

Y 2015 Earnings Call

Company Participants

- Jose Aloise Ragone Filho, Chief Executive Officer
- Rafaela Gunzburger, Investor Relations

Other Participants

- Carolina Carneiro, Analyst

Presentation

Operator

Good afternoon, ladies and gentlemen. Welcome to Taesa's Conference Call related to the Fourth Quarter of 2015 Earnings. We would like to inform you that the presentation that will be made will be available for download at www.taesa.com.br/ir. We would like to inform you that participants will be in listen-only mode during the company's presentation. Afterwards, we will have a question-and-answer session for investors and analysts only, during which further instructions will be given. (Operator Instructions).

Before proceeding, we would like to clarify that forward-looking statements that might be made during this call related to the company's business perspective, operational and financial projections and targets are belief and assumption of Taesa's management, as well as information currently available to the company.

Forward-looking statements are not guarantees of performance as they involve risks, uncertainties and assumptions. They refer to future events and therefore they depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors may affect the future results of the company and may lead to results that differ materially from those expressed in such forward-looking statements.

Now we would like to give the floor to Ms. Rafaela Gunzburger, who will start the presentation. Mrs. Gunzburger, you have the floor.

Rafaela Gunzburger

Thank you very much, good afternoon everyone, and thank you for participating in our call. Today, with me, we have the whole Executive Board; Ragone, our CFO, our CEO, Procopio; the Legal Officer, Technical Officers, et cetera.

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So we would like to say a few words about the highlights of 2015 as you can see on page number three, and you can see that the company's strategy remains focused on a disciplined operational and financial management, management of our cash flow in an optimized fashion and maximum dividend payout policy and growth based on return to our shareholders.

Considering everything that happened this quarter, we would like to mention the tax benefits of four concessions that was renewed in April for an additional ten years, a concession of the TBE group, ETSE was 100% operational and we paid out R\$757 million as dividend and interest on equity, the equivalent to R\$2.2 per unit.

Also with our cash we paid R\$896.5 million in debt service of which 552 million were used to amortize our debt and R\$344 to pay interest.

In July, we had the adjustment of the RAP 2015/2016 and two concessions of TBE underwent tariff review. On page number four, we have the main highlights for the year of 2015. The results of 2015 were sound and consistent, well in line with our expectations and the capacity to manage our operating costs delivered an EBITDA margin of almost 90%.

In the managerial results, we consolidate the results of TBE, Etau and Brasnorte, just to give you a better idea of how the company would be if all the assets were consolidated like that. And on annual comparison (inaudible) to RAP as the regulatory EBITDA grew in line with the annual adjustment based on inflation about 5%, and the IFRS net income of 2015 was in line with 2014.

If you see in the annual results, the monthly adjustment of the revenue based on inflation is not here, it doesn't appear, because both were adjusted according to the whole year, so what you can see is the impact as described. And now going to page number five, we have the main highlights for the quarter, for the last quarter, the fourth quarter of 2014. It was also a very consistent quarter, very much in line with what we expected.

And you can see RAP and EBITDA grew in line with the annual adjustment by inflation and the result of the quarterly IFRS was impacted by the adjustments of the teams and the accounting estimates, and when you compare the fourth quarter of 2015 with the fourth quarter of 2014, the inflation had an impact of 210 million on the revenue, on the financial assets of Taesa and the jointly controlled and also associate company, 103.

On page number six, the variation of net revenue of IFRS for 2015, there was no impact on an annual comparison and there was a variation from 2014 to 2015 at Taesa for 3.1%, and in TBE, 2.7%. Etau does not use [ph] regulatory EBITDA and IFRS, had a growth of 5.4%, in line with the average adjustment by inflation of 4.7%, with an EBITDA margin of 89.6%.

On the next slide, we show the evolution of the regulatory EBITDA and the evolution of the EBITDA as well. Since the acquisition of 100% of the UNISA concessions in June 2012, the company has been seeking operating efficiency based on cost reductions and on the

operation and maintenance done by our in-house people, these measures prove the capacity to add value to the assets that we acquired with the objective of maintaining the EBITDA margin, close to 90%.

As you can see on the chart in 2012, it was 87.7% and now closing with 89.6% at the end of 2015.

On the next slide, the IFRS net income of 2015 was in line with the one that we obtained in 2014, and the main variation in the compensation of the net income were the IFRS EBITDA which was higher, due to the higher remuneration of the financial assets in 2015, the reduction in the equity income, mainly due to the increase in financial expenses, it was lower than 2014 therefore there was an increase in the financial expense of Taesa as well and the income tax had a positive impact due to the renewal of the tax benefits of the four concessions in May 2015.

On the next page, the cash flow, the company's cash flow shows the effectiveness of Taesa's business model as well as the strong cash generation was that -- was that the asset are all operational. So the operational cash flow added to the dividend received from controlled companies and jointly controlled was 1.677, which was enough to pay R\$757 in the interim [ph] dividends and R\$897 in debt service without the need to roll the debts over.

On the next page, we talk about the company's indebtedness, always seeking to maintain a balanced capital structure with a long debt amortization profile as you can see on the first chart of the slide. In the absence of our debt in dollars part of the company's strategy one-time revenue is a 100% tax through the Reis which is the local currency and the debt amortization profile that you can see on the slide (inaudible) debt, and the covenant of 3.5 net debt EBITDA ratio is due to the second issue of debentures that will be maturing in December 2017.

So this was the overview of the company, and now we would like to open for questions.

Questions And Answers

Operator

Thank you very much. Now we will start a Q&A session only for investors and analysts. (Operator Instructions). Our first question comes from Mrs. Carolina Carneiro from Santander Bank. Mrs. Carneiro you may proceed.

Q - Carolina Carneiro

Good afternoon, everyone. I have two questions. Could you talk about your expectations regarding the transmission auctions scheduled for April, because there was a change in VAC [ph], and due to the price in the RAP that were submitted.

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So I would like to know what you think about this change in the VAC and is there any access that you are interested in and that would make sense for you? And the second question, a short while ago you were saying that you would be interested in some assets that could be placed for sale, I think in the case of Abengoa was -- it was said, and I would like to know your opinion regarding the M&A markets, whether you have an update to give us?

And if we could see some assets being offered and if you think you would be interested in this assets, given all the stress that we have been seeing in the case of Abengoa?

A - Jose Aloise Ragone Filho {BIO 16438993 <GO>}

Hello, Carolina. This is Ragone, good afternoon. Thank you for your interest and for your contribution. Carolina, regardless of the M&A or greenfield opportunities, Taesa keeps the same line that is to say of facing our growth exclusively based on opportunities that might bring more value to our Company with regards to the auction.

In fact, the conditions in the bidding offer -- not only regarding the adjustment of RAP and VAC, but also the issues associated to problem [ph] mitigation associated to licensing all that one way or another increases our motivation to participate in the auction as we have always done and Taesa is already getting prepared for this auction. We are evaluating the lots that would naturally allow us to explore gains of scale and gains of synergy as well and Taesa is waiting to participate in the auction that is scheduled to happen on the 13th regarding the M&A market.

Taesa is a long-term player in the market, everybody knows that and of course opportunities that might happen of transactions in the secondary market really come to us and we analyze all these opportunities with (inaudible) discipline and of course always based on the return that could be achieved and more specifically regarding Abengoa we have already carried out a preliminary analysis of the assets held by Abengoa, the operating and also those in construction, under construction, and we have already manifested ourselves saying that in the current production, it would be justifiable for us to deepen our study or just or require an approval for that.

Q - Carolina Carneiro

So, do you see any possibility of ANEEL, re-evaluating the revenue of these assets, because in the current situation it seems to me that these assets would be difficult to solve. Is there is a chance of this revenue being re-evaluated by the agency or do you think there is no possibility of the agency doing this?

A - Jose Aloise Ragone Filho {BIO 16438993 <GO>}

Carolina, what we can say is that in the sector there is a degree of concern regarding the Abengoa situation of course everybody knows that Abengoa holds important concessions that are not operational yet, they are under construction yet.

And they are important for the optimal operation of the natural interconnected systems, so there is this concern and retract as the further [ph] authority will know how to deal with

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that and give the most adequate solution to the situation. This is a complex situation, but due to the relevance of these asset, we believe there are already actions vis-a-vis the ministry and ANEEL in this regard, so that an adequate solution may be reached, so that this can be done as quickly as possible and one solution that involves a reevaluation of the revenue in case it occurs and actually we're asking -- of course we will do our math again and if it does makes sense to Taesa, okay, then, we can go ahead in our studies and do more in-depth studies regarding a possibility of a transaction.

Q - Carolina Carneiro

Thank you very much.

Operator

(Operator Instructions) Thank you. As there are no more questions, we would like to give the floor back to Mr. Ragone for his closing remarks. Mr. Ragone, you may proceed.

A - Jose Aloise Ragone Filho {BIO 16438993 <GO>}

We thank you very much for your participation and interest in Taesa, and for 2016, we would like to reiterate our commitments to carry out our operations, technically and financially better and better in order to always deliver better results to our company. Likewise, the growth strategy is top priority for the company and naturally opportunities that might make sense to us and add value to the company will deserve all the attention on the part of our team.

2016 is a year that we understand is very important for the power sector and mainly the transmission sector. The ministry and the federal authorities have already given signs of new and very major investments to be made in transmission and they further reinforces our position of being a 100% transmission player. And our team is totally focused on delivering the best results, the best performance in the acceleration and in a very consistent long-term view. Thank you very much. I wish you all very good afternoon and very good 2016 to all of us.

Operator

Thank you. Taesa's conference call about the results of the fourth quarter of 2015 is closed. We thank you very much for your participation and wish you a good afternoon.

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