

## Q3 2021 Earnings Call

### Company Participants

- Alexandre Nogueira Ferreira, Regulatory Affairs and Strategy Director
- Mauricio Perez Botelho, Chief Financial Officer and Investor Relations Director
- Ricardo Perez Botelho, Chief Executive Officer

### Other Participants

- Analyst
- Andre Sampaio
- Marcelo Sa
- Maria Carolina Carneiro

### Presentation

#### Operator

We informed that this video conference is being recorded and will be made available on the IR website, where we have the presentation as well. I point out that those who need simultaneous interpreting, we have this available on the icon globe, under the name interpretation on the lower portion of the screen. Upon choosing it, choose Portuguese or English. If you're attending in English, you can silence the original audio muting original audio for Q&A.

We invite you to click on Q&A and your names will be announced for the questions and state your company and your mic will appear on the screen. Some of these speakers are remotely speaking. Oscillation and instability can happen impacting the time of response, especially during Q&A. We count on your understanding. We point out the information here -- herein and declarations and statements concerning perspectives and businesses, projections and operations and financial goals are based upon premises and forecasts and information currently available. Future considerations are not guarantees of development and performance. We do not know of future development.

I would like to pass on the floor to Mr. Ricardo Botelho, President of the Company. Mr. Ricardo Botelho, the floor is yours.

#### **Ricardo Perez Botelho** {BIO 2105867 <GO>}

Okay. Thank you. It's one more important 3Q of '21 conference and we have here with us, Mr. Mauricio Botelho, our DRI and Financial VP; Mr. Gioreli De Sousa, Distribution VP; Alexandre Ferreira, Regulation VP; Newton Santos, protection revenue -- Revenue Protection; and IR team.

Our presentation, first of all, I invite you to pay attention to Slide #2. This slide must be read with attention before any decision made regarding the company.

In the Slide 3, we share with you the results of this quarter compared to 2020 where we present a robust growth of EBITDA, 38%, BRL 1,864 million minus 60% compared to last semester. That's the accrued of the nine months. The net revenue is 75 by 0.5 at 2.46 million. Leverage 2.4 fold, minus 0.9 compared to second and third quarter of last and this year we had cash flow generation that Mauricio will point out later on. Our investments in this trimester get to 1.2 million, 84.5% growth with the lower basis of comparison in distribution as a segment. Operational indicators that I will talk about later, 2.4% growth compared to the 0.3 of last year it was above and the group actually was is likely as lower below the regulatory framework.

Our objective is to go back to points before the pandemic, a reduction expressive of Rondonia and Mato Grosso compared to the technical aspect. 75.6 points percentage, that will be explained later on. Asset wise, we advanced with the building of seven solar panel energy generation usage, three of them in the first quarter. BRL 89 million invested in the remaining ones. BRL 26 million invested in the Alsol, in May 2019 17 connected power plants. Transmission, we are getting near the end of the EPA II project and our greatest project Energisa Transmissora Tocantins with delivery in -- and operations in 2022.

Slide #5. Energy in the third quarter. Operational highlights of the group in Slide #5 shows the performance of the energy market, 2.4% growth compared to the same period last year. Happening under a basis of comparison, less depressed, that was growing 0.6 ahead and was way ahead the average Brazil. Therefore, it was above the level pre-pandemic. Third semester 2021, it was mostly positive in the Northeast of Brazil, climate, weather hotter. And in the Northeast, especially, the climate it's the most mild in the center of East and North lessened the growth in those regions.

The results of Energisa classes residential, industrial, commercial were the main factors of growth. Commercial had the highest growth, 6.8%. Services and retail as well. Industrial 1.8%, it was headed by textile, mining, vehicles, metal work in Paraiba, but Southeast, still contains a miniaturize. Households zero point -- growth in seven of the total of 11, climate and calendar and concessions in Paraiba and Paraiba that's had activities related to irrigation of sugarcane and the grain chain and supply chain and rundown. It has to do with the resilience of the market. We have that highlighted in many of our presentations.

Slide #6, losses of energy. A good trimester, total loss, 12.96% total loss. 0.5 and 0.86 compared to June. June this year and September last year. Acre and Rondonia acquisition was below the regulatory basis. The reduction was 0.9 percentage points. Before an increase of 0.72 percentage point in December 2020. Energisa Minas Gerais after great reviews, had technical losses, more adherents of the reality. And total losses below the regulatory basis. Among Energisa Mato Grosso were below the regulatory basis with the best performance since 15 06 21 [ph] 0.5 better than 2020 and 0.2 compared to the first quarter of this year. This indicator is very positive and it combats to the losses overcome the adverse events of 2020 and we regain a good results that we had before the pandemic.

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Paraíba and Rondonia, we are working on the indicators of losses for the regulatory framework. Indicators of quality of our 11 distributors, expressive results DEC and FEC. Energisa Tocantins with the best DEC in history. Third quarter in a row overcoming the best value in the history. September '20 compared to that minus 55 hours in DEC of Tocantins. Rondonia is an indicator of losses has strong losses of DEC losses in this quarter with a reduction very expressive of 8 hours compared to the third -- 3 of last year. 29.51 hours that is our level and the regulatory limits threshold is 27.19 hours and Energisa Acre below the regulatory threshold. Back in order 3.22 hours comparing quarters FEC, all below the regulatory threshold. Tocantins southeast Acre with the minimum balance in Rondonia compared to the third -- second three quarter last year. We had the margin comfortably speaking in the regulatory line. This FEC is negative, minus 25% in the same period 2020, inferior to the regulatory threshold. The states in these two concessions prior to the privatization, we see an improvement in the quality over the last few years. The indicators of losses and qualities have to do with the investments realized over the last few years and the very good execution of the work of our staff.

The next Slide #8. We have the revenue with reduction of 0.27, impacted by the results of the pandemic of 2019 and measures annual 08 78 of 2020, 0.05 percentage point of improvement in 2021. Energisa Nova Friburgo 0.24, Borborema 0.8, Tocantins 0.15. With the better -- best revenue since 2020. Negotiations and that collection have been improving majorly. The indicator of default, we have an improvement in 30 million compared to this year and doubts in terms of whether there would be some payments or not in default.

The forecast during the pandemic and the movements around Rondonia helped that scenario. For the 4 million was the result of that receivable with the higher rates and they lower -- slower growth is still left us with some flexible ways of making the payments. On that note, I'll pass on the floor to Mr. Botelho Mauricio. Floor is yours.

### **Mauricio Perez Botelho** {BIO 2105889 <GO>}

Thank you, Ricardo. Good afternoon all. We are going to talk controllable expenses. Let me just get the PowerPoint presentation fixed. Just bear with me for a minute. Next slide, please. The next slide, please, if you will.

In Slide #10, we have expenses of this PMSO 694. Third trimester, you see a difference due to the out -- exceptional measures during the pandemic in 2019 and 2020, where we adopted cost contention and more lean services and services that were considered and the measures taken in terms of wages, PMSO is still up a pre-pandemic level with a minus 1.5% in the third quarter of 2019, and the comparative charts over the last nine months. A growth or that has been an advantage here to help understand this inflation surge 17 million in overhead expenses if compared to 2020. Higher prices commodities, volumes, and the retake taking up the activities, commodities such as fuels, parts, accessories and electrical material in general. Personnel and outsourced services, you see here that we have results of the retaking of thermal power areas we restarting new services, new points of energy, cut in new points of energy and the new prices of the contracts as well. The inflation pressure and the new activities took on the variations of cost since 2019 maintaining it as at a lowest level since the previous years.

EBITDA third quarter, 42% in growth, 519 million compared to the third quarter of 21.7 billion, that performance is explained by the implementation of the B Parcel, 519 million. Fruits of rates reviewed and new investments, Paraíba plus 7%, Sergipe 6.7, Borborema with 7% as well concessions, Nova Friburgo 2.6, North East, as you can see here 57.6%. EBITDA without recurring is repeated in the cash flow 37.7%, 1.5 billion and the contribution of sale of EBITDA of regulatory 27 million in the quarter. The accrued of the year EBITDA 4.4 billion, 58.2% or 1.2 translated into the numbers of 2020.

The Slide #12, let's see the comparison of the EBITDA adjusted to the PMSO of last few months. As you can see here, there is less volatility and other points, EBITDA that we use based upon 515 million, 1.9 billion more compared to the third quarter 2020. PMSO plus 1.464%. The most important part of the expansion of the EBITDA was by the lowest is speed of growth in PMSO, even with the growing -- on growing inflation.

Slide #13, we have some highlights on the turnaround of Rondonia and now Acre, reductions of PMSO, indeed both of the companies in the third quarter of 2020. And we have a good evolution of the adjustable EBITDA. These two companies together 73 million in comparison to the second quarter of this year. 795 million, even higher when we compare to the same companies in the third quarter of 2020.

Slide 14, Rondonia and Acre. EBITDA regulatory one comparison, Energisa Rondonia is out of an EBITDA that was negative in 2020 to plus 189%, that was closed this year. Being established closer and closer to the regulatory thresholds. Acre, we are going on -- growing closer to the threshold. The concessions in Rondonia and Acre has -- are becoming more and more efficient with visible improvement in the quality of services to customers as brought up by Mr. Ricardo.

Slide 15. Net revenue, 664 million, 6.3 less than the third quarter of 2020. If we exclude the subscription bonus and market, it was very close to last year. Non-cash, non-recurring, 190 million in growth quarterly plus 32%, 75.5% in the accrued, a variation of 1.5 billion.

The Slide #6 indebtedness of 14.6 million, 609 million difference compared to the previous year. With a lot of resource capitation, 1.9 billion in the quarter, previous quarter, third quarter. We go on here as you can see with a position of cash flow that is rather robust, 6.6 billion, more than enough for the expected expenses for 2022. The average term is 1.1 year for a contract, same as June, 8.38% against 7.30% in the previous quarter. Our indicator is the CDI 20.27 -- 2027. The net debt based upon the EBITDA down to 2.4 fold in September, 3.3 fold compared to that of September 2020.

A coverage, our net debt with EBITDA is 4.25 fold. We are at very comfortable level with that indicator. Next, we have our investments. In this quarter, 1.2 billion in investments, 84.7%, that is a plus compared to 548 of the third water last year. That growth happened basically in electrical and non-electronic assets. If we consider that only the electrical side we grow -- we had plus 1.107%, 552%, 74% to concession areas and partly to the distributors. Generation distributed, we have 23 size compared to operational projects, up to September this year. We have two new projects that are ongoing on in October and a few more to start by the end of the year. Installed capacity of 54 megawatt people and

by the end of the year we must be in the order of 73.5 peak. I would like to point out that for 2021, we are sharing with you record growth, 3.9 billion out of which 2.8 in distribution and 834 million in transmissions.

Next slide. Investments you see here realized in the six projects that you've heard about. 287 million that is what they stand for despite the pandemic as a scenario in 2019 and 2020. We are following our projects like up to the standards with 1.5 million -- billion to 180 in 2020 and 700 accrued up to this year, 2.7 billion foreseeable for -- to the end of this project. We just signed the contract Energisa II, we had (inaudible), have say public building in June and investments will start incoming in the next upcoming months.

In the next slides, we have the status of this project, Energisa Goias and Para, they are undergoing operation since 2020. The steel units have a wrap up 100 million. Energisa Para II and Energisa Tocantins undergoing construction with a partial RAP of 123 million, which is partial. Energisa Para II, 500 Kv project, 230 Kv anticipated in almost two years. Energisa Tocantins Transmissora and Transmissora II are the only two that are at 100% construction, and they are not having partial RAP.

The RAP of the company totalized 124 million in '21-'22, and EBITDA of 172 billion. The company is highly focused with anticipations relevance in terms of terms and (inaudible) our IR team. On that note I'd like to wrap up my presentation. Energisa Day will be we are approaching strategies that growth in the long-term and I'll invite you all. Thank you all for your attention for being with me. And on this note, I would like to open the floor for a Q&A.

## Questions And Answers

### Operator

(Question And Answer)

Good afternoon all. Now, we'll start the Q&A session. (Operator Instructions) First, Andre Sampaio, sell side analyst Santander. Please floor's open for your question.

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

Good afternoon, everyone. I would like to ask about the company solar gas [ph], why weren't you part of the bidding? And I would like to hear from you, what your strategy is for this segment and if you have intentions to look into new activities and gas petrol? I'd like to know whether you understand there is -- there should be some remedy of calves [ph] for future opportunities.

### A - Ricardo Perez Botelho {BIO 2105867 <GO>}

Hi, this is Ricardo. Solar gas-wise, we had an initial assessment, so that there might be an incursion in the distribution segment that wasn't viable due to the parameters that actually guide our prudent investments with decision-making, ROI, risk conditions and many other aspects among those. Bidding-wise that was only one proponent, the same one that has

the purchase acquisition rights of 49% of the company that probably made more sense for this acquisition by them than ourselves.

They bid initially for 51%, that didn't work. But I know for sure that they aren't 49% with regards to the acquisition of compass, the company, whatever we would say, at this point, would be a speculation and that's not what we're here for.

## Operator

Andre, as far as yours -- Andre, actually, thank you. Marcelo Sa, self side analyst from Itau.

## Q - Marcelo Sa {BIO 16454581 <GO>}

Thank you for the call. There was an article on the broadcast website, talking about rates and presented by 20%, next year. That was by Aneel. And we know that there are discussions ongoing for loans from banks and discussions of investments among the banks and with banks. By saying that, I'd like to understand how far they have come in those discussions? If that is really going, if rates are as matter of fact increasing and what is your forecast for next year with inflation and all that is happening? And if there is room for anything that we -- I'm not foreseeing here. Renewables, that's my second question, players up to sector went the drove into the segment. Renewables at the moment, do you think M&A would be worth -- worthy for you? Because it would be full platform. How you see it from the perspective, I bring to the table?

## A - Ricardo Perez Botelho {BIO 2105867 <GO>}

Marcelo, good afternoon. I'll deal with the first question. The -- and grades of the rates for the next year. Some of them may be very high. Operations that are being structured by now the ministries involved and BNDES with the events of last -- next year. We are just coming out of the pandemic, we are going to find a way to dilute those losses as time comes. Soon you will have more details. We've talked about these actions priorly, but they are most of them ongoing.

Marcelo considering your second question in the renewables we have and strategy in that sense. We are making advances along with also. We have a growth that is rather expressive, we believe we grow in distributed to generation, we have a project ongoing and renewable generation, we have a portfolio. I would like to invite you to be part of the Energisa Day, where we'll give you more details of this. I'm not going to give you any spoiler at this point. We want to think of the expansions in the areas that we are actually making progress and concession and transmission. Thank you. Thank you all.

## Operator

Thank you, Marcelo. We have another question Maria Carolina Carneiro, sell side analyst, Credit Suisse. Floor is yours.

## Q - Maria Carolina Carneiro {BIO 16342681 <GO>}

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Good afternoon. I have two questions. First, going back to gas. If you have projects in terminals many sectors are working on that on accounts of the reserve bidding that will have in the end of the year. Just to explore the theme, you mentioned about the Energisa today and to see if that's part of the strategy? And the second question this week and now was back to the regulatory subjects, methodology of losses and that voting of the conclusion of the public consultation was even postponed. If you would actually summarize the retaking of that subject, some companies were concerns with changing methodology in (inaudible) there was some improvement. But the improvement that we noticed something that you did too?

**A - Ricardo Perez Botelho** {BIO 2105867 <GO>}

I'll deal with the first question. And Alexandre will go for the second. I will not give out any spoilers here. We have a concern for some time for diversification of our activities. We have evolutions in the renewables and gas distribution, generation. We understand that natural gas is good for distribution, but we like this thing biomethane, biogas and hydrogen that seem is interconnected will give you some details in our next upcoming event. And we analyze all these options being a bit more specific and distribution generation or biomethane gas and hydrogen.

**A - Alexandre Nogueira Ferreira** {BIO 19917568 <GO>}

Good afternoon. Your second question CP29 [ph] that reviews the methodology of non-technical and if recoverable revenue, our position here is that we have an evolution in the methodology like the standards of mission of our company's improved, basically because of the good new ranking that was published Acre and Rondonia through their production and were recognized the technical note was more than 30% than forecast. The proposal can improve the recognition level above all at the level that we contribute. Exhaustively, giving some sign up incentive to companies that are operating with efficiency of losses and we expect that by the end of this public consultation, we can have the improvement of skills companies that can have an incentive that is more efficient in that sense. Thank you.

**Q - Maria Carolina Carneiro** {BIO 16342681 <GO>}

Thank you Ricardo and Alexandre.

**Operator**

One more question, Daniel (inaudible) analyst buy side (inaudible) Investments.

**Q - Analyst**

Good afternoon. I would like to know whether you think in terms of increasing the term for the debts in the future.

**A - Ricardo Perez Botelho** {BIO 2105867 <GO>}

I think, I can deal with that question. We are always here looking for alternatives for increasing the term and investment. It all depends on the opportunity. And the conditions

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that present -- the moment present, it's always within our radar trying to lengthen the term for investment.

## Operator

(Operator Instructions) There are no further questions. Therefore, the session -- the Q&A session is adjourned. This video conference 3Q 2021 Energisa is now adjourned. RI department can deal with further questions. Thank you all participants, and have a great afternoon.

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