

## Q2 2017 Earnings Call

### Company Participants

- Adriano Rudek de Moura, Chief Financial Officer
- Antonio Sérgio de Souza Guetter, Chief Executive Officer & Director
- Maximiliano Andres Orfali, Chief Executive Officer - Copel Distribuição S.A.
- Sergio Luiz Lamy, Chief Executive Officer - Copel Geração e Transmissão S.A.

### Other Participants

- Giuliano Santiago Ajeje, Analyst
- Luiza Krausz, Credit Manager
- Marcelo Sa, LatAm Utilities Equity Research Director
- Thiago Silva, Analyst
- Vitor Sousa, Analyst

## MANAGEMENT DISCUSSION SECTION

### Operator

Welcome to Companhia Paranaense de Energia Copel's Conference Call for the Presentation of the Company's Results Related to the Second Quarter of 2017. I would like to inform you that our participants will be on listen-only mode during the company's presentation, and after that we will initiate the Q&A session when further instructions will be provided.

Before proceeding, we would like to clarify that any forward-looking statements that might be made during this conference call related to Copel's business outlook, projections and financial and operating goals are based on the beliefs and assumptions of the company's management, as well as information currently available.

Forward-looking statements are no guarantee of performance as they involve risks, uncertainties and assumptions because they relate to future events, and therefore, depend on circumstances that may or may not occur. General economic conditions, industry conditions and other operating factors could also affect the future results of Copel, and could lead to results that differ materially from those expressed in such forward-looking statements.

Here today are Mr. Antonio Sergio de Souza Guetter, CEO of the company; Mr. Adriano Rudek de Moura, CFO and Chief Investor Relations Officer; Mr. Gilberto Mendes Fernandes, Business Management Officer; Mr. Fabio Malina Losso, Chief Officer for Governance and Compliance; Mr. Sergio Luiz Lamy, Director President of Copel Geração e

Transmissão; Mr. Maximiliano Andres Orfali, Director President of Copel Distribuição; Mr. Maurício Dayan Arbetman, Deputy Director of Copel Telecomunicações; and Mr. Rafael Moura de Oliveira, CFO of Copel Telecomunicações.

The presentation that will be made by Copel's management can be followed through the company's website at [ir.copel.com](http://ir.copel.com).

Now I would like to give the floor to Mr. Antonio Sergio de Souza Guetter, Director President of the company.

## **Antonio Sérgio de Souza Guetter**

Hello, and good afternoon, everyone. I would like to thank you very much for participating in our conference call. I would like to begin by talking about the current economic landscape of Brazil.

The year of 2017 continues to be a challenging year, impacted mainly by the uncertainties related to the approval of reforms and adjustments in the economy, that are already showing some signs of recovery when we compare to the same period of 2016.

GDP in the first quarter was up by 1% when compared to the previous quarter, representing the first positive result after eight consecutive index declines. We also see that in our state, the economy of the State of Paraná has resumed growth and posted an increase of 2.5% in the first quarter 2017 vis-à-vis the same period of the preceding year. Paraná's performing heavily influenced by agribusiness with much higher than the average performance of the Brazilian economy that posted a drop of 0.4% in the same period of comparison.

Moreover, the trade balance continues to show good results and the surplus posted in July was the best for the month since the beginning of the historical series. Year-to-date, the balance was over \$42 billion, highly impacted by agricultural exports, mainly originated from the Paraná growers. As you know, agribusiness in Paraná is a very robust market, both in Brazil and abroad.

Other positive signs come from inflation, which is down. The general price index to market, IGP-M, accumulated in the first half of 2017 was minus 1.96% a year, down by almost 8 percentage points when compared to the same period of 2016. However, IPCA came to the end of the semester at 1.2%, down by 3 percentage points vis-à-vis the numbers of June 2016.

With low inflation rate and aiming at boosting the economy, the monetary policy committee reduced the Selic rate, which is now at 9.25% a year. Only in 2017 alone, Selic posted a drop of 4.5 percentage points. The Selic rate is now 9.25%. This scenario of economic rebound is already impacting the investor production in Paraná, which was up by 3.1% in the first half of the year, leading to an increase in job generation, which at the end of the period, had a positive balance of more than 23,000 jobs.

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The economic rebound also brought positive results to Copel. In the first six months of 2017, the grid market of Copel Distribuição grew 2% vis-à-vis the same period of 2016, whereas energy consumption in Brazil grew 0.4% according to data published by EPE. The default rate consisting of the past due debt between 15 and 360 days had a balance of BRL 206 million in the first half of the year, the lowest amount since June 2015. The rate was 1.4%, the lowest rate since September 2014.

Still talking about Copel Distribuição, I would like to highlight a few other points. As part of our efforts to mitigate the over contracting of energy, the company participated in the tender offer to reduce the contracts for energy trading in the regulated market. Carried out in July, we were able to get a reduction of 332 average-megawatt for the period between July and December this year. With that, our contracting level fell below the limit of 105%.

In addition, and you rectify the amount of the net remuneration basis of Copel Distribuição, adding an additional BRL 30 million, considering that the total amount now of Copel Distribuição comes to BRL 4.950 million, approximately BRL 5 billion. The agency also approved the tariff adjustment for the cycle 2017-2018, with an average effect of 5.85% to be perceived by consumers. And this was not very much commented this year because in previous periods, there was a significant increase. But this year, not much was said about this amount of 5.85%, considering that such increase was fully incorporated to tariffs as of June 24, 2017.

Also, I'm bound to say that for the fourth consecutive year, Copel Distribuição was voted the best energy distributing company in Brazil according to customers evaluated by the Abradee Award, the Brazilian Association of Electric Energy Distributors (sic) [Brazilian Electric Energy Distributors Association] (08:18) was announced on June 28, 2017. This is the sixth time in the last seven years that the company earned the first place in the award. For a service company, this acknowledgment by consumer considering to be the best company in Brazil is extremely important.

Now moving to slide 4. I would like to speak a little bit about Copel Geração e Transmissão, Generation and Transmission. In June 27, ANEEL approved the Annual Permitted Revenue, APR, classified for 2017-2018, which contemplates the beginning of the indemnification payment of RBSE, amounting to BRL 263 million in the next 12 months. With that, the APR related to the assets in operation totaled BRL 753 million or when compared to BRL 496 million related to the cycle 2016-2017, up by 51%.

On the generation side, on July 4, the agency approved the annual generation revenue of BRL 114 million for Governador Parigot de Souza HPP. It's our GPS, HPP. It is worth mentioning that since January 1 of this year, 30% of the assured power of this plant is available for sale in the free market, and 70% is allocated to their quota regime.

Still at Copel Generation and Transmission, we posted more than BRL 31 million of impairment of assets at Bento Miguel Wind Farm Complex. This is the wind farm complex, and that was in the second quarter. As a consequence of the CapEx increase of the projects and other assumptions considering being the task conducted in the fourth

quarter of 2016. In the first half of 2017, we posted BRL 61 million of impairment of these assets.

And speaking about wind farms and the construction in Rio Grande do Norte, I would like to highlight that 39 wind generators are already assembled or in the process of being completed. In addition, there are transmission lines in the construction for 230 KB to connect to Cutia's connecting substation to (10:47) that was recently inaugurated and also the average voltage line that will connect the generators or wind generators to the connecting substation, still under progress of the generation projects.

Colíder HPP is approaching the end of its construction phase. Approximately 93% of the project is concluded including the dam, the seaway, the water intake and the powerhouse. The manufacturing of equipment and the electromechanical assembly of the power plant are underway and the first generating unit is approaching conclusion with an estimated startup for April 2018.

Before we move to the details on the results, I would like to share with all of you that on Wednesday, August 9, the Londrina Assis transmission line started to operate commercially. The line is 120 kilometers long, and it crosses seven municipalities in Paraná and two other municipalities in São Paulo, with the addition of BRL 19 million to Copel GeT's APR. This line will allow for greater energy exchange between the south and southeast regions, contributing to the safety and operating reliability of the national electric system.

Moreover, in June, the four wind farms that are part of the São Miguel do Gostoso I Wind Farm Complex, also in Rio Grande do Norte, is a partnership with Voltália. Since we're connected to the National Interconnected System, with 180 megawatts of installed capacity and assured energy of 57.1 average megawatts, the complex was ready to operate since June 2015 when the construction work was finalized and the project began collecting fixed revenue.

So now, I'll give the floor to our CFO and Investor Relations Officer of Copel, Mr. Adriano Moura.

**Adriano Rudek de Moura** {BIO 3590957 <GO>}

Thank you, Guetter. Good afternoon, everyone. I would like to thank you again for participating in this conference call. This is my first participation in Copel's earnings results, so I'm very pleased to be here.

But before I talk about the highlights of the second quarter of this year on slide 5, I must thank the group support that I received from all of the areas of the company. To be honest, my first impression is very positive. And despite knowing of all of the challenges that we have before us, I still see many opportunities. I also see a very important strategic alignment at Copel that has been supporting also our main decisions.

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For instance, I would like to mention the material fact that was communicated yesterday afternoon about the conclusion of the studies related to a follow-on of shares, where we decided not to move along with the process because we understand that currently there are better alternatives to generate cash that could still continue to support the strategic plan for sustainable growth of the company.

I mean, and we cannot afford and we should not approach to grow at any cost, and all new investments will be evaluated according to a very severe financial discipline. In terms of the current investment, especially those that are still in progress, we are making all the necessary efforts for them to be finalized according to the initial expectation, regards fulfilling the regulatory demands and contractual terms so as to preserve the flow of resources that have been foreseen for these projects. In fact, this was one of the main reasons for the increase in the budget communicated to the market through a material fact on June 19.

In summary, we continue to evaluate all of the alternatives that can add value to Copel. And we had already identified some initiatives to generate cash that are already being deployed. We also created a multi-task group with representatives from different areas of the company, aiming at expediting our decision-making process. And with that, we hope that cash generation initiatives have priority and can be quickly deployed.

Going back to slide 5. You can see that EBITDA in the second half of this year is BRL 978 million, and these are BRL 950 million basically due to extraordinary items recognized in the second quarter of this year going to BRL 1.3 billion. According to what has been demonstrated referring to the indemnification of BRL 978 million from RBSE and the reversal of provisions from COFINS of BRL 193 million. In this case, in order to make a better comparison excluding these items, EBITDA increased by 46% when compared to the last year.

I would like to highlight the positive effects of the fourth cycle of the tariff review that improved Copel's results in Copel Distribuição that had an EBITDA that was positive in BRL 194 million in the quarter, which I will elaborate more further on. I would also like to highlight an increase in PLD in the period of about 370% in average against average. Also, the lowest balance for provisions related to doubtful accounts, which is an improvement of BRL 40 million and a reduction of 2% in manageable cost that we will see in more details further on. I'd also like to remind you that the result of this quarter was negatively impacted in BRL 31 million due to the impairment of the Bento Miguel Wind Farm Complex already explained by Guetter.

Now moving on to slide 6. Here, it demonstrated in EBITDA, and we already have mentioned - that we mentioned in the previous slide. Debt, almost maintained at the same level of the third quarter of the year before, and still have the highest concentration in terms of EBITDA of Copel and 60% of the total. I would also like to highlight the improvement of EBITDA from distribution, which was increased by approximately BRL 190 million in relation to the second quarter of 2016.

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In this case, the distribution accounts for 19% of total EBITDA. And in terms of other subsidiaries that altogether account for approximately 20% of total EBITDA. Also, net, in this case, of the extraordinary reversal for provision of BRL 193 million, the improvement is basically represented by (18:00) and Copel Telecom. And I will elaborate more on that later on.

Going on to slide 7. We noted that the operating revenue was down by 17% in the second quarter of 2017 when we compare to the same period of 2016, totaling BRL 3.2 billion. In order to make a better comparison, I, once again, would like to remind you that in the second quarter of the previous year, we recognized revenue from the electric grid the effects of RBSE of BRL 978 million. Therefore, net of that effect, we would have an increase in revenue for the quarter of 12%.

In this case, this growth is mainly related to increases in electricity sales to distributor revenue of about 23%; 23% due to higher PLD and a growth of 0.5% of the grid market. We also have an important impact related to increase in our regulatory remuneration base of our distributor according to what has been seen before, reaching almost BRL 5 billion, which almost doubled the previous base of BRL 2.6 billion in addition to the regulatory lock, which is BRL 8.9 billion (19:29) today.

It's also important to mention that this increase of the base is an important part of our strategy to invest in new technologies that will certainly contribute further to a reduction in operating costs of our group, especially in our distribution business.

In the more specific case of the electricity sales to final consumers, there was a reduction of 26%, mainly justified by an average reduction of 13% in tariffs in June of 2016 and a reduction of 17% in the captive market due to the migration of customers to the free market. Well, now speaking about operating revenues, which consists of telecom revenue, distribution grid and other, there was a growth of 6% and this is especially due to the expansion of our customer base of Copel Telecom.

Slide 8; we detail costs and operating expenses amounting to BRL 2.7 billion in the second quarter of 2017, 13% higher than the figure posted in the same period of 2016. However, it's wise to recall that in the second quarter of the year before, we also recognized the extraordinary reversal of BRL 193 million for COFINS provisions, and net of debt effect, it will be around 5%. In terms of energy cost totaling BRL 1.3 billion in the second quarter of the year, we see a 27% increase mainly due to lower GSF and higher PLD in the period.

In the case of charges for the use of the grid, there was a relevant drop of 34%, which reflects lower cost in the charges for services in the system due to lower thermal dispatch outside the order of merit. In the case of provisions and reversal, again, net of the extraordinary reversal of BRL 193 million, there will be a reduction of BRL 30 million, equivalent to 24% when compared to last year. This is only one of the initiatives that already reflect a positive result which was obtained by the multitask group focused on the initiatives to reduce costs, which I've mentioned before.

Now speaking about manageable costs, as we've said before, posted a drop of 2% in the second quarter of this year, mainly due to lower costs with services from third-parties, which was down by 5%; and also including the assistance and welfare plans, which were down 7% in addition to financial compensation reductions and the use of water resources, which were down by 30%.

I would also like to highlight an example of the initiative undertook by the multitask group to reduce cost, which is the review of all of the service contracts that we have with third-parties that was initiated this year.

In terms of personnel costs, is up BRL 319 million this quarter. Today, the highest amount among manageable costs, I would like to say that approximately 200 people have already endorsed or participated in our voluntary dismissal plan, and they're about to be dismissed in the next 12 months. That was another good initiative to reduce cost. And this other measure is the non-replacement of the jobs that were opened.

Still speaking about personnel costs. The compensation had an increase of 6%, even below the collective bargaining agreement that accounted for 9.15 as of October 2016 with an effect of reduction of the overhead, which was above 100 people since June of 2016. So, we're talking about 100 people that have already left the company, with an additional 100 could be leaving the company in the next 12 months without the replacement of the position.

Now going to slide 9. Here, we certainly have a point to merit our attention. First of all, I would like to remind you that in terms of covenants, EBITDA does not include the equity income profit amounting to BRL 200 million. And the guarantees and sureties of around BRL 1.5 million are included in this more restrictive deed.

I would like to also say that in terms of comparison, the net debt over EBITDA was 2.8 times. And now with the leverage in the second quarter of 4.1 times, this was not affected. This was not affected by the increase in debt. So, it was in keeping with the BRL 9 billion, but it was affected by the reduction in EBITDA in the last 12 months ending June 30 and March 31, 2017. As you can see, there was a reduction of approximately BRL 1 billion between the two periods, mainly represented once again by the recognition in the second quarter 2016 of BRL 978 million from RBSE.

I would like to remind you once again that this increase in the leverage level of the company stems from the strategy adopted by the company, which is more aggressive in terms of investment in the last year, and this leverage level should improve organically because of the startup of these projects. Some will be in effect this year. We understand that the additional cash generation coming from these new projects as well as the combination of many initiatives, some already in place, such as cost reduction and the rescheduling of the physical and financial projects and also the evaluation of non-strategic assets amongst other things should reflect in the improvement of our leverage.

Slide 10. We present a summary of consolidated net income of Copel per subsidiary. In the second quarter of this year, net income of BRL 151 million, in addition to the already

mentioned EBITDA impact. It was affected by negative financial results due basically to increase in the net debt over EBITDA ratio and the lower remuneration from our financial assets.

Now speaking of other subsidiaries, the net income of Copel GeT was BRL 147 million in the quarter; Copel Distribuição, BRL 8 million; and Copel Telecom was BRL 16 million.

Well, these were the main highlights of today's presentation, and now we will be available to take your questions.

## Q&A

### Operator

We will now initiate our Q&A session. Our first question comes from Thiago Silva from Santander. You may proceed, sir.

#### Q - Thiago Silva {BIO 22071118 <GO>}

Good afternoon, everyone, and thank you for the presentation. I have a few questions. The first is about distribution. I noted a reduction in distribution when you compared year-on-year. And I would like to know whether this drop will continue on the next quarters. And whether we should expect the same levels of reduction as well as volume, particularly in the captive market, whether we could still expect this drop, given the migration from captive to free market? So, how much longer this will continue?

And my other question is about that material fact of yesterday related to the canceling of the follow-on offer. Are you saying that you're currently now evaluating new possibility? So, I would like to know whether you could already give us some idea or you were thinking about selling assets or something of the sort to create that leverage. Thank you.

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

Thiago, this is Moura. Let me start by your last question, and then I'll give the floor to Maxi, the one responsible for the distributing company.

As I said, starting with the material fact, we conducted a very encompassing study evaluating other possibilities to help us payout our debt. And we're also considering other alternatives because of short-term generation today. We see a large possibility of assuming that the new projects that are starting up soon, and therefore, will generate positive cash, and this will start still this year, but it will pick up in 2018. And we also consider the maintenance of cash from current business that will be more relevant in the second half of the year.

Our cost reduction process is moving at full force. And certainly, we will have a positive impact to generate cash till the end of the year. We're also evaluating some allocations in our short-term investment plans still for this year.



And lastly - last but not least, we are also evaluating the sale of non-strategic assets. At the moment, we cannot give you any more details because we are still evaluating different alternatives. But as we move forward in our conversations, we will certainly inform the market about it. I believe, therefore, that a combination of all of these initiatives would give us a better alternative than the follow-on at this moment, and this will help us to reduce our long-term line.

And now I'll give the floor to Maxi.

### **A - Maximiliano Andres Orfali** {BIO 20897325 <GO>}

Good afternoon, this is Maximiliano. In fact, the reduction of PMSO is very much in line with the reduction in PLD. We acted heavily on the delinquency, and this impact of this reduction and other important aspects. And as it has been commented, we are working towards not replacing the positions occupied by the people who are leaving the company. So, in the last 12 months, the distributing company was short by 200 people. And today, we are reducing the head count by over 5,000 employees. And therefore, this will have an impact in our expense line because they represent the bulk of our expenses.

I mean, about the captive market, I think that there is a trend towards stabilization in terms of migration to the free market. We believe that in the next few months, the situation should be more stable.

### **Q - Thiago Silva** {BIO 22071118 <GO>}

Okay. Thank you very much.

### **Operator**

Our next question comes from Vitor Sousa from Brasil Plural. You may proceed, sir.

### **Q - Vitor Sousa**

Good afternoon, and thank you for taking my question. My question relates to the moment of - I mean, at the level of your PLD at the moment, is there a possibility in Araucária? You know that Araucária continues to be high, and it is outside the order of merit. I would just like to know whether there is the possibility of the additional generation of cash still in the second half the year. So, I would just like to learn about your expectation about this particular asset of Araucária.

### **A - Sergio Luiz Lamy**

Good afternoon, Vitor. This is Sergio Lamy from Copel Geração e Transmissão. We are negotiating a gas contract with the supplier of Araucária, and this will allow us to reach a much lower level than historical levels. And certainly, our expectation for TDU (33:21) will be below BRL 400, more or less. And I would say that as of the end of August, we will already be able to dispatch Araucária, as the expectation of PLD is still high, at least for the next two or three months, I think the dispatch will be quite reasonable even this year in the electric power plant at Araucária.

## Q - Vitor Sousa

Thank you very much.

## Operator

Our next question comes from Marcelo Sá from UBS. You may proceed, sir.

## Q - Marcelo Sa {BIO 16454581 <GO>}

Good afternoon, and thank you. I have two questions. One relates to CapEx. How do you see CapEx for next year? I know you don't give a lot of guidance, but there was a reduction of CapEx in 2017. So, I would like to know whether there is anything major happening in 2018.

And the other aspect is about GSF and your exposure in 2017. I know you have contracted energy in terms of the allocation of the system. The effect of GSF is stronger in the third quarter than it reached 30% three months ago. So, are you exposed in the third quarter if you contract energy? And what is your position for the third quarter?

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

Hi. This is Moura. About CapEx, as I said, we will be very rigorous in our analysis in terms of the possibility of future projects. Currently, we're focusing in finalizing the current projects. We intend to continue them as fast as possible in order to ensure cash generation from these projects. And if there is any good asset available that proves to be profitable, and that if you understand that it's a little investment then we can think about it. But currently, what I can tell you is that there will be a CapEx reduction for next year based on this year, especially because there was a major concentration of investments in the projects we have not completed in 2017. So now...

## A - Sergio Luiz Lamy

Good afternoon, Marcelo. This is Lamy from Copel Distribuição (sic) [Copel Geração e Transmissão] (35:47). In the short-term market, Copel Generation and Transmission had a significant revenue in the first half of the year. Our revenue was around BRL 300 million, positive in the short-term market, due to our energy allocation. We also purchased energy for the second half of the year to fill in the deficit even though our contracting level is reasonable, the GSF level anticipated for the next month is still low. Therefore, we will be negatively exposed for the next coming months, but the amounts are much lower than the amounts of revenues we've had in the first half of the year. Therefore, we expect to come to year-end with a positive balance higher than BRL 100 million in the short-term market.

## Q - Marcelo Sa {BIO 16454581 <GO>}

You were saying that the balance for the year will be higher than BRL 100 million, right?

## A - Sergio Luiz Lamy

Yes. Precisely.

**Q - Marcelo Sa** {BIO 16454581 <GO>}

Now about CapEx, and going back to my previous question. Can we think about BRL 1.5 billion of CapEx for 2018, I mean, considering that you have new investment?

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

I wouldn't like to anticipate that Marcelo because we are, as we speak, reviewing the CapEx for next year. So, it will be just speculation on my part.

**Q - Marcelo Sa** {BIO 16454581 <GO>}

Thank you.

**Operator**

Our next question comes from Luiza Krausz from Banco Safra. You may proceed, ma'am.

**Q - Luiza Krausz**

Good afternoon, everyone, and thank you for the presentation. In terms of the amount of RBSE that we will see according to the industry data...

**Operator**

Luiza's line was disconnected from the call.

**A - Sergio Luiz Lamy**

Here is Sergio Lamy from Copel Geração e Transmissão. Even though Luiza's question from Safra Bank was not completed, we could just hear half of the question, but I believe that that was enough for us to understand her concern.

In our understanding, what Luiza's concern refers to the risk of us not having that additional revenue from the RBSE due to all of the injunction. I mean, some are already current, and others that are coming from some associations. We are following up with legal procedure related to the RBSE, particularly to Abradee, the Brazilian Association of Energy Producers. And we've been having direct contact with ANEEL, and also the prosecutor's office. Therefore, I believe that the landscape is calm. What we would have in terms of reducing that revenue from RBSE, it's already accounted for due to the injunction from the association of large consumers. And therefore, we do not expect any changes, and we are very confident that we will just have to cancel that revenue in the next 12 months.

**Operator**

Our next question comes from Giuliano from Claritas. You may proceed, sir.

**Q - Giuliano Santiago Ajeje** {BIO 21739549 <GO>}

I have three questions. In fact, I was listening to the webcast, and I lost part of it. I didn't hear the question about Araucária. So, do you intend to dispatch it this month? Are you ready for it? That's my first question. The second question is about GSF to (40:58).

And lastly, I would just like to understand changes in the understanding of the Internal Revenue Service from a cash regime to an accrual regime. What was the estimate of the impact, and how much of that you expect to receive back?

**A - Sergio Luiz Lamy**

Giuliano. Good afternoon. This is Sergio Lamy from Copel Geração e Transmissão. In terms of weather, I had already informed that we are concluding the negotiation of the gas contract at very competitive prices, which allow WEG to have a very competitive CBU. This should be concluded in the next 20, 30 days. So, still by the end of August, I believe that we will be able to make that available, and it will be dispatched, because it's above that CBU. So, in the next 60 days or maybe 90 days, we will be able to dispatch WEG.

In terms of GSF, the expectation of GSF for the second half of the year is bad. We are working with about 62% for August and 75% for September, and an amount of about 68% for October and 72% for November. It improves in December with the GSF of around 80%. I mean, this is what's in our radar at the moment.

**Q - Giuliano Santiago Ajeje** {BIO 21739549 <GO>}

But one more thing, you had a positive revenue of BRL 300 million in the first half of the year. So, the second half out of the BRL 300 million, you will have BRL 100 million, right? That will turn out to be BRL 100 million. I mean that's the projection.

**A - Sergio Luiz Lamy**

I think at the end of the year, the final result - I mean, certainly, what I'm saying is that we are being very conservative and very passionate in regards to GSF that with a de-contracting level that is very reasonable and with the energy amounts for the second quarter, we will be exposed in the second half of the year. So, I think if worse comes to worst, we will end up with a positive result for the end of the year of approximately BRL 100 million.

Now answering your second question, the tax effect of CBA are in accordance with the resolution 121, and they have been reflected in our accounting books since last year.

**Q - Giuliano Santiago Ajeje** {BIO 21739549 <GO>}

So that will be approximately BRL 80 million to BRL 100 million because part of that was in the financial system, and the other part refers to taxes, right? So, it becomes deferred tax, but this goes back to the company later on, right?

**A - Sergio Luiz Lamy**

Yes, it does back to the company.

**Q - Giuliano Santiago Ajeje** {BIO 21739549 <GO>}

And there is also the compensation within that period of two years?

**A - Sergio Luiz Lamy**

Yes, two years.

**Q - Giuliano Santiago Ajeje** {BIO 21739549 <GO>}

Perfect.

**Operator**

As there are no further questions from participants, I would like to give the floor back to the company for their final remarks.

**A - Antonio Sérgio de Souza Guetter**

So, I would like to thank you very much for your interest and your questions. I would just like to convey a message. We are very confident, because even though we are going through a very severe crisis, our view remains very positive. And we feel like we are overcoming the crisis with great financial discipline, with a lot of work and we are very much focused on the schedule of our projects. And I see the future coming with a lot of innovation. So, I would like to thank you very much, once again, for participating in this earnings results call.

And I'll take this opportunity also to say that we have some important meetings down the road, and I would like to invite you to join us.

Next week, we will have our APIMEC Meeting on the 15th of August. So, next Tuesday, we'll be in São Paulo. And on the 16th, on Wednesday, we'll be in Rio. In addition, we will carry out COPEL Day at the New York Exchange on August 28, where we will also present the results to our foreign investors. COPEL, as you know, was the first electrical company to be listed in the New York Exchange, and we've been listed there for 20 years. So, I would like to invite you to participate in this event. And if you want any further details, you can come and call our Investor Relations Department. So thank you very much, and have a very good weekend.

**Operator**

Ladies and gentlemen, Copel's earnings result call for the second quarter of 2017 is now concluded. Thank you very much.

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