

Q3 2011 Earnings Call

Company Participants

- Eduardo Haiama, Chief Financial Officer and Investor Relations Officer

Presentation

Operator

Good morning, everyone and thank you for waiting. Welcome to Equatorial Energia Third Quarter 2011 Results Conference Call. With us here today, we have Mr. Eduardo Haiama, Chief Financial and Investor Relations Officer. This event is being recorded and all participants will be in a listen-only mode during the company's presentation. After Equatorial Energia's remarks, there will be a question-and-answer session. At that time, further instructions will be given.

(Operator Instructions) This event is also being broadcast live via webcast and may be accessed through Equatorial Energia's website at www.equatorialenergia.com.br/ir, where the presentation is also available. Participants may view the slides in any order they wish. The replay will be available shortly after the event is concluded. Those following the presentation via the webcast may post their questions on our websites. They will be answered by the IR team after the conference is finished.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of Equatorial Energia's management and on information currently available to the company. They involve risks and uncertainties because they relate to future events, and therefore, depend on circumstances that may or may not occur. Investors and analysts should understand that conditions related to macroeconomic conditions, industry and other factors could also cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over to Mr. Eduardo Haiama. Mr. Haiama, you may begin your presentation.

Eduardo Haiama {BIO 7279971 <GO>}

Good morning, everyone. First of all I'd like to thank you all for joining us in our third quarter 2011 conference call. As per agenda for today, which you can see in slide two, I'll start the conference call describing the highlights of this quarter, then I'll comment our operating results, and lastly we open the Q&A session.

Before the highlights, I'd like to clarify some procedures regarding the figures presented in earnings release in this presentation. I'd like to point out that consolidated information reflects 100% of CEMAR, 25% of Geramar and 100% of Equatorial Solucoes. Since fourth

quarter 2010, our numbers are right under the IFRS criteria, according to Brazilian (inaudible) standards.

Well, after the initial statements, I'd like to move to the operating highlights of the quarter on page six. Energy demand rose our growth about 6.9% in this quarter. Despite this strong demand growth we continue towards report consistently lower losses level near one year ago. Falling one percentage points when compared to third quarter 2010, with total losses reaching 21.2% of required energy.

Quality indicators Dec and FEC also continue to improve in CEMAR being reduced 11.4% and 24% respectively. In August, we announced the investment agreements Sol Energias, the trading company in which we should invest R\$6 million, to retain 51% stake. We are in the final steps to conclude the investments, which is one of the reasons why Sol Energias are not yet being consolidated in Equatorial.

Moving to the next page slide seven. Net revenue grew 2.8% basically fueled by CEMAR 6.9% in demand growth. Adjusted EBITDA reached R\$131 million or 4% growth compared to the same quarter of last year. Adjusted net income came to R\$50.7 million in the quarter, reflecting 17% increase year-on-year. Consolidated investments reached R\$114 million were 1.2% higher than the same quarter of last year.

Moving to slide nine, we'll talk about the electricity market in CEMAR, as you can see energy demand posted a strong growth of 6.9%, go out to different segment. As opposed to the first half of this year we had in this quarter no impact on demand related to weather conditions. In our view the demand in growth represents more normalized figures for our markets.

On slide 10, we show the actual losses are below the regulatory targets for the third consecutive year in this data provisional cycle. In other words, despite our markets growth the strong one, we have third quarter 2011 with non-technical losses over a low-voltage market of 15.3% or 0.6% point below the index shown in the third quarter 2010.

Moving on to slide 11, you can observe that CEMAR's quality indicators continue to improve and that's basically as the result of the company's relevant investment in previous quarters. Moving to slide 13, EBITDA was negatively affected by R\$5.5 million arising for the adjustment we made in the RGR expense, accounting entry in CEMAR. And this expense is basically related to the first half of 2011, this is a pure accounting adjustment and should have no cash impact. Adjusted EBITDA reached R\$131 million up 4% growth year-on-year.

On slide 14, we show that the same adjustments in RGR expenses negatively impacted our net profit by R\$3.1 million in this quarter. Moving to slide 15, represent (inaudible) of the company's gross debts. The consolidated gross debt amounted to R\$1.3 billion, in our view we have a comfortable debt amortization profile.

Moving to slide 16, we'll break down Equatorial's consolidated net debt which amounts to R\$974 million excluding net regulatory assets and consolidated cash position and as a

result net debt/EBITDA reached two times.

If we adjust net debts in proportion of preferred stake in CEMAR 65%, in Geramar 25% as shown in slide 17. We will reach a net debt of R\$606 million to R\$1 billion for the same two times net debt/EBITDA ratio. Moving on to slide 18, represent our CapEx figures. The Equatorial consolidated CapEx amounted to R\$114 million (inaudible) 1.2% year-on-year.

Well, with that we conclude our presentation and let's open the Q&A session. Thank you.

Questions And Answers

Operator

Ladies and gentlemen. We'll now begin the question-and-answer session. (Operator Instructions) I would like to invite Mr. Haiama to proceed with his closing statements. Please go ahead, sir.

A - Eduardo Haiama {BIO 7279971 <GO>}

Well, to sum up, we'd like to reinforce our commitment in delivering (inaudible) shareholders for exceptional financial and operating results. We'd also like to highlight our adherence at the highest level transparency and corporate governance and we assure that both me and our Investor Relations team are available to help you, you should have any further questions.

Thank you all again for taking part in our third quarter '11 conference call and have a good day.

Operator

That does concludes the Equatorial Energia's audio conference for today. Thank you very much for your participation. Have a good day and thank you for using Chorus Call.

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