

Q3 2018 Earnings Call

Company Participants

- Wilson Pinto Ferreira Junior, Eletrobras

Other Participants

- Andre Sampaio, Research Analyst
- Marcelo SÃ;, Associate Director and Analyst
- Vitor Sousa, Research Analyst

Presentation

Operator

Ladies and gentlemen, thank you very much for waiting. Welcome to the teleconference of Eletrobras to talk about the results regarding the Third Quarter of 2018. (Operator Instructions)

We remind you that this presentation is available in PowerPoint and on the website, Investor Relations Eletrobras. (Operator Instructions)

Before we go -- we continue, we would like to highlight that anything that might be said during the conference call regarding the perspective of business of the company, projections, operational goals and financial goals, are beliefs and projections of the directorship of Eletrobras as well as information currently available -- well, based on information currently available for the company -- by the company. And there is risk and uncertainty and therefore, we depend on circumstances that might or might not occur. The investors have to understand that the economic, general conditions and other factors, operational factors, might influence in the results for the future outcomes.

I would like to give the word to Mr. Wilson Ferreira Junior, President of Eletrobras. The floor is yours.

Wilson Pinto Ferreira Junior {BIO 20013669 <GO>}

Well thank you very much. Thank you, everyone, investors, analysts that accompany us in our results of the Third Quarter of 2018.

We will start the presentation by Page 4. We already passed through the disclaimers, where we show -- well, let's talk about the results of an important variation in regards -- well, I want my team to point personally to our business generation, transmission and distribution, Slide #4. As you can see in the tables in front of you, there's a great variation

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in the value of the energy sold for the free markets -- well, a variation of 37.5% in the free market, minus 34% in energy sold. While the main market for us, the regulated market, there's a drop in 11%. And throughout the presentation, you will realize that certainly in terms of transmission, we have variation as well with the same relevance when we compare the assets.

Our concessions renewed for 20 -- in 2013, there is a drop of 9% on average on some, such as Chesf and Eletrosul. There is the fail switch -- fail safe switch. But established by the agency. Well you can see minus 26% in Furnas. And in thesis and distribution, we have variation -- positive variations in revenues, specifically -- well, some highlights actually of Boa Vista, Amazonas, as you can see 13.9%. And 15.5%, respectively. But there is the readjustment of the tariffs growing in a value of 38% in all.

Well this is just to give you an initial demonstration of the volatility of the market of generation, transmission and distribution and you have to realize that generation, you have the main -- well, the main impact is the free market. While we have the tariff reviews in transmission, that's the biggest impact. And in distribution, we have the implication of tariffs. And it's important to highlight -- well, there is the risk of the volatility risk and then there is -- the consumers get impacted by high values and we have a fulfillment of a device -- regulatory device in physical aggregation. Well that obliges us somehow to account for this risk of nonpayment in the first 30 days. Well these 3 components of the business, I think, that we have a positive data. We continue to employ new machines up until the end of the year, Belo Monte, we will get close to 7,000 megawatts.

We are here in transmission. Well we are aggregating new RAP of BRL 80 million a year in transmission.

This is a brief comment here about the business of the company. Well there are some highlights -- operational highlights. Regulation, as you can see, Page 5, this corresponds to the recognition of GAG, the improvement. And that will impact positively in the revenue of the company of BRL 1 billion per year. This is resulting from the improvement of GAG in one of the Eletrobras project that was renewed for generation. And we can observe that in this quarter, we have a positive -- we have all the expenses that has been -- but we haven't accounted for the expenses actually. And we need this study to prove the investments that were done and that will be done. So we can work with the revenues that in this quarter we have not yet considered.

The important thing that impacts the result of the -- of Eletrobras is the review prices. For Angra 3, with a CNPE recommendation that you can appreciate the work of the commission of the mega 3 of mines and energy and other ministries as well, planning, et cetera. Then we get to the conclusion that for us to have -- that if plan works for Angra 3, the tariff is recommended for BRL 480 megawatts an hour. The recognition that this is done with our own capital and the third-party capital will finance -- well, will be by -- is financed by BNDES (inaudible) and we can now continue to switch. So somehow from BRL 250 to BRL 480, it corresponds just the recognition that the structure will change. And it will not be a recognition that might be established in the market. So because of this, only considering the capital structure and cost of finance, we get to this value of BRL 480 megawatt hour. And this is within the range of tariffs of projects -- international

projects that were concluded this year. We will present the cases of BRL 2.8 billion in investment in transmission and generation for the SPE project.

We might have the disinvestment -- the privatization of the 4 distributors for Eletrobras in Equatorial, Eletrobras Energisa, Acre and Rondonia and Eletrobras Roraima. And also the investment here of SPE. We have 18 lots in the stock exchange and you can see the sale that would be BRL 1.3 billion.

We will report the reduction of our indebtedness to 3.3. And we can figure the goal for the PDNG is less than 3 for the end of the year. There are the nonrecurring items that impacted in a very important way the results of this quarter in 2018. First of all, there is a new way of accounting for the revenue and expenses of the Proinfa, we are basically getting the margin. We can see that in the revenue and the expenses, we can see the demonstration. And it might be that we are decreasing the expenses or the revenue. But in fact, we have to see the impact of the quarter and we had an impact of BRL 810 million.

We have a second element here for compulsory loans. I want to demonstrate that we have done the work to evaluate all the risk and the values related to compulsory loans. So we are doing a reinforcement of a provision that is BRL 1.3 billion. But -- the BRL 1.389 billion is related to the completion of the base review work that we've done last year. BRL 1.3 billion out of the BRL 1.5 billion. It was a very difficult review that is ongoing on the Justice Department and we are undergoing the second process of evaluation that will reevaluate each of these small processes. So there is an additional provision of BRL 1.3 billion for this quarter. So we have the provision that has to be done. And it's complemented by a regulatory first related which is the GSF Sobradinho of BRL 140 million. Sobradinho is differentiated and it incurs in the Chesf. Chesf as a whole is BRL 301 million, GSF Sobradinho, BRL 241 million. We have the SPE provision, BRL 418 million. You can see the value of the 7 lots, these SPEs, a great deal of them had values. The results of the valuation that was done by the company as well as the advisor, less than it was written down than was it incurred. So we haven't sold those SPEs and we are provisioning the value of the possible losses of BRL 418 million.

The hypothesis was to sold -- sell these estates and we haven't sold them yet.

And finally, we have the TPU, the thermoelectric power plant of Santa Cruz. And here we have an onerous contract. And the accumulation of the results of the generation of the thermoelectric. And in this quarter, the impact is 380 -- BRL 328 million.

Well mainly Page six and it impacts Page 7. Now we can see the financial highlights for the Third Quarter per se. We have on top, the values reported. The IFRS -- the net revenue, we get to BRL 8,936 million, a drop in the EBITDA getting to 120 -- BRL 189 million, a drop of 92% and the result here a loss of BRL 1,600,000,000, a drop of almost 400% in net results for the IFRS.

Well in this case, we're reporting what we've just shown, that is the main causes for these losses. In the IFRS, we have the Proinfa. So we can evaluate -- we had contingency and provisions that is compulsory loans, as I explained. And the result is BRL 2 billion. The

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onerous contracts, impairment in the Third Quarter is BRL 126 million. But that last year was BRL 1.4 billion. I didn't get it here. But it's important to compare.

We try to remove the receivables. So the constitution between revenue and expenses, it is relevant for -- in quarter of last year, it was BRL 1.400 billion and in the Third Quarter of this year, there is minus BRL 126 million. We have an investment, BRL 400 million. And in the Third Quarter of '18, you can see the revenues -- well, the net revenue managerial, EBITDA managerial, we have a growth of 7% as we are going to mention right now in the net revenue and we have a profit of close to BRL 500 million.

Well basically, in the next page, we have the same data. But it's important to mention that we are reporting in this Third Quarter still a revenue of BRL 1 billion. And we have accumulated in this Third Quarter, if you compare it to the results of the last year, we have a drop in, basically BRL 1 billion. And if we see the nonrecurring events, we have an events -- a result of BRL 740 million (sic) (BRL 754 million) that is positive with a drop of BRL 89 million in comparison to last year.

Well let's go to Page 10 to report the variations in the revenue -- the gross revenue. The cost, the EBITDA and the revenue. Well we start with a reported revenue, IFRS, we have the nonrecurring issues. We are talking about RBSE on the left and the right. And we have mainly in this month, this new treatment -- this new accounting of Proinfa of BRL 642 million, as you can see on the left side. So we start with the revenue of BRL 8.974 billion standard gross revenue and it varies 9% getting to BRL 9.746 billion for the Third Quarter of '18, with a variation in transmission, generation, distribution and other revenues. You can observe that if we just remove the nonrecurring effects, there is a growth of 3%. But the correct is to evaluate this revenue as a whole, internally.

I'm trying to facilitate, we have 4 lots for generation, O&M and exploration below. These are the renewed concessions -- well, for generation and transmission and we have all the other concessions for generation and transmission, they follow the same regime of the market.

We have a small variation on OEM, it's basically a readjustment. In exploration, we have a growth of BRL 334 million and basically a growth of 8%. It's a positive effect in revenues in Amazonas GT, BRL 252 million. It's still -- it's invoiced until the end of the last -- of this year. PLD from Furnas and also termination of contracts and Eletronorte being negative, minus BRL 75 million, a 28% reduction in contracted energy. And this is for compensation issues.

In the case of transmission, we have a drop in the O&M. There's a drop in the Furnas contract, BRL 127 million. More negative, the main negative is Furnas.

Then we go to exploration. We can see here BRL 84 million. And here is a positive aspect of Furnas from SPE Transenergia Goias, BRL 10 million; the annual update of the AAR from the Subsidiaries, 2.6% on average. And the aggregated AAR is BRL 14 million; and we have Eletronorte with BRL 34 million in return on investment where -- and it's closer to BRL 84 million with transmission and exploration.

In distribution, we have the readjustment in tariffs. Comparison to last year, there is an important readjustment plus the tariffs increase and the tariff flags that we did over the last semester. There is a year of providing the service of the asset, we have an effect on the distributors. We have a small effect -- the service provided for Eletronorte to -- for Belo Monte and in the distributors of -- there's an increase of cost of tariffs, positive Eletroacre unitization, BRL 24 million. So bottom line, we have -- we had these revenues. We can observe that our problem here is related to the costs specifically due to the provisions that are already mentioned.

On Page 11, we have the operating costs variation. The reported cost, a drop of -- well, the IFRS cost, a drop of 11%. And here, it's important that since we have the effect of the Proinfa of BRL 128 million. We are doing here, removing these effects, nonrecurrent. And we have an addition of this cost. So why do you have these variations? You have a few for the consumption of energy. There's an important variation of 97% increase. And here, we're talking about basically the fuel for electric production. While, Amazonas, here, GT, the reduction of BRL 44 million. The start of the generation -- the consumption of Mauã; 3. We have Furnas with TPU Santa Cruz. There's an increase in fuel price. And it is BRL 53 million. These 3 observations and the fuel increase of 551 -- BRL 561 million, it accounts for just negative effects. There's the energy purchased for resale, decreasing BRL 191 million. We have a fundamental aspect that determined the privatization of Ceron, which is a reduction of BRL 200 million in Termonorte's physical guarantee. There is the contract. The contract was terminated with Eletronorte. Furnas, with a reduction of BRL 64 million purchased from CCEE. And Amazonas GT, BRL 44 million in reduction with higher generation of Aparecida and Mauã. There is Ceal, short-term energy acquisition. And reserve of BRL 11 million. And as we said, we are talking about good things in the reduction, an increase of companies that are distributors. And we need to -- we are in the advanced process of privatization. And in the fuels of BRL 561 million, the main aspect here -- and the main thing was CCE -- CCC expenses in Amazonas of BRL 100 million.

Let's talk about personnel, supplies, services and others. In the same way, we have on the left, the comparison of the 3 quarters, '17 and '18. Then on -- in the middle, it would be the nine months of '17 compared to the first nine months of '18. The numbers are similar in both cases, we continue to have reductions of personnel -- cost of personnel. We are already comparing with the readjustment of 1.7% in our collective bargaining agreement. We have a reduction in materials, supplies. And supplies, basically, we have here cost related to Amazonas CCC and Eletronuclear. Here, the process in the schedule, in nine months, we continue to decrease 4%. So minus 10% and minus 4% in supplies. We have both the issues being addressed.

The main has to do with services. And I wanted to highlight the consulting services. These are services that are nonrecurrent but they are fundamental so that we can have a more efficient company in the future. But these are services that we report in the Third Quarter. Consulting and investigation. Conclusion of the investigation process, BRL 15 million. Final phase of negotiation. Well shared services, we should have BRL 45 million. This should be going on '19. We are implementing the service center. Well same thing. Here, we did an improvement in the compliance with internal controls by Deloitte, BRL 6 million. And other consulting that we're not going to have to do frequently. But we are in the process of concluding. So that we can reduce the personnel costs. We have Eletronuclear and

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Amazonas, the nonstop maintenance and the reduction in technical services. And the scenario of services, there was a growth of 8%, as you can see in the middle in green. And we still have, unfortunately, the issue of others, losses in prescribed credits from Cepisa and Amazonas D. You can see BRL 21 million and BRL 94 million, respectively, due to cut factor. And once we sell these companies, this math will be more comfortable.

Well now we go to Page 13. We have the operating provisions regarding Chesf and GSF, there is compulsory loans of BRL 339 million. Everything that I was talking about. Well this is IFRS 19 (sic) (IFRS 9). This is related to the provision of -- for the consumers that changed in the regime where we have to account the perspective to 30 days. And this impacts strongly the distributors. In our case, we have the tariffs. And we have this effect, BRL 123 million, a value very close to the distributor onerous contracts. You can see here a comparison between the 3 quarters with the cost of Angra 3, BRL 236 million, negative 80%.

So here is the onerous contracts. We have here the BRL 418 million, the provision and reversal for losses on investments. And with that, we have this adjustment of the fair value of SPEs that's impacted. And it's

And it's -- well on Page 14, we can see -- I said that the priority of the company, we cannot start a process of negotiation that would end before it shouldn't. Well the certainty of values, it was questioned by the -- well, by everybody. Well we have the risk management board and the second one is that besides the risk -- well, we have 2 steps. We have step one, reassessment by legal counsel of the risk classification. And step two, the recomposition of the lawsuit. And we have thousands in this -- these processes. And there is also -- there is one-to-one of the contracting of legal advices. And we got to the amount of BRL 1.4 billion. And we need to have a proposal of actions that now gets to BRL 18 billion. And our clear strategy is to continue, specifically with the Superior Court of Justice, we have the reevaluation of the legal proceedings being evaluated by SCJ, Superior Court of Justice. And we might have a new result in the next year. And we have the consulting companies and probably, in the next quarter, we will report to you the results of the works of these consulting companies.

So we can now face in a definitive way the provision that we have. And it was fundamental for all the works that we will do -- that we did for the improvement of culture and all the works that we've implemented.

On Page 15. Well the result of our provision. We are reporting a drop of EBITDA of 92%, BRL 2 billion -- BRL 2,060,000,000, where we have nonrecurring items. Well we have RBSE, the highlights, the contingencies, the onerous contracts, the impairments and the provisions from ANEEL CCC. You can see all that in the top left corner. In this year of '18, we still have the agreements with Agepisa, which is BRL 139 million. The agreement that we did with the waterway company of Ceal. Then we have -- well, if we remove the nonrecurrent values in the recurrent, we have from BRL 1.4 billion to BRL 1.7 billion. We already talked about the revenue. We talked about the tariffs, the assets, the invoicing of the revenue of Amazonas GT, BRL 252 million. And the results of our shareholdings, particularly in North Energy. So we had the best PE results in this quarter. And it was the best result in our shareholdings. The standard operating cost, BRL 250 million -- well,

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here, we have Amazonas D, GT. The cost for fuel consumption so that Amazonas GT could work was BRL 52 million. And in the case of fuel at Furnas, it was actually BRL 53 million. And we still have energy purchased with -- for resale, BRL 191 million. Then we have here the standard PMSO. We have BRL 45 million, which is the consulting services for the holding company. Cepisa, we already transferred it to Equatorial. There is the Amazonas D cutting factor and the indemnification factor by Furnas for Tractebel. Then these are the main PMSOs. And the standard operating provisions, PCLD for consumers and resellers, there is an impact of BRL 342 million. And other provisions, we get to BRL 30 million.

16, financial results. We had the result varying 5%. The base for the negative year was negative BRL 938 million. This year, it was negative BRL 988 million. It is impacted positively by the increase in revenue. And here, we are talking about -- the impact is on the exchange rate. And here, you have a (typo) mainly that we always say that this is an important add. Now here, we have the debt charges not only decreasing amortization of loans but here are the indicators. For the indexation of our assets and other expenses, financial expenses, basically, losses with derivatives, in the case of Eletronorte, due to the fall in the SELIC rate and in the American Stock Exchange. And the monetary restatement on the provision for compulsory loan for Eletrobras, BRL 197 million. This impacted this variation. And this is the update for the monetary restatement.

Well page 17. Here is the rally of results. We were positive in the First Quarter, positive on the second, very negative on the third. And the third is the quarter where you can see here we have issues due to the BRL 2,824 million for operating provisions plus the losses in the distributors of BRL 998 million. In the nine months, if we have a comparison, there is a comparison with last year, it's less, 44%. But we have a reserve which is for the Fourth Quarter. And here in the Third Quarter, we have the negative effects.

I'm going to do to the report of the actions. I would like to report to you the results of the company in -- the company focusing on -- in generation and transmission. And still talking about the drop in the net revenue, a great deal of that is due to the reclassification of the expenses of Proinfra which is about BRL 2 billion. So we are saying that the PMSO is dropping here. There is a reduction of the cost of approximately BRL 260 million -- BRL 276 million, offset by 1.7% increase in equity. And the financial result is stable with a variation of 1%. And the net income drops 16% over in the comparison of the nine months from BRL 4.1 billion to 4.9 billion. So the theme, as a target, the focus of leaving the distribution -- the business of distribution.

And this is what I wanted to talk about on Page 20. I will talk about -- well, Cepisa and Ceron, they have a new owner, Acre. And Boa Vista, the expectation is that until December 5, we will do the transfer. These companies -- the 4 companies, they will allow Eletrobras to reverse the liabilities. And we will have -- we will do the reversal of the distributors on the short-term liabilities with a positive effect on the results of BRL 2.9 billion. And basically, the difference is BRL 5 billion. So the actions for the reversal here is BRL 8.6 billion. We will do this in the -- account for this in the Fourth Quarter.

And it's not just that. Here, on Page 21, we account all the negative effects of the SPEs that we did not sell. We concluded the business -- well, 2 of the big operations, Chesf and Eletronorte. But the revenues, if we account with the cost, it's BRL 400 million. Well we

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have BRL 1.3 billion, net of costs, with a potential positive net result of BRL 400 million. There is deadlines. We might not be able to do all the operations this year. But out of those that we can do, the BRL 480 million would be mitigated by the net revenue of BRL 400 million. As I said, the accounting of GAG melhoria. In the Third Quarter, we had -- we received -- we fought regulatory a lot to have this recognition of -- we lost over BRL 1 billion. In this Third Quarter, BRL 264 million. So it's basically BRL 90 million monthly. We can see Chesf, BRL 60 million; Furnas, BRL 29 million; and Eletronorte, BRL 0.7 million. But this is just an advancement. The company has to verify the cost of the investment with this accounting of revenue.

And finally, I wanted to say the importance of the test of the impairment test that we will have in Angra. Angra has 2 issues. The new tariffs that might be offered to the entrepreneur and the deadline for the conclusion of this work. It has to be operating in January of -- we have to do everything, we have to do the bid and then deliver it on January 1 of 2026.

And now we have a deadline up until the next year due to the bid. And we are working so that we do this in the First Quarter of next year. And this will be done by the accounting area and our auditors. And the operating provision reversal of BRL 11.3 billion, this is what it will allow us. It's very positive for the future. And this is the path of the company.

I just wanted to go very quickly over the business and management master plan, '21 and '22 operational excellence challenge. As I said -- I'm on 23, Page 23. We have here the Go Live of CSC, was already worth 86% realization. The -- this is not just cost reduction. We have to take a look at increasing revenue. Gains from GAG improvement, BRL 1.3 billion -- BRL 1 billion, BRL 1.03 billion. We already talked about the resolution of the CNPE. And the ProERP that we start while we are in testing. We will start at stage 2 in January. So we don't have any problems with the accounting. And so we start with all the companies on January -- starting on January of 2019. And this is a single operation of ProERP for the Eletrobras group. This is extremely important so that the holding can act as a holding and have instruments to work as a holding.

Here, I wanted to report. You know this, the reduction of cost. Basically, this is the second phase of our plan. We had 732 employees disconnected, a reduction in cost, as you can see. We have the program with a very low addition at the end of last week. We have 200 people, extra 200 people, that want to adhere to the extraordinary retirement plan and the -- or the consensual dismissal plan. Well of course, the future of the company, the privatization, may end up determining a high or low adhesion. But anyway, the work of CSC and the ProERP, we will have -- we will exceed people in the corporate area. And we will continue -- we hope that we increase the adhesion through these retirement plans or through the consensual dismissal plan until Friday. But regardless of this, this is a target of the company, reduction of personnel.

Now just so we don't lose sight of what we have already achieved, on Page 24, we try to show you that from 2016, when we started this operation, we had 26,000 employees that cost BRL 6.5 billion in payroll. We already went through privatization of CELG. The PAE -- the PDC, the first part, we did very little in the first part. And now a privatization of the 4 companies: Ceron, Cepisa, Acre, Boa Vista. These are 3,600 employees. We are

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transferring payroll to their new private operator. We are transferring BRL 700 million in payroll. Then when we look at this where we were before, the privatization of Amazonas, well, looking at the company, the start of the company, we already decreased 18,000, 82% less. Now in payroll, we removed from BRL 6 billion, 549, we already removed with this transfer, BRL 2,156 billion or 33%. There is still 3 bricks here. The privatization of Amazonas estimated for 2018, 1,700 employees; the privatization of Ceal with 1,200 employees, 1,260; and we still are going to do the PDC, the second part. But we have a potential reduction of another 2,281, with a personnel that is BRL 660 million in payroll. We are getting close to the goal. We went over the half. And we want to get to 12,359 employees, with a payroll that is less than half of what we had.

Same thing on Page 25. What have we done with material, supplies and others? So we have -- for example, rent, the company, Eletrobras, is going on the 23rd to a new building. We are going with less people. We, basically, have 700 people there. And this -- well, we are in Rio de Janeiro, this building, with one building, we have a reduction of BRL 2 million per month. So with the rent, insurance, traveling, safety, drivers, we removed CELG with BRL 650 million, management initiatives BRL 376 million. The privatization of the 4 companies gives the new private operator, BRL 863 million. Every semester, we have the 3 bricks that we have to continue, BRL 750 million per month, Amazonas; Ceal, BRL 160 million; and another management initiatives of BRL 109 million. We started in 2016 with MSO, 5,086 (sic) (5,876), we're getting to 2,969, a reduction of 49%. Good, as you can see.

Page 26. We are reporting the leveraging, we -- the net debt. We're getting to 3.3. We will see that we increase the net debt. And this is something that we are going to give to the new owner of the distributors. Remember that we have to increase in debt and some credits. The bottom line is -- you can see here below the EBITDA, over the last 12 months, without the distributing company, just removing the distributing company, our EBITDA increases because there is EBITDA of the distributors. In a recurring way, it's negative because it had losses. And that they had a PMSO that was higher. So we increased the debts strategically. I'm concluding this quarter with a net debt that is a little bit below BRL 20 billion, BRL 19,975 billion.

On Page 27, I can show you the investments of PDNG. We can see here we did, in the Third Quarter, basically, BRL 1 billion. We are -- have done more in the second semester than in the third. We got to BRL 2,830 billion in the year in accomplishments and over the nine months. Without compromising our financial discipline, all the works are being concluded.

Well the last 2 pages, just to show the effects of the privatization of the distributing companies. I want to highlight the data of -- the date that we're going to transfer the control. So Amazonas, the 27th. And it was suspended by the federal government. Well this is, what I have to mention, I want -- I remain in your service with my colleagues as well in New York and the U.K. And well, that's it. Thank you very much. I remain available for Q&A.

Questions And Answers

Operator

(Operator Instructions) First question is from Andre Sampaio from Santander.

Q - Andre Sampaio {BIO 19422379 <GO>}

I wanted to ask a question about the process of Amazonas Energia. We had the news about -- well, a presentational video of resolving this issue. And you might do the liquidation process. Should the bid might not be successful, could you talk about the -- what the government might do? And the second question about the issue, if Ceal would be approached by this provisional measures from the government.

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

Well Andre, we know that we have -- we are the interested party in this provisional measure. However, we share with the government the impact of the provisional measure or the PL77 that (inaudible) at 30%. First you get to this point with the privatization of distributing companies. There is an important agreement that we will have with Petrobras, a great deal, a part of the debt will decrease once we have the privatization. So obviously, this is a very dear theme throughout the Eletrobras and government as well and to consumers. Of the 6 states, the 4 states we already had privatized and the 2 that are remaining, they're going to benefit from the investment, the reduction of tariffs and the debts. This is positive and the government from -- with which -- with whom I have interacted, it's fundamental that we conclude this process with Amazonas and Ceal. I understand that there is an effort from the company with this provisional measure. I don't know how to say this in a correct way. But we need to restore some of things that were there. And I understand that this is being treated in an adequate way by the government. I imagine that this is an agreement that we are doing with the government and the public interest. So the expectation is that we -- once you have provisioning -- the provisional measures for the privatization. The Ceal, well -- and Cepisa as well, there was no element in these 2 companies that were in the senate being discussed.

Q - Andre Sampaio {BIO 19422379 <GO>}

So Ceal, do you have the ruling of the issue presented by Lewandowski, the minister, that it might be privatized? It has legal investments to be privatized.

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

The legal issue for it to be privatized, Ceal -- this is being hindered due to the discussion that is happening between the federal government and the State of Alagoas. The company has nothing to do with it. Actually, when it was federalized and when there was an authorization for privatized, there is a difference that is allocated. And in the decision, they requested the privatization of the company. The same issue we see in Cepisa and Ceal. And we see that there wasn't a concession and the company was privatized. The discussion between the state and the federal government continues. The privatization that we're doing in Ceal reduces the tariffs, the reduction of debt by RGR of the company, an investment of that was over BRL 700 million. Everything is good. And we expect that in the case of Ceal that the Superior Court of Justice will allow the privatization of the

company. I'm very optimistic in regards to that perspective and in the conclusion of this issue.

Q - Andre Sampaio {BIO 19422379 <GO>}

My concern is not having this solved this year and the provisional measure might be to delay this for the next year. But that is what I needed.

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

We are on November 13. The year still has 47 days. I think we will get this done by then.

Operator

Our next question comes from Mr. Vitor Sousa from Brasil Plural.

Q - Vitor Sousa

My question is for Wilson. It is a question that is personal. So feel free not to answer it. But I want to understand how are the talks of the president? With the new elected government, we have a better visibility in Petrobras and Banco do Brasil. But we still have not had any news from the media in regards to -- what are the plans in regards to Eletrobras? I want to understand if there is a dialogue, if Wilson will remain in the job? Well I wanted to you to talk about this. But feel free to say that this is not the right moment to answer this, I understand. That's my question.

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

Well it's a good question. It's important that we can try and answer it in an organized way. By our calculation, in Petrobras, we've done work that we are sharing with the representatives of the candidates, the situation of the electric sector and the impacts of the electric sector in Eletrobras. In the case of electric sector, the representatives of the government, Bolsonaro, it was 2 people that we've -- they've interacted with us. The main one is Luciano de Castro that is part of the team, the transition team. With Luciano de Castro, we've maintained a relationship. So he has followed up the material that was shared, our challenges to him and all the other candidates. But obviously, now he has a mission, he's analyzing this for the transition group. And he has interacted with us. He talks to me frequently. And I maintain him informed.

Q - Vitor Sousa

Well if I may, you've seen the formation of the government of President Bolsonaro, the nominated ministers. And from then on, you confirm or not the structures of subordination to that ministry. So the people that are confirmed, ministers, are getting invitations through their internal teams or the companies related with the ministry. So formally, you know the minister of area will be.

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

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No. I do not know. I do understand that the minister will have the prerogative of having access to the information that we are sharing and to formalize or not the invitation. So precisely, there isn't a formalization of the invitation. And in regards to what was done with the team of President Bolsonaro, it was positive by maintaining him informed of our challenges and our problems, our concerns. And we've been supported with everything that we've told him. And now taking a look at it from a personal standpoint, you know that we are here to restructure the company. I think that we are advancing in this process. In the next two months, it will be very important. And if there is an interest in continuing with this work, even with the capitalization process of Eletrobras, of course, I'm interested in continuing my work.

Operator

Next question is for -- from Marcelo SÃ; from UBS.

Q - Marcelo SÃ;

Two questions. About Amazonas, first. Well it was an immediate, the provisional measure that will address the issue. Here, we are talking about that Eletrobras would assume more debt from Amazonas to make privatization more viable. To assume more debt from Amazonas is a possibility because I understand that this might change the crisis at the PNDF. So is that a possible scenario? That's the first question.

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

So actually, all these companies they were evaluated in June of 2017, updated the evaluation until December of '17. So these are the numbers that we have. The companies had variations. In the specific case of Amazonas, there are 2 things that impact Amazonas. Amazonas, there is a need of a specific treatment in terms of cutoff factors that impact the company. And here is the specificity. It had, throughout this period, the process of deverticalization of Amazonas distribution, creating Amazonas distribution and generation. And it has actions that predicted what we have done with Eletrobras so that these are processes that we can conclude. What we have here, we're concluding this process. We have debt that has been allocated in Amazonas. And they correspond, they're not owned by Amazonas GT. This is the work that we are concluding. And we've received questions about this in the data room. And it's important that we take a look at the company. It would be very difficult to sell. But there are things that are not from there, from that company and there are things that are a product of our agreement done with Eletrobras that are now being materialized and determine movements. We don't have the authorization. There is no limitation of the debt, whether it fits around the assembly that determine the process or whether CPPI is 20 and 28, we have to reflect the limits that were established. And now considering the agreements that we've done with Petrobras and the process -- and the company, these debts will be dealt with. So that's a possibility that we can lead Amazonas with a debt position that is better than what it is right now. And the other actions are the product of what Petrobras has done predicted with the CPPI. We will have this clear until next Monday.

Q - Marcelo SÃ;

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And the second question is, understanding a little bit about the issue of Eletrobras buying the distributors. Well you've done the evaluation report. And it was a higher value than the report that was published in the case of Cepisa. And so it was close to BRL 600 million. So given this evaluation, Eletrobras should have decreased the debt to have a stake of 50% in this company. Cepisa, we estimated BRL 600 million and BRL 700 million to have (BRL 30 billion) so you can have 3% stake in the company. Have you done an evaluation, if Eletrobras wants to be a part of these companies? Or is it too early to say?

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

Marcelo, I know Cepisa, Ceron -- we have a deadline of until 180 days. Cepisa, we had a talk -- last talk -- last week. So now these -- they're being analyzed, these reports and these working papers. Well briefly, we have to work with a board. We have a commission with a management board that is connected with strategy, investment and -- de-investment and privatization. We will do this evaluation quickly. Now we can only work with Cepisa. In Ceron, we haven't received because we want to transfer the company on these areas. But until then, it will be an object of our analysis and reminding you that there was an important initiative that we had in the past with Cemar. And we have to see this business plan of the company to evaluate if it's worth maintaining the capitalization perspective or maintaining the debt and not really having the rear perspective of receiving. But now we have a deadline. And we are working with these new deadlines.

Operator

(Operator Instructions) We close the Q&A session. We return the floor to Mr. President, Wilson Ferreira Junior, for the final consideration. Mr. Wilson?

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

Well I would like to thank you, all of you, that participated in this conference. And I was -- it's difficult to work with a company that had results that I consider bad. But the important side is the reinforcement that we have in the activities of compliance, they are very tempestuous -- which seem to be very tempestuous with the negative -- and I have -- the unions, I think that this demonstrates the care that the company has given the issues that we've gone through. And we want to provide information for all the markets, especially with the investor, capital investors, this is positive. Second thing is the perspective. We went through a bad quarter. But we are starting to reap what we sow, a great deal of the work that we've done thus far. We have the perspective of restarting the works in Angra. And actually, as an engineer, the impact potential of this restart of the work that we are going to have in Eletrobras is something that is making us very optimistic. In the same way, looking at the glass half full, we look here the transfer for the first time of 25th SPEs. As I told you, we are in processes of incorporating some. We have some positive privatizations. To consolidate this result with Chesf and Eletro -- Furnas, Eletronorte and we became the controller. And we are going to create a fit company. And we are going to incorporate that directly for some of these companies. And we have here a positive effect in the next quarter. And it's important -- well, it's BRL 1 billion that we have a perspective more. Then, of course, looking at the distributors of CELG D, we sold 5. And we are optimistic that we are going to work in this year. And we have another story. Conclusion of projects. As I told you, we got a lot of work. I remember that it was 29 with Chesf with delayed work. Chesf, this year, delivered the most finished work in Brazil. Basically, 30% of

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all the transmission systems of Brazil is due to Chesf. And we are very happy that the company is working this way. And we are overcoming our problems. Of course, we have our issues. But we have to take a look at the perspective of the company as a company. And this is a company that has the capacity to generate results in a consistent way. And our -- in regards to our plan that we have over the next two months, the main elements that will allow us to be more productive, which is the conclusion of RP and the shared services. This company is another one. The holding is an important agent. And I am very optimistic that Eletrobras will be able to support with works that we're doing, that we're delivering in the final stages. And we are here getting to the closure of 18 machines of Belo Monte. We are going to finish Belo Monte next month. And we have good agenda. And you can count on Eletrobras for this. Once again, thank you, all the investors in our meeting. Thank you very much for participating in this conference call.

Operator

At this moment, the teleconference of Eletrobras is closed. Thank you very much. And we thank you for your participation. Have a good afternoon.

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