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

• **Arthur Sitbon**, Analyst

• **Fernando Garcia**, Analyst

• **Gonzalo Sanchez-Bordona**, Analyst

• **Javier Garrido**, Analyst

• **Jorge Guimaraes**, Analyst

• **Manuel Palomo**, Analyst

Miguel Viana: Good afternoon, everyone. Thank you for attending EDPR 2023 results conference call. We have here with us our CEO, Miguel Stilwell de Andrade; and our CFO, Rui Teixeira, will run you through the key highlights on the update of -- on the execution of our strategic plan and the financial performance of the year. 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 your conference webpage. This call is expected to last close to 60 minutes.

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

Miguel Stilwell d'Andrade: Thank you, Miguel. Good afternoon to everyone. And I think it's good that we can talk and update you on what's been happening in 2023 and the company's update and outlook for the year.

And I start off by saying that 2023 was a challenging year for the renewable sector in general, but also EDPR in particular. And I don't think there's any sugarcoating it and I won't try to, I'll give you a balanced and realistic view of where I think the sector is and then where EDPR is.

As you know, we've been regularly briefing you on the year and the fourth quarter didn't go particularly well either. There were several issues that negatively impacted us and that we've been working through and are continuing to work through. And I'll go through that in detail in the presentation.

There are also some positives that I will highlight. So I would start off just by going -- just before going to the sort of to the bulk of the presentation to Slide 4, just saying 2023, as I said, definitely challenging. Overall, for '24, we do expect underlying business to grow in 2024 as much as above 20%, but assuming the capital gains in line with the business plan that there would be a moderate growth in EBITDA overall.

So moving forward to Slide 4. First, I think, if you look at the capacity additions, we had a strong fourth quarter in 2023. We added 1.7 GWs of renewables, which is quite an impressive volume for a single quarter. And so, we ended up the year with a total of 2.5 GWs of annual capacity addition. So, this is what we'd previously anticipated at the nine months results release.

Going forward for '24, we have very good visibility on the execution of our 4- GW target. We already have 85% of this capacity currently under construction. And the last couple of months, we've seen also the normalization of the solar panel supply chain in the U.S. So we had a pretty adverse environment over most of 2023 and it seems to have normalized now.

Regarding balance sheets. In 2023, we reinforced our capital structure with the EUR1 billion equity raise, and we've also successfully implemented a new scrip dividend policy, which we -- would be the second year. We just came out with the news release for that this week.

On asset rotation, I think, it was a particularly strong year, great execution by the teams and reflecting, I think, the value of the assets. And I remember this time last year when we were getting a lot of questions on the demand for asset rotation, if you could still keep it up? And yes, I mean, the answer was, clearly, in 2023, we had three great transactions contributing to the total of EUR1.7 billion of proceeds, EUR460 million of gains, and an average gain of 60% on invested capital.

So again, a year on -- I think we can look back and say it was a great year for asset rotation. And it's clearly above the 20% to 25% target return for asset rotations that we'd assumed in the strategic plan. We continue to see strong interest from investors. And in the beginning of 2024, we've already announced the closing of one transaction. We've signed another one. We expect them to close in first quarter of '24, totaling a total of around EUR1.1 billion in terms of enterprise value.

The '23 was also marked by quite a few material headwinds. And we've shared them over the last couple of quarters, and now we're actually seeing the numbers impact. We had a well below average wind resource with a negative impact of around EUR200 million in the 2023 EBITDA, mostly penalized by the El Nino effect on the U.S. wind resource. I think we flagged that already, I think, on the first quarter numbers of last year that, that was beginning to happen.

We had a cost associated with the delay on the transmission line permitting in the wind project in Colombia. We had the bottlenecks on the solar panel supply chain in the U.S. and we had the countercyclical callback taxes in Europe. So all together, these headwinds represent about a EUR400 million negative impact on our 2023 EBITDA and they seriously distort our underlying P&L.

Finally, in late December, we announced an agreement for a transaction that comes, I think it will allow us to simplify the corporate structure. It's definitely earnings accretive from day 1. So, we bought back 49% of a 1-GW portfolio of wind farms that we operate in Europe for around EUR570 million. The implicit enterprise value per MW multiple was around 1.2x and we expect the transaction to be closed in the second quarter of this year.

So now, I'll go deeper into these topics, and I'd start off just by taking a step back and looking at the big picture. First, we had some positive news coming out of the COP in December, essentially talking about tripling the renewables capacity between 2022 and 2030 to reach the 1.5 degree target. And so that commitment was, let's say, signed by more than 130 national governments. We have the European Union coming together and also agreeing to triple that. So I think that broad tailwind continues to be there and we continue to see it pushing the sector forward.

Solar PV and wind is expected to account for 95% of global renewable expansion, and that's where we are placed. So we're well-placed to take advantage of that. In general -- the generation costs continue to be below both fossil and non-fossil fuel alternatives.

There's also been upward revisions of the '23 to '27 targets for renewables in countries like Brazil, Germany and U.S. for large economies where we're present. In the offshore, we also expect the upward price revision auction coming up in round six. The price cap increased by 66%. And in the U.S., we're also seeing a significant increase in the pricing, including inflation updates over the construction stage. So we are seeing conditions improve materially for auctions, both onshore and offshore.

We saw in 2023 also the approval by the FERC, so the Federal Energy Regulatory Commission, for a rule to speed up the interconnection processes. As you know, that's one of the issues which is holding up a lot of projects for the sector. And that'sthe first major change to interconnection requirements in two decades. So work is being done by the different regulators to try and get streamlined the permitting and the licensing issues.

And in Europe, I think, the European Commission has also come out with a goal recommending a 90% greenhouse gas emissions compared to 1990 of around 90% - so 90% reduction for 2040 compared to 1990. So things seem to be going in the right direction. The broad macro wins are there. Now, it's really about execution.

And so, if we go on to the next slide. I think if we look back, we are continuing to scale up significantly versus what our growth rate was in the past. As I say, over the decade, 2010 to 2020, we were growing around 700 MWs a year. We're now -- we just did 2.5 GWs. That's still a significant increase versus what our historical growth is. And as I said, we are very confident on the 4 GWs for 2024.

I mentioned to you, 85% is on the construction, 15% is expected to start over the next few months. It's got a big weight of Solar DG projects that normally have an average construction time of around six months. I think it's important to say also that most of the solar panels have already been delivered to the projects in the U.S., and so that gives us quite a high degree of confidence there.

Now move forward to the next slides on asset rotation. So here, as I mentioned, very strong gains, around 60% gains on invested capital. Three transactions, Spain, Poland, Brazil. I won't go through in a lot of detail, because I think we've already given information over the course of last year, so this is not news for most of you.

And I would just highlight that in the beginning of '24, we've already closed those two additional transactions, so around 500 MWs, EUR1.1 billion enterprise value. As I say, the other transactions for 2024 have already been launched, and we expect to get the gains and the proceeds to be at least in line with the strategic planned target.

If we move over to Slide 8. Just give you a highlight on the buyback of the 49%. I think it was a good opportunity that we had to take back 100% control, gives us quite a bit of additional flexibility, simplifies the ownership structure. It's cash flow and earnings accretive day 1, and it gives us more flexibility for hybridization, repowering, and even on the energy management side. So we're expecting this for the second quarter, but as you can see, pretty healthy numbers, double-digit cash yields and around EUR40 million expected contribution to net income.

If we move to supply chain. So supply chain, definitely much stronger position, I think, than we were maybe nine months ago. We had to reconfigure the supply chain in the U.S. As you know, we had a large dependency on launching panels as a result of significant delays in the import of those panels. We went back and we reconfigured it to -- so now we have nine different suppliers for the 2024 deliveries between the U.S. and Europe. They're all aligned with ESG audit requirements and traceability on the manufacturing origin.

So I think that's really something that's important is to make sure that we don't get caught up in any issues around UFLPA, so the Uyghur Forced Labor Prevention Act, or tariffs in the U.S., so some of these modules are already produced in the U.S. We've diversified the polysilicon, including origins from the U.S., Germany, and Malaysia. So I think overall, we're in a better place or a more resilient place now in relation to the supply chain. And as I say, if you see here on Slide 9 at the bottom, we've got the 70% of the solar panels already delivered, which is what I mentioned in relation to the previous slide.

So that, I think, positions us well. I think if you look at costs on the right-hand side, it's also important to see that the costs have been coming down for solar panel prices significantly. We've recently closed framework agreements on about 1-GW of solar panel volumes for late '24, early '25 deliveries mostly in Europe. I think it's record low prices, so I think that also places us well for the growth there.

If we move to Slide 10, talking about risk and hedging and long-term contracted. So, as you know, we normally have a policy of being quite contracted and hedged going forward. That sometimes has a downside if prices spike and we don't capture all that upside, but it also has an advantage, which is when prices fall, we also don't get as much impacted.

So, we've kept a high weight of long-term contracted and hedged electricity sales. Normally, we target long-term contracts of at least 15 years maturity, and we try to lock in at least 60% of the cash flows for the investment, let's say, the NPV with this contracted profile. Specifically, in relation to '24, so 90% of the expected generation is already contracted or hedged, and in '25, 85%. Only 50% is related to European electricity markets, which is mainly Spain. The rest of the merchant exposure is mostly U.S. and Brazil, where electricity prices have -- the volatility has been less significant.

And I think it's also important to note that this residual exposure to spot electricity prices is associated with the low-risk volume management of renewables generation intermittency, so that -- obviously, there can be -- can blow more or less, but in the case, it blows less, you want to make sure you're not over-hedged. And so that is typically where we want to be.

Regarding prices, they were above EUR80 per MW hour for 2024, above EUR70 per MW hour in 2025, so significantly above the current forward prices. So that is part of the downside, but it's part of, let's say, in relation to a smaller volume. The average maturity portfolio of the long-term contracts is around 13 years, so I think that provides quite a lot of stability to the revenues.

We move forward to Slide 11. So this is an important point that I think we've raised in a couple of calls and sort of conferences, which is -- I mean, we are investing over the economic cycles, and in particular when we look at the revenues that we are securing since 2022 for renewable projects to be delivered going forward for '24, '25, and beyond, we are investing in what we think are better conditions. Higher PPA prices, assuming already a higher cost of capital. And so, obviously, having also higher absolute returns. So, I think this will end up being a pretty good project.

So, 61% of the projects, let's say, of the secured capacity decisions were taken since 2022. So, as I say, taking advantage of these assumptions. These projects were approved at an average of over 1.4x WACC. They will be entering operations from late '24 onwards. And so, I think we might benefit from a slight improvement of market conditions if there's an easing of supply chain pressure or lower interest rates versus the 2023 peak levels.

Overall, we continue to see attractive returns based on our investment criteria, not just within the portfolio of secured projects, but also projects under development that we haven't yet secured for commissioning in '25 and beyond.

If we go to Slide 12. This is a point which I think is important, obviously, in a market where energy prices are reducing, at least on the merchant side, and where there have been delays, it's really important to be focused on efficiency and making sure that we are mitigating the impacts of the delays in the project. So on one hand, we've been making sure that we are focusing the growth. So around more than 90% of secured capacity for '24 to '26, we're expecting to come from 10 core markets, and just -- and 60% from three core markets, which is basically the U.S., Spain and Brazil. So leveraging there on the critical mass that we have in those markets.

In terms of organization, we are leveraging on the EDP, EDPR synergy. So particularly in terms of back office and some global functions to make sure that we're not duplicating teams or not duplicating functions, so I think that's allowing us to streamline, let's say, the operations and the overheads and really make sure we are the leanest, most efficient company possible.

In terms of cost efficiency, we are implementing a series of cost efficiency savings, including delaying of headcounts that -- given a slower growth. And so, we are estimating savings of more than EUR30 million already in 2024 and growing. And on O&M, we're also seeing increased availability and also a leaner cost structure there. That's more on the efficiency and on the organizational front.

On the technologies, hybrids. We continue to see quite a lot of potential for hybrids. So we've now reached 107 MWs of operational wind and solar hybrid projects in Poland, Portugal, and Spain. We're the first ones to actually have hybrid projects in Portugal and in Spain. And we continue to work to materialize our 1-GW of hybridization pipelines. So those are, let's say, quick wins that will have quite a lot of value, just because of the sharing of the infrastructure in terms of the interconnections and access roads and so forth.

In terms of storage, we've already installed 60 MWs in the U.S., we have around 200 MWs under construction also in the U.S., and we're working also on the pipeline in the U.K. And then, in terms of Solar DG, the generation installed capacity, both in APAC and in the U.S., has increased over 50% year-on-year. So, we do have leverages, or we do have synergies in this business line together with EDP to establish a global platform.

And in terms of contracts, I mean, these -- in many cases, these are relatively large contracts. So, in '23, we closed the largest U.S. corporate sponsorship of a distributed PV with Google. I think that was quite a highly publicized contract of around 500 MWs, and that's something that we're working on to make real over the next couple of years.

Finally, in this section, just another word on OW. So we currently have 2 GWs of wind offshore projects under construction in Europe and around 1.7 GWs of projects in advanced development stage in both Poland and in the U.S.

Under starting the under construction, we have a few projects in France, I mean, they're progressing as planned. CODs are expected in 2025, '26. More Vesta project in the UK has the foundation installation already underway. I mean there's some amazing photographs online if you want to see them. The offshore substation platform is being installed. Regarding Poland and then B&C Wind, it's been approved, so we have the interconnection capacity increase of around 100 MWs, which means that we have a project which could reach almost 500 MWs in total.

And finally, on South Coast Wind, used to be called Mayflower Project. That's the project in the U.S. of Massachusetts. It's an advanced stage of permitting and interconnection. The revenue is not secured. As you know, we canceled the PPA last year, and that's part of the numbers last year. And we are analyzing the potential bid into the first multi-state PPA auction in the U.S., so it's Rhode Island, Connecticut, and Massachusetts. That bid is expected, or let's say, that PPA auction is expected around the end of March.

So like both onshore but also for offshore, we do follow the strict investment criteria, namely in terms of target risks and returns. And we're also obviously aimed to minimize the timing between PPA contracting and FID. So it's obviously very important. I think we've seen that very clearly in the sector over the last year, the importance of trying to line up both revenues and costs to mitigate that potential disconnect in case there's a market disruption.

So I'll stop there for now. I'll pass it over to Rui to go through the 2023 numbers, and then I'll come back for closing remarks. Thank you.

Rui Teixeira: Thank you, Miguel, and good afternoon to you all. I would like to take you through the 2023 results now.

And maybe if we move just to Slide 15, as we already anticipated in the previous presentations, 2023 operational performance has been heavily impacted by the El Nino weather event in North America. It impacted the region this year since April, more or less, leading to an annual renewable index deviation of minus 7% in the region. And this compares to a plus 4% in 2022, so a big drop year-on-year.

Obviously, these low wind volumes have a negative impact, a substantial one, close to EUR0.2 billion off the EBITDA.

But there are two important messages I would like to convey with the chart on the right-hand side of the slide. The first one is that El Nino is cyclical. It's a cyclical phenomenon. We are aware of it, and we already incorporate these sorts of events in our long-term forecasts in -- of our net operating hours. So, it is captured in our P50 NPV estimations when we go for a financial investment decision for our project.

The second one is that our historical data shows that the slope of renewable resource deviation is zero. So, there's no evidence that our portfolio is exposed to a declining wind speed, and that obviously we do have the short-term financial impact by the volatility -- the normal volatility of wind, and particularly impacted by this type of phenomenon, weather phenomenon as the El Nino, but it doesn't mean that we have a downward trend of portfolio profitability. For 2024, we do expect a gradual recovery towards more normalized levels of wind resource.

If we now move to Slide 16, along with other -- with lower wind resources, EDPR performance in 2023 was also impacted by other headwinds that we have talked about several times, and those are mainly related with the delays of capacity in the U.S. and the Colombia, and some windfall taxes, energy taxes in Europe. So, regarding the first one, U.S. solar project delays caused by the supply chain issues that Miguel already discussed, impacted our EBITDA by about EUR50 million -- EUR51 million this year. For 2024, we do not expect additional costs from COD delays, as around 70% of the equipment has already been delivered for the year's installations, and the construction schedule foresees a gradual ramp-up of the U.S. solar capacity and generation volumes over 2024.

Clawbacks in Europe have had an impact of EUR106 million at typical level in 2023, effectively lower than what we initially expected in the beginning of the year. You may recall that we were estimating a potential EUR300 million of impact and this was on the back of lower prices throughout 2023.

For 2024, Polish clawback has ended, so it will not be active in 2024. Romania will continue to have an impact. It's a non-cash impact as we -- after we unwind the hedges. So, there will be an impact, but again, it will not be a cash one. The clawback, pure impact, what we call the effective application of a clawback will not be material at all given where we are in terms of price conditions for 2024, or price forward curves reported in 2024.

Spain, as you know, reintroduced the 7% tax on generation revenues, and this will imply around EUR15 million impact in 2024. But all in all, the big number, the EUR106 million that we have at EBITDA level is going to reduce materially as we move into 2024.

Lastly, we have incurred costs with delays in Colombia. This amounts to about EUR53 million in 2023 P&L. This is relative to the short position that we have, given that we have the delivery commitment -- the energy delivery commitment, but we don't have the operating reform. We are in advanced stage of negotiation with the majority of the uptakers, aiming to reduce that short position. In parallel, we have been hedging an important portion of the generation that you are bound to deliver in 2024, and this would reduce the potential impact in 2024.

As you've seen in our numbers, we've decided to book a non-cash impairment of EUR179 million, driven by the project delays that -- and I mean of course, we consider this as a non-recurring impact and I'm sure we can provide you some more details if you ask so. Also, as Miguel already said, we expect to get transmission line environmental permit in the second half of 2024 and continue with construction to have these projects fully operational, I would say, by late 2025.

On Slide 17, recurring EBITDA was about EUR1.8 billion. That's a 14% drop year-on- year. This has a positive impact from the asset rotation gains, EUR460 million, which are very much above the target that we set for our business plan, and also the EBITDA growth or the EBITDA -- sorry, evolution was driven by an increase in terms of the 12% year-on-year installed capacity. But, of course, we have that negative impact from lower renewable resources, also lower average selling price, about minus 6% year-on-year, with Europe coming down from the abnormal peak prices in 2022. And this was partly compensated by the 8% increase in realized prices in the U.S., mainly coming from the new additions at higher prices. Also, some temporary headwinds in Europe and the Americas that we already -- that I already explained.

Also, to highlight the reduction of share profits from associates, this is driven by the reduction of the wholesale electricity prices in the UK, versus, again, a very extraordinary level in 2022, and the PPA cancellation penalty that we booked back in Q2. So all in all, the -- this justifies the drop in EBITDA to EUR1.8 billion.

On Slide 18, the net expansion investments of EUR2.9 billion. I think it's an important number to have. It shows really that we carry on with the growth, even though we have these headwinds. By the end of the year, net debt was at EUR5.8 billion. That's an increase of around EUR0.9 billion versus December 2022, mainly driven by the growth effort with this overall EUR4.2 billion of expansion CapEx on a gross basis, partially offset by the asset rotation and also the tax equity proceeds.

Maybe here, I think, it's important to highlight that 2024 started with a strong balance sheet position, obviously with the $1 billion additional asset rotation already executed and signed for the year. That I believe is reducing the January debt to about the -- to levels of the 2022 year-end. We will have more proceeds from this asset rotation transaction through the year, along with a strong contribution from tax equity proceeds as the U.S. projects get to COD. And I expect here more than EUR1 billion contribution.

If we now move to Slide 19, financial results amounted to EUR313 million in 2023, decreasing 30% versus 2022. There are some impacts here. Currency, as we have been rebalancing, as you know, the net hedge investment of the U.S. over exposure. Also, some reversion of the negative impact on -- of forex and derivatives back in 2022, as well as higher capitalized financial expenses in line with the current project timings.

Average cost of debt increased to 4.8%, driven by a higher gross debt of around EUR1 billion year-on-year. And EDPR debt has 82% of the stock at fixed rate, and it's important to mention that our financial liquidity, and that includes cash and committed credit lines, continues to cover refinancing needs beyond 2026, and that more than 70% of our debt matures post-2026.

So if we now move to net profit. Net profit totaled EUR513 million versus EUR671 million back in 2022, impacted by the top line headwinds, partially compensated by the strong execution on the asset rotation side as well as the improved financials.

Non-recurring accounted events at net profit were mainly the PPA cancellation in Massachusetts from Q2, and this is at EBITDA level, the impairment in Colombia this quarter, and the Romanian provision at the depreciation and amortization, and this is related to the tax fallback in Romania.

Lastly, as announced yesterday to the market, the Board of Directors will propose in 2024 General Shareholders' Meeting to continue with the scrip dividend program that we introduced last year for the results corresponding to the year 2023, providing I would say, once again, with a flexible remuneration system for our shareholders that can opt between the cash or shares.

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

Miguel Stilwell d'Andrade: Thank you, Rui. So, in relation to 2024 guidance. First, I'd say that we reiterate the 4- GW installations for 2024. As I said, 85% is already under construction, 100% secured with long-term revenues and the EDB part is also beginning to progress.

The second is to say that we start off with a strong balance sheet position, and we have a capital increase. We've got EUR2.4 billion of asset rotation proceeds executed and signed as of today. We've had another EUR0.5 billion of tax equity proceeds also cashed in. And we will continue to execute significant volumes of asset rotation proceeds and tax equity during 2024. So, I think that's a positive message and something that we continue to see in the market.

Despite the 2024 strong expected installations, we do have a lower cumulative capacity added versus the business plan. So, that leads us to estimate a lower volume of renewable generation in the year to around 40 terawatt-hour to 42 terawatt-hour range. Even so, that's a year-on-year growth of around 15% or more than 15%. And despite the high weight of the long-term contracted and hedged generation in our portfolio, there has been a material decline, and I'm sure you've all seen that in the market, over the last couple of months of electricity prices in Europe.

As I mentioned earlier in the presentation, so Brazil and the U.S., there wasn't such a high increase -- there isn't such -- there isn't also a decrease. That leads us to estimate the average selling price for the global renewables' generation portfolio as a whole in the EUR53 per MW hour to EUR55 per MW hour. So we don't normally provide guidance at this point in terms of EBITDA or net income, but let's say this is some sort of help to try and get a view on how we're seeing 2024 as of today.

So as Rui mentioned, we do see some headwinds continue to maintain in 2024, although, obviously, it's a lower size in '23. We've been working through a lot of these issues, but we will continue to have some PPA costs in Colombia. We have non

-- but don't forget that we also have some of the hedges in Colombia, so this is not -- it's not such a straightforward calculation there.

We have non-cash costs with hedges due to clawbacks in Romania and also some residual El Nino effects in early 2024, we're assuming an El Nino of, let's say, just one year. And so that would come off sort of over the next two quarters.

So, in relation to guidance for 2024. Our recurring EBITDA is showing a moderate year-on-year growth with a higher underlying contribution excluding capital gains. So, we had a lower underlying in '23 and higher capital gains in '23. And in '24, we expect that the capital gains would be, let's say, in line with what we had in the business plan. And obviously, that means that the higher -- there will be a higher underlying contribution from the business to give us a moderate year-on-year growth for '24.

So I'm not trying to sell you a big story, I'm just saying that I think we -- '23 is definitely a bad year in terms of the underlying. Obviously, we had then a good contribution from the asset rotation. In '24, we're seeing the underlying improve versus '23.

Going forward, we will continue to grow. We will continue to invest based on the investment criteria. I think we've always been very clear about that. I think we've been disciplined about that. We take relatively conservative projections in terms of energy prices for the future. And we will be focusing on projects that give us those returns. So prioritizing returns over volumes. That's something that I also wanted to leave that message, that we are here to create value and we are here to grow, but making sure we're getting the returns that we want.

And I'd stop there and we can turn it over to Q&A and go on in depth wherever you want. Thank you.

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 Palomo from BNP. Manuel, please go ahead.

Manuel Palomo – BNP: Hello. Good afternoon. Miguel, Rui, and Miguel, thank you for taking my questions. I will ask three questions, if I may. First one is on the average selling price. You expect a decline from EUR61 per MW hour to somewhere between EUR53 and EUR55 per MW hour in '24. My question is, where -- what are the drivers for the decline? I understand that partly it should be the merchant exposure, but I wonder whether you still see some pressure on PPA prices? That's the first question.

Second is just a clarification on the asset rotation for the year '24 after your recent statements, Miguel, about the asset rotations. You say also in the slides that asset rotation in '24 will be in line with business plan, does it mean that it will be closer to the EUR300 million rather than the above EUR400 million that we saw in '22 and '23?

And lastly, I wanted to ask you about your views on the returns for the assets, because one of the big concerns that the market could have is that -- well, there's some merchant exposure, but also there's some exposure to forward curves beyond termination of PPAs. I wonder whether you could shed some light on this and whether you are now assuming lower overall returns for your fleet. Thank you very much.

Miguel Stilwell d'Andrade: Okay. So on the first price -- on the first point around pricing, the reasons for decline, it's essentially on the merchant component. So obviously the PPAs are what they are and the hedges are what they are. So, although we have limited merchant exposure, the prices were obviously much higher than previously, and now they've come down. And so, it's a smaller -- it's a small volume, let's say, but it's a big delta.

And so that then impacts obviously the average selling price. And particularly if I'm not mistaken off the top of my head, but it's around 4-terawatt hours in total, 50% of that is in Europe and sort of 50% of that in Spain. And if you look at the deltas of price movement over the last couple of months, that basically is what is driving the change in the average selling price. So roughly, that's sort of the explanation.

On the second point. So, yeah, just to clarify, that's exactly what I was saying. So, we've had great asset rotation deals last year. We had them also in 2022, clearly above EUR400 million. Like we do, we never count on extraordinary gains or anything like that. I mean, if it comes, it comes. That's great. That's upside for us. But in terms of guidance, we definitely don't want to create any expectations. So what we're saying is the asset rotation is '24, let's say, in this guidance that's here, which is the moderate EBITDA growth, we are assuming doing in doing around the EUR300 million mark that we had in the business plan. So we're not taking a more aggressive approach there.

So what it means, if you back that out, is that you have a slightly better underlying performance, obviously. So you have a decrease in the asset rotation gain, but you have an increase in the underlying. On the third point, so I think basically on the returns. And if I understood, I still didn't quite understand the question, but from what I understood, it's the exposure to merchant post PPAs and how that impacts the returns of the projects, right?

So, I think there, the comment I would make is that 60% -- around 60% of our NPV is contracted, which means that there's 40, or either with the PPA -- well, typically with the PPA, which means that there's 40% of the NPV, which is dependent on the remaining 15 years of life of the product.

So, putting it another way, assume your project is 30 years, you lock in the PPA for 15 years, which will typically cover around 60% of your NPV. The remaining 15 years represent 40% of the NPV, which is exposed to merchant. And there, I mean, I can tell you, our prices are well aligned with market, with other markets, independent consultants and other things like that, sometimes even below that. So it already factors in the penetration of renewables, an aggressive penetration of renewables in the future, things like what we call the solar adjustment factor, wind adjustment factor. So when assuming that there's a lot of renewables that that's going to pressure the lower prices, that's all factored into the numbers when we run the models. So just to be very clear on that.

And in terms of the absolute returns. I think one of the interesting things is to look at the PPA prices we've been locking in over the last couple of months, even in this declining wholesale prices. So in Spain, recently prices for wind around EUR55 and solar EUR42; Germany, EUR70s; UK, EUR70; Italy, EUR78; France, EUR85; Singapore, there's a couple of projects but between EUR58 and EUR62 and giving us high single-digit IRRs in the case of the UK, it was actually double-digit IRRs. So goods IRR minus wax spreads clearly above the 200 basis points, and also with a high NPV contracted. So in many cases, even above the 60% NPV contracted. So this is just to give you sort of a sense of the, say, of what we're seeing in the market at the moment. Does that help?

Miguel Viana: Okay, thank you. Manuel. So next question comes from Javier Garrido from JP Morgan. Javier, please go ahead.

Javier Garrido – JP Morgan: Good afternoon. I will have three questions, please. First question is on Spain, given that Spain is the bulk of the merchant exposure in Europe, which is where we are seeing the collapse in prices. Can you give any indication of what is the price that you are using as a reference for your guidance for merchant in Spain? What is the wholesale price or the capture price that you are assuming for the Spanish marketing in '24?

The second question has to do with -- also with the guidance in that range of terawatt-hour versus prices. Is it fair to assume that if the output comes towards the lower end of the range, we should expect, actually, prices coming closer to the higher end of the range, because I mean, it's reasonable to assume that you will have less merchant output in the mix.

And then the third question is about -- below the EBITDA line. I understand you are not willing to provide guidance, but you can provide some indication of the moves, because in financial results there is quite a lot of action that you have taken to manage that line, so you can give some indication of where we should see financial - net financial costs in '24. And also, about minorities, given the CTG deal, it makes sense to see a reduction in minorities. If you can cast any line -- any light on the lines below EBITDA, that would be very helpful. Thank you.

Miguel Stilwell d'Andrade: Okay. Thank you, Javier. So I'll do the first two, and then I'll ask Rui to comment on the -- below the EBITDA. So, on the first one, I mean, we're using, basically, updated forward prices, so it's -- we're not making any specific assumptions or modeling. We're just taking -- what we're seeing in the market at the moment for the year, both in Spain and in the other markets.

On the second point. So yes, I understand your rationale. So, lower volumes overall. I would just say, though, that the relative percentages -- so it depends where the lower volume happens, but if there was a lower volume, then it's not clear that you would have a higher achieved price because, as I say, it depends whether it's coming in, or we have more contracted, or whether we have more merchant. If we had lower volumes in the geographies where we have more merchant, then, yes, at least the delta wouldn't be as large.

And below the EBITDA, Rui, if you want to comment?

Rui Teixeira: Hi, Javier. I would say, roughly EUR0.1 billion less depreciation, EUR0.1 billion less minorities, and EUR0.1 billion lower taxes and financial costs, round figures.

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

Alberto Gandolfi – Goldman Sachs: Hi. Good afternoon. And thank you for taking my questions. I also have three, please. First, going back again to the '24 guidance. Just to be very clear, you're talking about moderate growth year-on-year, just to be 100%, right, you're using the recurring roughly EUR1.85 billion EBITDA. And I was going to ask you, I really like your Slide 16. It really details all the headwinds -- temporary headwinds here in '23. Would it be possible to, say, for you to tell us, what similar headwinds have you assumed in the '24 guidance? So do we have EUR200 million, EUR300 million, EUR400 million of temporary effects on 2024 profits? I'm asking this because the original guidance you gave about a year ago for '24 was EUR2.5 billion.

Secondly, going to 2026 now, I know this is not subject of a call to revisit guidance, but can you remind us what power prices you were using for 2026 and what level of hedges and visibility we have right now? Because I remember that I think the base load price was above EUR80 a MW hour. And again, in Spain, we're below EUR50 for 2026. So, I was trying to understand if we need to take 5-terawatt, 6- terawatt, 7-terawatt hour of merchant exposure and trying to see on a mark-to-market basis where we might end up. So if you help us with the building blocks would be great.

And the last question is I can't help noticing that the divergence of performance between EDP and EDPR is even more pronounced. Is there a psychological threshold beyond which you would just be more inclined to perhaps to combine the two companies in a single entity and what would be the rationale? Thank you.

Miguel Stilwell d'Andrade: Thank you, Alberto. On the first one, so on the -- yes, so the base is the EUR1.85 million that you mentioned. And in terms of, let's say, the deltas that we still expect for 2024, so we're expecting roughly half the impact of 2023.

I mean, as I mentioned, some of the El Nino we're still expecting to carry on through '24, that's clear. We're not expecting any -- so just going through these -- we're not expecting any additional costs with the PPAs or additional delays. Poland -- I mean, we have this highlighted here, mainly what we are expecting sort of will continue, let's say, for '24. Colombia will continue to be a drag in 2024. So -- I mean, Rui -- what other sort of key issues there? But I think those are sort of the key ones.

Rui Teixeira: Yeah, I would say so, Miguel. If you want, Alberto, just to give sort of round numbers. Colombia is likely to keep the EUR50 million ballpark. The Romanian non-cash is going to be around -- the fall back non-cash is about EUR50 million. As I mentioned there, you have the 7% tax in Spain that will be about EUR15.5 million. So all in all, I would say it's your EUR0.1 billion ballpark.

Alberto Gandolfi – Goldman Sachs: Sorry, the U.S. load factors on top of this, right? So, it's about EUR100 million plus U.S. load factors. We're talking about EUR200 million, EUR250 million is probably embedded as a temporary effect in your '24 guidance as a negative?

Rui Teixeira: So I would say not that high, but yes, in Q1, we should have some impact in January and February from low wind speeds in the U.S.

Miguel Stilwell d'Andrade: Okay. Alberto, on the second one. So, I think you're roughly right. I mean, we're -- so we're looking at the same prices, I guess, like you are in terms of the forwards for '25 and '26. So we don't have a better estimate or guess than you would have.

I would -- perhaps the only nuance I would make that we sometimes look at is what is the implied market price based on the gas boards, because the gas is a much more liquid commodity rather than the merchant that you see in sort of in the Spanish wholesale price. So the gas might give you just a slightly higher price than the wholesale electricity price. Like, the implied electricity price from the gas will give you a slightly higher than the wholesale electricity price that you'll see. But yes -- but that's basically, we're assuming the same values that you're seeing.

In relation to the third question -- sorry, but just in relation to the second question. But I think the point there that I made on the slide on the long-term contracted hedging is that a big part of our revenues are long-term contracted and hedged. And so, yes, there is that merchant component. The delta is what it is. So, I mean, run the numbers on that. But we're not providing additional guidance or methodology versus what you said.

On the EDP versus EDPR. I think here the question is really -- we've talked a lot about this quite often. I mean, we obviously look at that option constantly. It's a regular thing. I think it would always be important to understand what would be the value behind it. I think, we've always said we've been comfortable and we are comfortable with the current structure. We are working on, and I mentioned that in the call, on trying to extract as many synergies as possible under the current structure. So integrating the back offices and some of the global functions that -- to get the synergies.

Obviously, I'm not going to provide like any specific levels or anything like that where it would make sense. But I mean, in the past, in 2017, I think it was a different market, different circumstances. When we try to buy the minorities of EDPR, at this point, we've said we are comfortable with the structure and I'd keep saying that that's not something that I see changing, it depends. To be honest, to buy for cash would not make sense. We don't have the balance sheet for that and it would be -- and for shares, it really depends on the relative ratio. And the truth is EDP is also relatively depressed, and so I think it would depend very much on the ratios. So I'll just leave it at that. It's an option. We analyze it but doesn't seem like it makes a lot of sense at this moment.

Miguel Viana: Okay, thank you. Alberto. So next question comes from Arthur Sitbon from Morgan Stanley. Arthur, please go ahead.

Arthur Sitbon – Morgan Stanley: Hello. Thank you very much for taking my questions. I have two. The first one is on -- well, in one of your slides, you talk about current PPA prices that are still resilient to the downward trend on wholesale prices. I guess that's a comment that is applicable to contracts that have been signed so far. I was wondering if you could comment on ongoing negotiations. Are they going according to plan, despite the falling prices?

And generally speaking, I think we've seen difficulties to sign good PPAs at good prices in a market like Brazil, for example, where power prices were depressed for quite some time. I think we're not there yet in Europe, but I would be interested in getting your view on what, if anything, may prevent European renewables market to turn like the Brazilian one if ever power prices were to drop further? That's the first question.

The second one, just on the guidance on average selling price. So you're talking at the midpoint of EUR54 per MW hour, that's down 12% year-on-year. But you indicate that only 10% of your revenues are merchant. So, I'm struggling a bit to reconcile how the price could come down 12%, if only 10% of revenues are exposed. I guess it may be related to the hedges, but yes, any more detail on that would be quite helpful. Thank you very much.

Miguel Stilwell d'Andrade: Okay. Thank you, Arthur. So, the negotiations, as I mentioned, so we've been managing to close PPAs at relatively good prices. I mean, the Brazilian example that you give, it's -- I mean, it's true you're having a very high hydro conditions in Brazil, which is depressing the prices. I think that, that -- but which is in itself, I think also maybe a function of the El Nino, but that's expected to turn around. So this will be cyclical over time. And we've seen Brazil with like maximum level sort of at the cap, relatively recently. So, I think in Brazil, in particular, we think that that's a short-term issue. And once that sort of the hydro normalizes, then you'll have the PLD, which is very sensitive to the hydro conditions reestablished.

In any case, one of the reasons that we did also take private of Brazil, and we mentioned that at the time, is that we do have a very good trading and commercial arm in Brazil. And I think that's one of the things where -- one of the areas where we're seeing quite a lot of value by being able to articulate that with EDPR. So that we have, let's say, renewable projects in Brazil and being able to place that energy with retail customers or sort of B2B customers in Brazil, which the EDP Brazil have that those competencies EDPR did not. And I think to take profits, we can do that. We can manage that better.

EU like Brazil -- listen, the EU had low prices. I mean, we're now -- we've just come through a peak of energy prices, but the EU was growing quite rapidly also in renewables with prices also in around EUR40 to EUR50 per MW hour in terms of wholesale prices. So, I think the driver for Europe is, it's not just the wholesale prices, I think it's the decarbonization metrics. It's making sure that the companies -- or the actual company commitments to go on decarbonizing. That's driving a lot of the demand for the PPA.

So, it's a different situation from Brazil where they don't have such a strong focus on that decarbonization, let's say, objective. So, the EU -- so I talked about Brazil, but -- and on the EU, I think it's very much demand driven by the EU emissions objectives. On the -- hopefully, that answers the question. On the second question, so it's really just a function of -- yes, it's not a lot of merchant exposure, but the delta is quite large. So, it's a small volume times a big delta. I think that's the point.

Miguel Viana: Okay, thank you. Arthur. So next question comes from Jorge Guimaraes from JB Capital. Jorge, please go ahead.

Jorge Guimaraes – JB Capital: Good afternoon. Thank you for taking my questions. I have three. The first two are related to Colombia and the third one is a more conceptual one. On Colombia, is it possible to tell us if there are any capital investors beyond what has been impaired? And to clarify the situation, you seem to suggest that the negotiations continue, but yet at the same time, you impair the project. So I would like to understand if you really expect the project to go ahead, what will happen to the capital that was impaired now? And if not, what capital has been left to impair?

And the third one is there seems to be some type of disconnection between what financial markets are pricing for renewables and what European Union authorities want for green transition. I don't know if you share this view, but if so, what do you believe that European authorities can do to prevent the low power prices from stalling the growth in renewables? Thank you very much.

Miguel Stilwell d'Andrade: Thank you. So on Colombia, just to clarify, I mean, we did the impairment based on the best information that we have, but we are in advanced stages of negotiation of the pushing forward the PPAs to 2027. So I think we have pretty good visibility there.

Now, the amount of capital, let's say the book value that we have is around EUR500 million. Part of that is impaired. The rest, we think, there's a path to having a viable project. And that's what we're working with together with the Colombian government.

And I think what's on the critical path at the moment is environmental. Well, so it's the PPA renegotiations that's ongoing. And information I have is progressing well. And then getting the environmental license as quickly as possible and locking in the agreements with the indigenous community. So once that's done, then we'd be in a better position to progress with the project. And Rui, do you want to comment anything else on Colombia?

Rui Texeira: Maybe just to highlight that the sort of assumptions that we use -- because yes, it's important that we have this renegotiation so that we reduce that short position. So that was one important input into the impairment test. Also, I mean, we use a low double-digit return rate to discount the cash flows so that we are also conservative. But at the end of the day, given where we are, we will still even continue with the project forward. It was prudent to book at this point, roughly speaking, EUR180 million.

Miguel Stilwell d'Andrade: On the second question, I mean, it's a great question. I think, yes, I mean, obviously, the financial markets are not rewarding renewables at the moment. So I think that's pretty clear from just looking at the share price. In the EU objectives, I think things continue to progress. I mean, if we take ourselves back two years, and I think I've said this a couple of times, so we tend to overestimate how much impact certain things will have in the short-term and underestimate how much they have in the medium, long term.

And I think this is one of the cases where Europe is taking pretty aggressive steps in terms of changing and improving and simplifying the licensing and permitting regimes, and the different member states are doing that. They've come out with a new market design at the end of last year, which for the first time, incentivizes and recognizes PPAs and CFTs as being like an intrinsic part of the market design. That's something which didn't exist in the past.

There's been a lot of push to have governments come out with more structured predictable auctions over time to continue to drive the demand for renewables. And so, when we go from quarter-to-quarter, it can feel like things sometimes are not going as well as expected. But I think when we look back -- or say in this case, when we look back, Europe is actually taking quite a lot of big steps, and I think they continue to do that. And looking forward, I think those will have an impact.

I mean, if you look at the bottom -- if you look at the installations of renewables globally, but even in Europe, there was a material increase in 2023. And I think the expectation is that some of these measures go on feeding through into the, let's call it, the real economy, to the companies and to the different member states, et cetera, that the project will continue to progress and accelerate, and that they will be financially sustainable and profitable.

So I think the EU continues to have that objective. As I've said a couple of times. I don't think it's just the environmental issue anymore. I think it's definitely also driven by national security issues. I was in Berlin recently and definitely, it's very palpable, the need to continue to drive the renewables growth there and introducing that concept of overriding public interest.

And they were giving examples, like a German official talking about the fact that in the past, when you wanted to build a project, you would sometimes get it stuck in courts and you were -- basically, the judge had to decide between two conflicting private views, the local community, which didn't want the project built and maybe the promoter that wanted the project built. Now he's introduced this concept of public interest. And so, the judge can decide between the local community or the public interest. And in many cases, that allows him to unblock the situation and move forward with the project.

Miguel Viana: Okay, thank you. Jorge. So next question comes from Fernando Garcia from RBC. Fernando, please go ahead.

Fernando Garcia – RBC: Yes. Thank you for taking my questions. I have several from -- about Colombia, no? So I wanted to know there what is the situation of the turbines for this project? So now you say that you are expecting to get all permitting in the second half of the year. So can you be more specific on that? And then can you tell us from getting old permitting, what are your expectations in order to build that project, how long can that take?

So you said as well that in terms of the PPAs that you are advancing negotiations to push the PPAs to 2027. Then from that 2027, how many years will cover that PPA after, and will be with the same prices that you have before? And finally, on the arbitration process, can you provide some information such as timing that you expect in this arbitration and what are you asking in this arbitration? Thank you.

Miguel Stilwell d'Andrade: Thank you, Fernando. So let me take a couple of these and Rui can complement. So, on the turbines -- I mean the turbines have been locked in, they were locked in before with Vestas and we actually have them physically already in Colombia. So that's -- say, that's given in terms of the permitting. We're expecting environmental license to be obtained by around October.

In terms of the PPAs, the advanced negotiation, yes, so it's pushing them to '27. I think the question was how many years? I think they're 15-year PPAs. In terms of the timing of the arbitration, so what we would expect is to get or to renegotiate or to get the arbitration to decide that the remaining PPAs that haven't renegotiated with us, that their conditions should be changed to be aligned with the ones that we have renegotiated. So at least that.

In general, on the PPAs also, I think your question was around prices and how long? But -- so in general, maintaining prices, but just extending it a bit further and providing some additional volume because the PPA didn't cover the full expected volumes of the project. I think hopefully that answers your questions.

Miguel Viana: Okay, thank you. Fernando. So the last question comes from Gonzalo Sánchez-Bordona from UBS. Gonzalo, please go ahead.

Gonzalo Sánchez-Bordona – UBS: Okay, perfect. So first one is on the deal you did with CTG. I'm assuming that now with a longer-term power prices probably lower than it was just a few weeks or months ago, you might find that rebuying some of the minorities might be a bit cheaper than it used to be. So I was wondering whether you see possibility for doing more deals like that one that would be, I guess, clearly earnings accretive and very fast and around -- plus giving the flexibility you mentioned on the deal already did with CTG. And if that is the case, what kind of timing volumes involved we could be looking at? That is the first one.

Second one is related with the very interesting data you brought on Slide 15 on the evolution throughout the years of the portfolio in a linear phenomenon. I'm guessing your guidance for 2024 is based on the recovery that you expect based on this chart. But I was looking at, for instance, the period 2014-2015 where you see a more steep or deeper fall from the previous high level to the following low level.

So I was wondering if you have some alternative scenario in which it takes a bit longer to recover based on methodological models or anything like that. And if that is the case, what is kind of a secondary scenario? Things don't go under your base case assumptions for 2024, what kind of impact or volatility we could expect on the numbers for 2024? Thank you.

Miguel Stilwell d'Andrade: Yes. Thank you, Gonzalo. So, I'll take the questions and Rui can complement, I think, on the earning. But on the CTG, let's say, in terms of other deals, yes. So I think this was a good deal, as I mentioned. I think it was fair and with good multiples. If we find other alternatives or other options that are like this, yes. It's accretive day 1. It's cash flow positive day 1. It seems to -- well, it ticks all the boxes. So it's definitely contributing to the bottom line. So, we would be open to doing additional deals, I mean, of this type, if it makes sense, and if we get the right conditions for it. But we don't say -- I'm not disclosing anything specific at the moment.

On the second, on the El Nino. So listen, predicting meteorology and climate is an impossible science or pretty very difficult science. But the expectation, let's say, the typical correlations looking at what's happened in the past is that there would be -- the Q1 and Q2 would still be impacted by the El Nino, but then that it would start shifting to La Nina, so the opposite effects by Q3 and Q4. So, that would potentially lead to above average volumes in the U.S. But listen, that's -- I wouldn't place any guidance on that, just because, I think, we like to predict based on P50s, which is the average. In this case, we are in an El Nino, so I think we can say that obviously the El Nino will continue at least for another one or two quarters. But exactly what it will do after that will be -- we might have some small correlations, but it's not something I would say, make a big bet on. In any case, Rui, you want to comment?

Rui Teixeira: Hi, Gonzalo. No, I think, basically -- I mean, there's no statistical evidence right now that suggests that the El Nino will be prolonged, if any, as Miguel said, it's the La Nina. So for the forecast, or sort of the guidance that we are providing here, we're basically taking the view that for the rest of the year, let's say, somewhere around Q2 and then definitely Q3, Q4, we should go back to sort of P50 scenarios.

Miguel Viana: So I think you can move to closing remarks, Miguel.

Miguel Stilwell d'Andrade: Okay. Listen, thank you. Sorry, we went on a little bit longer maybe than what we expected. But just to say, listen, we know 2023 was challenging, we continue to have some of those same challenges in 2024. That's clear. We are working through a lot of these issues. We, I think, set out very clearly what are those headwinds and we will go on solving them. Total focus is on execution, making sure we are able to deliver. I think we do have the 4 GWs that we're working on very hard to deliver this year. We had a great year in 2023 in terms of asset rotation. So I think that shows just a general structural demand and an appetite for these types of assets.

But I think we keep our eye on the ball and focused on the medium, long-term goals. And so writing out some of these challenges and the economic cycle. And so that's very much what the team is all focused on. And certainly, that's what myself and Rui are very focused on. And we'll keep you up to date, I guess, now at the first quarter numbers. I mean, we're not expecting anything great for the first quarter because of these challenges that I talked about, but hopefully, we will see some recovery over the rest of the year, and we'll keep you updated as soon as we know any more information. Thank you.