

Q2 2021 Earnings Call

Company Participants

- Lino Cancado, Chief Operating Officer
- Marcelo Cruz Lopes, Marketing, Commercialization and New Business Development Officer
- Marcelo Habibe, Chief Financial Officer
- Pedro Zinner, Chief Executive Officer
- Unidentified Speaker

Presentation

Marcelo Cruz Lopes {BIO 21075922 <GO>}

Thank you, Habibe. Good morning to everyone. Well, first I would like to highlight that the investments of the quarter totaled BRL453 million and we maintained the accelerated pace of the works of the major capital projects of Eneva. 64% were to build Parnaíba V and Azulão-Jaguatirica BRL225 million, -- Azulão-Jaguatirica and BRL63 million for Parnaíba V project.

Of the BRL133 million invested in upstream, BRL44 million were to pay the signature bonus of the second cycle of the permanent offering. The contracts were signed in June and BRL44 million were to pay the Jurua and the surrounding of the blocks that were sold. And now, BRL58 million were to develop Gaviao Preto Field where a gas pipeline and a gas treatment unit are being built.

And Itaqui ended its scheduled maintenance on April 13 of the steam turbine and then our three of the boilers, and BRL12 million were used for this overhaul. And Parnaíba II carried out, an unscheduled corrective maintenance that cost BRL5 million.

Now, we go to Slide 16, where we can see additional details about the Azulão-Jaguatirica integrated project. In Azulão, 100% of the equipment to finish the works are in the site, they are installed and being commissioned. We are commissioning the first battery of equipment of gas liquefaction producing energy in our high generation plant. Therefore, the plant is already producing LNG 24 hours a day, with one-fourth of its capacity.

We also started transporting the first LNG trailers to Jaguatirica thermal plant. And we are already sending constant shipments to supply the plants tanks in Jaguatirica that will soon commission it's turbines. In Jaguatirica all the tankage and the regas have been concluded and they are at the final stage before the commissioning. Commissioning of the substations Jaguatirica and Boa Vista have been concluded. This is the transmission line that connects both substations and ANEEL has excluded us of responsibility and the

beginning of the contract is January 2022. Well, we expect the plant to become operational during the fourth quarter of 2021.

On Slide 17, this is panorama of the Azulao plant. Most of you know it from other earnings results call. As I mentioned, we are already producing gas. There is a gas treatment unit, high generation working and there is one-fourth of LNG production 24 hours a day. On Slide 18 here, we have the close up of Jaguatirica II with all the equipment assembled. You can see the boiler and the TG 12 gas-fired turbine, then in the back, you have the building with the steam turbine.

Now on slide 19, you may observe that there are two different stages here and you see the stage of May 2020, when we started the foundation for the machines that were going to be installed. In the first picture, you can see in the pipe rack foundations, and then in the back, the flat slabs where the turbines and the boilers were going to be installed.

14 months later on June 2021, we have a practically concluded plant with everything, pipe rack, auxiliary systems, turbines, boilers, and the air cooler/condenser, and the substation that is ready to start its hot commissioning with a number of systems that are being commissioned.

On Slide 20, we will talk about Parnaiba V. Here there is a comparison. In the first picture, you can see in November of 2020, in the upper left side, you can see in the back four chimneys that are in the Parnaiba I chimneys. And in front of these chimneys we were starting to build the boilers. And the number of the segments of these chimneys, the cooling tower on the lower-right side was just starting its assembly processes.

In July of 2021, you can see all of the boilers with their chimneys. In the center, you have the steam turbine building. And now, we are ending the assembly of the steam tower. And then, we have the cooling tower with all its cells completely done.

Now, on Slide 21, here we have additional details regarding the construction of Parnaiba V plant and it is expected to become operational in the beginning of 2022. 100% of the equipment and critical the material are on-site. The energization of BAY 5 of the substation is already concluded. When it was activated and they energized that BAY 5 substation, this is very important for the undertaking because we will be able to energize the plant in order to commission the subsystems. The electrical mechanical assembly of all the equipment is underway and we expect to conclude it in November of 2021.

The commissioning activities of a number of subsystems are underway and the inferior structure of the turbine that are in the second and third picture to the right have already been concluded. Picture number two shows you where the structure is installed in the steam turbine. And then we have an access of the turbine low pressure and now we have the equipment of high and low pressure. And you can see it installed inside the structure.

Now, I will give the floor to Marcelo Lopes that will talk about Eneva's portfolio. Well, good morning. I would like to start on Slide 33, putting into context the increasing need to expand Brazil's thermal power park and how the regulatory framework has been

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advancing to make new thermal power projects. On the right, we see the evolution of the intermittent sources. We can see that the percentage doubled of the last years. This picture together with the worsening of the water crisis, which has strongly affected the Southeast and Midwest subsystems, accentuates the leading role that natural gas will play to ensure the energy balance of the system and thus accelerate the transition to a more sustainable matrix. This scenario is endorsed by the reset mechanisms created by the government to guarantee the secure supply of energy both the reserve capacity auction model with the first auction announced for the end of 2021, and the announcement of contracting additional 8-gigawatt of thermal electric generation powered by preferentially natural national gas with a significant mandatory portion of gas from the Amazon region. This shows the prominence of natural gas generating a wide range of business opportunities for players already established in the sector like Eneva. Eneva has already mentioned, we recently released the certification report of reserves and contingent resources in the Amazonas and Solimoes Basin. The results of the certification amplify the enormous potential of our assets and allow us to accelerate the exploration plan in these regions, with emphasis on the beginning of the development that seeks to make the contingent resources over 20 Bcm feasible in the Jurua area. This is a portrayal of how Eneva has been consolidating itself as an important natural gas player in the Amazon region. In the next slide, we show the potential demand in the Northern region with an optimistic and conservative scenario for new projects and also the conversion of liquid fuels. We are aware of the monetization of potential supply in the region and in addition to replicating the innovative model R2W, we are mapping consumers with potential to replace diesel to gas. We are also assessing new projects to monetize gas in the Amazonas focusing on maritime transport and fertilizer segments among others. Our performance strategy also considers looking for a local partnership that supports us in logistics, as well as in marketing. I now give the floor back to Pedro, so he can make his final remarks.

Pedro Zinner {BIO 17260844 <GO>}

Well, I believe that now I would like to open our Q&A session. So we can continue with our results call. Thank you. Marcelo.

Questions And Answers

A - Unidentified Speaker

Good morning to everyone. This is Flavio speaking. Please use the Q&A box to pose your questions. I am going to read the questions and they will be answered in order of arrival. The first question is from Juan Pimentel. Could you please give us more color regarding the Parnaiba II maintenance shutdowns? We saw one in the first quarter of 2021, and now the second quarter, when do you expect the result? And what are these shutdowns about?

A - Lino Cancado

 {BIO 20167891 <GO>}

This is Lino. Well, the shutdown of the first quarter was a scheduled shutdown. This is a 32,000-hour maintenance shutdown. The machine operated almost 40,000-hours and we did it as we did with Parnaiba I last year. Now, the second shutdown that we had in

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June and part of July was an unscheduled shutdown because an incident in the steam turbine that has already been overcome. The machine is working at 100% of its capacity and we expect no more problems here.

A - Unidentified Speaker

Thank you, Lino. The second question is from Juan again. Could you update us regarding the conclusion of Urucu operation, what is missing for it to conclude? Is it following its natural order, is there something that will delay the process?

A - Marcelo Habibe {BIO 20367888 <GO>}

Thank you, Juan, for the question. Yes, it is following the natural order. The Urucu negotiation together with Petrobras is underway. We are negotiating legal commercial conditions, contracts. So we still cannot disclose information. Things are going as planned, but we still cannot disclose information. I hope to be the bearer of good news and (inaudible), but we still, as I said, cannot disclose information for the time being.

A - Unidentified Speaker

Thank you, Habibe. The next question is from Guilherme Lima Santander to Marcelo Cruz. Could you comment on the incremental public call to buy natural gas? Could you give us an idea of objectives, terms, conditions? What are the amounts involved and how would the suspension of supply of natural gas to the Northeast impact the situation?

A - Marcelo Cruz Lopes {BIO 21075922 <GO>}

Thank you, Guilherme, for your question. The main objective of the public call for us would be to look for different options in our gas portfolio. We would like to become a supplier in regions where we do not produce or still do not produce like the Northeast and Southeast. And the objective of the public call is to look for producers that don't have scale in order to supply this gas to the market. And with our competencies, I believe that we can be an enabler and we can supply this gas to the market. Volumes terms will be very flexible. And the idea here is, as soon as we map the opportunities that are presented to us, well, yes, we will then talk about volumes and terms. But for starters, we would begin in the beginning of next year two projects that can take two, three, four years.

We would be interested in buying these projects in order to enable the supply of these producers. Now, Petrobras, you mentioned the drop of supply to the Northeastern distributors. Well, I believe this helps because now we want to become a supplier and a solution provider for this market. We never imagine that this could happen before the public call, but this is an additional element within our strategy because we can originate supply alternatives in order to provide solutions to our customers amongst them distributors and industrial markets in the Northeast and in the Southeast.

A - Unidentified Speaker

Thank you, Marcelo. Now, we have a question for Lino. I would like to know about the scheduled maintenance in the plants due to the new need to generate more energy?

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A - Lino Cancado {BIO 20167891 <GO>}

Thank you for the question, Marcelo. We concluded the major maintenance that are the 32,000 hours and we concluded the last maintenance of Parnaíba II. It was the last plant that reached this amount because this is when you have to do the maintenance of the hot sector of the gas-fired machines. Now, the other machines will go through maintenance only when they reach these 32,000 hours. Now, regarding the coal plant, we ended the major maintenance of the steam turbines of both plants and the only pending maintenance for next year is a minor maintenance of the P2 steam turbines that is scheduled for 2022. These are the only minor routine maintenance and these are very -- these represent small routine shutdowns mainly for legal certifications and to maintain equipment and sometimes we have to shutdown the plant, but the major 32,000 overhauls are in the past.

And we ended this during the first quarter with P2. Now we have (inaudible). We will have a reserve auction by the end of the year in which projects does Eneva have available to participate. For the capacity reserve auction in December, we are working with third-party gases. These are gas power projects. There are some fronts. Especially in the Southeast, there is a project that is one of the options that we are studying and we are also developing projects with our own gas in the regions where we already have our production. So the reserve certification that we just announced is totally aligned with the strategy in order to participate in the auction by the end of the year. I cannot give you details about these projects, but this is something that we're paying attention to and there are great expectations here.

A - Unidentified Speaker

Thank you, Marcelo. Now, we have a question for Habibe from Marcelo. Are you analyzing an M&A in (inaudible) and are analyzing the Golar assets?

A - Marcelo Habibe {BIO 20367888 <GO>}

I'll go straight to the point. No, we're not talking to Golar to buy their assets. Not, Golar (inaudible). So there are no conversations. We are not interested in buying these assets.

A - Unidentified Speaker

Thank you have Habibe. The next question from Luciano Costa. Could you comment if you're interested in buying assets from renewable sources in order to diversify your portfolio?

A - Marcelo Habibe {BIO 20367888 <GO>}

Luciano, thank you for your question. Yes. Last year, we clarified and we stressed that renewable assets are part of our strategy. When we see in the long run, we see value, we see that it can complement our portfolio. Yes. We are keeping an eye on some opportunities. We cannot disclose these. These are negotiations that are done confidentially. There are some bilateral negotiations. At the given time, we will disclose the information, but for the time being, we cannot provide you with details.

A - Unidentified Speaker

Thank you, Habibe. Now, I will give the floor back to Pedro. So we can end our call.

A - Pedro Zinner {BIO 17260844 <GO>}

Well, once again, I would like to thank all of you for participating in our earnings call. And I hope to see you on our next quarter's earnings call. Thank you very much.

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