

## Q1 2012 Earnings Call

### Company Participants

- Corporate Participant
- Ricardo Portugal Alves, Chief Financial Officer and Investor Relations officer

### Other Participants

- Analyst
- Eduardo Gomiti
- Felipe Leal
- Maria Carolina Carneiro
- Vinicius Canheu

### Presentation

#### Operator

Good morning and thank you for waiting. Welcome to the Companhia Paranaense de Energia COPEL broadcast to present results of the First Quarter 2012. We would like to inform you that all participants will be in a listen-only mode during this presentation. And then, we will have our Q&A session and further instructions will be given. [Operator Instructions].

Before we continue, we would like to clarify that statements which management made during this conference call regarding COPEL's business prospects and operating and financial targets are based on beliefs and assumptions of the company, and also on currently available information. Forward-looking statements are not performance guaranteed as they involve risks, uncertainties and assumptions, as they refer to future events and therefore rely on circumstances which might or not occur.

Investors should understand that general economic conditions, industry conditions and other operating factors could affect the future performance of COPEL and leads to results which differ materially from those expressed in these forward-looking statements.

First we have Mr. Ricardo Portugal Alves, CFO and IRO. The presentation which will be delivered by COPEL's management can be followed at the company's site [www.copel.com/ri](http://www.copel.com/ri).

We would now like to ask Mr. Ricardo Portugal Alves to take the floor.

**Ricardo Portugal Alves** {BIO 2448971 <GO>}

Good morning everyone. It's a pleasure to be with you this morning. We have here Andriguetto Jorge, who is our Chief Engineer, -- our Capital Market Representative and -- whom most of you know, Manager of Investor Relations Department.

So, we will now show you our results of the first quarter 2012, which all of you have been pursuing. And then we will have an update about work of our generation and transition efforts.

First of all, I would like to gather your attention once again to the information on our energy market. The growth of the market is very good. The energy sales which is held up by sum of Copel Distribuição and Copel Geração e Transmissão. The full sales have increased 7.3 in the first quarter. That's about 90% above the national average which was 3.9%. And the same with COPEL, this was offered by residential, commercial and industrial consumption.

So net M&A does result for the first quarter 2012, operating revenue as you may observe grew 11% to the same period in 2011, totaling R\$2 billion for the following reasons. First of all, the growth of the market is 6.5% increase in revenue from electricity to final customers, 13.5% to EBITDA growth impacted deductible by the expansion of market and the tariff adjustment, an average effect of 3% applies as through June 2011, and this will result throughout the year.

The product sales distributed grew 16.5% because the contract adjustment for energy commercialization in the regulated environment. And because of the higher revenue of the electric power chambers came in at R\$77 million in the first quarter 2012, compared to 29 million in the first quarter 2011.

Plus the revenue is coming from the service side, which is a result of the sum of the revenues of the delivery channel and use of cash growth grew 11.4% of the period.

Third, it is important to mention as well, the increase was 9% from the telecommunications revenue due to the extension of the customer bills and diversification of products and solutions offered.

Copel Telecom has considered 1,569 customers, 44% growth as compared to March 2011 and 324 as Paraná in two consecutive arena.

The fourth item is an increase of 23% in the revenue that tax supplied by Compel due to the price adjustment 8.5% as from August 2011 and another 4.5% as of March 2012, a growth of sales volume, a growth of 8% in the quarter.

On chart number five, we see that from January to March 2012, the operating costs and expenses increased 15%, vis-à-vis the same period the previous year, and due to the following factors. Cash flow is up 10% to 11% in the electric power account both the retail, because of the growth that extends with the power acquisition or the auction in regulated market.

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Second, an increase of 44% in the purchase of natural gas from Compagas due to the aforementioned. The sales growth and the costs decreased relating to the gas acquisition itself, reflection of details of the real, and the increase of the prices we borrowed transcript which we adjust the price of the gas.

And third, the make-up of our R\$68 million provision due mostly to the larger collection and interest for litigation cases, on account of this the case is high, the total of R\$52 million and the rest which is 67 million due to provision credits for bad loans. It's good to emphasize that these effects have reached provisions that are not recurring.

On the sixth slide, we can see an explanation, a clear explanation about the increase by 33.7% affecting our personell cost. First of all, the final review adjustment of 7.7% applied as of October 2011, which is the third process of Copel.

The indemnities paid in the voluntary redundancy succession plan of R\$7 million, and the provision in profit sharing which comes to R\$30 million. After carrying out these adjustments, the personnel account would be 14% and this indeed the 14% can be explained by the following items. First, less transfer across to the success of first quarter, 2012. Second an increase of 4.4% in the head count which at the end of the quarter was a total of 9,322 employees.

According to the P&L 442,010 revolution, which made it a mandatory to have applied service in all concession areas. And third, because of the review of the structure of small areas and compensation between the month of June and December 2011, which would be effective was to reduce the cost of our turnover.

The effects of this speck as we have already mentioned in the previous call we'll need it as turnover in the company has been significantly dropping. And another very important point is the voluntary redundancy in concession plan balance, we've had a total of 555 employees who signed up for the program of expressing one have already resigned at the end of this quarter. And when these employees leave the company, we will be able to see a drop of about 8% on it overall. And these employees will leave the company by the end of 2012, between 2013, and this affects growth material during the year of 2013.

Regarding the consolidated EBITDA during the first quarter 2012, it remained stable vis-à-vis the same period for 2011, shows an impact R\$185 million amounting to 29% over the operating revenue. Copel shows strong return accounted for 52% of cash generation and 58% of operating margin while Copel is down came in at 35% and 15% of operation margin.

If we exclude the effects of all acquisitions carried out in the first quarter, EBITDA would have totaled R\$640 million. Cash from January to March 2012, the Copel's net income was R\$330 million, an amounts 17% less for that presenting in the same period of 2011, but with growth were about 19 percentage.

And also as we did with the EBITDA, we will also eliminated the effects of the acquisition mentioned and maybe accrue 43 million, which referred to the reinvestment of the share

value of the financial aspect of distributor, because there is new estimates of the life of these assets. In other words, altering with the preparation rates of the distributor. We would total R\$387 million of net income in the first quarter.

The consolidated net margin and the real income of 387 million of Brasileiro with 22% while the distributor was 8%. So, in general, these were the highlights of Copel's results which we alluded. And so our capacity was consistent and constant cash growth. We hope this in our valuation, the companies securities is still traded in discounted multiples and compared to period. And particularly taking into account our commitment with the creation on value for shareholder base.

So how encouraging value? Through value projects before the transmission. As you may see on slide nine, we are responsible for the building and operation of six blocks of transition, one in the auction at December of last year and March of this year, a total of all 2,000 kilometers of high trade converted lines, which will run through the states of Sul Brasileiro, Parana, Compelo -- Integração Maranhense and this position Copel strategically.

And the new frontier of the expansion and that is too much to repeat that we are the this group in the ranking of the largest transition groups of Copel.

Regarding generation work, I would like to inform you that the Mauá plant right now and its concluding phase should end their commercial operation by the middle of the year and the operative floor plan I am mentioning is that we can see new recognize the that first major and as recognized that it would not the responsibility of Copel because it's a delay of the project.

So, the result cannot be during... because of this. Copel has been delivering well to its commercialization contract through Mauá by Paranaense de Energia market. With regarding the CHP of another two will be contributed in 2012 according to the schedule.

Regarding the Colíder plants, which will building another growth, now with 1,700 people are working but entering the dry period which goes from May to September. The work is following our schedule and we possibly will bring this forward or bring forward the commercial operation date initially forecast the end of 2014.

So, thank you all for participating in this call. And now we could go onto questions-and-answers. And we have with us Andriguetto, Briano and Solangi to help me answer the questions. Thank you so much.

## Questions And Answers

### Operator

[Operator Instructions]. And our first question comes from Ms. Carolina Carneiro from Santander. You may proceed.

## Q - Maria Carolina Carneiro {BIO 16342681 <GO>}

Thank you very much. My question is rotation of power. We have seen some confidence in the at first in the company with the sales price which is a bit second and non-stop markets. Sir, could you give us an update for 2013, you had about 200 megawatt to 2012. So please correct me if I am wrong. So could you update me is there anything new regarding this contract or have there any forecast by the markets the sale of this energy? That's my first question.

And the second one, regarding our other area. We know that much of this has been talked about, a lot of been left aside because of the better water situation last year, but perhaps now this has been taken up again. But with that, if not talking pretty much about but do you still have something, are you still talking about the possibility of the growth you are seeing to from contact through other credit energy sold in the auction?

## A - Corporate Participant

Thank you Carolina for the questions and thank you for being here at this conference call. And regarding your first question, in fact Copel is managing to group all the energy portfolio selling into these markets at the end of last year. And there, of course, last year compared to this year, there is about 20% of energy available to sell at the end of March of this year we have 13.7% of energy to be sold to 2013. This means more or less 270 megawatts to 300 megawatts. And we are managing to close our contract for two or three years to deliver 2013, 2014, '15 and that's attracted broadly.

We are benefited by the increase in '12 and as well we are managing to play the advantages for full customers, which are at fixed rate and R\$90 to a R\$105 to R\$190 perhaps a R\$ 110 per megawatt hour.

Regarding our -- of course that will continue to take to the growth rate of Petrobras just in terms of -- contract of that, that's 26 which will allow us to the existing. We have not yet chose anything. Our conversations could continue but what is going through is that had a - June had a logical pursuit and well, just we had with dispatch energy and it has been dispatched not just capacity since marching this year. By the end of the month of May we are sure that it will dispatch the -- 870 it will depend on the methodological conditions probably in June it is still beginning. And this is important to us as you know the plant is then hedged to Compagas but the outlet, the growth of the revenue of Copel as we show in sale.

Therefore, regarding other carrier we are greatly emphasized and very terrific to full capacity. I am not sure how long it will continue but I think the value under growth is going to produce. So it is being producing March, April and May. So this will increase our revenues. I hope I have answered your question.

## Q - Maria Carolina Carneiro {BIO 16342681 <GO>}

Yes. Thank you.

## Operator

Our next question comes from Vinicius Canheu from Credit Suisse. You may proceed.

### Q - Vinicius Canheu {BIO 6300903 <GO>}

Good morning, Portugal. Thank you for your presentation.

Now in your optimal cost, there are two questions. First, we have seen the impact of your converted restructuring. And I don't know is there any increase which might have came along from this new review processes of which credit structure.

And secondly you said that your personnel costs might go 8% in 2013 because of those turned up to the policy redundancy plan. So how that this compared to your target? And in terms of think you would be able to achieve your target but that can be done to achieve this target, kind of put on business or do you have a deadline or certain line?

### A - Corporate Participant

Hello, Vinicius. Thank you for your question. Well no, there is no forecast of additional salary adjustments. Because it's clear plan was concluded at the end of last year. And I don't think... the effect of this plan are appearing in 2012.

Regarding what's recorded Paranaense need which is the plan for the volume, which is the voluntary plan for redundancy discussion, we have before the end of year in total of 555 employee working then. And this is almost a half of our initial target.

Although, this target will be increasing network. So this 555 employees according to the average, this will give us a drop at 8% on the... it could develop as long as our initial target was by the end of 2014 about 1,300 employees would be reviewed. We reviewed these resources areas, we reviewed all of it. And there is a slight increase in the total number of employees who could be low then at the end of 2014. It could be about 1,500 employees. What does this mean? In terms of who have been in the company more than 20 years or over the age of 50. These employees who can join up for the program.

So the number of employees have gone up a little bit, compared to the initial target. And if the numbers are 755, there should be an increase of 8% and given the next few years. And we will have a growth joining back of 2013 and '14.

I would say that by the end of this program, I would say 1,300, 1,400 people will join us. And as I have said these employees were being with the company for more time, so we have some extra benefits. We have higher versions and the big impact is significant.

We must also not forget that as soon as an employee joins us, to the program at the end of the year, has to make a provision for an indemnity with this certain more proceeds. So signature have this increased in -- when we're only 13 months calculated perfectly, you have a return to payback of this program.

## Q - Vinicius Canheu {BIO 6300903 <GO>}

Yes. That's what I wanted to know. Thank you very much.

## Operator

Our next question is from Christiano -- from Votorantim Corretora.

## Q - Analyst

Good morning. I have two questions. First, now the first question regarding the political energy. What are the prices was between R\$90 and R\$110 per megawatt. What should be the level of these prices in little contract, so we could know as how much this has increased or being reduced.

And also the second question regarding cost reduction program, that you mentioned in the fourth quarter call. When it had any impact from the results for the first quarter? And did this have an impact on the results through the year?

## A - Corporate Participant

Good morning Ms. Tiranha, and thank you very much for your question.

The contract that we are having now is much between R\$90 and R\$105 number of files. Particularly the contracts which are on average of about R\$77, R\$78, R\$79, no matter what, we are selling this energy at any value above that which we selling in our talks.

Regarding cost reduction, we've got growth. There is a contract which has let's say superintendents from what we have got to the company and the week quite and we'll quite -- and we'll be presenting probably under this month at a level for cost reduction of this year.

Obviously, we don't know what work should be done, but so as of now the company understands you and are convinced that this measure is important or with regards to the company participate in this group.

So, by the end of the month we'll present the proposal and diagnose it. And then the top management will adopt those which in their mind are less important. That in the first quarter, there is no affect yet of this program. We will have reflections of this program in the first month in the second quarter not yet. But I will show in the third quarter, we will be able to the communicate the steps that we are taking and the effect of all of this, what are the savings which will be generated.

## Q - Analyst

Thank you.

## Operator

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Our next question comes from Felipe Leal from Merrill Lynch. You may proceed.

### **Q - Felipe Leal** {BIO 2015017 <GO>}

Good morning, all. I would like to know how the financing NDF programing is going through your projects for Mauá and other ongoing projects? Is the financing going to win or are you still waiting for the management?

### **A - Corporate Participant**

Hello Felipe, thank you for your question. In Mauá we are going to drawn everything. The last visual adequate nurture but yet there was a project portfolio which we had presented R\$1,500 million.

For the Colíder Plant for the Araraquara 2 Taubaté Transmission Line, the Cascavel suspension, which is in Taubaté. We kind of got two small plants which will be coming to operation at the end of October. And now I am finished. We have a... they are still under analysis and we will be able to draw this management financing throughout this year. So what's happened here? Everybody set out at the last call. Cerquilho III, Taubaté 2 and --. In January, we received the financing or the total financing at the end of the year and they came in January of this year.

Now conversation at VTS is okay. And analysis that's kind of more than two will be... will touch growth rate certain on this. And being helped all of them by the end of this year, we will have the chance of receiving target financing.

And we also touched on a very good point. Because of these analysis which are mixed and very wild documentation that Copel has to produce. You will all... with equity, the full before the full year financing, that's all important that Copel and its partner have enough cash to be able to do this because of the financing, all generic and it's plus report as a financing agent.

So user demand, we have given as. And here after comply by presenting documents, environmental certification, then environmental licensing.

Sorry for that interruption. So guidance for the future projects and we will present this in our portfolio. We've just through the end year, so that you cannot finance it today. Some of these projects where Copel is not a majority holder.

We, of course, represent a major deal -- where Copel is majority. We will be growing through the national manager. And therefore this is lengthy, that is at the end. And as you get or maybe this is very important facility.

### **Operator**

[Operator Instructions]. Our next question comes from Edwardo Gomiti from HSBC. Please proceed.

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## Q - Eduardo Gomiti

Good morning. I have two questions. The first has renegotiations of swing in the plant of special --. And the second question in the CapEx. So what is that in the first quarter, I would like to know what we can expect of investments for the year in transmission? Thank you.

## A - Corporate Participant

Edwardo, now you are going to have to answer question Gomiti, Eduardo Gomiti. By which we would like to be able to get -- here. Edwardo, regarding the Brasileiro 2, we still are depending on SE which is really Rio Grande do Sul with environmental issue. So, we are mostly and then we will update everything. But unfortunately we have to wait for that to come through III.

So we continue to depend on this, which is in the quarter. Regarding the execution of CapEx, in the first quarter, we executed 16% of that amount approved by the Board.

And as the Board approved the CapEx, the value actual demand, it's critical to execute the total amount. We think that are execution significant will be higher demand share, not sure there is Chairman of the management will get there.

And they are investing and therefore it's costing is up so high, it's advanced value the forecast. But let's see we can get CapEx will be sold out. More difficult to say yet because the same quarter, just the first quarter show we look like we are maybe up, should be about 85% to 90% of the CapEx that would be actually carried out.

It's not interest of company with new project that we will be getting to, but in the process, we might give an auction whatever or some acquisition. We work as different -- will be less for 2013, but 80% to 90% will be the projects with the CapEx this year.

## Q - Eduardo Gomiti

Thank you.

## Operator

As there are no questions from the participants, we will again like to have Ricardo will take the floor for his final remarks.

## A - Ricardo Portugal Alves {BIO 2448971 <GO>}

Well, to conclude our call, I would like to invite you to participate on the 27th of June next month at the New York Stock Exchange of our company celebrating 15 years of listing on this exchange.

Government acquisition will be there. And I would like to turn our send -- inviting you. Copel is the first company of the electric power industry in the world to have it's traded on the New York Stock Exchange. So once again, thank you very much for participating.

And please feel free to call upon or send e-mails to us all or mainly to our Investor Relations department. Thank you so much.

## Operator

Ladies and gentlemen, Copel's conference call on the first quarter 2012 results is closed. Thank you so much and have a good day.

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