

## Q3 2019 Earnings Call

### Company Participants

- Adriano Rudek de Moura, COPEL
- Daniel Pimentel Slaviero, COPEL
- Moacir Carlos Bertol, COPEL
- Wendell Alexandre Paes de Andrade de Oliveira, CEO

### Other Participants

- Carolina Carneiro, Sector Head
- Gabriel Fonseca Francisco, Research Analyst
- Kaique Vasconcellos, Research Analyst
- Marcelo SÃi, Research Analyst
- Thiago Silva, Research Analyst

### Presentation

#### Operator

Good morning. And thank you for waiting. Welcome to the conference call for Companhia Paranaense de Energia; COPEL for the results of the Third Quarter of 2019. (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 recent 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, 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 cause results to differ materially from those expressed in such forward-looking statements.

With us today, 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 made by Copel management and is on the website of the company, [ricopel.com](http://ricopel.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 being with us in this conference call for the results of the Third Quarter of 2019. It is with a great pleasure that I share with you the delivery of another quarter with sound and consistent results.

Our main financial indicators keep improving significantly vis-à-vis the same period of the prior year. And I should highlight first, an EBITDA of over BRL 1.2 billion, growing 41%. And here, we do include nonrecurring items. If we consider the year-to-date since the beginning of the year, we have an EBITDA of BRL 3.2 billion more than the whole 2018 and a cash, operating cash generation in this quarter of BRL 1 billion, which is also significantly better than the Third Quarter of 2018. And as a consequence, a drop in our leverage, which today is close to 2.2x EBITDA over net income -- or net debt, sorry. And vis-à-vis over 3 in the past quarter.

Another landmark I should highlight is the EBITDA for Copel Distribution that, for the first time in history, went over the regulatory EBITDA, reaching 3.5% higher than (announced) referenced. All-in this quarter, EBITDA for Copel Dis was of BRL 331 million. And if we consider the last 12 months, we have reached the record of BRL 1.123 billion. Really, this is a historical landmark for the company and for Copel Distribution. These are significant results that I share with our colleagues here in the company.

Another highlight in this quarter is that we were awarded the new energy generation auction A-6, which happened in October. And we sold 14.4 megawatts average for Jandaíra Wind Complex to BRL 98 per megawatt. The amount of sold energy represents 30% of assured energy. And the remaining energy would be commercialized by 3 environment contracts. The complex will be built in Rio Grande do Norte, which is a region Copel already knows. And we have other wind generation assets there. And that will allow us to have operating synergies with undertakings already in operation. And that is fully in line with our strategy to expand with synergies and also with capital allocation discipline.

The estimated investment for this project is BRL 400 million. And in 2020, it will start with a share of 10% at total installed capacities of an average of 90 megawatts. This is a project that is relatively small. But I should say, this is a good example of the new era of Copel, with a strict discipline in capital allocation. And in this specific project with the return rate over to the (EGF). Apart from projects, we're still moving forward, looking for good investments that are profitable and sustainable and that allow us to contribute to improve our portfolio management.

I should also say that in line with the commitment of a strict control to execute projects within budget and schedule, we have delivered another sections of Lot E. In the prior quarter, we already had highlighted the early delivery of some sublots and substation of Medianeira and also transmission line of Baixo Iguaçu; Realeza, which we already had in the Second Quarter of this year. We had it ahead of schedule of one year and seven months. And now in this quarter, we have concluded substations Curitiba Centro Andaraí; leste. And now the transmission line, Uberaba -

Curitiba Centro. Considering all operating sublots, we can already count on an additional annual revenue of BRL 79 million of RAP, (annual) allowance -- allowable revenue around 68% of the total amount forecasted for the project.

I also should highlight the conclusion of 100% of our wind turbines of Cutia complex, including Bento Miguel Wind Farms with 313 megawatts of installed capacity, representing an incremental EBITDA in our GeT of approximately BRL 140 million in 2019.

And also at the end of the third turbine, the turbine of ColÃder, that should be happening now in December. All of these projects already have been bringing significant results for our cash and also for the performance of Copel GeT.

About our commercialization company, Copel Energia, we still foresee opportunities for sustainable growth. And in 20th September, we have a solar and wind energy incentive purchase option, where we contracted 128 megawatts average for 15 years. And we will start supplying in January '23. And those 128, almost average of 50 megawatts are already commercialized. These also have allowed us to have significant results in mark-to-market of BRL 99 million for the company's results in this quarter.

We keep moving forward in several initiatives to bring down costs and to improve operating efficiency. And I highlight the new Voluntary Redundancy Program that we have launched this year -- or rather this month in the company. Approximately 500 employees are eligible. And that represents a potential to reduce BRL 142 million turning 2020. Historically, the Voluntary Redundancy Programs in the company have a turnout of around 30%. But in this situation, now we're not considering only the eligible employees. But in the second stage that will be available to all employees that wish to be part of this program. So we believe the turnout will be even higher. So this is another part of our program of cost reduction, improvement in efficiency and a private mindset. I know we are all here with all the officers. And that's what we are implementing in our company.

So in addition to financial and operating achievements, also we should stress the improvements in our governance. These efforts have resulted in an important acknowledgment, which is a certification by B3 in the distinct program and state-owned companies' governance, Copel got the highest score. So far, Copel is the only state-owned company to get the highest score in such a program. This achievement stresses our commitment to serve the highest corporate governance standards and expresses our belief that the transparency and compliance are pillars to perpetuity and sustainable growth of our business. So congratulations to all of you for the work that you have done.

So now turning to our next slide. And this chart speaks for itself. In two years, we have an inefficiency of 43.6%. That was adjusted regarding our regulatory EBITDA. And in this quarter for the first time, as I already mentioned, we have reached 3.5%. That is thanks to the efforts, the work and to the dedication that was only possible because the company back there in 2015 when we renewed the concession contract, we knew that we needed to perform these changes to improve our performance and to meet these targets. The result of this work and this dedication is already a reality. And now we aim to be among the reference in the industry in terms of efficiency and service quality. So yes, we

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understand that for the next few years, we should be among the best distributing companies in the country.

So we have recently launched an ambitious program to modernize our energy distribution grid. And it's called Transformação or transformation. And here, we have 3 main projects: Full Reliability (sic) (Total Reliability), Smart Grid and Three-phase Paraná. The objective is to improve infrastructure, especially in the rural region of the state, to improve the quality of energy supply and the agility of reconnection of service in case of interruptions. Owing these 3 projects from an investment perspective between 2020, 2025 is at BRL 2.9 billion.

And this program, it has a triple benefit. First, because it improves the quality of service to our clients to reduce interruptions and reconnection periods at ELC and EFC. Second, because it reduces costs with high investments in technology and automation. Therefore, we have less need to have teams going over to different places. And finally, the first assumption that these investments will be fully posted to the regulatory remuneration base. We have the next cycle in June of '21. But this program is already contemplating a significant improvement for 2020. But also a road map that we foresee for the second cycle of the company.

Now turning to the next slide. And before more going into the financial details of this quarter, I would like to stress that we'll be continuously focusing in our strategy of value generation for Copel and all shareholders. And we will continue looking for initiatives to bring down costs and to improve operating efficiency. We'll be paying attention to investment opportunities just like we had in Jandaíra's auction in October. But always in conditions that are under our assumptions for capital allocation and operating synergies.

First, the studies for divestment of Copel Telecom to move forward. It's still in 2019 December. This evolution approved in our governance, the operating model and register it in the regulatory agencies. We should be holding the auction by the end of the First Quarter of 2020 as planned.

Another important topic that is in our agenda has to do with Foz do Areia plant. We are still paying attention to the bill of law now in the Senate, this 3975 that addresses GSF. But also the possibility to renew this plant. And we are already working on operating measure and getting ready if this legislation is approved. Then we might have an SPE to transfer this asset. And we will always have that as a possibility that will be deeply considered.

But regardless the opportunity, we're still preparing ourselves. And we will be ready operation-wise and financial-wise as well for an auction at the end of the current concession in 2023.

We are also paying attention to the regulatory changes that are happening in the industry, in the business model that is being proposed by the ministry starting in October, the changes in the regulatory scenario and the gas market that might bring us opportunities in energy generation, for where there's optimization. But we are also considering projects of innovation, distributed generation, electric mobility, smart grid and public lighting.

And now to conclude, I would like to say that yesterday, we have approved in the Board of Directors the investment plan for 2020 in the amount of BRL 2.1 billion. And out of that, BRL 1.1 billion is for this, also the highest in history in the year right before the regulatory review. And BRL 865 million for Copel Generation and Transmission. This plan is fully in line with our strategy to improve our investment portfolio, focusing on the conclusion of ongoing projects. Also on the efficient execution of new projects that might arise and the increase of the remuneration base of (RGs) as already mentioned.

Another topic that I would like to approach is that we are considering of some of our efforts and resources to improve our dividend policy. And the objective is to provide transparency and predictability to investors about which amount will be distributed. We are still in an initial stage of this subject. And we do not have a final date for conclusion. But the idea is that this policy includes conditions related to important items for our company. For instance, cash availability, indebtedness level and investment flow.

This has been shown to be important and strategic to add value to the company vis-à-vis our excellent results. And especially because of the reduction of our indebtedness level.

Now to conclude, I should highlight something that I always say in our calls. And this is a keyword in the company, which is execution. We want to make sure that our value improvement strategy for the company is always fulfilled and carried out in a timely and efficient fashion.

Thank you, all for your participation. And I will be available at the end of the presentation to answer your questions. And I express my confidence in the consistency of the actions we are taking to place Copel at a new level. Now I turn the floor to Moura, who will go into the details about the results of the Third Quarter.

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

Hello, Daniel. And thank you. Thank you, all for being with us in this conference call. We are very happy about the delivery of another quarter with solid and consistent results. The EBITDA of over BRL 1.2 billion in this quarter certainly is one of the best results in our history. Daniel has already highlighted that in the year-to-date, the EBITDA of BRL 3.2 billion is already the highest one and actually higher than the whole last year. Even eliminating recurring effects, the adjusted EBITDA, as you can see in this chart, of BRL 971 million improved 16% vis-à-vis the prior year.

In general, all businesses and all main business of Copel have improved in this quarter vis-à-vis of 2018. And on the next page that we will see that in addition to this that Daniel already mentioned, where we have reached BRL 331 million, an improvement of 18% than for third Q '18.

Copel GeT also improved its EBITDA, reaching BRL 541 million in the quarter, a little over than 18% better than 2018 mainly here because of the reduction of 26% of purchased energy for resale once the average spot price in 2019 was much lower than 2018, BRL 214 vis-a-vis BRL 494, the average, respectively.

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And in addition to that, the strategy for energy allocation has resulted in a lower cost for short-term energy purchase, although we have the worsening of the hydrologic deficit when the GSF in the Third Quarter of '19 reached 52.5% vis-à-vis 59.4% in the Third Quarter of last year.

About operating revenue, there's a small drop of approximately BRL 140 million in the chart, BRL 4.3 billion to BRL 4.171 billion. Basically, that is represented by a reduction in the result of sectorial assets and liabilities of BRL 300 million, partially offset by incremental sales of BRL 111 million of new projects mainly here coming from Colãder, Baixo Iguaçu and Cutia Wind Complex as well as in the case of the Dis, a growth in the grid market of 1.6% in the energy consumption in the Third Quarter of '19. Because mainly, the growth of 8.4% of the industrial free market consumption of Copel GeT and Com, already show an improvement of industrial production of Paraná when we compare that to the same period of 2018.

In addition to that, we had a growth of 1.8% in energy, electric energy supply with an increase of 3.5% of energy sold volume to end users. And I should highlight the increase of over 11% in consumption of industrial free market for Copel GeT and Copel Comercializa.

Talking about net income, not considering nonrecurring events as you show in the chart. In the Third Quarter of '19, the amount is of BRL 395 million, approximately 3% higher than the prior year. Including nonrecurring effects, the amount in the quarter surpasses BRL 613 million, 42% higher than the prior year. In the year-to-date, net income was close to BRL 1.5 billion, 28% better than 2018.

In terms of cash generation, which is a very important topic, operating cash as shown in the chart had a significant increase, reaching almost BRL 1 billion. And here, we have a slight improvement in our working capital. You can see that the level of investments in this quarter has dropped in around BRL 200 million when compared to 2018.

And finally, before turning to the next slide, it's important to say that there is something else that has helped us in improving our results, which was a reduction of PMSO. And there, including provisions and reversals, which in the total of the quarter was over BRL 600 million. So we had a 5% reduction vis-à-vis the prior quarter.

So that happened and despite of the wages adjustment in the period and inflation in several contracts as well as increase for provisions to the profit sharing program. And that's already vis-a-vis in 2018.

Now turning to our next slide. It's to better compare the operating performance of each business. We show here the adjusted EBITDA per business not considering the nonrecurring items that have been posted.

Remember that in the Third Quarter of last year, the net effect of nonrecurring items was not relevant, a little over BRL 18 million. And in this quarter, the total of nonrecurring items reached BRL 230 million basically by reversals of impairment provisions, also gains with

mark-to-market and the purchasing and selling energy of commercialization, company write-off of assets of telecom and also tax credit posted to Compagas.

As I mentioned, in general, the adjusted EBITDA of the main business of Copel Group have improved. Copel GeT a little over 18% vis-À-vis the prior year and year-to-date, 24%; Dis, almost 18% in the quarter, more than 5% in the year-to-date; Telecom, 11% in the quarter and almost 20% in the year-to-date. So in average, the year-to-date EBITDA, adjusted EBITDA reached 24%.

So now turning to the next slide and also for better comparison, we here show our PMSO. It's not considering the nonrecurring items. And it's also excluding the increase of the profit sharing program, also estimated losses, provisions and reversals. Remember that including all these items above, PMSO has reduced 5% as I mentioned. And the P line increase with headcount cost was only 0.3%, although we had salary adjustment of 4% in October of '18 and also an increase of 64% in the provision for the profit sharing program because of improvement in results.

So not considering the effects of the profit-sharing program, line P would have reduced 3.8% if compared to the prior year, already showing the effect of a reduction of 551 employees in the last 12 months. Now considering inflation of almost 3% in the period, the cost with headcount would be reduced in around 2.7% even if we consider the salary adjustment of 4% that I mentioned.

So in addition to measures to reduce costs with headcount, including our Voluntary Redundancy Program that Daniel mentioned, we are also performing other initiatives to reduce costs such as reviewing main contracts, including services, fleet outsourcing, we are focusing on the reduction of delinquency, among others. And all these efforts have allowed us to have a reduction of 7.2% in expenses with materials and 1.2% with services that were outsourced in the quarter.

I should say that the cost reduction and efficiency improvement is part of our agenda more than ever.

In the next slide, here very quickly, we show the cash generation is starting on our operating results and also variations in the working capital. We talked about these results. But here, we can see in detail the origin of the generation of almost BRL 1 billion in the quarter and BRL 3.5 billion in the year-to-date up to September.

In addition to the improvement in the operating results, thanks to better energy cost, improvement in our revenue as well as it is part of commercial operations and the projects and measures for cost reductions, we can see a very positive flow even after investments that have reduced and improved generation and also the consolidated cash of the company.

Now turning to Page 13, we can see the history of our investments since 2016. You know that history. But it's always good to highlight the gradual reduction of projects of

generation and transmission that are in construction, BRL 1.8 billion in 2016, up to BRL 465 million now for 2019.

The investments made in the 9 first months of this year has shown a reduction of 38% (sic) (28%) vis-à-vis the same period in '18. Also BRL 1.3 billion invested so far. Out of those, BRL 640 million, basically half of that, were for this so that we could improve our remuneration base.

Once again, I stress here that our focus will be in the conclusion of the works and in the improvement of quality and efficiencies, especially with investments in technologies that can reduce cost and increase our remuneration base.

In addition to investments of over BRL 1 billion in 2020 that we already mentioned, in GeT, we should invest BRL 150 million. BRL 120 million will be dedicated to Lot E. And we'll have additional revenue after 2021. That is going to be very important, which is the transmission line, Curitiba Leste-Blumenau. BRL 38 million, BRL 38 million will be allocated to a recent auction we were awarded in Jandaíra and BRL 118 million to the PCH Bela Vista, which is already in this initial stage.

We also highlight that Santa Genebra is already in its final stage of construction. And you should also receive funding of BRL 40 million in 2020 to conclude the works. I should say the level of governance for a project and new projects is still with a strict risk and opportunities evaluation, a way to maintain the best choice for capital allocation of our group.

So now turning to the end in the next page. Here, we show the history of our leverage for the last years. We are close to 2.2 in September, leaving 3.4. And this is thanks to financial discipline in capital allocation and also alignment with investment plan and the capacity to generate cash and cost reduction, including personnel cost reduction. And that contributes to the cash of the company.

In addition, I would like to say that we have executed successfully several issuances in the capital markets in 2019 as part of our funding plan. Our fundings reached BRL 2.7 billion so far. Most of that have to do with rollover of maturities we had this year. We had a large concentration in May and July. We were able to roll out the debt, not only extending the terms. But also at more competitive interest rate. So this is a good news. The extension of the terms are happening.

In addition to that, it's important to maintain the strategy of our fundings. And we link most of the debt to the CDI. And that also has allowed us to have significant savings in our financial expenses, contributing to bring down leverage and improve -- improving on profits.

Well as a final message, I would like to stress my confidence that we will keep delivering sound and resistant (sic) (consistent) results in line to a sustainable strategy with a single focus in -- of value generation to our shareholders. Thank you, all very much. And I will return to our Q&A session. And I will be available to answer your questions. Thank you.



## Questions And Answers

### Operator

(Operator Instructions) Mr. Thiago Silva from Santander has a question.

#### Q - Thiago Silva {BIO 19419043 <GO>}

I have 2 questions. The first one, it's about the Voluntary Redundancy Program that you mentioned. You have 492 employees that are eligible. And you did mention that you have further efforts such as contracts review and other possibilities. Can you give us a little bit more color on that, which are these other possibilities? And where do you see that you have chances to have other types of cuts?

And the second question, is it possible -- about the possible investment coming from BNDES, if BNDES is ready to leave or to remove its shares from the company? So do you have an expectation there?

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

Thank you, Thiago. Two important questions. And I will start by the last one, which is more strategic. And this is a subject that we are following closely, which is this possibility of the BNDES reducing its portfolio in BNDESPAR. And so BNDES is the sixth largest investment at BNDESPAR, BRL 3 billion.

Well this is fine. And at the time, when Laloni was there, there was an initial talk with us. And saying that this wasn't very strategic planning right after the larger lots, which were JV following and Petrobras. And Copel would be among the priorities. So he left. But the rationale of Leonardo Cabral and the whole team. And we have been getting signs that this will remain.

So we should go back to discussing this topic by the end of January, beginning of February because there are some priorities ahead of that. And we are open. And if that -- this was what BNDES wants. And they are strategically relevant and important partner for the group. But if that is their strategic position, we are here available to find the best way to move forward in a way that the company can be strengthened. So we do have signs along those lines. But no further talks yet. We should be discussing it in the beginning of the next year.

Now about your first question, about 492 employees that are eligible to our redundancy, Voluntary Redundancy Program. In the last year, 511 people left the company in our last program. But we do foresee other opportunities. Yes, for instance, this call center is internal. It's in-house. And we are already considering to migrate that, to outsource it because we understand that other companies in the industry have outsourced it. And we might have efficiency gains as well as quality and service gains.

In addition to that, we are expediting our process for our shared service center. So that we can unify and gain scale in all purchasing procedures and the service -- shared

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services. So although this -- although (Mato Alto) has already left, we do have several opportunities. And we have several initiatives being studied even to centralized structures or centralized buildings.

We have unified all the operations for distribution, the Copel Distribution here in Curitiba. So this was an optimization process. Then I can say that for the next few years, this transformation project for Paraná Three-phase as well as the project for Smart Grid. And we see that this will take the company to the next level because to have 5,000 consuming units with the smart grids to go to 890,000 in the next three years. And this is the largest program of Smart Grid so far in the country.

It will gain scale. It will gain in cost reduction and also gain in the team's optimization. And as I said, as an assumption, we also have the increase of the regulatory base.

So to conclude, we do see other funds, other possibilities. And as we implement the programs, we will be sharing that with the market.

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

Daniel, I should also highlight that today, we have a task force focusing on cost reduction initiative. We have over 200 initiatives now in our review of the strategic plan for 2020. We have already included a plan for cost reduction with contribution from all businesses. So we will find opportunities. And so we already have good results. But I believe we will still get a better one.

#### **Operator**

Mr. Kaique Vasconcellos has a question.

#### **Q - Kaique Vasconcellos** {BIO 17317373 <GO>}

I have 2 questions. First, can you tell me about the divestment process of Compagas? Are you negotiating with the state? What can we expect from this process? And my second question is about the Jandaíra Wind Farm. Can you comment if Cutia Complex construction will allow you to have expertise for this investment, whether in the construction process or relationship with the company? So what can you bring from one project to another?

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

Okay. Thank you for your question. About Compagas, this is what we are doing. First, we are facing the law, the state law about the concession in 2024 or in January of '19, which is what the law states. And that has already been considered unconstitutional, that lot. So the process is the state government is working on plans to define the guidelines for this concession but also fiscal incentive for a possible construction of a gas plant or a thermal plant. So this is a state program. And that -- and those guidelines should be published in the first half of 2020. After that, with these guidelines, (inaudible) will run studies and calculate what would be the concession renewal. Then for 30 years more, we expect then

that Compagas can -- regarding this possibility, we will see the level of investments. And that should be concluded by the end of the second half of next year.

Then so that we can have a divestment plan available for Compagas in the beginning of 2021. And we expect to have that addressed by June of 2021.

About JandaÁra, I would say that Mr. Bertol from Generation and Transmission, maybe he can talk a little bit about that. But all business plans that are developed here, they look for providers or for service providers that have already worked with Copel in infrastructure and engineering and also construction, maintenance, all of those that have worked with Copel. So Bertol, can you address Kaique's questions about our synergy in the process?

### **A - Moacir Carlos Bertol** {BIO 7293355 <GO>}

Well Kaique, this acquisition, this auction was very important for Copel. As you could see, the price was very good, BRL 98 megawatt hour, for installed power of 90.1% and a shared power of 47.6% average megawatts. So we do have synergies. We know the region. This is a cluster that Copel has in wind generation in Rio Grande do Norte. And JandaÁra is close to Bento Miguel. And there is another side that we also have in Rio Grande do Norte.

The civil BoP is the same one that have built Cutia. And all our people know the area very well. And we already know the wind turbine generators. So we do have a great expectation for this auction. We should confirm all standard schedule and also with possible advancements and these are on our business plans. This is an undertaking that will bring positive results to Copel.

And just to conclude, there's a part of OEM that will be provided by Copel itself, which already has a structure there. And this will bring down costs and gain efficiency. We feel very comfortable about this project. It's a small project. But it's signaling this new stage, this new era of the company.

### **Operator**

Mr. Marcelo SÃ; from Banco ItaÃ° has a question.

### **Q - Marcelo SÃ;**

Congratulations on the results. I have a few questions. The first one is to try to better understand the CapEx you disclosed. You have BRL 835 million in GeT. And in GeT, you have BRL 302 million as others.

First, I would like to understand what are others in your CapEx? That's my first question.

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

Moura, can you explain?

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

Well BRL 1.1 billion of this, I think it's clear. Of this, BRL 165 million is aimed to conclude the finalization.

**Q - Marcelo SÃ**

The others as a process, Moura, can you detail that information?

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

I do not know if you have seen the communication. But the release that we published yesterday, we have all the breakdown there. So just to give you an example, we have an expectation of ColÃder of over BRL 80 million next year. But actually was BRL 226 million. So these are amounts that by -- when they're added up, they get to the relevant figure. But these are regarding the end of construction. We have an amount invested in Lot E and considering transmission lines, Curitiba Leste-Blumenau and IbiporÃ£, we are talking about almost BRL 180 million. I mentioned in the call the PCH Bela Vista, BRL 120 million.

And under others, we have a modernization also that we are concluding now. And now for maintenance CapEx, some modernizations for ongoing projects. This is more or less the breakdown of the GeT investments for next year.

**Q - Marcelo SÃ**

Great. And another question, it's about a possible innovation in Foz do Areia. I would like to understand your future challenges. I understand that one of the pending issues with GSF because this is a bill of law that has not been voted. And to calculate it of this early renewal, you need to define that before.

But I would like to understand what are the pending issues now. I know that you need to request that five years ahead. And you don't have that much time for Foz do Areia. I would like to know if that can be changed or if you need to build a buffer there. So if you could give us more details, please?

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

Okay. Great. Well this is a relevant subject for the whole industry and obviously, for us as well. First, with the GSF, we are going to get an extension of the concession for Foz do Areia, Caxias and also Segredo. And these are the 3 plants that correspond to 90% of generation capacity of the company.

So the first step of the process is to get -- that if approved in the Senate, we understand that this is a political matter because you cannot change the wording, either in the House of Representatives or in the Senate. And you know that, that has to do with GSF as well as the reduction of the interest manifestation period of time for renewal. That is related to privatization.

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Today it's 60 months. And the bill of law, this is reduced to 36 months. And that would take us to September of 2020. But if you consider that you have an adjustment of GSF and an extension of this period and that can be allocated according to the interest of any company, where Copel can allocate a little bit in Foz do Areia and the remaining and the other plants have sold this would allow us to run the process.

At the same time, we know that the Ministry of Mines and Energy with the Ministry of Finance is working on studies to regulate that by a decree. So this is just information that we have. There's nothing really real here. But if this bill of law does not move forward today, we'll address this period of time for the manifestation by decree.

And obviously, that is not going to address GSF. And that really isn't binded to the law. So we are waiting the definition of the regulating agency with our Congress. It depends on what's going to happen first.

At the same time, we are working on feasibility studies. And we are tracking attractiveness because even if we have 49.9, the fact that you're not participating in the auctions and you're not competing for an auction. And if you have to pay an extra amount. And that, by itself, is an interesting possibility. And we are taking internal measures.

And yesterday in the Board of Directors, we approved the creation of an SPE for the company and the transfer of this asset to this company under the control of Copel Generation and Transmission. But this SPE will be joined -- the request to renew the concession, allowing a private partner to have control.

So we still believe this is a possibility that we'll see in the future. And maybe still in 2019. But Brazilia is out of our control, as you know.

### **Q - Marcelo SÃ;**

That's very, very clear. A final question, if you allow me. I would like to have more details on the sale of Telecom. When do you intend to publish this notice? Are there any regulatory, legal, pending issues? And when do you expect to conclude this transaction?

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

Well Marcelo, I will ask Wendell, who is the CEO of Copel Telecom. And he is following that up. And he is working with the control agency's internal governance. And after this is approved in the Board of Directors, this model, we will also be working with ANEEL. So I'll turn the floor to him.

### **A - Wendell Alexandre Paes de Andrade de Oliveira**

Marcelo, thank you for your question. This subject has been the reason of a lot of work here in Copel Telecom. We are working on a divestment study.

And as I said before, we hired Rothschild Bank to help us in addition to (SISCOM) law office in SÃo Paulo. So we are working on it. Today, the possibility of divestment. And this

study's being -- should be concluded by the end of the year. And we will have a process of internal approvals. And it will be submitted to our governance. And we should conclude the process in the first half -- First Quarter of next year.

So we are at a final stage of internal approval. And most of those assets should be sold. We will only achieve the strategic assets to conclude activities or to continue activities for distribution and generation companies. So this is the current scenario. And that's what we have right now regarding Telecom's divestment.

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

Marcello, allow us please to work on it. The last privatization that we had in the Paraná state was in 1998, Banestado Bank. That is over 2 decades. So this is a long process. And we are working on this process here in this state and in the company. So after all the governance items and all the reports, internal and exports. And after they are ready and also after the approval of our Board of Directors, all the model, the design and previous approvals, especially coming from ANEEL. All of that will be done in a way that when we open the data room and have the public notice, there available in case that is approved by the shareholders, it should be the easiest to understand as well as the easiest to operate. So that it could encourage other investors, other players, not only traditional players in telecommunications. But other players also might be interested in looking at this asset because, obviously, this will bring greater competition to the process.

So as I said, the next month up to December, we should be approving the model in here in our Board of Directors, also in the company's governance. This will be registered with the corporate account. And ANEEL, this model will be registered there. And this model by the end of the First Quarter, by the end of March of 2020, this auction should be done. We have signed already with B3. And we believe that this will be executed in the best way possible, fulfilling all the deadlines.

### **Operator**

Francisco from XP Investments also has a question.

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

Congratulations on your excellent results. I have a question on Marcelo's question. And it has to do with the project regarding GSF. But the Decree 9271 of 2018, which allowed the Primavera privatization, practice privatization. I don't know if that could -- couldn't that be used? Couldn't that be applied to you as well? And that's my first question.

And my second question, it has to do with Copel Telecommunications. And it has to do with the activity of the group. And somehow it's shared with GeT, right. And that needed to be addressed? So questions arise, when you sign a passage, right. So Copel Telecom in the past had something like that, a rite of passage? Do you have to sign an agreement to turn feasible this sale of the subsidiary with no questions? And if yes, what would be the amount of this rite of passage in that area for Copel Telecom? That is -- these are my questions.

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

Gabriel, thank you. About GSF and the optimization of the decree in the Primavera circuit, that cannot be applied because they address those 30 months. The period of time has already expired to revert that option.

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

Regarding the decree, is there anything else with this decree?

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

No. That's it. Primavera (exactly) had over 60 months of the maturity of the concession. And remember that in this current situation, that can be applied to Copel. But CEMIG also has some plants and C3E also has a plant in that situation. And sad to say, they privatized the whole company. And in our situation, the idea was only for this plant, Copel Generation and Transmission, will remain with its own capital structure.

Now about your second question, Gabriel, we cannot go into further details yet. But in general, today, we have a whole infrastructure within Copel Telecom. And the idea is that the assets that are important for Copel Energy, whether Generation and Transmission or Distribution, that they are transferred to Copel Energia, which is a lower share of the 34,000 kilometers, much lower of those 34,000 kilometers. And that we have a swap contract between Copel Telecom and Copel Energia so that Copel Telecom can, as a whole, the whole structure, its tax ID number, the clients and asset base, all of that can be available to the market.

So that is the most information I can give you right now. But the design of the model. And that's what is taking 90 days of discussions internally here, with also discussions with the companies, with (SISCOM) and the banks. And that's how we got to the model. And obviously, that will have the approval of all needed regulatory agencies so that we can do exactly what you said.

We want to provide as much security as possible to investors. If investors look at this asset and intend to buy it, they will have the guarantee that all processes or contracts and the agreements among related parties, all of that is going to be established. We'll have the amounts and the approval so that this -- the investor can start to operate and optimize a very important asset.

Just to remind you, I don't want to extend myself. But we are doing this divestment because of a strategic matter because we want to focus on energy. Energy is our core business. But that is an asset. And that is very good. They accounted for the last 10 years. They're a private operator with intensive capital and also scale gain. We'll be able to optimize a lot, this asset. And that is the value this asset will have for private investors.

**Operator**

Ms. Carolina Carneiro from Credit Suisse has a question.

## Q - Carolina Carneiro

I have 2 questions. First, about commercialization of energy. I want to know if there is any update about the amount that you have to sell for the next few years. And also, the market liquidity in terms of price and term for that energy.

And my second question, I would like you to tell us a little bit more on manageable costs. You had some adjustments here on the slide to get in this final amount that you mentioned. And one of them you made it clear that it refers to BRL 55 million for nonrecurring. But here for profit share and distribution, I think it's BRL 20 million. So do you remember what is the rule for the profit sharing program so that we can do this update for the compensation for employees for the next months or quarters?

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

Carol, I will address the first part of your question on the electric. And Moura can tell you more about our profit sharing program rule because it is only healthy that this profit sharing program increases. And there are some (loss) of that, it doesn't grow proportionately.

But I'm talking about the sale of energy. One of our actions since the beginning of the last quarter that is always in order to review the amount of energy, decontracted back-up power generation and transmission has and to run this project also in our commercialization company. So we are looking for a reduction of the decontracted energy for the next few years. So that we can have more predictability and a greater assurance to the company as well as to our shareholders, avoiding, therefore, to be exposed to the oscillation of the spot price.

And I consider that the results that we are having in the quarter over the year do show that there is great confidence in the company in the energy allocation and as well as in the optimization structure of our spot price. But we are reducing decontracted energy. This is not in the presentation. But it was in the release.

And for 2020, we are already at our minimum needed, which is natural hedge lower than 15% in 2021, '22. And '23. It is around 50%, a little bit less in '21 and a little bit more in '22 and '23. So there is an effort of the company here towards that.

So if we have customers and we have the opportunity to have the spot price in our mix BRL 185 over that mix, we will be executing sales and to decrease the volume of (decontracted) energy because that is going to provide safety and stability to the company. And that is the rationale.

And for the next few years is we intend to gradually. And in a very aware fashion, a very cautious fashion, we wanted to decrease that for the next subsequent years. Now Moura, about the profit sharing program.

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



Well the program is basically related to net income or dividends, which is higher, 6percentage. For net income, it's 6.69%. And for dividend, it's 14.46%.

So it does have these locks, these limits so that we don't pay much more. Basically that said. So when the net income increases, we have the adjustment of the provisions. That's what happened in this quarter. The adjustment was 4.64% and the year-to-date net income is over 30%. So we have an adjustment of 40% vis-À-vis last year year-to-date when we compare that to last year.

## Operator

If there are no further questions, we now turn the floor back to the company for their final remarks.

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

As our final remarks, I would like to thank you very much for your questions, also, a high number of participants in this call. And I would like to stress that we are very proud, very happy, me, all the officers for the other subsidiaries. This is the Third Quarter where we have these significant results. We are consistent in this new cycle of the company that did not start in '19. It started in 2017. But now we are starting to have consistent results, thanks to our efforts.

This is a no-return way. We have increased responsibility, also higher challenges. And we are obsessively focused on the perfect execution so that in the next quarters, we can keep on delivering significant sound results and also -- so working on this divestment project so that we can keep on improving and appreciating our company. Thank you, all.

## Operator

Ladies and gentlemen, Copel's Conference Call for the Results of the Third Quarter of 2019 has ended. Thank you, all very much for your participation. And have a nice day.

(Statements in English on this transcript were spoken by an interpreter present on the live call.)

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