

Q1 2020 Earnings Call

Company Participants

- Eduardo Antonio Gori Sattamini, Chief Executive and Investor Relations Officer
- Marcelo Cardoso Malta, Chief Financial Officer
- Unidentified Speaker

Other Participants

- Andre Sampaio
- Carolina Carneiro
- Gabriel Fonseca

Presentation

Operator

Good morning. And at this point, we would like to welcome you to the Engie Brasil Energia's conference call where we will discuss the results of the first quarter 2020. All participants are connected in listen-only mode, and we will then go on to the Q&A session when further instructions will be given. (Operator Instructions)

We would like to remind you that this conference call is being recorded. This presentation followed by slides will be simultaneously translated through Internet through the site www.engieenergia.com.br/investors section. A slide presentation and the company's earnings release are also available on that website.

Before proceeding, we would like to clarify that forward-looking statements made during this conference call regarding the business outlook of the company should be treated as forecast that depend on the country's macroeconomic conditions, on the regulation of the electric sector, besides other variables. They are therefore due to changes.

With us today, we have Mr. Eduardo Sattamini, the CEO and IRO Officer; Marcelo Malta, the company's CFO; and Rafael Bsio, Investor Relations Manager, who will speak about the company's performance in the first quarter 2020. Ensuing this, we will go on to the question-and-answer session. We would like to remind journalists who wish to ask questions that they can do so by e-mail, sending them to the company's press office.

It is now a pleasure to turn the call over to Mr. Eduardo Sattamini. You may proceed, sir.

Eduardo Antonio Gori Sattamini {BIO 16648085 <GO>}

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Hey, good day to all of you. It's a pleasure once again to be with you, with our CFO, Marcelo Malta; and our Investor Relations Manager, Rafael Bsio, to speak about the results of the first quarter 2020 and our expectation. We're going to speak about financial indicators. Marcelo Malta will speak in greater detail about our growth and perhaps in more detail about our numbers and our decision to have a somewhat more robust growth compared to the previous three years.

Of course, this will have an impact on the growth of our business. And we will speak about our leverage and try to speak about a more adequate capital structure for the company at this point in time. Our EBITDA has increased almost 2% and our net income still does not reflect this growth of 19% because of the coming into operation of some of our projects, especially Pampa that has a natural curve in an electric plant. And once again, this is something that has been tailor-made, and of course, we need revenues for this. We are making adjustments, and at present, we're going to be changing one of our lines, and this is due to the undesirable emission of particulates and other things.

And because of all of these reasons, of course, we have not presented the results that we expected. The impact has not been greater an impact as it should, and of course, this is also happening. The expectation is that once we make these adjustments, this asset will go into normal operation as of the second semester of this year and perhaps the end of the third quarter. And the net revenues and EBITDA, of course, will go through the necessary changes.

We have in terms of production, 3 million and some for the first quarter '20. We had the acquisition and the participation of TAG, of course, as part of our net debt, and a reduction in production in this first quarter, once again, due to a decrease of energy in the south because of difficult hydrological conditions.

Our sales increased, of course. Our sales increased volumes 3.5%. And the average net sales price increased 2.2%, as you can see. And once again, our assets are doing very well. At the end of the first quarter, we had, of course, the very strong impact of COVID-19, where we had to adopt several measures, which are still underway.

And this morning, we one more meeting to see what is happening in the different regions of the country. And of course, it has an impact on several of our units, and we have to be very attentive to the movement and the situation in each specific site to be able to adopt specific measures. We're, of course, at present having 70% of our employees in home office for the non-operational activities, and this is thanks to the digitization process that has been underway during the last six years. We were somewhat surprised with the ability of working remotely through the use of software, of course, and other technology. So, it has made it possible for our employees to work with specific applications. And we have been able to have a very satisfactory interaction with a very high productivity rate.

We don't believe that this will be permanent in the future because the interaction among employees is of the utmost importance. But for the time being, we're using this mixed work system, obviously, to provide greater comfort to people, greater security, without a significant impact on the company, but reducing the mobility of people. We're acting with

rapid tests with our employees. We have purchased more than 36,000 rapid tests that we are working -- we are using on our work sites to be able to work with prevention and control.

We have had several cases, which is natural, because of the environment, but once again, we have carried out these tests and we're using the IgM antibody that has been possible to isolate, and this is what we're using on our work sites.

90% of our employees have been asymptomatic thanks to these continuous efforts. And of course, we want to make sure that at our work sites and in our operation sites, we continue to work with the utmost prevention. And this is very important and because we are extremely concerned with public health. We have a great deal of interaction with public health authorities for this. We are co-responsible with our employees, and we are doing whatever we can. Our voice perhaps is not very clear, but we're strictly complying with our security protocols.

Well, these communities, of course, are undergoing a great deal of difficulty. Many of them are not able to continue their normal activities. And because of this, we are offering psychological. And medical support to all of our employees, and we took the decision of suspending trips or to maintain trips that are strictly necessary and urgent for the operation.

We're preserving our cash. Simply to give you an idea, we ended the first quarter with BRL4.2 billion, approximately 40% of the net revenues of the year 2019. In terms of the dividend payout, we made a decision at the extraordinary assembly to reverse the decision that had been taken of paying out 100%. We were still unaware of which would be the impact of this pandemic on our activities and what we are doing is preserving our cash.

We have taken some financing from BNDES for some of our subsidiaries because of the inability of offering resources to the controlling company. And we wanted to ensure that we would have resources because of our low profitability, and because of this, we had worked with a financing from BNDES. We have worked very selectively on this for the financing of the BNDES.

We closed financing for Campo Largo. And Gralha Azul. And we're in process of obtaining greater funding that has been obtained for BNDES, and we will be able to disclose greater details once the financing has materialized. Of course, we know that there have been more critical problems, and it's always important to think about financing. And this is what we have decided to do to preserve our revenues to the utmost.

On Page number 7, we entered the quarter with the acquisition of Novo Estado Transmissora de Energia. It is for the transmission segment. And once again, we're not proceeding at the speed that we expected because of all of the care and precaution that we are taking, and we have had a problem with stoppages in several regions because of this crisis.

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Now you can see that we obtained a Fitch rating of AAA for the long-term credit. And these international ratings were reaffirmed respectively at BB and BBB, although with a revision in sovereign rating in April, downgraded in terms of a negative outlook. We already referred to our loan agreements with the BNDES with a highlight for Gralha Azul Transmission.

We had a stoppage once again at one of our units, all of this due to the pandemic. And the first impact was to massively test employees and third-party contractors in a region where tests were simply not available. Now the totality of our active cases of contamination were due to our work sites, of course. And once the employees were tested, they presented the virus. And of course, the contagion for others becomes a threat. This was a learning curve for us. And what we are doing presently is to work much more closely with the health authority, the public ministry, and have come to agreement so that we no longer need to completely stop our work.

Campo Largo works will start its work again the beginning of next week with a more stringent protocol, because that entire region has been affected. The -- and those that were contaminated. Well, we discovered this through our testing structure in May. The Board has created an audit committee made up of three independent members once again to have a better risk management and control and to carry out internal audits.

We're now going on to Slide number 10. At the bottom right of the slide, you can see that we have included very important information. And we refer to some of the actions that we have in terms of our shareholding market this last year.

In Slide number 11, simply to show you where we are active. There is no relevant update here.

On the next Slide number 12, once again, no modification, vis-a-vis the first quarter 2019 and no other relevant change in terms of our energy generation and installed capacity.

Well, when it comes to natural gas, we acquired TAG in June of last year. And the international gas area, the group participated in this process. And the results are being attained gradually thanks to this.

As mentioned, we acquired natural gas, and this has given us a greater representation in this market, and we hope to be able to proceed very profitably. And this is the process that has been underway since 2017, we were not able to achieve this. And at present, we know that this is a highly competitive market. And we have decided to preserve our resources as we're working on a more complex activity. This is a process that happens more speedily, has greater complexity when it comes to structuring. And what we are doing is being very careful in the definition. We are coming to a breakeven point, and we're reassessing our commercial activities and our impact in this type of activity.

The energy market on Slide number 18. We of course already had a trough in the coming years, and this will become evermore critical because of the impact of COVID-19. What we hope, of course, is to have a growth cycle in the market so that we can decrease this

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surplus. And as you know, hydrology plays a very important role in this, and of course, this leads to the intermittency that you can see on these curves.

We are going on to Slide number 20 to show you our very diversified and balanced portfolio. This year, we have 40% in the regulated market, the rest in the free energy market. And because of the situation we're undergoing now in the regulated market, what we are striving for is respect to our contracts, and in the free market, we're structuring contracts with warranty and very high levels of security.

We're going on to Slide number 21. And an important characteristic that we have is not to have a concentration on a specific segment. We have a rather diversified portfolio, and this is very important in present-day times, especially because we have fluctuations in consumption. So, we are in agriculture and food, in pulp and paper. In the first quarter, we had growth in the pulp and paper when it comes to consumption, but we had a significant reduction in the automotive sector, more specifically with a significant reduction, and of course, this has been quite extensive.

We go on to Slide Number 22. At the lower left, you can see that our portfolio is practically sold out until the year 2022. Well, people will say "It's sold? You have 12% or 15% contracted energy here." But this is a theoretical capacity, and we have decided to set aside a sort of reserve to be able to manage this situation and the hydrological uncertainty that we have in the market, until we have greater security and greater guarantee of what will happen.

This is the work that we are doing presently. And because of this, we have made adjustments, such as in pulp and paper. We go on to energy balance, which is an important tool that we use as modeling, and this is simply to give you an idea when we do our accounts. In the last quarter, we sold about 130, 140 average megawatts. So our sales activity in the first quarter was proceeding normally. And surprisingly, we have had quite a bit of surge for this, and we're closing some important contracts in this postpandemic situation. This should continue in the second semester.

There has been no change regarding the Jirau project. At some point in time, this project will increase our energy. And we're now disclosing information to the market. We have had some problems with the BNDES, but we continue to present this information, because at some point in time, this project will continue on. What is important is that Jirau is a very large plant in the country. It had a record of generation now in January of 2020, 60% above its guaranteed level. And the operational potential of this plant is very high, and it enables us to know that in the case of a transfer, we will be receiving an asset with an extremely good growth performance.

We go on to Slide number 27, the wind project under construction. The first machine was foreseen for 2020, and we're working, trying to adjust to this new environment, and this is why we have a delay here. And of course, we want to ensure that we have a good energy balance in case we have some sort of a restriction and to make sure that we will not have an impact on our SG&A.

On slide number 28, the transmission line under construction, Gralha Azul Transmission System. We are in a situation of readiness, as you can see. Perhaps, you will not be able to notice this, but we have purchased quite a bit of equipment and the work site per se is doing very well.

And in terms of Novo Estado Transmissora de Energia, the project's installation license has already been issued by IBAMA, but we are proceeding somewhat more slowly than usual. And it's just simply entering into operations in April 2022. And at the appropriate moment, of course, we are going to use this portfolio and adhere to our new capacity of development in the projects that have already been put in place.

I would now like to give the floor to Marcelo to speak to us about our financial performance during this quarter.

Marcelo Cardoso Malta {BIO 21276941 <GO>}

Good morning to all of you. On Slide number 32, we show you our solid financial performance with a significant growth of net operating revenue, EBITDA and net income. As you can observe in the first quarter of 2020, we also had significant growth in net operating revenue and EBITDA and our reduction in the net income because of impacts in our financial results, and these will be mentioned in a few moments.

In Slide number 33, the net operating revenue change in the first graph. You can see the share in each of the quarter. And we have a very consistent distribution among the quarters. And in the last quarter, we see a greater part in the fourth quarter due to the Electrical Energy Trade Board. In the graph below, you see the net operating revenue and the difference between quarters. We had an increase in our sales volume. This represents approximately 3.5% of evolution. And this evolution is due to the coming into operation of Umburanas and Pampa Sul that happened at the end of June 2019.

On the other hand, we had a reduction in the consumption of distributors due to the use of the compensation mechanism of surplus and deficits, which reduced part of our sales volume to distributors. We had an impact of BRL30 million in the average price of sales. We stood at 2.2% and basically, this represents the evolution of inflation during the period. BRL14 million in deficit, this is the recognition of a fine for the availability of our wind assets in Trairi. The BRL35 million of impact on the electrical trading board and a negative impact of BRL35 million and a negative impact of BRL16 million. This is because of the transactions with the Electrical Trade Board semester after semester. Still, there are some factors that led to this reduction. The first is a significant increase in secondary energy in the first quarter of 2019 due to an allocation that electrical agents carried out during that period. As a counterpart nevertheless, we also had significant exposure due to an allocation that the company carried out in that same quarter in 2020 and a significant effect of GSD and a long position that shows these effects partially.

Now the positive effects of secondary energy and a negative GSF and the long and short differences in the first quarter ended up being offset, partially at least. We also had an increase of our costs with the MRE mechanism, and this happened mainly due to the

significant reduction in generation, in our plants in the south of the country, once again due to hydrological issues. As was mentioned, the southern region of the country, in the first quarter, went through a severe hydrological situation, a very difficult one leading to a reduction in our cost with the MRE.

And finally, we had a greater thermal electric generation, generating a positive impact. Now all of these factors that I have mentioned together had a negative impact of BRL20 million in our EBITDA, BRL16 million of negative impact in the remuneration of our financial assets, and this because of the accounting standard 112 that was applied to the assets that were acquired and now to Miranda. And the remuneration of the assets in this quarter was negative, mainly due to a reduction of inflation between the two quarters, BRL43 million as a positive result in revenues. Nevertheless, in the cost, a negative impact of BRL2 million and BRL31 million positive impact, and this due to the impact -- positive impact in trading and mark-to-market of our contracts that were still open and that we had with the trading operation, and a reduction of the short-term energy price in the first quarter of 2020, a BRL138 million increase in revenues, thanks to Transmission. And once again, we had applied the accounting standard.

And I think all of you know our CapEx in the transmission assets. And on this cost, we apply a margin to come to our revenue. And the cost was BRL127 million. And the net impact on our results was of BRL11 million positive, a reduction of BRL2 million due to a market retraction that was observed during this quarter.

On Slide number 34, we show you the results of TAG that ended the first quarter with BRL352 million, a very good result indeed. And our stake on this result was of BRL103 million as equity income in our consolidated results, and this contributed directly to our EBITDA during this quarter.

On Slide number 35, the evolution of EBITDA. In the first graph, we're showing you the evolution per quarter. Normally, we have a distribution behavior that is very comfortable among quarters. This is a non-recurrent result that happened in the third quarter of 2019. And we had the indemnification and insurance of Largo also because of a delay in the completion of the site of this asset.

In the graph below, the evolution of EBITDA between quarters once again BRL38 million -- I'm sorry, BRL88 million positive because of an increase in sales volume and average price. This was mentioned in the previous slide. BRL21 million reduction in the cost of royalty because of reduction of hydroelectric generation in the plants in the south of the country because of the critical hydrological situation.

Once again, the impact of the fine mentioned previously, the cost of fuel, and basically, this is the cost of coal of Pampa Sul that came into operation last year, an increase in the cost of third-party services and personnel because of the coming into operation of Pampa Sul and Umburanas throughout the year 2019. BRL20 million impact in the Electrical Energy Trading Board that we have already mentioned, BRL17 million for the coming into operation of Pampa Sul and Umburanas charges for use.

This was also mentioned in the previous slide, the purchases of energy for the portfolio, an increase in our purchase of energy to be able to supply insufficient generation from Pampa Sul, and this was mentioned previously by Eduardo Sattamini. We do not have full generation due to the impacts of the pandemic. And on the other hand, we had a reduction in the short-term price, sales price. And the combination of these two factors led to this increase in the purchase of energy at BRL12 million.

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We mentioned photovoltaic panels, transmission and trading previously, an impact of BRL31 million in trading, and the equity income result with a very positive impact on our EBITDA for this quarter. As was mentioned by Mr.Sattamini, there were also impacts from generation on Pampa Sul. Were it not for this, our EBITDA would have grown significantly beyond what we are showing you here.

On Slide number 36, the net income change, a drop of 9.5% with an impact on EBITDA of BRL119 million, which was mentioned previously. A reduction in income taxes and social contribution due mainly to the increase of this financial result and depreciation reducing our costs and financial results with an expressive impact. And there are two factors that will justify the net financial results.

First of all, the increase in our leverage for the quarter of more than BRL3 billion. This leverage financed a significant part of the equity of the projects that are under development. And another factor, perhaps the most important one, were the interest rates over debt that were being capitalized for the debt that financed our equity. All of this was being capitalized until the entry into operation of the asset in tune of last year.

As was already mentioned, Pampa is still not generating its revenues fully, and of course, this has an impact. We do have the full financial structure of Pampa Sul in our results, but on the other hand, we don't have the full revenues as part of our results. What we expect is that in the coming quarters, this situation will improve once the revenues of Pampa Sul begin to come in, BRL44 million in depreciation and amortization, well, due to the depreciation of the assets in Pampa Sul that were mentioned.

Now the depreciation is a full depreciation once the project came into operation. And as we don't have the full revenue from this asset, this also leads to fluctuations in depreciation. I think these are the two main components that would justify this reduction of 9.5% in our net income.

On Slide number 37, our very consistent financial indicators. They have remained consistent through time. In the first quarter of 2020, a small reduction on return on equity. This due to the lower profitability during the quarter. And on the other side, a reduction of return over invested capital due to the increase of our leverage.

In Slide number 38, our debt and our indebtedness, and you can see a significant evolution during the last few years, once again, due to the investments in diverse projects that have been acquired during this period. Now despite the increase in our leverage, we are in a very comfortable situation. We ended the quarter with a net debt/EBITDA ratio of 3 times -- I'm sorry, 2.1 times.

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We also observed a reduction in the operating cash flow over debt. In 2017, this was 0.46, and we observed a consistent reduction. We ended the quarter with a net debt of BRL6 million. At the end of December, it was BRL10 billion, and in the first quarter of 2020, we closed with BRL8 billion.

On Slide number 39, a change in our net debt and operating cash generation. We also had the payment of dividends of BRL40 million during the period. You can observe our investments, acquisitions, especially in Campo Largo II and Gralha Azul, and the impact of accrued interest. Well, these are the amounts that are linked to our results. They are not paid out, so they generate cash and they other variations truly are not very expressive in this graph.

Our debt profile on Slide number 40, where we see a concentration of debt with the maturity in the next three years. Three-fourths of these debts are in the -- for three modality that were contracted with an average term of three years and the addition of debentures and the amortization of contract and financing with the BNDES. We also see the composition of our debt, which is very balanced and pegged on the CDI and three other indicators that you can see in the graph to the right. We also have a significant reduction in the nominal cost of our debt, thanks to the contracting of debt at a very -- at a much lower cost.

On Slide number 41, the evolution of our CapEx. And here, you can observe the expressive investments we have carried out throughout the years, and the outlook is to have pertinent investments until the year 2021. What we are showing you are in Campo Largo II and in the transmission projects Novo Estado and Gralha Azul.

Well, our dividend policy during the last three years, we were paying out a 100% of our net income. In 2019, we had the approval of the assembly of paying out 90%, but very prudently as was mentioned by Mr.Sattamini, we proposed a reduction in dividends to 57% to give us greater breadth to be able to face perhaps more critical impacts resulting from the pandemic. The 57% that you see here corresponds to the income of the first quarter and interest on shareholders' capital. Now with this reduction, we ended up retaining BRL970 million.

Basically, this is the presentation, and we are at your entire disposal for clarification.

Questions And Answers

Operator

(Question And Answer)

Thank you. (Operator Instructions) Our first question comes from Gabriel Fonseca from XP Investimentos.

Q - Gabriel Fonseca

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Good morning to all of you, and thank you very much for the call, and I hope that you are all well. I have two questions, if you could please answer them for me. The first refers to your commercial activities with a free contracting market. Once again, in your relationship of that free contracting market, if you could speak about the cases more specifically, what happened with the contracts for the supply of energy? Were adjustments necessary? And will these have an impact in the second semester going forward and if you could quantify them in any way?

And the second question refers to your management of capital, debt, investments and your stake in the remaining part of TAG. What will happen with the capital in light of that potential disbursement that you will make? And, of course, you have the right to acquire this preferential right.

A - Eduardo Antonio Gori Sattamini {BIO 16648085 <GO>}

This is Eduardo Sattamini. Thank you for the questions. In terms of the free contracting market clients, we did have a reduction of consumption, and of course, this had an impact on our flexibility on our negotiations with the clients. And in some of them, we have observed consumption that are much below what was contracted. This will have an impact on revenue. This situation was more critical in April. In May, we observed an improvement, the situation was better. There will be an impact, but what we expect is that this impact will not be significant on our figures.

We can't give you much more information, but you will observe that in the second semester of this year, we will observe a gain and there will not be a very large gap. Some of the clients, of course, have faced difficulties, and they have consumed below the lower limit of the contracts. And in some timely cases, what we have understood is that we have a very good relationship with the client and that we need to make some adjustments, which is what we have done.

We have been able to do this, but with a large majority of the clients, we have reached an interesting agreement among the parties without causing any impact on either party. Of course, there are always those opportunists that are trying to gain benefits, advantages, but with these, we have stuck more to our contract and to legal provisions. But we have had a very good negotiation when it comes to renegotiating these contracts.

When it comes to the management of cash and debt and the stake that we have in TAG, we had foreseen the possibility ever since we negotiated this with Petrobras. We have sufficient cash flow to be able to come up to our stake, which is 35%. And additionally, TAG itself also has the payout of dividends, and this should help the company once again to honor its payments, the payments that are still pending. Now the final decision stands with Petrobras, of course. They are responsible for the definition of this. I hope that this responds to your questions.

Q - Gabriel Fonseca

Well, thank you very much. Yes. Thank you very much.

Bloomberg Transcript

Operator

And the next question comes from Santander Bank, Andre.

Q - Andre Sampaio {BIO 19422379 <GO>}

Good morning. And if you allow me, I have two questions. The first refers to GSF and what is happening at the legislative level. And second question, what is going to happen during the rest of the year? If you could give us greater color of which could be the impact on the company in terms of spot prices and prices in general.

A - Eduardo Antonio Gori Sattamini {BIO 16648085 <GO>}

Well, on the first question, which is easier, we're speaking about regulation and the hydrological risk, all of which compose the Generation Scaling Factor. Now we did make a change, but in the final stage, we had to go back to our initial scenario. And this is a very difficult agenda because of what is happening with COVID-19.

But it is our understanding that -- well, yesterday we had a sanitation framework that was adopted with a view towards attracting greater investment and on recovery in the post-COVID phase, which is one of the great concerns of commercial activity. It is our understanding that this will re-establish regulatory confidence for investors that are very important for the electrical energy sector.

I would like to remind you that the prices have been impacted in generation, transmission and distribution. Now what is important is to re-establish regulatory maturity, and this will attract investors to the electrical sector that will make new investment in transmission and generation until the end of the year. And we want to make sure that this sector that is so important for the country, can regain its investors and, of course, regain confidence.

And of course, we have a great deal of maturity at present among the discussions in the senate. And we think that, very briefly, there will be a solution that will implemented even during the COVID-19 period.

Now we haven't observed any specific trends regarding your second question. At least we're not pointing towards any specific trend at this specific point in time. We have felt a very soft impact, and I haven't heard about any trends regarding the impact.

Q - Andre Sampaio {BIO 19422379 <GO>}

Now to explain this question, it's an expectation of something that could happen. So far, we haven't seen anything happening per se.

Thank you for your response.

Operator

The next question comes from Carolina Carneiro from Credit Suisse.

Q - Carolina Carneiro

Good afternoon, and thank you for the call. I do have two questions referring to the market and commercialization. We observed that during this quarter, you signed significant contracts above 100 mega for the coming years, apparently maintaining good price levels. In the press, we have seen some announcements of new contracts being carried out in the free contracting market. These are small contracts that are pegged to the wind energy in the free market. And of course, you have a great deal of wind energy in some of parks that you are constructing to take advantage of this demand from the free market. Now what do you see in negotiation environment with COVID-19? Has anything changed? And if you could speak about the commercialization, if there is something very specific or if you observe a greater appetite in terms of closing new contracts.

A - Unidentified Speaker

Thank you for the question, Carol. These new sales truly have occurred with non-conventional renewable sources, especially wind energy. And our vision is that this is taking place because we have a continuity of the migration in the market generating opportunities for new plants.

Now we ourselves have Santo Agostinho, and all of this is based on these contracts, and, of course, this process will have to continue on. And what is surprising for me personally is that we have seen a significantly higher demand in the second quarter, vis-a-vis the first quarter. This does seem to be a trend. This trend arises from the migration. And -- well, all of this is a concern that we have, because the financial health of the sector, of course, depends on financial health of everybody else involved in the chain.

Now what will happen after the regulatory changes that we will observe the changes in the free market that have been discussed with ANEEL are important to ensure that we don't de-structure the sector. We don't want to not honor the contracts, but we do know there will be an impact on this sector.

We're following up on the regulatory part to ensure that we have a more liberal regulation, evermore liberal, so that we can eliminate the high number of restrictions. And we look upon this sector with a bit of anxiety, of course. They have taken away the obligation for distributors to work with energy. We have an environment which is evermore competitive with a supply of prices, and we need something more well defined.

Now we are looking upon this with a positive view. There is concern nevertheless, in this market and its evolution. This will arise with the regulation of the law that should appear in the coming two or three months. But of course, this is part of the regulatory activity for a sector that has critical importance and with the characteristics that we have among the regulators.

Q - Carolina Carneiro

Thank you very much for your answer.

Operator

(Operator Instructions) Thank you. At this point, we would like to end the question-and-answer session. We return the floor to Mr. Eduardo Sattamini for his closing remarks. You may proceed, sir.

A - Eduardo Antonio Gori Sattamini {BIO 16648085 <GO>}

I would like to thank you once again for your presence, and we appreciate this opportunity for clarification. We had several questions from Carol, Andre, and several others and we appreciate the fact that you were able to see a very full presentation that did not generate doubt. We hope to see you in the coming quarter with greater clarification that we can understand this very uncommon year as it unfolds.

Operator

Thank you very much. The ENGIE Energia conference call ends here. We would like to thank all of you for your participation. Have a good afternoon. And thank you for using Voitel.

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