

## Q3 2012 Earnings Call

### Company Participants

- Armando Casado de Araujo, CFO & IR Officer

### Other Participants

- Carolina Carneiro, Analyst
- Felipe Leal, Analyst
- Lilyanna Yang, Analyst
- Unidentified Participant, Analyst
- Vinicius Canheu, Analyst

### Presentation

#### Operator

Ladies and gentlemen, thank you for waiting. Welcome to our Eletrobras conference disclosure of the Third Quarter of 2012.

We do inform that all participants will just listen to the conference during the presentation. Next, we are going to start a Q&A session, when further instructions will be provided. We would remind you that this presentation will be available in the PowerPoint[ph] site, (inaudible) Eletrobras.

Before we continue, we would like to clarify that occasional statements that may be made during this conference, relating to the look-forward perspective of the Company, such as[ph] operational and financial targets, are just beliefs and expectations of the Eletrobras management; as well as information available to the Company at the moment.

Future considerations are not a guarantee of performance, because they involve risks and uncertainties. And therefore, they depend on circumstances that can occur or not. Investors should understand that general economic situations and other operational factors can have an impact on the results of the Company.

Now, I'd like to pass the floor on to Mr. Armando Casado de Araujo, the Director Financial of Eletrobras. Mr. Armando, please.

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

Good morning, everyone. I'm delighted being here for this conference, disclosing our financial statement of 2012.

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So these results were during nine first months of 2012, we achieved[ph] BRL3,176 million occurred during the first nine months of 2011. I'd like to remind you that in November -- in the first month of 2011, there have been some adjustments and our program of voluntary action.

As compared to the First Quarter itself, we can see that the figure of the first semester was BRL1 billion against BRL1,505 million[ph], made right, according to the exchange. And we -- in the first month of 2012, we had 14%[ph] higher than the profit, as compared the nine first months of 2011. And BRL24.3 billion was the revenue, was 19.2% higher than in the first nine months of 2011.

The operating results were about BRL4 billion, against 28.5%, as compared to the first months of 2011.

Our PMS was BRL 6 billion in the first months of 2012, or 8.8% higher than the previous month. In terms of 25%, 2.3percentage points lower than 2011, as the picture we are going to show next.

The consolidated BRL25.8 billion (sic; see slide four "BRL5,828 million"), 18% higher than the first months of the last period. And related to 2011, the nine months of 2011, the generation and transmission 30%. And the sum of EBITDA 95% (sic; see slide four "35.8%").

The net result is BRL450 million; and Itaipu BRL174 million (sic; see slide four "BRL184 million"). And the result, as I said, of BRL3,628 million (sic; see slide four "BRL3,620 million), 14% higher than the previous one.

The consolidated results, I have here the accounts. The management[ph], it has already made above the exchange valuation on the Third Quarter of 2012 was BRL711 million positive, against BRL429 million[ph] and BRL400 million[ph] in the first semester of 2011. And the dollar over the exchange was BRL28.4 billion[ph] in 2011, against BRL24.4 billion in the nine months of 2012; with a growth of 19%.

When compared for the ICMS, Personnel, Material and Services, it was about BRL5.6 billion in the first nine of 2011, against BRL6.1 billion in the nine months of 2011; so a growth of 12.8%. That is -- the growth was 19% and expenses grew 8%.

In the ICMS participation, in 2011, 17%[ph] against 25% in the nine months of 2012. And here is justified[ph] in the -- on page 6, you can see that the -- with the Personnel, Material and Services.

We also have the results of the transmission in the generation of the corresponding BRL2.555 billion in '12, against BRL1.759 billion in the same period in 2011. And for 2012, there was a loss of BRL365 million in 2012, against BRL937 million[ph] in 2011.

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The results -- these are the main components for the financial statement of the BRL3.6 billion. We have an asset consolidator of BRL300 billion[ph], then this is in percentage points and normally this is explained on our site.

We also have the consolidated. We have BRL48 billion plus. But if we take the statement it's still -- on page 10 you can see that the consolidated is BRL39 million (sic; see slide 10 "BRL39 billion"). And we had BRL11.9 billion in cash in the period, plus the financial receiving, BRL1.6 billion (sic; see slide 10 "BRL6.6 billion"), which would have the net income of BRL21 billion. If we take the Itaipu debt of BRL9.4 billion plus, then we would have BRL12.6 billion.

And here we have the structural capital of BRL36 billion (sic; see slide 11 "BRL31 billion") that we have the preferred shares and the percentage of total capital.

Then, page 12, we have the main components of the profits, how we make this statement in another way, when we have BRL3.2 billion for BRL3.6 billion. After, we will have the composition of the assets and liabilities financing we are going to have here, we have the commercial values of BRL21 billion at the 6.8% average tax with 4.9% payable.

Then on page 14 we have a new way of showing the parent company of debt, showing that we have a net debt, the same formation as we explained in the consolidated of minus BRL17.8 billion (sic; see slide 14 "BRL18.7 billion").

And then I'm going to show quickly through the presentations of the Third Quarter and I'm available for any questions you might possibly have.

## Questions And Answers

### Operator

(Operator Instructions) Felipe Leal, Merrill Lynch.

#### **Q - Felipe Leal** {BIO 2015017 <GO>}

I have a question here on accounting. With the indication that we are going to have for next quarter the possibility of paying or taking your accumulated profit for an accumulated loss, because you have to have the capacity to pay dividends, did we plan to absorb this accumulated loss with a reserve of capital? Or do you want only to revert the accumulated loss along the time according to the Company's future losses?

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

We are going to use the reserve of profit and the capital so.

#### **Q - Felipe Leal** {BIO 2015017 <GO>}

Now? Right now?

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

Yes.

**Q - Felipe Leal** {BIO 2015017 <GO>}

So you have already zeroed the profit you are -- you made it negative. And are you going to pay the dividend?

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

If we consume -- in our statutes there is no forecast. Only in case of a statutory profit forecast, we can consume the profit reserve and then the capital reserve. This is not foreseen in our statutes.

**Q - Felipe Leal** {BIO 2015017 <GO>}

If we use those profit reserves, you're not being able to pay the preferred dividend?

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

Yes, this on the first step.

**Q - Felipe Leal** {BIO 2015017 <GO>}

But next, if you advise if there is a profit then you do it?

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

Yes, of course, then we will.

**Q - Felipe Leal** {BIO 2015017 <GO>}

Thank you, very much.

**Operator**

Marcelo, Oceana Investments[ph].

**Q - Unidentified Participant**

I have a question here. You showed a reduction of income of BRL8.7 B[ph]. I would like to know if this reduction -- annual reduction of income will lead to a recovery income of assets in the end of the year, because (inaudible) will take a larger reserve than the one you showed the protocols of the administration.

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

What -- now what we are calculating, it is a direct impact of the assets value, at least the indemnity value. Of course, in the auditing this will be made by the IFRS. You are going to have this test of the accounting of intent[ph]. This can lead to an internal of some of the possibilities from the provisional measure -- or in the forecast and the generation.

## Q - Unidentified Participant

Both?

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

Yes, on both.

## Q - Unidentified Participant

Okay. Thank you, very much for your answer.

## Operator

(Operator Instructions) Vinicius, Credit Suisse.

## Q - Vinicius Canheu {BIO 6300903 <GO>}

I can see that the low assets of generation and transmission, as you said in the financial statement. And I'd like to know if, for transmission, you could have an impact some receivables as well, because -- as in if you account this -- if this is going to be recovered up until the end of the exercise if this -- can this have an adjustment? This is also in the financial assets as receivable.

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

Look, let me explain this. This is similar to Marcelo's question. What happens is we have to see the impairment test. And then by the onerous contract. So we have to adjust -- when we adjust the agreement, the income and expenses, if it is a positive value to this contract, this agreement, then you have to adjust it.

What we did was work that we are going to -- that has been disclosed and we are going to disclose the invoices prepared by each company. So that this is to generate a strong commitment of efficiency. We've been working with -- now, more than ever, we are going to have to have this means reduction, or we have to improve our operating income, our structure, our technology platform.

So our systems, each Company has its own organization with several laboratories. We've got to work to -- with a series of processes -- we are going to have to work with a series of processes, as I said. And in the dismissal programs, when you talk about this and that, remember that in the previous exercise we already had these dismissal problems; it was already a reality, it was already going on. So we are going to intensify this, of course, because there is the need for an adjustment in the structure, which will have an impact in all processes and all organization aspects of the Company.

So this was -- has a big impact. It was done in a very serious at Eletrobras; we had a meeting of the Board of Directors, all the Presidents, to give this basic guide that each one has to now build his own company according to the new rules. So, Vinicius, we will have to show this onerous agreement so that we will not have any additional adjustment.

**Q - Vinicius Canheu** {BIO 6300903 <GO>}

Right. Yes, I think you've been very clear in that point. From what I understood in the analysis you made all account is based on the quotations now, from this, they are all extra.

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

Yes.

**Q - Vinicius Canheu** {BIO 6300903 <GO>}

Then there is already a forecast of the indemnity value. So you can -- that will not make a difference. But it was clear that you show that there are other conditions that will not be affected. But I would like to know if -- on the accounting side, if there is -- we do have to do an adjustment in these assets on the balance sheet? If not, if we --

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

For 2012 only the new concessions from 2015/2017 will be dealt with for this -- this will affect all concessions Eletrobras has.

**Q - Vinicius Canheu** {BIO 6300903 <GO>}

Yes, I understand.

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

This is something we are still discussing with the auditor. Actually, this -- we are also talking to the companies, to the shareholders of companies. So we are discussing strongly the subject, discussing deeply.

So in September we are going to see the -- on the -- discussed also in November. All this, we are trying to speed this up to sort out all these issues. We are rushing on this. I still don't have an answer for that. We are still discussing this. But we are trying to solve this problem. And everybody who calls here, as soon as we have this solved I will disclose this. I'll make all this very, very clear.

**Operator**

Lilyanna, UBS.

**Q - Lilyanna Yang** {BIO 14003234 <GO>}

I have two questions about the assessment of the quarters, in terms of the agreement as well. There was no differentiation in terms of residual value for the two -- in the two scenarios. But as we estimated, in the case of transmission, it -- he said clearly that assets created in this would be -- the value would be zero. So if you kept the same for that same period, would you have the right for a higher compensation?

And now, this residual value for -- in this case you would consider our offer. And is this zero for the assets?

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

Hi, Lilyanna. Good morning. At the same time that I thank you for your question, I apologize for not having answered this before for my absolute lack of time, because we've been working 24 hours on this. But here is registered this question.

You see, Lilyanna, the provisional manager in terms of the way you pointed out, it made it clear that the indemnity created for assets, it's -- Eletrobras doesn't have to adopt this pre-established decision. What you are going to do now is that, for 2015, there is no remuneration for this asset. What there is, is today is that we are not considering this, because it only takes place now or in the future.

So this is -- another aspect is that there is a regulation about to come out and I've been to this seminar from the government team. So I know this is going to take place. In article 15, or paragraph second, the improvement aspect, it's going to start in the second cycle, because what was discussed, what was assessed for this number was to (inaudible). And we -- not investments that went on further than that.

**Q - Lilyanna Yang** {BIO 14003234 <GO>}

The point is that these assets, for my question, is that it hasn't been acknowledged yet in the tariff meeting. We don't know when this tariff is going to take place, if in four or five years' time. The fact that it was not considered the basic[ph] project yet.

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

So the indemnity was -- it will be made now or 2015 an adjustment on costs that we -- it's possibly -- maybe they will be possibly made. And then we are going to make an assessment. And an analysis. And I would like to make it clear that it will come. We are saving it for the assembly's decision. And so, we are waiting -- fighting for the prorogation of the concession. And this Eletrobras represents the spinal cord in terms of in the four corners of the country, we have these companies and there is also reinvestments that will come remunerated, due to this assets that we call now the assets that Eletrobras is starting to have.

Now it has assets of AEM[ph] and assets of -- several assets that we are not going to be remunerated. But that haven't been affected.

**Q - Lilyanna Yang** {BIO 14003234 <GO>}

I'm sorry. But at the same time that you have this value receivable, which is the AEM. But you also have this BRL18 billion. I don't know -- it seems to me that will go to different sites, what we are taking into account, the basic project.

So it seems that this regulamentation[ph], or regulation, didn't mention the indemnity values. These were made on top of the basic projects, not on what you're going to show,

the improvement projects.

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

As you saw, as I showed how much we invest in terms of investments. If it's higher, then I think this is good for everybody to listen, that as soon as we heard these measures, we create an MR[ph] group, a legal group, legal team to deal with the investments of all companies, economic, financial and accounting team. This has been coordinated by the leadership of the Company. And we are going to -- we are -- or we have been working 24 hours a day on this question, all the time, weekends including. So that -- seeking a study that we have the right to.

Now I cannot assure, here, that the -- I'm going to action, just is that I'm going to take some steps. What I know, that there are -- we have four amendments in Congress that are alleging a series of questions. Eletrobras is not going to question this criterion in the provisional measure.

**Q - Lilyanna Yang** {BIO 14003234 <GO>}

I understand. My second question is what of the price -- premise in the market and connected to this agreement that are expired in this period, 2013? I'd like to know what kind of constancy we can require from the Government, coming from this capital reserve. Thank you, very much.

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

In this energy -- this end of energy contracts, these agreements were -- you are talking about 2012, right, the products of the other companies? BRL8[ph], for example, in the case of Furnas. And this was higher again, September.

**Q - Lilyanna Yang** {BIO 14003234 <GO>}

But last week you used the same percentage for other tariffs[ph], for example.

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

Each has one different participation. I don't have this by heart. But I can provide you with this information later on. You are talking about the companies to commercialize this energy, right?

**Q - Lilyanna Yang** {BIO 14003234 <GO>}

In the case of concession agreement to provide energy for the Government. But there is a market. But we don't know if it's BRL58.

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

I cannot say what the premises were. I don't know it by heart. But I'll give you this information another time. But this price is lower than has been agreed so far.

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**Q - Lilyanna Yang** {BIO 14003234 <GO>}

Is it possible for this to happen?

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

If the value is smaller than the profit reserve.

**Q - Lilyanna Yang** {BIO 14003234 <GO>}

Then there will be a distribution of capital?

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

No.

**Q - Lilyanna Yang** {BIO 14003234 <GO>}

Okay, capital reserve, it's not going to be absorbed into social capital, is that right?

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

Yes.

**Q - Lilyanna Yang** {BIO 14003234 <GO>}

Thank you, very much.

**Operator**

Mr. Ivan[ph].

**Q - Unidentified Participant**

My question is as far as the value for the - invested[ph] in reforms, you haven't been reimbursed. What's the total you can ask the Government in the future?

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

Today, we have investments in improvements is around -- I'm sorry, I didn't get your name, Ivan. We invest around BRL800,000 to BRL1 million, we've been investing in improvements. So this is a total advantage, because we are going to do all this investment. When we saw that -- this basic project, we believed that we are -- this is a significant value.

So I repeat this, I'm very sure of this, because you can visit any Eletrobras plant. You will see that from the first year, they look as if they were two or three years old. And this is what -- we didn't let this to depreciate. We managed that because we've been always investing; we've been always making improvements, modernizing and updating machines. So there is a lot of investment there. I can even tell you that this has a significant value of almost BRL1 billion, we've been making of investment on this.

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I don't have this figure right at this moment, because we have to raise it company by company. But this last year, there was this opening. They calculated only on top of the basic project. But they didn't take into account the investments we made. So now we are raising this figure to bring this up now. But I'd like to --

In terms of acknowledgment of this figure, it's also there; that this is going to be acknowledged in the periodical review. And we don't have a date for this yet. But you know that normally it takes a maximum of four or five years. But we are going to keep this registered to fight for this.

And in the same company, if you download our file, you'll see that we have not only the basic project investments, we also have other investment improvements to try to recover it.

### **Q - Unidentified Participant**

Okay, another question, it's about analysis of accepting or not this prorogation, the extension. Do you intend to disseminate the results?

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

Have you seen Eletrobras' site, our technical information?

### **Q - Unidentified Participant**

I saw only the part of the administrative part.

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

Yes, please do visit our site, Eletrobras site. You'll find the results for each Company. Each Company prepared their information, their statements and, Ivan, after that, once our idea is accepted, the companies will be committed to implement all the adjustments and improvements that are committed there. Yes, in the proposal, you can find the link in the proposal; please visit our site.

### **Q - Unidentified Participant**

Can you advance how -- the consolidated figure?

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

It's that we practically lower[ph] the EBITDA.

### **Q - Unidentified Participant**

How much did you do then?

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

Because practically, today we are working at EBITDA of BRL5.8 million. We have this income. But the EBITDA was about the same as our income.

### Q - Unidentified Participant

And my last question is regarding the events in this scenario. Do you expect a reduction this year and next year in the government capital? What's your plan about that?

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

Today, necessarily what we have is our cash balance plus the other cash we have to honor our investment -- to honor our investment next year, about BRL30 billion.

### Q - Unidentified Participant

Now you're going to renegotiate the -- how do you see this process? Can you give us some details about that?

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

We don't need to negotiate that, because for the operation, the current -- we don't have this. But we have, for our financing as a guarantee for the Government. So that we will not have problems to lose our investment capacity.

I think what's important here is for us to continue investing. But we still don't have the intention not to invest. I think that the electric sector is known for intensive capital. We have financing for this. So, we are going to continue investing. It's not a matter of going back, of not investing. We are going to continue investing and we are going to count on the support from the Government for that.

And the projects, obviously, we have to be very, very much careful to get remuneration for them. So that they can leverage these two parts of the market we are going to start having. because in the AEM assets, we came to a point at Eletrobras of not necessarily having been sufficient to be able to go to AEM assets.

On the other hand, we also have to make investments, because with all the care and discretion of environmental licenses, we have to be very, very careful now to be able to keep -- employ accountancy of this investment to improve our average.

We have to, let's say -- this has an impact. But we will build a strategy so that the Company can -- today, I saw here in the newspaper that now the Company has to re-think, re-sort[ph]. So we have this awareness Eletrobras as to our condition today.

### Q - Unidentified Participant

What kind of improvement we can get in this year if you analyze all the value? Do you have an idea of what could be the reduction? I only ask this because if next year we have to -- next year perhaps we can expand more to make the payment of interest. So long term, what's the possibility for the Company to improve the operational aspect?

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

In terms of specific terms, this is what is important. In terms of this program, we are already dealing with this. If you see our financial results, there is an adjustment of about -- it's already here. We have a part that's already committed. But, this has been going on for about two years.

And at the same time, we generate employment. But what's important is not only this. Actually, we have an operational operating system for the whole Company. We have a common structure; for example, each Company has engineering, asset analysis of projects. So we are very well in this sense. We have labs, laboratories. We have innumerable labs in the country.

In terms of organization, we have a great possibility of adjusting our structure. And the rebirth[ph] of the plants, we are going to put improved technology as well. So if on the one hand we had this impact -- recent impact.

On the other hand, each, we have -- each of you, you know you have this duty. So you'll be writing this in all reports, of the analysts' reports, they are very strong in this point, they know everything about this, everything really. So they know what the potentiality which we haven't accomplished.

We are looking at Eletrobras, the market as a whole. So the next year -- last year there was a report, maybe 20 days ago, exposing our situation. And several of them made this analysis. And they know that we have to do it. We have no way out. We have to do it, because now we can -- this time has come. This hadn't been foreseen; it was foreseen for 2015. So there was an advancement in this. But this was foreseen. So we would have to do this anyway.

What's difficult is I understand. But we have to pass through this now. We have no escaping. And we are going to have to make these adjustments facing this new moment.

## **Q - Unidentified Participant**

Thank you, very much, Dr. Armando.

## **Operator**

Daniel[ph], Itau Assets.

## **Q - Unidentified Participant**

I'd like to know about the structures, you declared if you have interest in this asset, you are still interested that you acquired.

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

Daniel, good question. If you look at the communication in the market we did about one year in the declaration of our (inaudible), you knew that there is a set of -- that it was --

together with a sales package that it was -- this would be the next step and would have also the (inaudible). And this would be the building of the (inaudible).

So in this point we would not put any BRL0.01 in Afelgi[ph], you know about that, we haven't put any money there, even to invest. And Afelgi[ph] has recovered its revenue; it's organized its conditions; it's prepared in terms of the distributing companies here; and it's going -- the same path. We are going to open an extraordinary credit of over BRL1 million there, it's entering the market now.

It's -- but the operation, the state government, the federal government is calibrating help of capital for the state and this will go to the state government as a loan for that state government, can bring this resource there and -- so that when we go there, this part is solved. Furthermore, there is a contingency plan, very strong there, which are conditioning for the -- to deliver to the Eletrobras. So that's it.

Now, we are not going to stop having to have this great structuring of distributing companies. That's why I say that in difficult times we will have to improve; we have no way out. We cannot -- not think any more. I cannot tell you in advance in terms of model. But for sure we will have to make changes in distributing companies, have no doubt about that.

### **Q - Unidentified Participant**

This, we didn't think about that a year ago, right?

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

A year ago we would not be able to say this. But today it's a reality. So we have to say this facing the situation.

### **Q - Unidentified Participant**

Just one more question, if I may, in terms of you said that there would be a task force, even a legal part. Does the -- is the legal department in contact with other bodies, such as Enel, for example? Do -- they are then considering all the investments which were made for the generation which were not included in the accounts, is this point to be calculated? Has this been discussed, do you have information?

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

Look, Daniel, the -- we are following strictly what's in the article of the law. Now as I said, there was this strong amendment, as you know; in the congress they are fighting on this point. Eletrobras is not going to do this kind of questioning, because it understands that it's in the law. And we are not going to create any hope for any of you, because this is something I've been talking to you all quarter after quarter. And I'm not going to tell anybody here that I'm going to do this and I'm going to do that. I'm trying to be very clear in the explanations I'm providing, because I hold[ph] this information, use this information. We are not going to answer that point.

## Q - Unidentified Participant

Okay, I understand. Is the federal government vote in the assembly?

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

Yes, it will, of course.

## Q - Unidentified Participant

Okay. Thank you.

## Operator

Carolina Carneiro[ph], Banco Santander.

## Q - Carolina Carneiro

Two questions. The first, for the two alternatives are projecting strong reduction of costs, you said you are going to take advantage of the programs of cost reduction you had launched before. But I believe that previously when this was released, you should have to take account a number of employees in a new Company in these projections. So my question is do you have an estimation as to what would be the additional provision -- this provision for the costs of the PDV[ph] or EVS[ph], if the impact of this PDV is going to be already accounted now possibly in the First Quarter of 2013.

And my second question is regarding the shares, it would seem that in the plan -- in the technical notes you placed, is there any difference that apparently has contract agreements in the free market, in a scenario where the Company has to collect -- goes to get the security for the free market, what would be the solution? Because there is such a short time to cover all this; we are almost in December. So I would like to know how you are seeking these agreements in the market to face this -- to meet these agreements in the free market. Or, you are in negotiation with the clients to control these agreements?

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

Carolina, first of all, I'd like to emphasize that regarding PDV, each -- the condition of the extra company. But this was an adjustment that -- of a significant cost. We -- I don't know if you are going to expand it but this PDV is not the big slogan here. This is about a strong restructuring of each company.

In other words, all these adjustments I have just mentioned that we really have to go this difficult situation, which is to deal with this management itself, in terms of escalation, improvement of maintenance and operation of informatized systems, the laboratory aspects, the reorganization of the Company. We have to think of a new way of doing things.

And this, for example, I'll tell you this -- we had this consultancy, which is doing a full reconstruction, restructuring there. And as the other companies are doing that as well. Furnas, for example, shares reports of the -- they show this, everything it's proposing to

do from now onwards. So I believe that there is more than we can say about PDV. The distributing companies Ivan has just mentioned, Daniel[ph] I think. So I think that it's a lot stronger than this and this we are doing very well.

### Q - Carolina Carneiro

I always understood that you guys said that you should not only deal with that. The second question is the chances with the highering[ph].

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

It's written there, she has to buy about 130 and sell at 102[ph], something like this. This will generate a loss in our operation. But this has been taking steps to higher[ph] this energy to -- guaranteed this up until[ph] 2015. I would just like to say to you as well, it's just a guess. But a share[ph] has today 611 in 2013, then falls to 211 in 2014, 230-something in 2015 will be over. So I think this is what we think that's able.

### Q - Carolina Carneiro

Thank you, very much for your answer.

### Operator

Now we are closing our Q&A session. We will go back to Mr. Armando Casado de Araujo for his final considerations. Mr. Armando, please?

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

I'd like very much to be here disclosing the Third Quarter financial statements or the Fourth Quarter with expectation of the previous quarters. Unfortunately, we were taken aback by this provisional measure. And, in fact, we're not expected to pass on this at the moment. But we have many plans, new plans. And I believe that we have the conditions to win this obstacle now.

More than ever, I'd like to tell all you this; that Eletrobras needs to undergo a general restructuring, not part of it. But general. I believe -- and I believe, firmly believe, that we are going to win and overcome these obstacles. Okay, I'd like to thank all of you.

### Operator

We are closing from this point on the Eletrobras teleconference. I would like to thank all your participation of all of you and wish all of you a very good day.

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