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ENGI4.SA - Energisa S.A. - Special Call

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CORPORATE PARTICIPANTS

Maurício Perez Botelho *Energisa S.A. - CFO, IR Director & Member of Executive Board*

CONFERENCE CALL PARTICIPANTS

Andre Sampaio *Santander Investment Securities Inc., Research Division - Research Analyst*

PRESENTATION

Operator

[Interpreted] Good afternoon, ladies and gentlemen. You're welcome to Energisa's conference for the transmission auction carried out on December 17, 2020. (Operator Instructions).

We also inform that this teleconference is going to be held in Portuguese by company's manager and the conference in English is going to be done by simultaneous translation.

Before moving on, I'd like to clarify that eventual declarations made during the teleconference regarding the business perspectives of the company, projections and operational goals and financial goals are based on beliefs of Energisa and also on information currently available for the company. This is not a guarantee of performance, and they involve risks and premises, and refer to future businesses that may or not take place.

Investors should understand that overall economic conditions, conditions of the industry and other operational factors may have an impact on the company's performance, I'm sorry, and affect future outcomes.

I now turn over to Maurício Botelho, who will make the presentation. Please, Mr. Maurício proceed.

Maurício Perez Botelho - *Energisa S.A. - CFO, IR Director & Member of Executive Board*

[Interpreted] Thank you, operator. Good afternoon, ladies and gentlemen. I am pleased to present to you the results of yesterday's auction. Here in this call, we have Gabriel Mossy, our Transmission Director; also, Tovar, our Corporate Finance Director; and we also have our Investor Relations team, (inaudible) and (inaudible).

As I mentioned, I'm going to divide or to share the presentation with Gabriel. I turn over to him to kick off the presentation.

Unidentified Company Representative

[Interpreted] Thank you, Maurício. Good afternoon, everyone. I'm going to talk a little bit about Energisa's auction. We always look for assets with good performance. And we also have assets with anticipated projects. Our position is always conservative. I will talk a little bit about the map. Here in orange, we have the operational lot that were obtained in the state of Pará. And then we have the 2 lots in construction #19 and #18, whose construction is more advanced.

Now regarding Lot 11, which was acquired yesterday, it has some environmental complexity. We have new installations, but the environmental complexity is low. We -- yesterday, we won Block 11 with some assets, which will improve our transmission in the metropolitan region of Manaus in the State of Amazon and will lead us into a more differentiated position. And moving on to Slide 4. I'm going to talk a little bit more about these assets. We obtained existing assets with new installations planned. We acquired 7 substations, which are sector assigned to AMDT.

And we have the Manaus substations. We will replace some existing assets in the Manaus substation, we will replace the 69 KV yard in a ring arrangement. And the transmission lines are short. We have (inaudible) and also the transmission lines that are associated. All of them are short

stretches. One of them is 3 kilometers underground. They are not long lines. They are short. So even though the asset is in the Amazon, it's not a high complexity asset.

Regarding the existing assets, we have about BRL 228 million until the month before the contract is signed, the contracts for June and the month before the signature of the contract.

This amount is part of the total asset. We're going to operate these assets. We have operational excellence. We have regional maintenance teams. Before the auction, we planned everything with the team, and we're now going to plan the alignment so that we can have a smooth transition. Furthermore, in terms of CapEx, we have some investments for the exchange of equipment.

I am going to turn over to Maurício for Slide #5.

Maurício Perez Botelho - *Energisa S.A. - CFO, IR Director & Member of Executive Board*

[Interpreted] So we're now in Slide #5. We have 4 projects. They are for the previous auction, two of them Energisa Goiás and Pará I in 2020. The term is for 12 to 6 months, and then we have yesterday's block, an investment of the BRL 382 million and the RAF was BRL 66 million. In this project, we have a tax benefit for the Sudan region.

We can also obtain funding using fermenting banks. And in special, we have the support for the existing projects. In average, we have an anticipation between 12 to 18 months, including the revitalization of some existing products.

The consolidated ARF is going to be approximately BRL 282 million.

And we are now going to move on to Slide #6. We're going to document some of the premises. For strategic reasons, we're not going to inform the return rate, but we have negotiated with good providers. We try to obtain return rates that are equivalent according to the moment and according to previous auctions.

Our CapEx will have a reduction in the order of 15%. We're also going to try to obtain a rate benefit. The payment schedule or the CapEx schedule for 2021 is 40%. And then in 2024, it's going to be 26%. The EPC provider is Elecnor Brazil. They construct lines, substations, wind farms and develop gas projects as well. The contract with EPC anticipates bonuses and it also establishes full guarantees in case of delays.

Now regarding funding, as mentioned before, we will try to obtain financing along with (inaudible) and perhaps BMDS. Typically, these projects fermenting banks, anticipating leverage of 60%. But as done in other projects, in other transmission products, we can complete this leverage by means of the holding and Energisa Transmission Holding, reaching a level of 90% as done with prior projects. And this is on Slide 7. You can see the conditions for the funding that have already been achieved for existing projects. So you can have an idea of how these financing works. We're trying to obtain equal or better rates.

And now in Slide 8, we have an update of the existing projects. In this slide, you can see the evolution of the Pará II events and Tocantins transmission in Pará II, we have a physical progress of 55%. And for Tocantins, we have a physical progress of 12%. In Tocantins contains the lines are installed. And so we will intensify this in the upcoming months.

And as mentioned before, after concluding this project, we have 5 assets totaling 1,500 kilometers, with 4,900 megawatts -- MVA, I'm sorry, and a (inaudible) of BRL 258 million in updated amounts. So total CapEx of the 5 products will total BRL 2.5 billion, of which BRL 790 million have already been invested in this BRL 72 million in the Goiás and Pará projects.

I wrap up my presentation. And am available for Q&A.

Operator, please.

QUESTIONS AND ANSWERS

Operator

[Interpreted] (Operator Instructions) Our first question is from Andre Sampaio, Santander.

Andre Sampaio - *Santander Investment Securities Inc., Research Division - Research Analyst*

[Interpreted] Go I wanted to ask a question regarding the tax benefits. I wanted to understand what the strategy is. And also what the deadline is going to be because there is a possibility that the RAF will go from a minimum level. And I would like you to explain why you chose this strategy to start with?

Maurício Perez Botelho - *Energisa S.A. - CFO, IR Director & Member of Executive Board*

[Interpreted] (inaudible), can you answer this question, please?

Unidentified Company Representative

[Interpreted] Of course.

Maurício Perez Botelho - *Energisa S.A. - CFO, IR Director & Member of Executive Board*

[Interpreted] (inaudible), your sound is very low.

Unidentified Company Representative

[Interpreted] I thank you for the question. Our strategy regarding the funding is something that we have discussed based on other operations we have an expectation that we will be able to multiply the structures that have been used for Pará I and II.

We're already concluding negotiations so that we can receive the funding for Tocantins. The idea is for us to multiply this model. They were approved for Block 11, which has a special characteristics as mentioned by Gabriel. There is a significant investment in the beginning, especially for the assets that are transferred to the concession. And of course, we will try to obtain a short-term line so that we can make the payments because of this transfer of assets, and also so that we have enough time to organize this long-term funding.

And then, once the (inaudible), the idea will be to pay this. And we think that the bridge is going to be basically an operation. With Energisa risk, a smooth operation that we have been discussing with some of the banks that could support us and then the bridge would allow us to have enough time so that we can organize this structure, and therefore, this first release would include this bridge, which is very important for us to make this first payment so that the transfer of assets is enabled.

Now regarding the tax benefit from Sudan, we will use the same rationale that was used for our Tocantins line in Bahia. And so in fact, we do not have any innovation as commented by Maurício. This is a less complex lot. In terms of licensing, we have overcome problems. We do not have any main challenge. And so our expectation is to be able to conduct this with a leverage of about 90%, which is our target. And this is something that was done for some of the last ones, and therefore, the challenge seems to be very similar. And we already have the required experience so that we can have the restructuring of Block 11.

Operator

[Interpreted] (Operator Instructions) Since we do not have any further questions. I turn over to Mr. Maurício Botelho for his final considerations. Please, Mr. Maurício, proceed.

Maurício Perez Botelho - Energisa S.A. - CFO, IR Director & Member of Executive Board

[Interpreted] Thank you all for your participation in this conference call. This is a winning project of Energisa. We believe that we have sustainable growth for transmission, and therefore, we hope to add another important diversification for Energisa's Group. I thank you all. Good afternoon.

Operator

[Interpreted] Thank you. Energisa's teleconference is now over. Please disconnect from your lines now.

[Statements in English on this transcript were spoken by an interpreter present on the live call.]

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