

Y 2020 Earnings Call

Company Participants

- Adriano Rudek de Moura, Chief Financial & Investor Relations Officer and Member of Executive Board
- Daniel Pimentel Slaviero, Chief Executive Officer, Interim Chief Business Development Officer Executive Secretary, Member of Executive Board & Director

Other Participants

- Analyst
- Flavio de Picciotto
- Lily Annie
- Maira Maldonado
- Marcelo Sa

Presentation

Operator

Good afternoon, thank you for waiting and welcome to Companhia Paranaense de Energia-COPEL Conference Call to discuss the results of the Fourth Quarter of 2020. We would like to inform you that all participants will be in listen-only mode during the company presentation. Afterwards, we will have a question-and-answer session 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 in relation to COPEL's business perspectives, operating and financial projections and targets are beneath and assumptions of the Company's management as well as information currently available.

Forward-looking statements are no guarantee of performance they will risks and uncertainties and assumptions are they referred to future events, and therefore, they depend on circumstances that may or may not occur. General, economic conditions, industry conditions and other operating factors may affect the future performance of Copel and may lead to results that they from materially from those expressing such forward looking statement.

We have the participation in this call of Daniel Pimentel Slaviero, CEO of the company; and Mr. Adriano Rudek de Moura, CFO and Investor Relations Officer. The presentation that will be made by Copel management maybe followed at the company's website ri.copel.com.

Now, we would like to give the floor to Mr. Daniels Slaviero, the CEO of the company.

Daniel Pimentel Slaviero {BIO 20914773 <GO>}

Good afternoon, everybody. Thank you very much for participating in our call. And we hope you are all well and enjoying good health, we know how challenging is the year of 2020 was marked by the dissemination of an extremely serious pandemic and unfortunately right now we are living the worst phase both in Piranha in Brazil.

In Piranha, we work -- we had an implacable drought and extreme climatic event and in spite of all that, it is we've pleasure that we present the best results of the company in 2020 in EBITDA of BRL5.5 billion, net income of BRL3.9 billion and in these figures, we are not including the sale of Copel Telecom neither the GSF.

I would like to highlight that this result is not -- was not by chance, it comes from the impeccable execution of our strategic plan and even without the extraordinary effects of the Paranaense could be, we have the third consecutive year with the best results in the company, and it's just increases our responsibility to continue with this agenda to create value for the company.

On the other hand, of course, we must mention that we must be compassionate with the people who are living the anguish of a pandemic because of somebody in the family or a friend is in a critical state of health or because of their professional activities or the company having problems because of limitation, because of the pandemic and hence Copel donated BRL5 billion for the purchase of tests for held professionals Paranaense in July and will donating an additional BRL1 billion to purchase ventilators. And we are sure that there are highest contribution for Paranaense for Brazil to continue with our -- in a constant and safe manner, always looking after the health of our professionals. I know it sounds like a cliché, but nobody in Brazil can be saved without electricity.

And next, I would like to go to the next slide. And it is with great pleasure and pride that we say that we did what we promised, which was a type of independent dividend policy and preserving all financial factors of the company, and even more important than that we implemented it. And based on the results of the company and parameters of this policy, we will be paying out 65% of our net income. This represents a spectacular amount of BRL2.5 billion in dividends to be paid to our shareholders, BRL1.5 billion were approved yesterday by our Board as interim dividend, and the difference depends on the final improvement in April by our general meeting. And this gives us a dividend yield of about 13%, which was very clearly how attractive our shares are.

The implementation of this dividend policy together with the improvement in governance that were recently approved by our shareholders' media and especially this issue of the investment committee show that Copel learned from the past mistakes in 2010. We leave the similar situation in terms of leverage and we will not very prudent in capital allocation at the time, and this time I reinforce our commitment on the part of this management, commitment to the predictability in dividend payout and rigorous discipline in capital allocation.

FINAL

Next slide. I have just mentioned that on March 11, our shareholders approved unanimously a broad reform of our bylaws, and our governance went to the next level and consider -- I consider this as a legacy that this management lead for Copel that will launch even when we are no longer here, and I especially would like to mention the guarantee of the clause that mandates the full application of tariff adjustments ratified by a nail that cannot be altered or included without the approval by most of the shareholders who hold preferred shares.

This, ladies and gentlemen, named the application adjustments never more will be an issue within Copel. I would like to mention that the 50% increase in the number of minority shareholder representatives from two to three besides the creation, as you can see on the Slide 3 statutory committees investments innovation, sustainable development in order to help the Board in the political guidelines and the main themes related to people and to ESG and also the minorities community.

We had the split of our shares in the proportion of 1 to 10, and yesterday, we also approved our units program and Moura will be giving you details about that. Our new Bylaws establishes the endurance to Level 2 of B3 corporate governance. I would like to mention that the migration to Level 2 is condition to the realization of the public's offer on the parts of the majority shareholder, and particularly, I consider very important this migration, because it represents one additional step in our journey of governance improvement and also tag along.

I would also like to highlight that the Board yesterday approved the carbon neutrality plan with the objective of contributing to the commitments established in the Paris agreement worldwide. Here Copel up to 2030, we commit ourselves to neutralize GHG issues in orders for the assets on which we have the operating control. I think it's a very important point, not only for the sector, but for the country.

And one last point that I would like to highlight is the fact that we approved an investment policy for Copel, which had been decided by the recently established committee for investment and innovation, and this policy gives guidelines and defines criteria that you serve to guidance for capital allocation of Copel, our priority, our investments in Copel distribution due to our historical prudent use of funds and through the regulatory rack. But we will also be considering new opportunities with emphasis on brownfield and renewables and transmission in operations that might bring return to our shareholders, and that may add value for the company.

Next slide please. All these matters and many others will be dealt with in detail during our Copel Day on March 24. It will be a great event with the participation of the whole top management of the company, including our Chairman, and message from the main shareholders. Myself with all -- our new business, everybody will be there. And it will be a great opportunity for us to show you the new Copel for the new time. I would like to invite you all to participate online on March 24 from 08:30 to 11:00 Brazilian time.

And to end my participation, I would like to mention a few points about the fourth quarter that should be mentioned -- that are worth mentioning. We had in December another

addition, significant program for voluntary redundancy. And all in all, over 2020, we reduced 480 people, and we started the outsourcing of our call center in the last three years. About 1,600 people left the company, which means about 20%, 6% last year alone, and today, we have a little bit less than 6,700 people.

Copel G&T, as usual, delivered solid results. But I would like to highlight the fact that weather -- highlight where the -- that operator prep during the whole fourth quarter producing and selling 564-gigawatt and reaching an EBITDA of over BRL93 million in the period. And in 2018, it didn't have one day of generation, and it is in a new phase and with a lot of contribution. And we are preparing ourselves to go to the auctions and tap into the opportunities that the period, especially the capacity auction.

Copel distribution reached an impressive 16.3% of regulatory EBITDA. And thinkable level years ago where Copel make our delivery, delivered the growth of almost 50% in the volume of electricity sold, and we have a mid -- another auction in April for incentivize energy long term in order to tap into this window of benefit from these sources that are available until March 22.

And to conclude, the signing of Copel Telecom was in January, and the process is currently being evaluated by -- and sales. We estimate the closing of this operation for July this year when we will be receiving the BRL2.4 billion from the sale, and we will be posting these figures to our balance sheet.

Now, I would like to give the floor to Moura so that he may talk about the results of the quarter and the year.

Adriano Rudek de Moura {BIO 3590957 <GO>}

Thank you, Daniel. Good afternoon, everybody. I also thank you very much for your participation in our call, and I hope everybody is well as possible. And I would like to start by saying that the end of this quarter was no trivial matter, and it will be remembered and a very special quarter. I would even say a historical quarter for everybody in Copel, besides the exceptional results that you have already seen.

As you can see on Page 9, I would like to highlight the fact that we were able to advance in relevant aspects of our strategy that Daniel has referred to important advancements that more and more consolidate Copel's one of the biggest players in the Brazilian Electricity sector. This is one addition, and it is being a reference -- a benchmark in the Brazilian Electricity area, and I'm sure that these advancements are really paving the way in which the challenges will be bigger and bigger, of course. But I am sure that our whole team, our 6,677 people are totally committed in this mission.

Going to the results, I believe that you can see BRL1.5 billion EBITDA on the same comparison basis. Adjusted net income, BRL1.2 billion, more than double in the same period and the best results in our history of Copel for the third consecutive year. In the year, the adjusted EBITDA of BRL5 billion, as we said, 20% better, and the idea is not to repeat the figure that you are familiar with, but I would like to remind you that these

results -- in these results, we are not considering the Telecom results. And according to the accounting criteria, especially the CPC 31, they were classified as discontinued operations as of the third quarter.

Besides here in the adjusted results, we do not have the PIS and Cofins results, and this EBITDA represented BRL810 million and the net income representing BRL1.2 billion. So they were excluded from these results. So Daniel had already said that we do not have the impact of the Telecom sale that will be recognized in 2021 as soon as we conclude the selling process and the GSF.

And based on our projections, the impact of the GSF also based on the calculations by the CCEE, they will exceed BRL1.3 billion in the gross value. So this would be an impact on the EBITDA, and we are waiting for the conclusion of the ratification of the price of Aneel, so that we may evaluate all the impact on our results. But anyway, this is very relevant and this should have a positive impact on our 2021 results at some point in time. So let's wait for ANEEL.

Before going to the next page and talking about the improvement of our business, per business I would like to maintain three pillars, three factors that improved our net income for the year besides the EBITDA. I don't know whether you saw this, but there was a significant impact. First, because the net debt is much lower we were able to reduce it by BRL1.8 billion approximately, compared to last year, and Net debt is BRL6.400 million. So this helped reduce the financial result and also there is reduction of the interest rate that had a positive impact on this account.

And the second important item is the fact that there was a relevant improvement here. I would like to make everybody comfortable, because our delinquency is under control. We are tracking this very closely. The delinquency levels in 2020 closed slightly higher than the average of last year. Just to give an idea in 2019, it was 1.22 and this year 1.37, and I would like to remind you that it is calculated based on 365 days. This means that it is no problem. So we -- this is very concentrated between 30 and 60 day. So there is no concern whatsoever for the time being and another impact on the financial results.

Once the transfer of the CRC interest index by the PDI of the BRL65 million. If we add all that the improvement was up over BRL120 million, and there was an improvement in deferred taxes as well, because of the distribution of the interest on equity, which is part of the dividend policy. And now going to the next page, what really makes us proud in terms of our results is that it was conquered and the most adverse year ever that we have ever faced. So with huge uncertainty and the political sanitary and economic arena and in spite of all that, we are delivering an outstanding results.

Now Page 10. I would like to mention that we improved all our businesses. G&T was mentioned by Daniel already with a very positive impact of the WEG, which helped a lot. WEG alone made a contribution of over BRL100 million with just that in the last quarter practically, but we also increase the remuneration of the transmission assets. Besides the remuneration of the transmission contract that were revised during the year and I would

like to mention the additional results due to the advancement of our projects achieved and we already recognized something more from Santa Genebra.

And lastly, we have been -- we see a very good benefit from our energy allocation strategy. In the last quarter, it was very similar to 2019 in the same period, but the PLD for the spot price had an increase of about 30%. So in these 48% increase as already been said, vis-a-vis last year 16% efficiency. And I would like to remind you that two years ago, it was negative 19% and it went to positive 16%.

So it's a huge increase as, of course, there was also an impact of the growth of the grid market, especially in the last quarter, because of the recovery in the consumption of energy and a 1.8% is still negative, but much higher than the average of Brazilian consumption. We are consuming more than the average of other states. And a significant reduction in the management, of course, of over 10%, including the non-recurrent event.

In Telecom, the results are very good. We had a significant reduction on third-party cost and services. We had a positive effect with the lower deactivation of clients or disconnection of client, and very relevant. And in the free market -- delivery, it is becoming a relevant business for Copel over BRL2 billion in sales, 73% increase in revenues, with a margin similar to the best commercialization companies in Brazil, improvement in all areas.

Now let's go to Slide Number 11. I don't want to waste time here, but I would like to highlight as a main non-recurrent impact was the PIS and Cofins, and our net income compared to last year 90% higher, and this year 30% would be better compared to last year's.

Let's go to Page Number 12 now. Here I would like to mention a few KPIs, some have already been mentioned by Daniel. But the message is that we did our homework. And as soon as we had the first sign, what could be coming in our direction around February last year when we started to imagine the size of the crisis and we drafted a very aggressive contingency plan that reserve first and foremost the safety of people, the continuity of our business and the regulatory aspects.

But the major focus also on cash generation. And this plan continues to be monitored. The situation still requires a lot of caution, and Copel is more sound than ever know that continue to face all the problems that we believe will still come our way. It will be a very challenging year, but we are ready and prepared. We will carry out everything that we must do to preserve our soundness, but we will continue with our regional long-term strategy, guarantee our sustainable businesses in the medium and the long run.

Some topics has already been mentioned by Daniel, I would like to mention that the BRL2.5 billion payout, approved yesterday BRL1.5 billion. BRL1.2 billion will be paid on April 30, because of our cash flow and very soon we will be publicizing the schedule we have. Well, our intent is to do at least to price every single year. As soon as we have everything defined, we want to give the biggest visibility to our shareholders and we will be informing you.

FINAL

So let's go to our next slide. Very quickly I would like to highlight that the new dividend policy that has already been mentioned quite often besides all the aspects of governance and predictability and transparency, I would like to highlight two pillars, two important pillars here. The continuity of our businesses that is say preserving the financial conditions of the company to have sustainability in our businesses, a very important pillar, and also the use of the adequate capital structure and other opportunities.

We have already mentioned that our reference is no longer is 2.7. This is the limit. This is the cap we do not want to exceed it. And today, we have a long way to go to get there. We have 1.3 in order to get to 2.7 in leverage, and we have a long way to go. But the dividend policy together with the investment policy that we have just approved, I'm sure that they will be the instruments for us to be able to follow this path. So these are the two pillars that I wanted to highlight. We have already talked about it, but it is important to have an idea of our capital and capital structure.

And now going to the last slide of my part. Yesterday, we approved the unit plan, a more detailed plan. It had already been approved in our General Shareholders Meeting. But the only thing new about it is a minimum adherence that we are -- see this condition show that this program may sense in order to improve the liquidity for our shareholders.

And to have a free float of 60%, considering all the shares, except the controlling shareholder shares. So we have to reach as minimum, otherwise the program does not make sense. And one last remarks about this program are the conversion windows that start next Monday on the 22nd including -- and it goes up to April 20 inclusive, and this happens in Brazil and the United States and in Spain as well.

On my part, I believe this is it, and I think it is important to leave some time for our shareholders and our analysts to ask questions. So I would like now to give the floor for the Q&A.

Okay. Let's go to the questions now.

Questions And Answers

Operator

(Question And Answer)

Now, we will start the Q&A session. (Operator Instructions) Our first question comes from Marcelo Sa from Banco Itau. You may proceed.

Q - Marcelo Sa {BIO 16454581 <GO>}

Congratulations for the results. I have a few questions. First -- the first one has to deal with some adjustments in the EBITDA. And one of them has to deal with the PLR. I would like to know why you carried this out and I understand that it was higher, but you adjusted part of that. So what is the criteria and why did you do that?

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

Thank you very much, Marcelo. Thank you for participating in our call and for the excellent question. The PLR or the total PLR means -- is a reflex of the numbers realized, BRL420 million, and it was reclassified by us in two points, because BRL171 million is what we posted in the adjustment, and the other one as extraordinary, because there was a distortion here in the state, and it has already been corrected over last year, one was a state law that establishes that the PLR should be isonomic or the same amount for all the employees regardless of their function of their position, and this law was revoked by the Legislative Assembly in December last year.

And the second was a decree of 2007, and that said the PLR to the dividends, and it was corrected and there are two points here. One is the sale of assets, because this should not be considered for the basis of the PLR which is only logical, but it was not like that, and second, because this has nothing to do with the operating result of the company.

But there were these distortions, and since last year, they no longer occur. So the question is excellent and the figure is very big, of course. But it has this characteristics of having these distortions that's happened over last year for everybody in fact. This process has to do with meritocracy, which has to do with the results of the year. So whatever is extraordinary should not be included. It was not our view, but we agree with this view that extraordinary should not be included in the base for the PLR needed for the short-term incentives.

Q - Marcelo Sa {BIO 16454581 <GO>}

And the other question, in January when you announced the changes being governance and dividends, it was very far from the price that the state could sell. And now in the last month, it was 20% and may be now it is closer to the book value that would be related. So could you tell us about the timing for the sale? Is it going to be in the long run or is it a price that could be used for selling and but it'd be a best? And what about the migration to Level 2? Do you believe it could be done without the sale of the states? Thank you.

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

Another excellent question, Marcelo. Thank you. Firstly, now talking about after the split from 1 to 10, now the book value today is BRL7.30. So it's pretty close to this process, and the government assumption, the amount that the government intends to sell is not known by ourselves. But a public declaration of the ministry or secretary of finance is that they don't intend to use the full room for two reasons. Firstly, they believe the share will appreciate once they have this move by the state and BNDES. And secondly, they don't want to leave much room for the company. They want to leave room for primary offerings in another moment.

So when it comes to migration to Level 2, it is really tied and conditioned to that. If we don't achieve our reach the minimum price and if the offer is not settled by the state, no other change, no other evolution and governance is related to that. But like I said before, in my opening remarks, I believe it would be very healthy to the Company and to

shareholders, in general, if Copel could migrate to Level 2, because it's another step in this journey to improve governance and also bring in tag along to our shareholders.

So answering the second part of your question about BNDES. A public statement by Cabral, he said that he intends to have BNDES offering with Copel over the first half of the year. BTG is the bank that will be leading, and it's interacting with us already, and this is also part of not only some results but also sharing our track record and the possibilities to leverage, and generate value.

We're very happy because Copel will come back to capital markets since 1997, that's when we had the offer. So we see that as an opportunity. And now, what about conditions, how does BNDES intend to do that if it's directly or in blocks. We don't have information that with the joint book runners and BTG, maybe we have conditions to the company and to the market, in order to make it happen in the first half of 2021.

Q - Marcelo Sa {BIO 16454581 <GO>}

Perfect. Thank you, Daniel. Thank you, Marcelo.

Operator

The next question is from Maira Maldonado with XP. Please go ahead.

Q - Maira Maldonado

Good afternoon, everyone. Thank you for taking my question. First of all, I would like to congratulate you for the earnings results and for the progress in the agenda in ESG. So what is the agenda for 2021 in terms of additional cost efficiency, portfolio management, additional sale of a new asset, and also about investments? Thank you.

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

Hello, Maira. Great question. Regarding costs, I don't want to sound this cliché, but has something that you cut down when it grows again, it's a permanent agenda of the 480 people that we mentioned, 169 are from call center, and they have a phased operation. So that's something that market leading, and we want to get to this hybrid model and a 100% outsourced in the future like utilities companies already do so. It's an outlier. So that's a potential opportunity to lower costs.

We also have shared service center. They are being implemented and improved, and we also have a couple of other processes that were mapped by ECG, with a taskforce compared to the best companies in the industry and the best practices. So here we have a plan to cost reduction and efficiency and they are tied to short-term goals, short-term incentives. So they are tied to this cost reduction. So we still see this agenda with room for improvement. We still see some important areas to lower costs, particularly, considering engineering and outsourcing. We've been following it up very closely, and we can see that most efficient companies can do that with top quality and lower costs.

FINAL

As for the portfolio, it is in our agenda, the divestment of Compagas, and we also intend to make it happen. I would say, this year even though the schedule is slightly tight. And it depends on the granting power to give us conditions for renewal. We need something around a 180 days to 210 days after the execution of the concession renewal process at Compagas, which is being discussed and drafted by the granting power in order to make the offer happen.

51% divestment, now there are two points here. First the approval of the gas bill, and it's going to drive the market, and it will take some regulations, but we understand this law is positive to open the market and to appreciate these assets. And secondly, we have gas there through divestment. We are aware of Petrobras' change of control, and they show that Petrobras has a significant share, so that's a process that is within the scope.

And the last reaction, we are also revising the portfolio that's a constant agenda. Our intention is to talk to our partners. 50% plus 1 of the shares to check whether there is any interest in consolidations. And Santa Genebra and other assets that might grab the interest of the other party. And we also have to consider for that year. This is the jewel of the ground 1.6 gig, and with our expectation to perform it by 2021. Undoubtedly, this is going to take a little bit more, a little bit longer owing to GSF.

Adriano mentioned this figure, when you go slightly above BRL1.3 billion, you have an extension of the term for about one year, slightly more than one year in addition to other things. So this concession would expire instead of September 2023, it would be by September or October 2024. We're just about to conclude CCE calculation, but because BRL450 million is generated as EBITDA per year, we expect to use the maximum of this asset.

But regardless of in 2021, 2022 or 2023, we want to have the best solution, which is to sell the control of 50.1% in order not to run the risk of a bidding process and losing the asset. I'm sorry, I think it was a long answer. But at gas that's a very important agenda to be addressed during Copel Day, and it's also the agenda of our investment Committee, and this is just reminding me that there will be two auctions, one in June. A minus 3, minus 4, minus 5 and also transmission by the end of the year with assets that are very much in sync with the company, and we will dive deep into the process. Thank you.

Q - Maira Maldonado

Thank you. That's crystal clear.

Operator

The next question is from Flavio [ph] with Goldman Sachs. Please go ahead.

Q - Flavio de Picciotto

Hello. Good afternoon. Thank you for the call. Actually I have two questions. First thing I want to know about the progress of your sale for energy in the free market, any

significant sale this quarter? Could you give us more color in terms of deadline terms and tariffs?

The second question is about wind operations. Could you give us the result of the wind operations this quarter? Any kind of improvement owing to wind output or costs? Thank you.

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

Hello, Flavio. Thank you for your question. Let me break your question into two, first about saving free market and then the wind operations. So in the free market, what we see today is aligned to lower our synergies that is not contracted. To start with work in these at GET and Copel common studies or so and Copel free market, we lowered the percentage of contracted energy around 80% starting this year. It is around 90% already, nearly 91% actually, and then we see that as an opportunity.

Firstly, to provide more assurance of the results of the resources that will be generated by the company, and secondly, these amounts we always search for something around 190 or 200 reais as one of our goals. We cannot tell this as our goal. It's more strategic. But we're always trying to go for that range and optimizing our strategy that is conservative in terms of purchase and sale. But it's also a protection again GSF risk.

So I would say, our goal is de-contracting lower than 15% and contracting above 85% and always pursuing opportunities like in the first quarter we had opportunities. The price went down slightly, but we expect to have more in the second half of the year by year-end to have an upturn in prices, because the rainy season is coming to an end, and we can see many reservoirs in the Southeast or up north without coming back to historical levels. Down south, it is over 60% already, but we still have the basins.

With regards to the wind operations, Moura, over to you.

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

Flavio, what I can say right now is that, today this is consolidated at GET. Operations are basically stable. The good news is that today, we no longer have impairment of these companies. We had a disbursement and cash generation for the future. There is a call for impairment. But I think the tone has additional information to share, right.

Wind operations generated BRL360 million EBITDA in 2020. We highlight the full start-up of the Wind Farm of Quiteria. So today, we have all the wind farms up and running, generating EBITDA around nearly BRL360 million as we did last year. So these are the conditions of the wind farms. If we break down by farms, we consolidated the summation of all wind farms.

Just to conclude, Flavio, we have a benefit here, because we have the second greatest cluster and the investment policy address this synergy, after Parana and Rio Grande do Norte. Rio Grande do Norte has some advantages owing to the wind performance and characteristics. We don't expect the hour price to effect that specific region to the North

of Rio Grande do Norte, because they have capacity factor. We've good wins over the day, unlike other regions that have better wins early in the morning.

So just to conclude of the BRL169 million EBITDA generated BRL51 million profit in total. And owing to this performance, the future price of energy net effect impairment of the wind farms, BRL139 million reversal. So no impairment in these farms. So positive signs for cash generation. Thank you, Flavio. Thank you.

Q - Flavio de Picciotto

Thank you for the answers. If I may have a follow-up question, would you mind disclosing the EBITDA margin that you tend to have in the farms? In the past, it was slightly below the market. So I'd like to have an idea of the current status. Thank you.

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

This is strategic information Flavio and we cannot disclose, but I can tell you that the margin in the market is above 70%, and we are in line or even above the market in this process of margin in wind and renewable assets.

Q - Flavio de Picciotto

Great. Thank you.

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

Thank you.

Operator

(Operator Instructions) We have a question by Chad Bruno Marcus [ph].

Q - Analyst

You talked about the goal of having a leverage of 2.7. He wants to know if it's dividend, investments and maybe Telecom? Is it a change? Is there a chance to go down even more?

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

Bruno, thank you for the question, for your message. So that's a goal, and that's a reference point we have, but it's more to the mid and long run. Chances are, we managed to have some stability. It's no use just doing a big extraordinary payment at once for the dividend payout policy and come close to the margin.

Firstly, because that would eat up nearly all our ability to invest in new projects. And secondly, one of our goals is allow investments to have some predictability. We want to be a company with average payout around 50%. It's our top range, and our studies see that as good practice.

So we are building this up. We've been building that up for the next couple of years. But that's something that we don't intend to do in the very short run. Like I said, it's no use having a hiccup and then have no margin at all. You will be better off with a constant steady growth in the mid-to-long run that can be predictable.

Now if within five years, this has to be along or within this range. Otherwise, we are going to use the dividend payout policy. It's more powerful instrument, not the only one, it's a powerful instrument to use. So the fact that we don't have BSF and the sale for 2021 is a sign of this good year and outstanding year for Copel in 2021 and to our shareholders in general.

Operator

So maybe just one round of questions. Lily Annie with HSBC.

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

And adding to this, while we wait for Lily Annie, just to conclude the part of this question made by Bruno. This process with governance, discipline and allocation is critical, because we also want to work on our EBITDA. If you have Telecom around 200 plus 100 Compagas, if you don't work on that again, like I said in an organized structured manner with governance in the mid-run, you will become a lower base of distribution. We like and we are proud of our numbers for this year. So we want this to be steady and Perennial.

Operator

The next question is from Lily Annie Young with HSBC. Please go ahead.

Q - Lily Annie

Hello, thank you for the opportunity. Over the last three years, under your management has proved to be outstanding. Congratulations. Now investments are still allocation, some discount in Copel vis-a-vis private companies and you made large strides when it comes to governance. But do you believe there is any other point for improvement, maybe in the Bylaws or committees in terms of enhancing governance even more and try to remove this discount vis-a-vis private companies in general?

And the second question if I may, you just mentioned this goal of carbon neutrality for 2030. Could you tell us more about how we intend to achieve that. I think it's pretty much related to what you mentioned that investments, not only distribution, but now focusing on renewables, how fast, how quick do you want to make it happen closer to 2030 by the end or the beginning of 2030 and still about generation in Brazil? How do you see the need Brazil to grow more in gas? And maybe try to offset the problem of hydrological efficiency, and could you also give us some guidance about GSF? I'm sorry long questions.

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

Great, because we optimize our time. Thank you, Lily Annie. I understand this is collective effort by the management, but also there is very qualified workforce. There is 6,700

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employees with regards to the discount state-owned companies. I understand this lack of trust as reasonable on behalf of investors. Our intention is to decouple from this by showing our history. You have to work the top. We really want the market to see consistency quarter-over-quarter, year-over-year consistent actions.

And I believe like you said and two years in a couple of months, we've been consistent in our speech, walking the top and also going in the direction we believe to be the right one. The last short-term barrier has to deal with capital allocation. Investments, the auctions we are part of, if they happen and when they happen and I hope they happen soon, we want to show in practice that governance, improvement and processes will bring practical results. For the moment all we ask the market and investors and analysts is to use the benefit of doubt, and we will keep on trying to improve performance at Copel. Even though it's a state-owned company, we can be efficient, we can diligent, we can make progress in governance, and like I said, regardless Daniel or Moura being here or if different people are here, it will grow as a whole. So that's for the first part of your question.

The second part has to do with carbon neutrality. Our idea, Copel has been doing everything in the GHG protocol, working on (inaudible)

for many years with a very good track record and we want to have offsetting measures for the fleet and now the systems. In our portfolio, we still have a small plant. We are going to have a coal fired retrofit slightly less than 20, and I guess, so we can -- we have to go through an appraisal study to divest the area, and as we can see in the media, other companies are doing the same or considering the same. No judgment of marriage here, but considering the guidelines made by our Board of Directors, we hope we can achieve that prior to 2030.

We're now going to use the full track. We want to have all the regulations being compliant. So we can do it as quickly as possible. More specifically for the disposal study for this asset is not part of our strategy of portfolio, but we will do that in a very thorough manner because we know the impacts this plant had in the region.

And lastly, gas. Gas is a transition matrix. Think about all European countries and even the U.S., gas is a stability factor, and despite all that, think about what happened in Texas and California, so we believe it makes no sense anymore to have 2-gig to 2.2-gig of diesel, thermo, energy generation. It was necessary for a while, but it doesn't fit the current agenda for ESG and environment. So that inexorable for the Brazilian energy matrix as a whole to have gas and in a structured matter if we consider pre-sold. We will be watching that very carefully and check potential opportunities down the road.

Daniel put it very well the expected expansion. 2030 launch in (inaudible)

with the Minister of Mines and Energy (inaudible)

. It was very clear that the 10-year horizon expectation to expand energy supply for cash generation is very big. We need to have energy security, safety at the base, and like you

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said, a big reduction to expand in hydropower plants and the significant arrival of renewables into the Brazilian energy matrix. So keeping our eyes open, we want to find a structural solution for weather in both in auctions like Daniel said and also new ventures gas fired considering the whole infrastructure and over the new gas law for gas distribution purposes.

Q - Lily Annie

Perfect.

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

Any final questions?

Operator

There are no further questions from participants. So now I give the floor back to the company's management for the final remarks.

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

I believe we had a significant number of investors and analysts, and this shows the interest of the market in Copel. We firmly believe in our leverage, agenda, power generation, capital discipline and improvement of governance. We're very excited on the technical delivery regardless of the dividend payout policy. There is a very significant number showing that we are part of the agenda, and we learned from experiences from the past. And now, we want to have an agenda that will add a lot of value, not only to our shareholders but also stakeholders in general.

So thank you very much, and we will keep on doing our job, delivering impeccably our strategic plan. Thank you very much, ladies and gentlemen. Have a good day.

Operator

Ladies and gentlemen, this concludes Copel's conference call. Thank you very much.

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