

Q1 2022 Earnings Call

Company Participants

- Andre Moreira, Chief Executive Officer
- Cristiano Grangeiro, Head, Investor Relations
- Erik Breyer, Financial and Investor Relations Director
- Fabio Fernandes, Chief Business & Ownership Officer
- Luis Alves, Chief Implementation Officer
- Marco Faria, Chief Technical Officer

Presentation

Operator

(Starts Abruptly)

Circumstances that can happen or not economical general conditions market conditions and other operational factors can affect the performance of the company and lead to results that different to those that are expressed here.

Now I'm going to give the floor to Andre Moreira, who's the CEO of Taesa. Thank you. Good morning, everyone. Be -- welcome to video conference about the earnings of Taesa during the first quarter of 2022. It's also always a pleasure to be here and talk to our investors about this large and solid company, which is Taesa. Participating with me, we have the Financial Direct and Investor Relation, Erik Breyer. The Participation and Business Management, Fabio Fernandes; the Construction Director, Luis Alves and the Technical Director Marco Faria and all our team of Investor Relations. You can send your questions with the Q&A button on the platform at any time during the presentation.

In terms of results, it was a solid quarter for the company and this reaffirms our commitment with the sustainable growth, operational excellency financial discipline and value generation. As for business, we continue to be dedicated giving the maximum [ph] attention to the conclusion of our construction. Luis, our Construction Director is going to talk about the big projects that we've recently concluded. I'd also like to say that on 28th April, the shareholders' meeting approved the destination of the profit for the social exercise of 2021. We will pay over BRL800 million, up to the end of this month in dividends. The base date is the 9th of May, as announced and this represents BRL2.32 per unit and it accumulates a total of 5.20 per unit, referring to the results of 2021, a payout of 81% of the net profit.

Well, before giving the word to Erik, I'd like to talk about the earnings and I'd like to talk about an important publication that we did recently. Let's move then for the slide 4 of our presentation. Well, our sustainably agenda continues very firm strengthening

transparency, communication and allowing and continuous evolution about environment social and governance.

As part of this important agenda on the 2nd of May, we're going to publicize our Sustainability Report based on 2021 following all the international standards. The Global Reporting Initiative, the famous GRI contemplating the UN sustainable goals and also presenting the evolution of the actions and relevant indicators of this agenda to the Company.

Among our news, I'd like to highlight, first of all the realization of the materiality process. If you don't know, we consulted all the interested parties to identify the relevant topics that should direct the management of our business. As you can see in slide, we have 13 topics for our stakeholders. About them, we do volume analysis of the responses considering the internal and external consultations and we get to the chart that you can see on the lower left side. We have six topics in the pink square, ethics, transparency and corporate integrity, mitigation and adapting to climatic changes, environment and biodiversity health, safety and quality of life, management and development of people and relationship with local communities.

These will be the topics that we're going to prioritize [ph] and work on during the next year here in Taesa also as a highlight of the report. We prioritize some goals, which are part of the UN Agenda 2030 making a connection between these material topics mapped in the headquarters and the ODS [ph]. Like this, it's legitimate the whole process and we generate a strong connection with the global agenda. I highlight here the five ODS that are priorities for Taesa.

The first number seven, clean and an accessible energy. Eight, decent work and economical growth. 13, actions against the climate change. 15, life on the earth and, 16, peace, justice and efficacious institutions.

In relation to number 16, we recently adhered to the transparency 100% movement of the Brazil network and the global pact of the UN based on the universal principles of the pact to fight against any type of corruption. This is based beyond the legal obligations. The company should strengthen their mechanisms of transparency and integrity. We are in front and we can inspire positive transformations in the sector of energy and in all the country.

Now, let's go to slide 5 of the presentation. We have updated our strategic plan long-term. And, now, we're talking about the years 2022 to 2031. This is the strategic planning for 10 years. In this discussion, we have defined our new mission, vision and values that reflect our position of relevance and responsibility as one of the largest transmission companies in Brazil. This was publicized in our sustainability report and you probably noticed a new slide right in the beginning of the presentation. This is going to be now present in all the Taesa presentations to remind us what our purpose is. As a mission, we have the commitment of connecting Brazil, with safe and trustworthy energy. Our vision is to be the electric transmitter that has the highest value versus (inaudible) and value has a special meaning and it is spelt with the capital 'V', because value is not only material value,

not only economical value and we want to generate for everyone adding and aggregating further values.

These values are the pillars our existence and purpose. They rule attitudes, thoughts, relationships and behaviors. What are they? They are, we genuinely care for people. This is number one. We act with integrity, building trustworthy relationships. We search for excellency in everything we do. And, finally, Taesa is us. It's not only a company, it's all the collaborators together and every -- all the integration of Taesa. Also, in the report, we present the development of the Integrated Management System. The famous SGIT of Taesa. The implementation will be concluded next year and it is the obtaining of ISO certifications quality, environmental, safety and health and asset management. The goal is to improve the management system of the company, allowing for a better identification, monitoring and attaining goals. You will see in the report that we had a general improvement of the indicators with ESG, especially diversity, eco [ph] efficiency, investment in trainings, environmental education programs, social communication and work satisfaction. About this last one, I'm very proud to highlight that we once more reached or got the certification of a great place to work with the rate of 94 points, the highest since the beginning of the application of the surveys in 2019. We also for the second consecutive year got the first year of the highlight GPTW Energy, which is generation, distribution and transmission among 50 companies of the sector. This makes me especially happy.

We the first value. Remember, we take care genuinely take care of people. We have a lot to celebrate. The sustainability report is already available on the website of the Company and I recommend that you read it if you want to deepen this journey with us. And before ending my part, I would like to talk about the success of the 12th (inaudible) issue of debentures, the largest green bond that we've issued. And this is a total of almost BRL3 billion.

Now, I'll let Erik Breyer tell us a bit more details about all these successes. Well, I know that I've already shared a lot of new things with you. As you can see, I trust the future and I trust in the sustainable growth of our Taesa. Now, I give the floor to Erik, our Financial and Investor Relations Director, who is going to talk about the earnings of the quarter.

Erik Breyer {BIO 3589933 <GO>}

Thank you to all of you. Thank you. Good morning to everyone. Let's move to the regulatory results. This is the first quarter of 2021. It's another cycle and also the beginning of some projects. The net income grew 36.2%, totaling BRL526 million during the quarter. This is explained due to the readjustment of RAP and also (inaudible) that started operating in September last year. This reduced the concessions up to 1 and 2. The EBITDA has reached BRL454 million, 43.5% more than last year and with the margin of 86.4%. It grew 4.4 percentage points showing once more a good recovery of the margin of Taesa.

In the operational, we have the availability of 99.97%, very close to 100%, very much aligned with the index of 2021. In the relation, we -- of that we had an increase of 2.82 percentage point this PV increase is explained due to several events that were now accounted for this quarter when we analyze the operational PV, we registered only 0.33

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[ph] very much below and better than the previous year. We have two relevant events last year and we are working hard to revert this is an administrative process because we understand that these are specific cases. The net profit income has a strong growth, 35.6%, reaching BRL146 million in the first semester of the years, so now let's talk --- let's show the slide. 7. We have results that are very aligned for last year with a profit of almost BRL560 million. We have negative, positive that balance themselves. We had a positive result and also Janauba last year, the revenue as a, an increase, especially due to the entry of Janauba and also the material impact of the monetary correction during the last 12 months.

On the negative side, we had made a low monetary correction, because of the contraction of the IGPM. It's when you compare 4.6 accumulated, which is an increase, but (inaudible) almost 6.2% and the accumulated of the first two months of 2021. So, this is the conclusion. The reduction of this revenue would have been lower if it hadn't been for the entry of Janauba in operation. So, it's a regulative effect of RAP and also the implementation of the strategy [ph] implementation.

We also had lower investments in Sant'Ana. This is due to the conclusion of Janauba and we've advanced in a saving of CapEx financial result was affected negatively due to the increase of the CDI and IPCA, which are the main indicators of our debts and the higher net debt volume.

Now, let's go to slide 8. Here, I'm going to talk a bit more about the proportional consolidation. This is the net outstanding debt of BRL8 billion and a leverage of 3.8 of the EBITDA. You can see on the left side, the lower level (inaudible), shows our capacity of leveraging quickly as a result of the execution of our projects and also the international generation of cash, we invested a lot in the projects in the last years. And as they deliver and become operational, the leverage reduces the profile of our debt continues very comfortable and very adequate competitive, 5.4 and with long-term. So, 5.2 years. These numbers already include the issuing of the debentures, the 12th issuing in BRL1.250 million that were issued in three Series 7-10-15 years. I'm going to highlight the slide 9. I'm going to talk about this 12. This was the largest that we've ever done. This issuance of debentures and we had almost the double of demand and we were able to get very attractive rates, reaching a low premium so these NTN-Bs, the first series 9 point -- base of 0.09 above the NTN-B and the other series of 10-15 years 22 and 21 points base or 0.22 and 0.21 above the NTN with similar timeframes.

So, besides being able to extend the timeframe and being very competitive, this is a green emission IPCA, so incentivized by the law with reducing the tax. There was a huge participation and allocation of incredible 94% of the total value of debentures over 17,500 CPFs that showing the huge receptivity and credibility. These results are extremely positive and reinforce the access we have to the capital markets. The Moody's and Fitch and we are, and a very good position to capture funds in the market and this is the end of the presentation of the earnings of the first quarter of '22. And I'm now going to give the floor to Luis, who is going to talk about the latest constructions and projects that have taken place.

Luis Alves {BIO 22201704 <GO>}

Good morning. This year, we've had three important deliveries. These are what you can see. The first one was the SG [ph], it's about -- it brought us a total RAP of BRL123.6 million and 49.98% of Taesa. It's already -- we're already receiving revenue since 9th of February of 2022.

Aimores, you can see on the screen, 208 kilometers of transmission lines, two substations interlinked. It's 50% Taesa and this started working on the 6 of May year and Sant'Ana with the configuration partial configuration of the lot it has 591-kilometer total RAP BRL67.1 million. It is a 100% Taesa and Lot 12 of the auction of 004 2018 and it shows that it's 23% of the original RAP of the project ever since 28th of March of 2022.

In the next slide, slide 11 please. Here you can see some important details. These three constructions, they contribute with the value of BRL121 million for Taesa. The three delivers -- the two that are 100% and the other proportional of Sant'Ana, they come -- they are 579 kilometers, which goes through three states, Minas, Espirito Santo and Sant'Ana the state of Rio Grande do Sul. These are important projects, very strategic and they benefit the national interconnected system, especially Aimores, it's a reinforcement that we have in Minas to attend the south of Bahia. The transmission of energy in that area. Sant'Ana, the integration of the win potential in Rio Grande do Sul, especially the renewable generation in all the region.

Now, I'm going to give the floor to Christiano Investor Relation Head and I thank everyone for listening to me.

Questions And Answers

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Well, good morning, everyone. We've now ended. The presentation of our earnings. We've received some questions in the chat, in the Q&A So, I'm going to start here with the question that comes from (inaudible). He says will you lower the number of debentures to diminish the indebtedness or how do you intend to proceed. So, I'm going to give Erik this question. And, Erik, I have another question about power [ph] he is talking about leverage, perhaps you can answer both the questions. There's another question, what are the waits [ph] that the debentures have in this relationship. So, the first one is ISMA [ph] about the dividends, if you can decrease indebtedness in the next auctions. So, I give the floor to Erik.

A - Erik Breyer {BIO 3589933 <GO>}

Thank you for the questions. I'm going first of all, about the first question of the dividends. So, first of all, let's answer the first question in relation to dividends, we are never going to disappoint, so choose -- forecast that we pay at least 5% of the net profit. So that means that we start to have a discussion up -- from 50% on. So, this is already a very high dividend. Now, what is the -- what are the dividends going to be the next year. The next month, are we going to pay alternate it all depends on the evaluation that the company makes to maximize the value paid to the shareholders.

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So the values for society is not only in an economical value, but it also is economical value. These are values that we want to generate for shareholders. So, at each event that we have, we will evaluate it from that moment leverage the future projection of our leverage, the sources of funding of third capital. If we can maximize the value paying more or less dividends. So, of course, last minute. There is also a trade -- always a trade-off and higher debt. But I think in our case, we have stable and our revenue is indexed to inflation with low delinquency only transmission.

We have a high capacity of leveraging and challenge is not to get funding to finance more on the contrary. We don't want to allow this leverage to reduce too much. Through the obtaining opportunities of investments, we have capital discipline that comes in first place. We are always concerned to generate significant value. This is one of our goals. This generation of value. So, our challenge is not this trade off between paying more dividends and investing more. Our challenge is to obtain investment opportunities and generate value. So, there was an auction, acquisition. We're always going to have margins to work on the leverage is dividends without disappointing. So, we're always going to pay 50%. We're always going to decide case-to-case to maximize the value of our shares and our challenge is not to reduce leverage, it's to keep the leverage that maximize the value of the shareholders. That's our cash generation is very strong, very stable. You can forecast it and it reduces the leverage rapidly. So we are always going to be searching for opportunities to invest to defend a higher leverage. So, we evaluate the risks. And, of course, leverage then would decrease, which is not the ideal. We look for opportunities of investment that add value with capital discipline. So, that is response to -- for dividends, we always will not disappoint. But it will be higher or lower depending on the items I mentioned. Always with discipline and always with focus on the share value.

About the debt and this does not increase the net debt. It's the total of the debt less the cash. When I get this BRL1.2 million, the gross debt increases and the cash also increases on the day, it doesn't make a difference. So, that's going to increase the leveraging -- as the utilization of these resources as we use them for the investments that we have and also to pay dividends. So, there is an alteration of net debt EBITDA when we invest and when we pay dividends. So, this means that the resources are going to take place during the next months as we use this and it's directly correlated to our revenues. So, remembering that this is to generate value whether it'd be to put in the hands of our shareholders to maximize or whether it'd be to carry out investments that we think will make the company appreciate long-term with capital discipline.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Next [ph], and Erik, there is another question for you that talks about the Company having the correction done by the IGPM. So, it's quite concentrated and the question is, does this compromise the returns of the company, as our contracts are indexed by the IPCA. So, perhaps you could respond this question between revenue and cost.

A - Erik Breyer {BIO 3589933 <GO>}

Well, thank you very much. I'm going to talk about the revenue and then I'll talk about the financial costs. Yes, there is trend to you substitute long-term the revenue in IGPM for PCA. The new auctions in PCA. So when we purchase the right to build a new transmission

line, the revenue of these new lines are in PCA. So, as the old ones IGPM expire, we -- the revenue of the new ones, you pay -- you do this substitution in 20, 30 years 100% will be in PCA.

So, it would -- if we acquire a line that's IGPM. So, if we acquire on the market old lines that would be an opportunity. It's part of our growth, then IGPM can increase, but the trend is a natural substitution of the revenue of IGPM for revenue and IPCA for many years. On this side of the operational cost, yes, it grows much close to the PCA, than the IGPM, it's a large part of operational revenue related to label to take care of assets, which grows goes to the PCA then IGPM and on the financial side, you can see that more than two-thirds of our debt. And that's the large expense -- financial expense that we have, because our business is leveraged. Large part of our debt already is in PCA more over two-thirds, which means there is a good match in relation to inflation. So financial debt index one-third index in CDIs and this one-third CDI demands a correlation, because it grows, it grows very little with real interest rates are not nominal rates, which are protected. Of course, our financial expenses increase. And I believe that our investment is in -- of the shares are defensive invested, because our revenue is a 100% protected from inflation. So it's defensive investment in relation to the environment of inflation et cetera.

And annually, we will have the correction of our revenue. So, even though we have a financial impact, it is compensated by our revenue. So, in my opinion, it's a defensive investment.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Thank you. Erik, for your response. Now, the next question we have received some about June auction asking how will the participation of Taesa be, how do you evaluate the auction of June, because of the size of the lots. If you're going to need partnerships, I'm going to give the floor to Fabio, for him to talk about this topic.

A - Fabio Fernandes {BIO 21749197 <GO>}

Hello, Cristiano. Hello, everyone. Thank you for the participation of all of you in the publicizing of our results. Well, looking at our strategic planning the vision of Taesa is a consolidated vision of this -- of the transmission. So, for sure, we will be participating in this auction. It's an auction which is significant 15 lots with an investment of about RAP of BRL2.2 billion, so 5,000 kilometers, and always remembering that always when an auction ends, we start studying the next one and Taesa due to its location, we have lines in almost all the states of the country. The possibility of -- and the synergies that we have that come from new lots makes us be able to position ourselves in a very competitive position. The same that we did in the auction of 2021. So, it is for this new auction we have competition. Today the panorama that we have issues with the commodity prices, but these are part of the day-to-day of the Company. In a creative and aware way, we know how to do this and we're looking for alternatives and solutions that can minimize and always observing and I talk -- I always say the same thing observing our pillars, which are growth, sustainable growth, operational excellency and financial discipline, which we observed when we -- when we -- I hope I've answered your question. Am I I'm available here to answer any other question you might have.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Fabio, thank you very much. Let's move forward. We have another question related to projects. What's the status of the investments of Taesa that still haven't been (inaudible) to talk about the projects that are being executed.

A - Luis Alves {BIO 22201704 <GO>}

Thank you for the question. I'm going to take the opportunity of talking about Paraguacu, very interesting thing talking about Paraguacu everyone knows, it's a very important for the Northeast of Minas and the south of Bahia. It's in an area -- geographic area that was very impacted in December, January, especially due to the rains. The national rains, so these nationwide rains impacted the work, but we did not measure efforts to recover the construction and this month we have now the operational license that allows us to start commercially and Paraguacu. We're in now in the phase of final tests and commissioning and during the next weeks, we hope that that we will be already building and energizing. As for the other ones, we have if (inaudible), which is a participation -- 50% and Sant'Ana, which we're working hard on to deliver in the ANEEL timeframe.

And (inaudible) which is an important lot, and it was the main lot of the prior auction and we are ready in the environment licensing and also executing the project for the concession of the construction. An important part is the RAP part, because these undertakings Sant'Ana, Paraguacu, they got a aggregate for Taesa a value of BRL279 million in the RAP cycle. So, that's important. And (inaudible) we have the CapEx contracted to execute this undertaking and this will give us more -- make us feel better about this safe.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Thank you, Luis. The next question that we have now is Erik -- just one second. (inaudible), I'm going to give the question for Andre to answer. What are the strategies. So, that when -- he's asking about the strategies for the future, for the next few years as well.

A - Andre Moreira {BIO 19271116 <GO>}

Thank you, Eric. Thank you, Cristiano. I think it's interesting that in this sector, we have three categories of concessions, where the category to category 2 and category. 3, the category 2 from the 16th year on there's a reduction of 50% of the RAP. Fortunately, we've gone through the majority of these reductions of the 16th year. So, we have few concessions that will go through the 16th year during the next two years. But these undertakings that are happening taking place now -- they are going to -- the revenue is going to be higher that we're going to lose due to these that are going to bring this RAP reduction. So it's a concern and we have prepared ourselves for this and we are ending a few of them.

So, we have a lot of opportunities. And, of course, we more and more we want to have this as our strategic planning being consolidators of this in Brazil participating of auctions and few mergers and acquisitions. Thank you very much for your question. And you can be sure that we're firm and strong and there'll not be any impact. Thank you. Thank you for your question.

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A - Cristiano Grangeiro {BIO 20213891 <GO>}

Thank you, Andre. I'm now going to go to a question of Sebastian [ph]. He says what is now -- Luis [ph] he says how does Taesa decide to leave an auction. Is there is specific value. He wants to know how the dynamic works. So, I'm going to give the floor to Fabio for him to mention how the process is -- works.

A - Luis Alves {BIO 22201704 <GO>}

Well, (inaudible) thank you for the question. Well, we study in detail the whole auction and the specific conditions of each lot, so that on the day we can be extremely prepared to deal. As I said, in aware way always with financial discipline. So, yes, we do have a limit this limit is given by the market conditions by the specific conditions of each lot and based on this with return that we deem satisfactory -- shareholders. We then define a limit and we stop on this limit depending on this perspective. So, that's how we define it always remembering that all of the support, all the studies for each lot that we participate in, they are the end [ph] analysis, the risk, the return we have a spreadsheet that shows us which are the points of attention. What type of treatment should be given, if we notice a contingency or something any expenses. So it's them with a lot of criteria together with risk area, together with the financial area, together with M&A and all the (inaudible) for you to have an idea in each auction any study that we carry out, we have about 50 people involved. So that we can work and study in detail. So, that's how we do it. And as I said, always observing financial discipline. So, within this expectation of capital allocation that we work with, we offer then bidding.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Thank you for the question. We have another question from Sebastian. What's -- he's asking about building of substations about materials, Luis. I'm going to ask you to ask [ph] Cristiano.

A - Luis Alves {BIO 22201704 <GO>}

Thank you very much for the question. It's an interesting question, because in the phase of the job we have different stages and the ones that we are doing now, the big villain of the of the increases, which are concrete, steel, towers, et cetera. So, the foundations are ready, the towers already we've practically built on this. So in the projects, the ongoing projects, the inflation impact is -- goes due to the variation of the of the PCA, which is present in our contracts.

So we think that in the next auction this will affected due to the uncertainties of the commodities, so answering -- summarizing we further the current projects. This is very well controlled due to the advanced stage that we are in, it only -- we need to labor to finalize and we have a special attention, where we in our planning, all the business case of the auction, we account for this inflation pressure of materials and to be able to get the synergies and the CapEx utilization.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Thank you very much. Luis. Thank you for your response. We have another question from (inaudible). He wants to understand and the growth of the company. How does the

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company grow, how does it work. And what is the space that you see of a growth in these conditions, I'm going to give this to, Andre, for him to talk about it. Those who are listening to me, in English, you can ask questions, okay? If you wish in English and I translate to Portuguese. So, we have strategic planning. Of course, we have variations as Erik has already said all the.

A - Andre Moreira {BIO 19271116 <GO>}

We always look for a balance, the financial balance for any type of investment or M&A, but of course we want to continue being consolidate. As I've mentioned before, these reductions of some concessions that are reaching the 16th year, there will -- the increment of the RAP will take place, but we continue looking at all the process and all this comes into a modeling.

As I mentioned, to Fabio, to see the indebtedness capacity, the been investment, the payment of dividends. We have a bunch of criteria to always balance all of this remembering what Erik said before, due to the Taesa statute we begin the payment of dividends with 50% of the profit of the company. So, we hope to be a big payer of dividends and this is of course allied to the process that we want to continue consolidating. Thank you for your question. Thank you, Christian.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Well, I have a question here about the results of this quarter, are we going to have an announcement of dividends. I'm going to give the word to Erik.

A - Erik Breyer {BIO 3589933 <GO>}

Thank you -- the shareholders meeting declared BRL800 million complementary to last year and this made us -- we even given notification to the market about this payment. And, yes, we can pay dividends based on results of -- during the year, but we still have not deliberated on this payment, we can do it, but there is still nothing decided and when this is decided we will communicate to the market. But, for sure, there is no deliberation yet. So, some -- If we have a history of using the opportunity of the market to do these additional payments. It is a possibility, but nothing has been decided yet. And once we have a deliberation like we will be advising the market accordingly.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Thank you. We have another question that I think will help (inaudible). Congratulations for the results. What's the forecast of RAP, R-A-P, we -- this information, still has not been given in every cycle that ends so the next month, we will know and then we'll publicize the resolution of the conditions of the next cycle which considered the monetary corrections of the PCA and the IGPM, but also according to the projects that have been delivered during the next year. So, this information, we still don't have, but next month we hope to have publication of ANEEL resolution with these values.

Let me see here. We have some additional questions. If anyone else has any question you are listening in English. If you want to ask a question, go ahead. I'm going to Andre he has

something to add [ph]. Do you have any information about the sale of (inaudible) Andre, this question is all yours -- you to answer. Please.

A - Andre Moreira {BIO 19271116 <GO>}

Well, thank you, Christian. Thank you (inaudible). Well, we don't comment the movements of our shareholders. So, this is something completely independent of the day-to-day of the operations of the company. So, we continue making Taesa better and better, demonstrating our robust results and always with a support of all the controlling companies, the Board of Management. So, you can be sure that this has incentivized us for us to, and we don't work hindering our day-to-day, I'm going to take the opportunity, because there have been comments about Fabio's answered, but just to add about concerns -- about certain concerns.

We have followed what's going on in the auctions is a reduction of discounts, opportunities, new experiences, innovation, new engineering solutions, that can give higher discounts in the auctions. So, this auction as Luis mentioned perhaps depends on the variation of commodities. The dollar rate, but we will see -- we still don't have the modeling and we are going to participate and you can be sure that we will be competitive, Cristiano, thank you once again.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Thank you, Andrea. I think we have another couple of questions. Will you go into the market. The new market.

A - Erik Breyer {BIO 35899933 <GO>}

No. There is no deliberation in Taesa to join this new market and there's no study to join the new market. So that's what we have today. No deliberation of study, nothing ongoing to make this alteration of the level of the market.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Thank you, Erik. The next question is an interesting question from Sebastian, it says if it's possible for you to talk a bit more about the operational part of the Company. Do you have your own teams to do the maintenance is it outsourced? I'm going to ask Marco Faria the Technical Director to talk a bit about this topic.

A - Marco Faria {BIO 16679297 <GO>}

Well, thank you very much. Good morning to everyone. The responses. Yes, we have our own teams for operations and maintenance of all the assets which is spread all over Brazil. So, this has to do with the opportunity quality, safety and we are happy to have this operational efficiency and demonstrate these results. So, the answer is, yes, operational and maintenance is done in-house.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

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Thank you, Sabastian. Thank you, Marco. We did the Investor Day at the end of last year. It was very didactic to talk about how the operation works. This material is available on our website on YouTube, if you want to learn more deeply how operation works, how the teams, how the implementation works, the regulatory it's all there. So, feel (inaudible) to get into our website and learn more about company with all the material that has been presented last year. We've had some thank yous here. Andre, thank you for your leadership. Let's and we're happy with the results. Happy with the explanations. Let me see if there is any other question that we can reply to. I think we have a last question, (technical difficulty) okay. Something about a decrease on the commissions and can the dividends decrease in the future. So the questions about the index. I think, Erik can give a good explanation about these differences between the PCA and the IGPM and also mentioned how this can impact our business in the future.

A - Erik Breyer {BIO 3589933 <GO>}

Yes, there is this reality the old concessions are (inaudible) and the new ones are PCA, so this migration is going to happen naturally during the years. It might be a bit interrupted, but this migration. Not necessarily means dividend reduction, because sometimes we have bias thinking that really, so impacted with an increase of 40% on one side 10%, that we think there -- there's a convergence. It's an indicator that has a larger influence of prices that are indexed to the dollar. So, soy, iron [ph], more related to the dollar and IGPM exploded during the last years, but this should not perpetuate itself always.

So, the domestic price is the IPCA more related to this. So this is what happens in the domestic market. Now, this difference between IGPM and PCA, that we observe and that is so strong, the last years, it's not necessarily true. And in fact it's from (inaudible) improbable there's trend today the IPCA increase as the IGPM stabilize and of course it depends on the dollar as well. So this change one for the other is not necessarily a loss or reduction of dividends. The dividends continue protected by inflation. The inflation tomorrow more PCA, but always protected, but this increase of the GPM this sort of what happened in '20, '21, '22, this is not necessarily something that will recur. And it's improbable that this will happen forever, so you can imagine that the international markets are going to move forward and the domestic market gets stop. No, there is a convergence. So it's probable to suppose if the PCA goes up and the IGPM decreases.

So this change is not a problem for the shareholders. It was a great business in the past, we -- it was good for us and for the shareholder. But it will not change, because there is a need of convergence and this issue of inflation is so important for the shareholders and Investor Day we had talk of an economist specialized and inflation to discuss this topic and this stock is also available on our Investor Relation website. So instead of doing this. Instead of doing the campaign of low website this top it was dealt with. And today, it is available for those of you who would like to read it on our website. Thank you very much.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Thank you. Some people are congratulating us for the results, for the commitments, everything. I think, we have replied to all the -- almost all of the questions. But we are available to answer anything that you would like to know anything additional, I thank you all for your participation. I think the directors for your participation. Please have a great day

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and we're now going to finish first call of 2022. Thank you very much to all of you and
(Ends Abruptly)

FINAL

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