative part of it, it was around 107, 108 million euros in the first half. Second half, we estimate slightly below half of that. So around the 50, 52, maybe.

A – Miguel Viana

Okay. Thank you, Jorge. The next question comes from the line of Alberto Gandolfi from Goldman Sachs.

Alberto, please go ahead.

Q – Alberto Gandolfi

Good morning. Thank you for taking my questions. I'm going to start the first one on guidance for this year.

It looks like you've already achieved 60% of your net income in the first half. You've not booked capital gains yet. I know you don't know how much it's going to rain in the second half, but when I also dig a little bit deeper, it seems you have achieved 65% of your Iberia and energy management clients and energy management EBITDA again for the year.

And again, I know the hydro, but can you maybe tell us what do you think could be slowing down in the second half of the year? I mean, if you were to continue to do 300 million EBITDA in Iberia clients and energy management for the rest of the year, you would obviously beat the revised guidance already quite comfortably. So I was trying to understand if you've been prudent or if there's any problem that maybe I don't see that you see in the second half.

The second question is again, it's a little bit of follow-up from last night. Can I ask you, in your priorities, where does a higher EDPR share price stand? Because usually, every 10% increase in EDPR is at least a 5% increase in EDP or 4 to 5%.

So how central is going to be EDPR when you think about your capital allocation going forward and the share price in particular EDPR? And the last question is, historically, this is a bit provocative, so apologies, but I think historically the issue with EDP capital market days have been that there was a lot of capex, but the EPS growth has disappointed in the past compared to the original expectations. And so that has also been the case for EDPR.

So I wanted to ask you, when you talk about organic growth, how can you be comfortable in delivering organic growth going forward? You know, I was looking at the slides, for instance, in Brazil, power grid, 8%, I know it's real, but inflation is like 5, 5.5%. I mean, borrowing costs are extremely high in Brazil. So aren't we running the risk now that you put lots of capex in Brazilian power grid, but then there's not much net income growth because it's all eaten away by financial expenditures, essentially.

So maybe, can you tell us how this time is different from bottom line growth? Thank you.

A – Miguel Stilwell d'Andrade

Okay, Alberto, thank you. A lot to unpack there. First, on the first point, I mean, we see no problem in the second half. Let's be very clear about that. I think we had is a very strong first half. And so we had very strong hydro, we had strong ancillary services, and what we see is a normalization of hydro.

We see a normalization also, even in terms of prices, which will be lower than what we had in the first half. So I think it's just assuming a more normal second half, and you can't take last year's second half sort of as a reference, because we had a strong second half last year, which was above normal. So I think that's the key issues that I had mentioned.

Absolutely not any issue, any problem. It's just a normalization of the results. We do see some additional pressure from gas and higher sourcing costs compared to the previous year in the second half and we've already seen part of that in the second quarter. But we can obviously then unpack that if you want to, offline with IR, but I'd say that that's the key issue. Yes, we've done a significant percentage of the net income in EBITDA already in the first half, but that's because it was a very strong first half.

The second question, I mean, EDPR share price is extremely important for us, and it is the central priority. And obviously EDPR is a very material part of our business, of the overall EDP Group business. It's absolutely core. And therefore we are very focused on identifying ways of increasing the EDPR share price, but namely by having a good solid business plan and taking good investment decisions, managing the balance sheet, and making sure that we can drive that sort of medium long-term earnings growth. EDP Capital Markets Day. Listen, let me take a step back.

And you know us well, you know the company well. For years and years we had net income at around 800 million, including significant and very material capital gains. We are now talking about guidance for the year of 1.2 to 1.3 billion euros, excluding any capital gains. If you do the CAGR on that, that is a very material earnings growth. So I would just encourage people to go back and look at the earnings growth that we've had over the last couple of years, particularly if you strip out the, whether you include capital gains, but if you strip out capital gains, then it's even more impressive. And I think that shows that definitely we have been able to translate investments into earnings growth.

And that's what we'll continue to try and do going forward. But I really encourage you to look at the historical CAGR of our earnings. You can look at it, including capital gains, but you can also exclude it. And I think you'll be quite impressed. Thank you.

Q – Alberto Gandolfi

Pretty good answer, thank you, Miguel.

A – Miguel Viana

Thank you, Alberto. So the next questions come from the line of Olly Jeffery from Deutsche Bank. Olly, please go ahead.

Q – Olly Jeffery

Thanks so much to take my question. It's just one. In Q1, when talking about the changing, the structural change in the market and Iberia and the potential opportunity that gives you regarding 2026, you said at Q1 that you saw EBITDA from hydro clients in the Iberia close to 1 billion versus kind of 0.9 to 1 billion previously. I just want to check, is that still where you see level of EBITDA for that business? Have you seen any improvements to that? Obviously, power prices are still pretty similar to what they were back then with forwards at around 63, so any thoughts on the evolution of thinking on that division and the benefit from the structural change and how you see that would be great. Thank you.

A – Rui Teixeira

Hi, Olly. It's Rui here. So yeah, the answer is yes. So we are thinking around the sort of a billion as the number for what would be the run rate to create maybe just a couple of data points here. So as of now, we have about 70% hedged at 64 euros per megawatt hour for 2026. So supportive, actually slightly above what we had so last year when we got into 2026 in terms of the power price hedges.

So that's 70% at 64. Also, as we mentioned in the first quarter results, this is the hydro pumping contribution and ciliary services net contribution. We know that this, I would say let's say if this year we are looking at around 200, 300 million euros of added, you know, EBITDA contribution, maybe above normal, I would say 40% of that should be structural going forward. So that's why we are looking at this a billion as a good reference for 2026.

Q – Olly Jeffery

Thank you very much.

A – Miguel Viana

Thank you, Olly.

So the next question comes from the line of Skye Landon from Redburn. Skye, please go ahead.

Q – Skye Landon

Hi, thanks very much. I wanted to ask about the hedging in the integrated Iberian division and specifically the outlook for the hedging. With kind of like changing power supply dynamics, a far more solar generation during the day, meaning that maybe your hydro generation is increasingly shifting to be more focused on peak demand periods. Can the hedging strategy be maybe adjusted somehow going forward to perhaps better capture higher power prices during these peak periods or is that not the way we should be thinking about this going forward? Thanks.

A – Miguel Stilwell d'Andrade

That's great. So I think what we've done in the past was to already change our hedging strategy so that we're not hedging 100% of our expected volumes, but 80% of our expected volumes. And that was on the premise that there's more a symmetrical price movement on the upside than on the downside.

And so that would allow us to then capture sort of increased prices. I think what you've seen as a result of that strategy is that we've been able to take advantage, for example, of these increased hydro volumes also as well and higher prices. And we're able to get peak pricing or sort of a realised price for our hydro that's significantly higher than base load.

As you say, quite rightly, as you have more solar, you start getting prices going to zero during the day or even negative. And so you get quite a good arbitrage opportunities, particularly for the pump storage. So higher realised prices on the hydro, higher pump storage spreads.

But in terms of our hedging strategy understood as locking in sort of future prices for base load power, the basic change we did was moving to, let's say around 80% of future expected loads. I'm not sure that there's much more to say in relation to that, let's say to our hedging strategy on that.

Q – Skye Landon

Thanks, useful comment.

A – Miguel Viana

Yep. Our last question from the phone comes from the line of Arturo Murua from Jefferies. Arturo, please go ahead.

Q – Arturo Murua

Thank you for taking my question. My question is regarding Brazil. There is an ongoing discussion around an electricity sector reform, mainly focused on market

liberalization and improving sector balance. What's your view on this change and any color would be helpful to see this create an opportunity to EDP in Brazil? Thanks.

A – Miguel Stilwell d'Andrade

You're talking about in Iberia or more generally in Europe? Oh, Brazil.

Q – Arturo Murua

No, no. In Brazil. Yeah. Market liberalisation.

A – Miguel Stilwell d'Andrade

Okay.

So Brazil, we're following that very closely and we've had our team look at that. And what I'd say is the SME segment is going to be further liberalized. And so what you used to have was very large sort of customers which were in the liberalized market, but the rest was basically, you had an integrated distribution and supply business.

And that's now you're getting sort of unbundling of that or expected over the next couple of years. As I say, I think 2026 for the SME sector, residential segment expected for around 2027. We're looking at how we could take advantage of this.

We have obviously extensive experience of liberalized markets, both in Europe and in the US. And so we have a strong position, obviously, particularly in some areas like in Espírito Santo and in São Paulo. So we're waiting to see sort of how the regulation develops and how sort of some of the key parameters come together.

But it's definitely when these changes happen, they could be good opportunities. So we're looking at this as a positive development of the Brazilian market and really understanding how we position ourselves for that opportunity. But again, something we can probably develop a little bit more in the capital markets day in November.

But what I'd say is, we have a lot of experience in these types of markets, of liberalized markets. So in Brazil, I think we would be well-placed to take advantage of that.

Q – Arturo Murua

Thank you. And can I ask one more question?

A – Miguel Stilwell d'Andrade

Sure.

Q – Arturo Murua

It's quite small regarding to EDPR, specifically in APAC. Should we expect provisions in the second half coming from Vietnam issue? I know it's small.

I think it was like around 14, 15 million, but we should expect this in the second half?

A – Miguel Stilwell d'Andrade

Listen, I would say base case, no. Just based on the most recent information we've received, but obviously it's an ongoing situation. But I'd say that, let's say the latest information we've had is that we should be okay there.

But obviously if there is any material updates, we would obviously inform the market and provide further color on that.

Q – Arturo Murua

Perfect. Thank you so much.

A – Miguel Viana

Thank you. So we have finished the questions on the line and we have reached one hour of the call, but there's still time for one question from the web.

Q– Andrew Moulder

With competition from capital, are you worried that the low network returns in Spain and Portugal, if not increased, will result in companies investing elsewhere and that the grids in Spain and Portugal will deteriorate rather than improve?

A – Miguel Stilwell d'Andrade

Thank you, Andrew, for the question. What I'd say is that there's a competition for capital in the world. We've seen a capital flow to where they get the more attractive returns.

Clearly the current rates in Portugal and Spain are not attractive. I think we need to be very clear that the current 5.6 in Portugal and Spain are not attractive and would not attract, let's say would not incentivize investments here. I think if you look at sort of some of the public consultation numbers that have come out, they've been pointing sort of more towards the seven-plus range. And so we would like to see material movement in that direction. I mean, we're not going to comment specifically on ongoing consultations that are happening in Spain, but what I'd say is if you want to incentivize investments, you need to remunerate that investment adequately in a competitive world where capital is fungible. So that's basically what I'd say at this point, I don't want to say much more given the ongoing public consultations.

A – Miguel Viana

So we have finished. So maybe for some final remarks, Miguel.

Closing Remarks

Miguel Stilwell d'Andrade

I mean, very simply just reiterating, we had a good first half. I think we're well positioned for the good second half. That's why we've also updated our guidance.

Honestly, feeling good about where we are and looking forward to talking to you further about 2026 and beyond in the Capital Markets Day. So I think we have the teams working flat out, including on the holidays, at least some of them, to really put together, I think, what could be an interesting Capital Markets Day and be able to give you sort of additional information on all of these different areas of the business. With that, what I'd say is wish you all, if you're taking some time off now in August, get a good rest and look forward to talking to you again in September.

Thank you. Thank you.