

Q3 2012 Earnings Call

Company Participants

- Bruno Chevalier, Project Development and Sustainability Director
- Eduardo Karrer, President Director and IR Director
- Marcus Bernd Temke, Engineering and Implementation Director
- Rudolph Ihns, Finance Director
- Unidentified Speaker, Unknown

Other Participants

- Felipe Leal, Analyst
- Marcel Lupri, Analyst
- Sehzue Conte, Analyst

Presentation

Operator

Good afternoon. Welcome to ENEVA S.A. conference call for the update of its projects. Right now all participants are in listen-only mode. Later on we will have a question-and-answer period when further instructions will be given for you to participate. (Operator Instructions).

I would like to remind you that this conference call is being recorded. Now I would like to give the floor to Mr. Eduardo Karrer, CEO of MPX. Mr. Karrer, you may proceed.

Eduardo Karrer {BIO 15883150 <GO>}

Good afternoon, everyone and welcome to our call. I have Pablo [ph], members of the Executive Committee of the Company and we will have the presentation split into three parts and then we will open for questions for the participants of the call.

I would like to start our call with slide number 4 with some highlights for the Q3 and subsequent events. Starting with the three [ph] Pecem I generating unit that was synchronized on December -- on October and that started to supply energy on a test mode to the National Interconnected System and then Marcus will be talking more in detail about the evolution of this operation and also the development of the commercial operation for this plant.

The second point that I would like to mention is the authorization by ANEEL for the test operation for Itaquí in October and also with a date to December 20, 2012, by -- for the

Purchase Power Agreement and then we will be liquidating our energy in the spot market. And when we have the commercial operation, if it comes before that we will be analyzing this at the time. But the most important thing was the recognition by the regulator about the extension of the term to December this year.

Another important point to be mentioned is of -- that of the four gas turbines of Parnaíba I, we have two that have been totally concluded and commissioning. And also two in the phase -- final construction phase in Parnaíba according to the implementation schedule for the four first machines that will be supporting the PPAs that were acquired last year. And the commissioning is scheduled for November 2012. And Marcus will be talking in detail to all of us about that as well.

In the case of Parnaíba, I would like to mention the closing of the cycle of Parnaíba I, which is already registered for the A-5 Energy Auction in December and this project. We are very much -- we are making all our best endeavors in the technical viewpoints and from the financial viewpoint to participate in the A-5 Energy Auction.

Also the drilling of production wells for the Gaviao Real field have been concluded. This is another important point and I would like to mention that we already have most of the wells already complete for beginning of production and we will be talking in detail afterwards. And I believe that what we have achieved in terms of commissioning and also completion was extraordinary in the CNP [ph] campaign for Parnaíba.

The commissioning of the gas treatment unit for November, 2012; it is important to mention that this GTU already has almost 99% completion and is practically in commissioning phase. And ANP has also approved the Discovery Evaluation Plan, the PAD for the Bom Jesus accumulation. We have been working with this plan approved already by ANP already to support the contracting of energy for our fifth machine and that is already occurring in Parnaíba right now.

So the approval of this plan, the Discovery Evaluation plan is another very important point for us to close the loop for this fifth machine that will end up with the contract of long-term energy. And finally, the acquisition of the greenfield wind generation project Ventos, totaling 600 megawatts of capacity and we are going to denote 158 megawatt of which are already registered for the A-5 Energy Auction this year.

So we have been doing quite a lot of work in this wind sector to consolidate this pillar as one of the growth pillars for the joint venture that we have between MPX and E.ON.

Having said that, I would like to give the floor to Marcus Temke, our operations officer and he will be talking in detail about our projects under construction.

Marcus Bernd Temke {BIO 15883157 <GO>}

Good afternoon, everyone. I am going to talk about slide number 6 -- starting with slide number 6. As Eduardo mentioned in Pecem I, the first synchronization occurred on

October 15th and since this day we have been operating in a mode test -- test mode session and increasing the reliability and some stages have to be respected.

You have to increase the power with -- according to some rules and verify with the system and with the basic grid as well. And we have been advancing in this process and today we can already operate the unit close to 200 megawatts, 150 megawatts with a certain degree of stability. And now we are working to increase the power. And for that some of the systems have to be operational.

And the main bottleneck here are the mills. We have four wind mills that grind the coal and that add the coal to the burners. And the process can only be done in this phase because we cannot tell the mills with the coal without having the boiler operational and the turbine operational as well.

And one very comfortable point here for us is the fact that some of you have followed the program that we have for unit number 1. And the program was totally solved and the turbine is operational already. And all the mechanical part is very positive, regarding vibration and temperature, everything is very much on track and very comfortable.

We have no problem whatsoever regarding the turbine; so it has been starting and stopping very adequately. So what we have today -- what we are working with is the process of doing this jointly. The boiler, the turbine. And the ancillary equipment such as the pumps. And fans. And mills everything working accordingly all together and this is part of a complex plan [ph] to have this ramp up such as we are doing today.

So today, we expect to have an upgrade in the power. We operated with 120 megawatts, 150 megawatts and the third one is being added. So very soon we expect to reach close to 350 megawatts, 360 megawatts and we will be commercial after that. Unit number 2 Pecem is starting the steam blowing phase and this is a phase in which we have to use steam in order to clean up the lines that will be feeding this steam to the turbines.

And once we do this blowing operation we do a reinstatement of some of the elements that were removed to be protected during this blowing phase. Then we start the by-pass operation and for the first time we operate the boiler and all the ancillary equipment condensing the steam and circulating the water and condensate back to the boiler.

The only thing that we don't do there is operate the turbine because we are still cleaning up the system during this phase from impurities, additional impurities. And increasing the quality of the steam so that it can agree [ph] to the necessary chemical parameters.

Afterwards the steam goes to the turbine and then the turbine is tested first without the load that is to say it will not generate electricity, it will only be tested mechanically-wise the speed, vibration. And speed controls. And once the test is ready we start synchronizing it and then we have the ramp up such as we are living in unit number 1; so basically this is the position of Pecem I.

And afterwards in the pictures you will see that we already have nine coal ships unloaded and our yard is full of coal already, all the ancillary equipment and all the utilities as we call them water and coolly uncompressed [ph] air and diesel startup and emergency generators so on and so forth, everything is operational and all the water and effluent and this is a very important landmark to sustain a reliable operation.

Now let's talk about Pecem II. The expansion of the site, the third unit for the site. We are still in the final construction phase with some commissioning already being realized and we will be firing the boiler for the first time at the beginning of December and then we will start the sequence like the one that I described, blowing of the steam by paired -- by-passed and then the steam to turbine and so on and so forth.

Now going to the next slide, we see some pictures of the construction site so you can see the coal yard, the virtual reservoir for energy, it is in one of the pictures in the middle. And on the left you see the utilities and the cooling towers. The turbine and the boiler in the back close to the turbine. And on the upper right, we see the substation where the energy flows and it's concluded already and the connection is already operational.

Now going to the next slide, slide number 8, we talk about Itaqui. Eduardo mentioned the ANEEL authorization for test mode operation at the beginning of October, the operating license issued by IBAMA at the beginning of October as well. And what we can say today is that except some small details regarding civil. And fencing and things that are very peripheral, the construction is completed already.

And the boiler is tested and all the initial part the blowing, Pecem -- as I talked about for Pecem I and II it's already concluded here as well. And we have already concluded the turbine speed test. The full speed, the no load -- it's a mechanical test and it has already been concluded; total satisfaction or total compliance of the parameters and the last test in the generator is the air or nitrogen ventilator [ph] test.

And once it is concluded. And we expect to conclude this today, we can start the next stage which is synchronization and then we start the tests with load or the ramp up 5%, 10%, going up to 30%, 50% until we reach 100%. So this is the schedule today for Itaqui as I said before. And we are about to reach the synchronization and do the load tests.

Now going to the next slide, we also see in the aerial photographs of Itaqui you see the coal yard; we have already unloaded six ships operating through the port. We see the ancillary systems and the pretreatment of water, the gas treatment. On the right, the machine that recovers the coal from the pile, the machine and the aerial photograph that shows the port in the back to the left of the picture the connection with the port which is very operational already.

Now going to the next slide, we have Parnaiba I. Here we are talking about the four turbines in open-cycle for the projects that we acquired from the Bertin Group. Two turbines are already fully constructed. All the lubrication system is operational; it has already put in place and now we are having the electric and instrumentation commissioning.

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And as soon as we have the gas available from OGX, we will be starting the tests, the load tests with combustion. We will start the turbines, we will fire the turbine, we will adjust combustion and after we have the fine tuning of all that we can increase the power differently from a coal plant. We have to have a fine tuning of the boilers and the steam turbines and the other ancillary equipment.

And in a gas plant the operation is simpler because it is a turbine itself and that's it. So in order to increase the power what we have to do is to increase the volume of gas to the turbine. Of course, you have to respect some ramp ups and some powers. But there are no other restrictions regarding ancillary equipment. So the process is much simpler than the process with coal combustion and steam turbines.

And the fifth turbine as Eduardo mentioned, it is already in the final stages of conclusion. It is at the same site, it is the same EPC [ph] and it is being constructed and conclusion is scheduled for the First Quarter of 2013.

Also in this process, we have already crossed two very important stages for the process of connection with the bridge.

Our site in Parnaiba has two transmission lines, two 500 kilovolt lines. And we must do the sectioning of these lines. And this is being done in agreement with ANS, with Eletronorte and with the systems operators -- national systems operator, the ONS.

And in October and the beginning of November -- November 2nd, we have already shut off for eight hours and we installed the towers and all the devices that will facilitate the final shut off that will be occurring by the end of November, where we will cut the line that exists and we will be connecting this line via the substation that we built.

So this will be a very important landmark as well. And we are very happy for the fact that we have already carried out these two shut offs and prepared the whole structure.

And we are also in the final phase of the preparation for the A-5 Auction in December, where we are competing with the closing of the Bertin project, adding boilers and steam turbines basically in the two projects. And we will be adding this thereby adding a capacity of 360 megawatts of power with the closing of these two Bertin projects. And as I mentioned before competing in the A-5 Auction.

Parnaiba II is a project in which we were successful with our bid in the A-3 Auction last year. And all the civil part is already completed. We made a major effort to conclude this before the rain season that starts in January. And the first turbine has already -- read the sign -- it has already been assembled. And the other one has already been unloaded at the Sao Luis port. It has already reached Brazil.

And now we start with the construction, the mechanical construction in the turbines and the boiler, the recovery boiler and the steam turbine that are the next stages in this assembly, in the construction. And our date scheduled in our PPA is February 2014 in

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open cycle and June '14 for the combined cycle. So it's a very comfortable deadline and the progress is very satisfactory in everything that we're doing there.

On the next slide, we see some pictures. On the upper -- middle part, we see the turbines for the first -- the first and the second have already been assembled with the stacks and all the generator part ready. And on the left, we see the third and the fourth turbines where the transformer will be assembled.

And in the big picture, the panoramic picture, we see the whole array of turbines and the building's infrastructure. These pictures are not updated, because today we have a more advanced development.

Just to give you some figures about the general progress in the Bertin project, 91% of progress in construction in phase II of Parnaiba, 48% completed.

Now, Eduardo, will be talking about the gas part on slide number 12.

Eduardo Karrer {BIO 15883150 <GO>}

Thank you, Marcus. In the case of Parnaiba, E&P, the points to be stressed are in the Gaviao Real. The operating license that has already been issued and it is important to mention that we have reached 16 production wells drilled, of which 11 have already been completed. And this first part of the Gaviao Real field that is more to the north, we already have the 16 wells. And now we are going to start developing southwards with more production wells prepared by OGX-Maranhao.

And as I mentioned before, we have the commissioning of the GTU already at full steam. And the forecast for gas for our plans in the second half of November, we were waiting for ANP to release all this part of gas measurement, et cetera. And after that they will be placing the gas in our plant to do, as I said before, the synchronization in December this year on the GTU.

In the case of Bom Jesus, it is important to say that the discovery evaluation plan has already been approved by ANP. OGX-88, 36 meters of net pay, OGX-91D and OGX-95 with appraisal wells of 23 meters and 4 meters of net pay respectively.

And we are starting to think about the interconnection project of Bom Jesus, because there will be some accumulations there with the Gaviao Real complex. And these two projects are going to go in a parallel session as we are talking about 20, 30 kilometers it would make just to have a single cluster receiving the future production of Bom Jesus.

In the case of exploration, we have three rigs already with exploratory wells according to our schedule. And I believe that today, we are very confident that we will be able to cover this Parnaiba area inside the window that we have from ANP which is basically up to April 2014. With the number of rigs that we have we are gaining speed in our campaign. And

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we observed for instance the first well when it was drilled in Parnaiba, we spend 100 days maybe and today we have 30 days to do exactly the same drilling.

And so the process has been simplified. So we are gaining speed in our campaign due to the growth of the basin and geology and improvement in the performance of our rig. So we are very enthusiastic about this gain and the optimization of our rigs for the next 18 months until we reach April, 2014, when -- as established by ANP.

So this is a summary of our ANP according to schedule. We have to send gas to the TPPs. And by the end of the year, we will be able to see this whole chain of natural gas already operating in the Parnaiba basin.

We have some photos here in the next -- of the GTU. You can see that all the pipeline is ready, the manifolds and the completion, the mechanical completion has already reached 100%. And basically, what we will be doing is commissioning with the gas after ANP releases this and subsequent transmission to the first turbines of the four of Parnaiba. So we will have a good idea of how advanced we are in order to finish this gas treatment unit.

Now, I would like to give the floor to Rudolph. And he's going to talk about the financial highlights, which is the third part of our presentation. Then we will be opening for questions.

Rudolph?

Rudolph Ihns {BIO 15372505 <GO>}

Good afternoon. I'm here on page 15. And we are starting here with revenues for the quarter.

BRL133 million is a big leap, vis-a-vis last year. And we have on a year to date, BRL275 million; if you compare to the BRL126 million last year, we are increasing this. And revenues come from -- most of it from the power trading unit. But we start to see Pecem I. And in Q4, we expect to see an increase, a very big increase in Pecem I and Itaqui with their start up.

Now talking about our expenses, our operating expenses. Here we have a snapshot of the consolidated operating expenses. We see an increase year-on-year of BRL64.6 million to BRL68.5 million. But you can see that we have BRL2 million that were used for legal and tax consultancy so that we could acquire MABE and so it went up 3% in our expenses.

This is not a trend, it is quite the opposite in fact because here we are working -- you will start to perceive this with the figures for 2013 of course -- but with the creation of the JV and with the spinoff of CCX and the supplementation of the projects in our pipeline we could expect in the case of the holding company expenses a reduction of about 25% for

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2013 and we are working with this target. We will see an improvement in Q4. But it will be more felt next year.

Regarding the financial results of the Company in order to analyze Q3, we must separate again that we achieved last year BRL164 million in 2011 which is just the porting of the fair value of the debentures that we had, it was BRL1.4 billion and we settled the debentures in -- around the middle of this year. And if you adjust the financial revenue without the debenture it will be BRL57.5 million vis-à-vis BRL47.4 million which means that there is a drop of course but the comparison is more real this way.

And if you consider financial expenses we saw a financial expenses of BRL23.9 million with the debentures. So this is something that will not happen this year. So if you adjust last year you have BRL84.5 million. And in fact BRL100.9 million is the number. So with the progress of our project we have more debt and financial expenses. But on the other hand we have the benefit of the reduction of the bridge loan which is CDI and also the long term interest rates.

Very quickly about the debt profile. There are no big changes here and the only thing that we did during the quarter was a promissory note of one year and basically if you see of this increased part of that was due to long-term loan for the project, plus BRL400 million that we placed here as one year debt.

And the reason that we did that is that we took this money and we put this into projects in -- like an inter-company loan. And with this intercompany loan driving the projects according to the coverage ratio. And we will be returning this loan to the Company to the SA [ph]. So either we will settle this debt or we can roll it over. It's part of our financial strategy and we will decide.

And in the disbursements chart you can notice that we have disbursements of 2013 BRL1.4 billion, the bridge-loan that we have at the Parnaíba I and II PPPs. In Parnaíba I, more specifically we have already agreed about the rollover of this debt to the end of the year. It is our objective. And its BRL800 million in Parnaíba II in Q2 next year. So basically when you have this process, amortization falls into the standard that we had or the pattern that we had in the previous years.

Consolidated cash position, here you see that we have maintained our cash levels and we made a significant investment. If you take OpEx, CapEx, SG&A for the BRL749 million high investment in all projects but we raised BRL559 million in loans and disbursement of the long-term loans and the short-term loans, debt disbursement. We got a residual contribution for E.ON which transferred to CCX, the balance of that so we managed that quarter in order to have consolidated cash at the same level practically as in the Second Quarter.

And the last slide on page 20 shows what I mentioned about the quarter, what we had in terms of disbursement and CapEx, BRL521 million mainly in the Northeast projects and the two Parnaíba projects. And if you see the nine-month year-to-date we invested BRL1.4 billion and our expectation is that in these projects for the Northeast for instance in Q3 I

had already said that the money that we would be receiving from MABE, MABE is a company that is not consolidated yet in our Q3 figures because we have not finalized the purchase and this will be finalized in Q4.

So the effect is neutral. But from the cash viewpoint, just to enforce this to you, MABE placed in the MPX project BRL182 million and in the projects we disbursed BRL212 million. So basically we have the disbursement of MABE covering the CapEx for the Northeast project. So we get into a phase in Q4 of a CapEx disbursement that will be much lower for the three projects PC-2 [ph] with some disbursement that will be finishing at the beginning of next year. And our plan here is to have a lower disbursement of close to -- between BRL1.9 billion and BRL2 billion for next year.

So I would like to finalize with this slide. And now we would like to open for questions and to clarify any doubts that you might have.

Questions And Answers

Operator

(Operator Instruction). Felipe Leal, Merrill Lynch.

Q - Felipe Leal {BIO 2015017 <GO>}

I would like you to please elaborate on how much exactly you have available for this A-5 Energy Auction for both oil and gas?

A - Unidentified Speaker

Louis, could you please repeat the question because we had a technical problem?

Q - Felipe Leal {BIO 2015017 <GO>}

Yes, no problem. Could you please tell us exactly how much you have available for the next A-5 Energy Auction to be held in December?

A - Unidentified Speaker

We have 3.63 for gas (inaudible) gas turbines. And 158 megawatt for wind, 363 megawatt for gas, 158 megawatt for wind.

Q - Felipe Leal {BIO 2015017 <GO>}

Thank you.

Operator

Sehzue Conte [ph], Goldman Sachs.

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Q - Sehzue Conte

My question has to do with OGX-Maranhao exploration. In the results relief you mentioned and also during this conference call about the campaign in the Third Quarter with five wells [ph]. And the negative result of two in two -- and one underway in Elius North [ph] -- in Peritorio, Basilios and Norte California.

From that again this year could we expect the results of these three prospects because you mentioned that the drilling time was reduced significantly from 100 to 30 days. Can we expect perhaps a fourth or fifth well for this year, or should we expect that for the First Quarter of 2013?

So from now to the end of the year in terms of the exploratory campaign what can we expect. And for 2013, if you could perhaps give us a reference of how many drillings you expected to have throughout 2013 that would be very much appreciated. Thank you.

A - Unidentified Speaker

The answer is well, from now to the end of the year we have started some activities, we have others on the way.

In the prospects Peritorio, OGX-96, OGX-97 or Basilios. And OGX-98 and Norte California prospect; so according to the sequence and the timeframe that we can expect now for drilling and testing, I believe that we should expect by the end of the year to have partial or even total results for all of these prospects that we are working on at this moment.

I would like to remind you that for each one of these targets, we have some different prospects because of -- there are a lot of things involved. So we would have two to five objectives or targets for each one of the wells that we are working on at the moment. So we expect to have for most of them results by the end of the year.

As for 2013, we had a total of wells planned of -- if I'm not mistaken -- 15 wells for the total of rigs that we have. This is -- this can still be adjusted because in exploration, we continuously interpret the results of 2D and 3D seismics and we have to cross that with the results of exploration.

So sometimes that opens up a possibility of having another location explored. So there might always appear some additional locations for 2013. But the base plan is about 15 wells that we should be drilling and exploring next year.

Q - Sehzue Conte

As a follow-up question. In terms of the number of rigs, do you expect to continue with five rigs, a part of those used for completion. And about three rigs for exploration of these 15 wells? Or do you intend to gradually reduce the number or increase the number of rigs for 2013?

A - Unidentified Speaker

The answer is, for the current rigs, the contract for one of them will end in the first half of 2013. And we'll analyze whether we should keep it or not.

So out of the five current rigs I would say that about two would migrate to production development. Because we will need to continue drilling production wells in Gaviao Real, in Bom Jesus. So there are a number production wells that we will be developing next year in Gaviao Real and in Bom Jesus alike. So we will keep two to three rigs for exploration.

Now, that kind of definition will be made in the beginning of next year when we refine our campaign. When we look at the location that we were expecting and whether there was any change stemming from some exploration results in the end of this year. Because then one needs to fine tune it. So we should have two or three rigs for exploration next year. I would say two but potentially, we could add a third exploration rig and two working for production development and completion.

Q - Sehzue Conte

And one final question if I may. In terms of certification, can I expect a new certification for Parnaiba for later on after the end of the exploration period in April of 2014 or could we expect it for the second half of 2013?

A - Unidentified Speaker

The answer is, our short-term goal as you know is to follow all the steps to complete this first set of investments in Parnaiba which involve Parnaiba I, Parnaiba II and closing the cycle. And I include that in the first phase. All of that is supported by Gaviao Real field. I have mentioned Bom Jesus supporting our fifth turbine.

So all of the evaluation and certification work will be done around Gaviao Real and Bom Jesus to support all of this investment. And so that we can consolidate a 20-year horizon for the set of investments with these two fields that are supporting this first wave.

Now, what's going to happen is, with new discoveries that God will -- we will -- God will allow us to have new discoveries and we'll have a new cycle of certification of resources and reserves as of next year. So those locations where we have an exploratory success.

So to answer your question is, I believe we're going to close the first cycle of investments working with ANP, the Brazil's electric energy agency, we are completing this first phase and we'll consolidate the first wave of investments. Then we're going to have the second wave for the additional TPPs in Parnaiba that will be connected to discoveries that we expect to have in this quarter or in the beginning of next year.

Q - Sehzue Conte

Thank you very much.

Operator

Marcel Lupri [ph], Citigroup.

Q - Marcel Lupri

I have two questions. One has to do with Castilla; if you could give us an update of that project. What about the legal decisions, impediments for this project in Chile? Are you thinking about reformulating the project? What is the new timeframe of the project and when can we expect a decision in terms of whether the project will continue or not? Or in terms of priority, what will be its priority regarding the Parnaiba project? That's my first question.

The second question is a lot more operational. Are you facing any problems with the interconnection to SIN, the network or to the substations in Parnaiba and in other coal units? What is the stage of that because we know that (inaudible) is facing some serious delays in building new substations in the system overall? Thank you.

A - Unidentified Speaker

Thank you for the question. For the first question I'll give the floor to Bruno Chevalier, our director in the joint venture with E.ON. And he's in charge of managing that project.

For the second question, I'll give the floor to Marcus Bernd, our operations director who will answer about SIN connection.

A - Bruno Chevalier {BIO 15883148 <GO>}

The Castilla project is part of a joint venture that we forged with E.ON. So we directed all of the projects to the joint venture; the decision to continue or not the project is up to the joint venture. We are reevaluating the project.

We did an analysis in Chile and I can tell you that all of the market fundamentals are maintained. Chile remains an attractive market. There is a high demand for energy in Chile. The price of electricity is high. But theoretically there would be an interest to continue the project.

We cannot confirm that 100% though because that will be submitted to our Board, ours with E.ON. And that's when we're going to come to a decision.

What I can tell you is that some changes are happening in Chile. As of December the 28th, we're going to have a new environmental counsel in Chile and an environmental super intendency. So all of these projects will be postponed to next year in Chile.

We might have to submit the Castilla project again. And if we do submit it again, it will be subject to the new rules, to the new agencies and to new discussions in Chile. So we are analyzing how that will actually impact the project.

And there are other projects that are interesting to us as well. We look at Chile as a growth platform and not as one single project. Obviously, the Castilla project is big,

particularly for Chile. But we're interested in looking at other possibilities in Chile. So we look at the country as a whole. So we are interested in Chile.

We do want to continue analyzing the Chilean market. We just did not decide yet whether we should resubmit the revised Castilla project or whether we're going to consider other projects. So our final answer to your question, we will only have it next month.

And if you're happy with that answer I'll give the floor to Marcus.

A - Marcus Bernd Temke {BIO 15883157 <GO>}

As for your second question about connections. And overall, the transmission lines that we will be connecting to. When I mentioned the Parnaiba project I mentioned that we had satisfactorily completed two stages in the interconnection process of the basic grid which were those that happened in the end of October beginning of November. Now, we did have some difficulties linked with the election dates and the planning. But like I said these two stages were completed and we just have to have the definitive interconnection for the end of December.

For the Pecem site over there we have a connection to all of the projects to a new substation. The basic grid, it is a subdivision. The bid for that was in 2009, if I'm not mistaken. And that substation should have been ready in May of this year. But it was delayed as you mentioned, just like many other transmission systems in the Brazilian grid.

And I believe that because when we saw that that substation was delayed in its construction process we connected INCOW-VP [ph] to an existing station and that's how we did all the commissioning stage. We have an authorization by ANEEL to send energy through that substation until the new substation is not ready. So this is valid for Pecem I.

And for Pecem II, it is also being connected to 2-COW-VP [ph]. But only for testing purposes at the moment. We do not have an authorization to send energy when we are in full operation through that substation. So that's the problem in the basic grid, basic network. And we will have a problem in our fixed revenue because of that. We don't have the substation available to us. So that is an event that is going to impact us. But not too much because it wasn't our fault.

Q - Marcel Lupri

Now if you don't get the connection, you think that you have a legal argument to avoid the penalties, the contract penalties.

A - Marcus Bernd Temke {BIO 15883157 <GO>}

Yes, I believe we will be penalty exempt because clearly we did everything we could to have the energy available. If you don't have energy you can un-commission the plant and you cannot have the plants ready to operate.

Q - Marcel Lupri

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Thank you very much.

Operator

(Operator Instructions). We are now closing the Q&A session. I would like to give the floor again to Mr. Eduardo Karrer for his final remarks. Mr. Karrer, please proceed.

A - Eduardo Karrer {BIO 15883150 <GO>}

In addition to thanking all of you for participating in this conference call, I would like to share with you what we expect from the Company.

We invested about BRL2 billion a year in the recent years and the result of this investment is being seen now. A good deal of the officers at the Company are following closely the startup of the plants in the real world of interconnection. And having the plants now interconnecting through SIN, the National Interconnected System.

The Company now is fully prepared for this operational phase. And now I believe you will see this Company changing quickly quarter-on-quarter in terms of profile, in terms of indicators, financial operating indicators. So we are very confident about what we are seeing about the quality of our teams, our operations, the holdings, the FPEs [ph], they are all getting prepared.

We believe that quarter-on-quarter we will be able to share with the market how we will be operating each one of our plants. We will continue to grow through our joint venture and through new discoveries in Parnaiba participating in auctions for wind and closing cycles and hopefully next year with more gas we will be able to close the cycle of the fifth turbine that we are trying to contract still this year.

So I think that the Company is going to deliver in the short term. We have all the elements in place to continue to grow. The Company is very well-positioned. If you look at the projects that we have, we have a project to help Brazil continue to grow the project in the south, the project of Acu, these are highly efficient projects, well located, which is exactly what the country needs to gain more reliability -- reliability, safe energy. And I see this Company with a lot of challenges, a lot to do, a lot of interesting things happening in the short term and also with good prospects for the mid to long term.

I would like to thank my top management because they put a lot of effort and dedication to do what we are doing. And I would like to tell you that the Company will continue to deliver lot of growth to its shareholders. Thank you very much. I am available; the Investor Relations department is available, if you have any further questions we are here for you.

Thank you very much and have a good day.

Operator

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The teleconference of MPX is closed. I would like to thank the participation of all of you, have a good afternoon and thank you.

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