

## Y 2019 Earnings Call

### Company Participants

- Adriano Rudek de Moura, Chief Financial and Investor Relations Officer
- Daniel Pimentel Slaviero, Chief Executive Officer
- Maximiliano Andres Orfali, Chief Executive Officer
- Wendell Alexandre Paes de Andrade de Oliveira, Chief Executive Officer

### Other Participants

- Analyst
- Andre Sampaio, Analyst
- Carolina Carneiro, Analyst
- Marcelo Britto, Analyst
- Marcelo Sa, Analyst

### Presentation

#### Operator

Good morning, and thank you for waiting. Welcome to Companhia Paranaense de Energia Eletrica, COPEL Earnings Call to discuss the results of the Fourth Quarter of 2019.

(Operator Instructions) Before proceeding, we inform 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 guarantee of performance. They involve risks, uncertainties and assumptions because they relate to future events and therefore, depend on circumstances that may or may not occur. General economic conditions, industry conditions and other operating factors may also affect the future results of Copel and cause results to differ materially from those expressed in such forward-looking statements.

With us today in this conference call, Mr. Daniel Pimentel Slaviero, CEO of the company; and Mr. Adriano Rudek de Moura, CFO and IR Officer. The presentation by Copel administration may be followed on the company's website at [ir.copel.com](http://ir.copel.com).

Now I turn the floor to Mr. Daniel Slaviero, CEO of the company.

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

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Good morning. Thank you very much for being with us in this conference call for the results of the fourth quarter of '19, especially in this difficult moments that we are all facing. I hope that you are taking all the needed measures and protective measures, wherever you are. Right now, we are at Copel and most people that work here are working in home office, but our team is focused in reducing activities to this new reality.

We do have a responsibility in maintaining essential services to the society, ensuring the electric energy service to the state of Parana. We will talk more about our contingency plan further on. But before I start talking about our excellent results of 2019, I would like to say that we are not in a celebration moment because we are going through an unprecedented and very serious crisis in the country. But I'm sure that with a lot of determination, predictability and our sense, we will win this new battle, and we are going to come out of this even stronger.

And last one thing, we published the results of the fourth quarter, and this was the best year of our history. I would like to share this achievement with over 7,000 employees that made us so proud and that with a lot competence and dedication, commitment, they are the ones responsible for the sound and consistent results.

Our net income of over BRL2 billion in 2019 has increased to 43% and EBITDA of almost BRL4.6 billion has increased 36% vis-a-vis the prior year. Moura will show you in detail the results, but I would like to say that in despite of all uncertainties, we do have an optimistic approach for the year, and we want to improve our performance vis-a-vis last year. Our strategy has a medium and long-term view, and we will put all our efforts into work so that Copel is a reference company in the electric industry.

I would like to highlight some relevant business of successes in 2019. I'm highlighting that all our subsidies have improved their performance vis-a-vis 2018 in GNP. For instance, we had a positive effect of almost BRL450 million in additional EBITDA coming from projects that have been concluded during the year. Colider, Baixo Iguacu, and Cutia for instance, in addition to transmission lines and substations. This was a major landmark in our history because after a long cycle of relevant investment and several problems during the project execution finally, we were able to start commercial operations in 2019.

In this process, we learned a lot of lessons and certainly those who have avoided [ph] the same [ph] spec of the factor. One is capital allocation that needed a structure also for capital as well as a lot of financial discipline and strong governance will -- is and continues to be one of our main strategic pillars.

In Copel DIS, we showed that we are able to change the game. We are now at 42 -- we went from 42% to 5 -- minus 42% to 5.6% efficiency. That's a great change based on the sound financial results we are already planning the next few years. And as a main event, we have launched some ambitious program to modernize this energy distribution grid. It's called Transformation. And It has three projects: Three-phase Parana, Total Reliability and Smart Grid Copel. This project has a perspective of investments of BRL2.9 billion in the next few years. And these three programs under the main umbrella that's called Transformacao or Transformation. It has three purposes: to improve the quality of

services, reducing interruptions and reconnection time DEC and FEC cost reduction with the less need of the team being traveling and moving around, and that's going to be needed for our current projects. And also that these investments are posted at the base of the regulatory remuneration owing to [ph] further distribution of over BRL1 billion, the highest amount in history, and that is going to be part of the remuneration phase for the tariff review of June 2020.

Another relevant highlight is the reduction of our financial leverage. Now it's 2 times vis-a-vis 3.1 times last year. And that level of leverage allows us to have a very favorable conditions to start thinking about new investments, especially to go through this difficult moment. Also, we continue focusing on reducing manageable costs. And after another voluntary redundancy program in 2019, we ended the year with 7,100 employees, a reduction of over 500 employees over 2019. If we consider the last two years, there is a reduction of over 1,200 people that left the company.

And finally, just as important, there was a significant growth in our dividend proposal or payment of interest on equity in a total of BRL643 million, a growth of 70% vis-a-vis 2018, which also have allowed us to have a relevant tax benefit. And this is the idea of the administration, and obviously, it's going to be discussed in the next shareholders meeting in April, where we also will discuss the possibilities for payment considering the impact of this scenario of COVID-19.

I would like to dedicate special attention to tell you how the company is tackling the issue here with developing a contingency plan and our priority is to monitor and mitigate all relevant transaction [ph] its consequences and the main activities of the company and this is based on four main pillars in this quarter. So first, safety and -- people safety and health. We are following all the guidelines from the Ministry of Health, so that our employees and our officers also are protected. Second, we want to make sure that we have the continuity of our essential activities, the providing of electric energy and Internet also to our consumers. Third, to help and to comply with all the regulatory guidelines. And finally, which is attention to support all the other pillars and also the contingency plan in itself, we have to protect Copel's financial health, focusing on our cash.

Fortunately, Copel has a sound cash position right now. We are following up our internal and external movements as well as monitoring possible scenarios so that we can work with a lot of planning and a lot of discipline as the moment requires.

As you all know, ANEEL has suspended, this week, the disconnections of energy for all residential consumers as well as essential activities. We believe this was right because it shows the social sensitivity. But from now on, the industry needs to discuss with this agency and the Ministry of Mines and Energy, the financial and economic balance of the companies because we are facing an explosive combination of lower demand and the increase of delinquency.

Parana government has announced that there is going to be a special program that's called Luz Fraterna for the underprivileged. This is a public policy, and Parana is going to pick up the bill -- the electric bill for those underprivileged. So it's possible to say that the

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company is still operating well, and it's important also to mention that up to now, we do not have any confirmed cases among our 7,000 employees of the COVID. We are in the front line. We are all in the street so that people can stay at home. We have an extraordinary responsibility with over 11 million people in the state, especially those underprivileged and also all the electric sector. So we have a clear mission. We have to provide support to all the activities in the state of Parana.

Now to conclude my presentation, I would like to summarize the main topics of our strategic agenda for 2020. Since we are at the end -- almost at the end of the third quarter -- the first quarter this year, and so we can say that we are moving forward in several important topics of our strategy and planning for the next five years.

The first topic in the agenda is the conclusion for the studies of selling Copel Telecom. They are very much advanced. And if it were not by the restrictions stemming from coronavirus, we would have that ready to go. We are waiting for the approval of the ANEEL, and it was supposed to happen in March, but now it's going to be postponed to April. We have to evaluate the best window for this transaction, considering that the market is very volatile and stressed. But for sure -- and this is our commitment, and we will be holding this operation in 2020.

Another priority is to look for the better alternative to renewal of Foz do Areia. So in March, Copel GeT already talked to the Ministry of Mines and Energy to -- in order to renew the concession and to sell the control. We are now doing the follow-up with the Ministry to define the methodology for the calculation here, and that's very relevant for the success of this auction. And also the auction for the share control or the transfer of control is going to happen in 2020.

And we understand that a transparency policy for dividends generates a lot of value for the company, and we are analyzing the best practices in the market. And in the next few months, we'll be announcing any news that we might have. And when we have that we'll let you know.

In this contingency plan, we, as I mentioned, did have an increase in the amount of dividends. And also considering the company's performance, we had room even to go a little bit further, but because of this moment, we should be more conservative, and we should also preserve the financial health of the company. And so if the crisis is as deep as we believe it's going to be, we might even review additional dividends in the second half of the year.

And finally, a total alignment to our strategy execution, we launched the performance incentive program, and it's going to attach an amount of variable compensation to executives. The meritocracy in the short-term is very common in the market. And in the company that has 65 years of age, this was not structured yet.

So before turning to Moura for the financial results, once again, I would like to say that we are still moving forward in our initiatives to bring down costs and have better operating efficiency, especially in our a strict financial discipline is the only condition for us to survive.

Me and the whole team will be here available to take your questions after Moura's presentation. But I want to stress our commitment, and we'll measure no efforts so that everyone keeps being safe and that we are also providing sound and consistent results.

Thank you very much. And now I'll turn the floor to Moura. Thank you, and good morning, everyone. I hope you all are fine and protected, wherever you are. This is really an unprecedented moment in our lives. We know how important it is to adapt ourselves to this new reality. And I can tell you that our financial area is ready to address one of the pillars of the contingency plans that Daniel has just mentioned, which is the protection of the financial health of Copel Group. We are focusing on a strict cash management for each business. And as it was mentioned, Copel has a sound cash position. We ended the year with approximately BRL3 billion. We had a quarter that was very good, and I can talk more about that, but we do have a very sound position and a very good moment to face this crisis. We are following up all internal and external movements as well as monitoring possible scenarios so that we can plan ourselves and to have an even more financial discipline as this model requires. But we do have time to talk about our results for 2019, especially the last quarter, and we are very proud of the major achievement, which is to get the best results of all times. We know the past was not an easy one, but we can only say that this is the right way to go, to have a good strategy and a perfect execution. We know that the past results do not ensure future results, especially now that we will have this considerable impact in our businesses, but the pillars of our strategy should not change. We just have to do the needed adjustments so that we can move through this turbulence. Turning to the next slide. I highlight here the adjusted EBITDA with no recurring impact of over BRL1 billion in the fourth quarter of '19 and almost BRL4 billion in the year. So that is an improvement in all Copel's businesses. In the fourth quarter, the net effect of BRL540 [ph] million basically for the mark-to-market of our commercialization company, a little bit over BRL100 million. Water tax reversal, this also allowed us to have a benefit of BRL129 million. Also the impairment of assets of Telecom, here we have a negative side and also provision for our redundancy -- voluntary redundancy program of BRL43 million, some write-offs of Telecom of BRL38 million in assets and provisions for litigations in around BRL50 [ph] million. The improvement in the adjusted EBITDA GeT of 67% in the quarter vis-a-vis to 2018. In the year, we reported this as an improvement of 32% because there is [ph] further improvement of the projects and revenues that are already in operation Colider, Baixo Iguacu and Cutia, also the new transformation -- transition lines and substations. For DIS, the adjusted EBITDA was around BRL284 million, plus 76 -- 70% in the quarter and in the year, 33% both compared to 2018, reaching a level of BRL1,231 million. In Telecom, BRL42 million, 41% higher in the quarter. In the year, BRL190 million, 23% vis-a-vis last year. In general, specifically in the last quarter, business has been positively affected by the operating revenue, 20% compared to '18; 19% with energy supply, an increase in the energy sold to consumers. And I highlight here the increase of more or less 9% in consumption in the industrial market, Copel GeT, and 33% approximately of the availability of the electric grid and an average growth in the grid market of 4.5%. And also the adjustment of the tariff with an increase of 11% in the GeT. And also, the entry -- and the transmission line of the adjustment applied to the annual remitted revenue started in 2019. And also, as I have already mentioned, the amount of purchase and selling of energy in our commercial [ph] company that is around BRL100 million. Now turning to the next slide, our manageable costs. To better compare it, we did not consider some lines, some estimated losses or provision the reversals. And remember that if we include all the items above that is the amount of PMSO, has reduced

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around 7%. In the line personnel, net of the voluntary redundancy program, and considering the increase of provision and also the profit sharing program, thanks to the improved results. The personnel line has dropped around 7% vis-a-vis the prior year and with the employees we laid off last year. Okay. Now the personnel cost then has reduced 11%. Even if we consider the salary adjustment of around 4% that came in with a collective bargaining agreement in October, and it's going to be around 3% in October of '19. The other lines that are part of PMSO, here we have to consider the reversal site of the net rate. Here, they are considered in this analysis and also considering non-recurring events the manageable PMSO just had a reduction of around 16%. I'd just like to highlight services here, 23% increase. And the main reason here is an additional expense that we had to address problems of DEC and FEC because of the temperatures that changed a lot throughout the year. I also highlight on this slide that the target for the performance incentives program is fully in line with our plan to reduce costs. This is -- we have a variable compensation attached to goals achieving, and we do have very aggressive goals for now. So cost reduction is efficiency, and this is part of our agenda. On the next slide, we have our net cash generated from operating activities and also related to working capital, and we can see here in detail the origin of the cash generation. The most important one is related to the operating generation in the results. In addition to better results, we also have here market growth, and that helps the revenue and the EBIT of the operations and the new projects and the flow has improved a lot, thanks to better investments than we had in the prior years. Now turning to the next slide. Here, we can see the history of the investment program and the terms. This year, we should end it with a total of BRL1.9 billion and just BRL200 million are addressed to new projects. For 2020, we estimate BRL2 billion and BRL1 billion, and 100 more or less is related to our distributing company operations, and the focus here is investment in technology, quality, efficiency and cost reduction. Now turning to the end of our presentation. In the next slide, here, we show the history of the leverage in the past few years from 3.4 times in 2016 and now getting to 2 times at the end of 2019. And this really gives us more room to go through this serious moment and crisis, and we'll have our other opportunities, which we'll be monitoring. Obviously, after the situation normalizes, we'll see how it's going -- what's going to happen now. So I would like to say that we have a total of loans that have the maturity in the short term are in a total of BRL1.4 billion. And of those, BRL300 million we already talked about [ph] points of draw down in January. I highlight these maturities for this year are fully compatible with our cash, even if we consider a lower revenue and the possible delinquency. And finally, I'm going to say that among the several measures we are talking about and we are executing, we are at an advanced stage to release funds for the financial support to build the assets of Lot E. The perspective here is up to BRL430 million for that. Part of that is going to come in this year. It has been approved by the Board of Directors in February, in the beginning of the month of February. And right now, we are submitting the right documents so that we can have the partial approval for these funds in the coming weeks. Once again, thank you very much for being with us on this call. And now I turn to the Q&A session.

## Questions And Answers

### Operator

Thank you very much. We will now start the Q&A session. (Operator Instructions). Ms. Carolina from Credit Suisse has a question.

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## Q - Analyst

I have two questions. The first one, it's about what Daniel said in the beginning regarding the recent measure announced by ANEEL, which is the suspension of charges for those residential electric bills. And you mentioned -- I think there was a request by advisers saying that there was a possibility or trying to check with ANEEL if this increase in delinquency could be allocated to another segment. And considering you're an integrated company, that obviously could impact your segment of generation and transmission if this type of allocation happened. I would like to hear more about that. If really -- this request is really out there, and if it makes sense, maybe -- it's possible that the companies have signed it.

And second question also, Daniel, about what you mentioned about other measures that might help distributing companies. And what kind of measures then you might -- have been considering so that you can face a higher working capital? It has to do with funding from the BNDES. What kind of measure could we see there to face these next 90 days, considering what has been announced? Thank you.

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

Thank you, Carol, for your questions. Basically, as I mentioned in the beginning, ANEEL has taken these measures, which all of you know, it's for central activities and residential customers. Once again, that has shown that we believe that the agency has just the right measure with a social responsibility action, but now we need to start discussing, and we are already doing so about measures that will guarantee the economic balance of the industry and all the shipping companies. Obviously, we cannot size, and we do not know how long this price will -- neither the impact that will complement.

But as I said, it's an explosive combination because we have a lower energy demand, and the distributing company will be under contracted and an expectation of a delinquency increase in several areas in the economy. They tend to hold. They already are working in very minimum conditions. So what is on the table, and we are following that up with the authorities. All of that that we are saying, so in the first level, some financing, of course, and all the charges that these companies have with the industry, especially CDE, that may and should be reused in a second way also. It's already on the agenda of the federal administration. It has to do with the tax of federal and state tax. We believe that there should be some flexibility there. And if these measures are not possible to be taken or also a great extension line or long line, this has happened in the past. But also, we should be discussing all the links in the chain because -- and despite of Copel being an integrated company, this can also fall back on the distributing company because that is one of the main entry points for the industry. So this is a concern. We have to avoid getting to this final way because then we are going to unbalance the other links of this change if we cannot pay what we need to pay with DEC [ph], that's going to be a very serious issue. So we expected that the government in the end just as in the whole economy, but also in the electric sector, they are working that shows that we do not have any imbalance. But if it is too broad to severe, this crisis, this is something that we have no details about, of course, but it's being discussed with the other distributors and with the associations.

Anything else, Max, you would like to add?

**A - Maximiliano Andres Orfali** {BIO 20897325 <GO>}

Well, BNDES is also providing some credit lines for different industries. They are assessing also the power sector as well so that we can have access to part of these ones. And remember, we also have a funding coming from BNDES that should be until -- should be moving to our cash.

**Q - Carolina Carneiro**

Okay. Thank you very much for your answers.

**Operator**

Sa from Itau has a question.

**Q - Marcelo Sa** {BIO 16454581 <GO>}

Hello everyone. Congratulations on the results. I would like to better understand the impact that you are expecting to see for the generation sector. We know that the free market contracts have some type of flexibility cost. Some companies can reduce that up to 20%. But I believe this might be considered as a force majeure event. And then the consumers might be able to change the terms of the contract and even to cancel out PPAs. So what are the discussions that you're having with consumers, your free customers? Or do you see any type of requests like that coming in?

And also, I would like to understand if you believe there are risks for the PPA that you have sold to the regulated market. This is considering that the distributing company might be under contract, I don't know if there is a possibility of reducing the regulated PPAs? And then you end up reducing the overcontracting of the distributing company. I don't know if there is a possibility or not.

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

Thank you very much, Marcelo. Once again, thank you for congratulating us. But as I said, this is not a celebration moment, it's the moment where we are facing this crisis. And so I will separate your questions about generating and then the regulated market. About the generating companies, our contracts say that -- yes, as they do say, a force majeure, we do have that cost, and we already see some generating companies, some commercialization companies that have started making changes and they are not yet asking for contract review, but they're saying, this is a force majeure, and there is a situation here that involves force majeure. So we are following that up with a lot of attention because this needs to be well addressed. Otherwise, to -- at final links, we'll have problems because we have the generation companies and also the consumers. So this needs to be very well addressed.

In our situation, we already see worldwide movement, especially in the hotel sector and also in other segments, where we have the free market customers. They are asking to



reduce low, then to have some type of renegotiation, and the company is addressing that case by case, sector by sector, having flexibility to maintain a BPO [ph] of the contract. There is a closed hotel chain. Of course, they have a total different consumption, right?

Now about the regulated market, this is a more structural issue. We have not seen so far or any discussions or any risks that these contracts are not going to be paid. But this is something that we are monitoring. Our contingency committee meets every 48 hours. So that's something that is on the top of our agenda right now. We are keeping an eye on it.

**Q - Marcelo Sa** {BIO 16454581 <GO>}

Great. Very clear. Thank you. If you allow me another question about the auction that should happen by the end of April, considering the current scenario of under contracted distributing company, and also the exchange rate is very high and a lot of the turnover CapEx is dollar denominated. Do you think the government could cancel or postpone this auction?

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

We do not believe that this auction is going to be held in April 30. The Ministry already has that on their radar. And it's just a matter of time, it should be postponed. And the auctions of June also seem to us, the transmission auctions for June, it seems to us that they would be postponed as well. Everything points to that. And then December ones, we do not have any signs about those yet, but we are prepared for April 1. Although, I do not believe it's going to happen. And June's auction has no assets that we consider to be strategic for us. And December -- for the December auction, yes, we have the country site in Sao Paulo, Parana. We do have assets that would be strategic for our synergies, but we have to wait and see. It's going to depend on the unfoldings of the market and the crisis. And I think that for April, it's not going to happen. It's just a matter of time to see it being postponed.

**Q - Marcelo Sa** {BIO 16454581 <GO>}

And a final question now about over contracting. Do you have an updated number of how much Copel's should be distributing companies that today, 64, 63 or it's closer to 100, do you have that number?

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

Max?

**A - Maximiliano Andres Orfali** {BIO 20897325 <GO>}

It's within the limit. 102 and 103 for the next five years, so within the limit of 105. A little bit beyond of what we were expecting because we thought there is going to be a recovery of the market in the country. All of this has happened unfortunately. All the economies, everyone will end up having the impact. It's everything that Copel and the country did not need. We did have an extraordinary year. We had an extraordinary perspective for this year and despite of keep on working, obviously, everything will be under a new analysis according to the crisis.

We see what's happening in other countries. And in Brazil, the government will have to bring in measures -- social and economic and financial measures so that we do not have a big depression. Everything shows that we were below 105. We should be on that limit for the next year. And if there is a drought now, of course, there is going to be a change, but we keep an eye on it.

**Q - Marcelo Sa** {BIO 16454581 <GO>}

Thank you very much.

**Operator**

Mr. Andre Sampaio from Santander has a question.

**Q - Andre Sampaio** {BIO 19422379 <GO>}

Good morning. I have two questions. The first one is about distribution and volume. If you can give us more details about what you foresee in terms of volume? And also, I want to have an idea of how much do you believe that this drop of 1% of volume could -- how much that could impact in the distributing companies results? This is my first question.

And second question about Araucaria and the south reservoirs. We saw a recent problem in the south because of hydrologic conditions and also the need of triggering Araucaria. With the startup of Mata de Santa Genebra, would you have any changes in terms of Araucaria needs? Or do you believe at this point it's going to keep on operating?

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

Thank you very much, Andre, for your questions. I will start backwards, okay, talking about WEG. WEG really with a low level of reservoir in the south, there is a displacement of the spot price in the region when you compare it to the southeast. So WEG did operate for two weeks in that share format at an amount that is expensive for the system, but very attractive. For the WEG, for the TPB, and even before Mata de Santa Genebra that allowed us to have lower -- over 1 gig from the southeast to the south. Even before that because of the drop perspective -- not perspective, but because there is a drop in volume, we did -- it did have been suspended by the national system operator. There is an initial estimate for three weeks, and we came down to two weeks. But it's operating as a replacement plant. It's still operating, but out of the order of merit, it's operating as a replacement energy. This is an agreement we have with Petrobras. About distribution and just one more thing, Andre, that's important. Mata de Santa Genebra is an important line in the sector, very important for the electric sector. 63% is already energized, operating, and it's ready to receive the annual permitted revenue. The remaining portion are in the final stages, but what happened there was really unprecedented in the company.

We did have theft in the region. Over 50 problems regarding theft is that ended up delaying the process. This is no excuse because the responsibility of the undertaking is ours. But what happened in the region, in the industry cables and people that buy that in the black market, so also, we had the police in Parana and Sao Paulo, working to catch

these thieves. But okay, we are now moving forward and fast enough to meet 100% of Mata de Santa Genebra be concluded and energized.

Going back to the first question, I'll separate it two, and help me in the second, Max [ph]. About volume distribution, what we have seen in this first week compared to Tuesdays, Wednesdays and Thursdays, with the average of the prior weeks, the drop has been between 8% and 9%. This is very significant, but it's not alarming as we have seen in France, of 20%, 15%. But we are in the very initial stage of this problem. Let's see how it goes and that drop of 1% of energy that you mentioned, Max, is working on that, right?

**A - Maximiliano Andres Orfali {BIO 20897325 <GO>}**

Yes. What is important is that we have realized a drop in the grid market just this week. Last week, we had not identified anything. Just now, we had initial drop, and we are monitoring that. It's around 8% to 9%. And it's too early to identify impacts in the results because it will depend on the actions that regulating agency is going to take. We believe that now is going to have some mitigating action because we are here in this industry, but I think it's too early to talk about anything in terms of the results.

**Q - Andre Sampaio {BIO 19422379 <GO>}**

Perfect. Thank you very much for your answers.

**Operator**

Marcelo Britto from Citi has a question.

**Q - Marcelo Britto {BIO 15393330 <GO>}**

Good morning, everyone, and thank you very much for the call. I have a question. Actually it's the debate about Copel Telecom. You are holding tests for that and also a significant write-off in the next two quarters, at least BRL200 million, if I'm not mistaking, for that asset. What is the nature of these significant adjustments in such an asset and as you are moving to a process to sell this asset?

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

Hello. Britto, excellent question. Really the impact here are constantly being monitored. We are also constantly monitoring the market, our competitiveness, cost structure and assets that can be written off or not. These are significant amounts, BRL260 million over the year, and I would say that Wendell, our CEO for Copel Telecom, can give you more details for you and the market.

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

Hello, Britto. Good morning and thank you for your question. Yes, this was an year of adjustments. And we did have different focus, but the most significant one that we had was regarding the activations. For each customer, we have to do an asset write-off corresponding to the investment that was used to provide the service. So here, we have clients or customers write-offs. These are the main -- this would be like a breakdown.

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Also, there is market competitiveness where we have one of the highest appetite in the market. We see that competitiveness is getting worse over time. Of course, the optical fiber market also causes Copel Telecom's prices. We had significant adjustments in 2019. We have a cost in average of BRL0.09, which was afforded in the beginning of the year. So we did have to make these adjustments. We have inventory adjustments, but most of this amount that you mentioned come from the activations from retail. And that is a base of 180,000 customers and a smaller share on top of the activation of corporate customers that we call conventional.

## Operator

(Operator Instructions) We now end the Q&A session. This conference call of Copel has ended. Thank you very much for your participation, and have a nice day.

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

Thank you very much for your participation. And I'll repeat myself, we are being -- we're going to work strongly to face this unprecedented crisis, but we hope that as with the same speed that it came in and with everyone to help and the government's help, we hope that it goes away soon. And that we can have recovery in the second half of the year because this is going to be a difficult moment for the economy and for the company. And so we will keep on working, providing energy and Internet access to the population.

Thank you very much once again.

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