

## Q4 2013 Earnings Call

### Company Participants

- Armando Casado de Araujo, CFO

### Other Participants

- Felipe Real, Analyst
- Unidentified Participant, Analyst

### Presentation

#### Operator

(Interpreted). Ladies and gentlemen, good afternoon in London, thank you so much for waiting. And welcome to the phone conference of Eletrobras for disclosing the results concerning the Fourth Quarter of 2013. We are hereby informing that all participants are going to only be hearing to the phone conference during the presentation. Subsequently we will have a Q&A session. And at this point more instructions will be giving. I want to remind you that this presentation is available in a PowerPoint file on the website, slash investor relation on the Eletrobras website.

We also want to clarify that any statement may eventually be made during the phone conference regarding the business perspective of the Company, projections, operational goals, financial goals are based on premises of Eletrobras board of directors, as well as information currently available to the Company. Future considerations and forward-looking are not performance guarantees, they involve risks and uncertainties and therefore, they depending circumstances that may or may not occur.

Investors should understand that the general economic conditions and other operational factors can affect the results stated in this financial statement in the forward-looking section. Now I pass the floor to Mr. Armando Casado de Araujo; the financial director and Director of investor relationship. Here is Mr. Armando, you have the floor.

#### **Armando Casado de Araujo** {BIO 16673880 <GO>}

Okay. Good afternoon, everyone. As you all know well, we are going to disclosure for results of 2013. And as you have previously the opportunity to analyze. I'm going to make a few comments on the main factors that had affected our results and shortly after as usual; I'm going to move on to the Q&A session. Well in 2013 we had net loss of 148million, which you can be found on page number three of our presentation.

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These results reflects the carrots and peas [ph] with renewed concessions and tenders [ph]. And it was definitely affected by federal law variables, among which we point out, 2 billion verde [ph] in our Company's partners, Eletrobras, Amazonas. And other companies, any (inaudible) authorized (inaudible) and Amazonas and other companies. We also had a forecast for 1.4 billion which provisions are mostly for four compulsory management loans and we also had the reversal of burden [ph] contracts.

Hired unwell of the concession [ph] as mandatory requirement. And each year the burden of these contracts are a fact. In financial assets [ph] the end-result of the Company is the 25 million, some of them were extended. And we have been working intensively along with the electric power agencies for obtaining the reversal of this amount, or at least part of this amount for being investments by the regulatory agencies and therefore we have high sufficiency of having receiving that back.

We had a 20% growth in comparison to 2012. And we have a 30% growth influenced by the Brazilian GBP [ph] and because of (inaudible) 2.2%. We also had a higher cost of electricity purchase for resell, which raised from 5.4 million in 2013, which means 13% in comparison with 2012. We also had a higher cost for provisional electrical power, in the amount of 1.4 million in 2013 which is 115% higher than in 2012.

And a large portion of that was the purchase (inaudible) license which entered the base for projection, half of the Jaipu [ph] 68 [ph] million and the net results of the exchange rate, was 539 million in comparison with 2012, 17 higher than 2012. We have a lower fiscal credit. And this provide for in our receivables from last year and according provisions we had made before, we are not going to make use of that in the future.

Our consolidated EBITDA was a negative, 3.6 million, affected by the variable that we described. We should observe that the sum of EBITDA in the generation of transmission subsidiaries is positive amounting to 1.3 million considering all the losses and setbacks that we had in the provision for the PBID [ph]. So the sum of the EBTIDA and distribution still is negative, in the amount of 1.22 million this year. And affects the growth as a whole. Our debt -- net cash, in our current situation in our net-debt shown in slide number 13, our net-debit is 2.3 million, our borrowing level is 32%.

And considering the RGA [ph] which is 2.3 million so both revenues and the in [ph] expenses, the group as a whole has a total (inaudible) assets. And our net debt [ph] when we look into the consolidated narrative [ph] it's 2.2 million. Well our gross revenue was of 33 billion, in comparison to 28 billion in 2013. And in all the revenues we have 1 billion Reais.

With trading the electrical power more than 1 billion. In regards to our adjusted EBIDTA, as you can see in the presentation is dropping to 3.6% in comparison to 67 [ph]. Reversal impairment and reversal of contracts, on contracts we did a review of most revisions. And so we had on the contracts in the amount of 5.1 billion and today we have 3.2 billion therefore, reducing the burden of contracts and adding in transmission causing the order of 500 million. And overall it was a 5.15 million in comparison to 3.2 million. (inaudible) we

have 357 in comparison to 267, the results by activity, generation and transmission companies, we have results of 22,662 million in comparison to 16,021 million in 2013.

So we have a total result of 3.114 positive. And in these losses, we had considered 1.1 billion which was the amounts that the distributors had in the basis of income tax and also in the specific case of two distributors; they still have a (inaudible) credit which is going to be registered in the next -- the adjustment which is due to the exposure they had.

Now looking at the results on the main components we can see that the equity structure we have (inaudible) in 2012, forwarding [ph] of fees also had an increase reaching 68 [ph] million, results from financing (inaudible) entry levels. (inaudible). Equity and contracts were from 9.7 to 13 in 2013. Net exchange rate variation of 4.3, until 2010 we had a lot of variation in the exchange rates, we have dividends that were stalled or impaired [ph] and now which is reflecting the difference of this condition on the correct results from 207 to 12 and 300 [ph].

And we had some negative results especially in the distributors. We went from 640 and now we can clearly see the depiction of fiscal credit that we have here in the sum of the components, amounting to the result of losses of 6.3 million. The total consolidated assets of the Company, 630 million [ph]. And we can see the main component, comprising these assets. The Company's capital structure is 80% common shares. And from these common shares -- 80%, we have 54.5% owned by government. 6.9% and 5.1% in 2013 held by government. And minority shareholders are 20.6%.

Divided among 6.5% residents and 14.1 non-residents and the BNDS, financing and development bank [ph] also holds shares. So from our total capital of our total shares we have 82% from a minority basis. And the remainder of that is from BNDS, BNDS partners, government funds. And all on this base of our shares, divided before and common shares. (inaudible) consolidated parts [ph] in the amount of 21 billion, (inaudible) RGR, we have here 13 million with the parent Company, 13.4. 8.4 in the RGR and we have net-debt of 2.2 billion negative.

We have receivables in the amount of 26.8 billion payables of 28 billion. We have receivables from financing in the amount of 5.9 and with this presentation, I'm now available for any questions you may have.

## Questions And Answers

### Operator

(Interpreted). Okay. So now we are going to start the Q&A session, for asking a question please hit asterisk 9 in your phone. If your question has already been answered, just press asterisk 9 again. Once again, I want to remind you that for answered question all you have to do is press asterisk 9 in your phone. First question will be from Felipe Real [ph] from Bank of America, Mr. Felipe please.

## Q - Felipe Real

(Interpreted). Good afternoon. I would like to know how are you thinking about the possibility of selling our [ph] option in the next auction on April 25th should the prices be interesting, do you have an available capacity for taking part in this auction?

## A - Armando Casado de Araujo {BIO 16673880 <GO>}

(Interpreted). We have the capacity available. And in the case of Eletronorte, we have a percentage which even strategically speaking should be available however, it's going to come down to prices. We actually are going to have to look at it from two different standpoints. We have to see the options especially in terms of contracts they are going to offer, or you do a long term contract that the prices are going to drop and in a long term we have to plan for having more stability. But depending on the strategy of each of these companies, whether we are thinking on the short or long term is going to play a major role in thinking strategically to see how we are going to proceed.

## Q - Felipe Real

(Interpreted). Okay, thank you.

## Operator

(Interpreted). Once again, I want to remind you that to ask a question all you have to do is press asterisk 9 in your phone. Next question will be by (inaudible) from Santo Andre Bank [ph], Mrs. (inaudible) please.

## Q - Unidentified Participant

In the release you have that one of the reason for having a different stand this half year due to (inaudible). Can you elaborate on that, exactly which units had this PAB opening [ph] and have a cost prospect on this PAB? Thank you.

## A - Armando Casado de Araujo {BIO 16673880 <GO>}

(Interpreted). Yes. Just a second I am going to tell you where this is shown, this detail. Okay in our incentive program, the total cost is [ph] 1.2 billion, from which had (inaudible) Green possess 1.468 billion and the forecast is going to be of (inaudible) we also have Eletronorte is opening a new program where we have a forecast of 1 -- I think it is going to be 400 people in the amount of 400 million, this is going to be executed after 2014.

## Q - Unidentified Participant

Okay thank you.

## Operator

(Interpreted). Okay, we are closing the Q&A session at this time. Now, now Mr. Armando Casado de Araujo will have the floor again for final considerations, Mr. Armando, please you have the floor.

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## A - Armando Casado de Araujo {BIO 16673880 <GO>}

(Interpreted). Okay, I would like to thank everyone for listening to me, I want to relay a message here that we are moving forward. And we are working hard on relieving operational flow. And we have a forecast of our growth near 50 to 60 billion now [ph], especially in generation and production, combined sales. And we are working on the corporate structure of our business. And also we had every (inaudible) cost space and we are now, starting an operations in Itaparica, which we see a good compensation in legal proceedings, something close to 12 billion in receivables.

We're going to have a public hearing. And for our current project and everything was done to the basic project and now moving forward, nothing is going to be, according to the original plan, remember, never is but, we can bet we're not going to be in a stalemate with projects previously hindered by legal aspects. And we have engaged in consulting which is helping us in bringing data and getting extension of the current concessions we have. And for the -- finding the alternatives. Well with that I remain fully available, at your disposal for clearing any doubts. And you can totally look for me in the investor relationship sector. Good afternoon, everyone and thank you very much.

## Operator

(Interpreted). At this time we are now finishing the phone conference of Eletrobras. We thank you for participating and have an excellent afternoon.

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