EDP

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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 '26 results conference call. We have today with us our CEO, Miguel Stilwell de Andrade, and our CFO, Rui Teixeira, which will present to you the main highlights and our strategy execution, and first-half 26' financial performance.

We'll then move to the Q&A session in which we'll be taking your questions, starting with the written questions that you can insert from now onwards at our webcast platform, and then by phone.

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

Miguel Stilwell d'Andrade

Okay, thank you, Miguel. Good morning to everyone, and welcome to the EDP first-half results conference call. I'll jump straight into Slide 3 and start off by saying that EDP delivered a very strong first half of 2026. We had a recurring EBITDA of around EUR2.7 billion, so that's up 5% year-on-year. We had a recurring net profit at around EUR0.8 billion, so broadly flat versus last year.

However, the key message really is that the group is performing very well across its core platforms. You have very visible growth in the Networks business, and I'll talk a little bit about that later on. Sound performance in FlexGen & Clients and continued delivery of EDP Renewables that we also discussed in more detail yesterday.

Starting with Networks, EBITDA increased 14% year-on-year. So that was driven by the new regulatory period in Iberia, both Portugal and Spain started beginning of January, but also growth in Brazil. So this is important confirmation that the regulatory framework in place now is really translating into much higher investment, better returns, and stronger earnings contribution.

At EDP Renewables, EBITDA increased 8% year-on-year, or 12% excluding foreign exchange. And that's mostly supported by the growth in the U.S., and improved asset rotation gain.

And in FlexGen & Clients, performance remains sound. It's supported by flexible generation in Iberia. So, you can see the hydro realized prices and volumes, the hydro pumping and storage, all of that contributed to the FlexGen, despite the year-on-year comparison being affected by lower electricity prices and higher ancillary services costs. Overall, the first half gives us additional confidence in the execution of the business plan, and it also supports the guidance upgrade that I'll cover later on, on both the EBITDA and the net income level.

If we move to Slide 4, going into depth on electricity networks.

So this is one of the clearest examples we have of the improved visibility that we have across the group.

Electricity networks investments increased 25% year-on-year in the first half, reaching EUR555 million. The acceleration is mostly in Portugal, where CapEx increased 40%, but also in Brazil, where it increased 20%, and in Spain, where it increased 4%. Importantly, this investment growth is supported by positive regulatory developments in all geographies. In Portugal, the investment plan for '26 to 2030 increased by 66% to EUR3 billion, with an all-in pre-tax return on RAB of around 8% for the '26 to '29 regulatory period.

And in addition, the government has ordered a study on the rationale for reinforcing climate adaptation investment and giving more resilience to the networks. That may support future investment needs or additional future investment needs. That's expected around the end of the year, and we should have visibility on that.

In Spain, the plan we proposed to the regulator increased CapEx by 40% to EUR1.1 billion. That's an all-in pre-tax return on RAB of around 9% for 2026 to 2031.

We're still assessing the impact from the latest Royal Decree released by the Spanish government on the investment plan limits. It may present some upside on the 2027 to 2030 investments, and so generally we consider it positive news.

In Brazil, we now have a very strong long-term visibility, as you know, with both EDP Espírito Santo and EDP São Paulo electricity distribution concessions extended for 30 years.

So overall, Networks are clearly moving into a new investment cycle with attractive regulated returns and strong visibility across Iberia and Brazil.

Going to Slide 5, you can see here some of the key trends in Portugal.

I think the first thing is to really highlight that Portugal continues to stand out as a market where demand growth is accelerating, supported by electrification, population growth, electric vehicles, heat pumps, air conditioning, but also by the development of data centres.

We expect electricity demand in Portugal to grow at around 4.5% CAGR between 2026 and 2035, and as I mentioned earlier, this growth is driven by a broad set of factors, including a big part of it, around 60%, related to data centers over the next couple of years.

Here I'd highlight that Portugal really has an important structural advantage. This growing demand is improving network utilization. It helps dilute fixed system costs over a larger consumption base and, together with the high renewable penetration and abundant resources, leads to competitive electricity prices versus other European countries, which is increasingly relevant for industrial demand and for large-scale electricity users.

I stress this point often. When you have a large increase in consumption, the first thought is that this will lead to higher power prices, but it's very important to bear in mind that it also dilutes fixed costs. So the net impact, for example in this case, is expected to be relatively neutral on power prices and overall customer tariffs.

On data centers specifically, Portugal is positioning itself as an emerging hyperscaler data centre hub. There's a significant pipeline of grid connection requests. We have around 4.6 gigawatts already requested. That's equivalent to roughly 50% of current peak demand.

We're also benefiting from strong subsea cable connectivity and robust telecommunications infrastructure, and we're seeing that advantage in action.

Just recently, there was the inauguration of Google's new transatlantic cable that landed in Sines, south of Lisbon. It's part of the company's broader EUR40 billion investment in AI and cloud infrastructure.

Ultimately, data centers are more than just digital infrastructure. They attract investment, create skilled jobs, boost GDP growth and strengthen the country's digital competitiveness.

It obviously has to be done well, with good regulation and the proper framework, but it can create a significant amount of value added for the country.

All in all, we see Portugal nowadays as a huge growth opportunity across Networks, Supply, Renewables and potentially integrated solutions for large customers.

Portugal is definitely a very hot market at the moment, and we're very happy to have a strong presence here.

On Slide 6, talking about FlexGen.

What we're seeing is a structural improvement in the value of flexible generation. You have solar and wind penetration increasing, and the system also needs backup and more flexibility.

The integrated margin of FlexGen & Clients in Iberia has materially increased over the last decade, moving from EUR19 per megawatt hour in 2017 to EUR48 per megawatt hour in the first half of 2026.

We expect it to remain within the range of EUR40 to EUR45 per megawatt hour over the 2026-2028 period.

This reflects a structural increase in price spreads between solar and non-solar hours, between high and low demand periods, and across months.

These spreads increase the value of hydro, pumping and CCGTs as backup technologies.

Ancillary services are also becoming more relevant. The ancillary services component reached EUR23 per megawatt hour in the first half of 2026 compared with up to EUR18 per megawatt hour in the first half of 2025.

Looking ahead, reservoir levels remained above average in June, around 70%, and forward baseload prices in Iberia are around EUR110 per megawatt hour for the second half of 2026 and around EUR67 per megawatt hour for 2027, while remaining below those of other European markets.

The key point here is that we're seeing a structural increase in the results from our FlexGen & Clients portfolio, highlighting the value of our integrated management.

That takes me on to Slide 7, talking about retail electricity supply in Portugal. I just wanted to highlight this here. We've been reinforcing our competitive positioning on the retail side, the clear focus on pricing, on efficiency, and quality of service. EDP has around 4 million customers in Iberia. If I just focus in on the B2C business in Portugal, I just wanted to stress the impact that we're seeing from some of the commercial initiatives we've been implementing. Client losses have reduced materially. They're down 13% year on year. We have new client additions increasing 24% year on year. And importantly, we already saw monthly net gain in March of 2026, which is a positive sign of stabilization in the client base. And this improvement has been supported by three key levers.

First, a more competitive pricing strategy with offers in all the key B2C electricity segments. Second, a very successful mass market communication campaign, which has helped improve visibility and competitiveness of our offers. And third, continued improvement in customer experience and digitalization, and that's been complemented by targeted local commercial actions. So, the team has really pulled out all the stops here to deliver, I think, a very successful execution of the strategy. Overall, it supports the resilience of the integrated FlexGen & Clients platform, and it reinforces our ability to capture value in both the generation and the retail business.

If I move on to Slide 8, EDP Renewables. The fundamentals here in the U.S. speaking about the renewables, is very, very strong. I mentioned this briefly yesterday. I mean, according to the July 2026 EIA outlook, U.S., power demand is expected to grow at around 2.3% CAGR between 2025 and 2027. This demand is expected to be sourced mainly by wind and solar, as they're the cheapest and fastest solutions to deploy, particularly as coal capacity is phased down. This demand growth continues to support the increase in PPA prices, and it creates a very constructive backdrop for EDP Renewables commercial activity.

So, since the approval of the One Big Beautiful Bill, the July 4 of last year, of 2025, EDPR has contracted already 1.5 gigawatts of new capacity through nine deals. The risk-return profile of this contracted capacity is attractive. So, just a couple of key metrics, around 290 basis points of spread IRR to WACC above the target of more than 250 basis points, and 90% of the NPV is contracted above the target of more than 60%. So with very little risk on the backside of that contract.

Additionally, looking ahead, we have around 1 gigawatt of PPAs under active discussion, around 6 gigawatts of safe-harbor wind and solar projects, 2025 to 2030 CODs, and a pipeline of more than 20 gigawatts with around half in MISO and PJM. Finally, just highlighting that we continue to reinforce our domestic content procurement strategy. We have a diversified supplier base. We have increasing resilience supporting the execution of our pipeline and the projects under construction.

So, in the U.S., a combination of strong demand, attractive PPA pricing, low regulatory risk, and a high-quality pipeline continues to support our growth strategy. Moving on to Slide 9, a quick update on the asset rotation secured capacity. So, the asset rotation execution in 2026 is progressing very well. We continue to demonstrate the attractiveness of the investments we're making, I mean, very clear data points that we can show and show you all about the value of creation of these investments. So far in 2026, we've signed asset rotation transactions representing a total enterprise value of around EUR0.9 billion, if we consider 100%. And these include 68 megawatts in Italy and 384 megawatts in the U.S., of solar and batteries. I mean, as the U.S., transaction in particular, if I highlighted this also yesterday, was the first asset rotation transaction of a project approved post the Big Beautiful Bill in the U.S., last year. And it really showcases our ability to capture value in this geography. So, I think we were very happy with that transaction.

Implied enterprise value per megawatt remains attractive to around EUR2.2 million per megawatt in Italy and around EUR1.8 million in the U.S., with a total average of around EUR1.9 million per megawatt. And very importantly, the gain on the capital invested is around 40%, so well above the 15% target. The proceeds, as mentioned earlier, are expected to be concentrated in the second half of 2026. And we do have some additional transactions in the pipeline expected to close either this year or the first half of 2027.

On secured capacity, EDPR now has 3.4 gigawatts secured for the 2026 to 2028 period, which represents approximately 70% of the 5-gigawatt additions target. 2026 additions, as you know, are fully secured under construction. 2027 is already 80% secured, again, with very attractive risk-return metrics and an IRR to WACC spread of around 285 basis points. And so, overall, this provides very strong visibility on execution while maintaining discipline on returns and risk.

And I'll stop there. I'll pass it now to Rui, who will take you through financial performance in more detail, and then I'll come back for guidance and questions.

Rui Teixeira

Thank you very much, Miguel, and good morning to you all. So, let's start with the EDP first-half results. Again, we delivered another solid set of results regarding EBITDA, increasing 5% year-on-year to EUR2.7 billion, or 6% excluding FX, and this was driven fundamentally by the growth in the networks and the renewable segments.

So let me break this down. Electricity networks now represent almost one-third of the Group EBITDA and continue to increase their contribution to the earnings. This is a segment that is obviously delivering a very strong performance, with EBITDA EUR109 million year-on-year, reaching EUR874 million. This was driven by the start of the new regulatory period in Iberia, combined with continuous RAB growth and operational discipline.

FlexGen & Clients EBITDA declined by EUR39 million to EUR808 million, representing 30% of the Group EBITDA. This was primarily driven by the normalization of average electricity prices in Iberia and higher ancillary services costs in the supply business that we also highlighted in the first quarter. These effects follow exceptionally strong conditions in the first half of last year, when we benefited from both hydros, very high hydro resources, and high-power prices.

EDPR delivered EBITDA of EUR1.03 billion, up EUR73 million year on year, supported by the capacity additions, particularly in the U.S., and the capital gains from asset rotations. So geographically, around 90% of EBITDA continues to come from core low-risk markets, Iberia, North America, and Brazil.

If we now move to Slide 12, cost discipline remains a clear priority, as we have been highlighting for quite a while. Despite the continuous growth of the business, recurring OpEx remained broadly stable in nominal terms and declined on an inflation-adjusted basis. Recurring OpEx was down 3% year-on-year and 7% over the last two years on an inflation and FX-adjusted basis, driven by a strong cost discipline. At EDPR, as we highlighted yesterday, OpEx per megawatt decreased 5%, despite the portfolio growth. There has been a group-wide continuous deployment and development of digital and AI tools, improving O&M efficiency, and internal organization that is currently aligned with the growth outlook.

As a result, productivity continues to improve. EBITDA per headcount reached EUR135,000, OpEx per gross profit improving over the last two years. This obviously demonstrates the ability of the company to grow earnings while keeping the cost base under control.

So let move now to the EBITDA by segment. Let's start with the FlexGen & Clients segment. EBITDA decreased 5% year-on-year, reaching EUR808 million in the first half of '26. This is a very sound first half of the year, although the negative evolution is mainly driven by lower hydro volumes year-on-year. Given that the first half of '25 was an extraordinary quarter or semester, 41% above in resources versus the average, versus the 19% above the average in 2026. So, while '26, we have a good performance, actually, 2025 was abnormally high.

Lower electricity prices in Iberia, with the average pool price in Spain declining 19% year on year. It's basically an average of EUR50 per megawatt hour this semester compared to EUR62 last year. Higher ancillary services cost in the electricity supply business, and this has been compensated by higher pumping activity that increased 4% year-on-year.

Let me move now to Slide 14 and cover the network segment. Recurring EBITDA in this segment increased 14% year-on-year, reaching EUR874 million. Iberia was the main contributor, EBITDA of EUR536 million, up 16% year-on-year, reflecting the new regulatory frameworks, the RAB expansion, and obviously the continued efficiency in operations.

Brazil also delivered a solid performance, with EBITDA increasing 11% year-on-year to EUR338 million. This is, on the one hand, supported by the economic activity growth in our concession areas, but also the transmission construction that offset the deconsolidation of lots 21 and lot Q following the asset sales. Networks definitely continue to be one of EDP's highest quality growth businesses, combining visibility, attractive returns, and increasing earnings contribution.

If we now move to Slide 15, to EDPR, which we commended yesterday, EDPR delivered an 8% growth in EBITDA, 12% if we exclude FX, on the back of the capacity additions, particularly in U.S., and also higher asset rotation gains, a 4% increase in generation, operational efficiency gains, and this partly was offset, or was slightly offset by slower or lower prices in Europe as well as lower renewal resources in Europe, but overall a good performance for EDPR.

On costs, financial costs, net financial costs remain broadly flat at EUR472 million. Higher interest expense, mainly driven by a modest increase in Europe funding from 3.3% to 3.4%, also FX impact on the Brazilian debt. This was largely offset by improvement in other financial results that include higher capitalization of interest costs.

Our debt profile remains very conservative with around two-thirds of denominated debt denominated in Euros and continued access to attractive funding markets, including our May issue of a seven-year, EUR750 million senior green bond with a 3.75% coupon. On net debt, it stood at EUR17 billion from EUR15.4 billion at year-end 2025. This reflects the temporary increase expected following the annual dividend payment, continued investment, and some of FX's impacts. We maintained strong credit metrics, 20.4% FFO to net debt, and 3.5x net debt to EBITDA. For the year-end, we remained fully comfortable with the guidance of approximately EUR16 billion, considering that asset rotation and tax equity proceeds will be concentrated in the second half of the year.

On net profit, just to finalize, recurring net profit reached EUR753 million, pretty much flat year-on-year, or 1% higher if we exclude FX. This is the result of higher EBITDA by EUR131 million versus the first half of 2025. Slightly lower D&A and provisions in line with our investment profile, higher net financial costs due to what I mentioned about the average cost of debt, partially offset by other impacts, also lower income taxes. In reported terms, net profit reached EUR732 million, increasing 3% year on year. These include EUR21 million of non-recurring items that were already booked in the first quarter of this year '26.

And with this, I will now pass on to Miguel for final remarks. Thank you.

Miguel Stilwell d'Andrade

Thank you, Rui. So, let's move on to the side of the earnings upgrade, which I think is what most people are probably waiting for. So based on the strong first half performance and the improved visibility that we have in the remainder of the year, we're upgrading our 2026 earnings guidance versus the Capital Markets Day assumptions. And, versus the previous upgrade that we'd already given in the first quarter results.

We're now expecting recurring EBITDA of around EUR5.3 billion and a recurring net profit of around EUR1.4 billion. So, this is a 12% upgrade in net profit versus the CMD guidance range. The upgrade is supported by all three main business platforms. On the network side, it obviously reflects good execution of investment plans, better regulated returns and efficiency, as well as the favorable Euro-Brazilian real evolution.

FlexGen & Clients is supported by hydro reservoir levels in Iberia, so, that are above average in July of 2026 and higher forward electricity prices for the second half of the year. And at the EDPR level, the guidance reflects the upgrade on the asset rotation gains that are now expected at around EUR0.3 billion. Moreover, we have significantly improved efficiency and productivity, as was already mentioned, which I believe is best in class, leveraging on AI and digitalization of our operations, back office, and just general improvements in productivity.

All in all, this guidance upgrades showcases, I think, once again, the quality of our business plan execution across all the different business lines.

Looking forward, and on Slide 21, the positive momentum we're seeing today is not limited to the current year. It also improves visibility for 2027 and '28 years, and it creates additional opportunities beyond the current plan period. Starting with 2026, the outperformance versus the CMD guidance is supported by FlexGen & Clients, backed by strong peak-off-peak price spreads and higher demand for backup services, as well as the successful execution of our asset rotation strategy with two transactions signed and gains expected at EUR0.3 billion, leaving us to increase the net profit guidance to 12% versus the CMD numbers, as I already mentioned.

But for '27 and '28, the outlook is also positive. So, you have here a couple of comments, positive evolution of forward electricity and gas prices, Iberian FlexGen market dynamics, better than expected regulatory outcome for the electricity networks, strong investment execution, and from a macro perspective, we expect favorable evolution of the Brazilian and the dollar versus the Euro.

And post-2028, we also see several emerging opportunities. We see wind repowering, batteries, hybridization, PPA repricing, data center-related powered land opportunities. We continue to see low to mid-single-digit electricity demand growth supported in the U.S., in Europe, primarily in Iberia, Portugal in particular, data centers, electrical vehicles, and the broader electrification trends.

Network investments are obviously also expected to continue to grow well beyond 2028, so into 2030 and beyond into the next decade, both in Iberia and Brazil, and renewables and batteries, extremely competitive generation technologies, so they'll continue to also have growth post-2028.

So overall, much stronger 2026, a positive outlook for '27 and '28, and an increasing set of opportunities beyond 2028. So, as commented yesterday in EDPR's conference call, we expect to provide visibility on this post-2028 guidance by the second quarter of 2027.

With that, I'll stop there, and happy to take Q&A, and I'll pass it back to Miguel. Thank you.

Questions & Answers

Miguel Viana

So, we are now going to the Q&A session, and we'll start with the questions that have arrived from the web. So, we have some questions from Fernando Garcia, RBC, Pedro Alves, CaixaBank, Gonzalo from UBS, Jorge Alonso from Bernstein, Skye Landon from Redburn, and Arturo from Jefferies. So, first one is regarding the evolution of data center development in Portugal, including questions around the 4.6 gigawatts grid connection requests. And the Merlin and Start Campus data centers are developing. And so, what can be the impact of this strong growth of power demand projected for Portugal over the next decade for EDP business?

Miguel Stilwell d'Andrade

Well, I don't have specific updates for now, but what I would say is these are real projects which are being built. I was just recently in Sines, visiting Start Campus, and early also in Merlin-Carregado. So, these are on track to be built over Merlin by next year, and Start Campus already has the first parts built and are already beginning to move forward with the additional sections.

Overall, this is just bringing a very strong demand growth over the next decade. And I stressed this in the presentation, but it's something that will support and provide support for the electricity networks' investment growth. On top of what was already needed to modernize, to digitalize, and things around climate resilience. So, this is positive for the networks. It's also going to be positive for the generation business because you will need new capacity. And I think we have a strong pipeline of projects, wind, solar, batteries, hydro pumping, storage. But it's also positive for the existing FlexGen capacity. So, all of our hydro pump and storage that's already built, as well as the combined cycle.

So, just generally all around positive for the business. We do see some opportunities that we can also develop around the PPAs for some of these projects or co-located generation-powered land. We continue to work on these, as I say, as soon as we have any specific transactions or commercial agreements, we will obviously provide them.

I would just add one additional note, which is that on the powered land, we are leveraging our renewable portfolio and the grid connection that we have, and sort of some land positions that we have around 500 megawatts already secured and over 1.5 gigawatts of additional opportunities identified. So, our goal is to capture value from these digital infrastructures that are being built.

And the fact that, as I said, the number one thing that you need for these data centers is power. I mean, the chips without power are not worth anything. So, we are obviously well placed to provide that power and to support all the development of that infrastructure and help create value for the country and obviously for EDP as well.

Miguel Viana

Next question comes here from several analysts also about the impact of the upgraded 2026 guidance. What does it mean in terms of the second part of the year performance? Miguel.

Miguel Stiwell d'Andrade

Yes, so what do we see for the second half? First, we see the second half which will deliver year-on-year growth versus the first half across all business segments and then sort of on the underlying business. The EBITDA growth we're expecting will accelerate from 5% in the first half to around 8% in the total for 2026, which means that the second half has a double-digit EBITDA growth.

So, obviously, 5% plus double-digit will get us to 8% for the full year. Again, just going by parts, by the different parts, FlexGen & Clients solutions. Obviously, there is seasonality of hydrogeneration between winter and summer, but we do see in the second half a positive year-on-year EBITDA evolution. We are seeing good peak-off-peak spreads. Hydro-optimization, we're seeing that EBITDA margin I mentioned is at least EUR40 per megawatt hour.

On the EDPR side, we are also seeing EBITDA growth year on year for the second half, both on the underlying EBITDA, and so we expect the underlying EBITDA to grow in the second half of 2026, year on year, but also obviously significantly higher profitability in the asset rotations, with gains expected to almost triple versus the previous year.

On networks, mostly this is supported by Iberia, and we see here a strong year-on-year growth in the second half, in line with the first half, so we have positive regulatory updates in Portugal and Spain at the beginning of this year that's obviously going to carry forward from the first half to the second half.

Bottom line, so we're guiding for double-digit growth of recurring net profit in the second half of 2026, including an acceleration of the earnings growth versus the first half of 2026, even excluding asset rotation also contributions to the net profit. So, I'll probably stop there, Miguel.

Miguel Viana

So, the next question is about the recent news on the approval of the Royal Decree on further investments in distribution in Spain. So, what is our assessment from the news flow of the Royal Decree is not yet published?

Miguel Stilwell d'Andrade

I'd say it's a positive step. I mean, we've been waiting for this for quite a while. It's different in Spain from in Portugal. In Portugal, you typically -- already last year, so more than a year ago, there's already an investment plan that was submitted to the regulator. It was then approved by the regulator and then the government. And so we already had full visibility coming into this regulatory period on what the investment criteria were. Because of Spain, it's a little less, milestones are less clear. So this is an important step to give visibility to these additional investments in the networks.

It does seem to recognize that accelerating electrification requires stronger or resilient, just better-equipped electricity networks. I think we all recognize that, but it's good to see it in the Royal Decree. Generally, the new framework seems to increase the current investment cap, so obviously provides some room for additional increase in annual investment.

We have already incorporated part of this into the current business plan, and this provides some additional -- potential additional upside towards the back end of this decade. So, we still need to go through all the details when it's finally made public, but I'd say the first impression is it's positive.

Miguel Viana

And we have some questions regarding the message from the presentation. is clearly optimistic regarding years beyond 2026, following today's guidance upgrade and considering 2028 target. What we see as our targets in terms of guidance for 2028, and that's around what we see also in terms of targets for 2028 and the visibility on post 2028.

Miguel Stilwell d'Andrade

So, we expect to give more guidance and greater visibility on both the 2028 target and the post-2028 outlook as part of the strategic update for the second quarter of next year. Obviously, since Capital Markets Day last November it's only been a few months, it hasn't even been a full year. But just in these months, the underlying market conditions have improved, so the stronger demand fundamentals, by increasing forward power prices, and we expect some of these drivers that we're seeing in 2026 and in these upgrades to carry through into 2027 and to some extent 2028. As I say, you see the demand, our performance on OpEx, all that. But I'll get into this probably more in the updates next year. I just say that generally a positive outlook for 2028 and beyond.

Miguel Viana

Then, on integrated margin and on FlexGen, we see 2028 forward prices below the assumptions. How do we reconcile that, given that the margins that we are presenting in the presentation are stable in 40% to 45% -- EUR40 to EUR45 per megawatt hour?

Miguel Stilwell d'Andrade

Yes, so the integrated margin guidance is relying on EUR40 to EUR45 per megawatt hour EBITDA sold for this period, 2026 to 2028. What we've been seeing, and to a certain extent, was expected, but is really a structural increase in the value of flexibility.

As there is a higher penetration of solar and wind, that has increased the need for hydro, pumping, storage, and the combined cycles as well. So, we've seen all of these -- the value of these really shining. This is something we've talked about, I think, for years, but we're seeing that materializing in numbers.

On the 2028, I think it's important to note that the forward market has very limited liquidity, so we don't use it, or we don't consider it a reliable reference at this stage. We would typically look more to either our own internal modeling or even just externally to the TTF gas prices and the CO2 prices, sort of as having more liquidity for that period. But I just want to reinforce the integrate margin is not driven just by the baseload pool prices; it also benefits from the intraday balancing market spread. It depends on ancillary services. It depends also on the value of this integrated generation and customer portfolio.

So, overall, we are very confident that the structural market trends continue to support the resilience of our integrated margin, and I think that's the important point.

Miguel Viana

We have a question regarding guidance for the net debt of 2026. If we reiterate the guidance and how do we see this evolution until the end of the year?

Rui Teixeira

Thank you, Miguel. So, we remain fully comfortable with the guidance of around EUR16 billion for the end of the year 2026. It's typical that in the second quarter we have this increase in debt given the dividend distribution, and the fact that in the second half of the year, it's typical when we have the tax equity proceeds, as well as the asset rotation proceeds. So that is our expectation for the year, so fully comfortable with this 26' guidance. Just to add cost of debt we are also expecting it to be around the same level that we have at this first half of '26.

Miguel Viana

We have here, maybe we'll go to a last question from Alex from Bank of America regarding power prices. And if you can give us an update in terms of hedging and levels for 2027, on EDP Hydro and EDPR.

Rui Teixeira

I'll take this one, thank you. So, I mean, the way we have been managing this is obviously integrated and looking at the entire volume generation as well as clients. And I think increasingly what we are highlighting is the value of the FlexGen, which is obviously not related to any hedging. So we keep the conservative approach where we try to close all the positions that we have with customers, and again, just highlight that what we will expect for the remaining of the year is an improvement versus what we have in the second half last year. So, second half versus second half is better this year than last.

Miguel Viana

And now to the questions on the phone. First question from Pedro Alves from CaixaBank. Pedro, please go ahead.

Pedro Alves

Hello. Good morning. Thank you for the presentation. On data centers in Portugal, it is indeed striking that we have 4.6 gigawatts of grid connection requests, representing half of the current peak demand in the country. So, I'll be interested in knowing how you assess this generation and demand balance here. I also wanted to check if you have had any relevant updates from the high-demand area framework in Portugal, the so-called Zonas de Grande Procura, that could eventually accelerate the power land opportunities for you.

And the second question is on the evolution of some of the building blocks in net debt. Financial investments got my attention that there was a material increase in the second quarter. I guess this relates to something temporary on equity investments in ocean winds but will be helpful to get additional color here. And also, on the regulatory receivables in Portugal, which also increased, and I'd be glad to know the expected build for the remaining of the year and recovery schedule. Thank you.

Miguel Stilwell d'Andrade

Okay. Thank you, Pedro. So, on the data centers, I mean, as you say, the 4.6 gigawatts are indeed quite impressive, just as background. So, there were 40 gigawatts initially requested, sort of, if you go back about a year. And then what happened was that the government ran this process of the high demand zones and those 40 gigawatts, and they demanded that to participate that you had to provide sort of strict guarantees or sort of higher guarantees, bank guarantees, and also that you had to commit to certain timetables and calendars to actually then implement those projects if you were awarded that capacity.

And that meant that a lot of people sort of dropped out, and the 40 gigawatts went down to 4.6, which, as you say, is still a huge amount, but it just shows you sometimes a little bit of the speculation that exists in the market when you just don't have any commitments or any costs associated with actually asking for these interconnections or requests.

So, on the high-demand zones, we don't have like a final calendar, but what we are expecting is that over the next few months, so before the end of the year, that we would have visibility on that, and we would know who has been awarded megawatts and how many. It is foreseen that in some cases, if there are more requests than availability, that there might be an auction. But as far as we understand, that won't happen. So that there will be just a -- there won't be the need for that. So that's in the high-demand zones.

On the generation balance, as you say, demand is certainly growing very well in Portugal and has been growing in the last couple of years and is expected to grow going forward. It's been growing faster than generation. I think what we've been calling attention to is that at a certain point, we need to get the general demand supply balance in order. And so that means that you need to speed up the licensing and permitting of projects, and that's being done. So, the government has moved and, as you know, has started to move forward with the acceleration zones for renewables in Portugal. I think that's a very important initiative. It already was recommended by the European Commission way back in 2022 as part of the RED III Directives.

That's now sort of under public consultation, so that should be moving forward.

They're also doing restructuring of some of the agencies to make sure that they are faster, and they can really speed up some of these processes. So, we feel quite optimistic about what we're seeing and the movement on the ground. But to your point, as demand grows, it can outpace generation for a while, but at a certain point, generation will also need to start moving faster to keep pace and keep that supply demand in balance.

Rui Teixeira

Hi Pedro. On financial investment, this is related to Ocean Winds and specifically to one of the UK projects where we have equity bridge loans, and then when the project starts to run into operations, basically convert that into equity. So that's the impact. This was already foreseen in our strategic investment and CMD plans.

Miguel Viana

So, we can go now to the next question on the phone from the line of Arthur Sitbon from Morgan Stanley. Arthur, please go ahead.

Arthur Sitbon

Yes, thank you very much for taking my question. The first one is a follow-up question on data centers. The first thing I was wondering if you talk about very strong demand growth in Portugal, and there's this big Start Campus project and other projects. I was wondering if your -- if you think that this could eventually, at some point, lead to some gradual divergence in power prices between Portugal and Spain, and if that were to be the case, how could that impact your business?

And the second question linked to data center is just you talk about grid connections that you have. I think you mentioned 500 megawatts in Iberia. I was just wondering if you could give us a little bit of color on where those connections are located. I imagine it's not the same if they are located, let's say, near Madrid or outside of places further away from data center hubs.

And just my last question is on the curtailment in Brazil. I think there's been progress made regarding the compensation of past curtailment. I was wondering how much that will impact you and if you've already booked anything for that. Thank you very much.

Miguel Stilwell d'Andrade

Thank you, Arthur. So, the first point on the growth of demand. Could it lead to basically market splitting between Portugal and Spain? Fortunately, what I'd say is that Portugal and Spain have a very high level of interconnection. Probably one of the most interconnected or two of the most interconnected countries in Europe. And so that, and even recently, there was another line that was sort of upgraded in terms of its interconnection capacity.

So yes, I mean, it's possible, but what we've been seeing so far is that there is a significant amount of volume that can flow, both from Spain to Portugal and Portugal to Spain. What we've seen, Spain, as you know, has significantly more solar than Portugal on a relative basis. And so, for many of the hours, in the middle of the day, there is a flow of solar from Spain into Portugal. I mean, at a certain point, if the demand continues to grow in Portugal, and there is not additional generation, it could lead to some market splitting. I mean, that would have to be incorporated into the pricing, then that has been done for customers.

But now, what I'd highlight is really the high level of interconnection that we have. And so that there hasn't been market splitting, even with that growth in Portugal over the last couple of years.

On, I'll take the one in curtailment in Brazil, just to say that, I mean, what came out essentially is we think it's a step in the right direction. We still don't think it's enough. It essentially does allow us to compensate for a significant part of the past curtailment, but it would require us to give up the right to fight for reimbursement of the curtailment going forward. And so, we're still assessing sort of proposal, and we still must take a decision on whether we will move forward with that or continue to find, try and find other ways of being reimbursed for that curtailment. It's something which is impacting all the sector in Brazil. It has been now for a while. It's all incorporated directly into accounts. Curtailment is less production. So, you see that in the volumes in the Brazilian generation. So that's already in the business numbers that we're seeing.

There are other solutions that are being discussed to also sort of get around the situation of curtailment, bringing demand further up to the northeast of Brazil, where you have all this power, trying to leverage also on the batteries. There's going to be batteries auctioned also in Brazil. So multiple different ideas to really try to solve this curtailment issue in Brazil.

On the grid connections in Portugal, I'd say that -- sorry, I didn't get whether the question was in Portugal or just generally Iberia.

Arther Sitbon

Generally speaking, Iberia.

Miguel Stilwell d'Andrade

Generally speaking. I mean, a lot of our interconnections are located close to urban centers, at least the ones that we are considering. So, in Portugal, in particular, Setubal, Carregado, Sines, those are some of the key ones. We also have some near Madrid, just on the outskirts of Madrid, which we're also considering. So they're typically where we think that would be like more attractive for data centers, which means closer to urban centers, because they can, because of the latency, apparently, it's a more attractive sort of area. So that's what the teams have been working on.

Arthur Sitbon

Thank you very much.

Jenny Pig

Hi, thank you very much. A couple of questions from me, please. Firstly, just following up on Arthur's question around Brazil, two questions there. Curtailment, can you give us a size of the historic recognition if that indeed is a path that you choose to take up? And secondly, relating to that, where are we now on the regulatory recognition of CapEx in terms of faster recognition? That review, I know it's still ongoing, but any updates on the timeline in terms of decisions and recognition there? So that's my first question.

Secondly, if I look at your Slide 20, and if I add up the lower and upper range of the different divisions that you give, it gives us EUR5.2 billion to EUR5.5 billion EBITDA for '26. And we obviously average at a level of 5.3 below the midpoint. Can I just check what you need to see or what needs to play out in terms of a business? Where is the most uncertain part of the business which effectively allows you to get to the top end of the range?

And then just very lastly, can we just go back to the 500-megawatt powered land position that you say you have secured? Can you just -- sorry, maybe that I missed it, but can you just sort of outline what that being secured means? Is it just the grid connection, or is there a contract behind it already in terms of data center? Thank you.

Miguel Stilwell d'Andrade

Hi, Jenny. So, I didn't quite catch the beginning of your first question, but I think I then caught the second part of it, which was around RAB, right? The recognition of the RAB. But the first part was on curtailment.

Jenny Ping

It's just on the curtailment, but back to Arthur's question in terms of if you were to recognize the entire historic curtailment benefit, what size are we talking about if that's something that you choose to recognize and then give up future curtailment costs as a result?

Miguel Stilwell d'Andrade

So, on the -- we're talking about around BRL100 million in value, rough numbers. So, it would be basically the volumes of the path that's sort of under curtailment that would be recognized by this proposal from the regulator.

On the second part, which is on the RAB recognition. So, since we're the first company to have the concessions renewed, we're also the first ones to start raising this issue around the RAB recognition, sort of on the interest cycle. As far as we know, we are -- but since then, other companies have also started having their concession -- distribution concessions renewed, and so facing the same issue.

And so, there's a group, a working group that has been discussing this with the regulator. I don't want to create any expectations, but let's say the messaging has been positive at least they recognize the issue. I think it's still some time before you can get a firm proposal. As you know, we have presidential elections this year in Brazil, November. So, they may be -- may make things a little bit slower because people's minds may not be very focused on this over the next couple of months. Not our mind is totally focused on it, but on the counterparty is not necessarily 100% focused on it.

So, I'd say probably a 2027 type moment to take a decision. But we do think it is important. I think people recognize on the counterparty also recognizes, so the regulator and the government also recognize that it makes sense. It's now a question of how you translate that into something concrete from a regulatory point of view.

On the second point, on the guidance, so if you sum up the pieces, EUR5.2 billion to EUR5.5 billion, I think when we gave EUR5.3 billion, it wasn't that we were trying to sort of say anything that we were being conservative. So, for us, that was sort of around the midpoint of those numbers by giving the ranges. So, if it's then depending on hydro, what will happen to hydro in the fourth quarter, it depends on what happens to prices.

So, there are different factors that may impact the, let's say, the gentailer piece, which is obviously more uncertain. I think the networks is very predictable. And on the EDPR side, I think we've also talked about so that the asset rotations we've given very clear guidance on that. But then on the underlying, we're expecting acceleration or sort of an improvement on the underlying. But again, it then depends on the wind, on the sun. I mean, there's certain amount of volatility on the volumes which we also try to just to manage for the P50 in those scenarios.

On the Powered Lands piece, what does a secured mean? So first, I think we will have hopefully some good news still over the next couple of months, where you have some data center developers that want to use some of our existing sites to essentially co locate a data center and potentially use part of our existing land. So that's -- those are situations where we are taking advantage of our existing sites and leveraging on them to create value because of a data center that actually wants to use part of that site or co locate there.

On new greenfield developments, essentially, it's having interconnections, so being able to consume from the network, having a size which is relevant, so typically hundreds of megawatts is when it starts to be relevant for data centers, and then having some sort of options on land around it that would enable them to build the actual data center. So that's when we talk about powered land, essentially that's it, it's sort of having that land with some degree of licensing and permitting to be able to actually develop the site there and having that interconnection to be able to consume from the network, which, as you know, is a scarce resource in many countries. Hopefully, that helps.

Jenny Ping

Sorry. Just to clarify, that 500 megawatts, that's still yet, although it's secured, based on what you said today, the announcement to come to the market has yet to be announced, effectively, in terms of which data center, et cetera, and that's to come, as you say, in the next few months.

Miguel Stilwell d'Andrade

Yes. So, when we say it means that we have, let's say, the basics in place to be able to have a package which is marketable, it then depends on finding a counterparty that is willing to transact on that package or on those packages on terms that we think are attractive. So having the power line secured means that we have those things in place. We then need to have someone to transact with to actually crystallize that value.

Jenny Pig

Got it, perfect, thank you very much.

Miguel Stilwell d'Andrade

Okay, thanks.

Miguel Viana

Okay, so we will close then here the session of Q&A, and I'll pass, I'll hand over to the final remarks by our CEO.

Closing Remarks

Miguel Stilwell d'Andrade

So, the final remarks, I'll just make a couple of points. First, I think we had a great first half. I think there's no denying it, and I think that makes us very positive for 2026, and that's why we're also upgrading for the second time this year our guidance for the year. And this is good performance across all the different segments, FlexGen, Networks, EDPR.

We do see improving network, improving outlook post-2026, so '27-'28. I'm not going to give specific numbers on that, but obviously, just given the general tailwinds that we're seeing, it's positive, strong demand growth, I mean all those things that we talked about in the call, that's good. And we are seeing improving visibility post-2028. And as I mentioned earlier, we'll update sort of in a couple of quarters on that. So, we're working to basically firm up some of the different assumptions and get back to you on that.

So, all in all, I think we're in a great position, proving to be a great year for EDP and great prospects also for the next couple of years. So, I think in general, it is very good. I didn't want to finish without wishing you great holidays, if you are going off on holiday, and I hope to catch you on the way back in early September.

So, talk to you soon. Thanks.