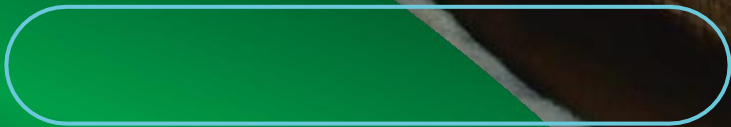




Eletrobras

1Q25

Conference Call Transcript



Conference Call – 1Q25 Results

May 15, 2025

Transcription of the interpreted English

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TEMPO DE GRAVAÇÃO

48 minutes and 06 seconds

Eletrobras 1Q25 Earnings Call – English Transcript

Good morning, ladies and gentlemen, and welcome to Eletrobras' conference call to discuss the 1Q25 results.

Present today are Mr. Ivan de Souza Monteiro, CEO of Eletrobras; Mr. Eduardo Haiama, VP of Finance and Investor Relations; Mr. Antônio Varejão de Godoy, VP of Operations and Security; Ms. Camila Araújo, VP of Governance, Risks, Compliance and Sustainability; Mr. Élio Wolff, VP of Strategy and Business Development; Mr. Ítalo Freitas, VP of Commercialization; Mr. Juliano Dantas, VP of Innovation, R&D, Digital and IT; Mr. Marcelo de Siqueira Freitas, VP of Legal; Mr. Renato Carreira, VP of People and Services; Mr. Robson Pinheiro de Campos, VP of Expansion Engineering; and Mr. Rodrigo Limp, VP of Regulation, Institutional and Markets.

We would like to inform you that this event is being recorded and will be available on the Company's Investor Relations website, along with the presentation being shown here, both in Portuguese and English.

For those requiring simultaneous translation, the Interpretation icon is available at the bottom center of your screen. Select your preferred language. If you're listening in English, you can mute the original Portuguese audio by clicking 'Mute Original Audio'.

For the Q&A session, if you wish to ask a question, please type your name and company using the Q&A button at the bottom of your screen. As per our format, your name will be announced for you to ask your question live.

At that time, a request to activate your microphone will appear on the screen. If you prefer not to speak live, you may write your name, company, and question in the Q&A field so that our operator can read it aloud.

Before proceeding, we would like to clarify that any statements made during this conference call concerning the Company's business outlook, projections, and operational or financial goals constitute management beliefs and assumptions, as well as information currently available to Eletrobras.

Forward-looking statements are not guarantees of performance, as they involve risks and uncertainties and depend on future circumstances that may or may not occur. Investors should be aware that general economic conditions and other operating factors may affect the actual results, which could differ materially from those expressed in such forward-looking statements.

We will now turn the floor over to Mr. Ivan Monteiro, CEO of Eletrobras, who will begin the presentation. Please go ahead, Mr. Ivan.

Ivan de Souza Monteiro:

Good morning, everyone. Welcome to the release of Eletrobras' 1Q25 results. I'd like to begin by highlighting two important achievements for the Company.

First, the completion of the settlement agreement with the Federal Government, the result of a permanent dialogue that we have fostered since the beginning. This negotiation process lasted a year and a half and was recently concluded with strong support and approval at our General Shareholders' Meeting.

Another important milestone in our cost management strategy is the new collective bargaining agreement, a key tool that will allow us to continue improving our costs and processes.

I would also like to emphasize the high availability of our generation and transmission equipment during the quarter, reinforcing our commitment to operational efficiency and the utmost reliability in our operations.

In generation, I highlight yesterday's announcement of the partial sale of our gas-fired thermal plants, in addition to the completed divestment of the coal-fired Candiota plant. Our generation portfolio is approaching 100% based on hydro, solar, and wind sources.

In transmission, I would like to highlight the completion of the Coxilha Negra Wind Farm and the significant progress in the construction of the Leão Manaus–Boa Vista transmission project. We reaffirm our expectation to complete this project in the second half of 2025.

Also noteworthy, within the scope of the settlement agreement, is the termination of the investment agreement for the completion of the Angra 3 nuclear plant. This means that we are no longer required to raise funding or make new investments in the nuclear generation park in the city of Angra dos Reis.

We remain committed to the sale of our equity interest in Eletronuclear, a process that we initiated at the end of 2023.

Finally, I would like to confirm our goal of keeping recurring PMSO expenses below R\$6 billion for the year 2025. Additionally, we've made significant progress in our energy trading segment, with volume growth, more stable processes, and continued improvement in our client relationships, offering tailored energy solutions to an expanding customer base.

Thank you. I'll now hand it over to our CFO, Mr. Eduardo Haiama.

Eduardo Haiama:

Thank you, Ivan. Moving on to slide three of today's agenda, I'll briefly cover our financial performance in 1Q and then discuss our energy trading strategy.

Let's move to the highlights on slide five. As Ivan mentioned, the main milestone was the conclusion of the discussions with the Government and the approval of the agreement at our Shareholders' Meeting. The second key event was the partial sale of the Amazonas thermal plants, generating R\$2.9 billion in cash proceeds.

On slide six, regarding net income, we posted an adjusted net loss of R\$81 million, primarily impacted by the regulatory remeasurement of Chesf in the transmission tariff review process.

Another important highlight is that, following the thermal plant divestments, we significantly curbed default issues in Amazonas. We recorded a total default of R\$56 million in 1Q25, compared to R\$400 million in the same period last year.

We continue reducing operational costs, with a 28% drop quarter-over-quarter and an 8% decline year-over-year, including R\$143 million in personnel cost savings.

In energy trading, we saw a 35% year-over-year increase in free market sales.

On slide seven, diving deeper into PMSO, we reduced it by 28% compared to 4Q and 8% year-over-year, primarily due to a 15% reduction in personnel expenses. The annualized 1Q cost would result in slightly below R\$6 billion, around R\$5.8 billion for 2025.

As we noted in 4Q, seasonality played a role, so we made some adjustments this year to mitigate this effect. The 1Q cost partially reflects these de-seasonalization efforts so costs remain more evenly distributed throughout the year.

On slide eight, compulsory loans continue to decline. This quarter, we reduced about R\$400 million, and compared to last year, almost R\$3 billion. Importantly, we also reduced R\$336 million in the possible and remote loss categories.

Slide nine shows financial figures: revenue grew 16% on the statutory point of view and remained flat on a regulatory basis. It's worth noting that after last year's tariff review, transmission revenue fell, offsetting gains in generation revenue.

Adjusted EBITDA dropped 4% quarter-over-quarter, mainly due to a R\$483 million decrease in transmission revenue and a decline in average free market prices (ACL), along with higher sales exposure in the Southeast, not fully offset by uncontracted volumes in the North and Northeast.

On slide ten, we posted an adjusted net loss of R\$81 million versus R\$450 million in the prior period, mainly due to the R\$952 million regulatory remeasurement from Chesf's transmission tariff review.

Slide eleven shows improved operational provisions, especially in Amazonas. Following the sale agreement for the thermal plants, we substantially reduced the Company's recurring bad debt allowance (PECLD). On litigation provisions, changes reflected both new provisions and reversals, as we progressed on settlement agreements.

Slide twelve highlights the thermal divestments: we are receiving R\$2.9 billion in cash from the partial sale. Santa Cruz is still pending regulatory approval. With this transaction, we are reducing 1.6 GW of installed thermal capacity and reaffirming our net zero commitment by 2030 — a key goal for us.

Slide thirteen brings ESG highlights: we published our 2024 Sustainability Report and advanced our decarbonization partnerships, such as with Estapar for EV charging at parking lots and with Antaq to promote port decarbonization.

We also reaffirmed our social-environmental commitment by supporting the reconstruction of the National Museum and preserving biodiversity. A notable example was the birth of a manatee calf in the Amazon, now sheltered at Eletrobras' Conservation Center.

Moving on to slide 15, regarding commercialization: the energy balance for 2025 already shows that our available volume for sale is between zero and 2.5 GW. We're seeing continued improvements in sales for 2026 and 2027, largely due to a price dynamic that has shifted to a new level — especially when compared to 2023 and early 2024, when price volatility began impacting forward markets.

As a result, we've started to accelerate sales in the years where we believe prices are now more favorable. As Ivan mentioned, we've reached 722 clients — a 35% increase year-over-year.

Slide 16 helps to clarify where all our energy resources and contracts are located. It shows our generation capacity and long-term purchase agreements — not short-term trading positions — broken down by submarkets, and how those volumes are being allocated in the long or short term (in the case of quota contracts).

For example, on the left table, we have a total capacity of 17 GW, with 800 MW in purchases, giving us roughly 18 GW to commercialize over time. Of that, 2.4 GW are tied to quota contracts set to phase out by 2027, and we currently have 3.4 GW allocated to long-term ACR contracts this year.

The map shows the geographic breakdown of this energy by submarket — Southeast, South, Northeast, and North — which is key to understanding the dynamics seen in Q1.

As I mentioned on slide 17, the company constantly monitors not only hydrological conditions but also demand, potential imbalances between submarkets, supply-demand mismatches, and transmission capacity — all to assess and manage risks.

In Q1, Eletrobras' strategy was primarily to hedge a risk that seemed imminent — and did materialize through mid-February — of a very strong rainy season. In an oversupplied system, this scenario typically pushes prices to the floor. So, we hedged this risk by positioning our uncontracted energy at minimum price levels.

From Q2 onward, our outlook changed. We believed that the prices being offered did not justify locking in long-term sales, so we largely withheld from signing new contracts. Very few were executed.

This impacted on our Q1 results. When combining the previous map with our hedge strategy, it becomes clear that most of our energy that could be commercialized was in the Southeast, while much of our uncontracted volume was in the North and Northeast. This created a submarket mismatch — a risk we're familiar with.

Now, moving to slide 18, this chart illustrates what we believe was a market mispricing for H2. The dark blue curve, which now reaches BRL 360, started the year below BRL 150 — even under BRL 120 in some cases — and is now trending closer to BRL 290 for the year.

So, while Q1 was impacted by submarket dislocation, the hedging strategy created upside potential for the rest of the year.

That concludes my section. We can now open the floor for Q&A. Thank you.

Bruno Amorim, Goldman Sachs:

Good morning. Thank you for answering my question. I'd like to follow up on the last point made by Haiama, just to ensure I understood correctly. You hedged the 1Q exposure and that should mitigate the negative effect from price mismatch among sub-regions going forward, right? Can you comment on what to expect from this effect in the upcoming quarters?

Also, could you talk about market liquidity for signing contracts at these more attractive price levels we've been seeing for this year and next? Thanks.

Eduardo Haiama:

Thank you, Bruno. Yes, in 1Q our concern was that PLD prices remain on the floor throughout the quarter, so we opted to hedge that downside risk. Since most of our trade volume is in the Southeast, we sold more there, expecting to offset that with our uncontracted energy in the North and Northeast.

However, the mismatch between submarkets ended up being too significant, so our strategy didn't fully neutralize the exposure. From 2Q onward, our view changed. We felt that prices were mispriced and decided not to lock in contracts immediately. We waited for prices to reflect market fundamentals before executing new sales.

Rodrigo Limp:

Hi Bruno, this is Rodrigo. Just to complement Haiama's point, about submarket risk and how we manage it. Eletrobras has a well-balanced portfolio across submarkets: about 50% of resources are in the Southeast and South, and around a quarter in the North and Northeast.

The submarket risk in 1Q was unusually high, but we always factor this into our portfolio decisions. For example, we already expect a closer price convergence between North and Southeast from late May through year-end, due to seasonality and transmission dynamics.

We also look to mitigate this risk by increasing sales in the North and Northeast, although that's not easy as most buyers are in the Southeast. In 1Q, we executed some swap operations and benefited from existing energy auctions in the Northeast.

The key for us is to manage the portfolio with a long-term view, not just quarter by quarter.

Regarding liquidity — the second part of your question — for 2025 and 2026, we have ample liquidity and are making sales. Prices for 2026 are at R\$240 or above, and for 2027, while liquidity is lower, we're also seeing price formation aligned with long-term expectations.

André Sampaio, Santander:

Good morning. I'll change topics. First, regarding CAPEX, I noticed that reinforcement investments haven't ramped up yet year-over-year. What's your expectation for the year? Are you planning an acceleration?

Second, about the transmission tariff review decision mentioned at the end of the release — what drove the downward revision in ANEEL's April decision?

Élio Wolff:

Hi André, thanks for the question. It's normal for CAPEX to start slowing in 1Q. But we've been ramping up reinforcement and improvement efforts since 2023 — we executed over R\$2 billion last year, and R\$3.3 billion in 2024. For 2025, we plan to exceed R\$4 billion.

So, this slower 1Q isn't unusual; investments typically accelerate throughout the year.

Rodrigo Limp:

Thanks, Élio. Regarding the transmission tariff review at Chesf, ANEEL approved the 2023–2028 cycle last year. In April, they reviewed the case and identified an error in how the regulatory asset base (RAB) had been calculated — they had mistakenly overestimated part of Chesf's RAB.

The technical report we submitted to ANEEL two years ago was accurate, but the agency's application had a mistake, which was corrected in April. This was a standard process and appropriately resolved.

The adjustment reduced Chesf's approved gross RAB by R\$2.9 billion and the net RAB by about R\$1 billion, resulting in the R\$950 million regulatory remeasurement.

Arthur Pereira, JP Morgan:

Good morning, everyone. Still on generation, and the submarket risk — you provided details on ACR contracts. Could you share an approximate allocation of ACL contracts by region? Does it mirror the load profile across the subsystems, or is it more linked to firm energy allocation?

Also, regarding the seasonal allocation decided at the end of last year for 2025, were there any differences in allocations among the subsystems? I understand you're long in the second half, but was there differentiation among regions? Thanks.

Eduardo Haiama:

Thanks, Arthur. About the regional breakdown of where we are selling more or less — that's part of our strategy and not something we can disclose in detail. But rest assured, we're constantly monitoring risks and issuing internal reports.

In 1Q specifically, as I mentioned, we had concerns about downward pressure on PLD due to favorable hydrology, so we took actions based on a portfolio-wide view. That changed around mid-February.

That said, there's a broader discussion in the sector about submarket divergence, and everyone — analysts, consumers, companies — is watching this closely. Naturally, that risk needs to be priced in. So, if we are making decisions that lead to mismatches, it's because we believe the price offsets the associated risk.

Arthur Pereira:

And about the seasonal allocation — did you differentiate capacities between regions, such as North/Northeast vs. Southeast? You mentioned being longer in 2H.

Rodrigo Limp:

Yes, that's important. The significant price decoupling we saw in March was due to diverging hydrological conditions. The Southeast experienced worsening conditions in February, while the North had an exceptionally strong wet season.

Since most plants in the North have no reservoirs, and given the large transmission capacity to the Southeast, price convergence between North and Southeast is expected from May through year-end.

This benefits us, given our substantial capacity in the North. Last year, the North even had slightly higher prices than the Southeast.

The Northeast will likely continue to experience price divergence, especially due to the high share of intermittent solar generation.

We monitor this closely and adapt our strategy accordingly. For example, in March, the PLD gap was over R\$200; in April, it dropped to below R\$100, and we expect even closer convergence in the coming weeks. This reduces submarket risk for us.

Maria Carolina Carneiro, Safra:

Good morning. Thanks for the call. Two questions. First, now that the agreement with the government is behind us and the board has been renewed, can you share the 2025 strategic priorities?

We know you're focusing on divestments and cost-cutting, and this quarter you expanded your voluntary dismissal plan. Can you update us on that long-term agenda?

Second, regarding the capacity reserve auction — any updates on timing? Do you expect the public consultation to begin soon? We understand Eletrobras could be a competitive participant with hydro plants offering expansion potential.

Ivan de Souza Monteiro:

Thank you, Carol. Yes, those two topics — the settlement and the collective bargaining agreement — were consuming much of management's attention. Now that they're resolved, we can focus fully on what matters most.

Our strategic choice is to invest in our own assets — assets we know well, with environmental licenses and proven returns. There's no point in expanding our trading desk without electrical power to sell.

Our investment program takes on new momentum this year, with meaningful growth compared to the historical average. You can expect to see that. We're also refining our management of shareholdings.

We made a significant transaction last year, and we continue analyzing market opportunities. We are pursuing the divestment of our stake in Eletronuclear, especially now that the Angra 3 investment agreement has been terminated.

As for cost reductions, we're moving from comparing our performance to state-run benchmarks to aiming for best-in-class efficiency. There's no reason Eletrobras shouldn't be the most efficient player in the sector, given its scale.

Another key front is strengthening our relationship with suppliers, especially considering tariff discussions. We are paying close attention to manufacturing location, availability, and competitiveness of equipment.

We've already mobilized for the transmission projects we won in auctions, and we're pushing for quality across our entire supply chain.

These are our core priorities: investments, portfolio management, and operational efficiency.

Élio Wolff:

Thank you, Carol. Regarding the capacity auction — we still expect it not to take place in 2025, not this year. We welcome the inclusion of hydro capacity, and we believe this can expand in future rounds as rules evolve.

As we've stated before, Eletrobras has significant hydro capacity to offer. We estimate our portfolio has over 6 GW of expansion potential, a portion of which we plan to qualify for this year, with more to come in future auctions.

Vitor Sousa, Genial Investimentos:

Good morning, everyone. Most of my questions have been addressed, but I have one last topic. Will the Company prioritize share buybacks or dividend distribution going forward? And can we assume the proceeds from the thermal plant sales will be distributed as dividends? The Company has low leverage and strong cash generation — how will these funds be used?

Eduardo Haiama:

Good morning, Vitor. Great question. Let me turn it around — what would you prefer: buybacks or dividends? Honestly, at current share prices, buybacks might make more sense than dividends.

Vitor Sousa:

I agree — just wanted to hear it from you.

Eduardo Haiama:

So, we're aligned. But given the Company's size, we'll likely do both.

Regarding the thermal plant proceeds — as we said in 4Q, we follow a capital allocation methodology. It's not just about dividends, but broader allocation across five years.

We consider expected cash generation, contracted investments, and existing commitments. If at the end of this horizon the Company remains financially healthy, we may allocate more capital.

The thermal sales were already part of our expected cash inflows and included in our dividend outlook. That's how we justified the R\$1.8 billion additional dividend declared in 4Q, on top of the R\$2.2 billion announced earlier for 2024.

As conditions evolve, we will continue sales, stronger prices, more liquidity — we'll evaluate again. But we're always watching the full picture. And the thermal divestment was already in the film.

Ivan de Souza Monteiro:

Vitor, I'd just add that this liquidity position wasn't built overnight. It started back in January 2024.

We raised over R\$30 billion that year, strengthening our cash position and refinancing debt at lower cost. We even accessed international funding sources like Italy's SACE for the first time.

We now have options — that's the key. Final capital allocation decisions will always involve the Board, but we're in a strong position to invest or return value competitively.

Antônio Junqueira, BTG:

Good morning. Looking at your balance sheet, it's clear that submarket risk will be much lower in 2026–2027 since you'll have more energy to sell.

As Haiama often says, long-term price behavior matters more. Hourly PLD risk was a big concern before, but now we're seeing submarket mismatches again — which hadn't occurred in a while.

It's also clear your 1Q trading strategy didn't pan out as expected, but in 2H you'll be long. So here's my question: Assuming similar submarket divergence in 2Q as in 1Q, would the financial impact be lower?

Rodrigo Limp:

Exactly, Antônio. Your reasoning aligns with our view. In 1Q, our exposure in the Southeast was larger. In 2Q, it's lower.

Also, the gap between submarkets is already narrowing, which is favorable. Besides, price levels in the North and Northeast are rising significantly in May and June.

Antônio Junqueira:

Here's a hypothetical: Suppose the Northeast stays decoupled like in 1Q. Would the impact still be lower because your exposure there is smaller and you're long in 2H?

Rodrigo Limp:

That's right. Our exposure in Southeast-South is much lower in 2Q. And while we still expect some divergence in the Northeast, the magnitude should be less.

Antônio Junqueira:

If you lost 100 monetary units from the submarket mismatch in 1Q, could we assume you might lose 50 in 2Q?

Rodrigo Limp:

We don't expect to lose in 2Q — quite the opposite. The structural price rise in March has improved the 2Q outlook. We're already seeing June transactions near R\$300, and the Southeast is pulling up the North too. So, expectations are better.

But we won't share precise figures now, as short-term volatility remains high.

Operator:

This concludes the Q&A session. We will now turn the floor back to Mr. Ivan Monteiro for final remarks.

Ivan de Souza Monteiro:

Thank you all for participating. Any additional questions can be directed to our Investor Relations team. Thank you.

Operator:

Eletrobras' conference call is now concluded. Thank you for your participation and have a good day.

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