

## Earnings Release Webinar - EDP Brasil – 3Q22

Marília Barbosa Nogueira

00:01 – Good morning everyone. Let's start the Webinar for the Earnings Release for the 3Q22. Let's just wait a few moments until people can join the room. Good morning everyone. We'll start the Earnings Release Webinar shortly. We're just waiting for people to join the room and then we'll start. Please hold.

Ok, now we can start, good morning everyone. Let's now start the Earnings Release Webinar of the 3Q22. This presentation is being recorded and then it will be made available at our Investor Relations website. The presentation will be made by our CEO, João Marques da Cruz and our CFO, Henrique Freire. Followed by a Q&A session with the entire Executive Board.

I would like to clarify that all information mentioned here that are related to future statements, made in this event, may be assumptions of the company's management and information already published by the company. Further considerations are not performance guarantee and I will hand the floor over to João.

João Marques da Cruz

01:49 – Thank you. Good morning everyone. Thank you, Marília. Let's go straight forward and talk about our results. This first slide is divided in two parts. A qualitative part, that are the dark rectangles and on the left, a quantitative component. We have chosen five events that symbolize our efforts that have contributed.

The first event, that happened in this quarter, we have completed two lots that are fully operational – Litoral Sul and MGTE. These two lots have ended a long construction cycle. Only Lot 1 of Acre, of the June auction of last year, is yet to be completed. It symbolizes our delivery capacity. We deliver on our promises.

There are changes in Espírito Santo, the tariff review that happened in August and we were very proud of it. It was the lowest unrecognized investment figure of EDP Brasil, and also for here, so it was a very successful tariff review. And also, the readjustment of EDP São Paulo that happened in October, whose impact on Parcel B is described on the screen. That means that we had very good management given the quality of investments in the demanding investment environment, but we are completely in line with the regulatory compliance in the requirements that tend to be highest and tend to increase which is good and healthy.

I would also like to point out the signature and the execution of the sale agreement of Mascarenhas that happened on August 30<sup>th</sup>. Which is about recycling. And we want to grow, and this presentation shows that we grow every year in terms of results, assets, and terms of operations but we also grow by recycling capital. We don't stock capital but we recycle our assets. The amount is written down here. It's R\$ 1.25 billion of which R\$ 800 million with no conditions and R\$ 425 million subject to earn-out related to the renewal of Mascarenhas concession agreement. We expect to finish the closing of this transaction by the end of this year.

Then, with the restructuring of Pecém debt, which is associated to ESG, which is associated to the environmental component. It is under a pressure of debt restructuring, with an issue of R\$ 1.5 billion but it's also associated to a process of deconsolidation that we have done, but this deconsolidation is done in a way that it won't destroy value. Deconsolidate a coal center or

plant destroying value is not possible. We believe that it can take longer, respecting the terms and the deadlines we have announced, but to prevent destroying its value.

And finally, in terms of hydroelectric generation, we have repeated a ranking between 1<sup>st</sup> and 2<sup>nd</sup> of our water plants of Peixe and Lajeado. As you may know, there are almost 200 hydroelectric power plants so it's a major event to be ranked among the 1<sup>st</sup> and 2<sup>nd</sup> but we managed to do it. The first two plants are the best. From the quantitative point of view, these nine months have been very solid. The Gross Margin has grown by 27%. We have an EBITDA that grew by 25%, Net Income grew by 5% and the Net Debt decreased. It was 2.7x in last year, in the first nine months and now 2.4x.

Let's move on to the next slide. This slide speaks only about the quarter, not year to date. And, as you can see, it's been an excellent quarter. If we calculate on these solid figures, in this quarter, if we compare with the last two years, we have a growth of EBITDA of 88%. It's 88% growth of Total EBITDA and Adjusted EBITDA is 75% growth. Therefore we have reached another level. We've been delivering very good results for the last two years, around R\$300 million and now R\$517 million.

CAPEX. We had a large CAPEX in transmission last year and that has ended because we returned all the lots. Only Acre is missing but we have maintained the same CAPEX level. We'll keep it around R\$ 2.4 billion in line with last year. We're not investing so much in transmission because that phase has ended, and now there is a phase of large investment in Distribution. And we are waiting for the next phase in transmission if we earn the lots in the auctions that will happen in December this year. There will be a very important one.

Our Adjusted EBITDA, or Cash EBITDA, by business as you can see, in the Distribution business we've had an important growth that is the result of annual readjustments for tariffs as well as of the good performance in the market, of sales market, our MVE and Regulatory Losses. Our actual Losses are lower than Regulatory references or benchmarks and this has not happened since last year so it is an important point. PMSO, they will be further detailed by Henrique. And PECLD has this figure shown on the screen. It's a point that is under control but it is a point of concern and we will tackle this issue. This is due to a complex social condition especially in São Paulo concession, not so much in Espírito Santo. The economy of Espírito Santo state is way above the average growth rate of other states in the country.

And the Regulatory Transmission doesn't include IFRS. There has been an increase which results from the fact that the lots are now in operation. Hydro generation had a good performance. Of course, this figure is helped by agreement readjustments associated to inflation.

Pecém, is an effect. That last year we had a gain due to coal because the prices of coal were higher, so there was a gain. So this year we didn't have any gain or loss but the gain that happened in 2021 does not happen in 2022. So, these are the highlights, the effect of the transmission of IFRS which is the green column on the right. Let's now move on to further details and I turn the floor over to Henrique Freire, our CFO.

Henrique Freire

13:04 – Good morning everyone. Hope you can hear me well. First, I would like to give you a more detailed explanation on costs providing an overview of the pre-pandemic environment compared to what we experience now.

When we compare the first nine months of 2019 to 2022, it's the same period, we are excluding new business from this presentation because their expansion is growth areas. We had a nominal value from 2019 to 2022 of 10%. If we compare the inflation of this first period, three years, IPCA had a growth higher than 20% and IGPM of almost 60%. So, we know that our Cost Base is referenced on IPCA but there are also imported products so IGPM is also important, and in a mix of products we have, is 80/20. So, we would have an adjustment of 29.4% whereas our Cost Base has grown by 10%. So, there was a gain we captured in this period.

We have contractual readjustments that were gradually implemented during 2022. When we analyze among quarters, we see the values among quarters have some change. Since the beginning of 2021, on the right chart, we see volatility. When we compare 274, 280. Now this quarter, 295 was lower than the last quarter but when we compare to the third quarter of 2021, it's apparently higher so we should take care when making this analysis. I would say that the figures are quite solid in terms of PMSO. So, this is good news.

Now speaking of Distribution. In terms of CAPEX, we delivered on our restructuring very well, on the income, when we see CAPEX from a broader historical perspective since 2016 until now, we came from 1.8x to close to 3.0x in 2022, 2.7x and now this year close to 3.0x. So very significant increases in CAPEX that will be obviously translated into consistent improvements of the network. And Losses have two components, technical Losses and non-technical Losses so to speak. They are associated to energy escape so these parameters have improved consistently. Espírito Santo, since the last review, when our comparison cluster was correctly changed, we are now below the Regulatory target. And this didn't happen before so it is important to highlight that.

Let's move on to the next one. Still speaking about Distribution. And now comparing the Regulatory EBIDTA with our Corporate EBIDTA we see that we are above 42% in the Regulatory one. The VNR we have been corrected because it has an economic effect but it is a non-cash effect so we would compact R\$1.219 billion to R\$1.453 billion in Regulatory debts. And the market is a bit better. There have been contracts that have been reagreed compared to last year and we had some gains despite the current energetic scenario.

And in terms of the last slide, we see some Losses in São Paulo and Espírito Santo slightly better. PECLD, this year, in the third quarter we had R\$42 million so it's a figure that is stable. There was a process of decrease in the average income in Brazil after the pandemic, which was accompanied by a lower unemployment rate, and today, in all the data we can see there is an inflection of this average income. So, unemployment has dropped, and we expect that income will continue to rise and increase and reach pre-pandemic levels shortly. So, we expect to improve these indicators in the next quarters.

Let's move on to the next slide. Now speaking of Transmission. The main highlight in Transmission is the unrecognized investment, R\$832 million in Regulatory asset base. We have already in operation R\$832 million. This becomes important in this quarter. The IFRS introduces a series of adjustments to the Regulatory Debt so there is analysis that becomes a bit difficult in the cash perspective. Regulatory Debt is closer to the traditional debt so when we compare this quarter to the previous quarter, we have an increase of R\$40 million to R\$190 million this quarter. So, this is a highlight. And we had R\$17 million in adjustments of Lot 18 that became operational and ahead of Margin Growth in this quarter generating a

better margin, or volume in terms of Regulatory EBIDTA. Lot 1 is in construction, and naturally this is an area in which we'll continue to grow and include assets.

Next slide please. A comment about Risk Management in terms of hydrology. As you know, we have a favorable hydrological scenario. PLD or the Spot Price has been low, the GSF has been better than we expected. In the third quarter of 2021 we had a Spot Price of R\$580 and the prospect for 2022 was higher than R\$200 per MW/hour. Obviously, if we had stayed in our trading positions, we would have very bad results.

Naturally we have adjusted our positions and so this year we have very consistent data and our trading company had an aggregate margin of R\$154 million and a very positive contribution. That was possible because we benefitted from the drop in prices and we anticipated market movements. So, in total, we had a Risk Mitigation through the trading company that more than offset the drop in Spot Prices. In 2022, we have an average hedge of 24% and for 2023 and 2024 we'll adjust that. And for 2023, we expect 15% including purchased and decontracted energy. And we expect next year will be favorable considering the energy that has happened and the one that we expect to be generated.

Now we comment about Debt. This is always an important topic. We are going through a period with a high CDI or Interest Rates, higher than inflation. The Central Bank is working correctly to lock inflation rates and that leads us to have a drop in IPCA inflation rate, and CDI interest rates have been kept the same. In this situation, we had a CDI real that was almost negative, lower than inflation. So, in a year to date, this chart is the real CDI non-nominal for the period of 2021 and 2022.

Our Debt strategy has been to maintain the Distribution company essentially financed on partnership in Transmission, with the lots completed in this period making profit, or benefiting from more favorable windows. Lot 18 we closed at IPCA +4.45 and in the past, values very distant from what have today with important gains. So, we had a point of the acquisition of EDP Goiás that we have crossed this window so we can make an issue of a long-term to support this asset. Our Net Debt over EBIDTA is 2.4x. We have a leverage with a Net Debt of R\$10.6 billion. Our average cost after Taxes is important so having the Debt in a place where it generates. So, the average cost, although anchored to CDI is below 10%. Now I will give the floor over to João Marques.

João Marques da Cruz

26:23 – Thank you, Henrique. For us, the ESG agenda is not something just to show to people. We have a strategy, we have a set of actions that have been planned, targets and goals that we measure. And this is an example of three goals, women in leadership positions, increase of local base suppliers and investments in socio-environmental projects.

I invite you all to scan the QR code shown on the screen to learn more about our ESG reality in the ESG report for the 3Q22. We are very happy when we are awarded as we see on the right side, although we don't do this to earn awards. We have increased the investment in the solar GED model. This is the solar plants, are very important for the country, such a large country in which distributed generation based on the sun is very important for the balance of several types of energy generation. And we have this shared remote model that has been validated by the market. This means that we are very successful in sales especially in the states of Minas Gerais and Rio de Janeiro. We are investing more. This is an industry or an area in which we are really investing for the future.

This slide is not by chance that these circles increase. We want to grow; the company wants to invest in order to grow. Growth is the most important word that we have to share but it's a growth that creates value and in order to add value we must control costs, have financial discipline. We could have more lots of transmission now under construction if, in the opportunities we had, especially in the last auction, there were two lots in which we almost bid to win but we decided to stick to our financial discipline, to respect our criteria. So, this control is very important to grow the business. Growing but with financial discipline, adding value. Also taking in to account our ESG discipline that implies among other issues, the deconsolidation of carbon.

The upper limit is 2025 but we will try to deconsolidate as fast as we can, provided that we do not destroy value. And this is the presentation that we had and now we'll start with a Q&A session. The entire Board of Executives is present here. Henrique Freire is our CFO, Luiz Otávio, our VP, Fernanda Pires, our VP and Carlos Andrade also our VP. We remain available to answer any questions you may have and now I hand the floor over to Marília.

Marilia Barbosa Nogueira

30:51 – Thank you, João. Let's start our Q&A session. I would like to highlight that questions should be sent through the Q&A chat and I'll ask the questions. First question from Bruno Teixeira. Good morning. Based on the analysis of consolidated data on hydric generation, although the general overview of the nine months of 2022 against 2021 is slightly positive, the comparison with 3Q22 against 3Q21, the percentage drop in the Net Income in this line in a hydro environment that is theoretically more favorable. The company attributes this drop to the significant increase in non-manageable expenses in PMSO and to the fact that the company has done extraordinarily well in a hydric crisis environment which would also explain partially the drop in the trading line? And finally, why have expenses in hydric generation have gone up so much in this period?

João Marques da Cruz

32:04 - Thank you very much for your question, Bruno. I will have your question very clarified but I will say that sometimes appearances are illusory. When you compare one quarter to the other there are often times facts that happen, that are one-off events and therefore comparison is damaged in a way.

Henrique Freire

32:46 - Thank you for the question. If I understood it correctly, I would like to remind you that in 2021, by this time, we had the launch of the extension of construction of ACR of GSF, that involved an additional margin of R\$141 million and a hydrologic margin so it was especially high, I think it was R\$134 million if I am not mistaken and this was the main issue. Your comment about the trading is correct. I have explained it in the presentation. We have come from a...Trading is an area that can have gains in anticipation movements. The price levels today, we would have Losses if we hadn't done anything.

Obviously, we had an outstanding result this year because we have anticipated the movement and not the opposite. I think I made that point very clear in my presentation. If you have any further questions, we can answer that. PMSO, in the hydrological generation business it's pretty stable so when you look at the full year, in the year to date behavior that is not so significant to justify any change.

João Marques da Cruz

34:21 - Very well. Now I hand the floor to Luiz Otávio, which is the VP in charge of Generation and Transmission.

Luiz Otavio

34:36 – There is no significant movement in PMSO. Or nothing that has caused this effect and this one-off event that Henrique has described on GSF. And on trading, Henrique already explained. The idea is to know the exact moment, today we have excessive water and we are suffering from the effect of a hundred years we had last year in the scarcity of water. So, the question about the trading is a slightly better result meaning that we manage to come from a price of R\$700, to prices of R\$50, R\$60 and R\$100 like we have today. Now that we have lots of water. In terms of hydroelectric plants, nothing to add except for GSF.

Marilia Barbosa Nogueira

35:34 - Thank you, Luiz. The next question comes from Erico Salutti. In the future, how will the company decommission, and later, recycling of solar generation systems? Can we be green in the future?

João Marques da Cruz

35:54 - Very well. The answer is yes. It's possible if you plan for it. I'll give you a generic answer, and I'll ask Fernanda Pires to add to that. Obviously, the solar panels and batteries from electric vehicles. All that adds pressure because these are scarce resources in the planet and there is also the issue of what to do with the equipment at the end of the useful life. It's a long useful life but it will end sometime in the future. But based on the answer that you have from Fernanda, we are already in anticipation, planning for this future because this environmental awareness is also related to the recycling of equipment. Fernanda, if you please.

Fernanda Pires

37:01 – Thank you, João. Thank you for your question. The circular economy is part of our ESG agenda. This year, we have diagnosed the entire business to try to identify opportunities and plan for future years. And the solar panels topic is part of that. We started a pilot partnership with companies that recycle solar panels. Although in a small scale, it's possible to recycle up to 80% of solar panels. They last an average of 25 years, so we are already working in advance when we talk about this topic.

Marilia Barbosa Nogueira

37:46 - Thank you, Fernanda. Two questions from Matheus Paulini. A percentage increase in PMSO had a significant impact in the 3<sup>rd</sup> quarter in the year to date. With the reduction in inflation pressure in the last months, as we can see in October, as well as for the next quarters, is there a stability of expenses? And the second question is, with the expectation of Selic interest rate maintained at higher levels for longer, and due to the increase in financial expenses as a consequence of interest, can we expect a reduction in leverage of Net Debt over EBITDA? If yes, what impact would that have on CAPEX?

João Marques da Cruz

38:35 - I'll answer the second question then I'll send the floor over to Henrique for both. In Brazil, we are in the top. Interest rates have reached their top. Differently from what happened in Europe, the Central Bank decided to increase their interest rates. And are discussing how much it will increase because in Europe and United States, the interest rate is negative. And in Brazil, it is positive. So, because the inflation rate in Germany, for example, is 10%, the country with lower inflation rate is Brazil and not Germany. And this has not been true for many years, but this is how it is now.

Therefore, if we see a reduction of CAPEX, if we'll have a ratio of Net Debt over EBITDA that is more conservative, due to the evolution of the interest rate, the answer is no. There is no reason for that. The next movements that the market expects to have in the second half of next year, is to start a descent from this high level. These decreases happen very quickly as we've seen in the past, and trucks have a very hard time stepping on the breaks. There are always accidents. The Central Bank has been very competent so far, and we believe it will remain competent to reduce interest rates in the second half of 2023. But the answer is no. We don't have that objective. Henrique.

Henrique Freire

40:41 – We monitor this topic consistently. We had the long-term investment structure impacted when Selic rates were historically low in Brazil, our assumptions for Debt were not those for everyone else. We were more conservative back then. Then the reality we had so, we believe, we will maintain our long-term view.

As for the PMSO, obviously there will be contracts indexed by inflation, this period is very poor because we have contracts indexed in July, the inflation up until July and now there is a deflation so that has a negative impact on the contract. So, we have to wait for the next adjustment rate and that has a negative impact.

But we had a very significant gain of almost 20 percentage points as compared to inflation between pre-pandemic and post-pandemic periods. Of course, there is an inflationary pressure that remains. So, I'd say that we are in a deflation of our Cost Base right now. I believe that we have all the signs to believe that we will have a better period in the future.

Marilia Barbosa Nogueira

42:41 - Thank you, Henrique. Next question from Bernardo Vieiro. In terms of solar projects, Novo Oriente and Monte Verde, when do you expect the beginning of construction? And what level of CAPEX per MW of capacity do you expect?

João Marques da Cruz

42:58 - The answer will be given by Carlos Andrade, the VP in charge of that area. I would like to advance that we don't disclose exact figures. We never disclose CAPEX per MW. But we can say that today, CAPEX per MW is clearly higher than the expectations that we had a year, a year and a half ago. We have readjusted the parameters for these projects and these projects, despite the readjustments, that optimized CAPEX and Revenue, they are projects that create value and they move on with short-term contracts. But now, I will hand the floor over to Carlos.

Carlos Andrade

44:03 - Thank you, João. In the two projects, Monte Verde and Novo Oriente, we have completed the acquisition of equipment. That has been done, and they start construction in 2023, in the beginning of the year. Monte Verde will begin its operations in the first half of 2024 and Novo Oriente, located here in São Paulo in the border with Mato Grosso, will be in operation in the second half of 2024 as of July. We have acquired all the equipment, so as João said, I wouldn't comment on the cost of the project specifically but in terms of new projects, we already have equipment acquired. So, CAPEX in general, would be around R\$3.5 million if you would start a new project on a large scale.

In Distributed Generation that is above R\$4.0 million. Just to give you some references if you were to start a new project today. Because in Distributed Generation, you buy in a shorter term whereas in the other projects you buy for further periods and the prices are better for the long-term.

Marilia Barbosa Nogueira

45:43 - Thank you, Carlos. Next question from Marcos Gomes. Are there plans to pay dividends more than once a year?

João Marques da Cruz

45:52 - The direct answer is no. No plans for that. We have a clear and stable dividend policy. And we believe that stability is important in the dividend payment policy. Would you like to add anything, Henrique?

Henrique Freire

46:11 - No, we don't have this practice. We have more of an annual view, of annual compensation of shareholders so, in an inflationary environment it's not healthy to have this interim dividend payment so we pay dividends once a year in the first half of the year.

Marilia Barbosa Nogueira

46:44 - Next question from Felipe Andrade. Could you share an update on the divestment of hydro power plants? Could you also give an update on the renewable growth process? Recently EDP Renováveis sold assets to Copel. Energias do Brasil analyzed these assets or the company focused on greenfield development?

João Marques da Cruz

47:06 - Thank you for your question, Felipe. Well, I believe we were very clear. Mascarenhas, on August 30, we executed a sales agreement and everything happened naturally. When we hold the financial closing to happen this year. As for the other two hydro power plants, they are not for sale. These are assets that belong to us. And from the accounting point of view, they are not considered as being in a sales process and the reason for that is very simple. We have received offers, more than one. The value is not the value that we believe to be the fair price for these assets. These assets are great. They belong to us, and no problem. If, in the future, the market wants to price our assets, that is in accordance with what we believe is a fair price, of course they can be put for sale. But currently, Jari and Cachoeira are not for sale. As for EDP Renováveis, EDP Brasil has a controlling shareholder that owns 58% of shares approximately and it didn't make any sense to have a transaction within the EDP Group. In which EDP Brasil would purchase assets from EDP Renováveis because the companies are consolidated. So, since EDP Brasil and EDP Renováveis believe in the advantages of rotation of



assets and crystallization of values, that implies into transactions outside the consolidation perimeter. That would be against our strategy, to purchase operational assets from EDP Renováveis. Having said that, I don't know if anyone wants to add.

Henrique Freire

49:33 - Well, I think you've said it all but in our policy, crystallization of assets is important. We have a very clear strategy of rotation of investments. And in hydro power plants we've made our position to reduce exposure clear. And the sale of these assets should happen at the right moment, at the right price. The market conditions are not favorable and the process that has been announced is now to be completed soon.

Marilia Barbosa Nogueira

50:23 - Thank you, Henrique. The next question comes from André Sampaio. Two questions. The first one, what is the company's opinion on the Government's proposal to open the market for low voltage? In 2026 for non-residential and non-rural customers and 2028 for rural and residential customers? Second question, ANEEL decided to remove part of the assets in the contract with CETEEP to prevent a significant reinforcement in the grid. How do you see this risk for EDP Goiás?

João Marques da Cruz

50:59 – Thank you for your question, André. Being very straightforward in the first question, EDP is favorable for the liberalization of the market. That is the modernization of the industry, that will be good for consumers either legal entities or individuals. And we have the mission to be even bigger in the free market. We are already big in the free market. And it's true that we have Distribution Companies but in the free market, as Carlos Andrade can say, we are big and we want to be even bigger and we're working to be ready for this opening of the market. We are favorable to that, and this is our position. As for your second question, we understand that there is no risk. I'll ask Luiz Otávio to add. What happened in CTEEP issue is something specific, we are not commenting on, but we do not understand that this is a change in terms of criteria and policy. So this is why you don't see any risk for our company, EDP Goiás. Carlos, would you like to add to the first question?

Carlos Andrade

52:30 – Thank you, João. André, as João said, we are fully in favor of the opening of the market and we are getting ready for that gradual opening as you mentioned. And there is also Ordinance no. 50 of the Ministry that opens the high voltage market as of 2024. And all the companies are eligible for the free market. That could add 100 thousand consumer units to the free market in 2024 so there is a major growth here. We want to remain as leaders of the market. We are one of the five largest traders in this market, and we are getting ready for shared solar generation. And we are getting ready with digital channels, and our sales reps to really be the leaders in this market, starting with the opening in 2024.

Luiz Otavio

53:45 – I would like to talk about EDP Goiás because the question was about that. We are making all the investments we have planned in CAPEX. We are advanced in terms of the 2023 cycle, in terms of purchases. So, we are fully meeting what has been agreed and the EPEs for future planning. In a recent past, that happened with C3. But in the case of Goiás, we

understand that there is no change in the rule. It's very well protected because we are making the investment as required. A change in the rules would be if the requirements had changed. But so far, we believe there is no risk.

Marilia Barbosa Nogueira

54:48 – Thank you. Our last question from Matheus Cristo. Congratulations on your results. Is there any news about the renewal of the concession of Distribution companies?

João Marques da Cruz

55:04 – Thank you, Matheus. It's a great question. We are very confident, a confidence that increases as time goes by. All the contacts we have made, with the major players in the National Electric System. All of them. There is a very correct positioning in terms of a possible extension. We believe that an extension is a more predictable scenario of what would happen, a non-onerous extension but with demands. But we like demanding extensions. Demanding in the sense of having operational quality indicators. EDP is prepared in its two concession areas or maybe in other concession areas that may arise in the market. EDP is prepared to be an operator that meets the needs that the country has for higher quality of service and better customer service. That is why we are highly confident; this is a business in which we want to grow in solar GED.

Marilia Barbosa Nogueira

56:54 – We would like to thank you all for your attention and for the participation of our Executives. And this concludes our Q&A session and the Webinar for the Earnings Release for 3Q22. Thank you for your attention.