

Q2 2021 Earnings Call

Company Participants

- Andre Augusto Telles Moreira, Chief Executive Officer and Chief Legal and Regulatory Officer
- Cristiano Grangeiro, Investor Relations Senior Manager
- Erik da Costa Breyer, Chief Financial Officer and Investor Relations Officer
- Fabio Antunes Fernandes, Business and Ownership Interest Management Officer
- Luis Alessandro Alves, Implementation Officer
- Marco Antonio Resende Faria, Chief Technical Officer

Presentation

Operator

(Starts Abruptly) mute the original audio in Portuguese, clicking in unmute original audio. We'd like to inform you that this is being recorded and it will be available on the site of the company, where it is -- the whole material of this call is available. You can do the download of the presentation also on the chat icon. The participants cannot open their microphone during all the event. To ask questions, click on the Q&A icon on the lower part of the screen, write your question and you will be queued. You can send the questions during the presentation and they will be read by Cristiano Grangeiro and they will be responded by the speakers.

We highlight that the information in this presentation and the declarations that might be made during this conference related to the perspectives of business projections, operational targets and financial goals are beliefs and premises of the company, and information that currently is available. Future considerations are not guarantees of performance. They involve risks, uncertainties and premises because they refer to future events, conditions of the market and other conditions that can affect Taesa and can lead to results that are different from those expressed in these future considerations.

Now, I'm going to give the floor to Andre Moreira who is the CEO of Taesa.

Andre Augusto Telles Moreira {BIO 17972393 <GO>}

Good morning to everyone and thank you for participating in our video conference about the results of the second quarter of 2021. I would like to make it clear that Erik Breyer, Financial Director; the New Business Management participation, Fabio Fernandes; the Implementation Director, Luis Alves; and the Technical Director, Marco Faria; and all our team. Just a message to remind you that you can send your questions by the Q&A platform at any time during the presentation.

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And before we start up presentation about the results, I'd like to make some comments that are important. First of all, I'd like to remind you that I am now nine months in Taesa. And even with not a long time here, it seems that I've been here for many years, but I'm more and more aware of the importance, the professionalism and the seriousness and the capacity of execution of this company. And also with ambitious strategic plan long-term that we want to maintain our relevance position and consolidation in the market, we have several acquisitions to make Taesa even better to be able to deal with the challenges of this sector.

One response to our ambition was our recent participation in the last bidding process that took place in last June remembering that the five lots that were offered, we participated in four. And in two, we had the best value. Our perception is that it was a huge step in this change of posture in the evolution of our capacity of competing in the current scenario of bidding process's plan -- part of our strategic plan. And one of the vectors is our past quarter growth, which is being competitive. But as we always highlight, the growth has to be sustainable.

In other words, this is a condition (inaudible) the growth has to come together with revenue, profit and generation of value for our business. We will never let this go. We are firm and we will do the best to win these tenders. We have two bidding processes that will happen in the future, one is at the end of the year with a total focus and the investments they add up BRL2.7 billion. And recently, the Ministry of Mines and Energy has informed about the first one in 2022 with an investment which will be around BRL6.7 billion. So, this is -- we are -- is what the future brings and we are studying this in terms of M&A. We have seen market that is quite hot now and we have evaluated everything that is possible and obviously what makes sense to evaluate.

As for our business, we're very dedicated in continuing to give the maximum attention to the execution and conclusion of different works. One of them Janauba is at the end, almost concluded, it will be delivered soon. And our new Implementation Director, Luis Alves, is going to comment at the end when we finish our presentations about the six projects that are ongoing. I also would like to say that we've had one more solid result on the point of view operational regulatory, also the point of view IFRS, as you'll see in presentations of our CFO, Erik.

But before giving the floor to him, I'd like to also talk about an important program that I think is fantastic and transformative. So, let's go to the slide three of my presentation. Recently, we had interesting speech in our company with Maite Schneider, she is the Co-Founder of TransEmpregos and she is a Consultant in Inclusion and Diversity. She said something that called our attention and was very meaningful. When you are at home and you go outside to throw out the trash, it doesn't make sense because there is no inside or outside, everything is inside. And this has to be sustainable is think and act collectively because we are all inside the same environment, and that's what we believe in and that's what we value.

We don't believe in green washing or social washing, we're working effectively in actions that can improve the life of people and contribute to the collective well-being. Our sustainability agenda is strong with the implementation of several actions, and our idea is

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always to bring the evolution of this work that is continuous, it evolves and fundamental for our business and for society as a whole. Under the social dimensions of our agenda, we have actions and programs that go after personal development and well-being of our collaborators, our biggest asset. Taesa has always been highlighted by care of people because we understand that human capital is essential for the development of our business and that's why we bring here what we've been doing in terms of diversity and inclusion.

We have a robust and wide scope program to value, promote, adopt diversity and inclusion with a combination of different perspectives to cooperate to the solving of problems, promotes innovation, increases the engagement and contributes to the sustainability of the company and (inaudible) more than just a guarantee of the expression of singularity of people, the appreciation of diversity involves the permanent search for cooperation and for solutions that interest everyone everywhere. The practice of inclusion favors the interaction between all people and -- with respect, dialogue and mutual cooperation. We know it's challenging, but it also motivates us because diversity can generate value in organization in a healthy and pleasant environment for everyone with no exception. This is very good for the increase of productivity and innovation.

We also believe that's the right thing to do. We all have responsibility and the obligation to go after society, which is inclusive, just for everyone, independent of what we believe. The benefits are a lot. Commitment with society, respect to the cultural and social differences, engagement of teams, attraction and retention of talents, reduction of conflicts and also improving the company and being an educational program. We do not own the truth, we have a lot to learn and we're learning a lot with this long journey that has just started.

We have listened a lot, we have done trainings, talks with the most varied specialists with varied knowledge, it has been very enriching. And all this new knowledge when we really come out of ourselves, we are sure that we will make mistakes, but it will be part of the -- our process awareness and of learning. We have 18 actions, over 100 activities, we're going to increase the diversity and also the sensitization of our collaborators for inclusion and equity and respect.

Among the first actions, we have a Diversity and Inclusion Policy. We have guidelines, duties and responsibilities to promote and value and also formalizing our commitments through an adhesion term of all collaborators. At the same time, we have a Diversity Committee now. This is representative and the mission is to implement management model of diversity and inclusion, with the planning of actions for the needs of our population, it's constituted by seven members that represent our diversity. All this defining targets for the continuous evolution of the program associated to our strategic planning under the Arctic [ph] of the pillar of sustainability. We remind you that sustainability is one of the main vectors over which the strategic and in long-term of the company will be elaborated and approved by our Management Board at the beginning of this year.

Well, now, we're going to tell you what is evolving very well. For example, the female empowerment, we have series of internal fora with women executives as speakers telling their life and their personal stories, and also professional stories. I always like formation of

women electricians. This is open to any woman nationally who wants to start working and we know that this is normally men who work in this area. We know that women are very capable and competing everyone. Also for this job, we have excellent people that will be responsible for giving these courses and we believe that the incentive and the pushing will make all the difference, so that they can show their differences. In the first course, we had over 300 people enrolled in all Brazil.

This shows the receptivity, we trust that more women will be part of these technical areas of the energy of the company. We also want to remind you that we have signed the Principles of Women Empowerment, Equality Means Business by the United Nations and the global pact of the United Nations. Besides this, we are affiliated to the Women Movement, which is known as MM360 with the goals of increasing the number of women that work in the company.

When we talk about race and 50 more, we also have targets to contract older people over 50 and Black people. We have to force this curve of inclusion giving an opportunity to everyone that wants to grow and develop, even though sometimes they don't have the adequate support. We've also worked on communication and awareness of our collaborators about race, gender, domestic violence, PCD, 50 more, sexual orientation, women empowerment, among others. We launched last month chapter -- the first chapter of our book, which is the diversity program and the topic was LGBTQIA+. Everything depends on education, so to know the behaviors and the beliefs that are not on our day-to-day, it's so important to generate empathy and respect.

When we talk about special people, we have some courses to prepare them for the market and also these have been administrated by our collaborators. We also have a program that is called Talent Attracts a Talent to contract these people in the company. If any of you know someone that you would like to recommend, pay attention to our page in LinkedIn, where all the vacancies for all the profiles are written. We hope to evolve in this important agenda.

Well, that's what I had to say. I thank you all and I now give the floor to Erik who is going to present us the results.

Erik da Costa Breyer {BIO 3589933 <GO>}

Thank you very much. I'm going to present the performance of the second quarter. But before this, I want to comment on the readjustment of the annual permitted revenue that started now in July. So, let's move on to slide four, please. And now as reported recently the cycle '21, '22 and has been said the contracts of Category II are readjusted by the IGP-M. 37% of variation and the contracts in Category III were adjusted by the IPCA in 8.1%. Even going through this period of high inflation, we were very secure that the contracts would be respected, reinforcing the robustness and the maturity of the regulatory mark of the electrical sector and this happened. This is a proof of this belief that we had.

You can see on the graph that we closed the cycle 2021 with BRL2.2 billion. With the contractual readjustments of the inflation, we have a total of BRL640 million in the annual

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permitted revenue and another BRL37 million by the IPCA. This difference of the impact is due not only for the increase of the IGP-M, but also because our portfolio of concessions is more concentrated in assets of Category II than other categories. This relationship currently is 80% to Category II and 20% Category III when we look the assets that are operational currently. So, this is responsible for this impact.

On the other hand, we suffered the already expected reduction of 50% of the annual permitted revenue of seven concessions, ATE I, ATE II, the Transmineiras and the -- this was an impact of BRL140 million. So, the operational RAP of Taesa considering all the participations that were proportional to our stake is a total of BRL2.7 billion in the new cycle, an increase of 24.3%, remembering that this new annual permitted revenue is valid after the third quarter '21. We're working in six building projects, as you can see in the chart below, Janauba, Aimores, Paraguacu, ESTE, Ivai and Sant'Ana. And together, this is going to add another BRL613 million when they start the operation. So, even considering the last reductions and the future reductions of revenue of about BRL180 million, we're going to have a revenue of BRL3.1 billion in the near future, an increase of 44% or almost BRL1 billion more in relation to the operational RAP of the cycle 2022-2021.

Now, let's move to slide five. We're going to talk about the result of the quarter. I'm going to start highlighting the results of IFRS. We had a significant increase in the net profit, 50.3% closing in BRL698 million. And in the accumulated this year, we have an increase of 46.6%. I would also like to talk about the payments that were carried out up to now. We have a robust amount of BRL1 billion between dividends and interest rates, reserves of the result -- referring to the result of 2020 as a consequence of this good performance of the company and our solid net position.

Now, let's move over to slide six. I'm now going to detail the Group -- the performance of the Group and the main lines. As you can see in the chart, the main factors explain the increase of 50.3% and the profit increase of BRL363 million in the revenue of monetary correction and BRL132 million in the line of equivalents of assets because of the macroeconomical rates. This in fact appears in the asset equivalent line. So, these had -- these were high if you compare it. And then the increase happened with the IGP-M, which was 8.77% in the second trimester [ph] versus 2.34% registered in the second trimester of 2020, affecting positively the monetary correction of all the concessions of the Taesa Group. Remembering that our exposure to the IGP-M is higher, 68%, considering proportionally all our participations. And this belongs to the concessions of Category II. We have a negative effect of BRL120 million of the implementation margin due to the lower investments in Janauba because this project is being concluded and soon it will start operating as Andre has already mentioned. And then the financial expenses increase, which is BRL145 million, I'm going to detail this impact further forward.

Now, let's move to slide seven, please, about the regulatory results. We see a growth of 4.3% in the net revenue compared with the second quarter of 2020. This is because of the inflationary readjustment and the operation of Mariana, which was compensated in part by the drop of the revenue and some concessions. The EBITDA is BRL331 million and -- in the first quarter, 4.5% more than registered in the second and with the margin of 82.3%. Besides what I mentioned of the net revenue performance, the costs are under control and the increase of the EBITDA margin in the annual comparison.

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On the operational side, we have a performance, which is solid and consistent and we have an industrial availability of 99.94%, aligned with that which was registered during the same time in 2020, so we maintain our excellence. The variable portion has an increase of 1.28% in the semester due to the two events that were non-recurring in the value of BRL5 million. This has nothing to do, these are things that come from the outside, inside and two cases which were waiting on to revert because they were motivated by external actions totally outside the company. Besides this, we have a very comfortable situation in the operational side. In spite of the good result, we registered a negative profit -- net profit because of the macroeconomical impact in the financial results, which I'll be explaining soon.

Now, let's move on to slide eight. Here, we had a reduction of 23.5% in the financial revenue due to the lower volume of cash due to the payment of BRL1 billion that we did of dividends and interest of capital and also the CCB liquidation during the pandemic. So, this drop was compensated in part by the higher profitability of the applications and the increase of the CDI. But the financial expenses, they had an increase of 377% due to the higher macroeconomical rates, especially the IPCA, which went from less -- minus 0.3% to 1.68%. This had an effect on the financial expenses, even with a drop with -- of the debt, the average debt. So, the financial result is negative in BRL173 million, 5 times more than registered in the second quarter of 2020. Here, I think it's worth saying just to pay attention, at the same time, we are benefited from the higher inflation, but we're penalized with the debts, of course, bottom line.

So, let's advance now to slide nine about indebtedness and a vision of proportional consolidation seeing Taesa as a whole. The total debt is BRL7.5 billion at the end of the first quarter and the leverage level 4.6. It was already expected, as we expected, we're at the peak of our leveraging. We've invested a lot in construction projects without having them working, so we then have this situation. But even with this higher level, we believe that the debt profile is adequate and competitive with a lower cost, a cost of about BRL4.4 and long-terms we have a term number of four -- 5.6 years. We don't have leverage financial covenants, we have credibility with the fixed market, we're also Aaa in national scale in both Moody's and Fitch and we have a favorable condition and competitive condition to add more money to our shareholders. We also had our ratings affirmed without any changes by Fitch this week.

It's always good to remember that in our business, in a scenario with and without any purchases, leverage drops quickly because of the continuous flow of cash generation. This is a huge differential for us because we can maximize utilization of the balance with cheaper capital to finance our growth, obviously, always having a balance between the capital allocation and discipline in financial management.

Before giving the floor to my colleague, I'd like to say that we have 10th issuance of debentures settled in May, BRL750 million in two series. The first institutional series in the value of BRL650 million due seven years bullet and duration of 4.9 CDI +1.7%. And the second series incentivized or classified as a green title BRL100 million due 15 years, duration 6.7, IPCA +5.7605. This last one is equivalent to NTN-B plus 60 basis points. This was very successful compared to other similar issuances. We have the best combination, lower costs, larger -- longer duration proving the receptivity of the market and also

reinforcing our commitment with the evolution of the sustainability pillar and we now have green titles to finance our projects.

That's what I had to present to you today. And now, I thank you and I'm going to give the floor to our Implementation Director, Luis Alves, who is -- who'll finish the presentation making a summary about what we're building and what we're investing in.

Luis Alessandro Alves {BIO 22201704 <GO>}

So, folks, thank you very much, and good morning to everyone. Thank you, Erik. Good morning to everyone. Let's now move to slide 10. We're now going to talk about how our ongoing construction projects are going. We have six projects under construction. All of them advancing within our investment plan. We are now in construction and assembling towers, launching of cables, substations and some are quite advanced and the perspective of delivery will still -- will be for 2021. As Andre said, we have the Janauba project, which is very advanced with 98% ready and where we hope that conclude this during the next weeks to -- for delivery. Well, our focus has been in the evolution and conclusion of all of this within the correct timeframe, with the same discipline in all the projects, even with the difficulties and the impacts that everyone knows were generated by COVID pandemic.

Looking to the investments, we carried out an investment of BRL546 million this year. We had -- compared to 2020, we had a drop of 22.7%, which is justifiable because the current stage of the projects have a lower level of investment since we are in an advanced phase of conclusion. Even so, we invested up to now a total of over BRL3.1 billion in all our endeavors and some have already been concluded and are operating. So, we continue in the total focus on the execution and deliver of -- delivery of our projects always, going after the efficiency in terms of costs and timeframe to increase even more the return of all these jobs.

So, I'm ending my presentation, and now I'm going to give the floor to Cristiano, who is going to be person who is going to intermediate the session of questions-and-answers.

Questions And Answers

A - Cristiano Grangeiro {BIO 20213891 <GO>}

So, good morning, everyone. So, I'm -- we've now received some questions, I'm going to try to go through some, some of the questions repeat themselves. Let's start with this question that we received here about dividends. Why didn't the company announce the dividends like it normally announces? If it's going to announce, if the payment is going to happen now in August? So, that's the first question. I'm going to give the floor to Erik Breyer, our CFO.

A - Erik da Costa Breyer {BIO 3589933 <GO>}

Well, I think this question probably arrived from different sources. So, let's try to answer everyone that presented this question. Well, first of all, this year, we've paid BRL1.026

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billion, BRL521 million dividends complementary to 2020 and BRL466 million dividends in the first quarter. That is forecast the -- this payment in annual terms, we have the possibility -- 50%, we have the possibility of payments of other dividends, alternate dividends and we take the opportunity to carry out these payments and we always decide to do this when we believe is the best for the appreciation of our shares long-term, so which the value that we believe to maximize the value of our shares long-term. Always considering three factors, what are the opportunities, so what is the leverage and liquidity, and what is the capacity of resources in terms of debt, et cetera?

So -- then we take the decision for what is better and then we pay. But this goal today, this decision is easier to do to save and to do in the current environment because we had an increase of the IGP-M, which makes it easier because the annual permitted revenue increases, but there is a difference between the regulatory result and the IFRS, which gives me the possibility, which is very positive. This -- we can pay a more significant amount with a higher margin, but we always also have discussion of tax reforms over the payment of dividends. This is under discussion, that changes every week and this can change the scenario. We have BRL1.5 billion of reserves that were constituted in different environment -- business environment.

So, all of this has to be taken into consideration first to reach this optimal point, which is the dividend that maximizes the value of our shares, amount and timing, moment and volume, and we are discussing that. We haven't reached a conclusion. And as soon as we reach a conclusion, we will inform the market. So, we still do not know how and when payment will take place, but when we decide, we will inform. But this discussion is using all the elements that we have today to maximize the value of the shares of Taesa long-term.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Thank you, Erik. I think you actually have answered some other questions that I hear here - have here about the tax reform, et cetera, so that has been answered. Now, I'm going to give a question to Andre. It's also something that we said yesterday, we were commenting about sales and purchase between the shareholders. And I'm going to give the floor to Andre, so he can answer about the impact to the company and what he can say. So, Andre, this is for you.

A - Andre Augusto Telles Moreira {BIO 17972393 <GO>}

Thank you, Cristiano. This is a recurring question. And, of course, we can't comment about movements of our shareholders. What I can say is that this doesn't change the routine of our planning, of our activities, everything continues exactly the same. So, people can be calm because this doesn't change our strategic actions. We continue to focus and delivering value to our shareholders.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Okay. I'm going to ask you another question about competition. Should we continue competing in these bidding processes, where we haven't added new assets? Do you plan to change anything in the strategy, in the premises or invest in other segments?

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A - Andre Augusto Telles Moreira {BIO 17972393 <GO>}

That's a good question. It's always good for us. We have learned a lot. Each tender is a new game. We've learned a lot with the development of all of this. There has been a significant evolution from the one before last -- the last one, we were the second off in three lots, which is significant and we're going to be able to be more competitive in the next processes, I'm absolutely sure. The strategy changes a bit. And always going after new partnerships and what we can change internally to see these processes is a new game, it's a new game that we have to join to win. So, this is our perspective now. As for new segments, et cetera, we -- at this moment, we haven't designed this in our strategic planning. We continue wanting to consolidate and be a company of -- consolidated company in the market. But thank you very much for the question.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Thank you, Andre. We have a question here for Erik, which is about leveraging. It's two question, one is from Rodrigo Inhaz. He says the -- can the EBITDA affect the distribution? We see this linked to this index. And then he says about the leverage of the EBITDA. How can this -- what's the risk to the company, to the earnings of the company?

A - Erik da Costa Breyer {BIO 3589933 <GO>}

Well, thank you. I'm going to start with the second questions. There is no risk because we don't have a leverage covenant. And this is one discussion, which is very good in relation to the first question with the impact of leverage. I've spent a lot of my life as a CFO discussing optimal points, I've already talked about several policies of leverage, I think it's very adequate for business. But ours is a bit different because our portfolio -- our current portfolio, it has a determined life. So, it has a stable behavior that you can forecast. We have a cash flow, which is very robust based on our assets that are already in operation that have their own life. So, we can do a very sort of fine adjustment and just use the EBITDA because the -- besides today, it's high. Our challenge is not to reduce, it's to maintain. Because with our cash generation, it's bad for the value of the company, this drop. So, today, as our challenge is to have the investment opportunity to keep the high leverage level to maximize our value, that's our challenge. So, the current debt or EBITDA is not a problem for the company, it's not something that we have to be concerned about or that we're going to -- it's going to affect any strategy of the company. To the contrary, we have to have this, so that this index -- or this rate does not drop rapidly in the next few years.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Excellent, Erik. Thank you very much. Let me see if we have any other questions here. Going back to Erik here. Jonathan Bissoo says, do you believe that the company will continue paying good dividends with the amortization that's coming in 2022? I think it's a bit of the same, but I'm going to ask and if you want to add something.

A - Erik da Costa Breyer {BIO 3589933 <GO>}

Thank you, Jonathan. Thank you for your question because, obviously, Taesa, this is something structural. It belongs to our nature to pay dividends, this is recognized in our statutes, so at least 50%.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

He is muted.

A - Erik da Costa Breyer {BIO 3589933 <GO>}

So, Jonathan, again, thank you. It's a natural question of those who have investments in Taesa to know this cash flow and understand the nature of the payment of dividends. And I'm going to tell you that it's of the nature of Taesa always paying significant dividends. We are already an established company with a portfolio of assets very important and revenues that are stable and can be forecasted. So, all the structure of that has already been setup with an amortization to be able to pay. So, our statutes, they recognize this reality when we pay a minimum of 50%. So, in annual terms, we start talking about dividends and the payout is 50%. So, we discuss what's over 50%. So, it is part of the nature of our company, it's going to continue that that is built in this way. Even though we have some amortizations in 2022, it's of no concern. The average timeframe is long, six -- five, six years, the access of -- to the market is very comfortable.

So, all the structure is put together to maintain a strong dividend payment, and this will continue. And the biggest trade-off is that for us to be able to perpetuate these dividends, we have to reinvest and have new sources of revenue. And we are going after this every day and trying to balance and maximize the value of the dividends and the perpetuity and not short-term, but always paying, always starting with 50%, which is in our statute. So, I think it's reasonable to expect a stable payments from Taesa. Of course, this first -- the high of the IGP-M is something that will not probably repeat itself, but this increase of the IGP-M in 2021 is not something that will recur. But other than that, we'll always be paying dividends that are significant.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Thank you, Erik. Let me see if I can find some more questions here. I think they've been answered. Just another minute. One more minute, the questions that we have are very similar. So, if you have not heard, this is -- this video conference is going to be available on our website. And let me see if we've received any other new ones, but no, nothing different. A few more minutes.

A - Erik da Costa Breyer {BIO 3589933 <GO>}

I'm going to answer a question here to -- about what's the participation of the sale of CEMIG. I think what Andre said about -- we have not commented with our shareholders. And as we've already said, the company is very, very focused on the business operation, so independent and we don't participate in discussions of this type. So, just to give a direct answer to (inaudible) Sant'Ana's question.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Now, I have received a question about IGP-M. I think this is a new question. The question is, Erik, in a hypothetical scenario of negative IGP-M, what would be the revenue on the RAP or you -- do you only consider the positive variation? Can you talk a little bit about this, about the future inflation, as an example?

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A - Erik da Costa Breyer {BIO 3589933 <GO>}

Well, this question is very good. I'm going to take the opportunity to give a spoiler and make some publicity. We're programming for the second semester a Taesa Day, where I want to bring up an economist focused on inflation to talk about this because it really -- this dynamic has turned into something extremely relevant for the results and for the cash generation of Taesa. And we've had a number -- a significant number. So, it is an excellent question because it is an important topic now for who invests in Taesa. This IPCA convergence -- no, convergence of IGP is going up, is not going up. And, obviously, I don't have a crystal ball to forecast this at all, but we're going to invite an economist focused and it's going to be called Taesa Day. I invite you all to follow this and I believe that this discussion of indicators can be better treated by a specialist.

But now using the predictive mind that every CFO has to have, if there is a negative GPM, it will be directly impacted. So, I think it's difficult for us to have a period, a long period, is maybe is one month or another. But we work in a cycle of 12 months, so it would be very difficult. But, of course, it would be bad for our revenue, but I don't think it's a scenario that worries me. But it's on my radar, of course. My radar is convergence. So, the -- I think there'll be a convergence. But as I said, this is (inaudible) and I invite you all to be in our Taesa Day, where this economist who is a specialist in inflation, he will be able to discuss this because I think this is a topic which really -- the question is excellent, this high of IGP-M and how long this gain is going to perpetuate, I think that in part yes and in part no. Which part, we are going to perpetuate. Which one not is a very, very -- it's difficult to deal with inflation because it comes with scenarios, it depends on macroeconomic, which is related to dollars and foreign investments and balances, it's really a complex discussion and I don't have a final response. But -- so a negative does -- IGP-M does reduce gains and this will not happen for 12 months. But in odd months, it can happen, but remembering that the impact would happen in a cycle of 12 months.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Thank you very much. We have another question now about the hydroelectric. I'm going to give this to Andre to talk a bit about this impact on our business.

A - Andre Augusto Telles Moreira {BIO 17972393 <GO>}

Okay, Cristiano. That's cool, this is a topic, which always recurs. And I think this is important for us to find solutions in Brazil. This impacts much more -- it's a concern with the economy, much more on the side of the generation, a little bit on the distribution, but the transmission is a bit more isolated in this aspect. So, it doesn't have a direct impact for us. Of course, it increases our responsibility. It's already been mentioned, the conclusion of the works, we're responsible for the basic to have generation corridors, renewables, especially from the Northeast or the Southeast or from the North to the Center, West, North to Southeast. So, this increases our responsibility. And, of course, we're paying a lot of attention to this intense drought and to clean and have a good operation and maintenance, but this, of course, increases our responsibility on the operational and financial side, but the impact in Taesa is practically zero. Thank you very much, Cristiano.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Thank you, Andre. We have another question here from -- which are the opportunities for growth are better in the secondary market or tenders, I'm going to give the floor now to our Director, Fabio, to give us his vision on this.

A - Fabio Antunes Fernandes {BIO 21749197 <GO>}

Thank you, Cristiano. Good morning, everyone. Thank you, Philippe, for the question. Well, as Andre mentioned in the beginning of our speech and Erik also reinforced this in his speech, Taesa sees itself as a consolidator in the transmission market and there -- the opportunities, whether in tenders of our now or in the secondary market, M&A markets, they are in our radar in a very committed and diligent way of our -- with our pillars for sustainable growth. So, all the operations and projects that generate value for the shareholders will be taken into consideration, and Taesa will be participating actively as for the process of -- the next process of privatization up to October, Taesa is already evaluating opportunities and studying, and in the same -- by the same token, doing the same thing with that value generation and positioning itself in a very competitive way, so that we -- through this participation. So, it's to make clear that our positioning, our geographic positioning, our lines, the spreading of lines all over the country always puts us in a different position. And it gives us this capacity of participating in different opportunities in the Brazilian geographic space. So, thank you for the question and I embrace you.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Thank you Fabio for the response. I'm now going -- we've had a question here about Talent Attracts Talent. I'm going to give this question to Andre for him to talk a little bit about this program. Andre, it's for you.

A - Andre Augusto Telles Moreira {BIO 17972393 <GO>}

Cool, cool. This is a cool question. It's a program that we have internally, it's called Talent Attracts Talent. So, it incentivizes collaborators who are our main ambassadors, so to speak, to suggest and recommend people to work with us. So, how does this program work? Each one that's recommends or suggested a person that comes in fact to work here and he stays with us for a while, this person receives -- is recognized internally. And this is valid for all types of recommendations, it's an internal program and it works very well. I hope that we can use it and that more people can become part of Taesa. Thank you, Cristiano.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Thank you, Andre. I've got another question here from Gabriel Diaz. He is asking about the cycle '21-'22 BRL3.1 billion. Does it already consider the quarterly increases of ANEEL [ph]?

A - Andre Augusto Telles Moreira {BIO 17972393 <GO>}

Yes. It already considers this. And also, those projects that are in the phase of being built, we have a timeframe of 15, 18 months to deliver to ANEEL. So, yes, it considers all these different fronts to reach the BRL3.1 billion next year.

FINAL

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A - Cristiano Grangeiro {BIO 20213891 <GO>}

I'm checking out if we have any more questions. I think the questions -- these are repeated questions, some people perhaps joined a bit later. But again, this has been recorded. It's going to be on our website. And let me see if there's any other question. We have a lot of participants. I thank you all for participating. We have one question here. The increase of wind farms and solar farms, can this impact in the reduction of tenders and the transmission as a whole? So, if yes, what's the plan of Taesa? I'm going to give the floor now to our Implementation Director to answer, Luis Alves.

A - Luis Alessandro Alves {BIO 22201704 <GO>}

Thank you for the question. I think it's quite pertinent. In truth, these are parallel growths. This transmission sector, it is to distribute this energy, which is generated in the wind and solar tenders. So, we have a high focus on wind farms in the Northeast and also in the South. And solar energy, also in the Northeast and a large load consumption which concentrates Brazil in the South and Southeast. So, we will need to have this growth in Brazil and the planning can be accessed in the side of the Ministry of Mines and Energy in the EPE, where you can see the forecast of a large volume of investment up to 2030. So, the diversification of the source -- energy sources in Brazil will contribute and the need for growth in the transmission sector.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Thank you, Luis. We have one more here from Fredson Zavodsky [ph]. In the point of view of technology innovation, what are the main projects? I'm going to give the floor to Marco Faria to talk about this topic.

A - Marco Antonio Resende Faria {BIO 16679297 <GO>}

Well, thank you, Fredson, for your answer. In the technology area and innovation, especially we have been worked hard -- we have been working hard in the -- in research and development, so -- especially to improve our processes, utilizing drones to inspect lines to monitor the installations with videos. And with IA -- AI, sorry, we have developed several projects like (inaudible) intelligent also devices, monitored -- corrosion being monitored, the identification of faults in transmission lines, crossing information of protection systems and crossing all this data with this -- a platform that we use. And also truss engineering on a base, all of this, especially for -- to guarantee the safety of the people and -- in the electric system. So, also the protection of the environment and to promote sustainability of Taesa in all the dimensions of our strategic planning. Thank you.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Thank you, Marco Faria. There has been -- these have been responded. I think that we're now reaching the end of our time. I thank you all for the participation, the questions are very similar to what we have responded. In any case, we -- I have a question here that has arrived. Let me see, I'm going to give this question to Andre for -- to finalize. Fernando Jaimon-Lou [ph]. After the pandemic, do you have any specific planning, how are you thinking about Taesa after the pandemic? So, I'm going to talk -- give the floor to Andre. Andre, you can answer this question.

FINAL

A - Andre Augusto Telles Moreira {BIO 17972393 <GO>}

Thank you, Cristiano. It's a good question. I think it's important for us to state our positioning. We've been very careful with everyone ever since the beginning of the pandemic over one year and a half. A good part has been working in home office. We started a return plan last year, then we had to interrupt it after the second spike at the end of December. And now, we're planning again to return little by little as of October. And definition, and we've discussed this a lot, we'll be adopting a hybrid model. We've done researches due to this experience that we're having during the pandemic, we are going to adopt a hybrid model. Three days at the office, two days at home, obviously, to those functions that allow for this type of activity. But with all this learning, we're going to incentivize also the continuity of the intensive usage of video conferences and everything that the technology that we learn to use, always observing the safety protocols, returning to the office for those people that have had the two doses of the vaccine and at least 15 days more, so everything, this is being built for a safe return and that people can feel safe to come back to work. So, thank you. Thank you, Cristiano.

A - Cristiano Grangeiro {BIO 20213891 <GO>}

Thank you, Andre. So, I think I've received some other questions. And if we have any different questions, we will respond by email. I'm now going to end our event. We have reached our time. I'd like to thank you all for the participation. And once more to talk a little bit about Taesa and reinforcing here, we have some questions about the Diversity Inclusion Program and reinforce that the vacancies on the programs, they are available in our LinkedIn page, the vacancy -- vagas.taesa, et cetera is another channel. And the IR is also available to deal with this topic, it's part of our strategic plan. Thank you once again, and I wish you all a wonderful day.

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