EDPR

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Chaired by Miguel Stilwell d' Andrade

Company Participants

- **Miguel Stilwell d'Andrade**, Chief Executive Officer
- **Rui Teixeira**, Chief Financial Officer
- **Miguel Viana**, Head of Investor Relations

Miguel Viana: Good afternoon, everyone. So thank you for attending EDPR's first half 2022 results conference call. We have here with us our CEO Miguel Stilwell d'Andrade and our CFO Rui Teixeira, who will run you through the key highlights of our strategy execution and the first half 2022 results. We'll then move to Q&A, in which we will be taking your questions.

We know today is a busy results day. So we'll try to do this call in no more than one hour. I'll give now the floor to our CEO, Miguel Stilwell d'Andrade.

Miguel Stilwell d'Andrade: Thank you, Miguel. Good afternoon, everyone. So as Miguel said, I know it's a busy week, so I'll try and just talk you through the key highlights in the presentation and Rui as well, obviously, for the financial impact.

So I'd start off by going straight into the presentation on Slide 5, and essentially say EDP Renewables had a strong performance in the first half of 2022. Quite frankly, as you know, sometimes we have bad quarters, good quarters. This quarter and this semester is definitely a strong one. Strong growth in EBITDA up almost 50% to EUR980 million approximately, very much supported by the expansion of the asset base. We had installed capacity increasing 10% year-on-year. We had good, strong renewable resource mainly the stronger wind volumes, 2% above the long-term average for the portfolio and we also saw a significant improvement in the average selling price that increased 27% year-on- year with essentially higher realized market prices in Europe in general and a positive impact also from them the update of the Spanish regulatory framework and we'll maybe talk a bit about that later on. So it's a win-win.

Our net profit, it increased around 87% to EUR265 million, so reflecting the strong EBITDA performance. Focusing on growth towards the business plan targets and specifically the capacity additions. So since 2021, we've achieved additions of 3.2 GWs and we have a record of capacity under construction of 3.2 GWs by the end of June, but I think this is something worth highlighting that we've really been ramping up the under construction

-- or the projects under construction over this period. We have an additional 2.2 GWs of projects contracted and committed since the beginning of 2022 and we now have 10.6 GWs of secured capacity for the '21 to '25 period. So overall, with these -- let's say, these highlights or these achievements, we are moving closer and closer to the '21 or the '25 target of the 20 GWs of capacity additions. So overall, solid ramp-up of growth across all regions and technologies.

In terms of volume. So this quarter, we completed two asset rotation transactions, one in Spain and another one in Poland with a good average multiple of around EUR1.9 million per MW and a total of around EUR100 million of gain. We have another transaction signed expected to close by year end and there are other transactions under negotiation, which as we've indicated previously for the market, we expect would bring more than EUR300 million of asset rotation gains in 2022. On excellence, we continue to be recognized as a clear enabler of the energy transition, best-in-class, regarding the ESG performance and we've had several distinctions, if you want, throughout the first semester. I mean they are highlighted here on the slide and, obviously, happy to go into any of these that you want.

Moving forward to Slide 6. Let's talk a little bit about renewables growth. So, I think clearly one of the things that's been highlighted by all the market movements over the last -- well, over the last couple of months and particularly, I think by the tragedy of the war in Ukraine is that renewables is a strong answer, not just to decarbonization, but also to security of supply and affordability. I mean, the typical energy trilemma where it was normally more focused or renewals more focused on the decarbonization aspect. Clearly now, it's supporting all three axis of the typical energy trilemma. So we clearly think that is something that needs to be supported globally to ensure that we, particularly in Europe, that they are able to get this additional security of supply and affordability. Europe is in fact taking the lead and just to do a couple of highlights on the different regions, let's say, Europe, US, LATAM and APAC.

So in Europe, REPowerEU presented in May ambitious targets. For example, increasing the weight of renewables in energy consumption to 45%. So increased versus the Fit for 55, but the increase in ambition also requires execution. It can't just be about setting targets for the long run. So the member states now need to act to achieve these targets and there's also been some support and pushed by the European Commission regarding things like licensing and permitting, which I'll talk a little bit later on.

On the other hand, in the US, unfortunately, we see some lack of positive developments. The Build Back Better, as you know, back in December didn't move forward. There was also some -- or some expectation that it might move forward now before the summer.

That doesn't seem that it's going to happen. It's not moving forward at the Congress or Senate level and there's no visibility on the tax credit extensions for now. Although, this is something that typically comes later in the year.

On the positive side, some of the uncertainties around the import tariffs on solar panels have been reduced. This is something I've mentioned on the previous calls. So the anti-circumvention investigation. There is now a two-year tariff waiver which -- so we have at least visibility on that, which is important, but on the other hand, there's been some increase in the bureaucratic process of imports of solar PV equipment that may cause some delays

to adapt to the new rules. So generally, as you know, we continue to believe the strong structural growth in the US, some short-term issues around, sort of basically, the solar side.

Moving on to LATAM. LATAM as you know, in Brazil, typically the regulated auctions in the C&I market continues to support growth. So we also had some recent auctions there that

-- where we were successful in. And in Mexico, just to mention, I mean we only have 3% of our operational capacity there, but there is still some significant regulatory uncertainty for renewables, which is being addressed by the sector.

And last but not the least in APAC, we are seeing governments have more and more commitments to the decarbonization targets. Again, not just because of the decarbonization, but also because of energy security and affordability. Many parts of Southeast Asia, including China, are net energy importers. So obviously this gas price and energy prices in general are also having an impact there. So in Singapore for example, two RFPs were launched recently for projects to import up to 4 GWs of renewables up to 2035. In Vietnam, just to give another example, you have the Power Development Plan 8, which increases the 2030 renewables capacity targets versus the previous plan increases by around 40% for solar and almost triples for wind.

If we move to Slide 7, and just going a little bit more in depth on the REPower. I think what I'd mentioned here is, clearly, Europe is leading the way. So as I mentioned, the target increasing to 45% by 2030. Overall renewables in electricity sector expected to grow from 36% in 2020 to almost 70% by 2030. And so I think it's worth highlighting this last bullet here, which is very striking. The annual additions to ramp up for solar is around 3.5 times to 48 GWs per year and around 2.5 times for wind onshore to 36 GWs per year. So the total renewables installed capacity need to increase by 2.5 times by the end of the decade to reach more than 1.2 terawatts by 2030. So clearly a lot of ambition, but there also needs to be execution and we're convinced that more or less bumps in the road, but there is going to be this push to grow.

If we move on to Slide 8, an ambitious plan as I mentioned but it needs to be executed. And so just highlighting some key points that I think should be addressed and that we've been discussing at various levels, whether it's at the member state level or whether it's even if the European Commission level. There is definitely a need for faster permitting. This is something I think that we can all agree with. I can digitalize it, simplify it, standardize it, so clearly you need to also have more resources here. The plan, so the REPowerEU has mandated an average development time of two years, what currently easily exceeds three year. So clearly, there needs to be push here. I can tell you that we have been getting a lot of -- or having a lot of dialog with the different countries to see how to do this and I do see movement here and I do see sort of a willingness to try and increase or to accelerate the permitting.

Second, easier grid connection. Hybridization, repowering all of this requires fast-track permitting, but also the long-term grid planning and investment. So that needs to go hand in hand with the increase in the build out of renewables. So, Europe overall, we expect it to need an additional 85 GWs of interconnection capacity by 2030. Finally, last but not the least, again, regulation definitely important. Stable, adequate regulation to incentivize investments in the region. And so reduction in the market intervention and giving you

visibility on auctions to promote the build out of renewables. So it's not just about setting the 2030 target, it's about setting almost annual targets over the next couple of years to make sure that we get to the 2030 target. So clearly strong measures, also a sense of urgency, driven by the macro context. Probably not -- we won't see a very short-term impact, but definitely mid-term outlook is positive and we think EDP renewables is very well positioned to capture this additional growth.

We move on to Slide 9, just to talk a little bit about where we are in terms of the capacity buildup. We already have more than 50% of the '25 target committed. So we've increased it by around 4.6 GWs. Now, this includes all capacity with long-term contracts or with Capex committed. So the 3.2 GWs already operational, 3.2 GWs that are under construction, and the rest that we've already secured typically with PPAs. We continue to have good visibility on the execution of the plan. We currently have more than 3 GWs of PPAs currently under negotiation and obviously we continue to follow also our investment criteria, which we've talked about in terms of IRR over WACC and also spreads over WACC. So what I'd say here is, we are confident on the execution. Even recently, we took a step back and looked at how things were progressing. And I can tell you that we are very confident on this. We continue to secure a different growth opportunity. So it's diversified in terms of platforms and technology and growing across the different regions. On the technology side, I mean we have a great track record on wind onshore. We are developing very quickly the wind offshore. I think the last six months have been very strong in wind offshore and for solar PV, we've been working on it for quite a few years. And so, we also continue to see good growth here in the various different markets and also in distributed solar, quite frankly, both in North America and in Southeast Asia, where we see that that is a technology, which has a lot of scope to grow.

Specifically on offshore, Ocean Winds, our partnership with ENGIE, 50-50. It is a major source of growth. So we currently have 12 GWs portfolio. So we've almost doubled the portfolio we had as of the Capital Markets Day back in February. I think it's important to highlight the development projects in France, the UK and Poland have inflation updated revenue secured. So we are well protected against inflation risk. This is a question we get asked quite frequently. Moray West, one of our projects in Scotland is under construction as of very recently, July. It's been awarded around 200 or 300 MW CFD contract at GBP0.47[ph] per MW hour as of 2022 prices and we have complementary corporate PPAs, let's say, for the full number of MWs of Moray West and then we also have a small merchant component of this.

Another point which I think is worth mentioning. As you know in ScotWind, with approximately 1 GW or the reference we gave to the market was 1 GW, was actually confirmed this month that it's actually 2 GW capacity potential. So, thanks to a UK grid reinforcement plan that was recently announced, we will be able to double the capacity coming out of the Caledonian project. As you know, Moray East, Moray West and Caledonian are all contiguous up in the Moray Firth and so I think that gives us quite a lot of, again, visibility, let's say, of growth in Scotland. Also, I think it's interesting to note. We have a floating offshore development project in South Korea with grid access already secured since the beginning of 2022 for 1.3 GWs of capacity. So that's something that will be seen, the development of that over the next couple of years. So just to summarize, Ocean Winds,

1.5 GWs installed capacity, 3.5 GWs under development with long-term revenues contracted and 7 GWs under development projects with seabed or connection rights secured. So definitely a reference in the wind offshore sector.

Moving on to Slide 11, asset rotations, definitely being interesting market dynamics, but I'd say positive. We were asked lots of questions about whether the increase in interest rates was going to have an impact on asset prices. What we're seeing is that this has been more than offset by higher energy prices in most of the market. So we continue to see very high appetite from investors. We continue to see strong asset values because as I say and higher energy prices offsetting or more than offsetting interest rate increases, so we clearly expect to be above the EUR300 million capital gains. We've already closed two transactions this year. So, one was the 150 MWs Polish portfolio, closed at around EUR2 million per MW. The second transaction in June was a Spanish wind portfolio, 180 MWs at a multiple of EUR1.8 million, so gains from these total around EUR100 million. We already have 2.6 GW, EUR1 billion euros of assets rotation proceeds out of the total of 8[ph]. So I think that really shows that we are able to recycle capital to reinvest into accretive growth. We have other transactions under negotiations and hopefully we'll get visibility on that over the rest of the year. So we are reconfirming the assets rotation gains in 2022, barring any sort of accidents or some sort of unexpected issue that might come up.

On Slide 12, let's talk about average energy prices or selling prices. I think definitely this is something which we have benefited from in the first half, so an increase of around 27%. As I said, generally higher prices throughout Europe. We expect this level of average selling price per MW hours to be maintained until the end of the year. And although we have a high level of long-term contracted revenues, so close to 94% for 2022, we will still have some positive impact from the current environment. Going forward, as the hedges gradually rollover, we will be able to gradually reprice our renewables generation more in line with the current market environment. So merchant exposure as a percentage of total revenues should be on average around 16% in the period '23 to '25.

So we will clearly be reaching average selling prices above the assumptions in our strategic plan. Also, note that -- we've mentioned this on previous calls, but we are adjusting our hedging strategy to slightly increase exposure to the market on a more structural way and to avoid over-hedging situations in the case of low renewable resources and high merchant prices. I mean, just given the market context and what we expect over the next couple of years, it seems like the sensible thing to do. Overall, we expect a net positive short and medium-term impact from this gradual repricing on our renewable generation, even considering some negative short-term impacts from government intervention in electricity markets like Romania and Italy.

So last slide on my side, just before turning it over to Rui on ESG. A couple of quick comments here. First, obviously, 100% of our Capex to fully align with the EU taxonomy. I mean the core business of EDP Renewables is 100% focused on renewables. Regarding circularity, a waste recovery ratio of 77% in line with our commitments also of achieving the circular economy target in the business plan. On the social dimension, in something which I'm particularly happy, the percentage of female employees has increased to 33%, so a 2% increase versus last year. So I think that reinforces our commitment to diversity. Health and

safety not so positive, but an average of 68 working days lost due to work related accidents per million worked hours.

We want to do better on this, we have a specific program called Play it Safe which is company wide, where we are really focused on making sure that we have an impeccable track record on health and safety. Also, proud of having subscribed to the United Nations Sustainable Ocean Principles. As you know, the conference was here in Lisbon and we took part in that and also the United Nations Women Empowerment Principles, so clearly aligned with our growth in ESG strategy pillars.

I'll turn it over now to Rui to walk you through the first half numbers and then I'll come back at the end for some closing remarks. Thanks.

Rui Teixeira: Thank you, Miguel. Good afternoon to you all.

So let's move into Page 15 for the first half results. So I'd like to start with the main highlights. So we achieved EUR976 million EBITDA. This represents a 49% increase versus last year. Net profit reached EUR165 million. So that's a EUR123 million increase also versus the first semester of last year. We generated 17.8 terawatt hours of clean energy. It's an increase of 16% year-on-year. Revenues were also positively affected by the average price increase from 27% year-on-year. This comes from higher prices in Europe, but also from the Spanish regulatory framework that (inaudible) through the second quarter. We also have closed two asset rotation transactions within the approximately EUR100 million, EUR99 million to be precise of capital gains included in the EBITDA.

On the other hand, financial costs increased EUR74 million, mainly due to higher interest rate increase of that, on the back, of course, of the strong investment plan and the growth Capex plan, but also, of course, with the Sunseap acquisition and equity contributions to Ocean Wind. We also have a negative impact of taxes in higher non- controlling interest in net income. So all in all, very strong results, benefiting from a solid performance of EDPR-based portfolio, better resource and price.

So if you move to Slide 16, by the end of the first half, EDPR have recorded capacity under construction of 3.2 GWs. I mean this is a record number of MWs under construction for EDPR. This is 1.5 GWs of wind, onshore and also essentially a very substantial high number of 1.3 GWs of solar capacity, with a total portfolio of 13.8 GWs, very balanced across the different platforms. So North America 51%, Europe with 40%, Brazil 6% and APAC representing already 3% of this pipeline.

In the first half, we achieved very sound operational performance with 33% load factor. That's a 2 percentage point increase versus last year, reflecting a renewables index 2% higher than the expected long-term average gross capacity factor. This also compares well with the first half of last year. So the electricity output increased 16% and, of course, this is on the back of the capacity additions, but also the higher renewable resource, which as I said, compares very favorable with last year. So as a result, we generated 17.8 terawatt hours of clean energy in the first half of this year and avoided 11 million tons of CO2 emissions.

So if we move now to the selling price, the average selling price in the period was 27% higher year-on-year at EUR65 per MW hour. In Europe, the average price increased by 36% to EUR105 per MW hour and this is mainly due to the higher realized market prices in Poland, in Italy, and very importantly the update of the Spanish regulatory framework. In North America, the average price increased by 3% in local currency, due to higher merchant prices but again not so high as in Europe. In Brazil, average price was down by 1% to BRL144 and this is on the back of the more competitive assets that have been added recently to the portfolio. So all in all, revenues increased 45%, totaling EUR1.2 billion, mainly on the back of additional installed capacity, higher average selling price excluding the sell-down that accounts for an additional EUR65 million -- EUR69 million, pardon, year-on-year, along with forex translation and others which is about EUR100 million.That's year-on-year.

On Slide 18, looking to the net profit, net profit totaled EUR265 million. That's an increase of 87% year-on-year. Of course, this is on the back of the top line performance that I just explained, partly offset by some higher financial costs and of course controlling interest. So the financial costs are up by EUR74 million. This is mainly due to the increase in debt, the increase in average cost of debt year-on-year, negative impact of the forex. Taxes, we have an effective tax rate of 15%, that's 3 percentage point below last year and minorities of EUR120 million, increasing EUR56 million year-on-year versus on the back of the positive top line performance in the portfolio where we have the minority partners.

So just moving to Slide 19, and just to finalize before I hand over to Miguel. As of June, net debt was EUR5.2 billion. So that's an increase -- a EUR2.3 billion increase versus December closing, reflecting in one hand the investments in the period, like the acquisition of Sunseap, the equity investments at Ocean Wind and, of course, the impact also from some forex translation.

On the other hand, asset cash flow generation, strong asset rotation strategy where proceeds reached EUR975 million in the first six months of the year on the back of the deals concluded in Europe also generating -- showing a very strong cash flow generation. Tax equity in US remained mostly flat over this period at around EUR1.5 billion. Note that we do keep a very high weight of fixed rate debt, so at 85% of total debt and with further reinvestment in local currency, so matching assets and liabilities. So the US dollar and

euro-denominated debt, they represent more than 80% of our total debt. So all in all, despite the increase in net debt, I think it's clear that this is in line with the strong target divisions, the record Capex or the record number of projects under construction and of course this is in line with what we set forth for the period of 2021 to 2025.

But, Miguel, I'll hand it back to now for closing remarks.

Miguel Stilwell d'Andrade: Thanks, Rui.

So just last sort of key takeaways. I'd say, six points. The first, solid first half results, so the increase in EBITDA, driven very much by the increase in generation, but also selling prices and, obviously, resulting then an increase in net profit. So, first point. Second, record capacity under construction, 3.2 GWs. 1.8 GW of wind, 1.3 GWs of solar, part of that will be added in 2022. Some of it will still come in 2023 for reasons that we talked about earlier.

Third, committed capacity already more than 50% of the 20-GW target set for '25, so 10.6 GWs capacity with good returns and good risk profile. Fourth point, Ocean Winds. Strong portfolio, almost doubling what we had in the Capital Markets Day, so to around 12 GWs. So continue to show good growth in multiple different geographies, whether it's in Scotland or in France or in Poland or in the US or in South Korea. I think it's showing good prospects. Fifth point, good asset rotation prospect for the year. As we saw in the last quarter, so two transactions closed, another one signed and other deals under negotiation, so on track there and as I've said, interest rate increases being typically offset by energy prices expectations going forward and a lot of demand, just from investors in general.

Sixth point, growth outlook, strong, very strong. I mean REPowerEU makes Europe clearly taking the lead by the ambitious targets, but also focusing on trying to simplify things like the licensing and permitting and interconnection. So I think that is an area that the member states are working on, probably not having a short-term impact, but certainly medium term, we think it will continue to be, but there will continue to be this public support for renewables for all the reasons that I mentioned, decarbonization, but also energy security and affordability. So overall, we are working on creating good growth opportunities that are diversified, both in terms of regions and technologies. That's -- we'll continue to do that. I think that's part of -- or the value-added that we are bringing, using our scale to buy well, to using our competencies to build well, and to continue to develop. And so in that sense, very focused on executing the plan very focused on delivering the targets that were set out last year and we will be working over the next couple of months to even revise some of those targets.

So once again, thanks for attending the call. We can now move to Q&A.

Q&A

Operator: (Operator Instructions) Our first question comes from the line of Manuel Palomo from BNP. You're now unmuted. Please go ahead.

Manuel Palomo – BNP Paribas

Hello, good afternoon and thanks for taking my questions. I've got -- well, I will restrict to three. First one is on interest rates, you already commented on the impact from the higher interest rates on asset rotation that you see it's pretty limited. However, I wonder, to what extent and in light of the significant increase in the debt in the period, you said hiking interest rates could put at risk your future plan? So that will be the first one. The second one is on potential M&A. In the last couple of years, we've seen a couple of sizable transactions, Viesgo and Sunseap. And my question is whether you are considering or planning any additional sizable acquisition up to 2025 or do you believe that with what you have today in terms of price and so on, it would be enough to achieve the targets.

And lastly, I wanted to ask you about -- well, what do you think in terms of offshore business? You have commented repeatedly that you see very strong prospects in offshore.

However offshore is very balance sheet demanding, if I may. So, could you please update us on your views and plans for offshore? Will you continue to sell your stakes in earlier stage as in the past or are you willing to maybe modify that strategy given the strong prospects for that technology? Thank you very much.

Miguel Stilwell d'Andrade

Thank you, Manuel. So in relation to the first question, interest rates. I mean, no, I don't think -- so yes, we are seeing sort of interest rates obviously going up, but we are also seeing energy prices going up and so the two offsetting each other or more than offsetting in the case of some of the geographies. So with good demand and good valuations for these assets. In terms of increase in debt. I mean, it's something that we expect will normalize towards the end of the year and Rui can also give a little bit more detail on that, but we don't see that the increase in interest rates would be a, let's say, an obstacle or a bottleneck, to continue to execute on the plan.

On the M&A, listen, I don't know what you mean by sizable acquisition. We don't have anything specific on the, let's say -- of anything close to the Viesgo type transaction or Sunseap. We also continue to look at opportunities. And so you asked me until 2025. I mean, quite honestly I have no clue. We will look at opportunities. That's our job to also look at opportunities and if they make sense in terms of portfolio, whether it's technologies or geographies, then, we should do it. If we think it adds value to our portfolio, then definitely, we think it makes sense to do it. And so, we'll keep you updated on anything which we do, but there are certain areas where we think it could make sense, but we'll obviously keep you -- let you know if anything comes up, but again nothing of that order of magnitude.

In offshore, yes, strong prospects, balance sheet demand and I think that's a good way of putting it. It's true, but we do have that strategy of selling down stakes progressively as the project goes on maturing and so ranging from when it's -- we already have the 50-50 JV with ENGIE. So that's already a way of partly managing and derisking, managing the balance sheet and derisking. We typically find partners, so for example New York Bight, we owned 50% Ocean Winds with JV, so we're indirectly 25%. In the case of Mayflower, we went with Shell. So we typically find partners and we will then go on selling down stakes over time as the project matures. So we manage the overall impact on the balance sheet and I think that's a -- we prefer to be in multiple projects with decent stakes than to have too much concentration of capital in a single project and like that I think we can find a good risk return balance, let's say, overall in terms of the growth in this portfolio. In any case, Rui, do you want to comment as well?

Rui Teixeira

Yeah, Manuel, thank you for the question. Just related to the net debt, I mean what we are expecting is that net debt will go down to around EUR4 billion -- between EUR4 billion and EUR4.5 billion by year end. Of course, the first half, we have the impact of the Sunseap acquisition and given that we show -- we have more than 3 GWs under construction, there was already some cash out for the period. But as we move through the second half,

basically, we'll have, in one had, the cash in from the asset rotation that we are still working to sign and close that we expect to happen before the year end. Also there is some seasonality in terms of the working capital with the successor[ph] supplier and basically we expect this to reducing towards the year end. And as Miguel said, I mean, we are not expecting any material change in terms of our cost of debt. I mean as of now, as you saw, it went up from 3.5% to 3.7%, so it was not material because most of the debt is fixed. Whatever interest rate environments we will live in, we'll also know that we'll have that reflected into the power prices. So we are seeing that happening.

Alberto Gandolfi – Goldman Sachs

Hi, afternoon, and thanks for taking my questions. I also have three. The first one is on REPowerEU. I think Miguel you explained very, very well the end game, and that we are lacking details. But to your best knowledge, could you maybe share with us what do you think pragmatically are going to be the next steps? So, when are we going to see maybe legislation in all member states or in the big member states that is actually going to accelerate the conversion of the pipelines? When are we going to see actually those higher level of about potentially up to 100 GW or maybe later in the decade, even 150 GW a year of wind and solar auctions in a given year. So just trying to gauge, when will we see your P&L benefiting from it. Is it 2025 at best? Can it be a bit in '24 or is it really in the second half of the decade? The second question is, maybe, if you can give us a bit of an update on returns, you already said a lot. I'm particularly interested in trying to understand where you see returns going in this current backdrop and are you planning to change your strategy to be maybe a bit more exposed to merchant's prices given -- despite price gaps, given that merchant prices provide much stronger returns. And more to the point, there is about 12 GW in the JV of offshore. And again, most of those are in the second half of dedicated. Who knows what the returns may look like, but can you tell us if you still are targeting the same IRR minus WACC of about 200 basis points or 300 basis points perhaps on those projects. Should they be more or less profitable than the rest of the portfolio? I'm specifically referring to offshore.

Last question, it's basically a segue from question number two. 6 GWs on your share of, well, let's say 12 GWs for the JV and half of that for your share. It's quite a lot of money. So if we start to put together a net debt including tax equity partnerships, leases, maybe in the neighborhood of EUR7 billion at the end of the year and then you need -- you're about to see an acceleration in projects in Europe, in offshore. How are you going to fund it? Are you open? So should we expect every three years, an equity raise from you and nothing wrong with that. I think that it's for a good reason, right. You have plenty of projects to pursue so I think it's okay, but I'm just trying to think how are you thinking about it. Is it going to be more farm-downs or would you actually prefer to retain a little bit more and then try to use some equity? Thank you.

Miguel Stilwell d'Andrade

Hi, Alberto. Okay, great questions. So let me take them one by one.

REPowerEU, so we are already seeing governments take concrete steps to try and simplify. I can give you a very local example which is in Portugal, the government came out actually just this week with what's called the Simplex, so a package of measures which is now for a public consultation until September where they are essentially streamlining the process, finding ways of reducing the environmental constraints within reason, but it's a dedicated package to simplifying and to accelerating the licensing and permitting of renewable projects. So that's one example. But we can go country by country and some haven't made it public yet, but I would say that almost all of them are talking to the associations to the companies, to trying to understand where are the bottlenecks, how can they help and so that is work which is being done, but it will take months, let's say, to then get into -- to get the resources and the actual simplification is done into law and sort of take out some of the bottlenecks, but I'd say sort of 12 months, 18 months, you'd start seeing already, hopefully, concrete impacts of projects beginning to be accelerated and towards the '24, '25, you'd start seeing some higher growth already coming through from that. So let's say -- I don't think I'm being too optimistic, but let's say that for me, it would seem to be the reasonable sort of timeline. Even Germany is sort of really pushing forward in terms of inverting the onus of proofs that you basically need to -- renewables are considered strategic assets and you now need to prove that building renewables will be harmful as opposed to you having to -- us having to prove that we won't do any harm. So there are measures that are being taken and I think governments are very focused on that.

On the second one. So offshore returns and in general, more exposure to merchant, so in the past, well, we are in a different world, okay? I mean, the world has changed definitely over the last couple of months. In the past, the difference between doing a long-term PPA or going merchants in terms of risk reward clearly was in favor of doing the PPAs because the projection of energy prices versus doing a PPA, I mean, with the additional risk of being merchants, you might as well just lock in that price for the next 15 years. So 18 months ago, I don't think -- or 12 months ago, there was no doubt about what was, let's say, the best risk return strategy. I think where energy prices are now, certainly for the next two or three years, that changes slightly. I don't think it swings all the way to the other side. So I certainly wouldn't -- or we wouldn't consider or advocate doing fully merchant because it does have a lot of volatility and prices can go up, but it can go down as well.

And so if you're counting on very high prices, you can get squeezed hard on that. Having said that, I think having long-term PPAs and then what they nowadays call either merchant nose or merchant tail or a small component of merchants, so you can maybe get an actual kicker in returns. I think that is, let's say, appropriate given the current market context and what we expect over the next couple of years. Specifically, you were then asking about the JV in sort of the offshore. I mean in offshore, we target 1.5 times cost of equity, which, again, will be country specific, but we normally look at it on a cost of equity approach because -- since we have minority interest there, so it's normally project financing.

And so, the appropriate measure would be in the cost of equity that we're getting on that, but we're talking about double digits or very high single digits in most of the geographies where we're in. And so it's a good spread on the cost of equity.

In your third point, listen, it's a deep question. We are definitely comfortable with the current business plan in terms of the financing of that. As we mentioned the debt, we are expecting it to normalize more towards the end of the year. So I think I wouldn't read too much into the net debt level at the end of this semester. Having said that, we are obviously accelerating the Capex. And what I'd say to you is the following. Probably, beginning of next year, we would normally go to the market to update, let's say, just looking at where the market -- where the market is in terms of interest rates, in terms of energy prices, in terms of the prospects for growth, et cetera.

And so we're going through that exercise, but of looking at what are the prospects of growth, I don't have a concrete answer except to say with the current business plan, with the current assumptions, we are comfortable the way we are. And so, we don't need to go beyond in terms of farm-downs or capital raising. And so those options. I think we're sticking to our plan, but obviously, if we think it's appropriate to go back and revise that, we'll do that at an appropriate moment, but for now, I'd say the plan is credible and it's fully financed.

Rui Teixeira

Alberto, it's Rui here. Just again to highlight, bear in mind that when we look to the offshore, and of course, offshore is very capital intensive at different stages of the project development either at when we start participate in the auction or pre-COD -- or sorry

pre-FID or at COD. At some point, with Ocean Wind, we'll be selling down stake. So the point is exactly acknowledging that it's a very capital intensive and throughout the process, we will be bringing in partners, different profiles. So that also supports the funding of (inaudible) portfolio.

Jorge Guimaraes – JB Capital

Hi, good afternoon. I have two questions, one of which is a follow-up from your answer to Alberto. The first one, if you can elaborate on the current levels of Capex, namely for solar PV because some players are speaking about EUR0.6 million, EUR0.7 million per MW for installations in 2022 and 2023 in Europe. So I would appreciate your view on this.

The second one is looking at the objectives here in Iberia and Spain and Portugal, solar seems to be very much ahead of government objectives, but wind, not so much. Would you consider to speed up installations in wind in Iberia or it's just a matter that the market is not attractive enough? And the final one and the follow-up to, you mentioned high single digits. Is it for project returns that allow for that ROE equals 1.0 time -- 1.5 times cost of equity or high single digit refers to the project to the equity IRR. So high single digit is project IRR or equity IRR in offshore? Thank you very much.

Miguel Stilwell d'Andrade

Okay. Jose, hi. So in terms of current level of Capex, I'd say that's right. I mean it has gone up, so probably we are talking, again, a year ago, probably below -- would be below EUR0.5

million, I mean projects coming out on EUR0.4 million or thereabouts. So Capex has increased, both on the PV and the turbine side, for the projects that aren't -- let's say, that didn't have already the contracts locked in. In terms of the objectives for Portugal, solar is moving forward, wind could speed up. In Iberia, in general, yes, definitely. And I think there -- but it goes back to one of my comments that, I mean, wind in Iberia is also very competitive onshore or onshore has been -- is very competitive. It would be good to get visibility on auctions or, let's say, that would be happening in Portugal and in Spain over the next couple of years. I think it would be good for you guys or it would be good for us to be able to think about allocating resources and sort of what can be the expectation in terms of the build out of both technologies.

For corporate PPAs, it is possible to to do wind and obviously, solar. I think it will probably speed up once they also can simplify the licensing and permitting projects, but it is not going as fast as solar at least at the moment, and certainly not in Portugal and not in Spain.

On return on equity. So we would normally target, let's say, double-digit return on equity. As I say, it depends on the geographies. High-single digit would be in a very low risk market. Normally, what we find is that when we do the asset rotations or the sell down of the stakes, then these returns go up into the probably high double digits and in fact -- well, I can tell you just looking at recent -- well just looking at Moray East at the moment, for example, it's -- I'm talking about very healthy return on equities that we're getting, so above 20%. So I think in that sense -- so I hopefully I've answered your question, but so that would be the returns we will be looking at. That would be spread to the cost of equity of the country.

Jose Ruiz – Barclays

Yeah, hi, good afternoon. Just two questions. The first one, if you could give us a little bit more color on what is going on in the US. You mentioned the legislation package is not going ahead would have been mentioned in a position to payments of tax credits. If you can throw a little bit of a light, if this is just temporary or the future looks more positive?

And the second one on the Slide number 10, you mentioned Moray West. You're going to be combining two ways of protection. One is the CfDs and you say you complement with corporate PPAs, the remaining capacity. Can you mention why are you doing this? You're getting higher prices in corporate PPAs or it was just a limitation of how much CFTs you could get for Moray West? Thank you very much.

Miguel Stilwell d'Andrade

Okay. So in relation to the US, so as I mentioned, I think, in terms of the Build Back Better definitely been -- well, it's not going forward. I think that was killed. That was quite public sort of about a week ago for the second potential version of the Build Back Better. And so, I think we're in the base case scenario, which is we -- the structural demand in the US is there, whether it's from the renewable portfolio standards, whether it's the corporates. More than half -- I mean almost 60% of our PPAs and projects in the US are corporates. So we continue to see strong demand there. Renewables continues to be very competitive If the Build Back Better had gone forward, it would have been an upside to that. It's not going to go

forward. So I'd say the next, let's say, potential area of -- so what's the base case is the PTCs and ITC's phasing out, so that's what's been agreed and that's what's built into the business plan. The only additional thing that could happen now probably is the extension of the current level of the PTC, so improving versus the base case. That would typically happen at the end of the year.

I mean, let's see, again, we're not holding our breath for that, but that would be probably the next data point that we would get. What I would mention though is in terms of -- so in terms of the tariffs, as I said, the two years, that's -- President Biden has given that. So we have two years in which you have visibility that will be zero tariffs. By then, the Department of Commerce will have concluded the investigation. So we will have visibility on are there going to be any tariffs or not and what would be the level in that case.

I did mention bureaucracy because I think that's something that in the short term is impacting, actually, bringing the panels into the US. It's not a structural issue, but it's a short-term logistical issue. So structurally what I'd say is, we're assuming the base case. Could be some upside now at the end of the year, but let's say. We're not building that into the business plan.

On Moray West, so this is called revenue stacking, actually the other way around. So we had a corporate -- we're not necessarily sitting around just waiting for the CfDs to come come by. So we have an active presence in the market looking for corporate PPAs. Yes, in this case, we had two corporate PPAs that we were well advanced in that we've locked in. So we went for the CfD. This is the volume of CfD that we needed to basically complement, let's say, the projects is what we needed. So we already had the corporate PPAs. We locked in now the CfD. It means now, we're fully set. In fact, we took the decision to move forward with the construction of Moray West. I think we'll see more and more of this, which is revenue stacking, so not just having a single -- I mean you can also have just one contract for the full project if you want, but you can also do the bundling.

The advantage of that is you get some additional flexibility in terms of price, even in terms of conditions, whether there's revenue sharing or not. In the CfD, it is what it is. I mean, it's set, you bid for it, you look it in with a corporate PPA, you obviously have some additional flexibility to discuss terms when it kicks in, when the CfD comes in and all of that. So if you can find them, there are also good contracts to have if the counterparty is credible. Hope that answered your question.

Skye Landon - Jefferies

Hi, thank you very much. I just wanted to ask about the -- on construction capacity which obviously 3.2 GWs is a nice uptick from 1Q. I'm just wondering if you could provide a timeline of expected -- so the big moving parts specifically US. So the kind of the wind projects and also the Brazilian, Colombian projects. Thank you.

Miguel Stilwell d'Andrade

I mean we don't have a specific breakdown of that, but, let's say, if I am not mistaken around 50/50 of wind and solar. I mean, most of our wind currently or the big bulk of it is in Colombia and Brazil and that -- we are expecting Colombia to probably come in beginning of 2023. So that slipped slightly from the end of fourth quarter of '22 to '23.

Solar, I've already mentioned on the previous call, in the US, so that's slipping into '23.Overall for this year, we have an expectation of doing between 2 GWs and 2.5 GWs. And so, the delta, let's say, will be coming in 2023.

Fernando Garcia - RBC

Hi, good afternoon. I have a couple of questions. So first one, I would like to know the impacting that's also from the changing in regulation in Spain in the first half and what do you expect for the full year on this change of regulation? Then second question, you said, if I recall, well, in first quarter results that your usual PPAs prices increasing by 10% to 15%. I wonder if you can update that figure. Thank you.

Rui Teixeira

Yep, sure. Hi, Fernando. So on Spain, let me just run through the numbers. So we generate about 2.5 terawatt hours in Spain. About 60% of this is under this regulated price that now became -- the reference price became EUR120. And as you know, this is a retroactive, that also is impacting the first quarter when the price then was at around, I'd say, EUR60s. So basically this is -- that is this first positive impact. Then 40%, so the rest of 40% -- the generation of 40% is merchant. We hedge it at around EUR50 per MW hour. So effectively what we see is that, I mean there is an impact in the first half from this change in regulation, which is about EUR60 million, full year should be around about EUR150 million, but I would like also to highlight that this is positive for the system. So this is not only positive for EDPR. This is positive for the system because on the other hand, the incentives, so that premium that we should be getting into from the system goes down year-on-year from EUR58 million to EUR22 million. So there is a substantial decrease in that and that is a positive impact that the system also is observing. But I mean, again, just the number for us is EUR60 million in the first half and around EUR150 million after full year.

Sorry and the second question related to the PPA pricing, I mean, yes, we have been observing a PPA price increase and it's something that we have been, of course, discussing with the different uptakers [ph], depending on the tenure or the PPA, you will see different percentages. Again, if we're talking about typically the 15-year tenure PPA, that is much more driven by the Capex increase, so it does sort of range to 10%, 15% PPA price pretty much reflecting the Capex increase. If you're talking about shorter tenures, let's say, between seven years and 10 years, then it's more related to the forward curves and there, you would see a higher PPA price just because of merchant prices across Europe, a little less in US, but as well in US went up. So basically if you -- if we look to the shorter-term PPAs, you'd actually see higher increases than the 10% to 15%.

Arthur Sitbon – Morgan Stanley

Yes, thank you for taking my questions. I have two. I know you were mentioning some potential delay in the US with the -- well the bureaucratic procedures on solar panels. I was wondering if you stick to your target of adding 3 GW of capacity in gross terms per year on average for 2022, 2023. So that's my first question. The second question is a bit more detailed. Its on the contribution of associates. In H1 this year, it's up EUR80 million versus last year and I was wondering which asset is the growth related to if it's sustainable and which level we can expect on associates for the full year? Thank you very much.

Miguel Stilwell d'Andrade

Hi, Arthur. So in relation to your first question, I mean, yes, so we've maintained the target for '22, '23. Obviously, '23 is going to be a busy year, but I think what I'd say is we are getting it well advanced. So we've got the 3.2 GWs under construction, which means

-- and then, most of that will be coming in 2022, part of that in 2023 and we'll also be continuing to launch additional projects, let's say -- the building of additional project for 2023. So 2023 will be obviously an intense year, but I think the teams are all -- we've been ramping up also in terms of teams and internally to make sure that we can deliver that. So we have seen that also in terms of headcount and personnel.

On the second question, it's mostly Ocean Winds, but not only, also some additional projects in the US and in Europe. So Spain and the US mostly, from where we have sort of interest in projects. And those additional, let's say, results are coming through the associates line. And is it sustainable? Yes, I mean given the current market context, it's something which we expect will continue going forward.

Olly Jeffery – Deutsche Bank

Thanks very much and good afternoon. I have one follow-up and then two other questions, please. The first one is a follow-up on your response to Fernando regarding the impact from the change of regulation in Spain and you mentioned this year that's a net beneficiary of EUR150[ph] million EBITDA versus before that change in regulation. When we think about 2023, I understand the fixed element will be lower than perhaps the power price assumption will be higher as well. How should we think about the net effect of that in '23 versus before this change in regulation? That's the follow-up question. But the second question is on, just to come back the return metrics, at full-year results, you said that for the 8.4 GW, you then have (inaudible) the NPD as a Capex of those project was at 35% and since then you've done an additional 3 GW and power prices have obviously moved up quite considerably. What's the NPD over Capex for the 2 GWs broadly that you secured additionally in the first half of this year?

And then last question is just on the gains. The target you still have in place that's looking to be more than EUR300 million, but less than last year's total of EUR500 million and I know you've done EUR100 million so far. Last year you had one project, the Portuguese project, where you felt, on exit, generated over EUR300 million in gains. It was a huge project for

gains. I just wonder of the US project you have in line and other projects you're working on, is one of those similarly very largely sized in potential gains or the gains quite evenly mixed across them? All of that would be much appreciated.

Rui Teixeira

Sure, absolutely. Hi, Olly. It's going to be higher than the EUR150 million. So first, by November, we'll have the 2023 price being defined based on -- it's a basket of different forward curves, but it's likely that at this point, we will see a higher price than the reference today. And secondly, I mean as we also have some hedging that basically we'll increase because of the hedging for 2023 is higher. Then overall, I mean we will have a higher impact in our EBITDA in Spain in one hand coming from the regulation and also coming from the hedges.

Miguel Stilwell d'Andrade

Okay. So I think that concludes the questions. Hopefully it was useful. Thanks for taking the time. Once again, I know it's a busy week for everyone, but thanks for taking the time to talk to us.

I think it was a good quarter, good first half, and good prospects going forward. Good prospects, not just for the rest of the year, but I think for 2023 onwards. So above all, I think the feeling that there is a very structural tailwind in favor of renewables. And so there will be ups and downs, but I think the structural growth is there and that's what we're working on, just making sure we can continue to grow the company and continue to create value. Thanks very much and talk to you soon. Take care.

Operator: Thank you for joining today's call. You may now disconnect your lines.