

Letter to Shareholders



Dear Fellow Shareholders,

Over the past few years, I've had the opportunity to participate in an amazing journey. Under the leadership of Pedro Zinner, Eneva endured a financial turnaround, planned and completed its first growth cycle and laid the foundations for its 2030 strategy. I would like to invite all shareholders to thank Pedro for his time as Eneva's CEO and for all his achievements during his tenure leading the company.

When I joined the company back in 2014, few people could envision to what extent it would be possible to expand our business model or the role we would play in supplying reliable and competitive energy. Yet, here we are, developing and implementing unprecedented energy solutions in Brazil, and I expect to lead the company to even more ambitious horizons as its CEO. Through the past 8 years, I have helped to build a unique company in the Brazilian energy sector. I have actively participated in the company transformation: from an organization which had just overcome a financial restructuring challenge and had yet to surpass a number of operational challenges to a company with an outstanding execution culture and a remarkable strategy implementation track record. Having helped lay out this strategy, I now have the honor and pleasure to lead it.

In honor of our tradition, this letter serves its usual purpose of reflecting through the progress in the implementation of our strategy and the efficiency of our capital allocation during the past year. It outlines the opportunities and challenges ahead, how we are planning to deal with them and our future aspirations, presented in a qualitative narrative that overviews our current performance and outlook.

Looking back to 2022, we at Eneva are very proud of our incredible evolution in a single year, having anticipated some of our 2025 milestones. As the list of achievements in 2022 is far from being small or usual, I ask for your understanding regarding the length of this letter, but it was essential to enable a deep dive into our many fronts. Throughout the pages I will guide you through what we have done towards our 2030 ambition and our must-win battles, clarifying how each one of the milestones correlates directly with our strategic pillars. Thus, I invite you to join me to look at our company through a much broader window, where the view shows a more dynamic company, developing solutions to a variety of energy needs and with the right to win the opportunities ahead.

In last year's letter to the shareholders, we introduced our 2030 ambition and our six strategic pillars, "must-win battles (MWB)" as we refer to them:

MWB1: Extend current assets' lifecycles and replicate Reservoir to Wire (R2W) to other geographies

MWB2: Maximize reserve base and develop integrated solutions in the North Region

MWB3: Develop infrastructure Gas Hub(s)

MWB4: Commercialize energy resources and develop new business models

MWB5: Develop renewable energy portfolio and foster low carbon technologies

MWB6: Build an agile and fit for purpose organization



MWB1 & 2: Extend current assets' lifecycles and replicate Reservoir to Wire (R2W) to other geographies & Maximize reserve base and develop integrated solutions in the North Region

The 1GW Complex dream in the Amazon Basin: the Azulão 950 MW project becomes real

When we first analyzed Azulão Field's data during the acquisition process, a hypothesis that the accumulation could hold larger volumes of gas was raised by our team. At that moment, back in 2017, we started our dream of replicating the Parnaíba complex in another geography. Fast forward to 2022 and, after a considerable amount of diligent planning and effort, it was a great satisfaction to witness the materialization of our dream. After acquiring the field, we conducted an appraisal drilling campaign, certified larger natural gas volumes and won three different energy auctions. We are now giving birth to another state-of-the-art R2W complex.

Still, in December 2021, Eneva won a public reserve capacity auction for a 15-year contract to supply 295 MW near its Azulão field. Later on, in September 2022, Eneva won another auction, this time to build 590 MW to fulfill a 15-year energy reserve contract. These two projects will be constructed as a single thermal power plant complex with gas supplied from the adjacent Azulão field, also owned and operated by Eneva. The new thermal power plant complex will have two gas-fired turbines, one in an open cycle configuration to serve the capacity auction, and the other in a combined cycle configuration to supply the energy reserve contract. Procurement for the acquisition of all technical equipment (power island) was concluded and signed with General Electric by the end of 2022. The natural gas field development and the power plant construction started in Q1 2023.

This project will grant over R\$ 2.1 billion in fixed revenue to Eneva throughout its 15-year term and evidences how Eneva can leverage competencies to generate increasing value for shareholders. Following the drilling of appraisal wells for the implementation of the Azulão-Jaguatirica project, our exploration team identified larger reserve volumes in the Azulão field and discovered new resources in another nearby accumulation, known as the Anebé appraisal prospect. Given these new reserves and resources and considering their monetization in upcoming auctions, our commercial and engineering teams designed the projects and the business case, which was deemed highly competitive and ended up winning two consecutive energy auctions. *Eneva is the only Brazilian company that gathers all the competencies to develop these verticalized value chain solutions for the gas thermal generation, and even more challenging, in such a short period of time and in remote locations.*

The project will be developed in the Amazon state, north of Brazil, adding up to our asset base in the region, where we already operate the Azulão-Jaguatirica project, hold the production rights for the Azulão gas field and the Juruá Area, and the concession for three exploration blocks around Azulão, fostering operational synergies between the assets and leveraging our operational knowledge in the Amazon region.

2022 Reserve Report. Eneva continues to deliver on its impressive exploration track record

In the first month of each year, Eneva publishes its reserve certification report to disclose the results of our previous year's exploration and appraisal efforts. *We started 2022 on the right foot, with a report that unveiled a 30% increase in our total reserves compared to the 2021 report.* Continually accessing a larger reserve base is of utmost importance to our strategy. Our highest return projects are derived from the R2W model, where electricity is generated from our own gas reserves with power plants built on top of the reservoirs, yielding highly competitive energy costs. Besides expanding the R2W model, the increase in our reserves will also allow Eneva to continue developing energy solutions to replace diesel and oil fuels with a less polluting and more competitive natural gas in the north of Brazil.

The evolution of annual natural gas reserves from the end of 2021 to the end of 2022 was a major highlight of our most recent certification report, released in early 2023. In the Parnaíba basin, our 2P gas reserves jumped to 33.1 bcm from 29.5 bcm, while the yearly production reached 0.927 bcm, yielding a reserve replacement ratio of 490%. For the Amazon basin, where we operate the Azulão field, the reserve certification report indicated an increase in gas reserves from 7.1 bcm to 14.5 bcm as a result of appraisal drilling inside the field ring fence and the adjacent exploratory campaign. The following table summarizes our reserves position as of December 2022.



Table 1: Natural Gas Certified Reserves (2P) from 12/31/2021 to 12/31/2022

Certified Reserves Changes		ENEVA Gas Reserves Parnaíba Basin (100% WI) (Bm ³)	ENEVA Gas Reserves Amazonas Basin (100% WI) (Bm ³)
Certified Reserves as of December 31, 2021		29.454	7.109
(+) New Reserves (01/01/2022 - 12/31/2022)		4.546	7.49
(-) Production (01/01/2022 - 12/31/2022)		(0.927)	(0.143)
Certified Reserves as of December 31, 2022		33.073	14.455

MWB1: Extend current assets' lifecycles and replicate Reservoir to Wire (R2W) to other geographies

Beginning of Parnaíba VI construction in June 2022. After the conclusion of the plant's construction, Eneva's Parnaíba R2W assets will stand out as Brazil's largest thermal power plant facility, delivering more reliable and sustainable energy

Parnaíba VI closes the cycle of the Parnaíba III power plant, consisting of a single gas-fired turbine rated at 178 MW. When completed, Parnaíba VI will add 92 MW of installed capacity for energy generation from steam produced in a heat recovery boiler using Parnaíba III exhaust gases. *Energy generated at Parnaíba VI capacity will not require the consumption of a single additional gas molecule, expanding our R2W capability while reducing the CO2 emissions per MWh of energy produced.* When operation starts, in January/2025, Parnaíba VI will generate yearly fixed revenues in excess of R\$ 100 million and will contribute to further consolidate our positioning with the R2W model.

Parnaíba V starts commercial operation in November. New clean energy capacity in the Parnaíba complex, contributing to 2022 results through energy export contracts

Parnaíba V is a milestone for Eneva. It was the first project designed by the company to win an energy auction after our financial turnaround back in 2018 and marked the dawn of a new era: our first growth cycle. Testifying our victory in the 2019 auction and actively participating in the contracting, construction, commissioning and commercial start-up of this flagship project, has been a privilege and brought immense personal satisfaction to myself and all the team which took part in this historic challenge.

Engineering-wise, Parnaíba V was an extremely complex project, as four heat recovery boilers were erected, all of which connected to a single steam turbine with 385 MW of power capacity. While the construction works were being carried out, the four gas-fired turbines of Parnaíba I, which provide exhaust gas to the boilers, remained available to operate and often generating about 670 MW of power, highlighting the project's challenging aspect.

Parnaíba V added 385 MW of power to the Complex without the need of a single additional molecule of gas consumption, improving the overall efficiency and increasing margins without further CO2 emissions. When the Power Purchase Agreement (PPA) starts, in January 2024, it will add more than R\$ 350 million/year of fixed revenues while also reducing the dependence of our receivables from thermal power plant dispatch. Meanwhile, Parnaíba V is already producing results. Since November, it has been generating energy to be exported to Argentina. When turned on, the combination of Parnaíba I four gas turbines and Parnaíba V generate close to 1.1 GW of energy at very efficient heat rates given the lower gas consumption of a plant operating in a combined cycle, yielding a more competitive offering to export energy.

Gavião Mateiro is declared Commercial in November. Another hit of our experienced exploration team

The wildcat well drilled in the Gavião Mateiro structure hit gas on November 16, 2021. The structure had been mapped with seismic data acquired in the 2020 campaign. In just 12 months, we re-processed the seismic data, generated new interpreted maps and drilled the appraisal wells, in a record fast-track exploratory program, reducing the timeframe from discovery to declaration of commerciality. After the wildcat well, the exploration and drilling



teams rushed to define four appraisal targets for the accumulation, which were drilled in April, May, September and October 2022. After the four wells were tested, with excellent results, estimations for VGIP (Volume of gas in place) were finalized. Commerciality was assured and declared to the national hydrocarbon agency (ANP). *Early in 2023, our yearly reserve certification report already accounts for 4.4 bcm of 2P reserves from Gavião Mateiro.*

The new field is only 25 km away from Gavião Belo, which is already under development. The proximity of the two fields will allow them to share the same 100 Km pipeline, gas pre-treatment and compressions facilities, initially designed to connect Gavião Belo to the Parnaíba Complex, reducing the overall development and operating costs for both fields.

The ongoing addition of reserves in the Parnaíba Basin will allow the company to expand its SSLNG business in the region and grow our highly competitive R2W energy generation model.

MWB2: Maximize reserve base and develop integrated solutions in the North Region

Jaguatirica II started commercial operation in February. A first for Eneva and the Brazilian energy sector

The first KWh sold in Jaguatirica II is a hallmark milestone for Eneva's history of pioneering the development of innovative energy solutions in Brazil. This was the first time in the country that a gas-fired power plant started operation fueled by gas produced in a 100 km-distant field without pipeline connection. Eneva developed a Liquefied Natural Gas (LNG) plant in the Amazonas state, atop the Azulão field, and put together a logistics solution to transport LNG by road to Jaguatirica II TPP, in the Roraima state, to substitute obsolete diesel-fired power plants. Equally relevant, the project added new knowledge to our broad set of competencies. *In one shot, we started the largest natural gas liquefaction facility and LNG logistics operation in the country and created a new business line: Small-Scale LNG (SSLNG).*

When an innovative process and technology are first attempted in a new region and/or is new for an organization, one acquires new knowledge and new competencies. This usually requires great effort and comes at a cost. The Azulão-Jaguatirica project was not different and experienced some difficulties with technology during ramp-up. However, a plan to overcome these initial challenges has already been devised, and we are confident the project will reach full capacity during the first half of 2023.

When fully operational, the project will generate EBITDA of over R\$ 400 million/year. However, the intangible value of the new competency development and the creation of a new business line is far from being negligible.

While intangible value by nature is hard to express in numbers, the project has already fostered further appraisal and exploration drilling in the Amazon Basin and allowed us to build the knowledge required to implement and commercialize the first solution to deliver SSLNG to substitute oil in industrial applications in the north of Brazil.

Review of the Amazon Basin reserve certification in April. The Northern Region dream becomes bigger

The thesis that the Azulão field could hold even larger reserve volumes grew amongst our exploration team after we completed the development drilling to bring the Azulão-Jaguatirica project into operation. Therefore, an appraisal/exploration drilling program for the Amazonas Basin was designed to test this thesis. The drilling campaign started in 2021 and extended to the first months of 2022, culminating with the 1-ENV-31D-AM well, drilled outside the field ring fence, which proved the extension of the gas bearing Nova-Olinda formation beyond the original field borders. This amazing discovery prompted us to anticipate a review of our reserve certification aiming to qualify our generation projects to join the upcoming reserve energy auction known in the market as the "Eletrobras privatization auction". This was the opportunity the company was chasing to expedite the construction of its dream project, a 1 GW thermal power plant complex in the Amazon basin, made public a couple of months earlier in our annual meeting with investors, the "Eneva Day 2022".

Considering the newly acquired data, the auditors were contracted to review the January 2022 report and on *April 30, 2022 a new certification was published with a staggering increase in 2P gas reserves for the Azulão field, which now is estimated at 14,6 bcm.* Additionally, the report accounted for condensate reserves in Azulão and natural gas, condensate and light oil contingent resources in the Anebá discovery, located 45 Km away from Azulão.



The revised reserves and resource volumes enabled the company to participate and win the September energy reserve auction, as detailed in the **Azulão 950 MW** section. Again, only a company with the set of competencies gathered by Eneva could, in such a short time frame, plan and execute a successful appraisal/exploration campaign to confirm a geological thesis, define the conceptual engineering for the entire project, build a business model to determine economic feasibility, participate in public hearing to contribute to the auction rules, win the auction, and the PPA, build and operate such a complex endeavor that converts gas molecules 2,000 m below the surface into electricity delivered to the grid. The thermal power plant complex with 950 MW capacity, now under construction and almost fully contracted, is an amazing achievement that reinforces Eneva team's unique ability.

MWB3: Develop infrastructure Gas Hub(s)

CELSE Acquisition closing in May. Expediting the implementation of our first gas hub, Sergipe Hub

The access to gas molecules is embedded in the first three of our six strategic pillars. Besides mitigating our dependence on power plant dispatch, CELSE was a major strategic acquisition: when the asset was presented to us, we understood it was the perfect opportunity to leapfrog the long-time frame necessary to develop a gas hub and to avoid the risks associated with the construction of an LNG terminal. The asset comprises a 1.6 GW gas-fired thermal power plant complex, fully contracted until Dec/2044, an LNG terminal, an FSRU (floating, storage and regasification unit) under a long-term contract and a gas supply agreement with Qatar Gas for the same period as the PPA (Power Purchase Agreement). *The asset generates over R\$ 2.0 billion/year of fixed revenues, greatly contributing to reducing Eneva's dependence on thermal power plant dispatch.*

Therefore, beyond CELSE's strong cash flow, there are at least four relevant opportunities to increase the asset value and transform it into our first gas hub:

1. Pipeline of 3.4 GW greenfield projects: There are five licensed thermal power projects inside CELSE's land plot, which are ready to participate in upcoming energy or capacity auctions. These projects will benefit from sharing the LNG terminal, existing infrastructure and O&M resources.
2. FSRU idle capacity: The FSRU has the capacity to regasify and offload up to 21 MMm³/day of natural gas, out of which only 7MMm³/day are committed to the existing power plant. The remaining capacity will be used to serve industrial customers and gas distribution companies and to fuel the licensed power plants when they win PPAs.
3. Connection to national gas pipeline network: A connection between CELSE's LNG Terminal and the national gas transportation network is under construction and will enter into operation by 2Q2024, allowing Eneva to sell imported or offshore LNG or part of associated gas production to customers close to the gas distribution network.
4. Access to gas from offshore discoveries: Petrobras (operator) and partners have made significant oil and gas discoveries in offshore deep-water exploration blocks located some 100 Km in front of the Sergipe Hub power plant complex. Development plans to exploit these oil and gas reserves have been presented to the Brazilian hydrocarbon regulator (ANP) and production is expected to commence by 2027 (oil) and 2028 (gas). Eneva's goal is to gain access to these gas resources by farming into Petrobras' partners stake or by signing gas purchase agreements with Petrobras' partners. This would provide the Sergipe Hub with diversified access to natural gas resources and would enhance the competitive edge of our supply.

Although none of these opportunities are certain, we strongly believe we gather the competencies and motivation to capture them all, and some others, which are at very early stages and may also materialize with time.

Motivated by our strategy to increase the access to gas molecules, Eneva has been developing the TEPOR, in Macaé, and the TGMA, in São Luís, both long-term greenfield opportunities for LNG terminals. We will continue to pursue these very ambitious projects, but our most impressive achievement with CELSE is that, *through the acquisition of a thermal power plant complex with an operating LNG terminal and an FSRU under a long-term contract, we anticipated the implementation of our first gas hub by 4 years.*

Termofortaleza Acquisition in June

Termofortaleza was an accretive acquisition to our portfolio that brought a strong balance sheet (unleveraged and cash cow), very efficient operational performance, an experienced team and a favorable geographic location in the same region as our Sergipe Hub. This was the typical leveraged buyout transaction that we see in academic textbooks. We use the asset's balance sheet to leverage itself and make the acquisition. *The transaction was concluded in August for an enterprise value of R\$ 169 million. Eneva paid R\$ 490 million for an asset with R \$321 million in cash position, which generated EBITDA of R\$ 628 million in 2022.*

From the acquisition date until December 2023, when the PPA expires, the asset has the potential to generate operating cash flow measured by its EBITDA of over 4.5x its net acquisition value, **strengthening our balance sheet in the short-term**. We will also pursue re-contracting the asset in a new PPA in the next capacity auctions and secure another 15 years of cash flow generation with no additional capex.

MWB4: Commercialize energy resources and develop new business models

First contract to deliver LNG to industrial clients is signed in May. The birth of the new SSLNG business segment

Given the larger Parnaíba basin reserves and the strong expertise we gathered with small-scale LNG (SSLNG) through the implementation of the Azulão-Jaguatirica project, we developed a new business line to offer solutions for clients that are willing to invest in energy transition. Maranhão state is not connected to the national gas transport pipeline and its energy matrix is heavily dependent on oil products. Our solution allows our clients to replace a highly polluting fuel with a cleaner and more cost-effective alternative.

The commercial team efforts paid off and the first contract to deliver Eneva's LNG to an industrial client was signed. Eneva committed to deliver natural gas to Suzano facilities 544 km away from the Parnaíba Complex. Suzano is one of the largest pulp and paper producer in Latin America and its Maranhão unit currently uses fuel oil in some of its processes. To reduce CO2 emissions, the client decided to convert some of the plant processes to operate using natural gas and signed a 10-year contract for LNG delivery. To supply Suzano, Eneva designed a liquefaction plant with capacity to liquefy 300,000 m³/d of natural gas, with investments estimated at R\$ 530 million. The total capacity will be partially idle, hence our commercial team is fully dedicated to capture future contracts aiming to contract the total liquefaction plant capacity

To manage the logistics, Eneva formed a JV with Virtu GNL (51% - 49% respectively), a logistics company with cryogenic fluid transportation expertise in the North of Brazil. The JV, named GNL Brasil, will invest in its own truck and cryogenic trailers fleet, enabling Eneva to verticalize the entire SSLNG value chain, adding cryogenic fluid logistics know-how to our set of competencies and mitigating the dependence of suppliers in a highly specialized activity.

A second contract to deliver LNG to industrial clients is signed in July. Growing the new SSLNG business line

The ongoing commercial efforts to develop the SSLNG business around the Parnaíba Complex resulted in a second contract, this time to deliver LNG to Vale premises. Vale is Brazil's most important iron company and has a pellet plant in São Luís, Maranhão that uses fuel oil in its heat process. To meet the commercial arrangement of this contract, our experienced commercial team was fast in developing and negotiating the new terms, enhancing our expertise to face future demands.

To meet Vale's contract demand, a second 300,000 m³/d processing module is going to be developed, totalizing 600,000 m³/d of natural gas liquefaction capacity in the Parnaíba Complex, enabling relevant synergies with the Suzano project. *With both plants in operation, Eneva will run the largest SSLNG project in Brazil. A game changer for the Brazilian North and Northeast energy matrix.* I strongly believe this business segment will thrive in the region, and we are actively pursuing new clients for our SSLNG business.

Exporting energy to Argentina in July, August, November and December. Commercial team devised new ways to monetize Eneva's resources during a year of very low thermal power dispatch

The year of 2022 has been extremely generous in terms of rainfall, yielding low levels of thermal power dispatch. Therefore, this required a fast reaction to mitigate the impact on our revenues. Our energy trading unit came into



play and managed to secure weekly contracts to export energy from the Parnaíba Complex to Argentina. During the winter and summer seasons, there are load peaks in the neighboring country, and additional thermal generation must be activated, using inefficient plants that consume more expensive imported LNG. The competitive energy from the Parnaíba Complex R2W model, boosted by a highly efficient combination of Parnaíba I with the new Parnaíba V, favors Eneva offering compared to local generation. *This operation added over R\$ 300 MM of EBITDA to our results in a year with no dispatch in the Parnaíba Complex, except for the inflexible generation. Eneva's high quality assets, leveraged by our creative talents and agile organization, once again demonstrated how we can adapt quickly to adverse scenarios.*

MWB5: Develop renewable energy portfolio and foster low carbon technologies

Focus acquisition closing in March. Expanding our energy platform and strengthening our trade unit capabilities

With this transaction Eneva added to its portfolio the largest solar generation power plant in South America, with 870 MWp and 231 MWm of capacity. The project was under construction and new challenges had to be overcome, but in the process, our energy platform gained new competencies. Additionally, the acquisition brought a pipeline of two additional licensed solar projects, Futura II and Futura III, with 907 MWp and 2,095 MWp, respectively, adding to the Santo Expedito wind farm project, which was already in our project development portfolio. This acquisition enabled Eneva to tap into a new business: Renewable Energy. *Considering the price paid and all synergies to be captured under Eneva's platform, including significant financial and commercial optimization, the acquisition generated double-digit return, way above similar renewable projects nowadays.* Even though we are not going to invest in the development of new renewable projects in the short term (mainly due to the low attractiveness of these projects compared to Eneva's new business portfolio), we believe they will generate optionality in the mid and long term.

Of equal importance in this transaction is the incorporation of Focus energy trading business into Eneva's trading unit, strengthening our capabilities in this strategic pillar. A strong trading unit will allow the company to develop broader energy products for a diversified client base of all sizes, which will keep increasing as energy markets in Brazil shift from regulated to free energy trading more rapidly. Moreover, the intelligence of a strong trading unit will help to accelerate value creation from our growing base of integrated energy and gas producing assets.

Energy transition will continue its path irreversibly, though at a slower pace than projected before the war in Europe, which exposed the importance of energy security. New value chains solely based on renewable energy have emerged from the ongoing push to shift towards cleaner energy solutions. That is when knowledge in renewables, combined with energy trading capabilities to develop customized products, deep understanding of the emerging value chains and a proprietary pipeline of renewable projects will have most value in a world chasing a solution for the global warming issue.

MWB 6: Build an agile and fit for purpose organization

Eneva reaches AAA Fitch rating for Brazil in April, improving the access to funding sources

Eneva completes a follow-on offering for R\$ 4.2B in June, tapping funds for our accelerated growth plans

In June, Eneva tapped into the equity capital markets to raise funds for Celse's acquisition, announced by the end of May. At the beginning of the same month, we were prepared to carry out the transaction, timing the best window to hit the market given the prominent discussions regarding the privatization of Eletrobras. Days after Eletrobras' follow-on, we announced our deal: issuance of 300 million new shares with a firm guarantee from BTG for a floor price of R\$ 13.00 per share.

After a brief roadshow, interacting with more than 120 investors, we reached an outstanding market demand of R\$8.9 billion and printed new shares at R\$14.00 with no discount over the launch price, raising R\$4.2 billion. *Approximately 2/3 of the new shares were bought by current shareholders, who exercised their priority rights in the allocation, increasing their exposure to the company and attesting confidence in our business case.*

Eneva was included for the first time in ISE B3, Brazil's Stock Exchange Corporate Sustainability Index, and evolved to B grade in CDP's climate change ranking



We were recognized for our long-time efforts to manage sustainability with improvement in two positions in CDP's climate ranking and with the inclusion for the first time in the 2023 ISE B3 portfolio. In addition, we have made significant improvements in transparency by participating for the first time in the S&P Global Sustainability Assessment, reaching 52 points, slightly above industry average and improving our position by three categories in Refinitiv, London Stock Exchange Group's index, from C to B. We have also maintained gold standard in the transparency of our emission reporting to Brazil's GHG Protocol.

The past few pages compile a very long story, and if not told as a chronicle of the achievements of a single company in one year, it could have been mistaken for the story of multiple years at a company, or even the accomplishments of a few companies in a single year!

The following table summarizes the impact of all these achievements on our performance in the past 5 years. In 2022 we closed our first growth cycle, delivered projects contracted 4 and 5 years ago, and started the foundations for the next growth cycle.

Table 2: KPIs Eneva 2017 x 2022

Eneva KPIs		
	2017	2022
EBITDA	R\$ 1.4 bi	R\$ 2.2 bi
Market Cap	R\$ 4.4 bi	R\$ 18.9 bi
ROE	1.5%	5.1%
Installed Capacity (GW)	2.2	6.3
Gas + LNG (MM m³/d)	7.0	13.0
Gas Reserves (bcm)	18.8	47.5

Looking back, I can only credit these achievements to the unique collection of competencies we built in Eneva, the ability to link these competencies in an agile manner to create superior value and our strong company culture, expressed by our core values:

- Courage to take risks responsibly
- Open, constructive and resilient
- We trust each other
- Strive for the highest standards
- Celebrate and reward success

Capital Allocation Discipline and the Azulão 950 MW case

One of the main pillars of Eneva's success has been our capital allocation discipline. The decision-making rationale behind our participation in the September Energy Reserve auction best exemplifies how we strive to employ our shareholders capital in the most effective way, taking risks responsibly.

After the results of the ENEV31 well and the revised reserve certification issued in April 2022, the company qualified to participate in the Energy Reserve Auction with up to 1 GW of gas-fired power plants. The auction proceeds called for 70% inflexibility and thus very high fixed revenues. Still in April, the expectation for the energy ceiling price was between R\$ 450/MWh to R\$ 650/MWh. Additionally, we did not expect much competition because there were not many companies that qualified to the auction requirements, calling to use gas reserves from the north region. Given this initial outlook, if Eneva was to be the winner at the higher end of the expected price range, simple calculations would produce a striking amount of fixed revenues at highly competitive energy production costs from our R2W model expertise, yielding an IRR above our best projects. We viewed this initial conclusion with excitement, but a lot more work had to be done.

During the months that followed, before the auction, we continued to refine our geological, reservoir, engineering and business models and better evaluated the risks, potential competition and final auction rules, which had been published by that time. This is a thorough and detailed process, which can only be properly conducted in an organization gathering the knowledge of the entire R2W value chain. ***The ability to correctly evaluate the risks and rewards involved in the various alternatives that exist in such complex projects is paramount to a successful enterprise.*** Our goal is always to ensure that the best risk-return combination is selected, and an optimum capital allocation decision is made. The summary of our exercise is as follows our understanding of the case developed and the risks and opportunities were better understood:

1. Five different alternatives were screened, and we converged to evaluate two of them:
 - a. Bid with a 1 GW combined cycle power plant and capture the total auction offering. This would consume the entire reserves certified in the Azulão field, requiring us to find another location with gas supply to install the Azulão-I plant. The most likely alternative is to install the Azulão-I in the Sergipe Hub (CELSE) to use spare capacity from the FSRU and LNG terminal. Because the costs to utilize imported LNG are much higher than our on-shore reserves, the plant would earn no margin related to dispatch, consuming much of the Azulão-I project value.
 - b. Maintain the Azulão-I project in the Amazon basin (360 MW installed capacity out of which 285 MW were already contracted in the capacity auction) and bid with a combined cycle plant to capture 590 MW of the total Energy Reserve auction, totalizing 950 MW installed capacity in the Amazon basin complex.
2. Reserves and resources were available and certified. However, because of the large area of the Azulão field (some 60 Km²) and the small number of wells drilled (only six), uncertainties remained about the maximum flow rate the field would be able to sustain for a long period of time. In a 15-year contract, the 1GW gas-fired power plant would have demanded 4,4 MMm³/day, 70% of the time. With the limited amount of information at hand, we were uncertain about the field flow rate potential.
3. The financial model indicated almost the same return for the company for both alternatives, because the 1 GW project implied moving Azulão-I contract to our Sergipe Hub with no margins on dispatch.
4. The resources and the CAPEX involved in the construction of two large projects in two different states, 1 GW in the Amazon and 360 MW in Sergipe, were much higher than the alternative to build only the additional capacity in the Amazon complex, reaching 950 MW. Therefore, the 1 GW alternative would have stretched the company's execution capacity and balance sheet beyond reasonable and safe limits.
5. At least two competitors with gas contracts and smaller projects around 200 MW were identified. Even though these projects were less competitive due to their gas supply costs, some price reduction would be required if we were to win the entire 1GW.
6. The published ceiling price for the auction came out at R\$ 444,00/MWh, slightly less than the lower end of the expected price range.
7. Regulatory implications of project delay and/or incapacity to sustain flow rates during the entire contract life were also estimated and considered.

From the above, before any risks were considered, both alternatives would provide almost the same return to the company. However, the risks involved in the 1 GW project were interrelated and their impact must be compounded, resulting in a considerable value loss potential in even the most probable cases. Taking all the discussion into account, ***it was clear that the 590 MW project represented the best risk adjusted return and the optimum capital allocation decision.*** It was a unanimous decision amongst management and Board to proceed with the 590 MW alternative.

Strategy execution

Delivering the CAPEX Projects

During the past year, Eneva went through an expansion cycle, with acquisitions, reserves incorporation, new SSLNG contracts and successful participation in energy auctions, anticipating our strategic plan for at least two or three years. This will imply a substantial CAPEX deployment to build the plants and the infrastructure necessary to deliver the signed commitments.

To mention just the major projects under construction for the next 4 years directed to the Azulão 950 MW plant, Azulão gas field development, seismic acquisition in Parnaíba and Paraná, two rigs in a continued drilling campaign, the Parnaíba cryogenic plant, the Gavião Belo and Gavião Mateiro gas field developments and Parnaíba VI. All this will require close to R\$ 9 billion of capital as well as the celebration of several highly specialized and high value contracts for services and equipment acquisition and the recruitment of a workforce to execute the projects and operate the assets after they are commissioned. Therefore, large efforts will be required not only from technical teams, but also from the company's support functions.

Procurement will have to conduct complex processes. Human Resources will need to staff the projects and support teams. Finance will have to raise capital to support projects while looking carefully at our debt levels. Institutional Relations must double its efforts in different states and municipalities to ensure the permits and licenses to operate are issued and to certify that local stakeholders have their demands heard and fulfilled whenever reasonable and attainable. Furthermore, to be true to our mission, we need to provide secure and competitive energy and generate value for all stakeholders, improving the local economy, bringing sustainable social development and creating new opportunities to the population of nearby communities. The technical and engineering teams also have to grow in quality to couple with the increased complexity in engineering, planning and execution of the several tasks involved in the delivery of these projects.

The company needs to prepare itself for this cycle as early as possible to ensure that the initial “inertia” of these projects is achieved in the first half of 2023, guaranteeing that “the train leaves the station”. After the projects are properly planned and staffed, with good contracts in place and with proper assistance from the support functions, the project teams will gain momentum and ramp up execution. They will be able to conduct their business with less attention drawn from upper management, liberating the company to once again look for its portfolio of growth opportunities, which remains vast considering the broad collection of competencies we have in Eneva.

To prepare the organization for this new cycle, three main changes were put in place as of January 2023:

- a. Supply chain under Renato Cintra, our Procurement, Facilities and IT Director, has been reorganized, and the procurement General Manager function has been split into three positions to couple with the volume and complexity of the procurement process we will have to conduct. The O&G discipline, the Power generation & EPC discipline and the O&M discipline are now managed by three different Procurement General Managers, each one with a long history of operational service and involvement in the specification, procurement and contract negotiation in their area of expertise. This is to ensure we find contractors for the required resources fast enough, maintain a relationship with key suppliers, make the right and thorough specifications and pay the fair market price.
- b. The COO position, occupied by me before, was split into three new Executive Director Positions reporting to the CEO to ensure we focus on the execution of the new projects and maintain the high standards of operation in our growing number of active assets:
 - Fausto Caretta, Director of Exploration, Development and Construction, will be dedicated to capital projects implementation, therefore also CAPEX deployment.
 - Ricardo Pascotto, O&M Director – R2W and SSLNG assets will oversee the ongoing operations in our R2W assets (Parnaíba basin and Amazonas Basin) and the new SSLNG business line, which is close to the R2W assets as it uses the gas produced in the same fields.
 - Vilmar Carneiro, O&M Director – Power Generation Assets will oversee the operations in our assets that do not utilize fuel produced by our own fields, encompassing the Sergipe Hub, Termofortaleza, Coal Power Plants and Futura I solar farm.

With the division into two groups of assets, the new O&M directors will be able to enhance focus to optimize our operation and improve efficiency and cost control without prejudice to asset integrity. With closer attention and upper management commitment, we understand there is room to improve our assets' performance. On the other front, CAPEX deployment will also benefit from a dedicated focus, especially in planning and execution, to be able to keep on track a larger portfolio of enterprises which are simultaneously under construction, ensuring quality, costs and project schedules are met as planned.

- c. The position of Corporate Director for ESG, HSE, HR and Communications was split into two, with a new dedicated Human Resources Director, Ricardo Matheus, appointed to deal with the many challenges discussed in the next section. The other three corporate functions, ESG, HSE and Communications, remain under the present corporate functions Director, Anita Baggio.

Human resources, the engine for success and sustainable growth

On the 2022 recap section of this letter, I mentioned a few times the set of competencies that exists in Eneva as a core competitive advantage. Since 2016, when Eneva and PGN merged, we have been continuously building new and improving our existing competencies. If one looks today at what we have in terms of knowledge and competencies in the energy sector, it is easy to conclude we are a singular company.

We are the only company in Brazil's power generation sector that has competencies in all elements of the gas thermal generation value chain. We have teams that hold knowledge in geophysics and geology, reservoir engineering, drilling engineering, oil and gas field development planning and execution, surface facilities engineering, construction projects, project management, energy and hydrocarbons trading, power plant design and construction, facilities commissioning, O&M process, power plant operation, O&G field operation, gas liquefaction, LNG transportation, LNG terminal operation, renewables project development and construction and solar power plant construction and operation, just to mention a few. Additionally, we have the support functions capable to interact with this abundance of technical knowledge to provide the services they need to function at their best.

Some may argue that the large IOCs and NOCs (International and National Oil Companies) would have these same competencies and much more. However, they hardly manage to link and combine their knowledge effectively, mainly because of their size, intricate decision-making processes and siloed operational cultures. At Eneva, we understand that even more important than having the required competencies is building strong linkage between the teams so they can interact freely, learn from each other, foster creativity and have confidence to make decisions, expediting our decision-making process. This can only be achieved if there is trust between all employees at all levels, if we have a common understanding of the business objectives across the organization and if we preserve our culture of open doors and free speech. Therefore, we must invest in our employees' technical development to enhance and expand the company's competencies while building a strong culture, where our values are recognized in a meritocratic way. *The final goal is to create an agile and fit-for-purpose organization, which will enable all levels of our organization to quickly adapt to opportunities, challenges and changes in the strategic business environment required to succeed in our plan.*

As the company continues to grow and more processes are required to preserve integrity, it will be challenging to maintain the collaborative environment and the agile organization we have today. Additional efforts need to be put in place to ensure we do not lose this competitive advantage as we grow. To execute what we have already committed and to perform the next growth cycle, the company will need a large number of new employees, and even more relevant, we will need a significant number of new leaders to fill middle management positions and a strong succession pipeline. While the directors of the company are involved in strategy planning and execution and in higher level problem solving, real action happens at the highly valued middle management level. Coordinated by strategy direction, these are the employees who make several daily decisions, which combined, deliver the company's performance. *This is where we are guiding the Human Resources focus: attract, select, hire, train and develop the middle management population, provide them visible careers and keep them motivated to overcome the challenges ahead without losing sight of our values and preventing size from hindering our decision-making process.*

Through 2022 we have started to execute initiatives aimed at the development of the middle management population. We have launched our Leader's Academy and prepared to launch an Eneva corporate MBA to level knowledge amongst leaders with different backgrounds and maintain and strengthen the linkage between our various competencies.

We have started a long-term dynamic workforce planning initiative, which must be continuously reviewed to be aligned with our strategy, growth initiatives and budget, to identify where the company's progress might be hampered by the lack of proper leadership profiles. In the same way, our succession planning also needs to be



reviewed on a regular basis to ensure replacements for key positions are identified and business continuation is secured.

In a company that leverages success on its professional competencies, it is paramount to recognize our technical community career progress. Highly regarded technicians might become recruiting targets for the competition if not properly motivated and incentivized. To improve the retention of this critical population, we are preparing to implement in 2023 our technical career path, also referred as “Y career”, where highly valuable technical employees will be able to progress to higher grades, becoming technical references in the company without the necessity to become managers.

Given our aggressive growth plan and CAPEX execution ahead added to the human resources challenges we just discussed, bringing in a dedicated HR Director reporting to the CEO was an urgent business need that could no longer be postponed. This is an individual with both operational and Human Resources experience who has successfully designed and implemented the processes we need to develop our new leaders and our workforce.

The Knowns and Unknowns: How we navigated and progressed in our long-term strategy

At Eneva Day 2022 and in our last letter to shareholders, we announced our long-term strategic plan, called “Eneva 2030”. At that time, we set six main strategic goals: our must-win battles. As part of the plan, we had a pipeline of projects and growth initiatives to be pursued over the next few years. Among them, (i) we expected to acquire gas-fired thermo power plants, (ii) implement a gas hub on the coast of Brazil, (iii) win capacity auctions, (iv) develop a 1GW thermopower complex in the Amazon Basin, (v) implement renewable projects and start to commercialize our own gas through SSLNG activities and (vi) increase our reserve base, however not at the stellar success rate as we have experienced in 2022.

What we did not foresee was that all of this could happen in a single year: 2022. Each opportunity seemed unique, showing good returns, execution reliability, avenues to capture upsides, opportunities to develop new businesses and with synergies complementary to our assets.

However, with the quick growth we also faced an increase in the company's leverage. We went from a net debt/EBITDA ratio of 2.8x at the end of 2021 to 4.8x in December 2022. At the same time interest rates rose in the country. Despite this leverage movement, we have a healthy debt profile. There are no short-term maturities, most of the debt is low cost and indexed to inflation, as are our revenues. Furthermore, our debt is flexible for advance payments if a liability management movement makes sense.

Given our 2022 growth, we have become a company with a more stable cash flow. Our cash flow is more predictable, with longer duration and less dependency on dispatch.

In 2021, for example, Eneva registered fixed gross revenues of R\$ 2.2 billion. For 2023, it is closer to R\$ 7.3 billion, worth emphasizing: without dispatch. For 2027, considering Azulão 950 MW and Parnaíba V and VI projects in commercial operation, Eneva's fixed gross revenue shall be above R\$ 10 billion.

Even considering the CAPEX forecast for the coming years and the recent increase in interest rates, our strong cash generation will lead us to a deleveraging path that could be accelerated depending on the country's hydrological scenario, energy export to neighbor countries or generation to substitute less efficient thermal power plants in Brazil and other upsides discussed in previous sections.

Having said that, we do confirm that nothing has changed in our strategy announced last year. In fact, quite the opposite: some of the unknown projects we had in the past now have a name and a date at which they will start generating results. Avenues for growth are now clearer and with a well-defined plan to be pursued and executed.

We are taking large steps towards 2030 with the conviction that we will go beyond our promises, as we have always sought to do in this company.

Energy Transition and Decarbonization. An Opportunity for Eneva

We face increasing demands to discuss our view on the implications the energy transition might have for our operations and business models and explain how we can reduce greenhouse gas (GHG) emissions from our



operations. *The challenge posed to us all is how to provide affordable and reliable and sustainable energy.* Well, we at Eneva believe climate change cannot be solved without substantial advancements in technology and, moreover, these advancements are key to ensuring climate change can be addressed without compromising energy security and economic growth.

Major market opportunities might arise in the race to lead new energy markets. Nevertheless, redeploying capital towards low-carbon technologies and related businesses requires not only attractive investment opportunities but also specific capabilities within the companies. We are confident that, by combining our in-house resources and skills with some adjacent competencies that need to be developed, we will be able to play a central role in helping to reduce our carbon footprint as well as to create new value chains to tackle emissions from some of the hardest-to-abate sectors, resulting in the development of new business lines are currently inexistent.

Our decarbonization plan relies on the development at scale of carbon capture and storage (CCS), low emissions thermal generation and low-carbon hydrogen. In the power sector, more specifically in gas-fired generation plants, these technologies have three possible pathways to significantly reduce carbon footprints.

- (1) Pre-combustion, by using zero-carbon fuels as hydrogen: Gas turbines can be configured to operate with various proportions of hydrogen. The natural gas we produce can be used to produce hydrogen while emitting close to zero CO₂, either when combined with carbon capture (blue) or by means of a thermal process called pyrolysis (turquoise). In fact, blue and turquoise hydrogen should have a pivotal role to play in scaling-up hydrogen volumes in the short-term and driving commercial development of associated infrastructure.
- (2) Post-combustion, by integrating CCS technologies to our generation cycles: CCS retrofits provide a solution to emissions from existing (and planned) gas-fired power generation plants. Gas generation assets are a major source of system flexibility and, when equipped with CCS-technologies, play an important role in providing dispatchable and low-carbon electricity.
- (3) Oxy-combustion, a technology that uses pure O₂ extracted from the air to react with methane (natural gas), generating power, pure CO₂ and H₂O. Part of this CO₂ recycles in the process and the remaining portion is ready for storage without any separation process, simplifying the CCS process and generating low-emission (close to zero) thermal power. We have recently signed a Feasibility Study and technology transfer agreement with Net Power, a US-based company that is developing this technology and has already built the first pilot plant.

The industry needs to partner with governments and other stakeholders to create viable business models for large-scale investment that can provide a major boost to deployment. Indeed, growing recognition of the role of low carbon technologies in meeting net zero goals is translating into increased policy support worldwide. Given our in-house expertise, we understand that there is great potential for CO₂ storage in the basins where Eneva is currently operating. The momentum is here, incentives are being created, and therefore, and we want to be prepared for the major opportunities ahead.

The CCS worldwide market has reached over US\$2 billion in 2021 and is expected to grow to approximately US\$7 billion in 2030. Developed economies in particular the USA, through the inflation reduction act (IRA), has placed sizable fiscal incentives for CCS development, which will foster an even faster development pace. Eneva holds a set of competencies that provide significant edge to tap this emerging market, including our geological know-how to be providers of permanent CO₂ storage and our engineering knowledge in thermal power generation. ***Our Geology, Engineering, Regulatory and Corporate Strategy teams have been working together in the past few months to outline a plan to move forward. There is much work ahead, but I dare to say that we've kick-started our plans for Eneva beyond 2030.***

Continued growth: market consolidation and new business opportunities

Eneva's vast competencies form a unique energy platform in Brazil's market and position the company to capture a variety of growth opportunities. Because of our successful track record and capacity to find solutions to develop complex projects, our New Business and M&A units have been actively evaluating a long list of organic and inorganic opportunities that are often offered to us.



Most of our organic growth is derived from the success of the exploration campaigns or after the acquisition of O&G fields, which in turn allows the company to develop our R2W model and/or sell energy and gas contracts in the free market. On the inorganic front, we have been focusing on the access to new O&G volumes (through domestic production or LNG imports) and on the acquisition of additional power generation capacity, but only where we identify potential upsides might be unlocked under our platform to deliver returns on capital in line with what has been achieved with our greenfield R2W projects. Some of these opportunities are categorized by our strategic goals and briefly discussed below.

Extend current assets' lifecycles and replicate R2W to other geographies: The recent increase of our reserves in the Parnaíba Basin already qualifies the company to participate in the upcoming 2023 reserve capacity auction, expected to happen in Q4 2023, to recontract the Parnaíba I and Parnaíba III power plants. The liquefaction plant under construction has uncontracted spare capacity and there are plenty of opportunities to complete the booking of the total 600,000 m³/d capacity. Since we see considerable avenues to expand this business, we will continue to leverage our E&P competency to further increase our reserve volumes.

Maximize reserve base and develop integrated solutions in the North Region: In the Amazon Basin, we have just started the 2023-2024 drilling campaign, which includes development and appraisal wells in Azulão and appraisal wells in the Anebá prospect. The objective is to confirm the maximum field output potential and to prove reserves above the current 2P volumes to qualify one of our licensed projects to participate in the Q4 reserve capacity auction. New and improved regulations to substitute diesel by lower cost and cleaner fuels in the north region isolated systems have been published, creating further opportunity to expand the Azulão liquefaction capacity to supply some of these locations with our SSLNG solutions. We are also advancing in our strategy to monetize the resources from Juruá Area, progressing on the technical studies to develop the logistics solution to transport LNG, and in natural gas demand creation, with the conversion of the heavy transport sector (fluvial and terrestrial) from diesel to LNG.

Develop infrastructure Gas Hub(s): CELSE power plant complex and LNG terminal will be transformed in Eneva's Sergipe Hub. The LNG terminal connection to the national transportation pipeline network is already under construction and expected to enter in operation in April 2024, opening potential to sell gas from the FSRU idle capacity to clients connected to the pipeline network.

To further enhance the Sergipe Hub access to competitive natural gas, we are actively bidding to farm into a minority stake in the offshore O&G discoveries located straight off the Power plant complex. The Sergipe Hub, with its existing power plants, thermal generation greenfield projects and connection to the gas transport pipeline, is also well positioned to be the offtaker of gas production from the offshore fields. On a longer horizon, we will continue to develop the gas hub concept in São Luís and Macaé, where opportunities have been identified for thermal power plants and industrial applications. For both locations, Engineering plans and CAPEX estimation are advanced, while our commercial team is working to secure the right opportunities for the company to make the investment decision.

Commercialize energy resources and develop new business models: Eneva's trading unit has grown to another level after the acquisition of Focus and has been broadening its capabilities, going beyond pure directional energy trade. Utilizing market intelligence combined with Eneva's growing portfolio of power generation, the trade unit has been following an asset-backed trading model. This enables the company to maximize value by taking advantage of certain arbitrage that would not be available otherwise. The commercialization of energy from our renewable portfolio has also been enhanced through "self-production" PPAs with clients that benefit from incentives connected to the production of their own renewable energy. Furthermore, our trading unit is engaged in the commercialization of natural gas, LNG, condensate and light oil produced in our assets. Such broad trade skills will open opportunities and improve the commercialization margins of the energy and natural resources produced by the company.

Further segmentation of the relationship with the client base according to its potential aggregate value and focus on a client centric approach is going to increase our capacity to develop customized energy products. Our envisioned commercial structure will be particularly relevant in the opening of the energy market, as we will be prepared to capture opportunities to supply a wide range of smaller-scale consumers.



In the future, our diversified portfolio of products will combine unique solutions to supply our clients. This flexibility will maximize value not only in the trade unit business, but also in the marketing of our own energy generation and natural gas resources.

Develop renewable energy portfolio and foster low carbon technologies: After the start of the war in Europe, energy security has been added to the decarbonization equation, slowing down the progress of renewables expansion. However, even at a slower pace, energy transition is inexorable and the worldwide movement towards a cleaner energy matrix will persist. Hence, on a longer-term perspective, a company with a large portion of its business in power generation should be involved in the transition if it does not want to miss new opportunities in value chains that are to be unveiled. Nevertheless, the escalation of CAPEX for new renewable projects and the low energy prices in Brazil does not make renewable greenfield projects attractive, even less compared to Eneva's new business portfolio. Yet, the current energy market context can change, and we need to be prepared to capture opportunities in the unregulated market. Therefore, we have advanced on two fronts:

- a. Acquired Futura I solar farm, completed the project and replaced its energy contracts with better return "self-production" PPAs, de-risking the asset and maximizing its value. This was a unique opportunity for the company to develop new competencies in construction and operation of solar projects. The company also have an extensive portfolio of renewable projects and we have worked the past year to enhance their maturity. However, further greenfield renewable projects in the pipeline are not going to be developed in the short-term, unless CAPEX and energy price conditions make them favorable again. On the contrary, our objective is to make the pipeline viable, combine it with the Futura I solar farm and seek partners who would be willing to invest in this vehicle.
- b. Made an announcement to invest R\$ 500 MM until 2030 in decarbonization technologies as one of our ESG commitments. Our goal is not to develop specific technology from scratch. Instead, we want to identify technologies at mature development stages that might be ready to pilot in a small scale. From the pilots, we want to gain expertise, define economic viability, master knowledge, become first adopters and scale up. The objective is to reduce our own carbon footprint and be pioneers of new value chains that for certain will emerge from technology developments. During our Eneva Day 2023, we have presented the first version of the portfolio of new technologies we are evaluating and how we are planning to fund and expend the resources. As it usually happens with technology, our portfolio is dynamic and will be revised periodically to include new opportunities and/or discard those initiatives that did not prove practical and/or economical viable.

Final Remarks

Reading this letter, you may have noticed that in late 2021 and through 2022 Eneva transitioned from the end of our first growth cycle into the beginning of a second, even larger growth cycle. We advanced in all the strategic pillars we defined, delivered flagship projects that back in 2018 seemed a tremendous challenge for the company we were at that point in our history, and through the journey we became stronger, more capable, more resilient and more knowledgeable. While we were starting commercial operation of these projects, demonstrating a remarkable track record in execution, we were simultaneously signing new contracts, winning new energy auctions and acquiring high quality assets to complement our portfolio. In 2022 we set the foundations for our second growth cycle, with bigger challenges, but with a company that is also much more capable technically, financially and commercially. ***Through the first growth cycle (2017 – 2021), the company value increased 334%, and now, with larger and higher quality projects and many more avenues to capture upsides and with a much better prepared organization, I am certain that we will deliver even better returns in this new cycle.***

The new growth cycle brings three main short-term challenges discussed in this letter: Start and ramp up the greenfield projects construction, capture the upsides identified for the assets we acquired and adjust the balance sheet, bringing leverage levels back to what they were by the end of 2021. To overcome these challenges, we have set short-term tactical initiatives for our six strategic pillars. To improve focus, we adjusted the organization and launched programs to develop new leaders and capabilities.



You may have noticed that I have purposely mentioned the word “competencies” several times in this letter. That is because our main competitive advantage relies in our vast set of competencies in the entire gas and thermal power generation value chains and how we connect these disciplines to interact, develop solutions and generate value. We are building a platform with the “right to win” in a diversified set of opportunities in the Brazilian energy market. An organization that will be able to succeed regardless of external conditions, that can easily adapt to different economic and political scenarios, develop new business models and devise different ways to monetize its resources. ***We are building an agile, fit-for-purpose organization that is fulfilling its mission to deliver returns, energy security, inclusion and sustainability.***

Eneva's gas reserves are not connected to any transport pipeline. However, our R2W model connects them to the electrical transmission lines in Brazil and some neighboring countries, creating opportunities to substitute other thermal power plants that have higher variable costs and export energy. Also, our SSLNG business will reach parts of the country not connected to the gas transport pipeline, offering cleaner and more competitive energy solutions. Our trade unit capabilities are expanding, with a broader range of products, exporting energy and entering gas and hydrocarbons commercialization. Our gas hub concept is getting built and will further increase our portfolio of power plants and access to natural gas sources, leveraging Eneva's assets and commercial excellence. Our subsurface and exploration capabilities are stronger than ever, delivering consistent results year over year. Engineering and construction have a proven track record with the delivery of large projects and are now taking on new challenges, such as the Azulão 950 MW. The newly acquired assets and new contracts signed through 2022 will increase the share of fixed revenues (and fixed EBITDA) as compared to variable revenues (dispatch).

These achievements position us as a proxy to a bond with safe, fixed and stable inflation-adjusted income, which provide a good return to the investment, but with a great advantage: various possibilities that may yield substantial upsides. Our culture to pioneer energy solutions and deliver on our promises remains strong, and I assure you the team is aligned and motivated to take on new and more exciting challenges.

Stakeholders who look at Eneva solely based on thermal power plant dispatch to estimate revenues and company value are looking through a narrow window aimed at the past and might miss our proven execution capacity, the strong cash flows we have secured for the future and all the possibilities we are creating. I invite you all to look at our company through a much broader window, turned to the future, where the view shows our landmark evolution in 2022 and how we are structuring a dynamic company, capable to develop solutions to a variety of energy needs and with the right to win several opportunities ahead of us.

I would like to thank all our shareholders who have been with us through this journey and who have a long-term commitment to our company. ***With a team that has shown an impressive track record in past years, maintained strong values and obsessive discipline in capital allocation and taken risks responsibly, I am certain that we will surprise you positively and continue to create superior value from projects that in most cases could be delivered only by Eneva.***