ENGIE Brasil Energia S.A.

Management Proposal

for the Annual General Meeting of

April 28, 2020

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Pursuant to article 9 of the ICVM 481/09, the Company must supply the following documents and information at least 1 (one) month prior to the date of the Annual General Meeting (AGM):

- **Management Report and Financial Statements (article 9, sections I and II, of CVM Instruction 481/09)**

The Complete Annual Financial Statements, including the Management Report, were filed with the CVM and B3 on February 18, 2020, and published in the newspapers Diário Oficial do Estado de Santa Catarina and Diário Catarinense, on March 27, 2020. These documents are also available in the following websites: the Company's (www.engie.com.br/investors/financial-information/), CVM's (www.cvm.gov.br) and B3's (www.b3.com.br).

- **Management comments on the Company's financial position in accordance with item 10 of the Reference Form (article 9, section III, of CVM Instruction 481/09)**

Information concerning the comment of the directors on the Company's financial situation is available in Attachment I of this document.

- **Report (opinion) by the Independent Auditors (article 9, section IV, of CVM 481/09)**

The Report (opinion) by the Independent Auditors is contemplated in the Company's Annual Complete Accounting Statements.

- **Fiscal Council Report, including dissenting votes, if any (article 9, section V, of ICVM 481/09)**

The Fiscal Council Report is contemplated in the Company's Annual Financial Statements, noting that there were no dissenting votes.

- **Standard Financial Statements Form - DFP (article 9, section I, sole paragraph, of ICVM 481/09)**

The Standard Financial Statements form (DFP) was published by the Company on February 18, 2020, on the same date of the submission of the Management Report and the Complete Annual Financial Statements. This document can be accessed from the websites of the Company (www.engie.com.br/investors/financial-information/), CVM (www.cvm.gov.br) and B3 (www.b3.com.br).

- **Proposed allocation of net profit for the year containing at least the information indicated in Attachment 9-1-II, ICVM 481/09 (article 9, section II, sole paragraph, of ICVM 481/09)**

Information relating to Attachment 9-1-II of ICVM 481/09 is available in Attachment II of this document.

- **Statement by the Audit Committee, if any (article 9, section III, sole paragraph, of ICVM 481/09)**

The Company has no Audit Committee.

- **Capital budget**

Information relating to capital budget is available in Attachment III of this document.

- **Approve a new daily newspaper for the Company's required disclosures**

Pursuant to the contents of Article 289 of Law 6,404/76, the Company's Management proposes to replace newspaper *Diário Catarinense* with *Notícias do Dia* as the medium for its required disclosures. If the proposal is approved, required disclosures will be made on the Santa Catarina Official Print, *Diário Oficial do Estado de Santa Catarina* (DOESC), and newspaper *Notícias do Dia*, immediately upon notice thereof to shareholders.

Whenever the General Meeting is convened to elect the members of management or fiscal council, the Company shall provide (Article 10 of ICVM 481/09):

- **At least the information shown in items 12.5-12.10 of the Reference Form with respect to the candidates nominated or supported by the management or by the controlling shareholders (article 10, subsection I of ICVM 481/09)**

The aforementioned data is shown in attachment IV hereto. This Meeting shall only elect the members of the Board of Directors. Therefore, the information provided in items 12.5 to 12.10 only concerns the members of the Board.

Whenever a General Shareholders' Meeting is convened to set the compensation of the members of the management, the Company shall provide at least the following documents and information (Article 12 of ICVM 481/09):

- **Information concerning the compensation of directors based on item 13 of said Reference Form (article 12, sections I and II, of ICVM 481/09)**

This information is presented in attachment V hereto.

- **Information concerning proposed employee profit sharing in fiscal year 2019**

The proposal can be found in attachment VI hereto.

- **Remote voting list, to which Article 21-F (Article 9, section VI, of ICVM 481/09) refers and should the events pursuant to Article 21-A (Article 10, section II of ICVM 481/09) arise**

Pursuant to ICVM 481/09 and its subsequent amendments, the Company is to adopt the remote voting system as from fiscal year 2017.

The Company published the remote voting list on March 27, 2020, on the same date of the submission of the Management Proposal. This document can be accessed through the websites of the Company (www.engie.com.br/investors/shareholders-and-board-meetings/remote-voting), the CVM (www.cvm.gov.br) and B3 (www.b3.com.br).

Article 9, section III, of ICVM 481/09 – Management's comments on the Company's financial position, in accordance with item 10 of the reference form

10.1 General financial and equity conditions

The financial information provided in items 10.1 to 10.9 of the present Management Proposal reflects the Company's financial statements for the fiscal years ending December 31, 2019, 2018 and 2017, prepared pursuant to the International Financial Reporting Standards (IFRS) and Brazilian accounting practices.

a. General financial and equity conditions

Based on the liquidity and debt indicators provided ahead, Management understands that the Company's financial and equity conditions are appropriate to the execution of its capital and investment expansion plans, as well as to meet its liquidity requirements and meet its short- and long-term obligations.

Consolidated information for the fiscal year ending December 31, 2019

The year 2019 was marked by a more favorable environment for business development in Brazil because of the enactment of structural measures key to resuming economic growth, such as Social Security reform. Some of the fiscal year's highlights include entry into the natural gas value chain with the acquisition of Transportadora Associada de Gás ("TAG") in partnership with a subsidiary of ENGIE S.A. and *Caisse de Dépôt et Placement du* Québec ("CDPQ"), and the completion of construction works for the Umburanas Wind Complex – Phase I and the Pampa Sul Thermal Power Plant, which added 705 MWa and 536.8 MWa to the company's installed capacity and physical guarantee, respectively.

As for its economic and financial performance, in fiscal year 2019 the Company had consolidated net earnings of R$ 2,311 million, down slightly from 2018's R$ 2,315 million (0.2%). The Company's adjusted EBITDA as at Dec.31.2019 was R$ 5,163 million, up 18.2% or R$ 796 million YoY. Adjusted EBITDA margin was up 3.1 p.p., from 49.6% to 52.7% YoY. The change is the result of a combination of the following positive effects: (i) R$ 383 million due to increased sales volume, ex- trading operations; (ii) R$ 321 million from the booking in 3Q19 of other operating revenues from the receipt of indemnity for noncompliance with obligations under contract from the supplier responsible for construction of the Pampa Sul Thermal Power Plant, due mainly to late completion of construction works, leading to frustrated income for Company; (iii) R$ 203 million from the increased average net sales price, ex- trading operations; (iv) R$ 185 million from the lower volume of energy purchased for the purposes of managing the Company's portfolio; (v) R$ 81 million positive equity income from the stake in TAG/Aliança; and (vi) a R$ 56 million increase in remuneration and monetary restatement on assets of the Jaguara and Miranda Hydroelectric Power Plants and the Gralha Azul Transmission System.

The aforementioned positive impacts were offset by the following negative effects: (i) R$ 91 million increase in costs from materials and third-party services; (ii) R$ 74 million decrease in non-recurring revenues from indemnity for business stoppage due to an insurance loss event and the collection of contractual penalty from a supplier; (iii) R$ 73 million decrease in income from short-term market transactions in the segment of energy generation and sales; (iv) R$ 53 million increase in costs from

grid usage and connection charges; (v) R$ 43 million increase in payroll costs; (vi) R$ 38 million from increased net losses in energy trading operations – of which R$ 34 million were due to mark-to-market and R$ 4 million came from transactions conducted in the segment; (vii) R$ 37 million increase in selling, general and administrative expenses; (viii) R$ 21 million increase in fuel costs; and (ix) R$ 3 million increase in other operating costs and expenses.

The factors below support the Company's equity and financial situation:

- Increase in net operating revenue – the Company's net operating revenue was up 11.5% from 2018 to 2019, reaching R$ 9,804 million in 2019, up R$ 1,009 million YoY.
- Strong operating cash generation – adjusted EBITDA in 2019 was R$ 5,163 million, up 18.2% (R$ 796 million) from 2018. Ebitda margin was 52.7% in 2019, up 3.1 p.p. from 2018.
- Total gross consolidated debt mainly by loans, financing and debentures, net of hedging effects, was R$ 14,437 million as at Dec.31.2019 — up 52.0% (R$ 4,939 million) from Dec.31.2018. The increase is due essentially due to: (i) debentures issued to build up working capital to finance the Company's business plan and projects like Assú V, Umburanas Wind Complex – Phase I, Jaguara and Miranda; (ii) Banco Nacional de Desenvolvimento Econômico e Social (BNDES) drawdowns for construction of Wind Complexes Umburanas – Phase I and Campo Largo – Phase I, and of the Pampa Sul Thermal Power Plant, expansion of the Ferrari Thermal Power Plant, and modernization of the Salto Santiago Hydroelectric Power Plant; and (iii) loans from international financial institutions, fully hedged by swap operations and intended to protect future cash flows.
- Risk rating – Fitch Ratings has assigned to the Company the National Long-Term Rating 'AAA(bra)', and the global rating 'BB(bra)', one level above the sovereign ranking. The ratings are directly related with capturing attractive credit facilities, increasing the Company's competitiveness developing new projects.
- Low delinquency level - A result of the Company's rigorous credit review process and clients' portfolio diversification.
- Installed capacity – As at Dec.31.2019, the Company had 8,710.5 MW in installed capacity and operated an electric energy generating complex totaling 10,431.2 MW, made up of 60 power plants, of which 11 are hydroelectric, four are conventional thermal, 38 wind farms, three biomass-fired, two solar and two small hydroelectric plants. Out of these units, 56 are wholly owned and four (the Itá, Machadinho and Estreito HPP and the Ibitiúva Bioenergética biomass co-generation plant) are explored commercially by means of partnerships with other companies.
- Implementation of new power plants – highlight on entry into full operation of the Umburanas Wind Complex – Phase I, in the state of Bahia, and of the Pampa Sul Thermal Power Plant, in Candiota (RS), which added 360 MW and 345 MW respectively to the Company's installed capacity.
- Recognition of other operating revenues from indemnities for breach of contract by the supplier responsible for construction of the Pampa Sul Thermal Power Plant, due mainly to late conclusion of construction works, in the amount of R$ 321 million.
- Construction works start for the Gralha Azul Transmission System, in the state of Paraná, with approximately one thousand kilometers of transmissions lines extension and deadline for entry into commercial operations on Mar.09.2023. Annual Permitted Revenue (RAP) was R$ 232 million.
- Construction works start for the Campo Largo Wind Complex– Phase II, with 361 MW in predicted installed capacity. Full entry of the Complex into commercial operations is scheduled for early 2021.

- Operating segments – entry into the gas transportation segment with the acquisition of TAG in June 2019. The deal, which required approximately R$ 35 billion in investment from the partners and involved several financial institutions, was the biggest in ENGIE's more than 20-year history in Brazil. With it, the Company consolidated its status as an energy infrastructure investment platform, in line with the proposed diversification of its operations.

Consolidated information for the fiscal year ending December 31, 2018

The year 2018 was characterized by consistent growth as a result of the implementation of new power plants and maintenance of its generating complex, as well as entry into the transmission, distributed generation and electric energy trading segments, according to the ENGIE Group's global de-carbonization, decentralization and digitalization guidelines.

The Company continues to expand its renewables matrix. In 2018, it completed construction of the Campo Largo Wind Complex – Phase I, consolidated the operations of the Jaguara and Miranda Hydroelectric Power Plants, and continued work towards the implementation of the Pampa Sul Thermal Power Plant, which is set to begin commercial operations in mid-2019. Also in 2018, the Company completed the acquisition of the remaining 50% of equity shares in ENGIE Geração Solar Distribuída S.A. ("EGSD").

Furthermore, in 2018, the Company, through its direct subsidiaries ENGIE Brasil Energias Complementares Participações Ltda. ("ECP") and ENGIE Brasil Energia Comercializadora Ltda. ("EBC"), entered into the concession contract associated with Transmission Auction No. 02/2017.

According to the Monthly Summary of the Electric Energy Market, published by Empresa de Pesquisa Energética in January 2019, net energy consumption in Brazil was up 1.1% in 2018 to 472,242 GWh. As concerns 2018's hydrological scenario, the energy volumes making it to reservoirs remained blow historic average.

2018's Differences Settlement Price (PLD) was at the regulatory ceiling (BRL 505/MWh) for 10 consecutive weeks. The average PLD of the South and Southeast/Center-West submarkets was down 10.25%, from R$ 320 to R$ 288. According to the CCEE bulletin of January 2019, 2018 average GSF (Generation Scaling Factor) was 81.6% vs. 2017's 79.4%.

With respect to economic and financial performance, the Company reported consolidated net income of R$ 2,315 million in 2018, up 15.5%, or R$ 310 million, from 2017. Adjusted EBITDA in 2018 was R$ 4,368 million, up 24.1%, or R$ 848 million, from 2017. Adjusted EBITDA margin was down 0.5 p.p. from 50.2% to 49.7% YoY. This is largely due to the 2018 effects of trading operations and the booking of the transmission line's revenues and construction costs. Ex- these impacts, EBITDA margin would have raised 3.8 p.p. between periods.

The main factors leading to the performance above were operating results from the Jaguara and Miranda Hydroelectric Power Plants, which were acquired in late 2017; the increased revenue from short-term market transactions; the higher average net selling price and volume of energy sold; lower energy purchases for the purposes of managing the Company's portfolio; the booking of revenues from indemnity rights associated with business disruption and contract penalties; and entry into trading operations in January 2018.

Consolidated information for the fiscal year ending December 31, 2017

The year 2017 was characterized by the Company's dedication to creating value in preparation for the transformation and opportunities brought about by energy transition, as reflected in the business strategy's three pillars: decarbonization, decentralization and digitalization. The ability to deliver effective results, even under adverse scenarios, lies among the Company's main virtues over the course of its path. 2017 was no different, and the Company achieved significant success executing its strategy.

The Company made progress in expanding its renewable energy matrix, notably with the acquisition of two new concessions – the Jaguara and Miranda Hydroelectric Power Plants, which together added 832 MW of installed capacity to the generating complex. Also on the renewable energy front, the Company acquired the 360 MW Umburanas Wind Complex, in the state of Bahia.

After two consecutive years of decline, the Brazilian economy showed signs of resumed activity in 2017. Despite being modest, these signs indicate the potential for a more favorable business environment in the coming years. Gross Domestic Product (GDP) gained 1% in 2017 vs. 2016, when the economy retracted close to 3.5%, according to IBGE.

2017's hydrological scenario was even more restrictive than 2016's in terms of hydroelectric energy supply. With the exception of the North subsystem, which reached yearend hydroelectric plant reservoirs at storage levels slightly above January's, the other subsystems reached yearend 2017 at even worse conditions that those seen early in the year.

As for its economic and financial performance, in 2017 ENGIE Brasil Energia posted R$ 2,005 million in consolidated net earnings, up 29.5%, or R$ 457 million, from 2016. The Company's adjusted EBITDA was R$ 3,520 million, up 10.8%, or R$ 344 million, from 2016. Adjusted EBITDA margin gained 0.9 p.p., from 49.3% in 2016 to 50.2% in 2017. This was largely due to the combination of an increased volume of energy sold, the positive income from short-term operations (in particular those conducted within the CCEE), lower royalties costs – due to less favorable hydrological conditions – , the disposal of the Beberibe, Pedra do Sal and Areia Branca plants, and the booking of revenues from the operation of the Jaguara and Miranda Hydroelectric Plants.

b. Capital structure

The Company manages its capital in such a manner as to maximize investor returns by optimizing the balance of debt and equity, pursing a capital structure and keeping indebtedness and debt coverage ratios capable of providing a return on investors' capital.

The Company's business shows high operating cash generation, due mainly to its high margin, a product of the electric energy generation activity's capital-intensive nature and of Management's strict control of costs and expenses.

The main components of the Company's capital structure as follows:

Amounts in million R$	31.12.2019	31.12.2018	31.12.2017
Gross debt[1]	14,437	9,498	6,738
(-) Cash and cash equivalent and restricted deposits	4,245	2,642	2,155
Net debt	10,192	6,856	4,583
Long-term debt[2] (% of gross debt)	81.0%	93.0%	54.4%
Equity	6,999	6,320	6,835
Leverage[3]	59.3%	52.0%	40.1%
Capital structure composition:			
- Own capital (Net worth / Total liabilities)	23.2%	26.6%	34.9%
- Third parties' capital (current and non-current liabilities / total liabilities)	76.8%	73.4%	65.1%

The increase in the Company's indebtedness is mainly associated with a combination of the following events had in 2019: (i) debentures issued in the amount of R$ 4,065 million to build up working capital to finance implementation of the Company's business plan, of which R$ 1,571 million were amortized over the course of 2019; (ii) Banco Nacional de Desenvolvimento Econômico e Social (BNDES) drawdowns in the amount of R$ 1,549 million, allocated to construction of Wind Complexes Umburanas – Phase I and Campo Largo – Phase I and of the Pampa Sul Thermal Power Plant, expansion of the Ferrari Thermal Power Plant, and modernization of the Salto Santiago Hydroelectric Power Plant; and (iii) loans in the amount of R$ 1,127 million with international financial institutions, fully hedged by swap operations and intended to protect future cash flows. In addition to the foregoing, the Company incurred R$ 964 million in financial charges, and loans and financings amortization in the amount of R$ 1,182 million.

c. Payment capacity relative to financial obligations

Give the Company's debt profile and liquidity position, Management believes that, assuming regular market conditions, it will be fully able to honor existing current and long-term liabilities and to continue expanding investments.

On Dec.31.2019, in its individual accounting statements, the Company posted a negative R$ 244 million in net outstanding capital. This is substantially due to the allocation to current liabilities of 12 months' payments in connection with loans, financing, debentures and concessions payable, whereas other relevant current assets and liabilities accounts turn over in approximately 2 months, according to the operational cycle. Therefore, the situation does not reflect the Company's actual liquidity. Obligations will be settled by means of funds generated by operating activities. In addition, Management is reviewing alternative forms of financing.

On December 12, 2017, the Company showed negative net outstanding capital due significantly to the promissory notes issued and the loans secured in 2017 to finance the concessions for the Jaguara and Miranda Hydroelectric Power Plants. The promissory notes were settled largely by means of an issue of simple, nonconvertible, secured debentures in two series, for controlled entities Jaguara and Miranda, in the amount of R$ 1,802 million, thereby addressing the negative working capital position.

[1] Includes loans and financings, debentures and promissory notes (current and non-current) – net of hedging effects.
[2] Gross non-current debt includes loans and financings, debentures and promissory notes, all non-current – net of hedging effects.
[3] Net debt / (Net debt + Equity)

Management further understands that, under regular market conditions, solid cash generation affords the Company comfortable margin honoring all of its existing long-term liabilities.

The table next lists the main debt-repayment capacity indicators used by the Company.

Amounts in R$ million	31.12.2019	31.12.2018	31.12.2017
Adjusted EBITDA	5,163	4,368	3,520
Financial expense	1,353	854	450
Financial result	1,206	699	227
Gross debt	14,437	9,498	6,738
Net debt	10,192	6,856	4,583
Net debt / Adjusted EBITDA	2.0	1.6	1.3
Total debt / Adjusted EBITDA	2.8	2.2	1.9
Adjusted EBITDA / Financial expense	3.8	5.1	7.8

Over the past three fiscal years, the Company has honored its obligations to third parties such as suppliers, dividends, debts and grants payable, among others.

Fitch Ratings has assigned to the Company the Domestic Long-Term Rating 'AAA(bra)' and the global rating 'BB(bra)', one level above the sovereign rating. Ratings are directly related with the capture of attractive credit facilities, increasing the Company's competitiveness developing new projects.

d. Sources of financing for working capital and investment in non-current assets

The Company uses lines of credit from top-ranking financial institutions to cover any short- and medium-term cash needs.

As concerns the Company's investment projects, in addition to using some of its cash generation, the main source of financing is the Brazilian Development Bank (BNDES), either directly or through Banks that lend-on BNDES lines. These institutions normally offer interest rates and terms of payment compatible with the return on energy generation projects.

If the investment project is not eligible for BNDES financing or due to financing-cost issues, the Company may use other sources of incentivized funding such as the Constitutional Financing Fund for the Northeast (FNE), the Constitutional Financing For the Center-West (FCO), the capital markets through the issuance of promissory notes and/or debentures or other sources of funding, in order to maintain an adequate capital structure and liquidity. The Company constantly evaluates operations financing alternatives.

In 2017, the Company's main sources of funding for projects were the BNDES and its LendOn Banks. These contracts generally include a "standard" required investment ratio to secure lines of credit, of about of 30% own capital and 70% third-party financing. In 2018, in addition to BNDES and its Lend-On Banks, the Company secured funding by means of debentures issues, due to favorable market conditions.

In 2018, in addition to the BNDES and Pass-On Banks, the Company raised funds by means of debentures issued, given favorable market conditions. In 2019's main sources of financing were funds from debentures issues, BNDES funds and foreign currency-denominated loans whose currency risk is hedged against with swap operations.

e. Sources of financing for working capital and for investments in non-current assets to be used to cover liquidity shortfalls

Notwithstanding the fact that Management does not foresee any liquidity deficiency, the Company holds standby credit lines (working capital, long-term financing and bank guarantees) from first class financial institutions.

In the event that it should need to draw on financing for working capital, the Company intends to use credit lines available in the market from first class credit institutions. In the case of financing of non-current assets, the Company intends as a priority to use long-term financing resources directly from the BNDES or its Lend-On Banks.

In addition, because of the high rating assigned by ratings agency Fitch Ratings, the Company has ready access to the capital markets should it need to obtain additional funding.

f. Indebtedness levels and debt characteristics, further describing:

The principal information on debt taken from Financial Institutions is described as follows:

(i) material loans and financing agreements and promissory notes

Conditions of the main debt taken

		Payment Conditions		Amounts in R$ million		
Companies / Banks	**Interest**	**Maturity**	**Principal and interest**	**12.31.2019**	**12.31.2018**	**12.31.2017**
Controlling Shareholder:						
Domestic currency:						
BNDES – Modernization	TJLP + 2.26% p.a.[a]	07.2020	Monthly	44	119	171
Nordic Investment Bank (NIB)	IPCA + 3.55% p.a.	10.2022	Principal: Monthly Interest: Quarterly	87	112	135
BNDES – São Salvador HPP	TJLP + 2.7% p.a.[a]	10.2023	Monthly	64	80	96
Finame Lend-on (Banks)	3.68% p.a.	11.2024	Monthly	5	6	8
Foreign currency (US Dollars):						
HSBC France (USA VI)	8.459% p.a. with swap for 103% of CDI	10.2020	Principal: 10.2020 Interest: Semi-annual	342	341	334
Bank of Tokyo IV	3.712% p.a. with swap for 101% of CDI	04.2020	Principal: 04.2020 Interest: Semi-annual	407	390	-
BNP Paribas I	3.684% p.a. with swap for 102% of CDI	04.2020	Principal: 04.2020 Interest: Semi-annual	406	388	-
Bank of Tokyo III	3.998% p.a. with swap for 103% of CDI	04.2021	Principal: 04.2021 Interest: Semi-annual	414	392	-
Scotiabank II	3.798% p.a. with swap for 102% of CDI	04.2021	Principal: 04.2021 Interest: Semi-annual	411	387	-
Scotiabank I	3.3710% p.a. with swap for IPCA + 5.2% p.a.	11.2022	Principal: 11.2022 Interest: Semi-annual	831	768	669
HSBC France	7.3706% p.a. with swap for 101.72% of CDI	05.2022	Principal: 05.2022 Interest: Semi-annual	514	-	-
Scotiabank III	3.3600% p.a. with swap for 101.75% of CDI	05.2022	Principal: 05.2022 Interest: Semi-annual	414	-	-
BNP Paribas II	3.9515% p.a. with swap for 101.85% of CDI	05.2022	Principal: 05.2022 Interest: Semi-annual	207	-	-
Bank of Tokyo	1.9429% p.a. with swap for 101.4% CDI 2.0571% p.a. with swap for 101.4% CDI	10.2018	Principal: 10.2018 Interest: Semi-annual	-	-	667
Controlled entities:						
Domestic currency:						
Companhia Energética Estreito						
BNDES – Social Credit	TJLP	06.2018	Monthly	-	-	3
BNDES	TJLP + 1.89% p.a.[a]	09.2029	Monthly	540	593	644
BNDES Lend-on (Banks) [b]	TJLP + 2.95% p.a.[a]	09.2029	Monthly	367	403	438
Ibitiúva						
BNDES (Subloan B)	4.5% p.a.	01.2020	Monthly	-	5	9
BNDES (Subloan A and C)	TJLP + 2.05% p.a.[a]	01.2021	Monthly	4	8	11
Ferrari						
BNDES	TJLP + 1.91% p.a.[a]	06.2021	Monthly	7	11	15
BNDES Expansion	TJLP + 1.76% p.a.[a]	07.2032	Monthly	59	38	41
BNDES Lend-on (Banks) [b]	TJLP + 3.40% p.a.[a]	06.2021	Monthly	3	5	7
Trairí Wind Complex [c]						
BNDES – Social Credit	TJLP	07.2029	Monthly	1	1	1
BNDES	TJLP + 2.51% p.a.[a]	07.2029	Monthly	229	252	274
BNDES	TJLP + 2.18% p.a.[a]	05.2033	Monthly	284	305	293

Companies / Banks	Interest	Payment Conditions		Amounts in R$ million		
		Maturity	Principal and interest	12.31.2019	12.31.2018	12.31.2017
Controlled entities:						
Domestic currency:						
Assú V						
Banco do Nordeste do Brasil	IPCA + 1.7624% p.a.	07.2038	Principal: Monthly from 08.2023 Interest: Quarterly until 07.2023 and then monthly	85	84	-
Campo Largo Wind Complex						
BNDES	TJLP + 2.52% p.a. [a]	06.2035	Monthly	486	390	-
BNDES	TJLP + 1.82% p.a. [a]	06.2035	Monthly	566	488	-
Pampa Sul						
BNDES	TJLP + 3.09% p.a. [a]	01.2036	Monthly, from Feb. 2020	794	628	-
Umburanas Wind Complex						
BNDES	TLP + 3.91% p.a.	12.2038	Monthly	1,231	-	-
Promissory Notes:						
Jaguara - J. Safra Bank S.A.	104.9% p.a. on Δ DI Rate	11.2018	Principal: 11.2018 Interest: 11.2018	-	-	1,326
Miranda - J. Safra Bank S.A.	104.9% p.a. on Δ DI Rate	11.2018	Principal: 11.2018 Interest: 11.2018	-	-	784

[a] The amount corresponding to the TJLP installment that exceeds 6% p.a. is incorporated into the principal amount.
[b] The banks are the following ones: Itaú Unibanco, Itaú BBA, Bradesco, Santander and Votorantim.
[c] Trairí Wind Complex financing composed of the following companies: Trairí, Mundaú, Guajiru, Fleixeiras I, Santa Mônica, Cacimbas, Estrela e Ouro Verde.

Additional information on the more relevant loan and financing agreements and promissory notes of the Company and its controlled entities

Balances as of December 31, 2019, 2018 and 2017 of the loans listed below can be found in the table provided with foregoing item f(i).

The purpose of securing "BNDES Modernização" financing was to modernize the Salto Santiago and Passo Fundo Hydroelectric Power Plants, and the loan from Nordic Investment Bank was intended to increase the company's working capital. BNDES financing of the São Salvador Hydroelectric Power Plant and the BNDES pass-on through its Pass-On Banks – Itaú Unibanco, Bradesco, Santander and Votorantim – were used in the construction of the São Salvador Hydroelectric Power Plant.

Financing secured by controlled entities that have been consolidated into the Company are under the Project Finance mode. To this end, Special Purpose Entities (SPEs) were formed to implement the respective projects.

The promissory notes issued by directly controlled entities Jaguara and Miranda are intended for the purposes of payment of a portion of the premium paid for the award, pursuant to the rules governing Aneel Auction 001/2017.

- Foreign currency-denominated loans

In 2019, 2018 and 2017, the Company took foreign currency-denominated loans from HSBC France, Bank of Tokyo, Scotiabank and BNP Paribas.

The funds were raised with the main purpose of financing the construction and modernization of the Company's electricity generating complex and manage its cash flow to ensure continued implementation of its business plan.

To hedge future cash flows against oscillations of the US Dollar/Brazilian Real exchange rate, the Company entered into swaps covering the entirety of the foreign currency-denominated loans with the Brazilian subsidiary of the lending institution. This will maintain a call position equal to the change of the US Dollar plus interest and a put position equal to the change in CDI. Principal

repayment and interest amortizations of the loans and swaps will take place on the same exact dates. It is worth emphasizing that, according to the Company's Investment and Derivatives Policy, the use of derivatives is limited to risk hedges and must be kept in strict correlation with debt profiles, volumes and terms.

The main conditions of the loans and swaps taken were as follows:

		Amount		Loans and long swap position	Short swap position	
Banks	Mth/Year	US$ million	R$ million	Δ US$ + Interest (p.a.)	CDI Δ	Maturity
HSBC France VI	10.2017	100	325	8.459%	103.0% of CDI	10.2020
Scotiabank I	11.2017	200	650	3.371%	IPCA + 5.2%	11.2022
Scotiabank II	04.2018	100	342	3.798%	102.0% of CDI	04.2021
BNP Paribas I	04.2018	100	339	3.684%	102.0% of CDI	04.2020
Bank of Tokyo III	10.2018	100	341	3.998%	103.0% of CDI	04.2021
Bank of Tokyo IV	10.2018	100	341	3.712%	101.0% of CDI	04.2020
HSBC France	05.2019	135	534	7.371%	101.7% of CDI	05.2022
Scotiabank III	05.2019	100	396	3.360%	101.8% of CDI	05.2022
BNP Paribas II	05.2019	50	198	3.952%	101.9% do CDI	05.2022
		985	**3,466**			

Due to the characteristics of these financial instruments, the Company applied the fair value hedge accounting rules for booking purposes. Thus, both the hedging instrument (swap) and the hedged loan are measured at the fair value compensating the result and fully protecting the Company from fluctuations in the US dollar and the interest rates

Loan, financing and promissory notes guarantee

The Company maintains a guarantee for the loan and financing agreements described next. The Company provides no guarantees in connection with the other loans.

- BNDES – Modernization

Guarantees offered against the agreement signed with the BNDES for modernization of the Salto Santiago and Passo Fundo Hydroelectric Power Plants are the pledge of revenues from the Power Purchase Agreements in the Regulated Environment (CCEAR).

- NIB – Wind Projects Financing

The Company has taken guarantee in US Dollars in an amount equivalent to R$ 86 million, maturing in 2020. The guarantee requirement emerged in February 2018, when Fitch Rating downgraded Brazil's sovereign rating with an impact on the Company's long-term foreign currency rating. The loan from NIB was taken in December 2012 to execute construction of the Trairí Wind Complex.

- BNDES – financing originally granted to São Salvador Hydroelectric Power Plant incorporated by the Company

Following incorporation, the guarantees for the respective financing were substituted by a bank guarantee.

- BNDES and BNDES Loan-on (Banks) – hydroelectric projects

The financing of hydroelectric projects carry the following guarantees: (a) lien on rights stemming from the concession; (b) lien on credit rights originating from electric energy sales agreements; (c) reserve account in an amount equivalent to three months of debt service or bank guarantee; (d) reserve account in an amount corresponding to three months of operation and maintenance contractual expenses, applicable to those plants which engage third party services for executing these activities; and (e) pledge of all shares.

In the case of the CEE agreement, additional to these guarantees, there is also a lien on dividends to be paid by the Company to its parent company, ENGIE Brasil Participações Ltda.

- BNDES – Biomass and Wind

Guarantees for biomass and wind projects are as follows: (a) chattel mortgage of assets and equipment; (b) the entirety of the controlled entities equity shares; (c) receivables and reserve account; and (d) corporate pledge from the Company.

- **BNDES – Thermal power project financing**

Guarantees for thermal power projects are as follows: (a) chattel mortgage of rights arising from the permit; (b) chattel mortgage of credit rights arising from electric energy sale contracts; (c) pledge of the entirety of the shares; (d) pledge of machinery and equipment associated with the project; (e) mortgage on urban land owned and intended for the project's implementation; (f) reserve account in an amount equivalent to three months' debt service; and (g) reserve account in an amount equivalent to three months' operation and maintenance expenses under the contract.

- Banco do Nordeste do Brasil (BNB) – Photovoltaic Solar Project Financing

Guarantees for the solar project are as follows: (a) lien on the rights and credits stemming from the concession and credit rights from electric energy sale agreements; (b) constitution of an Operation and Maintenance Reserve Account in an amount equivalent to 25% of annual O&M expenditures; (c) Chattel Mortgage of the Reserve Account; (d) reserve account in an amount equal to a minimum of 4.09% of the project's balance owed; (e) chattel mortgage of assets and equipment; (f) corporate pledge from ENGIE Energias Complementares Participações Ltda.; (g) Shareholder Support Agreement entered into with ENGIE Energias Complementares Participações Ltda.

- Promissory notes - Jaguara and Miranda

The promissory notes are secured by a warrant from controlling company ENGIE Brasil Energia, covering all principal and accessory liabilities taken.

(ii) other long-term relations with financial institutions

Represented by the debentures issued by the Company and by controlled entities Jaguara and Miranda. On December 31, 2019, 2018 and 2017, the Company had the following outstanding issues.

				Payment Conditions		Amounts in R$ million		
	Quantity	Compensation	Guarantee	Interest / monetary restatement	Principal	12.31.2019	12.31.2018	12.31.2017
Controlling Shareholder								
5th Issue - Single Series	165,000	IPCA + 6.3% p.a.	No guarantee	Annually in December	3 Annual installments from 12.2022	216	207	199
6th Issue - Serie 1	246,600	IPCA + 6.2621% p.a.	No guarantee	Annually in July	3 Annual installments from 07.2021	282	271	260
6th Issue - Serie 2	353,400	IPCA + 6.2515% p.a.	No guarantee	Annually in July	3 Annual installments from 07.2024	403	387	371
7th Issue - Serie 1	515,353	IPCA + 5.6579% p.a.	No guarantee	Annually in July	2 Annual installments from 07.2024	542	519	-
7th Issue - Serie 2	231,257	IPCA + 5.9033% p.a.	No guarantee	Annually in July	3 Annual installments from 07.2026	243	233	-
8th Issue - Single Series	2,500,000	102.1% of CDI	No guarantee	11.2020	11.2020	977	-	-
9th Issue - Serie 1	576,095	IPCA + 3.7000% p.a.	No guarantee	Annually from 07.2021	2 Annual installments from 07.2025	584	-	-
9th Issue - Serie 2	539,678	IPCA + 3.9000% p.a.	No guarantee	Annually from 07.2021	3 Annual installments from 07.2027	547	-	-
9th Issue - Serie 3	378,827	IPCA + 3.6000% p.a.	No guarantee	Semi-annually from 07.2021	2 Annual installments from 07.2025	384	-	-
9th Issue - Serie 4	105,400	IPCA + 3.7000% p.a.	No guarantee	Semi-annually from 07.2021	3 Annual installments from de 07.2027	107	-	-
Controlled Entities								
1st Issue - Serie 1	782,000	107% p.a. on Δ DI Rate with swap for IPCA + 4.47% p.a.	Real guarantee	Semi-annually from 12.2018	9 semi-annual installments from 06.2019	601	778	-
1st Issue - Serie 2	1,020,000	IPCA + 6.4962% p.a.	Real guarantee	Semi-annually from 12.2018	15 semi-annual installments from 06.2020	1,057	1,015	-

Additional information on debentures

- Fifth debenture issue - Single series

In December 2014, the Company issued 165,000 simple debentures, non-convertible, single series of the unsecured type, with a nominal value of R$ 1 thousand making the total amount of R$ 165 million on the date of issue. These debentures are adjusted by the IPCA and yield interest corresponding to 6.3% p.a., calculated on the Restated Unit Face Value. Payment of this compensation is annual, the first disbursement taking place on December 15, 2015. The principal will be repaid in three annual installments on 12.15.2022, 12.15.2023 and 12.15.2024. The public debentures offering was liquidated on 12.23.2014 and the proceeds were used to modernize the Salto Santiago and Passo Fundo Hydroelectric Power Plant.

- Sixth debenture issue - Series 1 and 2

In July 2016, the Company issued 600,000 simple, non-convertible, unsecured debentures in two series with a nominal value of R$ 1 thousand, amounting to a total of R$ 600 million, or R$ 586 million, net of funding costs. The debentures are restated at the IPCA and carry an interest rate corresponding to 6.2621% p.a. and 6.2515% p.a. for Series 1 and 2, respectively, payable on the Restated Nominal Unit Value. Payments will be made in 3 annual installments, the first as from July 2021 and from July 2024 for the 1 and 2 Series respectively. The funds raised have been allocated for the installation of the Pampa Sul Thermal Power Plant.

- Seventh debenture issue - Series 1 and 2

In July 2018, the Company issued 746,610 simple, non-convertible, unsecured debentures in two series pursuant to CVM Instruction 400/2003, with a nominal value of R$ 1 thousand, for a total amount of R$ 747 million (R$ 728 million, net of fundraising costs). These debentures are restated at the IPCA and yield interest at 5.6579% p.a. and 5.9033% p.a. for Series 1 and 2, respectively, payable on the Restated Nominal Unit Value. Payment is made annually, and the principal of Series 1 will be repaid in 2 annual installments due on 07.15.2024 and 07.15.2025, and the principal of Series 2 will be repaid in 3 annual installments due on 07.15.2026, 07.15.2027 and 07.15.2028. The offering was liquidated on 07.25.2018 and the proceeds were allocated to installation of the Campo Largo Wind Complex – Phase I and the refinancing of a portion of the Jaguara and Miranda promissory notes.

- Eighth debentures issue – Single series

In May 2019, the Company issued 2,500,000 simple, non-convertible, unsecured debentures (8th issue) in a single series, pursuant to CVM Instruction 476/2009, with a nominal value of R$ 1 thousand, for a total R$ 2,500 million (R$ 2,487 million, net of fundraising costs). Financial settlement took place on May 25, 2019. On Aug 9, 2019, the Company effected early settlement of a portion of the debentures in the amount of R$ 1,571 million, of which R$ 1,535 million were for principal payment. The funds raised were allocated to building up working capital to finance implementation of the Company's business plan.

- Ninth debentures issue – Series 1, 2, 3 and 4

On Jul 15, 2019 the Company issued 1,600,000 simple, non-convertible, unsecured debentures (9th issue) for public distribution, pursuant to CVM Instruction 400, of Dec.29.2003, with a nominal value of R$ 1 thousand, for a total R$ 1,600 million (R$ 1,578 million, net of fundraising costs). Financial settlement took place on Aug.07.2019 and the funds raised were allocated to implementing Assú V PVP, Umburanas, Jaguara and Miranda HPP.

- First debenture issue - Series 1 and 2 - Controlled Entities

In June 2018, directly controlled entities Jaguara and Miranda issued 1,117,000 and 685,000 debentures, respectively, in two series, restricted effort, in the nominal value of R$ 1 thousand, for a total of R$ 1,117 million and R$ 685 million, respectively. These debentures yield 107% of the CDI rate and IPCA + 6.4962% p.a. for Series 1 and 2, respectively. Payments are made twice annually starting from 12.2018. Repayment of the principal of Series 1 will take place in 9 twice annually installments from 06.2019, and repayment of Series 2 will take place in 15 twice annually installments from 06.2020. The funds raised have been allocated to early repayment of a portion of the amount raised by means of promissory notes.

To fully hedge future principal and interest payment flows against changes in the DI rate, swaps were entered into with Banco Itaú BBA on 12.19.2018 at the IPCA rate + 4.47% p.a.

Because of the financial instrument's characteristics, the Company applied fair-value hedge accounting rules for the purposes of their booking. Therefore, the hedged debentures and the hedge instrument (swap) itself are measure at fair value, protecting the Company from the financial effects of CDI changes on the debentures.

(iii) debt subordination degree

The debt subordination degree is as follows: (i) financing with collateral; (ii) unsecured loans and (iii) unsecured debt issues.

The debts with collateral guarantees are deemed to be all those that require collateral, comprising bank warrants, pledges and other forms of collateral.

Unsecured debts are those with no guarantee, or with guarantor, to include warrants and pledges, among other forms of guarantor security.

Furthermore, in the event of court-assisted composition with creditors, the Company will abide by the contents of Law No. 11,101/05, as amended, to determine the order of preferred payment of all creditors.

(iv) any constraints on the Company, especially in relation to debt limits and the engagement of new debt, distribution of dividends, sale of assets, issue of new securities and the sale of corporate control, as well as the Company's record of compliance with such constraints

a) Loans and financing

The Company is subject to the following covenants – financial ratios and limits – pursuant to its loan and financing contracts:

Debt	Covenants
Controlling Shareholder:	
BNDES – Modernization	Controlling Shareholder: Net debt/Adjusted Ebitda ≤ 3.5
Nordic Investment Bank	Controlling Shareholder: Total debt/Adjusted Ebitda ≤ 3.5
	Consolidated: Total debt/Adjusted Ebitda ≤ 4.5
	Controlling Shareholder and Consolidated: Adjusted Ebitda/financial expenses ≥ 2.0
HSBC France, Scotiabank, Bank of Tokyo e BNP Paribas	Consolidated: Adjusted Ebitda/financial expenses ≥ 2.0
	Consolidated: Gross debt/Adjusted Ebitda ≤ 4.5
Controlled Entities:	
BNDES and BNDES Lend-on (Banks)	Debt service coverage ration[4] ≥ 1.1 or ≥ 1.2 or ≥1.3, depending on the entity
BNDES Expansion	Net debt/Adjusted Ebitda ≤ 3.5
BNDES – CEE (Consenting party covenant)	Gross debt/Adjusted Ebitda ≤ 3.5
BNDES – Ibitiúva	Overall indebtness ratio ≤ 0.80
	Debt service coverage ratio ≥ 1.3

As the controlling entity and guarantor of the CEE financing with BNDES, ENGIE Brasil Energia must comply with the following covenant: Consolidated Debt /EBITDA ≤ 3.5.

Financing contracts with BNDES are formalized by entry into financing agreements through the opening of a line of credit, subject to the provisions applicable to BNDES agreements.

Under these provisions, in addition to the financial covenants described in the table presented above, obligors may not, without the prior authorization of BNDES: (i) give preference to other credits; (ii) amortize shares; (iii) issue debentures; (iv) issue beneficiary parties; (v) take on new debt, except as explicitly provided in the BNDES agreements; (vi) sell or encumber fixed assets; and (vii) distribute dividends higher than the mandatory minimum in certain controlled companies

Furthermore, BNDES may declare early maturity of the agreement and demand immediate repayment in the event of default on obligations before it accepted by the beneficiary of the credit, its subsidiaries, intervening parties, or a member entity of the Conglomerate to which the company belongs. Another early-maturity case occurs in the event of changes to effective direct or indirect control of the beneficiary of the credit without the bank's prior consent. In addition, other events affecting the project's operating capacity, or the guarantees provided to the bank are ordinarily regarded as early-maturity cases.

[4] Debt service coverage ratio: Cash generation from activities / Debt service.

Moreover, more comprehensive items such as unappeasable sentencing in a case involving child labor, slave labor or crimes against the environment also imply early maturity of financial instruments of this type.

The Company and its subsidiaries are compliant with the covenants as provided in its loan and financing agreements.

The promissory notes, which have been redeemed in 2018, carried no covenants.

b) Debentures

	Debt	Covenants
Controlling Shareholder	5th, 6th, 7th, 8th and 9th issues	(i) Consolidated: Ebitda/financial expenses ≥ 2.0 (ii)Consolidated: Gross debt/Ebitda ≤ 4.5
Controlled entities	1st issue	Debt service coverage ratio ≥ 1.10

In addition to the financial commitments described in the table, as per the debentures indenture, the Company must not allow any of the following to occur, under penalty of early maturity. The list contemplates the most restrictive items for the Company's outstanding debentures issues: (i) more than 2 working day's late payment of monies as provided in the debentures indenture; (ii) noncompliance with a non-monetary obligation standing for over 10 business days, or, in the event of notice given by the Fiduciary Agent, after 5 business days from such notice as provided in the debenture deed; (iii) non-payment of any obligations which, individually or together, are equal to or greater than R$ 100 million for the 5th and 6th issues, R$ 120 million for the 7th, 8th and 9th issues and R$ 50 million for controlled entities; (iv) early maturity of any debts whose individual or joint amount exceeds R$ 100 million for the 5th and 6th issues, R$ 120 million for the 7th, 8th and 9th issues and R$ 50 million for controlled entities; (v) protest of the securities of the Company or any of its controlled entities in an individual or joint amount in excess of R$ 100 million for the 5th and 6th issues, R$ 120 million for the 7th, 8th and 9th issues and R$ 50 million for controlled entities, that the Company fails to clear within 5 business days from receipt of the protest notice; (vi) liquidation, dissolution, termination or any manner of corporate reorganization of the Company's controlled entities and the Company itself, except where the succeeding entity or entities are also under the direct or indirect control of a member company of the Company's conglomerate and the assets remain within the Company's conglomerate, and, furthermore, this does not imply a downgrade of the Company's risk rating below AA, local scale, according to Standard & Poor´s or Fitch, or a similar rating according to Moody's; (vii) in- or out-of court voluntary or involuntary bankruptcy, or any similar proceeding characterizing the insolvency of the Company or its controlled entities; (viii) application for or declaration of bankruptcy of the Company or its controlled entities, except where such a filing is challenged and proof is provided of the timely required court deposit, where applicable; (ix) spin-off, merger, or any manner of corporate reorganization of the Company, except where: (ix.i) the change has been approved at a General Debenture Holders' Meeting; (ix.ii) the right of early redemption is assured to debenture holders who fail to agree with the reorganization; or (ix.iii) the successor entity is directly or indirectly controlled by a member company of the Company's conglomerate and its assets remain within the Company's conglomerate and, concomitantly, this does not ensue downgrade of the Company's risk rating below AA, local scale, according to Standard & Poor´s or Fitch, or a similar rating from Moody's; (x) change in direct or indirect share control of the Company, except were such a change does not lead to a downgrading of the Company's risk ratings; (xi) divestment, inoperativeness or prolonged stoppage or any other form of disposal, on the part of the

Company, of fixed assets representing, individually or collectively, 25% of the Company's electric energy generation capacity in a way that provenly affects the Company's economic and financial capacity; (xii) intervention or loss of a concession/permit representing more than 25% of the installed capacity in such a manner that provenly affects the Company's economic and financial capacity in connection with issues of the controlling company, and loss of the Concession Contract, except where, within a period of fifteen (15) working days from gaining awareness of any such facts, the Issuer provides evidence of a finding in favor of the cancellation reversal, suspension, recall, takeover, expiration or extinction or secures judiciary relief ensuring service continuity and as long as such an injunction is not revoked for its controlled entities; (xiii) corporate-type change of the Company; (xiv) reduction of the Company's equity capital, except if approved by the General Debenture Holders' Meeting; (xv) payment of dividends, interest on equity capital or any other form of profits payout as prescribed in the Bylaws, except for payment of the minimum mandatory dividends pursuant to the Corporations Law, if the Company is in default on any financial obligation in connection with the debentures; (xvi) assignment, pledge of assignment, or any manner of transfer to third parties of the rights and obligations arising from the debentures issued, in the absence of the debenture holders' prior consent; (xvii) non-renewal, cancellation, recall or suspension of the permits, concessions, grants, or licenses needed for execution of the Company's operations implying the interruption or suspension of 25% of the Company's electricity generating capacity and causing significant effects in connection with the Company's ability to honor the obligations stemming from the debentures indenture; (xviii) failure to comply with any court or administrative finding or court sentence that cannot be appealed or unappealable arbitration finding, in an individual or global amount equal to or greater then R$ 100 million for the 5th and 6th issues, R$ 120 million for the 7th, 8th and 9th issues, and R$ 50 million for controlled entities; (xix) failure to maintain a corporate risk rating of at least AA, local scale, from Standard & Poor's or Fitch, or a similar rating from Moody's; and (xx) failure to use the proceeds from the debentures issue as provided in the respective debenture indenture.

The Company is compliant with the foregoing financial covenants and constraints.

g. Contracted financing limits and percentage usage

No relevant amounts exist for drawdowns by the Company or its controlled entities as at Dec 31, 2019.

h. Material changes in financial statement items

h.1) Comparative analysis between the results for the fiscal years ending December 31, 2019 and December 31, 2018 prepared pursuant to the IFRS and the CPC:

Amounts in R$ million	2019	% of revenues	2018	% of revenues	2019 versus 2018 (%)
NET OPERATING REVENUES	**9,804**	**100**	**8,795**	**100**	**11.5**
Operational costs					
Energy purchased	(2,666)	(27.2)	(2,325)	(26.4)	14.7
Transactions in the short-term energy market	(428)	(4.4)	(574)	(6.5)	(25.4)
Charges for the use of the electric network and connection	(514)	(5.2)	(461)	(5.2)	11.5
Other operational costs	(2,016)	(20.6)	(1,491)	(17.0)	35.0
Cost of services provided	(29)	(0.2)	(25)	(0.3)	16.0
	(5,653)	**(57.6)**	**(4,876)**	**(55.4)**	**15.9**
GROSS PROFIT	**4,151**	**42.4**	**3,919**	**44.6**	**5.9**
Operating Revenues (expenses)					
Sales expenses	(27)	(0.3)	(7)	(0.1)	285.7
General and Administrative Expenses	(226)	(2.3)	(201)	(2.3)	12.4
Impairment	(5)	(0.1)	(39)	(0.4)	(87.2)
Other net operating revenues (expenses)	320	3.3	(4)	(0.1)	(8,100.0)
	62	**0.6**	**(251)**	**(2.9)**	**(124.7)**
EARNINGS BEFORE FINANCIAL RESULTS, FROM EQUITY INCOME AND TAXES	**4,213**	**43.0**	**3,668**	**41.7**	**14.9**
Financial result					
Financial revenues	147	1.5	155	1.8	(5.2)
Financial expenses	(1,353)	(13.8)	(854)	(9.8)	58.4
	(1,206)	**(12.3)**	**(699)**	**(8.0)**	**72.5**
Equity income result					
Equity income	81	0.8	(1)	0.0	(8,200.0)
EARNINGS BEFORE TAXES	**3,088**	**31.5**	**2,968**	**33.7**	**4.0**
Income tax and social contribution	(777)	(7.9)	(653)	(7.4)	19.0
NET EARNINGS	**2,311**	**23.6**	**2,315**	**26.3**	**(0.2)**
EARNINGS PER SHARE - BASIC AND DILUTED - IN BRL	**2.83**		**2.84**		

Net operating revenue

In a year-on-year comparison, net operating revenue increased from R$ 8,795 million in 2018 to R$ 9,804 million in 2019, a R$ 1,009 million increase. This was due to the following effects: (i) R$ 494 million increase from energy trading operations; (ii) R$ 333 million increase in the electric energy generation and sales segment of the Company's portfolio, materially caused by (ii.i) a R$ 383 million increase from a larger quantity of energy sold; (ii.ii) R$ 203 million from an increase in average net sales price; (ii.iii) R$ 43 million increase in return on financial assets associated with the payment tranche for the concessions of the Jaguara and Miranda Hydroelectric Power Plants; and (ii.iv) R$ 5 million increase in Generation Assets Management (GAG) revenues from Jaguara and Miranda. These increases were partly mitigated by: (ii.v) reduction in transactions on the short-term market in the amount of R$ 224 million; and (ii.vi) R$ 74 million decrease in revenues from indemnity for business stoppage caused by insurance loss events, and collection of contractual fine for downtime; (iii) R$ 121 million increase in the transmission segment; and (iv) R$ 61 million increase in revenues from the sale and installation of solar panels, consolidation of which began in August 2018. The changes in items (ii.i), (ii.ii) and (ii.v) were affected by a R$ 574.3 million increase due to entry into commercial operation of Pampa Sul, Campo Largo – Phase I and Umburanas – Phase I. Ex- this effect and the effect of the non-recurring transaction indicated in item (ii.vi), net operating revenue from the electric energy generation and sales segment of the Company's portfolio was down R$ 167.7 million (2.1%), in 2019 from 2018.

Generation and sale of energy in the portfolio

- Average net sales price

The average sales price of energy net of charges on revenues was R$ 189.45/MWh, up 4.5% from 2018's R$ 181.23/MWh. These prices do not include the energy trading operations that the Company began to carry out in January 2018.

The price increase was significantly due to the inflation restatement of contracts in force and new contracts through energy trading companies, whose average prices were higher than those of wound-up and existing contracts. This was partly mitigated by the lower average price in the Regulated Contracting Environment (ACR), contracts under which supply commenced since 1Q19, and new contracts with free consumers paying lower prices than under existing contracts.

- Sales volume

In 2019, the sales volume of energy was 37,925 GWh (4,329 MWa), from 36,411 GWh (4,157 MWa) in 2018, up 1,514 GWh (172 MWa), or 4.1%. These volumes do not include energy trading operations.

The increase in sales volume was significantly due to greater sales to distribution companies arising from commencement of service to new energy auctions beginning in 1Q19 and the entry into commercial operations of the Pampa Sul Thermal Power Plant in the end of 2Q19, whose energy is also allocated to serving new energy auctions. This was partly mitigated by the reduction seen in consumption by free customers.

Operating costs

In 2019, operating costs were R$ 5,653 million, up R$ 777 million from 2018's R$ 4,876 million. The change was a reflection of the following factors: (i) a R$ 531 million increase in energy trading operations costs; (ii) a R$ 106 million increase in transmission segment costs; (iii) a R$ 77 million increase in 2019 from 2018 in the costs of the energy generation and sales segment of the Company's portfolio; and (iv) R$ 63 million increase in costs of panel sales and installation booked by EGSD, consolidation of which began in August 2018. Out of the change indicated in item (iii), it is worth underscoring a R$ 429.7 million increase due to entry into commercial operations of Pampa Sul, Campo Largo – Phase I and Umburanas – Phase I. Ex- this effect, the operating costs of the energy generation and sale segment of the Company's portfolio were down R$ 352.6 million (8.4%) in 2019 from 2018.

These changes were essentially due to the behavior of the principal components next:

Amounts in R$ million	Costs by segment on December 31, 2019				
	Generating	Trading	Transmission	Solar panels	Consolidated
Energy purchased	1,562	1,090	-	-	2,652
Unrealized losses on trading operations	-	14	-	-	14
Transactions in the short-term energy market	421	7	-	-	428
Charges for the use of the electric network and connection	514	-	-	-	514
Electric energy production fuels	173	-	-	-	173
Royalties	131	-	-	-	131
Personnel	255	-	-	10	265
Materials and third-party services	277	-	-	16	293
Depreciation and amortization	844	-	-	-	844
Insurances	66	-	-	-	66
Construction costs	-	-	152	-	152
Cost of sales of solar photovoltaic panels	-	-	-	71	71
Other net operating costs	51	-	-	(1)	50
Operational costs	**4,294**	**1,111**	**152**	**96**	**5,653**

Amounts in R$ million	Costs by segment on December 31, 2018				
	Generating	Trading	Transmission	Solar panels	Consolidated
Energy purchased	1,747	578	-	-	2,325
Unrealized losses on trading operations	-	-	-	-	-
Transactions in the short-term energy market	572	2	-	-	574
Charges for the use of the electric network and connection	461	-	-	-	461
Electric energy production fuels	152	-	-	-	152
Royalties	123	-	-	-	123
Personnel	218	-	-	4	222
Materials and third-party services	198	-	-	5	203
Depreciation and amortization	50	-	-	-	650
Insurances	40	-	-	-	40
Construction costs	-	-	45	-	45
Cost of sales of solar photovoltaic panels	-	-	-	23	23
Other net operating costs	56	-	-	2	58
Operational costs	**4,217**	**580**	**45**	**34**	**4,876**

Amounts in R$ million	Costs by segment - 2019 versus 2018				
	Generating	Trading	Transmission	Solar panels	Consolidated
Energy purchased	(185)	512	-	-	327
Unrealized losses on trading operations	-	14	-	-	14
Transactions in the short-term energy market	(151)	5	-	-	(146)
Charges for the use of the electric network and connection	53	-	-	-	53
Electric energy production fuels	21	-	-	-	21
Royalties	8	-	-	-	8
Personnel	37	-	-	6	43
Materials and third-party services	79	-	-	11	90
Depreciation and amortization	194	-	-	-	194
Insurances	26	-	-	-	26
Construction costs	-	-	107	-	107
Cost of sales of solar photovoltaic panels	-	-	-	48	48
Other net operating costs	(5)	-	-	(3)	(8)
Operational costs	**77**	**531**	**107**	**62**	**777**

Generation and sale of energy in the portfolio

- Energy purchased: R$ 185 million decrease in these operations, due significantly to the following: (i) R$ 281 million —1,678.9 GWh (192 MWa) decrease in quantity purchased; and (ii) R$ 96 million — 6.5% increase in average net purchase price, up from R$ 167.09/MWh in to R$ 178.00/MWh in 2019.

The increase in average net purchase price was mainly motivated by the period's inflation restatement. The purchased volume decrease was particularly due to the expansion of the generation complex, with the entry into commercial operations of Campo Largo — Phase I and Umburanas — Phase I.

- Transactions in the short-term energy market: In a year-on-year comparison, costs were down R$ 151 million.

- Grid usage and connection charges: up R$ 53 million, R$ 44 million of which from entry into commercial operation of Campo Largo — Phase I, Umburanas — Phase I and Pampa Sul. In addition, the effect of the annual adjustment of transmission and distribution tariffs also contributed to the increase.

- Electric energy production fuels: up R$ 21 million YoY, due largely to fuel consumption arising from the June 2019 entry into commercial operations of the Pampa Sul Thermal Power Plant, in the amount of R$ 54 million, and the effects of the annual adjustment of fuel costs, at R$ 24 million. These effects were partly mitigated by the 2018 recognition of an additional cost arising from an court-assisted deal with a natural gas supplier, in the amount of R$ 23 million, at the William Arjona Thermal Power Plant (UTWA), and reduced annual fuel consumption at the Jorge Lacerda Thermal Power Plant, in the amount of R$ 9 million. Ex- the effects of entry into commercial operations of Pampa Sul and the additional cost of UTWA, fuels cost would have been down R$ 9 million.

- Financial compensation for the use of water resources (royalties): Up R$ 8 million YoY, mainly as a reflection of increased generation from hydroelectric power plants in 2019 and of the 4.5% adjustment of the Annual Reference Tariff (TAR) in 2019.

- **Personnel:** up R$ 37 million YoY, due largely to new hires and reduced capitalized payroll costs during the construction works of Pampa Sul, Campo Largo – Phase I and Umburanas – Phase I. Addition form these plants was R$ 21 million. Ex- the effects of Pampa Sul, Campo Largo – Phase I and Umburanas – Phase I, the YoY increase was R$ 16 million. The main sources of impact were the annual wage adjustment and new hires.

- **Materials and third-party services:** up R$ 79 million YoY, due largely to a R$ 57 million increase in operation and maintenance costs from new contracts arising from the entry into operation of Pampa Sul, Campo Largo – Phase I and Umburanas – Phase I and to R$ 14 million in maintenance costs at Jaguara and Miranda associated with GAG. Ex- these effects, materials and third-party services costs were up R$ 8 million, due largely to the inflation restatement of contracts in force.

– **Depreciation and amortization:** up R$ 194 million, of which R$ 158 million are mainly associated with the entry into commercial operations of Pampa Sul, Campo Largo – Phase I and Umburanas – Phase I, and R$ 36 million are significantly due to the large maintenance works carried out at the Company's generating complex beginning in the latter half of 2018.

- **Insurance:** up R$ 26 million, of which R$ 8 million are due to the inclusion of insurance coverage for plants entering into commercial operations – Pampa Sul, Campo Largo – Phase I and Umburanas

– Phase I, and R$ 18 million arise from the premium increase upon renewal of the operational risks policy in June 2019.

Solar panels

The increase was due mainly to the following effects: (i) R$ 48 million increase in cost of solar panel sales and installation; (ii) R$ 11 million increase in costs from materials and third-party services; and (iii) R$ 6 million increase in personnel costs. The increases were significantly a result of the acquisition of controlled entity EGSD in August 2018.

Operational Result of the Energy Trading Segment

Gross operational result was down R$ 37 million, from a R$ 35 million profit in 2018 to a R$ 2 million loss in 2019. This was due to the following negative effects: (i) R$ 34 million from marking-to-market; and (ii) R$ 3 million from the results of transactions in the short-term energy market.

Operational Result of the Energy Transmission Segment

- Transmission Revenues: The YoY increase was R$ 121 million, of which: (i) R$ 108 million correspond to increased construction revenues; and (ii) R$ 13 million arise from increased return on contract assets.

- Construction Costs: Construction costs were up R$ 107 million YoY, in connection with the infrastructure construction costs for the Gralha Azul Transmission System, offsetting the booked infrastructure implementation revenues (based on incurred costs), in addition to a gross margin intended to cover construction management costs. The increases were caused by advancing construction works for the Gralha Azul Transmission System.

Details on short-term operations

Short-term operations are defined as energy purchase or sale operations whose main purpose is management of the Company's exposure on the CCEE. The price of these operations is therefore characterized by the linkage with the Differences Settlement Price (PLD). This item also includes the transactions conducted through the CCEE, given the volatile and seasonal - and, therefore, short-term - nature of the results originating from accounting movement in the CCEE. Additionally, long and short positions are settled at the PLD, similarly to the short-term operations described above.

In relation to the transactions conducted through the CCEE, the various monthly credit or debit entries to the account of a CCEE agent are summarized in a single billing as a receivable or a payable. This therefore requires an entry to either an income or an expense item. It is worth pointing out that due to adjustments in the Company's portfolio management strategy, changes have been taking place in the profile of said billings. Such fluctuations complicate the direct comparison of the elements comprising each billing for the periods at hand - the reason for including this specific topic. The strategy allows analyzing the fluctuations of the principal elements involved in spite of allocation being either to an income or expenses account according to the credit or debit nature of the billing to which they relate.

Generically, these elements are revenues or expenses arising, for example, (i) from the application of the Energy Reallocation Mechanism (MRE); (ii) from the Generation Scaling Factor (GSF), triggered when generation of plants, part of the MRE, is smaller or greater (Secondary Energy) than the allocated energy; (iii) from the so-called "submarket risk"; (iv) from dispatch triggered by the Risk Aversion Curve (CAR); (v) the application of System Service Charges (ESS), resulting in dispatch

which diverges from the thermal plants order of merit; and (vi) naturally, exposure (a short or long position in the monthly accounting) and settled at the PLD.

In 2019, accumulated net income from short-term transactions was a positive R$ 279 million, down R$ 76 million from 2018's equally positive R$ 355 million. Of these, R$ 73 million come from transactions in the portfolio energy generation and sale segment and R$ 3 million come from energy trading transactions income.

The reduction mainly reflects a combination of the following events: (i) reduction in short-term operations and in CCEE's long position because of the hydro resources allocation strategy, together with active portfolio management; (ii) reduced negative impact of the MRE Adjustment Factor (GSF) — net of the effects of hydrological risk renegotiation; (iii) negative effect of the price difference between the Northeast and Southeast-Center-West sub-markets YoY; (iv) increased thermal generation YoY; and (v) increase in MRE revenues.

In December 2018, Aneel set the PLD ceiling and floor for 2019 at R$ 513.89/MWh and R$ 42.35/MWh, respectively. The table next shows the average MWh PLDs for the sub-markets in which the Company operates.

Average PLD in R$/MWh	2018	2019	Chg. (%)
South	287.73	227.10	(21.1%)
Southeast/Center-West	287.73	227.10	(21.1%)
Northeast	273.90	166.73	(39.1%)

Operating revenues (expenses)

- Sales, general and administrative expenses: annual sales, general and administrative expenses were up R$ 45 million from 2018 to 2019, from de R$ 208 million in 2018 to R$ 253 million in 2019, due to a combination of the following: (i) a R$ 39 million increase from the Company' s energy generation and sales portfolio segment, due significantly to the following effects: (i.i) an R$ 18 million increase in payroll expenses; (i.ii) non-recurring effect of the 2018 recovery of PIS and Cofins credits from levies on certain materials and third-party services, in the amount of R$ 10 million; and (i.iii) R$ 6 million from increased expenses with materials and services; (ii) a R$ 5 million increase from the solar panels sales and installation segment; and (iii) R$ 1 million from the energy trading segment.

Consolidation of the solar panels sales and installation segment into the Company's accounting statements began in August 2018.

The increases in sales, general and administrative expenses were largely due to, (i) the Company's increased operational capacity with an 8.8% increase in installed capacity from 2018 to 2019, from 8,004.8 MW on December 31, 2018 to 8,710.5 MW on December 31, 2019; (ii) the new market dynamics, driven by the energy transition and improved access to the free market; and (iii) inflation effects on existing contracts and personal expenses YoY. These effects were partly mitigated by reductions in certain expenses, as the Company strives to optimize spending.

- Other net operating revenues (expenses): other net operating revenues (expenses) were up R$ 324 million YoY. In 2019, the Company recognized other net revenues in the amount of R$ 320 million, whereas 2018 saw other net operating expenses in the amount of R$ 4 million. The change was largely due to the recognition, in 3Q19, of other operating revenues from indemnities for breach of contract on the part of the supplier responsible for construction of the Pampa Sul Thermal Power Plant, mainly in association with late conclusion of construction works, in the amount of R$ 321 million. The amount received is contractually stipulated and was ascertained based on the product of the number of days' late delivery of the site and a fixed daily amount. The amount was calculated in such a manner as to compensate the Company for income not realized because of late completion of the construction works.

Financial result

Financial income: Financial revenues were down R$ 8 million YoY, from R$ 155 million in 2018 to R$ 147 million in 2019. The change is basically explained by the following factors: (i) R$ 17 million reduction in interest on accounts receivable, particularly on CCEE amounts; and (ii) R$ 10 million increase in revenue from financial investments due to the larger volume of funds invested, partly mitigated by the decline in interest rates.

Financial expenses: Financial expenses increased from R$ 854 million in 2018 to R$ 1,353 million in 2019, up R$ 499 million. This was mostly a result of the combination of the factors mentioned in the foregoing item, with the main impacts coming from: (i) a R$ 380 million increase in interest expenses and a R$ 69 million increase in monetary restatement and fair-value adjustment of debt, and (ii) increase of R$ 30 million in interest and R$ 14 million in inflation restatement associated with concessions payable.

Equity Income – Gas Transportation

On June 13, 2019, the controlled entity Aliança Transportadora de Gás S.A. (Aliança) acquired a 90% equity stake in Transportadora Associada de Gás S.A. – TAG. The Company had a 32.5% direct equity stake in the jointly-held controlled entity, Aliança, and, therefore, a 29.25% indirect stake in TAG. On September 2, 2019, TAG performed a reverse takeover of Aliança. From that date, the Company has held a 29.25% direct stake in TAG.

In 2019, the Company booked equity income in the amount of R$ 81 million, as follows(i) R$ 273 million in income from the jointly-controlled entity TAG, for a combination of the following effects: (i.i) R$ 779 million from positive Ebitda; (i.ii) R$ 258 million in depreciation e amortization, of which R$ 86 million concern amortization of the goodwill arising from the reverse takeover of Aliança; (i.iii) R$ 160 million in net financial expenses, affected by loans taken by Aliança before the takeover; and (i.iv) R$ 88 million in expenses from income tax and social contribution on earnings; and (ii) R$ 192 million in losses from the jointly controlled entity Aliança until August 2019 (before the reverse takeover), due mainly to a combination of the following: (ii.i) a financial loss of R$ 106 million due mainly to debt charges; (ii.ii) amortization of the goodwill generated by the acquisition of a shared controlling stake in TAG, in the amount of R$ 58 million; (ii.iii) R$ 45 million in non-recurring expenses of with financial, legal, tax, regulatory and other advisors, associated with development of the TAG acquisition project; (ii.iv) positive effect on IR/CSLL expenses in the amount of R$ 20 million; and (ii.v) other general and administrative expenses in the amount of R$ 3 million.

TAG is a jointly-controlled entity of EBE. For this reason, it is not consolidated into the Company's accounting statements, and its effects are recognized under the equity income method.

Income Tax (IR) and Social Contribution on Net Income (CSLL)

These expenses were up R$ 124 million in the year, from R$ 653 million in 2018 to R$ 777 million in 2019, due mainly to increased earnings before taxes and changes made in 2018 to the taxation regime applicable to controlled entities and the decrease in the benefit from interest on shareholders' equity credited to shareholders in 2019 vis-à-vis 2018. The effective IR and CSLL tax rate in 2019 was 25.2%, up 3.2 percentage points from 2018's 22.0%.

h2) Comparative analysis between the results for the fiscal years ending December 31, 2018 and December 31, 2017 prepared pursuant to the IFRS and the CPC:

Amounts in R$ million	2018	% of revenues	2017	% of revenues	2018 versus 2017 (%)
NET OPERATING REVENUES	**8,795**	**100**	**7,010**	**100**	**25.5**
Operational costs					
Energy purchased	(2,325)	(26.4)	(1,746)	(24.9)	33.2
Transactions in the short-term energy market	(574)	(6.5)	(360)	(5.1)	59.4
Charges for the use of the electric network and connection	(461)	(5.2)	(423)	(6.0)	9.0
Electric energy production costs	(1,491)	(17.0)	(1,444)	(20.6)	3.3
Cost of services provided	(25)	(0.3)	(31)	(0.4)	(19.4)
	(4,876)	**(55.4)**	**(4,004)**	**(57.1)**	**21.8**
GROSS PROFIT	**3,919**	**44.6**	**3,006**	**42.9**	**30.4**
Operating Revenues (expenses)					
Sales expenses	(7)	(0.1)	(17)	(0.2)	(58.8)
General and Administrative Expenses	(201)	(2.4)	(179)	(2.6)	12,.3
Impairment	(39)	(0.4)	(18)	(0.3)	116.7
Divestment proceeds	-	-	57	0.8	(100.0)
Other net operating revenues (expenses)	(4)	-	4	0.1	(200.0)
	(251)	**(2.9)**	**(153)**	**(2.2)**	**64.1**
EARNINGS BEFORE FINANCIAL RESULTS, FROM EQUITY INCOME AND TAXES	**3,668**	**41.7**	**2,853**	**40.7**	**28.6**
Financial result					
Financial revenues	155	1.8	223	3.2	(30.5)
Financial expenses	(854)	(9.7)	(450)	(6.4)	89.8
	(699)	**(7.9)**	**(227)**	**(3.2)**	**207.9**
Equity income result					
Equity income	(1)	**-**	(2)	**-**	(50.0)
	2,968	**33.8**	**2,624**	**37.5**	**13.1**
EARNINGS BEFORE TAXES					
Income tax and social contribution	(653)	**(7.4)**	(619)	**(8.8)**	5.3
NET EARNINGS	**2,315**	**26.4**	**2,005**	**28.7**	**15.5**
EARNINGS PER SHARE - BASIC AND DILUTED - IN BRL	**2,84**		**2,45**[5]		

[5] Because of the increase number of shares in 2018 as a result of 163,185,548 new bonus shares to shareholders, "Basic and diluted earnings per share – in R$" for Dec.31, 2017 has been restated to consider the number of common shares of the Company as at Dec.31, 2018 – 815,927,740.

Net operating revenue

Net operating revenue was up from R$ 7,010 million in 2017 to R$ 8,795 million in 2018, an increase of R$ 1,785 million, or 25.5%. The increase was essentially due to: (i) R$ 723 million from energy trading operations, which began in 2018; (ii) R$ 462 million from increased revenues from short-term market operations; (iii) R$ 292 million from financial assets yield and R$ 112 million in GAG revenues from the Jaguara and Miranda Hydroelectric Power Plants; (iv) R$ 85 million due mainly to indemnity revenues for offsetting the negative impact of business disruptions caused by an insurance loss event in the Jorge Lacerda A Thermal Power Plant and the collection of contract penalties for the partial delay of modernization works on one of Salto Santiago Hydroelectric Power Plant's machines and downtime of the Santa Mônica Wind Complex's units; (v) R$ 47 million from infrastructure implementation revenues for the Gralha Azul transmission line; (vi) R$ 37 million from the sale of photovoltaic panels to homes and businesses through controlled entity EGSD, where the controlling stake was acquired in August 2018; (vii) R$ 20 million from the higher net average selling price; and (viii) R$ 15 million due to the greater quantity of energy sold.

- Net average selling price

The average selling price of energy, net of charges on revenues, reached R$ 180.60/MWh in 2018, up 0.1% from 2017's R$ 180.39/MWh. These prices do not include trading operations, which the Company started conducting in January 2018. The slight price increase was significantly due to the monetary restatement of existing contracts and new energy sales agreements with traders at prices in excess of the average of existing or terminated contracts, which effects have been mitigated by the lower net average price of energy sold to free consumers.

- Sales volume

Energy sales volume in 2018 was 35,904 GWh (4,099 aMW), from 35,761 GWh (4,082 aMW) in 2017, up 143 GWh (17 aMW) or 0.4%. These volumes do not include energy-trading operations.

The gains from entry into commercial operation of the Campo Largo Wind Complex – Phase I in 2018 and the sale of the portion of energy traded in the free market from the Jaguara and Miranda Hydroelectric Power Plants more than offset the impacts from the reduced buy-and-sell volumes of the Beberibe and Pedra do Sal Wind Farms and the Areia Branca Small Hydroelectric Power Plant (SHP) in October 2017, leading to the slight YoY gain in sales volumes.

Operational costs

The cost of energy sales and services was R$ 4,876 million, up 21.8%, or R$ 872 million, from 2017's R$ 4,004 million. These changes were essentially due to the behavior of the components next:

- Energy purchased: up R$ 579 million (33.2%) from 2017, due to the following items: (i) R$ 694 million — purchase of 3,131 GWh (358 aMW) allocated to energy trading operations; (ii) R$ 88 million — down 532 GWh (61 aMW) in energy purchases for portfolio-management purposes; and (iii) R$ 27 million — a 1.6% reduction in the net average buying price. The lower net average buying price YoY was largely due to the lower average price of existing contracts.

Ex-energy trading operations effects, energy purchases were down R$ 115 million (6.6%) in 2018.

- Transactions in the short-term energy market: These costs were up R$ 214 million (59.4%) in 2018 from 2017. Additional details can be found in the specific topic ahead.

- Charges for the use of the electric network and connection: up R$ 38 million (9.0%) in 2018 from 2017, due mainly to the annual restatement of transmission tariffs, charges on the parcel of energy from the Jaguara and Miranda Hydroelectric Power Plants traded on the free market, and the 2018 entry into commercial operation of the 11 wind farms of the Campo Largo Wind Complex – Phase I. These changes were partly mitigated by the effects of the stoppage of the William Arjona Thermal Power Plant as a consequence of its becoming economically non-viable because of the rising price of gas.

Cost of electric energy production and services rendered

- Electric energy production fuels: down R$ 302 million (66.5%) YoY, due essentially to the acknowledgment of a court-assisted deal with the natural gas supplier in a lawsuit regarding the fuel price gap between September 2014 and June 2017. In 2018, consumption of coal increased because of the limitation on coal refunds from the Energy Development Account (CDE) as per Aneel Resolution No. 801, of 12.19.2017, which mitigated the effects of the foregoing booking of the deal with the natural gas supplier.

- Financial compensation for the use of water resources (royalties): up R$ 6 million (5.0%) in 2018 from 2017, mainly as a reflection of increased hydroelectric power plant generation in the periods at hand, the 2018 booking of obligations in connection with the Jaguara and Miranda Hydroelectric Power Plants, and the 2.5% adjustment of the Annual Reference Tariff (TAR) in 2018.

- Personnel: up R$ 4 million (1.8%) in 2018 from 2017, due largely to the annual restatement of employee wages and benefits and to new hires, including the personnel of EGSD Solar, which was fully acquired in August 2018 and whose payroll expenses were R$ 3 million in August—December 2018. The increase was partly offset by the 2018 booking of the recovery of PIS and Cofins credits on certain operating payroll expenses in the amount of R$ 5 million.

- Depreciation and amortization: up R$ 10 million (1.5%) YoY, due mainly to the following: (i) intangible asset amortization associated with the acquisition, in late 2017, of the Jaguara and Miranda Hydroelectric Power Plants; and (ii) entry into commercial operations of the Campo Largo Wind Complex – Phase I in 2018. The increase was partly mitigated by the following: (i) final depreciation of major maintenance works from previous periods on the Jorge Lacerda Thermal Power Complex; and (ii) disposal of the Beberibe and Pedra do Sal Wind Farms and the Areia Branca Small Hydroelectric Power Plant, in October 2017.

- Net operational provisions: a negative effect of R$ 244 million (101.5%) YoY. The change is a result of the reversal of the provision against losses in the 2017 sale of fuel oil from the Alegrete Thermal Power Plant, which is in the process of being returned to the Government and, mainly, the entry into and court certification of a natural gas price deal between the Company and its supplier for the fuel, leading to the reversal of the amount booked as provisions in the second quarter of 2017 – R$ 219 million – and its recognition as fuel cost for electric energy production.

- Transmission infrastructure implementation cost: booking of R$ 45 million in 2018 relative to the infrastructure construction costs for the Gralha Azul transmission line, offset against the booking of infrastructure implementation revenues ascertained based on the costs incurred, plus the gross margin intended to cover construction management costs

- Cost of sales of solar photovoltaic panels: booking of R$ 23 million in 2018 for costs associated with the sale of solar photovoltaic panels to homes and businesses by means of controlled entity EGSD, in which control was acquired in August 2018.

Details of short-term operations

Short-term operations are defined as energy purchase or sale operations whose main purpose is management of the Company's exposure on the CCEE. The energy price of these operations is therefore characterized by the linkage with the Differences Settlement Price (PLD). This item also includes the transactions conducted through the CCEE, given the volatile and seasonal - and, therefore, short-term - nature of the results originating from accounting movement in the CCEE. Additionally, long and short positions are settled at the PLD, similarly to the short-term operations described above.

In relation to the transactions conducted through the CCEE, the various monthly credit or debit entries to the account of a CCEE agent are summarized in a single billing as a receivable or a payable. This therefore requires an entry to either an income or an expense item. It is worth pointing out that due to adjustments in the Company's portfolio management strategy, changes have been taking place in the profile of said billings. Such fluctuations complicate the direct comparison of the elements comprising each billing for the periods at hand - the reason for including this specific topic. The strategy allows analyzing the fluctuations of the principal elements involved in spite of allocation being either to an income or expenses account according to the credit or debit nature of the billing to which they relate.

Generically, these elements are revenues or expenses arising, for example, (i) from the application of the Energy Reallocation Mechanism (MRE); (ii) from the adjustment factor of the assured energy, Generation Scaling Factor (GSF), triggered when generation of plants, which are part of the MRE, is smaller or greater (Secondary Energy) than the allocated energy; (iii) from the so-called "submarket risk"; (iv) from dispatch triggered by the Risk Aversion Curve (CAR); (v) the application of System Service Charges (ESS), resulting in dispatch which diverges from the thermal plants order of merit; and (vi) naturally, exposure (a short or long position in the monthly accounting) which will be settled at the PLD.

In fiscal year 2018, net income (the difference between revenues and costs – with taxes deducted), from short-term transactions was a positive R$ 355 million, up R$ 248 million from the also positive R$ 107 million in 2017. The increase is mainly a reflection of (i) increased revenue, net of purchases, from short-term operations intended to manage the CCEE position and the impact of the re-booking of the William Arjona Thermal Power Plant; (ii) lower impact from the MRE Adjustment Factor (GSF), net of the effects of the hydrological risk renegotiation; and (iii) reduction of the long CCEE position arising from the hydrological resources allocation strategy and the lower PLD in the fourth quarter, compared to the same period in 2017.

In December 2017, Aneel set the PLD ceiling and floor for 2018 at R$ 505/MWh and R$ 40/MWh, respectively. The average PLD of the South and Southeast/Center-West submarkets was down 10.25% YoY, from R$ 320 to R$ 288.

Financial result

Financial income: In a comparison of 2017 and 2018, financial revenues were down R$ 68 million (30.5%), from R$ 223 to R$ 155 million. This is essentially due to the following: (i) R$ 85 million decrease in revenues from financial investments because of the lower volume of funds invested and the dropping interest rates; (ii) R$ 26 million increase in interest on accounts receivable, mainly in connection with CCEE amounts; (iii) lower interest on R$ 7 million in income tax and social

contribution outstanding from previous years; and (iv) R$ 3 million decrease in monetary restatement of court deposits.

Financial Expenses: Expenses were up from R$ 450 million to R$ 854 million YoY, that is, R$ 404 million (89.8%), a product of the combination of the following main changes: (i) R$ 201 million increase in interest and restatement on concessions payable, given 2018's higher inflation indices; (ii) R$ 191 million increase in interest and restatement of debts, due mainly to the debentures issue of Companhia Energética Jaguara and Companhia Energética Miranda, in June 2018, as well as by ENGIE Brasil Energia in July 2018, and on recently taken loans; and (iii) booking of R$ 18 million in 2018 in restatement of other amounts payable.

Income Tax (IR) and Social Contribution on Net Income (CSLL)

IR and CSLL expenses in 2018 were up R$ 34 million (5.3%), from R$ 619 million in 2017 to R$ 653 million, due mainly to the higher earnings before taxes, partly mitigated by controlled entities taxation rules changes in 2018.

h.3) Comparison of the balance sheets of December 31, 2019, 2018 and 2017, prepared pursuant to the IFRS and CPC

	ASSETS							
Amounts in R$ million	12.31.2019	%	12.31.2018	%	12.31.2017	%	12.31.2019 versus 12.31.2018 (%)	12.31.2018 versus 12.31.2017 (%)
CURRENT ASSETS								
Cash and cash equivalents	3,870	12.8	2,416	10.2	1,930	9.9	60.2	25.2
Client accounts receivable	1,451	4.8	1,181	5.0	1,058	5.4	22.9	11.6
Income tax and social contribution credit	167	0.6	99	0.4	12	0.1	68.7	725.0
Insurance indemnity receivable	11	-	75	0.3	22	0.1	(85.3)	240.9
Inventories	221	0.7	126	0.5	98	0.5	75.4	28.6
Unrealized gains from hedges	115	0.4	3	-	4	-	3,733.3	(25.0)
Unrealized gains from trading operations	289	1.0	116	0.5	-	-	149.1	-
Restricted deposits	5	-	9	-	15	0.1	(44.4)	(40.0)
Hydrological risk renegotiation to appropriate	15	-	15	0.1	26	0.1	-	(42.3)
Concession financial asset	296	1.0	278	1.2	302	1.5	6.5	(7.9)
Other current assets	301	1.1	225	0.9	263	1.3	33.8	(14.4)
	6,741	**22.4**	**4,543**	**19.1**	**3,730**	**19.0**	**48.4**	**21.8**
Non-current assets held for sale	5	-	14	0.1	6	-	(64.3)	133.3
	6,746	**22.4**	**4,557**	**19.2**	**3,736**	**19.0**	**(15.9)**	**22.0**
NON-CURRENT ASSETS								
Long-term assets								
Unrealized gains from hedges	312	1.0	256	1.1	14	0.1	21.9	1,728.6
Unrealized gains from trading operations	43	0.1	44	0.2	-	-	(2.3)	-
Restricted deposits	381	1.3	232	1.0	231	1.2	64.2	0.4
Court deposits	103	0.3	98	0.4	101	0.5	5.1	(3.0)
Hydrological risk renegotiation to appropriate	115	0.4	131	0.6	145	0.7	(12.2)	(9.7)
Concession financial asset	2,412	8.0	2,318	9.8	2,245	11.5	4.1	3.3
Contract assets	218	0.7	48	0.2	-	-	354.2	-
Right-of-use assets	162	0.5	-	-	-	-	-	-
Other non-current assets	68	0.2	103	0.4	91	0.5	(34.0)	13.2
	3,814	**12.5**	**3,230**	**13.7**	**2,827**	**14.5**	**18.1**	**14.3**
Investments	**2,949**	**9.8**	**-**	**-**	**19**	**0.1**	**-**	**(100.0)**
Property, plants and equipment	**15,330**	**51.0**	**14,635**	**61.6**	**11,678**	**59.7**	**4.7**	**25.3**
Intangible	**1,297**	**4.3**	**1,313**	**5.5**	**1,309**	**6.7**	**(1.2)**	**0.3**
	23,390	**77.6**	**19,178**	**80.8**	**15,833**	**81.0**	**22.0**	**21.1**
TOTAL	**30,136**	**100.0**	**23,735**	**100.0**	**19,569**	**100.0**	**27.0**	**21.3**

	LIABILITIES AND SHAREHOLDERS EQUITY							
Amounts in R$ million	12.31.2019	%	12.31.2018	%	12.31.2017	%	12.31.2019 versus 12.31.2018 (%)	12.31.2018 versus 12.31.2017 (%)
CURRENT LIABILITIES								
Suppliers	765	2.5	588	2.5	617	3.2	30.1	(4.7)
Dividends and interest on shareholders equity	1,198	4.0	2,137	9.0	1,301	6.6	(43.9)	64.3
Loans and financing	1,638	5.4	455	1.9	948	4.8	260.0	(52.0)
Debentures and promissory notes	1,204	4.0	210	0.9	2,128	10.9	473.3	(90.1)
Leases payable	20	0.1	-	-	-	-	-	-
Income tax and social contribution payable	176	0.6	102	0.4	181	0.9	72.5	(43.6)
Other tax and regulatory liabilities	105	0.3	104	0.4	94	0.5	1.0	10.6
Payroll liabilities	106	0.4	100	0.4	95	0.5	6.0	5.3
Unrealized losses from trading operations	258	0.9	98	0.4	-	-	163.3	-
Concessions payable	145	0.5	85	0.4	67	0.3	70.6	26.9
Provisions	9	-	9	-	12	0.1	-	(25.0)
Retirement benefit liabilities	43	0.1	35	0.1	31	0.2	22.9	12.9
Other current liabilities	313	1.0	247	1.0	203	1.0	26.7	21.7
	5,980	**19.8**	**4,170**	**17.4**	**5,677**	**29.0**	**43.4**	**(26.5)**
NON-CURRENT LIABILITIES								
Loans and financing	7,181	23.8	5,855	24.7	2,868	14.7	22.6	104.1
Debentures	4,740	15.7	3,200	13.5	812	4.1	48.1	294.1
Leases payable	114	0.4	-	-	-	-	-	-
Unrealized losses from trading operation	21	0.1	19	0.1	-	-	-	-
Concessions payable	3,091	10.3	2,766	11.7	2,433	12.4	11.7	13.7
Provisions	288	1.0	89	0.4	78	0.4	223.6	14.1
Retirement benefit liabilities	364	1.2	284	1.2	281	1.4	28.2	1.1
Deferred income tax and social contribution	941	3.1	769	3.2	508	2.6	22.4	51.4
Other non-current liabilities	417	1.3	263	1.1	77	0.4	58.6	241.6
	17,157	**56.9**	**13,245**	**55.9**	**7,057**	**36.0**	**29.5**	**87.7**
SHAREHOLDERS EQUITY								
Equity capital	4,903	16.3	4,903	20.7	2,829	14.6	-	73.3
Profit reserves	1,173	3.9	1,029	4.4	2,964	15.1	14.0	(65.3)
Proposed capital increase and dividends	950	3.2	77	0.3	637	3.3	1,133.8	(87.9)
Adjustments to equity valuation	(31)	(0.1)	307	1.3	401	2.0	(110.1)	(23.4)
	6,995		**6,316**		**6,831**		**10.8**	**(7.5)**
Non-controlling shareholder stake	4	-	4	-	4	-	-	-
	6,999	**23.3**	**6,320**	**26.7**	**6,835**	**35.0**	**10.7**	**(7.5)**
TOTAL	**30,136**	**100.0**	**23,735**	**100.0**	**19,569**	**100.0**	**27.0**	**21.3**

Comments on significant variations between the balance sheets as of 12.31.2019 and 12.31.2018

Current assets

Cash and cash equivalents

The R$ 1,454 million increase was mainly the result of a combination of the following: (i) R$ 6,730 million – funding from loans and financings and debenture issues; (ii) R$ 4,690 million – cash generated by the Company's operations; and (iii) R$ 351 million – dividends received from a jointly-controlled entity (TAG). These positive effects were partly mitigated by the following: (i) R$ 3,487 million – capital increases in controlled and jointly-controlled entities, as well as investment and project acquisitions; (ii) R$ 2,753 million – payments on loans, financings, debentures and interest on debt; (iii) R$ 2,261 million – payment of dividends and interest on shareholders' equity, including income tax withholdings; (iv) R$ 1,094 million – investment in fixed and intangible assets, net of indemnity for breach of contract associated with the late conclusion of the Pampa Sul Thermal Power Plant; (v) R$ 489 million – income tax and social contribution paid; (vi) R$ 132 million – debt-service banking reserve deposits; and (vii) R$ 96 million – concession and lease payments.

Client accounts receivable

The R$ 270 million increase is due mainly to the following: (i) R$ 84 million – sale of portfolio energy to distribution companies, of which R$ 57 million from entry into commercial operations of Pampa Sul; (ii) R$ 74 million – trading operations; (iii) R$ 49 million – solar panels sales and installation through controlled entity EGSD; (iv) R$ 36 million increase in sales to energy traders; and iv) R$ 32 million – transactions in the short-term energy market.

Inventories

The R$ 95 million increase is significantly due to R$ 39 million in advances to the coal company hired to supply the Pampa Sul Thermal Power Plant and R$ 38 million invested by controlled entity EGSD in the acquisition of solar panels.

Unrealized gains from hedge operations **– current and non-current**

This entry includes unrealized gains from fair-value hedge operations. These include swaps entered into concomitantly with foreign currency-denominated loans to protect the entirety of future principal and interest flows against currency oscillations, as well as those entered into by controlled entities Jaguara and Miranda to protect the entirety of the debentures' future principal and interest payment flows against DI rate changes. The R$ 168 million increase in current and non-current assets is mainly due to the effects of the change in the US Dollar exchange rate, of the operations' fair value, and of new debt taken internationally that have been fully hedged by means of swaps.

Unrealized gains from trading operations **– current and non-current**

The R$ 172 million increase in current and non-current assets, concerns unrealized gains from open positions in trading operations, arising from YoY changes in the market value of energy.

Pledge deposits **– current and non-current**

The R$ 145 million increase, in current and non-current assets, is mainly due to reserve deposits kept as guarantee against the financing taken for controlled entities Pampa Sul Thermal Power Plant and Campo Largo Wind Complex – Phase I.

Financial concession asset – **current and non-current**

The R$ 112 million change in current and non-current assets is largely explained by the following: (i) recognition of R$ 383 million in interest and inflation restatement; and (ii) R$ 271 million in receipts.

Non-current assets

Long-term assets

Unrealized gains from hedge operations

Changes in this line are described in "Unrealized gains from hedge operations", under the heading "Current assets".

Unrealized gains from trading operations

Changes in this line are described in "Unrealized gains from trading operations", under the heading "Current assets".

Pledge deposits

Changes in this line are described in "Pledge deposits", under the heading "Current assets".

Financial concession asset

Changes in this line are described in "Financial concession asset", under the heading "Current assets".

Contract asset

The R$ 170 million increase is largely due to the recognition of revenues from infrastructure implementation in the amount of R$ 155 million and of interest and inflation restatement in the amount of R$ 15 million.

Right-to-use assets

The R$ 162 million increase is largely due to the initial recognition from application of CPC 06 (R1) – Lease Operations, of R$ 120 million, plus inflows from new agreements entered into in 2019, at R$ 50 million. These effects were partly mitigated by the depreciation of rights to use assets in 2019, in the amount of R$ 8 million.

Investments

The R$ 2,949 million increase in the investments balance is due largely to the effects of the acquisition of Transportadora Associada de Gás S.A. ("TAG"), which is described in greater detail in item 10.3. The operation, as well as the results of the jointly-controlled entity in 2019, had the following positive effects on the balance of investments: (i) R$ 3,470 million acquisition price; and (ii) R$ 81 million from the company's FY 2019 income. These were partly mitigated by the following: (i) R$ 351 million in dividends received; and (ii) R$ 251 million through other comprehensive results.

Fixed assets

The R$ 695 million increase is due mainly to the following: (i) asset acquisitions in the amount of R$ 1,234 million; (ii) provision for asset demobilizations in the amount of R$ 187 million; and (iii) capitalization of R$ 152 million in interest and inflation restatement on loans, financings and debentures. These effects were partly offset by the following: (i) R$ 802 million in depreciation; and (ii) R$ 72 million in indemnities for breach of contract.

Current liabilities

Suppliers

The R$ 177 million increase is largely explained by: (i) R$ 111 million increase from fixed and intangible assets suppliers; (ii) R$ 66 million from materials and services suppliers; and (iii) R$ 63 million from energy trading operations. These additions were partly mitigated by an R$ 89 million reduction in the balance of purchased electric energy.

Dividends and interest on shareholders' equity

The R$ 939 million decrease is largely due to payment of dividends and interest on shareholders'' equity in the amount of R$ 2,202 million. This was partly mitigated by the R$ 1,275 million approved for payment. The amounts do not include income tax withheld on interest on shareholders' equity, which is booked in the "Income tax and social contribution payable" line.

Loans and financings – current and non-current

The R$ 2,509 increase in the current and non-current loans and financings line is essentially due to: (i) new loans and financings taken in the amount of R$ 2,665 million; and (ii) R$ 616 million in interest, inflation restatements, currency exchange restatements and fair-value adjustments. These effects were partly mitigated by interest and principal amortizations in the amount of R$ 772 million.

Debentures – current and non-current

The R$ 2,534 million increase in current and non-current liabilities is largely explained by the following: (i) debentures issued in the total amount of R$ 4,065 million, (ii) R$ 426 million in interest, inflation restatement and fair-value adjustment; and (iii) reduction from the amortization of R$ 1,957 million in principal and interest.

Leases payable – current and non-current

The R$ 134 million balance breaks down into: (i) R$ 89 million – effect of the initial adoption in 2019; (ii) R$ 50 million in new leases; and (iii) R$ 12 million in interest. These effects were partly mitigated by R$ 17 million in payments made in 2019.

Unrealized losses from trading operations – current and non-current

The R$ 162 million change is due to YoY changes in the market value of energy.

Concessions payable– current and non-current

The R$ 385 million increase in current and non-current liabilities is due to the following: (i) R$ 465 million in interest and inflation restatement; and (ii) amortizations in the amount of R$ 80 million.

Provisions – current and non-current

The R$ 199 million increase is due mainly to the recognition of R$ 187 million in assets demobilization and R$ 7 million in inflation restatement of existing provisions. In 2019, the Company recognized a provision for costs with the demobilization of its wind farms based on estimates and assumptions for discount rates and the expected cost of demobilization and removal at the end of the plants' authorized period.

Other liabilities – current and non-current

The R$ 220 million increase is largely due to the following: (i) R$ 136 million in reimbursements to distribution companies as provided in the electric energy agreements entered into in the regulated contracting environment; (ii) R$ 61 million for unrealized losses in fair-value hedge operations; and (iii) R$ 10 million in increased R&D obligations.

Non-current liabilities

Loans and financings

Changes in this line are described in "Loans and financings" under the heading "Current liabilities".

Debentures

Changes in this line are described in "Debentures" under the heading "Current liabilities".

Leases payable

Changes in this line are described in "Leases payable" under the heading "Current liabilities".

Unrealized losses from trading operations

Changes in this line are described in "Unrealized losses in trading operations", under "Current liabilities".

Concessions payable

Changes in this line are described in "Concessions payable", under "Current liabilities".

Provisions

Changes in this line are described in "Provisions", under "Current liabilities".

Deferred income tax and social contribution

The R$ 172 million increase is essentially due to a combination of the following impacts on deferred taxes: (i) return on the financial concession asset; (ii) revenues from the Concession Bonus Return (RBO); (iii) accelerated depreciation due to entry into commercial operations of the Campo Largo Wind Complex and part of the Umburanas Wind Complex; (iv) effects of unrealized gains from hedge and trading operations; (v) capitalized financial charges; (vi) obligations arising from retirement benefits; and (vii) amortization of the difference between fiscal and accounting intangibles of the concession bonus paid.

Shareholders' equity

The R$ 679 million increase is substantially due to a combination of the following: (i) FY 2019 net income of R$ 2,311 million; (ii) R$ 1,325 million in dividends and interest on shareholders' equity credited; (iii) R$ 251 million decrease in comprehensive income from jointly controlled entities; (iv) re-measuring of retirement obligations in the amount of R$ 58 million; (v) R$ 6 million in unclaimed dividends and interest on shareholders' equity; and (vi) fair-value adjustment of the cash-flow hedge of controlled entities for a R$ 4 million reduction.

Comments on significant variations between the balance sheets as of 12.31.2018 and 12.31.2017

Current assets

Cash and cash equivalents

The R$ 486 million increase was mainly the result of a combination of the following: (i) R$ 3,147 million – revenues from operating activities; (ii) R$ 2,397 million – loans and financing; and (iii) R$ 2,486 million – debentures issued by the Company and controlled entities Jaguara and Miranda. These positive effects were partly mitigated by the following cash-consuming effects: (i) R$ 3,306 million – investment in fixed and intangible assets; (ii) R$ 2,290 million – repayment of the promissory notes issued by controlled entities Jaguara and Miranda and of loans and financing agreements; and (iii) payment of dividends and interest on shareholders' equity, including R$ 1,990 million in income tax withheld.

Client accounts receivables

The R$ 123 million increase is mainly due to trading operations, which began in January 2018 – R$ 66 million, and the sale of solar photovoltaic panels by means of controlled entity EGSD – R$ 26 million.

Income tax and social contribution credit

The R$ 87 million increase is mainly due to excess income tax and social contribution payments over the course of 2018 and to be recovered over the course of 2019.

Insurance indemnity receivable

The R$ 53 million change mainly concerns the booking of indemnity receivable for the negative impacts of the stoppage at the Jorge Lacerda A Thermal Power Plant (UTLA) caused by an insurance loss event.

Unrealized gains from hedge operations

The change in this item is described in "Unrealized gains from hedge operations" in the "Non-current assets" item.

Unrealized gains from trading operations

In January 2018, the company joined the energy trading market as a means to derive income from changes in energy process, within the risk and counterparty constraints previously established by Management. Trading operations are conducted on an active market and booked at fair income value, based on the difference between the contractual price and the market price of outstanding contracts on the date as-of the balance sheet. The R$ 160 million balance, R$ 116 million as current assets and R$ 44 million as non-current, concerns unrealized gains from open trading positions as of 12.31.2018

Financial concession asset

The change in this item is described in the "Financial concession asset" sub-item, "Nun-current assets" item.

Non-current assets

Long-term assets

Unrealized gains from hedge operations

This item covers unrealized gains from hedge operations at fair value. These operations include swaps taken respective to foreign currency-denominated loans as a means to hedge the entirety of the future principal and interest payment flows against changes in the Us Dollar/Brazilian Real exchange rate, as well as transactions entered into by controlled entities Jaguara and Miranda to hedge the entirety of principal and interest payment flows of the debentures against DI rate changes. The R$ 241 million increase in current and non-current assets is mainly due to entry into new swap operations over the course of 2018 and the appreciation of the US Dollar in the same year.

Unrealized gains from trading operations

The change in this item is described in sub-item "Unrealized gains from trading operations", item "Current assets".

Financial concession asset

The R$ 48 million change in current and non-current assets is largely explained by the following events: (i) recognition of R$ 340 million in interest and inflation restatement; and (ii) R$ 292 million received.

Fixed assets

The R$ 2,957 million increase is mainly due to the following items: (i) acquisition of assets in the amount of R$ 3,315 million; (ii) R$ 610 million in depreciation; (iii) capitalization of R$ 294 million in interest and restatement of loans, financing agreements and debentures; (iv) transfer of the William Arjona assets to non-current assets held for sale, in the amount of R$ 38 million; and (v) R$ 4 million in written-off assets.

Current liabilities

Dividends and interest on shareholders' capital

The R$ 836 million increase is significantly due to the following items: (i) dividends and interest on shareholders' equity approved in 2018, in the amount of R$ 2,773 million; (ii) payment of R$ 1,927 million in dividends and interest on shareholders' equity; and (iii) transfer of unclaimed dividends in the amount of R$ 10 million to other current liabilities.

Loans and financing

The change in this item is described in sub-item "Loans and financings", item "Non-current liabilities".

Debentures and promissory notes

The change in this entry is described in sub-item "Debentures", item "Non-current liabilities".

Income tax and social contribution payable

The R$ 79 million decrease is due mainly to made in 2018 in excess of the income tax and social contribution tax bills ascertained based on the real earnings of 2018 (taxable earnings).

Unrealized losses from trading operations

The balance of R$ 117 million, of which R$ 98 million in current liabilities and R$ 19 million in noncurrent liabilities, concerns unrealized losses from open trading positions as of 12.31.2018.

Concessions payable

The change in this entry is described in sub-item "Concessions payable", item "Non-current liabilities".

Other current liabilities

The change in this entry is described in sub-item "Other liabilities", item "Non-current liabilities".

Non-current liabilities

Loans and financings

The R$ 2,494 million increase in current and non-current liabilities is explained by the following: (i) entry into loans and financings in the amount of R$ 2,397 million with the main purpose of financing construction of the Campo Largo Wind Complex – Phase I, Pampa Sul and Assú V, as well as of managing cash flow to continue implementing the Company's business plan; (ii) R$ 411 million in financial charges and exchange rate variations; and (iii) R$ 220 million in capitalized interest and restatement. The increase was mitigated by: (i) R$ 518 million in principal repayments and interest payments; and (ii) a fair-value adjustment of R$ 16 million.

Debentures

The R$ 470 million change in current and non-current liabilities is significantly due to the following events leading to a higher balance: (i) R$ 2,486 in debentures issued by the Company and controlled entities Jaguara and Miranda; (ii) R$ 202 million in financial charges; (iii) R$ 75 million in capitalized interest and restatement; and (iv) fair-value adjustment of R$ 11 million. The increase was mitigated by R$ 2,304 million in principal and interest payments.

Unrealized losses from trading operations

The change in this entry is described in sub-item "Unrealized losses from trading operations", item "Current liabilities".

Concessions payable

The R$ 351 million increase in current and non-current liabilities is due to: (i) R$ 422 million in interest and restatement; and (ii) R$ 71 million in amortizations.

Deferred income tax and social contribution

The R$ 261 million increase is basically due to the combination of the following impacts on deferred tax bills: (i) capitalized financial charges; and (ii) unrealized gains from hedge and trading operations.

Other liabilities

The R$ 230 million increase is significantly due to the following items: (i) booking of amounts payable as a result of mandatory purchase of coal belonging to CDE and under the Company's management on the as-of date of 12.31.2016, to be liquidated over a period of 5 years; (ii) increase in unrealized losses from fair-value hedge operations; and (iii) research and development liabilities.

Shareholders' equity

The R$ 515 million decrease is significantly due to a combination of the following: (i) FY2018 net income of R$ 2,315 million; (ii) R$ 2,197 million in interim dividends and interest on shareholders' equity credited; and (iii) approval of R$ 637 million in proposed dividends payout for 2017.

10.2 Management's comments on:

a. The Company's operational results, in particular:

(i) description of any material components of revenues

The Company's net operating revenue breaks down as follows:

	12.31.2019		12.31.2018		12.31.2017	
R$ million	**Value**	**%**	**Value**	**%**	**Value**	**%**
NET OPERATING REVENUE						
Electric energy distribution companies	3,293	33.6	2,722	30.9	2,687	38.3
Free consumers	3,164	32.3	3,020	34.4	3,162	45.1
Electric energy traders	728	7.4	857	9.7	601	8.6
Transactions in the short-term market	699	7.1	923	10.5	467	6.7
Remuneration on concession financial assets	383	3.9	340	3.9	48	0.7
Revenue from services provided	116	1.2	112	1.3	-	-
Other revenues	45	0.5	121	1.4	45	0.6
Generation and sale of electric energy from the portfolio	**8,428**	**86.0**	**8,095**	**92.1**	**7,010**	**100.0**
Energy trading operations	1,102	11.2	610	6.9	-	-
Transactions in the short-term market	7	0.1	5	0.1	-	-
Energy trading	**1,109**	**11.3**	**615**	**7.0**	**-**	**-**
Transmission infrastructure installation revenue	155	1.5	47	0.5	-	-
Return on contract asset	14	0.2	1	0.0	-	-
Transmission	**169**	**1.7**	**48**	**0.5**	**-**	**-**
Solar panels	**98**	**1.0**	**37**	**0.4**	**-**	**-**
	9,804	**100.0**	**8,795**	**100.0**	**7,010**	**100.0**

Comparative analysis of material variations in the components of net operating revenues between the fiscal years ending on December 31, 2019 and December 31, 2018

Generation and sale of electric energy in the portfolio

Electric energy distribution companies

Revenues in FY 2019 were R$ 3,293 million, up R$ 571 million (21.0%) from 2018's R$ 2,722 million. The increase is explained as follows: (i) R$ 592 million —2,694 GWh (307 MWa) increase in quantity sold; and (ii) R$ 21 million —0.8% reduction in net selling price.

The increase in energy sales volume was largely due to commencement of supply in connection with new energy auctions from the Ferrari Thermal Power Plants, the wind farms comprising the Campo Largo – Phase I, Umburanas – Phase I and Trairí Wind Complexes, whose energy was allocated to the regulated market beginning in 1Q19, and Pampa Sul.

The price drop was due to lower average prices in the auctions mentioned above, in agreements under which supplies began in 1Q19; these were partly offset by inflation restatement of existing agreements and the average price of energy sold from Pampa Sul, which exceeds the average of existing agreements.

Free consumers

In FY 2019, revenues from sales to free consumers were R$ 3,164 million, up R$ 144 million (4.8%) from 2018's R$ 3,020 million. The increase is due to the following: (i) R$ 134 million — 4.4% increase in average net selling price; and (ii) R$ 10 million — 57 GWh (6 MWa) increase in the volume of energy sold.

The price increase was mainly due to inflation restatement of existing agreements, partly offset by new contracts at lower average prices than the average of existing or expired contracts.

The increase in the quantity of energy sold is due to increased sales volumes to industrial customers, some of which migrated profiles from traders to free consumers. This was partly offset by lower consumption vis-à-vis the quantities agreed.

Electric energy traders

Revenues from sales to energy traders was R$ 728 million, down R$ 129 million (15.0%) from 2018's R$ 857 million. The reduction was a result of a combination of the following: (i) R$ 219 million —1,237 GWh (141 MWa) decrease in the volume of energy sold; and (ii) R$ 90 million —10.5% increase in the average net selling price.

The decrease in the quantity of energy sold was mainly due to the migration of a share of clients that formerly purchased energy from traders to the free-consumer profile. This was partly mitigated by increased consumption by other clients.

The price increase was essentially due to new contracts at higher prices than the average of existing or expired contracts, and to the inflation restatement of existing contracts.

Short-term market transactions

In FY 2019, revenues from short-term transactions were down R$ 224 million (24.3%) YoY, from R$ 923 million in 2018 to R$ 699 million in 2019. This does not include short-term market transactions within the context of energy-trading operations, which are discussed ahead in a specific item. Additional details on these operations and changes are provided in item "10.1.h.1", under the heading "Details on short-term operations".

Return on financial concession assets

Financial concession assets represent the present value of the future cash flows of the energy parcel allocated to the Regulated Contracting Environment (ACR) from the Jaguara and Miranda Hydroelectric Power Plants, equal to 70% of the Plants' physical guarantee. These assets yield returns at the internal rate of return and the change in the (IPCA) price index.

Return on financial concession assets increased from R$ 340 million in 2018 to R$ 383 million in 2019, up R$ 43 million (12.6%). This was largely due to the increased average balance of the assets and the change in the IPCA inflation index YoY.

Other revenues

In FY 2019, other revenues were down R$ 76 million (62.8%) from the year before, from R$ 121 million in 2018 to R$45 million in 2019. The reduction is due to the indemnity for business stoppage arising from insurance loss events and the receipt of a penalty for breach of contract associated with the Company's downtime in 2018.

Energy trading and Transmission

Results from the trading and transmission segments are discussed in item 10.1 hereof.

Solar panels

The R$ 61 million increase, from R$ 37 million in 2018 to R$ 98 million in 2019, is mainly due to the recognition of revenues from the sale of solar panels to homes and businesses through controlled entity ENGIE Geração Solar Distribuída S.A. A controlling stake in the company was acquired in August 2018, from which point the controlled entity became consolidated into the company's statements.

Comparative analysis of material variations in the components of net operating revenues between the fiscal years ending on December 31, 2018 and December 31, 2017

Generation and sale of portfolio energy

Electricity distribution companies

Revenues in 2018 were R$ 2,722 million, increase of R$ 35 million (1.3%) from FY2017's R$ 2,687 million. The increase is due to a combination of the following: (i) R$ 53 million —2.0% increase in the net average selling price; and (ii) R$ 18 million — 85 GWh (10 aMW) decrease in quantity sold, due mainly to reductions arising from the Surpluses and Deficits Compensation Mechanism (MCSD). The higher net average selling price YoY was mainly a product of the restatement of existing contracts.

Free consumers

In 2018, revenues from sales to free consumers were R$ 3,020 million, down R$ 142 million (4.5%) from 2017's R$ 3,162 million. The decrease is explained as follows: (i) R$ 86 million —2.7% decrease in the net average price of energy sold; and (ii) R$ 56 million – 348 GWh (40 aMW) decrease in the volume of energy sold.

The YoY quantitative decrease was mainly a result of reduced consumption from industrial clients. The drop in price was mainly a result of lower prices charged from industrial clients compared to matured and existing contracts.

Electric energy trading companies

Revenues from sales to energy traders were R$ 857 million in 2018, a raise of R$ 256 million (42.6%) from 2017's R$ 601 million. The increase is due to the following: (i) R$ 173 million — 1,086 GWh (125 aMW) increase in the volume of energy sold; and (ii) R$ 83 million — 13.7% increase in the net average selling price due to new contracts at prices above the average of existing or expired agreements.

The YoY volume gain is largely due to the sale of the energy parcel traded in the Free Contracting Environment (ACL) from the Jaguara and Miranda Hydroelectric Power Plants, and entry into commercial operations of the Campo Largo Wind Complex – Phase I in 2018, partly mitigated by the lower volume of energy purchased for reselling and the sale of the Beberibe and Pedra do Sal Wind Farms and the Areia Branca SHP in October 2017.

Transactions in the short-term market

Revenues from short-term market transactions were up R$ 456 million (97.6%) in 2018 from the previous fiscal year's R$ 467 million to R$ 923 million. Additional information on these transactions and changes has been emphasized in "item 10.1.h.1", sub-item "Details on short-term operations".

Return on financial concession assets

Compensation of the financial concession assets was up from R$ 48 million in 2017 to R$ 340 million in 2018. This R$ 292 million (608.3%) increase reflects the acquisition of the Jaguara and Miranda Hydroelectric Power Plants in November 2017 and the variation of the IPCA inflation index.

Revenue from services rendered

The Jaguara and Miranda Hydroelectric Power Plants collect the parcel associated with Generation Assets Management (GAG) for the energy sold on the ACR. To cover O&M costs, as well as improvements expenditures and investments during the concession period. The GAG amount recognized in 2018 was R$ 112 million. These revenues are restated annually according to the IPCA.

Other revenues

The R$ 76 million increase in other revenues, from R$ 45 million in 2017 to R$ 121 million in 2018, is mainly the result of indemnity revenues offsetting the negative impacts of a business stoppage caused by an insurance loss event at the Jorge Lacerda A Thermal Power Plant and the collection of fines for breach of contract associated with the partial delay of modernization works on one of Salto Santiago Hydroelectric Power Plant's machines and downtime at the Santa Mônica Wind Complex.

Energy trading

In 2018, trading revenues from energy sales were R$ 567 million, or 3.049 GWh (348 aMW). In addition, at yearend, the Company booked R$ 43 million associated with net unrealized mark-to-market gains – the difference between contract and market prices – of net contracted operations outstanding as at December 31, 2018.

In addition to these effects, the Company booked R$ 5 million in revenues from transactions in the short-term market for this segment. Therefore, trading operations in 2018 totaled R$ 615 million.

Transmission

The company recognized R$ 47 million in transmission infrastructure installation revenues in FY2018

Solar panels

The recognition of R$ 37 million in 2018 concerns revenues from the sale of solar panels to homes and businesses through the controlled entity ENGIE Geração Solar Distribuída S.A., in which a controlling stake was acquired in August 2018.

(ii) factors materially affecting operational results

The factors that materially affected the Company's operating results in the fiscal years ending on December 31, 2019, 2018 and 2017, are listed next. Additional information on these has been provided in items 10.1.h and 10.2.a.(i).

FY 2019 – (i) increased average net selling price and increased volume of energy sold, leading to increased costs from third-service parties, payroll, fuels and grid-usage charges because of entry into operation of the Campo Largo Wind Complex – Phase I, which commenced operations in December 2018, and the Umburanas Wind Complex – Phase I and the Pampa Sul Thermal Power Plant, where operations began in 2019; (ii) other operating revenues from indemnities associated with breaches of contract on the part of the supplier responsible for construction of the Pampa Sul Thermal Power Plant; (iii) reduction in portfolio purchases; and (iv) positive income from the TAG equity stake, offset by the following negative events: (i) increase in general and administrative expenses; (ii) reduced

results from transactions in the short-term market; (iii) reduced results from energy trading; and (v) increase in interest and inflation restatement of debt due to new debenture issues, loans secured abroad, and new financing raised, which funds were allocated to the acquisition of TAG and the construction of projects Campo Largo Wind Complex – Phase II and Gralha Azul.

Year of 2018 – (i) recognition of income from the operation of the Jaguara and Miranda Hydroelectric Power Plants, acquired in late 2017; (ii) increased positive result from short-term market transactions; (iii) reduced energy purchases for the purposes of managing the Company's portfolio; (iv) recognition of indemnity revenues for business disruption and contractual penalties; (v) income from trading operations, beginning in January 2018; and (vi) increased net average selling price and volume of energy sold.

Year of 2017 – (i) increased revenue from operations conducted in the short-term market, especially within the CCEE; (ii) increased volume of energy sold; (iii) increase in purchases of energy for resale; (iv) lower royalties cost; (v) proceeds from divestments; (vi) revenue from the financial concession asset's compensation arising from the acquisition, at Aneel Auction 001/2017 of Non-Renewed Concessions, of the Jaguara and Miranda HPPs, which have been contributing operating revenues since November 10, 2017; (vii) increased charges for the use of the electricity network and connection; and (viii) increase in fuels used to generate electricity.

b. Changes in revenues due to modifications in prices, exchange rates, inflation, changes in volumes and introduction of new products and services

The Company's sales revenues are supported by agreements with price adjustment clauses indexed, for the most part, to the IPCA and the IGP-M. The Company's revenues are not exposed to exchange rates in a manner that significantly affects income and were not materially affected by the introduction of new products and services.

In 2018, the company entered the energy trading market as a means to derive income from electric energy price changes, within the risk and counterparty limits previously set by the Company's Management.

The main changes in the Company's revenues due to price modification and volume change are explained in item 10.2.a (i) above.

c. Impact of inflation, changes in prices of main inputs and products, foreign exchange and interest rates on the operating result and financial result, when relevant

c.1) inflation and price changes in the cost of electricity sold

Energy purchased for portfolio-management purposes: such transactions are usually conducted by means of medium- and long-term contracts with prices restated at IPCA and IGP-M. The average negative impacts of price restatements at the applicable inflation indices in FY2019 has been approximately R$ 9 million, versus approximately R$ 16 million and R$ 11 million in 2018 and 2017, respectively.

Fuel for electric energy production: At the end of 2017, the William Arjona Thermal Power Plant was unavailable for dispatch by the National Electric System Operator (ONS) because of the inability to renew the gas supply contract at prices that justified continued economical operation of the Plant. On February 20, 2018, after a request from the Company, Aneel revoked the Plant's concession. In 2017, the company reversed the provision for the fuel purchase process as a result of a court agreement with the natural gas supplier in proceedings involving the difference in fuel prices from September

2014 to June 2017. The cost of the fuel was recognized simultaneously with the reversal, eliminating the effects of this additional cost on the Company's operating results.

The prices of coal not subject to reimbursement from CDE are negotiated upon contracting the purchase or renewal of the agreement using parametric formulas comprising the INPC and specific sector indices, mostly those published by the Getulio Vargas Foundation (FGV). The adjustments did not result in significant effects on the Company's cost.

Charges for the use of the electricity network and connection: these are calculated by multiplying the amount of network usage in kW by the rate established annually by Aneel, based on the prorating of the total observed and expected costs of connection and transmission for the entire system, and on inflation indices for readjusting transmission and existing connection agreements - IPCA and IGP-M. The effect of the change in these inflation indicators on the Company's cost was R$ 34 million, R$ 11 million, R$ 26 million in fiscal years 2019, 2018 and 2017, respectively.

Financial compensation for the use of water resources (royalties): The amount corresponds to 7.0% of the quantity of electricity produced, adjusted by an Annual Reference Tariff (TAR) defined by Aneel, based on the acquisition cost of energy by the distributor and subject to review every 4 years. In FY 2019 the TAR underwent a 4.5% adjustment, with approximately R$ 8 million in negative results. In 2018, the TAR experienced a positive 2.5% restatement, with a negative impact on the Company's bottom line of approximately R$ 3 million. In 2017, the restatement was a negative 22.7% with a positive impact on cost at R$ 34 million.

c.2) Impacts of exchange, inflation and interest rates on the Company's financial result

Currency exposure

In 2019, 2018 and 2017, the Company took US Dollar-denominated loans in the amounts of US$ 258 million, US$ 200 million and US$ 500 million, equal to R$ 1,127 million, R$ 681 million and R$ 1,631 million, respectively. The proceeds were mainly allocated to cash flow management to ensure continued implementation of the Company's business plan.

To protect the entirety of future payments flows from exchange rate fluctuations, the Company contracted swaps with the Brazilian subsidiaries of the financial institutions that extended to loans at the same amounts and with the same interest and principal due dates.

The Company currently has no foreign currency-denominated financial obligations whose exchange rate variation is not entirely hedged.

Exposure to floating interest rates and indices

In 2019, 2018 and 2017, the Company was exposed to floating interest rates and indices associated with changes in the TJLP, TLP, DI, IPCA and IGP-M.

The impacts of interest and monetary restatement on the Company's financial result in fiscal years 2019, 2018 and 2017 were as follows:

Amounts in R$ million	2019	2018	2017
Interest and monetary restatement on:			
Concessions payable	466	422	221
Loans and financing	356	90	128
Debentures and promissory notes	394	202	31
Hedges against loans at fair value	62	65	9

The promissory notes were issued by controlled entities Jaguara and Miranda, and fully settled in 2018.

10.3 Management's comments on the material effects that the events below make, have caused or are expected to cause on the Company's financial statements and results

a. Introduction or disposal of an operational segment

In 2018, the Company entered the following new segments: (i) electric energy trading operations; (ii) distributed generation from the sale and installation of photovoltaic panels, by means of the acquisition of a controlling stake in ENGIE Geração Solar Distribuída S.A. ("EGSD"); and (iii) electric energy transmission. In 2019, the Company also entered into the gas transportation segment with the acquisition of a stake in jointly-controlled entity TAG.

Because of the representativeness of the above segments, in 2019 the Company began to present segment information consistently with the internal report provided to the main operational decision-making body, the Executive Board. Results by segment include items that can be directly attributed to each segment, as well as those that can be reasonably allocated thereto. The Company's financial results are not allocated by segment because Management manages cash flow at the corporate level.

The Company's operational segments reflect its management, organizational structure, and results tracking, and are summarized as follows:

- Generation: this is the Company's main business, comprehending the portfolio energy generation and sale activities.

- Trading: the purpose of this segment is to profit from energy price variations within predetermined risk levels. The segment's activities are conducted through controlled entities ENGIE Trading Comercializadora de Energia Ltda. and ENGIE Brasil Energia Comercializadora Ltda.

- Transmission: the Company is the main party responsible for construction and installation of the infrastructure associated with the transmission concession for the Gralha Azul Transmission System, implementation of which began in the latter half of 2018, and is exposed to the benefits and risks of the construction works. The segment's operational activities have not yet begun, as construction is still under way, and will be carried out by controlled entity Gralha Azul.

- Solar panels: development, wholesale and retail sales, and operation and maintenance of solar generators and panels carried out by controlled entity EGSD, a controlling stake in which was acquired in August 2018, at which point its results became consolidated with the Company's.

- Gas transportation: Since June 2019, the Company has also been active in the gas markets through jointly-controlled entity Transportadora Associada de Gás S.A. ("TAG").

2019

The Company's main operational segments are portfolio energy generation and sales ("Generation") and electric energy trading ("Trading"). The segments concentrate 86.0% and 11.3%, respectively, of net sales revenues made in 2019.

In 2019, the Company entered into the gas transportation segment through jointly-controlled entity TAG, as described next, in item "b". This new segment is not consolidated into the Company's accounting statements, as its results stem from a jointly-controlled venture. The segment's effects are presented in the period's results as "Equity income" and represent 3.5% of the Company's net income.

No operational segments were divested in 2019.

2018

The generation operational segment concentrated 92.1% of consolidated net revenues from sales in 2018, whereas the trading operational segment concentrated 7.0% of the total.

In 2018, the Company entered the following new segments: (i) electric energy trading operations; (ii) distributed generation from the sale and installation of photovoltaic panels, by means of the acquisition of a controlling stake in EGSD; and (iii) electric energy transmission based on the winning bid for the Gralha Azul Transmission Line, where construction works began in 2018 and remains underway, as described in item "b", below. These new segments are not material vis-à-vis the Company's total assets, revenues and net income.

No operational segments were divested in 2018.

2017

The generation operational segment concentrated 99.4% of consolidated net revenues from sales in 2017.

No operational segments were introduced or divested in 2017.

b. Constitution, acquisition or disposal of a corporate stake

2019

The main information concerning the constitution, material change, acquisition, merge and divestment of the Company's equity stakes are as follows:

- Transportadora Associada de Gás S.A. – ("TAG")

On Apr.05.2019, the Company, together with a wholly-owned subsidiary of its controlling entity, ENGIE S.A., and Caisse de Dépôt et Placement du Québec ("Bidders") were informed that they had placed the winning bid in the competitive process Petrobras held for the acquisition of 90% of its equity stake in TAG, which owns gas pipelines infrastructure with approximately 4,500 kilometers and 12 gas compression facilities (6 own and 6 under contract) and 91 delivery points.

The Bidders' final and binding bid represents a business value of R$ 35.1 billion for 100% of TAG in the as-of date of December 2017. Placement of the bid was approved at a meeting of the Company's Board of Directors held on Mar.26.2019 that took into account the favorable statement from the Special Independent Committee for Transactions with Related Parties convened at the 173rd Meeting of the Company's Board of Directors, held on May.11.2018. The purchase agreement was entered into on Apr.25.2019, by and between Aliança Transportadora de Gás Participações S.A. ("Aliança"), as buyer; the Company, GDF International (a wholly-owned subsidiary of ENGIE S.A.), and Caisse de Dépôt et Placement du Québec, as members of the acquiring group; Petrobras, as seller; TAG, as consenting party; and ENGIE Brasil Participações Ltda., as surety. The agreement governs the acquisition by the members of the acquiring group, through Aliança, of an equity stake in TAG equivalent to 90% of its equity held by Petrobras. The Company's direct stake in Aliança's equity capital was 32.5%. Therefore, the Company indirectly held a 29.25% stake in TAG's equity capital. Petrobras retained a 10% minority stake in TAG.

On Jun.13.2019, Aliança, the members of the acquiring group, TAG, and Petrobras, having fulfilled all conditions precedent under the purchase agreement, executed the closing acts as provided thereunder, including transfer of TAG shares held by Petrobras representing 90% of the former's equity capital to Aliança and the payment by Aliança and the members of the acquiring group of an amount of approximately R$ 31.5 billion to Petrobras for its shares, and of an amount of approximately R$ 2.0 billion corresponding to advance payment by TAG of its debt with the National Economic and Social Development Bank (BNDES) with funds made available to TAG by Aliança.

Because of the stock purchase operation, the Company injected funds into the jointly-controlled subsidiary Aliança in the total amount of R$ 3.5 billion. On the same date, Aliança, the members of the acquiring group and Petrobras entered into a shareholders' agreement to govern their relationship as direct and indirect shareholders of TAG, including exercise of the respective voting rights and limitations on share transfers.

On Sep.02.2019 TAG took over Aliança, so that the members of the acquiring group gained direct stakes in TAG's equity capital equal to the indirect percentage stakes held before. On Oct.14.2019, the Company's Extraordinary General Meeting endorsed the acquisition of a shared controlling stake in TAG.

2018

The main information in connection with the constitution, material amendment, acquisition, incorporation and divestment of equity stakes held by the Company are as follows:

- Diamante Geração de Energia Ltda. ("Diamante")

In January 2018, the Company increased the equity capital of its directly controlled entity Diamante by R$ 562 million, due relevantly to the payment in, at book value, of the fixed assets and inventories associated with the Jorge Lacerda Thermal Power Complex (CTJL). The main purpose of the operation is to keep coal-based generation operations in a separate entity and has had no impact on the Company's operations and consolidated results.

In February, Aneel authorized transfer of the CTJL plants from ENGIE Brasil Energia to Diamante.

These plants comprise seven generators grouped as follows: Jorge Lacerda A, with four generator units with total installed capacity of 232 MW, Jorge Lacerda B, with two units totaling 262 MW and Jorge Lacerda C, with one 363 MW unit, for a total of 857 MW. Physical guarantee for trading purposes is 649.9 aMW and the operational permit is valid until 2028.

- Gralha Azul Transmissão de Energia Ltda. ("Gralha Azul", anteriormente denominada como "ENGIE Transmissão de Energia Ltda.")

Gralha Azul's corporate purpose is electric energy transmission. The Company was formed to bid in the Transmission Auction No. 02/2017, which Aneel held on December 15, 2017. On March 8, 2018, the Company, through its directly controlled entities ENGIE Brasil Energias Complementares Participações Ltda. ("ECP") and ENGIE Brasil Energia Comercializadora Ltda. ("EBC"), entered into the concession contract won in the foregoing auction.

The project, called "Projeto Gralha Azul", will involve an approximate investment of R$ 2 billion and comprise approximately 1,000 km of transmission lines in the Central and Southern regions of the state of Paraná, with the construction of five substations and 10 transmission lines that will cover 25 municipalities.

The public transmission service concession, including construction, assembly, operation and maintenance of the transmission facilities, will be for a period of 30 years from entry into the contract, which took place in March 8, 2018. The deadline for commercial operations starts in March 9, 2023.

- ENGIE Geração Solar Distribuída S.A. ("EGSD")

In August 2018, the Company completed acquisition of a controlling stake in ENGIE Solar. Acquisition of the controlled entity took place in stages, beginning in April 2016 with the purchase of 50% of the target company's equity capital. The total amount of the acquisition was R$ 59 million, as follows: (i) R$ 24 million – acquisition of 50% of the equity capital in April 2016, by means of equity subscription and stock subscription premium; and (ii) R$ 35 million – acquisition of the remaining 50% of the capital stock, completed in August 2018.

EGSD's corporate purpose is to develop, conduct bulk and retail sales, operate and maintain generators and solar photovoltaic panels with installed power under 5.0 MW.

This Company's activities are not representative relative to the total assets, revenues and net income of ENGIE Brasil Energia.

- ENGIE Trading Comercializadora de Energia Ltda. ("ENGIE Trading")

The Company entered the energy trading market as from January 2018 to take market positions associated with the change in electric energy prices, within the previously established risk and counterparties limits.

Trading operations are conducted on the long market and, for accounting purposes, meet the definition of fair-value financial instruments, due mainly to the fact that there is no required combination of long and short positions, providing the flexibility to manage contracts and make income from market price changes.

The Company is undergoing structuring and awaits authorization from the relevant authorities to conduct its activities. For this reason, in 2018, operations of this nature were conducted by ENGIE Brasil Comercializadora de Energia Ltda. ("EBC").

2017

The main information on the acquisition, incorporation and disposal of equity stakes by the Company are as follows:

- Companhia Energética Jaguara and Companhia Energética Miranda

On September 27, 2017, at the Aneel Auction for Non-Extended Concessions, the Company was the winning bidder for the Jaguara and Miranda HPPs at a cost of R$ 3,531 million. The Plants' installed capacity is 424.0 MW and 408.0 MW and commercial capacity is 341.0 aMW and 198.2 aMW, respectively. Both of the concessions belonged to the Companhia Energética de Minas Gerais – Cemig. The auction's technical and economic parameters were laid out in Resolution 12/2017 of the National Energy Policy Council (CNPE). EBE offered the highest bonus amount for the concession to generate energy under the quotas regime, given a 70% ratio of physical guarantee of the Hydro Power Plants directed to the Regulated Contracting Environment (ACR). The remaining 30% will be sold through Free Contracting Environment (ACL).

Companhia Energética Jaguara and Companhia Energética Miranda were formed on October 9, 2017 and commenced activities on October 19, 2017 and October 20, 2017, respectively. Their purpose is to operate the Jaguara and Miranda HPPs.

The Company took charge of operations on December 29, 2017, after the transition period referred to as "assisted operation", which began on November 10, 2017, the same date on which the concession contracts were signed.

- Umburanas Wind Complex

On November 24, 2017, the Company completed the acquisition of the entirety of the equity of the companies that make up the Umburanas Wind Complex for R$ 17 million. Located in the municipality of Umburanas (BA), the complex has 605.0 MW in wind potential, of which 360.0 MW relates to Phase I (257.5 MW intended for the free market and 102.0 MW already contracted in the regulated market), with operations startup in 2019. The remaining 245.0 MW will be held in the company's portfolio for future development.

- Dinvestment – Beberibe Wind Farm, Pedra do Sal Wind Farm and Areia Branca Hydroelectric Power Plant

On October 31, 2017, the Company completed the divestment of the entirety of the equity stake that it and its directly controlled entity ENGIE Brasil Energias Complementares Participações Ltda.'s

("ECP") held in Eólica Beberibe S.A., Eólica Pedra do Sal S.A. and Hidrelétrica Areia Branca S.A. for R$ 321 million, after price adjustments, net of PIS and Cofins, and after meeting all conditions precedent provided in the equity purchase and sale agreement. The plants that belong to the divested indirectly controlled entities have 63.4 MW in total installed capacity of and 23.9 aMW in total commercial capacity.

- Diamante Geração de Energia Ltda.

On December 13, 2017, the Company's Board of Directors approved transfer of the assets of the Jorge Lacerda Thermal Power Complex ("CTJL") to Diamante Geração de Energia Ltda. ("Diamante"), a controlled entity of the Company executed for this exclusive purpose. The transfer was effected on January 1, 2018 by means of a capital increase of Diamante by means of the payment-in of fixed assets and inventories associated with the CTJL.

c. Unusual events or operations

2019

The key unusual events affecting the Company's results in FY 2019 were as follows: (i) R$ 321 million from indemnities for breach of contract incurred by the supplier responsible for construction of the Pampa Sul Thermal Power Plan, mainly in association with late completion of the construction works. The amount received is as stipulated in the relevant agreement and determined based on the number of days late delivery of the site multiplied by a fixed amount per day. The amount was established to compensate the Company for unearned income because of the late completion of the construction works, and was recognized in "Other net operating revenues (expenses)"; and (ii) R$ 11 million in indemnity revenues to compensate the negative impacts of stoppage of business due to an insurance loss event at the Jorge Lacerda A Thermal Power Plant and the Jaguara Hydroelectric Power Plant, receipt of contract fines for the partial late delivery of modernization works at one of the machines of the Salto Osório Hydroelectric Power Plant, and downtime at the Santa Mônica Wind Complex's wind farms.

2018

The key unusual events affecting the Company's results in FY 2018 were as follows: (i) R$ 85 million mainly related to indemnity revenues to compensate the negative impacts of business disruption caused by an insurance loss event in the Jorge Lacerda A Thermal Power Plant, and the collection of contractual penalties for the partial delay of modernization works on one of the Salto Santiago Hydroelectric Power Plant's machines and downtime of the Santa Mônica Wind Complex; and (ii) supplement to the provision for impairment, in the amount of R$ 39 million, for the assets of the William Arjona TPP.

2017

The key unusual events affecting the Company's results in fiscal year 2017 were as follows: (i) on October 31, 2017, after meeting the agreed conditions precedent, the Company effected the sale of controlled companies Beberibe Wind Farm, Pedra do Sal Wind Farm and Areia Branca Small Hydroelectric Power Plant, recognizing R$ 57 million in proceeds from divestments in 4Q17; and (ii) insurance loss event at a generating unit of the São Salvador HPP (UHSA), resulting in an indemnity for long-term lost profits in the amount of R$ 22 million.

10.4 Management comments on

a. Material account changes

2019

The main standards published by the International Accounting Standard Board (IASB) and replicated by the Accounting Announcements Committee (CPC), with entered into force on January 1, 2019, and with impacts on the Company's accounting practices are as follows:

CPC 06 (R2) Changes – Leases (IFRS 16)

The changes in CPC 06 (R2) introduced requirements associated with the recognition, measurement, booking and disclosure of leases. According to the amended standard, lessees must recognize the liability arising from future payments under lease contracts in exchange for the right to use the asset let.

The definition of lease covers all contracts assigning right to use and control an identifiable asset, including rental agreements and, potentially, some elements of services agreements.

The Company analyzed all of its agreements and determined that the standard covers the lease agreements for areas where wind and solar complexes lie or will lie and use of the administrative headquarters. Starting on 01.01.2019, these agreements were recognized as right to use assets in exchange for a lease liability. The Company chose to use recognition exemptions in connection with lease agreements with lease periods of 12 months or less at the initial date and with low individual value underlying assets.

As provided in the announcement, the Company applied the simplified transition approach and did not restate compared values for the year preceding the first adoption (01.01.2019). Right-to-use assets were measured at the value of the lease liabilities at the time of adoption, plus early payments made until the date of adoption of CPC 06 (R2).

The main accounting practices used in application of CPC 06 (R2) were:

Rights to use from lease

Rights to use arising from leases initially cover the lease liability plus early payments. These assets depreciate based on the duration of the lease agreements and are valued for loss by based on impairment value. They are restated based on any new re-measurement of the lease liabilities.

Leases payable

Leases payable are initially measured at the present value of future payment flows discounted at the incremental financing rate, as the implied interest rate in leases is not easily determined. The future payments flow comprehends variable payments dependent on indices or rates.

Subsequently, the lease liability is measured at amortized cost, using the effective interest rate method, and re-measured (with the corresponding restatement of the respective right to use) in the event of amendment, lease period change, change in future payments caused, for example, by inflation restatements, or changes in the valuation of a purchase option on the underlying asset.

Variable lease payments that do not depend on an index or rate are recognized as expenses in the fiscal year in which they occur. In addition, the Company applies exempted recognition of short-term leases, that is, leases with periods of 12 months or less from the initial date, and of low individual value assets, which are recognized as expenses over the course of the lease period.

2018

The main standards published by the International Accounting Standard Board (IASB) and replicated by the Accounting Announcements Committee (CPC), with entered into force on January 1, 2018, and with impacts on the Company's accounting practices are as follows:

CPC 47 – Revenues from contracts with clients (IFRS 15)

According to the new standards, revenues must be booked at values reflecting the payment that the company expects in exchange for the transfer of goods and services to a client. The revenue must be recognized as of the transfer of domain over the goods or services to clients, instead of based on the principle of transfer of risks and benefits. The announcement provides a need to observe certain phase for booking a revenue.

Based on the foregoing, the Company books revenues according to the contracts entered into, with monthly performance obligations, as clients simultaneously receive and consume the benefits that the Company provides. Consequently, the amount of the payment reflects the fair value receivable at the moment when energy is effectively delivered to a client.

CPC 48 – Financial instruments (IFRS 9)

The main changes in the standard are as follows:

Financial assets and liabilities classification and measurement

The announcement provides an approach that attempts to reflect the Company's business model and its cash-flow characteristics. Based on this, financial instruments are now classified according to three categories: measured at amortized cost, at fair value by means of other comprehensive results ("VJORA") and at fair value of profit/loss ("VJR").

Measurement and booking of impairment losses of financial assets

CPC 48 replaces the "incurred losses" model under CPC 38 with a prospective "expected credit losses" model. This requires Management to make a relevant judgment of how changing economic factors may affect expected credit losses, to be determined based on weighted probabilities. The new model applies to financial assets measured at cost and at fair value by means of other comprehensive results.

Hedge accounting

The standard requires hedge accounting practices to be in line with the Company's risk-management objectives and strategies, and application of a qualitative and prospective approach to assessing a hedge's effectiveness.

As per the announcement, as concerns application of CPC 48, the Company has elected continued use of CPC 38's hedge accounting requirements.

2017

There were no significant changes in the Company's accounting practices for fiscal year ending December 31, 2017.

b. Significant effects of the changes in accounting practices

2019

Adoption of IFRS 16 on the results of the fiscal year ending Dec.31.2019 was a negative R$ 2 million.

2018

The changes in the Company's accounting practices listed in the foregoing item had no significant impacts in the fiscal year ending December 31, 2018.

2017

There were no changes in accounting practices in the fiscal years ending December 31, 2017.

c. Qualifications and emphases in the auditors' opinion

The Independent Auditor's Reports for the Account Statements for fiscal years ending December 31, 2019, 2018 and 2017 were unqualified.

10.5 Critical accounting policies adopted by the Company, in particular highlighting accounting estimates made by management on uncertain and material issues for describing the financial position and results that require subjective or complex judgments, such as: provisions, contingencies, revenue recognition, tax credits, long-duration assets, useful life of non-current assets, pension plans, conversion adjustments in foreign currency, environmental recovery costs, criteria for testing the recovery of assets and financial instruments

Critical accounting practices are those which are considered important in showing the Company's financial condition and results and require the most difficult, subjective or complex judgments by Management, often as a result of the need to make estimates that impact matters that are inherently uncertain. As the number of variables and assumptions increases, affecting the possible future resolution of the uncertainties, these judgments become even more subjective and complex.

In preparing the accounting statements, the Company adopted certain assumptions based on historical experience and other factors it deems reasonable and relevant. Although these estimates and assumptions are reviewed by the Company in the ordinary course of business, the statement of its financial condition and results from operations often require judgments as to the effects of inherently uncertain matters on the book value of its assets and liabilities.

The actual results can differ from estimates due to variables, assumptions and different conditions. In order to provide an understanding of how the Company forms its judgments on future events, including the variables and assumptions used in the estimates, and certain impacts related to the changes in these estimates, we have included comments related to each critical accounting practice described below:

a. Derivatives financial instruments

Derivatives are recognized at fair value in the financial statements. The definition of fair value for the Company's derivatives requires the use of valuation methodologies that can be complex and involve the use of estimates for future exchange, inflation, and long-term interest rates and energy prices.

b. Useful life of fixed assets

The Company recognizes the depreciation of its fixed assets using the linear method based on annual rates established by Aneel, practiced by companies in the Brazilian electric sector as a whole and represent the estimated useful lives of the assets - limited to the term of the concession or plant authorization, as applicable. However, actual useful lives can vary based on the technological modernization of the assets of each generating unit. The useful lives of the fixed assets also affect impairment tests of these assets when deemed necessary.

c. Long-lived assets' impairment value test

Specific rules apply to evaluating the impairment of long-lived assets, and of fixed assets in particular. At the end of each fiscal year, the Company conducts an analysis to determine whether evidence exists that the amount of the long-lived assets may not be recoverable. Under unusual circumstances, if such evidence does emerge, the Company conducts impairment tests for these assets. Such tests involve certain variables and uncertainties regarding projected cash flows for the evaluation of assets in use, and regarding the definition of the market value of assets held for disposal.

d. Retirement benefits obligations

The Company recognizes its obligations under benefits plans to employees and related costs, net of plan assets, adopting the following practices: (i) future commitments arising from pension benefit plans are discounted at present value based on the interest rates of Federal Government securities with an average duration equivalent to the expected payment for the projected future commitments; and (ii) pension plan assets marking to market on the date of the balance sheet.

In the actuarial calculations, actuarial consultants also use subjective factors such as mortality tables, estimated inflation, projected wage growth, terminations, and staff turnover.

The actuarial assumptions used by the Company may differ materially from actual results due to changes in economic and market conditions, regulatory events, judicial decisions or shorter/longer life spans of participants. However, the Company and its actuaries have used assumptions consistent with internal and external analyzes to define the estimates.

e. Tax, civil and labor provisions

Provisions are defined based on the assessment and qualification of risks where loss is deemed probable. This determination must be supported by the judgment and experience of Management, together with its legal advisors, in the light of case law, decisions in lower and appeals courts, the history of plea bargains and findings, and other applicable aspects. Risk assessments and the estimated values may differ from those effectively incurred by the Company.

f. Provision for generation assets demobilization

The company recognized provisions for costs with the demobilization of its wind farms, based on estimates and assumptions for discount rates and the expected cost of demobilization and removal at the end of the plants' authorized period. These estimates may diverge from those effectively incurred by the Company.

g. Estimated incremental lease rate

The implied interest rate in existing leases is not readily identifiable. For this reason, the Company considers the incremental rate on loans to measure lease liabilities. The incremental rate is the rate that the Company would have to pay upon taking loans, for a like maturity, sufficient to purchase assets similar to the right-of-use assets given a similar economic environment. The Company calculates the incremental rate based on observable data, where available.

10.6 Management description of material items not evident from the Company's financial statements

a. Assets and liabilities held by the Company, either directly or indirectly, not appearing in its balance sheet (off-balance sheet items)

b. Other items not shown in the financial statements

Company's Management states that no material assets and liabilities exist not reflected in the Company's accounting statements in the fiscal years ending December 31, 2019, 2018 and 2017.

10.7 Management's comments on each of the items not evident from the financial statements as listed in item 10.6

a. How these items change or may change revenues, expenses, operating income, financial expenses or other items in the Company's financial statements;

b. Nature and purpose of the operation;

c. Nature and amount of the obligation assumed and rights generated in favor of the Company as a result of the operation

Company's Management states that there are no significant assets and liabilities not reflected in the Company's financial statements for the fiscal years ending December 31, 2019, 2018 and 2017.

10.8 Key elements of the Company's business plan:

a. Investments:

(i) quantitative and qualitative description of investments in progress and expected investments

At yearend 2019, the company had as construction works in progress the Campo Largo Wind Complex - Phase II, the Gralha Azul Transmission System ("Gralha Azul"), completion of the Pampa Sul Thermal Power Plan, and modernization of the Salto Osório Hydroelectric Power Plant.

The investments made in 2019 and scheduled for 2020 to 2022, as of December 31, 2019, are as follows:

Financing (Amounts in R$ million)	Actual 2019	Projected 2020	Projected 2021	Projected 2022
- Third-parties capital	5,180	2,981	516	40
- Own capital	(277)	(520)	614	207
	4,903	**2,461**	**1,130**	**247**

The negative amounts in the "Own capital" line concern replenishment, with third-party funds, of own capital initially invested because of changes in the financing release schedule.

In 2019, the Company invested R$ 3,470 million into the acquisition of an equity stake in Aliança Transportadora de Gás S.A. ("Aliança"), the buyer of a 90% stake in Transportadora Associada de Gás S.A. ("TAG").

In the same year, the Company invested R$ 1,240 million in the construction of new projects, as follows: (i) R$ 377 million at the Pampa Sul Thermal Power Plan; (ii) R$ 374 million at the Umburanas Wind Complex – Phase I; (ii) R$ 228 million at the Campo Largo Wind Complex – Phase II; (iii) R$ 170 million at the Gralha Azul Energy Transmission System; and (iv) R$ 91 million at the Campo Largo Wind Complex – Phase I.

In addition, the Company invested R$ 138 million in maintenance and upgrading works for its generating complex to maintain its high uptime level. Finally, R$ 55 million were invested in upgrades at the Salto Santiago and Salto Osório Hydroelectric Power Plants.

The above figures do not take into account capitalization of interest on financing during the projects' construction phase.

The principal projects and investments scheduled for the coming years include development of the Gralha Azul Transmission Line and Campo Largo Wind Complex – Phase II, and maintenance works on the Company's generating complex.

(ii) investment funding sources

The industry's projects, as carried out by the Company's controlled entities, generally have access to financing in the range of 50%-70% of total investment. The remainder is covered with own funds, which usually come from capital injections from controlling company ENGIE Brasil Energia. The

controlling company raises funds by means of bank loans or capital market issues that are usually allocated to such injections.

(iii) material divestments in progress and expected divestments

Jorge Lacerda Thermal Power Complex and Pampa Sul Thermal Power Plant

As part of the Company's commitment to de-carbonizing its portfolio, a market survey remains in progress for potential buyers of the Jorge Lacerda Thermal Power Complex (SC) and the Pampa Sul Thermal Power Plant (RS), under construction.

b. Previously disclosed acquisition of plants, equipment, patents or other assets, which may materially affect the Company's production capacity

In line with the business model of the ENGIE Economic Conglomerate, controlling company ENGIE Brasil Participações (EBP) participates in auctions and develops hydroelectric projects, mitigates the main risks and then transfers the projects to ENGIE Brasil Energia. The timing of each transfer is contingent on each project's risk-profile stage.

In this context, EBP, through its controlled entity Energia Sustentável do Brasil S.A., unveiled the Jirau HPP in December 2016, in Porto Velho, state of Rondônia (RO), with 3,750 MW in installed capacity. All 50 units at UHE Jirau are in operation.

In May 2017, EBP announced retaining Banco Itaú BBA S.A. to provide financial advisory services preparing the economic and financial study for the purposes of drafting the transfer to ENGIE Brasil Energia 40% equity stake in ESBR Participações S.A. (ESBR Participações S.A. was taken over and thereby terminated in 2018 by its directly-controlled entity Energia Sustentável do Brasil S.A.), the holder of 100% of ESBR's equity stock and its 100% stake in Geramamoré Participações e Comercializadora de Energia Ltda. Assessment of the transfer has been put on hold, awaiting more favorable conditions for talks to resume.

c. New products and services

(i) description of ongoing research already disclosed

Not applicable.

(ii) total amounts spent by the issuer in research to develop new products or services

Not applicable.

(iii) projects under development already disclosed

Not applicable.

(iv) total amounts spent by the issuer in the development of new products or services

Not applicable.

It is worth mentioning that, pursuant to Law 9,991/2010, as amended, ENGIE Brasil Energia, as an electric energy generating company authorized to produce independently, is required to invest 1% of its adjusted net operating revenue every year in research and development applicable to the electricity sector.

The foregoing funds are allocated as follows: (i) 40% to the National Fund for Scientific and Technological Development (FNDCT); (ii) 40% to the Company's proprietary research and development projects (R&D) pursuant to Aneel regulations; and (iii) 20% to the Ministry of Mines

and Energy (MME), mainly to cover studies and planning of research for expansion of the Brazilian energy system.

At yearend 2019, the Company and its controlled entities had a balance of R$ 73 million for investment in own project. Of these, R$ 28 million are related with R&D projects already underway.

A substantial portion of this amount is already committed and concerns research and development projects intended to: (i) develop and certify an wind generator with domestic technology and 4 MW in nominal power, in a partnership with manufacturers WEG S.A. – total investments of around R$ 201 million, of which R$ 84 million will be financed with R&D resources; and (ii) explore every possible role that an energy storage system may play, including the evaluation of systems using electrochemical batteries for centralized large-scale applications, small- and medium-size distributed generation applications, and individual and collective electric vehicles – total investments of R$ 25 million, of which R$ 19 million will be financed with R&D resources.

The Company's Research and Development Program's purpose is to innovate in the energy industry and build the technical and scientific skills of Brazilian researchers. The program covers investment themes such as: alternative electric energy generation sources, watersheds and reservoirs management, the environment, maintenance and energy efficiency, to name a few.

10.9 Comment on other factors that have significantly affected operating performance and which have not been identified or commented in other item in this section

- Novo Estado Transmissora de Energia S.A. ("Novo Estado")

At a meeting held on Dec.23.2019, the Company's Board of Directors approved the acquisition of all the shares of Novo Estado Transmissora de Energia S.A. ("Novo Estado") by ENGIE Transmissão de Energia Participações S.A. ("ENGIE Transmissão"), a directly controlled entity of the Company. On the same date, the respective share purchase agreement was executed by and between ENGIE Transmissão, as buyer, Sterlite Brazil Participações S.A. ("Sterlite Participações"), as seller, and Novo Estado, as consenting party.

On March 3, 2020, after the conditions precedent were fulfilled, the operation to acquire 100% of the shares of Novo Estado Transmissora de Energia S.A. was completed. The acquisition price will be up to R$ 410 million, of which R$ 360 million were paid on March 03, 2020, and R$ 50 million are conditioned upon fulfillment of certain agreed conditions.

Novo Estado was the winning bidder for Lot 3 of Aneel Transmission Auction 002/2017, held in December 2017, leading to entry into concession contract 003/2018. The object of the concession is the construction, operation and maintenance of approximately 1,800 kilometers of transmission lines, one new substation, and expansion of three existing substations in the states of Pará and Tocantins.

- First debentures issue – Single series - ENGIE Transmissão de Energia Participações S.A.

The Company's Board of Directors, at a meeting held on Jan.31.2020, approved the 1st issue of simple, non-convertible, unsecured, single-series debentures of ENGIE Transmissão de Energia Participações S.A., in the amount of R$ 500 million, with interest at 100% of the DI Rate plus a spread of 0.67% p.a., maturing 9 month from the date of issuance and with principal and interest payments on the date of maturity. Financial liquidation took place on Mar.02.2020.

- Approval of a foreign currency-denominated loan

The Company's Board of Directors, at a meeting held on Mar.23.2020, approved securing a loan from one or more top-tier banks, under the mode provided in Law 4,131/62, as well as contracting the respective swap operation. The approved amount is up to USD 325 million, to be amortized within 4 years in a lump-sum payment upon maturity. The amount will be allocated to financing implementation of the Company's business plan.

- Convening of the Crisis Committee

Because of the rapid spread of Covid-19 worldwide and in Brazil, the Company has been taking several steps to monitor the pandemic's evolution and slow down contagion. The goal is to protect the company's employees, their families, and the community at large in such a manner as to reduce exposure, thereby preventing overwhelming of the Brazilian health care system's capacity. The company has embraced the following measures: (i) structuring a contingency plan to ensure the health and safety of employees and the Company's operational security; (ii) establishment of a work-from-home regime for own and temporary employees, interns and apprentices, stipulating a minimum necessary crew to maintain the Company's operations; (iii) restriction on on-site meetings, instructing employees to use the videoconferencing resources available; (iv) suspension of the Plant Visitations Program; and (v) suspension of international travel and restriction of domestic travel to that strictly necessary.

ATTACHMENT II – PROFIT ALLOCATION PROPOSAL

Article 9 of ICVM 481/09 – Sole paragraph, section II – Proposed allocation of annual net profit containing at least the information indicated in Attachment 9-1-II of ICVM 481/09:

Allocation of annual net profit

1) Inform the fiscal year's net profit	R$ 2,310 million (controlling company)
2.a) Inform the global amount of dividends, including previously disclosed interim dividends and interest on shareholders' equity (IoSE)	R$ 1,247 million [6]
2.b) Inform the dividends per share, including previously disclosed interim dividends and IoSE.	R$ 1.5288117415 per common share
3) Inform the percentage of annual net profit to be paid out.	Equals to 56.8% of the adjusted net profit [7]
4) Inform the global amount and the amount per share of dividends paid out from previous years' profits	Not applicable.
5) Inform, ex-early dividends and interest on shareholders' equity already declared:	
a) The gross amount of dividends and IoSE, broken down by share type and class	Not applicable.
b) Manner and term of payment of dividends and IoSE	Not applicable.
c) Any restatement of, or interest on, dividends and IoSE	Not applicable.
d) Announcement date of dividends and interest on shareholders' equity payout for the purposes of determining shareholders entitled to receive them	Not applicable.

[6] The global amount of dividends, of R$ 1,247 million, includes the amounts of R$ 893 million and R$ 354 million related to interim dividends and interest on shareholders' equity, respectively, as per item 6 "a". The global amount of dividends, therefore, equals 56.8% of adjusted net profits.

[7] Adjusted Net Profit is the fiscal year's net profit minus Legal Reserves and Tax Incentives, adjusted at realized equity value adjustment (cost assigned to fixed assets as per the guidelines provided in CPC 27 and ICPC 10) and unclaimed dividends and interest on shareholders' equity, booked in the "Accumulated Profits" account.

6) Should there have been announced dividends or interest on shareholders' equity based on semi-annual balance sheets or those for shorter periods.	
a) Inform the amount of previously disclosed dividends and interest on shareholders' equity	R$ 893 million in interim dividends and R$ 354 million in interest on shareholders' equity
b) Inform the date of the respective payments.	Payout of interim dividends began on January 29, 2020 and payout of IoSE will be defined at the General Shareholders Meeting
7) Provide a comparative table indicating the following amounts broken down by share type and class:	
a) Annual net profit and for the 3 previous fiscal years.	2019 = R$ 2.8310418867 2018 = R$ 2.8364772872 2017 = R$ 2.4553787762[8]
b) Dividend and interest on shareholders' equity paid out over the last 3 fiscal years.	2019 = R$ 1.5288117415 2018 = R$ 2.7851510063[9] 2017 = R$ 3.0642635985
8) If profits are allocated to required reserves.	
a) Identify the amount allocated to the required reserve	R$ 115 million.
b) Detail calculations of the required reserves	Equal to 5% of the fiscal year's net profit.

[8] Due to the increased number of shares in 2018 arising from the 163,185,548 bonus common shares to shareholders, "Basic and diluted earnings per share – in R$" for 2017, for the Controlling Shareholder and Consolidated, has been restated to consider the number of common shares of the Company as of December 31, 2018 – 815,927,740.

[9] 31.12.2018. Dividends and interest on shareholders' equity per common share (in Brazilian Reais) were calculated in light of the existing number of shares on December 31, 2018.

9) If the company has preferred shares entitled to minimum fixed dividends'.	Not applicable.

10) Concerning mandatory dividends	
a) Describe calculations as prescribed in the Bylaws	The company's bylaws provide that distribution of a dividend of at least 30% (thirty percent) of the legally adjusted net profit is mandatory each year, and the allocation of the full result for the fiscal year must be submitted for resolution of the Annual General Meeting. - The Company shall prepare semi-annual balance sheets and the Board of Directors may, at its discretion, declare interim dividends based thereon. - The Company may prepare balance sheets and distribute interim dividends at shorter periods, provided that the total dividends paid out in each half of the fiscal year do not exceed the amount of capital reserves mentioned in Paragraph 1, Article 182 of Law 6,404 of December 15, 1976. - The Board of Directors may announce interim dividends against the retained earnings or profit reserves accounts booked in the latest annual or semiannual balance sheet. - By resolution of the Board of Directors, the Company may credit or pay interest on shareholders' equity (IoSE) in accordance with the applicable legislation. The amounts paid or credited by the Company as IoSE may be considered for the purposes of mandatory dividends in accordance with the legislation. - Statute of limitations on claims on dividends shall run in three (03) years. Dividends not claimed in a timely manner shall revert to the Company.

b) Inform whether it is being paid in full.	Yes
c) Inform any retained amounts.	Not applicable.

11) In case of mandatory dividends have been retained due to the Company's financial situation	
a) Inform the amount retained	Not applicable.
b) Describe the Company's financial situation in detail, including aspects related to liquidity analysis, working capital and positive cash flows.	Not applicable.
c) Justify retaining the dividends	Not applicable.
12) In the event of profits allocated to contingency reserves	
a) Identify the amount allocated to reserves	Not applicable.
b) Identify the loss deemed probable and its cause	Not applicable.
c) Explain why the loss has been deemed probable	Not applicable.
d) Justify constitution of the reserves	Not applicable.
13) In the event of profits allocated to unrealized profit reserves	
a) Inform the amount allocated to unrealized profit reserves	Not applicable.
b) Inform the nature of the unrealized profits originating the reserve	Not applicable.
14) In the event of profits allocated to statutory reserves	
a) Describe the statutory clauses establishing the reserves	Not applicable.
b) Identify the amount allocated to the reserves	Not applicable.
c) Describe calculation of the amount	Not applicable.
15) In the event of profits retained pursuant to capital budgets	
a) Identify the amount retained	R$ 950 million

b) Provide a copy of the capital budget	Presented in the Attachment III of this Management Proposal

16) In the event of profits allocated to tax incentives reserves

a) Inform the amount allocated to reserves	R$ 28 million
b) Explicar a natureza da destinação	The reserve is formed by allocation a portion of the fiscal year's profits equivalent to the tax benefit granted by the Amazon Development Agency (Sudam) and the Northeast Development Agency (Sudene). The benefit corresponds to a 75% reduction in income tax owed on profits from activities of the Plants that have been granted the benefit - Ponte de Pedra and São Salvador HPP, based on Article 626 of Decree 9,580 / 2018, as shown below:

	R$ milhões
Exploration income	**176**
Nominal income tax (15%)	26
Income tax surcharge	12
Calculated income tax	**38**
Tax benefit (%)	75%
Tax benefit	**28**

17) In the event of profits allocated to equity capital increases

a) Inform the amount of increase	Not applicable.
b) Inform the amount of the new equity capital	Not applicable.
c) Inform whether new shares have been issued	Not applicable.
d) Provide a detailed explanation of the reasons for the equity capital increase	Not applicable.

ATTACHMENT III – CAPITAL BUDGET

In thousands of Reais

	To be realized			
Sources of resources	**2020**	**2021**	**2022**	**Total**
Retained earnings for fiscal year 2019 (Article 196 to the Corporate Law.)	949,744	-	-	949,744
Third party capital and internal cash generation	3,762,794	2,181,404	246,787	6,190,985
Total for sources	**4,712,538**	**2,181,404**	**246,787**	**7,140,729**
Investment				
Pampa Sul Thermoelectric Power Plant	197,701	-	-	197,701
Campo Largo Wind Complex – Phase II	1,027,054	327,124	-	1,354,178
Gralha Azul Transmission System	942,810	645,312	49,458	1,637,580
Novo Estado Transmission System	2,251,559	1,051,378	-	3,302,937
Modernization of Salto Osório	92,228	9,621	99	101,948
Maintenance of the generating complex	201,186	147,969	197,230	546,385
Total of investments	**4,712,538**	**2,181,404**	**246,787**	**7,140,729**

12.5/6 Composition and professional experience of the board of directors

BOARD OF DIRECTORS (appointed candidates)

Name	Date of birth	Management body	Election date	Independent member
CPF or Passport	Profession	Elected position help	Tenure date	Nominated by the controlling shareholder
Other positions or functions		Number of terms of office	Term of office	Attendance at 2019 BoD meetings
Maurício Stolle Bähr	**09.17.1957**	**Member of the Board of Directors Only**	**04.28.2020**	**No**
748.528.847-49	Engineer	20 - Chairman of the Board of Directors	04.28.2020	Yes
Strategic Committee Member		10 (ten)	AUG 2022	100%
Dirk Achiel Marc Beeuwsaert	**01.14.1948**	**Member of the Board of Directors Only**	**04.28.2020**	**No**
EK083845	Engineer	22 – Board of Directors (Full Member)	04.28.2020	Yes
Strategic Committee Member		9 (nine)	AUG 2022	14%
Manoel Arlindo Zaroni Torres	**12.18.1949**	**Member of the Board of Directors Only**	**04.28.2020**	**Yes**
115.116.056-34	Engineer	28 – Independent Board of Directors (Alternate Member)	04.28.2020	Yes
-		10 (ten)	AUG 2022	93%
Pierre Jean Bernard Guiollot	**04.21.1968**	**Member of the Board of Directors Only**	**04.28.2020**	**No**
12CE76848	Engineer	23 – Board of Directors (Alternate Member)	04.28.2020	Yes
Strategic Committee Member		2 (two)	AUG 2022	7%
Paulo Jorge Tavares Almirante	**08.24.1964**	**Member of the Board of Directors Only**	**04.28.2020**	**No**
M619074	Engineer	22 – Board of Directors (Full Member)	04.28.2020	Yes
Strategic Committee Member		2 (two)	AUG 2022	14%
Paulo de Resende Salgado	**07.02.1945**	**Member of the Board of Directors Only**	**04.28.2020**	**Yes**
161.008.917-00	Economist	27 – Independent Board of Director (Full member)	04.28.2020	Yes
-		1 (one)	AUG 2022	100%

Name	Date of birth	Management body	Election date	Independent member
CPF or Passport	Profession	Elected position held	Tenure date	Nominated by the controlling shareholder
Other positions or functions		Number of terms of office	Term of office	Attendance at 2019 BoD meetings
José Pais Rangel	**09.09.1940**	**Member of the Board of Directors Only**	**04.28.2020**	**Yes**
239.775.667-68	Attorney	27 – Independent Board of Director (Full member)	04.28.2020	No
-		7 (seven)	AUG 2022	100%
Gil de Methodio Maranhão Neto	**01.18.1963**	**Member of the Board of Directors Only**	**04.28.2020**	**No**
734.574.937-15	Engineer	23 – Board of Directors (Alternate Member)	04.28.2020	Yes
-		7 (seven)	AUG 2022	64%
Karin Koogan Breitman	**04.18.1969**	**Member of the Board of Directors Only**	**04.28.2020**	**Yes**
375.914.877-87	Engineer	27 – Independent Board of Director (Full member)	04.28.2020	Yes
-		1 (one)	AUG 2022	7%
Simone Cristina de Paola Barbieri	**03.14.1971**	**Member of the Board of Directors Only**	**04.28.2020**	**No**
149.142.418-46	Psychologist	22 – Board of Directors (Full Member)	04.28.2020	Yes
-		2 (two)	AUG 2022	86%
Leonardo Augusto Serpa	**01.07.1980**	**Member of the Board of Directors Only**	**04.28.2020**	**No**
026.127.629-81	Engineer	23 – Board of Directors (Alternate Member)	04.28.2020	Yes
-		1 (one)	AUG 2022	57%
Antonio Alberto Gouvêa Vieira	**08.31.1955**	**Member of the Board of Directors Only**	**04.28.2020**	**Yes**
338.907.227-68	Attorney	28 – Independent Board of Director (Alternate Member)	04.28.2020	Yes
-		7 (seven)	AUG 2022	0%
Raphael Vincent Philippe Barreau	**12.20.1975**	**Member of the Board of Directors Only**	**04.28.2020**	**No**
EN751677	Business Administrator	23 – Board of Directors (Alternate Member)	04.28.2020	Yes
-		1 (one)	AUG 2022	71%

Name	Date of birth	Management body	Election date	Independent member
CPF or Passport	Profession	Elected position held	Tenure date	Nominated by the controlling shareholder
Other positions or functions		Number of terms of office	Term of office	Attendance at 2019 BoD meetings
Gustavo Henrique Labanca Novo	**03.05.1968**	**Member of the Board of Directors Only**	**04.28.2020**	**No**
000.674.107-07	Engineer	23 – Board of Directors (Alternate Member)	04.28.2020	Yes
-		1 (one)	AUG 2022	36%
Raquel da Fonseca Cantarino	**10.16.1972**	**Member of the Board of Directors Only**	**04.28.2020**	**Yes**
025.407.357-38	Business Administrator	28 – Independent Board of Director (Alternate Member)	04.28.2020	No
-		1 (one)	AUG 2022	0%
Richard Jacques Dumas	**01.20.1971**	**Member of the Board of Directors Only**	**04.28.2020**	**No**
19FV02623	Economist	22 – Board of Directors (Full Member)	-	Yes
-		0 (zero)	AUG 2022	n.a.
Adir Flavio Sviderskei	**02.16.1965**	**Member of the Board of Directors Only**	**04.28.2020**	**No**
427.166.400.68	Power Plant Operator	22 – Board of Directors (Full Member)	04.28.2020	No
-		0 (zero)	AUG 2022	n.a.
Rubens José Nascimento	**12.11.1963**	**Member of the Board of Directors Only**	**04.28.2020**	**No**
564.610.629-04	Engineer	23 – Board of Directors (Alternate Member)	04.28.2020	Yes
-		0 (zero)	AUG 2022	n.a.

BOARD OF DIRECTORS

Maurício Stolle Bähr - 748.528.847-49

Born on September 17,1957, Bachelor of Mechanical Engineering from Universidade Gama Filho (RJ) and of Systems Analysis from Pontifícia Universidade Católica (PUC) do Rio de Janeiro. MBA from COPPEAD - Universidade Federal do Rio de Janeiro (UFRJ), and MBA of Corporate Finance from Berkeley University, United States of America (USA). Former Chief Financial Officer of Serra da Mesa Energia S.A. and Chief Financial Officer of Nacional Energética S.A. Currently CEO of ENGIE Brasil Participações Ltda., Chairman of the Board of Directors of ENGIE Brasil Energia and Chairman of the Board of Directors of Energia Sustentável do Brasil S.A.

The nominee is capable of issuing a statement to the effect that he or she has not been: i) convicted on criminal charges; ii) convicted in a CVM proceeding; or iii) unappealably convicted in the judiciary or administrative spheres, such that he or she has been suspended or barred from any professional or commercial activity.

Dirk Achiel Marc Beeuwsaert – EK083845

Born on January 14, 1948, a Mechanical and Electrical Engineer from Ghent University (Belgium). Attended the CEDEP Management Program in Fontainebleau, France. Formerly the CEO of GDF SUEZ Energy International, CEO of GDF SUEZ Energy North America Inc., Officer of Glow Energy, a public-sector company with main offices in Thailand, Member and Chairman of the Board of Directors of International Power S.A., Officer of Electrabel, Tractebel Engineering, Gaselys (France) and Célizan (France). Is currently: (i) Executive Vice-President at ENGIE S.A., in charge of the conglomerate's Energy Europe division; (ii) member of ENGIE's executive committee and administrative committee; and (iii) CEO of Electrabel, in addition is a member of the Company's Strategic Committee and Board of Directors.

The nominee is capable of issuing a statement to the effect that he or she has not been: i) convicted on criminal charges; ii) convicted in a CVM proceeding; or iii) unappealably convicted in the judiciary or administrative spheres, such that he or she has been suspended or barred from any professional or commercial activity.

Manoel Arlindo Zaroni Torres - 115.116.056-34

Born on December 18, 1949, Electrical Engineering degree from Escola Federal de Engenharia de Itajubá (MG) and General Administration Expert degree from CEDEP, an associate of INSEAD, Fontainebleau, France. Attended the Leading from the Chair Program – INSEAD – France in 2015. Was employed with Furnas Centrais Elétricas S.A. (Furnas) from 1973 to 1998 and in 1998 joined the management of ENGIE Brasil Energia S.A., as Operations Officer. From 1999 to 2016 served as CEO of the Company and some of its controlled Special Purpose Entities (SPEs). Was a member of the Board of Directors of Itá Energética S.A. and of Eternit; president of the Full Council of the Machadinho Consortium Management Committee; and a member of the Higher Strategy-Making Council of the Santa Catarina State Industrial Federation – FIESC. Currently a member of the Board of Directors of the Company and of Energia Sustentável do Brasil.

The nominee is capable of issuing a statement to the effect that he or she has not been: i) convicted on criminal charges; ii) convicted in a CVM proceeding; or iii) unappealably convicted in the judiciary or administrative spheres, such that he or she has been suspended or barred from any professional or commercial activity.

Pierre Jean Bernard Guiollot - 12CE76848

Born on April 21, 1968. Utilities degree from Sciences Po Paris. Was accounting manager at ENGIE S.A. from 2008 to 2012. In 2013 he became Chief Financial Officer of the international energy division of ENGIE S.A. and has since 2014 been a member of the Board of Directors of Glow Energy PCL.

The nominee is capable of issuing a statement to the effect that he or she has not been: i) convicted on criminal charges; ii) convicted in a CVM proceeding; or iii) unappealably convicted in the judiciary or administrative spheres, such that he or she has been suspended or barred from any professional or commercial activity.

Paulo Jorge Tavares Almirante - M619074

Born on August 24, 1964. Has a degree in engineering and a master's degree in mechanical engineering from Universidade Técnica de Lisboa, a diploma in managerial studies from Universidade Católica de Lisboa and attended London Business School's global leadership development program. Has more than 25 years' experience in the electric energy and gas industries. Was an International Power PLC officer for the Iberian region from 2004 to 2013, with responsibility for the executive management of business in Portugal and Spain, CEO of TrustEnergy from 2013 to early 2016, responsible for the executive management of ENGIE Europa's business in Portugal and CEO of Portgás, a concessionaire for the implementation of a natural gas network in 29 Portuguese municipalities. Currently CEO of the Generation Business Unit in Europe and Vice-Chairman of the Executive Committee, both at ENGIE. Was also a member of the Portuguese consultative energy regulation committee and is the vice-president of the Portuguese electric energy association.

The nominee is capable of issuing a statement to the effect that he or she has not been: i) convicted on criminal charges; ii) convicted in a CVM proceeding; or iii) unappealably convicted in the judiciary or administrative spheres, such that he or she has been suspended or barred from any professional or commercial activity.

Paulo de Resende Salgado - 161.008.917-00

Born on July 02, 1945. Has a degree in Economics from Universidade Cândido Mendes in Rio de Janeiro, a Financial Executive graduate degree from Fundação Getúlio Vargas (FGV), a Managerial Development and capital Markets Program MBA from FGV-AID-USA. Formerly a vice-president at Citibank, Investment Superintendent at Banco Econômico de Investimentos S.A., Underwriting and Privatizations Officer at Banco Nacional S.A., where he was involved in the privatization projects for Light and Companhia Siderúrgica Nacional (CSN). Also served as Officer of Nacional Energética S.A. and of IVEN S.A, and as CFO of Nacional Energética S.A.; as an Economics Consultant or Agenda Corretora de Câmbio e Valores Mobiliários Ltda.; and as a member of the Company's Fiscal Council.

The nominee is capable of issuing a statement to the effect that he or she has not been: i) convicted on criminal charges; ii) convicted in a CVM proceeding; or iii) unappealably convicted in the judiciary or administrative spheres, such that he or she has been suspended or barred from any professional or commercial activity.

José Pais Rangel - 239.775.667-68

Born on September 9, 1940. Has a Law degree from Faculdade Cândido Mendes (RJ), is a Licensed Professor of Law from Faculdade Niteroiense de Formação de Professores. Has attended a Capital Markets course in the USA (Central Bank of Brazil/USAID agreement – 1977). With solid experience in publicly listed companies, he filled the following positions at the Central Bank of Brazil – BACEN: capital markets inspector; capital markets inspection supervisor; regional head of capital markets inspection; head of the public debt department; market operations manager; project coordinator and in charge of implementation of the SELIC system in the Brazilian financial market; founder and member of the board of curators of CENTRUS – Fundação Banco Central de Previdência Privada; coordinator of the privatization program for Central Bank of Brazil-controlled companies; Chairman of the Board of Directors of Companhia América Fabril; member of the board of directors of Companhia Fábrica de Tecidos Dona Isabel; advisor to the Presidency of the Republic – SEPLAN / Special Privatization Commission; CEO of Cia Nacional de Tecidos Nova América; liquidator for the following government-owned companies: DIGIBRÁS (Empresa Digital Brasileira S.A.); DIGIDATA (Eletrônica S.A.); PROEL (Processos Eletrônicos Ltda). In the past three years, served as: effective member of the Board of Directors of Companhia Energética de Minas Gerais – Cemig; effective member of the Board of Directors of Eletrobrás; alternate member of the Fiscal Council of Petrobrás. Currently serves as: Executive Vice-President of Banco Clássico S.A.; member of the Board of Directors of Companhia Distribuidora de Gás do Rio de Janeiro – CEG; member of the Board of Directors of Kepler Weber S.A.; and effective member of the Company's Board of Directors and CVM-accredited Investment Funds Manager.

The nominee is capable of issuing a statement to the effect that he or she has not been: i) convicted on criminal charges; ii) convicted in a CVM proceeding; or iii) unappealably convicted in the judiciary or administrative spheres, such that he or she has been suspended or barred from any professional or commercial activity.

Gil de Methodio Maranhão Neto - 734.574.937-15

Born on January 18, 1963. Has a Civil Engineering degree from Veiga de Almeida and an MBA in Finance from Instituto Brasileiro de Mercado de Capitais (IBMEC). Served in the Capital Markets (equity funds management and underwriting) and sales (Pension Funds) areas at Banco Nacional S.A. From 1994 to 1996, worked at Nacional Energética in the construction of the Serra da Mesa HPP. Has been with the ENGIE Group since 1996, where he has served as Deputy Manager, Construction Officer of ENGIE Brasil Energia S.A. (Itá and Machadinho HPPs and William Arjona TPP), and Business Development Officer. Is Currently Strategy, Communications and Corporate Social Responsibility Officer, a member of the Group's Executive Committee in Brazil and an alternate member of the Board of Directors of Energia Sustentável do Brasil S.A.

The nominee is capable of issuing a statement to the effect that he or she has not been: i) convicted on criminal charges; ii) convicted in a CVM proceeding; or iii) unappealably convicted in the judiciary or administrative spheres, such that he or she has been suspended or barred from any professional or commercial activity.

Karin Koogan Breitman – 375.914.877-87

Born on April 18, 1969. Has an Electrical Engineering degree from Universidade do Estado do Rio de Janeiro (UFRJ), a Master's Degree in Software Engineering from UFRJ and a Doctor's Degree in Computer Science from Pontifica Universidade Católica (PUC) do Rio de Janeiro. Throughout her career, she has been a Computer Science professor at PUC-Rio, where she led projects in partnership with NASA, HP, IBM and Microsoft. She later joined EMC and served as vice-president and head scientist for a period of four years. The author of over one hundred combined patents (Microsoft, EMC and Dell), books and scientific papers. Currently serves on the Professional Council of ACM, PMI-RJ and the Board of Grupo Editorial Nacional. She is a consultant for the European Commission and the Ministry of Science, Technology and Innovation, and holds an Officer position at Rio Tinto.

The nominee is capable of issuing a statement to the effect that he or she has not been: i) convicted on criminal charges; ii) convicted in a CVM proceeding; or iii) unappealably convicted in the judiciary or administrative spheres, such that he or she has been suspended or barred from any professional or commercial activity.

Simone Cristina De Paola Barbieri – 149.142.418-46

Born March 14, 1971, graduated in Psychology from the Universidade de São Paulo (USP). She has an Executive MBA in Global Management from SOCIESC and Universidade Lusófona of Lisbon and International Coaching Certification (ICC) from Iluminatta Brasil. Between 2004 and 2015, she was HR Coordinator at ENGIE Brasil Energia S.A., having been responsible for structuring the program for succession and preparation of potential leaders, working in leadership, performance, management and other processes relating to personnel development. Prior to joining ENGIE, she was an HR consultant at Roland Berger Human Resources in the area of assessment and development of executives. Currently, she is Human Resources Officer for ENGIE Brasil Participações Ltda., responsible for management of HR and Occupational Health and Safety, responding for management of culture and change as well as the alignment of HR practices in the various entities making up the Brazilian Business Unit.

The nominee is capable of issuing a statement to the effect that he or she has not been: i) convicted on criminal charges; ii) convicted in a CVM proceeding; or iii) unappealably convicted in the judiciary or administrative spheres, such that he or she has been suspended or barred from any professional or commercial activity.

Leonardo Augusto Serpa – 026.127.629-81

Born on January 7, 1980. Has an Electrical Engineering degree from Universidade Federal do Estado de Santa Catarina (UFSC), a master's degree from UFSC, a PhD from the Swiss Technical University in Zurich, and an MBA from the Cass Business School, London. From June 2010 to April 2016 he was with ABB, holding various managerial positions in electric and electronic products and services. Has since May 2016 served as CEO of the ENGIE Group's corporations in the energy services area. He is also Chairman of the Board of Directors of ENGIE Geração Solar Distribuída S.A.

The nominee is capable of issuing a statement to the effect that he or she has not been: i) convicted on criminal charges; ii) convicted in a CVM proceeding; or iii) unappealably convicted in the judiciary or administrative spheres, such that he or she has been suspended or barred from any professional or commercial activity.

Antonio Alberto Gouvêa Vieira - 338.907.227-68

Born on August 31, 1955. Has a Law degree from Pontifícia Universidade Católica (PUC) do Rio de Janeiro and is a graduate Business Administration degree from the same university. A partner at Gouvêa Vieira Advocacia, and a former member of the Boards of Directors of Companhia Vidraria Santa Marina (Saint Gobain), from 1992 to 2003; Alcatel Telecomunicações S.A., from 1990 to 2002; Eternit S.A., from 1996 to 2000; Telesp Celular Participações S.A., from 1998 to 2001; and Acesita S.A. (ArcelorMittal Inox Brasil), from 1999 to 2008, of the Fiscal Council of Companhia de Bebidas das Américas (Ambev), from 2000 to 2001, Chairman of the Consultative Council of Banco Calyon Brasil S.A., from 2000 to 2007, and currently a member of the executive management team of Pubas S.A. He is a member of the Boards of Directors of (i) Leroy Merlin Cia. Brasileira de Bricolagem, since 1996; (ii) of Boa Esperança S.A.; and (iii) of Sociedade Francesa e Brasileira de Ensino – Lycée Molière.

The nominee is capable of issuing a statement to the effect that he or she has not been: i) convicted on criminal charges; ii) convicted in a CVM proceeding; or iii) unappealably convicted in the judiciary or administrative spheres, such that he or she has been suspended or barred from any professional or commercial activity.

Raphael Vincent Philippe Barreau – EN751677

Born on December 20, 1975. Has bachelor's and master's degrees in Business Administration from FUNDP Belgium. From 2008 to 2013, he served as Business Development Vice-President for ENGIE in the Middle East. From 2013 to 2017, served as Business Development Officer for ENGIE in Mexico. Is currently a non-statutory Officer at ENGIE Brasil Participações Ltda., responsible for Acquisitions, Investments and Financial Advisory.

The nominee is capable of issuing a statement to the effect that he or she has not been: i) convicted on criminal charges; ii) convicted in a CVM proceeding; or iii) unappealably convicted in the judiciary or administrative spheres, such that he or she has been suspended or barred from any professional or commercial activity.

Gustavo Henrique Labanca Novo – 000.674.107-07

Born on March 5, 1968. Has a bachelor's degree in Electronic Engineering from Universidade Gama Filho, an Executive MBA degree from COPPEAD (UFRJ), and a Post-Graduate Degree in Companies and Projects Valuation from FGV-RJ. Has been with the ENGIE Group for more than 20 years, serving as project and business development manager from 1998 to 2000. In 2000-2010, he served as financial analyst, senior financial manager and AIFA (Acquisitions, Investment & Financial Advisory) VP. Was Business Development VP from 2010 to 2015. Served as the Company's Business Development Officer from 2016 to August 2019. Was an effective member of the Board of Deliberations of PREVIG Sociedade de Previdência Complementar, an entity formed by ENGIE Brasil Energia S.A., and an effective member of the Board of Directors of Energia Sustentável do Brasil S.A. Currently serves as Chief Executive Officer of Transportadora Associada de Gás S.A. – TAG.

The nominee is capable of issuing a statement to the effect that he or she has not been: i) convicted on criminal charges; ii) convicted in a CVM proceeding; or iii) unappealably convicted in the judiciary or administrative spheres, such that he or she has been suspended or barred from any professional or commercial activity.

Raquel da Fonseca Cantarino – 025.407.357-38

Born on October 16, 1972. Has a Bachelor of Laws degree from Universidade Estácio de Sá and a bachelor's degree in Business Administration from Faculdades Integradas Bennett, with a Post-Graduate degree in Financial Management from FGV. Was O&M Analyst at Federal de Seguros S.A. from 1991 to 1997. Currently serves as Open-Market Trader at Banco Clássico S.A., carrying out securities, fixed-income, equities, and investment-fund trading operations, tracking the capital markets' main financial assets and indicators and controlling the funds available in banking reserves.
The nominee is capable of issuing a statement to the effect that he or she has not been: i) convicted on criminal charges; ii) convicted in a CVM proceeding; or iii) unappealably convicted in the judiciary or administrative spheres, such that he or she has been suspended or barred from any professional or commercial activity.

Richard Jacques Dumas – 19FV02623

Born on January 20, 1971. Has a bachelor's degree in Economics and Finance from Institut D'estudes Politiques, an MBA from the Canterbury Business School, and attended the Management Program at INSEAD Cedep. Formerly an Auditor with PWC (Lyon and Paris/France) from 1996 to 2000, Financial Comptroller at ELYO and SUEZ Energies Services (Paris) from 2000 to 2003, CFO at ELYO Italia / GDFSUEZ (Milan) from 2003 to 2009, CFO at Cofely Italia /GDFSUEZ (Milan and Rome) from 2009 to 2010, CFO at Cofely INEO / ENGIE (Paris) from 2010 to 2016, Senior VP of Finance, Procurement and Information Technology at ENGIE's Middle-East, Central Asia and Turkey BU from 2016 to 2019. Currently appointed CFO of ENGIE's Brazil BU, responsible for the Finance, Procurement and Information Technology areas.
The nominee is capable of issuing a statement to the effect that he or she has not been: i) convicted on criminal charges; ii) convicted in a CVM proceeding; or iii) unappealably convicted in the judiciary or administrative spheres, such that he or she has been suspended or barred from any professional or commercial activity.

Adir Flavio Sviderskei – 427.166.400-68

Born on February 16, 1965. Has certifications in Power Plant Operations (CEFA-Florianópolis) and Electronics (Monitor-SP), and a bachelor's degree in Administration from Faculdade Anglicana. Has been with the ENGIE Group for over 20 years, in Operations team supervision and management, in Power Plant transition, installation, modernization and commissioning projects. Member of the local Human Performance Program committee. In the 1990s, was President of the Fundação Atlético Social – FASE. Former Chair of the Board of Deliberations and since 2019 Chair of the Fiscal Council of ACABEVI – Associação Cultural de Alto Bela Vista SC. Currently serves as an effective member of the Board of Deliberations of PREVIG Sociedade de Previdência Complementar, an entity formed by ENGIE Brasil Energia S.A.
The nominee is capable of issuing a statement to the effect that he or she has not been: i) convicted on criminal charges; ii) convicted in a CVM proceeding; or iii) unappealably convicted in the judiciary or administrative spheres, such that he or she has been suspended or barred from any professional or commercial activity.

Rubens José Nascimento – 564.610.629-04
Born on December 11, 1963. Has a bachelor's degree in Electrical Engineering from Universidade Federal de Santa Catarina (UFSC), an MBA in Business Management from Fundação Getúlio Vargas (FGV) and a Post-Graduate Degree in Quality Management and Productivity from Universidade do Sul de Santa Catarina (UNISUL). His career began in 1987 at Eletrosul, as Power Plant Maintenance Engineer. In 1998, with the migration to Gerasul, he became a member of the Operation and Maintenance Department's staff. In 2000, took over coordination of Systems Maintenance actions, with engagements nationwide. In 2011, became Manager of the Systems Maintenance Area at Tractebel Energia. Formerly an effective member of the Board of Deliberations of Previg - Sociedade de Previdência Complementar, an entity sponsored by Engie Brasil Energia. Currently Manager of the Systems Assets Maintenance Engineering at Engie Brasil Energia. The nominee is capable of issuing a statement to the effect that he or she has not been: i) convicted on criminal charges; ii) convicted in a CVM proceeding; or iii) unappealably convicted in the judiciary or administrative spheres, such that he or she has been suspended or barred from any professional or commercial activity.

The foregoing managers have not been convicted in any criminal proceedings.

12.7/8 Composition of the Committees

Name	Date of birth	Management body	Election date	Independent member
CPF or Passport	Profession	Elected position help	Tenure date	Nominated by the controlling shareholder
Other positions or functions		Number of terms of office	Term of office	Attendance at 2019 BoD meetings
Maurício Stolle Bähr	**09.17.1957**	**Strategic Committee**	**06.25.1999**	**No**
748.528.847-49	Engineer	Committee Member (Full Member)	06.25.1999	Yes
Chairman of the Board of Directors		n.a.	Indeterminate	100%
Dirk Achiel Marc Beeuwsaert	**01.14.1948**	**Strategic Committee**	**03.15.2001**	**No**
EN248546	Engineer	Committee Member (Full Member)	03.15.2001	Yes
Full Member of the Board of Directors		n.a.	Indeterminate	100%
Paulo Jorge Tavares Almirante	**08.24.1964**	**Strategic Committee**	**07.24.2016**	**No**
M619074	Engineer	Committee Member (Full Member)	07.24.2016	Yes
Full Member of the Board of Directors		n.a.	Indeterminate	100%
Gustavo Henrique Labanca Novo	**03.05.1968**	**Strategic Committee**	**05.05.2016**	**No**
000.674.107-07	Engineer	Committee Member (Full Member)	05.05.2016	Yes
Alternate Member of the Board of Directors		n.a.	Indeterminate	100%
Pierre Jean Bernard Guiollot	**04.21.1968**	**Strategic Committee**	**05.05.2016**	**No**
12CE76848	Engineer	Committee Member (Full Member)	05.05.2016	Yes
Alternate Member of the Board of Directors		n.a.	Indeterminate	66.67%

The foregoing managers have not been convicted in any criminal proceedings.

12.9 Existence of a marital, common-law, or family connection up to second degree

Justification for non-completion of the field:

None of the foregoing connections exist between any of the members appointed to the Board of Directors by the Controlling Shareholders.

12.10 Subordination, retainer or control relations in the past 3 fiscal years between the Company's managers (appointed by the Controlling Shareholders) and: (i) an entity under the Company's direct or indirect control, or (ii) the Company's directly or indirectly controlling shareholder:

a) entity under the Company's direct or indirect control

Identification	Taxpayer ID CPF/CNPJ	Type of relationship between the Manager and the related party	Type of related party
Position/Function			
Issuer Manager			
Gil de Methodio Maranhão Neto	734.574.937-15		
Alternate member of the Board of Director			
Related Party			
Itá Energética S.A. (Itasa)	01.355.994/0001-21	Control	Directly Controlled Entity
Alternate member of the Board of Directors in the past three fiscal years			
The Company is a joint-controller of Itasa, with 48.75% equity stake.			
Issuer Manager			
Leonardo Augusto Serpa	026.127.629-81		
Alternate member of the Board of Directors			
Related Party			
ENGIE Geração Solar Distribuída S.A. (EGSD)	24.564.686/0001-01	Control	Directly Controlled
Chairman of the Board of Directors in the past three fiscal years			
Note:			
The Company is the directly controlling entity of EGSD with a 99.99% stake in its equity.			

b) Company's directly or indirectly controlling shareholder:

Identification	Taxpayer ID CPF/CNPJ	Type of relationship between the Manager and the related party	Type of related party
Position/Function			
Issuer Manager			
Dirk Achiel Marc Beeuwsaert	EN248546		
Member of the Board of Directors			
Related Party			
Engie S.A.		Control	Indirectly Controlling Entity
Executive Vice-President and Member of the Executive Committee in the past three fiscal years			
Related Party			
Electrabel		Control	Indirectly Controlling Entity
Chief Executive Officer in the past three fiscal years			
Related Party			
International Power S.A.		Control	Indirectly Controlling Entity
Chief Executive Officer in the past three fiscal years			
Issuer Manager			
Maurício Stolle Bähr	748.528.847-49		
Chairman of the Board Of Directors			
Related Party			
ENGIE Brasil Participações Ltda. (EBP)	01.370.013/001-15	Control	Directly Controlled Entity
Chief Executive Officer in the past three fiscal years			
Issuer Manager			
Simone Cristina De Paola Barbieri	149.142.418-46		
Member of the Board of Directors			
Related Party			
ENGIE Brasil Participações Ltda. (EBP)	01.370.013/001-15	Control	Directly Controlling Entity
Human Resources and Occupational Health and Safety Officer the past three fiscal years			
Issuer Manager			
Pierre Jean Bernard Guiollot	12CE76848		
Member of the Board of Directors			
Related Party			
Engie S.A.		Control	Indirectly Controlling Entity
Chief Financial Officer of the International Energy Division in the past three fiscal years			

Identification	Taxpayer ID CPF/CNPJ	Type of relationship between the Manager and the related party	Type of related party
Position/Function			
Issuer Manager			
Paulo Jorge Tavares Almirante	M619074		
Member of the Board of Directors			
Related Party			
Engie S.A.		Control	Indirectly Controlling Entity
Chief Executive Officer of the Europe Generation Business Unit and Vice-Chairman of the Executive Committee in the past three fiscal years			

12.12 Other information that the Company deems relevant

The seating of Mr. Richard Jacques Dumas, appointed to the position of effective member of the Board of Directors, is conditional upon consent from the relevant Brazilian authorities. Aside from this, the Company has no further relevant information on members appointed for the Board of Directors.

ATTACHMENT V – MANAGEMENT COMPENSATION

Management compensation information based on item 13 of the reference form

13.1 Description of the policy or practice of compensation of the Board of Directors, Statutory and Non-Statutory Executive Board, Fiscal Council, Statutory Committees, and Audit, Risk, Financial and Compensation Committees, addressing the following aspects:

a. objectives of the compensation policy or practice, informing whether the compensation policy has been formally approved, the relevant approving body, the date of approval and, where the issuer discloses the policy, world wide web sites where the document can be viewed

The Company abides by the Controlling Group's guidelines and compensation benchmarks obtained from compensation surveys conducted by specialized consultancy firms. On February 19, 2019 the Board of Directors approved the management Compensation Policy, which is available at the Company's website (www.engie.com.br/investors).

The compensation practice for members of the Board of Directors, Statutory Management and Fiscal Council aims to attract and retain professionals and executives aligned with the Company's business guidelines, values and culture. The practice takes account of market analysis, the knowledge required to perform, the complexity of the activities involved and the expected results based on business objectives.

In addition, Committee members who are also on the Company's payroll receive no compensation for their membership in committees, except (i) for the Leader of the Strategy Committee, who receives monthly additional compensation equal to that of the members of the Board of Directors, where he or she also has a seat, and (ii) the Special Independent Committee for Valuation of Transactions with Related Parties, whose members are compensated upon completion of the assignment for which the committee was formed.

b. compensation breakdown

(i) description of the elements of the compensation and their respective objectives

The composition of the total compensation of members of the Board of Directors, Statutory Management and Fiscal Council is proposed by controlling company, ENGIE Brasil Participações Ltda., according to criteria set at a global level, and breaks down into fixed compensation, bonus, and long-term incentive. The maximum compensation of said Management bodies is approved annually by the Company's Annual General Meeting pursuant to the contents of Law 6,404/76.

The composition of the compensation and the nomination of members for each manager profile are set by the Board of Directors as follows:

Board of Directors

The total compensation of the Board of Directors is made up of the following items, and the maximum aggregate amount thereof is approved by the Annual General Meeting:

- Fixed compensation: Paid in 13 monthly installments intended as direct compensation for services in line with market practices. In addition, the Leader of the Strategy Committee, who also has a seat in the Board of Directors, receives fixed compensation for his or her seat in the said committee;

- Variable compensation: The Chairman of the Board of Directors receives a variable amount based on the Company's results, in the light of financial and operating indicators. This compensation is directly tied in with collective and individual performance results and is intended to compensate the executive for results attained, in line with the Company's business guidelines, values and culture. Furthermore, pursuant to the Collective Employment Contract, full and alternate Directors appointed by the employees may also receive variable annual compensation based on the average of the amounts paid to employees in the previous year, as Profit Sharing (PLR) and Managerial Bonus, at the discretion of the Chairperson of the Board of Directors. The Company currently has one Director (and one alternate) elected by the employees;

- Post-employment benefits: The Company sponsors a supplementary retirement plan in the Set Contribution format. The plan is managed by PREVIG and funding for the benefits comes from members' and the sponsor's contributions. The Company's contribution is the same as the employees' basic contribution, limited to a ceiling pursuant to the plan's regulations. The purpose of this form of compensation is to offer an attractive long-term incentive in line with market practices; and

- Other: These include social charges levied on the Board of Directors' compensation.

The Chairman of the Board of Directors' payment is made by the Company's controlling shareholder, ENGIE Brasil Participações Ltda., with which the Chairman of the Board has entered into an individual employment contract, and 40% of the amount, including charges, are reimbursed by the Company.

The individual compensation of the members of the Board of Directors shall not exceed that of the members of the Statutory Executive Board

Statutory Executive Board

Compensation of the members of the Statutory Executive Board breaks down into fixed and variable portions and its maximum annual amount is approved by the Annual General Meeting;

- Fixed compensation: Paid in 13 monthly installments intended as direct compensation for services rendered. In addition, indirect compensation is provided as benefits offered by the Company, such as: health-recovery support, annual medical checkup, food vouchers, and life insurance. The purpose of the fixed compensation is to offer an attractive package in line with market practices;

- Variable compensation: The amount of the variable compensation, which breaks down into bonus and profit sharing, lies in the range of 40%-81% of annual fixed compensation, depending on the executive's position, challenges and established goals. Its purpose is to compensate executives for the Company's short- and medium-term results. Payment is made in the first half of the following year, after the fiscal year's accounts have been drawn, based on collective and individual performance evaluations;

- Post-employment benefits: The Company sponsors a supplementary retirement plan in the Set Contribution format. The plan is managed by PREVIG and funding for the benefits comes from members' and the sponsor's contributions. The Company's contribution is the same as the employees' basic contribution, limited to a ceiling pursuant to the plan's regulations. The purpose of this form of compensation is to offer an attractive long-term incentive in line with market practices; and

- Stock-based compensation: The Company' directly controlling entity ENGIE Brasil Participações Ltda., offers to the Statutory Officers a Long-Term Incentive Plan (ILP) pegged to the performance of Phantom Shares and corporate indicators after a 4-year period, as well as to Performance Shares and the Group's Share Options Policy. The purpose of this compensation mode is to offer long-term incentives in line with market practices.

- Other: These include social charges levied on the Statutory Executive Board's compensation.

Non-Statutory Executive Board

The Company does not have a Non-Statutory Executive Board installed.

Fiscal Council

The fees of the members of the Fiscal Council are a fixed compensation set and approved by the Annual General Meeting and paid in 13 monthly installments. Fees may not be less, for each active member, than 10% of the average monthly compensation of the Statutory Executive Board, excluding benefits and variable compensation. The purpose of this form of compensation is to address performance of the tasks that Fiscal Council membership requires.

The "Other" item concerns social charges levied on the compensation of the members of the Fiscal Council.

Special Independent Committee for Valuation of Transactions with Related Parties

The Committee's compensation is set by the Board of Directors by project and shall not exceed one (01) additional monthly compensation of the members who already hold positions with the Company. Upon convening, the Board of Directors shall define the duration of the committee's engagement and compensation's payment.

No payments have been made as compensation for members of this Committee in the past 3 fiscal years.

(ii) proportion of each component in the total compensation relative to the last 3 fiscal years.

The proportions of fixed compensation, variable compensation and benefits to total compensation are represented as follows:

Total compensation in the Fiscal Year as December 31, 2019 – Annual amounts in R$				
	Board of Directors	**Statutory Executive Board**	**Fiscal Council**	**Total**
Annual fixed compensation	76.6%	59.1%	100.0%	66.0%
Salary	54.8%	42.2%	83.7%	47.5%
Direct and indirect benefits	0.0%	5.7%	0.0%	3.6%
Committees seats	4.1%	0.0%	0.0%	1.4%
Other	17.7%	11.2%	16.3%	13.5%
Description of other fixed compensation	Social charges	Social charges	Social charges	Social charges
Variable compensation	22.9%	18.4%	0.0%	19.3%
Bonus	13.8%	0.0%	0.0%	4.6%
Profit sharing	4.4%	12.3%	0.0%	9.3%
Attendance at meetings	0.0%	0.0%	0.0%	0.0%
Committees	0.0%	0.0%	0.0%	0.0%
Other	4.7%	6.1%	0.0%	5.4%
Description of other variable compensation	Social charges	Social charges	Social charges	Social charges
Post-employment	0.5%	6.7%	0.0%	4.5%
Termination	0.0%	0.0%	0.0%	0.0%
Stock-based	0.0%	15.8%	0.0%	10.2%
Total compensation	100.0%	100.0%	100.0%	100.0%

Total compensation in the Fiscal Year as December 31, 2018 – Annual amounts in R$				
	Board of Directors	Statutory Executive Board	Fiscal Council	Total
Annual fixed compensation	87.0%	64.4%	100.0%	72.6%
Salary	65.4%	45.2%	80.7%	52.7%
Direct and indirect benefits	0.0%	7.0%	0.0%	4.6%
Committees seats	4.9%	0.0%	0.0%	1.5%
Other	16.7%	12.2%	19.3%	13.8%
Description of other fixed compensation	Social charges	Social charges	Social charges	Social charges
Variable compensation	12.1%	21.7%	0.0%	18.0%
Bonus	2.0%	1.1%	0.0%	1.3%
Profit sharing	9.5%	17.6%	0.0%	14.5%
Attendance at meetings	0.0%	0.0%	0.0%	0.0%
Committees	0.0%	0.0%	0.0%	0.0%
Other	0.6%	3.0%	0.0%	2.2%
Description of other variable compensation	Social charges	Social charges	Social charges	Social charges
Post-employment	0.9%	5.5%	0.0%	3.9%
Termination	0.0%	0.0%	0.0%	0.0%
Stock-based	0.0%	8.4%	0.0%	5.5%
Total compensation	100.0%	100.0%	100.0%	100.0%

Total compensation in the Fiscal Year as December 31, 2017 – Annual amounts in R$				
	Board of Directors	Statutory Executive Board	Fiscal Council	Total
Annual fixed compensation	78.0%	51.2%	100.0%	61.5%
Salary	59.1%	36.2%	83.3%	45.1%
Direct and indirect benefits	0.0%	4.7%	0.0%	3.0%
Committees seats	3.3%	0.0%	0.0%	1.1%
Other	15.6%	10.3%	16.7%	12.3%
Description of other fixed compensation	Social charges	Social charges	Social charges	Social charges
Variable compensation	21.5%	28.8%	0.0%	25.7%
Bonus	16.1%	21.5%	0.0%	19.1%
Profit sharing	0.0%	0.0%	0.0%	0.0%
Attendance at meetings	0.0%	0.0%	0.0%	0.0%
Committees	0.0%	0.0%	0.0%	0.0%
Other	5.4%	7.3%	0.0%	6.6%
Description of other variable compensation	Social charges	Social charges	Social charges	Social charges
Post-employment	0.5%	3.3%	0.0%	2.2%
Termination	0.0%	0.0%	0.0%	0.0%
Stock-based	0.0%	16.7%	0.0%	10.6%
Total compensation	100.0%	100.0%	100.0%	100.0%

(iii) calculation and restatement method for each element of compensation

The compensation paid to members of the Company's Board of Directors, Statutory Executive Board, Fiscal Council, and Committees are proposed by the Controlling Entity, according to globally established criteria, and subsequently approved by the General Shareholders' Meeting. The amount remains unchanged during the fiscal year, as it is set for each year according to the limits approved by the General Shareholders' Meeting for the period in question (January-December).

Compensation is defined according to the nature and duties of each position, based on market surveys held periodically by specialized consultancies.

(iv) reasons that justify the compensation breakdown

The purpose of the Management Compensation Policy, approved by the Board of Directors on February 19, 2019, is to establish compensation guidelines for the members of the Company's Board of Directors, Fiscal Council, Statutory Executive Board, and Committees. It is based on market practices and aims to attract and retain professionals and executives compatible with the Company's needs.

(v) presence of members without compensation from the Company and the reason for this

The Company has no uncompensated members in its Board of Directors, Statutory Executive Board, and Fiscal Council and in the Committees mentioned in item "13.1.a" hereof.

c. principal performance indicators considered for the purposes of determining each element of compensation

Management compensation positioning relative to the market relies on quantitative and qualitative indicators, the degree of contribution to results, overall performance, and experience.

Variable compensation is directly related with corporate and individual performance results, and considers:

- financial and operating indicators for the fiscal year: EBITDA evolution, free cash generation, net income, operating expenses, alignment with the results of the controlling entity, ENGIE Brasil Participações Ltda., etc.;

- individual attainment of goals, industrial and/or financial results; and

- behavioral and managerial aspects.

d. how the compensation is structured to reflect the evolution of performance indicators

Fixed compensation and benefits are set according to market surveys and not adjusted during the year, as they are set for each year within the limits approved by the Annual General Meeting for the Fiscal Year (January-December).

Variable compensation is directly related with corporate and individual performance results and considers:

- financial and operating indicators for the year representing, on average, 65% of the annual bonus;

- individual and behavioral indicators, representing on average 35% of the annual bonus.

e. how the compensation policy or practice aligns with the Company's short-, medium- and long-term interests

The amount of the executives' annual variable compensation depends on the attainment of the Company's short-term objectives.

As concerns medium- and long-term objectives, the Company's directly controlling entity, ENGIE Brasil Participações Ltda., offers to the Statutory Executive Board an ILP that provides a specific and distinctive bonus paid in cash four years after joining the plan. Determination of the performance results proposed under the ILP relies on two indicators, each with 50% weight in the ascertainment of overall results over a 4-year period: TSR – Total Shareholder Return and EPS – Earnings per Share.

Performance over this period is measured from the date of joining the plan until the end of the 4-year period, when the results are evaluated. According to these results, the amount of the award under the long-term incentive plan is calculated and paid in full, paid in part, or not paid (if minimum goals are not attained). The calculations are done by a specialized consultancy firm whose fee is approved by the CEO of the controlling entity, ENGIE Brasil Participações Ltda., in Brazil.

In addition, the Conglomerate to which the Company belongs has a Group Stock Call Options Policy, in Paris, at predetermined prices and open to all of the Company's employees, and a Performance Shares program tied in with the Conglomerate's future results and intended for senior executives and key professionals.

f. presence of compensation with support from subsidiaries or directly or indirectly controlled or controlling entities

No payments are made by subsidiaries. The Controlling Conglomerate makes no payments to the Company's Executive Board or Board of Directors, except:

- Monthly fixed compensation, variable compensation, benefits and contributions under the individual employment contract with the Chairman of the Board of Directors, who accumulate corporate positions in the Company. These costs are partly reimbursed by the Company in proportion to the dedication of the executive to statutory activities; and
- Those mentioned in letter "e", Performance Shares Plan and ENGIE S.A. stock call options are of a corporate nature and intended to reinforce employee engagement.

g. presence of compensation or benefits tied in with the occurrence of a given corporate event, such as disposal of the Company's controlling stake

Not applicable to the Company.

h. practices and procedures embraced by the Board of Directors to set the individual compensation of the Board of Directors and Executive Board:

(i) governing bodies and committees of the issuer that play a role in the decision-making process, identifying the role played;

Compensation composition and the indication of members under each managerial profile is set by the Board of Directors and validated annually by the Annual General Meeting.

(ii) criteria and methodology used to set individual compensation, indicating whether surveys are used to determine market practices and, if so, the benchmarking criteria and the scope of such studies;

Fixed compensation is benchmarked against the Brazilian median according to market surveys conducted annually with specialized consultancies to enable comparisons between the amounts paid to executives by companies of similar size and revenues, with greater weight assigned to those active in the Brazilian electricity industry, as well as internal consistency with the Controlling Group. The variable compensation aims to provide competitive compensation levels compared with the market, repay efforts building results, and the values generated by the Company by means of a bonus pegged to performance, and to motivate the fulfillment of business and strategic objectives, reflecting the Company's and its Controller's culture and values

(iii) how often, and in what manner, does the board of directors evaluate the adequacy of the issuer's compensation policy?

Eventually, the Company reevaluates the Policy's alignment with identified needs and any changes or updates must have the approval of the Board of Directors and be disclosed in a timely manner to the Securities and Exchange Commission – CVM and B3.

13.2 Aggregate compensation of the Board of Directors, Statutory Executive Board and Fiscal Council, booked in the results of the last 3 fiscal years and estimated for the fiscal year under way:

Total projected compensation for the fiscal year ending December 31, 2020 - Annual Amounts in R$				
	Board of Directors	Statutory Executive Board	Fiscal Council	Total
Total number of members ("b")	18	7	3	28
Number of remunerated members ("c")	18	7	3	28
Annual fixed compensation	7,615,570.84	8,927,444.47	551,076.49	17,094,091.80
Salary	5,606,984.67	6,370,299.70	459,230.41	12,436,514.78
Direct and indirect benefits	1,586.45	773,460.85	-	775,047.30
Committee seats	289,120.39	-	-	289,120.39
Other	1,717,879.33	1,783,683.92	91,846.08	3,593,409.33
Description of other fixed compensation	Social charges	Social charges	Social charges	Social charges
Variable compensation	1,479,329.23	6,148,287.62	-	7,627,616.85
Bonus	930,653.49	3,752,206.18	-	4,682,859.67
Profit sharing	288,092.76	1,345,463.71	-	1,633,556.47
Attendance at meetings	-	-	-	-
Commissions	-	-	-	-
Other	260,582.98	1,050,617.73	-	1,311,200.71
Description of other variable compensation	Social charges	Social charges	Social charges	Social charges
Post-employment	63,918.56	1,006,346.60	-	1,070,265.16
Termination	-	-	-	-
Share based	-	1,208,047.82	-	1,208,047.82
Total compensation	9,158,818.63	17,290,126.51	551,076.49	27,000,021.63

The amount indicated as "Share Based" for the Statutory Executive Board includes R$ 463,557.90 in shares awarded to the current members of the Board of Directors as members of the Statutory Executive Board. Furthermore, amounts associated with the share-based pay include social charges applicable thereto.

The number of members per body (letter "b") was established as per Circular Letter CVM/SEP/No.02/2020. Given that fiscal year 2020 is the current fiscal year, the foregoing numbers gave been included based on the Company's projections as per Circular Letter CVM/SEP/No.02/2020.

In 2020, annual aggregate management compensation in the amount of up to R$ 27 million will be submitted to the approval of the Annual General Meeting (AGM).

Total compensation in fiscal year ending December 31, 2019 – Annual Amounts in R$				
	Board of Directors	**Statutory Executive Board**	**Fiscal Council**	**Total**
Total number of members ("b")	15.75	6.67	3	25.42
Number of remunerated members ("c")	11.92	6.08	3	21
Annual fixed compensation	5,193,675.57	7,756,954.70	561,909.16	13,512,539.43
Salary	3,717,944.38	5,536,902.07	470,139.18	9,724,985.63
Direct and indirect benefits	1,531.32	744,765.81	-	746,297.13
Committee seats	277,174.17	-	-	277,174.17
Other	1,197,025.70	1,475,286.82	91,769.98	2,764,082.50
Description of other fixed compensation	Social charges	Social charges	Social charges	Social charges
Variable compensation	1,551,304.82	2,408,070.65	-	3,959,375.47
Bonus	938,221.30	-	-	938,221.30
Profit sharing	296,494.57	1,614,164.60	-	1,910,659.17
Attendance at meetings	-	-	-	-
Commissions	-	-	-	-
Other	316,588.95	793,906.05	-	1,110,495.00
Description of other variable compensation	Social charges	Social charges	Social charges	Social charges
Post-employment	35,248.95	879,135.81	-	914,384.76
Termination	-	-	-	-
Share based	-	2,077,496.72	-	2,077,496.72
Total compensation	6,780,229.34	13,121,657.88	561,909.16	20,463,796.38

The number of members per body (letter "b") was established as per Circular Letter CVM/SEP/No.02/2020.

The amount indicated as "Share Based" for the Statutory Executive Board includes R$ 996,109.20 in shares awarded to the current members of the Board of Directors as members of the Statutory Executive Board. Furthermore, amounts associated with the share-based pay include social charges applicable thereto.

One member of the Statutory Executive Board earned compensation from the Controlling Entity for 7 months.

Total compensation in fiscal year ending December 31, 2018 – Annual Amounts in R$				
	Board of Directors	Statutory Executive Board	Fiscal Council	Total
Total number of members ("b")	18	7	3	28
Number of remunerated members ("c")	12.33	6	3	21.33
Annual fixed compensation	4,883,685.19	7,576,080.70	590,885.27	13,050,651.16
Salary	3,670,402.54	5,318,310.10	476,591.95	9,465,304.59
Direct and indirect benefits	1,408.26	826,043.44	-	827,451.70
Committee seats	275,311.17	-	-	275,311.17
Other	936,563.22	1,431,727.16	114,293.32	2,482,583.70
Description of other fixed compensation	Social charges	Social charges	Social charges	Social charges
Variable compensation	677,833.42	2,561,422.30	-	3,239,255.72
Bonus	109,014.43	129,107.98	-	238,122.41
Profit sharing	533,774.22	2,075,914.17	-	2,609,688.39
Attendance at meetings	-	-	-	-
Commissions	-	-	-	-
Other	35,044.77	356,400.15	-	391,444.92
Description of other variable compensation	Social charges	Social charges	Social charges	Social charges
Post-employment	50,552.80	641,826.96	-	692,379.76
Termination	-	-	-	-
Share based	-	985,665.81	-	985,665.81
Total compensation	5,612,071.41	11,764,995.77	590,885.27	17,967,952.45

The number of members per body (letter "b") was established as per Circular Letter CVM/SEP/No.02/2020.

The amount indicated as "Share Based" for the Statutory Executive Board includes R$ 985,665.51 in shares awarded to the current members of the Board of Directors as members of the Statutory Executive Board and includes social charges applicable thereto.

As concerns the Statutory Executive Board, in addition to the foregoing amounts, the Company has provisioned R$ 333,706.53 in 2018 – pursuant to the Voluntary Severance Plan for officers. Still in connection with the Statutory Executive Board, the Company reverted R$ 5,929,987.96 from the accumulated bonus provision in 2018. Amounts associated with stock-based payments include applicable social charges. One member of the Statutory Executive Board is compensated by the Controlling Company.

Total compensation in fiscal year ending December 31, 2017 – Annual Amounts in R$				
	Board of Directors	Statutory Executive Board	Fiscal Council	Total
Total number of members ("b")	15.17	7	3	25.17
Number of remunerated members ("c")	14.17	6	3	23.17
Annual fixed compensation	5,886,582.73	7,258,980.82	548,926.75	13,694,490.30
Salary	4,461,037.16	5,124,938.87	457,439.09	10,043,415.12
Direct and indirect benefits	827.45	671,489.11	-	672,316.56
Committee seats	246,592.32	-	-	246,592.32
Other	1,178,125.80	1,462,552.84	91,487.66	2,732,166.30
Description of other fixed compensation	Social charges	Social charges	Social charges	Social charges
Variable compensation	1,622,976.68	4,075,516.11	-	5,698,492.79
Bonus	1,214,559.35	3,038,329.56	-	4,252,888.91
Profit sharing	-	-	-	-
Attendance at meetings	-	-	-	-
Commissions	-	-	-	-
Other	408,417.33	1,037,186.55	-	1,445,603.88
Description of other variable compensation	Social charges	Social charges	Social charges	Social charges
Post-employment	37,908.13	460,630.99	-	498,539.12
Termination	-	-	-	-
Share based	-	2,369,584.64	-	2,369,584.64
Total compensation	7,547,467.54	14,164,712.56	548,926.75	22,261,106.85

The number of members per body (letter "b") was established as per Circular Letter CVM/SEP/No.02/2020.

The amount indicated as "Share Based" for the Statutory Executive Board includes R$ 1,782,013.44 in shares awarded to the current members of the Board of Directors as members of the Statutory Executive Board. Amounts associated with the share-based pay include social charges applicable thereto.

As concerns the Statutory Executive Board, in addition to the foregoing amounts, the Company has provisioned R$ 2,047,958.89 in 2017 – pursuant to the Voluntary Severance Plan for officers. Concerning the relevant accounting entries, the table above excludes the amount of R$ 523,242.60 in connection with Administrative Expenses associated with maintenance of the Private Retirement Plan and executive contributions. One member of the Statutory Executive Board is compensated by the Controlling Shareholder.

13.3 Variable compensation of the Board of Directors, Statutory Executive Board and Fiscal Council in the last 3 fiscal years and projected for the current fiscal year

Variable compensation projected for fiscal year 2020

(Amounts in R$)	Board of Directors	Statutory Executive Board
Total number of members	18	7
Number of remunerated members	3	7
Bonus		
Minimum amount projected in the compensation plan	-	-
Maximum amount projected in the compensation plan	1,191,236.47	4,802,823.91
Amount assuming goal attainment as per the compensation plan	595,618.24	2,401,411.96
Profit sharing		
Minimum amount projected in the compensation plan	-	-
Maximum amount projected in the compensation plan	288,092.76	1,345,463.71
Amount assuming goal attainment as per the compensation plan	288,092.76	1,345,463.71

The bonuses above include social charges on compensation.

Recognized in the last 3 fiscal years

Variable compensation – Fiscal year ending December 31, 2019

(Amounts in R$)	Board of Directors	Statutory Executive Board
Total number of members	15.75	6.67
Number of remunerated members	3	6.08
Bonus		
Minimum amount projected in the compensation plan	-	-
Maximum amount projected in the compensation plan	1,430,705.48	2,816,481.51
Amount assuming goal attainment as per the compensation plan	955,939.03	1,334,613.38
Profit sharing		
Minimum amount projected in the compensation plan	-	-
Maximum amount projected in the compensation plan	296,494.57	1,614,164.60
Amount assuming goal attainment as per the compensation plan	296,494.57	1,614,164.60
Amount effectively recognized in the result	1,551,304.82	2,408,070.65

The bonuses above include social charges on compensation.

Variable compensation – Fiscal year ending December 31, 2018

(Amounts in R$)	Board of Directors	Statutory Executive Board
Total number of members	18	7
Number of remunerated members	3	6 (a)
Bonus		
Minimum amount projected in the compensation plan	-	-
Maximum amount projected in the compensation plan	1,430,705.48	2,816,481.51
Amount assuming goal attainment as per the compensation plan	955,939.03	1,334,613.38
Profit sharing		
Minimum amount projected in the compensation plan	-	-
Maximum amount projected in the compensation plan	95,944.88	1,160,966.07
Amount assuming goal attainment as per the compensation plan	95,944.87	1,160,966.07
Amount effectively recognized in the result	677,833.42	2,561,422.30

(a) 1 member is compensated by the Company's controlling shareholder. As such, their compensation is not listed if the above table. These costs are partly refunded by the Company proportionally with the executives' dedication to statutory activities.

The bonuses shown above include social charges on compensation.

Starting in fiscal year 2018, the Company will grant profit sharing (PLR) benefits to its Officers and employee-elected Directors after approval of the accounting statements by the Annual General Meeting AGM, contingent upon the achievement of net profit or operating results in the previous fiscal year, attainment of business goals, and approval of the respective payment by the AGM, as per the Collective Work Contract.

Variable compensation – Fiscal year ending December 31, 2017

(Amounts in R$)	Board of Directors	Statutory Executive Board
Total number of members	15.17	7
Number of remunerated members	3	6 (a)
Bonus		
Minimum amount projected in the compensation plan	-	-
Maximum amount projected in the compensation plan	1,630,187.99	6,132,000.82
Amount assuming goal attainment as per the compensation plan	1,494,032.76	5,574,546.20
Profit sharing		
Minimum amount projected in the compensation plan	-	-
Maximum amount projected in the compensation plan	-	-
Amount assuming goal attainment as per the compensation plan	-	-
Amount effectively recognized in the result	1,622,976.68	4,075,516.11

(a) 1 member is compensated by the Company's controlling shareholder. As such, their compensation is not listed if the above table. These costs are partly refunded by the Company proportionally with the executives' dedication to statutory activities.

The bonuses shown above include social charges on compensation.

13.4 Share based compensation plan of the Board of Directors and Statutory Executive Board in force in the last fiscal year and estimated for the current fiscal year:

The Company offers its managers a Long-Term Incentive Plan (ILP) sponsored by the directly controlling shareholder, ENGIE Brasil Participações Ltda. ("ENGIE Brasil Participações").

a. **general terms and conditions**
As described in items 13.1 and 13.8, the Company's directly controlling shareholder, ENGIE Brasil Participações, offers a Phantom Shares-based ILP to the Statutory Executive Board and certain members of the Board of Directors, in connection with medium- and long-term goals.

b. **plan's main objectives**
The ILP's main objectives are to motivate and reward the Company's key executives in the attainment of medium- and long-term results and to ensure a compatible overall rewards package.

c. **how the plan contributes to these objectives**
Determination of the performance results under the ILP is based on two indicators, each with 50% weight in aggregate results over a 4-year period. The indicators are: TSR – Total Shareholder Return and EPS – Earnings per Share.

d. **how the plan matches the Company's compensation policy**
The ILP was devised as a means to supplement the Performance Shares plan of the indirectly controlling shareholder the ENGIE Group, as described in item "13.15" hereof. It is a specific deferred bonus additional to the fixed and variable compensation and established for the Company's managers.

e. **how the plan aligns with the short-, medium- and log-term interests of the managers and the issuer**
The ILP is pegged to the Company's performance indicators as follows: TSR – Total Shareholder Return and EPS – Earnings per Share, both of which are performance metrics.

f. **maximum number of shares covered**
There is no maximum number of shares covered. The maximum number of Phantom Shares to be distributed corresponds to the maximum individual amount as described in item "g", below, divided by the value of the shares.

g. **maximum number of options granted**
As described in item "h", below, the amount of the ILP (% of the annual salary converted into Phantom Shares) is limited to 130% of the Company's compensation range for the executive's position plus the ILP set for the position in question on the granting date. The annual base salary plus adjusted ILP must not exceed this limit.

h. stock purchase conditions

The ILP is intended for the executives of the Company and of the directly controlling shareholder, ENGIE Brasil Participações, who maintain management agreements and positions with the companies' Executive Boards. The controlling shareholder will annually determine executives eligible for the ILP.

i. acquisition- or strike-price setting criteria

The market value of the Phantom Shares is calculated as the simple average of the closing price of the EGIE3 stock in the three months preceding the grant date. Upon the plan's 4th anniversary, the market value of the phantom shares (again, calculated as the average closing price of EGIE3 in the 3 months preceding the end of the period) will be the basis for the reward to be paid for goals achieved. The ending date shall be the 15th of March subsequent to the plan's 4th anniversary, after the previous fiscal year's accounts have been drawn and finalized.

The ILP payment is a percentage of the value of the Phantom Shares at the end of the cycle. The percentage will be contingent on results achieved in terms of the plan's two performance indicators over the 4-year period.

The plan uses two indicators, in line with the goas set by the directly controlling shareholder, ENGIE Brasil Participações. Each indicator has 50% weight and impact on the phantom shares, as follows:

a) TSR – Total Shareholder Return (50% weight – half of the phantom shares):
   - TSR is based on the change in share price plus proceeds (dividends and interest on shareholders' equity) paid per share over a certain period.
   - The Company's performance according to this indicator will be compared with the panel of companies forming the stock exchange's IBrX100 index.
   - TSR will be calculated according to the methodology applied by third parties retained by the controlling shareholder, ENGIE Brasil Participações. The methodology may change for every version of the plan as circumstances recommend.
   - 50% of the total proposed number of phantom shares will be granted according to the following criteria: none of the 50% of phantom shares with TSR is lower than the median for the group of compared companies; 25% of the 50% of phantom shares if the Company's accumulated TSR is equal to or greater than the median of the group of compared companies; 100% of the 50% of phantom shares will be granted if the Company's results are within the third quartile or better. Results between the median and the third quartile will be pro-rated between the minimum and maximum amounts (proportional amounts in the 25%-100% range out of the available 50%).

b) EPS – Earnings per Share (weight 50% - half of the phantom shares):
   - The applicable amount will be the accumulated earnings per share (EPS) indicator over the plan's period.
   - At the discretion of the controlling shareholder, ENGIE Brasil Participações, the indicator may be adjusted when the plan is affected by strategic decisions causing a significant impact on the EPS indicator during the plan's relevant period.

- Far award calculation (year N), the basis for comparison will be the Medium-Term Plan N+1-N+6, provided together with Nv1 (current year).

An amount equal to 50% of the proposed number of phantom shares connected with this indicator will be awarded based on the following criteria: no phantom shares if the accumulated EPS is lower than 90% of target; 33% of the 50% of shares (half of the shares granted), if the accumulated EPS is 90% of target; 100% of the 50% of shares (half of the shares granted), if the accumulated EPS equals the target. For intermediate results (between 90% and 100% of target), a linear pro-rating system will apply between the minimum and maximum amounts for the purposes of phantom-share calculations.

The amount of the ILP (% of the annual salary converted into Phantom Shares) is limited to 130% of the Company's salary range for the executive's position plus the ILP set for the relevant position on the granting date. The annual basic salary plus adjusted ILP may not exceed this limit.

j. maturity-setting criteria

According to the ILP, the plan shall have a duration of 4 years, pursuant to the methodology proposed by the specialized consultants responsible for drafting the plan in 2012.

k. settlement

The plan involves a specific deferred bonus paid in cash 4 years after the granting date. Payment of the ILP to Statutory Officers shall be made by the Company, and payment to the Chairman of the Board of Directors shall be made by the directly controlling shareholder, ENGIE Brasil Participações, and reimbursed by the Company.

l. restrictions on share transfers

Given that the ILP provides for payment of a specific deferred bonus based on phantom shares, share transfers are not possible.

m. criteria and events that shall, upon occurring, cause the plan's suspension, amendment or extinction

It shall be the prerogative of the directly controlling shareholder, ENGIE Brasil Participações, to at any time, with or without advance notice, modify, change, correct, include or eliminate ILP conditions, as well as to cancel future grants, irrespective of justification.

n. effects of the manager's severance from the issuer's managing bodies on his or her rights under the share-based compensation plan

Executives who leave the Company before the end of the 4-year waiting period provided under the ILP shall be automatically waiving right to any payments under the plan. Exceptions may apply in the event of: severance from the Company to perform duties under other ENGIE Group companies, after retirement due to time in employment or illness, joining voluntary severance programs, termination without cause at the discretion of the Company, or due to death of the executive.

13.5 Share-based compensation of the Board of Directors and Statutory Board recognized in the result for the last 3 fiscal years and estimated for the current fiscal year:

The Company's share-based compensation is booked in its ledgers as described in item "13.4" hereof. This is the Long-Term Incentive Plan ("ILP") that the Company's directly controlling shareholder, ENGIE Brasil Participações Ltda., offers to the Statutory Executive Board.

The amounts of stock-based payments include applicable social charges.

Share-based compensation projected for the current fiscal year (2020)

	Statutory Executive Board
Total number of members	7
Number of compensated members	7
Weighted average strike price:	
(a) Of outstanding shares at the beginning of the fiscal year	-
(b) Of options lost during the fiscal year	-
(c) Of options exercised during the fiscal year	1,208,047.82
(d) Of options expired during the fiscal year	-
Potential dilution in the event of the exercise of all options granted	Not applicable

Share-based compensation - fiscal year ending December 31, 2019

	Statutory Executive Board
Total number of members	6.67
Number of compensated members	7(a)
Weighted average strike price:	
(a) Of outstanding shares at the beginning of the fiscal year	-
(b) Of options lost during the fiscal year	-
(c) Of options exercised during the fiscal year	2,077,496.72
(d) Of options expired during the fiscal year	-
Potential dilution in the event of the exercise of all options granted	Not applicable

(a) The number of members earning compensation corresponds to the number of members and former members of the Executive Board who earned payment in the form of shares awarded while performing as members of the Company's Executive Board. As a result, the number of compensation earners may exceed the total number of members, as the later only covers the number of members in 2019.

Share-based compensation - fiscal year ending December 31, 2018

	Statutory Executive Board
Total number of members	7
Number of compensated members	6
Weighted average strike price:	
(a) Of outstanding shares at the beginning of the fiscal year	-
(b) Of options lost during the fiscal year	-
(c) Of options exercised during the fiscal year	985,665.81
(d) Of options expired during the fiscal year	-
Potential dilution in the event of the exercise of all options granted	Not applicable

Share-based compensation - fiscal year ending December 31, 2017

	Statutory Executive Board
Total number of members	7
Number of compensated members	6
Weighted average strike price:	
(a) Of outstanding shares at the beginning of the fiscal year	-
(b) Of options lost during the fiscal year	-
(c) Of options exercised during the fiscal year	2,369,584.64
(d) Of options expired during the fiscal year	-
Potential dilution in the event of the exercise of all options granted	Not applicable

For every award recognized in the results of the last 3 (three) fiscal years and the current fiscal year

Awards scheduled for the fiscal year under way (2020)

	Statutory Executive Board
Total number of members	7
Award date	03.15.2020
Number of options awarded	28,841
Option exercise period	03.15.2024
Final option exercise deadline	03.15.2024
Restricted share-transfer period	Not applicable

Shares awarded – fiscal year ending Dec.31.2019

	Statutory Executive Board
Total number of members	6.67
Award date	03.15.2019
Number of options awarded	28,841
Option exercise period	03.15.2023
Final option exercise deadline	03.15.2023
Restricted share-transfer period	Not applicable
Option value on the awarding date (simple average of the closing price in the 3 months preceding the ward)	R$ 39.50

Shares awarded – fiscal year ending Dec.31.2018

	Statutory Executive Board
Total number of members	7
Award date	03.15.2018
Number of options awarded	37,770
Option exercise period	03.15.2022
Final option exercise deadline	03.15.2022
Restricted share-transfer period	Not applicable
Option value on the awarding date (simple average of the closing price in the 3 months preceding the ward)	R$ 36.67

Outorga baseada em ações – exercício encerrado em 31.12.2017

	Statutory Executive Board
Total number of members	7
Award date	03.16.2017
Number of options awarded	41,286
Option exercise period	03.15.2021
Final option exercise deadline	03.15.2021
Restricted share-transfer period	Not applicable
Option value on the awarding date (simple average of the closing price in the 3 months preceding the ward)	R$ 35.91

13.6 Outstanding options of the Board of Directors and the Statutory Executive Board at the end of the last fiscal year:

As of the date of this document, there are no outstanding options in the name of members of the Board of Directors and the Statutory Executive Board.

13.7 Exercised options and shares delivered relative to share-based compensation of the Board of Directors and the Statutory Executive Board in the last three fiscal years:

No options or shares were granted relative to share-based compensation in the past 3 fiscal years.

13.8 Succint description of the information required for understanding the data disclosed in items "13.5"-"13.7", such as explanation of the shares and options pricing method

The Long-Term Incentive Plan ("ILP") is proposed annually by the directly controlling shareholder, ENGIE Brasil Participações Ltda., in the light of the following:

- Each beneficiary's individual amount will be set as a percentage of the executive's annual base salary.
- The amount of the "ILP" shall be deducted of the nominal amount, on the date of the award of the performance shares plan of ENGIE S.A., granted in the previous year. Therefore, a portion of the long-term incentive will be pegged to the results of the Company's indirectly controlling shareholder, the ENGIE Group.
- The resulting amount will be converted into a number of phantom shares based on the market value of the company's shares (EGIE3), providing the basis for the amount of the bonus to be paid for objectives attained by the date of the plan's maturity

a) pricing model

Awarding of Phantom Shares considers the share's market value and is calculated as the simple average of the closing price of EGIE3 in the 3 months preceding the date of the award. The date of the award is that provided in the Performance Shares plan of the indirectly controlling shareholder, ENGIE S.A., and usually in December each year.

b) Data and assumptions used in the pricing model, including the weighted average price of shares, strike price, expected volatility, option life, expected dividends, and risk-free interest rate

For as long as the plan is in force, the number of shares assigned to determine the amount of the incentive may increase proportionally based on the share price when the company pays its shareholders dividends and interest on shareholders' equity. The restatement is to be carried out by means of the calculation of the dividend yield of the closing price of EGIE3 on the relevant date.

The exact amount of the incentive will be calculated using the following formula: (% SB – VF PSP) / price of the EGIE3 share on the plan's starting date = X Number of phantom shares (initial), where:

- % SB is a % of the basic annual salary according to the executive's wage matrix on the plan's starting date;

- VF PSP is the face value of the performance shares of ENGIE S.A. granted in the previous year, at the quoted price and EUR/BRL exchange rate on the granting date thereof.
- Price of EGIE3 as discussed in letter "a" of the present section.

c) method and assumptions used to incorporate the expected effects of early exercise

The Group's share based ILP does not provide for early exercise.

d) means of determining expected volatility

Not applicable to the Group's shares based ILP plan, as share volatility was not a factor in the calculations made to determine the amount of the bonus.

e) whether any other option features were included in its fair value measurement

Full payment of the ILP shall be a percentage of the value of the shares at the end of the cycle. The percentage will be set based on results achieved according to the plan's two performance indicators over the plan's 4-year duration: TSR – Total Shareholder Return (50% weight – half of the phantom shares) and EPS – Earnings per Share (50% weight – half of the phantom shares).

At the end of the plan's 4-year duration, the market value of the shares (again, calculated as the average closing price of EGIE3 in the 3 months preceding the ending date) will provide the basis for the amount of the bonus to be paid for goals attained. The ending date shall be the 15th of March after the plan's 4th anniversary, after the previous year's results have been finalized.

13.9 Number of shares directly or indirectly held, in Brazil or abroad, and other convertible securities issued by the Company, its directly or indirectly controlling entities, controlled or jointly controlled entities, by members of the Board of Directors, of the Statutory Executive Board or of the Fiscal Council, grouped by corporate body, on the closing date of the latest fiscal year

On December 31, 2019, the Company had 815,927,740 common shares, all nominative and with no face value.

The table next shows the number of shares and other securities held by Directors and Officers of the Company:

	Number of shares held on 12/31/2019		
	Common Shares		
Body	Directly	Indirectly	Total
Board of Directors	482,158	-	482,158
Statutory Executive Board	6,000	-	6,000
Fiscal Council	2,515	-	2,515
Total	**490,673**	**-**	**490,673**

The shares held by these individuals correspond to 0.060137% of all shares issued.

Share price on December 31, 2019, was R$ 50.80 per share.

13.10 Pension plans in effect granted to the members of the Board of Directors and Statutory Executive Board

(Amounts in R$)	Board of Directors	Statutory Executive Board
Number of members	15.75	6.67
Number of compensated members	3	6.08
Plan name	CD Plan	CD Plan
Number of members of management qualified for retirement	1	1
Qualifying for early retirement	1	8
Restated amount of the accumulated contributions to the pension plan at the close of the last fiscal year, discounting the portion relating to contributions made directly by members of management	753,132.69	8,243,455.66
Total accumulated amount of the contributions made during the last fiscal year, discounting the portion relating to contributions made directly by members of management	43,697.42	572,809.24
Whether early redemption is possible, and under what conditions	Not applicable	Not applicable

13.11 Maximum, minimum and average individual compensation of the members of the Board of Directors, Statutory Executive Board and Fiscal Council, in the last 3 fiscal years

	Board of Directors			Statutory Executive Board			Fiscal Council		
(Amounts in R$)	12.31.2019	12.31.2018	12.31.2017	12.31.2019	12.31.2018	12.31.2017	12.31.2019	12.31.2018	12.31.2017
No of members	15.75	18	15.17	6.67	7	7	3	3	3
No of compensate members	11.92	12.33	14.17	6.08	6	6	3	3	3
Amount of the highest compensation	2,718,153.03	1,683,991.40	2,108,606.39	3,155,311.03	2,541,352.27	2,905,202.96	187,303.05	196,961.76	182,975.58
Amount of the lowest compensation	166,304.42	165,186.62	160,375.37	1,126,158.06	1,088,749.61	889,369.91	187,303.05	196,961.76	182,975.58
Average compensation	568,811.19	455,155.83	532,637.09	2,158,167.41	1,960,832.63	2,360,785.43	187,303.05	196,961.76	182,975.58

The above figures incorporate the fixed and variable compensation and include payroll social charges (INSS and FGTS, as applicable).

The members of the Statutory Executive Board, Board of Directors and Fiscal Council identified with the highest and lowest compensation occupied their posts throughout the twelve months of the year.

13.12 Contractual arrangements, insurance policies or other instruments establishing compensation or indemnification mechanisms for members of management in the event of removal from the position or retirement and what the financial consequences thereof for the Company

The Company has no contractual arrangements, insurance policies or other instruments establishing compensation or indemnification mechanisms for members of management in the event of removal from the position or retirement.

13.13 Concerning the last 3 fiscal years, indicate the percentage of total compensation of each body as booked in the Company's results relating to members of the Board of Directors, the Statutory Executive Board or the Fiscal Council who are related parties to directly or indirectly controlling shareholders as defined by the accounting rules that address this matter

The compensation of the members of the Board of Directors who have labor contracts linked either directly or indirectly to the controllers of the Company corresponded to 69%, 82% and 82% of total compensation of the Board of Directors in 2019, 2018 and 2017, respectively.

In the past 3 years, no members of the Fiscal Council were deemed related parties to the Company's controlling shareholders.

13.14 Amounts booked in the result of the Company as compensation of members of the Board of Directors, the Statutory Executive Board or Fiscal Council, grouped by body, for any reason other than the positions held, such as, for example, committee seats held and consulting or advisory services rendered, in relation to the last 3 fiscal years

No compensation was paid to members of the Board of Directors, the Statutory Executive Board or Fiscal Council for any reason other than the positions held in the past 3 fiscal years.

13.15 Amounts recognized in the result of the controllers, either direct or indirect, of corporations under common control and of Company's subsidiaries, as compensation of members of the Board of Directors, of the Statutory Board or the Fiscal Council of the Company, grouped by collegiate body, specifying why these amounts were assigned to these individuals, in relation to the last 3 fiscal years

The Company's Controlling Conglomerate, ENGIE S.A., has a performance shares granting program that may be awarded to senior executives and professionals under the conditions in force.

The table next shows the average awards of share of the Controlling Conglomerate to members of the Company's Statutory Board of Executives:

FY 2019 – Compensation received for Positions Held with the Company

	Board of Directors	Statutory Executive Board	Fiscal Council	Total
Directly and indirectly controlling shareholders	-	152,502.86	-	152,502.86
Controlled entities of the Company	-	-	-	-
Jointly controlled entities	-	-	-	-

FY 2018 – Compensation received for Positions Held with the Company

	Board of Directors	Statutory Executive Board	Fiscal Council	Total
Directly and indirectly controlling shareholders	-	165,713.20	-	165,713.20
Controlled entities of the Company	-	-	-	-
Jointly controlled entities	-	-	-	-

FY 2017 – Compensation received for Positions Held with the Company

	Board of Directors	Statutory Executive Board	Fiscal Council	Total
Directly and indirectly controlling shareholders	-	183,588.67	-	183,588.67
Controlled entities of the Company	-	-	-	-
Jointly controlled entities	-	-	-	-

13.16 Other information that the Company may deem relevant

Annual average number of total members per body

FY 2019

Month	Board of Directors	Statutory Executive Board	Fiscal Council
January	15	7	3
February	15	7	3
March	16	7	3
April	15	6	3
May	15	6	3
June	15	6	3
July	15	6	3
August	15	7	3
September	17	7	3
October	17	7	3
November	17	7	3
December	17	7	3
Total	**189**	**80**	**36**
Annual average members	**15.75**	**6.67**	**3**

FY 2018

Month	Board of Directors	Statutory Executive Board	Fiscal Council
January	18	7	3
February	18	7	3
March	18	7	3
April	18	7	3
May	18	7	3
June	18	7	3
July	18	7	3
August	18	7	3
September	18	7	3
October	18	7	3
November	18	7	3
December	18 (a)	7	3
Total	**216**	**84**	**36**
Annual average members	**18**	**7**	**3**

(a) On 12.19.2018, the Company announced to the market the resignation of Directors Claude Emile Jean Turbet and Natacha Herrero Et Guichard Marly. As a consequence, Alternate Director Leonardo Augusto Serpa became a full member of the Board of Directors, replacing Claude Emile Jean Turbet. Natacha Herrero Et Guichard Marly's seat remained vacant from 12.19.2018 to 12.31.2018. Therefore, for averaging purposes, the Company understands that the Board of Directors was comprised of 18 members in December 2018.

FY 2017

Month	Board of Directors	Statutory Executive Board	Fiscal Council
January	16	7	3
February	16	7	3
March	16	7	3
April	16	7	3
May	16	7	3
June	16	7	3
July	15	7	3
August	15	7	3
September	14	7	3
October	14	7	3
November	14	7	3
December	14	7	3
Total	**182**	**84**	**36**
Annual average members	**15.17**	**7**	**3**

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Information on proposed employee profit-sharing in fiscal year 2018

14.3 Description of the compensation policy for the Company's employees

a. salary and variable compensation policy

Compensation policy:

The Company's compensation policy is to maintain compensation in line with market practices, meeting the interests of the Company and its employees. Therefore, the company understands that:

- The amount paid to each employee for his or her work in the Company shall be consistent with the market value of such work;
- Compensation should reflect each employee's responsibilities, performance level and results achieved, both individually and as a member of a team.

Variable compensation system:

In addition to the fixed salary paid, the Company maintains a variable compensation system based on the attainment of business objectives and the percentage attainment of goals associated therewith. This is measured annually based on the Company's financial results, individual performance evaluation and the evaluation of the performance of each of the Company's areas. As such, variable compensation is made up of:

- Profit- or Income-Sharing Program (PLR): extended to all of the Company's employees and contingent on business results as measured by the fiscal year's EBITDA, in addition to attainment of departmental goals and behavioral evaluations, in line with the organizational culture. These criteria are negotiated with workers' unions and established in the Collective Bargaining Agreement (ACT). Payment of the PLR fosters competitive compensation compared with those typical of the Brazilian jobs market.
- Management Bonus Program: applicable to all employees with managerial duties. The program is pegged to attainment of business goals and the impact and difficulty level of the relevant area's targets and is contingent on percentage attainment thereof.

The Management's proposal considers an amount of up to R$ 38.0 million in employee PLR for fiscal year 2019, to be distributed according to the criteria set forth in the Company's Compensation System and Collective Bargaining Agreements.