

Q2 2018 Earnings Call

Company Participants

- Adriano Rudek de Moura, Chief Financial and Investor Relations Officer
- Antonio Sergio de Souza, Chief Executive Officer of Copel Distribuicao
- Jonel Nazareno lurk, Chief Executive Officer
- Sergio Luiz Lamy, Chief Operating Officer of Copel GeT
- Unidentified Speaker

Other Participants

- Lilyanna Yang, Analyst
- Marcelo Sa, analyst
- Thiago Silva, Analyst
- Unidentified Participant

Presentation

Operator

Good morning. And thank you for waiting. Welcome to Companhia Paranaense de Energia, Copel, Earnings Call to discuss the Results of the Second Quarter of 2018. All participants are in listen-only mode during the company's presentation. And later, we will hold a Q&A session, when further instructions will be given. (Operator Instructions)

Before proceeding, we should mention that forward-looking statements that might be made during this conference call related to Copel's business outlook, projections, operating and financial projections and goals are based on beliefs and assumptions of the company's management and on information currently available to the company. Forward-looking statements are no guarantees 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 could cause results to differ materially from those expressed in such forward-looking statements.

With us today, we have Mr. Jonel Nazareno lurk, CEO of the company; Mr. Adriano Rudek de Moura, CFO and IR Officer; Ms. Ana Leticia Feller, Business Management Officer; Mr. Harry Francoia Junior, Legal and International Affairs Officer; Mr. Jose Marques Filho, Business Development Officer; Mr. Vicente Loiacono Neto, Governance Risk and Compliance Officer; Mr. Sergio Luiz Lamy, CEO of Copel Generation and Transmission; Mr. Antonio Sergio de Souza Guetter, CEO of Copel Distribuicao; Mr. Adir Hannouche, CEO of Copel Telecom and Mr. Antonio Justino Spinello. CEO of Copel Comercializacao.

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

Now, we turn the floor over to Mr. Jonel Iurk, CEO of the company. Mr. Jonel, the floor is yours.

Jonel Nazareno Iurk {BIO 18463563 <GO>}

Good morning, everyone. Thank you very much for your participation in our conference call. It is with great pleasure to talk about our results and to go into the details of the works we are performing and the advancements of the Copel Group.

The first highlights that I should mention is regarding governance. On June 29th, we held the 197th extraordinary shareholders meeting and we approved the new Copel bylaw, stressing even more the levels of governance in all areas and companies of the Copel Group, as well as it includes a more details in terms of attributions, contemplating policies for risk management transactions related parties, corporate governance, integrity and the evaluation of performance of the statutory bodies among others, which are fully compliant with the law 13303, which is the state-owned companies law.

The consolidation of this bylaw is really important step and it is a part of the plan of continuous improvement of our governance in all its aspects, which is responsible for establishing policies and procedures for risk management and control, as well as following up the compliance of internal rules, being one of the first companies in Brazil to have a specific area for compliance which is totally independent and reports directly to the statutory audit committee.

In addition to the new bylaw following the trends of the state-owned law, we also have implemented (inaudible) 50 technical controls to select officers for our top management areas and Board of Directors of the Group companies, including the ones in which we have minority stakes. We have also reviewed the code of conduct and integrity policy, increasing therefore the company's control procedures.

Another measure that was important was the creation of the coordination of financial controlling under the supervision of the Finance and IR area. And the objective here is to stress and to include the controlling the financial management of the companies in which we invest. This area is already working and reviewing and aligning financial practices and policy getting Copel even closer to the daily activities of these companies. And all these improvements maintain Copel in the state-of-art of governance practices, meeting the demands of the market and especially the demands of our shareholders.

I should highlight that the corporate governance subject in Copel is one of the pillars of our sustainable growth strategy, including among others, the search for greater efficiency and the quality of our services and also better productivity in our processes. Also focus on cash generation with the conclusion of all construction works that are ongoing, as well as through the financial discipline by having a balanced capital allocation and cost reduction allowing to have a readjustment in the profile of our debt, reducing leverage. And this

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plan is being well executed and we have several results, which we will talk about in a few minutes.

About the results of the second quarter as highlighted on slide number three, we reached an EBITDA of 833 million, 18% higher than the EBITDA of the same period of the prior year. In addition to that we also had net income of 353 million, a 134% higher vis-a-vis the 2Q '17. I draw your attention to the fact that the company had a drop of almost 7% in cost of personnel, thanks to major efforts to reduce manageable costs, especially in our distributing company that reached an EBITDA of 231 million in the quarter, 72% higher than the EBITDA of the same period of the prior year. And Moura will go into details on this comparison.

As you can see in the chart, we have able to get Copel Distribuicao results closer to the regulatory levels and thanks to the cost reduction plan, that gap should be even lower starting in 2019.

It's also important to say that Copel Distribuicao fully applied the tariff adjustment of 15.99%, of which 15% and 68% refer to transferring costs with energy and charges and 0.31% are regarding to adjustments of Parcel B in which with the plan of cost reduction and also market growth will help increase the margins of Copel Distribuicao.

And talking about market growth and now turning to slide number four, we've seen that even below the initial projections, the gradual economic recovery is providing a positive influence in the energy consumption. With the grid market of Copel Distribuicao, we have a growth of 2% up to the half of the year. The improvement in the economic environment, although is shy, one also has influence in the reduction of the delinquency index in Copel Distribuicao that has ended June at 1.25%, the lowest level in the last eight years while provisions for ADA have been ended in the second quarter at 16.9 million, a drop of 34% vis-a-vis the same comparisons for 2017.

This effort is a reflection of how we are facing the matter. Now, in August, we have started a new practice at Copel distributing company that should help us reduce delinquency and also reduce costs with disconnections and re-establishing the energy supply. Now when Copel technicians go to the consuming units, they will offer the possibility of paying overdue invoices by using debit or credit cards and the consumers also will have the possibility of paying in installments, up to 12 installments. In the first days of the practices we have already avoided 237 disconnections, which is a great indicator of this new measure, that's why Copel Distribuicao is recognized as one of the best distributing companies of energy in the Brazil [ph] . We have received the Abradee award of the best distributing company in the South of Brazil and also the best distributing company in Brazil as far as management of quality is concerned.

This excellence is also seen in the continuous increase of the ELC and EFC that have ended June at 4.82 and 2.98, respectively, figures that once again show the maintenance of those indicators at levels demanded by ANEEL resulting in even more quality in the energy supply for our consumers and allow us to comply with the basic requirements to maintain the concession.

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Now turning to number five, another subject that we should highlight is cash generated by operating activities of approximately 1 billion in the quarter, an improvement of 10.7% vis-a-vis the same period of '17. In the year, operating activities have already amounted a cash of 2 billion, 359 million higher than last year.

In terms of investments, as we have been stressing our focus is to conclude the ongoing construction works as soon as possible. As you can see on this slide, we have invested 604 million in the second quarter, totaling almost 1.3 billion up to half of the year. And most of that amount is regarding works that are being concluded in Colider, Baixo Iguacu, Cutia wind farm.

Now, going into details in our investment plans, Cutia Wind Farm was a project that has demanded the highest amount of investments, totaling 483 million up to June. The construction works in Rio Grande do Norte are at full pace and the first wind turbine should start operating in the next week.

Copel Telecom has invested 129 million in the first half of the year, basically in the extension of our grids to meet the growth of the coverage area of demand, and also the number of clients. And Copel GeT has invested 307 million among projects such as the plants of Colider, Baixo Iguacu and transmission line at Araraquara-Taubate started operating in June, adding BRL30 million to Copel's APR.

So, I would like now to highlight the start up of operation of this transmission line at Araraquara-Taubate, which has 334 kilometers, crossing 28 cities and the State of Sao Paulo. And with this line, we have reached 4,724 kilometers of transmission lines in operations now, considering also our stake in SCE [ph] .

About Colider, the construction works have been concluded. The reservoir is full. This transmission line that will connect the plant to the national grid is ready and only we have to finalize some details regarding the generators and also the publication of the operating license so that you can turn the key and start the energy production. I should highlight that this is a very important moment in Copel's history because we are very close to start operations in two relevant projects which are HPP Colider and Cutia Wind Farm, that represents 640 megawatts of installed capacity.

If we consider our capacity of 105 megawatts and the HPP Baixo Iguacu that will start operations in January, we will then be increasing our installed capacity in 780 megawatts which is equivalent to a growth of almost 13% in the next month.

Well, these were the main operating highlights I wanted to bring to you. Now, I will turn the floor to Moura. And he will go into the details regarding the results for this quarter.

Adriano Rudek de Moura {BIO 3590957 <GO>}

Thank you very much, Jonel. Good morning, everyone. Thank you for your participation in this conference call. As Jonel well said, we are going forward in several areas, and the execution of our strategic plan is in line with our goals.

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I should highlight that despite of all the uncertainties in the economic scenario and the political scenario in the country, as well as negative impact regarding an unfavorable hydrologic environment, especially in the last few weeks of this second quarter, we are delivering another quarter with the results that meet our expectations and also the market consensus. That shows that we are on the right track and it means that we have been able to identify opportunities that helped us to offset the negative effects that are non-manageable.

The EBITDA of 833 million in the quarter was 18% higher than the one that we had in the same period of '17, which was of around BRL707 million. In that result we had extraordinary -- positive extraordinary effects that are in the presentation, basically related to an interim reversal of BRL80 million coming from an improvement in the scenario of the sale of energy, generation (inaudible) in the same period of '17 represented an increase of BRL31 million. Also, we posted a reimbursement of BRL72 million from asset supplies for Brisa Potiguar Wind Farm and also reported BRL37 million for Copel Distribuicao related to the results of the quarterly earnings reports of '18, because of recognition by ANEEL of an appeal from 2017 of differences regarding tariff subsidies.

This positive extraordinary effect amounting BRL127 million were more than enough to offset the negative impact of additional provisions for labor lawsuits, especially regarding to one collective labor lawsuit in the amount of BRL45 million. Therefore, the adjusted EBITDA, net of the extraordinary effects that I just mentioned would be of the BRL751 million, basically in-line with the results for the same periods of 2017 on the same comparison base.

Considering the results for our subsidiaries, Copel GeT continues to have a bigger contribution in terms of EBITDA, 50% of the total and here we are already excluding all extraordinary effects that we mentioned. And when compared with 2017, there was a drop of 7% and in this phase [ph] it was mainly because of the unfavorable hydrological impact in the same period of comparison that have been affected by a lower GSF and also by the strategy of energy allocation. But we were able to partially offset those impacts with the results of the new lines of transmission and also by the adjustment of the ACR in July of '17.

At Copel Distribuicao, the adjusted EBITDA of BRL239 million represented a growth of 70%, when compared to 2017, reflecting the addition to the market growth, the result of several initiatives of productivity improvement and also cost reduction with personnel as well as a significant reduction of delinquency, as already mentioned.

It is important to say that the cost reductions with personnel at Copel Distribuicao is thanks to a series of measures that the company has been taking to reduce cost in all its subsidiaries. Among them, we should highlight this reduction in our headcount. Copel Telecom had a growth of 16% in its adjusted EBITDA from 38 million in the 2Q '17 to 44 million in the 2Q of '18. And this performance is basically related to the expansion in our client base.

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Another highlight is the cash generation for operating activities already mentioned by Jonel, that has reached BRL1 billion in the quarter and that is an improvement of almost 11% vis-a-vis the same period of '17. In the year that operating cash generation has already reached over BRL2 billion [ph] , 360 million higher than past year and the details can be checked in the quarterly earnings report.

And talking about the operating generation I should highlight that with the startup of operations of all projects that we are almost including, as Jonel once again has mentioned, we will increase our installed capacity in over 700 megawatts, which is equivalent to a growth of almost 13%. Therefore, we may consider an operating cash generation that is going to be additional and relevant and today that is estimated in approximately BRL400 million pace on the current references.

Now turning to slide number seven, we can see more details. The recurring operating revenue, which was up 2.5% in the second quarter when compared to the same period in '17, already going over 3.5 billion. And here we have already eliminated extraordinary effects so that we can have a better comparison.

You can see that the sales to end customers had a growth of 19%. Thanks to the adjustment applied to the tariffs of Copel Distribuicao in June '17, which adjusted the tariff of energy in around 10% and also that was because of the growth in the sale -- the volume of energy sold to final consumers. And we should highlight here the growth of 3.3% in the captive market of Copel Distribuicao and the sale of 464 gigawatts hour for free clients of Copel Comercializacao.

The revenue for sales to distributors had a drop of almost 25% due to the strategy of the energy allocation of Copel GeT and also to lower GSF in the period. The line of the grid availability had an increase of 6% thanks to an improvement of 3.7% in the market in the quarter and also to the adjustment applied to the APR starting in July '17, discounted the elimination of the balance coming from the revenue -- among -- the revenue from companies of the Group, Copel GeT and Copel Distribuicao regarding the APR related to RBSE, which was posted in Copel's GeT revenue over '16 and beginning in '17. The Telecom revenue was up in 19% and that reflects the expansion of the client base for Cope Telecom as we have already mentioned.

Now the posting of CDR line reflects mainly the major costs with purchasing energy by Copel Distribuicao because we had higher costs with quota energy coming from higher spot prices and lower GSF and also energy coming from a tight pool because of the dollar appreciation. Finally, an increase of 31% in other operating revenues, reflecting mainly an increase in the construction works revenue.

On slide number eight, we have the costs and operating -- recurring operating expenses that were a little bit over BRL3 billion in the second quarter of '18, a little bit over 13% of what we had in the same period in '17. And that was because of the increase in the costs of purchasing energy that totaled 1.5 billion in 2Q '17, an increase of 139 million vis-a-vis 3Q '17. Also because of a larger amount of gigawatt hour purchased by Copel

Comercializacao which has reached in this quarter 782 gigawatts hours versus the 210 gigawatts hour in the same period of '17.

The grid usage charges had an increase of 121% because of higher costs with system user charges with the transmission of energy from Itaipu and also. Reserve energy charges and the provision of reversal lines, adjusted by extraordinary events, had an increase of 5 million compared to the second quarter of '17. And this growth is mainly because of a higher balances related to legal claims.

Now manageable costs that are recurring had an increase of just 1%, BRL7 million, mainly because of higher costs with third-party services and we'll go into details on the next slide.

Now turning to slide number nine, we have PMSO performance where you can see that not considering the provision related to the voluntary redundancy program indemnity, the costs with personnel, including retirement in a certain plans had a drop of 2.1% even after the adjustment of 1.63% applied to wages in October of '17. That performance already is reflecting among all other measures the policy adopted by the company of not reopening positions. And this is contributing to reduce -- reducing our headcount which has ended June of 2018 with 8,104 employees, a reduction of 349 people in the last 12 months.

Considering the enrollments in the voluntary redundancy program, 99 people left the company in the first half of the year and 610 people might leave the company by the end of 2018. And in case all these enrolled people decide to leave the company, we would have a potential savings of up to BRL200 million a year starting in 2019. These will be annual savings of BRL200 million starting 2019.

Copel today is clearly a more efficient company. Our plan to improve productivity and to reduce costs is consistent and it already shows positive results. We are also counting on the help of specialized consulting services and we have targets to improve in the short and in the medium term. We are also investing in technology to support productivity in certain operating areas. Therefore, we are including in our budget reviews also for our business plan for 2019, important cost reductions in different areas.

Costs with outsourced services had an increase of 13%, reflecting mainly increasing in works related communication processing and data transmission and maintenance of the electric system, in addition to adjustments of contracts and other costs operating expenses had a reduction of 1%. Therefore, manageable costs had increased a little bit over than 1% in the quarter. But if we consider the inflation of 4.4% accumulated in the last 12 months, actually manageable costs had a real reduction of around 3%, which is a very positive sign in our results.

Now on page number 10, we should highlight a positive trend in the level of leverage. And to-date, the ratio net-debt-EBITDA, went from 3.3 times in the last 12 months at the end of the first quarter of '18 and to 3.1 times at the second quarter of '18. Remember the limit according to the covenants is of 3.5 times. We understand that the additional cash generation of the new undertakings as I mentioned of approximately 400 million a year,

and also, the combination of several initiatives, some of them already implemented such as cost reduction, improvement in the process, that could reach an additional annual savings of approximately BRL200 million.

And also the CapEx reduction that should happen in the next year after we conclude several projects now in 2018, all of that, certainly will bring down our leverage. Right now, we are focused first on the extension of our debt that right now has an average duration of around four years with relevant maturities in the next 12 months and we continue assessing several possibilities for funding and also initiatives for cash generation including a broad study for divestment that considers the strategic relevance of several assets of Copel attractiveness in the market and the possible accounting and financial impact in case we decide to go ahead on such a divestment.

Additionally, our funding plan is adjusted to meet the demands of investments focusing on concluding the ongoing construction works, as well as -- and rolling over the short-term maturities. And that is going as planned. And so we have just concluded a funding process of BRL1 billion at the end of July. And so now we have funding of over BRL2.2 billion in 2018 so far.

But its important to say that Fitch has just restated our long-term national rating, which is AA- with a stable perspective emphasizing the both cash position of the Group and also the possibility of increasing our cash generation coming from the new undertakings and also from the cost reduction plans which had everything to do with our vision of a high financial capacity.

We are still following our strict financial discipline and evaluations regarding investments as well as dedicating all efforts so that all projects are finalized within our initial expectations, meeting the regulatory demand and contracted schedule in a way that we can maintain the flow of funds forecasted for such undertakings.

Finally, on the slide 11, we have our net income totaling BRL353 million and an increase of 133% vis-a-vis the BRL151 million reported in the second quarter of '17. The main contribution here is still coming from Copel GeT, with 67% of that net income.

And so, right now, we turn to our Q&A session.

Questions And Answers

Operator

Thank you very much. We now will start our Q&A session. (Operator Instructions) Our first question is from Mr. (inaudible).

Q - Unidentified Participant

Good morning, everyone. Thank you for the call. I have a question about your strategy of commercialization. We see that Copel has a good part of its energy that's already

contracted and so what is the level that the company considers ideal in terms of contracting so that you can be protected regarding the GSF? And I also would like to understand what was your allocation this year and which impacts you are expecting for the second half of '18 because the GSF is very low? Thank you.

A - Sergio Luiz Lamy

Good morning, Kaikee [ph]. This is Sergio Lamy from Copel GeT. About the first part of your question regarding strategies for commercialization, we all know that Copel historically is very, very prudent, very cautious regarding risks coming from high spot price and a lower GSF, and especially in the second half of the year. For this year specifically, we have a contracting level that is close to 80%. That's already contracted for 2018. This is fully seasonabilized. We did have now more contracting in the second half of the year and already addressing the second part of your question.

For this year, I think we expect to have a balanced performance in the short term market. That means that we have no expectations of positive results nor negative results in the short term. We will just protect ourselves, against the effects of the low GSF and also high spot prices.

Now about the future, we have an expectation and -- today we have that expectation regarding 2019. We have already 80% of contracted of our fiscal guarantee. We do have targets defined for Copel Comercializacao regarding sales for future years. And our target, once we then conclude sales during the remaining part of the year and once we meet our targets, we would start 2019 with 84% of that energy, so little bit lower than this year.

And we believe that we will have a less critical situation next year but also we do not forecast a very favorable situation either. And for the other areas we are expected to reach at the end of this year after meeting all these targets with 67% to deliver in 2020 and 40% contracting already to deliver in 2021. And as we get close to those years, we'll review our study and redo that fine-tuning of our strategy of energy allocation so that we can protect ourselves against the GSF and I hope I have been able to address your questions.

Q - Unidentified Participant

Yes. Very clear. Thank you.

Operator

Our next question it's from Mr. Marcelo Sa, UBS. Mr. Marcelo, the floor is yours.

Q - Marcelo Sa {BIO 16454581 <GO>}

Hello, everyone. Thank you for the call. Analyzing in further details your cash flow. I could see that most of the improvement in the cash flow came from working capital and an improvements there. I think on slide number five that is very clear. It seems to be BRL700 million when you look at the half of the year. My question is, what are the changes of -- in

the quarter you might have a reversion of this working capital. Because I want to understand what in fact has happened in the first half of the year and what of that is recurring? And what may have been caused by an improved in the working capital? My second question is, what can we expect in terms of CapEx for 2019-2020? Can you gives us more details on that? Thank you.

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

Marcelo, thank you for your questions. I will try to address your working capital. So, if you see our figures, you will find that we had an improvement also in our delinquency levels that helps a lot in our other conditions and we had the benefit of the program we started last year that had a positive effect of 400 million. Is this a non-recurring item. We do not expect to see that again.

So, since this is basically the comparison but I would say that you are not going to see lower figures either. That -- in fact, social contribution and income tax, we could even maintain the small variation there and even a positive one, regarding our working capital.

And now about CapEx, as I mentioned in the call, we expect to have a significant reduction in our CapEx for next year. We don't have yet the final figures, but there is some focus on that and if you do the math of those 3 million (sic) 3 billion of CapEx approved for 2018, 1 million (sic) 1 billion is for Cutia alone. So, we do not believe this is going to be recurring for '19, and we are making all needed adjustments in order to focus in the ongoing construction works. So we believe there will be a significant reduction for next year.

Q - Marcelo Sa {BIO 16454581 <GO>}

Well, can you give us more details about the CapEx between 1.5 billion and 2 billion?

A - Unidentified Speaker

I'm sorry. I was not able to listen to the last part of the question.

Q - Marcelo Sa {BIO 16454581 <GO>}

I just want to understand this adjustment about the CapEx. You said that Cutia CapEx will not happen again. So can we understand the recurring CapEx in around BRL1.5 billion and BRL2 billion a year for Copel?

A - Unidentified Speaker

We don't have that figure yet Marcello. We are working in order to have it as low as possible, but I can tell you that this 1 billion won't happen next year. We do not expect to have major investments other than the regular projects that are already ongoing, unless we have very relevant project that is good for Copel, but we do not have that expectation right now. So I could tell you that the reduction will be relevant, but I cannot give you a final figure.

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Q - Marcelo Sa {BIO 16454581 <GO>}

Thank you. So a final question then about Copel Telecom. What we can see here is that this is a business that burns cash because the CapEx is higher than the EBITDA and also heavy expenses of the company. So my question is, considering the success that Cemig had in selling their telecom assets, are you thinking about selling these assets? Are you thinking about reducing the amount invested there? Do you believe this is going to be burning cash for a long time up to the moment when you're going to see a positive cash generation in Telecom? So what is your mindset as far as the segment is concerned?

A - Unidentified Speaker

Well, Telecom is a very attractive asset for Copel. I think we have been able to validate it successfully with syndication. We are dealing with this a topic very well -- it is attractive, it has to remain attractive. Our investments are focused in technology and client expansion and we already have consistent results. We have made an adjustment in the CapEx for this year to adjust our cash flow, but it is already fully adapted to the demand so that we can continue the needed expansion. (inaudible) is unattractive asset and we always look at it very carefully so that we can have an alternative. And if that's the case, one day we could divest it in that initiative.

Q - Marcelo Sa {BIO 16454581 <GO>}

Thank you. So from what I understood the idea is that you want to continuing investing on this asset because it's a good asset and makes sense, but eventually in the future that could be discussed. But right now we will continue to review your operations as they are? Yes. That's it, thank you.

Operator

Our next question is from Marcelo Rich from CG [ph] . Mr. Marcelo the floor is yours.

Q - Unidentified Participant

Hello, I have two questions. The first one is about the impact of the truckers strike. We have seen some companies reporting lower results and lower growth because of that strike. And some of the companies estimated the impact in the recurring growth of the company. In the case of Copel, your grid market has increased in the quarter. We wanted to understand how much you believe this market could have grown if we did not had that strike? This is one question.

And my second question and I will go back to energy allocation. What I wanted to understand is that, when we look at the commercialization and generation companies effect and also the purchase of energy in these two quarters by these two Copel companies, it seems to me that it's clear that Copel is very well located for the second half of the year. Of course, this is a strategic information, but at least could you tell us if you are more or less allocated than the average of the participants of the MRE in the second half of the year?

A - Antonio Sergio de Souza {BIO 18681355 <GO>}

Hello Marcelo. This is Antonio from Copel Distribuicao. I want to comment on your first question about truckers strike that we had in Brazil and it has affected all the shippers just as the same here in Parana, we had a small reduction, a small drop in the market, but it was recovered in the next months. We had an operating activity in which were directed our teams to work with emergency issues only. We also had our mobility restricted for a while, but this was quickly solved by the state administration. I think we were one of the states that had the lowest impact in terms of mobility and we even didn't have -- our quality standard did not go down. Our levels for ELC and EFC, are the same. So, we did have impacts in our operations, but not in our results regarding quality and collection, we did not have delinquency. Because of that, we have reduced our disconnections in that period and we have a record here in our history here. We had over 100,000 disconnections in the month.

And as you have seen in the beginning of the presentation, we are developing new ways of collecting overdue bills, helping the consumers to avoid those disconnections, so that we can even improve further the collection.

A - Sergio Luiz Lamy

Okay. Marcello, good morning. This is Lamy from transmission. About your second question, a very straightforward answer is that we are more allocated for the second half than most of the market. Now, going back to the first question about Distribuicao, would you say that the grid market could have grown 4%, 4.5%, if it were not by the strike, do you have any type of estimate regarding that? We did have a loss of 1.6% of the market in that period, but the growth in the half is already at 2%. So, of course, there was an impact in the market, but this is already being recovered. We see a market recovery of 2% in the quarter actually, not half of the year, in the quarter. I am sorry.

Q - Unidentified Participant

Thank you very much for your answer.

Operator

(Operator Instructions) Our next question is from Mr. Thiago Silva, Santander. Mr. Thiago the floor is yours.

Q - Thiago Silva {BIO 17655676 <GO>}

Good morning, everyone. Thank you for this call. I have a question about the next auctions and these are greenfield projects. Are you looking at them, are you interested in those auctions, auctions for transmission and for generation? And on the other hand, are you interested in any divestments of your assets, especially renewable assets and also transmission assets as well? Thank you. Well and if you allow me another question considering that you are at 3.1 times your net debt-EBITDA ratio, what would be a fine leverage if you are interested in bringing down this leverage or if it is at a level that you consider to be good?

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

Thiago, I will start by the end and then I will turn the floor to Lamy, so that you can talk about the auctions and also we will talk more about auctions. Our leverage, well, we want to be close to 2 and with focusing on the debt extension as I mentioned because it has a duration of 4 times -- I'm sorry, of four years. I think that if we are able to improve that level of 3 times, a little bit below that is sustainable. So that's -- I would say this is our target for future years. That's where we are going to, that's our direction.

A - Sergio Luiz Lamy

Hello, good morning. Thank you for your question. Yes, Copel has to think about the long-term and we have made major investments in the past few years. In fact, we are analyzing the auctions of this year. We are very much interested in renewable energy. And totally in line with our financial area, we will check when we intend in our undertaking to divest. I can tell you that this new auction is being analyzed very cautiously. The A-6 makes us feel comfortable because they have a linear level of investments that go away from the urgent needs of cash that we have. We are still analyzing the wind energy, we have interest in that as well, and also, we are analyzing something related so photovoltaic energy. And in the case of transmission, we have a very interesting package of transmission in our assets. And therefore, we are very competitive.

Well, now about divestments, to date, we have ongoing 20 projects. We already have an understanding because we have to be very detailed in this projects, if we are going to divest it and that will only be made if we have funds in the future to have equivalent or better projects in the future. And so, I believe that within three months we will have a very fine tuning in terms of planning for divestments.

Q - Thiago Silva {BIO 17655676 <GO>}

Thank you very much.

Operator

Our next question this is from Ms. Lilyanna Yang , HSBC. Mr. Lilyanna, the floor is yours.

Q - Lilyanna Yang {BIO 14003234 <GO>}

Hello. Good morning. Thank you. My first question is, what your are doing today to minimize risks of additional delays in the start up of operations of new projects? And my second question has to do with hydrology and your expectation to have Araraquara dispatched in the short term? And how we can understand that perspective of the better use of the assets for the next year and the remaining years after that? Thank you.

A - Sergio Luiz Lamy

Hello. This is Lamy from GeT. Thank you for your question. We have several actions already implemented, and I think that also we had an important evolution in our learning curve regarding the asset out of Parana. And they are already bearing fruits. You can prove that when you check the recent investments. All of them are already being built on

time. We are in the schedule and some of them even ahead of schedule. So when we talk about scheduling and the construction works days, I think, I can tell you that this is a past problem and this is not happening in these recent projects. We do have other projects, such as Colider, but this is a project that is started than 2010 if I'm not mistaken. And -- but right now, we are not facing problems anymore and that is, thanks to the actions that we have been taking when we plan our construction works.

Now, regarding your question for Araraquara plant, we have two strategies there. One of them in the short term, obviously, we already have here for ANEEL -- we submitted to ANEEL the approval of a new unit variable cost for (inaudible) that provides us a very possible perspective and that's an optimistic perspective and that we can still dispatch now in the second half of this year.

And because we are considering these values and our costs and in terms of our long-term strategy, we are working with I-1 auction that is already been posted by the government. That's going to be happen by the end of December. We are starting to work on that right now and we have great expectation there and this -- and bidding in this auction so that we can have a strong plans for '19 and '20 for Araraquara, this is our goal.

I just hope that I have answered your questions.

Operator

If there are no further questions from participants, we turn the floor back to the management for their final remarks.

A - Jonel Nazareno lurk {BIO 18463563 <GO>}

Thank you very much for your participation. I believe that Copel is on the right track, a sound track, and always in order to see the best interests of our shareholders. Thank you very much.

Operator

Ladies and gentlemen, the conference call for Copel regarding the results of the second quarter of '18 has ended. Thank you very much.

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