

Y 2020 Earnings Call

Company Participants

- Elvira Baracuhy Cavalcanti Presta, Chief Financial and Investor Relations Officer
- Wilson Ferreira, Chief Executive Officer

Other Participants

- Andre Sampaio, Analyst
- Carolina Carneiro, Analyst
- Marcelo Sa, Analyst
- Miguel Rodrigues, Analyst
- Pedro Manfredini, Analyst

Presentation

Operator

Ladies and gentlemen, good morning to you all and thank you for waiting. Welcome to the earnings call of Eletrobras for the 2020 results regarding the fourth quarter of 2020. We inform that everybody will be hearing the earnings call during the presentation and thereafter, we will start the Q&A session, and you will receive further instruction. We remind you that this presentation is available in a PDF file in the IR website of Eletrobras.

(Operator Instructions)

Before we start we would like to clarify that the statements contains and forecasts which are not statements or facts happened and the press they reflect beliefs and expectations of our management and may estimates and forecast for future events and these were based on information that is available to the company as of now. These are not guarantees of performance, because we are based on facts and may or may not occur. You should understand that general economic conditions and other operational conditions might affect the results.

We clarify that since March 16th of 2021 the Presidency is occupied in an interim way by Ms. Elvira Cavalcanti, also Financial Director and Director of RI. We will have Ms. Elvira Presta, Interim President and Financial Director of Eletrobras; Mr. Wilson Ferreira, Member of the Board of Directors; Pedro Luiz Saffola, Director of Investor Relations.

Now I would like to give the floor to the President Ms. Elvira Presta to start the audio conference. The floor is yours.

Elvira Baracuhy Cavalcanti Presta {BIO 18709914 <GO>}

Good morning, good afternoon, everyone. Welcome once again to the earnings call of Eletrobras. And to comment the results of the fourth quarter of 2020 and also to do the turnaround -- the valuation of the turnaround process, we invite our guests Wilson Ferreira Jr. from the Board of Directors to the presentation. The floor is yours.

Wilson Ferreira {BIO 1528124 <GO>}

Thank you, Elvira. Good morning, good afternoon to all of our colleagues and directors of Eletrobras. Thank you for the opportunity to share the information about the last quarter of 2020. I would like to acknowledge our investors, our shareholders, the analysts that are following us on this closing of the year 2020. And we have a longer presentation today. I will be as brief and I can since we already published the report on Friday.

And I would just like to highlight that we are on the Page 2 of the disclaimer. And due to the official letter to CVM/SNC/SEP 04/2020 issued on January 12, Eletrobras made the adjustment to the transmission rates of RBSE. They were affected by the financial assets for contract assets under the terms of CPC 47. And as a consequence, in order to maintain the same comparative base, the Company restated the balances of these assets. The accumulated reflexes of the restatement are found on the balance sheet, in the statement of income, statement of cash flow, statement of comprehensive income and statement of added values presented below.

And you can -- they are represented below, as provided by the CPC 23/IAS 8 - Accounting Policies Changes in Estimates and Error Corrections, as per Explanatory Rate 4.4 Consolidated Financial Statements for 2020. For disclosing the 4Q20 quarterly results purposes, values have been restated with the effects of that letter and are already being considered. Throughout 2021, we will do the quarterly disclosure comparisons with the 2020 quarters will be properly restated. There is a lot of works efforts that needs to be done.

And therefore, I will start the presentation for the corporate and operating highlights. And you can go to Page 4. I believe that the main highlights here were the transmission RTP periodic tariff review BRL3,036 million from July of last year. Therefore, we will have a recurring EBITDA of almost BRL14 million and there is a 2% drop in 2019 in the fourth quarter; more relevant value 4,575 million with an addition of 46% in regards to the fourth quarter and once again we have the incorporation of that revenue. Those two values deliver a recurring net profit of BRL9.4 million and the value is BRL4.3 billion and we have once again a leverage net debt adjusted EBITDA of 1.5 times LTM. With this new RBSE we will have an indicator of leverage and you can see the results.

We also have to highlight at the beginning of the year the final payment of the dividends withheld in February 2021 BRL2.2 billion, almost BRL2.3 billion, we had with our conventional personnel dismissal, we had minus 562 people employees in comparison to '19 and we have about 421 in the first quarter and going to talk about this.

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So there is personnel recurrent cost reduction of almost BRL400 million during the report and we have the sale of 23 SPEs in the fourth quarter of 2020 and we have an inflow of cash of BRL624 million. We also have an impact at the end of the year, we have the adjustments of the transmission assets ANC 1000 and while the provisional measure 1031 in 2021 Eletrobras capitalization but we have the innovations in regards to TL 5877 of 2019 to build up our capitalization we had HPE to put renewal contract we have funding resources for funds from (inaudible) watershed afforded us.

We have government golden share back and we have a redistribution of the economic benefits between CDE, and the federal government 50% each and the possibly for the overall it should begin capitalization tariff, it was a few weeks ago the recognition of Eletrobras. Well, we were in the position from one of the 100 better with Company in terms of corporate reputation. We climbed 40 position at '19.

Those were the highlights and now let's talk about the sectorial and economic context. As you know, there is a drop in the GDP of 4.1% due to the COVID-19 crisis. We see that the drop here because the industry loaded 2%. So the profits of the company started on May 5 of 2020 drop of 26.8%. The monthly electricity consumption was also very affected. We had a drop in the year 2019 of 1.6% in the year. But as you can see in the second quarter of last year of the month, they were above in comparison to 2019 in blue and there is an increase that led to a fluctuations in the PLD price for different fit as you can see in the graph and the values drop from 500 to 200 brands and the company had the allocated energy in the PLD and BRL4 per megawatt hour and they were regulated for 2019.

Let's go to Page 6. We have a generation performance very clear overview. We have a reduction of market share. Now it's 29% of Brazil with 50,642 megawatt and we had 33% of the energy generated in Brazil. We have the renewal. We have a renewable energy and then 5.5% regarding be accumulated fourth quarter of '19 and we can see down below we can demonstrate energetic balance and deterioration income and we can see the contract DAPL for we had from 34 to 39 ACR we had a drop from 5,311 and that made the free allocated volume is went from 48 from 34 to 39 for what mentioned and we have here in the right the generation income we have a format in percentage values.

We need to fix the graph here we have from 222 and here, there is a drop in the regulated market. So there is a drop here and we have allocated more volume, more revenue, and that increases about 4.1%, but you can see that the average value of CACL went from 133 to 146, so there is an excess of volume that was not compensated by disrupting values. (inaudible) and we had that annual adjustments which had the same behavior, but there was a stoppage that is recognized in the first quarter. It could have 7 more sectoral context and performance we consider regulated contracts. In terms of volume, we had the same result.

And then below we can see everything that I was mentioning at the end of the contract to zero we have the regulative contract minus BRL470 million, the hydro orders are adjusted to BRL132 million and the clear quarters we have a negative BRL29 million and the contracts you can see in the free market, they have a higher sales and a lower price, so higher sales and supply new supply and we are difference in the price. And the CCEE as a higher value of BRL86 million. Those were the generation details.

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And let's conclude on Page 8 and we have the future, well, the generation plants under construction we still have 1,571 megawatts that are being built, we should get by the end of this year 154, which is a conclusion of the combined cycle of Santa Cruz 115 megawatts, plus another 3 from Casanova, 3 megawatts. There is the repower 12 acre of Curua-Una 12 megawatts. And there is a project of Angra III by November 2026 1405. Speaking of Angra III, we have an advancement here 75% we did the investment, but you can see a 0.5 billion and the direct investments should be made 18.5 billion. What is important to highlight here is the conversion in 20 998 2020 of the law 14,120 in 2021 which has bigger security for this project. So we have the placebo grant and the 40 years of supply contracts and of course we have the assumption for the price which is being done by the PMBS through the economic and financial viability and the issue do it through the readjustment for the inflation and cost over the nuclear fuel which is why happened already in Angra I and Angra II and the other Angra.

So we have the regulatory framework for the work to continue to transact that and in February of this year we had a probably noticed sort contracts into some work and part of the electromechanical assembly, the critical path acceleration plan. And we will leave the power plant for the conclusion of the work as we mentioned, with equipment and the assembly and the civil work will continue we are representing a lot.

Let's see Page 9 we discussed it in detail. And the importance of this law 1402 of 2020 as you can see which speak the established new condition for the region frustration with the hardware, the logical risk and electricity generation we have the timeline as you can see and the city calculations expected by March. We will have the publication of the calculations by any yield. So the calculations of 50 years, 4 billion for the corporate direct operation back to the company. You should remember that we have a limitation for the MSFS due to 7-year limit of the extension range BRL3.2 billion. As you can see, here for January 2021, and we have BRL844 million of SPEs, of which BRL335 million proportional to the Eletrobras participation.

Therefore, if you remember, we will have BRL3.5 billion of the participation in Eletrobras. And we have the shares, which is the amount unpaid for injunction BRL1.5 billion, the credit withheld as TCE 803 million. So we will have to receive a payment of BRL718 million amount to be paid if the injection 726 FTE of for 95% did not so see. So this is something that is ongoing.

Let's talk about Page 10. The transmission operating results once again. The participation we now have paid a price of 43.5% of Brazil 75,129 kilometers of the total Eletrobras transmission in line 70,000 ready to more than 230 KV we can see here these are the best results for our person and I've ever any of transmission side 99.94%.

And we have a reduction of 40% almost 40% of load sharing to services and four years ago, we have not had any major disconnection. So Eletrobras in this period didn't cause any sort of a limitation to consumption and the variable portion. So the tariff war unit of the transmission line fairly favorable. We dropped from 2.8% to 1.84% in the fourth quarter of 2020. We're one of the best transmission company tariff last year in comparison to the fourth quarter we had a reduction of expenses with the variable portion of almost BRL37 million. We indicate the trend to reduce the discounts by the Eletrobras companies. So

there is more trustworthy and availability of our work, which will improve the reinforcement and important in the transmission under construction.

We had here the 24 projects related to substation 56 projects related to transmission line total planned investment BRL1.2 billion and a revenue of RAP, annual allowed revenue of another BRL191 million. Therefore, we have a perspective of an improvement of credibility in getting these results.

Page 12, we consider something very important, which is secure that we are enterprising. There is a remuneration of the leadership, there is a work that was developed in the company which is what we call the sustainability excellence with an important participation of the Board of Directors we have the placement of Eletrobras in the year book the sustainability year book 2021 and we were considered Bronze Sustainability Award Bronze Class 2021 from S&P Global.

Our carbon efficient the carbon disclosure, you can see here the carbon efficient in the C3 and we have inclusion of IFP III and you can see on our site of the 2020 journey, the organization climate survey. And we can see all the actions of AFP. We align our leadership and we have the cost that are IFPE that are related to the variable income. We are part of the 2020 any other additional climate survey and we got 75.96% increase in units favorability since the last position and we have on the ICO 2 B3 carbon efficient index B3 net zero emissions greenhouse gas emissions compensation target.

We have the spending that we are in minus on the climate change that's why security and therefore the fourth industrial revolution and C4 when IR and Brazil and changes from Bloomberg from gender equality mix. Even with all the pandemic, we've had a wonderful positive results and the company is performing in an exemplary way.

Now you can turn Page 13, the efforts of our controlled companies: Amazonas GT and Eletronorte, which jointly contributed with the 117 oxygen cylinders to the hospitals in Manaus and Presidente Figueiredo, in Amazonas. And we also had the transport of oxygen therefore in the state that was very important, and we contributed at that very sad moment.

With that, we go to the financial performance of Eletrobras in 2020. We have on Page 15 the income statement in million of reais. As always, we have the IFRS reported value in the first column and then the recurrent on the right to give you a better idea about the future of the company. Provincial work to achieve this results.

We get revenue that across the regulatory so the gross revenue grew 15%. The main contribution out here you can see on the right we have BRL1.4 billion. We have the revenue for transmission 52%, which was recognized. And we had in generation and the operations with a higher ACL in the short-term and FDIS (inaudible) and the two term thermal life for quality and lower three.

Therefore we have the only in negative effect ACR regulated market at the end of contracts, minus 136 that we still have for both case generation and transmission, an

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increase of revenue 1.3% generation and transmission 22%. We also have a positive news PMSO recurrent when we see a drop here our personnel 7% supplies and services 10% drop but we also have actuarial losses for the pension funds due to the volatility and hindered the company and we have also key non-recurring while traditional legal effect which is PDP like additional agreement, enter agreement you can see the main one with light and for not representing the set here minus BRL737 million. But the important thing and our personnel supplies and services. These are relevant values for the company. We also had recurring operating costs higher, because we had the operations in the North and here, there was a topic in kind of out the investment was higher for construction 7%. So fuels 10% for Candiota III, the stoppage lower and the energy for Santa Cruz.

The recurrent financial results we have the exchange rate variation we had the effect of BRL505 million the derivative effect for Eletronorte another BRL255 million the monetary adjustment minus 144 and the financial investments. We have something also very important and in non-recurring activation of CGT Eletrosul tax credit in the fourth quarter recognition of BRL1,727 million. These are non-recurring, of course, monitor the assessment first on both the loans and revenue privatized distribution for the Company's bonus rollover price, plus FIV commission; very good.

And let's see on the gross revenue evaluation here. We have the evaluation of the 15% that we had already mentioned. These are recurring -- while the recurring gross revenue and the gross revenue IFRS are basically the same. We have generation and exploration minus BRL52 million in exploration and we have the activity of O&M in the free market and we have the activity of O&M in the free market of 142. This is very important for the transmission for O&M and construction and a contract revenue we have the 82% we had a loss here of BRL61 million of other revenue several things we had affording -- out of those BRL61 million, different actuarial gains of BRL172 million in the fourth quarter and the BRL57 million in the fourth quarter and the 102 into and the impact of the Rio Candiota 3 and the main contributors. So gross revenue growing 30% and from now we, under the that, there will be less impact from the non-recurrent.

So let's see the PMSO. We have basically the maintenance of the PMSO for '19 to '20. As I had mentioned, there are three favorable items personal supplies and services. In all of them, the relationship you can see here the actions the less and we have the negative of BRL187 million we have to do with the actuarial losses of BRL40 million and the bank guarantee the investment and different in the projects of EletroNuclear and donations and contributions which has BRL25 million.

These are the (inaudible) let just say that will non-recurrent items in this period. As you can see down below, non-recurrent items we have the license agreement that we have BRL496 million, which is not just cash, there is also assets. (inaudible) July there is CN BRL134 million we concluded in that process and we had a few things that we have comply later here.

We have the operating provisions a few characteristics apart in our report how explanations are in our statement, but the main one clearly is compulsory loan 590%. We have for the sort of why we and it was recommended as well by that lawyer but then we have the judicial process from Rio de Janeiro person not providing the initial petition. And

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then the net federal district we had the repetitive unfavorable decision reports. In both cases the lawyers are supporting us. So the me, (inaudible) is prudence in regards to the provisions we have here.

The positive effects and PECLD in the financing and Lawrence River regarding Amazonas Energia 217 we had a new agreement and we reverse on pharmaceutical the lot of CN, a lawsuit in the amount of 134 reduction here to 93 in this agreement. We also had the PECLD consumer reseller recovered Amazonas energy that with Amazon objective modified due to the decision of announced to do the renegotiation it will be a positive contribution as well. We also have, we stop and said come after three, there are those assets as well. And mainly the impairment of long-term assets.

We have BRL550 million this year. These are positive aspects these. So (inaudible) the reverse. We had the kind of three-phase see sufficient that minus of our menu and the leverage, and I can actually losses and type of records 84 in a feature. You can see that here in the provision is very important. But each of these has the perspective in the financial results.

Let's see Page 19. You can see the EBITDA. The variation of recurring items here. We have the non-recurring items, minus BRL115 million; we already talked about it. The positive results of our participation -- shareholding participation, the higher costs -- we had more generation which has PO to power the plant and there is a variation in PMSO there is the recurring operating provisions with from the PECLD and the improvement in the GAAP provisions and non-recurrent items which verify you can see 48-74 contingencies 3,000,122 investment losses by 552 and other 674 these are the point.

And they are reflected in the net income and we see the net income 1 billion turning to 59 in a recurrent it is affected by the growth of the EBITDA 1451, and the results in the current financial MD&A 485 the negative results the non-recurring item R&D adjustments to the EBITDA on FY 19 that we are talk about 474 and here the monetary restatement of the compulsory loss contingency.

We have here the results of the company. So how do we do the definition of the results. Well, we can see the reported net revenue, we have the legal reserve and we have the resolution of the revaluation reserve prescribed dividends, we have the result of 6.28 billion million net revenue we have the minimum payment 5% adjustment of the net income and we have them in the dividend, 25% net adjusted net income, 1.5 billion.

We have them allocated and we have PNA 1.1032, PNB 1.032, ON 0.943. And we have the investments here, net revenue impacted various reserve and we have a retention of profits Article 196, BRL1.4 billion 200 million referring should be resubmission of the financial demonstrations of 2019 and the reduction in our goal of last 6404.

Page 22, as you can see, financial discipline, we do the follow-up of our leverage, which got in 16 -- and 6.1. And we have the net debt-EBITDA without RBSE and we have net debt EBITDA worth RBSE and then the net debt input. You can see on the graph, the results. We've incorporated RBSE we go to 1.5. The net revenue, the net debt 20.3 and the

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recurrent EBITDA was R\$14. It's a very important value the capacity has more capacity to invest with a clear and demonstration of our goals. I think both, which is the goal being the net debt over the EBITDA over for EBITDA being below 2.5.

When I see the investments of the company, we have here you can see in the slide R\$3 billion in 2020. It is true that we had favorable impacts we can see here, R\$700 million the credits from the FTEs so it's under R\$96 million. This is R\$4.5 billion. Right. The corporate sold up because we generated cash flow and beyond that we had a better of efficiencies over the recurrent with the COVID pandemic, COVID impacts in Candiota. We can see here up here basically R\$1 billion and R\$301.4 billion which are processes that are the way (Inaudible).

So the savings would be R\$700 million for the year which will give you a realization of 60% I'm going to conclude the presentation. Speaking up the turnaround and the five years, we can see here the legacy that was instituted over these five years. We start with a company that had 26,000 employees in 2016. And we have the central business of EDC. We go to the end of the year of 12,527 in the end of March 12,088 and we are in a negotiation with the union and we are in a negotiation with the union collective bargaining agreement and we should go by October of 2021 we ended of 2612 employees. It's an important reduction and we can see down the road a reduction in the PMSO from R\$12.8 billion to R\$9.1 billion.

The reduction -- with a reduction 2020 the values will be lower in 2021 and we have the implementation of the FX PE of the CET economy, we only see the economies R\$353 million in '19 and, and R\$281 million of the this year economy.

We can see that we had we dropped from 3.6 the net debt EBITDA adjusted to 1.5 and here the market we expect from rising from the improvements the 2016 the market value of R\$27 billion and now the market value R\$35 billion and administration with that had aligned and you can see the number of shareholders.

We had 23,000 shareholders at the end of 2016 and now we have 145,000 at the end of 2020. And we also should highlight the restructuring. We had 178 SPEs and we had difficulty in the registration we created a Board of conformity, we reformed the buy larger and we started to sale and privatized the distributor said on (inaudible) and that's was fundamental for the company.

The resource as addressed from the privatization of the distributor (inaudible) R\$3.6 billion and now we have 94 SPEs, restructuring CPC, and as a result and at the end of the year the goal for the company is 2649 SPEs and we can see that are closer to that and the incorporation of (inaudible), which prepared the company and we adapt the company for the new structure. We have leveraged and improvement of our governance and we will see a little bit of that.

Page 26, we have a above the reduction in PMSO already demonstrating the number that we already talked about. Here, looking at the details the average in March of the people that were that left the every day 52.5 year the average rate for remuneration or almost

20,000 the numbers of disconnections you can see here. And in November, we have another 476 disconnection, the disconnection data can see here from November. We estimated cost of termination is the plan that has an economic advantage you spent 111 to actually get thinking 180 and you can for 2021, we had spent through 235 to get an 292 back. And we have been negotiation with the union this allows the company to be modernized, having younger people in the company.

27, the cost reduction. You can see that the regulated concerns of Eletrobras company. There is an organizational structure from we had 269 to 942 there is a reduction of bonus functions of 54% and just as those, there is a cost reduction from BRL212 million in '16 to BRL105 million in 2020. Observe to what the company worth annually. We had 885 number of Directors and now 152 Board of Directors. You can see the Board of Executive Officers, at Fiscal Council Board of Directors and the total. And now we have a drop from 885 to 468, namely basically it's less than half.

Page 28, we see the rationalization of SPEs. We have -- and therefore, another 12, therefore authorized by ANEAL the (inaudible) we should finish March with 82. We have received our preference in two FTEs. We are incorporating another one. These are incorporated assets of Eletrobras. We are in the year the purpose of closure of another 14, you can see that Eletrobras from all CSPs. One SPF L&T for sale and unprofit 15. We should go through by December 29. Out of 320 that were incorporated, they had a gain for Eletrobras of BRL133 million in EBITDA. And the sales along for the BRL2.2 billion addition to the Company cash flow.

I'm going to conclude my presentation now talking very quickly about Eletrobras future and the relevant theme. These will be the themes that Elvira will talk about the -- our potential succession and the efforts of privatization and (inaudible) 31, 2021. It was published by the NDS in March. We have the inclusion of Eletrobras companies in the PND by March we have the approval of the E&P by National Harbor for a quick discussion on 20 days or commission foreseen for the pandemic and we have the economic benefits we have for the final question for calculating the economic benefit.

It is calculated by the differential value the peak authorization year for the consultation period. This generated different N value that guarantees the Eletrobras of the future energy. So these are the important definition that are now in the government are under the responsibility and economic benefit, you can see here on the right dividend that will be paid when the contractual obligations and it's 230 you can see the value of that were established with the NPE, the funds, considerate funds, BRL8.75 billion. We have shared benefits for the electric sector. We have -- you remove this, you get 50% for the union granting bonus of 50% for SPE, 30 years to be paid.

You see happen half and you have the valuation of BRL51 billion the benefit well this sort of the economic benefit should be calculated 51 billion and then you have the equity compensation of BRL3.5 billion receivables and remove BRL2.5 billion and you have CDE BRL25 billion and once again granting bonuses for units for BRL25 billion.

These are primary shares the government doesn't take part, the government can sell the shares Eletrobras is a corporation had it controller the capacity for the work for the shareholders is limited to 10% and well the going capacity the preferred shareholders will be done minimum 10% with regardless of their shareholding position and Eletrobras business being able to sell the energy at prices in line with Brazilian market under the quota regimen.

Let's talk about the fee of the session. We hired foreign salary at 800 we had 1200s and 4000 unit -- the profile of the new executive the is the Director of Governance well once again this candidates will be projects to our rigorous integrity and as Eletrobras it's in the (inaudible) the requirements of the fixed company loss and Eletrobras company has not meeting regulation.

And we do that we also are linked to the Board of Directors the temporary commission for this portion of the succession process of the President of Eletrobras is linked to the Board of Directors and Eletrobras management and people eligibility committee, they follow-up on this process, and the selected candidate will be recommended to the Board of Director and they have to be approved by Casa Civil. In this process, we are at the end of the process. The Board of Directors appointed Ms. Elvira Cavalcanti Presta as of last week and to be the interim CEO. And I would like to thank all of the Directors of the Company for the work that we share and we have the integration of all of this capacity of the leadership with all the collaborators and we have the support of the Ministry of Mines and Energy.

These are my -- this is my presentation. Sorry for the time. And I am available for Q&A.

Questions And Answers

Operator

(Operator Instructions) We are selecting the questions. First question, Andre Sampaio from Banco Santander, Santander Bank. Welcome.

Q - Andre Sampaio {BIO 19422379 <GO>}

Good afternoon. Thank you for supporting the turnaround. I think it's very important. I want to understand your overview while we have no proposal for privatization. I would like to know what is their opinion on the discussion from the Congress and the question about the SPEs you said you will have 49 in '21. Are you doing a second run of analysis of the remainder of the SPEs. Do you want to say anything?

A - Wilson Ferreira {BIO 1528124 <GO>}

Okay. I'll start. The SPE; we're going to go through the end of the year were 49 SPEs high number from the north, the company should evaluate and you remember when we decided strategically to sell the SPEs, we sold the ones that do not have an impact in regards to the price, because of the GSE. I think we moved the value of the company. And from the moment on, the great deal of the SPE that we will have will be hydroelectric

power, but (inaudible) to meet up et cetera. What we understand is hydroelectric power plants, we are waiting for the conclusion of CCE and we have preference we can evaluate it.

Well, there is an up in pass to do either but remember that the value is fake and remember my data we had a parallel way the commissions of any yield and the company has the value of SPEs and moving average to evaluate strategically, but it's the best way and working with the movement as the controller as much. The company is ready for that. Here we go to what you said about the Congress the reporter read was it.

Well, if the strategies we relate to the people and is hearing along the people are saying and I share that we had discussed all the alternatives and we are evaluating (Technical Difficulty) and we are evaluating what is referral and not. And we had the provisional measure that was published and that we had an initial overview and now interacting results and the Ministry of Economy and everything that you regain think a little bit more about this proposal, which is de-valuation of the ministry in regards to the alternative. And I believe that we will have -- we will be talking about along the lines of the proposals that was presented for the capitalization at the national congress.

Thank you for your question.

Q - Andre Sampaio {BIO 19422379 <GO>}

Thank you once again and we're going to miss you.

A - Wilson Ferreira {BIO 1528124 <GO>}

Thank you. But I'm still the Board of Directors.

Q - Andre Sampaio {BIO 19422379 <GO>}

Very well.

Operator

Next we have Carolina Carneiro from Credit Suisse. Before I would like to remind you that we have the upstream for questions over the webcast right on your questions and we will present, yes Carolina. Good afternoon.

Q - Carolina Carneiro

Good afternoon, everyone. Thank you for the call. And thank you for all of this explanation. I have two questions. The first one is about the succession process of this year. Elvira is the interim CEO and we believe that this is a great choice and we saw some of the press, that we would have a list of shortlist of names. So we just wanted to know how is this process of choosing the name of the new President and the new staffs and other staffs.

Second question about the one problem for everyone. And key we have the values suggested initially as you remember, there are some items that were not taken into

consideration. The end of conversion of other power plants GST, So if you can help us with which items are relevant that are still not considered in that first account and what do you think that the market should pay attention here? And what should be included in the final evaluation of the company. Thank you.

A - Wilson Ferreira {BIO 1528124 <GO>}

Thank you for your comments about the management. Key succession process is advancing, of course. Our President and Ruyie [ph] has talked about getting this done as quickly as we can. So we can invest. We are at the end of this process. I don't want to actually discuss the numbers of how many people were interviewed. And if you want to remind me, you have to be submitted (inaudible) to call in an assembly of councilmen and then the councilmen will evaluate the candidates and recommend it through the (inaudible). We still have time, but we need to get this done. Elvira is in the work along with the Ministry of Economy, that is following up on this profit. It's important that this new President, woman or man is leading the company, because we have new proposals of the company. And we have to demonstrate the Ministry of Economy the importance of this capitalization process. This is the second thing.

The second thing is in indemnization, a non-amortized profit of (inaudible) and therefore this was not demonstrated. There are some assets that we have to contribute, that we have to think about and I think it's relevant -- the discussion of the variables themselves. There is an increase of capital and we have to be very careful. To think about the future of the energy and we've done a few familiarization with this chart, and other (inaudible).

The parameters for future energy, the TFE losses that standard what is the rate for disclose. So we are sitting down on the table and we have to recommend -- the Board of Directors, there is a lot of responsibility as quickly as we can and obviously the Company will assure that we have the inclusion of these areas and in absolute value, this is the main one and innovation indemnization that one either followed up or and there is BRL3.5 billion and this is recognized by ANEEL.

Q - Carolina Carneiro

Thank you, Wilson.

Operator

Very well. Now we will have Marcelo from Itau Bank. Marcelo?

Q - Marcelo Sa {BIO 16454581 <GO>}

Hello, everyone. Still something about the payments raise. I have a comment that I wanted to talk about the government. The guarantees and the account of the ministry, if you can talk about the provision and long-term energy, the government establishing a higher price on the long-term. I think that there is a space for long-term number. Thank you.

A - Wilson Ferreira {BIO 1528124 <GO>}

Thank you, Marcelo. Certainly this actually reviewed and we have to the industry and we have that overview and we have this will be very important for the Eletrobras and other state-owned company that can advance in the same direction. Finishing the Florida of etc. And we believe that this will be represent.

I confess I do not remember and maybe you can discuss the value of the physical guarantee there was a mistake, I should say there was higher than what we have and we have the set of reports all of the power plants of Eletrobras went through their review of the physical guarantee and some of them were limited to that value of 5% or 10% of the concession. Now we have Tukurui [ph] that have to be incorporated, but the government has 500 and then we can share this information with you.

Q - Marcelo Sa {BIO 16454581 <GO>}

No, Thank you. I was talking about the fixed guarantees because in the past you know what the discussion-- structural discussion that you had to change the preparation methodology.

A - Wilson Ferreira {BIO 1528124 <GO>}

And the only limitation is, whether it's the first second renewal but I wanted to understand if there are more of a structural change we know there are things we don't have the physical guarantee it is denominator that we have a higher effect is this a possibility or well, I don't think there is a possibility. It's no use to generate and guarantee if you cannot generate the guarantee and here, you have to do the real physical guarantees. And here will be reduced here. And we will have the proportion of volume in the physical guarantees in a real way. And I am certain projects will happen.

Q - Marcelo Sa {BIO 16454581 <GO>}

Thank you.

Operator

(Operator Instructions) The next question will be from Miguel Rodrigues from Morgan Stanley.

Q - Miguel Rodrigues {BIO 16533007 <GO>}

Hello, Wilson, Elvira. Thank you for the opportunity, and congratulations for the work that was done. Two questions in the context of E&P about the capitalization. I want to see what is the possibility and the models for If I point that's it on the plan, and when can you consider the migration of the company for the new market that was discussed in the first proposal for the presentation is question. Why don't you know the status of the shareholder participation so we're guarantees in the past you consider the substitution of guarantees for those participation to be able to be sold. I wanted to get an update on the process and specifically I don't know status. Thank you.

A - Wilson Ferreira {BIO 1528124 <GO>}

Thank you, Miguel. In regards to the models and the preparation of guide full basically I have three. We had the center one where you this specific case of Itaipu we only have the social capital as you know as the fine tariffs for the first plant, faced by national also there is no perspective for the remuneration for the social capital that is different from define in NXC of the favorable treaty, we have \$50 billion has to be updated. The shareholder participation because the pipeline will be 50 years now at the end of 2023.

So the shareholder capital have to be held on to a public company, and that's the main option. And you asked about a Eletrobras almost 100% and the Eletrobras and you could well the social capital of Itaipu by the updated value and you can join calculation of both and if you can sell the control of Eletronuclear, 50% is preferential Capital. Eletrobras would get 49% of control as a public company to control both participation, the full capital of Eletrobras then the control and of energy (inaudible). Due to high value to validated selling these two and this is a good decision making process. For a exchange of share, then the government will have in the company that will be in the public company that will be lifted or not and I understand that this is a process that is predicted but it will take longer and with the simplest to do that.

Now, in regards to the -- this will be a provision of the big company and this is something that is a buyer and we evaluated many times process. Since 80% of the federal as ordinary 20% is for financial. And you can National Treasury as a minor shareholder. 90- /The shareholding participation, we have a decision from the Board to monetize there is an investment in the liquidity of this consecution we have been 15% of the shares already with these being and we have a preference in the sense of the exchange of guarantees from share because we have, in some cases -- opportunities for the business and the company is working.

In the sense of substituting this guarantees to release them. We will work to review them.

Q - Miguel Rodrigues {BIO 16533007 <GO>}

Thank you, Wilson.

Operator

Next question will be from Pedro from JPMorgan.

Q - Pedro Manfredini {BIO 21633245 <GO>}

I am Pedro from Goldman Sachs actually. JPMorgan a long time ago. Welcome Elvira. Thank you for the opportunity. I would like to congratulate your work. Thank you for all the interactions and it make our life easier I would like to actually talk about the golden share. What has been discussed in the golden share. We have the official discussions and I heard from you Wilson what have you discussed in that sense.

A - Wilson Ferreira {BIO 1528124 <GO>}

Thank you, Pedro, for the question. Golden share is something that the Congress itself the golden share we move the value. The limit of golden share down the road the

maintenance of the headquarters of the controlling company the assets and the power to them in a concentration. These are the powers of the golden share, that were being discussed. The idea is to have a golden share that relates to the assets of Eletrobras that relates to the four main operations and obviously to the capacity of keeping this capital program these are the powers that were considered with the golden share. Thank you.

Q - Pedro Manfredini {BIO 21633245 <GO>}

So it will be a rational use of Golden share. So I think this is an independent corporation regardless of the disposition of the government, at the end of the capitalization. Yes, this is what the market is discussing. And another question. I remember that this was the mantra which is a redemption in leverage. We see the 1.5 times in EBITDA, and you say that the goal is to be below that. And may not be optimal because what Eletrobras is generating the cash and you will lose a little bit of the optimum structure of the capital. This will be a challenge for the next year of the company. But what is we are going to discuss about that you've had what is the target of the company holds capital efficient? What would be the perspective for the maintenance of our leverage close to optimum? Will it be an increase in the payment of dividends, would it be seeking new investments, are you going to talk about through the other shareholders to consolidate, what would be the path for an optimum leverage?

A - Wilson Ferreira {BIO 1528124 <GO>}

I'll take it out. Net value is trying to have is a value that we still have a lot of volatility, when we drop from 3 to 2.5 is short-term. We cannot forget that we have here a big operation in the case of Angra and we are getting equity in the company to take it for our public bid and from then on a great deal of the capital will be for financing. So the company will re-leverage. When you look at the company, you need to look at this perspective and we have transaction such as the one that you mentioned.

We haven't project throughout with the session. And we have to be prepared for this, this is something where the company can repeat but we believe where we are where we reach our perspective with the entry of 100 with building 103 and the other one.

Q - Pedro Manfredini {BIO 21633245 <GO>}

Thank you.

Operator

Ladies and gentlemen we close the Q&A session. Now we give the floor to Wilson Ferreira Junior for the final thoughts. The floor is yours.

A - Wilson Ferreira {BIO 1528124 <GO>}

Thank you. I would like to thank everyone here. To be part in our earnings call, it was an honor to be a part of the Board of Directors and lead the company in this restructuring process. I have a lot of love for Brazilian company. I think that is very important fundamental important for a Brazilian and it was the best professional experience that I've had and I've honored.

FINAL

The Board of Directors. We had people such as (inaudible) performing. Everybody was very important in the construction of this company. The Directors (inaudible) Elvira. And we have a company that's a main legacy is the training of the people all the companies that are under the control of Eletrobras and we are very proud.

We have very consistent results. And we've had an evolution in regards with positions and we are stabilizing the company, some of our company, transmission 35%, quick professionals, excellent governance and this will be leverage highlighted by the process of capitalization. I see that the successor, the Board of Directors, I've had the honor to lead them and I would like to thank the shareholders and investors that trust our company and our shareholders shareholders, also Eletrobras and I will continue to be, because I believe strongly in this company and the evolution process of this company.

Thank you for your attention. And I wish you the best, especially two of my colleagues and the Board of Director and I wish you the best in this wonderful company that we managed to recover.

Operator

Therefore we close the teleconference of Eletrobras. Thank you for your participation. Have an excellent afternoon.

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