

## Q1 2021 Earnings Call

### Company Participants

- Elvira Baracuhy Cavalcanti Presta, Chief Financial Officer and Investor Relations Officer
- Pedro Jatoba, Director of Generation
- Rodrigo Limp Nascimento, Chairman and Chief Executive Officer
- Unidentified Speaker

### Other Participants

- Andre Sampaio, Analyst
- Carolina Carneiro, Analyst
- Marcelo Maciel, Analyst
- Unidentified Participant

### Presentation

#### Operator

Ladies and gentlemen, thank you for waiting. Welcome to Eletrobras Conference. Welcome to our First Quarter 2021 Results. This event is being recorded and all participants will be in listen-only mode during the company's presentation. After the initial remarks are completed there will be a question-and-answer session. At this time further instructions will be given. This presentation will be available in the IR website from Eletrobras. (Operator Instructions)

Before we proceed, let me remind you that this call may contain forward-looking statements. Such statements operational goals and financial goals are basically beliefs and expectations of Eletrobras' Boards of Directors and information available to the company. Forward-looking statements do not ensure performance, since they involve risks and uncertainties. And therefore are dependent on circumstances that may or may not occur. Investors must understand that general economic conditions and other operational factors may influence the results of such future considerations.

Today we have the new Chairman of Eletrobras Mr. Rodrigo Limp; Ms. Elvira Presta, Financial Director and IR Relation -- IR Officer; and Mr. Pedro Jatoba, Generation Director.

With that, I will hand the floor over to Mr. President, Mr. Rodrigo Limp. Mr. Rodrigo Limp, good afternoon. You may proceed.

**Rodrigo Limp Nascimento** {BIO 18011809 <GO>}

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Good afternoon, Marcelo, and welcome to our first quarter 2021 results from Eletrobras. I would like to greet investors and analysts, as well as the members of our Board; Ms. Elvira, Mr. Jatoba. Now before moving on to the results, I would like to acknowledge our former Chairman, Wilson, who has led the company and who has brought about great positive results that will be presented during this call. It is a great pleasure for me to lead this first conference call at Eletrobras as a Chairman, especially considering the positive results that we are about to present. You all have access to the deck of slides that was made available on our website.

Let's start with our corporate and operating highlights. I'll begin with Slides 4 and 5, and I will hand it over to Ms. Elvira, who will move on with the presentation. On Slide number 4, we see that our ROL was BRL8.2 million, which was 8%, an 8% increase compared to the first quarter 2020. Our EBITDA was at BRL3.8 million, an 11% increase as compared to the first Q 2020. And our net profit was at BRL1.6 million, a 31% increase year-over-year.

Let's look at our recurring net operating revenue. We reached BRL8.2 million, 8% above first quarter last year. Recurring EBITDA was at BRL4.9 million, which is a 30% increase as compared to the first quarter last year. And our recurring net profit was BRL2.74 million, which represents a 48% increase as compared to the same period last year.

Our dividends at BRL1.5 billion declared and approved in the company's assembly and these were paid in February 2021, accounting for BRL2.3 billion, totaling BRL3.8 billion that will be paid out up until the end of 2021. Debentures, we issued two different series, totaling BRL2.7 billion. The first series has a maturation of five years, considering the CDI plus 1.8%, and then the second series has a maturation date of 10 years, totaling BRL1.5, and the reference will be the IPCA rates plus 4.9%, rather highlight is the net debt adjusted EBITDA ratio at 1.4 times, which is the lowest value we have achieved. And we achieved this number because of the restructuring process that started. We were at 1.4, and we went down to one point -- we were at 1.5 and we got down to 1.4, which is a great result.

On Slide number 5, we see other highlights. In Angra 3, which is the main investment made by Eletrobras in 2021. We said that in February this year there was a public notice for a contracting civil work and part of the electromechanical assembly. Proposals will be opened next week on May the 20th, being a public session. On March the 26th, we had the First AFAC was BRL850 million, totaling BRL2.4 million scheduled for 2021. The Board of Directors has recently approved the preference right, totaling BRL83 million from the FOTE and BRL218 million from TSLE. Also presented the results of the rationalization process for SPEs.

In late, turning to our new head 94 participations, we decreased that by 11, by late March 2021, we should get down to 83. In our assembly, no members for the Board of Directors were elected, no members for the Fiscal Council and Executive Board members were elected. 36% of our members are independent and they partake our Board of Directors.

With regards to the provisional measure 1,031 from 2021, which was published in February, Eletrobras capitalization and then Resolution CPPI 176 that will find you the role

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of BNDES in the execution and monitoring of the process of Eletrobras's follow-on responsibility. For BNDES role execute and monitor the process and Eletrobras will be accountable for the follow-on after the provisional measure has been approved, which is under discussion in the House of Representatives.

The financial components from the RBSE, which has not impacted the first quarter's results. These results should be perceived by July 2021. And this will impact the next two deck [ph] cycles from July 2021 until June 2022, and July 2022 to July 2023. And this the amortization still happen by 2028. Financial rights will remain as the Eletrobras. So these were the main highlights.

With that, I will hand it over to Ms. Elvira, our Director, who will move on with our presentation. She will talk about the sector and the economic context. Elvira, over to you.

### **Elvira Baracuhy Cavalcanti Presta** {BIO 18709914 <GO>}

Thank you, Rodrigo. Good afternoon, everyone. I would like to greet all analysts and investors, who are present in this call today, as we present our first quarter results. On Slide number 6, we got good news. The first chart, at the top of this slide, we see that the daily energy load in Brazil is on the right. If we compare this quarter with the same period last year, we saw 4.3% increase. The first quarter last year was really impacted because of the pandemic in Brazil, actually in the end of the quarter, the blue line represents last year. So only the final 10 days of the first quarter saw a decrease last year. That's what we can see on the chart.

To your left hand side, here you see the consumption last year. So good news is that the energy load is on the rise, right now. Last year we saw a 2% decrease as compared to 2019. In the right hand side you see our PLD, the differences settlement prices are decrease last year, because of the peak of the pandemic. Then we saw the price increase at the end of the year and then prices went down once again. Now since the wet season is ending, we see a slight trend upwards.

Now on Slide 7, we see our market share. This quarter, we kept our 29% share that was present in our annual balance sheet. And I'd like to address energy was more allocated, accounting for roughly 33% of energy generated, but that is a 7.1% decrease as compared to the same period last year. At the bottom part of the slide, left hand side you see our energetic balance between the amount of energy allocated in a free and regulated environment. Here we see that we have a reduction in the percentage of free environments. We moved from 33.3% to 27.5%, and we have 5.2% of uncontracted energy in 2021.

To your right hand side, you see the generation income in the first quarter as compared to the same period last year. We see a slight reduction, last year we had BRL5.9 billion [ph] revenue, and this year BRL5.8 billion revenue. This is a slight reduction, which can be explained because of the lower volume and also because of lower price as we can see in the chart on the slide. In green, we see the ACL. In the first quarter last year we were selling at BRL172, average price and now we are selling this energy at BRL163 average

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price. And in regulated environment, we moved from BRL227.49 to BRL219.57 average price. You know, despite this slight reduction is compared to the first quarter last year, we see an increase in the average price as compared to the fourth quarter last year.

Moving on to Slide number 8, there we see our operational results for transmission. We still account for 43.1% of transmission lines of the country. And the chart can make us really proud show the performance of our operations. To your left hand side, you see operational availability of transmission lines. We've hit all time highs, closing the first quarter with 99.96%. We've seen a reduction of 20% in disturbances in the Eletrobras System as compared to the same period last year. And over the past five years, we haven't had any major shutdowns. To your right hand side, you see a chart that portrays the disconnections and discount, which is what we call variable portion. This is also reducing discounts on our revenue because of this disconnections.

The next slide, number 9, we see the EESG highlights. We have a great focus on getting the certificate for our operations. So that we can issue new green bonds. We had the CBI certification before for the transmission lines aside from what we had for wind and solar energy. We also work so as to engage our suppliers on climate change as the Gs [ph]. In the past quarter, we received the Bloomberg Gender Equality Index stamp. With this new Board 18% of the Board of Directions are women, 33% of the Executive Board are women, and 20% of the Fiscal Council are women.

With that, let's move on to the financial performance, which this results on Slide 11. This is our income statement. The first column show you the results considering the IFRS, and to your right-hand side our recurrent operations considering the protocol that we have in the company. I'll quickly go over those summary and then we'll get into the details. Our gross revenue increased by 8%, as Mr. Chairman, Rodrigo Limp has mentioned. This increase in revenue comes from transmission mainly because of the readjustments in prices that we saw last year, mainly in the second and third quarters. We've seen a reduction in operational costs. There was a 6% reduction. PMSO was 5% for SRF and for recurrent 2%. I'll tell you why this variation happened in a few moments.

We saw an increase in the operational provisions of 182% for IFRS and for recurrent minus 35%. We saw an increase in shareholding, mainly because our transmission companies that also benefited by the price decrease that happened last year, and because of that our EBITDA increased by 11% for the IFRS and 30% for the recurrent basis. The financial result was also better than as compared to the same period last year. The highlight here, the reduction of our debt because of the renegotiations for liability management in the company. And finally, our net income went up by 31% in the IFRS results and 48% in our recurrent base.

Moving on to the next slide, number 12. Wanted to tell you about the revenue generation. There was a slight decrease during this quarter, a 2% decrease as you can see in the first chart to your left hand side. BRL5,900 million was our revenue in the first quarter last year and now we're slightly above BRL5.8 billion [ph] this difference is roughly BRL100 million that can be explained by a mix between lower volume and lower prices.

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So let's start talking about ACR, our regulated marketplace. In the first line, we saw that the volume was roughly 2.3% lower as compared to the same period last year and the average price that can be seen in the second column also had a slight decrease moving from BRL227.49 to BRL219.57, which can be explained and can be seen in this 3% decrease revenue in our regulated contracts. Now for hydro quotas, you know that this regime readjusts the fee according to the inflation rates of the volume is the same, but there was a price correction from BRL57.13 to BRL64.38, which represents a slight increase to our revenue. And now for nuclear quota, there was no change in volume, but there is a small reduction of 8% in our revenue is mainly due to the previous price readjustment last year the revenue that was supposed to be paid because of nuclear fuel was above what we actually used. So that is naturally adjusted the following year. And that's what we see in this minus 8% in the chart.

Now for free market, ACL, we've had bilateral contracts and we see a reduction in volume. The main one was a reduction in the Eletronorte contracts. That's what we see in the charts at the part of the slide. I won't get into the details, but we basically had a reduction in Eletronorte. With a lower volume and a lower price, part of this is regarding SPE that were sold and the restructuring process that went about. And we also saw a reduction in furnace in the free market. Now for the regulated marketplace to your left hand side, you see that the main operation was Eletronorte's contract that was done and the new contracts that was signed right after that could not keep up with the same fee, because of the revenue reduction.

Moving on to Slide number 13, here we can see the chart. Here you see our gross revenue. Dark blue bars are recurring growth revenue, we see that there is not a great difference between them. We saw an 8% increase in our revenue moving from BRL9.1 billion to BRL9.8 billion. And as far as in the middle, there was a significant increase in our transmission revenue, and that is a result of the revision process that went above last year. And in 2018, there was a correction by CAE and OC and generation as I mentioned before contributed negatively, because of all the reasons I mentioned in the previous slide. Totaling BRL104 million and BRL208 million negative for the regulated market place.

Side number 14, there we see our PMSO, which is basically our operational costs. Before material services and others, there was a decrease in the IFRS a 5%, but some of these topics are seeing as non-recurring. So in recurring services there was a 2% decrease. I would like to highlight personnel, we see there is slight increase of BRL82 million, which is 7% happened because of some factors. The first one is, the fact that our collective agreement is usually signed in May, now last year because of all the challenges that we faced, because of the pandemic and remote work, the Union Negotiation extended a bit and only debt in January this year. And some of the benefits of this agreement was that as they were negotiated they were actually suspended. So those expenses were only recorded this quarter, aside from the increase of medical costs, which created a BRL38 million increase.

Aside from that, we also had the contract of the actuarial debt contract. That is corrected according to the IGPM. The IGPM was truly high. In other slides you will say that, we had some other expenses and provisions that went up this quarter only because of the IGPM index increase. So this is the most relevant regarding personnel. Of our material, there

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was a 42% reduction that can be greatly explained because of some maintenance shutdowns that happened last year in the first quarter that did not happen this time. So there is less material being used because there was no maintenance during this period.

Now from Am GT and Eletrosul, there was a reduction of inputs and price renegotiation. With regards to services there was a reduction from BRL63 million, there was a 14% decrease. In Furnas there was a termination of contracted labor in the first quarter 2020. In the Holding, there was a strong word that was done with our busy year, that helped us reach this 2% reduction to our PMSO. With regards to non-recurring PMSO, we can say that during this quarter, there were some issuances that were to be done last year. 240 employees last -- this quarter, this year and we are getting close to our goal of 12,088 employees. We have 12,200 roughly now.

Moving on to Slide 15, operational provisions for the first quarter this year. This is always a point of concern for us in the company. In the first quarter this year, we had BRL1.1 billion of provisions. And at the same period last year, we had BRL400 million roughly. In the first line, in blue, you see contingencies. As I said before, this has a lot to do with the IGPM index increase. Just has the K Factor process, which is basically a dispute with the construction company from the Shanghai plant that is corrected by the IGPM index. And in furnace we've had some several actions roughly totaling BRL111 [ph] million. And the others have to do with the GSS process. And CHESF is the only one that has such process that is regarding hydrological list. And if Aneel does not finish that resolution on GSF, we still have this contingency in place.

I would like to highlight the compulsory loan in green. BRL436 million, this quarter. What happened was the judicial homologation of reports with deviation in relation to the repetitive. Unfortunately, that still happens. We got lawsuits in place and they are about to be executed. There are some additive lawsuits that have been classified in the Supreme Court, but in some cases there are some first level decisions that do not follow the jury's prudence our case law. So we provision that value, but we still -- we are still defending ourselves. Regarding PECLD some adjustments were made. We updated the accounts receivable in CHESF, and also because of the IGPM. So this poses no new risk. It is our old prices that are being corrected according to the IGPM Index. This is pretty much what I had to say.

Well, actually let's move onto the next slide, number 16, here we see EBIDA chart. There was only 11% growth for IFRS, 30% for recurring. In the dark blue bars, we see that it moved from BRL3.8 billion in the first quarter last year to BRL4.9 billion this quarter. Now what explains that growth, BRL600 million stems from our recurring revenue, which as I said before has a lot to do with the price review on transmission and BRL300 million on the asset equivalents from SPE and other participations. There was a lot regarding transmission. We see the chart at the bottom, that highlights exactly that. Decide a company that have transmission revenue in Eletrobras. We've seen a reduction in operational costs, reduction of our PMSO, and some recurring provisions. Here we also see a reduction. So these are the results of our EBITDA growth.

Moving on to slide number 17, we're going to talk about net income. Here we see an expressive growth of 31%, considering IFRS, and 48% on recurring base. We moved from

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BRL1.8 billion to BRL2.7 billion. This growth is basically the EBITDA. And I also want to highlight financial results mainly because of the reduction of that charges, which is worth more than BRL500 million and that is the result of the work that has been done over the past years. We've been renegotiating our expensive debts and that is reflected on our debt charges. We also had an increase on Eletronorte's derivatives. We have an agreement with Albras on commodity prices and that translates into derivatives that created this BRL400 million increase. With regards to our taxes, we had to pay more because these provisions can't be reduced from the taxes. So there is a higher load tax wise, which creates more payments. That's why our net income is BRL2.7 billion for recurring profit and BRL1.6 billion for IFRS.

On the next slide, number 18, we want to show you the same graph. We also show you our net debt and EBITDA ratio, which is the main metric we use to assess our financial discipline. As our Chairman highlighted this quarter, we were slightly below. The year average removed from 1.5 to 1.4. This is a lower number we've ever had. The recurring EBITDA is at the bottom. You said there is a slight increase in our EBITDA over the past six months. And to your right hand side, you see a table that shows you our net debt. The gross debt is BRL46,600 billion and another quarter we got the solid position of cash flow, which is BRL14,600 billion. We still have some receivable funds that should be -- should mature in early 2023 and our net debt is therefore BRL20,500 billion.

Now the final slide, slide number 19, here we see our investments in CapEx. This is what happens during this quarter. BRL519 million as compared to BRL1.3 billion, realized 40% roughly. First quarter we're looking to fast track our investment projects probably also now that because of the pandemic there are some challenges in logistics, in operations and risk. Some of our vendors that has created some hurdles for us as we look into realizing those investments. Now, it's important to say that we are now accelerating our investments in Angra III, BRL133 million was invested in the first quarter 2021, that should be accelerated in the second quarter after the public noticed will be published next week.

In the first quarter, part of these events were not realized because of the impact of the COVID-19 situation. You see BRL77 million because of the impact of the pandemic. With regards to Angra III, we had to renegotiate some contracts, especially because of the Renuclear contracts that was not renewed. We didn't foresee that and that has created a problem. In renegotiation that can explain there is delay in Angra III as compared to the plant. Now for transmission, there was also impact on the COVID. BRL65 million because of licenses, permits; BRL30 million because of COVID impact, totaling BRL198 million. Now part of that led to cost optimization, which is worth BRL32 million. Now for FPS, we didn't have to invest. What we foresaw before, so that was positive, especially in Teles Pires, BRL26 million, and Piaui where we did not made to invest as planned.

With that, I conclude my presentation. And I will move -- hand the floor over Mr. Marcelo, once again, we are at your service, if you have any questions. Thank you very much.

## Questions And Answers

### Operator

We are going to start our Q&A session. (Operator Instructions) First question by Carolina Carneiro from Credit Suisse.

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

How are you, Carolina?

**Q - Carolina Carneiro**

Good afternoon, everyone. Thank you for disclosing this information. Thank you, Elvira and Rodrigo. Welcome both of you. I wish you the best of success. I have two questions for you. The first one is regarding the report. We do not have the final test of the provisional measure. We are still waiting for these notifications, but Rodrigo, if you can share with us, what is the main positive aspect of the report? And what point of attention we should have as we wait for the vote in the chamber?

My second question, provisions. This quarter was hard once again, as mentioned by Elvira. And in the congressman El Mar's [ph] report with the special mention from the unions accountants office, he mentioned how important that is for the company's balance sheet. Now that you can negotiate, is there any relevant discussion going on, so that we can think about the privatization process. Can you share anything in that regard? Thank you.

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

Thank you. Carolina. Good afternoon. Thank you for your wishes on success. It's a pleasure to talk to you. Now with regards to the provision on measure, I can give you the initial remarks and then Elvira can add to what I said. So as I understand, in Congress they are willing to move forward, so the climate or the environment is favorable to approve this project. As this provisional measure is being discussed, we can expect some propositions of change to the tax. We haven't had the formal approval. The report already showed some signals of proposals who wishes to address mainly with regards to Eletrobras and others that have to do with the electricity sector as a whole. For example small hydroelectric power plants, some thermal plants and there should be a new state-owned company that should be created after Eletrobras is capitalized. We believe these debates are marginary. That's part of the Congress activities. These debates will go about all the way up until the moment they come to a conclusion. So maybe by next week they should vote on this. We are quite optimistic and we expect we can move forward with the project.

Now with regards to the Eletrobras per se, in the presentation. With regards to bits on energy, that will be important for the capital mission process. We also understand that there is a positive consequence, which is part of the law that can also create some level of difficulties or delays to the capitalization process. So this is a super official analysis for now considering the information that we have received. We believe that is the best way to go for now. So we are looking into this compulsory initiatives over the past years.

Now aside from Eletrobras, the government and the Ministry of Energy has interacted with the rapporteur on small hydroelectric (Technical Difficulty) position. With a great balance considering the rapporteurs preposition and what the ministry has served for. So

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that's what we have to say with regards to the provisional measure. We believe that it's positive to be debating that inside the chamber. We got one month, and if it's approved in the Senate of house, then we believe this can be approved in the Federal Senate.

With regards to compulsory approach, I will hand it over to Elvira Presta, who wants to add something to my comments.

**A - Elvira Baracuhy Cavalcanti Presta** {BIO 18709914 <GO>}

Yes, I think you said it really well, on the propositions in the provisional measure. I have nothing to add.

**Q - Carolina Carneiro**

Great. Thank you very much.

**Operator**

Next question by Andre Sampaio from Santander Bank.

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

Good afternoon, Andre.

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

Good afternoon. I have a follow-up question on what Carol asked you. I wanted to learn about two main points from you. First, what are the main points of discussion along with the Brazilian senate? And secondly, as far as we can see, there were some weird elements to the process, but it seems that the market is willing to absorb those problems somehow because of all the potential of the privatization process. How do you see that? How do you see these dynamics and the market perception on what we're willing to accept as compared to what the government is willing to accept? That's what I wanted to hear from you. Thank you.

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

Thank you, Andre. In Eletrobras, we have to define the conditions in law. And then this will be detailed according to the studies that are carried out by the BNDES and then will be approved. Now in Eletrobras, also we'll assess the whole process and we are going to see whether or not this is positive for the company's shareholders. Of course, we will carry out our own assessment according to legislation.

And then if you're going to look into the modules created by BNDES along with the Ministry of Economy and Ministry of Energy that should be approved later by the CNPE. There are different parameters to that referenced values. We can do it all at Eletrobras. So that we are sure that this is a good project for the company. So I've been talking to BNDES, and we have seen positive perspective, but it all depends on the Congress approval.

(Technical Difficulty)

So we were waiting for the Senate's Resolution. The discussion is now happening more in the chamber of congressman. This is only natural. Now once it is approved in the chamber and in the Senate, then of course, these efforts were need to be intensified and coordinated by the Congress. And of course it's all the federal government's responsibility.

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

Thank you. Thank you very much.

**Operator**

(Operator Instructions) Next question by (inaudible) from JP Morgan.

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

Good afternoon, sir.

**Q - Unidentified Participant**

Good afternoon. Good morning -- good afternoon, Mr. Limp and Elvira. I would like to talk about the compulsory aspect. The first question is BRL2.7 billion in the first quarter was our provision and this quarter we had more provisions as far as I can see this is not monetary correction from the compulsory aspects. There is narrow as far as I can see. Did we changed our understanding or is there any difference in the process? NHS you will have more and more compulsory provisions in the future. Can that happen again in the forthcoming quarters?

And the second question in the provisional measure, the rapporteur mentioned BRL80 million of compulsory. We know that it was supposed to be 18 [ph]. And 8.5 for remote. To this BRL8 million include what we mentioned last year that this could be the total value of that it is not seen in the balance sheet. Thank you.

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

Thank you. Elvira, can you address that one.

**A - Elvira Baracuh Cavalcanti Presta** {BIO 18709914 <GO>}

Sure. Henrike [ph], with regards to the provisions in the previous quarter, we had BRL2.2 billion of provisions in the fourth quarter, but BRL1.6 billion was only one lawsuit, because of an unfavorable decision that we had of a main author that was worth BRL1.6 billion. And it's important to say that up to the current date, this has not been executed. We are managed to suspend and we are still advocating for the Company. Now this process or a lawsuit took us by surprise, because offers demanded many CIFs, goes from different branches and companies that were acquired in the future that were not present in the initial appeal.

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Now, since there was an execution decision (Technical Difficulty) we decided to allocate BRL1.6 billion last quarter and the other BRL300 million were because of unfavorable (Technical Difficulty) So it's actually very hard to make sure that we're not going to have more collections in the future or new provisions in the future because it all depends on the results or outcomes of these lawsuits that are moving forward (Technical Difficulty) lawsuits and 50% of that already executed.

While the decision is unfavorable for repetitive lawsuits, we end up having to correct this provisions. Now the numbers you have mentioned (inaudible) regards BRL16 billion [ph] that are likely to happen BRL11 billion possible and BRL7 billion remote. That's what we have in our balance sheet. With regards to the President Faculty of Accounting Office (Technical Difficulty) any additional information on that. (Technical Difficulty) Accounting Officer, which is very higher than the balance that we have in our balance sheet.

### Q - Unidentified Participant

Good afternoon. (Technical Difficulty) I'm not aware of it (Technical Difficulty) the accounting office decided that our provisioning was the asset as far as we have extent, as we have mentioned (Technical Difficulty) As I mentioned, there may be some oscillations through the time because it should have been observed, but it was not. So because going to be conscious, we decided we would provision that, but we did not really know where that came from with regards to the Brazilian (Technical Difficulty) accounting office. Thank you.

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

Henrike, any follow up questions.

### Q - Unidentified Participant

With the provisional measures (Technical Difficulty)

### A - Elvira Baracuhy Cavalcanti Presta {BIO 18709914 <GO>}

Henrike, we don't really know what the rapporteur will write on his report. But our impression is that this would be one more obstacle, because we are talking about the very high volume of losses with very complex calculations, because that engages inflation studies, different economic plan, different economics thesis. So as far as we delay, this is a very complex topic to be discussed at this point. I believe this could be a serious obstacle to this program that we are looking for. And we believe we can follow on that next year. So we are -- it's really concerned, if there is any provisional measure regarding this compulsory loan through this provisional measure. Someone has their mic open, if you're not speaking, can you please mute yourself. Thank you.

Finally, regarding the federal accounting office, as far as I can see the value that was mentioned involves other liabilities, not only the compulsory loan, I will double check that and the IR department is at your full service to address that question. Mr. Limp, you want to add something to what was said.

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

I think that's it, Elvira. This is a very complex topic that are hundreds of lawsuits. Its hard to think of this provisional measure that were not really know what will be like, but that could get in the way of our timeline for capitalization for that reason. Henrike, any follow-up questions?

**Q - Unidentified Participant**

Yes, thank you. No, that's okay. Thank you.

**Operator**

Next question by Andre Sampaio from Santander Bank.

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

Good afternoon. Can you talk about golden shares. Do you know, exactly what the rapporteur should propose. Should we have influenced from these golden shares?

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

Thank you, Andre. As I said we haven't been able to see the final report, but as far as we know there was no change to what the executive branch suggested for the provisional measure. As far as we understand this would be positive as compared to the original proposal.

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

Thank you.

**Operator**

(Operator Instructions)

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

Marcelo, as we wait for the next question, I just wanted to clarify some data both checked with my accountancy team. So you can better address a previous question on the GCL's report. I think that (Technical Difficulty)

**A - Unidentified Speaker**

Okay, thank you.

**Operator**

I will read a question that was in our webcast. What are the suggestions would be to use the resources (Technical Difficulty) component that will belong to electric nuclear per

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sector funds. But minority shareholders are also (Technical Difficulty) to these dividends. How would they be paid in this scenario?

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

Thank you, Marcelo.

**Operator**

The question was by Bruno Rauis.

**Q - Unidentified Participant**

Well, during the process of creation this company and the capitalization process will have to assess all of that during the process. Could that happens by the federal government on behalf of Eletrobras. We will also have to carry out our own assessment as long as I can understand from the congressman Elmar preposition hit-out about Itaipu, after the debt has been paid. 2023, which would not necessarily affect the lighter nuclear plan. But this is present in the bill that was approved and in the model that is to be defined. I think we still have to detail that, both in the bill and in the module created by BNDES that will later on be approved. And this will naturally need to be approved in the Eletrobras the same release of that shareholders can approve whether or not that is good business for the company.

**A - Unidentified Speaker**

I'm not sure anyone from Eletrobras wants to add something to this question?

Well, with regards to your question, I would say that this process hasn't been defined yet. We are still waiting on that. We're studying and creating module on that as done by the BNDES. So that we can just find how we're going to segregate the Eletronorte participation and Itaipu participation because of different reasons they can't be privatized. Itaipu because of the financial treaty and let's say nuclear because of the constitution. So we're still not sure how that will segregated (Technical Difficulty) BNDES studies. So that we can truly know how that can be done. We are going to higher company to give us evaluation. BNDES is studying that but, Eletrobras will also study that, because at the end of the day this approval of what will be presented as a final proposition is something that will be done by the Board of Directions of Eletrobras and by the assembly of shareholders. Because of some conflict of the interest, the provisional measure determines that the federal government can't vote. So we will have to also assess that.

**Operator**

Next one from Safra Bank.

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

Good afternoon, Daniel.

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## Q - Unidentified Participant

Good afternoon, Rodrigo. Good luck, as the new Chairman of the company, and good luck to all the Board of Directors. I wanted to talk about the plant and the prices. Was that debated in light of the provisional measure (Technical Difficulty) prices impact to the plants. Thank you.

## A - Elvira Baracuchy Cavalcanti Presta {BIO 18709914 <GO>}

Limp, you want to start.

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

Well, yeah, I was part of the ministry until not long ago. So I can of course comment based on my experience. But the provisional measures should not have a tax impact. And for that some measures were impacted vertically, so that there is no impact in prices. The first one was including (inaudible) as we included (inaudible) we have more value generation. And as we distribute that we can minimize the price impact. We also changed the (Technical Difficulty)

## A - Unidentified Speaker

(Technical Difficulty) About our decision. The Board will make the proposition. The Council will (inaudible) and then there (Technical Difficulty) in fact we understand that the government also looking to mitigating interest (Technical Difficulty)

I think that's what I had to say. If anyone had something to what I said.

## Q - Unidentified Participant

Can I chime in, just wanted to (Technical Difficulty) you said that the resources will be allocated for our customers markets, which would exclude customers from the free market. How do you see that do you think that can create any kind of struggle?

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

Well, I think so, yes. This is a proposal by the rapporteur. And of course I believe Congress will discuss that. There are different arguments to both sides for the free market and for consumers. But we also have to minimize prices impact to final consumers. This debate was ongoing in Congress and the rapporteur also debated the exceeding production from Itaipu had CD, which can also contributes to the price reduction. But of course, this is something that should be debated in the chamber this week. But I wouldn't be able to tell you exactly what the final outcome will be.

## Q - Unidentified Participant

Perfect, thank you.

## Operator

Next question by Marcelo from Itau Bank.

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## Q - Marcelo Maciel

Good afternoon. Thank you for this call. Welcome to Eletrobras, Mr. Limp. We have been addressing many questions about the provisional measure, but there is an aspect of Cementos reports that I wanted to clarify. The first thing is the possibility I'll have been growing for contracts at a lower value based on the price from the page from 2019. And if company do that, and if so will that happen voluntarily or would this be mandatory according to the rapporteur. That's the first question.

The second question is regarding flexibility. The way the tax was region, it's not clear to me, what practical measures will be taken considering the report. We talk about prioritizing some elements, but they don't really touch on incentives, or assistant will be is to make it work, or if that's only going to be a public tender organized by the governance. I just wanted to know in practical terms what is the intention behind that?

I wanted to talk about the company too. Eletrobras has a very high volume of contracted thresholds and the results should be good this year considering the expectations, mainly in the third quarter. What is the company's strategy for the next years considering contracting surveillance. We want to reduce the amount of people that was hired or should that change considering the prices in the short-term? Thank you.

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

Well, I can address the two first questions and I can hand over to Elvira. Mr. Jatoba is also here, he can address that question. I guess you can help us. And so that with regards to (inaudible) and thermal plants, these issues are not directly related to Eletrobras. So(inaudible) was going to be intermediary only. That's going to be postponed or not, that can't -- that what we wouldn't propose that as a compulsory measure. I think this should be something these agents should look far, especially (inaudible). But we still have to look into the final text.

Same thing for thermal plants. Have to say table will be hired and the same tender or if I know modality will be proposed. Hard to answer that question now, since we don't know what the rapporteur will propose just giving you some overview. Regarding our sales strategy, I believe. Mr. Jatoba can help us address that question.

## A - Unidentified Speaker

Mr. Jatoba is the -- sir, can you please, Director of Generation rather, can you please give us your insights?

## A - Pedro Jatoba

Hello, can you hear me?

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

Yes, we can sir.

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## Operator

Mr. Pedro Jatoba, can you hear us?

### A - Pedro Jatoba

Thank you, Marcelo for your question. We are now going through a restructuring process at Eletrobras with regards to commercialization. Our goal is to expand our participation in the free market and we want to revisit our distribution strategy. Just like other players in the market. We are following up on different changes that are going about in the market and different initiatives that are now being implemented. We are also planning our positioning strategy. I agree with your assessment. Our expectation is to see a press increase for PLD that we should increase and improve our results of energy in the short term. However, we are reviewing there is a strategy and we believe that by the second half of this year, we should have some concrete elements to present in the short term.

### Q - Marcelo Maciel

Perfect. Thank you.

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

Thank you, Marcelo.

## Operator

This concludes today's question-and-answer session. I would like to hand the floor over to Ms. Elvira Presta for her final remarks.

### A - Elvira Baracuhy Cavalcanti Presta {BIO 18709914 <GO>}

Thank you, Marcelo. Once again, I would like to thank you all for joining us this afternoon. Thank you for your questions. Thank you for your interest. I also want to ask our new Chairman, Mr. Rodrigo Limp to conclude our conference. Rodrigo, over to you.

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

Thank you, Elvira. Thank you, Marcelo. I also want to voice my thanks to all of you. Thank you for your questions, and thank you for this great opportunity of clarifying these doubts and present the results to you and present our overview on the provisional measure that is underway and some other aspects of the corporates, especially with regards to the electricity sector. This is a valuable opportunity for us. So as a company, (inaudible) since we are physicare [ph] about transparency towards the market. So thank you very much once again. We are at your full service, if you need us in the future. We'll soon have another earnings release. Thank you very much and good afternoon, everyone. Thank you, Marcelo for mediating this event.

## Operator



Thank you very much. At this point, we conclude Eletrobras audio conference. Thank you very much for your participation. And have a good day.

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