

EDPR

Tuesday, 31st October 2023

14:00 Hours UK time

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 & ESG

Other Participants

- **Pedro Alves**, Analyst
 - **Alberto Gandolfi**, Analyst
 - **Javier Garrido**, Analyst
 - **Manuel Palomo**, Analyst
 - **Jenny Ping**, Analyst
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Miguel Viana: Good afternoon, everyone. Thank you for attending EDPR nine months 2023 Results conference call. Here we have with us our CEO, Miguel Stilwell Andrade; and our CFO, Rui Teixeira, will run you through the key highlights of our nine months 2023 execution and financial results. We'll then move to Q&A in which we'll be taking your questions, both by phone and the written questions that you can insert from now onwards in our conference webpage. This call should last 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 it's been a very eventful few months since we last spoke in July. And I think it's clear to everyone that the renewable sector has been impacted by some negative news flow, which is also ended up impacting EDP Renewables share performance.

So I really hope that this presentation today will provide some useful and important data points in information both in terms of the sector, how we're seeing it. And also in terms of EDPR, both operationally and financially.

I think just to start off by the bottom line. Literally, I mean, we believe that the 12% increase on recurring net profit of EDPR in the first nine months of the year is an important data point.

There are things that are going quite well, very well. I mean if you look at the successful execution of two important asset rotation transactions both the Polish one and the Spanish one that was obviously, a very strong contribution to that result for the nine months.

Well, we had other positive developments in the period. And I think that's important to consider when we talk about the execution of our strategic plan until 2026.

The first one is perhaps just to mention that there have been important developments regarding government support to our sector, both in Europe and in the US and I'll comment on that in the next couple of slides.

But the second point is, that we've now around 9.3 GWs of renewable capacity secured for the business plan period that represents more than 55% of our target capacity for the period.

As an approved the average IRR minus WACC spread of more than 200 basis points for the projects approved in 2023 the average approved IRR minus WACC spread was around 120 basis points.

Now this is risk adjusted WACC incorporating the increases in the cost of capital over the last few months.

The important points and we've talked about this in previous calls, but is it both the PPAs and the centralized auctions if it can continue to show higher energy prices also that also later on in the slides. So this continues to be strongly supportive one target returns in the context of these higher interest rates. Capex has also evolved positively with significant reductions, particularly in solar and BOS. Regarding our asset rotation strategy, we've shown great execution with Yatra rotation gains above expectations. And we have around EURO.4 billion of sales on a around 400 MWs. Regarding headwinds, so well, those were the positives I've just spoke about. Regarding the headwinds that we faced this year and that we've discussed also in previous calls. I mean we had essentially 2 issues very specific issues that we've talked about, one was the supply of solar panels in the USA. That's now operationally solved. The construction rate is ramping up in the US now with the supply chain cleared with the you agree Forest Labor Protection Act compliant modules going through customs. So it has impacted 2023. However, we have now clear line of sight to the project is being built in 2024 and we have the teams ramping that up to get that done. The other issue we had this year is Colombia. I mean, the situation remains challenging. We have still ongoing, we permitting efforts for the transmission line, the interconnection line, which is a key bottleneck for the project. Unfortunately, there is also continues to be a negative impact of significantly below average wind resources, particularly in the US as we indicated in previous calls, and this is very much correlated with the El Nino effect. We've already given visibility to that over the last couple of months and quarters. I mean this is implied only a 3% increase in renewable generation versus an 8% increase in the average installed capacity. The decline of the electricity market prices in Europe also had a 7% decline on the average selling price in line with what we previously highlighted in the first half results conference call in July.

Overall bottom line as I mentioned the close to 400 million asset rotation gains achieved on the, the 2 transactions in Poland and Spain have more than compensated for the challenging operational context in the period until the net income is up 12% year-on-year. Now let's move forward to slide 5 and talk about government support and taking a step back and looking at the big picture. First, governments throughout the world continue implementing new initiatives that strengthen the structural push for the renewables build out and for accelerating this build out. The most recent update just as of last week as you'll have seen was the European wind power action plan or the wind package at 15 concrete actions to be implemented immediately to support the industry. And I'll just mention a couple of them, which I think are more relevant. There measures to improve and to simplify the design of the auctions including indexation to inflation which is extremely important, pre-qualification criteria and no negative bidding. So this is critical, namely, we also had issues like the decrease of caps, the cap levels of prices in places like France and Germany also that later on. We had just a widespread introduction of inflation updated prices and generally promoting the right incentives to long-term players in the sector. So I think this is definitely a positive.

In terms of permitting again something that the sector talks about a lot, there's been a reinforcement of the digitalization at the national level. We have the European guidelines really sort of reinforcing that for the different member states. We have seen work being done by the different member states to to accelerate this. There's also going to be a publication now November for an action plan on, action plan on grids addressing some of the bottlenecks. Particularly around grid reinforcement and expansion, again critical aspect for the scale up of renewables.

And finally, just regarding the wind manufacturers. There is an increasing the efforts to establish fair market standards and generally promote competitiveness in compliance. So again, obviously very important to ensure strong wind manufacturing sector supporting the industry growth. So the whole value change needs to be sustainable going forward.

On the right hand side, we have a couple of comments on the US. So, as you know when the IRA was published inflation reduction Act. There was some uncertainty on how some of the measures going to be implemented. The ITCs bonus guidance has now been published and that clarifies the key issues outstanding. It gives the sector clear rules of the game in terms of what our bonuses for the energy for areas with or projects built in energy communities and low-income communities.

Now the clarification came on the anti-circumvention tariffs again providing solar panel suppliers to the US with clear visibility of tax requirements. On the tax equity funding we see the market adapting to this as well. Now you can also you don't just need to have tax equity partners. You can also have transfer tax credit transfer ability between companies. So that's something we're also looking at for some of our projects. It's slightly different from the more traditional tax equity, but it could certainly be an interesting instrument as well for for financing the project.

And finally, maybe just regarding wind offshore just highlighting the importance of the recent pledges, the statements also the state governors from the fixed North East states and also from California, where we have one of our offshore projects. So clear support for the

wind offshore industry growth. One good interesting data point, the recent auction results in New York are very encouraging, incorporating much higher prices around \$150 per MW hour based on updated market conditions. And so we walked away from a PPA we had sort of in the mid '70s. So clearly the possibility to re-contract at much higher prices going forward. So I think the wind offshore development in the US can still be effective technology to efficiently decarbonize the US power sector. I mean the ecosystem still needs to be further developed, it's not as mature as the European offshore industry. But I think what these level of prices more projects will start getting built, and so that ecosystem will develop naturally.

If we move forward to Slide 6, changing topic, but one which I know is top of mind for many investors obviously top of mind for ourselves. So here we wanted to highlight that we are keeping our clear investment framework. It's a selective and disciplined approach. I said at the beginning, we have 9.3 GWs secured representing around 55% of the total 26 target which 3 GWs secured correspond to the 2023, year-to-date. And in 2023, we've already approved around EUR3 billion of capital, quite well diversified of our main geographies and technologies with wind in LATAM having the highest project IRRs and European wind representing the highest share. And you can see that clearly on the graph on the, on both the left and the right-hand side of the slide.

Apart from the cost of capital, So I think this is an important point. Apart from the cost of capital, which obviously depends on interest rates to a certain extent. Key variables for the profitability or the PPA price and so the cash yields for the first years of the project and also the energy prices post PPA. Now this is a question we get asked a lot. So I'd be very clear. We model conservative assumptions. Some cases with discount rates or discount factor is higher than 50% in the solar prices versus the base load prices, particularly in markets with high solar PV penetration. So this is something we've talked about this. The solar adjustment factor that should be incorporated and when we're doing the analysis of projects and we've been doing that for a while. We were very early on beginning to talk about this effect and that's what we consider in our models.

2023 projects have shown increase in absolute returns while preserving risk levels with 16 years of average contracted period, leading to a contracted NPV of >60%. This is important because it means that a significant part of the NPV is locked in. On average, Nominal Equity Payback Period was 11 years and spreads of IRR over WACC of ~220 bps.

So I wanted to highlight also that all these returns exclude additional upsides from asset rotation transactions. So most of the transactions we do the asset rotations. we do we actually end up rotating the assets more quickly and the IRRs are substantially higher and will talk about that later on.

But so value creation is supported by the higher contracted energy prices more than offsetting the higher interest rate environment and higher inflation.

And if we move to slide 7. I'll just insist, a little bit more on energy prices that said, we continue to see strong energy prices they're supporting long-term revenues resulting from government organized auctions, increasingly inflation updated and through corporate PPAs where demand supply balance and higher inflation are supporting the increase of PPA prices.

We've talked about that. So \$60 per MW hour, \$70 per MW hour 40 to 60 years per MW hour that type of range is much more common now whereas two years ago we were sort of in the -- in some cases EUR20 per MW hour to EUR30 per MW hour. So very significant increase in PPA prices between 2020 and 2023. in our portfolio. 70% increase on average in Europe and around the 50% increase in the US.

In terms of auctions, a couple of -- additional couple of data points, but in current prices were awarded in France, a EUR20 CFD at EUR85 per MW hour. We are -- we were awarded 43% of the total Italian auction, with a 20 year CFD at EUR65 per MW hour. And we were awarded a EUR15 CFD in the UK GBP71 per MW hour.

So I just wanted to highlight these are public numbers. And so we can point to them quite easily. But that gives you a sense for different European markets, some of the prices that we are seeing for this project.

In terms of merchant prices, over the last 3 months, forward electricity prices for 2024–2026 deliveries have also rebounded significantly, with a positive impact on our close to 14% current exposure in 2024 and our close to 20% for 2025 and 2026.

We move forward to slide 8. And let's talk about Capex. We have equipment prices going down this trend is more striking in solar than in winds. Turbine prices are relatively stable but in solar. We clearly see the polysilicon prices coming back down to pre-pandemic levels.

They had a very strong rise back to a normalized level and we've seen module prices, which had been in the region €15 cts/W. This is already material in our recent contracts.

In the US solar module prices are still higher than the rest of the world due to the difficulty in the imports, the tariffs and just generally moving the manufacturing base back to the USA. As you'll recall we contracted around 1.8 GWp peak with First Solar for 2025 onwards. And so that will support us in our let's say solar panel supply in the US going forward.

In terms of construction also downward trend in European cost both for wind and solar after pickup, particularly with the balance of plant in early 2023. All in all, we're taking advantage of this market momentum and we managed to have competitive procurement for projects to be delivered in 2025. Already more than one GW and continuing to prioritize the highest -- standards in our contract. I think this is extremely important.

Traceability is a keyword, not just in the US that for all of our procurement. So 2024, we already have a diversified supply chain with a high focus on this traceability to reduce delivery delay risks.

Let's move to Slide 9 and talk about the asset-rotation transactions in more detail. So we spoke briefly about the two transition two transactions in Spain and Poland. Very attractive multiples. We are positively impacted by buyers incorporating both higher electricity prices and the value from additional hybridization and possible repowering, despite the higher cost of capital. Now I want to point out something which is important. These assets are quite recent in our portfolio.

We had COGs in 2023 for Brazil, fourth quarter 21 for Poland and offshore UK and we actually bought the assets in Spain, in the fourth quarter of 2020 so. Lot of relatively recent

COD but the FIDs were mostly in 2019 when the cost of capital was very low. So when we get these multiples this is not a cost of capital arbitrage from investing at a time we're not, when there is a higher cost of capital and then selling when the cost of capital is lower. It's exactly the reverse. These were investment decisions that were taken when the cost of capital was lower we're selling them when the cost of capital is much higher and we're getting these multiples. Okay. So just to clarify that sometimes get the comment if there is a spread arbitrage what's happening here.

As we see in the graph, the asset rotation gains over invested capital achieved. It's a good proxy reference for cash on cash value creation. It's much higher for the 2023 deals and for the '21 and '22 deals. Matter of fact, after the asset rotation transactions that Chief project IRR is actually higher than 30%

Because you're basically concentrating all of the cash flows of the NPV in a much shorter timeframe until you get a much higher IRR from that asset rotation transaction and then you can redeploy that capital back into the business into new projects with higher returns.

Now, as we've stated in previous calls what we see is an increasing interest from strategic investors with a focus on renewable assets linked to ESG targets versus the usual financial institutions. We expect to end the year with more than EUR400 million of capital gains and proceeds of more than \$1.5 billion to achieve the 25% of the target proceeds for the full business plan period again year-after-year transaction after transaction we show that we can deliver the proceeds and the value creation.

So, capacity execution is on track. We've got an expected addition of around 6.5 GWs between 2023 and 2024 evolving as I mentioned was the profitability spread of around 230 basis points. We expect to install the bulk of this year's new capacity around

1.7 GWs by the end of the year. That's typically what happens back loaded. It's a big effort when compared to previous years. In terms of organic growth, we're talking about more than 50 projects being built globally in various different markets.

As I've mentioned, one of the issues we had this year was important launches solar panels into the US this is solved as I mentioned, this is going to be installed in 2024 and it doesn't affect our long-term relationship with one of the biggest solar manufacturers worldwide.

So we already anticipated 2023 would be impacted, but the cost of these delays in the US but we also wanted to share some of the positives, the team has done in terms of renegotiating the PPAs. As a result of digital. So we've negotiated renegotiated 1.1 GW of PPAs in the wet than average increase in price of 12% so around \$5 per MW hour and also pushed back on average about 7 months of postponed for the first energy delivery day to minimize penalties.

So what happened was in 2023 but substantially less than we would otherwise have had as a result of these delays. For 2024 we expect installations to be around 4 GWs, it could be more. But the Columbia project has proven challenging with the re-permitting process on the transmission line that's been enlarged now the permitting process to involve 130 communities in the consultation process. So we're assuming the 500MW will be delayed to post 2019.

Before, so that's already excluded from these 2024 numbers.

All in all, doing a really strong effort in terms of organic growth in the whole company is totally dedicated to really all the engineering and construction of more than 5 GWs of assets. More than 50 projects to be installed this year and more than 70 next year. So, I think the whole team is fully engaged on making sure that this happens.

We move on to slide 11 and just talking briefly about offshore so the investments from 23% to 26% our mostly projects under construction in Europe with strong economics for all of them.

The investments from 2023 to 2026 are focused on projects under construction in Europe with strong economics for all of them. They have inflation linked revenues, fixed capex and CoD for 2025 and 2026. Important to mention that EDPR owns minority stakes and so is very well diversified and with strong risk assessments. So we've locked in the top line inflation-inflation-linked, and we've locked in the costs, both Capex and financing at very attractive terms.

In terms of Under development, we have 9 projects totaling 10.5 GW with rights secured, and a total of 7.6 GW with low current devex of €0.2m /MW.

As an example, looking into OW 2 most advanced projects under development, B&C Wind in Poland has an inflation-linked tariff and not contracted capex yet. SouthCoast in the US, is a project with advanced permitting & interconnection and without revenues secured following the cancellation of the PPA with Massachusetts and without contracted Capex.

All in all, I think what's really important is that our investment decisions are based on this strict investment criteria with very short periods between fixing contracted revenues Capex and project financing terms. As I mentioned, the European projects are good examples of that.

Just finally talking about something, which is really top of mind for us for myself, fully for the whole team. Cash is king preservation of value is critical to increase the profitability and keep solid ratios and we just are very conscious that this inflationary environment is driving growth in terms of costs, but we are very focused on initiatives for driving efficiencies. So various different initiatives that we've been promoting over the last couple of months both on the Capex and O&M excellence programs.

We're adapting the cost structure to the company's growth pace. One note here is, in terms of our O&M structure, we have very strong structure 50% of our fleet is internal which means we have a strong negotiating power between outsourcing and in-sourcing O&M services and we can make sure we are arbitraging arbitraging that to get maximum value.

We have ongoing efficiency measures, which are expected to have a positive impact in 2024 accounts for more than EUR30 million of savings and we continue to work on additional initiatives. So being a leaner organization is absolutely critical issue for us to become a more efficient company and to continue to promote synergies taking advantage also of EDP renewables being part of the global EDP Group.

So we're extending also the global business services model which currently services EDP Group in both Europe and South America and we're expanding that service also to include or to serve EDPR in both North America and APAC. So we believe this will bring additional synergies and cost efficiency.

In terms of digital transformation, the digital roadmap implementation is expected to bring 10 to 20% of efficiency through process optimization and automation.

So finally, just before I turn it over to Pete. Just talking more globally about the market environment for renewables capacity growth bottlenecks is it really strong public private support for the energy transition transition execution in the next decade.

I mean of course there short-term challenges but the underlying trend continues to be there. We're continuing to see that strengthen. Just looking at the recent International Energy Agency messages around big fossil fuels this decade looking at the growth in solar that all the different countries are predicted predicting the growth in onshore wind and offshore wind.

So really it's a question of being selective in growth and focusing on value creation and taking advantage of this really secular macro trends. In terms of interest rates. They are expected to be higher for longer. We fully incorporated that but on the other hand, we also think that we're close to peak judging from the recent European Central Bank and Fed comments.

In terms of returns absolute returns for new projects are close to historical peaks that we've seen over the last decades. And as you know investing now for for 15 years in renewables. I mean this is absolute IRRs are obviously driven by the, the cost of capital, higher demand for renewable energy and the scarcity of ready to build projects.

Energy prices, as I mentioned throughout --, in the presentation. We see this upward trend in PPA and auction prices as well as merchant prices both in Europe and in the US and as I mentioned post PPA prices our models include conservative assumptions discount factors, higher than 50% and solar prices versus baseload prices, particularly in markets with higher solar PV penetration, I know that's a concern, I just want to be very, very clear. We'd be modeling that since the very beginning.

In supply chain Capex visibility on supply increases expected to have a positive impact on the renewables Capex prices and so on one hand, we have this indexation of project revenues to inflation and increased auction caps.

We have decreasing in prices, for example for solar and relatively stable turbine prices. So I think that eliminates plenty of risks that, that we've seen over the last 12, 18 months.

And I'll just pause there and I'll turn it over to Rui to walk you through the first half results and then we'll come back for closing remarks. And then Q&A. Thank you.

Rui Teixeira: Thank you, Miguel and good afternoon to you. Now let's move into the nine months 2023 results. So, in slide 15, as we already anticipated in the in the last call, 2023 performance is impacted by some short-term headwinds -- the most significant ones are those related with the low wind generation reflecting an expected impact of around EUR0.2 billion in 2023 versus what we were estimating few months before of around EUR0.1 billion.

I mean we already explained this weather cycles affect quarterly results but we include these into our long-term projections. So we don't expect any impact on the asset valuation coming from this, this cycles.

Also as we announced at the beginning of the year. Romania and Poland OpEx these are still having an impact in our accounts. For the nine months this year it represents about EUR71 million at EBITDA level still much lower than what was expected on the back of lower power prices in these two markets.

The impact is related mostly to the tax in Poland, which is due to in December this year and we have ongoing litigation against this poor implementation of the clawback mechanisms.

We have also incurred in costs with delays in US and Colombian totaling around EUR55 million in the nine months of the year and we have been working to limit the short-term impact mainly through successful PPA term renegotiation. So you asked is mostly secured, hybrid challenges still continue in Colombia as Miguel just explained. Also, as many of you that you already know, the Spanish government updated the reference price for the acquired assets. And with the being adjusted accordingly this is leading to an accounting impact of around 67 million in the nine months. Again this is a non-cash impact and also no impact the valuation nor the project returns. So we do expect these items to be fundamentally 2023 impact, although some could be here still in the beginning of 2024. I mean, for example, alinear, it doesn't care really about updates on December 31, but we fundamentally believe that these are 2023 impacts.

If we move now to Slide 16, we, we increase our generation by 3% year-on-year. This was driven by higher capacity in operation that to some extent mitigated the low wind volumes. Regarding the wind volumes Q3 reflecting below average wind resources, mainly driven by the US where gross capacity factors stood at 91% versus the P50 on the back of the El Niño pushing down the whole metrics for EDPR during the quarter. As you can see on the bottom hand right of the slide, a substantial blue area in USA with below average wind resource.

Now on EBITDA on Slide 17. Recurring EBITDA was EUR1.4 billion, that's minus 3% year-on-year, mainly driven by an increase of 6% year on year of installed capacity. That was really penalized by the low renewable resource. The lower averaging selling price minus 7% year-on-year with EU coming down from the abnormal peak prices that we saw in 2022.

Bond the other hand, a sustained increase of 8% in US. And of course the temporary headwinds in Europe and the Americas that I just explained.

Brazil, new capacity in operation contributing positively with a 30% year-on-year performance. APAC EBITDA was driven by new capacity in operation, along with a full contribution from Sunseap during the last 12 months versus the nine months 2022 solid contribution since February. The reduction of share of profits from associates was driven by the reduction of wholesale electricity prices in UK and the PPA cancellation penalty booked in Q2 that impact Ocean Winds books. And the asset rotation gains as explained by Miguel were higher than expected at around EUR0.4 billion.

So if we move now to Slide 18. As of September 2023 net debt was at EUR6.1 billion, that's EUR1.1 billion above December 2022 and this is driven by EDPR's organic cash flow, the asset rotation proceeds. These are not including the proceeds from the transaction in Poland.

But in the meantime, they were received in October and the \$1 billion capital increase which funded. The EUR2.7 billion of net expansion investments, including Capex and financial investments. So all in all, net debt over EBITDA ratio stood at 2.9 times.

But just looking a bit more into the debt structure. On slide 19, we are rebalancing our debt structure, reducing exposure to US dollar from the current 65% and broadly aligning it with our asset mix by market that's growing our US dollar denominated equity exposure.

This has been ongoing since June this year and we expect to be concluded in December, 2024. This is important. Following this strategy, we expected to have interest rates or interest savings from lower US dollar refinancing needs in the period of 2024–2026 with a positive impact of around EUR100 million and these were not included into our business plan financials.

So if we look to the financial results on slide 20 those amounted to EUR257 million in the 9 months excluding forex and derivatives financial costs increased by 31%, a bit more than half coming from higher average gross debt and the rest from higher average cost of debt to 4.9% and this is mainly from the combination of.

One the higher relative weight of US dollars denominated debt, as I said, it will go down over time.

Two, the new long-term shareholder loans with the current ones mature.

Three in the short-term cost of funding in euros. So this is coming from the current accounts that we have DVB short term lines for cash management EDPR debt has 82% at fixed rates. And again, it's very important to mention in terms of financial liquidity. This is cash and committed credit lines, it does cover refinancing needs beyond 2026 and that more than 70% of our debt actually is maturing post 2026.

Now on slide 2021 on the net profit recurring net profit totaled EUR467 million, that's 20% increase year-on-year and this is explained by better financials, lower taxes due to asset rotation gains fiscal treatment and lower minorities and this offset the EBIT reduction.

Nonrecurring recurring net profit accounts for events including the PPA cancellation in Massachusetts that Miguel just mentioned on US offshore project from and Romania provision in depreciation and amortization related to the Tax clawback and this is amounting. This is a total of EUR12 million.

So I will hand over back to Miguel for closing remarks. Thank you.

Miguel Stilwell d'Andrade: Thank you Rui. So just the closing remarks to finalise before we turn over to the Q&A.

I'll just start off by saying, we're here to create value and we invest throughout the economic cycle. We invest in renewable projects and we're taking advantage of this macro trend. I mean it sounds simple to say but really focus here is on creating value between the projects that we are investing in each particular moment in time where we are creating a spread of value versus our cost of capital and then we also sell some of those projects to finance that growth and to capture that value creation.

And I think that's been coming through very clearly over the last couple of years. It's important to also look at the context, increase the PPA and for electricity prices. That's in fact many many data points we can point to, both in terms of merchant prices, PPA prices in the various markets. That support that.

There's also a downward trend in the Capex. So there was high-inflationary period over the last 18 months basically, but particularly in solar panels. But in general, it's a balance of plant. We're seeing that really begin to come down particularly for 2025 and beyond.

One, we're beginning to contract investments.

So, putting these two together, higher energy prices Capex coming down cost of capital is incorporated obviously in in our valuations means that we're getting good returns on the investments that we are doing. And with keeping risks under control. We're expecting to do around 2.5 GWs in 2023 GWs have some MWs have moved into 2024.

For '24 we're expecting around four GWs let's say already excluding Colombia, which is about 500MW just moved to beyond 2024. This is supported as I say by us having now clear line of sight to the solar supply chain deliveries in the US and also having just a diversified growth by market and technologies.

Can then give you some more detail if you want that we can provide that offline in terms of where we think those MWs are coming from, in which markets,

The asset rotation execution in the third quarter as I said was, was done based on assets with a short time in our portfolio. So it's assets that we contracted over the last couple of years, we took an investment decision when cost of capital was at all time lows and yet we're managing to rotate them with good valuation multiples and obviously that's because people look at not just the intrinsic value of what we're selling, but also with the hybrid potential the merchant optionality the repowering potential in some cases.

So that more than compensates a higher interest rate environment. On the balance sheet, we've talked about that. We've got a strong balance sheet.

That's obviously been reinforced by this asset rotation execution. We're declining the dollar debt to rebalance that mix in generally, we have good visibility also on the tax equity financing in the US. so finally market environment, strong demand for renewables, it continues to be there.

I think that's undeniable independently of the headwinds that the short-term headwinds that the sector my face. There continues to be a scarcity of ready to build projects and we believe that this continues to create good conditions to invest with long-term attractive returns while controlling the risk and I think that's really at the core of what we do.

So we're not just to do volume for volume sake. We're in this to create value and make sure that we are being selective in the investment decisions that we take. We think it's possible to do for them because the market is growing a lot and get the returns that we're looking for.

So perhaps I'll stop there and turn it over to you for Q&A. Thanks.

Q&A

Operator: Thank you. Ladies and gentlemen, the Q&A session starts now. (Operator Instruction).

Miguel Viana: Okay. So we have the first question coming from the phone from Pedro Alves, Caixabank. Pedro, go ahead.

Pedro Alves – Caixabank: Hi, good afternoon and thank you for taking my question. The first one about this discussion about rising curtailments, not only in Spain, but also in US for instance in Texas. The question here. First, if you are being affected by this. On top of the El Nino effects in the latest quarter.

And secondly, if you are seeing effective signs or willingness to make grid reinforcement in in these regions. And then if you can comment on the potential risks that this curtailment may have for demand from corporate PPAs. Thank you.

Miguel Stilwell d'Andrade: Okay, thank you. So I mean curtailments our I mean exist there typically relatively localized when we're talking about let's say network curtailments on those excess let's say, excess supply of renewables are energy in that particular note. That's the case in some places in Texas, we have not been particularly affected.

In fact the curtailment this year actually come down for us globally in the US. We were more affected by this in Spain. So historically we never had any curtailments in Spain. We then had in the second quarter higher levels of curtailment that's come down slightly in the third quarter. I think it's important to say that first of all

Curtailments are bad. I mean you can be paid to curtail. In fact, I was just exchange messages. Early on, you can get paid to reduce power.

So there are only some types of curtailment which are actually negative, let's say, because, you're not getting remunerated for that loss of production.

In terms of, and as I say, in Spain, we've taken several measures to reduce the level of curtailment that would not be remunerated in let's say in some of the specific note. It's also important to say that in those cases it's normally because there is an excess of renewals. So it means prices are low, and so let's say the lost revenue is also low.

So it's not a major impact that we had and it was slightly larger in the Q2. It's lower in the Q3 grid reinforcement. So we haven't been asked. Well, we own networks. I found EDP side, but certainly on the EDPR side, we've not been asked to do any grid reinforcement.

I mean there's talk about just generally having more demand side flexibility. But, but so far not doing investments to reinforce the network on the renewable side I think what would probably be an interesting discussion here if we see battery is beginning to take off more in Europe so far, as you know, they haven't really taken off, it's taken off in the UK, they've taken

off in the US, in many cases both co-located in stand-alone, but in Europe, for example, in places like Spain, et cetera, you still don't really see a lot of batches and that would help presenting with issues like that.

In terms of the Corp of risks to corporate PPAs, we don't see that as has been a factor at least it's not something, which has impacted us at all. so far.

Miguel Viana: Okay, thank you. Pedro. So next question comes from Alberto Gandolfi from Goldman Sachs. Alberto, please go ahead.

Alberto Gandolfi – Goldman Sachs: Thank you, Miguel and good afternoon. I have 3 on my, on my side. I really thank you for. Slide 6, so great to have visibility on IRRs. It looks like the average project is about 9% but this seems what to be under development. So I was wondering if you can. First of all, talk about the IRR on your existing portfolio.

So what is the IRR on the existing portfolio and you seem to be hinting at a 6.5% to 7% after-tax cost of capital. So just trying to see if your portfolio also has been IRR consistently above WACC.

The second question is still on IRR. Can you maybe give us a bit more details on what percentage of top line on your existing portfolio and under development is inflated Percent that is merchant. So I'm trying to understand what is an offset to the cost inflation, we have seen in the past 2.5 years and maybe because IRs are always a little bit difficult to to visualize, because it's an MPV of maybe 30 years.

Can you maybe help us with some of the long-term assumptions. You know the power price that you are assuming for instance would be very helpful.

And the last question is on the debt, the debt keeps creeping up your accelerated investments I wanted to ask you, is there a chance that you might be open to a shift in capital allocation, maybe less reliant on asset rotation may be good or less, but why is 200 basis points. The correct spread over -- why can't you target more than that and maybe grow more the bottom line because I think that after all.

I know you had a lot of one-off negatives which you highlighted in the slides but right now, excluding capital gains, you're not even delivering EUR100 million net income.

So would you be open to perhaps focusing more on bottom line growth with higher returns and a bit less on topline growth. Thank you.

Miguel Stilwell d'Andrade: xxOkay, thank you. Alberto, so I mean the IRRs on the existing portfolio. So it depends, if you're talking about the overall asset like the full assets because we've been investing for the last 20 years.

As you know. So our portfolio includes projects from various different vintages and typically when we talk about the 200 plus basis points. It's, it's on the investment decisions which are taken at any particular point in time.

So just to take your number the 6.5%, 7%, that would be, let's say, the IRRs for projects when we were investing at the low point of the interest rate cycle.

And so the same way that now we're investing closer to 9% because we're we'd be taking, let's say more up to date. Cost of capital and applying that 200 plus basis points to that.

So I don't have the specific numbers on the overall portfolio. We can maybe try to work it out, but what I'd say is that that's basically okay. It works more sort of those vintages of investments that go on doing over time.

But it's also the reason why I pointed when we talk about the asset rotations that investment decisions we took back in 2019. And there are -- example in the case of the Macquarie assets we were having that spread at the time of the cost of capital and we're still able to generate value creation through that even though the cost of capital has gone up also, I think one important

Thing to note, when we're talking about the IRRs is we're also locking in cost of financing as we go on. So when you're talking about investing it to 6.5% 7% 2 years ago or thereabouts, we're also locking in very low cost of financing at the time. So basically locking in the topline, but you're also locking in let's say the costs. Yeah, Capex locked in the financing cost obviously the OpEx is a lower proportion of that O&M of of the project. So hopefully that helps answer your first question, just maybe also to mention, I mean even at the low points of cost of capital.

We've built in a buffer into the WACC. So we never did like a pure spot I mean we never followed it all the way down. I mean, we thought it went pretty far down. So we, we basically had a buffer even at the low point of the so, the interest rate cycles. In terms of IRRs in terms of percentage topline inflated versus merchant. I'm just seeing here if we have that information so okay, so inflation-linked, this is around 30% of our total revenue. So I don't have it for I think you were asking just for the under construction is that it.

Alberto Gandolfi: Miguel, forgive me to interject. But this is what you just gave us I think is extremely important so the 6.5%, 7% IRR you forward you've locked in at the trough in the cycle isn't more like 8%, 8.5%, 9% today, because 20%, 25% merchant prices have tripled, inflation which is 30% has been far higher than you were expecting. So is the 6.5% 7% is right IRR to think of, or is it more like 8%, 8.5% right now.

Miguel Stilwell d'Andrade: xx I'm just trying to work through. I mean, typically, so I'm thinking about let's say what IRRs we're when we take the investment decision right. It's true that if it if inflation-linked, I mean, that will be going up, you've got the Capex locked in so I can get back to and see if I don't want to misspeak, but, but I can say there is upside if the revenues are inflation-linked there'll be going up and if you've locked in a lot of the costs that. But perhaps you can come we can do some analysis and come back to you on that. On the, but just still on this point, which I think you raise and which is important. I just want to go back to something which I mentioned, you talked about the long-term power prices because really, when we're talking about these projects.

What are the key variables. One is cost of capital we discuss that the other one is what is the PPA price, right. That's basically what are the cash yields, you're going to have over the next 10, 15 years or so. The PPA price

And then the other question is. Okay. But what are you seeing post PPA price if you have those, three variables, you know you have a big part of the value of the projects where you can work out of the IRRs of the project also have the investment.

On the long-term power prices we are bullish by nature on the penetration of renewables, which means we model already a high penetration of renewables, which means remodel already downward pressure on the power prices in the backend and what we do on top of that is we factor in what we call that solar adjustment factor and the wind adjustment factor.

So the staff in the --. So we don't just take baseload prices that's something we've spoken about many, many times. Looking at baseload prices in 2030 or 2040 is not the relevant metric you need to then apply what is the realized you need to find out what is the realized price that you expect for certain technology at that point.

So in 2040 if there is a lot of solar. Obviously, it's not going to be producing at the same time and you're going to have a much lower realized price for solar.

Then, for example, for a hydro, which will have which can store into which can just produce at the peak hours, we know that we incorporate that into our valuation models that's done on a fundamental basis bottom up for the different markets taking into account the specific dynamics of what is the energy mix in each particular market obviously, Poland is different from Iberia which is different from the US.

So we have an energy planning team which does that, in a great amount of detail and it's constantly cross checking with not only external sources, but also what our updated projections over the medium term from International, things like the International Energy Agency or whether it's the different government agencies, they are responsible for energy planning.

So that's that's the bottom up analysis, which we are what you do on a fundamental basis. We take it to the limit sort of almost looking at what are the hours hourly prices in many of these things.

So there's a lot of stress --and a lot of analysis, which goes into trying to forecast that long-term power prices and if anything, I'd say we are prudent on the way that we forecast that. Okay.

So I just wanted to know, I. I'm not going to give you specific power price numbers for the back-end, but what I can say is some one --

We, when we do asset rotation transactions and we get premiums and we get sort of large capital gains on that it's because obviously the market is either believing they've got a lower cost of capital than we do. Are there assuming higher energy prices in the future and value is being created by one of those 2 assumptions, a combination of both higher energy prices in the back end or the lower cost of capital over the project lifecycle. So again, don't just take my word for it. Look at all the various transactions, which have been done over time in multiple different markets, to see that you have a lot of very sophisticated entities and

companies actually going deep doing their due diligence really go into the numbers. Hiring a lot of external consultants and then coming up with a number and that's resulting in capital gain in value creation. So as I said, don't just take my word for it, look at what a lot of very sophisticated investors are doing and what they're paying for these assets on the 3rd point on the debt increasing in capital allocation shifting, I hear you, could you have a higher IRR spread. It's a trade-off between in that case, if we go from, you know we obviously look at what the market what does the market rates.

In terms of value creation spread that's typically around the 200 basis points for the different markets on a portfolio basis, you could ask for a higher spread you might be priced out of the market in certain so probably have tap and lower volumes. So that's the trade-off that could potentially be done. It's not something that we are currently putting on on the agenda at this point. Hopefully that helped.

Miguel Viana: Our next question comes from Javier Garrido from JP Morgan. Javier. Please go ahead.

Javier Garrido – JP Morgan: Good afternoon. 3 questions from my side. 2 if I may. The first one is on the 24 capacity addition target now that Colombia is out of the target where with Dupi well would you see your biggest execution risk. And is it fair to say that the risk profile in execution in 24 is now whether and in 23 given that portion of the 24 capacity additions or the US solar assets and move forward into 24. And the 2nd question so on the 2024 targets. I mean you provided today, a lot of information, a lot of detail with those inputs are you in a position to reiterate a target of EUR2.5 billion EBITDA and see openings EUR1 billion, net income for 24.

And then the third question is more strategic. And you considering or would you consider taking any action to support the share price buyback looks difficult given the leverage would you consider any strategic reorganization of the Group in the context of low share price? Thank you.

Miguel Stilwell d'Andrade: Okay. Thank you, Javier. So on your first point, 2024 capacity. Yes, I think we see lower risk. I think one important data point that we are, that we've been now providing over the last two quarterly calls and recently gave it and this one is what we have under construction and we currently have 5.2 GWs under construction. Let's say, we'll probably have about 1.7 GWs coming in.

Still, this year and the rest in 2024 and then obviously are still ramping up. Construction of some additional MWs. So for this year and then I'll go on 2024 for this year, we're still expecting that we'll have about 900 MWs coming in, in North America. About 500 MWs of wind 400 MWs of solar in terms of Europe will have about 230 MWs coming in about again half wind have solar, we'll have about 400 MWs coming in South America but 180 MWs wind and 212 solar and almost 100 MWs in APAC.

Then 2024 that's where we will have the bulk of North American projects coming in. So we'll have, we expect to have more than 2 GWs coming into North America. Most of that will be solar and about one more than 1.7 GWs of which 900 MWs. The famous 900 MWs from 2023 which we are now building and will come in over 2024. So we're good line of sight to that as I say, in Europe, we then have more than 1.1 GWs most of that winter about 1 GW solar and almost 200 MWs of wind South America.

We also have about 400, 500 MWs about split 50.5 wind and solar coming in and then we have about 250 MWs of solar DG coming in in APAC. So we have pretty good line of sight to these projects. Again, we also put in that number 17 projects coming in over the next year we have names and certain names to these project we don't anticipate one of the sometimes project slip a bit or they can be anticipated. We're not seeing the type of supply chain disruptions that we had this year or and we've been contract with longer longer lead times to make sure that we get the slots and we get all of that done so again long long answer, I'm sorry. But, but just say yes we are, we do feel quite comfortable with the four GWs for 2024 and will be very focused on for the financial targets.

So it will be around the consensus numbers. I think obviously a lot of moving pieces prices seem to be doing pretty much. Okay. They've rebounded as I mentioned on the slides sort of basically in line with our our business plan numbers number of MWs is obviously slipped so that will be generated in savings less in 2024 dependent little bit on the volume, where they mean your continued in 2024 or not.

But on the other hand, we're working hard on efficiency on the cost side and on the financial costs as well to to sort of make up for that. And then we have the sort of asset rotation cap gains which are also a little bit of which can vary over time. And so a little bit more volatility there.

Javier Garrido – JP Morgan: So, sorry to interrupt you said you are comfortable with consensus, but if I look at Bloomberg consensus for 2024 is EUR2.33 billion of EBITDA which would be below your target of EUR2.5 billion. So I just wanted to be sure you are thinking of net income in terms of net income, which is closer to your target

Miguel Stilwell d'Andrade: Yeah I'm I'm clarifying that that we should be around consensus because obviously the MWs that have moved into 2024 I mean we're trying to make up as much as we can for that, but I mean it is what it is. So we will certainly do our best to recover, but at the moment.

What I'd say is that we are closer to consensus.

Okay. On. So I don't know if I answered your second question, did you ask me about net income, net income, I think we get less visibility on because it just has a little bit more volatility on the back end

On the share price doesn't obviously we not a cliché answer, but just to say we do look at what what we can do to make sure we are maximizing value and so -- We would never rule out any reorganization. If you were sure that that created value for for the shareholders.

Miguel Viana: Our next question comes from Manuel Palomo from BNP. Manuel, please go ahead.

Javier Palomo – BNP: Hello, good afternoon everyone and thanks for taking the questions. I will. I will try to be brief. Stick to 2. First one is on asset rotations. And I wonder whether you could please remind us on the already agreed and announced asset rotations that you expect to book in 2023 on top of Poland and Spain that have been already booked in Q3. And if you could get us give us sort of a guidance on how the contribution from asset rotations, it will look like by the, by the year end.

The second question is about, I think it's slide number 19. You talk about reducing US debt. However, what I've seen this year is that most of the divestments are in Brazil, Spain, Poland where you continue to add assets as you have just explained in the US. So, I wonder how that process of reducing that will take will take place. And lastly you mentioned that so far we've seen a decline in installation costs mainly for PV also for wind, onshore. So, my understanding looking at the PPA prices there still pretty high. Is there now the current assets that you're signing in hotspot since the PPA prices are high, but maybe the installation costs will be lower. According to your experience, how long this should last until we start seeing maybe PPA prices softening a bit. Thank you very much.

Rui Teixeira: Thank you. Hi Miguel. So asset rotation, we have already signed the transaction in Brazil. So one of wind assets. It's going through the, I would say customary. We expect it to be close financial closing by year-end. So, that we should come. So, that basically means that we would be around EUR450 million of contribution from capital gains pre-tax for 2023. But as I mean it's ongoing the, so we should not, I'm not expecting any surprises there. On the balance sheet just to explain. So basically what we, if you look to the balance sheet, we have about 65% of our debt in US dollar denominated and you compare that to, for example, with our asset base. It's about 55% US dollar denominated. So what we are doing is really rebalancing and reducing the amount of US dollar denominated debt that we have in our books. We don't do this from one day to the other because it would imply, just going back and buying back some of the outstanding debt campaign, what sort of mark-to-market or penalties encourage. So, but we will be doing is, as we mature the US dollars

That will be financing with euros or three years to make be balance that between liabilities and assets going forward. We do this with US dollar because US salaries super liquid and the strongest liquidity currency in the world and we feel comfortable with the also with how the equity with the equity exposure in US giving such an important and strategic market.

For other currencies for example Polish zloty there or even the Romanian or some of the APAC currencies there will be looking slightly different and making sure that we have from the onset a match between the investments in local currency and the funding in local currency.

But that's pretty much what we are doing. so reducing US all denominated debt that it will have a positive impact in the cost in the financial costs. We are estimating right now around

EUR100 million of positive impact on financial costs between 20 and 24.26 and again these were not considered into our business plan projections and maybe just a comment on the installation cost.

Yes, I mean we have seen as Miguel said in the presentation. Pretty much stable on the wind side an important reduction on the solar panels. I think it's also important to highlight that we only use equipment with very strict traceability requirements. I'm sure that you will be able to find cheaper panels out there. It's debatable whether or not they are compliant with the street yesterday requirements and the feasibility requirements.

But I think that, to your point, it doesn't, it's not immediate. So I mean it does depend also in the moment when some of the players are working in their cost in discussing the PPA pricing, but obviously at some point you will see sort of convergence on the PPA pricing towards what is the price that together with the Capex and the WACC.

We've been able this sector to meet its basis points spread over cost of capital and again the dynamics. It's hard to say if it's going to be a month or two or six, but they tend to converge. So there is so much you can capture from that upside through throughout the period throughout the cycle.

Miguel Viana: Okay, so we go to the last questions. Jenny Ping from Citi Jenny. Please go ahead.

Jenny Ping – Citi: Hi, thanks very much. A couple of questions from me please just firstly on Colombia. I understand 2023 has had around 100 million of negative cost because you had to buy back the volume of power on the market to supply under your PPA contract. Given is now deferred beyond 2024 Can you quantify what you're expecting in terms of the cost associated with the delay of that contract. Secondly, can you talk a little bit, a little bit about your expected '24 interest position obviously you hinted at the 100 million improvement the interest line. Looking at consensus, we're probably about 450 million implied interest cost that. Is that something you're comfortable with. And then very lastly, just on the US for South Coast wind is the accelerated New York auction something that you would be interested to bid that asset back into US offshore wind. Thank you.

Rui Teixeira: Okay. Hi Jenny. It's Rui here. So just to be clear, the impact in Colombia is not a 100 million this year, while lower. I think it's around 50% and this is flowing through the P&L. So into 2024. It will also depend on whether there would be an RSA PPAs suspension again when we, this is something that we have been including into our numbers.

So as Miguel said that we are now comfortable around the consensus on EBITDA level. It's already incorporating that if we do not get that PPA suspended suspension. I would say that we should have sort of a ballpark figure in 2024. The main variable will be the power prices in 2024 and the impact of you have.

So in a nutshell around the mid '50s this year so far and pretty much, I would say the same levels into 2024 depending on how also power prices evolve in Colombia. On the interest

rate to be clear, so this 100 million is spread through the period. So it's not as a single year is not everything into 2024 unfortunately

This is spread out through the year in the period. So it could be a positive small positive to be 2024 for test. Yeah. So I think it will be slightly below the \$450 million.

So for the South Coast but the idea. Yes, I mean we have a great project. It has low we paid what seems certainly nowadays by recent standards low value for the seabed lease, the EUR135 million at the time of which we have 25% indirect stake. We have obviously developed the project substantially in terms of permitting and licensing and that. So it's a pretty mature project is probably one of the more mature projects in the US and so we would be looking to bid into auctions now in 2024 to get that going forward.

I think that's why we see it as a relatively good and interesting data point, the \$150 per MW hour PPA, which was awarded recently, in New York because I think that serves as an interesting benchmark for the sector. And obviously the South Coast was contracted previously at around the high \$70 per MW hour PPA price. That obviously didn't make sense anymore. So we were able to step out of that contract with a relatively small penalty. And so now we can re-bid into the auction and hopefully get a higher PPA price to be able to move forward with the project and that's the intention.

So I think these are good options offshore options that we have in the US. Obviously as you know, we have relatively low capital employed or deployed there and so there good upside, let's say if we can get a good PPA for these projects.

Miguel Viana: Okay. You have some additional questions that we will follow-up then from IR level. So I'll move now to final remarks for our CEO.

Miguel Stilwell d'Andrade: Forgive me, probably it's my fault, because I probably give some longer answers so lost time. But, but yes, we will definitely get back to you on the IR with more detailed replies to any of the questions you might have. I mean, feel free. And obviously we'll be on the road, it as well, in terms of investor meetings and meeting with you throughout the next couple of weeks. But perhaps just final remarks. I mean we continue to see the structural tailwinds there for the sector. Obviously we've seen what's happened to this share prices generally of renewables in the last couple of months, six months, and there has obviously been pretty negative news flow in general in the sector.

But I think if you look at if you take a step back. The sector as a whole, continues to have good growth opportunities. So going back, we do see good opportunities to deploy capital at attractive returns. I think that the history and the track record of the asset rotations is a, is a good market test. It's not just let's say don't just take our word for it, that we can create value, we are doing that sort of and showing us through some of these asset rotations. Obviously we are being hit this year with some negative headwinds in terms of both, I mean, much less wind, -- I mean, we're talking about very, very low wind in the US, which is obviously flow straight through to the bottom line.

So we're losing a lot of net income, but it's coming, straight from the top line COD delays and less wind and that straight through to the bottom. So going back a little bit to Alberto question about the EUR100 million. I think if you strip out some of these on a more normalized basis, you'd get certainly a healthier net income and so I think we need to look through the quarters and look at more of sort of medium, long-term trends and what you'd expect to have in terms of net income.

If you're looking from quarter to quarter you know and taking tactical decisions on that basis then I mean it's not compatible with taking some of these investment decisions which are long-term investment decisions we are totally focused on unveil creation we're totally focused on making sure we're deploying capital with good returns we are very conscious of the higher cost of capital and that we need to have a spread to that we're very conscious of the way that we model these projects.

And so we spent some time, not just in the presentation, but also in answering the questions. Talking about the long-term power prices and how we model that we've been doing this for many, many years and I think we know this pretty well, I'd say, as well as anyone else in the sector, better.

And so we feel comfortable with the way that we project these the investment decisions that we're taking in any case, we are going to be very focused on efficiency as well.

Increasingly, much more. It's not that it wasn't important before but clearly an inflationary environment. efficiency is critical. Looking at all potential avenues and initiative to really drive down costs and get economies of scale that are important for him for a business that's growing.

And so I'd leave it. On that note, just saying to talk to you soon. But as more information comes out and I'm sure we'll have additional information coming out over the next weeks and months. In terms of when we close the asset rotations when we close PPAs will provide additional information to the market and guidance.

Yeah. And so, hopefully with the data points. We recognize. I mean this is one of the things I've been talking about which is I think it's important to build back trust and and I think that's impact of this sector over the last couple of months and and I know will need to earn it back through providing data points providing information provided in the results over the next three, six-12 months.

So that we can all feel comfortable with with what's happening in the sector. So you can count on us to do that. Thank you very much.

