

Q1 2018 Earnings Call

Company Participants

- Wilson Pinto Ferreira Junior, Eletrobras

Other Participants

- Andre Sampaio, Research Analyst
- Unidentified Participant, Analyst

Presentation

Operator

Welcome to the Eletrobras Conference (Operator Instructions)

I will remind you that this presentation is available in a PowerPoint file on the Investors Relations website of Eletrobras. (Operator Instructions)

Before we move on, we would like to make clear that any kind of information that is divulged here about the business perspectives of the company or projections or goals are beliefs of the board of Eletrobras. As well as information that is available for the company. Any future considerations are not any kind of guarantee because we have some uncertainties in the future. So that involves circumstances that may or may not happen. You must understand that the financial situation and other operational conditions may impact the results of the future considerations.

I will now turn you over to the President, Wilson Ferreira Junior. You have the floor.

Mr. Ferreira, you have the floor.

Wilson Pinto Ferreira Junior {BIO 20013669 <GO>}

Good afternoon, everyone. I would like to thank you for the opportunity to be here. And please excuse me for the delay today. We're in New York today. We had a meeting with the board.

And I have a quick presentation here for you. I would like you to turn to Page four to see the highlights of this semester. Here we have a gross revenue of BRL 9.14 million (sic) (BRL 9.14 billion). So a growth of 9% in comparison with last year, especially because of some adjustments that we made in transmission and distribution in those revenues, where there was an adjustment in comparison with the previous year. Also, we have low profit, BRL 56 million only. So if we compare that with the same quarter last year, we see a drop of 96%.

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We had the privatization of Amazonas D. That was one of the highlights of the operations. It's still because of that, those conditions, those definitions. And also recognition -- or lack of recognition that actually impacted or influenced the distribution results. Then we also had the CELG sale, which also impacted -- had an impact on the value. So those are important elements.

If we look at the other businesses where the company is involved. And try to think about them in a uniform way. So generation and transmission, we have profit of BRL 1.4 million (sic) (BRL 1.4 billion). So an increase of 12% in comparison with last year. And also, we had losses of 65% in comparison with the previous year. It's BRL 1.9 million (sic) (BRL 1.9 billion) of losses in the distributors because of the fuel and because of the operations in Amazonas. So that alone will be BRL 1.3 billion of losses. I will talk about the reimbursement of CCC later. But the problem with Amazonas has to do with that.

Now on Page 5, I can talk about some other highlights of this First Quarter. If we think about the business plan, we are going to see that in detail later. But I wanted to share the 4 main things here. We have maintained our level of leverage in 3.7 so we have maintained the numbers of the previous quarter, the last quarter last year, despite the decrease in the EBITDA.

Here we have governance and compliance with good advancement. You can see that Eletrobras had the maximum score at the IG/SEST, which is the governance index of the companies in Brazil. We had a 10 out of 10. So everything was complied with.

And in the bottom, we can see here -- let me try to find the page. So as I was saying, we have the evolution of the ProERP, the ERP program. We had 60% conclusion of that program and 96% of the SSC, the shared services center. We're going to have a few more companies involved in that. We're going to continue with the implementation of the SSC.

Just 1 minute. Now on the right, we can see the evolution of this month, where we opened the PDC or the agreed termination plan. We had the addition of 735 employees. Then we closed that at the end of April with that first addition, which was lower than what we had estimated. So we might have a second opening of that plan, a second phase of that plan. But we understand that this lack of addition is also because of some movement, some processes in terms of legislation in Brazil. Somehow people noticed the possibility to not have privatization. I'm going to talk about that later. But we are quite optimistic that we're going to have a better result in the future.

That's why alongside with the negotiation that is being done right now that we inherited from the previous two years with a collective agreement dating back from May 2016, we have complied with that plan. But we understand that we're going to have the power to renegotiate -- to negotiate a new agreement with favorable conditions for the company this time. So on the addition, as I was saying, we have 735 employees that have agreed to this PDC or agreed termination plan, with a provision forecast of BRL 216 million of annual savings with a payback of 1.25 per year, which is quite positive for our operation.

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If we think about the evolution of the business, generation and transmission, in this quarter, we had 337 megawatts physical aggregation. We have added one more machine in Belo Monte. We finished the São Manoel plant and also the Nova III, which is in the northeastern region of Brazil. We have added that amount. But we also stopped the plant of Casanova. So we maintain 33% of the -- 31% of the installed capacity in Brazil.

On Page 8, you can see here the transition. We can see the corporate investment in our 4 companies. So we have investments of around BRL 2 million (sic) (BRL 2 billion) with an aggregation of revenue of BRL 250 million.

We have been discussing lately about how many kilometers were incorporated. We have basically 71,000 kilometers being interconnected thanks to Belo Monte and thanks to many other checkpoints that were -- that are regular now. So that takes us to almost 49% of the lines interconnected in Brazil. We have advanced in that sense.

Now on Page 10, we can see the financial results. Let's see some important topics here. The first point that I would like to highlight is that we had a decrease in our gross operational revenue of 1%. But in terms of net operational revenue, it's a drop of 3%. That's because of the prices in the short term market, basically, because we have a large operation in short-term, especially in the north. So the PLD changed and that had an impact in our costs. Now the prices are back to normal. So we believe that in this dry season, the prices are going to go back to normal and this is going to be recovered.

Now we had an increase in operational expenses. And this is exclusively because of the lack of reimbursement of CCC of Amazonas D, Amazonas Distribution. So we need the approval of the measurements or we need the legal command to have that reimbursement to change that situation. Because of the configuration of Eletrobras, we can see that, that is the reason for the 22% increase in the operational expenses. We've seen this rate variation of BRL 3.5 billion to BRL 4.3 billion because of the lack of reimbursement.

Also, if we see the details, we see that it's nothing basically in PDC, just a little bit in PMSO, which is staff material, third-party services and other expenses. And in terms of operational reversion and provision, we had a difference of 80% because of some compulsory loans.

And because of the privatization of the distributor that I mentioned, there was an agreement made with the ICMS and Amazonas Distribution. So because of the compulsory loans, we had a change of BRL 160 million in 2 operations until the privatization of the distributor.

Now on the depreciation and amortization, there is 1% variation. So basically nothing, virtually nothing.

And we had a change in the EBITDA according to the Brazilian SEC, the CVM. We had a decrease of 70% here. That has to do with the change with CELG last year, CELG. And we're talking about a result that changes, that varies from BRL 2.7 billion to BRL 1.2 billion

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basically. And that has to do with the variation in the operational expenses and also the additional provisions that we had to do.

Thinking about the financial results, we know that also there was an impact because of the agreement with Eletropaulo, which is approximately BRL 1 billion. So that's what really had an influence in our results.

Finally, on the participations and the shares. We have a change because of the CELG D sales distribution in the value of BRL 1.5 billion. The rest is virtually the same.

And you can see here on the bottom the net results after the taxes, after the IR, the income tax and the CS. There's a variation from BRL 1.3 billion to only BRL 56 million. These are the main activities of the company. And of course, we have to make an effort to conclude the privatization process.

Now on the -- well, on the net operating revenue, we have a 4% variation. In PMSO, that means 11%. And on operational expenses, it's 1%. So from BRL 2.554 billion to BRL 2.528 billion.

And the EBITDA had an increase of 7% in generation and a 30% decrease in transmission. If you look here in the circled line, we have the RBSE change. That's in regular basis now and it's updated yearly. And thanks to the improvement of the indicators with the inflation and other financial indicators, then we can see that the value obtained is BRL 1.2 billion. This is what determines the change in the EBITDA. It's because of the revenue in generation, transmission and distribution. In the financial results, we see that the transition had an impact. But these are all the processes, the corrections in contracts of Eletronorte with the holding and also the financial institutions.

If we look at the combined results of generation and transmission, we can have an idea of what company we're talking about. It's a company with an EBITDA of BRL 2.7 billion with a net result of BRL 1.4 billion. This is the company that we are setting up. So to say.

We see that we have a problem with the distribution activity. We had an increase in the revenue because of the tariff changes. But there is a reduction in PMSO of 14%. So here, in the circle, you can see where the fill is. We had a variation of BRL 1.1 million (sic) (BRL 1.1 billion). That's concentrated in CCC and the reimbursement. With Amazonas, that's BRL 0.5 billion alone. So despite the reduction -- or actually, despite the light increase in revenue and a decrease in PMSO, the lack of recognition of that amount will have an impact the EBITDA of the distributors.

We have reviewed the financial results and the financial expenses. And we're saying that Eletrobras is a company that is working with the distributors and is accumulating in 1 quarter. Because of that lack of recognition, because of ANEEL, the Brazilian agency, because of the reimbursement problem, there is a loss of BRL 1.9 billion. So there are pros and cons.

Even with the PDC, the agreed termination plan, even if that brings us good conditions, we still have to deal with the privatization process elements.

Now we can see here the variation of the gross revenue that varied from -- year-on-year it varies around 1%. But if we think about the recurring change, it's a growth of 9% in our revenue.

Here we can see the 6 main elements that determine that variation. We're talking about a few specific things. A decrease of 5% in O&M, operations and maintenance. On the exploration regime, we have an increase of 1% in generation. We see some benefits because of the review of the tariffs in December. This is a positive result.

We also have operations working well because of the change with ANEEL because of the tariff update. We had a growth of 20% in the operations and maintenance regime in transmission, especially because of the RAP change or the permitted annual revenue update. Not everything is accounted for but most of it is. And that's why we see the 20%. And in the exploration regime for transmission, we've had a decrease of 13%. We can think also about the adjustments that are done in that period of time, that's why 13%.

In distribution, we have a lot of rate changes. We have an increase of 33%. There's a better balance in this last quarter. And if we think about other revenues, especially in telecommunications, we have an increase of 8%. We have the RBSE of this quarter with this variation, the RBSE being the basic existing network.

On Page 13, you can see PMSO. So staff, material, third service -- third-party services and other services. We also had a collective agreement last year, the PAE, the retirement termination -- the retirement plan. So we have a few adjustments in staff and the decrease was just light. We're talking about a few million here with a provision of BRL 200 million.

We had the change of the fuel in Angra 2. That's an operation that is done frequently and that has an impact. And the green color here would be others. So this would be because of the regulatory losses and also the changes in indicators that are defined by ANEEL in the total of BRL 114 million.

On Page 14, I would like to highlight a few things about the operational provisions. The contingencies here are highlights for the provisions and the negotiations that were done with Cepisa and Amazonas D. Cepisa and Amazonas D would be the main element here that allowed us to have that joint company -- that joint operation.

So we had over BRL 24 million here (sic) (BRL 24 billion), BRL 24.190 billion. That was the position on March 31 in terms of contingencies. So if we think about those consumers that are in debt with the distributor, this also has an important variation. If we think about Angra, there is a reduction with the distributor. These are basically the variations that we've had of BRL 600 million to BRL 1 billion, approximately.

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Now if we think about the EBITDA, on Page 15, we try to compare not just the RBSE but also the PDC, the agreed termination plan, the contingencies that had some variations, also the honor of contracts, the impairments variation and the ParÃ¡ Rate, which is BRL 150 million. They did this provision and it is now over BRL 1 billion. We took that up to the federal court and we're expecting a position. But just to give you a reference, we have an EBITDA, managerial EBITDA, here that represents a growth of the managerial revenue of 6%. Of course, it is inferior in terms of operational expenses, of managerial PMSO and also in terms of operational provision. So we get to an EBITDA of BRL 880 million, if we think about all these highlights in the text box here.

Now on Page 16, I have talked about the managerial EBITDA of BRL 5 million. And this is the net debt that we had. From 6.1, it went to 3.7. So when investors and analysts wanted to see our result for 2017, we had a 6.1 amount in December 2016. And then it went down gradually until 3.7 in March 2018.

Now on Page 17, just a few other elements here on the financial results. If you think about the financial revenues, the judicial agreement of Eletropaulo produced around BRL 1.64 million (sic) (BRL 1.064 billion) that had a direct impact. And if we think about the financial expenses here to the right, there is a decrease because of the main index element of this debt. That is the reason why we have a financial -- we've had a financial result that has looked like this for a while and it's now almost positive.

On Page 18. Just so you can have a clear idea of the figures, we can see here where we're going to monitor more closely because they are the future of the company. Here if we think about Eletrosul, there's a leverage of 2.7x, a growth in EBITDA of 2.7%. So from BRL 805 million to BRL 827 million.

Eletronorte had an impact because of the provisions. The EBITDA had a drop of 31%. But I have mentioned the impact of the provisions already.

At Chesf, we went down from 4x to 2.4x. And the EBITDA had a growth of 7.2%.

And Furnas, which is a company that we still have to monitor more closely, is now with a figure of 5.4x. And the EBITDA had a drop of only 3%. And it's probably going to be stable and improve.

Now PDNG, the master plan for business and management. We have a challenge here, which is sustainable excellence. We have to recognize the balances here. The emission of greenhouse effect gases also had an impact, that's why sustainability is so important. And when it comes to people management, we need to think about the amount of accidents.

This is just a summary on Page 21 so you know what happened last year and what's going on now. We had the operational excellence with this recurring PMSO against the regulatory PMSO. We've had a reduction in the number of gratified functions or roles. Around 2,000 people who were terminated in the PAE, our retirement plan.

Also, we're going to change -- we're going to move to another office in Rio de Janeiro. And we're going to have one office only, which is going to mean a reduction in costs. We have now 2 buildings but also are -- use the resources of our pension plans. So that is going to be better with the new model.

We're going to have less overtime. The results of last year have been improving.

We also have the implementation of the services center of the ProERP, the ERP program -- implementation program.

We're trying to conclude the SSC implementation as well. I think it's over 50% of that already in the company. And last year, that meant savings of around BRL 1 billion.

On financial discipline, we have a comparison here of the net debt and the managerial EBITDA. Here we can see a reduction of 29% in the investment that is made on the PDNG, the master plan for business and management from 2017 till 2021. That's happened from the beginning of our management. And now we're focused on the distributors that are about to be going through the privatization process in June. We're just waiting for a few approvals.

We're going to be selling SPEs as well, the special-purpose entities. That's going to be submitted in June for BRL 2.5 billion.

We've been working with the administrative real estate. We're going to update the value of our real estate in Brazil.

And there are a few things that have been concluded that were ongoing from 2016 approximately. So we have Santo Antônio, Jirau, Mauão, São Manoel that are concluded. And Belo Monte, it's probably going to be concluded in December 2019. Whereas the Belo Monte Transmissora was concluded already last December.

Now on governance and compliance, here we have to think about all the bylaws so everything is standardized with the holding. We have IG-7 (sic) (IG/SEST), which is recognition for all this I have mentioned. We had a score of 10 out of 10.

And now we have filed and the -- on April 30. We had the removal of 75% of the material weaknesses. So to say. And the accounting closing is going to be eliminated until December this year.

Now on Page 22, we have a quick summary of the SPE, the special-purpose entities, that we have. We have 29 (sic) (59) in terms of generation of the wind farms, 967 megawatts, with over 1,000 kilometers of transmission. The accounting value here is BRL 2.5 billion. We're going to have the values -- the minimum value for the bidding soon. And after that, we're going to proceed with the bidding in 17 batches.

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We want to follow the standard procedure that's going to happen on June 29. We're a bit concerned because of the bidding. But I will inform you about this procedure timely. We want to avoid public manifestations as well or any discomfort that may arise because of the interactions with the ministry and with the planning areas of the government so that we can conclude the privatization processes about -- around June or July.

Now just a few investments. We reached 14% of the corporate (ESPS -- ISPF). Of course, that has to be applied. If there are any sanctions, we have 14%, as I said, including the SPEs. So we have BRL 173 million that has been very well invested in this quarter.

On Page 25, we want to see the future structure. We want to work with SPEs in a better way. So we're going to maintain the 48 SPEs that are the most strategic. But that I have mentioned already last year. The idea is for us to have a better scale and a better reach. The participation of Eletrobras, you can see here the market share. Just wanted to give you an update.

Today we have a decree being published, including Eletrobras if the contract is signed. This decree is -- was expected already and it is aligned with the perspective of the appreciation of our assessment, our PL, that was divulged on May 10. Deputy Gian Carlos Aleluia (sic) (José Carlos Aleluia) is going to be assessing that. We have a better value for CDE here of 40%. There is a provision forecast here to use resources for Cepel. We have some mandatory investments, of course.

We need to think about Chesf and how we are going to work with the São Francisco plant that was not in the initial forecast. That's something new. So we're going to have a better strategy in that sense. And we're going to maintain the limit of 10%, avoiding this way the concentration of capital. We want to better control that and allow for the creation of a large corporation with investors that are long-term and interested in the infrastructure.

This is just to highlight that we also have an ongoing vote for the MP 814. First of all, we have the rate that was not in the forecast. What is this about? It is a project that was using a reference rate coming from the capital structure that the company already had of 92% with a very low reference value. So PJLP (sic) (TJLP), et cetera of 6,800. And right now, they're not interested in maintaining those conditions. So here we have, in the case of Angra, that situation. The good news is that this will allow for a negotiation in the future. And the National Planning Committee is going to take part in that negotiation.

We have to keep in mind that it's around 130-watt per hour. That's the bottom value. Then, we're going to have the right conditions to start working with a price and update the rates later on, adapting everything to the real situation. That's something that is going to be good for the consumers. They're going to have some benefits in terms of technology and also financial benefits. So we're going to work with international references to also identify improvements for Eletrobras.

This has to do with the approval of the MP 814 and about the CCC. This was already planned in this agreement that we have with Petrobras and the Amazonas Distribution for

Amazonas GT, that was a mandatory condition for us to deverticalize Amazonas GT and help ANEEL and help all the financing parties. So we've worked with this contract. Now we can anticipate MauÃj 3. And the agreement that was made in that sense.

Now people were saying that we didn't have the shipper pay, et cetera. So we're going to think about that as well. That's probably going to contribute with our operations. And we're going to see the next resolutions as well.

We are operating with lower rates. And after this new process, we're going to have some new obligations to continue working to improve the operations in the north. We understand that that's going to be done in a definite way. We're going to eliminate a few components. Of course, we're going to reach a balance there. But we want to deverticalize this but with a positive result for the company.

On the next page, I can show you a few data, a few -- a lot of information about this company. On 2015, the assets over BRL 3 billion. And also revenue of BRL 4 billion in 2019. And BRL 3.8 billion (sic) (BRL 4.8 billion) by 2020 according to the official channel. We see the number of inhabitants here. We can use the basic network of the system to start working and then try to operate and improve that.

These are the assets, as you can see in the bottom, the LPs. So it's 1,400 megawatts of total generation. You can see the UHEs, the UTEs, the owned and the rented ones. And the PIEs with commercialized electricity. It's an important activity so that we can make it possible for Amazonas GT to continue.

On Page 31, we can see something about the MP 814 as well. This has to do with the GSF. This is important in terms of the generation and also, because most of the generation over the past two years has also been imported. So that also changes the MRE GSF. We want to think about the reduction of the load because of the offers of consumers. And we want to anticipate the physical guarantee that is given to the structure projects of Belo Monte, Jirau and Santo AntÃ´nio. There might be transition restrictions in those plans. So we need to think about the possible readjustments.

There will be a compensation of the negative effect thanks to the MP 814. Going back from 2013 until 2017, through an extension of the timeline of up to seven years, probably.

We understand that this is quite positive for Eletrobras. We interpret this as being a good thing because it has a partial compensation of the cost of displacement of generation in the plants, about physical guarantee and also thinking about the hydrological risks. So the estimations that the regulatory asset and the extension of the deadline in the timeline is very important. That's going to depend on complementary regulations but it's positive.

On Page 32, we can see the agreement with Petrobras. So everyone is on the same page. We negotiated a BRL 20.7 billion debt, BRL 14 billion is going to be paid by Eletrobras, as you can see here in the table. And the rest will be until the privatization process is concluded, it's going to be paid by the distributors.

And something important here is not just the values, not just the BRL 14.2 billion by Eletrobras. But also the conditions and the guarantee. And the distributors are going to participate with BRL 6.5 billion. So the total is BRL 20.7 billion.

We have some efficacy conditions for the agreement. And I think it is a positive thing to negotiate it this way because we continue working with the CCDs, the debt contracts. And we've already started some payments. So we're talking about an operation that is long-term.

There are some other assets that are going to be subject to payment as well. But that is going to be assessed throughout the process. We're talking about 124% CID (sic) (CDI) in 36 months.

And we see some guarantees on the right here. We can say that Eletrobras is not going to pay for everything because there are limitations that are imposed by the partnership program, the PPI. So we have a limit through the PPI of (BRL 14.75 million) and the other -- actually, the other (BRL 6.5 million) is going to be paid by the distributors.

We understand that this class action is positive, especially because this gives us new hope. And this that is going to go to the new owner after we have concluded the process.

Still under class action, this agreement was signed on May 1, with the class action representatives in the United States. And we formalized the payment suggestion or proposal of \$14.75 million. That was sent to be approved by the American court. And after the notification is sent to the members of the collective agreement, the agreement should be approved. The proposal does not represent any recognition of illegal actions or any kind of guilt from Eletrobras. Eletrobras chose to close the agreement because of the risks that are inherent to the judgment of this category.

And finally, the investigation action. There was a final report dating back from April 30 done by Hogan Lovells. And it was an independent report done with Julio Sergio and many other people who took part of this so we could advance, we could make some progress with that report and think about remediation and compliance. That was approved by the Independent Commission for Investigation Management, what we call CIGI. And with this result, we closed on the same date, on April 30, the investigation activities and also the supervision of the members of the CIGI. Now we want to think about the resources and how they're going to be used in the future.

And finally, the contract with the office is still valid. To follow up on these actions and remediation.

I'm sorry if I have presented so much information. It's more than 30 slides today. But I am here at your disposal if you have any questions. Thank you.

Questions And Answers

Operator

(Operator Instructions) Our first question is from Andre Sampaio of Santander.

Q - Andre Sampaio {BIO 19422379 <GO>}

I have a question about Angra. I actually wanted to understand if you have any expectations of what could be the impact of the impairment or the provision reversal or anything about the MP proposal for Angra.

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

Well as you know, Andre, as you have seen, we do have an idea. But I didn't want to share that right now because the MP, this measurement will open a range of possible values based on thermonuclear plants. It's around \$130 per megawatt hour. So it would be around BRL 400, approximately.

If we think about the values paid, 92% of third-party capital with an interest rate that is fixed. So this rate will be taken to the National Council of Electricity. And they will have the power to decide. Along with Angra, we did an update of the business plan and we're focusing on our impairment and onerous contract and the timeline. Now we have around BRL 12 billion of losses between impairment and onerous contracts.

I just wanted to say that we are prepared. We haven't started any simulations yet. It's not adequate to do it right now. But it is fundamental to prepare for that. We have to decide on the Angra procedures because we need to continue with the privatization.

Q - Andre Sampaio {BIO 19422379 <GO>}

Okay. I have just one more question then. I wanted to know what the discussion is like with Petrobras. And about that expense, how much can we expect to have a solution -- to reach a solution?

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

The value of the CigÃs, that is low on the side of Eletrobras. It's probably BRL 40 million. And that's going to go into the equation. Now we have held meetings with the 3 delegations of Eletrobras with CigÃs. And that was mediated with -- by the ministry. So that we can have so in May a solution, a definite solution for the addition of CigÃs. And that would be an intelligent instrument for us to have. We can think about everything that we've done and what we're going to maintain. And where we're sure and we're not sure about. So again, it's a necessary instrument so that we can recognize if our view, if our vision is different from what is in the bylaws. So in May, that's going to be done with CigÃs. I think that's important because we have the obligation to work and finish this ASAP, probably by the end of the month. Keeping in mind that the whole operation with Eletrobras, Petrobras and CigÃs is working with resources of the fund. I mean, if we don't have the recognition here, there are no resources and everything is going to stop. So there is that awareness of the need to do this diligently and very quickly. I think by the end of May we'll have a solution.

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Q - Andre Sampaio {BIO 19422379 <GO>}

You mean, with Petrobras as well, or do you have to wait for the MP?

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

Well in terms of Petrobras, the controversial value that was agreed upon depends on the privatization process of the distributors. And that's only going to happen after the process is concluded.

Operator

Now a question from (Fernando) from UBS.

Q - Unidentified Participant

I have a question about the MP 814. Do you have any expectations about the approval of it? We understand that the approval should be given by the first week of July. But do you have any expectations of when it's going to be voted? And also, is there a chance that, that changes? Finally, about the law project. I wanted to know, in terms of timing, if you have any expectations of when it's going to be voted?

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

Well MP is going to be voted on the 1st week of June -- June, not July. We could think about an extra month for the PL, for the law project. We still have a few days for contributions. So maybe by the end of the week, we will have something decided by the commission. Then, it goes to the Senate and finally the President. For the MP, we're thinking about 45 days approximately. And then after it's voted, 75 days. So on the second half of July, it's going to be voted already. And it's going to pass through the President.

Operator

(Operator Instructions) Since there are no more questions, we have finished the Q&A session. Mr. Ferreira, you may have your final comments.

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

Well I would like to thank you for taking part in this conference. And I must reaffirm that we have a strong commitment with the ongoing projects, which are fundamental for our financial and operational growth at Eletrobras. About the ERP and the SSC implementations, we are strongly focused on that. And also the agreed termination plan because we need to work on savings, we need to work on the best goals for the company. We want to have the best operational expenses. The next few months are going to be fundamental for us because we're going to have the privatization of the distributors. We're just waiting for a response of the (CEU), the (petition) in Brazil and we're going to continue after the federal accounts tribunal has decided. We're going to see the minimum rate and continue on the work to see how the bidding is going to happen and how the distributors are going to be privatized. Well if we think about the

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assets, the most important thing is how we're going to leverage the company in a healthy way. Thinking about the market, we have advanced in terms of governance and compliance, as I mentioned before. And it's essential to see what's going to happen in the political realm in the future in Brazil, whether it's the MP 814 or the PL, the law project. The MP has to do with the privatization process of the distributors. And in the case of Angra, for instance, that's important. Also, the capitalization of Eletrobras is going to be part of the whole process and it's in the timeline. By the end of November and the beginning of December, we're probably going to have a response. So that has to do with the PDNG, the master plan for business and management. And we still want to, as I said before, create a sustainability project for Eletrobras. Our first results have been positive in terms of transmission and generation. But we still have a lot to do with the distribution area. So we're going to have a good result overall.

Thank you, once again for your attention and have a great afternoon.

Operator

Our session has finished. Thank you very much. Good afternoon.

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