

Q3 2021 Earnings Call

Company Participants

- Adriano Rudek de Moura, Chief Financial and Investor Relations Officer
- Daniel Pimentel Slaviero, Chief Executive Officer
- Moacir Bertol, Chief Generation and Transmission Operations and Maintenance Officer
- Unidentified Speaker

Other Participants

- Unidentified Participant

Presentation

Operator

Good morning. Thank you for waiting. Welcome to the Video Conference of Companhia Paranaense de Energia Copel for the Presentation of the Third Quarter of 2021 Results. We would like to inform you that all participants will be in listen-only mode during the company presentation. Afterwards, we will hold the Q&A session when further instructions will be given.

Before proceeding, we would like to clarify that forward-looking statements that might be made during this call in relation to COPEL's business perspectives, operating and financial projections and targets, are beliefs and assumptions of the company's management, as well as information currently available to the company. Forward-looking statements are no guarantee of performance. They involve risks, uncertainties and assumptions as they refer to future events. Therefore, they depend on circumstances that may or may not occur. General economic conditions, industry conditions and other operating factors may affect the future performance of Copel and may lead to results that differ materially from those expressed in such forward-looking statements.

Today, with us, we have Daniel Slaviero, CEO of the company; and Mr. Adriano Rudek De Moura, CFO and Investor Relations Officer, and also the members of Copel, other officers of Copel. Presentation will be made by the company's management by Zoom where you can follow it and the presentation will be available for download at the company's website www.ri.copel.com.

We would like to inform you that everybody present in this room have been tested and vaccinated against COVID-19.

Now we would like to give the floor to Mr. Daniel Slaviero, CEO of the company. You may proceed, Mr. Slaviero

Daniel Pimentel Slaviero {BIO 20914773 <GO>}

Hello, good afternoon, everybody. I would like to thank you very much for your participation. And I would like to mention that it's the first video conference in our new headquarters on kilometer 3 of Curitiba. The change to the new environment, besides reducing costs aims at strengthening innovation and integration among all of our businesses.

I would like to start by mentioning the main highlights in the third quarter historic result, the materialization of work that has been done for two years. EBITDA of BRL4.5 billion, net income of BRL2.9 billion, and up to September, BRL7.5 billion EBITDA, and we are very happy and very proud.

And of course, a major part of this result comes from two extraordinary events that we have been mentioning to you over the last few months, the recognition of the Copel Telecom divestment and an impact with BRL1.7 billion and also the renegotiation of GSF, another BRL1.6 billion be recognized in our EBITDA. Another highlight was that we communicated last week was the conclusion of another voluntary redundancy program with the enrollment of 109 employees of the company, and with this program alone, we will have annual savings estimated at over BRL150 million.

This program had very special characteristics. When we sold Copel Telecom, we had the commitment of incorporating all the 350 employees, our goal was not to have a net increase in the total employees of the company and this is why the conditions of this PDV were unique and we not only exceeded the initial target, but we also gave the opportunity to some colleagues with over 20 years of presence in this company or over 50 years of age, so that they could start new professional cycles.

It is important to say that these programs are voluntary redundancy, not only this one, but all the other that we carried out in the last few years are totally aligned with the strategy of the company of intensifying digital transformation with increase in productivity and efficiency. And of course, not waiving the highest levels of quality that are the standard of Copel.

On the next slide, I would like to highlight some of our relevant outlooks for the short term, and I mean, up to the end of 2021. First, migration to level 2 of B3. The shareholders' meeting was for November 26 and it reinforces the belief on the part of this management in the highest levels of corporate governance. This migration will establish among others a 100% tag along of common and preferred shares giving equal treatment to all shareholders of the company and also voting rights for preferred shareholders in specific matters such as transformation and corporation spinoff or merger of the company. We consider this as another major legacy that we leave and that we have implemented in Copel.

Also, still in November, we will be concluding the complex Vilas transaction increasing by over 180 megawatt hours the installed capacity in wind energy and it reinforces some of

FINAL

the main important points in our strategy, capital allocation discipline and growth in renewable energy.

With this engine data that should be ready by mid 2022, we will have still in 2022 13% of the Copel generation portfolio in wind energy and we will be talking about that and the importance of this mix -- the diversified mix of energy and the fact that we are an integrated company. For December, we have an additional two projects that our teams are devoting themselves to. The first is the capacity reserve auction. That will be on December 21. We see an excellent outload for plants such as UEGA, with a combined cycle of 584 megawatts and at the center of the load in Parana in the South.

And the major challenge is always the supply of gas at competitive prices, but we have been looking for new auctions for the traditional ones of sales to distributors and I would like to make a short clarification why we UEGA did not participate in the simplified auction last month. It was not allowed because of the rules of the auction, because it already has the license for operation and one of the prerequisites was for, it should be only new energy. Nevertheless, the major priority is the transmission auction that will be held on December 17, lot number one is a line that goes from Assis in Sao Paulo, cuts through Parana, reaches Ponta Grossa, at the other stretch of the same lot interconnect the Bateias and Curitiba (inaudible) substations. CapEx estimated BRL1.6 billion (inaudible) ceiling a little bit less than BRL230 million. This project is (inaudible) with our investment policy and has strong synergies with our existing structure.

We hired external advisors exclusively to support us in this project and we intend to be very competitive. It is important to mention also that we are aware of the situation that we are living with the increase in the interest curve and pressure on CapEx due to the increase in commodity prices, not to mention the natural competition that exists in the transmission sector. Nevertheless, although our commitment is to be competitive, reaffirm our commitment that we will have a lot of discipline in capital allocation, we will not do businesses that may bring a low return to the company and to shareholders.

Going to the next slide, I would like to mention some highlights of this quarter. Copel Distribution was chosen as the best distribution company of the country by ABRADDEE, an award that we did not receive for over 20 years. So we are extremely proud, because we are competing in a very private environment, besides our Copel Dis reached an incredible 20% of regulatory efficiency vis-a-vis when compared to the benchmarks in the sector. Copel Mercado Livre, our commercialization company, remained for the fifth consecutive month as the best in the area in Brazil, and recently, less than one month ago, we have a new colleague (inaudible) that has a very wide experience in this sector, also leading this business unit and Copel GeT with (inaudible) had -- faced the worst quarter in hybrid crisis with a GSF of 51%, something unprecedented in the history of the sector, and I would like to highlight not only our strategy, but also the strength that comes from the fact that we are an integrated company with a portfolio mix which is diversified, and segments are more difficult than thermal for instance such as UEGA have a better situation.

So you have one big competitive advantage here at Copel being so diversified and how GeT faced and coped with this very adverse environment the last few months and the continuation of the renovation of Compagas concession is going ahead and the public

Bloomberg Transcript

consultation ended at the September and we are waiting for the agency to and also the other players, so that they may submit the final conclusions. And we expect to have a return at the final conditions by the end of the current year, so that we may resume this, and once renewed, it would be 180 days so that we may carry out the divestment process.

To end my part, I would like to mention two things that are on the top of our agenda, innovation and mainly ESG.

We launched the Copel Volt program, a program of open innovation for domestic and international start-ups and the initiative comes to further leverage new products and services at the energy area and strengthen the positioning of Copel vis-a-vis the innovation ecosystem looking for the best and more daily solutions for the challenges in the sector. The objective is to attract start-ups this environment of innovation and we had over 215 start-ups enrolled from all continents in the world in order to participate in the program.

And lastly, I would like to mention that for the second consecutive year, Copel conquered the highest level of certification in the GHG protocol Brazilian program domain 2 used in the country to understand quantify and manage greenhouse gas emissions. The Gold Seal recognized the efforts of Copel for the sustainable development commitment on the part of the top management with the establishment of target for sustainability and I would like to remind you that this year, we announced the carbon neutrality plan and this will already be part of the short-term incentives to be paid to executives as of 2022.

So once again, we're placing this in the right proportion and the right importance not only for society as a whole but for the country and with this message that we will continue in our commitment with the ESG agenda and that we will be doing more and more in this direction aiming at improving efficiency and sustainable development and adequate allocation of the company's funds and the shareholders funds. I would like to give the floor to Adriano Moura, our CFO, in order to talk about the results of this year -- of this quarter.

Adriano Rudek de Moura {BIO 3590957 <GO>}

Thank you, Daniel. Good afternoon, everybody. I would like to thank you very much for participating, and I hope the new format by means of the Zoom platform may facilitate our interaction during the presentation.

Now going to the results that we reported, EBITDA and net income in the quarter and year-to-date up to September, here, we are considering all of the non-recurrent items mainly those already mentioned by Daniel such as the sale of Copel Telecom and the renegotiation of GeT being BRL3.3 billion EBITDA and BRL2.2 billion net income. These are extraordinary figures -- outstanding figures that were already mentioned to the market that they would be recognized in this quarter. And with that, our growth vis-a-vis the last year was very expressive. EBITDA in this quarter BRL4.5 billion, almost increasing fourfold vis-a-vis the previous quarter, accumulated BRL7.5 billion in the year. And net

FINAL

income BRL2.9 billion, BRL4.6 billion year-to-date. So this year, with the result of the last quarter, we will probably have the highest historic base for the dividend payout of the company. These are robust results that more and more consolidate Copel as one of the benchmarks in the sector and undoubtedly these results already reflect the strong strategic alignment among all the company's businesses, the Group's businesses

Now going to the next slide, here, we can see the results with the same basis for comparison, that is to say, net of the non-recurrent items. I would like to mention that even without the non-recurrent items is in spite of the fact that we are facing the worst ever hydric crisis in our history, we are delivering better results vis-a-vis the same period last year, both year-to-date September and this quarter. It is important to remind you that the accumulated adjusted EBITDA BRL4.1 billion reflects one first half of this year that was outstanding with relevant improvement in now our business is mainly addressed, GeT that improved by 64% its results up to June this year.

Adjusted net income already accumulated BRL2.4 billion in the year, was over 31% higher than 2020, impacted by the improvement in our financial results, mainly the high liquidity and besides we also had an improvement in the effective tax rate due to the recognition of interim interest on equity. But the main highlight of the quarter in terms of result was the practically full compensation of the negative impact of the hydric crisis that affected mainly GeT. As you can see, the consolidated EBITDA of Copel in the third quarter grew almost 4% and I would like to remind you that here we are including the discontinued result of Copel Telecom and without telecom on the same basis for comparison, we would be saying that the increase could be 10% quarter-on-quarter and this further reinforces the Copel competitive advantage of being an integrated company with diversified asset portfolio and this is what will be our aim always and reducing the hydrologic risk. And now on the next slide.

Before we go into details about debt vis-a-vis the previous quarter, I would like to highlight the exceptional result of this that had a historic regulatory efficiency of over 20% in the last 12 months with EBITDA of BRL167 million in the quarter, 30% better year-on-year and this reflects an increase in the grid market 8.3% for the quarter, and already 7.5% in the year-to-date. The increase in the Parcel B already contributed to this improvement BRL68 million more in the Dis EBITDA and I would like to remind you that the impact of the increase was over 70% vis-a-vis the previous cycle and there as of the June tariff review now the base is BRL8.3 billion and with no impediment on the part of ANEEL such as is our history, and going to the technical side of debt, EBITDA of BRL760 million in the quarter reflects the full compensation of the negative impact of the hydric crisis, as I mentioned, in average GSF of 51% to the quarter unprecedented the PLD 582 and you can see that the scenario has a strong well brought about a reduction of BRL370 million in the quarter regarding the purchase and sale of energy offset, but many of the positive effects helped offset the negative impact of the crisis such as the UEGA impact that generated almost 650 gigawatts in the quarter with the EBITDA of BRL119 million in the quarter, an improvement of almost BRL130 million year-on-year. Also a positive impact of the higher remuneration of the contract assets due to the IPCA, which was higher already helped a lot and benefiting BRL7.7 billion that we have in transmission assets considering both the GeT assets and also the controlled or jointly controlled companies such as Santa Genebra (inaudible) Cantareira and this impact alone generated the consolidated result of almost

FINAL

BRL150 million. We also had a gain in the flow of the regulatory revenue authorized by ANEEL in the construction of four reinforcement in the O60 contract of transmission in the third quarter and generating an additional BRL36 million in the result and another positive impact was the early start-up of Bella Vista SPP and in almost or by almost 2.5 years that already contribute to the results, anyway the challenge continues, the crisis is not over, although we are a little bit more bullish.

We continue to follow the possible scenarios looking for the best efficiency in the strategy of energy sale. And I would like to highlight the importance of Copel Mercado Livre free market in the execution of the strategy and Copel Mercado Livre continues to be the largest company in the sector in Brazil as Daniel said growing 76% in energy sold in the quarter already exceeding 2,000 gigawatts sold and we can see already consistent improvement in the results a little bit more in line with the sector margins.

Here, some highlights in the quarter, we are closing the quarter with a very robust cash position, BRL4.8 billion, 50% higher than last year on the same basis for comparison. Operating cash generation in the third quarter BRL750 million excluding the payment of the CRC of over BRL1.4 billion and I would like to remind you that includes the impact of the hydric crisis, it could exceed BRL1.2 billion if it were not for the hydric crisis, it's important to mention also that Copel and CRC were extraordinary funds that came into our cash reinforcing our cash in BRL4 billion payment of the second part of dividends and interest on the equity of 2020 BRL1.2 billion.

In relation to the CapEx, we continue as planned BRL0.5 billion in the quarter, a little more than 17% increase vis-a-vis the third quarter of '20. Our CapEx is focused basically on the conclusion of the GeT project and the main one of which is (inaudible) wind as well investments in Dis and the improvement of the grid, including Paranas (inaudible) intelligent or smart bridge, reduction of the PMSO 4.9% quarter-on-quarter. This includes a reduction -- a significant reduction in the number of employees by means of our programs, 592 employees less in the last 12 months. And also we had a lower base for provisions for contingencies besides many other reductions.

One additional remark regarding the PDI 509 enrollment and people will start exiting the company in February '22, indemnifications of BRL134 million will be recognized still within 2021, probably in the last quarter and about the first event of dividend in 2021, I would like to go to the next page.

And I think it's important to mention once again the parameters of our dividend policy and the strides that we made this year, in this first year, we have already approved the first event regarding payment of that specific year that is to say that we will be paying the first event, referring to 2021 this month. This is unprecedented, but it is part of our dividend policy that has been approved at the beginning of this year that provides for two payment events at least and 2021 will be a transition year with three events, so two referring to 2020 and one which I have already referred to, which is the first event of 2021, and we will be maintaining this for the next few years.

FINAL

I would like to remind you that the total amount to be paid at the end of this month is BRL1.437 billion, BRL837 million referring to the first half of '21 and this already includes a prepayment of BRL600 million referring to excess liquidity.

If we add the dividend of the first half to the last two, we are going to be mentioning BRL4 billion already paid within 2021 and reinforcing that all extraordinary events recognized in this period will be part of the calculation base, which will be the net income approved by the shareholders' meeting for that year. In relation to the remaining balance, that would be the second event of payment, it will be defined after the approval of (inaudible) of 2021 during the shareholders' meeting scheduled for April 2022.

And lastly, before we open for questions, I would like to explain that the reduction the leverage 2.8 times in the third quarter of '21 is consequence basically of all the extraordinary events that we have already mentioned, the sale of Telecom, the renegotiation of GSF, the payment of the CRC that affected either cash or the result or only the result with no cash effect, which is the case of the renegotiation of GSF. As we said before, our ambition is to look for leverage very close to the limit defined of 2.7 times considering this is a more adequate capital structure and in order to get there we will continue to use the two levers or the two drivers, which are the investment policy and the dividend policy.

And to conclude, now, all our endeavors will be focusing on the last quarter of the year, we are totally committed to continue to deliver solid results at every quarter. Now we will be available to clarify any doubt that you might have and thank you very much for your interest in Copel. Now we open for the Q&A.

Questions And Answers

Operator

Thank you very much, Moura. Now we will start the Q&A session. (Operator Instructions)

Q - Unidentified Participant

Karoliina Carneiro [ph]. Good afternoon. I have two questions. I would like to have more details about the participation of UEGA in the auction, are you negotiating with Petrobras and otherS, will you be needing an additional CapEx to modernize the plant? And the second question, an update about (inaudible).

A - Daniel Pimentel Slaviero {BIO 20914773 <GO>}

Karolina, hello, thank you very much for your question. So the first part has to do with UEGA, Petrobras is always the biggest supplier. So undoubtedly, it is the main interlocutor, but we are looking for other options as well. The gas market has some characteristics that you are all familiar with, it is not so simple for you to have this with a firm supply and with a guarantee and you have the July 2026 timeframe. So I believe it could be very competitive in the process. And regarding additional CapEx, I would like to give the floor

to Moacir Bertol from GeT, and for the auction specifically, no, it is not necessary, but anyway, he will be answering the question.

A - Moacir Bertol

Good afternoon, Daniel. It is important to mention that the hydric crisis, the operating performance and the technical performance of the financial result which is being brought to Copel and Copel Get is very significant. We are operating the plant since the last quarter of last year, and this year as well, continuously with only some short interruptions and because of that and under these conditions, the company capitalized a lot in order to have the special maintenance next year which means that the company already has the necessary funds in order to make this investment in the modernization of the plant. So weather is fine, as Daniel said, we are prepared and we are focusing on the capacity auction of December 21st and we will have the necessary conditions of submitting a 15-year PPA that is established by the guidelines of the auction. So this is the situation of UEGA.

The second part of your question or the second question by Karolina has to do with (inaudible). Our strategy continues to be the same which is to revert, what the decree establishes the change in control and a great change is that the conclusion is that it was to be September 20 thing. But with the recognition of GSF, it was extended an additional year December 24, so a positive degree we have to do this 18 months before the end of the concession, we would be talking around June, July 2023 and the ministry can still review the deadline and maybe can even shorter it a little further it a bit more, anyway, the strategy is the same. It remains the same, is to carry out the process because we knew for 30 years, even if you sell the control is the best alternative for Copel and this will be done only in 2023.

And she was talking about the modernization of (inaudible). Yes, we did a retrofit of for almost who retrofit in the 4 turbines. And we had 70 megas per generating unit increase. So this is a plant that is really exceptional form outstanding.

Operator

(Operator Instructions)

Q - Unidentified Participant

Louisa Conduata [ph]. Good afternoon. Congratulations for the results. I have three questions. About hydro, what is your view, given the large rainfall in October that was better than expected. What is the level of GSF at prices that you foresee for next year. Second question, do you see any additional room in order to -- for dividend payout and how much could we expect or how -- when could we expect the new announcements and what is the current strategy for growth of the company. Where do you see more opportunities for growth, more M&As or more greenfields?

A - Daniel Pimentel Slaviero {BIO 20914773 <GO>}

FINAL

Thank you very much Louisa for the questions. I'm going to answer some of them, some (inaudible), some (inaudible) some Adriano Moura. Starting with the hydro crisis, Louisa, and all the other listeners, of course, that there is an improvement because of the rain that we had in October and now November. So this has a very positive impact, reservoirs in the South are better than even than last year and the National reservoir with the South is the main one. This is already higher than 20% reaching the same levels as last year, and there was a commission in the Senate, where the Minister went and he said that based on the old NS projections and by other agencies, is that if we have rainfall equal to the historical levels, we would have 51 at least reservoir levels. If we see the same hydro crisis, it will be 40, this shows that they will continue to be on up to February and March, at least, which is very good for UEGA, but with the high costs for the system as a whole and we see this in the fiscal. I think the situation has improved a lot up to March 2021, but this is still a very big question mark that we have for that is to see the rainfall. Bertol, what about -- could you answer the question about the GSF and prices led our level of contract, which is important information and then dividend and then I will come back with our outlook.

A - Moacir Bertol

Now we are having a transition from the dry season to the wet season and it would be only natural for the rain to come back and in the South in October, we already had rainfall, which was higher than historical levels. As Daniel said, if we see better conditions regarding storage in the reservoirs in the South, well, this is offset by the -- what the ONS does with the supermarket and our expectation has to do with the wet season, according to the averages that are established, if this is the historical average, we will have a better situation and the government is maintaining dispatch of the thermal power plant with the level which is outside the order of merit much higher than the one that was usually used in the period. And it is more favorable now. And this is the reason why we are -- have the strategy of sale of our energy and how we are going to mitigate regarding the exposure to the short-term market when the GSF may be different from what we planned and that we simulated the level of contract for next year in the company's portfolio 79% and we are in this bracket. And we expect the GSF next year our expectation is around 75%, very realistic expectation. We don't believe it will get there, but we are paying attention to all the changes that could happen, and of course, we will always try to mitigate all risks such as we did this year, we paid total attention to the changes and following what we have programmed and the POD 415, 420 megawatt hour, 70, 71 this year, our expectation for next year considering better conditions between 75 and 80 and this level of contract and the hedge that we have always done around 15% and it has been extended to 20%, 21% due to the current situation. Moura, regarding dividend.

A - Adriano Rudek de Moura {BIO 3590957 <GO>}

This year, referring to 2021, we will be making this payment at the end of this month and we should be payment as soon as the financial statements are approved by our shareholders' meeting in April. This will be made and the policy itself define the financial parameters for dividend payout, which is leverage be less than 1.5, the payment will be 50%, and lower than 1.5, 75% and higher than 1.5, 50%. We have to wait for the year to be closed concluded.

In summary, the second event of payment over 2021 will happen after the meeting in April and in order to conclude, we see growth opportunities and we published an investment

FINAL

policy per source the minimum prerequisite 150 mega a minimum (inaudible) 100 solar rad minimum for transmission. So we have all the guidelines. In this policy, we give preference to round two projects, not excluding greenfields such as we have already mentioned during the presentation, such as the transmission auction which brings good opportunities. It's important to mention and we pay full attention to that, that the macroeconomic situation has changed so you have a higher interest curve, you have a higher inflation rate, a two-digit one and a lot of pressure on CapEx regarding sale. So rates of return that we accepted in the past should go up, but we are working in this situation, which means that we have to analyze all the opportunities and we have to be cautious and this has to mirror the current market conditions. So this is the core. This is the most important point that we will be looking at considering the new conditions and considering (inaudible) return slightly higher than before our project.

Operator

(Operator Instructions)

Q - Unidentified Participant

Marcelo Gonzalvis [ph] What about the CapEx for 2022, is there a relevant CapEx regarding transmission for 2022?

A - Daniel Pimentel Slaviero {BIO 20914773 <GO>}

I said we are in the final phases of drafting our budget and we cannot give you any guidance. Regarding CapEx, up to the moment, our figures are approved. What we can say is that we have an investment that has to do with the maintenance of our basic project for generation and transmission and also for Dis Co, the major transformation project (inaudible) you get smart grid, so on and so forth.

So we already had BRL2.1 billion this year around this magnitude, I would say and with the low leverage of the company, we have the possibility of even starting new projects -- all the projects have to be very thoroughly analyzed before we approve them. And after we approve the conditions but our run rate of investments is around what you can see that we did in the last couple of years, mainly slightly higher, more specifically for generation and transmission for 2022 we will be participating in the auctions that are already scheduled two for transmission, one in the first and one in the second half, we will be studying all the expected returns in order to participate and we will also participate in many generation auctions, A minus 3, A minus 4, A minus 5 and 6, in the greenfield project all of them associated with the brownfield opportunities that might arise. They are being studied and analyzed by our investment team and new businesses team.

Q - Unidentified Participant

Andes Sampario [ph] Good afternoon. Could you talk about the secondary market for renewable energies, are you interested in listed assets or only in private companies?

A - Daniel Pimentel Slaviero {BIO 20914773 <GO>}

Bloomberg Transcript

FINAL

In our policy, there are no restrictions that is to say, whether the companies are listed or non-listed, usually the listed ones are bigger. They are from medium to large size and what we have been seeing in our daily work is that COPEL by its own characteristic as it size, it would be used list to try incorporating very small projects. We have to look for medium to large projects, what we call high-medium because the company such as ours has the capital structure. There are so many companies that are traded in the New York, Madrid, Sao Paulo Stock Exchanges and these companies -- so we have the necessary structure to manage all these assets, so we have to look for areas where we are more competitive, such as in the case of the (inaudible) project, a company that we know have known for a long time. But what happens is that as in March, we have the end of the window for the grid benefit, there was a very big volume of projects that were protocolled and they have deadlines to be installed.

So many of these projects were carried out in order to take advantage of the window of opportunity. CFC March 22 and not everybody will be able to participate and in the secondary market as is the subject of your question, there will be many opportunities not only coming from banks and M&As but coming in a more structured fashion and we are structured to be able to analyze and to identify what is interesting as far as we are concerned. So they all have to be approved by our checklist in our investment policy, so projects that have no synergy or that are of a very small size, it would not -- they wouldn't fit in our strategy, but whether they are listed or non-listed companies, there is no distinction in our company position.

Operator

(Operator Instructions)

Q - Unidentified Participant

Matthew Swelene [ph]. Good afternoon. I have been following the major endeavors in smart meters and a very shy strides but can you already quantify this regarding non-technical losses reductions, are you going to advance in smart meters?

A - Daniel Pimentel Slaviero {BIO 20914773 <GO>}

Undoubtedly, we are very proud to be implemented the biggest smart meters program in Latin America or smart grid, in the next three years. well, we have already started, but we will have 1.4 million units of the 4.5 that will be equipped with these smart meters by the end of this period. Undoubtedly, this will bring about the revolution in our grid and in the distribution company with the possibility of having progressive reductions and ongoing reductions, what happens is that to improve your services, you improve your follow-up, you improve your connection and disconnection of each unit and this brings about the cost reduction when you do this in an automated fashion with an integrated center and one of our superintendents go into details, but you have optimization of cost and the benefit that is fundamental for consumers, which is the reduction of DEC and FEC. (inaudible).

A - Unidentified Speaker

Well, I think that you described it very well. This week, we reached the first 115,000 and we will start obtaining the benefits from this new technology and this brings about very big advantages in terms of cost reduction, in operations et cetera and improving quality as a whole, you reestablish the system much faster, for instance. So there are so many advantages involved.

Q - Unidentified Participant

Marcelo Koheya [ph]. (inaudible) agenda. I would like to know the impact on your asset management policy?

A - Daniel Pimentel Slaviero {BIO 20914773 <GO>}

Marcelo, excellent question. I'm glad you raised it, it has everything to do with asset management and people management as well. And also, we wish to reinforce this more and more in the company's culture. ESG has to do with the environment, but there is the G and we have to be very careful in this in terms of our committees, in terms of our bylaws and now with the level 2 I believe COPEL has been dealing with this very adequately. The S has to do with social, but also increasing diversity and women in leadership positions and everything that is also being treated structurally, these are relevant strides that we have been making.

And regarding E specifically, the E is part of the company's DNA where we have the reservoirs, the transmission lines and water is our main input so to say and we have so many programs having to do with water and the environment in general. So our investments from now on, all of them have to be aligned with this vision and within a well plan, which is the carbon neutrality program. It is important to mention that the thermal operation -- a thermal plant gas -- a gas plant, it is very important not only for Copel as we saw mainly in this quarter, but for the country. If it were not for the 19 gigawatt that we operate in the last few months, we would be facing maybe the need to have a rationing program, so gas is extremely relevant to the portfolio, but our objective is to establish in the three years to five years something like 25% of our portfolio, not only 13% between wind and solar, and today, in our energy matrix, we need to have a larger major solar project. I could say that this is one of our top priorities besides the transmission auctions that (inaudible) mentioned. So we are looking for good opportunities in solar because it's very fast to build and also the generation profile, (inaudible) was at the top during the whole year, frankly. And going back to normal (inaudible) and such as hydro will be more valuable in the energy market as a whole.

Operator

The Q&A session has come to an end and now I would like to give the floor back to Mr. Daniel Slaviero for his closing remarks.

A - Daniel Pimentel Slaviero {BIO 20914773 <GO>}

Once again, I would like to thank you very much all our colleagues, all the members of this Executive Board and our board everybody all our employees. I would like to reinforce materialization of growth proposals. We have been talking about this quite extensively, but now it is posted on our balance sheet and this is the last stage and our vision of the

FINAL

future, our enthusiasm in spite of all the instabilities that we have in the country or in our sector in spite of all that we are very bullish about the growth in our sector, in the growth of our country in the next three years to five years, which means that we will continue to do our homework which is managing the company as adequately as possible, as efficiently as possible respecting all the stakeholders, internal and external stakeholders and mainly with the big objective of generating value for the company and for our shareholders.

Thank you very much. And I would like to thank everybody who organized this model and helped us to establish this new model of video conference and I believe it was a very good experience. I think that we get closer to what we did in the past and this places us Moura and all of the investor relations people, the infrastructure people, we're placed at the same level as other companies that already have this kind of system. Thank you very much for the extraordinary results delivered and we continue in our journey of value creation. Thank you.

Operator

Companhia Paranaense de Energia Copel's conference call has come to an end. Thank you very much for participating and we wish you a very good afternoon.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.

Bloomberg Transcript