

Q2 2019 Earnings Call

Company Participants

- Adriano Rudek de Moura, Chief Financial and Investor Relations Officer
- Daniel Pimentel Slaviero, Chief Executive Officer
- Unidentified Speaker

Other Participants

- Andre Sampaio
- Gabriel Fonseca Francisco
- Lilyanna Yang

Presentation

Operator

Good morning, and thank you for waiting. Welcome to Companhia Paranaense de Energia Eletrica Copel Earnings Call to discuss the results of the Second Quarter of 2019. All participants are in listen-only mode during the company's presentation. And later, we will host a Q&A session when further instructions will be given. (Operator Instructions)

Before proceeding, we inform that forward-looking statements that might be made during this conference call related to Copel business outlooks, projections, operating and financial projections and goals are based on beliefs and assumptions of the company's management as well as on information currently available to the company. Forward-looking statements are no guarantee of performance.

They involve risks and uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur. General economic conditions, industry conditions and other operating factors may also affect the future results of Copel and could cause results to differ materially from those expressed in such forward-looking statements.

With us today in this conference call are Mr. Daniel Pimentel Slaviero, CEO of the company; Mr. Adriano Rudek de Moura, CFO and IR Officer; and other officers of the company.

The presentation will be delivered by Copel's management and may be followed on the company's website at ir.copel.com.

Now, we turn the floor to Mr. Daniel Slaviero, CEO of the company.

Daniel Pimentel Slaviero {BIO 20914773 <GO>}

Good morning, everyone. Thank you very much for your participation in this conference call about the results of the second quarter of 2019. It is with a great pleasure that I share with you the delivery of another quarter with sound and consistent results, where I start highlighting adjusted EBITDA of over BRL1 billion, representing at a significant growth of approximately 30% vis-à-vis the first quarter of 2018.

Already going over in the quarter BRL2.1 billion in the same comparison base. In cash generation before investments, we are over BRL1.1 billion in the second quarter, amounting in the semester, a record generation of BRL2.5 billion. I also want to highlight a continuous improvement in Copel distribution where basically we have reached our regulatory EBITDA considering the last 12 months.

This ladies and gentlemen, is a landmark in the company's history and one of the commitments of our management. This result in addition to increase our responsibility, also encourages us to execute our main mission, which is to create value to Copel's businesses. And we are already acknowledged by independent rating agents. And I want to mention that the national rating of Copel has been upgraded to AA, that was certified by Fitch on August 2.

In this review, Fitch has highlighted the strength of the company's consolidated financial profile with the expectation of free cash flow positive in the next few years as well as an improvement in the liquidity profile of the group, benefited by the recent fundings from 2019. And talking about funding, we already have a first half of the year which was very intense and the capital market operations, we had the execution of five operations in different companies of the group, totaling BRL2.7 billion efficiencies in the period. And the most recent was BRL1 billion in Copel GeT.

The first of the subsidiary already as a listed company category B. And the process of registration with CVM was started and concluded in the first month of this management, representing our commitment to strengthen continuously the governance of the company, increasing the transparency of our businesses.

Also, this funding for a Copel GeT as a listed company category, will also contribute to a relevant reduction on funding costs. Therefore, we will be able to say that our funding plan for 2019 has been concluded and has met all the demands both regarding the last concentration of terms of our debts that were over BRL3.3 billion, but also considering here the investments in this period. So considering the additional cash generation based on the improvement of efficiency and also the entry of new projects, our net debt to starts gradually to come down as well as our financial leverage, which has reached a net debt EBITDA ratio of 2.6 times at the end of this quarter. Similar to what we had in the first quarter of 2019, but way below the 3.1 times of the second quarter of 2018.

Now about our construction works. We have already started in the prior quarter, and we talked about the substantial conclusion of the works, such as in Cutia, Baixo Iguacu, Colider which are important projects. They are already in operation and helping the

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growth of our results. I have here Mr. Bertol. And remember these commercial operations and 100% of these projects, with them, we'll have a total increase in the installed capacity of the company of over 700 megawatts, which is equivalent to a growth of 13%. And even more important, we will have an additional cash generation of around BRL450 million.

In addition to the generation projects, we also have two other relevant projects ongoing that when concluded that they will generate an additional annual permitted revenue of BRL245 million, an increase of 30% of the APR existing of BRL845 million. One of the projects that is 100% of Copel is Lot E, about Auction 005/'15 at November 2015, which should be concluded up to March 2021. Also part of this project, referring to Substation Medianeira and LT, Baixo Iguacu - Realeza is already in a commercial operation, one year and seven months before schedule in Baixo Iguacu. This shows a new perspective and in new way of the company to work with these undertakings. And also with all these projects, we will have an additional annual permitted revenue of BRL19 million.

Another important undertaking is the transmission line at Araucaria to Bateias an important long transmission line was over 840 kilometers of extension under the responsibility of SPC Mata de Santa Genebra strategic partnership between Copel GeT with 50.1% and Furnas.

In this case, after a detailed evaluation of each stage of the project as well as the respective financial flow, we had to approve a new business plan which has changed the commercial operation start up of some stages of the project and we had a negative impact on the consolidated result of Copel and equity income line in BRL64 million. And I need to highlight here that the level of tolerance of the company with this type of delay has changed. In addition to a strict follow-up in the works -- in this case, specifically we have replaced all members all executive members because the first plan was not followed.

So starting in August these SPE is under Mr. Jose Jurhosa Junior, a former Director of ANEEL, and he's a very competent Director and I would like to stress a Copel Generation and transmission has reached in the second quarter of 2019, a result of adjusted EBITDA of BRL630 million, 45% higher than the same period of last year showing that this is the main subsidy area of the cash generation in the company.

Now turning to the next Slide. I should highlight with details, the progress of the results of distribution, Copel distribution. Basically, we have reached the regulatory EBITDA in the last 12 months of BRL1.054 billion. We are just 1% below the regulatory EBITDA. And look, one year below we had a gap of 40% and that proves that we are being able to efficiently execute, an aggressive plan of operating improvement and cost reduction and progressing consistently quarter-on-quarter.

Such achievement is a there's a consequence of Travessia plan which has been started at the end of 2015, when we find a new concession contract which is focused a lot and this was a concession contract with Aneel. And it focused a lot on operating efficiency and demanded a large effort, especially because of our headcount reduction. And now we foresee for the next years, a new plan that's going to call Transformacion -- or

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transformation. And the objective is to take a Copel Distribution in the next years to a level very close to the best references in this industry.

I also should highlight that in the second quarter of '19, that this result was BRL287 million, a growth over to 24% vis-à-vis the same quarter last year and that is thanks to a 1.4% growth in the grid market and the reduction of 1.9% of our PMSO. If we compare the semester, we had an EBITDA growth over 70% in Copel Distribution a total of BRL617 million and a relevant drop of almost 9% vis-à-vis PMSO the same period of last year.

In addition to that, we have fully applied the adjustment of 3.41% approved by Aneel in the last month of June and we maintained our statutory commitment and our governance. For the next year, we are focused in our strategy to increase the regulatory asset base for the next tariff review which will happen in June of 2021. Currently our RAP is BRL4.9 billion. And for 2019, our CapEx is BRL835 million, of those around BRL410 million have already been invested up to the end of the first semester. In addition to these investments and expansion and improvements in the network, we are also investing in smart solutions to reduce costs and increase quality, especially in the regions West and Southwest of the state where we have a main productive area.

And these works will benefit of our 200,000 people and especially agri business, which is very relevant as well. There we have several substations and we will have hundreds of kilometers of a new high voltage lines, and up to 2021 distribution. And we will install automatic re-closures, health self-healing devices, high voltage regulators, that is all types of tech innovations in our industry. To maintain that investment dynamic in distribution in the next month is how we are going to provide a more reliable service by having a robust asset base that allows us to have efficient operation at lower costs.

In addition to that we also have launched the project that to implement the state of the art technology in energy grids, taking their fundamentals staff to go into the smart grids. The ADMS Solution, Advanced Distribution Management System consists in an integrated platform that -- as software that are able to control the grid in real time and with full precision. And this project that has three-year time to be concluded and max will help us there. And this project will take the company to another level of reverence and innovation technology efficiency and management in the energy distribution system.

So now turning to the next page, I would like to mention something that, this administration, this management and I myself have dedicated a special attention, which is the focus of our strategy to higher contracts energy for the next years. We are permanently reviewing this is strategy, so that it can minimize the risk of the company and gradually increase the levels of energy that is being contracted, always at an attractive price. It is important to remember that we will always have a percentage of energy available to work as a natural hedge for GSF.

Under that context, I also would like to stress that the synergy between Copel GeT and Copel Com. Our commercialization company has generated positive results to the group, Copel Commercialization for instance in addition to its strategic role has done over

BRL700 million in this semester of net operating revenue, almost two gigabytes of commercialization and have reverted and now shows an excellent positive EBITDA.

Finally turning to Slide number 8. And now concluding my presentation before I turn the floor to Moura. I would like to say that in the last weekend we had a meeting for strategic planning for the company and we gathered all officers, superintendents and especially, we had the participation also of the members of the Board and also the support of a specialized external consultants. And out of this meeting, we had several guidelines, but the main one is that we want to be a state company with a private mindset.

And what does that means? That we intend to maintain a consistent strategy in value generation that follows the these guidelines the continues strengthening of corporate governance, improvement in efficiency and cost reduction, discipline in capital allocation for new projects, we already talked about that and I will give you an update. Divestment of non-core assets, Telecom and Compagas, and an efficient management of projects.

In addition to that, it has been approved in the House of Representatives a Law, that allows us to do an agreement and extend concession contracts. So we expect that in August, this is already approved in the Senate and that it will address our plant in Foz do Areia that will then gain priority. And finally, I should say that we will continue paying attention to new businesses and innovation such as distribution, generation, electric mobility smart grids and also services.

In these topics that I mentioned, two deserve an additional highlight. The process of divestment of Telecom is following our plans and we have already announced the -- that we have hired Rothschild Bank and also the law firms, Cescon Barrieu to help us in studying the sale. We estimate that the conclusion of the process will happen up 2020 -- to March 2020. Actually, we're going to work hard, so that it really happens up to March 2020.

And the second topic I would like to highlight is that in this planning meeting, we talked about this and I already mentioned that we are going to create a committee that we will strengthen governance in the decision process of investments in line to the commitment of maintaining a very strict discipline in our capital allocation. And I also should say that we are following up the discussions about the new regulatory framework, about the gas industry and the changes might bring us good opportunities.

To end, I would like to remind you something that I always say in our calls, the keywords in this company is execution. We want to make sure that our strategy to improve value for the company will be moved forward in an efficient manner. Once again, I thank you very much for your participation and I am available at the end of this call to take your questions. I would like to stress my confidence in the efficient execution of this ambitious plan that we just shared.

Now, I would turn the floor to Moura, who is going to go into the details of the results.

Adriano Rudek de Moura {BIO 3590957 <GO>}

Good morning. Thank you, Daniel. Good morning, everyone. Thank you very much for being with us. In this call. It is with great pleasure that I share with you another quarter with sound and consistent results. We know that this continuous improvement is thanks to a greater alignment of all the areas in the company, to our sustainable growth strategy. And I can tell you that, the execution of our strategic plan so far, is substantially following our targets and the markets expectations. We know that these results are encouraging, but we also know that they increase our responsibility in allocating with a lot of discipline, the cash generated by our activities. And this is one of our main strategic points by the way as Daniel has already mentioned and we'll continue following that.

On Slide 10, is specifically about the second quarter of '19, Daniel has mentioned, but I would like to highlight that the adjusted EBITDA of over BRL1 billion. Represents a growth of 30% vis-à-vis the prior year. On the same comparison base that is without the recurring items. Another highlight is the operating cash generation after investments which has grown 12% in counts with an important contribution of new projects as planned.

In the second Q '19 new projects, the amount of new projects especially Colider and Baixo Iguacu and also the one from Cutia has reached approximately BRL100 million, almost BRL200 million in the first half of 2019 and of BRL95 million considering the EBITDA of this half of the year, BRL46 million in the quarter.

This was already expected, but this is a relevant contribution in the GeT result, both for the first quarter as well as in the half of the year and now it becomes recurring. And I also highlight an improvement in our adjusted EBITDA for GeT is BRL630 million, 45% in the same comparison basis. Eliminating the non-recurring impact -- net of all non-recurring impacts.

In addition to new projects that is in addition to the benefit of these BRL45 million we already mentioned, we also had an improvement in the hydrological risk with a reduction of purchased energy for resale because of the higher GSF in the period, which was 92.9% vis-a-vis 60.6% in 2018. And a lower spot price, and this is very significant. In the second quarter. And this year, the average was BRL131 and 37 vis-à-vis BRL302 and 68 at last year.

Our revenue, talking a little bit about revenue of BRL3.6 billion, 2% more almost vis-à-vis last year. Adjusted net income was around BRL420 million, also a relevant growth 47%. If we consider adjusted net income of prior year, among the factors that have contributed to these results. I also should highlight. Again, Daniel mentioned that this results, BRL287 million in the quarter, a growth over 24%. And almost in the regulatory target.

Just specifically on this, it's important to say that we had a reversal of BRL28 million regarding provisions for tobacco growers litigations. This reversal is already result of a task force we created to review our liabilities with litigations. We -- several areas are working here and we already see positive results. But those positive results ended up being taken up partially by the extraordinary increase for provisions with delinquency losses because of the bankruptcy protection process of some large clients. We

understand this is a one-time ops situation and we do not expect this to happen again in the next quarters.

And now we would like to highlight other factors that have that's have also contributed to the improvement of results in this quarter. We already mentioned the growth of the grid market of 1.4% way below of the first quarter, which was 5.1%, but there was a relevant growth overall. Also 9.36% growth in the consumption of the free market and an improvement in the industrial production of Parana vis-à-vis the same period of '18 when we had the trucker's strike. This is the period of where we compare in 2019. We were very much affected by the trucker's at strike.

The growth of electric energy supply, this is relevant as well. Almost 18% is thanks to the increase of energy sold to final, to end consumers. And I should highlight here the consumption of industrial free market. Like Daniel mentioned, we have here a synergy, which is growing strong between GeT income. And also we had the impact of the tariff adjustment in Copel Dis which was around 16% in June of this year. There was a reduction in our headcount. We start seeing the results.

There was a net reduction of 1.7%. And here we have several aspects to be considered. But in fact, we did have a higher reduction of our voluntary redundancy program, almost 900 people left the company. Only last year, 600 -- 566 employees left the company and 300 -- and almost 400 only in December of '18. So considering inflation of almost 3.5%, in the period the costs with headcount has reduced in around 5%. Even if we consider the wages adjustment of around 4%, which we had a collective bargaining agreement in October of '18.

In addition to the measures to reduce costs with headcount, we are executing other initiatives for cost reduction such as reviewing the main contracts including services, outsources of fleet, focused on bringing down delinquency and also labor litigations. And other contingencies. So I stress what Daniel has already said, the reduction of costs and improvement in efficiency is part of our agenda.

Now turning to our next Slide to compare the operating performance of future business. We show here the comparison of the adjusted EBITDA and the net of non-recurring effects and they were basically registered in the second quarter of last year. You will see a chart below showing it summarizing, we have the reversal for impairment in BRL18 million and also provision for labor litigations, which last year, we had a collective action of almost BRL45 million. So for comparison basis, we are eliminating the impacts. In the second quarter of '19 this year, we have identified as non-recurring an impairment provision in the amount of BRL14 million basically related to Colider adjustment.

Also we have here in the equivalence line as we have said BRL64 million, for Mata de Santa Genebra because of a change in the schedule and investment. And the consolidated adjusted results as already shown, they stress improvement of our EBITDA in the quarter, a growth of 30%, not considering the equity method. In the top chart we have the EBITDA for each subsidiary. In addition to the Dis also GeT, I already mentioned that. They are very relevant.

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And here I'd mention again that the revenue of new projects is significantly contributing to our results. And I should remember that we still have an improvement with the end of the less turbines that will be ready now. So Copel Telecom, I had a drop of 25% going from BRL44 million in the second Q '18 to BRL33 million in 2Q in '19 basically because of the effect of write-offs regarding the deactivation of assets.

The next page, we have our PMSO adjusting also the extraordinary effect. As we already said, there was a reduction in around BRL5 million in costs with headcount, reduction in 1.7% vis-à-vis last quarter of the quarter last year, because of the reduction in our headcount. And part of that also is a higher provision and the participation of profits also because of the good results of the quarters. So, if we do we do not consider these effects of profit sharing program, and the costs with a headcount had a drop of 5.4%. If we consider inflation and the collective bargaining agreement with the wages adjustment, we could say that we had a real reduction of 8.5%.

This is a significant result in one of the largest costs of Copel currently. On the others line, the second quarter of '18, we had a non-recurring event and the amount of BRL72 million, which was the payment coming from suppliers of goods in Brisa Potiguar. Therefore, if we compare the whole base, the amount was basically stable. With these adjustments manageable costs have a reduction of 1.8% in the quarter. And if we consider inflation, the real reduction was over 5% which shows once again the effects of the company's strategy to improve efficiency in new businesses.

And I would like to end by saying that we continue having other initiatives that are going to be implemented during the second half of the year. So that we can reduce more our costs and improve even further our efficiency.

In the next Slide very briefly, I show here the cash generation for operating results, highlighting the variations on the working capital which is positive both for first and second quarters especially because of the increase in the suppliers' account. So we're improving results and also the efficiency of our assets and the working capital.

We have already talked about the results. Here we have BRL1 billion in the quarter. And before investments, BRL2.5 billion in the semester. In addition to the improvement in the operating result, we also have -- we are also counting with that participation on our results, showing that our terms are in line with our cash generation ability. And this is our goal, we are not going to spend more than what we generate in cash.

Now I turning to Slide 14. Very briefly you can see the history of our investments since 2016 highlighting the amount that was directed to generation and transmission projects and now they show results. We are talking about a reduction of expenses that we already made this year, when we compare to last year. So it's a 30% reduction, almost BRL400 million. And here we highlight this BRL974 million spent in the first half of '19.

Most of that or not most of that, but 40% approximately, BRL400 million were directed to investments on Dis, stressing our strategy to increase the -- our ADS. We already explained the market once again, I stress that our focus would be the conclusion of the

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works and improvement in quality efficiency. We are totally focused on that especially, when we talk about investments in technology in Dis which may reduce cost and increase the remuneration base of this asset.

As Daniel said in the introduction, we are going to have a new level of governance for this new project, with a strict evaluation of risks and opportunities in a way that we can maintain the better choice of capital allocation and I believe that's also going to a strength the governance.

Now turning to Slide 15. We have the history of our leverage, leaving 3.4 times in '16 in reaching the end of this half of year to the reasonable level of 2.6 times. That is thanks to everything that we said so far, I don't need to repeat myself. And as we always is stress, our -- the leverage is one of our main priorities. And I am confident in saying that this leverage is going to be reduced from now on. When we conclude all these works and we do not have any expectations. You have new debt, at least not for the next year, considering the demand level of investments that we have already approved in our Board.

I would like to highlight once again as Daniel has mentioned, the five issuances in the capital market in 2019, a wonderful work from our team over BRL2 billion in funds that will meet the demand of investment and now we have a large concentration of those that happened in May and June. So we start seeing the gradual reduction of our debt. And of course that we are supported by the good performance of the company. And we can also say that with this funding, we will extend our liabilities, issuing debentures at the lower interest rates in for the past three years, in addition to extending the duration of the debt.

Well, these were my comments. Thank you very much for participating in this call with us. And we are now available to answer your questions.

Questions And Answers

Operator

(Question And Answer)

We now start the Q&A session. (Operator Instructions) Our first question is from Mr.Andre Sampaio, Santander.

Q - Andre Sampaio {BIO 19422379 <GO>}

Good morning. I have two questions. The first, you have said in the -- you mentioned the - about the gas, and the new landmark for -- the new regulatory framework forecast. And I would like to understand more about this opportunity?

And my second question. You mentioned that, you might have the very good level of contracted energy. And I am thinking about, what is this optimum level of a contracted energy, so that, we can understand that vis-a-vis GSF?

A - Unidentified Speaker

About gas, just like other sector, we are following up the measures that are being announced by our Federal Administration. But we are still in our preliminary studies. We are tracking what was real, but in addition to normalize with this operation which is our priority and new guest suppliers, so that we no longer have that monopolization in Petrobras.

But also there are several discussions, several groups here discussing that -- talking that over the whole Brazilian coast, and we are interested in Parana in South Region for possible opportunity about LNG and other projects related to TPPs. But this is very preliminary, very initial, because first, we want to see the consolidation of these new measures in the gas sector before we make any consistent moves.

About the energy contract, the level of energy contract that's for the natural hedge of the GSF. Our expectation is always do we have it around 18% to 20% of energy available. Except for that, we are gradually reviewing the level of energy contracted for the future. But we always intend to have a more of a conservative profile with zero risks, always guaranteeing the right average mix.

So, if you see in our presentation, Copel GeT and all our wind undertakings are consolidated before, we have a global review of our portfolio. That is a common concern of ours. So it's important to say that the company had a very successful strategy in the past eight years and any change is going to be gradual. And we'll have to discuss it with our technicians. But, yes higher energy contracted levels will provide the stability to the company and to the market.

Q - Andre Sampaio {BIO 19422379 <GO>}

Thank you very much. Now, a quick follow-up in the gas market. The priority would be really to focus on electric energy and not focusing on the gas market, right? It would not be specific gas transportation or maybe give up the sale of Compagas, right?

A - Unidentified Speaker

No. Transportation, no, that's for sure. Now about Compagas, we are maintaining our strategy of that estimate. There is no new real fact. Although the Compagas has had improvements and also because of the fact Compagas has opened a public offering. And this is going to reduce costs. And Petrobras itself has already come forward with lower costs. But so far, we do not have any real fact to review the cash distribution process. We want to focus on energy generation, regardless the source except coal, for instance. This is something that we are reassessing.

Q - Andre Sampaio {BIO 19422379 <GO>}

Perfect. Thank you so much.

Operator

Mr. Gabriel Francisco from XP Investments has a question.

Q - Gabriel Fonseca Francisco {BIO 20569389 <GO>}

Good morning, Daniel, Adriano and everyone else. Congratulations on your results. Continuing on Andre's questions, but going into details. But recently, Petrobras has expressed the intention to sell its HPPs or -- I'm sorry TPPs or maybe a shares of that. On your side, would you -- is there any interest to address Araucaria, may be to become the controlling shareholder? Is there anything along those lines, considering that now gas has a lot of protagonism and sales?

Now second question. Are you moving towards -- you are moving towards to a drop in your leverage, which should happen very quickly. If there are no other opportunities of growth with return and if the company goes into a de-leveraged scenario, and if you have room in your balance, would you consider increasing the payment of dividends?

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

Gabriel, thank you for your two questions. The first one, I will address, and second Moura will answer. About Petrobras, as you said it yourself, and the major focus today that it would be willing to sell 15 out of the 26 TPPs that it has. Next week, we are going to have a meeting. Me Bertol and Moura will go to Petrobras. We have a meeting there with the Director of this area, exactly to understand the timing of that strategy.

And if they have this divestment plan and if they -- have that included the divestment of the 20% they have in WEG. Obviously, we should be able to go for it and under the reasonable market conditions. But gas today is the sexiest subject in the market. We are following that up. And this divestment line of Petrobras is something that we are going to take a look at, but our priority is to have whether it is full operation the way it was for 14 or 15 months, is a huge loss for the company.

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

Gabriel. You're right about the leverage. So yes, the expectation is to reduce it even more, but let's not forget that we have a huge challenge which is Foz do Areia concession that is due in 2023. And we have a relevant debt there. So the -- we can take part in this auction. Or -- as Daniel has mentioned, if that PL is approved, we might have a lower need of funds. But even then we would have to increase our leverage to face that investment. So this is a relevant investment.

And we have that mid-term view. But our mission, yes, is to look for new projects that are sustainable with this strict financial discipline level with investments committee, where we discuss opportunities in a very timely fashion. But dividends are a consequence, and we'll have to discuss that further on. That's not part of the agenda right now, because we are focused in addressing the problems that we have in '19 and '20 in the short-term. But this is a possibility. If we do not find good projects, the revision of this dividend's policy will be then a consequence.

Q - Gabriel Fonseca Francisco {BIO 20569389 <GO>}

Perfect. Thank you so much.

Operator

Ms.Lilyanna Yang from HSBC has a question.

Q - Lilyanna Yang {BIO 14003234 <GO>}

Thank you for this opportunity. The results were above expected, this is good. But I'm concerned about what you said on Mata de Santa Genebra. You had an impairment of over BRL100 million. What is the return that you expect for this? And do you have a possibility of revert this impairment?

And also related to that, how can we avoid or how can Copel would do a better use of cash from now on? You mentioned that probably you're not increasing the payout level because, you're going to look at other opportunities and you have to maintain your cash flow for that area right? So, I would like you to comment more on that. How do you look at Mata de Santa Genebra? How do you look at potential investments? What is a corrective and what is not? And if you have changed anything in terms of decision-making process to avoid investments that are non-performing.

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

Thank you very much. And you have very good questions, especially considering the recent history of the company. So addressing the first question about Mata de Santa Genebra, the only thing that was not exceptional in this quarter or the only thing that was not good in the results of this quarter effectively was the non-delivery in -- for August 31, which was forecasted in our business plan.

And this review now is planned up to February of 2020. Since the works -- construction works have been concluded in the 91%. We feel comfortable, because this is a new policy and Mr.Bertol is following up on a weekly basis. The subject was also -- with for -- as a CEO but, we want first is to deliver. This construction already under the new plan, and look for in this period some alternatives that might improve the profitability that have been lost in this project.

So this is smaller, but I should highlight there is a consequence both policy here in this company and I already mentioned that, that is in regards the managers that do not execute. So now we have to conclude this 8% final that we need to end and then look for possibilities for financial settlements to improve the results that we have last year.

About the capital allocation discipline, what we are doing is exactly that we are learning from the past. The creation of this investment committee is almost too basic, but it's been structured in a very organized fashion here in the company. And the projects execution also was a challenge, because these large recent projects would start with a CapEx and with very different conditions.

So, this is what the company has learned. We are trying to be more cautious, more conservative, and we are looking for projects that mainly will maximize our current assets. We just talked about WEG to buy an investment in Brownfield projects such as was in (inaudible) with an exceptional return. So we are working on a staged process. I mean we are betting in new businesses and new innovation, so that the company becomes more modern. Moura?

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

Yes. I have an additional comment. This is already happening. If we consider the history of the last three years or little more, Copel does not have -- does not get auctions in which we are not competitive. So we do have our mix, we assess opportunities. But we have entered in projects that we know, that will bring a good execution and that the results will be good. This is a recent, this is what we have in our recent history.

Q - Lilyanna Yang {BIO 14003234 <GO>}

Perfect. Thank you so much.

Operator

(Operator Instructions) If there are no further questions from the participants, we turn the floor back to the company for their final remarks.

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

Once again, I would like to thank you very much for being with us in this call. Thanks to all our officers that are here and we'll continue with the focused work here. Thank you very much for being with us.

Operator

Ladies and gentlemen, the conference call for Copel about the results of the second quarter of 2019 has ended. Thank you.

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