

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 & ESG

Other Participants

- **Alberto Gandolfi**, Analyst
 - **Enrico Bartoli**, Analyst
 - **Javier Garrido**, Analyst
 - **Jenny Ping**, Analyst
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Miguel Viana: Hi. Good afternoon, everyone. Thank you for attending EDPR 2022 Results Conference Call. We have here with us our CEO, Miguel Stilwell de Andrade; and our CFO, Rui Teixeira. We'll run you through the key highlights of our 2022 execution and the financial results. We'll then move to Q&A, in which we'll be taking your questions, both by phone or written questions that you can insert from now onwards in our conference web page.

This call should last less than 60 minutes. And given that this time, this is a special point, given that we will have our Capital Markets Day on the next Thursday, we'll ask you to focus your questions on our 2022 performance and more short-term issues related with 2022 or 2023, beginning of the year.

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

Miguel Stilwell d'Andrade: Thank you, Miguel, and good afternoon, everyone. So it's a pleasure to share with you, I think, a strong set of results for 2022. I mean, we are living a unique moment of strong acceleration of the energy transition and the renewables growth prospects, so positive for EDP Renewables. And this is supported very much by a couple of different things; the ongoing implementation of the Inflation Reduction Act in the US, following the approval by the Congress last August, and also the more recent developments of the EU Green Deal Industrial Plan. So a set of very positive developments. And then also

we're seeing quite a lot of movement on the permitting legislation at the level of several countries in which we are present in, and which is supporting also the acceleration of the renewable development over the next couple of years.

And we can go to the results. And if we move to Slide 4, you can see that our revenues reached around EUR2.4 billion. We're talking about 100% -- 99.5% aligned with the EU taxonomy, and it shows a 35% increase year-on-year on the back of solid operational performance, with installed capacity 9% higher year-on-year and generation increasing also 10% year-on-year. We also saw a significant improvement in our average selling price to EUR65 per MW hour, which means, a 21% rise year-on-year, supported by repricing mostly in the European markets.

EBITDA increased to EUR2.2 billion, so plus 23% year-on-year. It includes already the negative impact of the regulatory clawbacks in Europe for a total of almost EUR100 million in our P&L in 2022, mostly from three countries, so Romania, Italy and Poland. It includes EUR424 million of asset rotation gains, five transactions -- successful transactions in different markets and of wind and solar technologies. So, our EBITDA, excluding the Asset Rotation gains showed a strong 40% increase year-on-year. And so, this reflects, I think, the good underlying operational performance of the company

Recurring net profit increased 2% to EUR671 million or 57% year-on-year, excluding the contribution from the ongoing Asset Rotation activity, and that you know well. 2022 was also a year of investment in future growth. So, we had gross investments reaching EUR5.1 billion, almost doubling versus 2021, including the entry into the APAC market with the acquisition of Sunseap and also the entry into Germany and the Netherlands with the acquisition of Kronos. Net debt to EBITDA, 2.3 times, so including the investment ramp up with renewables projects under construction, reaching 4 GWs in December.

And then regarding our 2022 dividend, and as you will have seen also from the results of the communication readdressed the market. The Board of Directors is proposing a change in the dividend policy introducing the EDPR scrip dividend program. We're upgrading the target payout to 30% to 50%, but with this additional flexibility in the way that it's received. As you know, EDP has also announced that it intends to take shares and not sell those bonus shares. So we'll talk a little bit about that in a couple of slides.

If we move on to the next slide, and let's just talk quickly about the Asset Rotation. So again, in 2022, EDPR surpassed its business plan targets, in terms of Asset rotation. It continues to bring excellent returns to our portfolio, and I think it shows clearly the value creation that we are capable of. We also continue to see strong demand for renewable assets throughout 2022. In terms of capacity, we sold around 1GW in 2022, so below the 1.4 GW year average that we had in the business plan, but we got above the proceeds assumed in the business plan.

And above all, I mean, this capacity involves frac transactions, as I mentioned, good diversification of markets and technologies, and overall multiple of around EUR1.8 million per MW. And then, in terms of capital gains, we reached an average gain of around EUR400 million or EUR400,000 per MW. So a total gains of around EURO.9 billion. when you sum up '21 and '22. So clearly above, let's say, the average of EUR300 million that we had in the business plan.

Finally, just talking about the returns. If you look at it as, let's say, Asset Rotation gains over invested capital, which perhaps is also a good way of looking at this. I mean, we also surpassed the business plan expectations, meaning, we continue to have attractive returns as expected. And this in the year of 2022 with all the volatility and the increase in interest rates, et cetera, that you know. And I think a big part of this is, because it was different markets (inaudible) different technology side. I think it shows our ability to really do good capital allocation and take advantage of different market dynamics

If we move to Slide 6, and let's talk about something that we communicated to the market also at the beginning of the year. We've mentioned a potential risk of around EUR0.3 billion. The fact is that, there's significantly lower clawback costs expected now for 2023, because prices have come down, and there have also been some positive developments on the regulatory amendments in -- particularly in Poland and Romania.

Taking a step back, we know 2022 has been a tough year in terms of regulations in Europe. I mean, a lot of moving pieces. Obviously, many member states implementing measures to try and protect the final consumers from the impact of the price volatility and the price increases. Clawbacks were implemented in a number of different countries in Europe and impacted us around EUR100 million in the year. But I think, for me, the point is not so much the clawbacks when they're well implemented. We can discuss by principle whether we think we agree with them or not. But at least they should take into account hedging and they should take into account sort of forward sales that have already been done. Most countries did that correctly. In the case of Poland and Romania, that wasn't done correctly. So we flagged the potential EUR0.3 billion of impact, as I mentioned, that has now come down a lot to. It's around EUR0.1 billion at the moment for both Poland and Romania

Again, decline in the energy prices closer to the regulatory price caps, so that we don't get the sort of double impact, and also some amendments on the discussion in Poland and Romania to either fix or at least reduce the impact from the clawback taxation on the unrealized profits. So hopefully, this will also reduce some of the risk that we had for the year.

Move on to Slide 7. And here, talking about offshore wind execution. So, again, is a topic which comes up often. I think, 2022 was a good year. You can see that we have already 1.5 GWs in operation. We had excellent operational outperformance over the year, particularly the GWs Moray East. We have 1 GW under construction related to Moray West and also 1 GW relatively close to FID for the French project. I think, one of the good things about our offshore portfolio is, it's got good economics, most of it inflation-linked revenues with a clear visibility on the Capex and on the supply chain. And that, obviously, as you know, is important in volatile times.

During 2022, we were awarded 8 GWs of seabed leases and so clearly, I think this is one of the areas where we did very well versus the previous business plan. Regarding secured revenues, more than 80% is in Europe with revenues linked to inflation and less than 20% in the US, regarding our project on the South Coast, Mayflower. Overall, I mean, we're talking about a total development or Devex to date of less than EUR200,000 per MW. So we still have relatively little capital employed in these projects.

The project is expected to become operational only in 2028 and 50% of its capacity is still to be contracted. So we will be able to contract the remaining capacity of Mayflower on terms and conditions which reflect the latest market conditions. All in all, Ocean Winds reached a portfolio of 16.6 GWs in 2022, almost tripling the 6.6 GWs it had at the beginning of 2021, so in the space of two years.

Move on to Slide 8. So talking a little bit about the dividend policy. As I mentioned, we upgraded the target payout to 30% to 50%. This is much more in line with what peers -- similar peers of renewable players we have in the sector. But at the same time, we wanted to introduce flexibility. We believe it's -- EDPR is very much a growth company, and it's important to go on capitalizing the company. And so, we replaced the ordinary dividend -- ordinary cash dividends with a remuneration program, which basically gives optionality to the shareholders, so the scrip dividend. This works through a capital increase through a bonus issue. And then -- and for the year of 2022, we're essentially assuming EUR275 million of distribution, representing around 40% of EDPR's 2022 results, so in the middle of the payout ratio or the payout range that I just mentioned.

So just technically how it will work. EDPR shareholders will be allocated in corporation rights, and they can opt between receiving bonus shares, selling the incorporation rights to EDPR at a fixed price or selling the incorporation rights in the Euronext market at trading prices. So with this program, EDP renewals increases its dividend payout 30% to 50%, but the shareholders also get a flexible way of getting that, let's say, which is, I think optionality in this case is positive. As I mentioned, EDP will be opting for shares, and it's basically prioritizing reinvesting back into the company rather than taking cash out of EDPR. So we believe this will be accretive growth, and so we'll be taking the shares.

Let's move on to Slide 9. Just to say that -- so as you know, EDPR is the largest European listed 100% renewable player. ESG is at the core of our strategy in the operations. And I think the year-on-year evolution reflects this growth and the implementation of best standards. We can start just by giving a couple of highlights. So in terms of environmental performance, 99.5% and I think we've got a commitment to get this to 100%, because we struggled to find a 0.5% that wasn't eligible of turnover and Capex fully aligned with the EU taxonomy. And as I say, our core business is 100% focused on renewables.

We avoided the emission of 20 million tons of CO₂, so benefiting from the increase in energy production and actively contributing to the global challenge of net zero. On the social dimension, number of employees has now reached over 3,000 employees. So it's increased around 40% year-on-year. In terms of diversity, percentage of female employees is currently at 33%, so also increasing versus last year.

In terms of employee well-being, the engagement on our employee climate survey is at 86%, an increase versus last year of 7 percentage points. So, also a very positive score, which I think shows how people see themselves in the purpose and in the mission of EDP Renewables. And also, we'd like to say that we've been included in the S&P Global Sustainability Yearbook, which distinguishes companies within their industries that have demonstrated real strength in corporate sustainability. We've also been recognized by Sustainalytics as an ESG top-rated company within our industry, given our low risk score. So all in all, I think on the ESG front, EDP Renewables continue to do very, very well.

If we move on to Slide 10. So -- and just before I pass over to Rui. We have scaled up delivery. We have continued to expand. We've had excellent Asset Rotation execution. We have a very strong top line, taking advantage of the current market conditions. Focusing on growth. We have 11.4 GWs of secured capacity, including the 4 GWs under construction, so supporting the additions for 2023 and beyond. We've more than doubled our offshore portfolio. The 6.6 GWs we had in the beginning of 2021 to the 16.6 GWs that I mentioned for Ocean Winds. We've established the Asia Pacific platform on the back of the Sunseap acquisition, and that gives us, I think, also a good, strong growth prospect.

We've scaled up our European position. So entering Germany, which, as you know, is absolutely key core European markets and that we expect will explode over the next couple of years. And I think that will give us great optionality on that side. On value, as I mentioned we've outperformed in the Asset Rotation and had an excellent say, EUR0.5 billion per year of EBITDA gains versus the EUR300 million that we had in the business plan. So clear value creation in the projects that we're developing. And on excellence, we've been continuing to manage the full value chain, delivering competitive and quality projects at high excellent standards. So overall, great value creation for all stakeholders, given that we also surpassed both the EBITDA and net profit 2023 target one year ahead, despite all the market turbulence.

So I'll just pause there and pass it over to Rui to walk you through the 2022 results, and then I'll come back for closing remarks. Thank you.

Rui Teixeira: Thank you, Miguel, and good afternoon to you all. So now let's move to the 2022 results. So starting at Slide 12. During 2022, we installed 2.1 GWs. We sold 0.9 GWs through the Asset Rotation program. Thus, our portfolio grew to 14.7 GWs with a very balanced mix across North America with 49%, Europe with 38%, Brazil 8% and APAC 5%. By the end of the year, capacity under construction reached a record volume of 4 GWs of both solar and wind. And therefore, this is contributing further to the portfolio diversification.

The renewable resource was slightly higher year-on-year at 30%. That's a 1 percentage point growth versus last year, reflecting an improved renewables index just 2% below the expected long-term average. So all in all, our electricity output increased 10%, benefiting from capacity additions in the higher renewable resource. And as a result, EDPR generated 34.4 terawatt hours of clean energy, avoiding 20 million tons of CO2 emission.

So how this translates into operational results? On Slide 13, you can see that EDPR ended 2022 with an EBITDA growth of 40% year-on-year. This excludes Asset Rotation gains to EUR2.2 billion backed by outstanding top line performance. It's 10% higher electricity production and 21% higher average selling prices. Strong capital gains as well from Asset Rotation with a total of EUR424 million, impacting our 2022 EBITDA. This performance was partly offset by EUR98 million of regulatory clawbacks in Europe.

If we exclude Asset Rotation capital gains, the operational portfolio EBITDA increased by 51% in Europe, 14% in North America and 3.2 times in South America, APAC and others. The Asset Rotation gains for the year amounted to EUR424 million, as I said before, that's less EUR99 million versus 2021, but substantially above the average guidance in our business

plan '21, '25 with five Asset Rotation deals closed with very robust multiples. So finally, EBITDA was also impacted by regulatory OpEx in the year. As I've mentioned, all in all, EUR98 million. EUR63 million are impacting here, and then the remaining impact is EUR35 million at the corporate tax level.

If we move now to the financial results on Slide 14, we see that EDPR closed 2022 with EUR449 million versus EUR249 million in 2021. This increase is mainly driven by higher cost of debt that increases 0.6% year-on-year. This is mostly from the Brazilian rates, given that our project finance in Brazil is floating to match the inflation-linked revenues and from the consolidation of APAC higher cost of debt and also a higher average gross debt to support the growth strategy with both the Capex execution and the acquisition of Sunseap and Kronos.

Approximately one-third of the increase in financial results resulted from Forex and Forex derivatives in 2022, penalized by the Euro-US dollar evolution during the year. I want to highlight that these costs are not yet reflecting the five year pre-hedges that we executed back in December of EUR1 billion at 1.8% and \$1 billion at 2.6% that will be used for the 2023, '24 refinancing needs.

So net debt on Slide 15 is, of course, supporting EDPR growth in line with the strong target additions. As of December 2022, our net debt was EUR4.2 billion, that's an increase of EUR2 billion versus December '21. And of course, this reflects, on one hand, the EUR0.8 billion strong recurring organic cash flow, EUR0.8 billion and EUR2.4 billion in net expansion investment. And this includes also in the one hand, the Capex, the acquisition of Sunseap in APAC, Kronos in Central Europe and equity investments at the Ocean Winds, as well as some Forex impact. On the other hand, the Asset Rotation strategy, which net of gains means EUR2 billion of proceeds during the year of 2022. Despite this increase in net debt versus last year, balance sheet remains very strong with a solid net debt/EBITDA ratio of 2.3 times in 2022.

On the net profit. Net profit growth was supported by the top line performance, partly offset by the higher financial costs, as already explained. Taxes impacted by the EUR35 million Italian tax clawback mechanism, along also with some jurisdiction-specific taxation on capital gains. Also minorities performance linked to positive evolution in portfolio held by non-controlling interests. Our reported net profit includes a EUR54 million non-cash impairment or it's a provision accounted at the depreciation and amortization levels related to the impact of a project-specific construction delays in Colombia. So really, despite another challenging year for the sector, we have been able to operate efficiently our portfolio and our recurring net profit totaled EUR671 million. It's growing 57% year-on-year, if we exclude capital gains or 2% year-on-year, if we include the capital gains.

And with this, I would hand over to Miguel for the closing remarks. Thank you.

Miguel Stilwell d'Andrade: Okay. Thank you, Rui. So listen, just to finalize the presentation, just a couple of key takeaways. First, we have strong top line performance in 2022. This was driven by increased generation, average realized price that led then to an increase in EBITDA of -- to reach the EUR2.2 billion, so 40% year-on-year, excluding gains, 23% year-on-year with the gains and recurring net profit, 2% up, but excluding Asset Rotation gains

57% up year-on-year. So clearly, we didn't need Asset Rotation gains to reach the net profit of the previous year.

Second point, I think, we continue to see very good Asset Rotation execution in 2022. So five transactions, five different markets, EUR2 billion of proceeds, more than EUR400 million of capital gains, doubling the target gain per MW to reach the EUR400,000 per MW. So clearly, I think very impressive Asset Rotation execution.

Third point. In 2022, a lot of European measures came out, European regulatory clawbacks. We accounted for around EUR100 million of that in the 2022 accounts. For 2023, we flagged that we were -- we had already flagged that in the third quarter results, and we flagged that again at the beginning of the year, where with Poland and Romania fortunately, that things have seemed to come down, so the EURO.3 billion has now come down to EURO.1 billion, so materially less and depending on the forward prices could be lower impact. So we're comfortable with the EURO.1 billion at the moment.

The fourth point, EDPR's dividend policy. We've aligned it with peers. So it's more attractive. But at the same time, we've ensured that we can continue to capitalize the company. So the program, the scrip dividend structure through a capital increase with a bonus issue, as I mentioned. And as I mentioned, but I'll just reiterate, so there's no misunderstanding, EDP will be opting for shares, so we will not be taking cash out of EDPR.

Overall, renewables global outlook continues to improve. I mean, we continue to see that. And we currently have around 4 GWs under construction. And finally, I'd just say, listen, we had targets in our previous business plan for 2023 for EBITDA and net profit.

We have reached those targets in 2022. So I think it's a good segue to say that, we'll talk more about targets at the Capital Markets Day on Thursday.

And with that, I'd probably stop there and turn it over to Q&A. Thank you.

Q&A

Operator: (Operator Instructions) The first question comes from the line of Alberto Gandolfi from Goldman Sachs. Please go ahead.

Rui Teixeira: Thank you, Miguel, and good afternoon to you all. So, I will now ask you to move into the nine months' results. So, if we move to slide 15. I think it shows that EDPR continues to deliver a very solid operational performance first on the back of a growing installed minority partners and that's reflected here.

So, with this, I would conclude the financial section and I would hand back to Miguel for closing remarks. Thank you.

Miguel Stilwell d'Andrade: Thank you, Rui. So just quick comments and then we can turn it over to Q&A. First, strong nine months results and that's driven by the generation increase of 14%, the increase in the average selling price of 29% and that resulted in the overall EBITDA going up around 62% and the net profit going up to EUR460 million, so that's definitely positive. Also out of the second point, I'd say, out of the 20 GWs, we've already have more than 40% installed or under construction and secured. We've already got close to 55%

many markets and in the key markets we have been reinforced by the Inflation Reduction Act and being reinforced by the REPowerEU so strong tailwinds and that allows me to move on to sixth point which is really the structural tailwind, which we've talked about which is clearly very favorable to renewables. Now, we need to deal with the regulatory uncertainty, but clearly, EDPR is well positioned to capture this additional growth and to continue to create value.

And so, with that, thank you for attending these results call and I think we can move to Q&A. Thanks.

Q&A

Operator: (Operator Instructions) The first question comes from the line of Javier Garrido of JP Morgan. Please go ahead.

Alberto Gandolfi – Goldman Sachs

Hi, good afternoon. Thank you for taking my questions. I'm going to try to stick to '22. But I'd like to start from the scrip dividend announcement from last night. I have my own theory and I can see where this is coming from. I was just wondering if you can comment –

– I know I need to wait for Thursday for full disclosure, but is this part of a wider plan to preserve capital and fund incremental growth? So this is an extremely qualitative question just to understand the philosophy, the logic around higher payout ratio and scrip. Is this trying to tell us there's less growth and so more payouts, I suspect not, or is it part of let's strengthen balance sheet preparing for what's coming?

The second question is related to the first one. I guess, that considering more disclosure on the US IRA and considering we have seen some papers from the European Commission and very strong statements by the EU. Can you share some initial comments? I suspect you, again, tell us quite a lot on Thursday, but the US IRA, do we know enough today to start working towards higher growth? Again, extremely qualitative not asking targets.

And last question here, Miguel, you talked about surpassing 2022 targets. Is there anything in '22 that could not be sustainable going forward? So why wouldn't you surpass targets

going forward? So I'm trying to understand what worries you a little bit, maybe the Asset Rotation gains, maybe prices. You only added 1 GW 0.1% last year. So maybe that's an offset. So can you maybe elaborate on how much of this '22 you can bring with you for the future years? Thank you.

Miguel Stilwell d'Andrade

Okay. Thank you, Alberto. So listen, I'll try to answer this without preempting, I guess, Thursday. The scrip dividends, so as I mentioned, it gives us flexibility. We're increasing the payout, but you get the option to take shares. So I'm sure you can also run some math on what could be, let's say, an estimate of what minorities take up in terms of cash versus shares. But we believe we'll probably end up having less cash coming out of EDPR, as a result than with the current dividend policy. So even though we increased the payout, actually, probably, we have less cash coming out.

So what I can say is, we definitely see a lot of growth. We see a lot of growth coming. We already see it now and we believe it will only continue to increase. And so, I'm not going to talk to a wider plan. I'll just say that, obviously, measures, which allow us to continue capitalizing the company, like the scrip dividend are obviously positive, and we believe in making sure we have the balance sheet to continue to grow that. And the truth is, we have a solid balance sheet. We've had strong performance. And I think that positions us well to take advantage of that growth going forward.

In terms of the second point, again, from a very qualitative, because I will talk more about it, obviously, on Thursday. And we are very excited about both the US IRA and also about the European Green Plan. Do we know enough? I mean, we certainly know enough to know that this will have an impact on growth. And we can get into more details as I say on Thursday. But just that long-term visibility that additional incentives sort of the additional tailwind that it provides, I think, to investments on the renewables, all of these different

issues that we've been talking about, I think, in the past lead us to believe that, yes, we know enough to believe that there will be more growth. I mean, it's a broad qualitative statement, but I think it's -- for us, it's unquestionable that, that is resulting. Obviously, the IRA, there's still details that are coming out in terms of actually how it will be applied, et cetera, but it doesn't materially change sort of the underlying strength of those plans.

On the third point, so the 2022 targets. Listen, I think we're being flexible in how we manage. But I think the point here is, we had a fantastic underlying year in terms of selling prices, in terms of volumes, in terms of -- I mean, just generally, I think it was quite a positive year. You can see that when on the pre-asset rotation gains. So we had a good Asset Rotation year, but we didn't need to do more. So I think we can also flex this. So I would -- I think there's a big part of that we can take forward. Obviously, the prices will evolve as they evolve and you can run the numbers on that. But we have also 4 GWs under construction at the moment. So we'll have a lot more MWs generating over the next couple of months, years. So yeah, I mean, I think it is sustainable.

It's bumpy. It's going to be a bumpy ride, but it's going to be a positive trajectory is what I'll say.

Javier Garrido – JP Morgan

Hi, good afternoon, everyone. Three quick questions, if I may. The first one is, you can tell us what is the amount of volumes that you have hedged in Spain for 2023 and at what price?

The second question is on Sunseap. Is the EBITDA margin that we saw in 2022 sustainable? I guess, not, so you can give us an indication of where you see the sustainable EBITDA margin in those operations?

And the third question is on Mayflower. You have mentioned in the presentation that half of it is yet to be contracted. But that means also half of it is contracted now. We have seen after booking impairments in one of the US offshore assets, Iberdrola abandoning PPAs.

What is your stance on the existing PPAs of Mayflower? Thank you.

Rui Teixeira

Okay. So on the -- for the Spanish hedges at EDPR, we're talking about prices above 90%. Pretty much I would say that, we have it -- I would say, around 90% hedged, 80% to 90% hedge, Miguel, if you want to take on?

Miguel Stilwell d'Andrade

Yeah. So listen, on the Sunseap EBITDA margin, I mean, I think there is -- generally, we're quite positive that the margins will continue to be there. As we go on getting more critical mass in Asia, we'll definitely be able to, I think, even improve on these. There are obviously initial start-up costs, as is normal when you're setting up a new platform. But given there is considered -- or we're considering a substantial amount of growth over the next couple of years, that margin will continue to increase. On Mayflower, I mean, yeah, obviously, you can see the glass half full, half empty, I think, versus peers. I think it's half full in the sense that 50% still to be contracted. I mean, we have no doubt that the overall blended will be positive. And so, we don't see any reason to do any impairments on this. Thank you.

Enrico Bartoli – Mediobanca

Hi, good afternoon. Thanks for taking my question. First question is related to, if you can elaborate a bit on pricing expectations for 2023. You mentioned you're hedging in Spain. If you can give some flavor on what you expect in the other European markets and in the US compared to 2022?

Second question also this very qualitative, if you can give some insight, what is your perception of the appetite for Asset Rotation assets in this moment, considering the evolution of interest rates? If you can give some details of what you can expect for 2023?

And the last one is related to the cost of debt. You mentioned on that the financial results we saw in 2022 don't include the pre-hedging. So can you also, in this case, provide some comments on the evolution of interest charges that you expect for '23? Thank you.

Miguel Stilwell d'Andrade

Yeah. Thank you, Enrico. So I'll do the first two and then Rui can answer the third. But on pricing expectations, I mean, clearly, we continue to see the prices coming up over the year of 2022 and even the beginning of '23. And they are good statistics. I mean, we expect to show you that also on Thursday to be honest. But what I'd say is that, we're seeing PPA prices, for example, in the US. I mean, even recently, just looking at some sort of in the high EUR60, EUR70 in Europe in many countries also in that type of range in euros. So obviously, it depends then on the tenure, whether it's 5, 10, 15 years. But let's say, for a 10, 15 year tenure, you can clearly be in the sort of EUR60, EUR70. But as I said, that does depend a little bit by market, but we can get a bit more into that.

On the perception of Asset Rotation, as I mentioned, the fact that we did five portfolios in five different markets, means, we can flex quite a bit depending on the market dynamics. I can give you a very easy example, which is Brazil. I mean, Brazil has been at a high cost of capital last year. It's still the same this year, it's not going up, anything it might even come down. And so, we continue to believe we can get good asset rotation gains on that.

We see the demand is there, which is the important part. And then obviously, there's an issue around pricing, but energy prices are also higher. So you saw the Italian transaction last year. I mean, that was a record multiple and that was done in August. So we already had very high or rising interest rates. And yet you had super high energy prices that more than compensated for that. So as long as demand is there, these continue to be high-quality assets and it will continue to be part of our strategy.

On the cost of debt, Rui?

Rui Teixeira

Sure. Yes. I mean, of course, we will be providing a bit more information Thursday in terms of how we see the cost of funding evolving over the period of the business plan. And maybe just a couple of beta points. One is, again, to highlight that as yields are going up and then, of course, the base will go up. But back in summer 2022, we had -- we pre-hedged our interest rate -- the base interest rates with the EUR1 billion and \$1 billion. That pre-hedging means that we have already locked in the cost of funding in both currencies as we look into refinancing the 2022 -- sorry, the 2023 and 2024 financing mix that we'll have.

Again, in euros was at 1.8% the base rate and in dollars was 2.6%. And again, I stress this because it means that, whatever the yield you can see on the screen that will apply, of course, for some part of the refinancing needs, but not to be \$1 billion and EUR1 billion. All in all, what I would say is that, we should in any case, I would expect to see sort of a pretty much the same levels of cost of debt overall as we are seeing for 2022, around the 4%.

But in any case, we will be providing more information on the -- during the Thursday's presentation.

Jenny Ping – Citi

Thanks very much. A couple of questions from me, please. Firstly, just going back to the scrip. I just want to understand a bit more your thinking around that. If the aim is to reduce the cash outflow, why change the dividend policy? Why not just offer a scrip on the current dividend policy as we stand? And then sort of link to that. Clearly, there will be a dilutive impact from the scrip, which is kind of seen as a series of mini equity raises. Is there a way that you would look to cap the level of dilution at some stage? Is there a maximum sort of impact which you would look to then offset beyond at that point? Thanks very much.

Miguel Stilwell d'Andrade

Yeah, sure. Listen, I think what we wanted to do is make sure that we are aligned with peers in terms of the payout policy, because I think that's important in terms of the competitiveness and the attractiveness of EDPR, but at the same time, giving that flexibility. So as you rightly say, this is a way of capitalizing the company. We are not -- we don't have any intention or we haven't defined any cap on the level of dilution. So as I mentioned, this decision is taken on a yearly basis by EDP, but we will be taking shares for the foreseeable future, because we think it's an appropriate way to continue to or part of the way to continue to fund the business going forward.

Miguel Viana

Okay. We go now to some questions on the web. I'm starting with a question from Arthur Sitbon from Morgan Stanley. Could you please provide more details around potential or actual improvements in the Romanian and Polish windfall tax schemes and the impact that we referred? So that went down from EURO.3 billion to EURO.1 billion?

Rui Teixeira

Okay. Arthur, thank you for the question. It's Rui here. So yes, I mean, just to be clear, there have been some amendments already passed in both countries, in Poland and Romania. In Poland, there was a big improvement as the hedges are now considered. However, still, it's been clear if only the hedges within the Polish jurisdiction would be considered or not, something that we will have to clarify. But there was definitely a very positive step forward as the hedges now are considered for the clawback calculation.

In Romania, there was an improvement with the elimination of the cap of the 5% in the deviation of generation volumes, so the balancing costs versus the forecast. However, here in Romania, we still need some further improvements, because the hedges are not yet considered for the calculation of the clawbacks withholding tax is still applied.

But I would also stress the following. So as we saw this -- the overall amount reducing from the EURO.3 billion to approximately EURO.1 billion, we are also in parallel trying to crystallize that position and working around to crystallize that. So that depend regardless of the regulatory involvements, then we get no further exposure to this sort of price swings and to

price increases in the future. But as if and when we do that, of course, we would communicate it to the market.

Miguel Viana

Okay. We have another question also coming from Skye Landon from Jefferies. Could you give some detail on the NPV over Capex for the Brazil project? And also the US solar project now closed in December. This seems to be the expectations, and additional info would be useful.

Miguel Stilwell d'Andrade

Thanks, Skye. So what I can say is that, for Brazil, it's basically what -- I think we also mentioned in the third quarter results to around 60%. We did have Forex covered with hedges, so we weren't impacted by changes in Forex. For the US solar transaction, it's not quite as comparable because it's a build and transfer. The economics are different, but they're still double digits in terms of NPV over Capex.

Miguel Viana

I think this is what we have from the web. So I'll pass now to our CEO for final remarks.

Miguel Stilwell d'Andrade

I mean, I won't talk very much, because, as I say, we have the Capital Markets Day on Thursday. I'll just reiterate, I think we had a strong set of '22 results. We think we had a good performance, certainly both on the underlying business and also on the asset rotations. We are seeing strong growth coming through in the various different geographies, and we are taking advantage of that and give you a lot. Well, and I think important to note as I mentioned that we hit the '23 targets in 2022. And I think, as I mentioned, that's a good segue for when we come back on Thursday to talk to you. So thank you very much and I guess, talk to you soon. Take care.