

## Y 2021 Earnings Call

### Company Participants

- Carlos Andrade, Clients Vice President
- Fernanda Pires, ESG officer
- Henrique Freire, Chief Financial Officer
- Joao Marques da Cruz, Chief Executive Officer
- Marilia Nogueira, Investor Relations Officer

### Other Participants

- Catalina Carnero, Analyst

### Presentation

#### Marilia Nogueira {BIO 22039088 <GO>}

Good morning, everyone. My name is Marilia, I'm the IR Officer for the company EDP. We will now start our Results Webinar for 2021. The presentation will be led by our CEO, Joao Marques da Cruz, and by our CFO, Henrique Freire and will be followed by a Q&A session with all of the company's excepted management and also our regulating Manager. Mr. Falcone. You can already send your questions via chat. The webcast will be transmitted exclusively over the Internet and then it will be made available at our IR website.

Before moving on, I would like to say that forward-looking statements made during this call are based on the company's management's assumptions and all that information are already available at the company's website. Any forward-looking statement is not a guarantee of performance as they involve risks and uncertainties.

In this way, I'd like to turn the floor over to Mr. Joao Marques da Cruz for him to start.

#### Joao Marques da Cruz {BIO 1935297 <GO>}

Good morning, everyone. It is always a pleasure to be with you. I'll be remotely or virtually, I hope that in the very near future, we will be able to meet in-person. But in any event, it is always a very important moment when we have the time or the chance to present our results in this case, the results for 2021.

They are, I can already say very solid results and there are three words that characterize those results for 2021. The first one is delivery; number two, growth; and then, efficiency. And I'll be walking you through those three pillars. We have delivered and have delivered two value components, which are very important. We have delivered economic performance, which was quite robust for the past year, we will be able to see the

numbers in a moment. And the numbers they have already been disclosed, but that -- those are very important numbers around EBITDA and income.

But we have also delivered on what we had pledged as our strategy to have a strategy to have our guidelines very good, and when we execute that strategy and when we deliver that strategy, it's even better. That's why I think that the keyword for this year was this double delivery of future economic results and current efficiency results. Growth, we have also grown and we've grown across our three growth avenues distribution, transmission.

For distribution, we saw an organic growth, which was quite significant even so in those five years from 2020 to 2025. We want to grow every year BRL1.2 billion in terms of CapEx around distribution. And for 2021 we have met that goal, in terms of growth and distribution. In terms of transmission, transmission is a mix of two things. We need to be able to execute the works, and I'm talking about the auctions that we have won in the past.

And also at the same time around transmission, we need to be able to acquire new assets in the secondary market, and also in the auctions. We have owned one lot in the auction. Lot number one, (inaudible) and we have essentially acquired that today, so today EDP Goias is there. In addition to the acquisition of the MGTM lot in the secondary market. So this has been an excellent year for us in terms of transmission.

For solar, solar is also a growth avenue for us and we managed to have the first solar facility in which EDP Brasil is a shareholder, Monte Verde complex announced back in October, we are now working. So that this year we'll have two other complexes of similar size approximately the same size ranging from 200 through 300 megawatts AC which will position us at the end of 2022, as shareholders of three solar plants, adding up to 750 megawatt, in partnership with EDP renewables at a basis of 50%, and so will be only half of those 750 megawatts.

The third word efficiency. To grow without efficiency brings no economic results of course, and we were able to manage an inflationary environments, high inflation based on the indicator, we want to use that's clear but irrespective of that indicator we're talking about an inflation level of above 10%. If we were to compare IGPM, might we say all the inflation indexes. The number will still be above 11% and still we were able to have a recurrent PMSO of 5.5%.

Gross, we're speaking we have grown our PMSO in recurring terms by half of the inflation level. And our PMSO total grew by 7.7% way below inflation. That's something we have to continue to do in the first year of high inflation was 2021, just to be sure. For 2022, the market believes that inflation will drop to something between 5% to 6%.

We would like that number to be even lower, but it will remain, I believe around 5% to 6% and there is some drag coming from last year. So our target for this year is to be able to get to APM, so in line with inflation, which in -- when you look at two years, it will be a very positive result in terms of efficiency. And of course, we have very strict discipline, our

projects are being closely monitored, and we do have concrete actions in place especially around distribution so that our operations are increasingly more efficient.

I'm not very good at reading PowerPoint slides. I'm not going to mention everything which is there on the slide, I'll just go over the main topics. I can tell you we've seen this efficiency levels going up, but always tied to financial discipline. We have lost and we have won auctions, but we have nevertheless last our financial discipline.

Of course, we are getting ready to participate in the auctions in the most competitive manner possible always respecting financial discipline. And we do that by selecting investments and of course, we are always with an eye on our leverage level net debt over EBITDA.

On the next slide, if I may not a page but a slide, let's go into numbers, numbers which had been disclosed BRL4.3 billion in EBITDA, BRL2.2 billion in net income, the recurrent PMSO grew slightly more than 5%. That slide that we can see on the screen is important to explain our dividend payout. And the explanation for that is quite simple. We have met our dividend policy. Our dividend policy is clear, stable, and should be maintained.

What we've done was not EUR1 in dividend payout from 2020, nor, \$0.58 rather the 2019 dividend payout. What we did is that we follow our policy and we apply that policy, and that led to 2.18, there might be slight change because we do have a buyback, share buyback program in place, not for the past few days because of the regulation of the market but that buyback program is now at one-third as you can see 30% which means that we continue to buy and that will have -- that will lead to a small adjustment, maybe not 2.18, but slightly higher than that, but that's the reference number 2.18.

With a number of actions or base and the amount of shares that we have now out in the market. Our rule as you know is to use a formula, if I may or a calculation involving four factors. Those four factors are well known, number one it's a floor on the real. The other one is the law, the legislation. The other factor arises from our own adjusted results, when we calculate our adjusted income that's on the right hand side of the slide. I'm not going to go into detail around that and also the policy explicitly says that when there are situations where we have a good performance in a year, that will allow a dividend payout or an additional dividend payout, it will be paid out after the dividend.

It's post dividend and then when we have a 2.5 to 3 times our net debt over EBITDA ratio. Now it's at 2.6. So we haven't reached the top, the ceiling and not the floor. We were in the middle 2.6, 2.5, 2 point -- between 2.73. So we have met our dividend payout policy and we will meet that again we'll go back to calculate all of that and we will have the number coming from that policy once again.

Okay, so let's move on to the next slide, if I may, where we have an overview. A helicopter flyover if I may of our businesses. Our businesses had a performance, which I would say was positive overall, distribution on the left is the largest of our businesses in terms of adjusted EBITDA. And it's the largest one and it appears first, transmission grew to 3.70

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as you can say, distribution 3.52, in any event that was a business that was worth BRL1 billion in EBITDA in 2020 and it went up to BRL1.3 billion in EBITDA.

So it is a large well performing business for transmission. It has also grown in terms of numbers, even though we have, as you know, we have sold three lots and that's the moment that we have to talk about our asset rotation policy and we do that in transmission. That's a way to generate value. We will continue to have that policy in place if and when the market allows for that to generate value for the company.

We never sell assets because we have to. We are not that much leverage. We are not obliged to sell our assets, but if and when we can add value, we also explore those opportunities. The several other businesses are there on the screen. I'm not going to go into detail. As I said, I don't like really numbers on the slide, but distribution coming first, hydrogeneration coming second, in terms of adjusted EBITDA for 2021 over BRL900 million.

And then we have two businesses which are important transmission, as I've mentioned and Peixe, the relevance of our trading arm, our trading arm is a business in itself in different market, which is also important. In addition, our ability to manage the energy planning will benefit the distribution business and also makes possible our solar plants, which are our future. So that's sums up our or my introduction on the next slide.

I'll turn it over to Henrique Freire, our CFO. Henrique over to you.

### **Henrique Freire** {BIO 19117781 <GO>}

Okay, good morning, everyone. It is a pleasure to be here to present our results for 2021 and also the dividend news as presented by Joao very optimistic going to a more detailed explanation. We will go over some of those pillars on the screen starting with distribution.

We have a year, which was especially happy if I may, in terms of the positive review 46.8% and 32% in Sao Paulo and we saw some increase in volume perhaps lower than we expected, but some increase that will reflect on the gross margin at around 24%.

Those amounts will be capped for 2022 as we expect according to the tariff review calendar for the coming two years. It was a year where we had the largest amount of investments. We have defined this year as one the strategic growth in our QRR, and we'll continue to invest strongly in our distributors. We have reached 2.7 times QRR BRL1.1 billion. We also had a good evolution in terms of losses continue to converge to the regulatory targets.

There is still a gap, but that gap we will narrow as we move forward, especially in this period of time close to 1%. As far transmission, Joao already mentioned, talk about the sell key, that's the main highlights in terms of acquisitions. We also had a participation at the primary market. We won a lot in the secondary lot, we won a lot in the state of Mauro and our works continue to move forward in construction terms in a very solid manner.

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In terms of generation, this has been a good quarter. We also show that also in the year, we had good results. The hydrological risk was well managed and we were able to mitigate all those risks in a year where we could have had more complicated results and eventually we had a positive performance in FY 2022. We will maintain adequate hedging for the market, especially for the second quarter.

As for solar, we also see an evolution of the business, a share in Blue Saw the acquisition of AES in over the lot what we call type two assets also under solar as Joao mentioned, a partnership with EDP renewables for this multi worthy solar plant and we are also developing other and solar complexes.

Moving on, now about distribution if I may. We see, as I mentioned a tariff readjustment with an increase in the B Parcel 1.5 billion and 1.6 billion in Espirito Santo in Sao Paulo respectively at an average effect of around 10% to 12% in the mid-run. When we look at the volumes, we see that those volumes went up more in Espirito Santo than in Sao Paulo, a certain frustration in the fourth quarter in Sao Paulo special because of the temperature issue.

The residential segment in Sao Paulo and Espirito Santo, we see a drop of about 5%, of course this is a temperature dependent especially in Espirito Santo and that of course impact our results somewhat, but those losses are dropping. Another key factor is the PLD default levels are controlled, a total amount of BRL140 million and an increase in gross revenue, so that ratio dropped.

But from any angle we look, we see a solid robust number and quite under control. Technology has helped in terms of revenue recovery that's an important point to underline. So that reflects an increase in gross margins of over BRL500 million including accounting amount and a contribution from the VMR readjustment and when we talk about adjusted EBITDA, we will go back to that.

If you can, we'll go over to the next slide please, we're still under distribution, we see that we had a year according to our strategic plan we had an investment of BRL6 billion, which is expected to happen throughout 2025. This year, we executed BRL1.1 billion, 2.7 times QRR so in a very solid manner. We saw expansion in the market happening, more clients and this is the result distribution something I've also mentioned in terms of total losses. It's relevant point to see that we are on average and also the digitalization of clients led to lower level of default. So that's a pathway. We intend to use to help us recover revenue.

Next please. This is the last quarter of the year it's important to mention the following. There is a gap between the regulatory EBITDA and the corporate EBITDA BRL438 million above the regulatory EBITDA. But with those points, we still have a gap and losses, which have been narrowing but it's still there especially EDP Sao Paulo, even though the gap is not that different in terms of the other numbers.

EDP Sao Paulo does have more weight because of the thermal plants. And have the market and the MDE [ph] even though we had an excess, which was 105 last year. For

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2022 we expect something different. Last year, we reduced our exposure for 2022 and we managed to have improvements under MDE that also is to get closer to 1.5% for 2022 that's important, especially in a more humid scenario for the year.

So we hope to have more good news in 2022 on that front. For OpEx more efficient a larger coverage for the B Parcel so more efficiency coming from that. The PLD as I mentioned the targets are reasonably okay, 0.26% of gross revenue in terms of regulatory target is especially difficult, even though we have been evolving positively we still have a gap to cover in the regulatory EBITDA without accounting for the (inaudible) we will be BRL87 million above the regulatory EBITDA.

Next please. Now we're talking about transmission. A highlight our RAP today for our portfolio is close to BRL800 million. We talk about a VPL [ph] of BRL2.5 billion. It is a very relevant area of our business. We understand that the transmission business today is an area, which is critical along with distribution very, very relevant with growing weight on our business. And it will boost our results for the coming years.

As our transmitting companies, our transmitters going to operation that lot number 21 for Santa Catarina is about to be completed the first lot is already operational. And the second part of that lot will be in operation this year, lot 18 close to be completed. We have maybe a couple of months of construction to go and the other lots we have some progress to highlight. We wanted 21 the new lots in that auction.

And overall highlight for asset rotation EDP Goias as it was mentioned, a transaction of BRL3.1 billion with a corrected amount as we concluded that on February 7, a contracted RAP [ph] of BRL337 million. We have already published a note about that acquisition using a acquisition vehicle called PCH. We have issued BRL1.9 billion in January to make that acquisition as predicted originally with a very interesting cost even better cost than we expected. Close to CDI plus 1, within two-year maturity very comfortable as predicted, and then we will issue some debt after the election, more in the long run.

Next please. Hydro generation and trading, we like to present those numbers together because we understand the trading area is an area, which also has a function of hedging generation, which is important. The hydrological risk this year until October, November with a worse hydrology and with very low GSFs and a very high spot prices that led to stress over the result. If nothing had been done, we would have a significant impact of BRL700 million.

The mitigating factors helped us repurchase energy and make up our margins. Then we see that the extension of the concession that happen in the first quarter for the ACR and then we had the results under trading within margin of BRL120 million. We also see the hedge. We are maintaining a high level of hedging for 2022 with a GSF of 80% projected, might be slightly different, but the load is not that high either, so that should be maintained around those levels.

So we are still waiting for GSFs for the year, especially in the second half which will be in the low numbers right. So we are -- remain assertive about that. For 2023 and 2024, we

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do have headwinds of around 20%. So we understand that the hydrological risk is under control.

Next please. Now about the solar business, as we've done before in other presentations, we have three types or three groups under the business. The first segment type one B2B and B2C for reservation, the residential and small businesses is a more transactional area. We have been operating there through our Blue Saw operation, a 40% share, we have an option to increase that. The company has been performing well.

There we have a very high footprint in the market. Throughout the year we installed 27 megawatts so very transaction as I said, but with a very interesting level of a contract. Then we have a second segment, the B2B between 1 megawatt and 5 megawatts in terms of distributed generation, 75 megawatts of installed capacity. As you can see in the middle of the slide, along with our own development and the acquisition of the asset from AES that positions us in a better place in the market close to 12%, that's a very interesting area for us to be.

And we also have been doing -- we've been having a very active pipeline more megawatts coming and we'll continue to grow on that segment. And then the utility scale, I don't want to sound repetitive Joao has mentioned, we announced Monte Verde in the past and a partnership with EDP renewables another two complexes being developed very interesting scale in that front and that will position us as a good player in a high growth market. So for 2022, we will maintain or 2022 rather we will maintain that growth avenue.

Next please. Now that, it was especially active year BRL4.9 billion in new issuances of debt. We had -- we used instruments to issue debt using CDI. It was not the best years to have long-term issuances or it was the right decision to make. We resorted to different instruments, with maturities of around two to three years instruments and allowance to have lower spreads and to be able to access different stock markets and this was a good decision also.

So we were able to somewhat mitigate the natural growth of those rates IPCA and CDI in particular. Of course, that helped us with the cost. We always try to analyze cost after tax. So the tax issue approach is incorporated in our decision, distribution or the breakdown of our net debt over index and still there is a higher weight on CDI the exposure that we have in hydro and transmission or distribution rather we have exposure.

And therefore transmission we have younger assets if I may they have different profiles towards more project finding and linked to IPCA. So that's with that profile we have right now. So for 2022, we will continue to have those rates, it's not ideal, but we do have a counterpoint in revenue as we backs our revenues. And this is what I had to say in terms of numbers.

And I turn the floor back over to Joao. Joao, over to you?

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## Joao Marques da Cruz {BIO 1935297 <GO>}

Thank you, Henrique.

Let's now address ESG. In the past ESG was, but a note at the foot of the page. Nowadays, it's completely different. It was a footnote in the past. But it's not important to be awarded prizes or talk about, it is important to do to work around the ESG and that means having targets and meeting those targets. As you can see on the right hand side of the slide, we have targets, which are well established in terms of diversity women in leadership, black people and we have managed to have our actions lead to those targets and even overcome those targets.

And that's what drives recognition, if we act on those targets. We will reap the results later. We're not working to get prizes, but we are working to change the reality. We are quite proud of what we are doing in ESG and also proud in what we are still planning to do.

The next slide please. Innovation, I usually say that today's innovation is tomorrow sustainability. So if you do not innovate. If you do not introduce innovation in your businesses we'll find it -- you will find it difficult to have a sustainable business in the future. We do believe in that. We do believe in a start-up ecosystem. I'm not going to read once again the slide, but in our innovation system we have the engagement of over 200 start-up companies.

I would like to highlight Sao Paulo and Espirito Santo and Santo and Sao Paulo number one because we talk about Sao Paulo of course needless to say, it is a city and a stage, which is quite active in terms of innovation. But Espirito Santo also our concession and Espirito Santo is something we want to expand and we are quite engaged and working with the local government, with the civil society in the state and the industry federation at the state level to do something real concrete in terms of innovation. And we have a few weeks ago, we delivered a mapping out for innovation for the State of Espirito Santo.

Okay, now let's look at the future, the last slide, that's the most important part of course is the Q&A after this right, even though, those are 2021 results, 2021 is the year that comes before 2022, which is where we are right now. So what we expect to have or to see this year. We expect to deliver. We expect to deliver as we delivered in 2021. We have very bold objectives for 2022, the leap that we took in 2021. We strongly believe we are able to give a similar leap in 2022 with more growth across the three segments: distribution, transmission, and solar, being efficient as we were, following a very strict financial discipline and preparing for the future for a more liberated market and, of course, adapting our organization through digitalization to face the new challenges.

And with that I would like to turn the floor back over to Marilia to start our Q&A session. Marilia, over to you.

## Questions And Answers



## A - Marilia Nogueira {BIO 22039088 <GO>}

(Operator Instructions) The first question comes from Catalina Carnero [ph] with Credit Suisse.

## Q - Catalina Carnero

Good morning, everyone. Two questions. Can you please update us on the process of renewal of concessions for EDP Espirito Santo? And number two, if you could update us on the process of sale of the hydro plants which was announced last year?

## A - Joao Marques da Cruz {BIO 1935297 <GO>}

Okay. Thank you for both questions. Very timely, appropriate questions. And the answer is very straightforward. Right now, we are now going through a process of extending the concession for EDP spirit Espirito Santo. We have already sent a formal letter to Aneel. We are now monitoring that letter and its journey through the regulatory agency. It is following the normal path and that means a positive development. As you will know, there is a law from 1975 which allows for the extension of concession contracts, namely our concession contract, and that's of course already mentioned in the contract.

Of course, we do have deadlines to attend to and the deadline for the concessionaire companies, which is, as we have some time to express our position, we have 36 months or three years to do that before the end of the concession. We have already filed our position. We are now reinforcing that positioning. Our conversations have proven to be very positive with the federal government and we have counted on great support from the state government of Espirito Santos. They recognize the excellent work we've been doing in their state.

So it's a very appropriate question once again. It is a very important topic for us, and we are close to it. We are on top of it and we are quite confident. And of course, part of the market is also confident. Rating agencies consider that renewal of that expansion to be very, very likely. So the good news is, there is no news. No news in this case is good news. Everything is following according to plan.

As for your second question also appropriate, as I said, about the hydro plants. I'll be very straightforward once again. If the question is do we want to sell our three hydro plants? And the answer is, "yes, we do want to sell them." And why? Because strategically, we think that our generation portfolio should be rebalanced, less hydro more solar. At this point we have not reached that level of balance yet. We need to bring hydro down. That's a strategic wish. That's nothing new. I've been repeating that year on year on year, and I'll say that again next year. We need to rebalance our hydro/solar portfolio.

Number two, concretely, where is that sale process on? As of today, nothing has been sold. We would have announced had we sold them, right? It is our obligation. And if it's not sold, it means it was not possible to find, in the market, the right conditions or the conditions we deemed to be correct for that sale to happen. We do not have an obligation to sell those assets. Our ratios, as seen post dividend, are at 2.6 or is at 2.6, net debt over EBITDA 2.6. We are not pressured to sell. Nobody is making us sell. We

want to sell if the price is right, if the conditions are right. If they're not, the right conditions at the right price, we will continue to operate those assets. That's the answer I had to give to those questions.

**A - Marilia Nogueira {BIO 22039088 <GO>}**

Okay. Second question comes from Carlos Riviera [ph].

Congratulations on the results. With the hike in interest rates, do you see more realistic proposals for transmission assets or are there still players offering unsustainable discounts. And for the next projects, does the company intend to focus on brownfield or greenfield projects?

**A - Joao Marques da Cruz {BIO 1935297 <GO>}**

Okay. I'll start. More difficult than making predictions on football games. It is to make predictions on the behavior of the market. The spot price predictions are even more difficult than football predictions. Before the last auction for transmission, there was a perception on the part of the market, that the discounts would not appear in the last auction. December 18, discounts were expected to be too high, but the market was wrong because very intense discounts happened. So in June, come June, we'll have the same thing in the June auction that we had in December.

I tend to think it will be a very competitive auction as it was in December, but we are getting ready for it. I'm not going to announce my tactic before the game starts, of course. I'm trying to imitate my fellow countryman, Abel Ferreira, the soccer coach, the football coach. Some of you don't like him, I know. But I can say that we are getting ready to be very competitive for the auction come June, of course always respecting our financial discipline. That's the first component of the question, correct?

Now as far the second question, Hickey, would you like to address that second question?

**A - Henrique Freire {BIO 19117781 <GO>}**

Investments in brownfield and greenfield, what is our expectation? Well, we understand that we will have more value in greenfield, even though brownfield could be also interesting. It's slightly different of course. Brownfields are projects -- are associated to the improvements, right, and they might be more interesting when we are trying to define different yields. I think our competence is also in construction of new projects. So different things have different upsides, but the trend is more towards green than towards brown, okay?

**A - Joao Marques da Cruz {BIO 1935297 <GO>}**

Marilia, please, next.

**A - Marilia Nogueira {BIO 22039088 <GO>}**

Next question from a Individual Investor about the dividends for 2022. What can we expect on that front?

**A - Henrique Freire** {BIO 19117781 <GO>}

And the answer is quite easy. We can expect for the application of our dividend payout policy, which is quite clear and well established. We know what it is. We have a floor. I'm not going to repeat the whole thing about our dividend payout policy, but we're going to apply the policy. Well, congratulations, right? The total shareholders' returns, in other words, the valuation of the shares plus the dividends, for the last year, that combination was notable -- noteworthy, way above 20%. And so, congratulations on believing EDP Brasil, and I hope you continue to believe in our work. Thank you.

**A - Marilia Nogueira** {BIO 22039088 <GO>}

Next question from Flavio from Goldman Sachs. Could you please give us some color on the investments in distributed generation and the perspectives going forward for the sector? What's the return level you see for the projects, especially for B2B? And how do you see the regulatory framework for distributed generation that may impact the industry and the returns?

**A - Joao Marques da Cruz** {BIO 1935297 <GO>}

Okay. I'll start. The answer -- and then I'll ask Carlos Andrade to complement, our VP for clients, where we have solar plants as well.

I usually say that solar and distributed generation, they encompass so many things that mean very little at the end of the day. And why do I say that? We think distributed generation, DG, within DG we have small solar panels placed on people's homes. And that's a transactional line of business, where the installed capacity is of around 5K. And we also have a DG or under DG, businesses around 2 megawatts, 3 megawatts. We're talking about remote power plants. All of that combined was a transactional business with panel sales for rooftops, and then we go to large plants which are owned by the utility companies with different contracts and different deadlines.

All of that falls under DG. But they are businesses which are completely different. So one of the slides mentioned by Hick, we have group 1, group 2, group 3, that has to do with that. So we have been focusing fundamentally on the DG around remote investment, small power plants. That's our focus. We are accelerating our footprint on that part of the DG. The transactional DG, we do that through Blue Saw. We do not do that directly anymore. Having said that, Carlos, over to you.

**A - Carlos Andrade** {BIO 17691736 <GO>}

Thank you, Joao. Good morning, everyone. Starting with the regulatory framework. It was something very positive because basically, it will reduce uncertainties in the market or in that segment. And now that until last year, there was a lot of discussion with different alternatives for that regulatory framework. And as the new law was approved early in the year, those uncertainties were addressed. So that's a very positive news about the regulatory framework.

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The segment of distributed generation has a lot of growth ahead, I think, as Joao said. Today we have 75 megawatts peak, as we showed in the presentation, installed. We have another, approximately 28 megawatt peak is already contracted, in construction. So 100 megawatts peak combining, installed and contracted. That's part of what we have proposed to do, as I've mentioned before. And the idea is to get to 1 giga in capacity or 1 gig in 2025, half of that in generation and half of that in DG.

We are quite focused on that, in that segment of one to five megawatts for B2B clients. In that respect we believe that the market will continue to grow. The incorporation of that is gradual. So if you look in the long run, despite the disruptions in the supply chain, which has taken to some increase in CapEx and so on, the prices of transportation is 16% of the CapEx. Despite an increase that situation will become stable next year, and technology will also advance if we look at a horizon of two to five years.

The tendency is for those costs to drop. Brazil has a major advantage, which is the high levels of solar radiation. So we do believe in the growth of that segment, especially in the B2B DG and on the reservation side, as I said, we are quite focused with our work with Blue. Saw. We're no longer investing in residential right now.

**A - Joao Marques da Cruz** {BIO 1935297 <GO>}

Thank you, Carlos. Marilia?

**A - Marilia Nogueira** {BIO 22039088 <GO>}

Next question from Guilherme Lima.

Two questions. GSF expectation for 2022 and energy prices, and also comment on the Peixe results in the period, and what we can expect for 2022.

**A - Joao Marques da Cruz** {BIO 1935297 <GO>}

I'll ask Hickey to give the answer. I'll just make a quick introduction. Of course, today, we all understand that the GSF for this year will be higher than we were two months ago, and that the PLD will be lower than we were two months ago because of the rainfall levels. We do not have an idea of how the rainfall will behave in the future. It's sort of a crystal ball work, okay? But in line with the market, we do have our expectations of course, and Hick will mention that in a moment.

About Peixe, Peixe is a plant, which works for six months, and for the other six months of the year, it is not operational. It stopped working on December 15. And from a technical point of view, we understand that. It will continue, it will resume work when the system understand it is necessary. But the outage could be around six months and then it will go back to work for another six months. So it is a plant that works. It is essential for the whole system because it does have a contract of availability. And it's because of that availability contract, which is essential for Brazil, I'd like to repeat that it is essential for Brazil. If the Northeast region of Brazil wants to have electricity and reliability, that plant needs to have an availability contract in place.

So what we can expect in terms of results is what arises from that contract. But Hickey, can you please address those questions if you will?

## A - Henrique Freire {BIO 19117781 <GO>}

Yes. Crystal ball reading is not exactly our expertise. But just to talk about the same question. In 2021, we faced a year with great volatility in the coal market. High volatility on the one hand and uncertainty in terms of supply. It was the old economy seeking for vengeance, right? Several coal mines were recovered and that of course affect the market.

The availability contract works in a way that we are reimbursed for the cost of energy. It contemplates the profitability level for the plant, but the price of coal has been going up. And that's paid with the U.S. dollar rate of the previous month., so that's bit of an issue. That does not impact generation. You can win some and lose some, depending on the month. We saw great volatility in 2021. But in the third quarter, we have over 100 million in extra gains, which we returned in the fourth quarter that extra gain, because we reached the end at a good level and it cannot go without coal, we need to buy more coal and our expectation was to continue in a crisis. So the purchase for December needs to be placed in September, because there is a mismatch in transportation and contracting. And then we stopped on December 14, stopped generating, and our expectation now is that we'll have generation, more focus on the second half than on the first half of the year.

But you needed to recognize an amount of realization of borrower's stock, our inventory, according to that curve. And the curve was dropping significantly. Not so much today. So a lot of volatility in short.

So Peixe's results based on the regulatory model which is fixed value linked to inflation, a pass-through for energy. So we're not going to lose or win. We might see some gain in volatility, but we're not expecting for that. That was offset in 2021 again.

So our expectation is that results will be in line in '22 -- with what happened in 2022. It started to rain, we had a risky scenario. There was a risk of rationing in the last year, but not now. For 2022, nobody is thinking about that. There is a recovery in place, and this will impact the PLD, our expectation for PLD or spot price 120, 186. But that's not such an important number, right? The important is the company to have the ability to position itself week over week over week and work on its portfolio, monitoring trends and so on. As I said, it's a very volatile market.

At the same time on the GSF, as I said before, GSF, the gap in GSF will remain to the tune of 20%. We see some shift in hydro. The load also is not happening, as you know. It's a bit counter intuitive, but the load ends up impacting negatively on hydro generation, and also impacting some thermal plants. So the GSF gap will continue to exist irrespective of an improvement in the scenario. We have a hedging strategy that allows us to be between 20%, 25%.

## A - Marilia Nogueira {BIO 22039088 <GO>}

Okay. Next question, two people joined us. The company is Leonardo and Andreas [ph] from Santander. About, if we renew the concession contract, how long will this new contract be valid for? The extension period, in other words. Also, if we have a different concession in terms of onerous concession, what would be more realistic?

**A - Joao Marques da Cruz {BIO 1935297 <GO>}**

Well, first off, we are not working around under negative scenarios. We are working with the law and with the precedence. And according to the law and to through precedence, in other words, for the past renewal or extension of concessions, based on those historical cases, we are very confident and we do have objective reasons to be confident.

We are confident that the extension will be granted and the operations that we saw in previous expansions will be the same. We see that, for example, the IGP-M as an index will be replaced by IPCA as an index for renewal. But that's only normal. That's happened before. So we have reasons to believe the extensions will be granted. We are working with the ministry towards that end.

**A - Marilia Nogueira {BIO 22039088 <GO>}**

Next question, Mathews. We would like to thank you for the presentation. And I'd like you to clarify the accounting treatment and the rationale for the adjustment of BRL283 million related to the surplus in the adjusted EBITDA. He also wants to know about the pressure on the gross margin of Peixe in the quarter, especially as it refers to the increase in costs in raw material and the reduction of the recoverable value linked to the purchase of coal. And what kind of results do we expect in terms of recurring numbers? Of course, you cannot break that number down, but EBITDA if you could provide a qualitative answer for 2022, please?

**A - Joao Marques da Cruz {BIO 1935297 <GO>}**

Thank you, Mathews. Great questions. Hickey will take those in a moment. It's the first time I saw the calculation. I had the same question. But after Hickey explained, everything was very clear. So Hickey, over to you, explain that will shed some light on those issues, if you will. I think you are muted, Hickey.

**A - Henrique Freire {BIO 19117781 <GO>}**

I apologize. Yes, I couldn't unmute myself. Anyway -- we have presented our transmission results, according to the regulatory accounting, adjusted EBITDA. So with discount, the margin recognition which is done by the IFRS. As we do that, it recognizes the margin, construction margin based on future results. So that's a different model of IFRS.

We understand that's not a good practice for market So that's why we make that adjustment. So usually, we have a regulatory EBITDA which is -- especially now in construction, much higher than the other EBITDA. Ours is higher than the regulatory EBITDA, which follows a more traditional methodology. When we calculate our surplus, our surplus is made, our accounting surplus is made based on the IFRS accounting. That's where those BRL328 million come from. But as we have regulatory obligations, we have to discount that margin from those three lots, as they get constructed. So we have to

deduct what the surplus would be had we adopted the regulatory approach. And that's a proportional number, and that's the final number that you saw there on the screen, BRL328 million.

For payout, dividend payout, in fact or purposes, that needs to be accounted for. It is an additional capital gain. Just as we discovered it when we present the results. When we sell it, we'll need to account for it, because really our surplus versus the cash we put before, we need to add that amount. That's the explanation for that.

And the question about Peixe, I'll try to explain that again. Peixe margin have remained -- we have to analyze our inventory. And that's using our expectation of realization of that inventory. And that expectation is -- we have a pile of inventory. How much will that generate? When it does generate, it will become revenue.

With this new shift forward in the forward curve for the call, on December 31, that curve is downtrending. So when I do the math, I am expecting to produce down there using the forward curve for the call. That's what I need to use for the accounting adjustment. That is downtrend. So it's lower than the amount we have today. So I need to account for it. And that happens every month, and those amounts are insignificant. This year, as we had a hike and then a plummet in prices, that was a different thing.

In the third quarter, we had effective revenue for that. It was cash revenue. Now we're talking about an accounting adjustment. And then we'll check whether or not the price sustains that. So that's the explanation. I hope I have helped. But our IR team is available to provide a more detailed explanation. Maybe a spreadsheet would help you understand it better.

Marilia over to you.

**A - Marilia Nogueira** {BIO 22039088 <GO>}

Now a question from an individual investor.

EDP ranked first in 2021, which shows an excellent level in excellence. Then two questions. What has EDP done differently to reach that management level in ESG, and how to move forward to reach the top of that?

**A - Joao Marques da Cruz** {BIO 1935297 <GO>}

Okay. Thank you for the question. What we did, that was different. I'd say two things. We had targets, we had clear quantitative targets. Number two, we had action plans in place to reach those targets. And as in one of the previous slides I show, we had targets across several components and we met our targets at a better result. We outnumbered the targets. It's nice, as I said, to talk about ESG. But that's not enough. You need to walk the talk. You need to have action plans to meet those targets. What are we going to do to remain on top? We are always going to be bold, ambitious on that respect.

Yesterday, we had a Board meeting that defined a set of sustainability targets. But I'll give it over to Fernanda Pires, our ESG officer. Please, Fernanda, over to you.

### **A - Fernanda Pires {BIO 1787786 <GO>}**

Thank you for the question. As you mentioned, Joao, this is a journey. ESG is a journey, and it starts with a cultural change that we started back in 2014, 2015. The company has started at the ESG pillars from a more holistic point of view, and that translates into objectives targets. As Joao mentioned, it's also present in the presentation and in the way we act.

Since 2026, we've had ESG targets and we linked to our -- to the bonus of our executives, and we have a prepared basis. So the actions are consequence of having clear investment targets that can be translated into a very engaged team. High engagement is also typical of this company and a key part of this journey. There is no overnight results. A lot of work, a lot of hard work before we can reap the results. And with that, we've had very consistent results. We'll continue to do that. We've been on this journey for some time. And of course, that helps us increase our performance, and then we are able to meet our business plan.

### **A - Marilia Nogueira {BIO 22039088 <GO>}**

Okay. Thank you. The last question now. We are already past our time. John Pedro Gomez [ph], individual investor as well.

I'd like to know a bit more about EDP Goias. When does EDP start to work in the state? Will there be a tariff readjustment by IPCA or IGPM?

### **A - Joao Marques da Cruz {BIO 1935297 <GO>}**

When are we going to start? We have already started. We started on February 7. On February 7, the company is ours. All our associates have an EDP T-shirt on. They are already complying with EDP procedures. We have a plan for the first 100 days, which is on-track. All the assumptions that we took into account, that's possible of being reinforced or improved. They're being met. We are actually overcoming those targets in terms of people management.

We will spend less in the normal volunteer programs than we had expected. So the news from Goias are good news and the company is ours as of February 7, and it's already generating. The index number being used is the IPCA, according to the rule. There is a tariff review to be happening every five years. The next one will happen in 2023.

Okay. Marilia, I think no more questions then. We have 200 participants with us. That number was higher, because we've gotten a bit delayed now. Thank you all so much for being here with us today. Thank you for your trust in our business, in our share, in our company. Our whole team remains available, especially IR team led by Marilia. Thank you, everyone, thank you very much. Have a nice day.

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## A - Marilia Nogueira {BIO 22039088 <GO>}

Thank you. Thank you, all. This wraps up our results webinar for 2021. Have a nice day everyone.

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