ENGIE BRASIL ENERGIA S.A.
SCRIPT OF THE CONFERENCE CALL WITH WEBCAST
RESULT OF THE FIRST QUARTER 2021
MAY 06, 2021 – 11:00 a.m.

RAFAEL BÓSIO: Hello, good morning! Welcome to you all and welcome to the video-conference on first quarter results 2021 of ENGIE Brasil Energia. I am Rafael Bósio, the Company's Investor Relations Manager. I would like to mention so that we can better interact with you without masks and in safety, Malta and I will be in separate rooms, and naturally respecting the health and safety protocols. People connected by phone are in listening mode now but later when we open the questions and answers session, participants will be able to send questions by telephone, which will have priority in the order of questions, as well as by platform chat. It is worth remembering that this video-conference is being recorded. We have made available in our website both results presentation as well as the results release wherein are published a more detailed analysis of the variations between periods.

Before proceeding further, I would like to clarify that any statements that may be made during this videoconference with respect to the business outlook for ENGIE Brasil Energia should be treated as forecasts contingent on the economic scenario for the country, performance, and electric sector regulations as well as other variables and therefore subject to change.

With me today is **Marcelo Malta**, Chief Financial Officer, who will also comment on the performance of ENGIE Brasil Energia in the first quarter. We would remind you that journalists wishing to ask questions should do so via e-mail, sending their questions to the Company's Press Relations office.

Now I would like to hand over to **Malta.** Malta, you may go ahead please.

MARCELO MALTA: Good day everyone and many thanks for taking part in this conference call on first quarter 2021 results. Sattamini unfortunately cannot be present and he sends his apologies but at the last minute he was called to an important meeting. So Rafael and I are going to divide this presentation between us.

So let's begin with Slide 05, our principal highlights, and drivers for the quarter. Beginning with the positive effects which helped performance in this quarter, I would mention greater generation from wind power. We had a significant improvement in wind conditions which gave us some important additional revenues. We saw a reduction in energy purchase volumes due largely to our energy allocation strategy. The transmission segment also contributed thanks to advancing work in progress at Gralha Azul and Novo Estado. TAG also posted a significant contribution to our result this year. Later on we will comment a little more on the results of TAG. We also had an event which we could consider as non-recurring in the quarter, namely the complement to the revenue booked in 2020 relative to the renegotiation of GSF. As a result of the updating of calculations by the CCEE, we ended up with additional revenue of R$ 52 million.

We also had the inflationary impact on our energy sales contracts. A large part of our contracts are indexed to the IPCA. We also have a significant volume indexed to the IGPM. From the point of view of negative impacts, we saw a significant increase in our financial expenses due to inflationary pressures, principally driven by the IGPM, which is the index used for some of our concessions payable. And with this inflationary pressure during the quarter, there was a significant impact which brought as consequence a reduction in our net income.

We also had the negative impact of GSF in the first quarter 2020, when it was about 1 but deteriorating in the first quarter 2021 to approximately 87% due to bad hydrology. There was also a reduction in the amount of energy sold due to the continuing impact of the pandemic. And finally, an increase in the cost of fuel, principally that of coal, due to the increase in thermoelectric generation during this quarter.

On the right hand side of the slide, we show the main items contributing to the increase in Ebitda, which on a comparative basis between quarters was nearly 30%. Principal impacts were the purchase of energy at an additional R$ 167 million although as mentioned there was a reduction in purchases. There was the impact of the transmission margin as well as R$ 72 million from our investment in TAG. The additional amount from the renegotiation of the hydrological risk which I have already mentioned generated further revenue of R$ 52 million. The variation in the combination of price and volume added R$ 42 million to our result. The impact of GSF, as cited previously, resulted in an additional cost of R$ 48 million, and coal consumption had a negative effect of R$ 30 million.

In the context of net income, the main impact which we had was on the variation and the balance of our concessions payable and this resulted in a further financial expense of R$ 223 million, which contributed to this variation of 3.3% in our net income.

In the slide that follows, we showcase our continued actions in meeting the Covid challenge. Given the deterioration in infections, we actually increased our participation along various fronts for tackling the pandemic, or at least attenuating the risk of the disease, more especially in the regions close to our plants. This had a very positive effect, significantly reducing the number of employees contaminated by the virus.

We also saw progress in the construction of the Campo Largo Wind Complex. Today we already have nearly 80 MW of installed capacity up and running, while further wind farms are beginning test operations and there is a schedule for the installation of other units. The outlook remains for conclusion of the work by the third quarter of this year. Our national AAA rating and international ratings in Reais and currency were also reiterated.

In slide 07, we cover the negotiations for the sale of the Jorge Lacerda Complex where we signed an exclusivity contract with FRAM Capital. The period of exclusivity is for 120 days, the time we judge necessary to execute the due diligence for a complete evaluation of the asset. So negotiations are in progress and we have noted an advance in this respect. So in the short-term we expect some more effective signs on the sale of this asset. We resumed the divestment of Pampa Sul, also in line with our decarbonization strategy. We have already been contacted in the past to evaluate potential parties interested in the asset. Initially, we had 12 interested companies and now we are in the process of selecting these companies so as to take the process to another stage. Given that we have seen a significant advance in the selling process, our expectation is that by the end of the year or in the first quarter of 2022, we shall have a rather more precise indication as to the sale of the asset.

On April 28, 2021 now, the Board approved the distribution of complementary dividends in the amount of nearly R$ 610 million, corresponding to R$ 0.7471 per share.

In the quarter, we also received an important recognition, ENGIE being recognized as the best company in Latin America in the environment category. This award makes us immensely proud as well as assuring us that we are on the right track for questions related

to impacts on the environment.

In slide 08, just a comment that we have published our Sustainability Report 2020, which is an important tool for and accessible to society. And as is already well known, the Report follows GRI guidelines. We have here at ENGIE Brasil Energia, Veritas' assurance of the principal components of this report. This year we placed a lot of emphasis on meeting the challenge of the sanitary crisis as well as on the entire strategic context in the present and the future and on our governance and socio-environmental performance. Just to mention here that the report can be accessed by our link.

I will now pass you over to Rafael to proceed with the presentation and when I come back, to comment in a little more detail on our financial performance. So, Rafael, please go ahead

RAFAEL BÓSIO: Thank you, Malta. Moving on to Slide 10, we start on the Company's commercial strategy by showing an update to our energy balance. You can see here our level of available energy including an increase in availability for the years 2024 to 2026. This is the result of an increase in proprietary resources following the incorporation of the initial operations at a new wind power complex on which construction will start in the next few months now – namely the Santo Agostinho Wind Complex. So, as from 2023, we have an increase in availability whereas before the energy balance merely reflected the project's PPAs, so we were selling energy from the portfolio, but now resources are entering to replenish the energy balance. So this increase reflects the effects of the entry into operations of Santo Agostinho from 2023.

On the right-hand side of the slide, in the commercial area, we show our sales volume in which we seek not to concentrate the sale of energy in any one sector. Thus, a broad diversification to mitigate any sector risk. And below as I said, we show the availability year-by-year that is to say our strategy for gradually contracting energy. For example, let's take a year as an example, 2023, the vertical blue bar with the 43% represents the energy which was available at the end of 2017. And we see a decline in this graph as the years go by - the percentage of uncontracted energy falls from 43% to 19% at the end of last year. This helps us to mitigate some of the exposure to the impacts of an economic nature or even those unexpected events such as occurred with the pandemic last year. So this gradual and constant selling protects our portfolio. Naturally, we have a larger volume of available energy in the years ahead – 2025 for example – but gradually we are closing these positions.

Moving on to slide 11, we continue in the commercial strategy section. Here it is important to underscore that we continue advancing in the capture of new clients, these increasing to 656 free consumers in the first quarter of 2021 versus 619 last year. There was a decline in sales volume, this still reflecting the pandemic although we are comparing with the first quarter 2020 when the same pandemic did not have such a big impact. But important here to point out that we maintained our market share in the free market while increasing our participation in the number of clients.

Here we have two new sets of data which we are showing this quarter, data which shows the company's proposition of helping our clients through the transition towards a low carbon economy, namely certified emission reduction units and renewable energy certificates which we sold in the quarter. This is indicative of how we are always expanding and offering our range of products to our clients to help them in the energy transition.

Now let's turn to the expansion section where I am going to update you on the implementation of the projects. Going on to slide 13. The first project under construction and already operating is the Campo Largo 2 Wind Complex. It went into test operation mode at the end of 2020 and in the first quarter began commercial operations. At the end of the first quarter, we had 22% of the wind generators already in operation amounting to a total of 19 wind generators. But as you can see now in the second quarter there has been further progress with 34 wind generators in operation and representing 40% of the wind generators already in commercial operation. So we are making progress rapidly and only yesterday, published in the Official Gazette of the Federal Government, Aneel liberated more wind turbines and this will continue gradually until construction is terminated and as Malta has commented, expected for the third quarter 2021.

Moving on to the next project in slide 14, we show the Santo Agostinho Wind Complex. As I have already said, this is a new project at the installation phase which began early in the year. At the outset of the year, we signed a contract for the supply of wind turbines with Siemens Gamesa, which allowed us to make an effective start on building the project. Construction as such should begin now in the month of June as I have already commented. This is a plant which will give us a further 434 MW of installed un-conventional renewable energy capacity, thus expanding the share of this source in our overall portfolio.

Now in slide 15, let's move on to transmission line projects. The first of them is the Gralha Azul Transmission System. Gralha Azul is at an advanced stage of construction, at the end of the first quarter 83% complete. Despite the challenges presented by the pandemic here and some issues surrounding the environmental licensing of the project, we are maintaining our forecast of startup in operations for the month of September in the third quarter of 2021.

And the second project in the transmission segment in slide 16, Novo Estado Transmissora de Energia, a project we acquired last year in the secondary market. 15 transmission lines, transmission lines about 1,800 kilometers in length in the states of Pará and Tocantins, where work is also advancing naturally and where we have 74% of the tower foundations concluded. And we continue advancing with the installation work towards completion, for attempting to achieve our estimated entry into operations by the end of this year in December 2021.

In this next slide, we are updating the situation of the Jirau Hydroelectric Power Plant, a project which belongs to our controlling company, ENGIE Brasil Participações, but where there is the possibility, as those who follow the company for some years will know, that we have an interest in acquiring the stake in the project from the plant's controlling company. This is a plant which is already operational and as presented in the slide in the updating we provide, has a proven operational excellence. It is worth noting the very high uptime factor here, 99.5% uptime here in the first quarter of 2021.

Moving onto the next slide we give an overview of our portfolio of projects in development. Currently, we have various wind and solar projects amounting to a total power output of approximately 1.5 gigawatts of installed capacity awaiting the right commercial conditions to receive - just as Santo Agostinho, which has its energy totally sold to the free market - to receive approval to begin installation. In other words, a thoroughly diversified portfolio ready to maximize the opportunities arising in the market.

Malta, with that I conclude my presentations and hand over to you to comment on the company's financial performance in the first quarter.

MARCELO MALTA: So onto slide 20, we talk about our financial performance. In the left hand graph, we can see an increase not only in ROE but ROIC as well. The right hand graph

highlights our performance over the last five years. Our investments in this period amounted to R$ 19 billion, 82% financed from third-party capital. Our installed capacity has grown quickly, about 24%. In this period there was the acquisition of 32.5% in TAG. We made our debut in the transmission segment so that today we have 2,800 kilometers of transmission line under construction. Our Ebitda in this period rose 74% and net income by 66%. And the total amount distributed in dividends and interest on equity totaled R$ 9 billion. So that is a summary of our performance in these past few years.

In slide 21, we show the movement in our operating revenue. I think a lot of what I am going to comment on here, I have already mentioned at the outset of this call. However what can be pointed out is the impact of inflation on our sales contracts and the increased wind and thermal generation in the light of the deteriorating hydrological conditions this quarter. This in the generation activity. In the transmission activity we reported revenues of R$ 681 million, reflection of the progress in work on Gralha Azul and Novo Estado.

In slide 22, we show in summarized form the results for TAG, which ended the quarter with a profit of R$ 537 million, our share of this profit being R$ 175 million. The rise in profit at TAG was principally due to the IGPM indexer on contracts bearing in mind that 60% of the contracts at TAG are indexed to the IGPM, and it is this which was largely responsible for the significant increase in the result.

Slide 23 shows the evolution in Ebitda, with the blue bars in the graph indicating the movement in generation activity rising 16% year-on-year. So in addition to what I mentioned in the context of the preceding slide on operating revenue, there were other factors driving Ebitda. These were basically the reduction in purchasing volume due to our energy allocation strategy. And as I just also mentioned the complement of the GSF/GFOM due to the revision of GSF costs in our favor.

On the other hand, we also had negative impacts resulting from the reduction in consumption due to the pandemic. A worsening GSF this quarter and increased consumption of coal, corresponding to the increase in thermal generation. In the context of the transmission activity, we had a margin of R$ 143 million, and in relation to TAG, a growth in participation of results of R$ 72 million.

In the following slide, net income change, as already mentioned, the important impact on

our financial expenses, the result largely of the application of IGPM on our total of concessions payable. So we have about R$ 3 billion in concessions payable indexed principally to the IGPM. But on the other hand, we have a stock of sales agreements also indexed to the IGPM totaling R$ 4.5 billion, which generated a cash flow hedge. But given the application of the IGPM on the sum of these liabilities, the balancing hedge ends up not being perfect, which is the reason for the impact on financial expenses in our result.

Slide 25 shows our debt. In the first quarter 2021, we closed with a debt of approximately R$ 18 billion, gross debt and cash/cash equivalents of R$ 4.3 billion and a net debt of a little more than R$ 13 billion. We can see here we continue to maintain a comfortable degree of leverage.

In slide 26, we show our debt profile with the concentration of debt maturing in the next 24 months. This slide also shows a significant concentration of this maturing debt indexed to the IPCA and also an important prefixed portion. The average term of our debt currently is approximately 6.4 years. In the right hand graph we show the debt composition. The most significant portion is indexed to the IPCA but offset against our energy sales contracts while the other indexers are distributed between CDI, a fixed portion, and TJLP. The nominal cost of our debt is currently about 8.7%. There has been an increase which is due to the higher IPCA feeding through to an increase in our debt.

In slide 27, we show our investment flow. So, in 2020 we had already invested something close to R$ 4 billion. In 2021, our forecast is R$ 3.7 billion, with the most significant amounts being injected into Novo Estado and Gralha Azul, with work terminating on both by the end of September and the year-end, respectively. In 2022 and 2023, capex will be concentrated on Santo Agostinho.

Finally in slide 28, we have here a track record of our dividend distribution. Just to recall that last year we paid out R$ 1.7 billion, which corresponds to a payout of 100% of our adjusted profit. That corresponds to a yield of 5.7%.

With this I conclude our presentation here and open for any questions you may have.

RAFAEL BÓSIO: Hi, do we have any questions/doubts by phone?

Operator: Thank you. Ladies and gentlemen, we shall now begin the questions and answers session. To ask a question, please touch asterisk 1 (*1). To withdraw the question from the list, touch asterisk 2 (*2).

Our first question comes from Rafael Nagano of Credit Suisse. Rafael, your line is open, you can go ahead.

RAFAEL NAGANO: Hello, good morning Rafael, good morning Malta. The question is more on your energy balance. We can see that sales in the quarter compared to the last quarter of 2020, concentration is greater in the long-term, 2024 a 2026. Could you give us some more information on these contracts, an idea of demand from the clients and price level, if you could give this please. Thank you.

MARCELO MALTA: Good, in relation to short-term price levels, we have seen an increase in prices and this is largely motivated by the hydrological question and we have been able to capture this effect in higher prices. And in the context of sales volume, we are almost totally contracted in the next two years. For this reason we have purchased energy in the short-term so that we can make products which will allow us to sell in the more medium-term. So, yes we see a greater demand for energy as from 2024 and we have closed some contracts. And we expect this to continue as we are seeing a recovery in energy consumption. So our outlook is a very positive one.

RAFAEL BÓSIO: Malta if I may add something. Rafael, it's a good idea to look at our energy balance in slide 33 and the attachments to our presentation where we also show average selling prices out to 2023. So in 2023, if you compare with the fourth quarter of 2020, you are going to see that contracted prices continue increasing. At the end of last year out to 2023 the price was about R$ 194 and this average rose to an average selling price of R$ 202.00 in 2023. So not only are we managing to maintain the average price but actually increase it.

RAFAEL NAGANO: That's fine, excellent. Thank you both.

RAFAEL BÓSIO: Don't mention it, we thank you and thanks for the question.

Operator: Our next question is from Marcelo Sá of Banco Itáu. Marcelo, your line is open and

you can go ahead.

MARCELO SÁ: Good morning everyone and thanks for the call. You have a long line of projects which you can develop. One of the projects is Santo Agostinho, but there are others as well in the pipeline. And as you are thinking of developing, I would like to have some idea of what the CAPEX would be, for example, today, what you see for a wind power project, if you could put it in terms of installed CAPEX/Megawatts what the level would be. What would be the CAPEX per MWpeak, for example, of solar projects, given all this increase in the currency. If you could give us an idea, I would be grateful. Thank you.

MARCELO MALTA: Rafael, I think you have more up to date information with you, could you answer the question?

RAFAEL BÓSIO: Marcelo, all well? Good, as we can see, we can also see from the CAPEX that we announced for Santo Agostinho, there was an impact, a certain impact both from the currency point of view as well as inflation, not to mention substantial demand for wind power equipment for the installation of wind farms in the light of innumerable projects which were at the installation phase in Brazil during 2020. Santo Agostinho is a case in point, if we do the sums, CAPEX would be around R$ 5 million per installed Megawatt. But this is naturally reflected in the energy selling price. So naturally we always try and maintain the margin and the return from the projects. As you said we have various projects awaiting the moment to begin installation. Santo Agostinho was a project where we were successful and is beginning now and we are already beginning the contracting of the next projects for the next few years. Our idea is to continue delivering growth via renewable sources.

MARCELO MALTA: Just by way of an addendum to what Rafael said, we understand that today wind projects are still the most competitive and this increase in CAPEX is being clearly taken on board by us. But we have noted strong competition at the auctions and have tried to work out internally what could be differentiating prices apart from a possible greater return that we require for projects of this kind. The solar projects are less competitive than wind power, but we have worked hard in the development of these projects to become more competitive, principally in the free market. So our portfolio of projects has been reducing in the past few years as a function of the projects which we are implementing. For this reason, we are in the market for interesting projects which we believe can give us the risk/return ratio which we believe as appropriate. And this obviously so that we can try to replenish our

pipeline with a greater volume of projects.

MARCELO SÁ: No, that's clear. And if you will allow me, I believe I understand that your idea is to sell a large part of the energy of a project prior to beginning construction. I would like to know if this is still the strategy, if you need to sell, for example, a very long-term PPA in order to begin constructing. If for example, it would make sense to develop, I don't know, to sell for five years when perhaps the price is higher in the short-term and stay with the long-term risk. How is this risk balance when you are thinking about developing new projects?

MARCELO MALTA: Our strategy remains the same: one of the key conditions for the feasibility of a project, is a significant level of contracting at least in the medium-term. What we have seen is a flood of projects being developed in order to capture the wire discount. The projects approved by February of next year are assured the wire discount and because of this significant volume of projects, we have noticed a tendency for prices to decline. And this makes us reflect as to whether it makes sense to ensure the viability of the projects and in fact approve some projects up to 2021, leaving these with a low level of contracted energy or even leaving them totally uncontracted in these circumstances given that there is large volume of projects and we are noting a tendency towards lower prices. So perhaps waiting for a more appropriate moment for contracting energy might guarantee the desired return for these projects. But this is just an initial evaluation we are making and we are in the process of developing our ideas. Our controlling company is very restrictive as to the development of uncontracted projects and we have spoken at length with them in the light of this current scenario. I believe in the coming months that we will have a more precise evaluation as to whether or not it makes sense to slightly change this strategy.

MARCELO SÁ: Thanks a lot everyone.

RAFAEL BÓSIO: Thank you.

Operator: Once more I would like to remined you that to ask a question, please touch asterisk one (*1) and to withdraw the question from the list touch asterisk two (*2). Now I would like to hand over to Rafael who will answer some questions from the web.

RAFAEL BÓSIO: OK everyone, we have various questions here from the platform and I am going to try and select some which are interconnected so that we can comment generally

and touch on these themes, Malta.

Good, I believe, that, let's go, the first question comes from a private individual and investor Maurício Hanemann. He is questioning us on the hydric question and reservoir levels and what is the Company's strategy overall. I am summarizing two questions in one. The question of hydrological risk is in this sense. I believe it is like this, we can, it is public knowledge that this year the hydrological situation is a very challenging one. In the first quarter of 2020, we had a GSF of approximately 85% and 87%, while in the first quarter of last year, we were generating secondary energy that is to say a surplus of about 5% was being generated. So on a year-on-year comparison, I really think that this is something that has to be emphasized in our result: we had a very good performance when set against the extent of the challenge and even greater challenge of hydrology this year. And this again underscoring what Malta has commented, much to the credit of our portfolio management. The reservoirs reached a level of about 35% at the end of last year, to the end of the third quarter, and if I am not mistaken, at the end of the first quarter of last year, just to give you an idea, the reservoirs in the southeast had reached 55%. Just to effectively show the size of the hydrological challenge, but also how we have been successful in mitigating the risks and safeguarding the company's results in this period. Malta, do you have any further comment please?

MARCELO MALTA: Yes, just by way of an additional comment, Rafael, I think it worth mentioning that this hydrology is one of the worst in the historical series. So this really is very serious and represents a major challenge for our portfolio management people. Today we have generation from the Jorge Lacerda Complex, which is an important hedge against these negative hydrological impacts and in addition we already have a strategy which leaves a portion of our energy uncontracted, with our management process depending on our evaluation of GSF risk, and we also go to the market to buy energy. But our expectation for the next few months is that GSF will worsen even more and will raise the stakes even more for our people involved in the day-to-day management of our portfolio. But as Rafael has mentioned we have a lot of experience and we have the capacity of making projections which have proved to be very close to reality. This gives us greater peace of mind that we will be successful in managing the scenario in an adequate fashion.

RAFAEL BÓSIO: the next question is related as well since you have already mentioned Jorge Lacerda, Malta. He has asked for an update on the sale process. I think we have already commented that we are in a period of exclusivity with the investor, with a potential

purchaser. So the process continues and we are waiting the outcome to this process to see the way forward.

He also asks, should we sell or decommission Jorge Lacerda, how much of the latter's energy has been replaced by wind power over the past few years. On the basis of a quick calculation off the top of my head, I think we can say that over the past few years we have already increased, in the last five years at least about 600, 700 MW in installed wind power capacity with Umburanas and Campo Largo and now we are implementing Campo Largo II as well which will add another 360 MW. So we are adding more than the installed capacity of Jorge Lacerda, added in the last few years in wind power capacity and continue to make headway with the beginning of construction on installations at Santo Agostinho.

MARCELO MALTA: Rafael, on the selling process, FRAM Capital had evaluated the Jorge Lacerda project three years ago when we launched the selling process. In fact they even presented a proposal but we considered that it did not make sense to sell based on the risk/return. This confirms that although it is group strategy to decarbonize, we are not going to sell at any price. So when we announced to the market at the end of the year that we would establish a task force to evaluate the disposal of Jorge Lacerda and emphasized that one of the possibilities would be to demobilize the plant on a phased basis by 2025, FRAM decided to talk to us again. We are working together to mitigate some risks which were important. The principal risk was the eventual legal contingency involving the mining companies. So there is an environmental problem that needs to be addressed although we are convinced that the risk is not ours since it is our conviction that it is exclusively connected to activity of the mining companies. But there is a school of thought that this risk in some way could also affect ENGIE Brasil Energia as a company with a larger cash generation than the plants and would therefore be better able to bear the risk than the mining companies, and then concern surrounding this risk is also shared by FRAM. So there has been real progress and I think the negotiations are going very well, the company jointly with FRAM managing to mitigate this environmental risk, this has given us hope as to the possibility that the business can be finalized. And as to the replacement of this generation by new investments, Rafael has already explained, but it is important to remember that, as I have also mentioned, generation from this plant at the end of the day is a hedge for the GSF. This has meant reevaluating our risk management strategy so that what we have done is to leave or already provide for a larger portion of uncontracted energy. So it is possible also that we shall continue buying energy from the plant should it be sold and for a short period of time,

also guaranteeing us this hedge for some time to come.

RAFAEL BÓSIO: Ok, thanks Malta. Now we have a question, I think replying to this one quickly, a question from André Helebrando. He asks us about the Gralha Azul transmission line and would like to know if the legal issues have been resolved that had been preventing the conclusion of the construction. So just recalling, there was during the first quarter a second injunction suspending the construction of some stretches of the transmission line. However, this injunction was overturned and canceled before even becoming effective given that the argument on which it was based was very similar to the argument in the first injunction which we received at the end of last year and which was cancelled by the STJ. So, the decision of the first injunction was extended to cover the second injunction. And answering the question now, there are no other public civil actions with respect to the implementation of the transmission line in Paraná, and we continue reaffirming that our expectation, our projection is for the project's entry into operation to be now in the month of September 2021.

MARCELO MALTA: Just to point out that, with this second injunction, since it was revoked very speedily, it did not result in any interruptions to the construction schedule. Considering that we already have 83% of the work concluded, we do not believe it possible that in the short-term or by the conclusion of the work, there will be time for a new request for an injunction. So we are very optimistic that up to the conclusion of work there will be no further legal impediments that could hold up completion.

RAFAEL BÓSIO: And reinforcing that the environmental licensing of the project was arranged according to our most rigorous standards. In the case of many questions we are not satisfied in the majority of them with just complying with the legal norms. We always try to go further.

Malta, I am now going pass on to questions on debt. I have two questions, one coming from Santiago Santos and the second from João Almeida. Santiago asks with the outlook for increased debt, if this generates some potential for some risk for the payout, some possibility for a reduction in payout. And João Almeida asks since debt is 63% indexed to inflation, how the Company is seeing this constant inflationary spiral and what is our positioning on the matter.

MARCELO MALTA: Very well, our leverage is very well controlled with net debt/Ebitda ratio at only 1.9x. This gives a lot of room to absorb new investments and this is exactly what we have done. In fact we have financed, we have also managed to finance the equity for increasing the leverage of the projects. So considering Santo Agostinho and other projects of the same size over the next few years, we do not visualize a reduction in payout. Of course we evaluate the strategy for deciding the payout every year but in the short-term, we see no reason for a significant reduction in payout. Just by way of an additional comment, we have a significant retained earnings reserve which at any time could be distributed. Today this is not part of our short-term strategy, but I think it important to point out that we have space to increase our payout should it be in our interest to do so. But our principal commitment is to move forward with the projects which is our aim and increase this leverage so that we have a rather more adequate capital structure.

RAFAEL BÓSIO: Malta, and in relation to the second question, I'll begin with just one comment which is in relation to the indexation of our debt.

MARCELO MALTA: Sorry, I can answer, Rafael. As also mentioned, we have nearly all or a very significant part of our sales contracts indexed to the IPCA. So we are able to hedge the entire cash flow of this debt indexed to IPCA without any problem at all. So we have no risk from rising levels of inflation given the natural hedge which we have.

RAFAEL BÓSIO: That's it. Let me follow up with the next question, Malta, which is a question on the concessions payable. Aguiar asks us to explain a little more about this impact, what does it involve, and the impact of the IGPM which has driven up financial expenses.

MARCELO MALTA: Ok. Good, these concessions payable originate from a competitive process which existed in the past, particularly in the case of Cana Brava, Ponte de Pedra and São Salvador, principally these. But the concept in the past was that the winners of the auctions were those companies that presented the highest amount payable for the concession. So in this case the rules of the auction determined that concessions had to be indexed to the IGPM and others to the IPCA. So, as was very common in the past, you contracted energy or sold energy indexed to the IGPM so we always had a cash flow hedge to support this variation in IPGM. As I mentioned before, the hedge is principally cash flow. As these sales contracts adjusted to the IGPM decreased, we ended up also generating only a partially efficient hedge. So, due to this recent trend in the IGPM, considering that we have

a balance in our liabilities of concessions payable, the application of the IGPM on this outstanding balance has a significant impact on our financial expenses. As today it is not so common to sell energy indexed to the IGPM, we are evaluating at this very moment the possibility of requesting Aneel to change our indexer. We are making some projections to evaluate if this is the right moment to make this switch. However, this is in the rules of Aneel, we have done this in the past and there was never any restriction on the part of Aneel. So as I said, we are exactly at this moment well advanced in our analysis, in the short- term we will have a decision as to whether we request or not this change in indexer.

RAFAEL BÓSIO: Ok Malta, thanks. We are getting close here, have overrun our time a little, I will pass on the last few questions on our strategy, the strategy of the company in relation to the transmission activity, if we are going to persist, to continue extending our presence in this segment for the future, Malta.

MARCELO MALTA: Yes, we entered this transmission activity thinking about growing and to be an important player. Unfortunately, we have not been successful in the auctions and we are evaluating opportunities for M&A such as was the case with Novo Estado. Our ambition is to grow a thousand kilometers in transmission lines per year. This is a challenge but our ambition remains and we have been working very effectively in the market to try and identify opportunities. So yes, we are very interested in growing in transmission.

RAFAEL BÓSIO: Right. So I think that with that we are coming to the end of the questions. We still have some pending questions via chat, but due to the late hour, I will ask the operator if there is any question by phone. And if not, we can conclude. Naturally, the investor relations team is here to reply to questions which may have not be answered during the call. We are at your disposal, just send an e-mail and we will give you an answer. Can I have any questions which came in by phone.

Operator: No further questions received by phone. I am concluding the questions and answers session. I will hand you over to the speakers for their final considerations.

MARCELO MALTA: Good, thank you everyone for one more call, these exchanges between us are always important. As Rafael has mentioned, our investor relations department is always at your disposal for providing the necessary clarifications. If you have additional questions in relation to this quarter just contact the IR team and they will have every

interest in giving you a quick response. Thank you, good morning to all and until the next time.

RAFAEL BÓSIO: Thank you everyone, good morning.