

Q2 2020 Earnings Call

Company Participants

- Elvira Baracuh Cavalcanti Presta, Chief Financial and Investor Relations Officer
- Unidentified Speaker
- Wilson P. Ferreira, Chief Executive Officer, Member of the Executive Board, Director

Other Participants

- Analyst
- Carolina Carneiro
- Matheus Amorim

Presentation

Operator

Good afternoon, ladies and gentlemen, and thank you for waiting. Welcome to the Eletrobras Conference Call for the Earnings of the Second Quarter of 2020. I would like to inform you that all participants are only listening during the presentation. Afterwards, we will begin the Q&A session, where further instructions will be given. I'd like to remind you that this presentation is available in a PowerPoint presentation on the Investor Relations website of Eletrobras. (Operator Instructions)

I'd like to inform you that any -- before we proceed, I'd like to clarify that any statements made during this call regarding the Company's business prospects as well as projections, operational and financial goals, concerning its potential for growth or forecasts, based on the expectations of the management for the future of Eletrobras. These expectations are highly dependent on domestic market conditions, and depend on the circumstances that may or may not occur. So general market conditions and other operating factors may affect the results expressed in such future comments.

Now, I would like to hand over to the CEO, Mr. Wilson Ferreira Junior; Ms. Elvira Presta, Chief Financial and IR Officer; and Mr. Eduardo Gonzalez, the Chief Generation Officer. Starting off with the CEO, Mr. Wilson Ferreira, the floor is yours.

Wilson P. Ferreira {BIO 1528124 <GO>}

Thank you, Marcelo. Good afternoon to all the investors and analysts that are following us during this conference, and sharing the results for the second quarter. I'd like to apologize, as we had a number of events in this quarter. Therefore, our presentation is very long. And I'd like to apologize, we'll try to run a bit faster through with, so that we can take the questions at the end of the presentation.

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So now, I'd like to move on to Page 4 where we have our report talking about the fact that we're facing the coronavirus starting off from the first page, and I'd like to say that we're in the process of resuming work at the Company. And as you can see on this table, we were careful to work through waves, and we see waves as periods where we come back to work. Where on one side, we consider the necessary social distancing and on the other side, the -- we consider the risk groups, so we divided our people into three groups at Eletrobras. So we have non-risk, people under 50 years of age with no comorbidities, groups from 50 or over 50 with comorbidities, and groups over 60 years of age regardless of having a comorbidity or not are -- these are the groups that are considered.

So the first ones are the people under 50 no comorbidities, respecting the social distancing as I mentioned. We see more in less waves according to the respect of social distancing, and also the issues relating to schools reopening or not as we have employees that are parents of children under 12 or as they also coexist with people that are part of the risk groups. So we achieved 72% of our employees in telework and now we have 58% of our employees in telework. So at Cepel, CGT panels, and Chesf with most of them as well. Eletronort, we started in August, their headquarters is in Brazil as you know. Eletronuclear, a great part of them are already back to work. And Furnas started the day before yesterday on August 11. So all of these people -- as I mentioned, we had achieved 72% in telework, and with very strict protocols to work, testing every 14 days for everyone working at the site. So over 60% of the employees at the Company has been tested.

We have this strategic program and although we are not notifying but we do have a lower count than the average in Brazil and in the states where we operate. So that's good news. And that shows that the effectiveness of this program that we have to face the pandemic.

And the second topic on Page 5 is Company alignment in relation to the moment that the country is experiencing. Therefore the donations that the company has made through the holding company or indirectly through the other companies, about BRL24 million, focused on municipalities in the surrounding communities where we operate. So we prioritized those municipalities. We also did some work together with the BNDES, the Brazilian Development Bank, in a program where they doubled the resources, the funds. So we have higher -- an even higher power in the saving lives program. And in addition to investing in hospital equipment, masks, tests, as listed here. So it's important to note that we've had this concern with the municipalities and the people that live close to our operations.

On Page 6, and here this is really important. We have the effect of the load recovery. So here, in blue, you see on the bottom chart, the average consumption of energy in 2019, consumption in 2020. And you can see that on May 10, during the quarantine, that's the day where we had the highest variation compared to last year, with the reduction of 27%. And in June, at minus 2%, so closer. And year we are 2.4% today with consumption higher year-over-year so that -- there is the flexibilization. It has -- we do have an increase in consumption, and that's important to mobilize the company.

Here I'd also like to highlight this. Given the generator center of Eletrobras and here on the chart on the top you can also see that. So, 96% of Eletrobras' generation is clean and

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renewable. Therefore, when the load is lower, there is a higher presence at the peak of the pandemic, so 40%, in Brazil is obtained in Eletrobras through its generators, and we have 31% of installed capacity. So our assets are operating in great condition and even account for our higher share in the market.

Now moving on to page seven with the impacts that have been a concern to our investors. And I'm here to set you at ease relating to the impacts to transmission and generation. So here we can see the total revenues of the quarter close to BRL5 million, 69% coming from the regular market and 30% from the free market. 1% is given the settlements of contracted energy at CCE at a lower price, and we'll look into that further into the presentation.

So 96% of the contracted energy takes place in the regulated market and the COVID account established mechanisms to maintain the generation, which is a positive effect, given the levels of bad debt, which was close to zero. And the same thing takes place in the free market where there was a concern, but with a recovery in the economy that already demonstrates that we didn't have a risk of increase of default. Obviously, there, in the process of renegotiation, we didn't have any court issues and all the renegotiations did not cause an economic impact, be it in the contracts in effect for Eletrobras' activity. So at this time, we can say that the portfolio, that's two-thirds regulated, one-third free is very positive for Eletrobras and the measures taken by the government specifically against COVID is responsible for maintaining good and the levels of billing, except for the free market, which had an important reduction, but there is already a recovery that's also important in relation to prices, current prices and future prices.

On page eight we address transmission. In this month, we have an extraordinary work in tariff review that has already been expected for two years. So we're accounting nonrecurring revenues of BRL5.5 million. That's why we have a total revenues of transmission at BRL12.5 billion. But the recurring of BRL6.9 billion till June this year. So BRL2 billion of transmission, BRL4.8 billion in generation and BRL0.1 billion other revenues.

Here in transmission, it's important to note that one-third of Eletrobras' revenues we have payment system. As transmission is an activity where we're making contracts available according to availability, and so having this system available and it produces the revenue effect. It's done with all the generators and distributors, so disseminated through all the agents in the system, and there are regulatory penalties and fines when there is default, hindering the adjustment on an annual basis. And the COVID program also reduces that in the transmission. So based on that, you can see that on the bottom default is lower than 0.5%. In June, it was -- that's the track record -- and in June 0.19% and dropping -- 0.19% and dropping.

So meaning that affects our results in this quarter, in the second quarter. Also given the movement of tariffs, there is the adjustment portion, which has already received higher throughout the half year and was collected in this quarter. So we've ascertained a reduction of revenues and that should be gradual throughout the next tariff period, which begins in July. But it already occurred in the second quarter. So we have that negative impact. But that was expected and there is no economic impact in the group because that revenue was expected for consumers.

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Now I'd like to mention the next item in the highlights on Page 10. So we have the important facts for our second quarter. First, some highlights regarding the OBZ project. And then so we have savings of BRL94[ph] million, an estimated BRL282 million. In personnel, we have 454 employees and going through a termination process, which should take place as of September this year. This is relating to the consensual or voluntary termination program that begin next year. And as of October, we should have approximately 12,088 employees, assessed BRL130 million in those terminations and we'll have savings of over BRL60 million and on an annual basis BRL215 million in savings as of next year. So each one of these items have been communicated to the market.

And another important operation is Angra 3 investments. I'll go further into detail where you have funding of loans of BRL1.9 billion in July -- or June, and last month we have approved a capital increase still in 2020-2021 of BRL3.5 billion so that we can actually resume the works in the critical path so that this plant can be operating in November 2023. That's very important because the project will have the -- we want to maintain its start-up in November 2023.

So the highlights of this quarter, here in transmission, we had an important increase of 26% or BRL3 billion RAP for the cycle of 2021 that start in July. So it's important to be -- it's not accounted for in this quarter, but as of next quarter we will have the verification of these new amounts. There is an accounting effect of BRL4.7 million in the second quarter as result of the RBSE. And an important accounting about the -- how many receivables we still have in relation to RBSE of the renewed concessions that we are accounting for, BRL44.5 billion, and these amounts will be ascertained by 2028, which includes BRL6.6 billion of the tariff revision that has just occurred. So in transmission that was something that was still outstanding in an important transaction that was carried out, it's here, and it's important for Eletrobras.

In this quarter, we also had based on the privatization point of view, and we had the Ministry of Mines and Energy establishing the budget for 2021 of BRL4 billion that they will create where the state-owned company will be responsible for the assets that are not going to be privatized. So here, our share in a tight pool and the control of Eletronuclear where we have 50% ordinary capital and preferred. So here the government's capacity to acquire control, meaning 51% of the capital on. So it's important for us to speed up the privatization process, and in the quarter, we also announced the sale of a group of special-purpose companies, Santa Vitoria do Palmar and Energia that will be object of -- in September 2 to authorize that sale given that those are state-owned companies. They are special purpose companies with state control, and we require approval to do that.

So speaking of, we have had the first meeting 100% virtual. So we've elected Lucia Casasanta who is our former Compliance Officer and governance and now she would be one of the Board members. Camilla was elected. A very relevant professional with relevant experience in governance, compliance and risk. She comes from Deloitte. So we're very proud to have Camilla with us. And now Lucia is a member of the Board of Directors. New tax members who were elected, Hailton Madureira, Ricardo Simabuku, Eduardo, Marcelo Valle and also Antonio Emilio Bastos was chosen. In the General Shareholders' Meeting, we also declared distribution BRL2.5 billion in dividends to be paid by the end of the year.

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So here are some highlights in relation to ESG and that's very important and a priority as well. And here with this new board of directors, 36% of them are independent and that's higher than the legal requirement of 25% and 30% in the bylaws. That's very important. We have similar presence in all board of directors of all the controlled companies of Eletrobras.

And here in this quarter we had a reduction of greenhouse gas emissions of 3% year-over-year. And our value creation model considered the ASG 2019, among the 49 companies in emerging markets in oil and gas, so the highest in that scale.

And just to close the highlights and something that we've been monitoring with a lot of priority is leverage. So this quarter, we're reporting the ratio of net debt over EBITDA of 1.5x. And when we dis-consider RBSE, that's an asset that we have until 2028, that goes up to 2x. So the Company going into a very healthy zone based on leverage, and our challenge is to continue to add value, create value and maintain the financial discipline.

Now moving on to the next pages, talking about the evolution of our business. I'll be very brief, a couple of things that took place in this quarter. So on Page 13, in generation, in addition of 123 megawatt, Brazil added 950 megawatt, as you can see on the bottom part of our slide. We had 12% of entries new or start-up of new operations. That's where our special purpose companies operating increase here. And Brazil is up to 172,000 megawatt, Eletrobras has 51,000 megawatt, over 30% of share in Brazil. We are always very happy to share and we have said in the first quarter and now we had two important operations ongoing, meaning resuming Angra in December 2026, which is the conclusion of the Santa Cruz cycle. And with that, the Company will achieve 96% of clean energy and 92% of renewable energy that places us as one of the three biggest in the world in this category.

Still on generation, on the next slide, we'll talk about Angra. The first important thing is to share this first report from the BNDES, Brazilian Development Bank, where you have the assessment of the pre-business models and directly participating in Electronuclear or in a special purpose company or having a bid -- a call for bid with EPCs. So here, the value, in relation to how the project is structured, the third one which would be with an EPC and have -- and government having a financial partner is the best that would maximize value and give shareholders the better return. So given that choice, amidst the potential entry of a private partner, but it's not conditioned to that. There is still a perspective that Eletrobras might be interested in it or have financial capacity to do so. And so there could be a private partner, and it could even be Eletrobras' private sector.

In the minority, just to clarify things, there was with this study of BNDES we finalized what we call step one. And the projects were selected by the National Council of Energy now at the end of the year, beginning of next year -- or actually beginning of next year, we will have the delivery of the second stage of the BNDES report where we will have the restructuring of the funding to make this development possible. And then we have the prospective of a call for bid with four EPCs so we can actually finish the works.

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Here on the next page, page 15, we can see what we call the acceleration plan for the critical path. And the idea here is to make this picture on the left, which is natural page of the development and turn that into -- so 2023, even before the conclusion of the works, but here we will have the conclusion of the construction work, the more simple construction work and also what we call the critical path to conclude the framework, the structures of the nuclear buildings and increase or open up the works to receive an EPC and advance on electromechanical assembly interaction through Eletronuclear, in addition to have critical -- having critical equipment.

We've approved BRL1.5 billion for that, almost BRL2 billion, and we're establishing an independent compliance program to follow and monitor that budget and payment of contract with a lot of care, so that the works can start up again with safety for our shareholders and our Eletrobras and Eletronuclear investors.

On Page 16, we have the time schedule, so you can see the acceleration program for the critical path, where we're hiring here, concluding the engineering projects. Here we have contract renegotiation with multinational companies, and making it feasible to contract the construction work specifics for assembly and election as I was mentioning on the previous page, and also for new supplies. In turn, we should sign the contracts for the civil works. And election in September, so in October, we can start with the concrete.

And in parallel to that we're also operating so in August 2021, we should have the call for bid for, and the EPC -- for the EPCs and that contract would be signed in 2021. So that the works of that EPC contract will begin in March 2022. So just to make it clear, the difference between resuming the critical path, which is more restriction and reduced so that the works can be on time, according to schedule. And the other thing that is the highest investment, which is hiring an EPC contractor, which was -- be from responsible to conclude the more complex works and election etiquette.

So here, I would like to conclude what we're talking about generation, and specifically about Angra on Page 17. We have the transmission system. And here 44.7% share in Brazil. In this quarter, we had a reduction and now a network expansion of 19 kilometers. Actually it's a transfer to a EDP distributor with the other transmission facilities according to the Aneel standard that's been preferred by distributors to maintain their assets, as they're the main interested parties in these other transmission facilities, that was done from Furnas to EDP. And we added 192 kilometers of lines, the largest, longest one is center Geneva, one of the most important ones, investment over BRL4 billion that's past -- it's a place in the past three years or four years. And revenues BRL41 million. And here, specifically Chesf and including TDG at the level.

On Page 18, I'd also like to highlight that this take place -- takes place at the same time where we improved the reliability of our transmission systems. And as you can see here, we have the best results for the first half. Since we started to measure this in 2015, the availability of our lines. And when we see reliability, so according 2 kilometer per line we've achieved the best results for LT. So that's very important. We can see the theme of availability as a variable percent of 0.08%, that means less than BRL20 million, plus BRL22 million when compared to the variable portion, it's like a penalty of BRL21 million less year-

over-year. So that shows us the importance of reliability, as it also gives us the financial return.

Very well. Now what we have spoken about transmission. Now I'd like to move on to pages 19 and 20 we'll talk about the tariff revision and the perspective. As I mentioned, we only have the re-measurement of RBSE. But it's important to note the tension that what we had is the goal to reduce the tariff was expected since 2018. So when we see the bar chart, we can see the effect, we started off from revenue of BRL9.374 billion from our extension of concessions. We have an addition of the ones that went through public bid in 2019. So it will be BRL10.651 billion. So the adjustments verified as of next month, and we'll have a recurring of BRL11.5 billion. If not the pending issues that I mentioned in the beginning that will add 26% to this cycle, as they are related to retroactive amounts and some of them have to do with the key. So here BRL683 million in adjustments plus RTP, the inclusion of Ke BRL918 million, and the retroactive to the Ke, so another BRL1.75 billion plus the PA of RTP relating to 07/18 to 07/20 at BRL391 million. And obviously a drop of BRL131 million for the ones in the bid.

So in this new cycle, we will have a variation of BRL3 billion, BRL11.5 billion going over a little BRL14.500 billion in these tariff cycles reported in this chart. It's worth noting the periodical tariff revision has related to the new legal framework of BRL174 million to BRL171 million, and with RBSE with assets that hadn't been recognized in the past, specifically Eletrosul, and then other 20% and the base incremented by 16.5% recognizing the improvement effort since 2013 through 2018, and the discussions that we've been having for a while now in relation to including the Ke, which was verified at this time.

So here we're talking about in the summarized of a total BRL14.5 billion, and receivable of BRL44.5 billion through RBSE, which will be verified from 2028. So transmission was the same that went through. A number of difficulties and now we have finally achieved stability. When we look at the Eletrobras case and being more specific of the movements throughout the cycle of 2019 till 2023. It's worth noting and this is on Page 20, the potential to add new RAP.

Here you start up of BRL11.5 billion in the cycle of 2019 through 2020. That's in effect and ended in this month of July. So here we have some effects. And I believe that this is important for us to see the effects throughout the following cycles. We have the tariff review and adjustments of BRL1.691 billion. Here we have a breakdown. RAP is added as of July considering the effects of RTP and transmission lines and PMSO and the base and inclusion of Ke that's BRL1.691 billion. So we also have the adjustments relating to the transmission lines including retroactive Ke up to 2023. So BRL14.666 billion. And then we have the effects of the contracts. Contract termination and the first items of each year minus BRL11 million, 2021 minus BRL13 in the 2021-2022 cycle minus 2021, 2022, 2023. And then the additions relating to the 90 corporate works there on the bottom, so we have 90 updated works, large works in construction that we're going to add revenues of BRL322 million in the 2021 cycle 2023 et cetera. So that will equal to BRL2.21 billion investment, which give us a ratio of 15% RAP per investments. So the peak at 2023, BRL14.666 billion. And then obviously the exclusion of the retroactive values as they're not recurring. We are talking about growth of 14% incurring in RAP, demonstrating the working regulation and the recognition from the agency.

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Now, financial -- company's financial performance summarized on Page 22. Here, as usual, we are reporting according to IFRS on the left and the analysis that we do of the recurring amount given the comments recently made relating to transmission and generation. So when we see the revenues for this quarter in IFRS, we have a very high addition considering the regulatory recognition. But when we look at that in a recurring manner, it has a drop -- it drops by 10% mainly as a result of the closure of the contracts to zero for those who are aware of the industry in 2020 (inaudible) and Eletronorte e Furnas have those contracts at BRL700 million. We also had a drop in revenues in PLD, and settlement of BRL175 million.

But on the other hand, we have positive adjustments in plans and Amazonas GT. We also had the volumes of energy and the contracts to zero for Furnas and we had sales in the free market of another BRL141 million. So based on the moment of prices still lower, BRL174 million in the quarter, but it also relates to supply where the price in the past where the biggest price in the auction of all time, given that the auction was made as if it were contracting insurance after having a claim. So it was very specific moment that we had.

In transmission, a bit what I had already mentioned. So we have Eletronuclear and the renewables amounts here, you can see on the slide. I'd like to mention recurring PSMO BRL384 million that's expressive, even higher than reported. And here, we also have an MSO drop, and we have the effects of OBZ and the pandemic. We also have a drop in number of staff that has to do with the voluntary termination program, BRL122 million. And we have some recurring cases, especially the costs you see in some agreements that we had with suppliers, recurring operating expenses and here we have few with lowest subsidy, given the change in the past quarter, relating to Amazonas GT. And obviously, energy bought from resale and the drop in these volumes are relating to the past contract in Amazonas GT. So two effects of operating expenses are from Amazonas GT.

Finally, we have recurring financial results less in one -- minus BRL1 billion. We had BRL500 million in positive last year to negative this year, but this is mainly a result of the adjustment to fair value, which is the new methodology, so called valuation of RBSE, where we also have the exchange rate variation and an increase in the exchange rates, and that determined these two amounts for this quarter.

That's the Company's results. The reported earnings are very positive, but there is a strong effect on the tariff -- because of the tariff review. And in a recurring manner, we were mainly affected. Hello? May I continue?

Operator

Yes, you may. Go ahead.

Wilson P. Ferreira {BIO 1528124 <GO>}

And I was -- we've recurring results, with negative effects that we will work on to improve in the free market, given the end that these contracts to zero. And here in transmission, we especially have considerations as of next quarter 3Q 2020 of the recurrent values

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we're highly affected by the PA anticipation, where Aneel was generating the tariff movement and also the negative effect on the financial side, notably because of the change in methodology relating to the fair value of RBSE.

On the next pages we have more details about that. I'll try to move faster. I think I've mentioned, most of it. So gross revenues in a recurring manner reported of 56%, but notably based on the block on the right of RBSE, if we exclude non-recurring effects, it's a drop of 10.4%. The main reason is because of the drop in prices. So the volume is the same. So the exploitation margin at the end of that contract zero, TAN transmission BRL203 million, the valuation of RBSE BRL126 million are the main aspects of that. The changes or the prospectus that we have to act on the BRL203 million that are already object of this successful tariff review. And on the other amount, we have to develop a more effective strategy in relation to the free market.

On Page 24, we have a breakdown. I'll just say a few words on this, so the contracts. We have the end of the Furnas and Eletronorte that go to zero. That's the main aspect because we have contracts that's very high prices, at partial mitigation here as I just mentioned before with the adjustments of Angra. We have the bilateral agreements where we have BRL121 million. So the volumes are pretty much the same year-over-year. But here we do have the issues relating to price. And the volumes in CCEE that went down to the floor, it was a while since that happened. So in this case, we did have an important reduction, and the company hedges to manage CCEE and that should be analyzed today national congress.

On Page 25, we have a PMSO evaluation. The news is good. So we have a drop of 26% and recurring value is 19%. So here for the effects that we've been working on for a long time. For better relating to employees, OBZ and the voluntary termination program. So we've also had this relating to the pandemic. We'll talk more about that in investments. And in services, the main driver was the outsourced contract for Furnas. That was last year. And here, other OBZ measures, at Amazonas GT and some adjustments that we had, SAP and for the company latest entries in the systems and buildings and judicial cost to Eletronorte. And that's why we see over BRL2 billion, close, or a little under -- about BRL1.700 million. So we also mentioned operating costs.

And here on page 26. If we exclude nonrecurring, we're reporting the BRL35 million. And basically, aspects connected to the changes in the Amazonas GT contract and adjustments in SAP, already mentioned. So I'll move forward in operating provisions on page 27. A reduction in provisions comparing both quarters, but we still have the adjustment of BRL220 million. That's the highlight. And PCLD is related to Amazonas distributions with Amazonas GT. That's in an advanced stage in negotiation. We believe that those two items pretty much carried the provisions for this quarter, and are well for next quarter.

On page 28 we have EBITDA falling 29%. And here, it's directly impacted by the drop in operating net revenue and market regulated to zero. That's the main action. So there's an important contribution in the share, including that also had the tariff review in transmission and the positive effects of the recurring payments as well as the provisions of BRL375

million negative. So EBITDA recurring up BRL2.400 billion, and we plan on improving that based on the net operating revenue, as we've seen.

And now on Page 29, net income from BRL2 billion to BRL1.5 billion, practically. Part of it coming from the EBITDA that I just explained and part from financial results we were talking about. Adjustments that we had in changing NTNB 2.0 and changing the discount rate of RBSE. So it's a significant amount. And obviously, these two drops turning to income tax credit. With a lower results, we were benefited. So net income reported of BRL4.5 billion and recurring net income considering the financial effects in the order of BRL1.5 billion.

Now moving on to Page 30. We see the financial discipline, a decrease in our net debt to BRL19.6 billion. That's the lowest level that we have had since the beginning of our management. It maintains gross debt higher than BRL49 billion. But cash position, that's very robust, close to BRL15 billion, BRL14.7 billion. That's what made the net debt drop. Even though there's a reduction that I showed in relation to EBITDA generation recurring with RBSE, we're achieving -- reaching the ratio of 2x debt over EBITDA without RBSE, and 1.5x if we consider the RBSE receivables.

Debt profile is on page 31. Change what we had compared to last quarter. We were somehow benefited in the year, so the position that we have of gross debt, BRL49.5 billion. And here, you can see that we already have the BRL10 billion for 2021, so we can settle the balance that was rolled over. And BRL2.5 billion in loans, receivable loans, as we have the volumes connected to Itaipu, meaning the receivables, the financing that we did there. We can clearly see the receivables in foreign currency, which prevails what we have for the future.

We have further details about the exchange variation on page 32. Here we can see that we have assets of BRL1.5 billion and liability in dollars of \$2.2 billion. That's what gives us \$721 million that was shown in this quarter. But we also show that the exposure is positive until 2021. So we have more assets than liabilities in 2020, 2021 and 2022, and modest in 2023 and 2024. And as of 2025, we have higher position, which gives us some time for a strategy in relation to this exposure.

On Page 33, I'd like to talk about our investments. We still have problems in investments, even though in the next page, I'll show you that. It's not as ugly as it seems. It seems like it's the lowest investment in history for the company and in a way it is. We had an investment of BRL700 million with a budget of BRL2.5 billion.

This is related to investment lines, but I'd like to clarify on the next slide, on 34. When we see this quarter where we invested BRL380 million and did not realize BRL795 million. So we invested BRL1.175 billion against budget of BRL1.360 billion. So why didn't we invest BRL795 million? That's what we have to look at. So that is strongly shown here on the right -- on the bottom. So there was a delay in resuming Angra that will resume. We have BRL1 billion to do that this year. We have some effects, COVID effects, especially equipment from abroad that had trouble in arising in Brazil. So they weren't built. Maintenance in Angra 1 and Angra 2 some delays on behalf of our suppliers, so the delay in imported

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products or equipment to Santa Cruz, so BRL150 million. And also in taking a long time to make decision in relation to Angra and COVID as well. So transmission and COVID, 33% delays in bids, here we have exchange rate effect. So some investments had to be -- go through a bid again. And as you've been monitoring, we had some problems in mobility that was solved, but resulted in delays like the lockdown process. So that gave us some trouble. In the special purpose companies, this is positive and it won't be realized. So they were benefited from the processes. And obviously, by having these processes, we didn't have a need to capitalize these special purpose companies. The bigger ones were capitalized by the GSF effect with -- so I didn't talk about in the chart in relation to generation. So it increased in absolute values and in financial values, given the drop in PLD. So these investments in the special purpose companies, wouldn't be done given the effects of the pandemic on them.

On page 35, we have the earnings here we're talking about dividends BRL2.540 million, 2.052 billion common shares, BRL2.24, BRL1.74 for PNB and BRL1.59 to ON. These amounts will be paid by the end of the year.

Now I'd like to quickly address the Eletrobras strategic plans. As you know, we published and we have more details there. And if you wish for further details, you can contact our IR team. So as the company reviews its strategy every five years and we recognize the advances that we've had throughout this period. There's a need to change our strategic drivers to be an innovative clean energy company recognized for its sustainability. And where we are to where we want to go, we need to consider all these plus signs, implement a high performance culture, be more agile, acquire and incorporate higher capacity of investment and with that create more value, be more competitive at lower costs and have more risks, be more active in risk management, and also be a digital organization.

On page 38, we have a group of these drivers, our values and the purpose of putting in all our energy into sustainable development of society, that's Eletrobras' purpose, a set of guidelines that I'll talk further about. And our values are important to service this group of stakeholders here on the right side shareholders, customers, market analysts, governance, our representatives in Congress, regulators, community, society, our partners and the company's workforce and their family members.

So with that in a very summarized manner, the strategic plan is on Page 39. So the purpose and values and vision of the future, the results, the guidelines and business performance, where we can increase our capacity and GT assets, consolidate leadership in GT focused on clean energy, achieve leadership in the sale of energy, which is our main challenge given issues. Invest in new business focused on energy and participate in the consolidation of the sector given our position in the group of special purpose companies. For that to happen, high performance culture and people management based on the meritocracy, governance and risk management and internal controls. We still have an important task to follow on that. Focus company management in creating value and increasing competitiveness and play a star role in innovation and promote, as I mentioned, digital transformation. Results from strategic objectives, I'm not going to mention these where we have to achieve our objectives. And for each one of them, we have KPIs to be monitored.

FINAL

It's important to mention in the last two slides of our presentation, the challenge of relevance and creation of value. And we're considering here dating back to 2011. So if we look at 1995, moving forward every year the company loses market share in its core business, generation and transmission. So in each one of these segments, we had close to -- well, always over 50%. And in transmission, we even achieved 75%. We ended 2019 at 45% in transmission. Just reported 44.7%. Ending 2019 at 30% in generation and we're under 30%, as you could see. And we added 12%. If nothing is done, that's the company's path, losing market share, losing relevance in the segments where it has always acted and is still a leader.

Here, the PNDG of this year is already recognizing that, so maintaining financial discipline with a lot of efforts. We've presented this plan that forecast investments of BRL3.7 billion annually, apart from Angra. So we've already approved these two gray bars for 2020 and 2021, which is the critical path, which will be done by Eletrobras, the BRL3.7 billion transpired, that's BRL17 billion plus these BRL320 billion. And obviously, we have to look at these three bars, 2022, 2023, 2024, so that the company can be a business partner.

We'd like to end, with page 41, which gives us the scope -- talks about this challenging scope. Without capitalization, the company can invest in the order, if maintaining the financial discipline and maintaining net debt over EBITDA under 2.5, but unfortunately maintaining the quota regimen for the plans. So there's the possibility of changing the quota regimen to production quota, regardless of new contracts being granted in and paying the grant. If we don't change that, we have the perspective of lower investments because we have lower results. I'm not talking about smaller investments, I'm talking about BRL6 billion a year. And by seeing these volumes here, it's also important to note that investment in generation and transmission alone BRL6 billion a year, that in the period would be BRL95 billion. But we also have additional investments, digitization, automation, which is what we call total investment in sales and BRL10.9 billion over BRL600 billion a year. So it doesn't really change in relation to what we're talking about, the G&T, which is ongoing. So it's the ability that the company has to produce results and invest.

On the other hand, if you have a change in our quota regimen to independent production, that opens an important path for the company of improving its results and higher ability to generate. And as the quotas -- as you've seen the quotas before, you're going into independent production and giving the company more space. So the improvement of these results and maintaining the financial discipline of net debt over EBITDA of under 2.5 would increase the capacity to invest from BRL95 billion to BRL202 billion, which would give us BRL11.6 billion just to grow in generation and transmission, which is the company's core business.

And on the other hand, this higher investment that also total -- instead of BRL10 billion, it would be BRL20 billion. And increase in capacity of BRL1.2 billion. You can see that the figures are very similar to what I mentioned in BRL14 billion. This is BRL13.82 billion, that without exhausting our capacity. So the difference between one scenario and the other is the possibility of changing from the quota regime to independent production, if we maintain financial discipline in both scenarios and focusing our investments in generation and transmission. That's the company's strategy. So we're fighting for the right side, which is the strategy that creates more value for all shareholders.

I'd like to apologize for such a long presentation. And now together with my colleagues here, Elvira and Jatoba, we're open for questions, and I apologize for it.

Questions And Answers

Operator

(Question And Answer)

Now we will begin the Q&A session. (Operator Instructions) Our first question is from Carolina Carneiro from Credit Suisse. Good afternoon.

Q - Carolina Carneiro

Good afternoon, everyone. Thank you for the conference call. I have two questions. Starting off with the strategic plan and what you've just mentioned. You gave us two scenarios of company investment, one without capitalization and the other with. So I'd like to hear some comments. How did you handle that scenario in terms of size of the bonus grants? Did you go into that kind of detail? And the company's financial capacity, when it would increase in a way that you would elevate investments to what you mentioned?

And the second question is about the capitalization process. We see that former secretary this year of the government for the privatization is leaving the government, so that means that it's probably not moving as fast as it should. So we know that the Eletrobras process is already ongoing. The bill was already -- bill of law was already proposed. So I'd like to hear your vision about this secretary leaving the government. Would that impact the bill that's already ongoing or not, bill of law? And also your opinion about the company expectations concerning the bill of law. Recently, we saw many newspapers saying that there could be some changes to the bill, considering the initial conditions. So could you comment on that? So what do you think -- what could actually change in that bill? And how that could impact the company? How could that?

A - Wilson P. Ferreira {BIO 1528124 <GO>}

Thank you for your question. Let's start off with the first one. That's the \$1 million question, and we can't really answer that without having interaction with the CNPE members. But as a basis for that, this is what we consider for that grant. I'm not going to talk about the figures, but instead about the elements that determined our evaluation, because these numbers, the figures could be different based on some of the themes that I'll mention. Some of the main are physical, collateral. What we considered are the Eletrobras assets, exclusively reduced by the impacts of the collaterals that are not in the 2017 review. So something about 8,700 megawatts. That's our evaluation. For the government, I think it was lower, but we consider all the actual physical collateral for Eletrobras and the assets that will be object of that review for the collateral for that.

And the second topic, then we went to market, and we have a price view that I will not share. But it's different that you -- what I mean, I mean future price is lower than the one that was used by the government, BRL960. Our number is lower, approximately BRL150.

FINAL

That's the vision of the future price of energy. And then we have some elements that will be object of these considerations. The first one is, what is the hydrological head that would have to be used? So that figure changes because there's two effects there. The first one is that the drop in energy volume already improves the GSS condition and more generation for Eletrobras that was more generated than the previous period. So there's that effect. There's also the effect that's indirect and has to be assessed by the CNPE and the ERP will be part of that, is that when you review the physical collateral, you decrease, meaning you're decreasing that, the GSF will clearly be lower. So we also had an evaluation based on that. And looking at past figures isn't the best view? Because you especially have a physical guarantee that's not real for the market. And it has to be removed for the entire LME.

Q - Carolina Carneiro

And the two last, one of them is highly related to you. So what's the discount rate of that flow in the next 30 years?

A - Wilson P. Ferreira {BIO 1528124 <GO>}

So the work that we did, we used a consulting company, BCG, and we have a vision of a discount rate, and you have others, but a market rate was used considering a 30-year period. And the fifth one, that depends what I'm going to answer on the second question, which is the potential impact of a potential price increase, so a way to decrease or mitigate and that would be reducing prices, and if you consider longer term. And that may be an important solution given the future market perspective. We consider the average amount, it could be up to 10 years. It could be a bit beyond five that we used for our vision.

And then, Carolina, those are the parameters that each one of you can do the math and reach a grant amount that should be higher than BRL10 billion discounting the unweightable variable. You know that the grant that there's the perspective of resources. And just to round that up, the previous one talked about BRL30 billion. And discounted BRL3.5 billion, which is the recognition of the treasury in favor of Eletrobras that hasn't been paid is BRL3.5 billion in favor of the program to revitalize the San Francisco River. So then one third for CD and the other, which is BRL15 billion that was budgeted in the past. So the 35 have to be considered with the parameters where you use amount for future value, and the excess MRE at Eletrobras. And obviously, in a more structured process, you would not do.

And then now I'm going to answer your second question about the impacts and Salim Mattar. Obviously, if you lose a person with a dynamic and the willpower as Salim Mattar had isn't good. But it's not just a process that is done by only one person. So the President said this yesterday in his announcement, he reaffirmed the commitment to privatization. And I believe that, that commitment has not changed. They're being jeopardized relating to timing because they have to recognize that with a pandemic as big as this one, that imposes an agenda to National Congress focused on protecting society. And economic financial society, it's huge. So you can see all the work that they've doing in that sense. So myself and other people that are fighting for this, we do agree that this agenda cannot be postponed. It is a priority. So we have to understand that. That's the first thing that we

have to understand. I do recognize that they are doing the best they can, and they're doing that with priority. They're prioritizing the pandemic because I do believe that, that is very important for our society.

So that's the first thing. We have a bill that was submitted in November last year, with the commitment that should resume after -- in the agenda that we call post-pandemic, after we overcome all the issues in National Congress. So that will be back and start a discussion. So the dates that should have started in the first half will start in the second and, hopefully, end in the second half, and if not, the beginning of next year. So that's the agenda that we're working on. More than that, another thing, another important aspect that I have to mention. And here, just to share some of my vision, the entire government, the Ministry of Mines and Energy especially, the Ministry of Economy, so all of them are working to make this process move forward. And that's the second thing that you mentioned. We had a number of interactions with Congress last year in terms of clarification. And we hadn't advanced in the agenda of the Senate. And that's currently being covered by the minister and the minister's main advisors and secretaries, by us and what we're able to clarify. And as was demonstrated by some senators that were contrary to this, now there is a better understanding of the project, of the feasibility of this project and the processes, in terms of negotiation of how they should be done.

So to answer your second question is maybe -- to verbalize the demand set, which should come from the Senate is, first, we have to have more CD, there's a project of 33, has to be higher. So that can be with a longer term. And that discussion will take place. The second one, there's a demand of the so-called golden share. So, in the first project at the time of the Temer administration that was there, so that -- and it was shown at the trade-off between having the regulation, the regulation is able of maintaining national interest because you can't deny that you require the plants. So -- but that is a debate, and that's an important guarantee. So that's the second debate, in my opinion, that will enter that debate, that discussion. And the third one is that we have a campaign that would benefit the Northeast and the San Francisco River, and we have other matters with the Amazon, which may be a requirement from Congress people from the north.

So, these three debates are debates that should advance and advance in a way that will have higher convergence toward our main activity, which is to approve this project faster. That's what I'm working on. I believe that the project has a better understanding now in Congress and gain more incentive. On the government side, the discussions that we have with Chief of Staff and Ministries, and of Mines and Energy and the Economy, there's an understanding that it would be necessary to make some adjustments, adjustments to meet the demands that society was requiring through its representatives with other projects to offset. And in Amazon, for instance. So we're working on an agenda to do things. I believe that the agenda, at the end, cannot be postponed.

So, we're going through a moment that we're discussing the tax reform. I'd like to remind you that the project, the Eletrobras project, there's three benefits to the Eletrobras project when we see society. It had BRL25 billion. The figures are controversial, but BRL600 billion, BRL700 billion. As we have liquidity through the sale of assets, undoubtedly, we have a tax increase. And you can understand that the government works with the first option. So, we will move forward with the productization programs to

maintain society with a better rate of taxes. So if you work with the second perspective, we see that it attracts capital, that's an agenda that the government has to have post-pandemic, attract capital to capitals market. It's faster and it's healthier if we look at the level of the stock exchange. When you attract foreign capital, that enables us to grant from the start and start off with an agenda of investment, not only to expand our business, but also in the assets that would be priced at high levels.

So, from BRL12 billion to BRL14 billion, and also having the need to have annual investments of revitalization, BRL0.5 billion, for instance, that moves the economy. And thirdly, a more efficient company where you collect more income tax and measure results. And the government will value stock of shares. So BRL60 billion directly and indirectly has 60% will have a little less than 50%. But the perspective of valuation, according to its multiples, is known by you, and I don't want to anticipate any figures, but you know that the government is worth less than its equity. So this -- the second quarter is iconic, and it's the 17th that I'm reporting to you. Because the results that we had in this 17th, we had a little over BRL30 billion in profit in that period, almost reverting to BRL31 billion according to NP 679.

And then there's also that based on the point of view of equity, 67, which is now the figure is over 70. So that's a very important figure. And the company still has a fundamental agenda to follow. In cost reduction that have already been declared, rationalization of the structure, incorporation of Amazonas GT, special purpose companies, closing special purpose companies. So, I'm very optimistic in relation to that, and that has been improving day by day. So, it's maintained the discipline. There's a limitation or a boost to the capitalization process, which, by the way, the benefit, it would take away that tariff impact to society or the risk.

I know that was a very long answer. I apologize for that, but it was a complex question. Thank you.

Q - Carolina Carneiro

Thank you. That was perfect. Very clear.

Operator

Our next question is from Matheus from Navi Capital.

Q - Matheus Amorim

Good afternoon. Thank you for taking my questions. I have two. The first one in my questions, I'd like to understand on the cost side for this quarter. Your cost performance was very good, and you well explained it in the attendances _85____. So that was a differential compared to the other quarters, it was well explained. So I'd like to congratulate you on that. But on the side of cost this quarter, PMSO went to very low levels when you analyze that. And you even mentioned that there's even more cost to come. So we have annualized that BRL6.5 billion, BRL7 billion of PMSO. Do you have any figures about how much that would be next year? And my other question is in this first half, we had a compulsory loan paid off a bit over BRL1 billion. Would you review that

upwards? It seems that it's being paid. So how is that being handled? There's the compulsory loan, the risk effect, and there was a high payment, but nothing above book value. So I'd like to know how that's being handled by the company.

A - Wilson P. Ferreira {BIO 1528124 <GO>}

Thank you, Matheus, I'll give you a brief explanation. And then, Elvira can add, if she wishes. About costs. I have to be very transparent with you here. In this quarter, we were benefited by, first, people leaving the company. The main driver in cost was personnel, approximately 1,000 less a little bit over a 1,000 less last year. And we still have some people that will leave, about 450. That's about BRL250 million. That's the good thing that you can forecast. But what disturbed us this quarter, basically one thing; since we had lowered investment levels than we wished, we were somehow jeopardized in the sense of capitalizing labor and investment.

So in the Chesf specific example, I'm mentioning that because I had a meeting yesterday, over BRL30 million that's accounted for here as labor costs, labor expenses, are actually allocated in investments. But since it wasn't realized for the reasons that I mentioned, we were unable to do that. So what we had to offer is for the effects of cost reduction and labor, it should be operating at BRL18 million, BRL19 million per quarter relating to the terminations last year. And then when we have this last group that would leave in the next quarters, we'll have more. So it will be another BRL150 million less compared to previous quarters in first half of 2019, and as well as the reduction in PMSO of OBZ, so we have the figures that was captured here in third-parties at Furnas, which was some contracts. So not all of them were leaving, but it's about BRL50 million, BRL60 million a year. So there's a positive effect. And if we go back to investing in the amount today, and with Angra starting up again and all the works that will start-up again, Chesf is a great investor in that area that's a bit late, 17% of the Chesf program. But we had lockdown in the city of Recife. We had a lockdown in Fortaleza, in the state of Ceara, so it was very difficult. Would you like to add?

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

Well, let me talk about the compulsory one.

A - Unidentified Speaker

Can you hear me? Would like to finish (inaudible). Maybe you can add now.

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

About cost. What I'd like to add in addition to what you already mentioned, it's about the work that we've been doing in OBZ, of the BRL280 million that you mentioned, that's the target for this year and BRL180 million for the next year. And also during the pandemic, we had some additional efforts in all our companies to avoid -- to only focus on urgent aspects, as we had a very uncertain scenario. And we were concerned about impacts that did not confirm in relation to default. So that moment also helped companies to have an even stricter profile of what we were already planning in relation to OBZ and also maintaining our costs under control. That's my comment.

FINAL

A - Wilson P. Ferreira {BIO 1528124 <GO>}

And in relation to the compulsory loan, it's important to note that it's a provision. And in that sense, it moves in two directions. The first one is that on a monthly basis, it's adjusted. We know that the adjustment is slightly lower, given the Selic rate. So in the quarter, that consolidated the best Selic rate. And on the other hand, it decreases what is coming due. So there's a number of processes that are being judged. So we still have one or two months of a stoppage. And part of these processes are electronics. So obviously, the company has the provisions. Remember the effort that we did in order to update the provisions using the repetitions as criteria at the Supreme Court, and the payments of the amounts under controversy. And then it adjusts, which is very rare, but it also happens, especially if the results and correction according to the Selic. So in that quarter, and in this one, particularly, given the electronic matter, the first one and the second had a dilation. So we didn't use in our guarantees, meaning that we released that -- you know that we have a portfolio share of connected energy companies. So we need the liquidity to make the payment, provided they're lower than or equal to the allowances based on the sentencing for Eletrobras.

Q - Matheus Amorim

Thank you.

Operator

Our next question is from Gustavo from Itau.

Q - Analyst

Good afternoon. Congratulations on your results. I just like to understand a little better. You had horizon up to 2024 for investments. And when I look at the previous plan, I see that most of the investments in the next four or five years, the order of magnitude is BRL3 billion a year. So I'd like to understand that a little better, from 2024 moving forward to maintain the BRL6 billion. And let's not consider privatization or capitalization, just so we understand how the company is doing. The three additional that you could add with the end of NH3, is that improvement? New projects? I'd like to have a more qualitative idea of the BRL3 billion that you would add when you conclude Angra 3.

A - Wilson P. Ferreira {BIO 1528124 <GO>}

Thank you, Gustavo, for your comments. First of all, we have to look at under the view of the investments that are considered for Brazil alone and seeing the Eletrobras' share. We haven't been part of an auction since 2014. And that is the main reason why the only project that we have today is the Angra 3 project. We don't have any others. Well, actually, we have the Santa Cruz project that I mentioned. If you analyze the annual investments that will be forecasted and go through a bid through ANEEL, it's direct investment of BRL407 billion per year, that's BRL40 billion on average a year, but we weren't part of that. So if we would only participate in auction, there'll be one at the end of the year. That's BRL7.5 billion for this -- according to ANEEL. If we consider transmission alone, Eletrobras should dispute at least 45% of that amount, and that's the BRL3 billion that you talked about.

FINAL

So the first thing is about investing in greenfield growth, considering auctions that will have according to new future Brazilian demand. And the second group, and I haven't done the report, but we have a rationalization process for our special purpose companies, and I informed that our target for the end of the year is to reach 52. So you know that neither us or others were able to advance in M&A because the part that we're focused on, because a non-solution from Supreme Court badly prices the power plant. So in the advancement of the project, that means a significant amount for Eletrobras and its share. And there will be a second option of investment, which is consolidation. We know that in many of our developments, we have partners that want to leave. And if we can do that, we could consider investing in consolidating the sector. And then we consolidate the entire position. Today, we only consolidate the results of the shares through the equivalent companies. That's the second business line.

And the third one would be relating to new businesses. We have the Brazilian legal framework being modernized, positively manifested by two Congress leaders. And that will create new perspective for the company to enter other businesses in sale, and not limited to, with batteries and social -- or sorry, sun-powered systems or solar, so we can develop that. In Petrolina, we are a pioneer in using floaters for solar power in lakes in our hydropower plants and the transmission that's idle. And not to mention the other things that we don't know that could be a result of artificial intelligence, analytics, among other things. I understand the financial capacity. What we have to consider that in a new phase of the company is doing things, creating value for shareholders and having projects with a return that's higher than the cost of capital for the company.

Q - Analyst

Okay, perfect. Thank you.

Operator

Our next question is from Marcelo [ph] from Itau.

Q - Analyst

Good afternoon. I have a couple of questions. The first one is that you mentioned that RBSE can be appreciated today. And if you have -- do you have an estimate about how much that could generate in net present value or in concession for Eletrobras? And the second one about the collateral that you mentioned in paying the compulsory debt helped in releasing some collateral. I'd like to know which assets were released and could go to market.

A - Wilson P. Ferreira {BIO 1528124 <GO>}

Marcelo, so the GSF figures, we're still ascertaining that. But considering the position about the bill, and not just exclusively Eletrobras, but also the shares that it has in, obviously, the projects for the big beneficiaries, right, the (inaudible). So around BRL4 billion in the concession.

FINAL

About your second question, the company has, if I'm not mistaken, BRL800 million. I think we have 22 participation capital stock in subsidiaries. We paid the compulsory loans in the past four years, about BRL7 billion. And all of that had guarantee, none of the -- or collateral and none of them were executed, so we released BRL7 billion in our position. And not all compulsory loans were covered by that type of collateral. But we probably have, in all our different holdings and companies, BRL2 billion to BRL3 billion of our position, now BRL3 billion that could be used, something about approximately like that. So when you have the execution of collateral, you have the process of releasing that -- and that's -- as far as I've seen about six months, so when you look at the Eletrobras portfolio, it's about BRL11 billion to BRL12 billion, about 20% is currently free. Thank you.

Q - Analyst

If you allow me one more question about Amazonas and Amazonas distribution receivables of BRL4 billion relating to bank debt, and you have non-paid debt of purchase of energy at approximately BRL1 billion. Amazonas distribution is only paying part of the obligations. I don't know if it's 50%, is that it? Could you give us some more flavor on that and say if there was any write-offs of that debt? Or if there's anything that still has to be recognized moving forward? Thank you.

A - Wilson P. Ferreira {BIO 1528124 <GO>}

No. No write-offs, and we won't have any. What we have is, according to the accounting standard, is prospective default. So this company, Marcelo, to be clear, it was sold at an unbalance last year. So there was a business plan to reduce or capture the opportunities that we had. It had very high commercial losses, had problems with contracting, with PMSO costs. So there was a lot of work to be developed and spearheaded by (inaudible) from private initiatives. So he had an ongoing plan. And unfortunately, that was run over by the pandemic. So the situation got worse. They weren't operating at the level of a business plan and some default. But in the past two quarters, it was particularly worse because of the pandemic. So there's a right ascertained here in relation to the COVID accounts. And the rules are very clear, which a part of it that has to be more amortized. It's lower than the entire debt. And we would be benefited by that option. I'd like to say that the company has been acting in institutional manner.

Eletrobras, myself, Eletronuclear's team, Eletronorte, the CEO, Financial Officer, Amazonas GT with Ferroni and its team and Amazonas distribution with (inaudible) and his team. So we've been talking on a weekly basis following the problem. Well, it's also important to mention there's many assets relating to the contracting, so their amounts are due. And we're working to balance that out. And I hope that comes back soon. There's also the recognition from the Ministry of Mines and Energy of these solutions and understanding these challenges. And that's being done, not just by the companies, but also with participation of the ministry and from ANEEL. I hope that we can have a solution soon. That's why we didn't do any write-off, but we did follow the accounting principles.

So on the page that I talked about, the allowances, let me show you that. It's on page 27. You have PCLT through CPC, that's 48 with the prospective risk of Amazonas D, reduction of BRL39 million and BRL193 million. So I hope that as this negotiation moves, which is positive. And if the credits in the short-term market were in contracting, we can do that.

And the BRL4 billion debt, as you know, has a grace period. It still is in that period. And I believe that as things improve and what they're doing, we can receive those amounts.

Q - Analyst

Thank you. Just to confirm, the BRL4 billion debt, that's still in that waiting period, is there - there's no bank guarantees, right? It's -- you're going to pay and try to execute that in the company, but there's not an actual guarantee if the other party doesn't pay?

A - Wilson P. Ferreira {BIO 1528124 <GO>}

Actually, we're negotiating the guarantees. Just to clarify your previous question, we have 25 affiliated companies, and 17 are listed that can operate in the stock market.

Q - Analyst

Another question based on the comment that you mentioned. When you mentioned the BRL4 billion, that could be the NPV of GSF, does that include special purpose companies or just controlled companies?

A - Wilson P. Ferreira {BIO 1528124 <GO>}

No, it does include the special purpose companies. Like structuring Belo Monte, San Antonio, both companies, for instance, are special purpose companies, yes, with the share of 40% to 49%.

Q - Analyst

Okay. Thank you.

Operator

We have one more question from Victor Oliveira from (inaudible).

Q - Analyst

Good afternoon, everyone. Thank you for taking my question. I'd like to know, Wilson, could you explain the material fact that was published yesterday about Angra 2, about the problem with the fuel, that some were changed, and the future inspection about going -- about starting up operations again. So how about the cost of that? And how will you handle that?

A - Wilson P. Ferreira {BIO 1528124 <GO>}

I'm going to say that IR will answer that for you but in a few words, we've identified. When we open the tank, a certain level of oxidation that was not within normal, so we're part of international commissions and we had already seen some reports relating to that. So it's a procedure that we adopted as the same that all other companies that have similar events adopted our fuel is provided by IRB, so the cost that we had to incur will be charged because we thought the fuel at a certain level of specification and that's not what we received. I don't believe we'll have any trouble in relation to cost or on the cost incurred

because of that down time. So we have -- they have an obligation towards us, we have -- very demanding contracts on their side I believe that we will have a solution for that. On the other hand, I'd like to ask our people from investor relations to send you a more accurate response to that.

Q - Analyst

Thank you, Wilson. As the material fact doesn't mention any amount, that's why I was in doubt about that. So fuel, if fuel -- if it will be replaced for the -- I was wondering if you wouldn't have any additional cost because of that. Thank you.

A - Wilson P. Ferreira {BIO 1528124 <GO>}

I said IRB, actually, it's INB. Sorry, there are so many acronyms, CCC and so many, it's actually INB. Okay. Thank you.

Operator

The Q&A session is now over. I'd like to hand the floor back over to Mr.Ferreira for his final comments.

A - Wilson P. Ferreira {BIO 1528124 <GO>}

Thank you, Marcelo. I'd like to thank each and every one of you for your attention here in attending our conference call. I'd also like to say that this quarter was very important because we finally had a solution for the transmission theme, which is somehow disturbing the shareholders in the company. So I'd like to thank everybody's participation in relation to this theme. I'd like to say about our optimism in relation to the capitalization of Angra and Electronuclear, and going back to the critical path of Angra. That's a very important work for Brazil and especially important for Eletrobras.

And now that it's reconceived and having that optimism in relation to GSF, and it's some well addressed and generating value, somehow jeopardizes by our operations and then shows us the perspective of the hydropower plants, it's the main in Brazil. And obviously, clearly show the positive expectation of the next processes, given the restructuring process at the company that's going -- moving toward the final phase, considering the 2015 strategic plan. So I believe that by the end of the year, we should see the regulatory cost, that's important, and be more rationalized. And remember that we had 268 special purpose companies. Now we have 62, that's less than one-third. We have a very successful program of closures. So it's something that I hope that in the next quarters, and also based on coverage that -- of my team, that it's already improved a lot, and more predictable even by analysts. And now we have more clarity about how we create value in generation, and we can share.

So we have very important work in the cultural change with the consulting company that specialized in that so that we could advance our team to high-performance team. We had great recognition. But there's a lot to achieve, and I'm very optimistic about that in Eletrobras, in this environment, competitive environment and also have a boost in capitalization with a global player that will be envied in size. And especially because it

already is one of the three biggest companies in renewable energy in the world. So we are on a great path that will really make Brazilians proud. That's what I had to say. Thank you again for your attention, and see you next time.

Operator

Like to ask the journalists to remain connected to the press conference that will begin in a few minutes. Thank you.

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