

Q3 2021 Earnings Call

Company Participants

- Elvira Presta, Chief Financial Officer
- Rodrigo Limp Nascimento, Chief Executive Officer
- Unidentified Speaker

Other Participants

- Andre Sampaio, Analyst
- Carolina Carneiro, Analyst
- Marcelo Sa, Analyst
- Pedro Manfredini, Analyst
- Ricardo Galdo, Analyst
- Unidentified Participant

Presentation

Unidentified Speaker

(Foreign Language) largest innate sector in Latin America comes from our interaction with modern nature with from the strength of the waters of the rivers that move out hydroelectric power, wind generators and energy sources that make our hydroelectric with oil and uranium from say study to implementation, the activities of the Eletrobras companies have a very close relationship with the environment and people and in those regions. Our work depends directly on natural and human resources, water, people, fuel and this relationship interferes in the ecosystem, doesn't interfere in the ecosystem as a whole. That's why we need to have an integration between the sustainable development in mother nature with the political and environmental policy. Our initiatives aligned as well to the objectives of the sustainable objectives of the UN, ODAODS in Portuguese, corporate goals aligned with global goals. We have nine ODS focusing on the future of the planet and the next generations. And our next step is also of our (inaudible) our commitment and (inaudible) efforts bring together water, biodiversity, climate change and relationship with the communities. Stay on and stay tuned. The energy as you see.

Operator

Ladies and gentlemen, thank you for waiting. Welcome to the Video Conference of the Third quarter of Eletrobras. I would like to introduce the team of Electrobras. We have present with us Mr. Rodrigo Limp, President of Eletrobras; Elvira Presta, Financial Director; and Ms. Camila Gualda, Risk and Compliance, and Mr. Pedro Luiz Jatoba, Generation President.

FINAL

This video conference is being recorded and will be made available on the RI website of the company, where we have the presentation available. We point out that those who need simultaneous interpreting, we have this on the Icon interpretation on the lower portion of the screen, upon choosing that, chose your language, Portuguese or English. If you chose English, you can silence the audio -- the original audio, mute by muting it. For Q&A -- Q&A session, we suggest you stand by Q&A through the lower portion of the screen. Your names will be announced and stated and then you'll get a request for the activation of your mic.

I would like to point out that declarations and statements here in terms of perspectives of business of the company, projections, goals and operational and financial goals are based upon the premises of the company as well as information currently available to the company. Future considerations are not guarantee or assurance of development, because they account for risks and uncertainties, and therefore, circumstances that may not or not happen, operational and general situations may influence the results influencing these future considerations.

Now I'd like to pass the floor to Mr. Rodrigo Limp, President of Eletrobras. Mr. Limp, floor is yours.

Rodrigo Limp Nascimento {BIO 18011809 <GO>}

Good afternoon. Good afternoon all. Welcome to our conference -- video conference this time with the presentation of the results of the third quarter of 2021. We have here four of our Directors, say myself, Ms. Elvira, Compliance Camila, Mr. Jatoba, Generation, and we have the pleasure to have you here exchanging information about the results of the company on this quarter.

So that we have this starting, I will talk about the main highlights, financial, operational and corporate. The results say and the shares will be further commented by the Financial Board. As we're doing the beginning of all our result presentation and meetings, we have a general context that we should check the load compared to previous year. We had in 2021 a load that was above last year and we kept on going regaining strength closer now in the summer time with increase in consumption with more higher temperatures.

This year nevertheless we haven't yet started the high temperatures period. GSF and PLD in the last conference that we brought up is pieces of information of in June, we have expectation to have a GSF that would be very low compared to the previous period due to the hydric crisis, GSFs were very low, result of the water scarceness in the sector leading on to a greater thermal generation and a reduction of our hydroelectrical generation.

And the expectation that we sign out before, the price of liquidation of differences and the short terms of PLDs in the third quarter, it was in the upper threshold ceiling values. In the fourth quarter, we see a reduction, but is still with a scenario of a lot of attention given to the hydric situation in Brazil, even though it is more comfortable than it was some months ago, mainly result of the actions taken by the government in terms of more

FINAL

availability of offers of thermal sources, measures allowed for better storage of water in the reservoir, especially in the hydraulics side, the rational use of energy, Eletrobras has its contribution through procell that we are responsible for, and we aim to incentivize rational use of energy.

Next slide. In the field numbers, the performance of generation so far in 2021, we see how we have a participation very relevant in the generation of energy in Brazil in the quarter, 30% of the whole consumption of energy in Brazil -- in the country. And then we have in the lower portion the energetic balance, upper -- in the upper portion, we have the physical part and then we have the effect in the lower portion comparing 2020 to 2021. Revenue ACL and the short-term market, a result of PLD elevation and commercialization trading adopted by Eletrobras. During this month of scarceness of water, the company had good prices, good results in the trading of energy.

More relevant information that we have the attention, when we compare the energy balancement and our Board has per plan, so we see participation shares in revenue and we see there is a displacement between quotas around 45% in energy balance and production and in the financials, we have a participation that is much lower BRL1.08 billion compared to BRL6.5 billion. That was actually about generation.

Next slide, please. The main pieces of data in terms of performance of transmissions. We have an increasing performance since 2016 within the kind of imbalancing between 99,96 % to 99, 93%, you see there is this variation here compared back to 2016 transmission lines, now transformers, we had this availability, that was 99.8%, one of the highest in the last years. That's the systemic robustness, 67.7% cut-off point for load was, which is very good. 1.96% is the variable share, 1.3% in the whole -- quarter or trimester.

Here we have the main financial highlights that were published yesterday at the end of day. Net revenue less 50% with the illustration of the strong performance of the company. EBITDA up three points to up to 5.5 in the third quarter compared to the previous quarter and net revenue BRL965 million, a decrease say of 66% of the previous year. As we commented, and we will comment on further on, it's been strongly impacted for the fact that we have compulsory loans, non-recurring facts that represent this strong operational performance of the company and the improvement of the roll-by up by 45%, EBITDA set by up by 70% and net revenue up by 69%, and that meant EBITDA we are still ongoing with low indebtment, we were at one as a level, now it's -- we are at 0.9 net revenue compared to EBITDA.

Our next slide. Our main highlights of the quarter, it was a trimester that was very moved, a lot was dealt with during this point, (inaudible) devices, the accountabilization of re-profilement approved by Aneel for this rate cycle. This accounting RSS RBSE added BRL4.8 billion in the results of this quarter, GSF, the ending of the granting of the terms of extension of granting of the mechanisms of the plants, free allocation of energy MRE, we had two stages in this and in the granting of the terms actually reflect on the impacting number of BRL4.2 billion plus in the consolidated results of the company. AIC result of this quarter is still coming out of the privatization of some distributors, a concession or concessionaries, Eletrobras will receive the lumpsum of BRL150 million. Nevertheless, they can be paid out to 60 months according to the Selic rate. The reversion of impairment,

FINAL

we have a lumpsum of BRL454 million and then we are accounting here the reversion of BRL265 million of the plant of UT Santa Cruz and UHE Batalha, the Law number for 14.182, BRL182 million. So in the financial result starting in the end here concerning negative impacts minus BRL340 million Selic was replaced by IPCA over credit of inefficiency, Resolution CNPE 15/21, a negative impact of BRL432 million.

The first negative impact, let's comment on it. This is the most relevant of them, the compulsory loan with a provision of minus BRL9.1 billion. We'll have opportunity during Q&A for more details. This review was realized considering the recent history of provisioning of the company especially 2021. In the last quarters, we were constantly going for compulsory loans that in course to the company for a revision of these compulsory loans. We had a technical analysis based upon the jurisprudential analysis and unfavorable reports from 2021, BRL8.9 million -- was actually BRL8.9 billion that ended up in minus BRL9.1 billion, one out of those undergoing revisions was -- had to do with the prescription of the period of grace, the reflection of how we deal with that that was remote but it's like -- most likely to happen, and it's one item that is highly impacting.

Compulsory loans-wise, the alteration of the time landmark, so here we're considering the diverging records of the company based upon reports that were granted actually, BRL2.2 billion in average. Furthermore, with the results we had the unfavorable judgment of the case Roma and with favorable decision upon further discussion. Conversion and action should be the period of that decision and not payments that reinforces the thesis of the company. Other negative impacts, we have the contingencies of Chesf, the reclassification of risk and law cases, minus BRL657 million and then we had the credit -- current credit taken on by the holding in the process of de-statization of the distribution of energy, minus, BRL340 million. CNPE 15/21 with a negative result of minus BRL432 million.

Next slide, please. The corporate highlights, with great satisfaction, we are awarded the award ANEFAC, which about transparency, typical 25 years that first time Eletrobras was awarded this and it's the results of the Financial Board and their actions.

Capitalization-wise, we have in this quarter ENBpar decree 10,171 791 and then we had resolution CPP 203/21, we are talking here added value for the 22 plants of the company that were affected by Law 14,182 but even not been in quotas will be extended like Tucuruí as one of the power plants.

PP 203 establishing the main points of the modeling of the de-statization of Eletrobras and we have important resolution of CNPE establishing guidelines for the definition of the price of energy of what has been generated by Angra 3 not only for making viable the conclusion of Angra 3 back for the segregations of Eletronuclear and Itaipu companies that will start being controlled by ENBpar.

One more slide, please. This is a timeline for the capitalization with some of the milestones reached. The Presidential sanction in July, the deliberation of CNPE with the total value established at BRL62.9 billion, BRL29.7 billion CDE, BRL23.2 billion in grant, BRL2.9 billion out of the BRL62 billion referring to credit inefficiency of CCC as per Law 14,182. September, we had creation of ENBpar the controller of Itaipu and October we had

FINAL

PPI based upon these studies of modeling by the BNDES CNPE premises for Angra 3. November 21, the hiring of the banking industry reps checking out the banks that will be representing and banks that will be part of the offering. We have the Accounting General office waiting, we are awaiting the granting. TCU, the Accounting General Office, is still working on the last milestone that it has to do with Itaipu and Nuclear milestone. Now PPI and more documents we have after deliberation of the Accounting General Office, we have the generation of documents with new resolutions by PPI and new resolutions of PPA, in case, we have new values in terms of granting previously approved and PPI will reflect that CNPE decision and other changes identified by BNDES in the studies, as of those milestones will have the process of the instruction of the proposal of administration, the governance structure, technical areas council and administration and the extraordinary assembly with 30 days as a minimum period. And then we have the assembly with the decisions of the shareholders on approval with the decision upon the adhesion or not to the process and then we'll have the Comptroller General Office and the offer as a whole after those milestones, we have follow-on based upon the data of the fourth quarter and therefore annual. By having that information, we'll have the information for 134 days as of the base date, that is December, that would have May as the limit date for the reports on the annual report, until May would be the limit, but we could actually have more interesting windows of time to -- in the markets to do so, April, for instance. That is the timeline as it is as of now for the capitalization and then we'll have the opportunity to clarify doubts about the results that we have had and we are actually accomplishing this capitalization process.

Next slide. ESG in partnership with BNDES. We have the energy compact the decarbonization of the matrix -- electrical matrix as its systems isolated in the Amazon replacing the generation of diesel oil by a clean energy. It's very important to Brazil, especially for the Amazon region. Global Alliance for sustainable energy, Eletrobras as one of the founding members, CGT Eletrosul, the first mission of Eletrobras company issue of green bonds related to transmission projects in the BRL185 million.

The availability of the sustainability channel specialized in the requests related to ESG, the selection of six initiatives for developed -- organizational development entrepreneurship and open renewable ability and we have the reaffirmation of the commitment of Eletrobras with the UN objectives, say Eletrobras is among the companies that are most transparent in this area according the study of GRE in Brazil as per their studies, and in this quarter, we have three call for biddings with three -- 52 projects, cultural ones, sports related and social environmental in the order of BRL17 million involved in all companies controlled by the Group.

Those were the ESG highlights, and then on that note I end the general data as pieces of data and then we pass on to the next slide, I would like to pass on floor to Director Elvira talking about the financial development -- performance of the third quarter.

Elvira Presta

Hi, everyone. Let's carry on with our presentation with a little more detail financial ones that have been presented in a more executive way in the beginning of the presentation. Like to start with our DRAF the trial quarter as per our standards. These first columns

actually abide by the numbers that were reported upon according to IFRS. And the second parts, the green one recurring are the ones that we exclude -- or excluding off the extraordinary effects in the quarter, so that we can evaluate the results of the company based upon recurrent basis. We have had a growth in revenue in this third quarter. We had verified that starting to happen in the previous quarter. Generation and transmission both increased and then we'll have more details in contracts with more details.

FINAL

In the beginning of the presentation, we mentioned the rates increase PLD, the strategy to all is that part of the energy not hired or contracted out forcing a free environment. We had BRL1.4 billion that is related to the financial share of the contracts that is very concerning and important. Furnas, one of our subsidiaries, has also played very important role, the revenue was very positive.

PMSO operational expenses, personnel, material services and others, we'll explain in more detail, 4% and in recurrent basis, we had a stable number in this quarter, personnel, we'll see in more detail ahead. We had an effect of our collective agreement that's impacted this quarter. Costs and operational expenses, we see a difference that is more significant based upon IFRS and recurrent basis.

Here, we have GSF in the solution. If you look upon the -- under IFRS, we have positive operational expenses because here we have the record of the effect of the BRL4.2 billion that were out of the GSF, came out of the GSF extending the concessionS of the assets, limited to the seven-year period and that's got down on expenses were based upon IFRS, that is positive after all. Under recurring, we exclude that effect despite being positive because it's not recurring. President Limp mentions that our main operational aspects were the compulsory loans around BRL9 billion. That's why on the right-hand side, we take -- we discard that for not being recurrent.

Shareholders, we had a positive result, some events with very important numbers, Norte Energia, with GSF back as well and other line that I would like to point out, regulatory guidelines and in recurrent basis we exclude them; nevertheless RBSE, the re-measuring of RBSE is economic and not cash flow-based. Cash flow has to do with re-profiling. That's why under IFRS, it's seen as positive but in recurring, we exclude that. That's why EBITDA, it's the same for IFRS or recurrent because the negative effect we got due to compulsory loan. So it was almost the same in the adjustment of the -- due to the agreements under GSF. Financial results, we had exchange rates oscillating, bonds in October, we had a residual that's BRL960 million after the payment of October, in recurrent basis in BRL3.6 million.

Next slide, please, where we detail the gross revenue. The main effects, the gross effect doesn't have so many non-recurring effects, so let's focus on the blue bars, BRL8.2 billion on the third quarter to BRL11.7 billion and this cover on an ongoing quarter. In terms of generation, we had supply new contracts with suppliers quotas that were corrected, increase of operations in free environment PLD. Transmission, we have the review of the rates that includes the KE in most recently BRL1 billion out of the IPCA and the construction revenue as well therefore 38% in recurrent basis, BRL3.2 billion in the revenue.

FINAL

Here, we see that in more detail in the revenue out of generation here in the upper portion upper-hand side, GSF and PLD compared to the third quarter of 2020 and 2021 due to the hydric crisis, PLD very close to the ceiling and then we have to your left-hand side, the -- in a nutshell the main contracts regulated and free environment volume, average price and revenue.

In the regulated environment, we had an increase that was expressive BRL206 to BRL275 this year, 17% increase in the revenue. To your left, we have in highlight Eletronorte, BRL130 million, Furnas due to Santa Cruz but plus BRL118 million, and the quota is just the inflation adjustments and effect of more or less 3% and nuclear quota last year at this point, the nuclear power plants have had downtime due to fuel. We are working on normal basis compared to a lower base from last year. In the free environment, we have an expressive change in the average prices from BRL140 to BRL190, almost 40%, and the liquidation in the short term of PLD. Bilateral contracts, we have some cases that are more relevant. Electronorte, for instance, with a lot of energy being re-traded in the free environments.

Next slide. PMSO operational personnel services and others to your left where you have what was under -- used under IFRS and I'll focus on the right hand side, recurring. The number was aligned with the same period of last year, but there are compensation among the groups, personnel, for instance, we had an increase of 6%, that reflects the collective agreements, 6.6% to 76%.

We have Chesf, we have liabilities in terms -- actuarial liability, Chesf has been able to accelerate CapEx, Chesf Eletronorte, the reduction of BARLR [ph] that have been provisioned upon the total but it was actually lower than expected and services that we have an increase of 450 to 513, we have distinct effects here but the most relevant actually was Electronuclear, we had downtime in Angra 2 and we have to account for these maintenance services, reduction of 32%, the main point being we have losses liabilities that weren't actually accomplished as expected in terms of legal cases.

Operational provisions, compared to the same quarter of last year, we have 9.3 now where the most impacting point is the compulsory loans, two main groups here, interests and the reflection of those upon. And then the timelines in terms of unfavorable legal decisions outcomes and the impact upon the company. In the third line, we have a reduction compared to last year, but 375 is predominantly subsidiary Chesf that had a detailed review with the reclassification of some risks and the update in our some processes with IGBM as an index, and the positive effect, the reversion of the legal action, Chesf actually had some negotiations to decide, that actually allowed to have these better outcomes. This (inaudible) long term, we had some reversions that are highlighted here on the right-hand side that is positive and for Aneel CCC, we had to do some provision BRL9.3 billion of provisional.aspects.

Next slide, we have the graph that actually points out how EBITDA was -- IFRS last year's quarter and compared to this third quarter, the values actually compensated, values were very similar in terms of the re-mensuration of RBSE and the hydrologic measurement -- risk measurement, that's why in recurring terms EBITDA was almost the same that was reported on IFRS.

When we are comparing 2020 (inaudible) 45% comes from revenue increase, the shareholders BRL550 million in increase, GSF in Norte Energia, BRL105 million, operational costs, a lot of relation to this bar chart Santa Cruz buying energy, importing of energy from Uruguay, increasing costs but energy as well.

PMSO, recurrent basis, aligned and provisions, when we take the effect of the non-recurring, we have around BRL200 million in increase of provisions, get into this total amount and in the re-mensuration of the hydrologic impact, Eletronorte has the effect of Tucuruí mainly. The evolution of the net revenue BRL2.1 billion going down to BRL3.6 billion this year, 69% in increase, EBITDA 66% of this variation, we have some variation of the financial result that has to do with the exchange rate, we have the dollar increasing and the effect of the taxes -- revenue taxes.

Now very close to the end, we have two slides. We have the financial discipline, as we always present, we have our goal to be below 2.5-fold -- minus 2.5-fold almost in the same points as the last year at the same point. EBITDA increasing as we see in the graph below here recurrent basis and based upon 12 months BRL220 million, and then we have the gross debt BRL48 billion, BRL12 billion in the short run and BRL36 billion in the long run.

Liquid indebtment in the order of 19, 106, our net has to do with what we still have to receive, to your right lower portion. Some important points, the payment of the residual of the refinancing of bonds of 2021 that was paid up on the end of October \$646 million, the value in Portuguese was BRL3.5 billion, BRL852 million to get from Angra 3 and AFAC. We had a very relevant fact an agreement with Eletronorte with El Paso with the first reversion that generated further a BRL100 million. The third installment was paid recently, and there is point of the values pointed out here in this slide. CapEx-wise, it's been very challenging between the planned and the outcome for many a reason, we have been accelerating in different trimesters and quarters. We are in the second quarter almost BRL180 million. In the third quarter, we have -- we are in the order of BRL1 billion. So we are currently compared to I think in the order of 50% in terms of growth.

We have to point out Angra 3 power plant. We have the bidding for the retaking some of the construction work, the release of AFACs, we had to postpone few decisions for not having the authorization of the regulatory body for the stoppage or downtime that would be necessary, and we didn't need further infusion of cash, which is positive.

On that note, I'd like to end the second part of presentation, then we can start the Q&A session. On that note, thank you.

Questions And Answers

Operator

Now we'll have Q&A session to start. (Operator Instructions) Our first question is from Andre Sampaio, sell side analyst from Santander. Andres, floor is being open -- and opened free.

FINAL

Q - Andre Sampaio {BIO 19422379 <GO>}

Good afternoon. We have two questions, first of all, would like to understand the discussion on the compulsory loans, the main question to us here is in the level of costs, how conservative we were, how much do you understand you'll see that actually BRL9 billion as expected when we look at what was the scripted into any till now, we are talking about a note that was lower than this BRL9 billion, so we can see what's happening with the remote and then we would have position and loans that is more conservative. We have questions from investors here in terms of release of guarantees for (inaudible) of listed companies (inaudible), for instance, I think that is the company I'm most doubtful about.

A - Rodrigo Limp Nascimento {BIO 18011809 <GO>}

Thank you, Andre, for the question. First of all, the talking about the compulsory loans. I would say that conservative-wise we have and how conservative we have to be, we have had provisions of BRL400 million, BRL300 million, BRL500 million. So we had a technical review based upon the development of the jurisprudence and the most recent decisions and ramping and result of reports.

For these processes of the compulsory loans, there were changes and according to our perception, the most -- the best prognosis of risk for them is that they are likely which is different from us not agreeing with our thesis, we'll still work upon -- still rely upon our thesis. But from a life standpoint, we had to bet on the best possible standpoint, the evolution of the jurisprudence recently in the last trimesters or quarters.

That is the best perception of the company in terms of risk prognosis in terms of our partners of compulsory. We did our homework and we've been successful so far. And we'll keep on doing so. Our risk prognosis is that it's likely and it fits better within these items. Now the replacement of the warranties. This is a process that we have as the strategic guidelines from our Board, so that we have an analysis for the indicator of an alienation of them, but it's a very diffuse process in many a region and there is always the unexpected timeline, we never know how long it will take for the decision to be made legally speaking or many other unexpected aspects we might have as it's not always as timely as one would like. The second question that is most -- more direct, Elvira?

A - Elvira Presta

Shares and warranties, we have (inaudible) 17.4 and (inaudible), the company that you asked about, we've made a lot of advancements, we have 25 to 26 blocks. It's -- this number was 100% in the past. Mr. Limp was right, this is still a focus. There is a decision of the Board of Directors that's baked into consideration the alienation. But it's a very slow process because it's always depending upon the company. We are organizing the spaces, we are checking things with the banks web processor or guaranteed we had petitions for the replacement of these warranties and this is what has been happening. And that depends upon the courts actually granting, and with the pandemic, we have a lot being done remotely and lot of legal work that is physical that depends upon physical files have not been digitalized, therefore, they cannot keep up with them online. 26% is still blocked. But we are still working on it.

Bloomberg Transcript

Q - Andre Sampaio {BIO 19422379 <GO>}

Thank you. If I could follow-up concerning the compulsory, the doubts that I still have is the other processes we had in the 20th December 17.5 b plus BRL9 billion now, we had BRL11 billion of the Roma risk and BRL8 billion in the remote, how can we imagine currently in terms of remote and possible, we have any relevant aspect in this aspect or remote would be BRL8 billion?

A - Rodrigo Limp Nascimento {BIO 18011809 <GO>}

Remote-wise, we have BRL5 billion, BRL5.2 billion. That was the likely interest and the reflection of those. So, we still have aspects related to subsidiaries. If I may add, please, just to add here, we have provisions added. We have BRL7.2 billion -- that was from remote according to the global analysis after provision of risk. So, there was a more augmentation of the remote to likely the other value. 2.1 was (inaudible) specific parameter, there was an alteration of the milestones and anticipation, so that we could actually work on the share and in the past we had the contravense [ph] installment when we had a report when it was granted as unfavorable by the judge. We had to appeal. Nevertheless, many a time a judge in the first instance would actually set out the directions for a payment for providing a time for the company to make payments and sometimes it was too short. And that's why we didn't have to review that, the adding of 2.1 is not an alteration of a parameter per se, but an anticipation of the milestone of the contravense installment, so that we are more prepared to have the possibility to paying the contravense installment upon anticipating that milestone not only reports during liquidation but Santos is out of the process of acknowledgment that that is sometimes contrary to the thesis of the company. The company understands that it's more -- it's up on that. We see the processes that are being provisioned and you see that we -- if we have to check for the provisioning of that milestone, remotely speaking, we have interests, we have a lower installment lower than 2.1, so this is the order that the company uses to use what can be paid and should be paid in the first place, understanding that they can consider paid for the installment concerning interest and it's always about what's less burdening. So it's always a point of decision, so that's why it remains on remote and this trimester here we have credits of companies that were incorporated not mentioned by the authors of the initial petitions, but that have to be executed along the process. We have credits in the order of BRL2 billion, 7.5 was what we had in the past. Bonds to the bearer, we have bonds to the bearer in remote more than we expected, in remote, altogether we had BRL2 billion.

And then we have the reflection of possible application of interest post assembly in the -- as in the case Roma that is -- that's considered impossible and credits for credits and subsidiaries and branches, that have to be taken into consideration even though they are not in the initial petition, the opening petition those amounts are considered possible and impossible, homoplus [ph], especially the part concerning in the branches and subsidiaries BRL15 million and likely with the addition of the provision BRL26 billion. This is what the company can estimate actually from what they can foresee in terms of compulsory loans. Just adding to that. I think Elvira added a lot of details to that in terms of the compulsory loans, we have legal decisions that differ from our expectation. But I think that the latest review in this last quarter will allow for the mitigation of future provisions, we cannot ascertain that there will not be provision in the future but we can mitigate that risk with

new provisions for being now more adherent to the effective jurisprudence observed by the company in the courts of law.

Q - Andre Sampaio {BIO 19422379 <GO>}

Thank you all.

Operator

Next question. Carolina Carneiro, Credit Suisse. I will open your microphone so that you can ask your question.

Q - Carolina Carneiro

I would like to change to capitalization. You passed on an updating of the main dates and the next steps. If you could actually -- I would like to explore two further points firstly, you maintained with date estimated to November the Comptroller General's office CD and granting, we have seen out there in the media, the news about the fact that now this decision is actually may not be as a matter of fact, in the effects, in this new timeline, this new schedule of yours, do you foresee maybe revision of value, and I would like to understand what main points or what other points, if you could share could take lead on onto a delay in this new schedule. Rodrigo, you mentioned that this is more a deadline than a fixed date. I would like to ask what other events may cause a delay of this estimated deadline? Thank you.

A - Rodrigo Limp Nascimento {BIO 18011809 <GO>}

There is a lot of news about the decisions of the Comptroller General's office and since the beginning of the process, we have been keeping our way of the Comptroller General's Office with the reporting minister Eletrobras, we are up to date aligned with the Ministry of Energy. We've been talking to all line ministers, the Board of Eletrobras, Camile, Elvira, our part of the discussions and our perception within the Comptroller General's Office. we have an analysis of the Superintendency of Infrastructure and Energy Generation (inaudible) with an analysis with a proposal of forwarding, the reporting officer forwarded that to the Comptroller General's Office and there is a report on that. And now it's back to the report and minister that is actually deciding on the direction of their vote.

So it depends upon how we act and interact with the ministers and how we see and how the court of law sees and does due diligence, so all that is happening, adjustments and improvements are part of due diligence. So I believe we are within the normalcy of in terms of a period that you mentioned, November, we are in the second part of November. But it shouldn't be a main problem. If we go over to 2020, we can see a review our schedule. We have seen things that have to do with the government that has been leading the negotiations with the court of law. The privatization was that might kind of core carried out off other factors that make us. It's the process that is rather complex for the quarters, we have positive and negative aspects, the closing of annual result is always more complex, it requires operational much more complex from our teams, SPAs (inaudible) subsidiaries and based upon will have to be very radical and very sticking to our original schedule as per planned after decisions of CGU, the Comptroller General's Office CGO, CNPE will depend upon many decisions, decisions of BNDES and other item that we

have monitored is the legal actions, we have had many legal actions on many a level, we have a taskforce coordinated by the Comptroller General's Office to avoid that, legal actions may cause deviation in our processes. So, all these points are under control. Nevertheless, may come into effect and into the equation if they change from what we are expecting and they are not only a point of Eletrobras, but PPI Eletrobras and the ministries that are related to that, the capitalization is to happen as soon as possible by May. May be happen in April as I mentioned.

Q - Carolina Carneiro

Thank you, everyone.

Operator

Our next question is Adriano from PSVB [ph].

Q - Unidentified Participant

Hi everyone. I have some questions. Let me start with this one of the capitalization. Just to make it clear, you believe this first stage that is the -- that you believe that the granting is still this year, but the legal bodies actually are to go on recess from the January 7 to January 17 or the end of December to the beginning of January, so what would happen in terms of the schedule if you foresee that? What you foresaw in terms of the provisions? Does it affect the stage along the Comptroller General Office in terms of the results of the third trimester? And if there are that update of the results of the first round of provisions may cause and I have another question on provisions, that are not very clear whether this increase in the provisions, if there was the fact that was generative or whether that was a matter of fact there is a problem or whether the winning in the case Roma let you want to review that. So that is my question. If especially if this winning in the case -- legal case Roma, Andre mentioned minor shareholders. We have two questions. As soon as you alienate 26%, if you unlock the remaining 26%, if you can alienate the whole thing or if the TRPL is in a way similar to (inaudible).

I think there is a lot in this question, if I haven't been at all clear, please let me know.

A - Rodrigo Limp Nascimento {BIO 18011809 <GO>}

Thank you (inaudible). Now I have taken out of the question. So that I don't forget. TCU as I mentioned the Comptroller General's office, the reporting officer has been part of many a similar processes and I think that favors the analysis and the treating of that process. I have an expectation that is good in terms of a good outcome in terms of the court of law still in 2021.

I'm still not sure if this is the last session. I think the last session might be on the 8th not on the 7th, we have that expectation. And the second agreement will naturally in 2022. Well, I wouldn't be able to tell whether it would be in January. January, I don't think it will be done because given the complexity of the need of analysis by different legal bodies and the Comptroller General's office, it might affect our schedule therefore and how that impacts as we can see in the resolution of the PPE, there is a definition of a minimum price that is

comes out of the evaluation of Petrobras, that considers the liabilities of the company. So it should consider that. It should consider not only the compulsories for all in for the calculation of the minimum price, not only for the company, that's for the Comptroller General Office. Compulsory credit, as I mentioned, I have all the recent decisions. We haven't had the relevant decisions in 2021 and that would have moderated as to make those actions.

We have an important provision in July, so superior court has -- Supreme Court out -- and other than that we have the growing analysis of provisions for the facts that had those provisions to happen in the Roma case. Paula, please let me know if I'm wrong. The fact that we have a positive decision, it doesn't change things immediately because those values weren't provisioned for, they are within possible, but they are not within the likely.

We don't believe we will have more unfavorable situations that would change the provisions, the expectation currently is not to. These provisions are okay as they are not within the likely. CTRPL, if Elvira would like to comment on that or other questions.

A - Elvira Presta

I have a problem on the connection, I didn't hear the last question. I only heard up to case -- the legal case Roma.

Q - Unidentified Participant

(inaudible) as soon as you unlock the 26% you aim to sell them in TRPL, how is it?

A - Elvira Presta

The decision on what to make worthwhile seeing so many others is much related to the process that we currently as a state-owned company, we have to follow. We do not have the same flexibility that we will have after the capitalization. There are some predictions that we need to have a motivation for the alienation, we have to prove that the proposed value has to be fair, it could be an OPA if one of these companies actually that we have -- we are minor shareholders, we can further think of an OPA. As a state-owned company, the process is slower and another situation we will be after the capitalization in all of them, we have worked to work on deliberation of these actions that are given in guarantee -- in warranty and all these companies in our core business, we do not have the intention of alienating. So, further on we'll study that with our Admin Board.

Q - Unidentified Participant

It's technical question. If minimum rate referendum -- referended by the Comptroller General's Office, will it be a limit in the operation, the capitalization can't happen below the minimum price?

A - Elvira Presta

Yes, yes, that's precisely that. If it's below the minimum price, the operation doesn't happen.

Q - Unidentified Participant

Thank you.

Operator

Our next question comes from Marcelo from Itau. Marcelo, please go on with your question.

Q - Marcelo Sa {BIO 16454581 <GO>}

Hi, everyone. I have a question about the Attorney General's Office and they were questioned the fact of the granting going to above BRL10 million. I'm trying to understand what is the role of the company in this questioning of a request by the Comptroller's General Office? And is there time to review that? We have to counter arguments, rates -- if rates maybe too high now that rainfalls aren't changing. So, I wonder what will happen if they are not abiding by the premises?

A - Rodrigo Limp Nascimento {BIO 18011809 <GO>}

The CGU, CGU, the Comptroller General's Office is the decision up to the CMP that has the prerogative to make the final decisions. If it is a final decision, it has to be incorporated. There could be some level of appeal anyway, a recommendation is wise. The government actually will have the last word in case of the criterion that should be considered for rates. And what was for signed the documentation and was recognized by the press, it was that an increasing the grant of the -- was -- the media actually was based upon a number of BRL5 million -- billion, I beg your pardon on top of what would be deliberated by the CMP. Whether that will happen or not or will the ministry will get involved in order to make that final decision.

For the decision of the assembly, the price of the granting is a data -- piece of data. It's up to the company to show how advantageous that is to the process or not and the final decision is of the shareholder. Excluding the government, the role -- the government within that, whether they're going to do that, the desensitization and now the Comptroller General's Office has been discussing with the ministry and the company and we are not a part that can -- a party that can actually question directly what is the -- say final decision made.

I don't know whether I've made myself clear, Marcelo.

Q - Marcelo Sa {BIO 16454581 <GO>}

I think it is clear, but I'd like to double check on the understanding of some aspects. When is these recommendation the CMP may or not to follow, if it is a recommendation?

A - Rodrigo Limp Nascimento {BIO 18011809 <GO>}

Hardly a person from CMP would go against the Comptroller General's Office. That decision would be made by the shareholder in assembly or not, but there shouldn't be

FINAL

Bloomberg Transcript

after a final decision by the Comptroller General's Office, there wouldn't be further room for questioning, as we have -- as we have -- as we have the -- mentioned.

Q - Marcelo Sa {BIO 16454581 <GO>}

Is there any possibility to have a minister that might not be directly involved in the process require a review, for instance, given it is a theme of high -- of a high complexity?

A - Rodrigo Limp Nascimento {BIO 18011809 <GO>}

I don't know whether all ministers, I don't know if they maybe corrected here. I don't know whether all ministers would be able to have the knowledge and the background to be able to question that, a decision on that level. As we mentioned, if the Comptroller General's Office remote that recommendation. If they understand it is pertinence they will abide by that, otherwise they won't. But if they do not abide by, they have actually to go to provide proper.

Q - Marcelo Sa {BIO 16454581 <GO>}

I was just questioning if every minister has the grounds actually to require a review?

A - Rodrigo Limp Nascimento {BIO 18011809 <GO>}

It's very similar to the -- what (inaudible) adopts. The minister may bring a new position that they can discuss with all other ministers and the technical areas of the different departments of the government administration, they may do so. I think there is that possibility, but the -- our way to try to mitigate that is trying to discuss openly with all minister.

Q - Marcelo Sa {BIO 16454581 <GO>}

Thank you, all, it's very clear.

Operator

Our next question Pedro Manfredini, Goldman Sachs. Pedro, the floor is yours.

Q - Pedro Manfredini {BIO 21633245 <GO>}

I had asked the question through the chat here, but I will repeat. Thank you for the opportunity. The fiscal credit from the compulsory loan, how is it done? What is the activation of that credit if have that credit, I believe we do so and how it is done? We see plus BRL9 billion, we see the tax credit that is generated here. If it is actually generated in the re-payment of that, or whether that is different?

And the second question would be dividend wise, the offer going up to May, we see Eletrobras January, a lot of cash flow and offer. Whether there will be an expectation in terms of pre-offer and the review of the policy for dividends that being adopted by the company?

FINAL

A - Elvira Presta

Compulsory loans, the holding actually, they are Eletrobras holding, not subsidiaries. We cannot activate those credits because we have to have it taxable projection. In practical terms, we cannot use those credits. That only can be done later on that we are now only doing the provision for that. We are evaluating alternatives to have additional revenue for the holding to have a taxable alternative so that we can activate those credits. Currently, we cannot use them.

And your second question concerning dividends. Currently, we do not have that expectation to have a new payment. We maintain our policy of 25%, that has been done. That can be reassessed. We are concerned in terms of our obligations both capitalization. The CMP decision may go through adjustment, the decisions of the court, there are decisions that we want to make for the future. So, we are still analyzing cautiously additional dividends to what would be 25% that would be our policy.

Q - Pedro Manfredini {BIO 21633245 <GO>}

Thank you, Elvira for the answer. The activation of the credit, if you as of today, would have some sort of revenue on the holding, creating a saving within the holding, do you have any idea how much would be activated here depending on how much you could actually create in terms of revenue? But let's suppose that the holding would be being responsible for the markup of the company, what is the notional?

A - Elvira Presta

Something in the order of BRL9 billion. We do not have much of a notion. So, it's important to question that.

Operator

Our next question comes from Ricardo Galdo from Mako. Ricardo, the floor is yours.

Q - Ricardo Galdo {BIO 22127356 <GO>}

Probably there is a question here. I would like to understand the data for May 14 for capitalization. If it doesn't happen, so what could happen or when could it happen?

A - Elvira Presta

May 14 is the limit date for us to have the operation considering the results of the fourth quarter, which is the date that stands for the 134th day after the last exercise. And if we do not do that that by May 14, we will have the first quarter of 2022. That would be taking the operation, probably to the end of June with the idea of accomplishing that fully by the beginning of June. And I see that there is a -- he was able to get on now. The mic actually is locked, but he cannot -- he can hear us.

Operator

That question was the last question of this Q&A round. The floor is -- Mr. Rodrigo Limp, the floor is yours.

A - Rodrigo Limp Nascimento {BIO 18011809 <GO>}

Thank you all. I would like to thank the participation of all. We had a participation that was very numerous. It shows the interest for the company, which is very satisfactory and we are available to you to our area of RI, you can clarify further questions.

Thank you all for your time and your -- the attention given.

Operator

At this point, the conference is adjourned. We thank you all for your time and attention and have a great afternoon. Good afternoon all.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.

FINAL

Bloomberg Transcript