Q4 2017 Earnings Call

Company Participants

- Armando Casado de Araujo, Eletrobras
- Wilson Pinto Ferreira Junior, Eletrobras

Other Participants

- Marcelo SÃ¡, Associate Director and Analyst
- Maria Carolina Carneiro, Head of Utilities
- Unidentified Participant, Analyst
- Vitor Sousa, Research Analyst

Presentation

Operator

Ladies and gentlemen. Good afternoon to you all. Thank you. So much for staying on standby. Welcome to the Eletrobras teleconference to disclose the results for the Fourth Quarter of 2017. We inform that all of the participants will only be listeners for this presentation. (How) right after that, we're going to start the Q&A session when more instructions will be provided to you. We remind you that this presentation will be made available in a PowerPoint file in the Eletrobras investors website.

So before we proceed we would like to make it clear that any comments regarding this audio conference, regarding the business prospects, estimates and goals are according to the premises of the Eletrobras board. All the information is made available by the company. Now future comments are not going to be guarantees of performance because that involves risks and uncertainties. So it may or may not occur. Investors should be made aware that the overall economic conditions and other operational factors might affect the results and future considerations.

Now I would like to pass the floor to Mr. Wilson Ferreira Junior, the CEO of Eletrobras. Mr. Wilson. Good afternoon. Thank you for the opportunity of being here.

Wilson Pinto Ferreira Junior {BIO 20013669 <GO>}

Good afternoon. Welcome to the disclosing of the Fourth Quarter results 2017. We sent you a presentation with all the figures. And we are going to have a Q&A session at the end. So I will start on Page 4, where we have the highlights of 2017.

In the highlights, you can see the results. Our operating net revenue, we had a 37% drop, BRL 37,876,000,000 was the result. We have some important differences that are now occurring from last year to this year. We had an extraordinary event of the RBSE, if you remember. And that is comparable to the 2017 figures and 2016. In 2017, we had BRL 4 billion. And that accounts for a BRL 23 million difference in revenue from one year to the next. So this is a relevant difference due to the extraordinary events in 2016. And therefore, that can give way to a wrong interpretation of the results. So we will try to show you the proper results.

So we have a 37% drop in the revenue. The figure is BRL 37.876 million (sic) (BRL 37,876 million). So we had a 66% drop in the EBITDA. We are reporting a loss of BRL 1.72 million (sic) (BRL 1.72 billion), a drop from last year when we had a BRL 3 billion profit in 2016. We are continuing this downward process, considering the provisions. And I will talk about the provisions that we had recently launched in the Fourth Quarter so we can have the most accurate statement possible. We are going to talk also about the improvement in processes.

Of course, the provisions, if you compare it to 2016, have diminished. But we still have an amount of above BRL 5 million (sic) (BRL 5 billion) in the Fourth Quarter for this year, which certainly justified the change in the results. We also have had an investment to the tune of BRL 5.2 million (sic) (BRL 5.2 billion), accounting for 58% of the budgeted value. So that is related to investments.

So besides the results and the regulation topics, we had some events -- we have some events in the pages -- in the following pages here about the privatization of distributors that was approved by the assembly passed on February 8. Last week, we also had another development in the sixth year of the privatization process of Eletrobras. We also had the provisional measure 114 with concerning events related to the distributors and think that we're absorbed by the company. Today, we have a prospect of liquidity considering this provisional measure.

Thermoelectric plants have also contributed to these results. There is a solution proposed by this provisional measure related to the thermal and electrical generation. And that is neutralized thanks to the provisional measure. There is a set of credits offered by the agency due to the reestablishment of contracts that were performed above 36 months. They were set up by the agency. And they are now reestablished. I conclude this statement.

Also touching on new bill that affects the privatization of Eletrobras. So let's continue on Page #5. Right here, we have an essential element of our business plan. Even with the negative results in the bottom line, we've had a reduction in our leveraging from 2016, which was 7 point -- 6.1. And we conclude 2017 with 3.7. So that accounts for a substantial improvement of our leverage position.

It's a good measure for reducing debt and improving our EBITDA and operating performance, which we are going to touch on in a minute. We also had some elements of the governance and compliance pillar, which are 2 very important elements. The certification, IG/SEST Level 1, which is Excellence. And we also are reforming our bylaws to be in compliance with Law #13,303 from 2016. We have also the certification of (B3) by price. And this is really important for the company in terms of the stock exchange.

We can point out that 2 very essential instruments for our third pillar, which is performance excellence, we are fulfilling nearly half of our goal for the SAP deployment in a single instance. On April 1, it will be implemented in 4 of our 11 companies. So they will be now operating in this new platform. The rollout will extend -- expand to the other companies in the following months. So we hope to have that implementation concluded all across the board in the system very soon. Obviously, last year, we had a very important development. We had an adoption of 2,055 employees adopting to the (EAE) program.

But I just -- I also want to highlight something. The launch on the -- or just yesterday, March 26, of the PDC, the consensual laying off plan. That plan was set up not only for the SAP implementation but also for shared services. And I highlighted that 76% of services are already concluded in parallel with the SAP implementation. We hope that until July 2018, all the processes will be in line.

Everything that is developed in our shared services is made to cater more efficiently to the corporate activities. So we launched the PDC, our program, which will take one month for full adoption. And with this program, we're going to reduce 3,017 personnel in our payroll, accounting for BRL 819 million.

So let's continue with the financial results. Page 7. So you can see on your left-hand side, these are the 2016 and '17 results in IFRS. And on the right-hand side, these are the Fourth Quarter's results from 2016 and '17. So the gross revenue related to RBTS (sic) (RBSE), we can see that we had a revenue of BRL 68.606 billion, which is dropping to BRL 44,238,000,000. So that accounts for a 36% drop in absolute values.

So we are talking about a dip. It plunged to the tune of BRL 24 billion. So I remind you just the difference between what we did in the RBT (sic) RBSE in 2016, which was 21 -- 28.6. And what we had here for 2017 accounts for a BRL 23.6 billion difference. So that's 24 300. So the revenue has remained reasonably stable. And we should reduce the difference in RBTE (sic) RBSE what we had in 2016 and '17.

Now that being said, we did have a distortion. But we're definitely going to strive to go back to our statements in healthy values. And the cost, you had the reduction in operating cost in BRL 14.1 billion to BRL 13.6 billion, a drop in BRL 485 million. We can see a drop in even more substantial amounts that happened from one quarter to the other, BRL 5.867 billion to BRL 4.785 billion. That's the difference between the last quarter's. So this is a quarterly drop to the tune of 18% in operating cost. And we also have the operating expenditures. Our operating expenditures, the line in the bottom, we are splitting that. And I'll give you some details later on. But you can see here the retirement plan we have, this is represented here.

So we're going to talk about depreciation and amortization, a drop of 5%. And the PMSO had a 15% drop to 14 5 6 1. So BRL 584 million was the drop. That happened because of the program we mentioned PAE, BRL 853 million. You can see that the drop was to the tune of 17% from BRL 4.4 billion to BRL 3.6 billion. That's in the PMSO. So that is included in our rationalization of cost. PMSO is personnel, materials, service and other expenses.

So last year, we had 18 million. And this year, 1 7 -- we had a 76% drop, however, we did have a good result overall. And you can see that the quarterly tab last year, we had BRL 9.5 billion and we got you BRL 6 billion. So really, we had an event. And some of these led to a higher exposure than we anticipated. So the prospect of the (democratization) and privatization of the company will definitely be something. This has been a priority of the company. We are reclassifying our risks. We still have a lot of work to do. We understand that the statement still includes some provisions. And it is quite robust. That being said, after we point out these announced, we have a drop to the tune of BRL 17.800 billion to BRL 6,744,058 (sic) (BRL 6,744,058,000). In the quarterly tab, we got to BRL 3.540 billion, a drop of -- to the tune of 40-some %.

On the positive side, we diminished our cost. But we also had a drop in our revenue. I will get into more detail later on. Now the result of our partnerships had a drop of 14%. And in 2016, we had a result of BRL 1,601,000,000. And in 2017, we had BRL 1,565,000,000 (from selfie) after we sold that. So it's really dropping. And it's clear when you compare it with 2 quarters, a drop in 76% in the partnership results. So that means that the co-obligated companies, where we have this share, unfortunately had a worse year in 2017 than they had in 2016. So after you consider tax and credit, we got out from a profit of BRL 3,513 million in 2017, with a -- to a loss of BRL 1,700 million. So yes, BRL 1.7 billion negative in 2017. In the Fourth Quarter, we were affected by the provisions to the tune of BRL 9.5 billion. And in the Fourth Quarter of 2017, we were affected by a large provision to the tune of 278.

Just to conclude this slide. The good side here is that we have a prospect in our operating cost being cut, a reduction of our operating expenditures. And the third point is that we are very careful with our financial statement, especially in terms of provisions to come up with prospects and allocation of capital.

Now on Page 8. We have another overview, which is not satisfactory, in my opinion. But still, on the downside here, we have the results of the Fourth Quarter for 2016. And on the upside here, Fourth Quarter 2017 comparing the figures. And the same, you can see here, O&M. But I want to point out something here. You can see that looking from the bottom to the upside, both on EBITDA and on profits, we have a very interesting reflects of the cut in operating expenditures and the cutting of our costs. The revenue of generation went from 4.9 to 5.24. So an increase of -- a difference of 12%. We have here an improvement in our EBITDA to the tune of 151%. We came out of a negative EBITDA in 2016 to a positive one in 2017. In transmission, our revenue was not changed. It's nearly the same. The revenue (inaudible) of 0.4. But the EBITDA, when you add up O&M, reaches 140%. And the net revenue had enough as well. So cost management is key. That has been translated into an improvement that is substantial.

Distribution, we still struggle with that. The net result of '16, as you can see here on the slide, was negative 2 -- BRL 3.400 billion. So we had an improvement in the following 4 quarters. We cut our loss in nearly half. But the company that allowed for these results still had a very poor result itself.

On Page 9, you have more coverage on our gross revenue. In the Fourth Quarter, we touched on that a little bit. But we -- it's noteworthy to go back to it. The reported revenue was BRL 17.537 billion after the RBSE effects, which is BRL 1.291 billion. You can see the results. It's hard to draw a comparison here. But CELG, which was consolidated in the Fourth Quarter of 2017, had an up of BRL 7 million (sic) (BRL 7 billion) this year. But in 2016, CELG and construction had a revenue of BRL 8.2 billion. And you can see here, we had an improvement in our operational regime, generation will have an improvement. We also had an improvement in revenue, exploration. That's where we commercialize in the free market.

In transmission, we had some improvements -- very brief improvements in the Fourth Quarter in terms of revenue. This is still related to indexation. We had also an increase in tariffs for the last quarter to the tune of (BRL 8.005 billion). And we had a drop of -- that you can see here on this slide. So our quarterly revenue had an up of 44% to 11.4 -- BRL 11.541 billion. But our gross revenue had a drop of 24%. And that's what we were talking about in the previous slide.

Now I can share with you Slide #10. I'm talking about the management of the company. You can see our expenditures in personnel, materials, services and others. I'm happy to share this with you. On your left-hand side, you see a comparison between '16 and '17 quarters. We had a drop of 6% in personnel, 14% in materials, 36% in services and 14% in others, which accounts for a 17% drop.

From quarter-to-quarter, we are talking about BRL 676 million less. We were trying to get to our best results. We are -- you can see that we are including PAE for the Fourth Quarter '17. Considering PAE, we had a 16% drop. We are talking about personnel having a growth of 2% in 2017 considering the indexation. And we had an additional 4% in May 2017. So that is the readjustments for personnel. So that was 0.7. But still, the variation -- the total variation was 2%. Material, we had an annual drop of 2%; in services, we had a 17% dip; in others, the drop was to the tune of 24%. The medication service cuts obviously contributed to that success. So it's important to highlight that in the annual base, which is the topic that we are interested in, had a reduction of BRL 12,475,000,000 to BRL 11,561,000,000 (sic) (BRL 12,435,000,000 to BRL 11,851,000,000) a 5% drop in the annual basis to the tune of BRL 584 million.

Now we can see the operational provisions on Slide 11. We have contingencies which are still high, very elevated. BRL 3,625,000,000 (sic) (BRL 3,621,000,000). In December 31, 2017, we had BRL 24.5 billion. Considering this BRL 3.62 billion in the Fourth Quarter, you can see here on the slide, we had an additional BRL 2.337 million (sic) (BRL 2.337 billion). So we had, again, financial indexation in this contingency. So we have something to the tune of BRL 17 billion only in this tab.

We have BRL 1 billion in distribution. BRL 1,689,000,000 loan -- loans, there's nothing to highlight on that. And we had an improvement related to Angra. This company had financings but still no real prospect to conclude its process. We understand that in the coming months, we will discuss here in the board about the Brazilian energy policy issue. We had a reduction of BRL 2.9 billion in impairment. But the highlight here is also for this part. The assets are well positioned. But Angra 3 is still a highlight here. The upside is that we have a solution for the conclusion of Angra. We can reduce this amount that accumulates between the contingency values, internal and external. And onerous and burdensome contracts. We have an additional BRL 1 billion. And we also have some variations in the market, value adjustments and some rates, hydrological risks. And others stays stable.

Last year, we had 9.4 million additional provisions. I believe that we are closer to the value that we should state now with the drop in BRL 6.2 billion. And when you add up all the provisions, BRL 16.600 billion, which is the total amount in our statement of BRL 46,562,000,000.

In the next page, Page 12, you can see here the results excluding provisions. We put here the highlights. So we have the CTEEP reversal, labor matters of the company. We provision the BRL 617 million for the SPE. We had BRL 2,132 million as a balance for SPE. For Angra 3, BRL 990 million. We had an accumulated balance of BRL 12,281 million. For the CTEEP, we have now BRL 363 million. We did a provision for the Bresser Plan, BRL 345 million, for us to have the opportunity of privatizing this company, a partial privatization. So we went from 1.4 -- BRL 1.8 billion. We work with the employees and that is going to enable us to have a partial privatization. We also had a provision for the RGR, BRL 309 million. The CCC Credit provision is suited for the distributors to the tune of BRL 985 million for this year. And also, the compulsory loan provision, we reached BRL 16,595 million in provisions. So these are the main provisions in 2017, adding up to BRL 5.6 billion. So the net result that we had, considering no provisions, would be BRL 3.962 billion. We do have some prospects of reverting these results with the Angra being concluded and the overhaul of CGTEE and the privatization of our distributors. We have a proposal to work on this.

So on Slide #13, we have the 2017 EBITDA. We already dived into it a little bit. We had nonrecurrent items here, the second bar. And we draw a comparison from a 44% drop from '16 to '17, BRL 1.7 million. BRL 3,845 million in 2016. And now we have BRL 5.554 billion. That's de-managing EBITDA variation from '16 to '17, 44% in variation. And it's important because we measure our leveraging index. And it is positive due to the growth of our recurring companies in BRL 5.300 billion. And you discount the effects that happened in 2016 BRL 2.194 billion, PMSO, BRL 477 million. And we had some operations, especially in the free market commercialization. So that gives us a real gain of 44% in our EBITDA.

And on Slide #14, it's just an overview of our financial results. These are the positive and negative effects that happened primarily due to the macroeconomic scenario considering inflation, interest rates and financing. So the interest in investments -- revenue is dropping from BRL 2.2 billion to BRL 1.8 billion, especially due to the reduction in our resources. The net monetary adjustment, we had an update in the market primarily due to the new legislation enacted, the Law 8727. So we went to almost 0 in our receivables results. We had a small variation in bonds from one year to the next. The debt charges had been reduced a little bit. That happened due to the drop in the interest rate, which was positive to our results.

Now on shareholder remuneration charges, BRL 201 million to BRL 388 million. And other financial results, BRL 131 million to BRL 738 million, mostly because of the adjustment in the tax. The PIS and the Cofins tax. So the net financial result is still negative from BRL 3.9 billion, we are to the tune of BRL 5.1 billion.

Now we have some slides that graphically show the improvement in managing processes of our company. The PMSO and the net operating revenue, we have here a drop of almost 17%. And obviously, we have a smaller share of -- because of the net operating cost. We went from 39% to 36%. That's also due to the PAE effects. So this is an X-ray of the improvement of our PMSO behavior in the company. And in Slide #16, we see that reflected on the improvement of the managerial EBITDA from BRL 3.8 billion to BRL 5.5 billion, from 15% to 18%.

On to Slide #17, we can see the financial performance, net profit comparing to loss. And this is incorporated here. BRL 43 billion -- it's accounts for a drop of 3.2%. It's important to consider all those factors on assessing our year performance. The conclusion of MauÃ¡ 3 is also a factor, 1,278 megawatts. So 48,000-some megawatts installed, 31% of the Brazilian capacity. So we have some prospects. For May, we will conclude the SÃ£o Manuel plant. And in the second semester, the (inaudible) plant will be concluded. So basically, in 2019, we would conclude the installation of the last plants. So we can get very close to 50,000 megawatts installed in our company.

On Slide 20, we have some information about the transmission topic in Brazil. This segment, we increased this year our relative share in Brazil. So we have reached 6 -- 64,945 kilometers in Eletrobras transmission lines. So that accounts for -- we have now a 48.9% of Brazilian transmission lines above 230 kilowatts. You can see what was installed last year here in the slide.

And on the next few slides, we have a business and managing master plan report. We have some goals highlighted. We want to have (4.3) in our EBITDA debt. So this is the slide highlighting 2017 and '18. In 2018, we want to be below 3 with the net EBITDA debt. In the Third Quarter, we're going to -- we need to review this slide, actually. But in 2018, we definitely want to have a better result. In 2016 and early 2017, for the next few -- 15 days, there will be an assessment being produced concerning our controls. We worked very hard to reach 0. And I think it's important to highlight something related to the PMS and product in 2015. We had effective controls in our company and a value less than 40%. In 2016, this value reached above 7 -- 60%. In 2017, we reached upwards of 80%. So I'm hopeful -- this is the number of weaknesses by the way. I hope that we can reduce that. And again, we need to reach 0 on this one. On the (PMG) 18 22, we have new -- 2 new indicators to help us prioritize our plan. We want to have sustainable performance. This is the main indicator, the greenhouse gas emissions. And the ROL in thousands of reals you can see here. We have been developing a national culture involving high performance and high safety -- and accidents. And it's definitely something that we pay attention to.

On Slide #23, we have the challenges, the main results and the main programs for '21/'22. I'm just going to peruse through it. We had a reduction of 750, BRL 74.36 million. In 2,055, there will be some changes important here. And the prospect is BRL 807 million per year. A reduction of BRL 51 million in administrative costs. We had savings of BRL 23.11 million last year, BRL 329.8 million in the performance integrated in marketing and accumulated gains. PDC savings to BRL 890 million. The prospect of this, if you recall, we were talking about the operating economies that we work with. We had BRL 987 million in savings. And the quarterly base is a prospect of savings to the tune of BRL 2.7 billion a year.

Now financial discipline, 3.7 was the result. We had a reduction in investment, primarily in PDNG savings to the tune of BRL 3 billion a year -- in this last year. We had a PDNG 18-22 with a prospect of BRL 4 billion per year. That's the average, 20 total. And I remind you that in 2016, we had a 50 billion prospect. So all the construction is underway. On the condition of the distributors, we eliminated the BRL 1.1 billion in negative EBITDA. We hope to have a better performance this year.

Sales of 70 SPEs will be concluded on June 7, book value of BRL 2.5 billion. We had an economy of BRL 1.83 billion in tax optimization. These are the sales of assets that we did in the last period. Sales and the use of shares BRL 364.7 million, CPFL shares, Tumarin shares, INTESA shares. Today, we announced with the board last Friday the sale of INTESA to the tune of BRL 282 million.

So we have a Base Zero Budget. We have the scope. And these are the prospects that we are working with, just to give you an idea. And governance and compliance in the next 15 days in the conclusion of the First Quarter. We have advanced a lot in the privatization of companies. We're going to touch on the compliance program. It's 5 directions, we're going to conclude that until December -- 5 Dimensions, pardon me. And obviously, the IG/SEST; Level 1, (level of excellence) and a certification at the B3 is scheduled for -- was scheduled for March 14. So this is a very important indicator for our financial health so that net debt is dropping for BRL 20.3 million -- dropping BRL 3.7 million. This is Slide #24, by the way.

Our cash flow is very stressed due to the high debt. You can see the debt here, the debt profile throughout the year. We need to be very attentive to this indicator.

So now on Slide 27, we have more about the sales of our SPE ownerships. We have 17 auctions that will be -- 17 lots that will be auctioned. In terms of investments here on Slide 26, these are the investments for 2018 all the way to '22, nearly BRL 20 million (sic) (nearly BRL 20 billion). We have some corporate enterprises that will account for BRL 14.2 million (sic) (BRL 14.2 billion), generation BRL 5.1 million (sic) (BRL 5.1 billion). The main volume of investment will be the SPEs. And we are concluding the operations for '18 and '19.

On Slide 27, we have the future structure. It gets pretty straightforward here. We have the 4 companies here. It is there, Eletronorte. You can see the companies here and the reduction of the complexity. We got to 48 to the end of the year, whether it's selling assets or cutting costs or incorporating the other SPEs where we are major shareholders.

So we have only 2 slides to conclude the presentation. We point out here the importance of Eletrobras privatization. We want to create a large cap corporation. The largest energy companies in the G20 countries in the world are already structured as corporations from IDT, Enel and others. But also, we want to talk about the new regulatory framework when it comes to the prospect of privatization of our plants -- our hydropower plants, which will give us a positive prospect for the future. And on Slide #29, I just wanted to point out that in March, we have the resolution of the CPPI 30, which recommends that the Development Bank of Brazil should be responsible for the implementation and monitoring of the privatization process. We want to have good governance so we can be successful in this process and the studies and executions in the board. Now we are waiting for the law to regulate the privatization solutions, which will be a decree issued by the republic. It includes the actions of Eletrobras and partnerships and investments. So we wanted to disclose as many details as possible with our investors and analysts here in Eletrobras. So I'm available for questions now.

Questions And Answers

Operator

(Operator Instructions) The first question from Mr. Marcelo from UBS.

Q - Marcelo SÃ¡

I'd like to ask about the distributors privatization in terms of the modeling. The MDS did an evaluation, considering the June statement in 2017. My question is, considering today's balance, there will be a higher debt than the debt calculated at that time, June 2017. Considering everything in your statement, this additional debt is going to be with the distributors or with Eletrobras?

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

Well distributors is the short answer. But this process was done considering the investments that were made until June. So the base of files that we work with, it's larger than the (consolidated) base. That is the main element but some operation -- operating improvements were incorporated in this. The negative performance in the quarterly basis is already considered. And that is on the, of course, the liability side of the statement, you're right. We had a larger liability with credits, which makes it -- makes the situation predictable for one. So yes, there will be some variation. But I can say that it's not compromising because, through this period, the company will be operational. We will work with distributors so we can show this. The amount that these companies have, whether because they have high losses or a different ratio, we had an improvement when you compare the overall situation. So the value that can be captured is very considerable. We also had an assessment of the provisions in the statement and the provisions that were used for the valuation effect. We also had a research and evaluation considering the provisions for the liquidation of the debt for the consumers. And you can see that the value that remained there is better. In every one of these items, you have additional value to be captured. In our reorganization of assets, we have -- we are working with companies in trying to expand our possibilities. So that is considerable. And that is going to be used by the distributors besides the prospect that we have now of having Eletrobras as a partner and capitalizing a good deal of its debt. Would you like to complement something, Armando?

A - Armando Casado de Araujo {BIO 16673880 <GO>}

No. I think it's that.

Q - Marcelo SÃ¡

Well if I may, just another question. The last date for the privatization, that line is the end of May, if I'm not mistaken.

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

May 21, yes.

Q - Marcelo SÃ¡

And assuming that privatization works out, how long will it take for this process to be transferred for new shareholders to actually be in the control of the company?

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

By June 31, he will be in charge.

Q - Marcelo SÃ¡

Okay. So theoretically, each month -- each additional month that you stay with it, the liability hole tends to increase. But that was my question.

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

Thank you, Marcelo.

Operator

Next question from Mr. Thiago Silva from Santander Bank.

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

Actually, this is Carol from Santander. I have 2 questions. First, the provision for losses that you did with the CCC. We understand that there have been some thoughts and there are still talks underway with ANEEL and some solutions that remain pending. I'd like to get your -- a feel for the expectation and balance, just for us to know if the amount that was programmed is according to the plan. What is the negotiation results that you are expecting? Will there be any revaluation of this number you gave us? And the second question is that, yes, we understand that the cash flow generation of the company includes a great deal. But it's still going through a rough patch. There is a debt situation to be considered. But the company has decided to not recommend the reorganization of dividends this year. Considering the very delicate situation in your result loss since you are reporting a proper loss. But you still have some reserves, right. And it's different from other years where the company ended up to pay -- ended up paying the minimum dividends even though we reported losses. I just wanted to understand from you, if that's how it works and why you decided to not recommend payment in this situation, what changed in terms of dividend payment?

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

Well Armando is going to answer this question.

A - Armando Casado de Araujo {BIO 16673880 <GO>}

Carol, well, the first provision for the loss expectation of the CCC, yes, we are working on -- with the credits that we have taken on. We are working with the distributors to the tune of BRL 8.5 billion. That is equivalent to the (CC day) and the statute with Petrobras. Since we did not include that in the CDE and ANEEL's budget, we work with our auditors and we provisioned the installments for these debt contracts which are not in the budget. So we're provisioning that until July this year to the tune of BRL 980 million, if I'm not mistaken. But as soon as this happens, we are going to definitely take care of that debt. You have to consider the 3.5 million of (Tanalero). So yes, we're going to materialize it and allocate our efforts to take care of the problem. We have a huge potential to take care of this value. But it's going to be in installments until June 2018. That's our expectation to be able to work with the distributors. Now according to the -- in terms of the dividends, talking about the dividend distribution, considering our cash flow situation, which is the main argument here. We had a BRL 1.763 billion loss. We had BRL 3.018 billion in loss reserves -- in profits reserves. So we had to consider the remuneration and compensation that we must do and the capital reserves. We have some profits. And we do have some results to distribute according to the distribution policy.

Operator

(Operator Instructions) The next question from Mr. Vitor from Brasil Plural.

Q - Vitor Sousa

I have a question commenting on what Carol said about the CCC. I'd like to know about the discussion about the additional charge of BRL 4 million that ANEEL is making with Eletrobras. You have some provisions underway about this amount, or I just wanted to understand how it works? And the second question, if I may, what can we expect for the voluntary laying off program that you are organizing? Because the numbers are very much in line with the previous program. Has there been any other change in terms of the previous program?

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

So Armando can answer about the CCC.

A - Armando Casado de Araujo {BIO 16673880 <GO>}

From the CCC perspective, Mr. Vitor, as I said, we have brought credit to the distributors. We have brought credit for Eletrobras. And we have -- we are working with it. Therefore, there will be no provisions on top of this value. And as I told you, a great deal of this has been concluded. In different provisional measures, we can see that happening. And ANEEL has been working, as a matter of fact, with a good deal of those values.

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

Okay. Thank you, Armando. Now related to the PDC, our program. I think yes, we did have a very similar result through the previous program. Well there are some things to be considered here. First, at that time, we had BRL 175,000 in the retirement program and BRL 130,000 was later on. We had to acknowledge the profiles of different people involved in the program. It's important to highlight that we still have some people in the admin side and operational side. They will be involved in the implementation. Now from an operational perspective, we have a lot of automations underway. We are automating our operations. And we have less demand, yes, for operators. And in other cases, we also had people eligible for retirement. And we have, an additional to this contingency analyzed program. And some people only reach this perspective in the last few months. So this program gives you an incentive and is similar from a percentage perspective. And we are talking about a cost that involves the payment of fines for our -- to the tune of 40% and payments of previous notice for laying off employees. So this package accounting for 40% is multiplied. This is the package, right. This is the package of benefits which is obliged by law. So the difference you see is just the taxed amount. But financially, it's the same process. We had a precaution according to the new law, which is a consensual laying off process. So people that are volunteer to be laid off, we are entitled to refuse that. That is important for us to not lose employees that are key to the future of the company. So in this sense, we are entitled to refuse people's requests to be laid off. So in terms of personnel, we have 3 professional profiles. And that is related to the modernization process in the operational side. That is one thing. The second thing is also professionals that are in these fields, in these areas. And they are looking to retire. And the third is what we call the (end of sea) employees, employees that do not have a real career perspective in our company, given the prospect of our own company, right. So that set of reasons and factors for professionals is really important to be considered for the ones that fit the program. And considering the cost that we have, we might have a prospect in a shorter deadline, up to a year, right. And obviously, the privatization prospect comes under play here. And it needs to be considered for our future plans.

Operator

(Operator Instructions) Next question from Mr. Benjamin from (Legal) Brazil.

Q - Unidentified Participant

Just a question about compulsory loans. Given the magnitude of your liability and the financial results, what would be the long-term impact on the results?

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

Well the company has at least 2 legal proceedings underway that are going to reduce the amount of that contingent. We are in the Supreme Court with that and in the regional court in Brazil with that as well. So the company is working on it. And the result of that trial will -- might improve the prospect in that. So that is one -- that is the main action of our company is to provide those legal proceedings. That might affect the results. We also have a strategy to question everything that the company loses. It has it paid in what we call the noncontroversial value. And we have what we call the controversial values, differences in the unit testing rights, monetary issues. The company has a lot of experience with that. And the 2 previous topics contributed a lot to the success of the company or the like thereof to have a solid policy around the topic. We still have not defined that completely. But we are working on some alternatives and other types of assets such as energy and so on. But at this point, basically what we are doing is the update and classification of risks. And obviously, our legal proceedings, like we said, the cases that are going in the Supreme Court, we want to mitigate risks with that. For all the noncontroversial values, we are debating that in the justice -- in justice. We have some assets that are connected to those actions. And this is going to be used as collateral.

Operator

We hereby conclude this session of our Q&A session. So we pass the floor to our speaker, Mr. Wilson Ferreira Junior, for his final comments. Mr. Wilson, please.

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

I'd like to thank each and every one of you that were able to attend this session. I'm very pleased to be able to share all this information and the last steps that the company has been taking in its operating results. I think that we are able to turn the situation around from a management perspective, from an innovation perspective. We are well aware of our situation. And we have a very important semester down the road. Next week, as I said, we will be implementing our new system. This is going to cause a behavioral change that will be crucial for our controls to make sure that the right information reaches the key people. We're going to have a very superior level of controls managing costs and expenditures. I think we have to acknowledge that this will be supported by the innovation and change in culture, which is what I just said. And all the corporate activities will be leveraged by them.

We are monitoring and managing distribution in generation assets. So we need to work collectively. We want to rationalize this structure. But it's really important for us to have efficient processes and to be able to, in fact, reduce our corporate cost. That's what we are doing, reducing our payroll. We are also rationalizing the spaces and the facilities, the structure that we work with, making it leaner. So certainly, we are going to have a new prospect from that scope. So that is the first point. As of next week, for the next few -- six months, we're going to implement our SAP system completely. And there will be change. And also reducing the debt of the company is key, is one of our focuses now. We want to pay off our loans. And we will have new resources here.

So selling the 70 SPEs will be crucial to our strategy. It's really essential for us to have resources and gear it towards paying our debts. That's how we are really going to bring our debt index to 0. We have a new opportunity here with the distributors that we are going to see, for sure. This is a very pivotal aspect of our strategy as well. It's going to be very important for our financial health and also all the decisions that we talked about from the CPE and the CCC. We have studies and prospects for other companies. Loans and financing will definitely be a crucial matter as well. We're going to assess that according to the bylaws. And we are going to really take care of this corporation.

This will be important in the next six months. We have to work hard on evaluations and studies and actions in an assembly that should be conducted in September or October so we can be all on the same page to make everything clear to everyone involved. And the company will be more efficient operationally. Financially, it will be more disciplined, more suitable and with a better result. A lot of it's governance and it's compliance relies on that. So we definitely want to get it right.

We'll have the opportunity to make this happen and make a sustainable company that is sound. And we are going to work with concessions to help our plans, to make sure we are an efficient player in the market with enough resources and capital to keep it going. It's a long road. We still have a lot of work to do. We have many challenges ahead of us. There are many difficulties presenting themselves. But we also have different opportunities. We have great people on board. And we are going to chase those prospects. I'm very confident. Even though it's a very challenging scenario, a very challenging time, we are going to work committed so we can really have a positive prospect. So that's what I wanted to share with you. The First Quarter is done now. In May, we're going to have a new talk. And we can share the new steps with you. Ladies and gentlemen, analysts and investors, thank you so much.

Operator

As of this moment, we hereby conclude the Eletrobras audio conference. Thank you. So much, everyone that participated. Have a great afternoon.