

# Q1 2016 Earnings Call

## Company Participants

- Daniel Sonder
- Rogério de Araújo Santana

## Other Participants

- Francisco Kops
- Gustavo Lôbo
- Marcelo Cintra

## MANAGEMENT DISCUSSION SECTION

### Operator

Good afternoon, ladies and gentlemen, and welcome to the audio conference call about the earnings results of BM&FBOVESPA for the first quarter of 2016. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions to participate will be given at that time. As a reminder, this conference is being recorded and broadcasted live via webcast. The replay will be available after the event is concluded.

I would now like to turn the conference over to Mr. Daniel Sonder, Chief Financial Officer of BM&FBOVESPA.

### Daniel Sonder {BIO 18250247 <GO>}

Good morning, everyone. Thank you once again for joining our call and for following our earnings release for the first quarter of 2016. I am here surrounded by the Finance team and the Investor Relations team, who, once again, have prepared very good materials for this discussion. So, I'd like to open it by welcoming you to this quarterly earnings conference call to discuss the first quarter 2016 results.

We open our earnings presentation in slide three, with an overview of what happened in our operating and in our financial results during the first quarter of the year, as well as some updates in our strategic initiatives. Then, we'll go more details in the following slides.

On the left side of the slide, we see strong operational growth in both BM&F and BOVESPA segments, influenced by significantly high volumes in March. As you know, February and January were weak months, but we recovered most of our volumes in March. Additionally, the other business lines showed a very solid performance, especially in our market data and Tesouro Direto businesses.

In the middle of the page, we see that the solid operating performance resulted in year-over-year growth for all segments. We maintained the diligent expense control during the quarter, with adjusted expenses growing well below inflation compared to the same period of last year. Our IFRS net income grew by 21.4%, reflecting the strong performance in company's - in the company's operating income and financial results.

On the right side of the slide, we highlight the long-term strategic updates for the company, with initiatives that seek growth opportunities and value creation for our shareholders. We recently

announced the conclusion of the negotiations between BM&FBOVESPA and Cetip for the combination of both companies. This transformational transaction establishes an unparalleled milestone in the development of resilient financial and capital markets, creating a unique and state-of-the-art market infrastructure company that will further enhance the security, the efficiency, and the robustness of the Brazilian capital markets. We're happy and truly honored that the shareholders of both companies have shown great support for this transaction in recent meetings we have held.

Furthermore, we recognize the large responsibility the combined company will have vis-à-vis to shareholders, to regulator and market participants. Therefore, both teams are committed, after all regulatory approvals are obtained, to work hard, and jointly, to persevere and improve upon the operational excellence, the client relationships and the innovation skills for which both companies are recognized. To fund part of the transaction, we sold in April the remaining equity stake we held in CME Group. Total proceeds from the 5% ownership sale, including also the sale executed in September 2015, amounted to BRL 5.5 billion.

Some very important steps regarding the combination with Cetip are yet to come. On May 20th, exactly one-week from today, both companies will hold Shareholders' Meeting to approve the terms of the proposed combination. We will go into more details on that on the slides to come. And after that, we will seek all necessary regulatory approvals.

Last but not least, the second phase of the Clearinghouse integration, a key project for BM&FBOVESPA and the market, is moving forward as planned. Integrated testing and certification with market participants continued during first quarter of 2016.

Moving to the next page, slide four. I want to emphasize that we maintained our focus on the two main strategic objectives of our company, which are: to build a world-class IT and operations infrastructure; and at the same time, add revenue through the continuous development of products and markets. This work will not be seized or delayed by the proposed combination with Cetip.

IT development related to the second phase of our new integrated Clearinghouse was concluded in the end of 2015. And during the first quarter, we'd focused on the tests and certification with market participants. The deployment of the equity space is expected for the last quarter of 2016.

The effort and investments in terms of equipment, software and professional skills that we have put in the PUMA Trading System have been delivering a great performance and resilience to the trading environment that has been available almost 100% of the time since it was implemented and with growing volumes.

On the right side, with respect to products and market development, we have concentrated our efforts in increasing liquidity for listed products. With this goal, we are adding new market maker programs. We have 35 active programs versus 15 at the end of first quarter 2015.

Additionally, in May, we introduced market makers for inflation-linked future contracts, an important step to increase the liquidity of these contracts. We also expanded the number of non-sponsored BDRs listed in our markets. In April and May, we admitted 21 new programs, increasing the portfolio from 85 to 106 in this period.

Just recently, the regulatory and tax frameworks for the fixed income EPS have been completed. This is a very important product for us, and we have maintained discussions with market participants for launching this product soon.

Now Rogério will give some more details about our operational performance.

Thank you, Daniel. Hello, everyone. I would like to ask you to move to slide five, where we once again - we highlight the resilience of our diversified business model.

As was the case with the previous quarter, the performance of financial and commodity derivatives, coupled with initiatives to drive non bonds-related revenues, underscore this aspect of our business. The chart on the left side shows that as we have seen in the previous quarter, the great contribution to revenue growth came from financial and commodity derivatives markets. We've seen the BM&F segments, where we have a long exposure to U.S. dollar, as well as exposure to volatility around interest rate and FX rate.

Also, the business lines not related to bond, showed good results in the quarter and contributed to volume growth, reflecting a solid performance of some products coupled with recently implemented enhancements to our commercial policy. On the right side, the pie chart shows that the derivatives market continues to be the main source of revenues for BM&FBOVESPA.

If we sum that up, financial and commodity derivatives that represented 43.5%, and derivatives on single stocks and indices were another 4.2%, we reached 47.7% of total revenues versus 30.9% of cash equities. Additionally, 28.5% of the company's 1st Q 2016 top line were U.S. dollar-linked, once again, highlighting the merits of our business diversification and revenue diversification.

Moving to slide six. You'll find details on the performance of the financial and commodity derivatives market, what we call BM&F segment. The 10.5% revenue growth in the BM&F segment was driven by a 13.6% growth in the total ADV, coupled with 1.5% increase in the average rate per contract or RPC. In the bar chart on the left side, you see that contracts priced in U.S. dollar and contracts exposed to interest rates are the most relevant in this segment.

This quarter, the main contribution to the revenue's growth in this market came from interest rate in (09:10) contracts, and Mini contracts which were 6.9% and 82.7%, respectively. Although the (09:19) of contracts priced in U.S. dollar - I mean, FX contracts, interest rates in U.S. dollar and commodity, contracts have failed year-over-year. The group of contracts generated 55% of the total revenues in the segment. On the bottom of this slide, you'll see that the RPC grew 1.5% year-over-year, relatively and it was relatively - and relatively stable in this comparison.

In slide seven, we have the performance of the equity market. Revenues in the equity business from the BOVESPA segment grew 2.8% in comparison with 1st Q 2015, reflecting increase in the ADTV of both cash equities and equity derivatives. The 3.4% growth in the cash equities ADTV is expanded by a higher turnover velocity that reached 85.8% in the quarter versus 71.8% in 1st Q 2015.

This increase in market, this was partially offset by a 13.9% reduction in the average market capitalization. It's also to mention that the ADTV was particularly high in the March, when it reached more than - when ADTV reached more than BRL 9 billion, with increased volatility levels connected to macro and political environment. Trading and post-trading margins reached 5.264 base points in 1Q 2016 and was stable compared to first 1Q 2015.

Moving to slide eight, we highlight all the sources of revenue that are not related to volumes. You may know that one of the drivers of the company's strategy is to increase revenues coming from this group of products and services. We pursue this goal mainly by actively marketing these products and services as well as revisiting commercial policies that apply to them.

This group of business lines as well, as you can see in the grey piece of the pie chart, represented 19.8% of total revenues in 1st Q 2016, and in aggregate, grew 14.1% year-over-year. This growth results from solid operating performance of some products and services, notably market data and

Tesouro Direto that is required, as we've seen the depository line combined with change in the commercial policies that was implemented over 2015 and apply for most of the services that are in the table or in the rack.

Now, I'll pass the word back to Daniel, who will detail our expenses and other financial highlights.

## **Daniel Sonder** {BIO 18250247 <GO>}

Thank you, Rogério. In the next slide, which is slide nine, we show the expense breakdown for the quarter. Our adjusted expenses increased 4.1% year-over-year, mainly driven by lower adjusted personnel and communications. Our adjusted personnel expenses, which exclude long-term incentive plan was 3.1% lower compared to the first quarter of 2015 due to higher personnel expenses capitalized towards projects and a non-recurring provision back in 2015, which affects the comparison.

The growth in data processing, our second largest expense line is explained by the exchange rate and inflation adjustment to some maintenance contracts for IT, higher maintenance expense in the new data center and hiring of outsourced personnel. We are maintaining our guidance for expenses for the year between BRL 640 million and BRL 670 million for 2016.

Moving now to slide 10. We always like to highlight our financial robustness with a solid cash position, which is an important part of the business of being a credible counterparty in the financial market. Total cash amounted to BRL 5.6 billion at the end of the quarter composed by cash held as collateral on behalf of third party as well as BVMF own cash.

On the left and blue side of the graph, we can see the third-party cash, which amounted to BRL 2 billion, mainly composed by market participants cash collateral of BRL 1.4 billion. On the right side, represented by the green bars is BVMF's own cash composed of restricted and available cash amounting to BRL 3.7 billion. This includes the proceeds from the partial divestment from the CME Group acquired in September 2015. But it does not include the proceeds from the most recent sale, which was only concluded in April after the closing of the quarter.

Financial results increased 161% year-over-year as a result of three positive factors. First, average - higher average interest rates that applied on a higher average cash balance. Two, a BRL 32 million dividend received from the CME Group in the quarter. And lastly, a BRL 34 million non-cash financial revenue related to changes in the BRL to U.S. dollar exchange rate, which we will cover in more detail in the following slides.

The board approved the payment of BRL 170 million of interest on capital for the quarter, which represents 50% of IFRS net income to be paid in June 6. The CapEx executed for the quarter reached BRL 60.9 million, the same budget range - sorry, the budget range for 2016 is between BRL 200 million and BRL 230 million.

Moving to slide 11, financial highlights. We showed the company's cash generation before payments of interest on capital or dividends or repurchase of shares. We find this a useful metric for us to follow. The cash generated in first quarter of 2016 reached almost BRL 500 million, which means a 39% increase year-over-year with significant capacities to generate cash is one of the main strengths of our company and business model. This also puts us in a good position to continue to practice a high payout ratio at the same time that we meet our financial obligations.

In slide 12, we described in some more details, the financial structure and execution that we did for the sale of the CME Group shares. At the end of the first quarter of 2016, we entered into a financial derivative transactions to hedge the FX risk related to the equity stake held in CME, and also, another derivative transaction to hedge the FX risk related to the 2020 notes. The hedge for

the FX risk and the investments in CME was done through a short position in non-deliverable forwards of BRL 1.26 billion – sorry, \$1.26 billion.

As we concluded the sale of the shares in early April and converted the money into reais, we closed this position, and therefore, secured an effective FX rate of BRL 3.59 per \$1. In the case of the 2020 notes, the hedge accounting, which we used to count on the CME shares was undone and replaced by a principle-only swap in the amount of \$612 million. Through this swap, our company has a long position in dollars, and a short position in local interest rates at a cost of 79% of CDI. Therefore, we are now protected from FX changes in the principal amount of the debt and have a cost for this financing of 79% of CDI, plus a coupon of 5.5% in U.S. dollars.

The company entered in both – into both instruments simultaneously in multiple transactions between March 29 and March 31 of 2016. This three-day time execution resulted in an unhedged position on part of the principle amount of the 2020 notes. And as a consequence, changes in the BRL versus U.S. dollar exchange rate during this period, applied on the unhedged position created a positive impact of BRL 34 million in the financial revenue line with no cash impact. On April 7, the company sold the remaining stake of CME shares, raising approximately BRL 4.3 billion.

Talking about the future impacts on the income statement now, you can expect two main accounting entries to come. One, financial revenue will increase due to the CDI on the proceeds from the sale of CME shares, and on the other hand, financial expense will be impacted by the cost of the swap, which is 79% of CDI applied over BRL 2.2 billion, which is the BRL amount of the U.S. dollar debt. In addition, we'll have the interest owed on the 2020 notes, which is 5.5% per year, on a net basis on \$612 million. This is still exposed to changes in the BRL versus U.S. dollar exchange rate.

Please note that, we will no longer benefit from CME dividends on the company financial results, due to the sale of those shares and considering that starting from April 1st, the swap value completely covers the 2020 notes principal amount, the company expects that there will be no further impacts from the changes in the BRL versus U.S. dollar exchange rates on the 2020 notes principal amount.

Moving to the next slide, we begin to talk a little bit more about the combination with Cetip, where we show that financial structured plans at this stage for the funding of the transaction with Cetip. I note that this is not yet a definitive structure, and we are still analyzing our options. But in principle, the proceeds to finance the Cetip transaction will come from around BRL 4 billion in equity, based on the stock price of BM&FBOVESPA at the announcement date.

And second, a cash portion with the following components, the proceeds from the sale of CME shares that amounted approximately BRL 5 billion, the cash generated by both companies until the settlement date. We expect that this will range from BRL 1 billion to BRL 1.5 billion. Please note that during this period, the share buybacks in the BVMF will be suspended. And an additional amount to be raised by a new debt issuance. Standby financing lines have been already signed with a group of banks, but the permanent financing will be raised just before the settlement date. We expect that this amount of long-term debt, will be between BRL 1.5 billion and BRL 2 billion.

Gross debt-to-EBITDA ratio for the combined company should be close to 2 times at the settlement of the transaction, and our intention is to return to 1 time EBITDA within three years. We expect that the financial deleveraging will happen in the three-year period and to do so, we expect to have a payout ratio of about 80% of IFRS net income. Obviously, that is subject to our operating performance and to board approvals. So, this is not a definitive statement, but an intention of what we see today in our projection that should be taking place.

And finally, in the last page, we have the timeline for the Cetip transaction. On May 20th, next Friday, BVMF and Cetip shareholders will meet to discuss and vote on the transaction, and we

expect that the transaction will be approved by such shareholders on both meetings. After that, the transaction will be analyzed by the regulators, CVM, the Securities Commission in Brazil, the Central Bank, and the antitrust regulator CADE. The closing of the transaction depends on shareholders and regulatory approvals.

I'd like to call your attention to the importance of the shareholder engagement in the Shareholders' Meeting. As you all know, this transaction is a transformational event for both companies and for Brazilian capital markets, and the engagement of the shareholders is extremely important.

Considering that due to this combination, some changes in the bi-laws are required, the forum to open both Shareholders' Meeting in a first call is two-thirds of total capital stock. To participate in the shareholders' meeting, some steps must be taken and some representation documents must be put together. Our IR team, as well as Cetip's IR team is available full time to assist you, in case you have any doubts or face any issues.

We also want to highlight that some of the most relevant proxy advisor companies have recommended a favorable vote for all the items of the Shareholders' Meetings. We're very glad that they have agreed with the merits of the transaction, although obviously, this doesn't guarantee that we're going to get the votes.

I'd like to conclude this presentation here, and open the Q&A session. Thank you.

## Q&A

### Operator

Ladies and gentlemen, we will now begin the question-and-answer session for investors and analysts. Our first question comes from Marcelo Cintra, Goldman Sachs.

#### Q - Marcelo Cintra {BIO 16463628 <GO>}

Hi. Good morning, everyone. Thank you for taking my question. My first question, it's basically a follow-up on your last comments regarding the funding for the transaction with Cetip. You mentioned that, basically, you expect the payout ratio to possibly increase back to 80% over the following three years, of course, it's subject to some changes. But I would like to understand if, what will be the payout ratio for 2016 and maybe 2017, if this 50% that you distributed in the first quarter should be the level that we should see in the following quarters, or if it's fair to assume maybe even a lower payout ratio or some further changes on this? And then I have a follow-up for my second question. Thank you.

#### A - Daniel Sonder {BIO 18250247 <GO>}

Thank you, Cintra. The board, obviously, considered this at every quarter. Their view at this point in this meeting was that we should have 50% payout for the year. Obviously we will follow the development of the business and also the details that we are going to have on the full financing structure later on, and this may be changed. So - but the view at this point is that we should have a 50% payout based on IFRS net income for 2015 - 2016, pardon me.

#### Q - Marcelo Cintra {BIO 16463628 <GO>}

Okay, perfect. And just a quick follow-up. You mentioned that the debt issuance should be of roughly BRL 1.5 billion to BRL 2 billion, but you already have - maybe you already had an estimate of the possible rates that you are going to gain on this debt?

#### A - Daniel Sonder {BIO 18250247 <GO>}

Yeah. Look, we're still discussing that. And obviously, it will depend on market conditions at the time. We feel very confident that we are one of the best credits in Brazil today. So, I wouldn't expect that our cost of funds should be higher than a 150 basis points - 125 basis points to 150 basis points over the benchmark here.

**Q - Marcelo Cintra** {BIO 16463628 <GO>}

Okay. 125 basis points. Okay, perfect. And my second question is related to not trading revenues, right. You showed that revenues are linked to volumes, represent roughly 21% of total. Just want to hear from you, what is your expectations looking at BM&FBOVESPA, of course, on a standalone basis of where they're following, maybe following years. And also on new products, recently the Finance Minister changed regulation regarding ETFs or fixed income. So, I just would like to hear from you the development of this product, so when we should see further development on this front and maybe more revenues here? Thank you.

**A - Daniel Sonder** {BIO 18250247 <GO>}

Great. Thanks. So, in terms of the revenue mix percentage, it's extremely hard for us to predict such percentages, because it marginally depends on the growth of the trading-related markets, the derivative markets and the equity markets. And we typically don't put out a view on that. We - but we feel very confident that our non-trading revenues have a big platform for continued growth, right. I think it's a mixed pool of revenues, some of it is linked to inflation and some of it is also linked to FX as the market data revenues.

And I think that as the market develops, we have more opportunities there. If you look at page eight, and you see the breakdown there, just to give you some examples, listing fees are adjusted by inflation. And, obviously, you have a driver which is the number of companies in Brazil. Depository fees have to do with how many individuals have accounts here. It has to do with Tesouro Direto, and it's adjusted by inflation. So, I think that we have a very good mix there that should continue to produce nice growth. But it's hard for me to give you the breakdown of the revenue pie.

With respect to ETF, we're quite pleased that the final points of the regulation have been put in place. It was a measure by the Finance Minister - Ministry, as well as measured by the revenue services, which I think, in our view, cleared the road for this product to be put in place. Now, we don't let this - here, we need the market players to do so.

Obviously, this is something that has been in the pipeline of many players or with a handful of players for several months. And we think that now, people are going to move quite fast to let one or more of these ETFs here. We have worked with S&P to create fixed income index. I think that might be a reference for some of these ETFs. There are other industries in the market, which are just as good that might be also a reference. And we do believe that given the attractiveness of the fixed income market in Brazil and the desire of players to expose themselves to fixed income by a number of instruments, this could be an attractive revenue line going forward.

**Q - Marcelo Cintra** {BIO 16463628 <GO>}

Okay. That's perfect, very clear. Thank you very much and congrats on the results.

**Operator**

The next question comes from Francisco Kops, Safra.

**Q - Francisco Kops** {BIO 17215088 <GO>}

Good morning everyone. Rogério, Daniel, I have two questions as well. The first one is just a follow-up on the cash portion of the combination with Cetip. Just a quick question. I didn't

understand, if you consider just the cash flow from now until the settlement date, or you consider this cash flow plus the current cash available on both companies?

**A - Daniel Sonder** {BIO 18250247 <GO>}

Yeah. It's - well, it's the cash flow plus the cash available, excluding the other sources that I've mentioned. So, obviously, Cetip had some cash, they're going to generate some cash over the year, they have some obligation. We have the same thing, but I just don't mix that with the cash that we have in hand for - that is in the CME line, right, because that is a specific item that we put there, plus we're not going to draw into the necessary cash that we have for the business.

But you should expect that after the transaction, we will have at BM&FBOVESPA roughly the same type of cash level that we had in the quarters prior to the third quarter of 2015. So, if you look at our page 10, we used to have BRL 2.4 billion, BRL 2.3 billion in cash at BM&FBOVESPA. For our business purposes, I don't think that should change too much, obviously, we're adding Cetip, so they also - that business activity also requires some additional cash. So, the combined company would have, just to give you a number, I don't know BRL 2.5 billion, BRL 2.6 billion of cash at all times. Is that clear?

**Q - Francisco Kops** {BIO 17215088 <GO>}

Now, that's very clear, Daniel. Thank you. Just, if I may, a second question. It's an issue that a long time I don't hear about. How is the - that issue with European authorities about the qualified potential counterparty regarding the BM&F, your CCP, have some development there? I mean, I don't know how was the request with- our Central Bank here, if you can give some new information about that, that will be good? Thank you.

**A - Rogério de Araújo Santana**

Hi, Kops, this is Rogério. We're still waiting for the approval from the European Commission and also from ESMA, but we have some development in the recent months. First, the Central Bank, I read, put out a new rule that created a kind of reciprocity between the Brazilian treatment for foreign - Clearinghouses that would be reciprocal to the treatment that European Commission would give to Brazilian Clearinghouse. This was the pending aspect of the discussion. It was already sent to the European Commission. And we are very optimistic that soon both the European Commission and ESMA, that is the regulator for market infrastructure, in Europe will recognize our Clearinghouse as a qualified CCP.

**Q - Francisco Kops** {BIO 17215088 <GO>}

Now, that's clear. Just a quick follow-up. Until now, there is no impact from - I mean, in terms of lower volumes coming from European banks or something like that, right.

**A - Rogério de Araújo Santana**

You are right, because we are in - although we are not recognized as a qualified CCP, we are under a waiver list by the ESMA, so there is no change in the capital requirements for clients that are trading in Brazil.

**Q - Francisco Kops** {BIO 17215088 <GO>}

Thank you.

**A - Rogério de Araújo Santana**

While this process is not concluded.

**Q - Francisco Kops** {BIO 17215088 <GO>}

Okay. Now, very clear, Rogério. Thank you.



## Operator

The next question comes from Gustavo Lobo, BTG Pactual.

### Q - Gustavo Lôbo

Hi. Hello. I have two questions as well. First, regarding the divestments from CME. In the presentation you showed that it got to a total proceedings of BRL 4.3 billion before taxes. Just like to understand what's the amount of taxes they have to pay, here because if I remember it right, you marked that the value of this transition back in the third quarter and (34:20) to a tax bill. So, just wanted to understand, what will be the actual net proceeds from this transaction? And then, I have a follow-up on capital structure.

### A - Daniel Sonder {BIO 18250247 <GO>}

Thank you, Gustav. So, the tax implications of the sale of CME Group are twofold. First, there is a piece and bookings (34:45) on the proceeds that should range in about BRL 120 million that is payable in the second quarter. So, you're going to see it in the second quarter numbers that we paid such taxes.

On the capital gains taxes, the roof of that is that we - those taxes are due at the beginning of the next fiscal year. So, for transactions concluded in 2016, the tax is due in early 2017. And we have the opportunity though no decision has been made yet, we have the opportunity of changing the tax treatment for the bonds, which would bring forward through 2017 as well, if we choose to do that which hasn't been decided yet, which would bring forward to 2017, a tax loss that otherwise would be available in 2020. So, if we make that change, which again is still under consideration and hasn't been approved by the board, but if we look to make that change, that would help offset some of the cash impact of this tax on the sale that would be due in 2017.

### Q - Gustavo Lôbo

Great. That's clear. And your answer is actually related to my second question. The - your - the financial costs of your 2020 bonds at roughly 80% of CDI plus 5.5%, and assuming what you said on your expected cost of funding of 125% of the CDI on these new that you're going issue. This seems to make sense to continue holding it with CDI at 14.25%. But if CDI goes down and this is sort of consensual now, it starts making sense to continue holding these bonds which had - it would have been cheaper for you to just issue a local debenture or something like that at 125% of the CDI. Is this something that you have taken into consideration in the medium-term, or are you comfortable with just these 2020 notes at the current structure?

### A - Daniel Sonder {BIO 18250247 <GO>}

Yeah. So first, let me - maybe I misspoke earlier on, or maybe there was a misunderstanding. I don't know, which one of the two, it doesn't matter, but I didn't say 125% of CDI, what I said is 125 bps over CDI, so CDI plus one in a quarter, okay, which is...

### Q - Gustavo Lôbo

Okay. So...

### A - Daniel Sonder {BIO 18250247 <GO>}

(37:46)

### Q - Rogério de Araújo Santana

Yeah.

### Q - Gustavo Lôbo

...to continue holding the notes.

**A - Daniel Sonder** {BIO 18250247 <GO>}

So first to address that misstatement offline, I apologize for that, if I misspoke. And it's 125 bps - I think that our credit costs should be not over 125 bps to 150 bps. Obviously we're going to try to get it better than that. But I just wanted to give you a range to address the simplest question.

Now, with regards to early redemption of the 2020 notes, those are long-term bonds issued in the international capital markets, Lôbo, which has typically, as this is the case in most companies, a prepayment penalty. So, we do not have the flexibility of redeeming them at par, and therefore, the implied cost of our redeeming that would entail a penalty that, in our view, makes that transaction at this point in time something that we do not want to pursue. We continue to analyze this, we have a treasury team that always looks at this option, and if local rates were to go down significantly in certain amounts, that would compensate even paying the prepayment penalty, on the bonds, that is something that would come up in our regular discussions with the clarity.

**Q - Gustavo Lôbo**

Okay. Understood. That's clear. Thank you.

**Operator**

This concludes today's question and answer session. I would like to invite Mr. Daniel Sonder to proceed with his closing statements.

**A - Daniel Sonder** {BIO 18250247 <GO>}

Well, once again, thank you all for the - for your participation in our call. We are always very grateful for your following our company out stock, and this is great for us. And obviously, once again our Finance and IR teams here that do all the work for preparing the discussions with you.

And on their behalf, thank you all. As a final point, I would again stress the importance of your participation in the upcoming channel of Shareholders' Meetings. And if you still have a question, then you want to participate, and are not sure how to do it, please do give us a call, we do have a large team here, making preparations for that, and we don't want to leave anyone behind. Thank you.

**Operator**

That does conclude the BM&FBOVESPA audio conference for today. Thank you very much for your participation. Have a good day. And thank you for using Chorus Call.

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