

## Q2 2014 Earnings Call

### Company Participants

- Cristiano Correa de Barros, Chief Financial Officer and Investor Relations Officer
- Jose Aloise Ragone Filho, Chief Executive Officer
- Rafaela Gunzburger, Investor Relations Co-coordinator
- Unidentified Speaker

### Other Participants

- Henrique Peretti, Analyst

### Presentation

#### Operator

Good afternoon, ladies and gentlemen. Welcome to taesa's Conference Call about the Second Quarter of 2014 Earnings. We would like to inform you that the presentation to be made is available for download at [www.taesa.com.br/ir](http://www.taesa.com.br/ir). We would like to inform you that participants will be in listen-only mode during the company's presentation. Afterwards, we will have a Q&A session for investors and analysts, when further instructions will be given. (Operator Instructions)

Before proceeding, we would like to clarify that forward-looking statements that might be made during the call related to the business prospectus of the company, operating and financial projections and targets are beliefs and assumptions of taesa's management as well as information currently available to the company. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions, they refer to future events and therefore, they depend on circumstances that may or may not occur.

Investors should understand that general economic conditions, industry conditions and other operating factors may affect the future results of the company and may lead to results that differ materially from those expressed in such forward-looking statements.

Now, I would like to give the floor to Rafaela Gunzburger, Investor Relations Co-coordinator, who will start the presentation. Please, Rafaela, you may proceed.

#### Rafaela Gunzburger

Good afternoon everyone. And thank you for participating in our call. Today with us we have Jose Ragone, our CEO; Cristiano, our CFO and IRO; Michelle Natalia,[ph] who work in Investor Relations with me and (inaudible) our Controller Manager.

FINAL

Starting the presentation on page number three, we have the highlights of the first-half of the year and subsequent events. And the main highlight of this half year is focused on financial management, and the start-off of Sao Gotardo. In April, we read over our sixth promissory note amounting to BRL400 million with an operations supported by Law number 4.131, where we raised \$200 million in order to mitigate the exchange risk of fixed debt, we did a swap to CDI, which resulted in a BRL450 million debt. With this taesa reduced the cost of debt and also rolled it over.

On May 15, ATE III settled the debt with IDB over \$149 million totally eliminating the exchange rate from the balance sheet of the company. On the 28th of May, we paid the second dividend installments \$440 million referring to the results of 2013 added to the interim dividend of 400 million. We had 814 million referring to 2013 a payout of 91%. As a subsequent events on July 15th, the Company paid BRL266 million as amortization and interest, to holders of the first debenture issuance using our own cash.

On the next page, page four. We show the main financial indicators both the accounting and managerial indicators. The difference between the two is the fact that the accounting when consolidate the results of the associate and controlled companies by means of equity income and managerial procedures on the line. Results were in line with what we expected, an increase of EBITDA margin to 89.5% in both and considering the managerial results, the VAT increased by 25%, EBITDA 33% comes mainly from the acquisition of TBE in May 2013. Net income, had a negative variation because in Q2, '14 the company had a higher amount of financial expenses and more taxes as well and we will be explaining afterwards.

On slide five. We have the variation of the regulatory net revenue. As you can see in the managerial results 25% increased due to the TBE acquisition, considering the consolidated results, the 9% increase in line with the percentage of the annual adjustment of the revenue and the interim of resources.

On slide number six, regulatory EBITDA, the variation of 33% was in function of the same variables that increased revenues, besides cost reduction coming from in sourcing of OEM in the ATE II and ATE III concessions.

On slide seven, we show the historical series of the EBITDA margin and the regulatory EBITDA since the 100% potential of UNISA concessions in June 2012. If the presenter considered only the results from the concessions, where we hold a 100% and as a consequence where we can manage costs since the insourcing of OEM of UNISA. In Q4 '13, taesa was able to maintain the EBITDA margin stable at 89.8%, while each represents a breakdown of the net income variation between Q2 '13 and Q2 '14.

The EBITDA upswing as I said before, reflects the restatement by inflation and the entry of these reinforcement and equity income reflect the acquisition of TBE that happened on May 2013. And in this result, it's about three months and with the second, only one.

Financial expenses in Q2, 2014 was impacted mainly by the payments of 16 million referring to the LIBOR hedge to settle the debt with the IDB, besides financial revenues in

Q2 was lower. On a year-on-year basis, when the cash was used to pay TBE and it was not in the company yet. The tax variation was driven by the reduction of the tax benefits of Sudam/Sudene most of it mature in December 2013 and we are working to renew this. As well as the absence of the incorporation in 2013 as well.

On slide number nine, we show you the company's cash flow in the first-half of this year. And this sympathizes the growth strategy of the company and our business model, which is supported by the quality of the 28 concession contract that we hold. In the first-half, we generated BRL596 million from operating activities, BRL95 million were received by means of dividends from the companies we have a stake in and repaid BRL414 million as dividends. Besides the financial management of the company present as we leveraging of our promissory notes and payment of the IDB by means of cash, in total, we paid BRL360 million for debt amortization and interest amortization closing our cash with 465 million. Considering Etau, Bras TBE the total cash of the company would be BRL526 million.

Slide number 10 now. We have the debt profile for the company and its breakdown. At the end of the half-year, net debt is BRL4.3 billion, 41% in IPCA, 55% CDI, 2% Pre-fixed, and 2% long-term interest rate. After paying the IDB, the exchange risk was totally eliminated then besides with the deleveraging of our promissory note, we increase, we extended the term, and now it's 83% long-term and 17% short-term. And the capital structure of the company, which is 51% net debt and 49% shareholders equity.

Now, we would like to open for questions.

## Questions And Answers

### Operator

Thank you. Now we'll start our Q&A session for investors and analysts. (Operators Instructions) Mr. Peretti to present from JPMorgan. Mr. Peretti, you may proceed.

### Q - Henrique Peretti {BIO 18446440 <GO>}

I have two questions, Rafaela. The first one is to be -- with the process of ETAU. Do you think it's going to be simple or should we expect more complex structure, some M&A, so that we can see which is company growing. And the other question has to do with Greenfield, in the last option 40% of the loan, and see a movement on the part of the government, trying to make the next project more attractive. What about the NDS funding. So how do you see the participation of taesa in the next auctions. We know that there also about BRL90 billion of projects to be auctioned by the end of the year and most of them are in Minas Gerais. So you do have any project on the radar screen or do you have any pre-agreements and could you answer these. Thank you.

### A - Cristiano Correa de Barros {BIO 4273820 <GO>}

This is Cristiano. Regarding your first question about ETAU everybody knows that this (inaudible) matures in October (inaudible) and they are talking with investors right now. And our participation in the process is a participation in which we supply all the support or

all the possible information that are requested by the shareholders. And there are no doubt.

And by similarly, although more in the sense of supplying information was is being negotiated or we have no access to this kind of information. But what we can say is that in the last three months, we have been working very hard on that supplying lot of information and data to (inaudible). So that they may use the information in order to attract investors.

## A - Unidentified Speaker

This is (inaudible). About your second question, of this probable amount, to be auctioned still before the end of the year, a new transmission concessions of this amount that you referred to of 9 billion, 4.5 of this amount are already in a more complete phase, because they are already part of the bidding process, that is already being structured by the regulators and the materials associated to this next auctions is already in a public hearing state about this new auctions.

Taesá, as always is studying the possibility, has been studying all these lots, so that we may position ourselves as best as possible. And naturally, because of an issue associated to the strategic position of our asset, a major part of the loss that will be making us the next round -- will make sense, as far as taesá is concerned, of course, we will be study and prioritizing those who will present the lowest possible environmental risk with the best opportunity and the ones that are more attractive to taesá.

Regarding (inaudible). There will be a change unfortunately the auction process has not changed, as much as we would like to see that repeat here. That it seems to us that there will be no substantial change in the sense of participating in the auctions. It will be very important for the Brazilian Energy Sector, that is to say have been participating in the auctions, only Company with a long-term view, companies that are really committed with the delivery and replacement of the asset in alterations.

However, we already have indications that in the next auctions, the lots, that we offered in the last two auctions, will be coming back in the next auctions. But whether they will have a different position in terms of CapEx and CapEx adjustment or capital recognition. We still do not have answers, we must wait for the publication of the bid notice after the public hearing period, so that we may see and analyze the possible differences. We want to see the format of this, because ANEEL has grouped launch into bigger launch.

Likely who'll like to do lot of work with smaller launch in the past. The bigger that achieve offset less attractive loss with more attractive loss, we believe this is not a solution, because of the almost marginal conditions that we have been trying in the auctions. And we expect that this putting together so many loss and making up a bigger loss. We expect this may represent synergy gains and that there is a correction in the associated CapEx, this is our expectation. And the fact is that we are analyzing such as we always do, and we're going to position ourselves participating in the loss that might bring and add value to our company.

**Q - Henrique Peretti {BIO 18446440 <GO>}**

Thank you. One last question. In the case of award winning bidders in a big project, with a high CapEx. Would that impact your dividend payout capacity for the next two years or would this depend on the CapEx plan that you might have after that?

**A - Unidentified Speaker**

No growth project of ours is carried out with a negative impact on our dividend payout capacity. We consider that it will not be a possible victorious participations in an auction that will have any impact on our dividend payout capacity.

**Operator**

Thank you. (Operator Instructions) And there are no more questions, I would like to give the floor back to Mr. Jose Ragone for his closing remarks. Mr. Ragone, you may proceed.

**A - Jose Aloise Ragone Filho {BIO 16438993 <GO>}**

We would like to thank you very much for your participation. And on behalf of our Investor Relations team, Rafaela, Michelle Natalia and our investor relations officer Cristiano and the whole taesa team, we thank you for your participation. We would like to draw your attention to attract that made us very proud and was, which and by that I mean the positive mention about our company in the last year group of Italy magazine about this most important company in Brazil.

And I would like to mention our satisfaction, taesa was mentioned in 12 of the requirements of market comparison that are used by (inaudible) magazine, so this -- shows us with pride. This recognition by this important publication in Italy magazine release gratifies our principles of competent management of our company, both operating and financial competencies that are reflected in our results.

We would like to highlight as well, the award that we received, that taesa received and trophy of Transparency due to the very clear communication and confident in every data that we publish and amongst the companies that have revenues up to BRL5 billion. So our team will be going to Sao Paulo to receive this award. And we very proud with this achievement.

Once again we thank you for your participation. And we are very happy for the recognition that we received for the management and the employees of taesa, with the successful outcome of our efforts. Thank you very much and have a very good afternoon.

**Operator**

Thank you. The second quarter of 2014 taesa's earnings conference call is closed. Please disconnect your lines. Thank you.

FINAL

Bloomberg Transcript

FINAL

*This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.*

Bloomberg Transcript