

Q2 2019 Earnings Call

Company Participants

- Wilson Pinto Ferreira Junior, Eletrobrás

Other Participants

- Andre Sampaio, Research Analyst
- Kaique Vasconcellos, Research Analyst

Presentation

Operator

Ladies and gentlemen, thank you very much. Good afternoon. And thank you for waiting. Welcome to the teleconference of Eletrobras to talk about the results of the Second Quarter of 2019. (Operator Instructions) Let me remind you that this is available as a PowerPoint at the website of Eletrobras. (Operator Instructions)

Before we continue, we would like to clarify that any changes or any statements that are done in this teleconference regarding the perspectives of the business of the company, projections, operational goals, financial goals are simply premises and beliefs of the Directors of Eletrobras based on information that is available today to the company. Any future considerations are not assurance of performance because they depend on circumstances that might take or not place. The investors have to -- has to understand that operational factors and other factors might play a role into the development of these results.

Now I would like to give the word to Mr. Wilson Ferreira Junior; Mr. Armando Casado De Araujo, Financial Director; and key I-Relations of Eletrobras; and Elvira Presta, Financial Director.

Mr. Wilson. Good afternoon. The floor is yours.

Wilson Pinto Ferreira Junior {BIO 20013669 <GO>}

Thank you for your attention in this teleconference.

So I would just to clarify that Armando Casado is not the Financial Director since January. And in fact, the Financial Director is Elvira Presta. She is by my side. But I'm sure that Armando is listening. And I send him my best regards.

Well we start with our presentation. I think it's not working right now. So just as a disclaimer -- well, we went through the disclaimer. And we are going to talk about the main issues or the main points of our quarter. It's a quarter that we will be able to share with you.

Now I start highlighting that the decision of the controllership, the (federal government) 10 days ago, where the President of the Republic authorized that the studies on the destatization of Eletrobras would be deepened and now this process starts. So it's important these are all decisions that have a goal of diminishing the costs of the public machinery of the country.

Now also governance. We have here -- in this year, we have the highest grade for the fourth cycle in the governance index of the state companies of Eletrobras. But this time, we did an audit of all the companies that are under the control of Eletrobras. And this is the result of a very important process that is ongoing at the holding. And it's due to the practices that are centered at each of the counsels and it's something very important. And we are sure that the control is well done, that the governance is well done. And it's a high-level governance and it's reported with all the important criteria. So that's how we got the high-level at the IG-SEST.

We have the business plan, PDNG 2019-2023. We are reducing the payroll and improving the processes of the company.

So now I share with you the results of this First Quarter in terms of -- well, we have 468 employees voluntarily leaving the company, which gives us an economy of BRL 165 million per year. And the investment that was done for that voluntary dismissal is BRL 188 million. So there is a payback. And there's an improvement of processes with the consulting. The launching of OBZ, we did it in June. And the PDNG of the cycle 2020-2024 using this OBZ tool, which is at all the companies of the Eletrobras group, will be something fundamental so that we can have a standardization of our practices, our budgetary practices.

Also I would like to talk about the net debt over EBITDA. The -- we have the bonds operation here in this quarter, the bonds '19, the payout, which is BRL 1 billion. The amortization of Petrobras that we started with resources that we got from Eletropaulo as well. And also we have a cash sale -- we have some cash due to the sales of the SPEs that was done until June, BRL 938 million. And we're going to receive BRL 371 million until the end of August. That's improving the cash flow in a very important way.

Fourth page. We have the issues regarding the operations of Eletrobras. The operations of generation, we've had an addition to our installed capacity, 580 (sic) (508) megawatts to 49,902 in 2019, a growth of 2.6%.

In regards to the previous year, of the Second Quarter of 2018, there is an increase in the revenues, BRL 1.1 billion, as you can see, BRL 1.1 billion in this quarter.

In the transmission, over 70,000 -- almost 71,000 lines -- transmission lines, we added 145 kilometers, it's a 1.1% addition and versus the same period of last year. Here, we have to remind ourselves that we have the ammunition, which reduces our SPEs. We have an improvement on the RAP of BRL 30 million.

Now the distributors, we have to highlight that the reduction of the negative from Amazonas P -- Amazonas D, that transaction took place in the Second Quarter. And it's an important reduction, BRL 5,260 million. And also we have a provision in regards -- addition provision in regards to the CCC credits that was verified by the agency in all the companies, specifically in the Amazonas. And this is a result of the evaluations that we've done, BRL 921 million. And in regards to the options, 30%, that we can have in our distributors, we did not exercise at Boa Vista neither at Eletroacre.

Finally, Angra 3, we concluded the market sounding in June of 2019. A great deal of the investors are waiting for the conclusion of that work. Now we're defining the business models in which way we will adopt the public bid. And of course, we're going to choose who is going to participate in the international market of this bid.

On Page 5, we have the issue, which is very important, which is the security at our installations. When we talk about hydroelectric power, well, you have the dams or the weirs, in this case. But it's a type of dam. Anyway, there is a reduction -- well, there is a resolution from ANEEL 696/2015 that all dams are to be inspected. We've done that. But obviously, we have here predicted periodic reviews in 2022, 2025. And we have a statutory committee of audit -- of risk audit. And we define these actions, the budgetary actions in regards to the -- well, we hired the safety reviews and the safety inspection. And until the end of next year, we will conclude this with external consultancies that are specialists in the area.

We're seeing that we have a committee of maintenance, which is the CGOM, that deals with the safety and the emergency plans regarding these dams and each company does their own homework to review their own operations. We don't have any records of accidents that represent any sort of risk to the safety of these dams. Once again, I would like to let the investors know that the work, the independent work of the consulting is ongoing. And from September on -- September '19, we will talk about the hiring for the periodic reviews or inspections of safety, RPS.

Now we can see on the next page the financial results. The gross revenue, IFRS, we see the EBITDA -- well, we've had the IFRS of BRL 8 billion. The EBITDA, it's a drop of 62% due to extraordinary events. And we have the provisions from last year and this year negative, last year positive impacted. That's why we got to BRL 1,350 billion. And also the -- it's a net revenue reported of BRL 5.5 billion, a growth of 305% in regards to last year.

Part of our strategy here is to share with you the results here, the managerial results and the recurring results. And here, we can check that our revenue is to BRL 7.9 billion, a growth of 13% in comparison to the same period of '18. And here, the result of EBITDA of BRL 3.1 billion. And here, due to the extraordinary effects of provisions in comparison to '18-'19, we only have a growth of 8% in our generation of operational cash flow. And the

net revenue is to discount the nonrecurring effects. Here it's important to mention that, in fact, we reversed the negative result of Eletrobras, getting to a value that is over BRL 2 billion. A very good data and a growth that shows the advancement in regards to the restructuring that is ongoing, not the results of leverage that I mentioned in the beginning. We're going to have leverage by the public bids and reduction of payroll. I mean it's a continuous improvement.

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Now talking about the evolution of the business generation, the important thing here is to share with you the breakdown of our energy, 96% clean energy. And we have one of the highest clean energy rates in the world. We also have wind and solar and then nuclear, which is also clean. So we would have 92% of the energy as being renewed, if you consider the nuclear not being clean.

Anyway, if you have the unit 14, that's a highlight of Belo Monte. We have the entry in 2018 and 2019. And we got -- well, this is the biggest installation in Brazil. We have 14,000 megas in Itaipu, which is shared with Paraguay, that's the biggest one. And Belo Monte is getting close to 8,800 megawatts. So we are reducing quarter-by-quarter our participation in the Brazilian market, 30% here. And I always talk about electronuclear in Itaipu, 5.4% because in the process of capitalization, these 3 units will be exceeded by Eletrobras.

Brazil, we have 5,000 -- over 5,000 megawatts being generated in regards to the Second Quarter of '18, a growth of 25%. Brazil added more than 5,000 megawatts. And out of those, 1,200 has a direct participation of Eletrobras, which is 25%, as I mentioned. And we are investing a lot in the current participation. It's an important growth. And you have the partnerships that have been ongoing throughout the year of '19.

Now still talking about the context of the generation. Here we have the performance of Eletrobras. We have 25% of our revenue of generation over 4. -- well, it went from BRL 4.2 million to BRL 5.3 billion. And as you can see on Slide 9, the operations in the regulated market and here is our subdividing the operations of -- in this table, we have the exploration and the O&M. On the left, we have the other operations of the company in the regulated market. And on the right, you can see the operations of the company in the free market, ACL. And here we can see 77% of the revenue, an increase which is due to the operations in January of Amazonas GT after the regularization of the contracts with Petrobras and the entry and operation -- for operation of Mauã 3, the power plant, which generates the BRL 727 million of addition to the revenues. In the previous quarter, we didn't have this operation ongoing as we have it right now.

And as I said, this -- according to the Law 12,783 of '13, we have a growth. And basically -- in the revenues, we had a growth of 55%. There is the improvement of GAG of BRL 250 million. And this started to be accounted from the Third Quarter of last year.

And in the area of the free market, we -- it's the only reduction of 9.7%. But as you can see on the box on the right, there is an important variation. Here, we had a better quarter in comparison to last year, 16% to 11%. And that causes a reduction in the PLD. We had a PLD of BRL 303 per megawatt hour to BRL 131. It's true, we can observe, that in the specific

case of Eletrobras, the invoice values were a bit higher in this quarter in the free market. We had a lower volume of energy being sold in the short-term markets, PLD and GSF. So the enterprise is as we mentioned.

Here, we have all of the ongoing enterprises of Eletrobras. We have the wind complexes, you can see Pindaã, all the complexes, Pindaã I, II and III. And also Angra 3. Now if you see all these projects, Belo Monte, I forgot to mention that we also have Mato Grosso here, Sinop, 402 megawatts to start operating with the participation of Eletrobras. And out of those and this chart that we can mention, 3,000 is -- 3,200 is the direct or indirect participation of Eletrobras. Here, it's important to highlight that until December of 2021, we will add 1,826 megawatts. And of course, with the conclusion of Angra 3 and so generate 2026, on January 1, we shall have another 1,400 megas. This is a project from Eletrobras. This -- the good news is that besides Angra 3, all of these projects will get into operation this year of 2019. We'll have a conclusion of all the projects. Very good.

Now talking about transmission. So in transmission, we can see that we are the biggest transmitter, the biggest network of transmission in Latin America. Showing in 2019, Eletrobras is basically half of -- directly or indirectly. Indirectly, Eletrobras is involved in the participation. Everything that is green and blue is Eletrobras. And with that, we can get to 71,000 kilometers of transmission lines being managed by Eletrobras. There is an addition, 145 kilometers of Chesf in corporate reais. Also RAP, we had an RAP of BRL 30 million in this quarter that is due to Chesf, it's about 20 -- it's about 70%, BRL 23 million. And in regards to the First Quarter -- Second Quarter of '18, we added 3,500 kilometers of transmission lines. And this is just an evidence of why we are finishing every single work that we started. This is the important thing.

Now let's talk about the financial results. Here we have a little bit of more detailment of what is IFRS and recurrent. We can see the ROL and we see the revenues of generation and commercialization, the EBITDA and our net results.

Now we can see here -- the first point is in regards to the growth of the revenue of the company. We are talking about -- well, as we can see on this slide, a great deal of the growth of 12%, 11% is due to the entries of Amazonas GT for the generation. And we have also a negative effect, which is the effect of our -- the sell -- we had BRL 271 million in the semester, dropping from BRL 1,200 billion to almost BRL 1 billion in the Second Quarter. So a growth in the generation and the transmission. But there is the issue of RBSE.

Now let's talk about the managerial cost, the PMSO. And here, we are reporting a growth of 14%. And in a recurrent way, 10%. It's very important to highlight that we still have some events that is extraordinary events. We started in January with a reclassification of Amazonas GT. We have the set of services of Chesf, BRL 42 million. We have a reduction in the generation of BRL 34 million we had to pay out to the consulting specifically of the - because of the privatization of our distributors and also the first installment of the agreement, which was reported in the previous quarters, a judicial agreement. And we had BRL 47 million between adjustments and eliminations. So we can take a look at this better.

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We have an important potential of the cost of operational -- operational cost, we are growing. But it's important to highlight that we added BRL 710 million of revenue because of the activities of Amazonas GT. And here, we have the expenses with the fuel for the refineries. Now this is the biggest variation. So we can generate energy for sales, also for Amazonas GT, that's fuel. We have an operation that added a cost and generated also revenue. We have the operational provisions. And this is the main highlight that I wanted to highlight in the last line, which is the discontinued operations. But here, yes, you can see that there is a variation in the provisions last year, while it was positive because last year, we had that event, which was the ParÃ¡ tax, BRL 1.300 billion. It's not written down. But I'm remembering that, that took place. And that's why it's positive BRL 919 million. And this year, we had, as we said in the beginning, ANEEL in having positive and some negative results in the distributors. And we had here a recognition that is a bit more conservative. And the contracts -- onerous contracts from Chesf, they are no longer active. We have here the investments. For the next quarter, we should review the equipment that can be reused and we should do this up ahead.

We had a part that is compensated by the reversion of the contracts. And here, the generation, we had the difficulties with Chesf with when that happened, the environmental issues, we couldn't build it. And we had therefore that provision for Chesf.

Now here the -- below, we have Belo Monte. If you remember the accounting of the financing and we start to have the operations still being negative. This makes the EBITDA that has been recorded, just remember, 900 and -- well, it's a bit negative, BRL 3,500 million to BRL 1,300 million in comparison to last year. And we had the recurrent, which is positive, which is 8%. So it's the BRL 2,200 million that I'm placing in the result. When we do that consideration to look at the referring effect, we're reporting that we have an investment of 8% in the EBITDA, about BRL 3.100 billion.

We did depreciation and amortization, a bit higher. We are -- it's being finished about BRL 440 million.

The financial result also has that consideration, that gain from the IFRS 15 that does -- that gave the negative effect in RBSE and also has that effect that is very important in the Second Quarter. And we use the discount taxes on the PNB of 5% in the First Quarter. So we have a drop.

So that makes that the number was positive last year. That was positive last year, is negative in BRL 1,629 million this semester. This brings a lot of volatility. But this is a direct effect of the IFRS 15 where we recognize that we have a positive financial result due to the positive accounting of the BRL 1.7 billion in this quarter.

We also had, being more conservative in the accounting, a recognition of electronuclear of 200 and -- over BRL 200 million. And we can see this from the Second Quarter. But basically, the -- we have the taxes that haven't been accounted.

Well my last explanation. The first one in regards to the social contribution. We had an evaluation due to the re-measuring. Well we're talking about Furnas. In -- the IFRS has the

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volatility. And we had the re-measuring in the Second Quarter.

And finally, just having the result of the discontinued operations. We have the Amazonas GT. It was the last distributor that we had. And we closed the chapter of -- this chapter at Eletrobras. And the result is positive. The last line, the way that is reported, BRL 5.561 billion and a recurrent BRL 2.187 billion. We're talking about the results.

Now going to Page 14, just talking about the reduction of the gross revenue. Here, we removed the nonrecurrent effect of the building. So here, we are only going to talk about what is recurrent. We have a revenue of BRL 7 billion -- we got to BRL 7.9 billion. And as I commented, in generation, there is a cost of the Amazonas GT and GAG melhoria. And in transmission, we had the increase of BRL 26 million in Furnas due to the RBNl and the renewed LT building. We had a reduction of BRL 180 million in the revenue of the construction; for a smaller -- due to the lesser level of investments, RBSE, reduction of BRL 281 million in the RBSE; due to the amortization and the contractual revenue, BRL 55 million in Chesf due to improvements in the contract of the Transmission 61.

In the sales, we have BRL 35 million from Eletrosul and BRL 29 million from Furnas, these SPEs here on the right. So we are reporting a growth of 3%. In a recurrent way, we have a growth of BRL 908 million in a recurrent way, a growth.

The operational costs they demonstrate, well, we had a lot of variation. But we are talking mainly about the top part, a reduction in the revenue, less level of investment. Here, we have a few things that -- the main thing has to do the line (inaudible). And we are pointing -- well, it's -- the BRL 181 million is half of what we expected. We can see that the use of the electric network has dropped BRL 20 million due to reduction in the rates in the tariffs of transmission, TUST. We have bought energy for resale, a growth of BRL 170 million. But there is -- we had to buy BRL 71 million in fuel and to work with Amazonas GT. And we have the purchase of energy from Uruguay, where Eletrobras is a commercializing agent. And we also have here for MauÃ; 3. So facing this result, we have this characteristic. We are demonstrating a variation of the operational costs and the revenues that are growing in a higher rate than the costs.

Now let's talk about just personnel, material, services and others. The first thing, that is the nonrecurrent of the PMSO from BRL 1.9 billion to BRL 2.1 billion, growth of 7.2%, those events I already mentioned. The process of agreement, voluntary layoff, the expenses with the consulting for the privatization and restructuring of the capital adjustments of the intercompany. And as we had the voluntary layoffs and expenses of investigation that we had last year.

When we see the recurrent PMSO we had a reduction of 5% in the personnel, remembering that we have some employees leaving the PDC in 2019. And we have the voluntary plea bargain. And we had -- there were 400 -- over 400 employees that voluntarily left the company. And we will have more of these programs for voluntary layoffs to work with the payroll of the company in a better way.

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We have growth of the materials in BRL 12 million. We had the stoppage of Angra 2 for maintenance. And in services, we had a growth of 4%, BRL 43 million, it's a regularization of the installations of Chesf and workforce, the implementation of the SAP. And here is the cost of stoppage of Angra 2 for maintenance. Basically, these -- the good news is that in regards to the PMSO we have some nonrecurrent in this year.

Now the operational provisions. We had a big variation. And I just wanted to highlight. You can see in the second to last line in the table the TFRH tax, which is a positive BRL 1.3 billion, reversion of the cash flow and a highlight for the ending of the concession for the transmission of Chesf and the additional provision from ANEEL. So if you see, all the others are basically stable, nothing that will bring your attention to the numbers and better behaved Second Quarter.

Now with the EBITDA on Page 18, it's a reported drop of 62%. When we see on the left, the minus BRL 647 million, that is nonrecurring items. But especially this year, we have additional provisions from ANEEL. If we see the recurring EBITDA varying from BRL 2.888 billion to BRL 3.113 billion, we have a growth in the net revenue due to the systems generated -- connected to generation. And we have drops in the participation of Belo Monte and the entry of costs -- the operational costs -- recurring operational cost, which is basically the fuel for Amazonas GT, BRL 255 million. And the recurring PMSO in this case, BRL 74 million for Amazonas GT, BRL 34 million for the accounting of wind farms at Santa Vitória do Palmar and BRL 43 million from Chesf. Nothing regarding personnel. It's a quarter that will become more stable.

Now Page 19. We are reporting a net revenue if we discount the adjustments of EBITDA from this slide -- the previous slides and the discontinued operations, BRL 919 million, we would have had a Second Quarter of '18 -- in regards to the Second Quarter of '18, a deficit. But we have a growth of 8% in our recurring EBITDA. We have the very favorable financial result due to the effect of RBSE and a drop of BRL 235 million, 30%, from the income tax, getting to BRL 2.187 billion of recurrent revenues.

Page 20. We can just see how we are evolving in this company. We see the EBITDA, the only one that we see here as negative, minus BRL 40 million and minus BRL 54 million, CGTEE. But it's very little. In the case of Chesf, we had this month due to the provision minus BRL 8 million of BRL 380 million. If we wouldn't have that, the company would have reported BRL 350 plus million. All of them presented growth. So BRL 1 billion here -- BRL 1.3 billion from the ParÃ­ rate or tax, which is a TFRH. That's the letter of authority that really helped. So all the operations are more robust, more consistent.

And on Page 21 in the last line, we can see the consolidated. And looking at the discontinued operation to compose the numbers, CGTEE, it's still capitalizing and restructuring. And Electronuclear, we had that event that impacts in July. We had a total of BRL 280 million, which is -- the negative result is due exclusively to that, the minus BRL 192 million.

Page 22, the leverage. And here, the financial discipline, we can see a protocol of the company that we looked at the financial discipline without the consideration of RBSE,

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which is our revenue that we still have until 2025. And that's the green line. It's the one that we had done with the PDNG as our goal. The good news is that we finally got to our budget. We got it to 3 down the road. Now we got to 2.6, below 3 as a goal of getting less than 3. And in three years, we got to that.

Now considering RBSE and our result. And this is what we have in regards to our financial operations. We have over this -- over 2x the net revenue subdivided by the adjusted EBITDA being lower than 3. We can see that the growth that we have the charts and the recurrent debt of Eletrobras close to BRL 54 billion. What we have to pay for cash and bonds, which is the financed BRL 14 billion; still to receive, BRL 15 billion; RGR to pay to other companies, BRL 1.5 billion; and the net revenue from Itaipu, close to BRL 2 billion. So our net debt is BRL 23.195 billion. Just reminding you that at the end of 2026, we will be able to pay all the debt of all the distributors. Then we got to BRL 23 billion of revenue.

And the subsequent numbers, subsequent events, it's a bond that will be paid \$1 billion; amortization of the debt with Eletrobras, BRL 1.3 billion. And it's -- you can see here in the slide, the amortization of the gross debt of BRL 5.2 billion. Now the investments, then we're done.

Highlight in the end of the investments for works, in Jirau, Sinop. Sinop, we have an important machinery there. So we have another work that will be concluded at Sinop. Now we can see Pindaí. We have Chesf, our assets, wind assets. And the overhaul of Candiota, BRL 162 million. You can see that we had BRL 577 million total in investments.

We are still not what was budgeted for PDNG. It was something that was done with optimism in 2019. And we have here in the box in the right, we have Manaus, Transnorte Energia, BRL 139 million. The maintenance of Angra 1 and 2, BRL 55 million and BRL 53 million, respectively. These are -- we have the wind farms of Chesf, the increase of UTE Santa Cruz with BRL 92 million; and the reinforcement and improvement at Furnas of BRL 31 million. The total, it's BRL 820 million that we did not realize as we predicted.

And I believe that we are going to have to review a part of this. We have to restart some works. But eventually, the good part is that we are concluding most of the works for generation and transmission throughout the year.

Let's go to another slide, 24, where we present the evolution of the SPEs. We have 147 SPEs from the bid of last year, another 10 in process of transference, the 300 billion that is going to be done until August. We have SPEs where we have 41 that are going to be sold. This is a process that is ongoing, with 39 SPEs being subdivided in 6 slots. We have another 14 to incorporate to our controllership. And we are in the process of closing down, extinguishing 25. That's why at the end of next year, we should have, by 2020, 57 SPEs connected to our 4 companies, our 4 controllers -- controllerships.

We have here on the right, the structure of Eletrobras where you can observe that basically, the 2 operations that we have, the 2 companies of Amazonas GT and -- through Eletronorte and CGTEE through Eletrosul.

Last slide gives you the future perspectives. The important thing is of all this incorporation processes that is done by the company that nationalizes our structures, tax and investments in both operations, Eletrosul and CGTEE.

The second thing, the commercial -- the start of the commercial operation of the project Belo Monte. And this week, we have Belo Monte. And with the 15th machine starting at the Belo Monte, we're going over 1,200,000 megawatts (sic) (1,200 megawatts). We have Sinop over -- close to 200 megawatts and then the wind SPEs, 210 megawatts. These operations will be concluded in regards to their original projects.

Also we have the operation of over 1,200 kilometers of LT lines, corporate lines via SPEs, considering 180 kilometers corporate from Chesf and 1,000 kilometers via SPEs for Eletrosul and Furnas.

We have are still a lot of work in transmission, Angra 3, now, we have CPPI involved. Here, we are working with the companies, the ministry and Eletrobras. And we hope that we can choose a private partner.

And finally, the recommendation -- the capitalization, the destatization of Eletrobras so we can advance in the work of capitalization.

Just to show you that we had a gap, two years ago, we had lost over 40% of our net assets. We had the lowest value of the company, getting close to BRL 9 billion. And what we see now is a company that is very close to the net assets. And we can see of BRL 57 million comparison to BRL 62 million in green. And we still have the valuation of our shares of over 500%, 6x to what it was. This is a very important piece of data. Now we're working with a company that in a recurrent way was losing market share.

But now I'm going to talk to my team, to all of our colleagues of Eletrobras that can help me should we have any more questions from the analysts, the investors. Thank you very much. I'm sorry for the long presentation.

Questions And Answers

Operator

(Operator Instructions) The first question will be from Andre Sampaio of Santander.

Q - Andre Sampaio {BIO 19422379 <GO>}

I wanted to ask a question in regards to this comment that you did in the release and now the presentation about the hiring of a consulting company. I wanted to know if you can go over the details. What are the details that the consulting companies did? And does that have anything to do with a sale, a part of the company for the private market?

And the second question is the provisions. If you can give us more details of which are the next steps, not only at ANEEL. But in regards to the law that can impact the calculation?

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

Well about the issue of the consulting companies. We work -- we have a lot of consulting issues that are ongoing, none of them has to do with the destatization process because this will only happen once we have the process ongoing by law. And it's subjected to the Chamber of Deputies. And it's been elaborated.

But we have consultancies now, several, working there. One is taking a look at our capital structure, another one looking at our tax efficiencies. We have another consulting taking a look at strategy. The -- and we have the highest consulting, it's -- at the process of the destatization of the distributors. We hired the (D&E) that subcontracted their services, which is an expensive service. And it's incorporated in this process. So these are the data that has been concluded and will bring good results for the company.

Now in -- I want (inaudible) to talk about the other consulting. But it's the result, as I told you, of an additional fiscalization. We had until -- ANEEL, the inspection -- and we are worried about our report with the variations. And that's why the company -- the companies do that observation.

So Andre, the company has been working. And we had a public audience. Last week, we had a report on the process. So we have the publication of all the data, all the explanation of the effects of the provisional measure. And the company in this quarter, now, we still have the inspections of ANEEL. And we are considering the more evident risks in the provisional measure.

Now it's not that we're going to have a negative decision. But it doesn't mean that the company cannot check the prices. We have to see what's the best here. But we still have to wait the deadline for the provisional measure next week for the conversion of it. And we are expecting on the decision in regards to the provisional measure.

But of course, the result of the approval of this provisional measure is not treated in the provisions for this quarter. This quarter is taking into consideration the decision of ANEEL in regards to the inspections. But we're still waiting the final decision. Until the end of August, we should have the decision by ANEEL until the end of -- because of that.

Operator

Now we have another question from Kaique Vasconcellos from Safra.

Q - Kaique Vasconcellos {BIO 17317373 <GO>}

Just still talking about the CCC. Do you have an expectation on how the payout is going to be, the payment of that liability is going to be? And now with the update of the controller so we do the studies about the potential privatization, I just wanted to understand who's going to be the leader of these studies? Is it going to be Eletrobras,

BNDES? And any -- can you give us a light on how is -- are these processes going to take place?

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

Well second part, I'm going to answer about the second part. The processes, we don't have a definition -- clear definition. But taking into consideration the work that we did -- how we did things in the past, this process starts with a provision, with a project -- a law project from the Ministry of Mines and Energy that is connected to the Ministry of Economy. And that goes through the Chamber of Deputies, the presidency of the Chamber of Deputies. That's the process that should be unfolding for the next phase.

Now from that point, the expectation is that we're going to do the capitalization using the elements that are very similar. But I have to remind you that in the past, we did -- didn't hire consulting companies. So we have to align the understanding of the ministries and in regards to the deadlines. And I think that this will be unfolding for about a month.

It cannot be done by Eletrobras. But evidently, it's the -- Eletrobras is the final object of the privatization and that has the objective of solving the issue of the energy quotas that have increased the rates. So it's a very complex process.

In regards to the CCC of Amazonas Energia, just to remind you, we had BRL 8.5 billion, basically, BRL 4 billion is Amazonas. And the other BRL 4 billion, we're talking about (3 800), with Eletroacre, very small. And Boa Vista. From Amazonas, we have with this provision BRL 921 million. So it was about, previously, BRL 1.5 billion. And for the other companies, we have another BRL 1.5 billion provision. As ANEEL is evolving in the inspection, what seems to happen is we're going to have the results -- the final results. And there is a part of all this that will be paid. We're probably going to have an update.

And from Amazonas, just to remind you that the first period of the inspection is positive. The second period is a negative value because of a payment of the CCC. The values now basically cancel each other. And this is the credit that will be paid by the federal government and one of the ways that they can pay that is via bonus. So it's included in the budget of the federal government. And knowing what would be the way of how they're going to pay this by the federal government. And Eletrobras has to be updated by the index of -- the inflation index, SELIC. So the report approved the provisional measure. So we have to separate the flows of the distributors. We have to stop with the inspection of ANEEL. The part of Amazonas would basically depend on the budget of the federal government and what is going to be that level of payment. Preliminarily speaking, the first option would be the bonuses.

Operator

(Operator Instructions) We close at this moment the Q&A session. In this way, we give the word back to Wilson Ferreira Junior for the final considerations. Mr. Wilson?

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

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I wanted obviously to help everybody -- well, thank you, to everybody that helped organize the conference. It was a very detailed presentation. We want to give the most transparency in our presentation and the results, I think that we tried to work in that sense.

Obviously, I wanted to highlight that this quarter, we have the importance of the conclusion of our operation in distribution. It recognizes the importance of the decision of privatization. Of course, we have issues regarding 2 fiscalizations that are ongoing. We still have impacts that are recognized. But just to clarify, the issue of the right that we have in regards to the law, here, we are discussing sometimes the deadline. We have to put it in the budget. But the right is that the company has taken the credit. And obviously, it's going to try and pay it the best way possible.

It's important to highlight the fact that we're in a period of concluding the works. And that brings positive perspective to the company. And we are expecting the results of these operations. And the company starts to have a relief in our cash flow. And we're working with several fronts in the sense of efficiency of the company. So we are very satisfied with what we did. What we seek, an increase of our efficiency, improvement of the processes, there'll be -- that the SAP will get into the third version more automatized. We have here in our shared services center, we have a set of operations with the support of consulting so that we can be more efficient. And that will be reflected in the works of the company. So that the company has more competitiveness, we have a big debt that we can face, it's less lever -- there's less leverage of the debt because of the prices and the cash flow operations. But we need to continue. We're still bleeding out. There is an area of energy commercialization that we have to advance more and more.

The perspectives are good and the focus on generation, on production and transmission, we have the expertise, trainings of people in this operation, the improvement of our processes -- corporate processes by the standardization of the systems. And we are getting to the moment where we have the decision of the controllership in such a way -- well, we have the public processes that we have to face them in a more efficient way.

We have the investments in the operations, as I mentioned. For the last three years, we have only concluded the works that have already started, it doesn't open any new works. We have shared operation centers. And now we are working with the issue that why -- of the privatization.

Privatization starts at a moment that we conclude our deficiencies. And we are preparing in the operations so that we can do capitalization. And so we can address it very optimistically in this period. And I think this is a moment of three years of restructuring that is recognized by the market. But there is still a lot to be done.

There is a high level of confidence. And I wanted to highlight the importance of the issue that this is the work that has been led by our professionals, our specialists. We've been working and have -- taking a lot of the recommendations in the processes. And I think at Chesf, we are -- we still -- we have a good result. But we still have a lot to be done.

So I think that we're going in the right path over the last three years. And we will continue to seek sustainable excellence, which is the other important path that we should follow on for the shareholders, for all the collaborators and the company.

So I thank you all that participated in this conference. And I wait for you in the next one.

Operator

At this moment, the teleconference of Eletrobras is closed. Thank you for your participation. And have a wonderful afternoon.

(Statements in English on this transcript were spoken by an interpreter present on the live call.)

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