

Q3 2017 Earnings Call

Company Participants

- Armando Casado de Araujo, Eletrobras
- Unidentified Speaker, Unknown
- Wilson Pinto Ferreira Junior, Eletrobras

Other Participants

- Marcelo SÃi, Associate Director and Analyst
- Maria Carolina Carneiro, Head of Utilities
- Miguel F. Rodrigues, Equity Analyst
- Unidentified Participant, Analyst

Presentation

Operator

Good afternoon. And thank you for waiting. Welcome to the teleconference of Eletrobras to talk about the data of the Third Quarter of 2017. We inform that all the participants will hear a teleconference during this presentation. Thereafter, we're going to have the Q&A. I remind you that this presentation is available at the website of Eletrobras.

Before we proceed, anything that is said in regards to the perspective of business of the company are beliefs and premises of the directorship of Eletrobras as well as information that is currently available for the company. Future considerations are not an insurance (sic) (assurance) of performance because we depend on circumstances that might take or not take place. The investors should understand that general economic issues might also influence the results.

Now I would like to give the word to the President, Mr. Wilson Ferreira Junior. Mr. President, thank you. Good afternoon. And please continue.

Wilson Pinto Ferreira Junior {BIO 20013669 <GO>}

Good afternoon, to you all, all the investors, all the analysts that are following us in the Third Quarter. I'm going to do the presentation thereafter. And I will talk about the highlights on Page 4.

Now the results of the business, the generation. As we can see, we have 9 Q 30%. And we have the tariff readjusted for each of these businesses as well as some changes in

some investments. And a big highlight for distribution, we had a quarter that was a readjustment for all distributors, in this quarter, BRL 1,300,000,000 in total assets.

Now we will talk about, in the business plan, the important thing is the reduction of the leverage. And we will talk about this 4 -- we diminished it 4x. Also the certification of governance, we are negotiating our shares. We just got our certification with a good grade. I believe that at the end of the month, we will have the assembly where we will align the company. We submitted this to the council of each of the companies, our summary of Eletrobras, also the conclusion of PAE, the implementation of ERP of SAP and the shared services, important for the implementation of this alternative.

And in regulatory, the definition of the privatization and thereafter, a program of investment and partnership and the democratization of the capital.

Now let's go to Page 6. So we can talk about the results of the Third Quarter. On top, we have important results in IFRS. And to facilitate your work in the company, we got on the second line the managerial results, which is the nonrecurrent effect. We report here our revenue in 4%, getting to BRL 8 billion, a drop in the EBITDA report to BRL 2 billion and a drop of 37% in the net revenue getting to BRL 550 million. These are reported results. Here below, we see a set of adjustments where we highlight the effect, the RBSE of RSBE where we have relevant differences pointed in the Third Quarter of last year and this year, BRL 600 million. They are dealt in a different way. We also have the voluntary retirement plan, the investigation expenses important for last year, the values for thermal energy RBSE of Cetas de. The most relevant here is the effects of RBSE. And since we consider these adjustments nonrecurrent in our report, managerial report, we have a result that we understand here. We can see in the recurrent way the performance of the company. And we have a growth of 16% in the net revenue, a growth of 71% of EBITDA getting to BRL 1 billion and finally, a growth relevant of the revenue in regards to the Third Quarter, a very important growth. It's important to see this result.

Now let's do a small analysis of performance. Taking a look at Page 7. We have the evaluation of the consolidated comparing the Third Quarter and the last year's with the 9 of last year. So the FRS (sic) (IFRS), the -- there is an important effect for the nine months in regards to the accounting of RBSE. We can see that effect not being considered. So we reduced the revenue 44% in the company. But clearly, we increased it on the base that is nonaccumulative until the Third Quarter. And here is the comparison of the 2 quarters as we just talked about.

I also wanted to highlight a part of the results of the partners. We have materials and services and others but also the operational costs. We have a quarterly base reported in the managerial basis, 13% growth. This is due to fuel issues. We have a relevant drop in the corporate interest, which is connected to the performance of the corporate interest. The accumulation is very small, 3%. We can see a reduction in the financial capital and the taxes. As I told you, it's important to say that we reduce the managerial PMSO and the growth, smaller growth of installments, an addition of only 3% that we have in this period. But our main indexes, we had larger values, a highlight for Page 7. That's a highlight for Page 7.

FINAL

Page 8, there is a comparison of the 3 businesses. And each, we have here, in the part of generation, there is a worsening in (GFP). But we're talking about EBITDA of BRL 1 billion. Net revenue has diminished. That would be a low point of our result, for the result of the quarter. But I would like to highlight the main ones. The regime of generation, OEM, (OIM), we have a growth of EBITDA in this period. This is due to the relative effort that we have for PMSO and a contribution that is important and the operational expenses. That's why we have this important improvement.

In transmission, we have an EBITDA of 34%, net result of BRL 188 million. So you can see in the last line, we are improving. And we have an income. In the OEM regime, we also see a net revenue -- net result to BRL 1.7 billion. We can see the EBITDA increasing.

Now results of distribution. It's still negative in the reduction of the losses. This is due to the reduction of the diminishing of the negative EBITDA, BRL 700 million.

In each of these analyses, we can see improvement of EBITDA. And this is due to a better management of our operational revenues, expenses, PMSO. And they reflected positively in the last line, Page 9, we can see the behavior of the net revenue. We can see we are on the outside, the reported results but with nonrecurrent events, RBSE, CELG and construction for building. We have the managerial revenue that dropped from -- due to the adjustment of the tariff, the generation with exploration, transmission and the distributing company as well. These are 4 results that we effectively have a growth in the revenue.

Page 10, we do the same analysis between the reported results and the quarterly comparison of FRS (sic) IFRS, the nine months accumulated and the reported and managerial values. This is important to evaluate the performance of our 3 programs of restructuring. So we have a drop that we have in services. I highlight that this is due not only to the management of the contracts but investigation as well. We have revenue in personnel, the provision for the retirement plan -- was effected 2017. This is the reported results, which would be in a quarterly base, a reduction of 12% in a quarterly base, BRL 300 million in reduction of costs on a quarterly basis. Our plan has been implemented. We have some effects. And in the annual basis, we have 9% growth.

The most important result to highlight is a drop of 6% of (GSO) managerial. And we can see in a recurrent way, a drop of BRL 160 million in a quarterly basis. And this is due to the aspects of the managerial or our investigation.

In the operational provisions, we have a reversal of the onerous contracts, over BRL 700 million, especially in the distributing companies, temporary services that go only to December. We also have a highlight of the contingency at a lower pace and finally, the impact, several reversals due to the implementation of PAE but with the programmed retirement of a lot of people until the end of December. We have an -- while we have the PAE, the retirement plan, we have some -- we have a lot of people that have adhered to this line.

Now we move into nonrecurrent items. The EBITDA, we are reporting of growth of the managerial EBITDA. We are reporting a growth, net revenue, we detailed in the beginning of the presentation. All of the segments are in growth. The worst performance of the revenue in the corporate interest, we have a reduction of PMSO of BRL 700 million and a reduction of BRL 46 million. This is the nonrecurring EBITDA, a drop of 12%. And the company level, we have growth of 71% in the company as a whole.

Page 13, the financial result in the last line, stable, a reduction of 3%. And in this quarter, we should have an adjustment that is more significant in the active adjustment on an important drop of inflation and SELIC. The numbers are big but 77% smaller. We have a reduction of 9%. We also highlight the effect of the costs. We also have the accounting of the compulsory loans. And we had a compensation. And these are the main observations that we have in the financial results.

In the next pages, 14 and 15, we have the -- an improvement in the result of the company, the PMSO management, the net revenue managerial comparison. And this demonstrates the improvement of 43% to 35%. And this has a tendency of increasing the revenue, specifically because we are -- we have the long-term retirement plan. And the accumulated value in the year is 35% improvement in the Third Quarter.

The margin and EBITDA are larger, Page 15 now, we have an annual base of 14% to 21%. This is our net revenue.

Page 16, we have the investments. BRL 1,300,000,000 that was done in the quarter. We have BRL 3,700 million. We will have a smaller investment than what was planned until the end of the year. Here is a hypothesis that we will come back in the year. And we are not going -- we have a smaller value than what was expected. We can see that in the corporate generation, we have an EBITDA of BRL 500 million. We have 63% in nine months, about 70%, 75%, which is closer. The maintenance is the same for the corporate adjustments, smaller adjustments. We have 53% here highlighted for the 82%, which would be higher than the third -- last 3 quarters. And in distribution, we have smaller values due to the cash flow limitation in the company. Here are the resources generated. And we have a smaller investment than what was planned. Now we're reporting BRL 482 million and not BRL 1 billion. It is smaller. And now we got here BRL 3,700 million. This is the investment in regards.

Well Page 18, we just have here new company for generation. We have 500 megawatts. This is MauÃ; 3 already operating. And now in the First Quarter of the year, we're going to have the closing of the combined cycle. This is very important for this generation company.

Now distribution. What do we have -- what did we have in 2016 and now 2017? We have one capital that is not connected to the federal national system, which is Boavista.

Page 20, we have a view solid of our contributions, just to highlight the plan of return with the construction of 18,000 megawatts. We have new construction ongoing.

FINAL

Page 22, still have to talk about the PDNG. So the Challenge 21 business plan, reminding you that the plan has 3 pillars. The -- we have to reduce our real costs of PMSO. It was at the beginning of the year. The theme of the financial discipline, we have reduced. We have a leverage, which is at the end of this year. And finally, governance and compliance where we have here key objectives of materials O.

Now Page 22, just to remind you what are the main actions of the 3 pillars, strategic pillars. We have some of them here. We have operational excellence, which is reduction of funds, cost of personnel, managerial costs, structural costs. And obviously, we have the contribution by the mobilization of new installation. Here are our priorities for investments. Here, new processes, more recent processes using a language that we are standardizing, the SAP, as well as the segmentation of the shared services center.

Also, we have financial discipline, on the next slide. So a reduction of leverage; selling of assets, synergies; reduction of investment, which is important; and governance and conformity, which you can see the third pillar, basically, here at the alignment, strategic alignment of the holding and the controllers. And this is very uniform for the subsidiary companies. We have in the present here the listing of the indexes and the payment of the field of governance. And you can see more efforts in the area.

Now Page 24, giving the 5 dimensions of governance and compliance. Since August, September, we have that the 0 (800) number, 0 (800) 377 8037. It is important, 24 hours a day, seven days a week. Implementation, obviously, of processes for management and treatment of whistleblower in a centralized way, the establishment of due diligence for suppliers and the creation of the committee and the area of information security. These are just some of the advances for improvement on governance. We have the creation of 3 committees to support the council of management. Here, the social statute meets the requirements of the Law 13,303 from 2016. We have the obtainment of the certification of the indicator for governance from IG/SEST, Level 1 excellent.

Here is, on the next slide, once again, the retirement plan, the PAE, we have 86% of the goal achieved with 2,100 people, adhering. The objective was 2,400, as you can see. We look at a reduction of BRL 177 million per year. Our payback will be 0.93, which is the realized.

Organizational restructuring. One of the first initiatives that we had. And we are still rationalizing it, we have here the target for the reduction of (CapEx). We have 1,300 positions. We have overcome 129% of the original goal from BRL 587 million to BRL 756 million. And the associated costs, as you can see, we have here a reduction of almost BRL 68 million. The expected result will be BRL 55 million. We (expected) a little bit more.

Now Page 27, this is from the CSC. This is complementary to our retirement plan. We have the targets here of an economy of BRL 600 million a year. And you can see each of these centers as BRL 600 million, as I said, per year of CSC, 75.6% concluded, these projects have a reduction, a perspective of about what we've achieved 75% of this program being implemented. Will be on operational model, the definition of the operational model, the implementation plan, the identification of the mapping and the redesign of each

Bloomberg Transcript

processes, the qualitative and quantitative analysis. It's fundamental. So we can, at the beginning of September, launch of new PID-A, which is the, once again, the retirement plan for the CSC employees. And we can improve our employee, our staffing issues.

Finally, ProERP, about 50%, 50.1% concluded. This project is extended until August, go live of 6 companies until August of 2018. We've implemented this with the Rio de Janeiro companies. And on July 1, the other companies of the group.

These 2 actions are fundamental for the group. Now our retirement plan, we have the possibility of an economy, as you can see on the slide, BRL 107 million from 2019 on.

Now financial discipline. The managerial EBITDA, you can see here the graph. The net debt has dropped to BRL 22.7 billion, a drop. And here, the (axis), you can see the -- we have 4.1, the relation between the net revenue -- the net debt, sorry. And the managerial EBITDA in red. There will be an increase in 2019 and 2121. These are the years where we have the expirations. And you see BRL 9.2 billion and BRL 4.2 billion.

Now privatization of the distributing companies. Here is the model, as you can see. The recommendation is for the privatization. We have here a delay. The delay determines that this month of November, we are going to do the opening of the data room for the potential investors in December. So we can get the process of sales in the public bidding in April of '18. Also, at the council meeting this month, we will have -- we will submit to our approval committee the modeling of valuation done by the federal participation in 77 SPEs, while 60 participations in the generation of windmills, 862 megawatts, the accounting value at BRL 4.6 billion, including the 6 direct investments. We are still waiting for the concession from our counsel for the implementation of these 17.

Now let's just show you a little bit of the future structure. We have processes here. We have 47.5 gigawatts of installed capacity. We will get close to 50 gigawatts, 49.9, up until 2018. We will have -- well, 48 SPEs. We will get to 48 SPEs until the end of last -- next year. We're not going to get to the 77 besides the sales of that, those 77. We have the incorporation of SPE's former company. And the ones that we already have a participation as the main shareholder, the state SPEs, it's about 15. We will have a closing of 30 SPEs. And we will have, well, 48, as I told you, 77. The other ones are incorporated. We will eliminate 3.

Now as you can see, we -- it's clear the transmission and generation, we want to strengthen that focus in generation and transmission. We have participations of Eletrobras in generation and transmission, Chesf, Furnas, Eletronorte, Eletrosul.

Now Page 32, we have the new regulatory landmark for privatization that has been submitted to the National Congress. As you can see on the next few days, we will have the objective of creating a big corporation with public and private capital, high level and upholding for the government. Here, the relevant data, the proposal here in August. The next steps, we will have laws to, well, have the privatization, the decree, talking about the agent for privatization. And here, the options for the quotas of Eletrobras. Obviously, this is a relevant program, maybe exemplary for this new moment of Brazil. But it has to be

done in a correct way for the National Congress for debate. And we can imagine that we are going to work with the conclusion for the preparation of this work until the middle of next year with the reduction. What we're going to pay the bonus for -- to do the quoting of the 14 power plants and 14 gigawatts for the future offering of shares.

These are my observations. And I will let my colleagues here, well, we are all available for questions. Thank you very much.

Questions And Answers

Operator

(Operator Instructions) First question is from Ms. Carolina Carneiro from Santander.

Q - Maria Carolina Carneiro {BIO 16342681 <GO>}

Two questions. I wanted to start with the slide that you highlighted the improvement of PMSO. We also identified that this is a good result for this semester for the improvement plan of efficiency in the company. Just to reconfirm if we understood correctly, the first impact of BRL 100 million per quarter, do you believe that this is for the Fourth Quarter, we will still have an improvement? So over BRL 100 million per quarter of reduction of PMSO due to this additional effect by the retirement plan, the PAE? Will there be an improvement on the PMSO line? And my next question, if you allow me. If you could comment a little bit on the process of privatization of the holding companies. Well we have a lot of doubts. But this is very specific with the subsidiary. In the first one, you talked about a tariff adjustment in the scope of flexibilization of goals for ANEEL for (inaudible) Eletrobras. And of course, there were some additional adjustments. But it wasn't clear if it seems that there was a possible additional readjustment that will happen at the bid. Just to understand if you believe that for the base, you will have an additional readjustment. And a second doubt in the transference of the liabilities and debts, BRL 1.2 billion, just so we can understand from you the process of transfer, along with the reduction of debts. If - does it really make sense if you had that expectation of BRL 11.2 billion and looking at the number of the MDS, these BRL 9 billion, additional BRL 9 billion would be in the distributing companies that obviously with those that will acquire these companies in, well, the new owners. Well that was it.

A - Unidentified Speaker

So your first question of the BRL 100 million, as I reported, we have -- since the beginning of April, we have people leaving the company due to the addition of the voluntary -- well, special retirement plan. This program, the retirement plan, we have an additional action, which is the transference of knowledge from these people with a lot of experience. And obviously, we have to identify the people that we would spend the money doing that. And we would do the negotiation between the parties, manager and the person. The idea is that our program from next year, January next year, this is specifically the retirement plan, will bring BRL 220 million per quarter in savings. So the quarter that we are expecting in the Fourth Quarter, you can imagine that we need a lot of time to transfer the activity from managers. We are eliminating those job posts. But the concentration is more towards the end than the beginning. We will increase the Second Quarter. And it will be

FINAL

Bloomberg Transcript

perennial from the Second Quarter on. So next year, we will have savings of BRL 220 million. The privatization of the distributing company. I understand that the readjustment that will be the rebalance for the privatization, it will happen moments before the privatization due to the fact that if you don't have (LGR) to sustain the companies, you will have to have the tariff and the operator with the proposals for this company, reducing the partial need for this increase. This is what will happen. The average is 8.9%. And we will apply before the bid, right before the bid, as the transference of debt and liability, BRL 11 billion and the debts. Of course, this is the work that we're doing now to guide the council, the Board of Directors doing the decision. And look, if we did not do -- if we will not do this, if we would not do this, you cannot sell these companies. Well we have provisions here for the impact of liabilities. The BRL 11 billion liability will have a marginal effect to the company. But we have the BRL 8.5 billion. And they are related to the processes of fiscalization that we still have with ANEEL. We imagine these things will -- well, let's just use the example. You have the expenses, the volume of gas, sorry. There is a reduction of Eletrobras companies along with ANEEL. Recently, ANEEL proposed what we should have -- we believe that we should have the constant values for this. This is going to be taken into account for the -- well, in the judicial sector. You have to fulfill the law. So this sort of potential credit, they have something that is not necessarily -- the moment that we do this in banking was not -- well, there is a discussion. Now I would say that a great deal of what was said here, certainly, you can see here discussions for the regulatory and discussions along with ANEEL, we need to evaluate. To be very frank, the way that it was done, it would be almost impossible to sell a company that has such a negative net value, net assets. But we have to see the impacts of this in the company as part of the profits in gas. And we will have a transference of contract for Amazonas GT. The company that consumes this volume is MauÃ; 3. And we need to have an equation, along with Petrobras. So we can do the transfer of contracts for Amazonas to GT. Then for this, you need to have the Eletrobras and the adequate treatment of what has to be paid. So we can have a positive tariff effect.

Operator

Next question, from Mr. Marcelo SÃ; from UBS.

Q - Marcelo SÃ;

Two questions. Now continuing with the question of Carolina in regards to the debt of the distributing companies. I know you cannot give a lot of information. But the -- assuming that the amount that would be last reached would be the BRL 10 billion. And they're correct. And there will not be a change by any decision of ANEEL, my doubt is the debt that is -- that remains, is this amount in the company? Or you would have to consider the credit for CDE close to BRL 7 billion? The EV net, this credit would be BRL 3 billion. I'm asking the question because when we look at the size of the debt, BRL 10 billion, maybe there is, in the best hypothesis, an improvement of BRL 4 billion, BRL 5 billion. We have 2x (inaudible). And if you get the credit base. And I still do not understand what would be the path for the system of the distribution for the privatization of the distributing companies. The case that you say, well, you assume the credit and you will have to assume the debt. It's the BRL 11 billion, plus BRL 8.5 billion from credits. Well regulatory, annual will assume the debt, along with Petrobras. This is the model. And there will be an increase in value. The distributing companies, the only debt that remains from Eletrobras will be used for

capitalization up to 30%. So the second case, which would be a multiple -- less than 1x, right?

A - Unidentified Speaker

I didn't calculate the index. But I cannot talk about it. But what I can tell you is that the BRL 11.5 billion that has been provisioned and the BRL 8.5 billion, well, they will be evaluated. Since we didn't have it at the time of modeling, a final decision. So we can have a definitive decision to facilitate the process. You have -- well, directly you have (inaudible) demand, you solve it with the compatible debt. And it's not balanced. You have to absorb the credit, BRL 8.5 billion. And the debt.

Q - Marcelo SÃ;

Second question then. The issue of RBSE. While I was talking to some people, the idea would be, well, the law to be submitted to Congress will be 25 years. And the teams will be very much alike. Maybe we can change the (KE) and the fact it would be the same. Would that be your understanding of that as well as the proposal that is going to go through Congress?

A - Unidentified Speaker

Well from what we heard, yes. Except for the extension of the deadlines, it satisfies those who are discussing. And it decreases the amount, the bill that you pay for electricity. We have the accounted values. And the economic effect is basically 0, if that took place. But eliminating the discussion in the judicial aspect, we will conclude the proposal.

Q - Marcelo SÃ;

Last question would be in regards to (MPN) law projects. Well some adjustments that will be done with the distributor. There are 2 -- there are 2 projects of law. Do you have the timing of when that will be submitted to Congress?

A - Unidentified Speaker

It was still not sent to Congress. I cannot give you details. But the demand of the company and the process of privatization, the intention is that it will be submitted by provisions. You have -- well, you've seen the political debate and the discomfort that has been said by the President of the Deputy of Chambers. So I would say that the specific case of Petrobras and the public consultation, we will have the project of law. Well part of the discussions is that there is some components for this (inaudible) bill. You can leave the credit with the consumer. Maybe you have to evaluate it. And there is no absolute clarity of the effectiveness of the -- on the proposed law. It's usually different. And in this case, it would be in the distributing company, if -- well, that could be possible as well.

Operator

Next question, from Mr. (Pedro) from the Financial Bank.

Q - Unidentified Participant

What's the targets for the net debt? Have you configured beyond the targets and you will leverage the company and maybe get a rating that is superior to the national one? Or are you satisfied with the target and the obligations that will mature from 2017 on?

A - Unidentified Speaker

(Pedro), actually, the target is related to the plan for five years of management. In the first year, 2017, we are working with 4. Our plan, we understand that it should be 2.5 or 3x. Then you have the better efficiency. So our objective is to get below 3 next year. And for this to happen, not only we will have to do the privatization of the distributing companies. But also the diminishing of the debt. The distributing companies will be sold for less. But we have, throughout the presentation, as we sell them on Page 30, we have to reduce the net revenue -- the net debt. And then we will be below 3. So for this year, 2017, we will get this for the end of '18. It's important to say that as part of this effort, there will be a reduction in investment. And we did not program any investments in new SPEs. So we are selling SPEs, restructuring SPEs. And good governance recommends this. So we can leverage to an optimum plan. And then we can do the plans. And we are sure that we will get to the better indicators on the debt. And only after that, we will evaluate other things.

Operator

Next question, from Mr. Miguel Rodrigues from Morgan Stanley.

Q - Miguel F. Rodrigues {BIO 16533007 <GO>}

I wanted to talk about the budget.

A - Unidentified Speaker

If you could speak a little louder?

Q - Miguel F. Rodrigues {BIO 16533007 <GO>}

Can you hear me better? Well I wanted to talk about the balance amount of the distributing companies of the RBSE. What is the impact of -- that you estimate from the restructuring by ANEEL of the balance and the transport of natural gas? What is the impact that, that final decision, that decision will have? And within that process, this process, what are the next steps in the managerial, legal (fears) since we're going to have a bill of law that will be -- that might be used for the definition of the issue and also the timing? I mean, you have divisibility on this amount, which is fundamental. But also the capacity of the buyer, assuming the liability of the distributing company. Will that happen? Can you comment on that?

A - Wilson Pinto Ferreira Junior {BIO 20013669 <GO>}

Well I will let Armando that is more specialized -- well, Armando will respond.

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

FINAL

In regards to the items of RBSE, well, cost of fuel, natural gas, the generation and hiring of the power plant, we have meeting, this amount is BRL 4 billion, 1 49. And we're in that phase where it seems that we are following the process and there has been a determination at ANEEL. So we can take the provision for the recognition of this credit -- for the recognition of these credits. The expectation is that we will realize that credits in a very short term cannot estimate. But dealing with these legal issues. By the fulfillment, this should be resolved very shortly. So it's BRL 4 billion in the variation, the impact of variation. It's basically half of the BRL 8 billion of credit that we were just talking about.

Operator

(Operator Instructions) We have one more question from Morgan Stanley, Mr. Miguel.

Q - Miguel F. Rodrigues {BIO 16533007 <GO>}

One more question. Update on the process of sales of the SPEs. How is it ongoing, the assets? And when do you expect to have the first -- well, just when you're going to have this investment?

A - Unidentified Speaker

Well this is very dynamic. The process was concluded in last year. In the meeting of the board, we approved. And we will submit that to the board. But you know that there was a bill that was approved, a law that was approved. And we had worked with this investment issue. And the decree, this will be in the presentation to the board. Now in parallel, we talked about with the. So we can do the transfer, the transference of the concurrences. And we will evaluate the modeling, more efficient modeling for those that want to sell the participation. I cannot anticipate anything else. There is a recommendation that can maximize the value of these assets, about BRL 4.5 billion. It's been under approval for the council. And I would say that we will be able to sell December on, starting on December. Well it's a lot of assets but very few owners. So it should be relatively quick. We will probably get the income from this, from the sale in the First Quarter of next year, probably.

Operator

Next question, Mr. Marcelo SÃ;

Q - Marcelo SÃ;

Last question. In regards to TucuruÃ. Well there were a few things in the paper that was in that process. And I want you to talk about that. And afterwards, if -- are we going to get the payment in 2018? Or are we only going to get the award or the bestowal pay up ahead?

A - Unidentified Speaker

I do not know, Marcelo. I found out by the paper. I understand that this has to be evaluated. And (inaudible) specifically said 75% is TucuruÃ. And it's an asset that we need to pay attention. But we've managed to be efficient, not only technically and operationally

FINAL

but the impact in the -- well, we have the quotas. And I think that it will not be different from what was hired in the other 14 power plants. These are -- have been leveraged. And it will be monetized at the end of the concession as well, while there's an amortization value. (inaudible) more recently, the -- I understand that it would be very reasonable that we have a rule that would get, well, in this case, the ministry correctly were evaluating this, not looking specifically at Eletrobras. But the principles have been -- there is going to be a public consultation. There will be transparency. And the guidance will be the same. It will be evaluated by the party. There's not a determination. The equity story of the increase of capital of Eletrobras will be to just invest in the power plant but were from 2012. If we have the possibility of evaluating it by (full), we will do so. It's interesting to the company. And it's interesting for the sector. But I have no information -- well, I am just based on the fact that on the principles there.

Operator

We close from this moment on the Q&A session. Let's go back with our President, Wilson Ferreira Junior, for the final considerations. Mr. President?

A - Wilson Pinto Ferreira Junior {BIO 20013669 <GO>}

Well I think that we are living a very specific special moment in the sector, specifically Eletrobras, Eletrobras this quarter. We have the first evidence of our planned Brazil 21 and the ones related to the operational costs, PMSO. So on and so forth. And this improvement, operational improvement improved the image, reduced the costs that have impacted our debt. We are going towards the right path. But we need to move forward. We are taking very relevant actions in the -- in these five years that we are onboarding this program. And a lot of big important things has to be done still. This is important for any company that wants to make capital democratic. We cannot do this important balance of the debt, whether we're talking about the reduction of debt and our demobilization of SPEs, this is still a priority. But we should pay attention in the next couple of months, the improvement of the operational costs with the privatization of the assets. And in parallel, we want to prepare the company for this transition.

We have an intense agenda. We're talking to the managers, the directors and the collaborators. So we can do this in a determined, easy way and with a sense of urgency. But I'm very optimistic we are getting results. And we will get more. And I would like to share that this is a big challenge. And we demonstrated our capacity. The directors, the governments and the collaborators have worked all together.

Thank you very much for your attention and your participation in our teleconference for the Third Quarter. Thank you very much. Good afternoon.

Operator

So we end the teleconference of Eletrobras. Thank you for your participation. And have a wonderful afternoon.

FINAL

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.

Bloomberg Transcript