

EDP – ENERGIAS DE PORTUGAL

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Chaired by Miguel Stilwell d' Andrade



Company Participants

- **Miguel Stilwell d'Andrade**, Chief Executive Officer
 - **Rui Manuel Rodrigues Lopes Teixeira**, Chief Financial Officer
 - **Miguel Viana**, Head of Investor Relations
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Miguel Viana: Good morning, ladies and gentlemen. Thank you for attending EDP's 2021 results conference call. We have today with us our CEO, Miguel Stilwell d'Andrade; and our CFO Rui Manuel Rodrigues Lopes Teixeira, which will present you the main highlights of '21 financial performance, and also they have some updates on the strategy. Will then move to the Q&A session, in which will be taking your questions both by phone or written questions that you can insert from now onwards at our website page.

This whole session should last around the 60 minutes I'll give now the floor to our CEO, Miguel Stilwell d'Andrade.

Miguel Stilwell d'Andrade: Thank you, Miguel and good morning everyone. It's nice to have you back and thank you for coming to this call. If we move into the presentation and talk about the '21 results.

I think we can say that in difficult and quite volatile market conditions, we've been able to deliver on the '21 targets and I think this shows that really, we have a good business model, we have a good execution ability, and we achieve the results. Although, with a different composition. Overall in 2021, our recurring EBITDA rose 7% year-on-year to EUR3.7 billion, so plus 9% if you exclude the FX and achieved our guidance.

In renewables, we added a record 2.6 gigawatts of wind and solar capacity. So the capacity during the year. In regarding after rotation, we managed to book greater returns than predicted in our business, plan and budget in networks.

We optimized our cost structure and Iberia we've been driving digitalization and the integration of years ago. And also, we ramped up EDP's investment activity in Brazil, both and transmission and we did the acquisition of Celg-T sort of towards the end of last year and distribution as well on the back of good CapEx increase.

This strong performance in renewables and networks was partially mitigated by substantial increase in European power prices. That had a negative impact on the result of our hydrogen energy management divisions, mostly due to an increase of energy sourcing costs. And also, very importantly up front - mark-to-market of gas hedging positions of around EUR200 million.

So, just to put this in perspective, in terms of the hydro resources at the end of the first nine months we were up 13% versus an average year. But in the fourth quarter, we had less than half of the normal volume for an average year. So we ended up the year down 7% versus an average year. Recurring net profits increased 6% to EUR826 million in line with the guidance and mainly supported by the EBITDA performance.

I'd also like to highlight on the balance sheet that the net debt figure is the lowest reported by EDP in 14 years. Declined 6% to slightly above EUR11.5 billion, even after considering the sector-wide working capital negative impact. So, we have included for example the most recent asset rotation deal, the net that fell well below our guidance interval. And also tariff deficit that we sold at the beginning of the year, either these transactions would reduce the net debt level even further.

Regarding dividends, we will be proposing to the annual shareholders meeting in April, the distribution of the dividend of EURO.19 per share aligned with our dividend policy.

So, all in all, we managed to deliver the growth but also to improve our overall portfolio in set the stage, I think, for good opportunities ahead of us.

If we move to the next Slide, Slide 4. So, in 2021, we took some important steps towards delivering our 25 business plan targets.

In particular, I think it's worth talking about our growth plan. So total secured capacity of 8.4 gigawatts of renewable projects, as typically long-term contracts, good returns, this represents 40% or more than 40% of our 20 gigawatts target capacity for 2025. And all of this was too low risk profile.

On the electricity networks. We ramped up our operations ahead of schedule. So we had CapEx reaching EUR750 million, which covers more than 20% of our 2025 objective, mainly including investments in Brazilian networks.

In the meantime, we also provide a greater solidity to our balance sheet, so with EPD's EUR1.5 billion capital increase, which not only funded our green growth, but also enabled the refinancing of our debt structure with green hybrids at a cheaper rate. So all in all around EUR2 billion of hybrids issued, green hybrids issued with yields below 1.9%. So with all of this, we met our target of maintaining in FFO to net debt of around 20%, which drove the credit rating upgrade from S&P, Moody's and Fitch.

So, clearly we've come a long way in terms of getting a much more solid balance sheet. In terms of the funding, we've also increased our share of green funding to 39% and overall brought down the average cost of debt also over the year.

Finally, in terms of our contribution to decarbonization, clearly we have the biggest share of renewable energy production so far around 75%. This meant that EDP was included in the S&P Global Clean Energy index and it also contributed to us having a leadership position in the Dow Jones sustainability index. So really, I think a great time to be in the sector and clearly moving in the right direction.

We'll move on to Slide 5, so throughout the year, we've been reinforcing EDP's green footprint, we reached 21 gigawatts of renewable capacity around the globe, with the acquisition of Sunseap which we expect to close probably next week. We've expanded into 12 new markets, all of which

with good strong, growth prospects, and we've added an overall record of 2.6 gigawatts of gross capacity.

So, in particular in Europe, we installed around 700 megawatts of wind onshore and we entered the Hungarian and UK markets. In North America, we strengthen our position in the US and Canada with around 900 megawatts of wind onshore there are 300 megawatts of solar capacity. In Latin America, we added around 200 megawatts of both solar and wind onshore capacity in Brazil.

So all in all 2021 expansion for renewables very much aligned with our business plan and with good expectations around 80% of CapEx investments in Europe and North America so, keeping this focus on the two core geographies. I think it's also worth mentioning the substantial development in the wind offshore gross capacity, so we increase to around 1.5 gigawatt and that was mostly because of award of projects in the US, UK, Poland and Korea.

Moving on to Slide 6. So here, talking about accelerating growth across all the platforms, significant amount of PPAs, with execution taking a little bit longer as I talked about previously, but given adjustments driven by the increase in CapEx. So many of these will be announced over the next couple of months.

Overall, 8.4 gigawatts of secure capacity, 75% of our 2021, '22, '23 target additions. So well on way, to achieving our targets additions. And we did this with very disciplined approach to investment returns above 1.4x, WACC and around 300 basis points of spread.

In terms of profitability, I think it's also worth mentioning first that 90% of our secure capacity is protected against CapEx inflation. The second is that we have a significant amount of PPAs in execution which are taking longer to incorporate the higher CapEx costs, given the recent inflationary pressures on raw materials. So, this should translate into increases between 2 to 5 Euros or dollars depending on the geography, in the overall PPA pricing and many of these PPA as I mentioned, will be announced over the next couple of months.

For reference, we had literally over 1 gigawatt, ready to sign, but we prefer to go back and adjust for changes in the costs and just make sure we have the required profitability for these projects. So we are privileging making sure we get the economics, and not just megawatts.

Finally, in relation to timings for capacity additions in 22, on track for wind, with most of the equipment already on site or nearby on the solar project. We have about a gigawatt concentrated at the end of the year, could have a delay of one to three months. So that's something that we are monitoring very, very closely. In a nutshell, we see the supply chain having a short-term impact potentially moving some capacity from 22 to 23, but overall, we don't see it impacting the overall growth plan of 20 gigawatts until 2025.

If we move to Slide 7, talking about asset rotation, so here we had the really strong execution in '21 with gains almost twice as the business plans yearly target achieved, EUR1.5 billion of proceeds rotating less megawatts and expected. And so, by definition, with mathematically higher gains of EUR530 million versus the EUR300 million that we gave us business plan guidance. And also, on the transmission side, we closed our first networks asset rotation transaction disposing of three transmission lines in Brazil at an attractive multiple, adding EUR46 million of gains in the 2021 results. Looking forward, we're starting '22 already with almost EUR900 million of asset rotation proceed. So signed in Poland, Spain, and Greece. We communicated this last year and we're also

kicking-off with the additional transactions to make sure that we complete the asset rotation program for 2022.

So all in all clearly, we continue to see a strong appetite from investors, a lot of demand and the overall execution has been going very well.

On Slide 8, we can see relation to networks. So here in Portugal at the end of December, ERSE established a new regulatory framework for 2022 to '25. So this provides good visibility on the regularly returns. For '22, we already have now stability in terms of return on RAB at around 4.7%. I think it's important to highlight that over this period, we're keeping an important indexation of our returns and regulated revenues to the evolution of the Portuguese government 10-year bond yields and inflation.

In Iberia, our networks platform is also been a focal point of the group's efficiency initiatives and we have overall controllable cost per customer decreasing by 12% on a pro-forma like-for-like basis. Mostly driven by digitalization of our networks, we already have almost 70% of smart meter penetration, and also the efficiency gains coming from really moving forward with the Viesgo integration. So, all-in-all medium-term we expect to really drive efficiency based on the efforts on these two fronts, targeting 100% of smart meter penetration in the Iberian networks and also the full integration of Viesgo.

On Brazilian networks. So last week, we closed acquisition of Celg-T, which is being rebranded to EDP Goiás, at an attractive multiple, and this allowed us to really tap into a region that has good high electricity demand growth and also a big need of infrastructure investment to meet this trend.

So, we'll be investing EUR165 million in 2021 for the construction of four different lines. And on top of this, we've also added two new greenfield transmission project, which represents a total investment of around EUR80 million.

In distribution, here we've ramped up our investments during '21, we had CapEx increasing by 35% year-on-year to a level 2.7 times the regulatory depreciation, supporting a good growth of our asset base. Again, highlighting the focus in expanding our footprint and also working on improving our portfolio.

Finally, last but not the least, we had the annual tariff updates which were indexed to inflation. So, we had an increase of 12% and 10% increase for EDP São Paulo and EDP Espírito Santo respectively, so that was also a good update last year.

If we move to slide 10 in, this is an extremely important slide. So over the last quarter Energy prices went up, not just in the short term but also over the next couple of years. You can see that here on the left-hand side of the of the chart for 2022. 2022 has a full hedge of its baseload production at roughly EUR60 per megawatt hour. Given the droughts in Iberia in January-February, Hydro volumes significantly lower than expected, around two terawatt-hours down for our portfolio. And this is extremely important.

We've seen very strong increase of thermal demand in the Iberia electricity market, due to the low Hydro generation and also for the net exports to France. So this means that we're at the same time increasing substantially our volumes of thermal generation both gas and coal, which for EDP should be more than twice the negative deviation in hydro volumes.

Note that these volumes are being sold in the short-term market conditions. And so this means mostly what we're doing is unhedged unexpected generation that we are producing. I think it's important also to just to highlight and to manage expectations that the hit on the hydro will be mostly in the first quarter '22, that's where most of our hydro takes place over the year, and so only partially mitigated by the thermal in the first quarter. Over the rest of the year, we expect that to continue to thermal production will compensate for this lower hydro that we had in the or we're having in the first quarter.

For 2023 and '25, we had close to 40% of the expected baseload generation hedged at an average of EUR60 per megawatt hour. This is around 50% for 2023, instead we lower than that, for '24 and '25 to get the overall 40% average for that period.

I think it's important to emphasize and this is structural change that given the recent changes in the market context, we will be increasing the weight of merchant volumes in our generation portfolio going forward and making sure that we optimize the hedging strategy.

On Slide 11 and moving onto people and really the talent that we are attracting, I think, as we are growing very strongly in renewables, very strongly on the retail side on distributed generation. So we really think that organization is also a key stepping stone to make sure we have a future proof organization.

In 2021, the renewables platform grew around 21% in terms of overall headcount mainly on the back the strong expansion activity carried out through '21, obviously by definition if we have more projects, more megawatts, we need to have a workforce to go along with that and deliver on that. However, at the same time, we manage to keep the overall headcount stable at the Group level, because given the digitalization of many of the processes and the efficiency overall, but we're getting across some of the more conventional generation and distribution, and things like the Viesgo integration, we had 0.5% net increase, but with the reduction in the more conventional legacy areas and an increase in the newer growth areas.

So, I think it's really great to be able to be recruiting overall across the board, which is really important also for having a strong succession plan for the top management positions. Think I'd also like to highlight that in 2021, 81% of the open management positions were filled by EDP professional, so internal hires, so moving people within the organization. And I think that shows we have a really strong bench of talent internally.

In terms of making sure, we also have a good alignment, the weight of the variable remuneration has been reinforced aligning it with the three pillars of the business plan. So, the growth objectives, the future proof organization objectives in terms of digital innovation and also the ESG excellence. Making sure that, we have that alignment across the organization.

Overall, we've been an industry leader in terms of employee engagement, comparing very well and above general market and the sector's benchmark and high-performance companies. And so, we've been recognized as a top employer in multiple regions, and I think that's one of the things that really has distinguished us and enabled us to continue to grow successfully.

Just before I hand over to Rui, just to talk about our ESG targets and what we've been doing here across the board in terms of metrics. And first in terms of our renewable generation, we achieve 75% of the total production coming from these technologies. The revenues aligned with the EU taxonomy rose to 63%, giving us good visibility on achieving the overall target of 70% by 2025.

Then we continue to work on reducing the specific emissions throughout the year. 2021 was penalized by the hydro crisis in Brazil that prompted the high utilization rate of our thermal plant, which now has been reduced. We will have some increase in Iberia because of what I mentioned earlier.

Overall, and I think this is important these achievements were highlighted by top-tier institutions. So we had the Dow Jones sustainability index naming EDP as the most as the most sustainable electric utility in the world, the best results so far in terms of overall performance. S&P global index also attributed EDP and EDPR's top 10 position in the clean energy, index. And bloomberg also include EDP and EDPR in its gender equality index. And so I think also good achievement for the year more on the ESG front.

With that being said, I'll now pass over to Rui Teixeira for more detailed analysis of the '21 results and come back for closing remarks. Thank you.

Rui Manuel Rodrigues Lopes Teixeira: Thank you, Miguel, and good morning to all. So, now let's deep dive into the EDP's performance for 2021. So, moving to Slide 14, recurring EBITDA increase 7% to EUR3.74 billion, that's a 9% increase, if we are to exclude the forex impact. The recurring EBITDA for renewables platform was up by 4% with positive results, supported by a strong performance of the asset rotation strategy, definitely overcompensating the weak effect that we had in the hydro namely in Iberia. Electricity networks, the recurring EBITDA increased by 51%, driven by the expansion in Iberia, due to the acquisition of Viesgo and then Brazil, due to the commissioning of new transmission lines.

Finally, a note on the Client Solutions & Energy Management platform, that as you know was penalized by the sharp increase in the energy prices. And of course, this also compares to an exceptional positive performance in 2020 but will deploy a little bit into that in a few slides.

So, if we move now to Slide 15, the EBITDA from EDPR increased 6% year-on-year. There was a positive impact driven by the asset rotation gains above what we were initially foreseeing reaching EUR530 million in 2021 and 1% increase in the average selling price that reflects a significant recovery particularly in Europe, versus the 9M21. And these effects were somewhat mitigated by weak wind resources that was 4% below average and some adverse FX impact driven by the depreciation, about 4% of US dollar against Euro. On Slide 16, and looking out to the hydro. So, adjusted by the change in the consolidation perimeter, hydro recurring EBITDA decrease 3%.

In Iberia, EBITDA decrease 16% year-on-year. This is negatively impacted by the low Hydro resources that despite being 13% above the average level in Portugal in the first nine months of the year, they were 57% below average in the fourth quarter of 21. This was coupled with pre-hedged volumes and strong increase in electricity prices in the end of the year. In the Brazilian market, hydro EBITDA increased 38%. Despite the hydro crisis in Brazil performance was well supported by the hedging strategy and with more energy allocated towards the second half of the year combined with the recovery of resources in the same period which naturally led to an increase in terms of the hydro production in this region.

Now, in networks if we move to Slide 17, it was marked definitely by a strong performance on this platform, with the recurring EBITDA increasing 51% year on year. In Iberia, EBITDA increased 48% on the back of the Viesgo's integration which more than doubled the operations in the region, a

positive impact from the reversion of the provision on regulated revenues in Spain and the positive impact of around EUR54 million in Portugal OPEX savings, as a result of the gradual increase in digitalization, namely the rollout of the smart meters. In Brazil, EBITDA rose 57% to EUR427 million that the 73% increase in local currency, and this includes the increase of volumes of distributed electricity that were up 7% year- on-year, the positive impact from inflation indexation on distribution and will tariff updates, and asset rotation gain of around EUR46 million, that is a result of the sale down of this 3 transmission lot to active. So definitely a good performance on the networks business.

On client solutions and energy management, on slide 18, recurring EBITDA declined 73% year-on-year versus an exceptionally strong performance in 2020, which still included a positive contribution of around EUR22 million from the Sines thermal plant that was shut down at the end of that year. In Iberia, the last two quarters were particularly challenging, the energy management activity was penalized by the sharp increase in energy prices to record high levels, particularly in the end of the year. This of course, increase the energy sourcing costs and it also implied a negative mark-to-market impact from hedging contracts for future periods so, beyond 2022.

These mark-to-market losses are mostly noncash and they are expected to be offset by higher operating margins in the following years. On this quarter, these negative impacts were partially compensated by increasing client service penetration, which we expect to keep increasing, since the energy efficiency is becoming more and more relevant in this environment of surging energy prices.

In Brazil, also worth mentioning that the positive impact regarding the higher availability of the pécem plant was partly offset by rising fuel procurement costs that impacted the coal stocks.

So now moving to Slide 19, because I think it's important also to provide some additional information about the performance on integrated basis or integrated portfolio basis. So there the fact that we hold these diversified generation portfolio in Iberia was critical to mitigate these negative impacts.

So in 2021, the energy sourcing costs were about EURO.2 billion higher than we would have assumed in our perspective, for the year, and mainly on the back of the slight short position in terms of volumes, to satisfy the needs in terms of energy supply activities, which were amplified by the sharp increase, in terms of the energy prices. This increase of energy sourcing costs was essentially offset by higher end contracted volumes and margins in thermal generation, and the increase in terms of realize price or the realize price premiums in the hydro generation versus what we were expecting throughout the year. So, overall these two factors, the higher cost in terms of sourcing, but also the higher margins in terms of thermal and the high realized price on the hydro compensated each other.

Then, we have a negative 0.2 billion deviation of our integrated margin in 2021 versus our estimates that was mostly justified by the negative mark-to-market of gas financial hedging, that is partly to be reverted through operational margins, mostly through 2022 and '23. So, these are again non-cash mark-to-markets that we are having as an impact in our P&L.

So, now moving to the financial costs on Slide 20. So, adjusting by non-recurring items and other financing costs non-interest related, those are the cost of repurchases of outstanding bonds, so

liability management throughout the year, the acquisition of it the minority stake in soto 4 combined cycle in Spain and Forex differences.

Adjusted net financial interests remain flat year-on-year driven by the decline in the average net debt at around EUR700 million, and a 20 basis point increase in average cost of debt, mostly driven by the rising cost on Brazilian real denominated debt which is indexed to inflation and represent about 12% of our total debt. Note that the average cost of debt in Brazil real increases 320 basis points to 9.3%. I think it's also worthwhile highlighting that the 2 billion of green hybrid bonds that were issued throughout the year they solidify the share of when financing with green bonds now representing 39% of EDP total of financial debt.

So now on Slide 21, just some comments on how we are protected against inflationary interest rate pressures.

I'd like to highlight that the portfolio, what is a portfolio sensitivity to these elements. So regarding inflation, we can break down the gross profits in about 35% of merchants/hedged, which are mostly contracted in the Iberian electricity market, which carries potential website in a rising price context particularly as the hedges roll over. So, as mentioned, we have a very high level of hedging for 2022, but then 40% hedged for '23 to '25, of which 50% in '23 going down to around 30%, 35% in 2025. So, the second point is that about 40% of our gross profit is linked to inflation, which act as a natural hedge. This refers almost 100% of the operations in Brazil, networks in Portugal around 30% of EDPR's revenues. And finally, flat revenues that represent 25% of the whole portfolio and our mostly related to electricity networks in Spain, and then our 30% of EDPR's revenue mix. So, regarding the debt structure, close to 70% of the debt is contract at fixed rates and more than 50% of maturities are scheduled post 2025. So, all in all remain well protected against inflation and rising yields with a significant share of revenues linked to inflation and debt structure mainly contracted at fixed rates.

So now if you look to net debt in Slide 22, so as mentioned by Miguel, in the beginning of the presentation, we delivered on our deleverage commitment, increasing our FFO to net debt to 21%. With this being said, net debt decreased EUR0.7 billion to EUR11.6 billion, and this is in the result of recurring organic cash flow of around EUR0.6 billion. And here, just to highlight that we were penalized by a total negative impact of around EUR1.2 billion, associated with increase of energy prices. So, that's around EUR0.8 billion increase from working capital, and negative non-cash impacts from to mark-to- market of derivatives.

Also noting, that adjust by these factors, the organic cash flow would be EUR1.8 billion in 2021. Additionally, net expansion investments amounted for EUR2 billion, following a part the acceleration of the build-out activity with EUR3.3 billion of gross expansion investment. And this was partly offset by the EUR1.4 billion proceeds from the asset rotation deals, that we concluded throughout the year. We also have a positive impact from the EUR1.5 billion proceeds from EDPR capital increase in April, and about EUR1 billion relative to the 50% equity content associated with EUR2 billion hybrid bonds that were issued in 2021.

And finally, effects of exchange rate fluctuations, have a negative impact of around EUR0.3 billion on that debt, due to a US solar 8% appreciation against euro, as a positive impact of EUR0.7 billion reduction of regulatory receivables mostly in Portugal. So, finally, assuming that the asset rotation transaction in Portugal was closed within 2021 financial year. Net debt declined to 11.2%. Just a

final note, recurring net profit increased 6% to 826 million in 2021 and the growth in EBIT and improvement of financial costs overpowered the increase in non-controlling interest.

So additionally, the net non-recurring items at net profit level increased from EUR26 million in 2020, EUR169 million in 2021, leading to a reported net profit of EUR657 million. As we described before these non-recurring items into 2021 are mainly related to impairments in our thermal power plants in Iberia. Here it is being said I want to show that we are very committed with what is ahead in the challenges ahead.

Thank you all for the opportunity today and Miguel pass toward you and for the final remarks.

Miguel Stilwell d'Andrade: Okay, thank you. So, just to wrap up the presentation and just highlighting here, some of the key points.

First of all, we delivered on the 21 guidance. So we had the strong growth in the networks, we had good returns on the asset rotations and that ended up offsetting the weaker energy management results which were very much penalized by the adverse mark-to-market impacts. And so important to note that these will be reverted over the following years. So, this shows I think that there is value in the diversification of our asset based and having a good risk management and portfolio quality. The overall volatility in the wholesale price and also the average hedge of the baseload from 23 to 25, so it's now 40% hedged an average of EUR60 per megawatt hour and creates the condition so that we can increase the structural weight of merchants volumes in our generation portfolio to really optimize our hedging strategy.

If we look forward and talking about renewables, the 8.4 gigawatts secured represents 75% of our target for '23, and as I mentioned earlier booked with long-term contracts at attractive returns and that gives us good visibility on the delivery of our target 20 gigawatts by 2025. So, we've done well on the asset rotation strategy, we booked gains twice as large as the business plan yearly target for the same scope of assets I think this is really important so, double the gained per megawatt that we're expecting in the absolute terms as well. Entering 22, we are committed to maintaining this level of performance so, we already have EUR800 million, and asset rotation proceeds so, on track for delivering the 25 objective. In parallel with the growth, we are protected against inflation rate and interest rate pressures, Rui has talked already about that, more than 70% of our gross profits are not fixed and 70% of our debt portfolio contracted at fixed rate.

Finally, we continue to accelerate the contribution to decarbonization as the largest weight yet of renewables in our energy mix and improved and aligned with the EU taxonomy and then also EDP's recognition of the world's most sustainable electric utility by the Dow Jones sustainability index and the top 10 weight in the S&P global clean energy index.

So, I'll stop there. So, thank you once again for the results call and we can now move to Q&A Thank you.

Operator: Thank you. The first question comes from Stefano Bezzato from Credit Suisse.

Stefano, please go ahead.

Stefano Bezzato: Yes. hi. Good morning and thank you for the presentation today. I have three questions if I may. The first one is, if you can clarify what the impact on fuel costs in energy management EBITDA you expect from the current hydro situation in Iberia? In other words, if you had to roll forward Page 19 of the presentation to 2022. How that would that chart look.

The second question is on asset rotation, what is your expectation for 2022 in terms of asset rotation gains and how does this split between unitary gain and amount of capacity that you are planning to sell down?

And the third question is pretty much a consequence of the first two questions, which is, can you comment on the current level of consensus for 2022? I think in the file that you sent around a couple of days ago, you had highlighted EUR4 billion EBITDA and EUR940 million net income are you comfortable with these levels? Thank you.

Miguel Stilwell d'Andrade: Thank you, Stefano. So, in relation to the first one. I can probably pass it. Just answering the second and the third one. So, in relation to the asset rotation gains for 2022, we expected to be comfortably above the 300 million. That was in our business plan. And so, just based on what we've already signed last year and what we are kicking off. Now, we would expect not only to continue to deliver on the proceeds but also in terms of overall absolute gains being above what we had in the business plan. So that's what would be my expectation. Not giving you specific number but clearly above the 300 on the current level of consensus. As we don't typically provide guidance at this stage precisely because the first quarter of the year is extremely volatile depending on the hydro and all that.

But overall, I would say in, we still have to evaluate the results of the first quarter, but typically we would be looking for some growth versus the previous year both in EBITDA and in net income. We will obviously talk more about this in the first quarter results.

I'll pass it over to Rui for the first one.

Rui Manuel Rodrigues Lopes Teixeira: Thank you Miguel. So as I mean throughout the year what we are currently seeing is that we will have at least for the time being 2 terawatt hours of less hydro generation. We might have around the 4 terawatt hours in terms of thermal, so we are seeing the, the spreads expanding. I would say that at this point we would still see some compensation throughout the year. Having said that, I mean first quarter of course we don't have that thermal margins compensating or the spreads compensating for the loss of a hydro, but throughout the year, at this point I would expect the thermal spreads to mitigate the reduction in terms of hydro columns.

Stefano Bezzato: Thank you very much.

Operator: The next question comes from Manuel Palomo at BNP Paribas. Manuel, please go ahead.

Manuel Palomo: Hello, good morning. And thanks for taking my questions. I've got about few questions I will stick to two or three. First question is again, one of your slides in which you say that your baseload production is hedged at 60. My question is for the year 2022, what is your assumption on hydro production yourself that now, you plan to have 2 terawatt hour less but we do not know what was the starting point and also whether you could please comment on the impact on your expected EBITDA from replacing power of hydro with one of thermal.

Then second question is on the impairments and I really think that they amounted to EUR232 million. I was wondering whether you could tell us what assets have been backed up maybe I've seen as, maybe some of the of the Spanish plants and what has changed because if I'm not wrong you were not expecting these provisions. And I think that I will leave it her, I'm sure that there's plenty of question from other people. Thank you.

Miguel Stilwell d'Andrade: Okay. Manuel, thank you. So I'll do the one on impairments and we can talk about the first question on the baseload assumptions.

In terms of the impairment as we do the I mean, on an annual basis, we look at what is the fair value of versus what is on the registered books. And I think what we've seen and that was let's say, the results of the impairment test this year is that if you look at the overall value of the combined cycle so, we're talking combined cycles we're not talking about any of the coal plant because those have been pretty much all amortized, with the small exception of the -- but everything else has been totally amortized so that's the that's a zero, but in relation to the combined cycles we did an impairment given what's a the fair value that we expect over the long run. So that's the test we do every year. Last year, we'd also done some impairments on the combined cycles as you know we have an objective of being coal free by 2025, and being all-green by 2030. And that's consistent also with the way we're looking at that. In relation to the first point, Rui.

Rui Manuel Rodrigues Lopes Teixeira: Thank you, Miguel. So, Manuel, just give you a sort of a perspective here. So we expect to know our average hydro year should be around 8 terawatt hours, so that's the sort of the reference. I mean the 2022 production is at slightly above 60 euros per MWh. So basically, if we have a gap of those two terawatt hours, so if you ask me what is a terawatt hour hydro versus terawatt thermal, of course that we would then, we will be losing those 60.

But on the thermal side, in terms of the spreads what we were seeing is around spreads above EUR60 -- actually around EUR80 per megawatt hour in the first quarter and then reducing over time over the year. So I would say that's why, I would expect some mitigation. In fact, from the thermal throughout the year, but of course, on the first quarter, I mean we cannot have the thermal compensating for the loss of the Hydro. In its full extent.

Operator: The next question comes from Alberto Gandolfi at Goldman Sachs. Alberto, please go ahead.

Alberto Gandolfi: Thank you. And thanks for taking my questions. I'll skip returns and CapEx because I think was very clear yesterday but maybe three on my end as well. The first one is just to

understand 100% sure that definitions of recurrent net income the 826, I went through it last week, just to be sure I'm not making any mistake. So the 826 for instance, does not include liability management, does not include the impairment, but includes are set rotation gains, of course. So if that is the case, what will be the impact of, within the 826 from the asset rotation gains? I think you have like 520 something medium growth in EDPR, and another 46 million in Brazil.

I don't know if I missed anything. So, what I'm trying to say is that, I was talking about a 450 million net income, excluding capital gains. And I know you all, you had losses in the US., the hydro was not great. So maybe you were talking more about 550 -- 600. But I'm trying to gauge, what is the underlying net income starting point in '21, we should use for the 2022 forecast.

The second question is on energy bills affordability. I don't know if we haven't seen it or if just Portugal has been really a positive very good exception here because the debates on affordability is huge you know in Italy and Spain and electricity bills and gas bills are up. Basically they have doubled right for consumers. So they also have doubled respectful for Portuguese consumers. And I was wondering if you hear any measures that the government is working on and what could this be? Is it a fiscal measure may you be required to contribute a bit to that? Or on the other side perhaps given elections and less extreme less parties perhaps now actually the debate is even more relaxed than it used to be. So, it would be very helpful to have your thoughts on how you're thinking about these tail risk.

Last, not least, I want to ask you yesterday you made clear that you seem to be basically a little bit ahead of your own plan in terms of renewable additions, and it's very good that you have secured all of those projects. And I guess versus your original plan, now you're also expanding into Asia Pacific. So, my question is your organization, how quickly could you upgrade further your annual growth rate, and how would you be able to fund it?

Would you be able, you know will be open in a couple of years a year time to use more equity at EDPR level? Do you have room for hybrids, do you think you can take on more leverage now that your net debt has been coming down. So just trying to think up, it'll structure in the context of expanding project opportunities. Thank you.

Miguel Stilwell d'Andrade: Thank you, Alberto. So I'll go through the three questions and then maybe who wants to compliment some of them. But I'd say that in relation to the definition of net income, so it's our standard definition it doesn't include non-recurring, your things that are exceptional.

So things like liability management as you mentioned or the impairment which are done one-off test and if they are registered as an impairment, then you have to write it off and I think that's a common practice across the industry. In terms of the asset rotation gains, I mean that's part of our business model and as we've been doing that for a number of years and it's what we include in the recurring that income definition. So both the two numbers that you mentioned there on the EUR500 million in the EUR46 million, we obviously need to take into account also minorities. So that has to be adjusted when you're looking at the 826 number, because obviously, those values are for the day for the EDPR and EDP Brazil respectively numbers. So, that's just what you need to bear in mind also when working out, what is the net income, excluding after rotation game.

On the second question, which is, I mean, it's a great question. So, energy bill affordability and we do see that across Europe and many of the markets where we are. In Portugal's, you have a slightly different situation. First, we had some costs which came off last year in the system as a whole. So things like the -- coal plant, which had a very generous PPA that rolled off that was like 100 million. The government also decided to inject things like the CO2 revenues auctions that they are getting, and we also have a very high level of renewables.

And so what used to be a tariff deficit is actually currently a super avid surplus. And so, when all those things are put together, it was possible to reduce the access tariffs. So the tariff of was shared between all the different consumers, and that compensated for the increase in the wholesale price. And I'm talking here mostly domestic consumers, so B2C, so the some the net of these two so increase in the wholesale price, but a decrease in the let's say the access tariff from the over cost of renewables and the other things I mentioned, ended up meaning that the increase '22 verses '21 in the regulated tariff was actually minimal.

And so that really means that the whole discussion around energy bill affordability in Portugal at the moment is not an issue. For the customers, the B2B customers, slightly different there the access tariff doesn't have as much weight. So even when you reduce it doesn't compensate fooling for the wholesale price. There what we see is the customers, the B2B customers doing longer term contract.

So we've seen a significant increase in the number of customers contracting five plus years ago versus in the past -- I'd say the vast majority would contract 12-18 months and then just go on renewing -- just gone to a new contract. Now a lot of them are coming to us and asking for these five to ten year contract and there were pricing in the 5 to 10 year expected market price. In terms of the third question, so in relation to upgrading growth and Asia-Pacific I'll actually be in Asia next week and get a better feeling for it. But clearly, we do see a lot of growth potential there.

What we set out in our business plan was already pretty ambitious for the 20 gigawatts. And we did the capital increase last year precisely so that we would feel comfortable and funding that business plan to the fullest. Now at the renewable's Yes, we are getting good asset rotation gains and proceeds from even less megawatts. So that's I think also a good source of financing.

So I definitely sort of where I'm sitting today. I don't see the need for additional leverage or capital increases or I think we can fund it through the ordinary course of business. I mean, certainly the current business plan and if we were to do a change to the current business plan, we would have to obviously sit down and think about how we find inside but I think that's not something which is on the table at the moment. Rui, I don't know if you want to comment with the first one.

Rui Manuel Rodrigues Lopes Teixeira: No, maybe just an additional comment and I really just related to Spain on the related to the second question because we know that this is the market is aware that this is there is an ongoing discussion between the give the Spanish government and the sector. I think that just recently at least IV -- my view is that there is some openness to discuss some potential short-term deficit which is from a financial perspective something very palatable. But also the positioning from the Spanish government that they want whatever its -- is done is has to be then and in agreement with the sector. So docking to bear my there's a positive view there that there is this ongoing discussions that will if, hopefully will result in some sort of changes but agreed upon.

Alberto Gandolfi: Thanks.

Operator: The next question comes from Arthur Sitbon at Morgan Stanley. Arthur, please go ahead.

Arthur Sitbon: Hello. Thank you for taking my question. So, my first question is on the working capital deterioration that you highlighted think it was EUR1.2 billion, I was wondering if you could help us understand a bit, the timing, the potential timing for normalization there. My second question is a follow-up on hydro, it seems that you're confident that throughout the year in 2022 thermal will without said the weakness in hydro, but I was wondering if this is added at the given hydro production now or that and is it assuming the normalization of hydro in Q2, Q3, Q4 or does it assume we tied reproduction for the whole year. Thank you very much.

Rui Manuel Rodrigues Lopes Teixeira: So regarding the working capital again I mean this is basically though, so when we are buying electricity from the market and this goes to December we are of course buying and pretty much paying it at that moment. But then customers receivables we have about sort of a 30 days. So we'll get we have that cash received any in sort of a month from their point, from that point. So I would say that throughout 2022, I mean these amounts are effectively going to be settled.

So, this is much more of an impact from these very high power prices that we felt particularly in December and then this can get reverted throughout the beginning of 2022. And then, of course, we'll see on how it evolves over the power prices, how they evolved throughout the year, but unless we have that sort of peaks at this all in December, I mean, this should be a normalizing. Also, an additional impact in terms of working capital was that because of those high power prices or the hedges that we have, in some cases we have to post some cash collaterals, I mean something very reasonable within course no stresses in terms of liquidity for work or EDP, but that also restricts you some cash movement. So that's why you see this, those two impact are primarily what is causing these high working capital by the end of 2021.

In terms of the hydro when we mean it's considering that there will be a normalization throughout the year. So what we would expect is that we do from let's hope this from March onwards we got a normalized, so not necessarily recovering the gap in the general in February, but normalizing throughout the year.

Arthur Sitbon: Thank you.

Operator: The next question comes from Sara Piccinini from MedioBanca. Sara, please go ahead.

Sara Piccinini: Hi, and thanks for taking my question. So I have three, hopefully very quickly. So the first one is on the guidance for 2022.

I understand that you cannot provide a number but maybe, as you said, you expect some growth. So, can you please indicate what are the drivers that should compensate the week hydro and the week energy management and that justify this growth for 2022. Thank you.

The second question is on Viesgo. So you say that you are ahead of schedule or if you maybe can quantify the synergies that you have achieved and that you expect, if you expect to increase the level, this level of synergies also in 2022. The third was on the working capital that was addressed. But maybe if in this case, you can give an indication of the net debt that you expect for 2022 also considering the CapEx and the price for Sunseap.

And finally, the last question is on the capacity addition. So maybe I'm doing something wrong, but as you say the during the presentation, but last day you are expecting a more than 3.5 gigawatt increase on average for 2022, '23, and as of today, you have secured the 5.3 gigawatts for these two years so for 2022, '23. So we are missing still 1.5 gigawatt, that it means that how do you intend to accelerate on this capacity additions, and if in this case, it can include also some M&A? Thank you.

Miguel Stilwell d'Andrade: Okay. Thank you, Sara. So, I'd say in relation to the first question, I mean in terms of guidance as I said, we're not, we don't give numbers for the at this point in time, just given the uncertainty still in terms of the hydro conditions overall, but what I'd say is that in the normal conditions we see an increase in the renewables overall, typically networks, I mean, it had a very good year last year, but we continue to expect it to perform well. I mean, under normal conditions we see the supply business also doing very well, and then obviously we have all the conventional generation. I mentioned you know depending on the or assuming that we have a normalization of hydro conditions after the first quarter we would have that very much compensated by the thermal and so you'd end up more in line in terms of what would be our expected numbers for energy management throughout the year. And so sort of when you some of the different parts and we can get into that more in the first quarter result. We would have some growth.

But anyway, let's talk about that in the first quarter numbers because there will have a full picture of what's actually happened. During the first three months terms of the viesgo's synergies. So we don't quantify them explicitly, but overall they're in line with what we what the market has been estimating, which is around EUR20 million, operational synergies then there also some, some tax synergies which we talked about at the time of the acquisition and that is also coming through.

So I'd say that we are very much in line in terms of the synergies obviously trying to front-load them as much as possible and so I taped on track or even better than what we had. Working capital net that 22, you want to take that one?

Rui Manuel Rodrigues Lopes Teixeira: Yes, sure. So, I mean, for 2022 again, without providing specific guidance. I mean, yes, we will be paying Sunseap acquisition hopefully closing next week or so.

Of course, we'll have the execution of the growth and the CapEx plan for scene for 2022. Yes. Rotation proceeds. So, as the cash seen from the sell down of the Portuguese transaction was already booked and received in January, we have already three transactions signed, that will be closed in 2022.

And of course, we are setting up the actually cleaning up the transactions remaining transactions for 2022. So does that asset rotation in EDPR also have a positive impact in terms of cash, and then, in terms of the organic cash flow, we do expect a significant improvement versus the year-end of 2021, because of what I said, I mean, we have abnormally high-power prices that have that impact in terms of receivables and some cash collaterals. So all in all, I would expect that to increase mostly driven of course by the expansion plan and the acquisition of censorship but in terms of ratios of course, meeting the target towards the BBB rating that we currently have.

In relation to the last point that capacity additions so what I say is that know, we had several PPAs more than a gigawatt that was ready to sign by the end of last year which aren't included in those numbers that you talked about, we delayed that because we went back and we negotiated the price to include the increases in the CapEx that we were seeing happen at the time.

So that resulted in let's say, a readjustment of 2 to 5 dollars or euros depending on the geography. And so, those are expected to be signed over the next couple of weeks, months but that's a gigawatt which was, which we clearly have already identified from an organic perspective. I'd say that, we continue to work very much on the organic side or semi organic, some that are ready to build, but above all, I think what we've always stressed is that the investment should comply with our overall return investment criteria, so the 1.4 times whack or the minimum 2% spread over WACC. So, as well as some of the other metrics in terms of payback periods and sort of ability to resist stress that.

But so that's what obviously underlies our investment criteria, but as I say we have I think a good pipeline still over the next couple of weeks and months.

Operator: The next question comes from Javier Garrido at JPMorgan. Javier, please go ahead.

Javier Garrido: Hi. Good afternoon. And thanks for taking my questions. I apologize for coming back to the same topic, but I was wondering if you could be a bit more specific about the dynamics of the thermal offset in 2022, because I think there is some confusion given that you're talking of to throw up, sour flour, Hydro production. I do still put our hedge at EUR60 per megawatt hour.

So could you cast a bit more lighter how the thermal upset put work in terms of numbers? In order to fully offset, losing those two turrets out of hydro production. And then the second question is on the marking to market the negative impact of the into market in 2021. If you could be even more specific about when do you think these net in mark-to- market will revert, and actually what would we get expectations with the current gas prices? I understand that this mark into market is obviously very well at all depending on the gas price, but given where gas prices are now what would be your station for the year? Thank you.

Rui Manuel Rodrigues Lopes Teixeira: So let me start by the second one. So for contract, the gas contract said we have I mean our hedging policies that we are locking in the spread. So basically we will buy those that gas in the Henry Hub and will then use that gas as a reference to the TTF in -- So basically we lock in that spread for the next two years, for '22, '23 onwards. So those volumes that are related to those future deliveries what's happening is that because we then we were lock in the that TTF at the price, which is lower than currently, is in the market and of course, we may have to

book a negative mark-to-market today, because of those our future volumes, we cannot treat it as a hedge instrument and therefore we need to treat it as a speculative instrument and that's what is causing the mark-to-market in fact that negative mark-to-market impact, which is effectively these the Delta between the TTF prices that we saw in particularly late 2021, versus the hedging prices.

These volumes I mean we will be continuing these volumes in 2022 and 2023 and then there's a small portion gives in to 2034, but I would say the bulk, the majority will be in 2022. So basically what you will see is that when we have the physical use of the gas, basically we'll be unwinding this position, so we will not have an impact then in terms of the margins. I mean, the margins will be selling the output or selling to customers, and the sourcing cost will be the hedge that we have when we close it. So that's why we say that this is again a non-cash item and it is unwinding, will not have this impact in principle going forward. Unless of course, I mean, gas prices go again through the roof.

If you ask me, what it is, what do we forecast, I think it's hard to say that, I mean what we see is Extreme volatility. Nowadays, it's much more related to geopolitical tensions between Russia and Ukraine and of course, Europe. More than the fundamentals of the gas. And we saw, the last few days that there was some positive news flow around that geopolitical case and gas prices corrected the going down recently, they have been going up against so, and I think there is no, there is volatility in there, it's hard to predict where the gas prices will go in the nearby future.

But so, other than the geopolitical case as we would see the gas prices and progressively going down throughout the year. Also, winter has not been very cold and we're getting through the winter as well. So, from a fundamental perspective, we would expect gas prices going down. But again, high volatility coming from the geopolitical case.

Towards the first question. So, just to be clear. I mean, yes, we have, we would have a gap on those 2 terawatt-hours in terms of hydro, but also there is a mitigation impact which comes from the clean dark spreads, so the thermal spread that we have in the coal plants that are operating in Spain they have widened substantially particularly in the first quarter than they are reducing over the quarters towards the event. So that's how we can mitigate that impact coming from the lack of hydro through the thermal spread. Now having said that, again I mean it's we will see that happening throughout the year, but not necessarily in the first quarter.

Javier Garrido: Thank you. May I have a follow-up on your gas, on your gas contract with because can you let us know whether you are fully hedged into 2023. Would you have some exposure and open position to that widening of the split? Thank you.

Rui Manuel Rodrigues Lopes Teixeira: I mean, we don't have it fully closed for 2023. I mean all the way also we are hedging those gas positions is making sure that we are meeting also with the commitments that we have either from a selling to customers or then using that gas in at the CCGT. So basically, we try to hedge these having an integrated view between what is a sourcing up the gas and the use of the gas in the power side. So it's not fully hedged for 2023.

Javier Garrido: Thank you, and I apologize for the additional questions.

Operator: The next question comes from Jorge Guimaraes at JB Capital. Jorge, please go ahead.

Jorge Guimarães: Good morning. I have two questions. The two of them are follow-up. So the first one would be a follow-up on the Hydro versus Coal switch that you are saying, when you say the other two terawatt short of hydro, I assume you mentioned just Q1, if I'm not mistaken, and please correct me, if I'm wrong. If that is the case, and you are saying that the dark spreads go down throughout the year, then you'll need to produce much more coal to compensate the loss, that was the last lower gain that you sustained in Q1. So if you could sorry to come back to this question, but if you can help us navigating through these it would be awesome.

The second one, it's also related to water. I believe, I understood some during the call that you say that your average production of quarter in Iberia is a terawatt hours. Is this the average hydro year or is it is the 80% of volume hedged that you mentioned in the past. I mean so this is the P50 is 8, or is 80% of the P50. So sorry if I'm not totally clear. But the question in the end of the day is your average hydro production is 8 terawatt hours or 10 terawatt hour for an average hydro here.

And the final one is very specific on Portugal. Given the new regulation of Portuguese distribution, is it still possible to recover significant amount of OpEx guidance or will those be translated into lower TOTEX later in the in the next regulatory period? Thank you very much and sorry for the long question.

Rui Manuel Rodrigues Lopes Teixeira: Hi. So on the hydro vs coal, and if you want, we can take this offline so that we can get through this in more detail. But again, yes, we will be ,in principle, short of terawatt hours since it just doesn't rain. So, it's a fact, but to that thermal capacity that we have, in this case, the coal capacity that we have in Spain, we were securing those thermal spreads over the last months, enabling us to compensate part of that lack of hydro with those higher spreads on thermal, but we can follow up a bit more in detail and we can take it offline.

The hydro generation eight terawatt hours is our average expected production in the Iberian Peninsula. So, it's not what we hedge is what we produce.

Jorge Guimarães: So, eight is the average?

Rui Manuel Rodrigues Lopes Teixeira: Correct.

Miguel Stilwell d'Andrade: So, the 2 terawatt hours is 25% of the eight, which is the overall average.

Jorge Guimarães: Okay.

Miguel Stilwell d'Andrade: In relation to the distribution in Portugal. I mean we continue to optimize it and so I think, you've seen in one of the slides. We had some of the reduction in headcount that we continue to see as we continue to bring smart meters on board and as we continue to automate and digitalize the company.

There are still OPEX gains to be had and there's a mechanism of how we share those gains with the system, but it's clearly still work-in-progress. I mean obviously they're not a huge amount given a lot of that work has been done over the many years, but it continues to be possible to optimize particularly on the headcount and given sort of the ability to digitalize the processes.

Jorge Guimarães: Okay. Thank you very much.

Operator: The next question is from Gonzalo Sanchez-Bordona at UBS. Gonzalo, please go ahead.

Gonzalo Sanchez-Bordona: Hi. Good morning. Thank you for taking my questions. Two questions and one clarification, if I may. I think you said that the thermal spreads are now, somewhat at the beginning of the year, something like, 80 or 18. Could you clarify what number was that? Because I didn't quite get it.

And then on the question side, so one being more strategic, is this reduced hydro production that you're seeing in Iberia at the moment, and the fourth quarter of last year and the beginning of this one, still within the normal parameters that you expect based on your long-term studies or do you think there is some kind of structural change ongoing and if that is the case, would that change your long-term view particularly for the 2025 plan or even up to 2030. Would you do something different if that was the case? And then the second question, is you've been on previous calls commenting that you were looking at potential options to optimize the portfolio and I think you mentioned at some point, things happening in Brazil. What is the status of that? Are there any developments of a potential of sale hydro or other assets or redeployment of CapEx there, between the current portfolio another new assets. Any color on that is be appreciated. Thank you very much.

Miguel Stilwell d'Andrade: Thank you Gonzalo. So Rui, you want to take the thermals spread to clarify?

Rui Manuel Rodrigues Lopes Teixeira: Sure, absolutely Miguel. So, just to be clear, if you go back to December and you look to the thermal spreads (the clean dark spreads) at the time, you can easily find moments in time where spreads were on the 80, nowadays if you look to the first quarter. If you now look to the spread throughout the year, throughout the fourth quarters, you'll see that they are declining, they are compressing so, I would say they are more now towards the 20/30 so, I would say overall on average, throughout 2022, we should be above the 30s, but for the first quarter and particularly looking back to December, they were quite high.

Miguel Stilwell d'Andrade: On the second and third questions. On the second question. I mean, obviously, we're having very dry months. Is this a structural change? I mean, we've seen 2012 was extremely dry, 2005 was extremely dry. I mean, this is becoming a very dry year, but we've had other very dry years in the past. The general volatility in hydro is obviously much higher than for example, wind and certainly than solar. So either you can have plus or minus 50% in a particular year, if it's a particular bad year or particularly good year. So, I certainly wouldn't read any structural change to it and I certainly wouldn't assume any change to the 25 plan based on this year's hydro conditions.

In terms of other options to optimize a portfolio in Brazil. I mean I mean we continue to work on that and we would like to provide news as soon as possible, these are complex processes, but we continue to work on just optimizing the Brazilian portfolio in general, moving it much more towards networks and also on the renewable side both utility scale and also distributed generation in Brazil, for example to B2B customers.

And so that's part of the ongoing program, together with just making sure that we have a good capital structure in place, so in terms of dividend payout, in terms of the share buyback. So we will continue to optimize the Brazilian portfolio going forward and the team is very focused on that at the moment, I can tell you.

Gonzalo Sanchez-Bordona: Thanks. That's good. Thank you very much.

Miguel Viana: We have no more questions. So we you can give a final remarks, please.

Miguel Stilwell d'Andrade: So listen, thanks for being on the call. I think, as you can see the fourth quarter of last year was a tough quarter. I think there's no denying it, there's no sugarcoating it.

I think overall though, we were able to meet the targets with a different composition in terms of the earnings and EBITDA, but I think you can definitely see sort of the very strong performance in the network's and the strong performance in the renewables. And then that ended up mitigating sort of the weaker performance in the energy management. I mean, it's exceptionally dry this year. I had the opportunity to mention, I think, in January one-third of the normal rain and one-fifth of the normal rain in February, so, it really is an exceptionally dry year. We will be compensating for it as much as possible with the thermal producing additional volumes.

So the unitary margin on the hydro is higher, but then you'll have more volumes on the thermal side, so more terawatt hours on the thermal with slightly lower unitary margin, which will mitigate part of it. So, anyway, let's see how the rest of the months go. We'll update you obviously at the first quarter results and provide more visibility on that in this particular area.

Taking a step back. I think the good point is that we continue to be growing very strongly on the renewable side. We continue to see a lot of demand. We continue to think that the underlying trend if anything, is that we should be accelerating, not just us, but just generally the sector should be accelerating Renewable's much more for two reasons: because Renewable's continues to be by far the most competitive technology out there, and we've just been talking about extremely high energy prices. I mean renewals is even more competitive now.

And I think secondly, it has an extraordinary important characteristic at the moment, which is it provides more energy independence in Europe. And so I know that this is something that a lot of the different countries in Europe in general and also other regions of the world, are looking at and wanting to really accelerate that... Work on the permitting, work on the licensing, work on the investment on the infrastructure to make sure that it can be accelerated. So I'm clearly very bullish still on the long-term trend for that.

In terms of the 2025 plan, we continue to work hard on it. Obviously, it's not great that it's not raining this year, but I think more importantly, we need to look forward, look at the 23 and onwards in terms of what we have in open positions. So, if the energy prices stay like this, we are mostly CO2 free company, as I mentioned 75% of our generation is renewables or CO2 free, so that means that we will be able to benefit on the upside from the higher energy prices going forward.

And I think that is something that we need to obviously work through the next couple of months as we did through the second half of last year and get to the other side of this, but I think we are seeing much higher potential given our existing portfolio and given the way we're positioning ourselves now for higher energy prices going forward.

In terms of capacity, we also continue to work on it. Obviously, the supply chain disruption has delayed some of the solar projects, but they continue to be to progress in terms of signing PPAs. Again as I said we've gone back in many cases because of the CapEx increases and we negotiated that and I think that's a good sign that we've been able to, let's say, keep the original profitability that we're looking for. So overall continue to be very optimistic about the medium long-term.

We have had some difficult months, we will have some difficult months and we are living through some difficult months, in terms of the hydro, but I have no doubt that we'll get through it.

So, thanks very much and talk to you soon.

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