

**Annual Report 2022**

# **EDP Finance B.V.**

**Annual Report**

**31 December 2022**

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## RESPONSIBILITY STATEMENT

The Managing Directors of the Company wish to state:

1. That the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of EDP Finance B.V.;
2. That the annual report gives a true and fair view of the position as per the balance sheet date, the development during the financial year of EDP Finance B.V. in the annual financial statements, together with a description of principal risks it faces;
3. That the Report of the Managing Directors gives a true and fair review of the development and the performance of the business of EDP Finance B.V. during the financial year to which the report relates.

Amsterdam, 1 March 2023

The Managing Directors

EDP – Energias de Portugal, S.A.

Hiebendaal, D.

Spreeuwens, D. M. A.

TMF Netherlands B.V.

## **REPORT OF THE MANAGING DIRECTORS**

The Managing Directors of EDP Finance B.V. (hereinafter “the Company”) submit the annual report and the financial statements of the Company for the year ended 31 December 2022.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

#### **General**

The Company was incorporated under the laws of The Netherlands on 1st October 1999 and is a direct wholly-owned subsidiary of EDP – Energias de Portugal, S.A. (“EDP SA”).

#### **Activities**

The main activity of the Company is to act as a finance company for the EDP Group (“EDP”), raising funds in the international capital and bank loan markets to finance EDP’s activities and investment plan. The activity of the Company is therefore determined in accordance with the business plan and overall strategy defined for EDP, its debt maturity schedule and EDP’s financial policy, including a conservative liquidity profile and centralization of the majority of fund raising at EDP SA and the Company for Group subsidiaries, as well as prevailing market conditions.

The Consolidated Financial Statements of EDP can be consulted on [www.edp.com](http://www.edp.com).

#### **Overview of the Company’s Results, Solvency and Liquidity**

During the year ended 31 December 2022, the Company recorded a loss of EUR 6.43 million (2021: profit of EUR 10.47 million).

The reduction in results is essentially related with the reduction the average interest rate of assets following the early repayment in December 2021 of EUR 150 million Euros out of a EUR 550 million Euros bond issued by EDP SA, and fully subscribed by the Company.

The Company holds a comfortable equity position, which amounts to EUR 121.8 million (2021: EUR 130 million). The decrease results essentially from the loss in 2022, as mentioned above.

Net current assets amount to EUR 2,806 million (31 December 2021: EUR 1,163 million), which reflect the Company’s ability to generate enough cash to pay off all its short-term liabilities once they become due, during a 12-month period.

Furthermore, the Company holds a robust liquidity position, since the amount of available liquidity (including committed credit line facilities) covers the Company’s refinancing needs for at least 18 months, in line with EDP’s liquidity policy.

#### **Major Developments**

Regarding the long-term liabilities that have reached maturity during the financial year, a bond of EUR 1.000 million matured in January, which carried a coupon of 2.625%.

In March 2022, EDP Finance BV issued a EUR 1.250 million Green bond with a coupon of 1.875% maturing in September 2029, under the EDP S.A. and EDP Finance B.V.’s “Programme for the Issuance of Debt Instruments” (EMTN). This issuance replaced a EUR 1.000 million bond that matured in January 2022 and carried a coupon of 2.625%.

On 4 August 2022, EDP signed a five-year revolving credit facility (“RCF”), with options to extend for 2 additional years (subject to Lenders’ agreement), in the amount of €3.65 billion, which can be drawn in Euros and USD. It is EDP’s first sustainability-linked loan and includes two ESG KPIs: reduction of scope 1 and 2 greenhouse gas emissions and an increase in the percentage of installed capacity from renewable sources within EDP Group.

In October 2022, EDP Finance BV issued a EUR 500 million Green bond with a coupon of 3.875% maturing in March 2030, under the EDP S.A. and EDP Finance B.V.’s “Programme for the Issuance of Debt Instruments” (EMTN).

In October 2022, EDP Finance BV issued a USD 500 million Green bond with a coupon of 6.3% maturing in October 2027, under the EDP S.A. and EDP Finance B.V.'s "Programme for the Issuance of Debt Instruments" (EMTN).

The financing transactions concluded in the year allowed the Company and EDP Group to reach different markets and investors, obtaining the necessary funding for current and next year's redemptions as well as to strengthen the liquidity position, ahead of refinancing needs for the following years.

## Subsequent Events

No subsequent events have occurred.

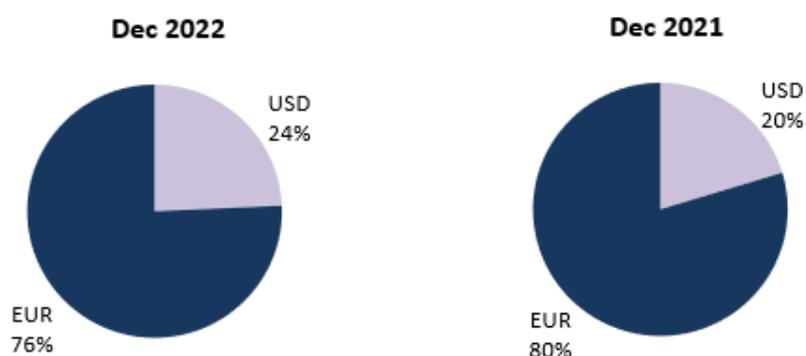
## Debt

In 2022, EDP Finance B.V.'s debt totaled EUR 11,625 million. When compared to December 2021, the company's debt increased by nearly EUR 2,400 million, mostly due to the USD 500M and EUR 500M green bonds issued in October 2022 and commercial paper issued during the year.

EUR millions

	<u>Dec 2022</u>	<u>Dec 2021</u>	<u>Change</u>
<b>Debt - Short term</b>	2,851	1,468	+94%
Bonds	1,469	1,327	+11%
Bank loans	754	1	+100%
Intercompany loans	28	0	+100%
Amounts owed on commercial paper	600	140	+329%
<b>Debt - Long term</b>	8,773	7,756	+13%
Bonds	8,447	7,564	+12%
Bank loans	326	192	+70%
<b>Debt under IFRSs</b>	<u>11,625</u>	<u>9,224</u>	<u>+26%</u>

In terms of currencies of EDP Finance B.V. external debt after FX-hedges, the USD financing contracted to fund the purchase and capex of EDP Renewables North America justifies the Company's USD denominated debt (24% of EDP Finance B.V.'s debt). Euro continues to be the main funding currency of the Company's debt (76%).



## Rating

In March 2021, Standard & Poor's Global Ratings ("S&P") upgraded EDP SA's and the companies' rating from "BBB-" to "BBB" with Stable Outlook. In May 2021, Fitch Ratings ("Fitch") also upgraded the companies' rating from "BBB-" to "BBB" with Stable Outlook, and Moody's Investors Service ("Moody's") affirmed the companies' rating at "Baa3" and revised the Outlook to "Positive". During the course of 2022, the mentioned ratings/outlooks were re-affirmed by all 3 rating agencies.

## **Risk Management**

### Financial risk management

EDP Finance B.V.'s business is exposed to a variety of market/financial risks which arise, essentially, from the mismatch between the loans granted to EDP Group companies and its debt portfolio, resulting in interest rate risk, foreign exchange rate risk, liquidity and counterparty risk.

The Company has an overall low risk appetite and therefore aims to minimize these market risks arising from its relevant activities, preferably through natural hedging, but also, whenever necessary/appropriate, with the use of over-the-counter derivative financial instruments. The risk appetite of the Company is in line with EDP's and subject to regular review.

On 14 March 2001, EDP SA signed a Keep Well agreement with the Company. This agreement states that for as long as the Company has outstanding instruments under an external debt Programme and in case the Company shall have insufficient funds or other liquid assets to meet its payment obligations (including in respect of any Debt Obligations) at any time, EDP SA shall make available to the Company funds sufficient to enable the Company to meet such payment obligations in full as they fall due. However, the Keep Well agreement is not a guarantee, direct or indirect, by EDP SA of any debt obligations or any other debt of the Company or any instrument issued by the Company.

The management of the financial risks of EDP Finance B.V. is carried out, measured and controlled, in accordance with the general risk management principles and exposure limits established for the EDP Group companies by EDP SA. Financial risk management is implemented by the Financial Department of EDP SA, under a service agreement signed between the latter and several EDP Group Companies, among which EDP Finance B.V.

The Board of Directors of the Company is made aware of the exposure to the different risks on an ongoing basis and considers that the existing risk management policies and controls are appropriate to achieve the desired mitigation and low risk exposure.

EDP uses various metrics, both statistical and nonstatistical, including VaR, economic-value stress testing and nonstatistical risk measures such as sensitivities to variables used to value positions, to monitor and control limits.

Hedge relationships are established through instruments and structures that have critical terms similar to those of the hedged asset or liability, confirming the economic relationship between hedged item and hedging instrument. The hedge ratio is of 1:1 for all the hedging relationships to minimize hedge ineffectiveness. Therefore, the main source of ineffectiveness would be a significant deterioration of the credit risk of a counterparty.

During 2022, considering the COVID-19 pandemic and the military conflict in Ukraine and their impacts on the markets, namely on interest and foreign exchange rates to which the EDP Finance B.V. has exposure to, there was a revaluation of the risks involved, having concluded that the current Financial Risk Management Policies already incorporate worst case scenarios sufficiently conservative and therefore adequate to the Company's profile, not being necessary its revision. However, given that the pandemic duration and global impacts are still unknown, the EDP Finance B.V. continues to monitor the risks, seeking to anticipate and manage possible impacts not currently contemplated.

For a more detailed information than presented below about each type of risk being managed, please see the Risk management section of the financial statements.

### Foreign Exchange rate risk management

Exchange rate risk refers to potential changes of value in financial assets, liabilities or derivatives in response to fluctuations in exchange rates. These can have adverse effects on the financial position of the Company. EDP Finance B.V. has very low appetite to exchange rate risk.

The Company is exposed to exchange rate risk through its debt and assets denominated in currencies other than EUR, currently US Dollars (USD) and British Pounds (GBP). EDP hedges this risk naturally by maintaining a matched position between assets and liabilities in each currency. Any residual exposure is closely monitored and hedged with over-the-counter derivative financial instruments, namely forwards and cross-currency swaps.

The Company issued USD loans and debt securities (bonds) as well as executed foreign exchange derivative financial instruments that convert the debt issued in currencies such as EUR into USD, with the objective of mitigating the exchange rate risk related to the intercompany loans granted to finance the USD assets of the EDP Group. The exchange rate risk on the GBP bonds issued under the Medium-Term Notes Program has also been hedged as from their issuing date, with cross-currency swaps.

#### Interest rate risk management

Interest rate risk refers to potential changes of value in financial assets, liabilities or derivatives in response to fluctuations in interest rates. EDP Finance B.V. has moderate appetite to interest-rate risk.

The Company's interest rate risk management policy aim is to reduce exposure to interest rate changes which may affect the value of its financial instruments, namely debt. EDP Finance BV mitigates this risk, preferably, through natural hedging, by maintaining an aligned fixed-floating ratio between its assets and liabilities, but also through the use of over-the-counter derivative financial instruments, such as forwards, interest rate swaps and cross-currency swaps.

As the Company provides funding to different Group Companies according to their requirements (timing, amounts and tenor) and raises funding from the market according to refinancing needs and market conditions (timing, tenor and spread wise), interest rates applied to assets and liabilities may differ. The Company tries to manage such risk by refinancing its debt under the best possible conditions the market allows, extending the average life of its debt portfolio and lending to Group companies according to arms-length principles.

#### Counterparty and credit risk management

The Company has a low risk appetite for counterparty and credit risk.

EDP's policy regarding the management of counterparty and credit risk on financial transactions involves the analysis of the technical capacity, competitiveness, credit rating and exposure of each counterparty, so as to avoid significant concentrations of risk.

Counterparties in over-the-counter derivative financial instruments are financial institutions with high credit ratings and therefore the risk of counterparty default is not considered to be significant. Guarantees and other collaterals are not required on these transactions.

The Company documents its financial operations in accordance with international standards. Therefore, derivative financial instruments are contracted under ISDA Master Agreements, facilitating the transfer of the instruments in the market and ensuring compliance and consistency with EDP policies.

The credit risk arising from loans granted to EDP Group companies is mitigated by the control that EDP SA has over the management of those companies.

The Company monitors the credit risk using multiple inputs for risk assessment and for calculation of the loss allowances for financial assets, including: (i) credit ratings (as far as available) from external credit rating companies such as Standard and Poors, Moody's and Fitch; (ii) significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower; (iii) Public market data, namely on probabilities of default and loss given default expectations; (iv) Internal credit risk assessments on the credit profiles of EDP Group subsidiaries; and (v) macroeconomic information (such as market interest rates or growth rates).

#### Liquidity risk management

The Company has a very low appetite for liquidity risk.

This risk is associated with the possibility of a default by the Company in meeting all its short-term liabilities in the committed time periods, or just being able to do so under unfavorable conditions due to difficulties in access/cost of credit and rating reduction.

Liquidity risk is managed by engaging and maintaining credit lines and financing facilities with a firm underwriting commitment, with international reliable financial institutions with high credit ratings, as well as term deposits, allowing immediate access to funds, covering refinancing needs for the next 18 to 24 months. These lines are used to complement and backup commercial paper programs, allowing for a diversification of EDP Finance B.V.'s short-term financing sources.

## Capital management

EDP Finance, B.V. is not an entity subject to regulation in terms of capital or solvency ratios. Therefore, capital management is carried out within the financial management process of the entity.

The Company's goal in managing equity is to safeguard the capacity to continue operating as a going concern, grow steadily to meet established objectives and maintain an optimum capital structure to reduce equity cost.

## **Internal Control System**

The Company's administrative and accounting procedures used in the financial reporting and daily operations, are assessed on a regular basis and comply with the internal control system.

The controls, either preventive or detective, are integrated into the Company through the establishment of a segregation of roles and responsibilities for the different functions, set out in the procedures approved and disseminated within the Company. These controls, implemented to manage and mitigate significant financial reporting and operating risks, aim to prevent and reduce the risk of errors namely the fraud factor in the financial reporting process.

An assessment on the appropriateness of procedures used to prepare the financial statements was performed and no material issues were identified. EDP Group's internal control system is subject to an annual external audit at consolidated level.

## **Integrity / Prevention of Corruption and Fraud**

EDP Finance B.V. falls within the EDP Group's Specific Program of Compliance for Integrity / Corruption Prevention. The systematization of this Program had as fundamental element the definition of an Integrity Policy in which the commitments, general principles of action and the duties of the entities of the Group, its employees and business partners were defined, with regard to preventing illicit acts, complementing the set of norms and compliance mechanisms that already exist both at the corporate level (namely the Code of Conduct for Suppliers, the Code of Conduct for Senior Management and Senior Financial Officers, the Procedure for prevention of conflicts of interest and the Policy of transactions with related parties, in addition to the EDP Group's own Code of Ethics and the irregularities communication channels made available). The EDP Group's Integrity Policy, disclosed to all employees (in the case of a mandatory reading document, with record of the respective acknowledgment) and available both at EDP's intranet and website ([www.edp.com](http://www.edp.com)), reinforces the zero tolerance policy regarding the adoption of practices that could be perceived as acts of corruption or bribery, clarifies the ban on facilitation payments and details the principles related to the prevention of conflicts of interest, donations and sponsorships, contributions to political parties and prevention of money laundering, conducting of third party integrity due diligences, the relationship with public officials and politically exposed people, the acceptance and assignment of offers and invitations to events and the monitoring of international sanctions. All of these principles have been implemented through the development of specific procedures and internal control mechanisms (such as but not limited to the authorization of bank payments within the payment process). The EDP Group has consistently implemented measures to ensure the good governance of its companies, including the prevention of incorrect practices, particularly in matters related to accounting, internal accounting controls, auditing, complaints, denouncements or other irregularities and fight against corruption, banking, and financial crime and, for this purpose, updated in April 2020, the Whistleblowing Procedures Regulation.

EDP provides Group employees, shareholders, Statutory Auditor or to any other stakeholders with a channel that enables them to report irregularities on such matters directly and confidentially to the Financial Matters Committee / Audit Committee of the General and Supervisory Board. The contact is made through a platform that supports the operation of the channel, with security and encryption mechanisms for all information, allowing to establish an interaction with the respective author, maintaining anonymity. Within the scope of the reporting of irregularities, EDP's Integrity Policy reinforces the principle of non-retaliation and identifies the different channels available both internally and externally. EDP also implemented an Investigations procedure to ensure an adequate treatment of the communications received, defining the guidelines for the investigation process and corresponding follow-up initiatives.

EDP makes available, at its website, greater detail regarding the Whistle Blowing Procedures' Regulation to adopt in what concerns to Communication of Erroneous Procedures [www.edp.com/en/edp/irregularities-communication-channel](http://www.edp.com/en/edp/irregularities-communication-channel).

## Climate change

EDP Finance B.V.'s exposure is solely through EDP Group's potential impact from climate change, which EDP Group mitigates through geographic and technological diversification of assets and the existence of dedicated areas and plans for Crisis Management and Business Continuity at corporate level, among other mitigation measures.

EDP Group prepares its information on climate change following the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Detailed information can be found in the EDP Group Annual Report and Sustainability reporting, which are available on the website [www.edp.com](http://www.edp.com). No significant impacts are expected for EDP Finance B.V.'s financial position.

EDP Finance BV, through its Parent Company, is committed to environmental responsibility, particularly in the areas most relevant to the Group's strategy: climate change, circular economy and biodiversity. To achieve these commitments and policies, EDP has implemented a framework for the governance of its sustainability objectives, which involves (i) supervision by the General and Supervisory Board; (ii) decision-making and approval from the Executive Board of Directors; and (iii) operational practices for managing, implementing and monitoring the Group's policies and sustainability strategy.

In 2021 and 2022 the EDP Group, part of which directly through EDP Finance BV, has issued USD 500 million and around EUR 3.750 million with Use of Proceeds in line with EDP Green Bond Framework.

## Headcount

As at 31 December 2022, the Company has three employees (2021: three employees).

## Management Board

As a general guidance for Dutch public limited companies, in accordance with art. 166, Title 4, Book 2 Dutch Civil Code, certain major companies must aim for a balanced distribution between men and women with respect to their positions on the Management Board. During 2022, the Company's Board included a woman, D.M.A Spreeuwers, who was appointed in February 2022 after the resignation of M.F.C. van der Werff, and, indirectly, two more women who are members of the Board of EDP SA and a Managing Director of the Company. The Company appoints directors based on quality over gender and will continue to ensure the diversity in the Board of Management through their experience, expertise, background and qualifications in order to comply with their responsibilities and properly execute their duties keeping in mind, nevertheless, the guidance of the Dutch Civil Code in future appointments of Managing Directors.

## Expectations for 2023

Given the cash flow generated by the Group as well as the available liquidity, the Company's refinancing needs are covered beyond 2023. The Company expects to continue its normal course of business in 2023, raising funding in the international loan and capital markets so as to refinance debt that matures as well as to provide the necessary funding to EDP Group companies. It is expected that the Company will keep operating as an intragroup financing vehicle, with a balanced portfolio in terms of average maturity and currency mix. Recurrent financial results for the upcoming year will remain stable with a preliminary forecast for Net Profit back to positive territory.

Regarding the Benchmark Reform, EDP Finance BV has not made as of 31 December 2022 any change in its LIBOR USD (announced end date 30 June 2023) and EURIBOR (replacement is not expected in the near future) contracts and is monitoring the contractual relationships that will potentially be affected by this reform in order to minimize uncertainty regarding the applicable interest rate and the timing of the flows associated with the benchmark interest rate.

Regarding COVID-19 pandemic and the military conflict in Ukraine, given that the duration and global impacts are still unknown, EDP Finance B.V. continues to monitor the risks, seeking to anticipate and manage possible impacts not currently contemplated.

## **Audit Committee**

The Company makes use of the exemption to establish its own Audit Committee, based on Article 3a of the Royal Decree of 26 July 2008 implementing Article 41 of the EU Directive 2006/43/EG. The Audit Committee of the parent company, EDP – Energias de Portugal, S.A., acts as Audit Committee for the Company. This Committee is composed as follows:

João Carvalho das Neves: President

Maria del Carmen Rozado: Member

Sofia Salgado Pinto: Member

### **Amsterdam, 1 March 2023**

The Managing Directors:

EDP Energias de Portugal, S.A.

Hiebendaal, D.

Spreeuwiers, D.M.A.

TMF Netherlands

# **EDP Finance B.V.**

**Financial Statements**

**31 December 2022**

## EDP Finance B.V.

### Company Income Statement for the year ended 31 December 2022

Thousand Euros	Notes	2022	2021
<b>Interest income</b>			
Amortized cost	7	231,963	213,942
Fair value through profit or loss	7	41,442	63,637
<b>Interest expenses</b>			
Amortized cost	7	-250,210	-233,126
Fair value through profit or loss	7	-23,268	-24,358
Net interest (expenses) / income		-73	20,095
<b>Impairment losses on financial assets</b>			
Impairment losses on financial assets		-	-
Other financial income	8	177,259	37,797
Other financial expenses	8	-183,742	-43,047
Net financial (expenses) / income		-6,556	14,845
<b>Other operating (expenses) / income</b>			
Services rendered	9	534	379
Supplies and services	10	-2,439	-1,282
Personnel costs		-149	-123
(Loss) / Profit before income tax		-8,610	13,819
Income tax (benefit) / expense	11	2,179	-3,346
<b>Net (loss) / profit for the year - fully attributable to the owners</b>		<b>-6,431</b>	<b>10,473</b>

EDP Finance B.V.

Company Statement of Other Comprehensive Income for the year ended  
31 December 2022

Thousand Euros	2022	2021
<b>Net (loss) / profit for the year</b>	-6,431	10,473
<b>Items that are or may be reclassified to profit or loss</b>		
Cost of hedging reserve	-2,417	1,416
Tax effect from the cost of hedging reserves	598	-354
<b>Other comprehensive (loss) / income for the year (net of income tax)</b>	-1,819	1,062
<b>Total comprehensive (loss) / income for the year - fully attributable to the owners</b>	-8,250	11,535

## EDP Finance B.V.

### Company Statement of Financial Position as at 31 December 2022 (before proposed appropriation of result)

Thousand Euros	Notes	2022	2021
<b>Assets</b>			
Loans to and receivables from group entities	12	6,151,346	6,701,666
Derivative financial instruments	20	121,500	18,766
Deferred tax assets	13	5,107	2,331
<b>Total Non-Current Assets</b>		<b>6,277,953</b>	<b>6,722,763</b>
Loans to and receivables from group entities	12	5,264,629	1,923,350
Derivative financial instruments	20	37,763	83,107
Debtors and other assets		539	429
Tax receivable		822	129
Cash and cash equivalents	14	357,384	661,138
<b>Total Current Assets</b>		<b>5,661,137</b>	<b>2,668,153</b>
<b>Total Assets</b>		<b>11,939,090</b>	<b>9,390,916</b>
<b>Equity</b>			
Share capital	15	2,000	2,000
Share premium	15	11,980	11,980
Reserves and retained earnings	16	114,200	105,546
(Loss) / profit for the year		-6,431	10,473
<b>Total Equity</b>		<b>121,749</b>	<b>129,999</b>
<b>Liabilities</b>			
Debt securities	17	8,446,971	7,564,386
Loans and credit facilities from third parties	17	326,299	191,862
Derivative financial instruments	20	186,516	-
<b>Total Non-Current Liabilities</b>		<b>8,959,786</b>	<b>7,756,248</b>
Debt securities	17	1,469,074	1,326,775
Loans and credit facilities from third parties	17	753,938	1,206
Loans from group entities	18	28,251	-
Amounts owed on commercial paper	19	600,000	140,000
Derivative financial instruments	20	5,149	33,373
Trade and other payables		1,143	673
Tax payable		-	2,642
<b>Total Current Liabilities</b>		<b>2,857,555</b>	<b>1,504,669</b>
<b>Total Liabilities</b>		<b>11,817,341</b>	<b>9,260,917</b>
<b>Total Equity and Liabilities</b>		<b>11,939,090</b>	<b>9,390,916</b>

EDP Finance B.V.

Company Statement of Changes in Equity for the year ended 31 December 2022

Thousand Euros	Total Equity	Share capital	Share premium	Cost of hedging reserves	Retained earnings	Result for the year
<b>Balance as at 31 December 2020 - fully attributable to owners</b>	<b>118,464</b>	<b>2,000</b>	<b>11,980</b>	<b>1,414</b>	<b>97,117</b>	<b>5,953</b>
Prior year result	-	-	-	-	5,953	-5,953
Comprehensive (loss) / income:						
Net result for the year	10,473	-	-	-	-	10,473
Changes in the cost of hedging reserve net of taxes	1,062	-	-	1,062	-	-
Total comprehensive (loss) / income for the year	11,535	-	-	1,062	-	10,473
<b>Balance as at 31 December 2021 - fully attributable to owners</b>	<b>129,999</b>	<b>2,000</b>	<b>11,980</b>	<b>2,476</b>	<b>103,070</b>	<b>10,473</b>
Prior year result	-	-	-	-	10,473	-10,473
Comprehensive (loss) / income:						
Net result for the year	-6,431	-	-	-	-	-6,431
Changes in the cost of hedging reserve net of taxes	-1,819	-	-	-1,819	-	-
Total comprehensive (loss) / income for the year	-8,250	-	-	-1,819	-	-6,431
<b>Balance as at 31 December 2022 - fully attributable to owners</b>	<b>121,749</b>	<b>2,000</b>	<b>11,980</b>	<b>657</b>	<b>113,543</b>	<b>-6,431</b>

## EDP Finance B.V.

### Company Statement of Cash Flows for the year ended 31 December 2022

Thousand Euros	2022	2021
<b>Cash flows from operating activities</b>		
<b>(Loss) / Profit for the year (after tax)</b>	-6,431	10,473
<b>Adjustments for:</b>		
Net interest income / (expenses)	73	-20,095
Net other financial income and expenses	-116,282	171,058
Tax (expense) / income	-2,179	3,346
	-124,819	164,782
<b>Changes in:</b>		
Loans to and receivables from group entities	-2,010,265	1,807,678
Debtors and other assets	97	804
Amounts owed on commercial paper	100,000	22,000
Loans from group entities	28,462	-674,900
Trade and other payables	-739	642
	-2,007,264	1,321,006
Interest received	67,053	148,269
Interest paid	-216,302	-231,782
Tax received	-3,335	-150
<b>Net cash generated from / (used in) operating activities</b>	-2,159,848	1,237,343
<b>Cash flows from financing activities (*)</b>		
Proceeds from issued debt securities	2,264,245	-
Redemption of debt securities	-1,207,000	-1,218,608
Proceeds of loans and credit facilities from third parties	889,021	-
Redemption of loans and credit facilities from third parties	-32,170	-155,822
<b>Net cash flow (used in)/generated from financing activities</b>	1,914,096	-1,374,430
<b>Net increase / (decrease) in cash and cash equivalents</b>	-245,752	-137,087
Cash and cash equivalents at the beginning of the year	661,138	827,730
Effect of exchange rate fluctuations on cash and cash equivalents held	-58,002	-29,505
<b>Cash and cash equivalents at the end of the year (**)</b>	357,384	661,138

(\*) See changes in Debt securities and Loans and credit facilities from third parties arising from financing activities, including cash and non-cash changes, in note 17 to the Financial Statements.

(\*\*) See details of "Cash and cash equivalents" in note 14 to the Financial Statements.

## **Military conflict situation and geopolitical instability in Eastern Europe - Macroeconomic, Financial, Accounting Impact**

On 24 February 2022, a military conflict was initiated in Ukraine with the invasion of its territory by the Russian troops which has resulted in a humanitarian crisis. Direct and indirect victims, and a significant number of refugees and displaced citizens have been caused by the attacks to Ukrainian localities with several repercussions on the energy, commodities, intermediate goods, customer and service markets.

Given its geopolitical positioning, the conflict has relevance to the continuity of EDP Group's business in Europe, and for possibly more attenuated spill-overs for the operations in North America, Latin America and Asia. EDP Finance B.V.'s exposure is mainly through EDP Group's potential impact.

### **Macroeconomic Impact**

The current geopolitical crisis in Eastern Europe includes significant risks for the economy and society, with an associated level of uncertainty about the duration of the conflict and the economic impacts that will outcome. In global, the macroeconomic impacts have been felt in terms of increased costs of raw materials, particularly regarding energetic and agricultural, as well as a greater probability of disruption in international supply chains.

Additionally, beside causing the escalation of existing geopolitical tensions, contributing to global instability with still uncertain medium-long-term consequences, the proximity of the conflict to the borders of the EU also represents a challenge to the cohesion between its member states and to the single currency.

### **Financial impact**

Financial markets continue to experience times of instability and volatility. EDP Finance B.V.'s exposure is mainly through EDP Group's potential impact.

The main financial risks identified for Finance BV are:

- Growing interest rates: pressure on interest rates leads to increases in financing costs related with floating rate debt and new fixed rate debt;
- Credit risk: the huge increase of prices in the energy market raised the exposure to counterparties in long positions and an increase in commercial debt. Additionally, the prolongation of the conflict and the increase of sanctions against Russia and the penalizations of several institutions may lead to an increase in the default risk of some counterparties. Even so, the existence of a very diverse portfolio of customers and standard debt recovery policies and processes allows to mitigate these impacts; and
- Liquidity: extremely high initial margins in organized commodity markets due to very high prices and volatility, giving rise to significant cash variations and an increase in collateral requests.

EDP Group, including EDP Finance B.V., has been closely monitoring the evolution of the financial markets and the financial situation of its counterparties, seeking to mitigate exposure to potential financial risks, with a cautious approach in terms of the interest rate combination with a high percentage of fixed rate, a careful choice of its main counterparties favouring high ratings and high levels of liquidity (cash and available credit lines). Namely by strengthening the financial and liquidity positions, during 2022, with the issue of Green bonds of 1.250 million Euros in March, and 500 million US Dollars and 500 million Euros in October, so that it may meet all of its expected obligations in a timely manner when due but also to have a buffer to meet unexpected obligations that might arise.

Given that there has been no significant impact on either EDP Group's business or exposure to credit risk, as a consequence of hedging and mitigating measures at Group level, EDP Finance B.V. has not been significantly impacted, nor does it foresee to be in the future.

### **Accounting Impact**

To assess possible accounting impacts arising from the conflict, EDP Finance B.V. reassessed the estimates it considers relevant and which may have been impacted by this context. As of 31 December 2022, despite the current scenario of uncertainty, no accounting impacts have been necessary. Namely, the main assessments were:

i) Regarding credit risk, EDP Finance B.V. carried out an analysis of the assumptions used in determining the expected credit losses and their confrontation with the best information available to date, such as the evolution of the EDP Group's exposure and the liquidity and credit worthiness of the Group as at 31 December 2022. Given that there has been no significant impact on either EDP Group's business or exposure to credit risk, the Company considers that there has been no significant increase in credit risk.

ii) Regarding assets measured at fair value, EDP Finance B.V. did not consider necessary to make changes to the valuation methods applied due to the context of the conflict. Therefore, the Company continues without any financial instruments categorized as "Level 3" (that is, valued based on inputs that are not based on observable market information).

iii) Regarding derivatives designated as hedging instruments in hedge accounting, the Company has not identified significant situations that have resulted in the discontinuation of hedge accounting or in the recognition of an increase in inefficiency in existing hedging relationships.

## 1. ECONOMIC ACTIVITY OF EDP FINANCE B.V.

EDP Finance B.V. ("the Company"), a corporation with limited liability, having its statutory seat in Amsterdam, The Netherlands, was incorporated under the laws of The Netherlands on 1 October 1999 with registered office at Herikerbergweg 130, 1101 CM Amsterdam, The Netherlands (EDP Finance B.V. is registered in the Dutch Chamber of Commerce under the number 34121496). The ultimate parent company of EDP Finance B.V. is EDP - Energias de Portugal, S.A. ("EDP S.A."), Lisbon, Portugal, which is also its ultimate controlling party.

The principal activity of the Company is to act as a finance company.

The Company's objective is to raise funds in the debt capital market and bank loan market to fund EDP Group (EDP) activities and investment plan. EDP Finance B.V. borrows funds from both markets and lends the funds to several EDP Group Companies. The financing of EDP Group activities is determined in accordance with the business plan approved for EDP, its debt maturity schedule and its conservative liquidity profile, considering the existing market conditions and the Group's strategic lines. The Financial Statements of EDP Group can be consulted in [www.edp.com](http://www.edp.com).

The company is managed prudently, taking into consideration the need to comply with its obligations and to fulfill the requirement of maintaining a positive Tangible Net Worth as agreed on the Keep Well agreement with EDP, S.A. (see paragraph in note 5).

As at 31 December 2022 the Company has three employees working in The Netherlands.

The financial statements only comprise the separate financial statements of the Company.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU-IFRS) and with the applicable sections of Part 9 of Book 2 of the Dutch Civil Code. The Company's Managing Directors approved the financial statements (referred to as financial statements) on 1 March 2023.

The accompanying financial statements of the Company reflect the results of the Company's operations and the financial position for the years ended 31 December 2022 and 2021.

As described in note 3, the Company adopted in the preparation of the financial statements as at 31 December 2022, the accounting standards issued by IASB and IFRIC interpretations effective since 1 January 2022. The accounting policies used by the Company in preparing the financial statements described in this note were adopted in accordance.

The financial statements are presented in Euros, which is the Company's functional currency, rounded to the nearest thousand.

The financial statements have been prepared on a going concern basis and under the historical cost convention, modified by the application of the fair value accounting to derivative financial instruments and financial liabilities at fair value through profit or loss. Assets and liabilities that are hedged under hedge accounting are stated at fair value in respect of the hedged risk. The Company's Managing Directors evaluated the financial position of the counterparties of loans to group companies and their ability to repay the notional and interest to the Company. The Company has not identified events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The preparation of financial statements in conformity with EU-IFRS requires the Company to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments regarding the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity, or where assumptions and estimates are considered to be significant, are presented in note 4 (Critical accounting estimates and judgments in preparing the financial statements).

Accounting policies have been applied consistently in all years presented in the financial statements.

### b) Foreign currency transactions

Foreign currency transactions are translated at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated into Euros at the exchange rates at the statement of financial position date. These exchange differences arising on translation are recognised in the income statement.

Foreign currency non-monetary assets and liabilities accounted for at historical cost are translated using the exchange rates at the dates of the transactions. Foreign currency non-monetary assets and liabilities stated at fair value are translated into Euros at the exchange rates at the dates the fair value was determined.

The following exchange rates have been applied as at 31 December 2022 and 2021:

Currency		2022	2021
		Closing rates	Closing rates
Dollar	USD	1.067	1.133
British Pounds	GBP	0.887	0.840

#### c) Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised on the trade date at fair value. Subsequently, the fair value of derivative financial instruments is remeasured on a regular basis, and changes therein are generally recognised in profit or loss. Recognition, in profit or loss, of the resulting gains and losses on remeasurement of derivatives depends on the nature of the risk being hedged and of the hedge model used.

Derivative financial instruments are derecognised at settlement date or by an early termination agreement.

##### Hedge accounting

The Company uses financial instruments to hedge interest rate risk and exchange rate risk resulting from its financing activities. Derivatives not qualifying for hedge accounting under IFRS 9 are accounted for as held for trading, despite being contracted for economic hedge purposes.

Therefore, as per the economical hedge purpose for all derivatives, these are accounted as current or as non-current according to their remaining maturity, respectively under or over one year.

Hedging derivatives are recorded at fair value. Gains and losses arising from changes in fair value are recognised in accordance with the hedge accounting model applied by the Company. Hedge relationship exists when:

- (i) The hedging relationships only consist of hedging instruments and hedged items that are eligible as per IFRS 9;
- (ii) At the inception of the hedge there is formal documentation of the hedging relationship and the Company's risk management objective and strategy for the hedge;
- (iii) There is an economic relationship between the hedged item and the hedging instrument;
- (iv) The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- (v) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

##### Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit and loss, together with any changes in the fair value of the hedged assets and liabilities or group of hedged assets and liabilities that are attributable to the hedged risk. For cross currency interest rate swaps, the currency basis spreads are excluded from the hedge designation, but considered as a hedging cost in other comprehensive income, in Cost of hedging reserve. When the hedging relationship ceases to comply with the requirements for hedge accounting, the accumulated gains or losses concerning the fair value of the risk being hedged are amortised over the residual period to maturity of the hedged item.

When the hedging relationship ceases to comply with the requirements for hedge accounting, the accumulated gains or losses concerning the fair value of the risk being hedged are amortised over the residual period to maturity of the hedged item.

##### Effectiveness

For a hedge relationship to be classified as such, in accordance with IFRS 9, its effectiveness must be demonstrated. Therefore, the Company performs prospective tests at the inception date and at each balance sheet date, in order to demonstrate its effectiveness, showing that any adjustments to the fair value of the hedged item attributable to the risk being hedged are offset by adjustments to the fair value of the hedging instrument. Any ineffectiveness is recognised in the income statement when it occurs.

##### Offsetting

All derivative transactions entered into with external counterparties are under an ISDA Master Agreement. EDP Finance B.V. has not applied any offsetting in its balance sheet as at reporting date.

**d) Other financial assets**

IFRS 9 introduced a model for the classification of financial assets based on the business model for managing the financial assets ("business model test") and their contractual cash flow characteristics ("SPPI test").

EDP Finance B.V. classifies its financial assets, at initial recognition, in accordance with the aforementioned requirements introduced by IFRS 9, on the following categories:

Thousand Euros	Notes	Dec 2022	Dec 2021
<b>Assets</b>			
<b>Financial assets at amortised cost</b>			
Loans to and receivables from group entities	12	11,415,975	8,625,016
Debtors and other assets		539	429
Cash and cash equivalents	14	357,384	661,138
<b>Financial assets at fair value through profit or loss (FVTPL)</b>			
Derivative financial instruments	20	159,263	101,873
<b>Liabilities</b>			
<b>Financial liabilities at amortised cost</b>			
Debt securities	17	8,844,071	6,724,416
Loans and credit facilities from third parties	17	1,080,237	193,068
Loans from group entities	18	28,251	-
Amounts owed on commercial paper	19	600,000	140,000
Trade and other payables		1,143	673
<b>Financial liabilities at fair value through profit or loss (FVTPL)</b>			
Debt securities	17	1,071,974	2,166,745
Derivative financial instruments	20	191,665	33,373

*Financial assets at amortised cost*

A financial asset is measured at amortised cost if: (i) it is held within a business model whose objective is to hold assets in order to collect its contractual cash flows; and (ii) the contractual cash flows represent solely payments of principal and interest. Financial assets included within this category are initially recognised at fair value and subsequently measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

All of the Company's Loans and Debt Securities are measured at amortised cost, since all are held to collect the contractual cash flows, which represent solely payments of principal and interest and thus they meet the criteria for amortised cost measurement under IFRS 9.

*Financial assets at fair value through other comprehensive income (FVOCI)*

A financial asset is measured at fair value through other comprehensive income if: (i) the objective of the business model is achieved by both collecting contractual cash flows and selling financial assets; and (ii) the asset's contractual cash flows represent solely payments of principal and interest. Financial assets included within this category are initially recognised and subsequently measured at fair value, with the changes in the carrying amount booked in other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

*Financial assets at fair value through profit or loss (FVTPL)*

Financial assets that do not meet the criteria to be classified under the previously referred categories, are classified at fair value through profit or loss, deemed to be a residual category under IFRS 9.

Regardless of the business model assessment, EDP Finance B.V. can elect to classify a financial asset at fair value through profit or loss if doing so reduces or eliminates a measurement or recognition inconsistency ("accounting mismatch").

### Changes in the business model assessment over time

Changes of the business model are not likely to occur. In case a change occurs, financial assets will be reclassified subsequent to their initial recognition.

### Recognition and derecognition of financial assets

Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Company commits to purchase or sell these financial assets.

Financial assets are derecognised when: (i) the contractual rights to receive their future cash flows have expired, (ii) the Company has transferred substantially the risks and rewards of ownership, or (iii) although retaining some, but not substantially all the risks and rewards of ownership, the Company has transferred control over the assets.

### Impairment

IFRS 9 established an impairment model based on the expected credit losses (ECL). Thus, a loss event does not need to occur before the recognition of an impairment allowance. This model is the basis for the recognition of impairment losses on held financial assets that are measured at amortised cost or at fair value through other comprehensive income (which includes cash and cash equivalents, trade receivables, loans and debt securities).

The impairment methodology applied depends on whether there has been a significant increase in credit risk. If the credit risk on a financial asset does not increase significantly since its initial recognition, EDP Finance B.V. measures the loss allowance for that financial asset at an amount equal to 12-month expected credit losses. If the credit risk increases significantly since its initial recognition, EDP Finance B.V. measures the loss allowance for that financial asset at an amount equal to lifetime expected credit losses.

Regardless of the above, a significant increase in credit risk is presumed if there is an objective evidence that the financial asset is impaired, including if there is observable data that comes to the attention of the holder of the asset about the following loss events, among others: significant financial difficulty of the issuer or obligor; restructuring of an amount due to the Company in terms that it would not consider otherwise; a breach of contract, such as a default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

As soon as the loss event occurs, the impairment allowance would be allocated directly to the financial asset affected, which provides the same accounting treatment, from that point, including the treatment of interest revenue. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent year, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed in profit or loss, if the decrease can be related objectively to an event occurring after the impairment loss was recognised.

Credit risk on other receivables has no significant financing component, so the loss allowance is measured at initial recognition and throughout the life of the receivable, by the simplified approach, at an amount equal to lifetime ECL, which is not significant. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no significant impairment loss was identified.

EDP Finance B.V. assesses the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. On making its assessment, the Company has to make assumptions about risk of default and expected loss rates, which requires judgement. The inputs used for risk assessment and for calculation of the loss allowances for financial assets include: (i) credit ratings (as far as available) from external credit rating companies such as Standard and Poor, Moody's and Fitch; (ii) significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the EDP Group and changes in the operating results of the borrower; (iii) Public market data, namely on probabilities of default and loss given default expectations; (iv) Internal credit risk assessments on the credit profiles of EDP Group subsidiaries; and (v) macroeconomic information (such as market interest rates or growth rates). There were no significant changes in the assumptions or methodology applied in the assessment of expected credit losses, compared with the prior year.

**e) Cash and cash equivalents**

Cash and cash equivalents include balances with a maturity of less than three months from the date of acquisition, including cash and deposits at banks. This caption also includes other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

EDP Finance B.V. classifies as Cash and cash equivalents the current account balances with EDP Group companies formalized through current accounts (EDP Group's financial system).

**f) Other financial liabilities**

An instrument is classified as a financial liability when it contains a contractual obligation to liquidate capital and/or interests, through delivering cash or other financial assets to extinguish the contractual obligation, regardless of its legal form. Financial liabilities are recognised (i) initially at fair value less transaction costs and (ii) subsequently at amortised cost, using the effective interest rate method. All financial liabilities are booked at amortised cost, with the exception of the financial liabilities hedged at fair value hedge, which are stated at fair value on risk component that is being hedged.

**g) Interest income and expense**

Interest income and expense are recognised in profit or loss using the effective interest rate method. The effective interest rate includes all fees and premium or discount paid or received that are an integral part of the effective interest rate. This includes transaction costs that are directly attributable to the acquisition or issue of financial assets or liabilities.

Interest income and interest expense presented in the Income statement include:

- Interest on financial assets and financial liabilities measured at amortised cost; and
- Interest on hedging derivatives.

Interest is recognised in profit and loss on an accrual basis.

Costs and revenues are recognised in the year to which they relate regardless of when paid or received, in accordance with the accrual basis. Differences between amounts received and paid and the corresponding revenue and costs are recognised under the correspondent caption of financial assets or financial liabilities.

**h) Net other financial income and expenses**

Financial results include foreign exchange gains and losses, realised gains and losses, unrealised gains and losses from changes in the fair value of derivatives (including accrued interest of trading derivatives) and changes in the fair value of the hedged items (including the ineffective portion).

**i) Other operating income and expenses**

Costs and revenues are recognised in the year to which they relate regardless of when paid or received, in accordance with the accrual basis. Differences between amounts received and paid and the corresponding revenue and costs are recognised under Other assets or other liabilities.

**j) Income tax**

Income tax recognised in the income statement includes current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is also recognised in equity.

Current tax is the tax expected to be paid on the taxable income for the year, using tax rates enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the balance sheet liability method, considering temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax basis, using the tax rates enacted or substantively enacted at the balance sheet date for each jurisdiction and that are expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not be reversed in the future. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes.

EDP Finance, B.V. offsets, as established in IAS 12, the deferred tax assets and liabilities if, and only if:

- (i) the entity has a legally enforceable right to offset current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in future periods in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

When accounting for interest and penalties related to income taxes, EDP Finance, B.V. considers whether a particular amount payable or receivable is, in its nature, an income tax and, if so, applies IAS 12 to this amount. Otherwise, IAS 37 is applied.

#### **k) Statement of cash flows**

The Statement of cash flows is presented under the indirect method, by which gross cash flows from operating and financing activities are disclosed.

#### **l) Determination of operating segments**

The Company determined one operating segment based on the information that is internally provided to the management.

### **3. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED**

#### **Standards, amendments and interpretations issued effective for the Company**

The amendments that have been issued and that are already effective and that the Company has applied on its financial statements, with no significant impacts, are the following:

- IFRS 3 (Amended) - Reference to the Conceptual Framework;
- IFRS 16 (Amended) - Proceeds before Intended Use;
- IAS 37 (Amended) - Onerous Contracts – Cost of Fulfilling a Contract; and
- Annual Improvement Project (2018-2020).

#### **Standards, amendments and interpretations issued but not yet effective for the Company**

The standards, amendments and interpretations issued but not yet effective for the Company (whose effective application date has not yet occurred or, despite their effective dates of application, they have not yet been endorsed by the EU) with no estimated significant impact are the following:

- IFRS 17 - Insurance Contracts (and amendments related to initial application and comparative information);
- IAS 1 (Amended) - Classification of Liabilities as Current or Non-current;
- IAS 1 (Amended) - Disclosure of Accounting Policies;
- IAS 8 (Amended) - Definition of Accounting Estimates;
- IAS 12 (Amended) - Deferred tax related to assets and liabilities arising from a Single Transaction; and
- IFRS 16 (Amended) - Lease liability in a sale and leaseback.

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN PREPARING THE FINANCIAL STATEMENTS

IFRS require the use of judgement and the making of estimates in the decision process about certain accounting treatments, with impact in total assets, liabilities, equity, costs and income. Actual results may differ from these estimates.

The main accounting estimates and judgements used in applying the accounting policies are discussed in this note in order to improve the understanding of how their application affects the Company's reported results and disclosures. A broader description of the accounting policies employed by the Company is disclosed in note 2 to these Financial Statements.

Considering that in many cases there are alternatives to the accounting treatment adopted by EDP Finance B.V., the Company's reported results could differ if a different treatment was chosen. The Company believes that the choices made are appropriate and that the financial statements present fairly, in all material aspects, the Company's financial position and results. The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

##### **Fair value of financial instruments**

Fair values of financial instruments (see note 2 d)) are based on listed market prices, if available, otherwise fair value is determined either by the price of similar recent transactions under market conditions or by pricing models based on net present value of estimated future cash flows techniques considering market conditions, time value, yield curves and volatility factors. These methodologies may require the use of assumptions or judgements in estimating fair values (see detailed information in note 22).

Consequently, the use of different methodologies or different assumptions or judgements in applying a particular model, could have produced different financial results from those reported.

##### **Impairment of financial assets measured at amortised cost**

Impairment of financial assets measured at amortised cost is considered as an accounting estimate (see note 2 d)).

For 2022 and 2021, no impairment loss was recognised.

#### 5. FINANCIAL-RISK MANAGEMENT POLICIES

##### **Financial risk management**

EDP Finance B.V.'s business is exposed to a variety of market/financial risks which arise, essentially, from the mismatch between the loans granted to EDP Group companies and its debt portfolio, resulting in interest rate risk, foreign exchange rate risk, liquidity, counterparty and credit risk.

The Company has an overall low risk appetite and therefore aims to minimize these market risks arising from its relevant activities, preferably through natural hedging, but also, whenever necessary/appropriate, with the use of over-the-counter derivative financial instruments. The risk appetite of the Company is in line with the EDP Group's risk appetite and subject to regular review.

On 14 March 2001, EDP - Energias de Portugal, S.A. signed a Keep Well agreement with the Company. This agreement states that for as long as the Company has outstanding instruments under an external debt Programme and in case the Company shall have insufficient funds or other liquid assets to meet its payment obligations (including in respect of any Debt Obligations) at any time, EDP - Energias de Portugal S.A. shall make available to the Company funds sufficient to enable the Company to meet such payment obligations in full as they fall due. However, the Keep Well agreement is not a guarantee, direct or indirect, by EDP - Energias de Portugal, S.A. of any debt obligations or any other debt of the Company or any instrument issued by the Company.

The management of the financial risks of EDP Finance B.V. is carried out, measured and controlled, in accordance with the general risk management principles and exposure limits established for the EDP Group companies by EDP - Energias de Portugal, S.A., with specific adaptations according to the characteristics of each subsidiary. Financial risk management is implemented by the Financial Department of EDP - Energias de Portugal, S.A. under a service agreement signed between the latter and several EDP Group Companies, among which EDP Finance B.V.

The Board of Directors of the Company is made aware of the exposure to the different risks on an ongoing basis and considers that the existing risk management policies and controls are appropriate to achieve the desired mitigation and low risk exposure.

The hedge relationships are established through instruments and structures that have critical terms similar to those of the hedged asset or liability, confirming the economic relationship between hedged item and hedging instrument. The hedge ratio is of 1:1 for all the hedging relationships to minimize hedge ineffectiveness. Therefore, the main source of ineffectiveness is a significant deterioration of the credit risk of a counterparty.

During 2022, considering the COVID-19 pandemic and the military conflict in Ukraine and their impacts on the markets, namely on interest and foreign exchange rates to which the EDP Finance B.V. has exposure to, there was a revaluation of the risks involved, having concluded that the current Financial Risk Management Policies already incorporate worst case scenarios sufficiently conservative and therefore adequate to the Company's profile, not being necessary its revision. However, given that the duration and global impacts are still unknown, the EDP Finance B.V. continues to monitor the risks, seeking to anticipate and manage possible impacts not currently contemplated.

#### **Foreign exchange rate risk management**

EDP Finance B.V. has very low appetite to exchange-rate risk. The Company is exposed to exchange rate risk through its debt and assets denominated in currencies other than Euro (EUR), currently US Dollars (USD) and British Pounds (GBP). The Group's objective is to maintain a matched position between assets and liabilities in each currency in order to mitigate balance sheet exposure to foreign exchange rate risks. Any residual exposure is closely monitored and hedged with derivatives instruments, hence not generating relevant net exchange gains nor losses. The amounts recorded in the P&L on exchange gains or losses are off-set by exchange gains or losses recorded in other P&L captions due to the different natures of the items denominated in foreign currencies. Currently, the exposure to EUR/USD exchange rate risk results essentially from the USD debt issued to hedge the EDP Group investments in the USA. EDP Finance B.V. issued USD loans and debt securities (bonds) as well as executed foreign exchange derivative financial instruments that convert the debt issued in currencies such as EUR into USD, with the objective of mitigating the exchange rate risk related to the intercompany loans granted to finance the USD assets of the EDP Group. The exchange rate risk on the GBP bond issued under the Medium-Term Notes Program has also been hedged as from their issuing date.

Under the aforementioned service agreement, the Financial Department of EDP – Energias de Portugal, S.A. manages EDP Finance B.V.'s exchange rate risk exposure resulting from foreign currency funding, seeking to mitigate the impact of exchange rate fluctuations on the financial costs of the Company through exchange rate derivative financial instruments. The operations are revalued and monitored throughout their lives and, periodically, their effectiveness in controlling and hedging the risk that gave rise to them is duly assessed.

#### **Sensitivity analysis - exchange rate**

Though the Company has loans to EDP Group companies and issues debt instruments in currencies other than Euro, the impact on Equity or P&L due to changes in currency rates is not significant as the risk management policy in place aims to avoid material mismatches between assets and liabilities denominated in currencies other than Euro.

#### **Interest rate risk management**

EDP Finance B.V. has moderate appetite to interest-rate risk. The Company's interest rate risk management policy aim is to reduce exposure to interest rate changes which may affect the value of financial instruments, namely debt. EDP Finance BV mitigates this risk, preferably, through natural hedging, by maintaining an aligned fixed-floating ratio and duration between its assets and liabilities, if necessary through the use of over-the-counter derivative financial instruments, such as forwards, interest rate swaps and cross-currency swaps.

Long-term loans contracted at fixed rates are, when appropriate, converted into floating rate loans through interest rate derivative financial instruments.

All hedging operations are undertaken on liabilities of EDP Finance B.V.'s debt portfolio and mainly involve perfect hedges, resulting in a high level of correlation between the changes in the fair value of the hedging instrument and the changes in the fair value of the hedged item attributable to the risk being hedged.

As the Company provides funding to different Group Companies according to their requirements (timing, amounts and tenor) and raises funding from the market according to refinancing needs and market conditions (timing, tenor and spread wise), interest rates applied to assets and liabilities may differ. The Company tries to manage such risk by refinancing its debt under the best possible conditions the market allows, extending the average life of its debt portfolio and lending to Group companies according to arms-length principles.

### Sensitivity analysis - Interest rates

Based on the financial instruments with exposure to interest rate risk as at 31 December 2022 and 2021 (mainly Derivative financial instruments, Debt securities and Loans to and receivables from group entities), a 100 basis points change in the reference interest rates would lead to the following increases / (decreases), gross from tax, in equity and results of EDP Finance B.V.:

Thousand Euros	Dec 2022			
	Results		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>Assets</b>				
Cash flow effect:				
Unhedged loans	102,151	-102,151	-	-
	102,151	-102,151	-	-
<b>Liabilities</b>				
Cash flow effect:				
Hedged debt	-10,103	10,103	-	-
Unhedged debt	-8,794	8,794	-	-
	-18,897	18,897	-	-

Thousand Euros	Dec 2021			
	Results		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>Assets</b>				
Cash flow effect:				
Unhedged loans	2,119	-2,119	-	-
	2,119	-2,119	-	-
<b>Liabilities</b>				
Cash flow effect:				
Hedged debt	-18,682	18,682	-	-
Unhedged debt	-	-	-	-
	-18,682	18,682	-	-

This analysis assumes that all other variables, namely exchange rates and credit risk, remain unchanged.

### Counterparty credit risk management

The Company has a low risk appetite for counterparty risk. EDP Group's policy regarding the management of counterparty risk on financial transactions involves the analysis of the technical capacity, competitiveness, credit rating and exposure of each counterparty, so as to avoid significant concentrations of credit risk.

Counterparties, external to EDP Group, in derivative financial instruments are credit institutions with strong credit ratings and therefore the risk of counterparty default is not considered to be significant. Guarantees and other collaterals are not required on these transactions.

EDP Finance B.V. documents its financial operations in accordance with international standards. Therefore, derivative financial instruments are contracted under ISDA Master Agreements, facilitating the transfer of the instruments in the market and ensuring compliance and consistency with EDP's policies.

The credit risk arising from loans granted to EDP Group companies is mitigated by the control that EDP – Energias de Portugal, S.A. has over the management of those companies. As at 31 December 2022 and 2021, all loans granted by EDP Finance B.V. had as counterparties companies controlled by EDP – Energias de Portugal, S.A. None of the amounts receivable from related parties are past due or impaired and repayments have been received regularly and on time historically. EDP – Energias de Portugal, S.A. is rated BBB/Baa3/BBB by S&P (since March 2021, with stable outlook)/Moody's (since February 2015 and affirmed in May 2021, with revised outlook to positive)/Fitch (since May 2021, with stable outlook), reflecting a low credit risk.

The Company monitors the credit risk using multiple inputs for risk assessment and for calculation of the loss allowances for financial assets, including: (i) credit ratings (as far as available) from external credit rating companies such as Standard and Poor, Moody's and Fitch; (ii) significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower; (iii) Public market data, namely on probabilities of default and loss given default expectations; (iv) Internal credit risk assessments on the credit profiles of EDP Group subsidiaries; and (v) macroeconomic information (such as market interest rates or growth rates). Since the application of IFRS 9, and the forward-looking approach, according to the assessment performed by Company has not identified any significant losses.

The maximum credit exposure equals the amount of total assets deducted by tax receivable as per 31 December 2022 and 31 December 2021 being 11.9 billion Euros and 9.4 billion Euros, respectively.

## Liquidity risk management

The Company has a very low appetite for liquidity risk. Liquidity risk is managed by engaging and maintaining credit lines and financing facilities with a firm underwriting commitment with international financial institutions with sound credit ratings, as well as term deposits, allowing immediate access to funds and covering refinancing needs for the next 12 to 24 months. These lines are used to complement and backup commercial paper programmes, allowing for a diversification of EDP Finance B.V.'s short-term financing sources (see notes 14 and 17). Considering the COVID-19 pandemic, the Group assessed the potential impacts on additional liquidity needs, having concluded that the current Liquidity Risk Management Policy remains adequate.

The table below shows the contractual undiscounted cash flows and the estimated interests due, computed using the rates available at 31 December 2022:

Thousand Euros	2023	2024	2025	2026	2027	Following	Total
						years	
Debt securities	1,469,074	2,293,299	1,310,330	1,345,358	963,240	2,534,744	9,916,045
Loans and credit facilities from third parties	753,938	-	339,224	-	-12,925	-	1,080,237
Interest Payments	122,401	219,068	141,325	107,911	93,473	-	684,178
	<u>2,345,413</u>	<u>2,512,367</u>	<u>1,790,879</u>	<u>1,453,269</u>	<u>1,043,788</u>	<u>2,534,744</u>	<u>11,680,460</u>

The table below shows the contractual undiscounted cash flows and the estimated interests due, computed using the rates available at 31 December 2021:

Thousand Euros	2022	2023	2024	2025	2026	Following	Total
						years	
Debt securities	1,326,775	1,336,509	2,280,054	1,359,871	1,344,018	1,243,934	8,891,161
Loans and credit facilities from third parties	1,206	-	-3,601	195,463	-	-	193,068
Interest Payments	66,577	167,292	140,729	62,084	34,771	33,167	504,620
	<u>1,394,558</u>	<u>1,503,801</u>	<u>2,417,182</u>	<u>1,617,418</u>	<u>1,378,789</u>	<u>1,277,101</u>	<u>9,588,849</u>

## Capital management

EDP Finance, B.V. is not an entity subject to regulation in terms of capital or solvency ratios. Therefore, capital management is carried out within the financial management process of the entity.

The company's goal in managing equity is to safeguard the capacity to continue operating as a going concern, grow steadily to meet established objectives and maintain an optimum capital structure to reduce equity cost.

## 6. OPERATING SEGMENT REPORT

The Company determined one operating segment. The Company generates interest income by providing loans to EDP Group entities as well as through derivative financial instruments concluded with banks to hedge market risks. The loans are provided to EDP Group companies in Portugal and Spain. Income by geographic market is presented in note 7.

These EDP Group companies are EDP - Energias de Portugal, S.A. (group parent company), EDP Renováveis, S.A., EDP Renováveis Servicios Financieros, S.L., EDP, S.A. Sucursal en España, EDP Servicios Financieros (España), S.A., EDP International Investments and Services, S.L., Energia RE and EDP España, S.A.U.

## 7. INTEREST INCOME AND EXPENSES

Interest income and expenses are analysed as follows:

Thousand Euros	Dec 2022	Dec 2021
<b>Interest income</b>		
<b>Amortized cost</b>		
Loans to and receivables from group entities	227,948	213,832
Interest income from term deposits (Note 14)	4,015	110
<b>Fair value through profit or loss</b>		
Derivative financial instruments	41,442	63,637
	<u>273,405</u>	<u>277,579</u>
<b>Interest expenses</b>		
<b>Amortized cost</b>		
Bank loans	16,617	8,062
Medium term notes	227,373	222,147
Commercial Paper	6,220	2,917
<b>Fair value through profit or loss</b>		
Derivative financial instruments	23,268	24,358
	<u>273,478</u>	<u>257,484</u>

Loans to and receivables from group entities, by geographic market, is analysed as follows:

Thousand Euros	Dec 2022	Dec 2021
Portugal	85,460	107,889
Spain	142,488	105,943
	<u>227,948</u>	<u>213,832</u>

## 8. OTHER FINANCIAL INCOME AND EXPENSES

Net other financial income and expenses are analysed as follows:

Thousand Euros	Dec 2022	Dec 2021
<b>Other financial income</b>		
Derivative financial instruments - Trading	178,425	32,548
Hedge ineffectiveness (see note 20)	-1,166	5,249
	<u>177,259</u>	<u>37,797</u>
<b>Other financial expenses</b>		
Derivative financial instruments - Trading	133,341	37,837
Foreign exchange losses	50,269	5,189
Other	132	21
	<u>183,742</u>	<u>43,047</u>
	<u>-6,483</u>	<u>-5,250</u>

As mentioned in note 5, the amounts recorded in the P&L on foreign exchange gains or losses are partially off-set by the exchange gains or losses recorded in other P&L lines within the caption presented in the table above, due to the different natures of the items denominated in foreign currencies, mainly by the mark-to-market of the derivatives. The remaining amount results from the net interest of new cross currency interest rate swaps with Group companies entered by the Company.

## 9. SERVICES RENDERED

Services rendered are analysed as follows:

Thousand Euros	Dec 2022	Dec 2021
Debt portfolio management	534	379
	<u>534</u>	<u>379</u>

The Company is remunerated for arranging, managing and maintaining the debt portfolios of EDP Group companies. Either party may terminate the service agreement by one month notice in writing to the other party. However, no such termination has taken place to date.

In 2022 this caption included the fees for the year (339 thousand Euros) and the adjustment of the previous year's estimated fees (195 thousand Euros). In 2021 this caption included the fees for the year (426 thousand Euros) and the adjustment of the previous year's estimated fees (-47 thousand Euros).

## 10. SUPPLIES AND SERVICES

Supplies and services are analysed as follows:

Thousand Euros	Dec 2022	Dec 2021
EDP, S.A. Services	989	429
Specialised works - Consulting services	527	455
Specialised works - Legal services	563	157
Other	360	241
	<b>2,439</b>	<b>1,282</b>

The Company has signed a service agreement with EDP, S.A. This service agreement states that the Company has to pay an annual fee for services that EDP, S.A. provides to the Company by arranging, managing and maintaining all debt portfolios of the Company, based on the total amount of existing debt to manage. Either party may terminate the service agreement by one month notice in writing to the other party. However, no such termination has taken place to date.

## 11. INCOME TAX (CREDIT) / EXPENSE

This caption is analysed as follows:

Thousand Euros	Dec 2022	Dec 2021
Tax (credit) / expense	-2,179	3,346
Profit / (Loss) before income tax	-8,610	13,819
Effective tax rate of the Company	25%	24%

The effective corporate income tax rate of EDP Finance B.V. corresponds to the Dutch statutory tax rate of 25.8%, to amounts over 395 thousand Euros under which 15% is applied.

Considering the approval of the Dutch budget law for tax year 2022 and the plans for the years thereafter, the company has estimated the deferred tax assets and liabilities (as applicable), by applying the tax rates according to the expected years of recoverability.

## 12. LOANS TO AND RECEIVABLES FROM GROUP ENTITIES

Loans to and receivables from Group entities are analysed as follows:

Thousand Euros	Dec 2022	Dec 2021
<b>Non-Current:</b>		
EDP Energias de Portugal, S.A.	1,400,000	4,400,000
EDP Renováveis Servicios Financieros, S.L.	3,698,640	2,059,144
EDP Servicios Financieros (España), S.A.	832,542	-
EDP Renováveis, S.A.	207,373	229,731
EDP International Investments and Services, S.L.	12,791	12,791
	<b>6,151,346</b>	<b>6,701,666</b>
<b>Current:</b>		
EDP Energias de Portugal, S.A.	4,693,857	1,527,503
EDP Servicios Financieros (España), S.A.	233,000	-
EDP Renováveis, S.A.	36,891	99,240
EDP Renováveis Servicios Financieros, S.L.	225,183	227,442
EDP International Investments and Services, S.L.	-	8,234
Accrued interest	75,698	60,931
	<b>5,264,629</b>	<b>1,923,350</b>
	<b>11,415,975</b>	<b>8,625,016</b>

The financial assets disclosed in this caption are measured at amortised cost.

As at 31 December 2022, these assets have an average maturity of 3.1 years (31 December 2021: 2.9 years) and bear interest at an average rate of 2.2% (31 December 2021: 2.1%).

For 31 December 2022, the maturity of loans to group entities split in different currencies, is analysed as follows:

Thousand Euros	2023	2024	2025	2026	2027	Following years	Total
<b>Loans to and receivables from group entities:</b>							
Euro	4,966,068	12,791	400,000	-	1,000,000	2,100,296	8,479,155
US Dollar	298,561	488,641	233,350	495,265	468,779	952,224	2,936,820
	<u>5,264,629</u>	<u>501,432</u>	<u>633,350</u>	<u>495,265</u>	<u>1,468,779</u>	<u>3,052,520</u>	<u>11,415,975</u>

For 31 December 2021, the maturity of loans to group entities split in different currencies, are analysed as follows:

Thousand Euros	2022	2023	2024	2025	2026	Following years	Total
<b>Loans to and receivables from group entities:</b>							
Euro	1,560,498	2,998,598	12,791	400,000	-	1,000,000	5,971,887
US Dollar	362,852	247,219	460,166	219,752	466,405	896,735	2,653,129
	<u>1,923,350</u>	<u>3,245,817</u>	<u>472,957</u>	<u>619,752</u>	<u>466,405</u>	<u>1,896,735</u>	<u>8,625,016</u>

Loans to group entities are not collateralised.

The Company has not and has not been asked to grant any payment holidays on their loans to group companies.

### 13. DEFERRED TAX ASSETS

The deferred tax assets of 5,107 thousand Euros (31 December 2021: 2,331 thousand Euros) refers to the tax losses that can be deducted from the taxable income assessed in the following years.

Considering the increase of the Dutch corporate income tax rate from 25% to 25.8% in 2022, EDP Finance B.V. updated the amount of these deferred tax assets (see note 11).

### 14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

Thousand Euros	Dec 2022	Dec 2021
<b>Bank deposits:</b>		
Current deposits	4,115	5,996
Current accounts	353,269	655,142
	<u>357,384</u>	<u>661,138</u>

Cash and cash equivalents are freely disposable to be used by the Company. The interest received for the current or term deposits amounts to 4,015 thousand Euros (31 December 2021: 110 thousand Euros) (see note 7).

### 15. SHARE CAPITAL AND SHARE PREMIUM

The authorised share capital of the Company consists of 80,000 shares of 100 Euros each, of which 20,000 shares have been issued and fully paid-up.

During 2022 and 2021, no movements occurred in Share capital and Share premium.

### 16. RESERVES AND RETAINED EARNINGS

This caption is analysed as follows:

Thousand Euros	Dec 2022	Dec 2021
Cost of hedging reserve	657	2,476
Retained earnings	113,543	103,070
	<u>114,200</u>	<u>105,546</u>

These amounts represent the accumulated results before the appropriation of results for the year.

Subject to the provision under Dutch law that no dividends can be declared until all losses have been recovered, retained earnings are at the disposal of the shareholders in accordance with article 20 of the Articles of Association of the Company. Furthermore, Dutch law prescribes that a Company may take distributions to the shareholders and other persons entitled to distributable profits only to the extent that its shareholders' equity exceeds the sum of the amount of the paid and called up part of the capital and the reserves which must be maintained under the law or the articles.

The Managing Directors propose to deduct the loss for the financial year ended 31 December 2022 of 6,431 thousand Euros from the retained earnings.

## 17. DEBT SECURITIES AND LOANS AND CREDIT FACILITIES FROM THIRD PARTIES

This caption is analysed as follows:

Thousand Euros	Dec 2022	Dec 2021
<b>Non-Current:</b>		
Debt securities	8,500,853	7,552,735
Fair value of the issued debt hedged risk	-53,882	11,651
	<u>8,446,971</u>	<u>7,564,386</u>
Loans and credit facilities from third parties	326,299	191,862
	<u>8,773,270</u>	<u>7,756,248</u>
<b>Current:</b>		
Debt securities	1,348,991	1,197,795
Fair value of the issued debt hedged risk	-	738
Accrued interest	120,083	128,242
	<u>1,469,074</u>	<u>1,326,775</u>
Loans and credit facilities from third parties	750,692	-
Accrued interest	3,246	1,206
	<u>753,938</u>	<u>1,206</u>
	<u>2,223,012</u>	<u>1,327,981</u>
	<u>10,996,282</u>	<u>9,084,229</u>

EDP Finance B.V. has various credit facilities it uses for liquidity management, all with firm underwriting commitment, namely (i) 3,650 million Euros, which matures in 2027, totally available as at 31 December 2022; (ii) 2,240 million Euros, of which 2,095 million Euros mature in 2025 while the remaining amount matures in 2023, which as at 31 December 2022 is totally available.

On 4 August 2022, EDP signed a five-year revolving credit facility ('RCF'), with options to extend for 2 additional years (subject to Lenders' agreement), in the amount of €3.65 billion, which can be drawn in Euros and USD. It is EDP's first sustainability-linked loan and includes two ESG KPIs: reduction of scope 1 and 2 greenhouse gas emissions and an increase in the percentage of installed capacity from renewable sources within EDP Group.

Debt securities issued under the Euro Medium Term Notes program were as follows:

Date issued	Interest rate	Type of hedge	Type of instrument	Conditions/ Redemption	Nominal amount Euro'000	ISIN
Nov/08	Fixed rate GBP 8.625% (i)	Fair Value	CIRS	Jan/24	410,314	XS0397015537
Nov/08	Zero coupon (ii)	n.a.	n.a.	Nov/23	160,000	XS0399353506
Apr/15	Fixed rate EUR 2.00% (i)	Fair Value	IRS	Apr/25	750,000	XS1222590488
Mar/16	Fixed rate EUR 2.375%	n.a.	n.a.	Mar/23	600,000	XS1385395121
Aug/16	Fixed rate EUR 1.125%	n.a.	n.a.	Feb/24	1,000,000	XS1471646965
Jan/17	Fixed rate EUR 1.875%	n.a.	n.a.	Sep/23	600,000	XS1558083652
Jun/17	Fixed rate USD 3.625%	n.a.	n.a.	Jul/24	882,924	XS1638075488
Nov/17	Fixed rate EUR 1.50%	n.a.	n.a.	Nov/27	500,000	XS1721051495
Jun/18	Fixed rate EUR 1.625%	n.a.	n.a.	Jan/26	750,000	XS1846632104
Oct/18	Fixed rate EUR 1.875%	n.a.	n.a.	Oct/25	600,000	XS1893621026
Sep/19	Fixed rate EUR 0.375%	n.a.	n.a.	Sep/26	600,000	XS2053052895
Sep/20	Fixed rate USD 1.710%	n.a.	n.a.	Jan/28	750,486	XS2233217558
Mar/22	Fixed rate EUR 1.875%	n.a.	n.a.	Mar/29	1,250,000	XS2459544339
Oct/22	Fixed rate EUR 6.3%	n.a.	n.a.	Oct/27	468,779	XS2532478190
Oct/22	Fixed rate EUR 3.875%	n.a.	n.a.	Mar/30	500,000	XS2542914986

(i) These issues by EDP Finance B.V. have associated interest rate swaps and/or currency swaps.

(ii) These issues correspond to private placements.

At 31 December 2022 all securities outstanding are listed either in the London Stock Exchange or in the Irish Stock Exchange.

For 31 December 2022, the remaining maturity of debt securities and loans and credit facilities from third parties (including accrued interest and fair value of the issued debt hedged risk), by currency, is as follows:

Thousand Euros	2023	2024	2025	2026	2027	Following years	Total
<b>Debt securities</b>							
Euro (i)	1,440,897	1,357,846	1,310,330	1,345,358	496,827	1,740,289	7,691,547
US Dollar	28,177	935,453	-	-	466,413	794,455	2,224,498
	<u>1,469,074</u>	<u>2,293,299</u>	<u>1,310,330</u>	<u>1,345,358</u>	<u>963,240</u>	<u>2,534,744</u>	<u>9,916,045</u>
<b>Loans and credit facilities from third parties:</b>							
Euro (ii)	645,338	-	-	-	-12,925	-	632,413
US Dollar	108,600	-	339,224	-	-	-	447,824
	<u>753,938</u>	<u>-</u>	<u>339,224</u>	<u>-</u>	<u>-12,925</u>	<u>-</u>	<u>1,080,237</u>
	<u>2,223,012</u>	<u>2,293,299</u>	<u>1,649,554</u>	<u>1,345,358</u>	<u>950,315</u>	<u>2,534,744</u>	<u>10,996,282</u>

For 31 December 2021, the remaining maturity of debt securities and loans and credit facilities from third parties (including accrued interest and fair value of the issued debt hedged risk), by currency, is as follows:

Thousand Euros	2022	2023	2024	2025	2026	Following years	Total
<b>Debt securities</b>							
Euro (i)	1,306,420	1,336,509	1,400,341	1,359,871	1,344,018	496,209	7,243,368
US Dollar	20,355	-	879,713	-	-	747,725	1,647,793
	<u>1,326,775</u>	<u>1,336,509</u>	<u>2,280,054</u>	<u>1,359,871</u>	<u>1,344,018</u>	<u>1,243,934</u>	<u>8,891,161</u>
<b>Loans and credit facilities from third parties:</b>							
Euro (ii)	1,106	-	-3,601	-2,813	-	-	-5,308
US Dollar	100	-	-	198,276	-	-	198,376
	<u>1,206</u>	<u>-</u>	<u>-3,601</u>	<u>195,463</u>	<u>-</u>	<u>-</u>	<u>193,068</u>
	<u>1,327,981</u>	<u>1,336,509</u>	<u>2,276,453</u>	<u>1,555,334</u>	<u>1,344,018</u>	<u>1,243,934</u>	<u>9,084,229</u>

- (i) These issues include a GBP bond that was converted into EUR through cross currency swaps.  
(ii) Negative amounts include the deferred discount and origination fees of celebrated RCF.

For 31 December 2022, the changes in Debt securities and Loans and credit facilities from third parties (excluding accrued interest) arising from financing activities, including cash (see Statement of Cash Flows) and non-cash changes, are as follows:

Thousand Euros	Dec 2021	Cash Flows	Foreign exchange movement	Fair value changes	Deferred discount	Dec 2022
Debt securities	8,762,919	1,057,245	36,265	-75,815	15,348	9,795,962
Loans and credit facilities from third parties	191,862	856,851	23,877	-	4,401	1,076,991
	<u>8,954,781</u>	<u>1,914,096</u>	<u>60,142</u>	<u>-75,815</u>	<u>19,749</u>	<u>10,872,953</u>

For 31 December 2021, the changes in Debt securities and Loans and credit facilities from third parties (excluding accrued interest) arising from financing activities, including cash (see Statement of Cash Flows) and non-cash changes, are as follows:

Thousand Euros	Dec 2020	Cash Flows	Foreign exchange movement	Fair value changes	Deferred discount	Dec 2021
Debt securities	9,849,361	-1,218,608	156,011	-52,453	28,608	8,762,919
Loans and credit facilities from third parties	329,425	-155,822	15,299	-	2,960	191,862
	<u>10,178,786</u>	<u>-1,374,430</u>	<u>171,310</u>	<u>-52,453</u>	<u>31,568</u>	<u>8,954,781</u>

## 18. LOANS FROM GROUP ENTITIES

This caption is analysed as follows:

Thousand Euros	Dec 2022	Dec 2021
<b>Current:</b>		
Energia RE	28,251	-
	<u>28,251</u>	<u>-</u>

The financial liabilities disclosed in this caption are measured at amortised cost.

For 31 December 2022, the changes in Loans from group entities are as follows:

Thousand Euros	Dec 2021	Additions	Repayments	Foreign Exchange Differences	Dec 2022
Energia RE	-	79,741	-51,279	-211	28,251
	-	79,741	-51,279	-211	28,251

For 31 December 2021, the changes in Loans from group entities are as follows:

Thousand Euros	Dec 2020	Additions	Repayments	Foreign Exchange Differences	Dec 2021
EDP Servicios Financieros (España), S.A.	764,194	4,544,243	-5,279,531	-28,906	-
Energia RE	7,335	-	-7,424	89	-
	771,529	4,544,243	-5,286,955	-28,817	-

## 19. AMOUNTS OWED ON COMMERCIAL PAPER

As at 31 December 2022, this caption refers to a trade of commercial paper of 600,000 thousand Euros which was settled on January 3rd 2023 (31 December 2021: trade of commercial paper of 140,000 thousand Euros which was settled on January 4th 2022).

## 20. DERIVATIVE FINANCIAL INSTRUMENTS

In accordance with IFRS 9, EDP Finance B.V. classifies derivative financial instruments as fair value hedges of recognised assets or liabilities (Fair value hedge) and as cash flow hedges of recognised liabilities and highly probable future transactions (Cash flow hedge). Derivatives that do not qualify for hedge accounting are recorded under derivatives held for trading.

In 2022 the fair value and the maturity of the derivative financial instruments are analysed as follows:

Thousand Euros	Fair value		Notional			Total
	Assets	Liabilities	Up to 1 year	From 1 to 5 years	Over 5 Years	
<b>Fair value hedges</b>						
Interest rate swaps	586	-33,884	-	600,000	-	600,000
Cross currency interest rate swaps	26,007	-46,179	-	410,314	-	410,314
<b>Derivatives held for trading</b>						
Interest rate swaps	57,498	-57,498	-	-	2,766,992	2,766,992
Cross currency interest rate swaps	66,906	-52,203	-	-	1,644,752	1,644,752
Foreign exchange forwards	8,266	-1,901	1,376,321	-	-	1,376,321
	159,263	-191,665	1,376,321	1,010,314	4,411,744	6,798,379

In 2021 the fair value and the maturity of the derivative financial instruments are analysed as follows:

Thousand Euros	Fair value		Notional			Total
	Assets	Liabilities	Up to 1 year	From 1 to 5 years	Over 5 Years	
<b>Fair value hedges</b>						
Interest rate swaps	42,273	-	1,000,000	600,000	-	1,600,000
Cross currency interest rate swaps	31,458	-	-	410,314	-	410,314
<b>Derivatives held for trading</b>						
Foreign exchange forwards	28,142	-33,373	1,747,289	-	-	1,747,289
	101,873	-33,373	2,747,289	1,010,314	-	3,757,603

In 2022, the undiscounted cash flow of the derivative financial instruments, per maturity, is as follows:

Thousand Euros	2023	2024	2025	2026	Following years	Total
<b>Fair value hedges</b>						
Interest rate swaps	-10,364	-12,262	-4,032	-	-	-26,658
Cross currency interest rate swaps	6,728	-18,800	-	-	-	-12,072
<b>Derivatives held for trading</b>						
Interest rate swaps	-	225	223	224	449	1,121
Cross currency interest rate swaps	-1,013	1,400	1,400	1,400	13,537	16,724
Foreign exchange forwards	6,365	-	-	-	-	6,365
	1,716	-29,437	-2,409	1,624	13,986	-14,520

In 2021, the undiscounted cash flow of the derivative financial instruments, per maturity, is as follows:

Thousand Euros	2022	2023	2024	2025	Following years	Total
<b>Fair value hedges</b>						
Interest rate swaps	29,386	7,453	7,460	5,793	-	50,092
Cross currency interest rate swaps	18,700	18,730	6,134	-	-	43,564
<b>Derivatives held for trading</b>						
Foreign exchange forwards	-5,231	-	-	-	-	-5,231
	42,855	26,183	13,594	5,793	-	88,425

The Company enters into interest rate and cross currency interest rate swaps classified as held for trading to economically hedge exposures to changes in the fair value of its fixed rate debt as well as foreign exchange exposures from debt denominated in other currencies. In addition, the Company contracts fx forwards classified as held for trading to economically hedge net exposures in foreign currencies.

The fair value of derivative financial instruments is based on quotes indicated by external entities, which are compared in each date of report to fair values available in common financial information platforms. Therefore, according to IFRS 13 requirements, the fair value of the derivative financial instruments is classified as level 2 (see note 22) and no changes of level were made during the year. These entities use generally accepted discounted cash flow techniques and data from public markets.

The changes in the fair value of hedging instruments and the hedged risks are analysed as follows:

			Thousand Euros			
			2022		2021	
Type of hedge	Hedging instrument	Hedged risk	Changes in fair value		Changes in fair value	
			Instrument	Risk	Instrument	Risk
Fair value	Interest rate swap	Interest rate	-51,193	51,624	-28,328	28,129
Fair value	Cross currency interest rate swaps	Interest and exchange rate	-48,147	44,133	5,941	923
			-99,340	95,757	-22,387	29,052

Considering that hedging derivative financial instruments are contracted with a high correlation of critical terms, namely in the same currency and at the same indexes, the hedge ratio between the hedging instruments and the hedged instruments is 1:1.

As at 31 December 2022 and 2021, the following market inputs were considered for the fair value calculation:

Instrument	Market input
Cross currency interest rate swaps	Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M, Libor 3M; and exchange rates: EUR/GBP and EUR/USD.
Interest rate swaps	Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M and SOFRRATE.
Foreign exchange forwards	Fair value indexed to the following exchange rate: EUR/USD.

The changes in the fair value reserve related to cost of hedging in 2022 and 2021 (with no recycling through P&L) were as follows:

Thousand Euros	Dec 2022	Dec 2021
Balance at the beginning of the year	3,301	1,885
Fair value changes	-2,417	1,416
Balance at the end of the year	884	3,301

The gains and losses on the financial instruments portfolio booked in the profit and loss in 2022 and 2021 are as follows:

Thousand Euros	Dec 2022	Dec 2021
Derivatives held for trading	45,084	-5,289
<b>Fair value hedges:</b>		
Derivatives	-96,923	-23,803
Hedged liabilities	95,757	29,052
	43,918	-40

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2022 are as follows:

Thousand Euros	Notional	Currency	BV Pays	BV Receives
<b>Interest rate contracts</b>				
Interest rate swaps (i)	600,000	EUR	2.08%	[ 1.05% - 0.45% ]
Interest rate swaps (ii)	890,000	EUR	n.a.	n.a.
Interest rate swaps (ii)	1,876,992	USD	n.a.	n.a.
<b>Currency interest rate</b>				
CIRS (currency interest rate swaps) (i)	410,314	EUR / GBP	5.26%	8.63%
CIRS (currency interest rate swaps) (iii)	825,428	EUR / USD	[ 5.3% - 3.53% ]	[ 3.88% - 1.91% ]
CIRS (currency interest rate swaps) (iv)	819,324	USD / EUR	[ 5.78% - 3.53% ]	[ 5.78% - 3.53% ]

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2021 were as follows:

Thousand Euros	Notional	Currency	BV Pays	BV Receives
<b>Interest rate contracts</b>				
Interest rate swaps (i)	1,600,000	EUR	[ 1.37% - -0.53% ]	[ 2.63% - 0.45% ]
<b>Currency interest rate</b>				
CIRS (currency interest rate swaps) (i)	410,314	EUR / GBP	3.55%	8.63%

- (i) Pays floating rate and receives fixed rate;
- (ii) Pre-hedging strategy. The contracts start at a future date;
- (iii) Pays fixed and receives floating rate;
- (iv) Pays floating rate and receives fixed rate.

## 21. RELATED PARTIES

### Main shareholders and shares held by company officers

EDP - Energias de Portugal, S.A. holds 100% of EDP Finance B.V.'s share capital.

### Other Related Parties

TMF Netherlands B.V. fulfils administrative services to the Company and provides three statutory directors to the Company. Those three statutory directors consist of two natural persons and TMF Netherlands B.V.

### Remuneration of directors

The charges regarding remuneration of directors that were engaged during the relevant period amount to 42,845 Euros (2021: 52,322 Euros) and refer only to the yearly management fees due on that period, with no other long term benefits nor outstanding balances as at 31 December 2022 and 2021.

### Other management services

The charges regarding Other management services amount to 388,500 Euros (2021: 232,889 Euros) with no outstanding balances as at 31 December 2022 and 2021. The Other management services are consulting services provided by TMF Netherlands B.V.

### Balances and transactions with related parties

As at 31 December 2022, the outstanding assets with related parties are analysed as follows:

Thousand Euros	Loans Granted	Derivatives	Other assets	Total
EDP - Energias de Portugal, S.A.	6,117,059	86,565	-	6,203,624
EDP Renováveis Serviços Financieros, S.L.	3,963,771	32,465	-	3,996,236
EDP Servicios Financieros (España), S.A.	1,073,550	-	353,368	1,426,918
EDP Renováveis, S.A.	248,699	1,902	431	251,032
Other	12,896	-	4	12,900
	11,415,975	120,932	353,803	11,890,710

In 2022 and 2021, Other assets related to EDP Servicios Financieros (España), S.A. are mainly balances related to EDP Group's financial system (see note 2 e)).

As at 31 December 2021, the outstanding assets with related parties are analysed as follows:

Thousand Euros	Loans Granted	Derivatives	Other assets	Total
EDP - Energias de Portugal, S.A.	5,952,055	41,522	-	5,993,577
EDP Renováveis Serviços Financieros, S.L.	2,316,886	-	-	2,316,886
EDP Servicios Financieros (España), S.A.	-	-	655,201	655,201
EDP Renováveis, S.A.	334,842	27,368	364	362,574
Other	21,233	-	2	21,235
	8,625,016	68,890	655,567	9,349,473

The changes in Loans Granted are analysed as follows:

Thousand Euros	Loans Granted	
	2022	2021
Balance at beginning of the year	8,625,016	10,416,849
Loans advanced	3,287,288	41,474
Loan repayments received	-632,139	-2,042,361
Interest charged	187,776	187,020
Interest received	-176,858	-184,031
Foreign exchange	124,892	206,065
Balance at the end of year	11,415,975	8,625,016

As at 31 December 2022, the outstanding liabilities with related parties are analysed as follows:

Thousand Euros	Loans Obtained	Derivatives	Other liabilities	Total
EDP - Energias de Portugal, S.A.	510,152	35,205	600,805	1,146,162
EDP Renováveis Serviços Financieros, S.L.	-	74,114	-	74,114
Energia RE	28,251	-	-	28,251
	538,403	109,319	600,805	1,248,527

In July 2021, EDP S.A. concluded a "Tender Offer" targeting EDP Finance B.V.'s "2,375% NOTES DUE MARCH 23, 2023", "1,875% NOTES DUE SEPTEMBER 29, 2023" and "1,125% NOTES DUE FEBRUARY 12, 2024", limited to a total value of 500,000 thousand Dollars. As a result of the offer, EDP S.A. acquired 111,168 thousand Euros of "2,375% NOTES DUE MARCH 23, 2023", 137,535 thousand Euros of "1,875% NOTES DUE SEPTEMBER 29, 2023" and 256,195 thousand Euros of "1,125% NOTES DUE FEBRUARY 12, 2024". As at 31 December 2022, this operation totaled 510,152 thousand Euros in EDP Finance B.V. liabilities.

As at 31 December 2021, the outstanding liabilities with related parties are analysed as follows:

Thousand Euros	Loans Obtained	Derivatives	Other liabilities	Total
EDP - Energias de Portugal, S.A.	768,998	4,669	140,596	914,263
EDP Servicios Financieros (España), S.A.	-	22	-	22
	768,998	4,691	140,596	914,285

Income and expenses related to transactions with related parties as at 31 December 2022, are as follows:

Thousand Euros	Interest on Intra-Group Financial Mov.	Other	Total
EDP - Energias de Portugal, S.A.	112,657	-989	111,668
EDP Renováveis Serviços Financieros, S.L.	61,123	-	61,123
EDP Servicios Financieros (España), S.A.	28,130	99	28,229
EDP Renováveis, S.A.	14,557	431	14,988
Remuneration costs regarding Directors	-	43	43
Other	334	4	338
	216,801	-412	216,389

Income and expenses related to transactions with related parties as at 31 December 2021, are as follows:

Thousand Euros	Interest on Intra-Group Financial Mov.	Other	Total
EDP - Energias de Portugal, S.A.	87,287	-429	86,858
EDP Renováveis Serviços Financieros, S.L.	81,433	-	81,433
EDP Servicios Financieros (España), S.A.	7,155	52	7,207
EDP, S.A. Sucursal en España	-	-10	-10
EDP Renováveis, S.A.	44,043	336	44,379
Remuneration costs regarding Directors	-	52	52
Other	602	1	603
	220,520	2	220,522

Other includes the expenses related with the service agreement with EDP, S.A (see note 10) as well as the services rendered to EDP Group companies (see note 9).

In the normal course of its activity, EDP Finance B.V. performs business transactions and operations with its related parties based on normal market conditions.

EDP – Energias de Portugal, S.A. and the Company entered into a Keep Well agreement on March 14, 2001 which remains applicable, details of which are provided in note 5.

## 22. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value of financial instruments is based, whenever available, on listed market prices. Otherwise, fair value is determined through quotations supplied by third parties or through internal models, which are based on cash flow discounting techniques and option valuation models. These models are developed considering the market variables which affect the financial instruments, namely yield curves, exchange rates and volatility factors, including credit risk.

Market data is obtained from stock exchange and suppliers of financial data (Bloomberg). The credit risk factor in the data is based on the credit spread of similar companies in the market.

Fair value of assets and liabilities as at 31 December 2022 and 31 December 2021 is analysed as follows:

Thousand Euros	Dec 2022			Dec 2021		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
<b>Financial assets</b>						
Loans to and receivables from group entities	11,415,975	11,047,886	-368,089	8,625,016	8,912,020	287,004
Derivative financial instruments	159,263	159,263	-	101,873	101,873	-
Cash and cash equivalents (assets)	357,384	357,384	-	661,138	661,138	-
	<u>11,932,622</u>	<u>11,564,533</u>	<u>-368,089</u>	<u>9,388,027</u>	<u>9,675,031</u>	<u>287,004</u>
<b>Financial liabilities</b>						
Debt securities	9,916,045	9,300,135	-615,910	8,891,161	9,101,187	210,026
Loans and credit facilities from third parties	1,080,237	1,080,237	-	193,068	193,068	-
Loans from group entities	28,251	28,251	-	-	-	-
Amounts owed on purchased debt securities	600,000	600,000	-	140,000	140,000	-
Derivative financial instruments	191,665	191,665	-	33,373	33,373	-
	<u>11,816,198</u>	<u>11,200,288</u>	<u>-615,910</u>	<u>9,257,602</u>	<u>9,467,628</u>	<u>210,026</u>

The market value of the medium/long term financial debt, when no listed market prices are available, is calculated based on the discounted cash flows at market interest rates at the date of the statement of financial position, increased by the best estimate, at the same date, of market conditions applicable to the Company's debt. Regarding short term debt (current account), the market value does not differ substantially from the book value.

According to IFRS 13, EDP Finance B.V. established the way it obtains the fair value of its financial assets and liabilities. The levels used are defined as follows:

- Level 1 – Fair value based on the available listed price (not adjusted) in the identified market for assets and liabilities;
- Level 2 – Fair value based on market inputs not included in Level 1, but observable in the market for the asset or liability, either directly or indirectly; and
- Level 3 – Fair value of the assets and liabilities calculated with inputs that are not based on observable market information.

EDP Finance B.V.'s debt securities are classified as Level 1. The other financial assets and liabilities are included in Level 2

The Company did not transfer financial assets nor liabilities between categories in 2022 or 2021.

## 23. SUBSEQUENT EVENTS

No subsequent events to be reported have occurred.

## 24. AUDIT AND NON-AUDIT FEES

Fees and expenses incurred for professional services are rendered as follows (VAT excluded):

Thousand Euros	Dec 2022	Dec 2021
Audit and statutory audit of accounts:		
- PricewaterhouseCoopers Accountants N.V.	152	139
Other audit procedures	-	-
Tax services	-	-
Other non-audit services	6	-
<b>Total</b>	<b>158</b>	<b>139</b>

PricewaterhouseCoopers Accountants N.V. has audited the financial statements of EDP Finance B.V. for 2022 and 2021. These fees relate to the audit of the 2022 and 2021 financial statements, regardless of whether the work was performed during the financial year.

The non-audit services performed by PricewaterhouseCoopers Accountants N.V. in 2022 are related to procedures performed in connection with the issuance of a debt prospectus. These non-audit services are permitted under the current regulations.

**Amsterdam, 1 March 2023**

The Managing Directors

EDP – Energias de Portugal, S.A.

Hiebendaal, D.

Spreeuwiers, D. M. A.

TMF Netherlands B.V.

## OTHER INFORMATION

### 1. Statutory Information

#### 1.1 Proposed appropriation of result

In accordance with Article 20 – Profits, of the Articles of Association of the Company, the result for the year is at the disposal of the General Meeting of Shareholders. Dutch law stipulates that distributions may only be made to the extent the Company's equity is in excess of the reserves it is required to maintain by law and its Articles of Association. Moreover, no distributions may be made if the Management Board is of the opinion that, by such distribution, the Company will not be able to fulfil its financial obligations in the foreseeable future.

#### 1.2 Independent Auditor's opinion

The independent auditor's report is included on the next page.



## *Independent auditor's report*

To: the general meeting of EDP Finance B.V.

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### *Report on the financial statements 2022*

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#### *Our opinion*

In our opinion, the financial statements of EDP Finance B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2022, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code.

#### *What we have audited*

We have audited the accompanying financial statements 2022 of EDP Finance B.V., Amsterdam.

The financial statements comprise:

- the company statement of financial position as at 31 December 2022;
- the following statements for 2022: the company income statement, the company statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

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#### *The basis for our opinion*

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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### *Independence*

We are independent of EDP Finance B.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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### *Our audit approach*

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, such as our findings and observations related to individual key audit matters, the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

### *Overview and context*

The Company's main activity is the financing of group companies, through bond offerings on the international capital markets. The Company has derivative financial instruments in place to mitigate interest rate risk and currency risk. We paid specific attention to the areas of focus driven by the operations of the Company, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the managing directors made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also paid attention to climate-related risks. In note 4 of the financial statements, the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the measurement of expected credit losses and derivative valuation, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report. Furthermore, we identified the existence of the loans issued to group companies and hedge accounting as key audit matter because of the importance of existence for users of the financial statements and the detailed requirements for hedge accounting.

Another area of focus, that was not considered as a separate key audit matter, is the area of income tax.

The Company assessed the possible effects of climate change on its financial position, refer to the section '*Climate change*' in the report of the managing directors. We discussed the Company's assessment and governance thereof with the managing directors and evaluated the potential impact on the financial position including underlying assumptions and estimates included in the financial statements. Given the nature of the Company's activities, the impact of climate change is not considered a key audit matter.

We ensured that the audit team included the appropriate skills and competences, which are needed for the audit of a finance company. We therefore included specialists in the areas of valuation and hedge accounting in our team.



### *Materiality*

The scope of our audit was influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Based on our professional judgement, we determined the materiality for the financial statements as a whole at €119,390,000 (2021: €93,900,000). As a basis for our judgement, we used 1% of total assets. We used total assets as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of the stakeholders. Inherent to the nature of the Company's business, the amounts in the statement of financial position are large in proportion to the income statement line items services rendered, supplies and services, personnel costs and income tax (benefit)/expense. Based on qualitative considerations, we performed audit procedures on those company income statement line items, applying a benchmark of 10% of the total of those expenses.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the managing directors that we would report to them any misstatement identified during our audit above €5,969,000 (2021: €4,695,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### *Audit approach fraud risks*

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of EDP Finance B.V. and its environment and the components of the internal control system. This included the managing directors' risk assessment process, the managing directors' process for responding to the risks of fraud and monitoring the internal control system. We refer to section '*Integrity/Corruption Prevention*' of the report of managing directors

We evaluated the design and relevant aspects of the internal control system with respect to the risks of material misstatements due to fraud and in particular the fraud risk assessment, as well as the code of conduct and whistle-blower procedures, among other things. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.

We asked the managing directors as well as other relevant senior members of the staff whether they are aware of any actual or suspected fraud. This did not result in signals of actual or suspected fraud that may lead to a material misstatement.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.



We identified the following fraud risk and performed the following specific procedures:

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***Identified fraud risk***

***The risk of management override of control***

The managing directors are in a unique position to perpetrate fraud because of managing directors' ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

That is why, in all our audits, we pay attention to the risk of management override of controls in:

- the appropriateness of journal entries and other adjustments made in the preparation of the financial statements;
- estimates;
- significant transactions, if any, outside the normal course of business for the entity.

We pay particular attention to tendencies due to possible interests of the managing directors.

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***Audit work and observations***

We evaluated the design and implementation of the internal control measures, i.e. authorisation of payments, that are intended to mitigate the risk of management override of control and to the extent relevant for our audit tested the effectiveness of these controls. Furthermore, we evaluated the design and implementation of the controls in the processes for generating and processing journal entries and making of estimates. We performed our audit procedures primarily substantive based.

We have selected journal entries based on risk criteria and performed specific audit procedures on these, also paying attention to significant transactions outside the normal business operations.

We also performed specific audit procedures related to important estimates of the managing directors, including the valuation of loans issued to group companies and valuation of derivatives. We refer to the section 'Key audit matters' for the audit procedures performed.

We specifically paid attention to the inherent risk of bias of management in estimates.

We did not identify any significant transactions outside the normal course of business.

Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of violations of the internal controls.

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We incorporated an element of unpredictability in our audit. During the audit, we remained alert to indications of fraud. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance of laws and regulations. Whenever we identify any indications of fraud, we re-evaluate our fraud risk assessment and its impact on our audit procedures.

***Audit approach going concern***

As disclosed in note 2 on page 20 of the financial statements, the managing directors performed their assessment of the entity's ability to continue as a going concern for at least twelve months from the date of preparation of the financial statements and has not identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (hereafter: going concern risks).



Our procedures to evaluate the managing directors' going concern assessment included, amongst others:

- considering whether the managing directors' going concern assessment includes all relevant information of which we are aware as a result of our audit and inquiring with the managing directors regarding the managing directors' most important assumptions underlying its going concern assessment.
- evaluating the financial position of the Company, the counterparties of loans to group companies (including the financial position of the guarantor to the bonds issued on capital markets) and their ability to repay the notional and interest to the Company, by assessing observable data from rating agencies, developments in credit spreads, current financial data (such as recent financial information and cash flows) and other publicly available data and by discussing and obtaining information from the group auditor.
- performing inquiries of the managing directors as to their knowledge of going concern risks beyond the period of the managing directors' assessment.

Our procedures did not result in outcomes contrary to the managing directors' assumptions and judgements used in the application of the going concern assumption.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the managing directors. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

Due to the nature of the Company, key audit matters do not change significantly year over year. As compared to last year there have been no changes in key audit matters.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p><b><i>Measurement of expected credit losses</i></b></p> <p><i>Note 12</i></p> <p>We considered the valuation of the loans to group companies, as disclosed in note 12 to the financial statements for a total amount of €11,415,975,000, to be a key audit matter. This is due to the size of the loan portfolio and impairment rules introduced by IFRS 9. The impairment rules of IFRS 9 are complex and require judgement to calculate the expected credit loss ('ECL'). Amongst other things, this applies to choices and judgements made in the impairment methodology, including the determination of the probability of default ('PD'), the loss given default ('LGD') and the exposure at default ('EAD'). With the application of the impairment rules of IFRS 9, these calculations must also take into account forward-looking information of macro-economic factors considering multiple scenarios.</p>	<p>We performed the following procedures to test the managing directors' assessment of the expected credit loss to support the valuation of the loans to EDP S.A. group companies:</p> <ul style="list-style-type: none"><li>• With respect to the ECL calculation, we determined that the loans qualify as stage 1 loans by assessing the actual performance of the loans (i.e. no significant deterioration of credit risk).</li><li>• We evaluated the financial position of the counterparties of loans to group companies by assessing observable data from rating agencies, developments in credit spreads, the latest available financial information and other publicly available data in order to assess if there are no adverse conditions present suggesting to classify the loans as stage 2 or stage 3 loans.</li></ul>

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### **Key audit matter**

The managing directors monitor the need for changes in the methods, significant assumptions or the data used in making the accounting estimate by monitoring key performance indicators that may indicate unexpected or inconsistent performance. Mainly with respect to the PD and LGD used in the determination of the expected credit losses, the managing directors have applied significant judgement given the low default character of the Company's loan portfolio. As a result, there is limited internal historical data to support and back-test the PD and LGD.

The managing directors have determined that all loans to group companies are categorised as stage 1 loans, hence only a twelve-month expected credit loss ('ECL') has been recognised.

As disclosed in note 12 to the financial statements, the Company has not granted, nor has been requested to grant, any payment holidays on their loans to group companies.

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### **Existence of the loans to group companies**

#### *Note 12*

We considered the existence of the loans to group companies, as disclosed in note 12 to the financial statements for a total amount of €11,415,975,000, to be a key audit matter. Significant auditor's attention is necessary because of the size of the loan portfolio and the importance of existence of these loans for users of the financial statements.

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### **Derivative valuation**

#### *Note 20*

We considered the fair value of the derivatives portfolio of €159,263,000 positive and €191,665,000 negative as disclosed in note 20 to the financial statements and used in the Company's hedge effectiveness testing to be a key audit matter. This is due to the nature of the portfolio that includes longer-dated interest rate swaps and cross-currency interest rate swaps. The managing directors monitor the need for changes in the methods, significant assumptions or the data used in making the accounting estimate by monitoring key performance indicators that may indicate unexpected or inconsistent performance. The market for these swaps is not always fully liquid, and therefore valuation is a complex area.

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### **How our audit addressed the matter**

- For the expected credit loss, we assessed that the impairment methodology and model applied by the entity were in accordance with the impairment requirements of IFRS 9. We assessed that the forward-looking information used by the company as part of the impairment methodology was appropriate considering the characteristics of the loan portfolio of EDP Finance B.V.
- We assessed for a sample of financial instruments that the PD and LGD and the assumptions applied by the managing directors, are appropriate and were based upon data from external data source providers including indicators for potential management bias. We have recalculated the impairment recorded in the financial statements.

We found the managing directors' assessment to be adequate. Our procedures as set out above did not indicate material differences.

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We performed the following procedures to support the existence of the loans to EDP S.A. group companies:

- We confirmed the existence of the loans with the counterparties on a sample basis.
- We compared interest receipts with bank statements.

Based on the procedures as set out above, we found no material differences.

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We performed the following procedures to support the valuation of derivatives:

- We reconciled the interest rate curves and other market data with independent sources.
- We also tested the mathematical accuracy of the models used and reconciled the outcome of the valuations with the general ledger.

We found the managing directors' assumptions used in the valuation of derivatives to be reasonable and appropriate compared to market data and the chosen models to be in line with market practice. Based on the procedures as set out above we found no material differences.

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**Key audit matter****How our audit addressed the matter**

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**Hedge accounting***Note 20*

We considered the application of hedge accounting to be a key audit matter. We refer to note 20 to the financial statements. This is because of the detailed formal and technical requirements that are relevant to the application of hedge accounting and because inappropriate application of these requirements can lead to a material effect on the financial statements.

We performed the following procedures to support the appropriateness of the application of hedge accounting:

- We tested on a sample basis whether the hedge documentation and hedge effectiveness testing as prepared by the managing directors met the requirements and whether the hedge effectiveness test was mathematically correct.
- We reconciled the outcome of the effectiveness testing for the derivative portfolio as a whole to the financial statements.

Based on the procedures as set out above we found the application of hedge accounting to be appropriate.

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**Report on the other information included in the annual report**

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The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains all the information regarding the report of the managing directors and the other information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The managing directors are responsible for the preparation of the other information, including the report of the managing directors and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

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**Report on other legal and regulatory requirements**

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**Our appointment**

We were appointed as auditors of EDP Finance B.V. This followed the passing of a resolution by the shareholders at the annual general meeting held on 1 June 2017. Our appointment has been renewed annually by shareholders and now represents a total period of uninterrupted engagement of six years.



### ***No prohibited non-audit services***

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

### ***Services rendered***

The services, in addition to the audit, that we have provided to the Company, for the period to which our statutory audit relates, are disclosed in note 24 to the financial statements.

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## ***Responsibilities for the financial statements and the audit***

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### ***Responsibilities of the managing directors***

The managing directors are responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the managing directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the managing directors are responsible for assessing the Company's ability to continue as a going-concern. Based on the financial reporting frameworks mentioned, the managing directors should prepare the financial statements using the going-concern basis of accounting unless the managing directors either intend to liquidate the Company or to cease operations or has no realistic alternative but to do so. The managing directors should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

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### ***Our responsibilities for the audit of the financial statements***

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 1 March 2023  
PricewaterhouseCoopers Accountants N.V.

Original has been signed by V.S. van der Reijden RA

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## ***Appendix to our auditor's report on the financial statements 2022 of EDP Finance B.V.***

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In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

### ***The auditor's responsibilities for the audit of the financial statements***

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the managing directors.
- Concluding on the appropriateness of the managing directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the managing directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the managing directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.



From the matters communicated with the managing directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.