

Q1 2021 Earnings Call

Company Participants

- Carlos Andrade, Vice-President of Strategy and Business Development
- Henrique Freire, Chief Financial Officer
- Joao Manuel Brito Martins, Vice President of Grids
- Joao Marques da Cruz, Chief Executive Officer
- Luiz Otavio Assis Henriques, Vice-President of Generation and Commercialization
- Marilia Nogueira, Investor Relations Manager

Other Participants

- Marcelo Sa, Analyst
- Unidentified Participant

Presentation

Joao Marques da Cruz {BIO 1935297 <GO>}

(Starts Abruptly) (Technical Difficulty) projects. And also our asset rotation strategy that is to rotate assets that we create, when we acquire greenfield licenses and then did construct, and I'm thinking of transmission lines and the segment is fit to the rotation of assets. And then selling those assets when they are operational and therefore capturing value. We wanted to pay close attention to the market liberalization, the opportunities of the free market that are present today, either by offering integrated solutions in energy, in the decentralized generation or solar energy.

So metrics are important for us. Distribution networks are important but also solar decentralized energy is also important. And all that can only be done by having an internal digital transformation. And this is in course and it is a strong initiative. Finally, a note on electric mobility. We are sure that Brazil leads several areas but not electric mobility. But this is an area we went to pay attention to especially in that segment. So this is not new. It is a strategy that we presented some weeks ago.

So now let's take a closer look at first Q '21 and how it fits this strategy. If you go to the next slide. We can see basically there are three very important things here. First, we had very solid results. Solid is the right word. Results that are positive that are good in a challenging environment. I don't think that we have to explain what the challenging environment is. We all know the restrictions that were lift in the first Q, some of the restrictions are still through today although at a lesser volume, and therefore having solid results in a challenging environment, just shows that we have a resilient company and a company that is capable of delivering its targets. And so in this first game of a Championship of 20 quarters that will take us to 2025. I would say that we had a positive

note. Although we know we have ranked not by ourselves but our market but we are very satisfied with what happened in the first Q. But you know the game is smart one. This is a game that is long more than 90 minutes in this case.

Now going into a bit more granularity. Our distribution business had a good performance with significant capital expenditure, given the circumstances, of approximately BRL225 million. The energy distributed volume increased by 4.4% in both areas Sao Paulo and Espirito Santo and we had the tariff readjustment with the increase of Parcel B. In the transmission business, well, this is an area that we are competing 83% of the total CapEx already executed. We are delivering, we know that the offset -- had a partial entry into commercial operation -- Lot 7. And we also acquired a lot in Maranhao. In generation/trading and customers.

First in generation/trading, we have this integrated management of generation and trading with the very good performance, which enabled us to mitigate the risks. Risks that you know investments in hydro energy always carry. And we have positive effects of more than BRL23 million in the renegotiation of GSF in the free market. And therefore positive aspect. Just as a reminder, in this quarter we acquired AES Inova. Talking about customers more specifically solar and also we completed the acquisition of Blue Sol, which is a vehicle to work on solar energy in which we have a minority stake now. Financially speaking, we had an EBITDA of BRL1 billion, which is an increase of 50% year-on-year. We are very pleased with the amount and the same applies for the net income with an even higher increase compared to the previous year with more -- almost BRL0.5 billion in net income. Also a positive behavior for PMSO below inflation. Clearly the major pressure is on PMSO is the inflation and we closed the share buyback program with the acquisition of more than 24 million shares. Our net debt adjusted EBITDA ratio is compliance with our targets, which are between 2.5 and 3.

Well, these were my general highlights. On the next page, we are going again to go into further detail. I'm going to say some of the highlights and then I'm going to turn to our CFO, Henrique Freire. Capital expenditure, in 2021, it will go past BRL2 billion. And here we have the breakdown. Transmission was very important in the first Q, it's not going to be so in the following quarters because as I said we are completing a lot construction, more and more we want solar energy to take its position and the distribution is always the core of our investment. But in this five-year plan, 60% of our recurring investment is going to be on distribution. So we are going to reinforce organic investment majorly in distribution. Again 60% of our investments in the five-year plan will go to distribution. We are going to complete our lots under construction, our bet on solar energy and obviously continue with recurring investments related to conventional generation.

And now I will turn the call to Henrique Freire, our CFO, that are going to present our consolidated results for the quarter.

Henrique Freire {BIO 19117781 <GO>}

Good morning, everyone. We are going to go to the next slide, slide number five, where we have a first snapshot of our results both EBITDA, corporate EBITDA and adjusted EBITDA. This quarter perhaps was -- sometimes we have more challenging results out

there but this quarter show positive results at any perspective that you can have. I'm going to go by business and the main factors that led to the results and then we'll talk about -- we'll take your questions.

As Joao mentioned, we have 50% above our EBITDA by business year-on-year. So very relevant factor with the highlight to distribution and hydro generation with a much better result than last year. But even if we take a look at our adjusted EBITDA and remember these are adjusted of IFRS and transmission. So -- and EBITDA closer to our cash EBITDA, so to speak. And also the correcting VNR, and other non-recurring items, we are still 34% above the last year, with the main highlight again for distribution with BRL123 million and hydro generation with BRL69 million. Distribution benefits from the tariff readjustment of last year, especially in Sao Paulo.

In Espirito Santo we are still -- happen to had those tariff readjustment and this is going to be kept further on this year. And also, we had some positive market reaction even in the residential segment. We are going to see that further on. Hydro generation, higher allocation of energy then for better results with a very positive factor. And the commercialization company also with positive results. So there you know that we have a four-year mark in to market and we were to able add to a very good margin to the results of this year.

Next slide please. Here we talk about our net income, 83% above last year with almost BRL0.5 billion. And note on own financial results. It is negatively affected because of IGP-M for two reasons. First, becomes of the debt that we had, the liability and lot of that liability that we had in GSF, in ACL. You know that last year we had gains of BRL389 million with an extension of our positions, 67 months with hedge and extensions. But that we had an amount to be paid and almost BRL17 million that have already been deposited and have to be mitigated by the rules of city in May, but it's still impacted by IGP-M. So this is an isolated fact to this year. But in this quarter we had an unfavorability showing. And that means that in distribution we have the use of public goods that is also impacted by the IGP-M, which negatively impacts our results.

Our other income tax et cetera are positive in line with our better results. And in equity equivalents the highlights are the results of Celesc. We are always consolidating one quarter before, that is we are consolidating 4Q last year. So Celesc had better results increasingly and already is contributing positively to our results.

So let's go to the next slide. And here I talk a bit about distribution. Well in volume, we had an evolution in the residential segment as I already mentioned before by 7.7%, higher temperatures, higher use of air conditioning which always impact positively our results. Industrial segment with a good reaction this quarter. So we are still in the pandemic but we do see a recovery. But the pandemic is still affecting Services and Commercial Segment which are sales likely below last year.

And also as well, this year you know that there are restrictions posed by the pandemic and that puts pressure on losses. However, we had a stable result in Sao Paulo with total loss of 8.6%, which is exactly the same what we had last year. And you know if you go to

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the -- you know the detailed number has slightly decreased. And in EDP there is central also a drop in the indicator. So these are the numbers that are not still at the levels that we want. We continue to invest with best practices and restrictions have been major and do have an impact on the evolution of our favorable. A positive note here is our recovery revenue per real invested. This is a very positive evolution from 28 last year to 71 now and that has to do with a better intelligence in focusing our measures. Although we had limits for the cut off of energy, our default customer base which is one of the most effective mechanism to recover revenues. We are able, by means of other mechanisms to recover revenue and having a very high level of collection. So that's the positive note and that will support as we are going to see further on. Our levels of bad debt and provisioning, which are at acceptable levels not what we want but even better than previous quarters.

Let's go to the next slide. Well, this is a chart that we like to highlight, which is the comparison between regulatory and accounting EBITDA and today we are at BRL170 million above when you think of corporate EBITDA. You have VNR, you know that our distributors are getting to the end of cycle and this number should increase. But in our adjusted EBITDA, that is corrected because this is a non-cash effect. But even if we were not to consider this number, we would have a EBITDA about BRL100 million above our regulatory EBITDA. The highlight goes to our operational expenses with gains compared to regulatory target and also market variation that is positive. Others which is the sharing of infrastructure. Losses PECLD but these numbers that are not out of control. Although, slightly below what we expected.

Now we are going to talk about transmission, and how we are evolving. Today we have two lots in full operation and Lot 07 in partial operation that just started off operation this quarter. And we have here some of the results in operation. In terms of evolution of works, we have 83% altogether of the work executed. Lot 7 is on the final lap of its second stretch. Lot 18 goes on, Lot 21 one of the stretches today is basically finished. And then Lot Q, which is a Lot that we acquired in the secondary market in Rio Grande do Sul/Santa Catarina is at 45% today. But one of the stretches is also in final completion. So still this quarter we should complete one of the stretches of Lot Q. And in the last two days, we completed the acquisition of an additional Lot in Maranhao that we had announced before, which is an additional investment of BRL85 million, but is in the beginning of the design phase. So we are showing very good performance in execution following the rational of on cost in evolution of works and ahead of delivery dates. So I think this is really important to highlight.

Let's go to the next slide. Here we talk about hydro generation and commercialization. We like to talk about hydrological risks altogether showing also our trading performance for this line. And here we can say that hydrological risk would have been -- would have impacted us by BRL58 million. Our mitigators offsets the number and our trading in terms of margin had a positive contribution of BRL64 million. Seasonality, we had especially in the month of January a concentration of seasonality which was the strategy with good result. And then we have some concentration in the months of the third quarter where we expect to launch GSF. And therefore an offset of the previous seasonality and also where we have a better use of the energy that falls throughout the year.

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Again we are having lots of discipline in the monitoring of this risk. As far availability index thinking of our plans altogether, we are -- we have one of the most efficient plants in Brazil according to ANEEL. And just to show you one of the indicators that is one of the most important, we have 95.1% availability. And if you compare to ANEEL's reference, it would be 91%. So we are very comfortable in terms of availability as well.

On the next slide. Here we are talking about Pecem with the result very much in line with last year, if we were to discount the non-recurring effects that we had last year. Again, just as a reminder, we had the ADOMP and the PIS/COFINS credits tax credits if it weren't for that, the results would be in line with last year BRL134 million in availability. Remember that in February, the company had a -- plant had a downtime. The Northeast region have also hydro plants in this system there is an offset of the solar energy and renewable energy. However, our expectation is for the plant to go back to work this quarter. It is one of the most important thermal plants of the Northeast Brazil, and therefore an important plant for the balance of the system. And I believe for the remainder of the year it's going to be operating.

Next slide. Here talking a bit of our debt. We reached a net debt EBITDA ratio of 1.8 times. If you are considering adjusted EBITDA, you would be talking about 2.5 times, so very much in line with our covenants. If you take a look at the evolution of our indebtedness indicators, we are very positive. We're benefiting from the drop in the interest rates. And remember that some of our debts are indexed in IPCA plus especially Lots 21 and 18 and they are still being kept alive. So because the lines are still under construction. And because they are under construction, they are being capitalized and they don't show in the financial results and therefore the increase of IPCA that we had in this quarter, did not penalize the results this quarter.

Also a note, we had very intensive funding those quarter to basically pay out some of the debt to mature this year. The beginning of the pandemic, March, April, we had short term loans that were important, but that was advanced. And today the level of availability that we have and we are at very mitigated risk in terms of debt. This is our cost control, which is a very important point. You know that our PMTO is very much pressured by the IGP-M, IPCA indexes. And IGP-M is affected by exchange rates. So not directly but indirectly our costs do have set -- are affected by that. So we know this is a very important variable. And if we compare to the last year, we even had a positive evolution. Although IPC is at 6% IGP-M, about 30, I think that's very important to highlight that we are as a very controlled cost.

PECLD the highlight is the distributors this quarter we reached BRL30 million. This is the lowest level that we had in recent quarters as you can see compared to the whole of the year of '20, which gives us a relief that shows a better recovery of the economy, higher credit from our customers and a recovery of revenue as I mentioned before.

Let's go to the next slide. Well, here I'm going to turn the call back to Joao Marques da Cruz, for his final considerations in our presentation and then we are going to open for your questions. Thank you very much. Joao?

Joao Marques da Cruz {BIO 1935297 <GO>}

Hi. I was muted. I'm sorry. I'm sorry. Well, let's go to the final portion of our presentation to talk about ESG and our final messages. Well, ESG is not something that we should talk about, but something that we should do something about. (Technical Difficulty).

If we can go to the next page, financial discipline and why is this important. Because the market has to recognize what is obvious to know that basically our valuations is below the intrinsic value of the company and basically the way that we can work with that is by means of our financial discipline to really unlock the potential of this company. Efficiency, maintaining control costs even in an environment, when the inflation continues to be a problem. And the rotation of sets. We want to be leaders in energy transition. And leader does not mean we're largest, but those that really make it happen.

Well, then now we are going to listen to the market voice, that is our Q&A. And therefore, I'm going to turn the call to Marilia that leads our IR department. And that is always available to you for your contacts whenever you find a need to hear more about us. Thank you very much. (Technical Difficulty).

Questions And Answers

A - Marilia Nogueira {BIO 22039088 <GO>}

I'm sorry I was on mute. Well thank you Marques da Cruz. Now we are going to start our Q&A session. And to answer your questions, we have our whole Executive Management in addition to our Joao Marques da Cruz and Henrique Freire. We have Luiz Otavio, our VP of Transmission and Trading; and Fernanda Pires, our VP of People and ESG; Joao Brito, our VP of Distribution; and Carlos Andrade, our VP of Clients.

The first question comes from Henra [ph].

Q - Unidentified Participant

Good morning. How do you see the role of distribution and it's -- do they growing the -- increasing growth of solar energy? Don't you think that the risk of the company gets higher in time?

A - Joao Marques da Cruz {BIO 1935297 <GO>}

Well, I had difficulty to listen to your question.

Q - Unidentified Participant

I'm sorry. This is the technical problem this new online world. I'm going to repeat it. How do you see the role of distribution amidst an increasing growth of distributed solar energy. Don't you think that the business has greater risk?

A - Joao Marques da Cruz {BIO 1935297 <GO>}

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Okay, Henra. Now I could hear the question, although your voice was chopping. Anyway, the answer is the following. Generation is the future. We have no questions about that, it is the future. Whereas all technologies in the beginning, it is normal that these technologies have to have some kind of support. It's normal. Then when technologies get a bit more mature, the subsidies start to be essential. It's obvious that we have to find a fair balance between distributed solar energy, distribution per se and all other parts of the system. And this balanced is essential. With the growing weight of distributed solar, we have to revisit the break down of the systems overall cargo and -- overall load, I'm sorry. In Brazil in the next years we'll have to revisit that, who pays in a fair way the general charges of the system.

With that, I would like Carlos Andrade, our Client VP to complement my answer.

A - Carlos Andrade {BIO 17691736 <GO>}

Very good, Joao. It is what Joao mentioned. Well, distributed energy is irreversible. The changes that are discussed now were already anticipated by ANEEL in back in 2012 or even 2015 when they passed the Resolution 482 which already anticipated a revisiting of the system. But it is irreversible. If you get the projects of EPE up to 2030, there is a whole chapter of a growth of 20% a year between 2025 with regulatory changes that are to happen. So that shows that solar is here to stay.

A - Marilia Nogueira {BIO 22039088 <GO>}

You may go on Carlos.

A - Joao Marques da Cruz {BIO 1935297 <GO>}

And I think that's it Marilia. That's the message. Just to reinforce what Joao mentioned. But this is irreversible and solar energy will continue to grow, regulatory changes will happen but that will not change the fact that you know, the growth of solar is going to be explanation. There are clear signs of decentralization of the electric sector.

A - Marilia Nogueira {BIO 22039088 <GO>}

Thanks, Carlos, Marques da Cruz. The second question is, in the close the share buyback program, what was the average price of the shares?

A - Joao Marques da Cruz {BIO 1935297 <GO>}

Well, I'm going to start -- well the short answer is that it was way below what it should have been but we know the number and we are going to tell you. Our CFO Henrique Freire has the answer for you.

A - Henrique Freire {BIO 19117781 <GO>}

We have the buyback program before the dividend payout, we completed to this quarter but most of it took place between the end of August of last year and the beginning of April this year and the amount was 18.9. That was the average price of the buyback program.

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A - Marilia Nogueira {BIO 22039088 <GO>}

Thank you Henrique. Third question. In the scenario that Celesc is not a privatized company, do you want to sell your stake or do you want to keep your share in the long term?

A - Joao Marques da Cruz {BIO 1935297 <GO>}

We want to keep it. We do not want to sell it. we are not selling it. And we do not believe that the great state of Santa Catarina is an island in Brazil. We do not believe that the Electric sector will all privatize and there is an island that is called Santa Catarina and the state is going to hold its company forever. Privatization will happen, I don't know when, but it will happen. And we are now in a very comfortable position will contribute positively. Celesc needs capital. It is not going to be the tax payers of Santa Catarina. That will pay for that, that will invest money in select by means of its taxes for the state to capitalize the company. It will be private companies to do that. That's the most efficient way anywhere in the world and we believe the state of Santa Catarina sooner or later, we expect sooner will start the process and fully privatize the company.

A - Marilia Nogueira {BIO 22039088 <GO>}

Thank you, Dr. Marques da Cruz.

A - Joao Marques da Cruz {BIO 1935297 <GO>}

Joao Brito Martins, our Distribution VP, and Celesc is a distribution company. So, could you please add to my comments.

A - Joao Manuel Brito Martins {BIO 17231643 <GO>}

Thank you, Joao. Good morning everyone. I think Joao said it all, Celesc is a company that is an improvement process. The results of 2020 were quite good. And obviously we are paying attention to any privatization signs and into then we are contributing to improve the company operationally, it is an interesting company. And very strategically positioned in Brazil. And we keep our share and until the privatization comes, we are going to contribute to its management.

A - Marilia Nogueira {BIO 22039088 <GO>}

Thank you. Moving on, our next question comes from Marcelo from Itau.

Q - Marcelo Sa {BIO 16454581 <GO>}

Considering an average GSF from 77% in the year, what is the company exposure for the third quarter? Do you have enough allocated energy to cover your short position or would you have to buy back energy?

A - Joao Manuel Brito Martins {BIO 17231643 <GO>}

Okay. Luiz Otavio is going to answer this question. He is responsible for our trading position. And Henrique Freire is going to add. But I'm just going to make some initial remarks. Well, clearly, the year of 2021 had very significant drought periods. Historically it's

quite impressive how dry the year was. And that shows the need to reduce our exposure and risk in hydro plants. So we have very good hydro plants that are recognized as good but those hydro plants have to be adapted to our energy balance. And therefore we are taking a look at the market to try and decide if we are going to sell 3 of our 6 hydro plants. Not because they are not good, but because we should adjust risks in a structural scenario of less rain and more drought.

And all that said, very generically, I will first turn to Luiz Otavio for his insight.

A - Luiz Otavio Assis Henriques {BIO 15977792 <GO>}

Good morning everyone. Thanks for your question, Marcelo. I'm going to say that you know the strategy EDP has been adopting in terms of hedge. We had our hedge last year. Then we had the seasonality model because of the delay of rains and including the months of January. So we do have enough coverage today considering the lowering of GSF and the increase of the prices. Reservoirs are almost 20% lower than last year, 15% to 20%, right now 17% precisely lower. And what can I say for the third quarter, we have two plants in the North that were allocated according to the most North rain period using lower and higher prices even with the decrease the costs are going to be lower.

And hedging to the settlement [ph] well plant which is part sold to third parties in the free markets with its own revenues. And in the Southeast, we have our other plants that are well allocated with almost 24% of hedging right now. So the maximization of our positions did take place. We had this movement this year, we already hit four different movements as the situation deteriorated. Prices are going to go between BRL200 to BRL300. But yes, we considering what we think the quarter -- third quarter is going to be like, we are going to do relatively well.

A - Joao Marques da Cruz {BIO 1935297 <GO>}

I would ask Henrique and I would add to his insights for him to explain if there is any financial impact.

A - Henrique Freire {BIO 19117781 <GO>}

Hi, Marcelo, thanks for your question. I think this is a hot topic now, hydrological risks. And you know the first risks and then effective losses when they happen. Well, you have been hearing us talk about this topic for several years. We always highlight this topic. We are monitoring the issue, we are investing resources. You talk about 77% GSF. This is the average for the year. And as you know, the third quarter, we can have significantly lower volumes, which is an expectation. But we have you know a rationale of risk management. The positions that we take are to mitigate risk. And therefore we defend ourselves from extreme scenarios. So because of the explanation we gave you, because of our position, we are relatively comfortable today. It's not a surprise for us what is going on. So I would say that we have this risk mitigated not that it's not a risk, but it is mitigated. Thank you very much.

A - Marilia Nogueira {BIO 22039088 <GO>}

Thank you. Our next question is if we have plans to invest in wind energy.

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A - Joao Marques da Cruz {BIO 1935297 <GO>}

Well, the straightforward answer is no. We have an agreement with a company that is a sister company in this in holding of EDP for in solar energy to have a partnership and EDP Brasil will consolidate solar farms in what we call utilities. That is true solar plants with some 100, 200, 300 megawatts peak. As for wind energy, we are not going to invest. It will be EDP Renewables that we'll invest in wind. And I will explain why. Because solar energy is more adapted to PPA corporate contracts. Wind energy is more adapted to public contracts, the auctions that we have in the system.

So the partnership with EDP Renewables is very simple and it is a win-win for both parties. EDP Renewables has the technology, has the sourcing, has the value chains of this renewable business and we EDP Brasil are aware and know the Brazilian market well. Now the component in which we believe is essential for the Brazilian market is solar, it can be at a lower scale, decentralized but also the solar utility scale. But basically it is a -- the client being an international Brazilian company operating in Brazil. In this case, the answer was no, it's not in our plans. I'm not going to turn to any members of our management. Carlos would be the person to answer it, but it's not solar, it's wind and therefore it's out.

Q - Marcelo Sa {BIO 16454581 <GO>}

In terms of distributor volumes and considering that EDP concessions are industrial areas, what is your expectation for 2021 in terms of volumes?

A - Joao Marques da Cruz {BIO 1935297 <GO>}

Okay. Joao Brito Martins is going to answer this question. I think the first quarter in terms of volume we already gave you lots of color on that. But we believe that the recovery of demand, especially international demand that is companies that operate to the external market is already being felt. So we are feeling ex-regiment. And so our prospect is moderately optimistic.

Let's go to Joao Brito Martins, our Distribution VP to add to the question.

A - Joao Manuel Brito Martins {BIO 17231643 <GO>}

Thanks, Joao. Well, as it was said, we are seeing quarter including April and improvement of our numbers, especially the industrial sector with a considerable increase in Sao Paulo and Espirito Santo, as well. As Espirito Santo very much turn to exports with an increased activity. So our expectation for the remainder of the year is to increase our market by about 4%, the two distribution companies together. So again, moderately positive considering the context and even some uncertainties that we might have in the year with regard to the country's economy but to date we have a positive bias growth of the markets, basically driven by the industry.

A - Marilia Nogueira {BIO 22039088 <GO>}

Thanks, Joao. Well, we are at the top of the time. So the last question.

Q - Marcelo Sa {BIO 16454581 <GO>}

Your debt indebtedness level is that a concern. You have lots of that material in '21. Is that a concern?

A - Joao Marques da Cruz {BIO 1935297 <GO>}

Well, because it is the last question, I'm going to start with a general remark. Transparency is a very important value for organizations and for humans as a whole. I'm at the headquarters alone in a room, I decided to be here, not in my home office to have a better Internet quality. I know there were problems in communication. I apologize. But we always try to overcome problems that really this online world brings us problems. So I would very much like to transparently say that fortunately energy is more resilient than telecommunications.

But to answer your question because it's the last, I would like just to say something before and that would be my final remark. We are a team. Even if I weren't able to say something because my Internet, the connection dropped. The presentation of our earnings would continue, because we are a team. Clearly, this is a team that has management and our members and our people comprising a whole ecosystem. And that is what I think a company is all about. A company is a group of people, a team.

And because this is the last of the question and because we are a team, I'm not going to answer and I'm going to ask the team to the answer this question. I will -- did my farewell. I'm not speaking no longer in this conference. I thank your kind words. And now I'm going to ask my CFO or any of our colleagues to add to their insights and answers to this question.

A - Henrique Freire {BIO 19117781 <GO>}

Well, thanks Joao. Well, indebtedness, I think that we are one of the companies with one of the most conservative position with regard to debt and liquidity. So we always have a liquidity position. We have some risks but we have a very comfortable position with net debt EBITDA ratio even in the adjusted EBITDA 2.5 times. And given the nature of our business, that is quite suitable. And therefore I would say that we don't have any concern with our debt. During the first quarter, we mitigated the risk that we had of that up to one year, when we reinforced our cash last year. Now we are at a different cost and at different level with the market evolving in this regard.

And therefore I don't think there is any concern with regard to debt. The Brazilian market and that is not you know with regard to EDP, we see that, that is being extended up to 20 years. But this is relatively recent in Brazil, there is a major gap of rates between the short and the long-term. The liquidity discount in Brazil is very steep. It is different all over the world, but even more so in Brazil. But I think the market will evolve. We also have to consider the delta in Brazil is higher because of the country risk, but we believe that on our side, the risk is quite well mitigated. We are very proactive in managing our risks and we take it very seriously. We don't think that indebtedness risk in Brazil is zero, so that's why we are very conservative and they get very seriously. I don't know if anyone would like to add to the question.

A - Marilia Nogueira {BIO 22039088 <GO>}

Thank you Henrique, it was very clear. Well, thank you. With that, we are closing our Q&A session. The questions that were not answered in this session will be answered by email by our IR team. With that, we are closing this webinar. And wish you a very good day.

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