ENGIE BRASIL ENERGIA S.A.
SCRIPT OF THE VIDEOCONFERENCE FOR THE RESULTS
OF THE SECOND QUARTER 2022
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RAFAEL BÓSIO: Hi, good morning! We are beginning the videoconference on the second quarter results 2022 of ENGIE Brasil Energia. I am Rafael Bósio, the Company's Investor Relations Manager. I would like to inform you that those currently connected are in listening mode and later, when we open the questions and answers session, participants may send their questions to the chat platform. It should be remembered that this videoconference is being recorded. We have also made available in our website www.engie.com.br/investidores both the presentation which will be used here as well as the results release and the ITR wherein are published details of the quarter's financial statements as well as the operating results and progress with the implementation of new projects, among other factors. Before proceeding further, I would like to point out that eventual statements which may be made during this video conference with respect to the outlook for the Company's businesses should be treated as forecasts, contingent on the economic scenario for the country, the performance and regulations of the electric sector as well as other variables, and, therefore subject to change.

With me today are **Eduardo Sattamini,** Chief Executive and Investor Relations Officer and **Marcelo Malta**, Chief Financial Officer, who will also comment on the performance of ENGIE Brasil Energia in the second quarter 2022. We would remind you that journalists wishing to ask questions should do so via e-mail, sending their questions to the Company's Press Relations office.

Now I would like to hand over to **Eduardo Sattamini** to begin the presentation**.** Sattamini, please you may go ahead.

EDUARDO SATTAMINI: Hi, good morning to all. Thank you, Rafael, it's a pleasure to be here once more with you to present the results of ENGIE Brasil Energia. And we are going directly to slide 5, already here on the screen. Our model of presentation has been very nimble, agile going straight to the point as to the key elements on the slides, leaving plenty of time for the questions and answers session which is where we really focus on the major issues and as Rafael has said, the data here is available from our presentations published in our website.

So we begin with financial highlights, our adjusted EBITDA growing 23.8% comparing quarters and 15.4% comparing semesters for the consecutive years. This basically shows that our growth strategy and the Company's releveraging in these past few years has been producing results. And the investments that are being made are beginning to register in terms of energy volume and in the capacity to generate revenue as well. And in the case of net income, this also reports significant growth of 20.4% quarter x quarter, 20.3% semester x semester. But on the other hand, suffering a major impact from the acceleration in inflation. As you know, our result is impacted since we have debt earmarked and indexed to inflationary indices, more especially the IPCA, which also happens to inflate our revenues. But the moment we experience an inflationary spiral, first out, it is financial expenses that are pushed upwards while only over time is the value, the price of our agreements readjusted. So, we can see this mismatch which is always triggered in an environment of higher inflation.

The drivers of this result come 6.9% relative to the increase in the average net sales price. Why is it not relative to inflation? Inflation in this period of 12 months must have been (the IPCA) of the order of nearly 12%. It is because we have a good part of our volume also being settled still at the spot price, this driven by improved hydrology. We have a hedge, an energy reserve which we end up holding back in the light of the asymmetric nature of the risk in the short-term market and with this, our net average selling price was not significantly higher and tracking inflation. But this factor was offset by volume. Sales volume we increased here by 321 average megawatts - 7.9% up in volume terms. And with this, we generated these R$ 279 million more on the back of price and volume.

We also had a contribution from the transmission segment with a RAP of R$ 92 million posted in the quarter. We are going to talk a little more about these projects which generated the increase - Gralha Azul and Novo Estado – later on. And the CCEE result as we mentioned, is positive in relation to the previous quarter, basically reflecting the better hydrology experienced in 2022 compared with 2021.

With respect to the negative factors in the result, R$ 215 million reflects an increase in energy purchasing basically arising from the transaction executed at the time of the sale of Jorge Lacerda, committing through 2025 to purchase energy from the complex. And by then we shall see the total decarbonization of our energy portfolio as well. We are going to talk a little more about the disposal of Pampa later. However, it is going relatively well, talking continues with the interested parties and we hope that in the next semester, this semester, we can deliver some good news for you on the total decarbonization of our assets. We have already

had cause to mention the financial result, mainly affected by monetary restatement and by interest.

So, let's move on to the non-financial highlights. As part of our growth strategy, we made a successful bid for Block 7 in the ANEEL 01/2022 transmission auction, this block related to our Itacaiúnas substation, part of the Novo Estado Project, and we shall talk a little more about this later on, but suffice is to say that we managed to reconcile the discount and timeframe in such a way as to obtain a good return and succeeded in being very competitive. The auction as a whole was very competitive, and we are still seeing some players adopting a level of aggressiveness that defies financial rationality. But with this block, we are very comfortable. It is a small block where we are going to be successful and implement it profitably and sustainably.

We completed the acquisition of the Serra do Assuruá Wind Complex with an 880-megawatt capacity, paying R$ 265 million for the acquisition of the project. The expectation is that we shall be making investments of the order of R$ 6 billion so that this wind complex can be installed and go into operation by the end of 2023, start of 2024. Sorry, I mean, 2024, in the year 2024. So, this is an important factor here, a key highlight, because it also guarantees our growth. We have been showing growth over the last few years. You are also going to see the level of investment remaining at about R$ 4 billion annually - Malta will be talking about the financial highlights later on – and this has driven growth in our EBITDA, growing in the order of nearly 120% since 2016.

Well, we have also had highlights both positive and negative. We had to book an additional impairment on the disposal of Pampa, this the result of discussions and the allocation of risk of the asset. But this is being absorbed in the result. And it is not a recurring element. And we also have a forecast for an additional R$ 300 million of investment, signing an agreement for the implementation through TAG, proportional to our stake in TAG, with Centrais Elétricas de Sergipe, CELSE, to build the connection from CELSE's terminal and the thermoelectric generation plant to our gas transportation network up there in the Northeast. This is an important element since it is critical that all the agents in the gas market are connected to the transportation network so that we can have an efficient market and optimize the segment's resources. We are very satisfied to announce this investment which also brings an additional return for TAG.

We were also recipients of an award from *Exame* magazine, being considered the best company in ESG in 2022, an accolade of which we are very proud, a recognition promoted

by *Exame* itself and by Ibmec business school.

The last item on this slide relates to ENGIE's largest plant, the Itá Hydropower Plant, now operated remotely from the operations center here in Floripa. With this, we are up to 60 plants operating remotely and corresponding to 71.6% of the Company's total generation. Just as a reminder, some of the plants are not operated out of Floripa because they are old installations, with their controls analogical and therefore needing to switch to digital for remote operations. However, a significant investment is required prior to transferring the operation here. At some assets this decision to control remotely is not economic since I have significant savings in human resources at older plants which are manned during normal business hours only as opposed to 24 x 7 here at head office. In the case of some assets, the necessary investment for transforming the plant into a totally digitalized one, remotely controlled, is superior to the eventual cost savings. So, we are taking these decisions based on the economics of each investment.

Let's pass on to ESG indicators. We continue growing in the percentage of installed capacity fired from renewables and very shortly we shall have 100% of our capacity powered from these resources. As to the intensity of emissions, this is a proxy for what we shall see following the disposal of Pampa. This quarter, Pampa shut down for necessary repairs to the boiler and we ended up extending the shutdown further in the light of the very low PLD, so low in fact, that there was no justification for operating: the PLD was lower than the variable cost of running the plant. So, this here clearly shows what is going to happen with our emissions intensity and total emissions following the disposal of Pampa. That is to say with the company totally renewables-based, we are going to largely register emissions under scope three only. With water input and consumption as well, Pampa is one of the principal consumers of water needed for steam to drive thermoelectric generation. This also shows how there is going to be a notable reduction post Pampa sale.

We have lifted the percentage of women in our labor force, and this is a drive that we are going to continue. We have some specific programs for women operators, engineering interns. Because this is an area where we feel the greatest deficiency. There are very few women choosing this technical profession, technical professions. This is where we have to encourage and create the conditions so that we can attract these women to our workforce and look to achieve a more balanced workforce in terms of gender.

And in relation to social investments, social responsibility, our aim is always to achieve 100% use of available incentivized resources. Obviously in so doing, we also depend on other

resources to reinforce social responsibility transactions associated with projects, etc. But in relation to the participation of incentivized resources, we always try to have 100% of the incentivized resources applied in good projects through our Sustainability Committee.

Commercialization. Very well… under the commercialization heading, the principal point here is that we already consider the Serra do Assuruá Project as part of our portfolio and with this we shall have a little more energy available from 2025 onwards. I remind you here that the part we have available in 2022, 2023, 2024, this tends to cover our hydrological hedge. So, we need to have some uncontracted energy to absorb the effects of eventual droughts, those unfavorable hydrological phenomena. As I have already mentioned, since there is an asymmetry when this happens, we lose energy, and we have to repurchase it at a very high cost. Hence the company's decision to hedge through the use of the energy reserve. As from 2025 or 2026, we begin to have a little more energy. And the good news is that we have successfully managed to sell energy more recently in good amounts and at reasonable prices. We have been detecting an increase in prices principally driven by the fact that the marginal cost of expansion has risen. When we look at the situation today, the cost driver is wind due to the increase in the cost of copper, steel, cement, and local inflation, and we have been feeling the pressure of costs. This has also had an impact on prices in the future market.

On the right-hand side, we show a little of the sales risk. We endeavor always to diversify across various segments, never allowing any one segment to exceed 15% of the total. When we talk of steel making, it is a really monolithic segment while foodstuffs would be very diversified across various types of industry. And the other industries also showing a much lower percentage. The modus operandi for capturing clients always focuses on the medium to long-term. We are always contracting a little, maintaining the resilience of our activity, the consistence of our commercial activity and the resilience of our results.

Now moving on to talk a little about consumers, we had been growing strongly in consumer numbers up to 2020. However, with the onset of the pandemic, we decided on a 'flight to quality' on the one hand and on the other, in 2021, we had very adverse hydrology making us a little more conservative in terms of our sales volume. And we have maintained client numbers at the same level between the semesters of 2021 and 2022. On the right-hand side here, we have the principal commercial indicators.

Expansion, we are in the process of implementing the Santo Agostinho Wind Complex with an installed capacity of 434 megawatts and operational startup set for the end of this year.

There are a total of 70 wind generators with 100% of the tower foundations concreted and the physical work on the substation 63% concluded. We expect to begin the assembling of the equipment soon.

Gralha Azul. I think this will be the last quarter that Gralha Azul appears on this slide. The project is already generating 94% of effective RAP leaving just 6% remaining and dependent on the entry into operations of some of the distributor's lines connecting up to the final Irati substation. If this occurs by 2023, by March 2023, this 6% will go into operation. Otherwise, 2023 is the absolute limit for the entry of the distributor so in any case we begin to receive the full RAP from that date on. However, the project is totally finished, built and only depending on this last part for the account of the distributor.

Novo Estado. In terms of physical progress, the work is well advanced also at 93.4% and we are already receiving 49% of the RAP. We are now working with three contractors on the Xingu - Serra Pelada section, our schedule forecasting entry into operation of this section, which is integral to the whole project, so that when completed, ramping up our RAP to 100%. We have increased the number of contractors on this project in order to accelerate implementation. We are forecasting that by the end of this year we shall have this second part already operating commercially.

Block 7 is a block recently acquired at the last transmission auction. We have talked a little about it already. It is for connecting the Itacaiúnas substation. And it has ANEEL authorized CAPEX of R$ 110 million with a 30-year concession term. Our idea is to reduce the forecasted term for startup by 24 months and cut the CAPEX by 30%.

Jirau, we always show Jirau. Jirau right now has a highly stabilized operation. It has a low energy output, but this implies absolutely nothing economically. This is rather the reflection of poor hydrology in the North at the beginning of the year, but it now has a really good availability, 99.1% of FID (the National Grid's Availability Factor). We show Jirau because at some stage – and we always say this - it is the idea of our controlling company that this asset should be transferred to the assets of ENGIE Brasil Energia and that we should start operating this major Group unit.

We have spoken of projects in development so here is something important to highlight: we have been growing our pipeline, and we have been observing opportunities to generate future growth. And for this reason also we have taken the decision in this quarter, in this half year, I'm sorry, to retain dividends a little as part of our conservative stance, in case of need;

for instance, we are already having to take a decision on investments in Serra do Assuruá, with an installed capacity of 880 MW. And it could be that we shall be able to implement some of the other projects in the near future. So, we are adopting a conservative posture in distribution, not that this might not still change before the year is out should we prove unsuccessful in any of the projects, the Company reverting to distributing a 100% payout. But the decision today is a conservative one to guarantee our cash flow for investment and growth which I think is also very important at the moment.

And with that I pass the floor to Malta on financial performance, please.

MARCELO MALTA: Thanks, Sattamini. Good morning to all. I am going to talk a little about financial performance during the quarter. This slide shows consistent returns down the years and is an indication of our financial discipline and efficient allocation of capital. In the chart on the right-hand side, we show financial performance over the last six years. Significant investments have been made in the period, notably in renewables. We acquired a stake in TAG, made our debut in the transmission segment with 2,800 kilometers of line. Our EBITDA reported significant and sustainable growth. And we paid out dividends also in significant amounts, many years with as 100% payout.

This slide shows the trend in net operating revenue. Part of this evolution has already been commented on by Sattamini. We reported a significant increase in sales volume and an elevation in the average selling price as well. There was a reduction in the trading operation of R$ 134 million in the quarter although on the other hand we had a reduction in costs of R$ 133 million and thus a margin of R$ 1 million. Again, in the transmission segment, we had here a reduction in CAPEX between quarters. I think these are the principal factors underlying our net operating revenue.

This slide shows our participation in the results from TAG, which has demonstrated very consistent results. They closed the quarter with a profit of R$ 492 million, representing an additional R$ 160 million to our EBITDA, equivalent to our shareholding stake in TAG.

This next slide shows the evolution in our EBITDA and excludes the non-recurring effects of the second quarter 2021. We have constituted an impairment for the Jorge Lacerda assets and now as mentioned by Sattamini, we have registered an impairment of R$ 180 million. And here we introduce a change to the way we present EBITDA, which is to exclude the economic effects of the transmission assets. So, in the quarter last year, we reported R$ 159 million and in this quarter R$ 177 million. Just by way of a reminder: these economic impacts

are relative to the remuneration of the financial assets of construction. On the other hand, we show here the RAP captured in the quarter of R$ 92 million. Again, as already mentioned by Sattamini, we recorded an increase in price and volume of sales as well as an increase in purchasing for the portfolio, the purchases in large part relating to Diamante, the holding company for the Jorge Lacerda assets.

In relation to the evolution in net income, the principal impact was the increase in our EBITDA. As already commented by Sattamini, there was an increase in our financial result due to inflation and interest as well as the borrowings at Floresta and Paracatu, which entered our liabilities for account of the acquisition of these assets.

This slide shows our evolution in debt. In the quarter, we closed with a net debt/EBITDA ratio of 2.1 times and gross debt/EBITDA of 2.8 times. This is indicative of an adequate capital to support our growth strategy.

Very well, this slide shows our debt amortization profile which is very well balanced. It also is indicative of a competitive cost for our debt, today at a nominal cost of 15% annually and equivalent to a 3.5% effective interest rate. And to conclude, we also show the composition of the indexers of our debt indicating them as very defensive. We have 73% of our debt indexed to the IPCA and hedged by our sales agreements also in IPCA. Duration currently is about 7.4 years and also very adequate.

This slide shows our investments over the past few years, these investments with an adequate return and supported by strong cash generation together with estimates and funding strategy also adequate.

This slide describes our track record for dividend distribution and as mentioned in many years with a 100% payout. For this quarter, as already mentioned by Sattamini, we shall distribute 55% of our profit.

Good, with this I conclude this presentation of our financial performance and open now the questions and answers session for you.

BEGINNING OF THE QUESTIONS AND ANSWERS SESSION

RAFAEL BÓSIO: Hi, Sattamini, Malta, thanks for the presentation. We have here some questions which I will try to consolidate since some of them are repeated… we have here about five questions. Beginning with a question from Renan Ulrich, our investor there from the Infinity Investment Club. He asks what is the base scenario in relation to the transfer of Jirau. Are there still prospects for the transfer to ENGIE Brasil Energia? And what needs to happen so that the acquisition can be concluded?

EDUARDO SATTAMINI: Good and thanks for the question, Renan. Yes, there are expectations, so much so that we continue to include the asset in our presentation - quarter after quarter it features. But the controlling company adopts the position that it is only going to make the transfer when the project is in financial equilibrium. Now, as from July 2022, Jirau will see a reduction in TUST, sorry I meant 2023, it is estimated that there will be a reduction in TUST. The TUST is frozen over a ten-year period and after that it varies in amount. And there is going to be a significant reduction of the order of 30% in the TUST, an expenditure of about R$ 1.1 billion annually. So, we are talking about an additional injection of cash for the company, for Jirau, for Energia Sustentável in Brazil of the order of R$ 330 million. So, this should bring the company's operation into financial equilibrium and then I think it may be the moment for the controlling company to request an evaluation from the Related Parties Committee. And the evaluation will be a fair one with the participation of advisors and a decision taken by representatives of the minority shareholders on the Board. So yes, we should have movement there in 2023 and very probably a start on studies for transferring the company, always the idea from the outset, but due to the difficulties experienced by such large scale structural projects as a whole, suffering from delays, cost overruns, additional CAPEX costs, all of this together with the GSF and the hydrology crisis from 2012 to the present, causing concern at the controlling company not wishing to pass the problem on to us. However, this problem being resolved, yes, we can begin to evaluate the transfer on a very professional, competent, and impartial basis.

RAFAEL BÓSIO: Thanks, Sattamini. The next question comes from Arlindo Souza, sell side at Traders Club. "Good morning and congratulations on the deliveries. Currently, the Company has comfortable levels of debt. Do you have a target for the capital structure, especially for financing the expansion projects as for example, Assuruá?"

EDUARDO SATTAMINI: Good, yes, all the projects carry our basic assumptions on leverage and the leverage of the project today is of the order of between 70% and 80%, the structure

being between 70% and 80% of financing and 20% and 30% of equity. This is normally our leverage for the projects. And our global leverage for the Company always aims to be between two and a half and three times net debt/EBITDA, in such a way that we maintain our competitiveness in the capital markets with good liquidity and an AAA rating – which we consider to be a competitive advantage when we are bidding for projects, having a lower cost of capital, a lower cost of debt.

RAFAEL BÓSIO: Thanks, Sattamini. The next question comes from Marcelo Sá, sell side analyst at Itaú BBA. You have indicated CAPEX of R$ 6 billion for 880 MW in Assuruá, and he calculates here R$ 6.8 million per installed megawatt for this project, which he has deemed very high CAPEX but in line with what he has heard in the market. What level of energy price would be necessary to ensure the viability of this complex and what is the capacity factor envisaged? And he has one more question here, what would be the strategy, the commercialization strategy for this energy. And if we are going to raise 70% of the volume before the construction or not. So, let's begin and then I will complement this question, Sattamini, to maintain a logical order. He is asking about capacity factor and price level expected to ensure viability.

EDUARDO SATTAMINI: I don't have the capacity factor in my head, but it is about,- after we can give it to you Marcelo, we can check it out and inform the market later but it is of the order of 40...

RAFAEL BÓSIO: 45%, 46%, just done a sum here to help you.

EDUARDO SATTAMINI: That's it. And I am going to say something more, really the CAPEX per installed megawatt is higher than we were imagining. As I said in the beginning of the presentation, it is rising, and this will require - obviously depending on the rate of return expected by the investor, the degree of leverage, level of risk, etc., - prices of more than R$ 200, R$ 210 per megawatt/hour. This will not be so difficult to extract here. This is what we understand to be the marginal cost today for installing a new wind project. And this should drive prices up to this level in the medium term. In the short term, you could see imbalances from time to time in supply and demand, the price could decline a tad, you could have a stock of older projects which some players sell off in a competitive environment for a slightly lower price - although this situation is likely to be short lived. And the prices of wind energy will come to be prices that are going to determine the price of energy in the future. Remembering that wind, solar, biomass and small hydro power plants will lose the wire discount as from 2026. So, from 2027, when all these projects going into operation in 2026,

are contracted, there will no longer be energy which enjoys the wire discount. So, this will mean the marginal price of expansion will be the market price as a rule, not only for incentivized energy but also conventional energy as well.

So, it is like this: we understand that there are factors in the middle, perhaps over the short term, influencing price. For instance, good hydrology: this year hydrology was spectacular in relation to what we saw over the past ten years. Just to give you an idea, in the last ten years, today we can register a further critical period. The initial critical period was from 1949 to 1956 but has now been superseded by the critical period from 2012 to 2020 and then including the hydrology for 2021 as well, the latter year going down as the worst in the series and making up the new critical period. In the other words, we experienced a very bad period of hydrology. On the contrary, this year is proving a very good one, so prices are being influenced by the expectation of a return to a more favorable hydrology. So it is these elements which are influencing prices in the short term, although the tendency is always, always the market, so that prices, over the medium and long term, are determined by the marginal cost of expansion which is this amount, this here, of the order of R$ 210, depending on the return expected by the investor, a little less or a little more. I can also see here, Rafael, that he is asking about commercialization strategy for this energy, how to contract. This energy represents, Assuruá's energy, will represent for us about 7% of our total portfolio of PPA's. This energy will be incorporated into our portfolio and will be sold at the appropriate time. We have a strategy for contracting our energy over the long term and this energy entering the portfolio will be contracted at term.

We have, different from many players that need to sell and are sold because they have insufficient cash or are not financially attractive, we have a different characteristic, that is, we have a large energy portfolio, we have a large volume of clients, and we are able to meet the needs of these clients. So, we do not need to rush and sell at the low prices of the moment influenced by good hydrology. There will be more appropriate moments for selling this energy in the near future.

RAFAEL BÓSIO: Thank you Sattamini, thanks for the considerations. The next two questions are related to the announced payout, and I believe you have already commented in this respect. Basically, questioning if it has been decided whether this payout of 55% for the first semester is the payout for the whole year. I think this has already been commented on, has it not, Sattamini, but would you like to make some comments?

EDUARDO SATTAMINI: No, it's like this. Conservatively, we preferred to distribute 55% so that we do not need at some point in time, to sharply ramp up leverage when interest rates are high due to inflation. Combatting inflation is going to need real interest rates and this has already happened, very high real rates of interest. So, if I need to make an investment, I prefer not to accept a high rate of interest for a very long period. So, this is the idea. We are growing and do not want the exposure to high rates of interest. But we could come to the end of the year and the situation could be different and could reverse payout to 100% again. If you look at our track record over the past ten to fifteen years, there were two or three occasions when the payout was 55%. Now, remembering as I get close to my level of optimum indebtedness, for this to occur I have to measure the volume of investment and dividend distribution so that we can maintain growth and grow. So that is what we have to keep an eye on. We have to continue growing. If we are going to grow, important is that we are growing, not growing percentage wise but growing the volume of profits we distribute. This is important. From 2016 to the present, we increased our debt, and what happens is that we increase our EBITDA much more. So, what happens? The cake grows. It could be that the percentage decreases, but the cake is growing. This what is important and what we should have in mind.

RAFAEL BÓSIO: Ok, Sattamini, thank you. A further question from Renan. Now looking longer term, more than five years, he asks the question with relation to the scenario of self-production, which is getting bigger and bigger, especially on the part of companies that today must be clients of ENGIE Brasil Energia. Renan wants to know if this is a concern in any way, if it could have an impact on price and what would be the company's strategy for it not to suffer any impact.

EDUARDO SATTAMINI: We were very resistant to embarking on this scheme of self-production for a simple reason: the asymmetry between the benefit and investment on the part of the consumer. Our thinking was that the result would be that other free market consumers could end up paying the cost. But since we saw the market trending in this direction, today we are also offering this self-production product to our clients. They enter as corporate partners with us in projects. We already have some discussions in progress. So, is this going to impact our business? No. We are just adopting our commercial posture for attending this requirement as well. I think this is going to have a lesser impact with the advent of 414, the new regulation under discussion in Congress in which there is going to be limitations for the self-producer. So, the self-producer becomes a good client only for large volumes and not just anyone that enters into the business of self-production. So, we understand that it is possible for us to participate yes, this is now part of our commercial

offering, but perhaps at some point in time the acceleration in this market is going to slow down.

RAFAEL BÓSIO: Sattamini, thanks once again. Now a question relating to sustainability from Flávio Ferraz, our investor. He asks if the investment in TAG does not conflict with the company's decarbonization policy, Sattamini.

EDUARDO SATTAMINI: Look, we think not. Gas is a fuel that is the fuel of the energy transition. In other words, we need to replace a series of other fossil fuels which have a much greater greenhouse gas impact. And I think gas goes in this direction. Many plants still use fuel oil for energy generation, many industries have fuel oil or other fuels which are more polluting. And remembering that there is no way round it: you cannot manage achieve a totally renewable matrix based on solar, wind and hydropower because these resources are derived from nature and are uncertain. You need some degree of energy volume from reliable thermoelectric sources so that you can have a renewable system with a balanced system of supply. So, we understand that this is the way to go. Another factor is that we expect there to be a "greenification" of gas overtime through biogas, through the introduction of a larger hydrogen component in the composition of the gas. And this in some ways will also go towards the decarbonization of our clients as well.

RAFAEL BÓSIO: Thanks. The next question comes from Guilherme, sell side analyst at Santander. He asks if we could comment on how the company has managed to achieve an average selling price over the medium term above inflation. I do not believe it goes this far, right Sattamini? And how this relates to the talk of overcapacity forcing prices lower.

EDUARDO SATTAMINI: No, in fact, we have increased the price but not above inflation. When we look at the price of contracting, we look at the quarter and for this quarter the price is a little lower than inflation, Rafael. And it is this, the impact of the pressure on prices in fact is not even a question of oversupply, rather it reflects many players bringing projects in order to capture the wire benefit before the timeframe for eligibility to the discount comes to an end. As a result, we have seen a very aggressive posture on the part of certain players feeding through to market prices and the latter being forced lower. But once this moment passes, we believe that there is nothing to stop prices returning to levels which are compatible with the cost of installing new generation capacity. It is for this reason that I suggested a marginal price of expansion a little higher than what we have seen in the market in the recent past.

RAFAEL BÓSIO: Thanks, Sattamini. The next question comes from Bruno Ferreira, our investor. With respect to the two main assets in transmission, will the effects of the RAP on the cash position be felt in full as from the fourth quarter 2022 or a little later he asks.

EDUARDO SATTAMINI: We will begin to receive the full 100% of the RAPs as from March 2023. I would remind you that there is still 6% of Gralha Azul to be received. And you can only count on a period, a complete cycle of invoiced RAPs for the full amount by March 2024. In other words, the 12 months between March 2023 and March 2024, will incorporate the full value of these two projects. Do you want to add anything, Rafael?

RAFAEL BÓSIO: No, it is exactly that, Sattamini, as from March we should reach, should, no, will reach the 100% of the RAP of Gralha Azul. For Novo Estado, the forecast is the end of this year, or the beginning of next year, at the most by March that the project should already be in operation. So, in 2024 we will have the first full year of contribution to the results.

Moving onto the next question, this time from Gustavo Faria of Bank of America. He asks us if we could comment on the recent auction of CEEE Geração, Sattamini, and if we went as far as analyzing the asset. And why we decided not to take part?

EDUARDO SATTAMINI: Good, we decided not to participate because we thought there were a large number of minority stakes involved although you do have there, some three or four plants making up almost the totality of the operation. You had Eletrosul's participations as well as some complications of a corporate nature, in view of which we thought it not to be in our best interests to go in there. So, it was basically that. Now, it is not to say that we do not want to invest in new hydropower capacity. However, there is also the factor in which we understand that an investment in solar and wind will bring with it a diversification of our portfolio which is still dominated by hydro and this brings benefits for portfolio management with it. But it is not because it is hydraulic as such. There are other reasons: there is also the aspect of preferring to invest in wind and solar because of the complementary nature that we introduce into our portfolio dominated by hydroelectric generation.

RAFAEL BÓSIO: Thank you Sattamini. We have a question which links in nicely to this theme, from Tiago, our investor, where he asks us if we are interested and intend to invest in hydropower or just wind and solar. I think you have already anticipated the reply somewhat.

EDUARDO SATTAMINI: Yes already. Already, I think.

RAFAEL BÓSIO: Let's move on to the next question, this one from José Renan, our personal investor. He asks what the perspectives and planning in relation to the transmission sector are. If there is any guidance and/or perspective of increasing the percentage of transmission in the company's topline.

EDUARDO SATTAMINI: Yes, we are interested in increasing our business. However, this increase will have to come, as we know, through greenfield transmission projects and the intermediary of auctions. There is no other way other than concessions since the alternate brown field projects would involve M&A and very competitive. Very probably, we will follow the path of examining new projects, new concessions with new constructions. Because we believe we have expertise in construction, the know-how in the construction market for very robust infrastructural assets and we have a very strong team. And it is here that we can add the greatest value. So, we should continue to participate in the auctions and seek ways of being competitive and profitable. There is no point in being competitive without being profitable because I will be unable to give the investor the return he would like.

RAFAEL BÓSIO: Thanks, Sattamini. The next question comes from Márcio Prado of Vinland. He asks if we could comment on the updated expected return from the generation and transmission projects. We give no guidance, but Sattamini, this is for you. And he goes on to ask also if the CAPEX for the projects under construction remained unchanged, or in other words...

EDUARDO SATTAMINI: No, let's look at this one. We can reply to this one sort of joking, sort of "Sambarilove" (by pulling the wool over the eyes) here with Marcio. We can reply a little but not clarify everything. Good to see Márcio back here again, Márcio is our comrade in arms of many years. Márcio, yes, we had some problems with CAPEX, principally when these projects were developed during the pandemic, and we had some difficulties with work stoppages and the like. Thank goodness today Covid no longer represents such a big risk, thanks to vaccination and our understanding of the illness. But yes, we had some problems with CAPEX. But conversely, the macroeconomics, the macroeconomics also benefited these projects substantially. So, I would say that these projects we have today in infrastructure and transmission and generation, despite these increases in CAPEX, have retained their levels of profitability and have even exceeded the expectations we had for them when we approved the investments.

RAFAEL BÓSIO: Perfect. A question now from Henrique Peretti at JP Morgan. He asks Sattamini whether the Company is considering staying long in the spot market in new

projects as for example, Serra do Assuruá, given the change in the calculation of PLD?

EDUARDO SATTAMINI: Rafael, say it again, the sound cut out here for me, sorry. Does the Company consider staying long in the market… is that it?

RAFAEL BÓSIO: In the spot market, considering the change in methodology for the PLD next year and thereafter.

EDUARDO SATTAMINI: As a matter of fact, the PLD methodology is an important factor since it increases the component of risk, and this tends to increase the PLD. This is important but it is not the reason that we plan to stay long. In fact, with Assuruá, we are bringing energy to our portfolio and this energy is going to be sold in the portfolio, as part of our strategy, remember. That is, having a percentage of uncontracted energy for future years. And to keep feeding this volume of contracts and recontracting which we have with our clients. This is our strategy, it is a strategy of inventory, the warehousing, as we call it, of this energy. We do not start selling energy before we guarantee flow, if only because as I have been saying, the prices offered in the market at present do not justify the investment.
So, our understand is that prices are going to trend higher and are going to influence our inventory. Recalling that this inventory is destined to clients that are migrating. And these guys are not, or rather we are unable through them to have the necessary backing, unlike a major project, because they are small, but they are clients that over the next few years are going to be migrating from the captive market with small quantities. There will be thousands of clients willing to pay a higher tariff for migrating. These small clients are today, at a very high level of tariff and, clearly, they are tapping the free market in search of a better level of price, these small clients. So, we are going to work hard commercially to fill this space with small grains over the next few years and it is for this reason as well that we are investing strongly in the digitalization of our commercial effort.

RAFAEL BÓSIO: Ok Sattamini. We are coming up to our allotted time and I am going to pose the final question and when we return to the office, I have two more questions pending in relation to Jirau and we will be contacting the people involved. So, to the final question from Emerson Pereira, a personal investor of ours, in relation to the privatization of Eletrobras as to whether there will be significant changes in the generation and transmission market that might have an impact on ENGIE? Sattamini, your comments please.

EDUARDO SATTAMINI: I would say so – that yes, we will see an impact. But I think perhaps effecting a part of the market which you have not mentioned which is commercialization.

But in generation and transmission, Eletrobras is going to be a competitor like any other. The question is that in privatizing Eletrobras, you give it the flexibility to assemble its own commercial force for offering the market. Today, what is happening? The companies in the former Eletrobras Group, state-owned, they were obliged, they had very limited commercialization flexibility, they had to go to auctions to sell this energy and this energy ended up being sold to traders that depressed prices downwards in their purchases from Eletrobras, offering price plus margin to the clients, resulting in bad competition, because it was based on a very low price base and with a very low margin for commercialization on top. The moment this energy is sold by Eletrobras, obviously Eletrobras like any player, is going to be competitive but is going to try and capture the consumer surplus, which is what we, all of us, are looking for, selling at the lowest price possible within the available market. So, I think a more competitive posture more appropriate to Eletrobras' energy volume is going to be healthy for the market.

RAFAEL BÓSIO: Sattamini, thanks. We would like to thank everyone for the excellent questions, a good chat today and I give the floor again to Sattamini and to Malta for their final considerations.

EDUARDO SATTAMINI: Ok, once more everyone, many thanks for the participation and the good questions. The pandemic has forced upon us exclusively virtual meetings which I think are very efficient because we end up saving time with this but on the other hand, I miss being personally with you all to revisit friends and to discuss. But let's see if we can find an opportunity for this in the near future so that life can be more than just virtual, right Bósio? We also need to be with people and to feel the human warmth of this relationship we have always had.

RAFAEL BÓSIO: Ok, thanks and until the next results call or any other event in which we are participating.

EDUARDO SATTAMINI: Thanks very much everyone and until the next time.