

## Q3 2019 Earnings Call

### Company Participants

- Unidentified Speaker, Unknown
- Wilson Pinto Ferreira Junior, Eletrobrás

### Other Participants

- Andre Sampaio, Research Analyst
- Fernando Antônio Hadba, Head Credit Research Brazil
- Marcelo Sá, Research Analyst

### Presentation

#### Operator

Ladies and gentlemen. Good afternoon, everyone. Thank you for waiting. Please you are all welcome to the teleconference from Eletrobras to talk about our results from the third trimester of 2019. (Operator Instructions)

We would like to remind you that this presentation is available with a PowerPoint in the Investor Relations website from Eletrobras. (Operator Instructions)

Before we continue, we'd like to be clear that essential declarations that might be done during this teleconference related to the business perspectives from the company, projections, operational goals and financial goals are beliefs and premises from the Board of Directors of Eletrobras, as are the information actually available from the company. Future considerations are not performance guarantees as there are risks and uncertainties involved. The investors should understand that the economic conditions -- general economic conditions and other operational factors can influence the expressed results in future considerations.

Now I'd like to pass on the floor to the CEO, Mr. Wilson Ferreira Junior and also to Mrs. Elvira Presta, the CFO. And I'd like to thank you for the opportunity. Please take the floor.

#### Wilson Pinto Ferreira Junior {BIO 20013669 <GO>}

Good afternoon, everyone. All the investors, people who have been following us, we are in this presentation of our trimester results. Now we will continue with our presentation. It's fairly long, this presentation, considering the last trimester. But I'll try to go through it quickly.

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And starting on Page 4. So our highlights are these. So we have 2 pages. The first one, talking about the project of law, 5187 (sic) (5877), that was sent to the Congress last week. And now we've started the privatization process from Eletrobras and the decrease of capital. We're going to talk about it throughout this presentation.

I'd also like to tell you that the proposal for increase of capital proposed, it's in the 16th (sic) (175th) EGM. The day after tomorrow, we are going to present our capitalization process with our resources from good part to the union. And we're going to provide it to the main shareholders. We are going to have to be talking about it throughout. And we're also going to talk about our workforce, 2 important events.

First of all, we have -- the presentation represents a program of people that -- to finish with the company and it's going to start. And it's a voluntary program. And we already have 1,681 employees. And that's going to improve by BRL 500 million. And I'm going to mention some of these things.

I'm also going to talk about the third part, the outsourced disconnection. So in Furnas. So more than 1,000 third-party employees. It's going to save us BRL 280 million a year. And we are already thinking about the estimated costs, which are going to be more than BRL 430 million.

Another important thing. We are still continuing with our process for leverage. The company is 1.8x the net debt/EBITDA adjusted. And so we've been doing a bond discharge. And we've had that happened in July 2019. And we got BRL 3.9 billion. And we've also had a cash flow that was done to SPES at September. And it's almost BRL 800 million. And we still have BRL 200 million to be received until December. These are the first 4 highlights of the company.

Now we are going to continue talking about generation. It's got to more than 50,000 megawatts of installed capacity. We had a physical aggregation of more than 1,000 megawatts. So a 4% growth compared to last year and an increase of BRL 1 billion in income.

In transmission, we are getting close to 71,000 kilometers of transmission lines. There was a reduction of 105 kilometers due to the sales of SPE assets. So we still had an aggregation of BRL 24 million aggregated in our transmission system.

We also would like to talk about governance. The company, in the highlight program for governance created by B.3, we went over -- from a concept of 60 points, we moved from 50 to 56. So we are doing very well. And they're very close to the maximum score and reminded you that we have the maximum score from FASB in the economy ministry.

We also have a prediction of CCC. So we're going to have a process by Amazonas D for BRL 690 million. And on the other hand, it's important to mention that we preserved a credit from up to BRL 3.5 billion, which is a priority resource from bill from Eletrobras for efficiency, economic and energy. So those were the highlights.

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Now we're going to talk about our main results here, which we're going to talk a little bit further on. On the first line, we are talking about the states, reported states. And in the bottom line is what we call recurrent from the events that are nonrecurring. So a very good result. We are still growing our income, 9.7%, getting close to BRL 8.79 billion; and EBITDA, which had a 303% increase, getting close to BRL 2.7 billion; and net profit, which is close to BRL 716 million. So we reverted the losses we had last year. And we grew in 132%.

It's important to follow with the recurrent results how we got here a revenue of BRL 8.853 billion. So the issue of recurrence doesn't have to do with our income. We had 24% growth with EBITDA, which increased in BRL 3.2 billion. And we have the big growth, 24%. And that reflects a net profit of about BRL 2.97 billion (sic) (BRL 2.097 billion) in -- so we had a 43% increase compared to last year at the same time, which was BRL 1.46 billion.

So as we have been talking about the restructuring of the company, looking at the privatization process. So talking about our business evolution, we have 2 pages about generation. Starting on the first one, a very important data. We've already aggregated 1,035 megawatts in 2019. In the semester with generating units from Belo Monte, 15 and 16, they've reached 10,000 megawatts in installed capacity. And we already have 17 already in commercial operation. And we're going to have the final machine in commercial operation. We should inaugurate its launch. It's still in November. We have had in the beginning of the commercial operation from Sinop. So we are talking about the first machine, which is the generating unit 2, 200 watts (sic) (megawatts). But we have already had the commercial operation from generating unit 1. So we concluded the Sinop project.

Just talking a little bit about the whole capacity of the company, 50,429 megawatts of processed. So we've had a percental (sic) (percentage) loss. But as we look here, Brazil related to the third trimester of last year, we had an increase of 1,955 megawatts, 28% of Eletrobras. So it contributed with a 28%, less than the 30% it holds. It's going to have a small percental less in participation. But it's important to also say that Itaipu #2, 2 assets, there are -- have a possibility of privatization. And they represent 5.4% of this capacity.

Another interesting

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structuring. You can see here on the right-hand side that it reaches 96% of clean energy, 92% of renewable energy, including solar and wind power. Then we also have 4% for the nuclear, 92% is renewable, 96% clean energy. Also reminding you that talking about thermoelectric, we had 4%. So 350 megawatts are for -- from hydroelectric and also from gas turbines. So we're really increasing and improving the quality of generation.

Eletrobras, already one of the cleanest and more renewable companies in the world. So if you look at this post here, you can see it says quite a lot. So we've been saying we've had generation of income for more than BRL 5.13 billion -- from BRL 5.13 billion to BRL 6.12 billion. So that's an increase of 19.3% related to the third trimester of 2018.

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So by looking here, you can evaluate with much ease here, we are reporting, which are, let's say, the products that the company develops in generation. So basically the exploration, which they are not covered by the Law 12,783/13, which are our production that is not in the quote. So we had an increase of BRL 1.887 billion from that to BRL 2.724 billion, a 44.4% growth. And really, we really have to pay attention that what's happened is that the Amazonas GT has started operating, specifically Mauã 3 with already a gas contract established with Petrobras. And just that was able to generate BRL 720 million on our revenue. We still have here on the other side, on the other block of products in the company, you can see here in post register following 12,783/13. So we went from BRL 551 million to BRL 925 million. So we had an increase in gas. And there were also readjustments from the cycle. And we had BRL 374 million.

On the right-hand side, we have here the free market. So in each block, you can see what the volume of megawatts that we have. So you can see here, it stays at 7,451 megawatts in the O&M following the law. And in exploration, we had 22.3%. So in the bilateral contract, we went from 5.04 megawatts to 5.179 megawatts. And the PLDs are going down. So of course, here, there was almost a 60% fall. But we only had a small fall in income from BRL 2.2 billion to BRL 2.098 billion. And here, we have the generation with CCEE. So we had a reduction from BRL 480 million to BRL 367 million, also proportionate to the PLD. So adding up everything, thinking about the generation, it goes from BRL 5.1 billion to BRL 6.115 billion this year. So we had a very important growth from 19.3%.

On the right-hand side, we can see that the GSF went -- there was really a fall here. But also in the PLD, stayed quite stable comparing to the operations in the ACL operations. And the ACR operations went from 2 -- 400 million to 288 million, that's our -- sorry, 288.79 megawatts (sic) (BRL 246.68 to BRL 288.79 per megawatt hour). So that's our generation capacity.

Showing here our enterprises being built. Starting, of course, for the Belo Monte unit. So as I said, it's going to have 11,233 megawatts. It's the biggest plant really that we have here. And it's being used and it's being

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we have. In the (said) power plant, it's adding to Petrobras BRL 2.7 million a year -- BRL 2.7 billion.

So the Sinop power plant, which started in the last trimester, it's also a 402-megawatt power plant. 49% of the power plant, it's -- belongs to Eletrobras, adding up to BRL 142 million a year of income. So that is a controlled -- a company controlled by Eletrobras.

Then we had 15 wind farms implemented. And in this group, we have 20 -- 234 megawatts being produced. And most of these farms are already in commercial operation. And they're going to have, as a whole, production from BRL 150 million in income.

We also have in 2019, we have -- from 2020, we're going to have -- well. So we're going to have

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in the UTE Santa Cruz. And we're going to have the UTN Angra 3 by January 2026. This specific one in Santa Cruz, which we are closing, we have gas turbines from 300 -- for 350 megawatts. And we're going to have a steam turbine for 150 megawatts. And Eletrobras has a participation of 100%. So we are closing the combined cycle in the UTE Santa Cruz.

We're going to talk a little bit about our investments. But it all depends from the PPI investments, to see if really things are on course for us to be able to have a surge for partners to conclude this project. So we have 3,212 megawatts in Brazil to enter in operation with the participation of Eletrobras. 2,495 of this megawatts belong to Eletrobras. Until 2021 in December, we're going to have an interest in operation in commercial operations, 1,091 megawatts with the Santa Cruz starting. Then by 2026, we're going to have 1,405 megawatts from Angra 3.

So we have 70,924 kilometers of transmission lines. And you can see 45.2% of participation in the market in Brazil. Last trimester, we -- they were 48%. This is due to the delivery of SPEs that we sold -- SPEs that we sold. We had a reduction of our network by 105 kilometers. So we had BRL 24 million in RAP totally aggregated in the Eletrobras companies. Of course, it highlights from Furnas it's BRL 17.1 million. We also had more -- plus 6,959 kilometers in Brazil relating to last year. So some good news, 78 corporate buildings are being constructed with a potential revenue of BRL 300 million.

So let's talk about our financial results. So first of all, on the right -- on the left-hand side, you can see what is in the IFRS. And on the right-hand side, the recurrent issues. So you can see here, the revenue has gone up by 10% in the IFRS and 11% in the recurrent. So the main reason for this is the entrance of Amazonas GT and the energy from PIEs.

So in the second line, PMSO, we had a fall here but we are moving on the right direction, 9% of fall, 17% in the recurrent. And here, there are many items that we're going to talk in a little bit more. First, it has to do with many consensual programs that are on course and return of some releases and mercantile with the IFRS 16 and demobilization of the thermal power plant in Araguaia. So this is what happened in this line item.

We also had an increase of costs and operational expenses by 8%. And it has to do, as we have BRL 469 million growth in the revenue from Amazonas GT. Of course, there was an increase in

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BRL 141 million. So this is the cost increase that we had 8%. But they generated an increase of 10% and 11% in our revenue.

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So our operational provisions. Reminding you that last year in this trimester, we had that resource from the compulsory and we are reporting BRL 1.2 billion as recurrent. But here, you can see the BRL 690 million that we had in the highlights referring to CCC in Amazonas for distribution and the BRL 154 million provided for people to be -- to leave the company and to have more than 1,000 people leaving the company voluntarily by the end of the year. We've also had shares that have been compensated for BRL 101 million from third parties, GSF Chesf Sobradinho. There was a reduction of this provision, BRL 155 million of provision

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holding and a smaller provision for compulsory companies. We are going to show you that in a better chart.

And here are the societary participations. So we had a fall of BRL 114 million equivalent to Belo Monte transmission and the BRL 114 million from the coligated equivalent. Eletrobras is in a much more positive situation. And it's growing. That's why we report EBITDA growth from getting to -- sorry. So in the normal way, BRL 2.766 billion; and the recurrent, BRL 3.9 billion.

There was depreciation and amortization. We had a small growth. But it's still being affected by less expenses on adjusting this value and the ABFS -- RBSE, which was adjusted by the NTNB from 5.68% to 2.6%

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trimester and the amount is BRL 442 million (sic) (BRL 542 million. So it's really fallen down quite a bit. So our revenue is BRL 542 million. So that's great. The results, then, of course, income tax and social contribution, almost an increase in 200%. Reminding you, last year, we still had our operations -- continued operation with the distributors. And last year, they generated in this trimester BRL 1.212 billion (sic) (BRL 1.012 billion). But we have already concluded that. And we concluded here our work after net results, reporting BRL 716 million; and recurrently, BRL 2.097 billion.

So now we're going to talk about these details. Talking about, first of all, the gross income. We've reported the growth between 9 -- from 9% to 10.7%. We usually do it -- this revenue, we removed the construction. We have a growth from BRL 7.995 billion to BRL 8,853 billion. And that has to do with the growth of all our activities, the exploration regime, we've grown 8%. Also talking about Amazonas GT, MauAí and the independent producers and a pass-on of 68% from Itaipu related to the inflation in the U.S.A. We also have the regime of O&M. And we also had the transmission. So that's our readjusting of our quotas.

In transmission, we have a readjustment from RAP, which is the homologatory resolution from ANEEL, the construction of BRL 61 million investment from Chesf and compensated - which compensated BRL 16 million losses from Eletronorte and Furnas. We also had the RBSE, the resolution, the homologatory resolution of readjustment. And we have the

contractual revenues, which are about BRL 51 million that were adjusted in telecommunications and so on, the services that are already provided by Eletronorte in Belo Monte.

But as you can see, the exploration serve as an investment in growth in transmission. So we had a growth in our generation exploration regime, the O&M regime, revenue operation and maintenance, construction revenue and also RBSE. So we had growth in all of them. Just a small fall in the contractual revenues and other revenues. But we had a lot of growth.

So when we think about operational costs, in Page 15, as was already said, we are reporting a fall in 7.7% in the operational cost, IFRS. So we mentioned BRL 158 million from Amazonas GT from fuels. There was also, in energy, a fall of 9%. But Eletronorte has less than BRL 100 million. We reported minus (BRL 63 million). And here, it's important to mention that we've also had -- we were purchasing energy from Corpoelec from Venezuela. They can't really support it. So we had a reduction in that contract. And we had a growth of BRL 43 million of bought energy from Amazonas GT because we purchased them from independent producers.

So details on the usage of the electrical network. There was an increase in BRL 96 million. So from readjustments of the transmission tariff fees. And also in construction and transmission, we are BRL 74 million less from a lower level of investments.

Let's go to Page 16, talking about personnel, materials, services and others. So we kept here the reduction of, of course, personnel, BRL 1.1 billion. We had a fall in number of employees from 140 million to -- so we had 15,000 employees. And now we have 13,784 employees. So this expense is, of course

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let's say, in parenthesis, in the Eletronuclear of BRL 12 million.

The growth in the materials, in the resources area, it's an increase of BRL 11 million, especially when we talk about Chesf, materials for many maintenance. And also, we had in GT Amazonas to, of course, keep the power plant.

So third-party services from all our companies. Talking about Chesf, reclassification of expenses with the full benefits and health plans. And we had an increase of BRL 38 million in Eletronuclear from, of course, differences in competencies for our maintenance of Angra 2.

So we had a decrease, of course, for others, BRL 242 million. So we had a prescription of tax credits that we had from BRL 51 million. In Eletronorte, we had a return from the mercantile arrangement of BRL 10.6 million, which is also now connected to Eletrobras. And BRL 24 million from (SPE Santa Vitoria).

In nonrecurrent events, BRL 125 million in Furnas from the payment that we had to make to Ampla and Inepar. And we also got BRL 120 million (sic) (BRL 112 million) from retroactive launches. And we had BRL 12 million reversion in PDC 19, which we'll receive next month. So the good news here is that the PMSO results has been talking about increasing our revenue in a consistent way and to reduce expenses. That's what we're trying to do constantly.

And also here in the operational provisions, we are reporting a reduction. So let's talk about these numbers starting here, BRL 690 million from the credits given from Amazonas Energia. And we have some (NP879) and the provision from indemnification of the third parties, BRL 350 million from Furnas, which is a judicial agreement. So both these numbers are now provisioned in the third party with variation. Also, we had provision of credits from CCC provided by Amazonas Energia in the privatization process. So we've followed (on all those numbers).

So let's talk about EBITDA. Let's see here on the left-hand side, the contingencies, the possible losses and others. We reported last year, we had BRL 686 million EBITDA. Now we are talking about BRL 2.7 billion. So it looks good. But the results that we are looking at here, again, it's gone up by 24%, BRL 756 million due to an increase in revenues, BRL 727 million, basically from Amazonas GT, GAG (improvement), transmission and from Itaipu main event. So the societary participations, we talked about the fall of Belo Monte transmitter connected to the operational costs -- recurrent operational cost. We had BRL 158 million growth because of consumption of fuels. The recurrent PMSO, we had a positive occurrence of BRL 371 million. And we just talked about it in the last chart. Then we had here an EBITDA of almost BRL 4 billion. So we had a 24% growth.

So now we're going to talk about our net profit, which reported by -- we had 132% growth. So we had -- we are really recovering from the losses we had before. And taking on the adjustments that we had, it would be BRL 1.4 billion -- BRL 1.469 billion. It should be -- now it's BRL 2.97 billion (sic) BRL 2.097 billion, the recurrent profit. So we had an increase of 43%. And we had -- of course, because of the tax income, it didn't go as high. But it went very well. This is what's happening.

So talking about our company. So let's look at the graph in Page 21 before the Page 20. So looking at EBITDA, we can see that all our companies, we had increase in EBITDA. So in Eletronuclear, Eletronorte, Furnas, Chesf, Amazonas GT, Eletrosul. So the results have been very positive, very consistent in all controllables. So you can see that all the management.

And now let's go back to Page 20. We have some nonrecurrent events that we show here, which is a specific case of provision to turn off -- the disconnection of third parties, which is BRL 354 million. So it's a lot of reduction. But it's due to this. So we reverted in losses from Chesf. So now there are no more losses. And the other companies did -- actually did very well as well. So as you can see, I'm very, very pleased with these results.

So going to Page 22, now we're going to talk about financial discipline. So following up on our leverage. We have here 1.8x growth because we consider this -- and 2.3 -- 23.4



which have been falling since 2016, which got to 8.8x. And now it's 2.3x. So you can see here that in the fourth trimester, our

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has been going down from 2.2 to 1.8. And the profile, you can see on the left, what we have in 2021, we plan to have a very good growth, BRL 12 billion. And we are already talking about BRL 5 billion to BRL 6 billion on an annual basis now, which is positive already. So the liquid debt gets you to BRL 22.1 billion.

So now let's go to Page 23 to talk about investments. We have here a good and a bad news -- good and bad news. The good news is that we've invested less. The bad news is that we could have invested more to avoid some problems that we will now report. So the investments we've done, they are in generation and transmission. As you can see here, the corporate work that we've been doing, we've invested in this last nine months more than BRL 1 billion. And we have budgeted BRL 1.8 billion. In transmission, we've invested BRL 584 million. And our budget was BRL 1.249 billion. So all the companies will come and have some investment then.

But look here, we haven't performed (BRL 1.572 billion) investments. So the good news is that BRL 170 million were avoided. We have budgets and we followed the SDS. And we have the SDS from the hydroelectric power plants. And we saved BRL 100 million in Norte Energia Belo Monte because of the (GSC). So there's investment we haven't done. But we're happy about it. We also had an anticipation in Candiota 3, which we talked about before. There was an overhaul to anticipate BRL 77 million. But we had BRL 1.4 billion that were postponed.

So this justifies the majority of things, the provisions that we have here. So in Angra 3, we still haven't restarted on the building. Also in the last one, the TNE, are regulatory issues, Transnorte Energia, which will connect Manaus to Boa Vista. And there, we also have replanning for equipment in Santa Cruz, which we reported without commitment to the original chronograph. The schedule between Chesf and Furnas, we had lower investments and reinforcements and improvements.

And on Page 24, just to show you that the market value from the company is still going down, coming close to the asset value.

And now in Page 26, just to talk about some reports, destatization from Eletrobras. So it's very important to talk about the process. So we had -- in the announcement, there were some announcements of progress about -- talking about the privatization of the company and the values that were defined in the project -- in the law project to have values added by an inclusion of budgetary provision from the unit. So you can see here, we had due dates, our regime for us to predict a (GCFS). Then we have also to be paid. It's something that will have to be evaluated at the time of privatization. I'll talk a little bit about that further.

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So what we know for sure is that our plans have a revenue of BRL 3.5 billion investments from River São Francisco, thinking about, of course, all the expenses and all the taxes. What's going to be done here, it's an evaluation of (GCL) from these companies. And this is will be called -- this is our added value. Apart from that, we have to remove from that the indemnification of nonamortized investments. This will be done by the agency, the concessions. And this would be considered, of course. Then we get to what we call economic benefit.

It's important to mention to you when you do this calculation, the premises that will be used for a new 30-year concession. They will be defined by the CNPE, which provides us with a lot of security for this process. And not just by the logic of how to identify the value of the premises have to be approved. But this is fair -- just parent for the Brazilian society. This evaluation will generate the so-called economic benefits, added value, also when you consider some other benefits that will be added.

So I'd also like to mention by the termination of the process, that we've done a deeper search. And we've come to a very consistent work with River São Francisco with all the data that we needed. And this was very important to us. And also, the recognition of our credits from Eletrobras. So we have our economic benefit from our payment methods that we have the benefits from São Francisco and the recognition of the credit from Eletrobras. We plan that we'll get to an evaluation how much this will cost for the company. 1/3 of this passed on from the tariffs, the taxes, that will be reduced to reduce this impact on the consumer. And this benefit 1/3 goes straight and 2/3 goes to the union, of course.

So it's going to be very transparent

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I want to tell you that it's going to be done at the right time, not right now. So in the government, of course, there is a budget but it has to be validated. It's still -- there is no investment provision just yet. But it will be all done. So the macroeconomic issues that will define the slow -- the long-term tariffs, all of this will be done at the right time, okay, to offer transparency. And the decision will then be passed on to the CNPE and will create a Brazilian corporation for energy.

So we have here this stages. So first of all, it has to be approved by National Congress, the PL. Then from the executive, it goes straight to the Chamber of Deputies and the Federal Senate. It goes -- of course, it has to be approved by the majority in both Houses. Then this privatization model has to be confirmed by CPPI. Then we need to review physical warranties -- guarantees from EPE. We already had a reviewed then about two years ago. And there will need to be another evaluation because some of the power plants have higher generation than what's

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so we have to have a balanced change. And it's going to be done by EPE. And just to make it clear to you, we have 9,844 megawatts right now. And once we add the values, which is about 5%, which you saw in 2017, we would have a reduction of 280 megawatts in this capacity. So this has to be done by the EPE. Then it goes to item 4, which is to calculate the authorization and the economic benefit value added and whatever. You know that there are, they will be removed and also the evaluation of all the premises, of course, by the CNPE. Then both things are then submitted to the council of -- the council of Eletrobras. Then our value comes from it. It has to be appreciated by the assembly. And of course, for this to happen, there needs to be a decision to increase capital. Then it might not -- it needs approval. Then we arrive -- after the increase in capital by the dilution of the union, we finally get to privatization.

And to conclude, I just want to tell you about some facts that we are calling future prospectives. The day after tomorrow, we're already going to have the 175th EGM to talk about the capital increase by private subscription. So almost BRL 10 million. And just to make clear that this will happen from 18th of November until 17th of December to put to use the rights. Then we're also going to enter in commercial operations from all the assets that we've already mentioned.

Also highlighting that we're going to announce in the next trimester an entry in more than 1,056 kilometers of transmission lines, which are very important. The capitalization process of Eletrobras, which was already sent to the Chamber of Commerce, we work here with this increase of approval. And it needs should be, of course, defined by CNPE. And we are in a process of negotiation with the SPE, 39 SPEs in the process of sales. And we are going to do this based on this increase. And we're going to have this process there, which should really conclude until the end of this year.

Well with the incorporation of CGTEE and Eletrosul, AGE was suspended by a judicial liminal. And so we are waiting for the outcome of the judgment to really -- the trial to really -- that should happen tomorrow. Amazonas GT, we have a transference to Eletronorte, which is expected for the first trimester of 2020. In the beginning of January, we should have already an assembly. And Angra 3, CPPI, a definition of the business model and the process for selection of a private partner, that should happen in the next two months. So these are our future prospectives, very good prospectives.

And as I said, our PDC, which -- the due date is coming now at the end of this week, for us to also know that we have more than 500 people that have joined. And we have a due date up to Friday for those processes of addition for the voluntary leaving of the contract. So we are very optimistic that this will happen very soon, by next week. And we are going to announce it to the market.

So this are our information. So now we'll start the Q&A.

## Questions And Answers

### Operator

Bloomberg Transcript

(Operator Instructions) The first question comes from Andre from Banco Santander.

**Q - Andre Sampaio** {BIO 19422379 <GO>}

I'd actually like to ask you a few questions referring to the privatization process. First of all, I'd like to understand on Slide 26, you comment on the indemnification of the nonamortized investments. I'd like to know that as referred to that dispute that you are still pending for

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from the process, which is similar to what happens in RBSE. But it hasn't been yet been talked about. So that's the first question.

Second question relating to the physical guarantees. Do you understand that this review, as it has been discussed in the process of public consultation from the ministry, is there going to be any limit? Is that going to end the 10% limit? Would that be really reviewed for the total value of the physical guarantee? Or will it be limited to 10%?

And my last question is just to confirm. When I look at this whole process of privatization, the whole economical benefit calculated by, say, (NPE) on what would actually stay with the company would be BRL 3.5 billion from the credits from CCC. Am I understanding this correctly?

**A - Unidentified Speaker**

Yes. To start with, yes. Of course, as a private company, you are going to have better conditions to operate efficiently this company, of course. And this is the first thing. Yes. We have BRL 3.5 billion. The added value is here.

But referring to your other questions, removing from -- asking the indemnification and the dispute that we have with ANEEL agency -- well, not really a dispute. But they have a responsibility to evaluate this value, of course, that hasn't been removed. And this has to be checked. And yes, the sales are a part of our balance sheet.

**Q - Andre Sampaio** {BIO 19422379 <GO>}

So there is a lot of physical guarantee?

**A - Unidentified Speaker**

Yes. I think the guarantee will happen. And you are going to see the difference. We got limited to 5% of this evaluation that we had two years ago. And this evaluation of some cases, for example, this contract should be minus 9.2%. It was 5%. So another case that I know of, let me think about it. The Sobradinho case, it was minus 5% and it could have been 8.6%. If you get all of this and see the main

(technical difficulty)

apart from those 5% that we have, we have 267 average megawatts less than we have today. So the right thing is for you to get to a real physical guarantee that you have. And that should be done.

Perfect. Okay. The regimen that you've got just from now on with the limitation of 10 years and we are running for 5 -- every five years and then revision, that depends on this consultation that's being done now with the sector.

## Operator

The next question is from Gustavo Miele from ItaÃ° BBA.

## Q - Marcelo SÃ;

This is Marcelo SÃ;. (Just to continue on Marcelo's question), when EPE had their last revision of physical guarantees, it seemed that the reduction was very, very strong as if it wasn't really measuring the reality of the power plants. Talked about this process with more technical people. It said what kind of rain, what average was used in the physical warranties from the northeast power plant. So if there was a decrease in rain, the fall would be much bigger than what was defined by EPE.

So in this process of write-off, maybe this series should use to reflect reality. Then you would have a relevant impact in reducing (GCSF). So what I envisaged in your comment in this review that you are mentioning is to incorporate this amount that was capped by the limit of 5%, not a more structural review. So let me see if I understood. I want to know if I understood that correctly or if a more structured review of physical warranties can be done.

## A - Unidentified Speaker

Marcelo, it can't tell you for sure. The amount that I talked about is the amount of the actual methodology that we have these days, which is limited by the capping of 5%. So

(technical difficulty)

elaborate that capping, you would have another reduction of 287 megawatts. So it's always possible when we talk about results. But I can't really check for 100% for a methodology that we don't know. They would have to be object -- considering all the agency in the sector. And they'd have to do a strong consultation, of course.

But looking at SÃ£o Francisco, which I think there is a counterpart here from the company investing in revitalization of SÃ£o Francisco, the (inaudible) forest monitoring, the water and so on so that it would have an aligned benefit on the point of view of the resources, of course. But another thing that was identified, that something important should be done. And the revitalization should be seen as a benefit to the whole society. Of course, it's not limited just to water but to allow it to

(technical difficulty)

of the improvement of the speed and strength of the river. And that, of course, would affect all the processes that will be implemented to revitalize that river. So this is the main reason why the hydraulic system, which has more than 14 power plants. And it can generate a great benefit. So of course, São Francisco is the only river that has a loss in LPG. But it is the object of this priority from really to be checked by the law.

### **Q - Marcelo Sã**

That was great. A second question, last year or the year before that, when we were discussing the privatization of Eletrobras, there was a discussion about eventually anticipating the renewal of Tucuruí and with the payment back to the union. Is this really a possibility? Or has it been removed from possibilities?

### **A - Unidentified Speaker**

It's not considered in this project -- in this law project. Just to remind you that we had time to do this for this grant. But it was supposed to have been done until last year. But unfortunately, it hadn't really been, amortized hasn't been right, written off until December of this year. So the hypotheses of you have been bidding for this power plant is still waiting for assets that haven't been written off yet.

### **Q - Marcelo Sã**

So it's clear. And just I'm reminded of something else. I remembered something else. Talking about the discussion from GSF, this agreement that you have in the P&L, this extension of concessions so that you could start on the spending amount. I think it's important that this will happen before the privatization of Eletrobras before this process continues so they will know how many years each concession will have. Do you have an idea of when this can be voted on? Or is that still pending in the Congress without expectations?

### **A - Unidentified Speaker**

Well of course, we talked about (this). And there is an expectation that this process will be evaluated soon by Eletrobras. It has, of course, a repercussion and it's going to be a priority. At any time, we hope it will be done as soon as possible. But it will have to be done quickly.

### **Operator**

(Operator Instructions) The next question is from Fernando Hadba from Santander Bank.

### **Q - Fernando Antônio Hadba**

It's a quick question. Relating to the few of your stakeholders -- the stakeholders and not just the stakeholders, the shareholders. So first if for the issue of creditors, the issue that before there was an implicit support from the union and after privatization, this support is

going to be more subtle or more complex. How do you think that the creditors will react? Or how will the company behave after privatization for facing this challenge?

## A - Unidentified Speaker

Well of course, based on the law, isn't it? The company will continue being a company that has an adherence to all public commitments that it has, many, taxes and so on. And of course, we want to keep on with all those obligations but always based on the law. The law is really an efficient thing for us to really -- for us to base our actions on them. And it's in respect of the state -- to the stakeholders. And we already

(technical difficulty)

## Operator

The next question is from (Liliana Cayo)

(technical difficulty)

Okay. So we are finishing the Q&A session. So we are going to return the mic to Mr. Wilson for the final considerations. Please, Mr. Wilson.

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

I would like to thank you for your attention, all the analysts, investors, the shareholders from Eletrobras for your attention that you've had to our conference for talking about our third trimester. As I've said, we are at the final process of restructuring

(technical difficulty)

bringing back Eletrobras, we have very important elements, the conclusion of very important buildings. And of course, talking about -- also talking about TNE and Angra 3. We are going through a very important phase, also the leveraging -- the unleveraging of the company in that it will always be done consistently and going to thinking about 2.5x growth and also a final perspective to reduce its operational costs. These are the basic condition for our company to make to become viable in a competitive process that corresponds to the privatization theme.

It's important to mention that the government has given us a huge responsibility with a team of bringing together a Brazilian corporation with financial capacity with a very high-level, world-class company, especially governance procedures that characterize the -- this system and the concentration limit, which are very transparent process for value evaluation. So we worried about putting together procedures that will allow us to calculate all the value of the company and deliberating about it and understand. And now we're going through a phase that we're talking to society and sending the law project to the Chamber of Deputies. It is going to start a long period of talks so that we can improve

and the government can improve this process. But it's very important for the future of Eletrobras.

And I want to remind you that by putting the company in this new competitiveness point, it becomes a company that has seen its financial capacity being reduced. And now that we finished -- we are finishing this process, it's important to mention to you that we don't have any projects of generation for -- beyond the delivery that we talked to you until 2026 with Angra. So we are -- it's reduced -- by reducing its participation just a little bit more because there are no higher projects to be delivered.

I then declare (inaudible) will join new projects essentially to make that viable so that it can join new production generation projects. It needs to have financial capacity. And that need capitalization. So the capitalization is extremely important for this company to improve the generation and for the company that is moving on a big route of growth and development with the privatization and the reform -- and really the reform of the retirement system.

So this is already very good. So we have a positive point of view. And the company is really preparing to interact and for -- and provide the information for you to make the best decision. Thank you, all for being here. And thank you so much.

## Operator

Okay. So right now, the teleconference from Eletrobras is finished. We'd like to thank you all for your participation. And I hope you have a great afternoon.

(Statements in English on this transcript were spoken by an interpreter present on the live call.)

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