

## Y 2021 Earnings Call

### Company Participants

- Augusto Miranda da Paz Junior, Chief Executive Officer
- Leonardo da Silva Lucas Tavares de Lima, Chief Financial Officer and Investor Relations Officer

### Other Participants

- Daniel Travitzky, Analyst
- Flavia Sounis, Analyst
- Maria Carolina Carneiro, Analyst

### Presentation

#### Operator

Good morning and thank you for waiting. Welcome to Equatorial Energia SA Fourth Quarter of 2021 Results Conference Call. With us here today we have Mr. Augusto Miranda, CEO; Leonardo Lucas, CFO; Tatiana Vasques, Investor Relations Superintendent. This event is being recorded and all participants will be in a listen-only mode during the company's presentation. After Equatorial Energia SA remarks there will be a question-and-answer session. At that time further instructions will be given. (Operator Instructions)

This event is also being broadcast live via webcast and may be accessed through the website [www.equatorialenergia.com.br](http://www.equatorialenergia.com.br) where the presentation is also available. Participants may view the slides in any order they wish. The replay will be available shortly after the event is concluded. Those following the presentation via webcast may post their questions on our website and they will be answered by the IR team after the conference is finished.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of Equatorial Energia SA management and on information currently available to the market. They involve risks and uncertainties because they relate to future events and therefore depend on circumstances that may or may not occur.

Investors and analysts should understand that conditions related to macroeconomic conditions, industry and other factors could also cause results to differ materially from those expressed in such forward-looking statements.

Now I will turn the conference over to Mr. Augusto Miranda. Mr. Miranda you may begin the presentation.

## Augusto Miranda da Paz Junior {BIO 17178608 <GO>}

Good afternoon, everyone, and thank you for attending our earnings call where we present the performance of Equatorial Energia and the fourth quarter of '21. This last quarters as well as the year of '21 in general was a transformational period for the group, a period in which we advanced in opening new fronts and continue to progress in the turnaround processes in distribution.

The earnings of the fourth quarter of '21 reflect these reality consolidating new fronts and assets and different stages of maturity as we'll see forward on. In this sense we are very confident with the performance presented and with prospects for 2022. After all, all these movements were made based on our strong characteristic of financial discipline and capital allocation and our commitment to generate value for shareholders.

Now moving on to slide number three. I start by presenting the highlights of the period. We start with the financial and economic highlights of the group. We ended the quarter with a consolidated EBITDA recurring for the company reaching BRL1.7 billion, 2.3% higher than the fourth quarter of '20.

And we invested 964 million in this quarter, 5% higher volume than the fourth quarter of '20 led by the volume executed in the distribution sector, which grew by 37% and offset in the lower CapEx in transmission, since all transmission assets are operational.

We closed the quarter with a consolidated leverage of 2.5 times measured by the net debt over EBITDA ratio. The leverage in this last quarter reflects recent fund raisings to invest in turnaround assets in the new areas of performance and is impacted by the EBITDA of these assets still maturing.

Anyway we've continued with a robust cash position of BRL10.5 billion, which gives us flexibility and safety in the current macroeconomic scenario. With regards to the performance of our own distribution companies, the volume, consolidated volume of sales -- of energy has grown by 4.1%, much higher than the level of injected in the period of 1.7% showing the success in fighting losses.

The highlight is the growth in volume on the State of Piaui, 7.8%, growth and the positive result of distribution companies Maranhao and Rio Grande do Sul. For comparison purposes, this figure consolidates CEEE-D and CEA in the fourth quarter of '20. Another highlight of the period is the consolidation of CEA of Amapa as of the end November 2021 with CEA we reached the level of 10 million customers, an important landmark in our strategy to consolidate the industry.

I would like to highlight the tariff events of the period with the approval of tariff review of CEEE-D at the end of November, which recognize the net compensation basis of approximately BRL3 billion. In addition to the annual adjustments of Piaui with an average effect increase of 9.59%, an increase in Parcel B of 11%.

The losses performance Equatorial Piaui with three years of operation has been operating for the second consecutive quarter below regulatory levels or assets performed consistently better in losses as will see throughout the presentation. Before continuing, a highlight, achievements on our value generation agenda. The landmarks achieved did not limit to the results of the quarter. Important achievements are obtained in the last months.

First we signed the agreement and beginning of the assisted operation period at the CSA Sanitation Company of Amapa such an important segment given the new avenue of growth. It represents as well as for the opportunity to operate and with the asset for distribution of energy and sanitation in the same state.

The assisted operation will have six months and at the end of June 2022 when the 35-year concession period starts. In February, we have successfully completed the follow-on transaction raising BRL2.8 billion.

The first follow-on of the company since 2012 showing our growth capacity by disciplined capital allocation with our own funds for almost one decade. The transaction funds were fully used in the acquisition of Echoenergia.

Finally we communicated on March 3rd. We completed the acquisition of Echoenergia, one of the largest players in renewable energy in the country. The transactions was solved with follow-on funds and issued -- we issued 4 billion in bonds.

Based on that we start an effective path of generation as an integrated energy player operating with 1.2 gigawatts in installed capacity. In addition to 1.0 giga additional in development projects. Now on slide four, as mentioned before, this quarter was very important to advance on the consolidation agenda of new distribution companies and opening new generation -- value generation fronts.

I'll give you an update of new assets acquired in 2021. Started with CEEE-D, which we started to manage in July last year. We have completed six months of operation in December with important achievements in several fronts. It's worth highlighting that we have raised BRL2.5 billion since the beginning of the operation, using funds to settle liabilities and pay for part of investments planned.

As we mentioned in other opportunities, we had an excellent result in the voluntary dismissal program closed in October. 46% of people adopted and the positive tariff review repositioning the company and the tariff in an important way. In addition, in the last quarter, we advanced and renegotiating contracts with suppliers including anchor contracts. We adapted these to the contractual practices of the group, aligning targets, and compensation per productivity.

We also advanced in the sales front, improving collections and renegotiation with municipal governments. In the CEA, we started operation at the end of November when -- rate increased the capital of the company by BRL400 million.

This amount was partially used to settle liabilities with suppliers and is added to around BRL1 billion raised since the beginning of the operation, strengthening the capital structure of the distribution company and ensuring funds necessary for investments in the state.

CapEx execution is one of the main fronts to generate value in CEA in this initial stage. The tariff adjustment in December had an average effect of 11.8% in tariff and a positive impact on Parcel B. Still in Amapa State, at the end of December, we signed the contract with CSA Sanitation Company of Amapa.

The granting was paid 100% upon signature and was solved with the raising of a bridge loan of BRL1 billion. Then the assisted operation started for six months and we'll take this opportunity to learn more in-depth about the assets and the main fronts for value generation.

It's worth highlighting that the company started the activities to select and train labor necessary for the operation and has hired executives that know a lot about the industry. As (inaudible) CEO of CSA has 20 years of experience in sanitation, including turnaround processes. In order to solve the investments necessary for this cycle, we signed financing with BASA for BRL600 million with FNO funds in very competitive conditions.

More recently we can list the advancements regarding Echoenergia, the most recent chapter in our history in the end of January. Wind complexes 8, 9, and 10 started its operation and more than 200-gigawatts to install operational capacity.

In February, we completed the acquisition finance started in December issuing more than BRL2 billion that along with the volume raised in December were used to closing the transaction in March of this year.

As a result the next quarter we'll consolidate the performance of this new front. Right now we are focused on the execution of the business plan, integration, and alignment of commercialization activities combined with the robust pipeline.

Now Leo will present the operational highlights of the period.

**Leonardo da Silva Lucas Tavares de Lima** {BIO 17560076 <GO>}

Thank you, Augusto. Good afternoon, everybody. Continuing with our presentation. I would like to talk about the development of the market on slide six.

For comparison purposes, between quarters, we have an overview of the 4Q '20 adjusted with data of eight Amapa and Rio Grande do Sul. The injected volume energy continues to grow with a growth of 1.7% in the quarter and an increase in most of our concessions especially Amapa and Para.

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Benefited by the largest economic activity resulting from the end of restrictions and the climate component. It's worth reminding you that in the case of Amapa, this strong variation in the period and then allowances is mainly due to the failures of supply that occurred in the state in the fourth quarter of '20.

The number of customers that were benefited by the social tariff continues to grow. That is due to the initiatives of listing of the company. We added more than 203,000 customers to our concessions, an improvement of 8%, including significant advances in more mature companies and starting the process in recently acquired companies such as in Amapa, which took over in November and has expanded by 24.5% until December.

In the next slide, we'll detail the behavior of sales. The volume of energy continues to grow in our concessions and it's important to notice that the distributed energy has grown above injected energy in consolidated terms in almost all our distribution companies.

In the consolidated view, considering the performance of all the companies, our level of losses was reduced by 98 bps, in the comparison of the pro forma view, which boosted the growth of distributed energy when compared to the fourth quarter of '20.

On the pro forma view, energy consumption grew by 4.1% especially in Para plus 7.8% in addition to the dynamic already explained for injected energy in that state. There was a reduction of 180 bps of losses between the periods in Para. In the evolution by classes, the highlight goes to the growth of the commercial class due to the end of restrictions imposed due to the pandemic.

Now moving onto slide eight. Here we show the performance with regards to collection and delinquency of our distribution companies, including the performance of our most recent asset. In comparison terms, it's worth reminding that the fourth quarter '20 was strongly impacted by the recovery of the indicator after a strong decrease resulting from the pandemic in the second quarter of that year.

Several actions were taken to encourage and facilitate payment of invoices by our consumers especially campaigns offering awards and facilitation tools such as negotiations online and virtual assistant among many other initiatives.

Looking at the accumulated scenario, there is a significant improvement in all distribution companies. CEEE-D was the highlight with the rate of 100.5% in the 4Q '21 against 98.7% in the previous quarter. This development is a result of the initiatives that the company try to operate in the very beginning, and that's one of the main drivers of opportunities in the operation.

In a consolidated way the collection index ended the quarter at 99.7%. We also improved in the PECLD with the negotiation of trade receivables, delinquent with CT administrations and increase in the number of cutting teams and improvement in the processes of management and collection of new assets. In the case of Piauí and Alagoas there was a reversal of provisions from the previous management that had not been adjusted by the aging matrix of group's assets.

In addition, we updated the matrix for Piauí and Alagoas reflect an improvement in the collection performance in this three years of group management in which each of these companies collected more than a 100% in the last three years.

This way we closed the quarter with a consolidated ECLD for a PDA of minus 2.3% with a liquid reversal of provisions. On slide nine when compared to the fourth quarter or third quarter '21 and this quarter all our concessions had a reduction in the level of losses in 12 months except for Piauí and Alagoas, which reduce losses in the annual comparison.

The highlight of this quarter is on CEEE-D distribution that in less than six months since starting of its operations by the group had a reduction of 0.6 percentage points. We also highlight Para that has a strong reduction when compared to the third quarter of '21 in the amount of 0.8 percentage points, which is a reflex of the actions implemented in the period and to strengthen the network typology and growing the centralized measurement system.

As MC that starts to show the results of implementation. In consolidated terms, Equatorial Energia reduced its losses level by 98% bps when compared to 4Q '20 showing the success of the group and its strategy to fight losses.

Now, slide number 10. As you may notice, despite the challenges faced in the period most of our distribution companies continue to present FEC below regulatory levels except for Rio Grande do Sul that although being above regulatory levels had improved FEC when compared to the previous quarter.

As for DEC, SAIDI and SAIF, in the case of Maranhão, in addition to the difficulties mentioned in previous quarter, the expansion of radial lines with no redundancy for the interior of the states with the PLPT program to meet customer needs in rural areas whose reestablishing process is more complex and lengthy, impacting the SAIDI.

In addition to increase of SAIDI results essentially from the difficulty of execution of cutting and trimming in these regions during pandemic with an excess of vegetation that was not regularized. Company expects to regularize this performance during 2022, which will recover this indicator focused on Maranhão and in the turnaround companies.

As for SAIDI, in Alagoas, another distribution company that had a significant increase was impacted due to atypical weather conditions in the period such as higher rainfall and electrical discharges due to the more intense La Nina effect during the first half of the year.

Now the next slide, we see the financial economic performance. It's important to recall that last year the OpEx level was partially benefited by restrictions that were in force at the time, imposed by the pandemic. Some services will perform at lower volumes, generating an effect for this year.

In addition, the advancement in the implementation of organizational new design, strengthening regional structure has also put pressure on the general OpEx levels. As we may notice, we do not consider the effect of new assets, the adjusted OpEx for 4Q '21 was raised by 18%.

We may highlight overall, the intensification of collection activities, fighting losses, number of services rendered to distribution companies in addition to impact on regional distribution companies or regional structures as mentioned before.

As the eighth hour worked in Para. It's worth highlighting that the increase in expenses had important reflects in reducing losses and maintaining collection at high levels, which is still below regulatory level.

Considering the consolidation effect of new assets, the adjusted OpEx totaled BRL708 million in the quarter, especially impacted by the performance of CEEE distribution that recorded a BRL154 million OpEx in the period.

It's worth highlighting that this level of expenses capture partially the advancement in the turnaround process with a 20% reduction when compared to the OpEx of CEEE-D in the same period of last year. The performance of CEA shows only in the consolidated period starting on November '24 and CSA, our sanitation company, reflects overall the reimbursement of expenses related to the auction.

Finally, the information of OpEx for consumer illustrates the huge potential the existing Rio Grande do Sul that although where being complex operate at a level that is higher to the other companies of the group.

Now moving onto slide 13. The adjusted EBITDA reached 1.7 billion in the fourth quarter of '21, an increase of 2.3% when compared to the figure presented in 4Q '20. If we do not take into account a non-cash effect from the adjustment of financial assets of IFRS 15 in transmission, the growth in this quarter is 16.3% or 206 million going from 1.3 billion to approximately 1.5 billion in this quarter.

Growth is a consequence mainly from the performance of the distribution segment, which benefited from the higher Bwire [ph] tariffs in most of distribution companies, growth of the market reduction of losses, and growth of the EBITDA in transmission.

Next slide. Let's see the composition of the EBITDA broken down by company. On slide 14, we can see the contribution by asset in the adjusted EBITDA by non-recurring effects. And in the chart below net of effects of updating for financial assets and IFRS 15.

Excluding new assets consolidated as of this year, the adjusted EBITDA ex-VNR and IFRS has grown by 17.3%, which is an advancement even bigger without an exclusion of new assets. The highlight goes to the growth in Para mainly driven by the Bwire tariff post tariff adjustments in the third quarter by market affects and losses reduction already mentioned and the improvement in PECLD also the bad debt.

And the performance of Piauí it's worth to be highlighted. In addition there has been an advancement in transmission EBITDA due to the assets that started to be operational. The variation we see in services segment results mainly from the positive effect recorded in the fourth quarter and the non-cash effect of marking to market of sales energy in the amount of BRL124 million.

In this quarter, we consolidated CEA, which had a negative adjusted EBITDA of BRL49 million reflecting the early stages of the turnaround process, but I call the attention to the performance of Rio Grande do Sul.

In only six months of management, we recorded the first positive adjusted EBITDA in this company, proving the good advancement of the turnaround process started in July. Considering the new assets, the adjusted EBITDA ex-VNR and IFRS, the company reached BRL1.470 billion, with an increase of 16.3% when compared to the same quarter of last year.

Slide 15, as you may see in the slide, we have invested BRL964 million in this quarter, 5% higher than the previous quarter, when higher restrictions were still in force due to the pandemic and consequently had an impact on the executed investment volume.

The highlight is due to the increase in investments in distribution especially in the State of Pará focus to strengthen and grow our network and the consolidation of CEEE-D distribution that contributed with an additional BRL65 million.

The total investments in this segment have totaled BRL882 million, a 37% increase when you compare quarter-on-quarter. It's important to recall that in 2022 we have the beginning of the investment cycle and sanitation after the concession in Amapá starts in the end of June.

Slide number 16 which shows debt profile of the company and the leverage measured by the net debt over EBITDA ratio. The leverage on the fourth quarter reached 2.5 times when compared to 2.1 times recorded in the previous quarter.

This increase reflects payment of a concession by CSA and payment of dividends in December '21. The net debt totaled BRL13.6 billion with a very robust cash position closing the period with BRL10.5 billion. Of which BRL2 billion are result from the preparation of the acquisition of Echo concluded in March.

This amount is sufficient to pay more than 2.5 years of debts mature in the next years, whose average maturity for a period in the second quarter was 5.4 years. The balance of cash and banks added to the lengthening of debt profile results in a debt coverage in the short term higher than 2.9 times. We also assigned with BASA the financing of partial -- a portion of the funds necessary for the first cycle of investments of concession in sanitation in the first five years.



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The total amount of finance will be 600 million with funds coming from the FNO, which is an important step to generate value in sanitation giving its competitive conditions. The total maturity is 26 years with a grace period of five years for the principal and an average IPCA, cost of IPCA plus 1.9% per year.

Let's now move to slide 17. Let me show you the follow-on result held on February this year. One of the main points that we raised BRL2.8 billion with the issue with an extremely positive result considering the challenging scenario at the time of the issue.

The funds from the offering were fully used to acquire Echoenergia. We had a very strong demand more than seven times the offering and the exercise of hot issue of 35% additional. It's worth mention the high level of adoption of the priority offering absorbing 64% of the base offering. I would like to take this opportunity to thank the confidence and the trust of our current shareholders.

The market was very responsive and here a highlight of important role played during the offering period. The company share increase appreciated by 7% and soft launch to pricing and until yesterday 22.18%, only for comparison purposes, the sector indicator IEE was appreciated by 11.05% in the same period.

The book quality may also be highlighted with 80% of investors having a long-term profile of investment.

Now, Augusto, I turn it over to you for the final comments.

### **Augusto Miranda da Paz Junior** {BIO 17178608 <GO>}

Thank you, Leo. I would like to close reinforcing our recent achievements and prospects. In the highlights of the period, the first, especially the most recent ones are follow-on in which we raised BRL2.8 billion in the transaction, that was very successful and the completion of the completion of the acquisition of Echoenergia in March, a platform that's already consolidated in the renewable energy sector.

Among the tariffs events, I would like to highlight the RTP of CEEE-D, a very important event in terms of recognition of compensation base is way above the market expectations. We will allow the company to accelerate the turnaround process and generate even more value. I highlight the contracting of BASA financing credit line in the sanitation front.

That's enough to solve part of the investment at the first years of operation. Five first years of operation and the next cycle with very competitive conditions. I would like to announce the dividends per share proposed in the destination of results and the financial statements that were disclosed.

We proposed BRL0.64 per share which amount to BRL700 million to be paid in dividends to our shareholders. As prospects for the year, in distribution, we are focused on

advancing the turnaround processes in Rio Grande do Sul and Amapa, resuming the improvement of quality in distribution companies and beginning of operations of CSA as well as the integration of Echoenergia to the business of the Group.

So we continue committed to generating value for our shareholders and we continue to evaluate any opportunity to strengthen our portfolio especially in the new fronts that we started to operate in.

Now I turn the floor over to the operator to complete the Q&A session.

## Questions And Answers

### Operator

Thank you. We will now start the Q&A session. (Operator Instruction) First question comes from Flavia Sounis from Goldman Sachs.

#### Q - Flavia Sounis {BIO 22080011 <GO>}

Good afternoon. Thank you for the call. I have two questions. They're not related. First, the OpEx, we saw an increase when we compare distribution companies and you said that most of it was used to fighting fraud and losses. I would like to understand what is the dynamic of this from now on. And what will be the trade off between the increase in costs and the decrease in losses. How can we understand this relationship in terms of funds. And the pipeline of Echo, there were some assets expected -- to expect now to -- start now and do you see any pressure of CapEx that could damage or hinder this plans in anyway.

#### A - Augusto Miranda da Paz Junior {BIO 17178608 <GO>}

Thank you, Flavia for your questions. As for the personnel, material services, and other expenses PMSO, it had a continental dimension. We operate in all regions of Brazil. So Echo for now that intensifies our transactions in Northeast Pernambuco Ceara, Bahia. So we are reinforcing the structure. We brought a lot of people new personnel to our structures to help us because the eye of the owner is not so close anymore. The capital is an important area. But in Maraba and Floriano in Piaui these places that are far away. We also have important people because we need to have the owner close nearby supervising everything. So losses increased during the pandemic. When we reduce the three percentage point, four from new entrants and this is a process that you have to watch all the time for not to increase in terms of causes. Leo will talk more in detail about PMSO, but we made some adjustment to the structure to generate in the beginning of the pandemic we could not operate. So now we're back on track and fighting losses is an issue. I mean imagine fighting losses in a state so vast, so large as Para. We are reinforcing our structure and about Echo, the pipeline were intensifying the contracts. It was signed on March 3 and now we are looking at a construction there are a lot of good structures there. It's very similar to the structure of Equatorial. We're looking at the volatility of the plates or boards in the market and the prices and we don't want to lose the incentive of the wire. So this is what we're focusing on now. To optimize CapEx and taking all the

opportunities possible from the incentives. Leonardo, would you like to make any comments?

**A - Leonardo da Silva Lucas Tavares de Lima** {BIO 17560076 <GO>}

Thank you. Augusto. Just to complement OpEx. We're very efficient despite the dynamics of increase we remain efficient, but we are looking with the total efficiency. Look, there is still efficiency to be attained in losses and this happens as losses are dropping. Likewise we know that the level of recoverable revenue included in the tariff is challenging. In this environment, we had a collection of 99.7% in the fourth quarter. So, as Augusto said, we're reinforcing, strengthening in the regional structures, in the areas we've had an increase in the number of events and we're focusing on reducing losses in collection. We obtain additional efficiencies when we combine the commitment in terms of insured revenue losses and collection. So I'm just giving some more color to what Augusto already mentioned.

**A - Augusto Miranda da Paz Junior** {BIO 17178608 <GO>}

And Leo also giving you some more information Flavia. We look at costs very carefully. It's a structure, for example in 2016 on, we started to focusing on the PECLD, the bad debt provision, and we notice that sometimes there was a single leader in a base and this leader has a skill more targeted towards collection and not so much on transactions and operations and maintenance. So we're making a few adjustments. You may spend a bit more here. But this will be adjusted in other lines. This is something that happens quite frequently and I know I have answered your questions.

**Q - Flavia Sounis** {BIO 22080011 <GO>}

Yes, you have. Thank you very much.

**Operator**

The next question comes from Daniel Travitzky from Safra Bank.

**Q - Daniel Travitzky** {BIO 20928929 <GO>}

Good afternoon. Thank you for this opportunity. I have two questions. The first is more of an open-ended question. I would like to understand what do you envisage for 2022 and '23 thinking about transmission auction, there is a major one in this year, there were important M&A opportunities. What is your mindset towards that topic. Do you continue with your growth plan or will spend time to digest those assets? And the second question is more I'm curious to know in sanitation, how do you see opportunities for assets that are regulated by asset base? Thank you.

**A - Augusto Miranda da Paz Junior** {BIO 17178608 <GO>}

Thank you for your question, Daniel. In terms of transmission, all our assets are in operation. We have a significant network in the industry. The EBITDA is very significant for the earnings of Equatorial and we are in an industry that we are willing to look around, but we want to look at those auctions that bring very low return rates that doesn't make sense.

At Equatorial we can look for example if you look at our current transmission structure. It is, we delivered some assets, so it's okay. So we'll see if the return is compatible with -- and if the board agrees with that we'll look into new opportunities, but it must be a very attractive industry. Leo, would you like to speak?

**A - Leonardo da Silva Lucas Tavares de Lima** {BIO 17560076 <GO>}

Well about sanitation, regulated assets, assets regulated by asset base?

**Q - Daniel Travitzky** {BIO 20928929 <GO>}

Yes. I would like to understand how do you assess an opportunity for any asset that would come with that type of regulation?

**A - Leonardo da Silva Lucas Tavares de Lima** {BIO 17560076 <GO>}

We understand that the regulation of sanitation and distribution of energy are done at different levels. The energy regulation is more mature. So at this stage the regulation is at although all the efforts are very positive to improve the industry. We prefer in sanitation given the stage of the regulation. We have a preference for assets. Similar to that to those in the auction of Amapa. In order for us to look at sanitation assets that have a more modern regulation. We should take into account in particular regulator not to have an opinion, but now given the different stages of the regulation in states we have a preference that I mentioned. Adding to that, you said Leo, there was a recent asset that had this feature and we declined because if you consider how long it took for the energy sector to regulate it. This is a very sensitive topic and it brings uncertainty. So back then we believe that it would not bring any incentive to the company along the lines of what Leo said.

**Q - Daniel Travitzky** {BIO 20928929 <GO>}

Okay, thank you very much for the answers.

**Operator**

The next question comes from Carolina Carneiro from Credit Suisse.

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

Good afternoon. Thank you for the call. The first question is regarding the dynamics of LPD. You mentioned in the C3E. In Rio Grande do Sul you're taking special access to improve collection. If you could give some more color on that. We saw that in the fourth quarter at the end, the bad debt provision was good when compared to or rather the spot price was better and could there be any difference and the second is about the regulatory scenario. We see a lot of concern in the market due to possible changes in the scenario of renewal of distribution concessions. We know that you were a company that's very engaged in these discussions of the regulatory authorities. Has this been a source of concern for you. I know that you don't have any concession that will expire soon, but since you are experienced in the area, could you give us an overview? Thank you.

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## **A - Augusto Miranda da Paz Junior** {BIO 17178608 <GO>}

Carolina, I will speak, but Tatiana and Leo could also help me. When you talked about the reduction of PECLD. In January and it started growing. We have balanced everything with losses, losses that trades receivable. Sometimes you'll fight again in the CME advances. We have learned a lot. We balanced things like that and we used intelligence since then we created a task force. That's why you see this values of PSLD that Leo mentioned. We're talking about payment ratio. It's a process that you have to work every day on to fight. We are using intelligence. Sometimes there is an opportunity. When you see regulatory considering current losses, it has doubled. But when you intensify that, that tends to be affected, but you have to use intelligence. When you talk about tariff adjustment, you have to be present, there must be quality. This is a reality in the North and Northeast concessions. Sometimes the customer may pay BRL100 and you say BRL110 and you won't pay. So you have to make adjustment to allow for payment in instalments. So we've been dealing with this for a while. We're thinking about what we need to do. There is a deferment and we must make customers comfortable to pay it and won't affect us. This is are the things we're improving to do. The other topic was the regulatory scenario of concessions. Well, as for concessions, this is a very important industry for the country. There are BRL65 billion that would end in terms of concession. Imagine that there is a regulatory framework. That's very well established. So the distribution segment is the cash generator of the industry. Companies that have been doing that for four or five years. They will say listen I won't invest. There are so many uncertainties. Imagine the side effect of all this. So each segment has unique features and these burden its -- and compatible with the economic regulation regime. So I believe that's a very sensitive industry Carolina for the government to mess up with it. I don't know, if Leo want to touch, you would like to add anything to my answer?

## **A - Leonardo da Silva Lucas Tavares de Lima** {BIO 17560076 <GO>}

Augusto I think you've touched the most significant points. This issue of collection is something that the company is highly concerned about, involves all the CEOs. We invite leaders to look at the company, think about how to plan those actions and what are the actions that will be taken. We are advancing a lot in recording the low-income customers. And when you speak of turnaround such as CEA, we increase the number of collection and cutting teams because consumers are very responsive to this type of action. So we already have good results in collection in Rio Grande do Sul. And the prospects is are to continue in this journey to -- listen to enroll new consumers and new low income consumers because this year which is more challenging we'll be able to deliver good figures both in collection and reduction of losses.

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

Thank you very much.

## **Operator**

(Operator Instructions) Excuse me. This concludes today's Q&A session. I would like to invite Mr. Augusto Miranda to proceed with his closing remarks. Go ahead Mr. Augusto.

## **A - Augusto Miranda da Paz Junior** {BIO 17178608 <GO>}

Okay. Thank you all very much for your time and attention in this earnings release call. I would like to reinforce our commitment to generate value for our investors with a disciplined financial management, focus on efficiency of capital allocation. I would like to remind you that our Investor Relations team is available to support you with any questions you may have after this call. I thank you again for your interest in the company and for attending our earnings call. Thank you and have a good afternoon.

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## Operator

The earnings release of call for Equatorial Energia has now ended. We thank you all for attending and have a good day.

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