

## Q2 2021 Earnings Call

### Company Participants

- Augusto Miranda da Paz, Chief Executive Officer
- Leonardo Lucas da Silva Tavares de Lima, Chief Financial and Investor Relations Officer

### Other Participants

- Marcelo Sa, Analyst
- Pedro Manfredini, Analyst

### Presentation

#### Operator

Good afternoon, and thanks for waiting. Welcome to the Conference Call of Equatorial Energia S.A. regarding the results of the Second Quarter 2021. Today, with us are Augusto Miranda, CEO; and Leonardo Lucas, CFO and IR Officer. We would like to inform you that this event is being recorded. All participants are going to be in listen-only mode to read the company's presentation. Well, they start the Q&A session, when further instructions will be provided. (Operator Instructions) This event is also being simultaneously webcast on the company's IR website [www.equatorialenergia.com.br](http://www.equatorialenergia.com.br). And there you will also find the respective presentation. You will be able to control the slides during the presentation. The replay of this event is going to be available soon after its closing. We would like to remind you that webcast attendees will be able to post their questions to Equatorial Energia S.A. on the web. They will be answered after the end of the conference call by the IR department.

Before moving on, we would like to let you know that any statements made during this conference call, relatives to Equatorial's Energia business outlooks, projections, operating and financial goals are based on the beliefs and assumptions of the company management and rely on information currently available to the company. Forward-looking statements are not a guarantee of the performance, since they involve risks, uncertainties and assumptions. They refer to future events and therefore depend on consequences that may or may not occur. Investors and analysts should understand that channel conditions, industry conditions and other operating factors may affect the future results of Equatorial Energia S.A., and linked to results that will materially different from those expressed in the forward-looking statements.

We'll now turn the floor to Mr. Augusto Miranda, that will start the presentation. Please Mr. Miranda you may go on.

**Augusto Miranda da Paz** {BIO 15350182 <GO>}

Well, first of all, I'd like to wish you all a good afternoon, and thanks for attending. It is with great pleasure that we present to the company's 2Q'21 earnings. We have moved from our first quarter in which the pandemic contacts presented itself again in a more acute way. Now to a current scenario in which there are clear positive prospects as vaccination moves forward and economic activity show signs of recovery as registered in the levels of energy consumption in our concessions.

The second quarter was of great importance, not only for the positive results registered, but also for the steps achieved in our value creation agenda. Just as the victory in the bidding process for CEA Amapa at the end of June, and more recently at the beginning of the management at CEEE-D in aquisicao [ph] already in July, in addition to the acquisition of a distributed generation company Enova. In this sense, we would like to point out that we are still active in the analysis of new business opportunities, broadening our view not only to the segments related to energy, but also opportunities in sanitation.

We'll then move to Slide number 3. I start with the highlights of the period. Starting with the economic financial highlights, we ended the quarter with the company's recurring consolidated EBITDA BRL1.2 billion, growth of 42.7% compared to the second quarter '20. The significant performance reflects the gradual economic recovery in our concession areas. And not only that, but also the consequence expansion in consumption and tariff gains surpassing pre-pandemic levels, and that is very important.

Now we will bring details of our evolution later on. We invested more than BRL473 million in the quarter, especially in the distribution sector focus on strengthening and expanding our network and fighting losses. We continue with a robust consolidated cash position of BRL8.2 billion, which allows us to maintain our current investment projects. And at the same time, be competitive for eventual capital allocation opportunities.

As for our consolidated leverage, we ended the quarter with a net debt-EBITDA ratio of two times, against 2.3 times in 2Q'20. We are in a movement of deleveraging, benefiting by the transmission assets and also the strong performance of our distributors. As for the performance of our distributors, I would like to highlight the growth of the consolidated volume of energy in sales, which has raised 10.7% particularly distressed significant extension, up 13.2% registered in the Equatorial Para, and 14.7% in Equatorial Piaui.

We will also comment on the operational performance of our assets in the next slides. Another important point that I would like to highlight was the approval of The Annual Tariff Adjustment of Equatorial Para that took place last week with an average effect to be proceed by consumers by 9 -- of 9.01%. The result on the one hand mitigate the impacts of inflation through the use of PIS/COFINS credits for tariff moderation and also allowed the growth of Parcel B reaching the amount of approximately BRL2.9 billion. We will provide more details at the end of the presentation.

In transmission, at the end of this quarter, we reached a 100% of our Active RAP, that is with all assets already in operation or receiving revenues through the revenue release agreements, the TLR. The next quarter will be presented with a full RAP and EBITDA. In

this quarter, we started operations of our less asset, SPE 03 in June, which represented an anticipation of the regulatory deadline of approximate three months.

Finally, I would like to highlight the victory in the CEA auction adding one more asset to our portfolio, in which we'll be able to promote our already consolidated turnarounds and value generation model. And also the beginning of management of the CEEE-D, whose acquisition was concluded on June the 8th in this quarter. These results are yet not consolidated in our economic financial performance, but they will be as of the next quarter.

I will now turn to Leo, that will comment on the company's operational and economic financial performance in the period. Leo?

### **Leonardo Lucas da Silva Tavares de Lima** {BIO 21810876 <GO>}

Thank you. Good afternoon, everyone. I hope you are all well. Let's talk now about the market evolution, starting on Slide number 5. The volume of injected and build energy continues to expand at a strong OpEx growing 8.8% and 10.7%, respectively in 2Q 2021, with growth grows [ph] in all our concessions. But I highlight the advances in Para and Piaui benefited both by the weather component and by the higher industrial activity and commercial reopening throughout the quarter.

The growth of energy distributed at levels above those injected is also very positive, as it indicates reduction in a consolidated manner in our distributors in the level of losses. It's interesting to note in this quarter that differently from previous quarter in which growth was very much concentrated in the residential class. We started to resist an increase in other classes led by the commercial class, which grew 25.5%. As a consequence of the stroke market growth, total consumption levels even surpassed pre-pandemic levels. In fact, compared to 2019, the energy distributed grew by 14.3%, however, it's worth noting that in our goal sustained at the time there was a billing adjustment in 2Q '19. If we disregard this effect, the growth compared to pre-pandemic levels was 9%, which represents an average annual growth up 4.4%.

In this period, it's evident that our concession areas are resilient. They presented low retraction in consumption in the second quarter '20, and the expansion in the Residential segment, and then the removal of restrictions in economic recovery drove growth in a homogeneous manner, both in comparison between (inaudible) and in the opening or the breakdown by classes. Finally, it is worth noting that we continue to grow strongly in the number of consumers classified their slow income with more than 261,000 customers added in the last 12 months. That represented an increase of approximately 12%.

Let's move on to the next slide, Slide 6. Here we show the performance of the company with regards to collection and defaults in our distributors. The net debt provisions and collection percentages, so an evolution compared to 2Q'20 and our consequent of the improved economic scenario, but also on our success in our programs and strategy is to incentivize collection. The company adopted a series of actions to encourage and facilitate fulfillment of obligations of our customers. Fostering compliance such as

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participation in campaigns with prices offered and also facilitation tools such as negotiations on the website, virtual assistance and other initiatives that were implemented in the period.

I would like to highlight the Energia promotion. It encourage customers to be payment regularly, in order to be eligible to participate in premiums offered, also generating an increase in the quality of our base. Under the initiative, we had approximately 1.6 million customers that joined, which resulted in an increase of 4.06% percentage points and the levels of these consumers. With that, we close the quarter with a collection rate of 99.2%, and a provision for bad credit of only 1.3% of gross revenues consolidated numbers. It's worth noting that (inaudible) of energy supply to low-income customers established by ANEEL, which is effective until June the 30th, when resolution -- by Resolution 928/21 was extended until September the 30th, Resolution 936/21. We want to make a joint negotiation program with these customers until the end of September to avoid any energy cut-off.

On Slide 7, we show the total losses in our distributors. As I mentioned on Slide 5, consolidated losses dropped basically because of the growth in energy distributed above that of the injected energy. The result of -- decreased the loss in three of our distributors. In Para, where we have the highest level volume of losses. The reduction for the second consecutive quarter is a reflection of the actions that were implemented in the period, and which should advanced in the coming quarters. The emphasis is the expansion of our Centralized Metering System, that is as SMC and the reductions of restrictions imposed by the pandemic.

We want to continue on with the reduction in non-accruals, which continued to advance consistently in the turnaround process is the highlight is the performance of PI, very close to the regulatory level. Less than three years after the group started its operation. This is a consequence of process improvement and productivity gains of the teams that work in this area. It is worth noting for the seventh consecutive quarter, it's possible to observe a drop in the percent of losses in our loan growth and for the ninth consecutive quarter in Piauí. Energy losses in 2Q'21 had an increase due to our more adverse scenario that was imposed by the pandemic. However, it's worth noting that it is the distributor with the lowest level of losses in the group.

Let's go to the next slide, Slide number 8, where we show your quality indicators. In (inaudible), it's important to note that the accrued indicator continues to be impacted by the atypical events that we had in the first quarter, mainly related to suppliers and in the second quarter also impacted by atypical events as a result of the increase in the number of occurrences due to visitation to appearance in remote and rural areas. These areas generally, we do not have automatic faults detections. In Alagoas there was a 1.2 hour increase in the quarter, due to higher volume of rainfall in the period compared to 2Q'20. As a comparison in the month of April, the rainfall volume was 279% higher than that of April last year. Despite the increase, the CEEE-D performance in Alagoas continues to evolve with the 22% reduction compared to 2Q'20. The same applies for Piauí, which had a reduction of 18% year-on-year. We reinforce that the turnaround process of our most recent assets continues to move forward. This has only been possible due to the maturation of our processes and the strengthening of the group structure.

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Now we are going to -- go to Slide number 9. Basically, the main highlight here is the fact for the sixth consecutive quarter, we have all four distributors below regulatory caps. Alagoas has been (inaudible) pace for reduction with a drop of 20.4% when compares with the same quarter last year. Another point to be highlighted is Equatorial Piaui. That showed a 5% decrease when compared to 2Q'20, which reflects investments for improving the network made as part of the turnaround process. In Equatorial Piaui, it's worth noting that the company, which in June, the lowest historical levels of fact and that ever recorded.

Now I'm going to turn to the economic financial performance. Here on Slide 11, we show the evolution of manageable expenses consolidated adjusted Piaui and so and variation by assets. It's important to remember that the second Q '20 was heavily impacted by cost reductions due to the pandemic, which generates a base effect when we compare to the adjusted 2Q'21 PMSO. When we compare the second quarter '21, and the first quarter '21, PMSO fell slightly. And when compared to the first quarter '20, it rose about 9% in line with inflation for the period.

It's worth noting that since the first quarter Equatorial implemented another stage of its organization redesign is strengthening regional structures to improve its results, which were reflected in the quarter in reduction of losses and provision for bad credit. The comparative impact of this redesign remains as you can see Mario registered an increase of 2.3% in the comparison between periods, below the accrued inflation of 8.35% measured by the IPC. In Piaui, as in the previous quarter the increase is mainly due to higher personnel expenses, mainly to the organization of restructuring and the acquisition of the 8th hour worked and also higher expenses with third parties services, especially intensification in the collection and loss factors, as well as expenses with legal fees on successes.

In Piaui, the increase is mainly due to the payment of profit sharing for the achievements of goals and also higher volume of expenses due to identification of collection strategies and expansions with software maintenance. In Alagoas the variation reflects the recognition of personnel expenses include between sharing and increase of third-party services related to legal fees on successes and expenses with maintenance and software licenses. In these two companies, in less than three years of management, we already have a PMSO per consumer within group standards. In transmission, the increase results from the startup of our assets whose expenses until last year were activated and now are being reported in the results. Finally, the variation of -- in the group of other businesses include holding is mainly due to the effect of accounting elimination, because of less services intra groups with no impact on EBITDA. In addition to higher expenses with M&A operations and valuation of opportunities.

Let's go to the next slide. Adjusted EBITDA for the second quarter 2021 reached BRL1.2 million, a significant increase of 42.7%, compared to that of the second quarter 2020. If we remove from the adjusted EBITDA, the non-cash effects as the financial asset adjustment and IFRS 15 transmission, the growth is 81.8% or BRL516 million, going from BRL630 million in 2Q to BRL1.1 billion this quarter. This expressive growth is a consequence both of the distribution segment benefited by gaining tariff from volumes as well as the entry into commercial operation of the transmission assets.

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Next slide, we are going to give you a breakdown of EBITDA bank asset, 13. In this slide, we can see the contribution per asset E&P adjusted EBITDA for non-recurring effect. Here the highlight is the strong growth in adjusted EBITDA presented by all distributors, which together contributed with an increase of BRL451 million compared to 2Q 2020. In the sense, I'd draw attention to the performances of Piauí, which capture significant increase in the B tariff due to the RTE that took place in December last year, and there is also influenced by the reduction in losses of market growth in a decent to improvement in spot prices. And now their highlight is the state of Pará, whose adjusted EBITDA reached BRL550 million, an increase of 90% of (inaudible) of gains with tariffs market, basically because of the external losses and also a significant reduction of spot prices of BRL58 million in addition to the updates in our financial assets. In transmission, the variation captures the slowdown of CapEx, which leads to a reduction in contract assets revenues, as a result of IFRS 15. In the graph below, we show the contribution per asset in the adjusted EBITDA. Disregarding the effects of the financial asset update and IFRS, where we can observe the evolution of the transmission EBITDA, due to the startup of operations are part of our assets.

Going to Slide 14. As you can see on the slide, we invested BRL473 million in the quarter. This amount is '21 lower than that of the previous quarters. The biggest highlight is the increase investments in the distribution segment, especially in the states of Pará and Alagoas. And also a carryover effect of non-executed volumes last year due to the restrictions that were more severe because of the pandemic. The total investments allocated in the segment amounted to BRL428 million, an increase of 5%. Investments in the transmission segment peaked in 2019. And since now, then are slowing down due to the completion of projects in total, since first quarter '17 more than BRL5.2 billion, have been invested in our transmission projects.

Let's go to the next slide, Slide 15. We show that the net debt was practically stable in relation to the previous quarter with a total of BRL10.3 billion. Considering our 100% consolidated assets, the net debt EBITDA ratio continues on a deleveraging path, reaching a level of two times this quarter. This was basically influenced by the strong cash generation and also by the offsetting a PIS/COFINS credits. In this quarter they have the net effect of BRL188 million. We understand at this level of leverage gives us flexibility to enjoy opportunities in the market regarding capital allocation. In this quarter, we kept a strong cash position with BRL8.2 billion in the period enough to pay more than three years of debt maturities, whose average turn at the end of the second quarter was approximately 5.5 years. The effective rate of 9.08% a year reflects the mark movement, as it capture the recent increase in our main axis IPCA and CDI.

Additionally, it's worth noting that we are in process of restructuring the liabilities of CEEE- distribution. We have already made the first disbursement of 41/31 [ph] operation in the company in the amount of BRL250 million with a 100% hedging in expanded disclosure. We also hired a short-term NGF of \$228 [ph] million in April to hedge the exchange exposure of CEEE liabilities in Equatorial Energia, and because CEEE distribution is still not being consolidated this quarter there is an impact of contracting this hedge of about BRL95 million in the company's net debt on financial results.

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Let's go to the next Slide 16. Here we can see that after the start of operations of SPE 03, which took place in June, we have reached 100% of the active RAP. SPE 03 was already ready, but was waiting for the completion of works that were under the responsibility of a third-party to be entitled to the anticipation of the RAP in relation to the regulatory deadline. In this case, this will occur for 10 months. As a result, we will reach an annual revenue of BRL1.2 billion, if all the group's transmission assets are included, already considering the adjustment for the '21, '22 cycle of 8.06%, which shows the segments' importance in the group's revenue and EBITDA portfolio. It's also important to highlight our commitment, a project's execution and delivery ahead of schedule bringing even more value to our shareholders.

Now I will turn the call to Augusto.

### **Augusto Miranda da Paz** {BIO 15350182 <GO>}

Well, thank you. Before we move on to the final considerations, I would like to bring a little more color about the tariff adjustment in Para. The result was approved last week, and it went into effect on the last (inaudible). And they all approved at the end of the adjustment of Equatorial para spirits with an average effect to be perceived by consumers of 9.01% with the use of measures for tariff moderation. It is worth noting that for our residential clients that readjustment to be perceived will be even lower 8.52%.

Parcel B of Equatorial para had a positive readjustment of 33.8%, when compared to original amount in effect in the last year, influenced by a GPM in the reference period and by factor x of minus 0.29%. Amongst the main measures for tariff moderation that are crucial in moments of inflation pressure is the reversal of balances not used in the COVID account and mainly in the uses of ICMS credits on the base of PIS/COFINS the ladder in an approximate amount of BRL624 million.

Now moving to the last slide to 19. I would like to close by highlighting our recent accomplishments and the outlook for 2021. Among the highlights of the period, as we talked about during the presentation, we achieved 100% of active revenue in our transmission projects, reaching an annual revenue level of over BRL1.2 billion. Also this quarter we want to see a auction of the energy company of Amapa, whose acquisition is still subject two conditions precedent, such as and new approvals, but which again reinforce our commitment to the growth and value creation agenda for the company.

We expect to start the consolidation of this asset in the first quarter, and begin a new chapter in our history to transform this asset into an asset of excellence and contribute to the development of the region. In addition, we completed the acquisition of CEEE-D in July, starting the asset management. With this we have advanced in the 100 day plan, accelerating the execution of our turnaround model in priority fronts. We continue to reaffirm our growth trajectory based on financial discipline and efficient capital allocation. And once again we are confident that these will be important chapters in our history. We also had the tariff readjustment in Para now with a very positive result for the company, especially because of our ability to fully capture IGPM in Parcel B.

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For the year, the main perspectives and distribution we are going to have tariff revision processes in Equatorial Maranhao, which will take place at the end of August, and also CEG, which will take place in November. Finally, we continue to evaluate an extensive pipeline of opportunities to grow and strengthen our portfolio, as verified by our recent participations in bidding processes, not only in the electrical sector.

Now I'll turn back to the operator to come back to our Q&A session.

## Questions And Answers

### Operator

Thank you. We will now start to the Q&A session. (Operator Instructions) Our first question comes from Marcelo Sa from Itau.

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

Hello, everyone. Thanks for the call. We have some questions about this asset that you part. I would like to know, if you already have a project for that, in what states, you could start operating? And if there are any chances of this company have significant EBITDA in the whole of Equatorial, or if you're expecting something small in the beginning? And the second about Amapa, what is the company's mindset? I would like to know also if you were considering other M&A opportunities in the state? Thank you very much.

#### A - Augusto Miranda da Paz {BIO 15350182 <GO>}

I'm sorry, Leo, I don't know if you've heard it well. The sound was a bit broken to me.

#### A - Leonardo Lucas da Silva Tavares de Lima {BIO 21810876 <GO>}

Yeah, sure.

#### A - Augusto Miranda da Paz {BIO 15350182 <GO>}

Okay. I'm going to answer, and correct me if I'm wrong. You're talking about Enova, at the operating area and Amapa. Are these your questions?

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

Yes.

#### A - Augusto Miranda da Paz {BIO 15350182 <GO>}

Amapa energy distribution?

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

No.



**A - Augusto Miranda da Paz** {BIO 15350182 <GO>}

Sanitation auctions.

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

Okay.

**A - Leonardo Lucas da Silva Tavares de Lima** {BIO 21810876 <GO>}

Do you want me to answer, Augusto?

**A - Augusto Miranda da Paz** {BIO 15350182 <GO>}

Yes, please.

**A - Leonardo Lucas da Silva Tavares de Lima** {BIO 21810876 <GO>}

Okay. Well, thanks for your question. Starting with Enova. This JG [ph] strategy is directed to GT expansion in our company, be it in rooftop lines, but also solar farms. We are in a way to transform our strategic planning to a tactical plan to start having a more positive effect of this combination. The company's operation that was already taking place, but with the support that we can give as Equatorial.

As for Amapa, we are still not commenting strategies on specific assets, but it's very true that indeed we are looking to the sanitation segment. We are very much interested in joining this segment, and also it is a fact that it is perhaps even more interesting when these opportunities are post in concession areas in which we are already subjected. That makes things even more appealing to us.

**A - Augusto Miranda da Paz** {BIO 15350182 <GO>}

Well, just to add, you asked about our operations. It's quite natural, Marcelo. When you have a company in the state in which operates you can enjoy capillarity. So even as a strategy, we believe that we should advancing the areas where we already have concessions, that's the idea to advance capillarity to be no municipalities and then perhaps consider other states. But yes, in the four states, six states where we are present, we are going to really move on with distributed generation.

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

And how about -- well, in this stage, we have several companies building their solar farms. And then you can add credit in GD to residential consumers and they could migrate, I don't know by having a panel in their homes. And I know that the congress is analyzing a change of rules in operation, and then companies are going to analyze, whether they are going to do about that. What I understood is that, all the projects are going to keep rules as they are. So what I would like to understand in this asset that you bought, has projects already in the states in which you operate, or not really you're talking more of a service company that has to start to structure projects in the future, and it's just in the beginning of its operations?

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**A - Augusto Miranda da Paz {BIO 15350182 <GO>}**

Well, this company already operates in Maranhao in the segment. Obviously, the priority was rooftops. But now that it is integrated to Equatorial. We have the capacity to have a bigger projects such as solar farms to provide services to larger customers. This is already a reality. We already did something, an operation of the (inaudible) even before we acquired the company and now together with this acquisition, we are already carrying on a new operation in Para So we believe that by getting together, we can not only continue our advancing in the rooftop segment, but also advance to solar farms. It is true that there are some discussions going on in congress to enhance the segment. We believe that they are necessary and we are monitoring them from close to be able to work as well as possible.

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

Okay. Very good. If you allow me a final question about transmission assets. As you mentioned our assets are in operation now. And there are some companies in the sector that are considering to sell operational asset, so you have some kind of a recycling. I remember that in the past, there were discussions of you listing your transmission assets in separate. I would like to understand your vision on transmission, it should be part of your portfolio, or if there are any chances of you selling the asset, or you know thinking of something else since there are operations?

**A - Leonardo Lucas da Silva Tavares de Lima {BIO 21810876 <GO>}**

Marcelo.

**A - Augusto Miranda da Paz {BIO 15350182 <GO>}**

Yeah, go ahead, Leo. You can answer.

**A - Leonardo Lucas da Silva Tavares de Lima {BIO 21810876 <GO>}**

Okay. Well, I think the most important point for Equatorial is our flexibility and the amount of options that we have to raise funds. It can be you know a multi-fold. In the case of transmission, we really wanted to complete the process, that is something that is very good to us, because it helps us reduce cost of credit. And so it makes the company more stable. That helps in the process of deleveraging.

Now, if you want to think of motivations, we have a very strong liquidity, and we do not have any demanding or urgent need for recycling. Of course that recycling could bring a substantial volumes, and perhaps it would be more interesting, if we had any other operation of similar size on the other end. For now, you know, we don't have any prejudice against options. So it can be one or the other. We are paying attention taking a look in all of them, but we believe that we have to have the right set up. That makes sense. And that will generates the need for us to make a move for that, if it makes sense.

**A - Augusto Miranda da Paz {BIO 15350182 <GO>}**

Marcelo, just to add to what Leo said, and Augusto here. I always say that transmission is a good problem we created for ourselves. It's a good problem. And Leo mentioned

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because of our cash position credit in the market, we are always open to looking to opportunities. So we always looking to opportunities. And I think it is a nice step we have under (inaudible). And it's part of our job to look around for opportunities. If they make sense, yes, we will go for that. So this is an ongoing study, but we don't have anything concrete now.

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

Okay, thank you very much.

**Operator**

Our next question comes from Goldman Sachs.

**Q - Pedro Manfredini** {BIO 21633245 <GO>}

Hello, good afternoon. Thanks for the call. I have two questions. The first is about the seasonal bank that was approved at the end of June. We are hearing about higher costs in different areas, in the sector. Then I would like to know how you view those new price bank, if it reflects the hike in prices more recently. And if so, if there is room for you to negotiate any changes we've done now.

Then the second question is with regards to the gas market. We saw the sale of gas through recently. And I would like to know, if you see any opportunities there, which can open room for privatization in gas distributors. So how do you see this sector? Thank you very much.

**A - Leonardo Lucas da Silva Tavares de Lima** {BIO 21810876 <GO>}

Okay. First, the price bank. I think that we have a positive opinion about that. The price bank, you have the registration units, which is your main asset that is always going to fluctuate according to the company's price bank and market indicators. So, that's the main part, and it is protected somehow. Marginally what you can have is in smaller components, which is a much lesser part of the CapEx, and that is no longer addressed as percentage, but now by units in rails. So a bit more attention on this item, but it is again the lesser part of the CapEx. I don't know, Augusto, if you want to complement to this answer?

**A - Augusto Miranda da Paz** {BIO 15350182 <GO>}

No, that's what it is. I think in a nutshell, that's what it is. I think that they changed to the reality. I don't have any further comments.

**A - Leonardo Lucas da Silva Tavares de Lima** {BIO 21810876 <GO>}

I couldn't hear of the second part of your question, you were talking about, gas?

**Q - Pedro Manfredini** {BIO 21633245 <GO>}

Yes.

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**A - Leonardo Lucas da Silva Tavares de Lima** {BIO 21810876 <GO>}

I would like to know your opinion about gas market, if there will be more opportunities of sale after the sale of gas factor a few weeks ago.

**A - Augusto Miranda da Paz** {BIO 15350182 <GO>}

Well, this is Augusto. Just to add to you, Leo, also Diageo [ph] is not perfect to me, but anyway, still about the price bank. We think that the update was positive. It reflects the reality as we mentioned. And for us it was neutral. There were no impacts. But we are going to be able to recognize our CapEx with the price bank. And again, I'm very sorry, you know, I don't know if you can hear me well, but I can hear you very poorly. The other question is?

**Q - Pedro Manfredini** {BIO 21633245 <GO>}

Hi, can you hear me?

**A - Augusto Miranda da Paz** {BIO 15350182 <GO>}

Yeah, sure.

**Q - Pedro Manfredini** {BIO 21633245 <GO>}

It is the gas markets. What you see in terms of opportunities for distribution in gas, after the sale of gas stating, which was about two weeks ago?

**A - Augusto Miranda da Paz** {BIO 15350182 <GO>}

Well, the gas market, we have been talking about studies in this market, but differently from the sanitation segment that we started a bit some more time before and that we have already decided to go in. For a gas, we are in much more of a preliminary stage for this market. So, we still do not have a final decision to comment on. And we cannot really say, whether it is something that is for our sovereign, because we are just in the preliminary stage.

**Q - Pedro Manfredini** {BIO 21633245 <GO>}

Okay, thank you very much.

**Operator**

(Operator Instructions) Our next question is going to be a question posted on the web by Alexandre Almeida Costa Lucas from (inaudible). What is the estimate for you to have the turn of CEEE-D?

**A - Leonardo Lucas da Silva Tavares de Lima** {BIO 21810876 <GO>}

Now, I can hear you better, Alexandre. In fact, we took over on July the 14th, we have a very strong team in place led by Mauricio Velloso [ph] a professional that has been with us for some time now is already part of our culture. So we put together a -- really have a

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sharp team there. So we are executing our plans, naturally when you start in a company you have to refine your assumptions to know, if everything is okay, but we are quite encouraged. I would say that next call, we are going to be able to bring you more color on that. That's I would say that we are quite excited about that, even more than when we bought it. So we see that the good results will come. Very good personnel in (inaudible), perhaps people that we can even export to other concessions. So we are very excited about this deal. Unfortunately, I cannot give you a specific date. But I would say that the learnings of each acquisitions and our knowledge on the day-to-day are going to be transferred to (inaudible). So, we hope to be fast, but we still cannot give you a date. But I would say that we are going to use all lessons learned.

## Operator

Thank you. (Operator instructions) We're now closing the Q&A session. I would like to turn the call to Mr. Augusto Miranda for his final remarks. Please Mr. Miranda, you may go on.

## A - Augusto Miranda da Paz {BIO 15350182 <GO>}

Just a minute, please. Well, to close, I would like to reinforce our commitment to deliver differentiated value to our investors through operational and financial excellence in our results, as well as strictness and efficiency in capital allocation. You also like to highlight our adherence to the highest level of transparency and corporate governance. And reassure you that our Investor Relations team is always available to help you with any questions you may have. Once again, thank you for being part of our 2Q'21 earnings results and have a good afternoon. Thank you very much.

## Operator

Equatorial Energia S.A. is now closed. We thank you very much for attending, and wish you a good afternoon.

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