Management Proposal for the Annual General Meeting of 04.17.2017

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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 (Sections I and II, article 9 of CVM Instruction 481/09)**

The Complete Annual Financial Statements including the Management Report, were filed with the CVM and BM&FBOVESPA on February 23, 2017 and were published in the newspapers Diário Oficial do Estado de Santa Catarina and Diário Catarinense on March 17, 2017. These documents are also available in the following websites: the Company (www.engieenergia.com.br), CVM (www.cvm.gov.br) and BM&FBOVESPA (www.bmfbovespa.com.br).

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

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

- **Report (opinion) by the Independent Auditors (Section IV, article 9 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 (Section V, article 9 of ICVM 481/09)**

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

- **Financial Standardized Statements Form - DFP (sole paragraph to article 9, Subsection I, of ICVM 481/09)**

The Standard Financial Statements form (DFP) was published by the Company on February 23, 2017 on the same date as the delivery of the Management Report and the Complete Annual Financial Statements. This document can be accessed from the websites of the Company (www.engieenergia.com.br), CVM (www.cvm.gov.br) and BM&FBOVESPA (www.bmfbovespa.com.br).

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

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

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

The Company has no Audit Committee.

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 and 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 III of this document.

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 remuneration of directors based on item 13 of said Reference Form (article 12 – Subsection I and II of ICVM 481/09)**

This information is presented in attachment IV of this document.

- **Information concerning the proposed employee participation in fiscal year 2016 results**

The proposal is presented in Attachment V of this document.

- **Remote voting list, to which Article 21-F (Subsection VI, Article 9 of ICVM 481/09) refers and should the events pursuant to Article 21-A (Subsection II, Article 10 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 17, 2017 on the same date as the delivery of the Management Proposal. This document can be accessed through the websites of the Company (www.engieenergia.com.br), the CVM (www.cvm.gov.br) and BM&FBOVESPA (www.bmfbovespa.com.br).

Further details can be found in Attachment VI to this document.

ATTACHMENT I – DIRECTORS' COMMENTS

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

10.1 Directors' comments on

a. General financial and equity conditions

Consolidated information for the year ended on December 31, 2016

The year 2016 was characterized by a series of changes at the Company in line with the strategic integration proposed by its Controlling Company. The adopted new name – ENGIE and consequently the new logo, are part of this process of adjusting the business to the energy transition process. This is transforming the electric energy sector globally and designing the future for this environment around three principle axes: decarbonization, decentralization and digitization.

ENGIE Brasil Energia's principal operational areas continue to be centralized generation, prioritizing renewable sources, and energy commercialization. At the same time, the Company seeks to increasingly offer integrated and innovative solutions to people, companies and cities. In 2016, its debut in the distributed solar generation segment through the ENGIE Geração Solar Distribuída S.A., subsidiary represents an important initiative in this direction.

During the course of 2016, the Brazilian economy reported a continuing downturn following on from a similar situation in 2015, the year being marked by a combination of political instability and economic recession. The country's Gross Domestic Product (GDP) suffered a retraction of 3.6% relative to 2015, being the first time that the country reported two successive years of declining economic activity since 1948 when the series was first tabulated. The downturn in 2015 was 3.8%, the worst in 25 years.

IBGE figures show that the country closed the year with an official inflation rate of 6.29% – the ceiling of the official inflation band and driven largely by food prices. Bacen recorded a public sector primary deficit of R$ 154,255 billion, equivalent to 2.4% of GDP and the worst result ever in the historical series. In 2015, central government accounts had reported a deficit of R$ 114.741 billion or 1.9% of GDP. The commercial dollar posted a devaluation of 17.69% against the Real, closing 2016 at R$ 3.2497, the first annual depreciation in the US currency since 2010.

The recessive economy had a direct impact on Brazilian electricity consumption. EPE - Energy Research Company (Empresa de Pesquisa Energética) statistics registered total electricity consumption of 460,001 GWh in 2016, a year-on-year decline of 0.9%. The residential sector represented 132,893 GWh of this total, the only sector to post an increase in the year of 1.4%. Conversely, average household consumption was practically unchanged (160 kWh/month against 161 kWh/month at the end of 2015). The commercial and industrial sectors registered consumption of 88,185 GWh (-2.5%) and 164,034 GWh (-2.9%), respectively. On a regional basis, the highlights were the Southeast and Center-West regions with year-on-year decreases of 1.8% and 1.0% respectively. The Northeast and South recorded virtual stability, both reporting -0.3%. The North recorded a positive result of 2.0%.

The scenario in 2016 was an even more critical one than 2015 in relation to hydrology and corresponding hydroelectric plant inflows. Both the North and Northeast regions experienced their second worst year ever. Conversely, strong inflows in the Southeast and the Center-West region in January 2016 combined with regular inflows in the South for the best part of the year together with a significant decrease in energy consumption, resulted in the Price for the Settlement of Differences (PLD) remaining relatively low for the period.

ENGIE Brasil Energia reported a consolidated net income in 2016 of R$ 1,548 million, 3.1% or R$ 47 million higher than fiscal year 2015. The Company recorded EBITDA of R$ 3,176 million, an increase of 2.0% or R$ 61 million compared with 2015. EBITDA margin rose 1.5 p.p. from 47.8% in 2015 to 49.3% in 2016. This performance is essentially a reflection of the following: (i) a net negative effect of transactions negotiated across the CCEE, principally due to: (i.i) the reduction in the negative effect of the GSF; (i.ii) lower net excess energy in the CCEE; (i.iii) greater thermoelectric exposure; (i.iv) greater exposure to submarket price difference; and (i.v) reduced Energy Reallocation Mechanism – MRE-related revenue; (ii) the fall in consumption and reduction in amounts contracted with industrial clients; and (iv) the reduction in costs of fuel for energy generation due to reduced thermoelectric dispatch.

The following factors are responsible for sustaining the Company's favorable equity and financial conditions:

- Generation of increasing net income – In 2016, the Company reported consistent growth in results despite the crisis in the economy. Consolidated net income for the fiscal year was R$ 1,548 million.
- Robust operating cash generation – Consolidated EBITDA - net income plus income tax and social contribution, net financial expenses and depreciation and amortization - in 2016 amounted to R$ 3,176 million and equivalent to an EBTIDA margin of 49.3%.
- Continued low leverage – The "Total debt / EBITDA" ratio in December 31, 2016 was 1.0 times while the "Net debt / EBITDA" ratio on the same date was 0.3 times. USD-denominated loans were discharged in full during 2016 being fully protected from currency oscillations through swap operations for CDI.
- Risk rating classification – In 2016, Fitch Ratings downgraded the Company's international foreign currency rating from "BBB-" to "BB+", albeit still above sovereign rating, with a negative outlook. The Long Term National Rating remained unchanged at "AAA (bra)" with a stable outlook.
- Reduced delinquency levels – Resulted from a strict process of credit analysis and diversification of the Company's client portfolio.
- Installation of new plants – The Company's expansion plan is proceeding according to schedule. As of December 31, 2016, 762.8 MW of capacity was under construction and due to enter operations by early 2019. The Santa Mônica Wind Complex located in Trairi, state of Ceará, is made up of four plants which will add a further 97.2 MW to the Company's generator complex, two beginning commercial operations in 2016, and the final one, on a partial basis. The outlook is for the entire Complex to be operational before the end of the first half of 2017, increasing the total generator complex output by 59.4 MW. The Pampa Sul TPP, located in Candiota, state of Rio Grande do Sul, will use coal mined from a seam in the region to generate energy and will

have an installed capacity of 340 MW. By the end of 2016, work on the project was 47% complete. The Campo Largo Wind Complex – Phase I, in the municipal districts of Umburanas and Santo Sé, state of Bahia, is to have an installed capacity of 326.7 MW. In September 2016, services began in the accommodation area and in November, the state environmental protection agency - Instituto do Meio Ambiente e Recursos Hídricos (Inema) issued the Installation License for the last remaining wind farm in the Complex. Partial commercial operations are scheduled to begin in 2018. The Assú V Photovoltaic Solar Plant, with an installed capacity of 36.7 MW, will be constructed in Assú, state of Rio Grande do Norte. The project is at the environmental licensing stage with work scheduled to begin in 2017 and operations in December of the same year.

- Expansion – The Company has been diversifying its energy matrix and the regional markets in which it operates with priority being given to renewable energy sources. It remains alert to the opportunities for expansion in different regions of Brazil as long as these are compatible with the requisites for sustainability in the economic, social and environmental spheres. The key event of 2016 for the ENGIE group in Brazil was the official unveiling in December of the Jirau HPP, sited on the Madeira River in the state of Rondônia, has a total installed capacity of 3,750 MW. ENGIE Brasil Participações, ENGIE Brasil Energia's direct parent company, has a 40% stake in the operation. The initial process of transferring this stake to the Company is expected for 2017 in an operation which will involve the Special Independent Committee for Transactions with Related Parties.
- Divestment of assets – In December 2016, the Board of Directors of ENGIE Brasil Energia approved the sale of two wind farms in the states of Ceará and Piauí, Beberibe (25.6 MW) and Pedra do Sal (18 MW), respectively, as well as the Areia Branca Small Hydroelectric Plant (19.8 MW) in the state of Minas Gerais to Companhia Energética de Petrolina. The operation is part of the Company's strategy of prioritizing assets which offer a greater degree of synergy one with the other. The finalization of this divestment during the course of 2017 is subject to certain contractual conditions precedent including the prior approval of the Brazilian Anti-Trust Authority (CADE), the Brazilian Development Bank (BNDES) and the National Electric Energy Agency (Aneel).

  On February 15, 2017, the Company announced to its shareholders and to the market in general that it had engaged Banco Morgan Stanley S.A. to render financial advisory services involving the sounding out the market on a non-binding basis with a view to identifying potential purchasers of its coal-fired generation assets: (i) Jorge Lacerda Thermoelectric Complex – with an installed capacity of 857 MW; and (ii) Pampa Sul TPP – a plant under construction with an installed capacity of 340 MW and forecasted to go into commercial operations by the end of 2018. This eventual divestment plan is in line with ENGIE's worldwide decarbonization strategy, the focus of which is on activities involving low carbon emissions such as generation of renewable energy, use of natural gas as well as infrastructure.
- Remuneration to the shareholders without financial decapitalization and aligned to the Company's strategies and investment plans – For fiscal year 2016, proposed dividend payout corresponded to 100% of the Company's distributable net income.

- Continuing presence of the Company as a component of BM&FBOVESPA's Corporate Sustainability Stock Index (ISE) – The Company has been a component of this index since its inception in 2005.
- Appreciation in the Company's share price – The Company's shares recorded an appreciation in 2016 of 9.9%, less than the performance of the Electric Energy Stock Index (IEEX) and the Ibovespa of 45.6% and 38.9%, respectively.

At the end of 2016, the Company had an installed capacity of 6,999.3 MW and operated a generator complex of 8,720.0 MW. The installed capacity at the end of 2016 represented a year-on-year reduction of 45.0 MW due to the decommissioning of Charqueadas TPP assets. These accounted for 72 MW of installed capacity and after 50 years of operations, were deemed as being no longer economically viable. Closure was also hastened by the increase in fuel costs following legislative changes in the criterion for reimbursement. This decrease in installed capacity was offset in part by the startup of commercial operations at the Santa Mônica and Cacimbas wind farms, the latter on a partial basis. On December 31, 2016 these two plants had an installed capacity of 18.9 MW and 8.1 MW, respectively and are components of the Santa Mônica Wind Complex, also comprising Estrela and Ouro Verde wind farms, located in the municipal district of Trairi, state of Ceará.

Consolidated information for the year ended on December 31, 2015

The year was characterized by a further deterioration in the economic crisis in Brazil, the federal government statistics office (IBGE) reporting a decline in the Gross Domestic Product (GDP) of 3.8%. Inflation as measured by the Amplified Consumer Price Index (IPCA) recorded 10.7% for the year, 4.2 percentage points above upper level of the Central Bank's inflationary target of 6.5%. In addition, the Real saw a major devaluation against the US Dollar during the year closing the period at R$ 3.92, a depreciation of 47.5% in relation to the closing rate for 2014.

As in the past few years, in 2015 the national electricity sector was severely affected by deficient hydrological flows. The country's hydrological potential is undeniable: in 2015, hydroelectric plants represented 65% of total installed capacity. Associated with this potential is low generation costs as well as the reduced level of emissions into the atmosphere from hydro generation compared with conventional thermal generation. However, extreme climatic events - frequent in recent years - suggest a need for changes in the planning and operations of the Brazilian electrical sector. Modifications seen in rainfall patterns indicate that it is no longer possible to maintain hydraulic sources only as the core base of the system. In 2015, Energy Research Company (EPE) data reported a fall of 2.5% in electricity consumption, a reflection of declining economic activity in Brazil during the year. As a result, the negative impact of adverse climatic conditions was partially offset by reduced consumption.

ENGIE Brasil Energia reported 2015 consolidated net earnings of R$ 1,501 million, an 8.5% or R$ 118 million increase over the preceding fiscal year. The Company recorded an EBITDA of R$ 3,115 million, an increase of 7.6% or R$ 220 million compared with 2014. These results reflect largely a well-honed strategy of reducing exposure to prices on the short-term market at the beginning of the year, the monthly allocation of contracted energy and maintenance work in the generator complex. That these results were achieved when set against a background of economic downturn and adverse climatic events is testimony to the resilience of the Company and the confidence that the market bestows in it.

The factors below bear out the Company's positive equity and financial conditions:

- Growth in profits - In 2015, the Company reported consistent growth in its results despite the economic crisis. Consolidated net income for the year was R$ 1,501 million.
- Strong operating cash generation – Consolidated EBITDA representing net income plus income tax and social contribution, net financial expenses and depreciation and amortization in 2015 reached R$ 3,115 million. The EBTIDA margin was 47.8%.
- Continued low leverage - The Total Debt / EBITDA ratio on December 31, 2015 was 1.2 times and the Net Debt / EBITDA on the same date was 0.4 times. On December 31, 2015, currency denominated debt - 34% of the total, was fully protected against FX variation by swap operations.
- Risk classification (rating) - In December 2015, Fitch Ratings downgraded the Company's International Rating in currency from "BBB" to "BBB-" with a negative outlook, following on from the downgrading of Brazilian sovereign risk. There was no change in the Long-Term National Rating, which remained at "AAA (bra)", with a stable outlook. On February 17, 2016, Standard & Poor's downgraded the Company's long-term corporate credit rating on the Brazil National Scale from "brAAA" to "brAA", the former rating having been reaffirmed in December 2015, in the light of the downgrading of Brazilian sovereign risk to "brAA-". Worthy of mention is that despite the downgrading of the rating by S&P, the company maintained its rating at one notch above Brazilian sovereign rating in local currency. At the same time, the rating agency reiterated the Company's short-term rating of "brA1". Subsequently, the Company requested that Standard &Poor's cease publishing its ratings.
- Reduced delinquency levels - Reflects rigorous credit analysis and portfolio diversification of the Company's clients.
- Sustained growth - At the end of 2015, the Company reported an installed capacity of 7,044.3 MW and operated a generator park of 8,765.0 MW, and continuing to rank as the largest private sector generator in Brazil. Installed capacity at the end of 2015 represents an increase of 17.1 MW compared with the preceding year. This growth was due to the conclusion of expansion work at the Ferrari Thermoelectric Power Plant, begun in 2014, and the inclusion of the Tubarão Wind Research and Development Project, which added 15.0 MW and 2.1 MW, respectively, to the Company's generator complex. Either directly or through its parent company, ENGIE Brasil Participações, ENGIE Brasil Energia remains alert to expansion opportunities throughout Brazil as long as these meet the requirements of economic feasibility and conformity with the concept of sustainability.
- Installation of new plants – As previously mentioned, the Company is in the process of installing the Mônica Wind Complex. Work began on the Complex in 2015 and once complete, will add a further 97.2 MW to the Company's installed capacity. The installations are forecast to become fully operational before the end of the first half of 2017. In June and October 2015, the Company acquired the development rights to phases II and III-A of the Santo Agostinho Wind Complex This consists of 11 Special Purpose Companies (SPCs), which will increase the Company's installed capacity by approximately 250 MW. In June 2015, Ibama (the Federal Government's Environmental Protection Agency) issued an installation license for the Pampa Sul Thermoelectric Plant - installed capacity of 340 MW - and as already mentioned, under construction.
- Commercialization of energy via Aneel auction - In August 2015, through the intermediary of the Santa Mônica Wind Complex, the Company sold 46.0 average MW at an Aneel Generation Auction at an average selling price of R$ 188.45/MWh over a 20-year period. Delivery of energy negotiated at the auction will begin on January 1, 2018.

- Remuneration of shareholders without financial decapitalization and aligned to the Company's strategies and investment plans - In 2015, the proposed dividends corresponded to 55% of the Company's net distributable profit.
- Permanence of the Company in BM&FBOVESPA's Corporate Sustainability Index (ISE).
- Company share performance - In 2015, the Company's shares recorded an appreciation of 2.3%, as opposed to the electric energy stock index (IEE) and the Ibovespa, which fell in the same period by 8.7% and 13.3%, respectively, a reflection of the political and economic uncertainties prevailing in Brazil.

Consolidated information for the year ended on December 31, 2014

In 2014, a year marked by a severe drought, ENGIE Brasil Energia maintained its history of consistent results. Its EBITDA and consolidated net income were of R$ 2,895 million and R$ 1,383 million, respectively, slightly lower than those achieved in 2013, which amounted to R$ 3,043 and R$ 1,437, respectively, despite the considerable increase in the cost of transactions in the Electric Energy Trade Board (CCEE) to replace the electricity that could not be generated. The growth of these costs was mainly due to the Company's greater exposure in the CCEE mainly due to the effects of the increased physical guarantee adjustment factor, the GSF (Generation Scaling Factor), which occurs when the generation of the participating plants in the Energy Reallocation Mechanism (MRE) is lower than the physical guarantee energy of the plants. This exposure was aggravated by the substantial increase in the Price for the Settlement of Differences (PLD), which increased from the average value of R$ 258.19 in 2013 to R$ 675.81, in 2014.

The diversity of its sources, coupled with the coordinated management of the planning and control of the offer, the portfolio of contracts and maintenance of the plants, allowed the Company to meet more effectively the challenges arising from the lack of rain, confirming its resilience, a characteristic noted by the market as one of the Company’s differentials. Also contributing to the result were successful results in tax, regulatory and legal areas that provided non-recurring gains, without which the EBITDA and consolidated net income would have been 13.0% and 17.7%, respectively, lower than in 2013.

The following factors support the favorable equity and financial conditions of the Company:

- Generation of high profit margins - Net profit for the 2014 fiscal year was R$ 1,383 million. The effects of the above events negatively affected the annual profit.

- Consistent operating cash generation – Consolidated EBITDA reached R$ 2,895 million in 2014, 4.9% less than 2013. EBITDA margin was 44.7%.

- Low level of leverage – the Total Debt / EBITDA ratio in December 31, 2014 was 1.4 times and Net Debt / EBITDA as of the same date was 0.8 times. Of total debt at the end of fiscal year 2014, 29.9% was currency denominated, fully protected by swap operations against FX variation.

- Risk classification reiterated (rating) - Fitch Ratings: (i) International - "BBB", and (ii) Long-Term National and second debenture issue - "AAA (bra) '; Standard & Poor's: (i) corporate long-term loan on the national Brazil scale - "brAAA", and (ii) short-term corporate credit - "brA-1”.

- Low level of default - This condition is the result of stringent credit analysis and diversification of the Company's customer portfolio.

- Sustained growth – the Company reported expansion in installed capacity of 128.5 MW following acquisition of the generator complex at the Ferrari Thermoelectric Power Plant, state of São Paulo, of 65.5 MW, and the entry into operation of the Fleixeiras I and Mundaú wind farms in the state of Ceará – both of 30.0 MW and pertaining to the Trairi Wind Complex – and the Cidade Azul Wind Solar peak load Plant of 3.0 MW in the state of Santa Catarina.

- The energy auction held by the National Electric Energy Agency (Aneel) - The Company was successful in the new energy auction for delivery from 2019, promoted by Aneel in November 2014, when 386.9 MW from three power plants was commercialized: the Campo Largo Wind Complex (82.6 MW), Pampa Sul Thermoelectric Power Plant (294.5 MW) and the Ferrari Biomass Thermoelectric Plant (9.8 MW).

- Plant Construction contracts - In 2014, the Company entered into contracts for building plants at the Santa Mônica Wind Complex, Pampa Sul Thermoelectric Plant and the Campo Largo Wind Complex.

- Remuneration to shareholders without financial decapitalization and aligned to the corporate strategies and investment plans. In the year 2014, dividends accounted for 55% of the distributable net income.

- Continued presence of the Company in the BM&FBOVSPA's Corporate Sustainability Index (ISE).

- Devaluation of the price of the Company's shares. The shares of ENGIE Brasil Energia depreciated 1.3% for the year compared to 2013, reflecting the uncertainties of the macroeconomic scenario and the electricity sector, while shares in Ibovespa retreated 2.9%.

b. Capital structure

The Management understands that the Company has a capital structure with low leverage, which will permit growth strategy to be implemented over the coming years.

The Company's business presents high operating cash generation, mainly due to its high margin, a result of the characteristic intensive use of capital in the power generation activity and management's rigid controls of costs and expenses.

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

Amounts in million R$	**12.31.2016**	**12.31.2015**	**12.31.2014**
Gross debt[1]	3,089	3,759	3,989
(-) Cash and cash equivalent and restricted deposits	1,996	2,544	1,751
Net debt	1,093	1,215	2,238
Long-term debt (% of total debt)	90.3%	67.4%	89.3%
Net worth	6,614	6,642	5,655
Leverage[1]	14.2%	15.5%	28.4%
Capital structure composition:			
- Own capital (Net worth/ Total liability)	45.9%	43.4%	41.5%
- Third parties' capital (current and non-current liabilities/total liabilities)	54.1%	56.6%	58.5%

[1] Contemplates the loans, financing and debentures, considering the effects of hedges.
[2] Net debt / (Net debt + Net worth)

The reduced level of indebtedness and the low leverage guarantee a comfortable liquidity situation for the Company.

c. Payment capacity in relation to the financial commitments

In the light of its leverage profile and liquidity, the Company's Management is of the view that under normal market conditions it is fully able to honor current short and medium-term liabilities and to continue expanding investments. Management also considers that under normal market conditions, solid cash generation gives the Company a comfort margin to honor all existing long-term liabilities.

The following table lists the principal indicators of payment capacity of Company debt.

Amounts in R$ million	12.31.2016	12.31.2015	12.31.2014
EBITDA	3,176	3,115	2,895
Gross financial expense	753	752	553
Net financial expense	355	471	346
Gross debt	3,089	3,759	3,989
Net debt	1,093	1,215	2,238
Net debt / EBITDA	0.3	0.4	0.8
Total debt / EBITDA	1.0	1.2	1.4
EBITDA / Gross financial expense	4.2	4.1	5.2

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

The Company's risk classification (rating) as of December 31, 2016 was published by Fitch Ratings.

In 2016, Fitch Ratings downgraded the Company's international foreign currency rating from "BBB-" to "BB+", albeit still above sovereign rating, with a negative outlook. The Company's revised rating reflected the downgrading of sovereign rating announced by the agency on May 5, 2016. The reduction in country rating reflects the unexpected depth of the economic recession, the failure of the government to stabilize public sector finances as well as political uncertainty which erodes domestic credibility and reduces governability as well as political efficiency. There were no changes in the Long Term National Rating which remains at "AAA (bra)" with a stable outlook.

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

The Company uses lines of credit from top ranked financial institutions for covering eventual short and medium-term cash requirements.

In addition to using its own cash generation for investment projects, the Company also taps the Brazilian development bank - BNDES as its principal source of funding, either directly or through Banks which on-lend 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, the Company may use other sources of incentivized funding such as the Constitutional Fund for Financing the Northeast (FNE), the Constitutional Fund for Financing 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 a capital structure and adequate liquidity. The Company constantly evaluates financing alternatives.

In the last three (3) fiscal years, the Company used the BNDES and On-lending Banks as the main source of funding for its projects. Generally in these agreements, there is a standard parameter to obtain these credit lines which requires roughly 30% equity to 70% third party funding.

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 amounting to approximately R$ 3.4 billion.

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 directly from the BNDES or through On-lending Banks.

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

f. Levels of indebtedness and characteristics of such debts, further describing:

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

(i) material loan and financing agreements

Principal conditions of loan agreements

		Payment conditions		Values in million R$		
Companies / Banks	**Interest**	**Maturity**	**Principal and interest**	**12.31.2016**	**12.31.2015**	**12.31.2014**
Controller:						
National currency						
Nordic Investment Bank	IPCA + 3.55% p.a.	10.2022	Principal: Monthly Interest: Quarterly	157	172	161
BNDES – Modernization	TJLP + 2.26% p.a. (a)	07.2020	Principal: Monthly, after 8.2016 Interest: Quarterly through 8.2016 and then monthly	203	191	127
BNDES – São Salvador Plant	TJLP + 2.7% p.a. (a)	10.2023	Monthly	112	126	142
Banks (transfer to BNDES) (b)	TJLP + 3.25% p.a. (a)	10.2023	Monthly	226	255	286
Banks (transfer to Finame)	3.68% p.a.	11.2024	Monthly	18	21	17
Foreign currency (dollar)						
HSBC USA I	1.3882% p.a. with swap for 99.9% of CDI	08.2015	Principal: 08.2015 Interest: Quarterly	-	-	238
HSBC USA II	1.4294% p.a. with swap for 97% of CDI	03.2016	Principal: 03.2016 Interest: Quarterly	-	387	263
HSBC USA III	1.7871% p.a. with swap for 99% of CDI	10.2016	Principal: 10.2016 Interest: Quarterly	-	307	211
HSBC USA IV	1.8104% p.a. with swap for 98.6% of CDI	12.2016	Principal: 12.2016 Interest: Quarterly	-	191	132
HSBC USA V	1.8471% p.a. with swap for 97% of CDI	12.2016	Principal: 12.2016 Interest: Quarterly	-	38	-
Mizuho Bank	1.7260% p.a. with swap for 96.02% of CDI	12.2016	Principal: 12.2016 Interest: Quarterly	-	341	235
Bank of Tokyo	114.2857% Libor + 0.5486% p.a. with swap for 98% of CDI	12.2016	Principal: 12.2016 Interest: Quarterly	-	188	131

To be continued on next page

		Payment conditions		Values in million R$		
Companies / Banks	**Interest**	**Maturity**	**Principal and interest**	**12.31.2016**	**12.31.2015**	**12.31.2014**
Controlled:						
Hydropower - Banco do Brasil	8.08% p.a.	10.2017	Monthly	3	7	11
Companhia Energética Estreito						
BNDES – Social credit	TJLP	06.2018	Monthly	8	14	18
BNDES	TJLP + 1.89% p.a. (a)	09.2029	Monthly	692	736	785
Banks (transfer to BNDES) (b)	TJLP + 2.95% p.a. (a)	09.2029	Monthly	470	499	534
Ibitiúva						
BNDES (Subcredit B)	4.5% p.a.	01.2020	Monthly	13	17	21
BNDES (Subcredit A and C)	TJLP + 2.05% p.a. (a)	01.2021	Monthly	15	19	22
Ferrari						
BNDES	TJLP + 1.91% p.a. (a)	06.2021	Monthly	19	23	27
BNDES Expansion	TJLP + 1.76% p.a. (a)	07.2032	Principal: Monthly through 8.2016 Interest: Quarterly through 7.2016 and then monthly	44	44	-
Banks (BNDES On lending) (b)	TJLP + 3.40% p.a. (a)	06.2021	Monthly	8	10	12
Projeto Trairí (c) – BNDES	TJLP + 2.51% p.a. (a)	07.2029	Monthly	296	315	337
Beberibe (d) **-** BNDES	TJLP + 3.5% p.a. (a)	12.2023	Monthly	-	74	80
Pedra do Sal (d) **–** BNDES	TJLP + 1.92% p.a. (a)	12.2023	Monthly	-	50	54
Areia Branca (d) **–** BNDES	TJLP + 2.5% p.a. (a)	06.2024	Monthly	-	41	45

(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 Project financing composed of the following companies: Trairí, Mundaú, Guajiru and Fleixeiras I.

(d) The Company concluded negotiations for the sale of the Beberibe and Pedra do Sal wind farms and the Areia Branca SHP. The operation was approved by the Board of Directors on December 23, 2016 and is an integral part of the strategy for optimizing the generator complex, expanding those assets with a greater degree of synergy one with the other. The finalization of the operation is subject to compliance with certain conditions precedent.

Additional information on the more relevant loan and financing agreements of the Company and its controlled companies

The balances as at December 31, 2016, December 31, 2015 and December 31, 2014 of the loan agreements listed below can be found in the table in item f(i) shown above.

ENGIE Brasil Energia

- Nordic Investment Bank

In January 2013, the Company signed a loan agreement with the Nordic Investment Bank (NIB), amounting to R$ 143 million or US$ 70 million. The amount of R$ 142 million was drawn on January 22, 2013, net of funding costs of R$ 1 million. The amortization period is 10 years, from October 2015, and financial charges on the loan are IPCA + 3.55% per annum.

- BNDES – Modernization

In September 2014, the Company signed an agreement with the BNDES for R$ 275 million for financing the modernization of Salto Santiago and Passo Fundo HPPs. By December 31, 2016, tranches totaling R$ 224 million had been drawn. Of the total finance line, R$ 273 million will bear an interest rate of TJLP + 2.26% and monthly amortizations from August 2016 to July 2020. The remaining R$ 2 million will bear an interest rate of TJLP only and monthly amortizations from August 2016 to July 2020.

- BNDES – São Salvador Plant and BNDES On-lending (Banks)

In March 2007, Companhia Energética São Salvador ("CESS") agreed a line of finance from the BNDES and On-lending Banks of the BNDES – Itaú Unibanco, Bradesco, Santander and Votorantim – in the initial amount of R$ 570 million for the construction of the São Salvador Hydroelectric Plant. CESS was incorporated by ENGIE Brasil Energia in December 2013.

- Loans drawn in currency

During 2013, 2014 and 2015, the Company signed currency-denominated loan agreements with the following banks: HSBC USA, Mizuho Bank and Bank of Tokyo.

In order to protect in full the totality of future cash flows against oscillations in the US dollar/Real rate, the Company has concluded swap operations for all its currency denominated loans with the Brazilian subsidiary of the same financial institution. The swaps have an active position corresponding to US dollar variation plus interest and a passive position equivalent to CDI variation for the life of the loans. Maturity of principal and amortization of interest on loans and the swaps will take place on precisely the same dates. It should be pointed out that the Company's Investment and Derivatives Policy rules that the use of financial derivative instruments is restricted to protecting risks (hedge) and that close correlation should be maintained with debt profile, volumes and terms.

The principal conditions of the loans and swap operations were as follows:

		Value		Loans and active position of swap	Passive position of swap	
Banks	Mth/Year	US$ million	R$ million	US$ + Interest (p.a.) Δ	CDI Δ	Due
HSBC USA I	08.2013	90	207	1.3882 %	99.9% of CDI	08.2015
HSBC USA II	03.2014	100	231	1.4294 %	97.0% do CDI	03.2016
HSBC USA III	10.2014	80	200	1.7871 %	99.0% do CDI	10.2016
HSBC USA IV	12.2014	50	128	1.8104%.	98.6% do CDI	12.2016
HSBC USA V	01.2016	10	27	1.8471%.	97.0% do CDI	12.2016
Mizuho Bank	12.2014	90	234	1.7260 %	96.02% do CDI	12.2016
Bank of Tokyo	12.2014	50	131	114.2857% of Libor + 0.5486%	98.0% do CDI	12.2016
		470	**1,158**			

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.

Loans denominated in US Dollars and their respective swap operations were settled in full during 2016.

Controlled Companies consolidated in ENGIE Brasil Energia

The following financing with the BNDES and BNDES On-lending Banks was taken based on the Project Finance model. Special Purpose Corporations were constituted to this end for implementing the respective projects.

- Companhia Energética Estreito (CEE)

In March 2008, the CEE signed a financing agreement with the BNDES and with the BNDES On-lending Banks – Itaú Unibanco, Bradesco and Votorantim – in the original amount of R$ 1,358 million, for the building of the Estreito Hydroelectric Power Plant.

- Trairí Wind Complex

In May 2012, the indirectly controlled companies Mundaú, Guajiru, Fleixeiras I and Trairí signed a financing agreement with the BNDES for the installation of their wind farms in the state of Ceará. The total amount financed was R$ 358 million.

Loans and financing guarantee

The Company maintains a guarantee for loans and financing described below. For the other loans, no guarantees are offered by the Company.

- BNDES – Modernization

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

- BNDES and BNDES On-Lending (Banks) – financing originally granted to São Salvador Hydroelectric Power Plant incorporated by ENGIE Brasil Energia

Following incorporation, the guarantees for the respective financing were substituted by a bank guarantee for the BNDES installment. The Receivables Centralizing Account only was maintained in the case of the on-lending banks.

- BNDES and BNDES On-lending (Banks) – hydroelectric projects

The financing of hydroelectric projects carry the following guarantees: (a) lien on emerging concession rights; (b) lien on credit rights originating from electric energy sales agreements; (c) reserve account in an amount equivalent to three months of debt servicing or a bank guarantee; (d) reserve account in an amount corresponding to three months of maintenance and operational 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 ENGIE Brasil Energia to its parent company, ENGIE.

- BNDES – Small Hydroelectric (SHP), Biomass and Wind power plants

The guarantees for wind projects are as follows: (a) fiduciary pledge of goods and equipment; (b) total shares representing the capital stock of the controlling companies; (c) receivables and the reserve account; and (d) corporate guarantee of ENGIE Brasil Energia.

(ii) other long-term relations with financial institutions

Represented by the debentures issued by the Company. In December 31, 2016, December 31, 2015 and December 31, 2014, the Company had the following outstanding issues:

			Payment conditions				
	Quantity	Remuneration	Interest/ monetary restatement	Principal	Dec/16	Dec/15	Dec/14
5th issue – single series	165,000	IPCA + 6.3% p.a.	Annually in December	3 installments in 12.2022/23/24	194	181	163
6th issue Serie 1	246,600	IPCA + 6.2621% p.a.	Annually in July	3 annual installments from 07.2021	251	-	-
6th issue Serie 2	353,400	IPCA + 6.2515% p.a.	Annually in July	3 annual installments from 07.2024	359	-	-

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$ 1.00 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 remuneration is annual, the first disbursement taking place on December 15, 2015. The principal one will be repaid in three annual installments on 12.15.2022, 12.15.2023 and 12.15.2024.

The settlement of the public offering of debentures occurred on 12.23.2014 and the proceeds are intended to modernize the Salto Santiago HPP and Passo Fundo HPP.

Transaction costs incurred in raising funds of this issue were R$ 3 million, booked as a reduction in the fair value initially recognized. Thus, the effective interest rate of debentures, for appropriation of interest expenses for accounting purposes will be 6.4% p.a.

- Sixth debenture issue – Series 1 and 2

In July 2016, the Company issued 600,000 simple, non-convertible debentures in two series of the unsecured type with a nominal value of R$ 1.00, 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 resources raised are to be allocated for the installation of Pampa Sul TPP.

(iii) degree of debt subordination

The Company does not adopt any subordination policy for the obligations recorded as liabilities payable in the balance sheets in the financial statements. Accordingly, in the event of a possible judicial reorganization, the Company will adopt the provisions of Law 11.101/05, and subsequent amendments, to establish the order of preference in the event of a dispute among universal creditors.

(iv) eventual restrictions imposed 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 if the Company has been complying with these restrictions

a) Loans and financing

The Company is subject to the following contractual commitments (covenants) - financial ratios and limits - established in its loan and financing contracts:

Debt	Covenants
Controller:	
Nordic Investment Bank	Controller: Total Debt/EBITDA ≤ 3.5 Consolidated: Total Debt/EBITDA ≤ 4.5 Controller and Consolidated: EBITDA/financing expenses ≥ 2.0
BNDES – Modernization	Net Debt/EBITDA ≤ 3.5
BNDES and Banks (BNDES On-Lending) – São Salvador Plant	Gross Debt/EBITDA ≤ 4.5
Controlled Companies:	
BNDES and Banks (BNDES Transfer)	Coverage ratio of debt service[2] ≥ 1.2 or 1.3, depending on the controlled company
BNDES Expansion – Ferrari	Net Debt/EBITDA ≤ 3.5
BNDES – Ibitiúva	Total debt ratio ≤ 0.80 Debt service coverage ratio ≥ 1.3

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

The financing contracted with BNDES are formalized through the signing of 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, takers 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 debts, with the exceptions expressly provided in the BNDES agreements; (vi) sell or encumber fixed assets; and (vii) distribute dividends higher than the minimum required in certain controlled companies.

The Company is in compliance with the financial commitments set out in the loan and financing agreements.

b) Debentures

Debt	Covenants
5th and 6 th Issues	EBITDA/consolidated financing expenses ≥ 2.0 Consolidated Gross Debt/EBITDA ≤ 4.5

In addition to the financial commitments described in the table, in terms of the debentures indenture, the Company must avoid the conditions described below and should it fail to do so, being subject to early repayment. The more important restrictions on the Company's active debenture issues are listed as follows: (i) default for longer than two working days payments, as defined in the debentures

[2] Debt service coverage rate: Cash generation from the business / Debt service

indenture; (ii) non-compliance for a period exceeding five working days after receipt of notification sent by the Fiduciary Agent of any non-pecuniary obligation defined in the indenture; (iii) non-payment of any obligations which, individually or together, are equal to or greater than R$ 100 million; (iv) early maturity of any debt amount of which, individually or jointly, is greater than R$ 100 million; (v) protest of the Company's bonds or those of any of its Controlled Companies; (vi liquidation, dissolution, termination or any form of corporate reorganization of the Company's Controlled Companies and the Company itself, unless the succession company(ies) is/are also Controlled Companies, directly or indirectly, controlled by a company of the economic group in which the Company operates; (vii) request for judicial, extrajudicial recovery, self-bankruptcy or any analogous procedure that characterizes a state of insolvency of the Company or its Controlled Companies; (viii) requirement or declaration of bankruptcy of the Company or its Controlled Companies, unless such requirement is contested and there is evidence of an escrow deposit, within the legal period, if applicable; (ix) spin off, merger or any type of corporate reorganization of the company, unless: (ix.i) the change is approved by the General Meeting of Debenture Holders; (ix.ii) the right of redemption to debenture holders who do not agree with the reorganization is guaranteed; or (ix.iii) the successor company is controlled, directly or indirectly, by a company belonging to the same company's economic group; (x) change in the direct or indirect share control of the Company; (xi) sale, inoperativeness or prolonged stoppage or any other disposition by the Company of fixed assets that represent, individually or in the aggregate, 25% of the capacity of power generation by the Company, and that are proven to affect the economic-financing capacity of the Company; (xii) intervention or loss of concession/authorization representing more than 25% of its installed capacity, and that are proven to affect the financial and economic capacity of the Company; (xiii) transformation of the corporate type of the Company; (xiv) reduction of the Company's capital stock, unless approved by the General Meeting of Debenture Holders; (xv) payment of dividends, interest on shareholders' equity or any other profit sharing provided in the Bylaws, except for the payment of mandatory minimum dividends pursuant to the Corporate Law, if the Company is in default with respect to the payment of any obligation relating to the debentures; (xvi) assignment or promise of assignment or any form of transfer or promise of transfer of rights and obligations assumed with the issuance of debentures to third parties, without the prior authorization of the debenture holders; (xvii) non-renewal, cancellation, revoking or suspension of authorization, concessions, grants, permits or licenses required for the performance of the Company's activities involving the interruption or suspension of 25% of the Company's generation capacity and causing a significant effect on the Company's ability to comply with the obligations arising from the debentures indenture; (xviii) failure to comply with any judicial, administrative or court sentence for which there is no right of appeal and for which there is no right of recourse or arbitration sentence not subject to appeal for an individual or aggregate amount equal to or greater than R$ 100 million; (xix) failure to maintain a corporate risk rating lower than AA, on the local scale by Standard & Poor's, Fitch or equivalent rating by Moody's; and (xx) failure to use the resources from the issuance of debentures, as described in the indenture thereof.

The Company is in full compliance with financial covenants and restrictions.

g. Limits of contracted financing and percentages already utilized

The Company has BNDES financing for the modernization of the Salto Santiago and Passo Fundo hydroelectric power plants for R$ 275 million. The modernization project at Passo Fundo HPP has been concluded while the project at Salto Santiago HPP is currently being executed. A total of R$ 224

million (81%) having been drawn down. The remaining balance is R$ 51 million and the Company expects these resources to be drawn by October 2017.

In December 2015, the indirect controlled company, Ferrari Termoelétrica S.A. contracted financing from the BNDES for R$ 81 million for plant expansion, of which R$ 44 million (54.3%) was released, a further R$ 37 million remaining to be drawn. Drawdown of the latter is expected by June 2017.

h. Significant changes in each item of the financial statements

h.1) Comparative analysis between the results for the fiscal years ending December 31, 2016 and 2015 prepared pursuant to the IFRS and the CPC:

	December 31				
Values in R$ million	**2016**	**% of revenue**	**2015**	**% of revenue**	**2016 *versus* 2015 (%)**
NET SALES REVENUE	**6,442**	**100.0**	**6,512**	**100.0**	**(1.1)**
Costs of energy sold and services provided					
Electricity purchased for resale	(1,643)	25.5	(1,783)	27.4	(7.9)
Transactions in the short-term energy market	(182)	2.8	(67)	1.0	171.6
Charges for the use of the electric network and connection	(397)	6.2	(363)	5.6	9.4
Electricity production cost	(1,449)	22.5	(1,562)	24.0	(7.2)
Cost of services provided	(30)	0.5	(28)	0.4	7.1
	(3,701)	**57.5**	**(3,803)**	**58.4**	**(2.7)**
GROSS PROFIT	**2,741**	**42.5**	**2,709**	**41.6**	**1.2**
Operating Revenues (expenses)					
Expenses with sales	(17)	0.3	(17)	0.3	-
General and administrative Expenses	(185)	2.8	(183)	2.7	1.1
Impairment	(121)	1.9	(10)	0.2	1,110.0
Other net operating revenues	7	(0.1)	5	(0.1)	40.0
	(316)	**4.9**	**(205)**	**3.1**	**54.1**
PROFIT BEFORE FINANCIAL RESULTS , FROM CORPORATE PARTICIPATIONS AND TAX	**2,425**	**37.6**	**2,504**	**38.5**	**(3.2)**
Financial Result					
Financial revenue	398	(6.2)	281	(4.3)	41.6
Financial expenses	(753)	11.6	(752)	11.5	0.1
	(355)	**5.4**	**(471)**	**7.2**	**(24.6)**
Result from Corporate Participations					
Equity loss	(3)	**-**	-	-	-
	(3)	**-**	**-**	**-**	**-**
PRE-TAX PROFIT	**2,067**	**32.2**	**2,033**	**31.3**	**1.7**
Income tax and social contribution	(519)	8.1	(532)	8.2	(2.4)
ANNUAL NET PROFIT	**1,548**	**24.1**	**1,501**	**23.1**	**3.1**
EARNINGS PER SHARE - BASIC AND DILUTED - IN REAIS	**2.37**		**2.30**		
EBITDA	**3,176**	**49.3**	**3,115**	**47.8**	**2.0**

Net Revenue from Sales

Net revenue from sales declined from R$ 6,512 million in 2015 to R$ 6,442 million in 2016, representing a reduction of R$ 70 million or 1.1%. This decline is essentially a reflection of the following combination of events: (i) R$ 347 million, due to the increase in average net selling price; (ii) R$ 232 million, due to lower volumes of energy sold; and (iii) R$ 185 million, a reflection of the reduction in revenue from transactions conducted across the short-term market, more particularly those executed within the scope of the CCEE.

- Net Average Selling Price

The net average selling price was R$ 180.68/MWh, 5.4% higher than the price prevailing in 2015, which was R$ 171.37/MWh. Higher prices were largely due to monetary restatement of the existing agreements, partially mitigated by prices practiced for new sales at values below the average price for the portfolio.

- Sales Volume

In 2016, energy sales volume was 34,789 GWh (3,971 aMW) against 36,012 GWh (4,111 aMW) reported in 2015, a decrease of 1,223 GWh (140 aMW) or 3.5%. These variations are largely due to the expiry and renegotiation of existing agreements as well as the reduction in consumption under flexible supply agreements, partially offset by a growth in conventional energy sales to trading companies.

Costs of Electric Energy and Services

The costs of the sale of energy and services reached R$ 3,701 million, 2.7%, or R$ 102 million lower than the figure for 2015, which was R$ 3,803 million. These variations largely reflect tendencies in the following components:

- Electric energy purchased for resale: reduction of R$ 140 million in 2016 in relation to 2015 reflecting above all the reduction of 886 GWh (104 aMW) in 2016 in medium and long-term purchases, albeit partially offset by higher prices practiced for new agreements when compared to the preceding period. The reduction in purchase volumes is due largely to the acquisition in 2015 of energy from Jirau Hydroelectric Power Plant, to a degree compensated by higher incentivized energy purchase volumes in the period under analysis. In 2016, the Company's purchases of energy from Jirau HPP were zero.

- Transactions in the short-term market - especially those conducted through the CCEE: between the fiscal years 2015 and 2016, the increase in transaction costs was R$ 115 million. More details are to be found under the specific heading.

- Charges for the use of and connection to the electricity grid: an increase of R$ 34 million in 2016 against 2015, principally due to the annual readjustment in transmission tariffs.

- Fuels for generation : a decrease of R$ 109 million between the two fiscal years due to a reduction in consumption of natural gas at the William Arjona TPP (UTWA) due to zero dispatch from this plant by the National Electric System Operator (ONS) at the end of February 2016. This fall was partially offset by the following factors: (i) cost of mineral coal in 2016 when the Company ceased to be fully reimbursed under the Energy Development Account (CDE) for coal consumed in the Jorge Lacerda Thermoelectric Complex and the Charqueadas TPP and pursuant to new legislation establishing parameters for greater energy efficiency at coal-fired plants; and (ii) own unsubsidized mineral coal consumption in 2016 by virtue of exports of electricity to Argentina.

- Financial compensation for the use of water resources (royalties): an increase of R$ 13 million due largely to the annual price readjustment, offset by a small reduction in hydroelectric generation.

- Personnel: an increase of R$ 18 million between fiscal years, substantially the result of the annual agreement on employee salaries and benefits and due to further employees signing up to the Voluntary Severance Plan (PDV) following its resumption in 2016. Personnel costs were partially offset by the readjustment of head count in the light of voluntary termination of employees under the PDV.

- Materials and third party services: reduction of R$ 29 million when confronting comparative years, this principally due to lower demand for services relating to maintenance and conservation of the thermoelectric generator units as well as efforts to rationalize Company costs.

- Depreciation and amortization: an increase of R$ 30 million in the compared years due above all to a major review of the Company's thermoelectric complex at the end of 2015, modernization and new assets introduced into the generating complex.

- Net operational provisions: a positive impact of R$ 39 million for the fiscal years under analysis. The principal factor contributing to the full year-on-year decrease of these costs was the constitution of a civil provision in 2015, in the light of a judicial dispute with a supplier. This arose from a disagreement on the application of the current legislation relating to the setting of the price of a raw material consumed by the Company. This positive effect was partially offset by the following items: (i) a provision for decommissioning the Charqueadas TPP; and (ii) a provision for reducing inventory to the net realizable value of the Charqueadas and Alegrete Thermoelectric Power Plants.

Details of Short Term Operations - especially Transactions on the Electric Energy Trade Board (CCEE)

Short-term operations are classified as energy purchase or sale operations, the principal objective being the management of exposure on the CCEE. Consequently, the price of these operations is characterized by the linkage with the Price for Settlement of Differences (PLD). This item also includes the transactions conducted through the CCEE, given their volatile and seasonal nature - and, therefore, short-term - of the results originating from accounting movement in the CCEE. Additionally, the long and short positions are settled at the PLD, thus, similar 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 Board 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. In this context, 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 the mentioned billings. Such fluctuations complicate the direct comparison of the elements comprising each billing for the periods being analyzed - the reason for including this specific topic. The strategy allows us to analyze 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, triggered when generation of plants, part of the MRE, is greater or smaller (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.

For the full fiscal year 2016, the net result from short-term transactions – particularly those transacted across the CCEE, was negative at R$ 65 million against a positive result of R$ 236 million in 2015, representing a reduction of R$ 301 million between the two years under review.

This variation is the result of a combination of the following: (i) a reduction in the negative effect of the GSF; (ii) lower excess energy settled on the CCEE; (iii) greater excess thermoelectric energy exposure due to lower dispatch from this energy source; (iv) reduction in MRE revenue due to lower hydroelectric generation in the period; and (v) greater exposure to submarket price differences.

It is worth mentioning that there was a notable drop in average PLD during 2016 as shown below, thus contributing to a decrease in the negative effects arising from the application of the GSF and thermoelectric exposure and conversely the reduction from the positive effects of settling excess energy across the CCEE.

Comparing the full two years, PLD for the same submarkets fell 67.4% from R$ 285.41/MWh in 2015 to R$ 93.18/MWh in 2016.

In line with the guidelines enshrined in Law 13.203/2015, and in order to mitigate the negative effects of the GSF as applied to plants which are members of the MRE, in December 2015, through formal declaration and in the light of resolutions published by Aneel, the Company signed up to the renegotiation of the hydrological risk for plants with energy sold through the Regulated Contracting Environment. As a condition of this agreement, the Company was obliged to cancel any legal injunctions that might prevent the application of the GSF at its plants.

As a consequence of this agreement, the Company has recognized in its cost base a risk premium of R$ 24 million for 2016, having at the same time avoided generating the cost of a deficit of R$ 93 million, both net of direct tax charges.

Gross Profit

The Company's gross profit in 2016 was R$ 2,741 million, R$ 32 million or 1.2% higher than reported in 2015, when this item recorded R$ 2,709 million. This result reflected the variations already explained in the sub-items "Net revenue from sales" and "Costs of energy sold and services rendered".

Operational revenues (expenses)

General and administrative expenses increased from R$ 200 million to R$ 202 million, an increase of R$ 2 million or 1.0%. This increase was largely a reflection of the reversal of the civil provision in 2015 in the amount of R$ 6 million, of the increase of R$ 2 million in the third-party services contracting, partially compensated by the reduction in staff and senior management expenses in the amount of R$ 7 million, due to mainly the effects of the Voluntary Severance Plan concluded in 2016.

Additionally, in 2016, the Company recognized a provision for a reduction in recoverable value (impairment) from assets amounting to R$ 121 million, of which R$ 76 million corresponds to non-operating assets pertaining to the Jacuí thermoelectric project and R$ 45 million in thermoelectric generation assets. By contrast, in 2015, the amount provisioned was R$ 10 million with respect to Charqueadas TPP.

Jacui's assets are represented by property pertaining to the Jacuí thermoelectric plant received subsequent to a court ruling in the Company's favor (in 2014) in an action taken against Elétrica Jacuí Ltda. for collection of receivables arising from the sale of the assets of the project given in guarantee.

In 2015, the Company signed an exclusive sale agreement with a potential buyer of the assets. The agreement provided for an option for the acquisition of the project valid until January 2016 but not however exercised by the eventual purchaser. During the course of 2016, attempts continued to sell the assets as operating assets, albeit unsuccessfully.

In the light of this scenario, the Company engaged a company specialized in asset sales to draw up a viable divestment strategy and to provide an evaluation of the market value for the assets, prepared on the basis of the alternative sale proposal. With this evaluation, the Company constituted an impairment of R$ 76 million, corresponding to the book value exceeding the estimated sale value of the assets.

Profit before financial result and taxes (EBIT)

The Company reported a result of R$ 2,425 million for 2016, R$ 79 million or 3.2% less in relation to the same item in the preceding year which was R$ 2,504 million, result of the variations described above in the sub items "Gross profit" and "Operating revenue (expenses)".

Financial Result

- Financial income: comparing the periods 2015 x 2016, financial revenue increased R$ 117 million (or 41.6%) from R$ 281 million in 2015 to R$ 398 million in 2016. This is essentially explained as follows: (i) an increase of R$ 71 million in revenue from financial investments; (ii) growth of R$ 39 million in interest and monetary restatement as a result of a decision ruled in the Company's favor with respect to a legal dispute on the collection of restatement value on amounts receivable from a sector agent; (iii) an increase of R$ 18 million in interest and monetary restatement of accounts receivable due to defaulting on a financial settlement on the CCEE, the result of court injunctions preventing the application of the GSF; and (iv) R$ 6 million reduction in monetary restatement of court escrow accounts.

- Financial expenses: from an annual point of view, expenses increased from R$ 752 million to R$ 753 million, a difference of R$ 1 million (or 0.1%), the result of a combination of the following main variations: (i) recognition in 2016 of R$ 58 million in monetary restatement of amounts payable at the CCEE but pending due to court injunctions preventing the CCEE from applying the GSF; (ii) a decrease of R$ 56 million in interest and monetary restatement on debt; (iii) an increase of R$ 28 million in net interest on provisions and actuarial liabilities; (iv) a reduction of R$ 23 million in interest and monetary restatement of concession fees payable; and (v) a decrease of R$ 1 million of tax on financial operations.

Income Tax and Social Contribution on Net Income

On a full year basis, these expenses decreased from R$ 532 million in 2015 to R$ 519 million in 2016: a decline of R$ 13 million. This variation is the result above all of higher interest on shareholders' equity credited in 2016, a variation partially attenuated by the following: (i) an increase in pre-tax profits in the period; and (ii) the end of tax breaks at the Ponte de Pedra HPP. The effective tax rates on profits in 2015 and 2016 were 26.2% and 25.1%, respectively.

Equity Income

In April 2016, the Company acquired 50% of the capital stock of ENGIE Solar via subscription in the increase of the capital stock. ENGIE Solar has as its corporate objective the development, wholesaling and retailing, operations and maintenance of generators and photovoltaic panels with an installed capacity of less than 5 MW. Consequently, in the light of the company's acquisition, R$ 3 million was recognized as a negative equity income result in 2016.

Net Income

In 2016, net income increased from R$ 1,501 million in 2015 to R$ 1,548 million, an increase of R$ 47 million or 3.1%. This variation is due to the following factors: (i) growth of R$ 61 million in Ebitda; (ii) an increase of R$ 29 million in depreciation and amortization; (iii) growth in asset impairment of R$ 111 million; (iv) a reduction of R$ 116 million net financial expenses; (v) a decrease of R$ 13 million in Income Tax and Social Contribution; and (vi) a negative amount for the equity item of R$ 3 million.

Ebitda and Ebitda Margin

In 2016, Ebitda posted an increase of R$ 61 million (or 2.0%) from R$ 3,115 million in 2015 to R$ 3,176 million in 2016. The Ebitda margin in 2016 was 49.3%, representing an increase of 1.5 p.p. in relation to 2015. These increases reflect principally a combination of factors: (i) the negative R$ 301 million in transactions executed in the short-term market – more specifically, those executed within the scope of the CCEE; (ii) a reduction of R$ 139 million in energy purchases for resale; (iii) a growth of R$ 114 million in net revenue from the sale of contracted energy; (iv) a decrease of R$ 109 million in fuel consumption; (v) an increase of R$ 34 million in charges for the use of the electricity network and connections; (vi) the positive effect of R$ 30 million in net operating provisions; and (vii) the decrease of R$ 4 million in other costs and operating expenses.

The following table reconciles net income with Ebitda:

Reconciliation between net profit and EBITDA

Amounts in R$ million	12.31.2016	12.31.2015
Annual Net Profit	1,548	1,501
(+) Income tax and Social Contribution	519	532
(+) Net financial expenses	355	471
(+) Depreciation and amortization	630	601
EBITDA	**3,052**	**3,105**
(+) Provision for impairment	121	10
(+) Result from Corporate Participations	3	-
Adjusted EBITDA	**3,176**	**3,115**
EBITDA Margin (%)	**49.3%**	**47.8%**

The Company's EBITDA is shown based on the guidance in CVM Instruction 527/2012, which now governs the disclosure of this non-accounting parameter. EBITDA should not be considered a measure of financial performance according to the "International Accounting Practices and Practices Adopted in Brazil". Neither should it be considered in isolation or as an alternative to net income as a measure of operating performance or an alternative to operating cash flows or as a measure of liquidity.

Since financial expenses and revenues, income tax and social contribution and depreciation, amortization, impairment, result from corporate participations are not considered in its calculation, EBITDA functions as an indicator of general economic performance. Consequently, it serves as an important tool for periodically comparing operating performance as well as a basis for certain decisions of an administrative nature. EBITDA provides a better understanding not only of financial performance but also of the capacity to fulfill liabilities and to raise resources for capital expenditures and working capital. However, EBITDA has certain limitations, which undermine its use as a measure of profitability: it does not consider certain business -related costs which could significantly affect profits such as financial expenses, taxes, depreciation, capital expenses and other related charges.

Comparative analysis of results for the fiscal years ending December 31, 2015 and 2014 pursuant to IFRS and CPC accounting principles:

	December 31				
Values in R$ million	**2015**	**% of revenue**	**2014**	**% of revenue**	**2015 *versus* 2014 (%)**
NET SALES REVENUE	**6,512**	**100.0**	**6,473**	**100.0**	**0.6**
Costs of sold energy and services provided					
Electricity purchased for resale	(1,783)	27.4	(1,276)	19.7	39.7
Transactions in the short-term energy market	(67)	1.0	(1,040)	16.1	(93.6)
Charges for the use of the electric network and connection	(363)	5.6	(333)	5.1	9.0
Electricity production cost	(1,562)	24.0	(1,301)	20.1	20.1
Cost of services provided	(28)	0.4	(25)	0.4	12.0
	(3,803)	**58.4**	**(3,975)**	**61.4**	**(4.3)**
GROSS PROFIT	**2,709**	**41.6**	**2,498**	**38.6**	**8.4**
Operating Revenues (expenses)					
Expenses with sales	(17)	0.3	(17)	0.3	0.0
General and administrative expenses	(183)	2.7	(181)	2.7	1.1
Other net operating revenues (expenses)	(5)	0.1	3	(0.0)	(266.7)
	(205)	**3.1**	**(195)**	**3.0**	**5.1**
PROFIT BEFORE THE FINANCING RESULT AND ATTRIBUTES	**2,504**	**38.5**	**2,303**	**35.6**	**8.7**
Financing Result					
Financing revenues	281	(4.3)	207	(3.2)	35.7
Financing expenses	(752)	11.5	(553)	8.5	36.0
	(471)	**7.2**	**(346)**	**5.3**	**36.1**
PROFIT BEFORE TRIBUTES OVER PROFIT	**2,033**	**31.3**	**1,957**	**30.3**	**3.9**
Income tax and Social Contribution	(532)	8.2	(574)	8.9	(7.3)
YEAR NET PROFIT	**1,501**	**23.1**	**1,383**	**21.4**	**8.5**
PROFIT PER SHARE - BASIC AND DILUTED - IN REAIS	**2.30**		**2.12**		
EBITDA	**3,115**	**47.8**	**2,895**	**44.7**	**7.6**

Net revenue from sales

Net revenue from sales increased from R$ 6,473 million in 2014 to R$ 6,512 million in 2015, representing growth of R$ 39 million, or 0.6%. This increase is largely due to the following combination of factors: (i) R$ 822 million — an increase in the net average selling price; (ii) R$ R$ 600 million — a reduction in revenue from transactions in the short-term market, including those conducted within the scope of the CCEE; and (iii) R$ 182 million — reduced energy sales.

- Net average selling price

The net average selling price was R$ 171.37/MWh, 14.9% higher than the R$ 149.20 reported for 2014. The price increase was largely due to monetary restatement of existing agreements as well as higher prices negotiated for new contracts.

- Sales volume

In 2015, energy sales volume was 36,012 GWh (4,111 average MW) against 37,072 GWh (4,232 average MW) recorded in 2014, a reduction of 1,060 GWh (121 average MW) or 2.9%. These variations were due to a combination of the following key factors: (i) expiry of agreements with distributors and trading companies, where the related energy was sold to free consumers or settled on the short-term market, attenuating the negative impacts arising from the systemic deficit in hydroelectric generation; and (ii) an increase in purchase volumes.

Costs of energy sold and of services rendered

The costs of energy sold and services rendered were R$ 3,803 million, 4.3% or R$ 172 million less than the R$ 3,975 million in 2014. These variations are essentially due to the following factors:

- Electric energy purchased for resale: the year-on-year increase of R$ 507 million largely reflects: (i) price readjustments for existing agreements; and (ii) an increase in medium and long-term purchases of 552 GWh (63 average MW), particularly the acquisition of surplus energy from Jirau.

- Transactions in the short-term market including those conducted through the CCEE: on a year-on-year comparative basis, there was a reduction of R$ 973 million in costs. Such a variation reflects a reduction in costs of R$ 120 million in the fourth quarter 2015 relative to the effects arising from the completion of renegotiation of the hydrological risk. Greater details are given in the specific item below.

- Fuels for the production of electric energy: the growth of R$ 46 million over the preceding fiscal year was principally due to rising unit prices and the distribution costs of natural gas consumed at the William Arjona Thermoelectric Power Plant due to the depreciation of the Real against the US dollar.

- Charges for the use of and connection to the electricity grid: the increase of R$ 30 million between successive fiscal years was largely due to the annual readjustment in transmission tariffs.

- Materials and third party services: costs rose by R$ 33 million in relation to 2014 mainly due to the greater demand for operational and maintenance services, notably at the Jorge Lacerda Thermoelectric Complex, the Charqueadas Thermoelectric Power Plant and the Salto Santiago and Estreito hydroelectric plants.

- Financial remuneration for use of water resources (royalties): there was a year-on-year increase in costs of R$ 8 million, in large part due to the annual price readjustment.

- Personnel: an increase of R$ 22 million, principally due to the annual adjustments in employee remuneration and benefits.

- Depreciation and amortization: an increase of R$ 7 million over 2014 above all due to the incorporation of new assets in the Company's generator complex.

- Net operational provisions: there was a negative effect of R$ 77 million on results in relation to 2014. The main factors driving increased provisioning costs were: (i) a R$ 92 million reversal of a provision for a civil action involving the collection of a surcharge on the Tariff for Use of the Transmission System (TUST) by Ponte de Pedra Hydroelectric Power Plant (UHPP), following a decision found in favor of the Company, thus reducing the risk of loss from a judicial process; (ii) a R$ 15 million reversal of a provision for a Brazilian Social Security Department (INSS) collection as a result of the Company's agreement to the "REFIS da Copa" tax amnesty; (iii) a reduction of R$ 18 million in the provision for the civil action arising from the judicial dispute with a supplier (mentioned above); and

(iv) R$ 12 million with respect to the constitution and reversal for payment in fourth quarter 2014 and first quarter 2015, respectively, of a provision for a civil action involving indemnification for expropriations at Cana Brava Hydroelectric Power Plant.

- Others: in 2015, there was a negative variation in relation to 2014 of R$ 71 million, essentially reflecting: (i) reversal of prescribed liabilities in 2014 for R$ 55 million relating to energy purchases and transmission overheads; (ii) payment of R$ 6 million in indemnifications for expropriations which took place in 2015; and (iii) an increase of R$ 10 million in the premium on the Company's renewed insurance policies.

Details of Short-Term Operations specially transaction on the CCEE

For 2015 as a whole, the net result (the difference between revenues and costs - less taxes on revenues and costs) from short-term transactions, including those executed through the CCEE, was positive at R$ 235 million against a negative result of R$ 136 million in 2014, that is, an improvement of R$ 371 million between comparative years.

This variation is largely due to a combination of the following factors: (i) a major reduction in the negative effect of the adjustment in physical guarantee in relation to the GSF; (ii) a decline in the long position on the CCEE, a reflection of the Company's monthly power allocation strategy; (iii) a decrease in thermoelectric exposure due to the significant reduction in average PLD in 2015 in spite of the overall increase in exposed volume; (iv) recognition in fourth quarter 2015 of the effects of signing up to the hydrological risk renegotiation at some of the Company's plants where energy is sold in the Regulated Contracting Environment (ACR) pursuant to Law 13.203/2015; (v) reduced impact of results from transactions on the CCEE in the fourth quarter 2015 compared with the same quarter in 2014 with the recognition of amounts due to the recovery from the negative impacts of operations through the CCEE in 2014 following forced stoppages at company generator units; (vi) increase in revenue with ancillary services; (vii) the increase in MRE revenue linked to the Energy Optimization Tariff (TEO); (viii) the positive effects of short-term transactions in 2015; and (ix) the reversal in the second quarter of 2014 of the provisions for supposed costs relative to the participation of generators in the prorating of System Service Charges (ESS) as per CNPE Resolution 03, given the reduced risk of loss from a judicial action contesting the collection of these amounts. The effects mentioned in items (ii) and (v) attenuated the positive impact of the remaining factors.

Worthy of note also was the significant reduction in year-on-year average PLD, thus contributing significantly to mitigating negative impacts stemming from the application of the GSF and thermoelectric exposure, and on the other hand, to the reduction in the positive effects arising from surplus energy settled through the CCEE.

On a year-on-year comparative basis, the average PLD for the South and Southeast/Central-Western submarkets declined by 57.8% from R$ 675.81/MWh in 2014 to R$ 285.41/MWh in 2015.

With the enactment of Law 13.203/2015 and pursuant to Aneel guidelines, in December 2015 the Company formally signed up to the renegotiation of the hydrological risk for plants where energy is sold through the Regulated Contracting Environment. The decision also reflected the need to mitigate the negative effects of the GSF on generator plants subject to the Energy Reallocation Mechanism - MRE. As a condition to signature, the Company agreed to remove all preliminary injunctions impeding the payment of the GSF at its plants.

This renegotiation was made retroactive to January 2015 and resulted in the reimbursed amount (net of the risk premium) of R$ 223 million, booked to the asset "Renegotiation of hydrological risk to

appropriate", to be offset against future risk premiums incurred by the Company. The following table shows the results to be reimbursed following renegotiation for fiscal year 2015 and the extension of the term for amortization of unit premiums under the ACR mechanism by product class.

Criteria for renegotiation of hydrological risk

Plant	Product	Amount Renegotiated (aMW)	Amount Renegotiated (MWh)	Net unit reimbursement (R$)	Total reimbursement (R$ million)	Term* (years)
Cana Brava HPP	SP92	261.66	2,292,177	18.26	41.9	13.25
Itá HPP	SP92	336.00	2,943,360	18.26	53.7	13.25
Machadinho HPP	SP92	84.04	736,190	18.26	13.4	13.25
Ponte de Pedra HPP	SP95	123.55	1,082,315	23.80	25.8	7.17
Salto Santiago HPP	P97	150.00	1,314,000	24.36	32.0	2.92
São Salvador HPP	SP91	142.13	1,245,048	16.52	20.6	17.25
Estreito HPP	SP91	247.13	2,164,859	16.52	35.8	17.25
TOTAL		**1,344.51**	**11,777,950**		**223.1**	

* Extended term as from January 2016 for payment of reimbursement of the result for 2015.

Gross profit

The Company's gross profit in 2015 was R$ 2,709 million, R$ 211 million or 8.4% higher than reported in 2014, when this item recorded R$ 2,498 million. This result reflected the variations already explained in the sub-items "Net revenue from sales" and "Costs of energy sold and services rendered".

Operating revenue (expenses)

In 2015, the Company recognized a provision for a reduction in the amount for asset recovery (impairment) for R$ 10 million, due to modification in recovery value when in use or where sale value is uncertain.

Profit before financial result and taxes (EBIT)

The Company reported a result of R$ 2,504 million for 2015, R$ 201 million or 8.7% greater in relation to the same item in the preceding year which was R$ 2,303 million, result of the variations described above in the sub items "Gross profit" and "Operating revenue (expenses)".

Financial Result

- Financial Income: on a comparative year-on-year basis, financial income increased R$ 74 million, or 36.0% from R$ 207 million in 2014 to R$ 281 million in 2015. This variation is largely the result of the following factors: (i) an increase of R$ 139 million in revenue from financial investments; (ii) a reversal of R$ 61 million in 2014, corresponding to interest and monetary restatement of prescribed liabilities already mentioned in the item "Costs of Energy Sales and Services - Others"; (iii) recognition in 2014 of R$ 11 million in gains as a result of legal rulings in favor of the Company; and (iv) an increase of R$ 4 million in monetary restatement of court escrow deposit accounts.

- Financial expenses: On a comparative year-on-year basis, expenses rose from R$ 553 million to R$ 752 million, a R$ 199 million or 36.0% increase, resulting largely from the combination of the following variations: (i) growth of R$ 75 million in interest and monetary restatement of debt; (ii) an increase of R$ 138 million in interest and monetary restatement on concession fees payable; (iii) a decrease of R$

18 million in interest and monetary restatement of provisions and contingencies; and (iv) an increase of R$ 4 million in currency translation expenses on corporate debt.

- Income Tax and Social Contribution

For the full 12-month period of 2015, income tax and social contribution expenses declined from R$ 574 million in 2014 to R$ 532 million in 2015: a difference of R$ 42 million. This variation also reflects above all, interest on shareholders' equity credited to shareholders during the year. Tax rates on profits in 2015 and 2014 were 26.2% and 29.3%, respectively.

Net income for fiscal year

Net income increased from R$ 1,383 million in 2014 to R$ 1,501 million in 2015, or an R$ 118 million, or 8.5% increase. This variation was principally due to: (i) a R$ 220 million improvement in EBITDA; (ii) an increase of R$ 125 million in net financial expenses; (iii) an increase of R$ 9 million in depreciation and amortization expenses; (iv) recognition of asset impairment of R$ 10 million in fiscal year 2015; and (v) a R$ 42 million reduction in income tax and social contribution expenses.

EBITDA and EBITDA margin

In 2015, EBITDA increased by 7.6% or R$ 220 million from R$ 2,895 million in 2014 to R$ 3,115 million. The Company reported an EBITDA margin of 47.8%, an increase of 3.1 p.p. in relation to 2014. This performance largely reflects a combination of the following factors: (i) an increase of R$ 640 million in net revenue from sales of contracted energy; (ii) growth of R$ 507 million in energy purchases for resale; (iii) the positive impact of R$ 426 million in transactions conducted in the short-term market including those executed within the scope of the CCEE; (iv) reversal in 2014 of a provision of R$ 54 million covering the impacts of CNPE Resolution 03, published in 2013; (v) a R$ 46 million increase in fuel consumption; (vi) an increase of R$ 30 million in charges for the use of the electricity network and connection; (vii) reversal in 2014 of provisions for the collection of a surcharge on Ponte de Pedra Hydroelectric Power Plant's Tariff for Use of the Transmission System in the amount of R$ 92 million; (viii) reversal of prescribed liabilities in 2014 amounting to R$ 55 million; and (ix) an increase of R$ 62 million in other costs and operational expenses. If the non-recurring events in 2014 mentioned in items (iv), (vii) and (viii) were factored out, the increase in EBITDA would have been R$ 421 million or 15.6% greater in 2015 in relation to the preceding year.

The following table shows the reconciliation of net income with EBITDA.

Reconciliation between net profit and EBITDA

Amounts in R$ million	12.31.2015	12.31.2014
Annual Net Profit	1,501	1,383
(+) Income tax and Social Contribution	532	574
(+) Net financial expenses	471	346
(+) Depreciation and amortization	601	592
EBITDA	**3,105**	**2,895**
(+) Provision for impairment	10	-
Adjusted EBITDA	**3,115**	**2,895**
EBITDA margin (%)	**47.8%**	**44.7%**

The Company's EBITDA is shown based on the guidance in CVM Instruction 527/2012, which now governs the disclosure of this non-accounting parameter. EBITDA should not be considered a measure of financial performance according to the "International Accounting Practices and Practices Adopted in Brazil". Neither should it be considered in isolation or as an alternative to net income as a measure of operating performance or an alternative to operating cash flows or as a measure of liquidity.

Since financial expenses and revenues, income tax and social contribution and depreciation, amortization and impairment are not considered in its calculation, EBITDA functions as an indicator of general economic performance. Consequently, it serves as an important tool for periodically comparing operating performance as well as a basis for certain decisions of an administrative nature. EBITDA provides a better understanding not only of financial performance but also of the capacity to fulfill liabilities and to raise resources for capital expenditures and working capital. However, EBITDA has certain limitations, which undermine its use as a measure of profitability: it does not consider certain business -related costs which could significantly affect profits such as financial expenses, taxes, depreciation, capital expenses and other related charges.

h.2) Comparative analysis of results for the fiscal years ending December 31, 2016 and 2015 pursuant to IFRS and CPC accounting principles:

	ASSETS							
Values in R$ million	12.31.2016	%	12.31.2015	%	12.31.2014	%	12.31.2016 *versus* 12.31.2015 (%)	12.31.2015 *versus* 12.31.2014 (%)
CURRENT ASSETS								
Cash and cash equivalents	1,815	12.6	2,397	15.7	1,605	11.8	(24.3)	49.3
Trade accounts receivable	824	5.7	774	5.1	713	5.2	6.5	8.6
Inventories	106	0.7	89	0.6	70	0.5	19.1	27.1
Tax credits recoverable	15	0.1	46	0.3	51	0.4	(67.4)	(9.8)
Fuel reimbursable	49	0.3	144	0.9	343	2.5	(66.0)	(58.0)
Insurance premium receivable	8	0.1	8	0.1	217	1.6	-	-
Restricted deposits	9	0.1	8	0.1	104	0.8	12.5	(92.3)
Unrealized gains from hedge operations	1	-	778	5.1	30	0.2	(99.9)	-
Hydrological risk renegotiation to be recognized	26	0.2	26	0.2	-	-	-	-
Other current assets	82	0.6	74	0.5	54	0.5	10.8	37.0
	2,935	**20.4**	**4,344**	**28.6**	**3,187**	**23.5**	**(32.4)**	**36.3**
Non-current assets held for sale	420	2.9	87	0.6	87	0.6	-	-
	3,355	**23.3**	**4,431**	**29.2**	**3,274**	**24.1**	**(32.4)**	**36.3**
NON-CURRENT ASSETS								
Long Term Assets								
Tax credits recoverable	38	0.3	47	0.3	84	0.6	(19.1)	(44.0)
Restricted deposits	186	1.3	158	1.0	156	1.1	17.7	1.3
Judicial deposits	150	1.0	132	0.9	117	0.9	13.6	12.8
Unrealized gains from hedge operations	2	-	130	0.9	64	0.5	(98.5)	103.1
Hydrological risk renegotiation to be recognized	171	1.2	197	1.3	-	-	-	-
Other non-current assets	65	0.4	53	0.1	60	0.4	22.6	(11.7)
	612	**4.2**	**717**	**4.5**	**481**	**3.5**	**(14.6)**	**49.1**
Investiments	**5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Property, plant and equipment	**10,195**	**70.7**	**9,898**	**64.7**	**9,658**	**71.0**	**3.0**	**2.5**
Intangible assets	**253**	**1.8**	**243**	**1.6**	**197**	**1.4**	**4.1**	**23.4**
	11,065	**76.7**	**10,858**	**70.8**	**10,336**	**75.9**	**1.9**	**5.1**
TOTAL	**14,420**	**100.0**	**15,289**	**100.0**	**13,610**	**100.0**	**(5.7)**	**12.3**

	LIABILITIES AND SHAREHOLDERS' EQUITY							
Values in R$ million	12.31.2016	%	12.31.2015	%	12.31.2014	%	12.31.2016 *versus* 12.31.2015 (%)	12.31.2015 *versus* 12.31.2014 (%)
CURRENT LIABILITIES								
Suppliers	371	2.6	574	3.8	642	4.7	(35.4)	(10.6)
Dividends and interest on equity	372	2.6	271	1.8	200	1.5	37.3	35.5
Loans, financing and debentures	300	2.1	1,713	11.2	455	3.3	(82.5)	276.5
Concessions payable	65	0.5	61	0.4	55	0.4	6.6	10.9
Income and social contribution taxes payable	81	0.6	18	0.1	228	1.7	350.0	(92.1)
Other tax and regulatory liabilities	89	0.6	97	0.6	67	0.5	(8.2)	44.8
Labor obligations	95	0.7	108	0.7	72	0.5	(12.0)	50.0
Provisions	35	0.2	26	0.2	15	0.1	34.6	73.3
Retirement benefits obligations	27	0.2	22	0.1	49	0.4	22.7	(55.1)
Liabilities related to assets held for sale	159	1.1	-	-	-	-	-	-
Other current liabilities	207	1.4	87	0.6	160	1.2	137.9	(45.6)
	1,801	**12.6**	**2,977**	**19.5**	**1,943**	**14.3**	**(39.5)**	**53.2**
NON-CURRENT LIABILITIES								
Loans, financing and debentures	2,789	19.3	2,534	16.6	3,598	26.4	10.1	(29.6)
Concessions payable	2,282	15.8	2,010	13.1	1,711	12.6	13.5	17.5
Civil, tax and labor provisions	292	2.0	247	1.6	187	1.4	18.2	32.1
Retirement benefits obligations	272	1.9	256	1.7	234	1.7	6.3	9.4
Deferred income and social contribution taxes	311	2.2	559	3.7	213	1.6	(44.4)	162.4
Other non-current liabilities	59	0.4	64	0.4	69	0.4	(7.8)	(7.2)
	6,005	**41.6**	**5,670**	**37.1**	**6,012**	**44.1**	**5.9**	**(5.7)**
SHAREHOLDERS' EQUITY								
Capital	2,829	19.6	2,446	16.0	2,446	18.0	15.7	-
Capital reserves	-	-	92	0.6	92	0.7	(100.0)	-
Profit reserves	2,926	20.3	2,833	18.5	1,783	13.1	3.3	58.9
Capital increase and proposed additional dividends	410	2.8	500	3.3	806	5.9	(18.0)	(38.0)
Adjustment to equity valuation	446	3.1	769	5.0	524	3.9	(42.0)	46.8
	6,611		**6,640**		**5,651**			
Non-controlling interest	3	-	2	-	4	-	50.0	(50.0)
	6,614	**45.8**	**6,642**	**43.4**	**5,655**	**41.6**	**(0.4)**	**17.7**
TOTAL	**14,420**	**100.0**	**15,289**	**100.0**	**13,610**	**100.0**	**(5.7)**	**12.3**

Comments on significant variations between the balance sheets for December 31, 2016 and December 31, 2015

Current assets

Cash and cash equivalents

The reduction of R$ 582 million resulted principally from the following combination of factors: (i) resources from operating activities of R$ 2,525 million; (ii) investment of R$ 1,176 million in fixed and intangible assets; (iii) payment of dividends and interest on shareholders' equity of R$ 1,164 million; (iv) amortization of loans, financing and debentures in the amount of R$ 1,210 million; (v) raising of resources through financing and debentures in the amount of R$ 621 million, allocated principally to the installation of Pampa Sul TPP and the elaboration of projects under development; (vi) payment of concession installments in the amount of R$ 64 million; and (vii) transfer of R$ 69 million in cash and cash equivalents to 'assets held for sale'.

Client accounts receivable

The growth of R$ 50 million is due largely to the increase in transactions in the short-term energy market, partially offset by the reduction in the balance for accounts receivable from trading companies, this a reflection of the net outstanding in 2016 of conventional energy sales agreements, concomitantly with incentivized energy purchases from the same trading companies (matching operations), for resale to free consumers which have migrated from the Regulated Contracting Environment (ACR) to the Free Contracting Environment (ACL).

Inventory

The increase of R$ 17 million is largely due to the recognition from 2016 of proprietary coal, previously fully reimbursed by Eletrobras (Energy Development Account - CDE) and the increase in inventory balances at the thermoelectric plants. This was due to purchases for the maintenance and management of inventory, partially attenuated by the booking of a provision for reducing the net realizable value of the inventory items in view of the decommissioning of the Charqueadas and Alegrete Thermoelectric Power Plants.

Tax credits recoverable

The reduction of R$ 31 million in current and R$ 9 million in non-current assets is due to the use of PIS and Cofins tax credits on acquisition of fixed assets during 2016.

Fuel costs to be reimbursed

The fall of R$ 95 million, as of December 2016, is due to the fact that only the month of December itself was pending reimbursement following payment by ENGIE to coal suppliers, while in December 2015, the Company reported a two-month accumulated outstanding balance (November and December) to be reimbursed. It should be pointed out that in 2016, there was reduced reimbursement of fuel purchases for thermoelectricity generation due to changes in the rules to this end.

Unrealized earnings in hedge operations

The variation of R$ 777 million in current assets and R$ 128 million in non-current assets is explained largely by the settlement of swap operations for US Dollar denominated loans in 2016 and to a lesser degree, the revaluation of the Real against the US Dollar which affected hedge operations of foreign currency denominated commitments. The Real/US Dollar rate as at December 31, 2015 was 3.9048, while on December 31, 2016, the rate stood at 3.2591.

Renegotiation of hydrological risk to appropriate

The Company amortized R$ 26 million in fiscal year 2016, recognized through the transfer from non-current to current assets and the same amount to be amortized in 2017.

Other current assets

The increase of R$ 8 million is largely the result of advances to suppliers.

Non-current assets held for sale

The variations are largely explained by the following items: (i) recognition of impairment of amounts receivable from Jacuí amounting to R$ 76 million; and (ii) reclassification of the balance of the assets of the Areia Branca, Beberibe and Pedra do Sal subsidiaries in the amount of R$ 409 million to this item, given that the sale of these companies has been approved by the Board of Directors.

Non-current assets

Long-term assets

Tax credits recoverable

The variation in this item is described in the "Current assets", item "Tax credits recoverable".

Restricted deposits

The increase of R$ 28 million is largely explained by the amount in deposits earmarked as guarantees for the financing of the wind farms making up the Trairi Complex.

Legal deposits

The increase in R$ 18 million refers basically to monetary restatement on judicial deposits and, procedures relating to lawsuits with which the Company is involved.

Non-realized earnings in hedge operations

This item covers unrealized gains from cash flow hedge operations. The nature of the operation and the reason for the decrease of R$ 128 million are described under "Current Assets", item "Unrealized gains from hedge operations".

Renegotiation of hydrological risk to appropriate

The amount of R$ 171 million corresponds to the amounts which will be compensated against the risk premium liability in the period between 2017 and 2033. The reduction of R$ 26 million corresponds to the transfer of the same amount to current assets.

Other non-current assets

The increase of R$ 12 million is due principally to the increase in deferred income tax and social contribution.

Investments

The amount of R$ 5 million reported in 2016 relates to the acquisition of 50% of the capital stock of ENGIE Solar by the Company through subscription of capital. The corporate objective of ENGIE Solar is the development, wholesaling and retailing, operation and maintenance of generators and photovoltaic solar panels with an installed potential of less than 5 MW (five megawatts).

Fixed assets

The increase in R$ 297 million is due to the following items: (i) acquisitions of assets amounting to R$ 1,136 million, mostly related to Pampa e Santa Mônica contractions; (ii) depreciation of R$ 619 million; (iii) reclassification to assets held for sale in the amount of R$ 288 million; (iv) capitalization of R$ 113 million of interest and monetary restatement on loans, financing and debentures; and (v) recognition of a provision for asset impairment of R$ 45 million.

Intangible

The growth of R$ 10 million is largely due to recognition of rights over the Assú and Santo Agostinho projects.

Current liabilities

Suppliers

The key items which resulted in the reduction of R$ 203 million in the balance for suppliers were (i) the short position on the CCEE in December 2015 and conversely, the long position in the same month in 2016; (ii) reduction in the balance of suppliers of fossil and biomass fuels due to: (ii.i) a reduction in the amount of coal purchased for the thermoelectric plants; and (ii.ii) the reduced purchases of natural gas due to the lower dispatch from the William Arjona TPP; and (iii) a reduction of suppliers of electric energy purchased for resale and for fixed assets.

Dividends and interest on shareholders' equity

The increase of R$ 101 million due to the increased credit of interest on shareholders' equity for fiscal year 2016 when compared to 2015.

Loans, financing and debentures

The decrease of R$ 1,413 million reflects the following factors: (i) payment of principal and interest of R$ 1,796 million due largely to the settlement in 2016 of loans in US Dollars and their respective swap operations; (ii) transfer of R$ 292 million of non-current liabilities with respect to debt maturing in 2017; (iii) financial charges of R$ 109 million; and (iv) reclassification of R$ 18 million to liabilities relating to assets held for sale.

Concessions payable

The variation in this item is described in "Non-Current Liabilities", item "Concessions payable".

Income tax and social contribution payable

The increase of R$ 63 million occurred mainly due to the adoption by the Company from the third quarter 2015 of payment of income tax and social contribution based on the monthly balance sheet in suspension or reduction, while in 2016 the monthly calculation was based on the estimate through gross revenues.

Other tax and regulatory liabilities

The reduction of R$ 8 million is mainly due to the decrease in the balance of PIS and Cofins taxes payable due to greater credit taken in December 2016 if compared with the same period of 2015.

Labor obligations

In 2016, there was a reduction of R$ 13 million in this item, largely due to the readjustment of payroll numbers following termination of employees under the Voluntary Severance Plan (PDV), partially attenuated by the annual readjustment in employee compensation and benefits.

Provisions

The variation of R$ 9 million in current and of R$ 45 million in non-current is largely explained by the following items: (i) interest and monetary restatement of civil, tax and labor provisions amounting to R$ 35 million; (ii) recognition in 2016 of a provision for decommissioning Charqueadas TPP in the amount of R$ 19 million.

Retirement benefits liabilities

The increase in this item of R$ 5 million in current and of R$ 16 million in non-current liabilities is the result of the recognition of interest and the completion of an actuarial evaluation, partially offset against payments of contractual obligations.

Liabilities related to assets held for sale

The amount recorded in 2016 is the result of reclassification of the balances of the liabilities of the Areia Branca, Beberibe and Pedra do Sal subsidiaries following Board of Directors approval for the divestment of these companies.

Other current liabilities

The principal items influencing the increase of R$ 120 million were: (i) R$ 87 million – recognition of a provision in the light of the probable disallowance of the reimbursement for coal with respect to 2016; and (ii) R$ 22 million – unrealized losses on cash flow hedge operations.

Non-current liabilities

Loans, financing and debentures

The increase of R$ 255 million is explained by the following factors: (i) drawdown of R$ 621 million principally due to the issue by the Company of R$ 600 million simple debentures; (ii) transfer to current liabilities of R$ 292 million of debt maturing in 2017; (iii) reclassification to liabilities related to assets held for sale of R$ 133 million; and (iv) financial charges of R$ 59 million.

Grants payable

The increase of R$ 4 million in current and of R$ 272 million in non-current liabilities due to the following: (i) interest and monetary restatement of R$ 341 million; and (ii) amortizations of R$ 65 million.

Provisions

The variation in this item is described in "Current liabilities", the "Provisions" item.

Retirement benefits liabilities

The variation in this item is described in "Current liabilities", under the "Retirement benefits obligations".

Deferred income tax and social contribution

The decrease of R$ 248 million is largely a reflection of the settlement in 2016 of USD denominated loans and their respective swap operations, translating into income tax and social contribution payment, previously deferred.

Net Shareholders´ Equity

The reduction of R$ 28 million is due to the combination of the following: (i) consolidated net income for the fiscal year of 2016 of R$ 1,548 million; (ii) interim dividends paid and interest on shareholders' equity credited in relation to fiscal year 2016 of R$ 1,078 million; (iii) reversion of unrealized gains from cash flow hedge operations amounting to R$ 284 million; (iv) approval of the payment of proposed dividends relative to 2015 in the amount of R$ 209 million; and (v) the effect of the re-measurement of obligations with retirement benefits of R$ 5 million.

Comments on significant variations between the balance sheets for December 31, 2015 and December 31, 2014

Current assets

Cash and cash equivalents

The growth of R$ 792 million is the result largely of the following combination of factors: (i) resources generated from operating activities of R$ 2,579 million; (ii) investments of R$ 753 million in fixed and intangible assets; (iii) payment of dividends and interest on shareholders´ equity of R$ 704 million; (iv) amortization of R$ 414 million in loans, financing and debentures; (v) funding of resources through loans and financing amounting to R$ 138 million, allocated principally to the modernization of Salto Santiago, Passo Fundo and Jorge Lacerda power plants, expansion work at Ferrari Termoelétrica S.A. and the construction of projects under development; and (vi) payment of concession installments in the amount of R$ 59 million.

Client accounts receivable

Growth of R$ 61 million is largely due to the increase in average selling price of energy to trading companies and free consumers and the increase in transactions in the short-term energy market, in part reduced by the decrease in the quantity of energy sold to distributors.

Inventory

The increase of R$ 19 million is due principally to an increase in coal inventory, increase in inventory volumes and the purchase price of items held in stock.

Fuel costs to be reimbursed

The reduction of R$ 199 million is due largely to the regularization of reimbursement of fuel purchased for consumption in the Company's thermoelectric power plants. Under normal circumstances, reimbursements are executed once proof of payment is submitted to the suppliers. On December 31, 2015, amounts with respect to the months of November and December of the same year were pending reimbursement from Eletrobras while on December 31, 2014 the amounts from August through December 2014 had not been reimbursed. Regularization was completed in the first half of 2015.

Insurance indemnification receivable

The decline of R$ 209 million is due principally as follows: (i) R$ 39 million – recognition of a complement of the insurance indemnification for loss of profits due to the negative impacts on CCEE operations following the temporary stoppage of the generator units at the Jorge Lacerda Thermoelectric Complex as a result of system failure in 2014; and (ii) R$ 248 million – receipt of indemnity for the above mentioned system failure for previous periods and still pending payment.

Linked deposits

The decrease of R$ 96 million reflects the following factors: (i) R$ 53 million – reduction in the financial guarantees related to operations executed on the CCEE; (ii) R$ 42 million – drawdown of an installment of the deposits in a linked account subsequent to compliance with certain conditions precedent in the agreement to acquire the total capital stock of Ferrari Termoelétrica S.A.

Unrealized earnings in hedge operations

This item covers unrealized gains for fair value and cash flow hedge operations, recording an outstanding balance in 2015 of R$ 489 million and R$ 289 million, respectively. The fair value hedge

operations were contracted concomitantly with currency-denominated loans in order to protect the totality of future payments of principal and interest from oscillations in the US dollar/Real rate. Cash flow hedge operations are designed to protect the payments of future currency commitments relative to plant construction agreements. The increase of R$ 748 million was strongly impacted by the increase of the US dollar/ Real exchange rate during 2015.

Renegotiation of hydrological risk to appropriate

Pursuant to the guidelines established in Law 13.203/2015 and in Normative Resolution 684/2015, in December 2015, Aneel agreed to the renegotiation of the hydrological risk for the Company's plants where energy is sold through the Regulated Contracting Environment (ACR). As a quid pro quo for signing up to the agreement, the Company cancelled all preliminary injunctions against Aneel impeding the application of the GSF. The renegotiation rules establish options for the level of hydrological risk to be taken on by the generators and in return, the latter undertake to pay a risk premium defined by Aneel for the life of the energy sales contract transacted through the ACR. Based on the new level of risk set out in the renegotiation agreement, the corresponding GSF for 2015 was recalculated, resulting in a higher amount payable, to be offset against payment of risk premiums at present value by the Company. The Company expects that R$ 26 million will be offset in fiscal year 2016. Consequently, this balance will be shown in the current assets of the balance sheet.

Other current assets

The R$ 20 million increase is due to the combination of the following items: (i) R$ 9 million – an increase of expenses to appropriate given the increase in the international insurance premium for property damage and business interruptions; (ii) R$ 6 million – an increase in expenditures and claims to be reimbursed; (iii) R$ 3 million – increase in advances to suppliers; and (iv) R$ 2 million – growth in the compensating balance of income tax and social contribution.

Non-current assets

Long-term assets

Tax credits recoverable

The reduction of R$ 37 million is largely the result of a combination of the following items: (i) greater use of PIS and Cofins tax credits during fiscal year 2015; and (ii) an increase in ICMS sales tax recoverable on the acquisitions of plant, property and equipment.

Legal deposits

The increase in R$ 15 million is principally the result of monetary restatement of court deposits.

Non-realized earnings in hedge operations

This item covers non-realized earnings in cash flow hedge operations. The nature of the operation and the reason for the increase of R$ 66 million shown are described in the item "Non-realized earnings in hedge operations", under "Current assets".

Renegotiation of hydrological risk to appropriate

The amount of R$ 197 million corresponds to the amounts to be compensated against the risk premium in the period between 2017 and 2033, pursuant to Normative Resolution 684/2015. The nature of this item is described under "Renegotiation of hydrological risk to appropriate", under "Current assets".

Fixed assets

The increase in R$ 240 million is due to the following factors: (i) acquisition of plant property and equipment amounting to R$ 784 million; (ii) depreciation of R$ 588 million; (iii) capitalization of R$ 68 million in interest and monetary restatement on loans, financing and debentures; (iv) writing down of unserviceable goods amounting to R$ 14 million; and (v) recognition of a provision for a reduction in impairment charges of R$ 10 million.

Intangible

The growth of R$ 46 million is due largely to the recognition of rights on the Campo Largo, Santo Agostinho and Assú projects.

Current liabilities

Suppliers

The decrease of R$ 68 million is a result of the increase in the balances of purchased electric energy and suppliers of plant property and equipment, partially offset by the reduction in CCEE transactions, fossil fuel and biomass suppliers as well as suppliers of materials and services.

Dividends and interest on shareholders' equity

The increase of R$ 71 million is due to higher interest on shareholders' equity for the year 2015 compared to 2014.

Loans, financing and debentures

The increase of R$ 1,258 million was due to the following factors: (i) transfer of R$ 1,609 million from the long-term liabilities principally due to the maturing of loans with HSBC USA, Mizuho Bank and Bank of Tokyo in 2016; (ii) payments of principal and interest of R$ 756 million; and (iii) financial charges of R$ 405 million.

Income tax and social contribution payable

A reduction of R$ 210 million due to the Company's adoption from the third quarter of 2015 of payment of income tax and social contribution whereby taxpayers can suspend or reduce their payments on the basis of the monthly balance sheet compared previously when monthly calculations were estimated based on gross revenue.

Other tax and regulatory liabilities

The increase of R$ 30 million is due in large part to the increase in PIS and Cofins taxes payable due to: (i) reduced credit taken in December 2015 compared with December 2014; (ii) an increase in sales revenue; and (iii) an increase in financial income.

Provision for remuneration and charges

In 2015, there was an increase in the provision for expenditures with voluntary termination for those employees, including members of the management who signed up to the Voluntary Severance Package – PDV, effective again from 2013, and for those who will resign in 2016. A provision for participation in the results and managerial bonus was also established. The overall increase for this item was R$ 36 million.

Retirement benefits liabilities

The decrease of R$ 27 million is essentially due to the reduction in the estimate for payments of benefits and contributions to be effected in 2016.

Other current liabilities

The reduction of R$ 73 million is due largely to the release of a deposit in escrow in guarantee of the settlement of an installment for the acquisition of the entire capital stock of Ferrari Termoelétrica S.A. and investments in R&D program projects.

Non-current liabilities

Loans, financing and debentures

The decrease of R$ 1,064 million is explained by the following factors: (i) transfer to current liabilities of R$ 1,609 million in debt maturing in 2016; (ii) financial charges of R$ 407 million; and (iii) raising of funding from the BNDES and HSBC USA in the aggregate amount of R$ 138 million, principally for the modernization of the Salto Santiago and Passo Fundo hydroelectric power plants and the Jorge Lacerda Thermoelectric Complex, expansion at Ferrari Termoelétrica S.A. and the construction of projects under development.

Grants payable

The increase of R$ 299 million is due to the following: (i) interest and monetary restatement of R$ 364 million; and (ii) transfer to current liabilities of R$ 65 million.

Tax, civil and labor provisions

The increase of R$ 60 million is largely the result of the setting aside of provisions based on the estimated risk of loss made by the Company and legal counsel.

Retirement benefits liabilities

The increase of R$ 22 million is essentially the result of an actuarial review following the actuarial reevaluation at the end of fiscal year 2015.

Deferred income tax and social contribution

The increase of R$ 346 million is due principally to the following impacts on the deferred taxes: (i) increase in remuneration from cash flow swap and hedge operations; and (ii) accelerated depreciation on eligible assets. The effect of these items was partially offset by an increase in civil, tax and labor provisions.

Net Shareholders´ Equity

The increase of R$ 987 million is due to a combination of the following factors: (i) net income for fiscal year 2015 of R$ 1.501 million; (ii) interim dividends paid and interest on shareholders' equity credited relative to fiscal year 2015 of R$ 628 million; (iii) recognition of remuneration not realized from cash flow hedge operations amounting to R$ 272 million; (iv) approval of the distribution of dividends proposed relative to fiscal year 2014 of R$ 172 million; and (v) gain as a result of the review of liabilities for retirement benefits amounting to R$ 14 million.

10.2 Directors' comments on:

a. Results of Company operations, especially:

(i) description of any important components of the revenue

The composition of the Company's net revenue is as follows:

Values in R$ million	12.31.2016	%	12.31.2015	%	12.31.2014	%	12.31.2016 *versus* 12.31.2015 (%)	12.31.2015 *versus* 12.31.2014 (%)
NET REVENUE								
Electricity distributors	3,114	48.3	3,046	46.7	3,044	47.0	2.2	0.1
Electricity traders	320	5.0	209	3.2	239	3.7	53.1	(12.6)
Free consumers	2,834	44.0	2,916	44.8	2,248	34.7	(2.8)	29.7
Transactions in the short-term market	117	1.8	303	4.7	903	14.0	(61.4)	(66.4)
Other revenues	57	0.9	38	0.6	39	0.6	50.0	(2.6)
	6,442	**100.0**	**6,512**	**100.0**	**6,473**	**100.0**	**(1.1)**	**0.6**

Comparative analysis of significant variations in components of the net sales revenue between the fiscal years ending December 31, 2016 and December 31, 2015

Electric energy trading companies

Revenues from sales to trading companies amounted to R$ 320 million, 53.1% greater than the same item in 2015 — R$ 209 million. The increase in this item reflects: (i) R$ 164 million — an increase of 86.0%, or 1,013 GWh (115 aMW) in the volume of energy sold; and (ii) R$ 53 million — a decrease of 17.8% in the net average selling price.

The increase in sales volume for the periods under review due mainly to sales of convention energy concomitantly with the purchase of incentivized energy from trading companies for resale to free consumers that have migrated from the Regulated Contracting Environment (ACR) to the Free Contracting Environment (ACL).

Transactions in the short-term market including those within the scope of the CCEE

In the fiscal year 2016, there was a year-on-year decrease of R$ 186 million in revenue from short-term transactions, including those conducted within the scope of the CCEE, from R$ 303 million in 2015 to R$ 117 million in 2016. Greater details on such operations and variations were listed under "item 10.1.h.1", of "Details of the Short-Term Operations – especially Transactions conducted through the Energy Trade Board (CCEE)".

Comparative analysis of significant variations in components of the net sales revenue between the fiscal years ending December 31, 2015 and December 31, 2014

Electric energy trading companies

Net sales revenue from trading companies in 2015 amounted to R$ 209 million, 12.6% down from the R$ 239 million reported in 2014. The reduction represents the results of the following factors: (i) R$ 129 million — a fall of 42.8% or 881 GWh (101 average MW) in energy volume sold; and (ii) R$ 99 million — growth of 52.7% in the net average selling price.

Free consumers

In 2015, the Company reported revenue from this segment of R$ 2,916 million, 29.7% greater than the R$ 2,248 million posted in 2014. This expansion reflects: (i) R$ 477 million — growth of 20.4% in net average selling prices; and (ii) R$ 191 million — again a growth of 1,255 GWh (143 average MW) or 7.7% in energy sales volume.

Transactions in the short-term market - especially those conducted through the CCEE

For the 12 months of 2015, there was a year-on-year decline of R$ 600 million in short-term transaction revenue from R$ 903 million in 2014 to R$ 303 million. Greater explanations on these operations and variations can be found in "item 10.1.h.1", "Details of Short Term Operations – especially Transactions on the Electric Energy Trade Board (CCEE)".

(ii) factors that materially affected the operating results

The factors that materially affect the Company's operating results for the years 2016, 2015 and 2014 are listed below. Additional information on the group are detailed in items 10.1.h and 10.2.a.(i).

2016 - (i) increase in net average selling price; (ii) reduction in the volume of energy sold; (iii) negative result of transactions in the short-term market including those conducted through the scope of the CCEE against the positive result for fiscal year 2015; (iv) reduction in the costs of purchasing electric energy for resale; (v) lower fuel consumption for electric energy generation; (vi) positive effect in net operating provisions when compared to the same period in 2015; (vii) recognition of a provision for impaired assets in the thermoelectric generation segment and for the return of a fuel reimbursement (CDE) payment due to changes in the legislation; and (viii) a reduction in net financial expenses.

Year of 2015 - (i) increase in average net selling price; (ii) reduction in energy sold to distributors, trading companies and free consumers; (iii) positive result in transactions in the short-term market, including those conducted through the CCEE against a negative result for the preceding fiscal year, and including the effects of adherence to the renegotiation of the hydrological risk at some of the Company's plants, the energy from which was sold in the Regulated Contracting Environment pursuant to Law 13.203/2015; (iv) increase in the costs of energy purchases for resale; (v) negative effect due to the constitution of operational provisions; (vi) increase in other costs of energy sold and of services rendered; and (vii) growth of net financial expenses due to principally higher interest, monetary restatement and currency translation of debt.

Year of 2014 - (i) increase in average net sales price and in the amount of energy sales; (ii) negative effect on net result for transactions in the short-term market, including those conducted through the CCEE, including recognition of the negative effects in the CCEE due to losses at the Company's generating units; (iii) increase in costs for the purchase of electricity for resale; (iv) increase in fuel consumption due to higher dispatch from the William Arjona Thermoelectric Power Plant; (v)

reversal of prescribed liabilities with respect to the acquisition of energy and transmission charges; and (vi) fall in net financing expenses.

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 revenue is not exposed to exchange rates and was not affected by the introduction of new products and services.

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

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 variation in cost of electricity sales

Electricity purchased for resale - these transactions are normally executed through medium and long-term agreements, prices being readjusted, for the most part, by IGP-M and IPCA. The average impact relating to the price adjustment for inflation in the year 2016 was about R$ 33 million, and in the years 2015 and 2014, approximately R$ 37 million and R$ 27 million, respectively.

Fuel for producing electricity - the gas consumed in the William Arjona HPP is transacted in US Dollars, equivalent in Reais, and readjusted annually by the variation in the Producer Price Index (PPI), a US government indicator for industrially used commodities. Coal prices not reimbursable from the Energy Development Account - 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. The devaluation of the Real against the US dollar raised the unit cost of gas in the fiscal years 2015 and 2014. In 2016, the cost was reduced due to William Arjona TPP have been dispatched by the National Electricity System Operator (ONS) in the months of January and February only.

Electric network and connection usage charges - 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 costs of connection and transmission observed and expected for the entire system, and on inflation indices for readjusting transmission and existing connection agreements - mostly IPCA and IGP-M. The effect of the variation of these inflation indicators on the Company's cost was approximately R$ 47 million, 35 million and R$ 20 million in 2016, 2015 and 2014, respectively.

Financial remuneration for the use of water resources (royalties) - The amount corresponds to 6.8% of the amount 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 four years. The readjustment of the TAR in 2016 was 9.5% and the impact on the Company’s costs was about R$ 16 million. In 2015 and 2014, the impact of readjustments of 6.7% and 5.9% was R$ 11 million and R$ 9 million, respectively.

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

Currency exposure

In 2016, all US Dollar denominated loans from the financial institutions HSBC, Mizuho and Tokyo and their respective swap operations with the Brazilian subsidiaries were settled in full.

On December 31, 2015 and December 31, 2014, the Company held no currency loans exposed to FX variations thanks to the linked hedge (swap) instrument agreements.

In November 2014, a loan from BNP Paribas was prepaid for R$ 130 million, thus eliminating the Company's exposure to the Euro.

In 2016 and 2015, the financial result was not affected in any way by currency variation. In 2014, financial results were impacted positively by R$ 3 million - 0.2% of the Company's operating result for the year.

Exposure to interest rates and fluctuating indexes

The company is exposed to fluctuating interest rates and indices related to variations in TJLP, IPCA and IGP-M. In 2016, there is no CDI exposure since currency-denominated loans which were protected against FX variation through a swap operation for CDI were fully settled.

The impacts of interest and monetary restatement on the Company's financial result in fiscal years 2016, 2015 and 2014 were as follows:

(Values in R$ million)	Loans, financing and debentures	Concessions payable	Total
Fiscal Year ending 12.31.2016			
- Interest	220	201	421
- Monetary restatement	51	140	191
Fiscal Year ending 12.31.2015			
- Interest	282	173	455
- Monetary restatement	45	191	236
Fiscal Year ending 12.31.2014			
- Interest	235	152	387
- Monetary restatement	16	73	89

10.3 Directors' comments on the material effects the events below have caused or are expected to cause to the Company's financial statements and its results

a. Introduction or disposal of an operational segment

2016

The Company manages its businesses as a single operational segment made up of generation and commercialization of electricity generated by its assets or purchased through medium and long-term agreements. This segment represented 99.4% of consolidated net sales revenues reported for 2016.

ENGIE Brasil Energia's total installed capacity declined from 7,044.3 MW on December 31, 2015 to 6,999.3 MW in December 31, 2016, a reduction of 45.0 MW or 0.6% due to (i) the termination of operating activities at the Charqueadas TPP – 72.0 MW in November 2016; and (ii) the entry into commercial operations of the Santa Mônica – 18.9 MW and the Cacimbas – 8.1 MW wind farms, both components of the Santa Mônica Wind Complex in Trairi, state of Ceará.

2015

The operational segment of generation and commercialization represented 99.4% of the net revenue reported for 2015. Growth of the Company's generator complex in 2015 was the result of completed expansion work at Ferrari Termelétrica, begun in 2014, which added a further 15.0 MW to the generator complex. Complementary to this, the Tubarão Research and Development Wind Project added a further 2.1 MW. As a result, the 7,044.3 MW generator capacity reported for the end of 2015 represented an increase of 17.1 MW or 0.2% compared with the 7,027.2 MW at the end of 2014.

2014

The operational segment of generation and commercialization represented 99.3% of the net revenue reported for 2014. The following events have resulted in impacts on the capacity of the Company: (i) 65.5 MW increment due to the merger to the generator of the Ferrari thermoelectric plant; (ii) 60 MW increase resulting from the entry into operation of the wind central Fleixeiras I and Mundaú, both of 30 MW and belonging to the Wind Complex named Trairí; (iii) increase of 3 MW due to the start-up of the Cidade Azul Photovoltaic Plant; and (iv) reduction of 66 MW due to the complete withdrawal of the request for the authorization of the transaction and its respective return to the Union of Alegrete thermoelectric plant, made by the Company to the National Electric Energy Agency (Aneel).

Thus, ENGIE Brasil Energia ended the year 2014 with an increase of 62.5 MW, compared to the installed capacity of 2013.

b. Constitution, acquisition or disposal of a corporate stake

2016

The principal information with respect to the Company's acquisition, incorporation and sale of corporate participations are as follows:

- Santo Agostinho Wind Complex

In 2016, the Company concluded the acquisition of the final phase of the Santo Agostinho Wind Complex, four SPEs having been transferred to its control. The Wind Complex comprises twenty-four SPEs, each responsible for the development of a wind generation project, representing the total harnessing of 600 MW, each SPE participating with 25 MW, together with a holding company, all situated in the municipalities of Lajes and Pedro Avelino in the state of Rio Grande do Norte.

The total value of the entire business so acquired worth R$ 59 million, corresponds largely to the fair value of the basic environmental projects, energy generation certification, wind measurements, preliminary environmental licenses and the leasing agreements, all of which allocated to intangible assets. To the current time, R$ 45 million has been disbursed in the acquisition of the project.

- Santo Assú Project

In November 2015, the Company signed an agreement to acquire projects for the installation of three photovoltaic plants and the option to acquire a further two – and already exercised in 2016, - in the municipal district of Assú, state of Rio Grande do Norte. Again in November 2015, ECP, through its

controlled Assú V - which is to develop one of the acquired projects - sold 9.2 aMW at the Reserve Energy Auction (LER) held by Aneel in the amount of R$ 302.99/MWh for a 20-year term, to be supplied as from November 1, 2018.

The Central Fotovoltaica Assú V will have an installed capacity of 36.7 MW and work on the project will begin in 2016. The project will require a total investment of about R$ 220 million.

- Norte Catarinense TPP

The Company is developing a project for the installation of a natural gas-fired, combined cycle thermoelectric plant in the city of Garuva, located in the north of the state of Santa Catarina. The Norte Catarinense TPP will have an installed capacity of approximately 600 MW. In March 2016, the Preliminary Environmental License was issued allowing the Plant to take part in future new energy auctions.

- ENGIE Comercializadora Varejista de Energia Ltda.

ENGIE Varejista was incorporated in 2016, having as its corporate objective, the commercial retailing of electric energy, including the purchase either on a wholesale or retail basis, sale, in the retail market, and the import of electric energy. The start in the Company's commercial operations is contingent on pending authorization from the Electric Energy Trade Board (CCEE).

The role of a retail trading company was regulated by Aneel in 2015 in order to reduce the complexity of adherence and to facilitate the development of the Free Contracting Environment (ACL).

- ENGIE Geração Solar Distribuída S.A.

In April 2016, the Company acquired 50% of the capital stock of ENGIE Solar via subscription of the capital stock. ENGIE Solar has as its corporate objective the development, wholesaling and retailing, operations and maintenance of generators and photovoltaic panels with an installed capacity of less than 5 MW.

The maximum acquisition amount will be R$ 24 million to be injected in up to 48 months.

- Divestment – Beberibe and Pedra do Sal wind farms and the Areia Branca Hydroelectric Plant

At a meeting held on December 23, 2016, the Company's Board of Directors approved the sale of the corporate stakes held by the Company and by its directly controlled company, ECP in the following corporations: (i) Eólica Beberibe S.A., which holds the authorization granted by Aneel to operate the Beberibe Wind Farm with an installed capacity of 25.6 MW; (ii) Eólica Pedra do Sal S.A., which holds the authorization granted by Aneel to operate the Pedra do Sal Wind Farm with an installed capacity of 18.0 MW; and (iii) Hidrelétrica Areia Branca S.A, which holds the authorization granted by Aneel to operate the Areia Branca SHP with an installed capacity of 19.8 MW.

The Enterprise Value of the corporations, prior to eventual and usual adjustments in price, was set at R$ 392 million, of which R$ 85 million relate to net estimated debt. Conclusion of the divestment is subject to certain conditions precedent pursuant to the share purchase agreement, including the prior approval of the Brazilian Anti-Trust Authority (CADE), the Brazilian Development Bank (BNDES) and Aneel.

The Operation is part of the strategy for optimizing the Company's generator complex to allow expansion in assets which offer a greater degree of synergy one with the other.

2015

The main information related to the acquisition, development and disposal of investments of the Company are as follows:

- Santo Agostinho Wind Complex

In August 2014, the Company acquired the development rights to the Santo Agostinho Wind Complex, consisting of twenty-four Special Purpose Companies (SPCs), each one responsible for developing a wind generation project with an overall development capacity of 600 MW. Each company will participate with 25 MW, all located in the municipalities of Lajes and Pedro Avelino in the state of Rio Grande do Norte.

In December 2014, the Company concluded the acquisition of the first phase of the project with the transfer to its control of nine SPCs and a holding company. The restated acquisition value for this first phase was R$ 21 million.

In June and October 2015, the Company's acquired the development rights to phases II and III-A of the Santo Agostinho Wind Complex, consisting of a further 11 (eleven) SPCs.

- Assú Project

In November 2015, the directly owned ECP signed an agreement to acquire the projects for installing three photovoltaic plants with an option to purchase a further two plants to be exercised by June 11, 2016. The project is located in the municipality of Assú, state of Rio Grande do Norte. In November 2015, through its controlled company Assú V (which is to develop one of the acquired projects), ECP sold 9.2 average MW at a Reserve Energy Auction – LER organized by Aneel, at R$ 302.99/MWh for a term of 20 years, deliveries beginning November 1, 2018. Assú V will have an installed capacity of 36.7 MW and civil construction work is to begin in 2016. Estimated investments in the project will be R$ 220 million.

Eventual divestment – Beberibe and Pedra do Sal wind farms and the Areia Branca Hydroelectric Power Plant

On July 06, 2015, the Company published an Announcement to the Market giving notice of the engagement of an advisory company to coordinate an eventual divestment of the special purpose companies Eólica Beberibe S.A., Eólica Pedra do Sal S.A. and Hidroelétrica Areia Branca S.A.

2014

The main information related to the acquisition, development and disposal of investments of the Company are as follows:

- Ferrari Termoelétrica S.A.

In February of 2014, the Company completed the acquisition of the totality of the share capital of Ferrari Termoelétrica S.A. for R$ 176 million, whose composition is as follows:

(i) R$ 161 million - the amount paid on the closing date, of which R$ 46 million was deposited in a linked account to release upon fulfillment of certain conditions, namely:(a) R$ 34 million - implementation of improvements in the efficiency of the cogeneration process, environmental license, as well as a review of the physical warranty of the plant for 35.6 average MW; and (b) 12 million - technical review of the turbo generator, completion of adaptation works of substations, among others.

(ii) R$ 4 million - Amount paid in April 2014 on the price adjustment resulting from the working capital variation and net indebtedness between the contract signing date and the date of closing.

(iii) R$ 11 million - amount to be paid by the commitment to provide additional fuel by the seller in sufficient quantity and quality, so that the Ferrari UTE generates 35.6 MW of electricity.

The updated amount of the deposit referred to in item (i), in the amount of R$ 48 million, plus the commitment mentioned in item (iii) results in the amount of R$ 59 million, which is recorded under liabilities.

Ferrari Termoelétrica S.A. is a specific purpose company which owns all of the assets of the Ferrari HPP Central Thermoelectric Generator (Ferrari HPP), a sugar cane biomass energy cogeneration venture, in commercial operation since June 2009, located in the city of Pirassununga, state of São Paulo. The Ferrari HPP has an installed capacity of 65.5 MW and an average commercial capacity of 23.2 MW, of which 18.0 MW were hired in Electricity Auctions for the Regulated Market.

In April 2014, the Company began its activities aimed at the modernization and expansion of the HPP, in order to increase their trade capacity for 35.6 average MW and the installed capacity for 80.5 MW.

- Campo Largo Project

In June 2014, the TBLP, the Company completed the acquisition of companies CLWP Brasil II Participações Ltda. (CLWP II) and CLWP Brasil III Participações Ltda. (CLWP III), for the amounts of R$ 22 million and R$ 40 million, respectively, of which R$ 9 million relate to installments conditioned on the increase of installed capacity, updated by the IPCA and interest variation, of 1.5 % p.a.

The total amount of the acquisition corresponds mainly to the fair value of basic environmental projects, energy generation certification, measurement of winds, the previous environmental licenses and lease agreements.

CLWP II is a holding company which owns five SPE, totaling a 150 MW development potential. The development of such projects is being evaluated by the Company.

CLWP III is a holding company which owns ten SPE, which amount to a total potential of 300 MW development. Out of these SPE, four began the construction of wind plants from November 2014 aiming at the supplying contract signature for the provision of their wind turbines. One of the parks whose construction was initiated in 2014, sold its energy in the auction held by Aneel in November 2014.

- Santo Agostinho Project

In August 2014, the Company acquired the rights to develop the Santo Agostinho Wind Complex, which is composed by twenty-four SPE, each one being responsible for the development of a wind power generation venture, with a total of 600 MW development potential, all located in the municipalities of Lajes and Pedro Avelino, in the state of Rio Grande do Norte.

The maximum acquisition price is R$ 54 million, composed of a fixed amount of R$ 39 million and an amount in connection with performance of up to R$ 15 million, which will be paid as long as certain conditions laid down in the contract are complied with. At the acquisition date, the Company paid the amount of R$ 3 million related to the expected advance in the updated agreement.

In December 2014, the Company completed the acquisition of the first phase of the project, with nine SPE transferred and a holding company for its control. The purchase date regarding this first phase is R$ 21 million.

c. Unusual events or operations

2016

The key unusual events impacting the Company's result in the fiscal year 2016 were the recognition of provisions for: (i) impairment of assets amounting to R$ 121 million of which R$ 76 million correspond to non-operational assets of the Jacuí thermoelectric project and R$ 45 million in thermoelectric generation assets; (ii) reduction of fuel reimbursement (CDE) in the amount of R$ 87 million due to changes in the legislation for reimbursement of fuel costs in plants fired using domestic coal; (iii) provision for decommissioning expenditures at Charqueadas TPP in the amount of R$ 19 million; and (iv) reduction in stocks to net realizable value at the Charqueadas and Alegrete thermoelectric plants – in the amount of R$ 6 million.

2015

- Renegotiation of hydrological risk

With the enactment of Law 13.203/2015 and pursuant to Aneel guidelines, in December 2015, the Company formally signed up to the renegotiation of the hydrological risk for plants where energy is sold through the Regulated Contracting Environment. The decision also reflected the need to mitigate the negative effects of the GSF on generator plants subject to the Energy Reallocation Mechanism - MRE. As a condition to signature, the Company agreed to remove all preliminary injunctions impeding the payment of the GSF at its plants.

This renegotiation was made retroactive to January 2015 and resulted in the reimbursed amount (net of the risk premium) for R$ 223 million, booked to the asset "Renegotiation of hydrological risk to appropriate", to be offset against future risk premiums payable by the Company.

The renegotiation rules establish options for the level of hydrological risk to be taken on by the generators. In return, the latter undertake to pay a risk premium defined by Aneel for the life of the energy sales contract transacted through the ACR. On the basis of the new risk parameters set out in the renegotiation agreement, the corresponding GSF for 2015 was recalculated, resulting in a higher amount payable, to be offset against risk premiums at present value due from the Company.

Classification of the amount to be reimbursed in the Company's balance sheet has the following composition: (i) R$ 26 million recognized in the current assets; and (ii) R$ 197 million recognized in the non-current assets. The following table shows the outlook for realization of the balance and recognized in the non-current assets:

2017	26
2018	25
2019	15
2020	15
2021	15
2022 to 2026	62
2027 to 2031	35
2032 and later	4
	197

2014

The main unusual events that impacted the result of the Company in year 2014 were as follows: (i) reversal of the record of the estimated costs of R$ 55 million, made in 2013, related to the effects of the participation of generators in the apportionment of the System Service Charge (ESS), as established by Resolution CNPE 03, given the reducing of the risk of loss in the lawsuit challenging the collection of these values; (ii) reversal of prescribed liabilities related to the purchase of energy and transmission charges, amounting to R$ 55 million and the respective financing charges in the amount of R$ 61 million; and (iii) reversal of civil provision related to the recovery of additional value of Transmission System Usage Tariff (TUST) of the Hydroelectric Plant of Ponte de Pedra (UHPP) in the amount of R$ 92 million, driven by a favorable decision to the Company, which reduced the risk of loss in the lawsuit.

10.4 Directors' comments on

a. Significant changes in accounting practices

There were no significant changes in the Company's accounting practices for fiscal years ending 12.31.2016, 12.31.2015 and 12.31.2014.

b. Significant effects of the changes in accounting practices

There were no significant changes in the Company's accounting practices for fiscal years ending 12.31.2016, 12.31.2015 and 12.31.2014 and consequently no significant effects resulting therefrom.

c. Qualifications and emphasis in the auditor's opinion

The Independent Auditor's Reports for the Account Statements for fiscal years ending 12.31.2016, 12.31.2015 and 12.31.2014 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 currency, environmental recovery costs, criteria for testing the recovery of assets and financial instruments

Critical accounting practices are those which considered important in showing the Company's financial and economic condition 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, certain assumptions based on historical experience and other factors considered reasonable and relevant were adopted. Although these estimates and assumptions are reviewed by the Company in the ordinary course of business, the statement of its financial condition and results of operations often requires 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 conditions. In order to provide an understanding of how the Company forms its judgments on future events, including the variables and assumptions 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. Financial derivative instruments

Financial derivative instruments 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 rates and long-term interest rates.

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, when 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 its application is considered necessary.

c. Reduction test of impairment value of long-duration assets

There are specific rules to assess the impairment value of long-duration assets, both with respect to plant, property and equipment as well as intangible assets. At year-end, the Company performs an analysis to determine whether there is evidence that long-duration assets are recoverable or not. Should the latter be the case, the Company undertakes an impairment test.

d. Obligations with retirement benefits

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) marking to market of pension plan assets on the date of the balance sheet.

In the actuarial calculations, actuarial consultants also use subjective factors such as mortality tables, estimated inflation, forecasted 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 evaluation and qualification of risks where the possibility of loss is considered probable. This assessment will be supported by the judgment of management in conjunction with legal counsel, considering jurisprudence, rulings handed down by courts of first instance as well as higher courts, record of eventual agreements and decisions, the experience of Management and legal counsel, and other applicable aspects.

10.6 Description by the directors of significant items not shown in 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 Management state that there are no significant assets and liabilities that are not reflected in the Company's financial statements and explanatory notes for the years ending December 31, 2016, 2015 and 2014.

10.7 Directors' comments in relation to each one of the items not recorded in the financial statements indicated 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 obligations assumed and rights generated in favor of the Company as a result of the operation.

The Management of the Company state that there are no significant assets and liabilities not reflected in the Company's financial statements for the years ending December 31, 2016, 2015 and 2014.

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 the end of 2016, the Company reported work in progress at the Santa Mônica and Campo Largo wind farms, the Assú V Photovoltaic Project and the Pampa Sul Thermoelectric Power Plant. Investments in 2016 were R$ 1,190 million, R$ 554 million from own resources and R$ 636 million through third party capital.

The investments made in 2016 and scheduled for the period from 2017 to 2019 as at December 31, 2016, are as follows:

Amounts in R$ million	Actual 2016	Forecast 2017	Forecast 2018	Forecast 2019
Financing with:				
- Third party capital	636	2,052	1,550	131
- Own capital	554	496	718	250
	1,190	**2,548**	**2,268**	**381**

In 2016, the Company invested R$ 874 million in the construction of new plants: (i) R$ 620 million in Miroel Wolowski Thermoelectric Power Plant (Pampa Sul); (ii) R$ 248 million was dedicated to wind farms where construction is in progress in the Northeast Region; (iii) R$ 4 million – Norte Catarinense Thermoelectric Power Plant; and (iv) R$ 2 million – Assú Photovoltaic Solar Project. The Company also acquired new investments worth R$ 25 million and expanded Ferrari TPP worth a further R$ 1 million.

Again in the same year, the Company invested R$ 290 million in maintenance projects and upgrading of its generator complex in order to maintain a high degree of plant uptime. Investments channeled mainly to the modernization of the Salto Santiago HPP, where R$ 98 million was invested together with major maintenance work on the Jorge Lacerda Thermoelectric Complex, total investments amounting to R$ 117 million.

The above-mentioned amounts do not consider capitalization of interest on financing during the construction phase of the projects.

Leading projects and investments forecast for 2017 are: (i) continued work on the modernization of Salto Santiago Hydroelectric Plant; (ii) ongoing construction work on the Santa Mônica and Campo Largo wind complexes, the Assú V Photovoltaic Project and Pampa Sul TPP; and (iii) continued revitalization and maintenance program of the Company's generator complex.

(ii) investment funding sources

Generally, from 50% to 70% of the total investment is funded from third party debt and the remainder from own resources. The Brazilian Development Bank - BNDES funds the lion's share of our projects.

(iii) relevant divestments in progress and expected divestments

Charqueadas TPP

In 2016, the Company began the decommissioning process of Charqueadas TPP in the state of Rio Grande do Sul. With an installed capacity of 72 MW and after 50 years of operations, the plant was

deemed obsolete. Investments required for eventual modernization, as well as being economically unviable, are no longer compatible with the Company's business model in the light of the corporate aim of decarbonization. Consequently the plant was shut down on November 25, 2016 and the effective deactivation of its installations will occur as from 2017.

Beberibe and Pedra do Sal Wind Farms and Areia Branca SHP

On December 23, 2016, ENGIE Brasil Energia's Board of Directors approved the sale of the Beberibe (25.6 MW), state of Ceará, and the Pedra do Sal (18 MW), state of Piauí, wind farms as well as the Areia Branca SHP (19.8 MW) in the state of Minas Gerais to Companhia Energética de Petrolina. The operation is an integral part of the Company's strategy of prioritizing expansion in assets which offer a greater degree of synergy, one with the other. The finalization of this divestment during the course of 2017 is subject to certain contractual conditions precedent including the prior approval of the Brazilian Anti-Trust Authority (CADE), the Brazilian Development Bank (BNDES) and the National Electric Energy Agency (Aneel).

Jorge Lacerda Thermoelectric Complex and Pampa Sul TPP

On February 15, 2017, the Company announced to its shareholders and to the market in general that it had engaged Banco Morgan Stanley S.A. to render financial advisory services involving the sounding out the market on a non-binding basis with a view to identifying potential purchasers of its coal-fired generation assets: (i) The Jorge Lacerda Thermoelectric Complex – with an installed capacity of 857 MW; and (ii) Pampa Sul TPP – a plant under construction with an installed capacity of 340 MW and forecasted to go into commercial operations by the end of 2018. This eventual divestment plan is in line with ENGIE's worldwide decarbonization strategy, the focus of which is on activities involving low carbon emissions such as generation of renewable energy, use of natural gas as well as infrastructure.

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

In line with ENGIE Economic Group's business model in Brazil, the controlling parent company ENGIE Brasil Participações, participates in the auctions and develops hydropower projects, mitigates the main risks and then transfers the project to ENGIE Brasil Energia. The timing of the transfer is determined by the stage of the risk profile for each project.

In this context, ENGIE Brasil Participações, through its controlled Energia Sustentável do Brasil, is currently constructing the Jirau HPP in Porto Velho, state of Rondônia (RO) with an installed capacity of 3,750 MW - already incorporating a plant expansion plan of up to 50 generating units - which ENGIE holds a 40% stake.

In line with the business model, ENGIE Brasil Energia's Related Parties Committee is to negotiate the acquisition with its Controlling Company.

The project is expected to be transferred to ENGIE Brasil Energia when the main development risks have been mitigated. This may possibly occur before the end of 2017.

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 ENGIE Brasil Energia, as an electric energy generating company, authorized to operate as an independent producer, pursuant to Law 9991/2010, and its subsequent amendments, is obliged to apply annually, 1% of its net adjusted operating revenues in research and development of the electricity sector.

These resources 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 the end of 2016, the Company and its controlled companies recorded a balance of R$ 111 million for investments in proprietary projects, of which R$ 87 million relates to R&D projects already being executed.

The Company Research and Development Program´s objective is technological innovation in the energy sector and the technical-scientific training of Brazilian researchers covering investment in such areas as alternative electricity generation sources, river basin and reservoir management, environment, maintenance and energy efficiency, among others.

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

There are no other factors that have materially affected the Company's operating performance, which have not already been identified or commented on in the other items.

ATTACHMENT II – PROPOSAL FOR ALLOCATION OF PROFIT

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 annual net profit	R$ 1,547 million (Controller)
2.a) Inform the total amount of dividends, including interim dividends and interest on shareholders' equity already declared	R$ 1,487 million
2.b) Inform the dividends per share, including interim dividends and interest on shareholders' equity already declared	R$ 2.2786046398 per common share.
3) Inform the percentage of annual net profit to be distributed	100% of distributable adjusted net profit[4]
4) Inform the total amount and the amount per share of dividends distributed based on profits from previous years	Not applicable
5) Deducting interim dividends and interest on shareholders' equity already declared, inform:	
a) The gross amount of dividends and interest on shareholders' equity, separately, per share of each type and class	R$ 410 million, corresponding to R$ 0.6275749291 per common share.
b) The form and term of payment of dividends and interest on shareholders' equity	To be submitted for approval of the Annual General Meeting (AGM) on April 17, 2017.
c) Any restatement of dividends and interest on shareholders' equity	Not applicable

[4] Distributable Net Profit consists of annual net profit, deducted from legal reserves and tax credits, and adjusted for the realization of the adjustment in equity valuation (cost attributed from fixed assets as per CPC 27 and ICPC 10), recognized in the "Retained Earnings" account".

d) Date of declaration for payment of dividends and interest on shareholders' equity used to identify shareholders entitled to receive payouts	The date of dividends payout declaration will be decided by the AGM.
6) Should there have been a declaration of dividends or interest on shareholders' equity based on net profit recorded in the semi-annual balance sheets or in shorter periods	
a) Inform the amount of dividends and interest on shareholders' equity already declared	R$ 645 million interim dividends and R$ 432 million in credit of interest on shareholders' equity
b) Inform the date of the respective payments	Payout of interim dividends began on October 6, 2016 and the interest on shareholders' equity on February 1, 2017.
7) Provide a comparative table indicating the following amounts per share of each type and class:	
a) Annual net profit and for the 3 previous years	2016 = R$ 2.3704662348 2015 = R$ 2.2985989077 2014 = R$ 2.1177862004
b) Dividends and interest on shareholders equity distributed over the last 3 fiscal years	2016 = R$ 2.2786046398 2015 = R$ 1.2788764646 2014 = R$ 1.1875973571
8) If profits are allocated to the legal reserve	
a) Identify the amount allocated to the legal reserve	R$ 77 million
b) Detail the calculation of the legal reserve	4.95% of the annual net profit, thus reaching the legal limit of 20% of the paid in Capital Stock.
9) If the company has preferred shares entitled to minimum fixed dividends	Not applicable

10) In relation to the mandatory dividend	
a) Describe the method of calculation prescribed by the bylaws	The company's bylaws provide that each year the distribution of a dividend of at least 30% (thirty percent) of the legally adjusted net profit is mandatory, and the allocation of the full result for the fiscal year must be submitted for resolution of the Annual General Meeting. - The Company shall raise the semi-annual balance sheet, at its discretion, the Board of Directors being able to declare interim dividends based thereon. - The Company may prepare balance sheets and distribute interim dividends in shorter periods provided that the total dividends paid in each half of the fiscal year does not exceed the amount of capital reserves mentioned in Paragraph 1, Article 182 of Law 6404 of December 15, 1976. - The Board of Directors may declare interim dividends for account of retained earnings or profit reserves registered in the last annual or semiannual balance sheet. - By resolution of the Board of Directors, the Company may credit or pay interest on shareholders equity in accordance with the applicable legislation. The amounts paid or credited by the Company as interest on shareholders' equity may be incorporated in the amount for mandatory dividends in accordance with the legislation. - The Bylaws prescribe requirements for claiming up to 3 (three) years dividends, which, if unclaimed, 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 retention of mandatory dividends due to the company's financial situation	
a) Inform retained amounts	Not applicable

b) Describe in detail the financial situation of the company, including aspects related to liquidity analysis, working capital and positive cash flows	Not applicable
c) Justify the retention of dividends	Not applicable
12) In event of allocation of the result to the contingency reserve	
a) Identify the amount intended for the reserve	Not applicable
b) Identify the loss considered probable	Not applicable
c) Explain why the loss was considered probable	Not applicable
d) Justify the constitution of the reserve	Not applicable
13) In the event of allocation of the result to profit reserves to be realized	
a) Inform the amount allocated to the reserve for unrealized profits	Not applicable
b) Inform the nature of unrealized profits that originated the reserve	Not applicable
14) In the event of allocation of the result to statutory reserves	
a) Describe the statutory clauses that established the reserve	Not applicable
b) Identify the amount allocated to the reserve	Not applicable
c) Describe how the amount was calculated	Not applicable
15) In event of a forecast of retained earnings in the capital budget	
a) Identify the retained amount	Not applicable
b) Provide a copy of the capital budget	Not applicable

16) If a result is allocated to the tax incentive reserve	
a) Inform the amount intended for the reserve	R$ 18 million
b) Explain the nature of the allocation	The reserve comprises the allocation of part of the proceeds for the year equivalent to the tax benefit granted by the Amazon Development Agency (Sudam). This benefit corresponds to a 75% reduction in income tax based on the profits from operating the São Salvador HPP.
17) In the event of allocation of results to an increase in the capital stock	
a) Inform the amount of the increase	Not applicable
b) Inform the amount of the new capital stock	Not applicable
c) Inform if new shares have been issued	Not applicable
d) Explain in detail the reasons for the increase in capital stock	Not applicable

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

BOARD OF DIRECTORS (candidate nominated by the controlling shareholder)

Name	Date of birth	Management body	Election date	
CPF or Passport	Profession	Elected position held	Tenure date	Nominated by the parent company
Other positions or functions		Number of terms of office	Term of office	Participation in 2016 meetings
Simone Cristina de Paola Barbieri	03.14.1971	Board of Directors	04.17.2017	No
149.142.418-46	Psychologist	23 - Board of Directors (Alternate)	04.17.2017	Yes
-		n.a.	AGM 2018	n.a.

The Controlling Shareholder has nominated Simone Cristina de Paola Barbieri as substitute candidate for Marcelo Fernandes Soares – Alternate Member on the Board of Directors.

FISCAL COUNCIL (nominated candidates)

Name	Date of birth	Management body	Election date	Independent member
CPF or Passport	Profession	Elected position held	Tenure date	Nominated by the parent company
Other positions or functions in the issuer		Number of consecutive terms of office	Term of office	Participation in 2016 meetings
Paulo de Resende Salgado	07.02.1945	Fiscal Council	04.17.2017	No
161.008.917-00	Economist	40 - President of F.C. – Nominated by the parent company	04.17.2017	Yes
-		11 (eleven)	AGM 2018	100%
Carlos Guerreiro Pinto	06.17.1942	Fiscal Council	04.17.2017	No
047.615.457-04	Administrator	43 - F.C.(Effective) - Nominated by the parent company	04.17.2017	Yes
-		9 (nine)	AGM 2018	100%
Flávio Marques Lisboa Campos	11.17.1950	Fiscal Council	04.17.2017	No
118.388.096-00	Engineer	46 - F.C.(Alternate) - Nominated by the parent company	04.17.2017	Yes
		14 (fourteen)	AGM 2018	0%
Manoel Eduardo Bouzan de Almeida	04.03.1952	Fiscal Council	04.17.2017	No
269.006.377-87	Accountant	46 - F.C.(Alternate) - Nominated by the parent company	04.17.2017	Yes
-		13 (thirteen)	AGM 2018	0%
Manoel Eduardo Lima Lopes	07.07.1943	Fiscal Council	04.17.2017	No
046.227.237-00	Accountant	45 - F.C.(Effective) – Elected by minority shareholders	04.17.2017	No
		14 (fourteen)	AGM 2018	100%
Ailton Pinto Siqueira	08.03.1939	Fiscal Council	04.17.2017	No
006.936.346-34	Banker	48 - C.F.(Alternate) – Elected by minority shareholders	04.17.2017	No
-		14 (fourteen)	AGM 2018	0%

BOARD OF DIRECTORS

Simone Cristina da 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 ICC International Coaching Certification 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 nominated person is qualified to sign a statement to the effect that she has not been convicted of any: i) criminal conviction; ii) conviction in an administrative action of the Brazilian Securities and Exchange Commission - CVM or iii) conviction for which there is no right of appeal in the judicial or administrative sphere which has resulted in her suspension or disqualified her from practicing any professional or commercial activity.

FISCAL COUNCIL

Paulo de Resende Salgado - 161.008.917-00

Born July 02, 1945, graduated in Economic Sciences from the Universidade Cândido Mendes, Rio de Janeiro. He has a postgraduate qualification from the Fundação Getulio Vargas (FGV) for Executives in Finance, Managerial Development and Capital Markets MBA Program, FGV-AID-EUA. He worked as a Vice President at Citibank, as an Officer at Banco Crefisul, Senior Investment Manager at Banco Econômico de Investimentos S.A. and as Underwriting and Privatization Officer at Banco Nacional S.A. where he participated in the privatization projects for Light and Companhia Siderúrgica Nacional (CSN). He also held the position of Director at Nacional Energética S.A. and IVEN S.A, and as an Economic Consultant.

The nominated person is qualified to sign a statement to the effect that he has not been convicted of any: i) criminal conviction; ii) conviction in an administrative action of the Brazilian Securities and Exchange Commission - CVM. or iii) conviction for which there is no right of appeal in the judicial or administrative sphere which has resulted in his suspension or disqualified him from practicing any professional or commercial activity.

Carlos Guerreiro Pinto - 047.615.457-04

Born June 17, 1942, graduated in Business Administration from *Sociedade Unificada de Ensino Superior Augusto Motta* (SUAM). He has a postgraduate degree in Business Administration from the *Instituto de Pós-Graduação e Pesquisa em Administração* of *Universidade Federal de Rio de Janeiro* (COPPEAD), having also concluded his Financial Management course at the Citibank N.A. Training Center. He was certified as a Business Development Partner by *Fundação Dom Cabral*. He was responsible for structuring the Open Market area of Banco Nacional, also holding the position of Director - Business Risk Area. Additionally, he was President of Sinal Corretora de Valores. He also worked as an Audit Director for the National Supplementary Health Agency (ANS), the private health insurance regulator, from March 2010 to November 2011 responsible for operators placed under the special audit regime. He was a Visiting Consultant at the Fundação Getulio Vargas and provides management advisory services to the State Environmental Agency - INEA and Rio de Janeiro State Secretariat for the Environment - SEA. Currently, he is Administrator of the Nossa Senhora de Fátima Sanctuary in Recreio dos Bandeirantes, Rio de Janeiro-RJ.

The councilor has signed a declaration to the effect that he has not been convicted in any: i) criminal sentence; ii) sentence in an administrative action of the Brazilian Securities and Exchange Commission - CVM. or iii) sentence for which there is no right of appeal in the judicial or administrative sphere which has resulted in his suspension or disqualified him from practicing any professional or commercial activity.

Flávio Marques Lisboa Campos - 118.388.096-00

Born November 17, 1950, he graduated in civil engineering in 1973 from the *Escola de Engenharia of the Universidade de Minas Gerais* (UFMG). He is currently the Latin American CEO for Tractebel Engineering Latin America (Tractebel Engineering - ENGIE Group). He was Managing Director and CEO of Leme Engenharia Ltda. from 2002 to 2010. He held the following positions in this company: 1994 -2002 - General and Executive Officer; 1992-1994 - Director of Business Development, working in the coordination of commercialization strategies, prospection and business feasibility, contract negotiations with customers and administration of development expenses. From 1988 to 1992, he was Technical Director for the areas of Electrical Generation and Dams, Electric Systems and Industrial Projects, notably technical supervision and preparation of contracts for several projects. From 1976 to 1988, he worked in the technical area as Head of the Hydraulic Engineering Sector, and Manager of several large projects. He worked as a Civil Engineer from 1972 to 1976 at Elektrowatt Ingenieros Consultores, Guatemala City, Guatemala; Elektrowatt Engineering Services, Zurich, Switzerland and Eletroprojetos S.A. - Estudos de Engenharia Studies. Currently, he is member of the Statutory Board of the Brazilian Association of Infrastructure and Basic Industries (ABDIB) and a member of the following boards: Minas Gerais Society of Engineers and the Brazilian Association of Engineering Consultants (ABCE).

The councilor has signed a declaration to the effect that he has not been convicted of any: i) criminal sentence; ii) sentence in an administrative action of the Brazilian Securities and Exchange Commission - CVM. or iii) sentence for which there is no right of appeal in the judicial or administrative sphere which has resulted in his suspension or disqualified him from practicing any professional or commercial activity.

Manoel Eduardo Bouzan de Almeida - 269.006.377-87

Born April 03, 1952, he holds a Bachelor's degree in Accounting Sciences, having graduated in 1978 from the *Faculdades Integradas Simonsen*, Rio de Janeiro. He worked in the industrial sector from 1969 to June 1995 in various administrative functions, reaching the position of administration and accounting manager. In the second half of 1995, he was hired as accountant for the Serra da Mesa project by Serra Mesa S.A., occupying this position until June 1998, when he was transferred to the ENGIE Group, as the holding company's accountant, remaining in this position until his retirement at the end of June 2011. Currently, he is effective member of the Fiscal Council of Energia Sustentável do Brasil S.A.

The councilor has signed a declaration the effect that he has not been convicted of any: i) criminal sentence; ii) sentence in an administrative action of the Brazilian Securities and Exchange Commission - CVM. or iii) sentence for which there is no right of appeal in the judicial or administrative sphere which has resulted in his suspension or disqualified him from practicing any professional or commercial activity.

Manoel Eduardo Lima Lopes - 046.227.237-00

Born July 07, 1943, he graduated in Accounting Sciences and Law from the Universidade do Estado do Rio de Janeiro. He was General Auditor and Senior Manager - Accounting at Banco do Estado do Rio de Janeiro S.A. (BANERJ), consultant and director at Banco Clássico S.A., Control Manager at IRB – Brasil Resseguros S.A. Currently he is a director at Banco Clássico S.A. and alternate member on the Fiscal Council of Companhia do Gás do Rio de Janeiro.

The nominated person is qualified to sign a statement to the effect that he has not been convicted of any: i) criminal sentence; ii) sentence in an administrative action of the Brazilian Securities and Exchange Commission - CVM. or iii) sentence for which there is no right of appeal in the judicial or administrative sphere which has resulted in his suspension or disqualified him from practicing any professional or commercial activity.

Ailton Pinto Siqueira - 006.936.346-34
Born August 03, 1939, he worked for Banco do Estado do Rio de Janeiro S.A. (BANERJ) from 1971 to 1989, where he held the following positions: Branch Manager from 1971 to 1974, Inspector from 1974 to 1980 and Auditor from 1980 to 1989, when he retired. Since March 26, 1998 he has been a director of Banco Clássico S.A. The nominated person is qualified to sign a statement to the effect that he has not been convicted of any: i) criminal sentence; ii) sentence in an administrative action of the Brazilian Securities and Exchange Commission - CVM. or iii) sentence for which there is no right of appeal in the judicial or administrative sphere which has resulted in his suspension or disqualified him from practicing any professional or commercial activity.

12.7/8 Composition of the committees

No member of the Board of Directors and Fiscal Council sits either on the statutory committees of the Company or any other committee even where non-statutory.

12.9 Existence of a marital, common law or family relationship (up to twice removed) with the members of the management of the issuer, subsidiaries and controlling entities:

Justification for not completing the section:

There are no relationships as described above between any of the members of the Board of Directors and the Fiscal Council and nominated by the Controlling Shareholder; between the members of the Board of Directors and the Fiscal Council of the Company and the members of management of companies, whether directly or indirectly controlled by the Company; between the members of the Board of Directors and the Fiscal Council of the Company or its controlled companies, whether directly or indirectly, and direct or indirect controlling shareholders of the Company; and between the members of the Company's Board of Directors and the Fiscal Council and the members of the management of the directly or indirectly controlling companies of the Company.

12.10 Relations of subordination, as a service provider or control maintained in the last 3 fiscal years between the management of the Company (nominated by the Controlling Shareholder) and:

(i) a company controlled directly or indirectly by the Company or (ii) a directly or indirectly controlling company of the Company

The members of the Fiscal Council nominated by the Controlling Shareholder have not in the past 3 fiscal years exercised any executive function in companies controlled directly or indirectly by the Company or a directly or indirectly controlling company of the Company.

Pursuant to the candidate nominated to sit on the Board of Directors, please find the information on the existing relationship:

Identification	CPF/CNPJ	Type of relation of the Administrator with the related person	Type of related person
Position/Function			
Administrator of the Issuer			
Simone Cristina de Paola Barbieri	**149.142.418-46**		
Alternate member of the Board of Directors			
Related Person – Human Resources, Occupational Health and Safety Officer in the last fiscal year			
ENGIE Brasil Participações Ltda.	01.370.013/0001-15	Control	Directly Controlling Shareholder

12.13 Other information that the Company deems relevant

The Company wishes to point out that in addition to the election of 2 (two) effective members of the Fiscal Council together with their alternatives and nominated by the Controlling Shareholder, the Annual General Meeting will also elect 1 (one) effective member and their alternate, to be nominated by minority shareholders.

ATTACHMENT IV – REMUNERATION OF THE MEMBERS OF MANAGEMENT

Information relating the management's remuneration based on item 13 of the Reference Form

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

a. Objectives of the remuneration policy or practice

The remuneration policy for the Board of Directors, Statutory Board and Fiscal Council is based on market practices, and aims to attract and retain professionals compatible with the Company's needs. It considers the required knowledge for the position, the complexity of activities and the expected results of each position.

b. Composition of the remuneration

(i) description of the elements of the compensation and the objectives of each one of them

The maximum aggregate compensation of the management (members of the Board of Directors, Statutory Board and Fiscal Council) is established by the Company's Annual General Meeting.

The objective of the fixed remuneration is to reflect the experience, responsibility of the post occupied by each member of management, competency and professional experience as well as the length of time dedicated to their functions.

The aim of the variable segment is to provide levels of competitive remuneration in relation to what is practiced in the market, to reward effort in achieving results and values generated by the Company through a bonus linked to performance. Variable remuneration is also designed to motivate the meeting of business and strategic objectives, reflecting the culture and the values of the Company and its Controlling Company - ENGIE.

The composition of remuneration for each management profile is established by the Board of Directors as shown below:

Board of Directors

The set annual value of compensation is made up of a fixed and a variable amount, the latter if applicable, the maximum aggregate amount being approved by the Annual General Meeting and paid in 13 monthly installments.

The Chairman receives a variable amount as compensation based on the results achieved by the Company, considering financial indicators, goals and operating results. Payment is effected by Controlling Economic Group, ENGIE with which the Chairman has an individual work contract, 40% of the amount, including charges, being subsequently reimbursed by the Company. The board members, either effective or alternate, elected by the employees, may also receive a bonus calculated on the basis of the sum of the average of the number of monthly compensations paid to the employees as Participation in Profits or Results and a Managerial Bonus, at the criterion of the Chairman of the Board.

Statutory or Statutory Board

The compensation of the members of the Statutory Board is divided between fixed and variable installments while the maximum aggregate value is approved by the Annual General Meeting.

The benefits offered by the Company comprise the indirect remuneration such as healthcare plan, annual check-up, food vouchers, life insurance and complementary pension.

The bonus value may vary between 35% and 88% of the fixed annual remuneration, according to the position of the executive, his/her challenges and established goals. Payment occurs in the first half of the following year, after the closure of the base year, according to the extent to which established goals have been met.

Non-statutory Board

No Non-statutory Board is installed. The Chief Business Development Officer accumulates his statutory functions with functions in the Controlling Economic Group, ENGIE, with which he has an individual work contract.

Fiscal Council

The *pro labore* of the Fiscal Council members is set by the General Shareholders' Meeting that elects them and may not be less than 10% (per member) of the average monthly remuneration of the Directors - excluding benefits and variable remuneration.

Committees

The Company has committees that participate directly or indirectly in the Company's decision-making process. There is no additional remuneration for committee members except for the Chairman of the Strategic Committee, who receives an additional monthly stipend equal to that of the members of the Board of Directors, where he/she also participates as a Director.

Special Independent Committee for the Evaluation of Transactions with Related Parties

For the Special Independent Committee for the Evaluation of Transactions with Related Parties, the Board of Directors may establish additional remuneration for members in lieu of other advantages and protection in order to preserve the Committee's independence and autonomy.

This Committee was installed on April 05, 2012 to analyze a specific transaction and disbanded on the same date following approval by the Board of Directors. On December 13, 2016, a Board of Directors meeting approved unanimously the installation of the committee to analyze and recommend or otherwise, the signing of the memorandum of intention with SolaireDirect (a member of the ENGIE Group) with a view to the participation in a Reserve Energy Auction. Although the Auction was cancelled, the directors decided unanimously at a further Meeting of the Board on December 23, 2016 to maintain the committee in being, now with the objective of analyzing the terms of the memorandum of intention to be signed with SolaireDirect, in the light of a future partnership in Photovoltaic Projects. In the last three years, no remuneration has been paid to the participants of the Committee.

(ii) proportion of each component in the total remuneration in relation to the last 3 fiscal years

The remuneration of the Board of Directors is fixed for all its members except for the Chairman of the Board and the member elected by the Company's employees who also receives variable remuneration. The variable remuneration of the Chairman of the Board can be as high as 80% of the annual fixed compensation and the member elected by employees, as much as 40% of his/her annual fixed compensation. Members of the Fiscal Council enjoy only fixed remuneration.

The fixed remuneration of the Statutory Board is based on market conditions and its value is paid in 13 monthly installments. The variable portion can vary from 35% to 80% of the fixed annual remuneration.

The participation of the fixed remuneration, variable remuneration and benefits recognized as a percentage of total remuneration, are represented by the following percentages:

	2016	2015	2014
Board of Directors			
Fixed Remuneration	79%	79%	81%
Variable Remuneration	16%	20%	19%
Benefits	5%	1%	-
Fiscal Council			
Fixed Remuneration	100%	100%	100%
Variable Remuneration	-	-	-
Benefits	-	-	-
Statutory Board			
Fixed Remuneration	50%	47%	53%
Variable Remuneration	36%	40%	45%
Benefits	14%	13%	2%

(iii) calculation and adjustment methodology of each element of remuneration

The remuneration of the Company's management is monitored periodically based on market surveys conducted by top-rated specialized consultants for the purpose of comparisons between the amount paid to the executives by companies of a similar size and turnover elsewhere, with an emphasis on the Brazilian electricity sector, as well as maintaining internal consistency with conditions prevailing in the controlling economic group – ENGIE.

The definition of the fixed amount payable to the Statutory Board is established considering the market median in the aforementioned surveys in line with the nature and responsibilities of each position.

Similarly, the variable portion is established considering market practices for each position. Payment is contingent on the financial and operating results obtained by the Company, such as net income, EBITDA, and the achievement of specific goals previously negotiated as well as managerial and behavioral aspects.

Directors' remuneration is adjusted annually in January and incorporates not only market parameters mentioned above - which may recommend the need for salary adjustments - but also the inflation rate since the last adjustment.

(iv) reasons that justify the composition of remuneration

The remuneration policy for the Board of Directors, Statutory Board and Fiscal Council is based on market practices and is designed to attract and retain professionals compatible with the Company's needs.

The remuneration of the Board of Directors accompanies market parameters for similar companies.

The remuneration for the Statutory Board is monitored periodically based on market conditions. The annual variable remuneration depends on the meeting of individual and collective goals, the Company's results and a contribution of up to 10% to the overall result of the controlling economic group - ENGIE.

The remuneration of the Fiscal Council may be no less than the 10% of the average remuneration of the Statutory Board. The Council is not entitled to any variable remuneration.

(v) existence of unremunerated members of management and the reason for this

The Company has no unremunerated members of management on the Board of Directors, Statutory and Non-statutory Board, Fiscal Council, the Statutory Committees and the Audit, Risk, Financial and Remuneration Committees.

c. The principal performance indicators which are taken into consideration for determining each element of the remuneration

Quantitative and qualitative indicators, contribution to results, overall performance and experience are taken into account when establishing Directors' remuneration in relation to the market.

Variable remuneration (bonus) is directly related to the results of corporate and individual performance and takes into consideration:

- financial indicators for the year: evolution in EBTIDA, free cash generation, net result, solidarity with the results of the controlling economic group, etc.;

- individual and operational indicators: meeting of goals, industrial and/or financial results;

- behavioral and managerial issues.

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

The *pro labore* (fixed remuneration) and benefits are set according to market surveys and is not adjusted during the year. Adjustments are made for each year within the limits approved by the General Shareholders Meeting for the Fiscal Year (January-December).

The variable remuneration (bonus) is directly related to the results for corporate and individual performance and considers:

- financial indicators for the year representing an average of 40% of the annual bonus;

- individual and operational indicators representing an average of 40% of the annual bonus;

- behavioral and managerial issues representing an average of 20% of the annual bonus.

e. how the remuneration policy or practice is aligned with the Company's short, medium and long-term interests

The amount of annual variable remuneration of executives is contingent on meeting the Company's short-term objectives.

The Company offers the Statutory Board and certain members of the Board of Directors a Long Term Incentive Plan - based on the grant of phantom shares - for meeting medium and long term objectives. The plan involves a specific deferred bonus, paid in cash 4 years after concession date. Two indicators are used to verify proposed performance results within the scope of the plan, each one with a 50% weighting for calculating the overall results over a four-year period: TSR – Total Shareholder Return, and EPS – Earnings per Share.

Performance during the period is measured from the grant date of the plan until the end of the period, after which the results are evaluated. In accordance with these results, payments under the long term inventive plan are paid either in full or partially or not at all (should the minimum goals not have been reached). The calculation is made by a specialized consultant, any eventual payment being approved by the Chief Executive Officer of the Controlling Economic Group, ENGIE, in Brazil.

The economic group, of which the Company is a part, also operates a stock option policy out of Paris with pre-established values as well as a performance shares program linked to the Group's future results.

In general, these free shares and stock options are not material in relation to the aggregate annual remuneration of the Company's executives, as detailed in item 13.16 of this document.

f. existence of remuneration supported by subsidiaries, controlled companies or controlling companies either directly or indirectly

There are no payments made by subsidiaries and, in the case of controlled companies held jointly with partners who do not pertain to the economic group, where there is participation by ENGIE Brasil Energia on the boards of such companies, board directors' fees are returned to the Company. The Controlling Group does not make any type of payment to the Statutory Board of ENGIE Brasil Energia, except:

- Monthly fixed or variable compensation, benefits and contributions as a result of the individual work contract in the name of the Chief Business Development Officer, who accumulates corporate functions with those as a statutory officer in the Company;
- Those mentioned under letter "e", of a corporate nature and with the aim of reinforcing the feeling of being part of a global group.

g. existence of remuneration or benefits linked to the occurrence of a given corporate event, such as the sale of the Company's corporate control

Not applicable.

13.2 Total remuneration of the Board of Directors, the Statutory Board and the Fiscal Council recognized in the results for the last 3 fiscal years and the estimate for the current fiscal year:

Total forecasted remuneration for the current fiscal year ending December 31, 2017 - Annual Amounts in Reais				
	Board of Directors	Statutory Board	Fiscal Council	Total
Total number of members ("b")	18	7	3	28
Numbers of remunerated members ("c")	18	7	3	28
Annual fixed remuneration	6,012,427.91	7,530,511.91	512,919.00	14,055,858.82
Salary or *pro-labore*	4,373,816.81	5,407,671.35	427,432.50	10,208,920.66
Direct and indirect benefits	809.33	562,329.16	-	563,138.49
Participation in committees	269,101.11	-	-	269,101.11
Others	1,368,700.66	1,560,511.40	85,486.50	3,014,698.56
Description of other fixed remuneration	Social charges	Social charges	Social charges	
Variable remuneration	1,323,838.73	4,877,727.92	-	6,201,566.65
Bonus	1,034,249.00	3,785,369.94	-	4,819,618.94
Participation of results	-	-	-	-
Participation in meetings	-	-	-	-
Commissions	-	-	-	-
Others	289,589.73	1,092,357.98	-	1,381,947.71
Description of other variable remuneration	Social charges	Social charges	-	-
Post-employment	39,118.96	417,544.45	-	456,663.41
Termination of the position	-	-	-	-
Share based	1,427,219.07	575,066.11	-	2,002,285.18
Observation	18 members for the entire year	7 members for the entire year	3 members for the entire year	-
Total remuneration	8,802,604.67	13,400,850.39	512,919.00	22,716,374.06

The amounts for share-based payment include social charges levied on same.

In addition to the amounts mentioned in the above chart, Management may propose an additional performance bonus during the course of the year should initiatives representing extraordinary gains for the Company be identified. In 2017, an annual aggregate compensation to the management of up to R$ 32 million is to be submitted for approval of the Annual General Meeting.

Total remuneration for the fiscal year ending December 31, 2016 - Annual Amounts in Reais				
	Board of Directors	Statutory Board	Fiscal Council	Total
Total number of members ("b")	18	7	3	28
Number of remunerated members ("c")	18	6.5	3	27.5
Annual fixed remuneration	5,318,265.05	6,970,818.71	486,330.86	12,775,414.62
Salary or *pro-labore*	4,098,992.11	4,952,864.60	405,275.68	9,457,132.39
Direct and indirect benefits	785.76	545,950.64	-	546,736.40
Participation in committees	230,980.19	-	-	230,980.19
Others	987,506.99	1,472,003.47	81,055.18	2,540,565.64
Description of other fixed remuneration	Social charges	Social charges	Social charges	
Variable remuneration	1,108,516.56	5,010,799.51	-	6,119,316.07
Bonus	868,830.06	3,911,927.03	-	4,780,757.09
Participation of results	-	-	-	-
Participation in meetings	-	-	-	-
Commissions	-	-	-	-
Others	239,686.50	1,098,872.48	-	1,338,558.98
Description of other variable remuneration	Social charges	Social charges	-	-
Post-employment	36,491.57	389,500.42	-	425,991.99
Termination of the position	-	-	-	-
Share based	313,578.38	1,513,901.95	-	1,827,480.33
Observation	18 members for the entire year	6 members for the entire year and 1 member for 6 months	3 members for the entire year	-
Total remuneration	6,776,851.56	13,885,020.59	486,330.86	21,148,203.01

In addition to the above amounts, the Company paid R$ 7,428,127.05 to the Statutory Board – of which R$ 6,546,842.93 was provisioned in 2015 in accordance with the voluntary severance plan for retiring statutory Executive Officers.

Total remuneration for the fiscal year ending December 31, 2015 - Annual Amounts in Reais				
	Board of Directors	Statutory Board	Fiscal Council	Total
Total number of members ("b")	18	7	3	28
Number of remunerated members ("c")	17.5	7	3	27.5
Annual fixed remuneration	4,773,823.47	7,983,368.74	441,432.03	13,198,624.24
Salary or *pro-labore*	3,668,646.47	5,674,432.75	367,860.00	9,710,939.22
Direct and indirect benefits	-	607,203.13	-	607,203.13
Participation in committees	211,420.00	-	-	211,420.00
Others	893,757.00	1,701,732.86	73,572.03	2,669,061.89
Description of other fixed remuneration	Social charges	Social charges	Social charges	
Variable remuneration	1,195,632.06	6,877,902.75	-	8,073,534.81
Bonus	934,087.55	5,376,946.02	-	6,311,033.57
Participation of results	-	-	-	-
Participation in meetings	-	-	-	-
Commissions	-	-	-	-
Others	261,544.51	1,500,956.73	-	1,762,501.24
Description of other variable remuneration	Social charges	Social charges	-	-
Post-employment	31,258.70	410,863.52		442,122.22
Termination of the position	-	1,851,411.89	-	1,851,411.89
Share based	-	-	-	-
Observation	17 members for the entire year and 1 member for 6 months	7 members for the entire year	3 members for the entire year	-
Total remuneration	6,000,714.23	17,123,546.90	441,432.03	23,565,693.16

In addition to the aforementioned amounts, the Company provisioned R$ 6,546,842.93 for the Statutory Board in accordance with the voluntary severance plan for retiring statutory Executive Officers.

Total remuneration for the fiscal year ending December 31, 2014 - Annual Amounts in Reais				
	Board of Directors	Statutory Board	Fiscal Council	Total
Total number of members ("b")	18	7	3	28
Number of remunerated members ("c")	18	7	3	28
Annual fixed remuneration	4,636,326.54	7,608,527.64	415,800.00	12,660,654.18
Salary or *pro-labore*	3,564,857.97	5,405,290.53	346,500.00	9,316,648.50
Direct and indirect benefits	-	596,433.05	-	596,433.05
Participation in committees	201,000.00	-	-	201,000.00
Others	870,468.57	1,606,804.06	69,300.00	2,546,572.63
Description of other fixed remuneration	Social charges	Social charges	Social charges	
Variable remuneration	1,133,300.57	6,448,098.55	-	7,581,399.12
Bonus	885,391.04	5,037,577.00	-	5,922,968.04
Participation of results	-	-	-	-
Participation in meetings	-	-	-	-
Commissions	-	-	-	-
Others	247,909.53	1,410,521.55	-	1,658,431.08
Description of other variable remuneration	Social charges	Social charges	-	-
Post-employment	36,997.90	397,923.27	-	434,921.17
Termination of the position	-	-	-	-
Share based	-	-	-	-
Observation	18 members for the entire year	7 members for the entire year	3 members for the entire year	-
Total remuneration	5,806,625.01	14,454,549.46	415,800.00	20,676,974.47

The amounts established above provided for a maximum bonus payable to management, albeit not fully realized, in addition to estimated indemnification in relation to the statutory Executive Officers' succession program and postponed by the Company.

13.3 Variable remuneration of the Board of Directors, the Statutory Board and the Fiscal Council for the last 3 fiscal years and the forecast for the current fiscal year:

Any variable remuneration due to the Board of Directors should be considered in the overall amount approved by the General Shareholders' Meeting. Members of the Fiscal Council are not entitled to variable remuneration. The information is shown in the table below:

Planned for Fiscal Year of 2017

(Amounts in Reais)	Board of Directors	Statutory Board
Total number of members	18	7
Number of remunerated members	2	7
Bonus		
Minimum amount estimated in the remuneration plan	-	-
Maximum amount estimated in the remuneration plan	1,630,187.99	6,132,000.82
Estimated amount in the remuneration plan should the goals be reached	1,494,032.76	5,574,546.20
Participation in the result		
Minimum amount estimated in the remuneration plan	-	-
Maximum amount estimated in the remuneration plan	-	-
Estimated amount in the remuneration plan should the goals be reached	-	-
Amount effectively recognized in the result	-	-

The above amounts include social tax charges remuneration.

Recognized in the last 3 (three) fiscal years:

Statutory Board (Amounts in Reais)	2016	2015	2014
Total number of members	7	7	7
Number of remunerated members	7	7	7
Bonus			
Minimum amount estimated in the remuneration plan	-	-	-
Maximum amount estimated in the remuneration plan	7,706,462.64	7,025,364.49	6,695,504.32
Estimated amount in the remuneration plan should the goals be reached	7,380,029.03	4,790,021.24	4,565,116.58
Amount effectively recognized in the result	5,010,799.51	6,877,902.75	6,448,098.55
Participation in the result			
Minimum amount estimated in the remuneration plan	-	-	-
Maximum amount estimated in the remuneration plan	-	-	-
Estimated amount in the remuneration plan should the goals be reached	-	-	-
Amount effectively recognized in the result	-	-	-

The above amounts include social tax charges remuneration.

Board of Directors (Amounts in Reais)	2016	2015	2014
Total number of members	18	18	18
Number of remunerated members	2	2	2
Bonus			
Minimum amount estimated in the remuneration plan	-	-	-
Maximum amount estimated in the remuneration plan	1,178,233.26	1,195,632.06	1,133,300.57
Estimated amount in the remuneration plan should the goals be reached	1,178,233.26	868,954.93	730,225.02
Amount effectively recognized in the result	1,108,516.56	1,195,632.06	1,133,300.57
Participation in the result			
Minimum amount estimated in the remuneration plan	-	-	-
Maximum amount estimated in the remuneration plan	-	-	-
Estimated amount in the remuneration plan should the goals be reached	-	-	-
Amount effectively recognized in the result	-	-	-

The above amounts include social tax charges remuneration.

13.4 Share-based remuneration plan of the Board of Directors and the Statutory Board in force in the last fiscal year and the estimate for the current fiscal year:

The Company offers the Statutory Board and certain members of the Board of Directors a Long Term Incentive Plan based on the grant of phantom shares for meeting medium and long term goals. The first payment was made in fiscal year 2016.

The plan involves a specific deferred bonus, paid in cash 4 years after concession date. Two indicators are used to verify proposed performance results within the scope of the plan, each one with a 50% weighting for calculating the overall results for a four-year period: TSR – Total Shareholder Return, and EPS – Earnings per Share.

Performance during the period is measured from the grant date of the plan until the end of the four-year period, after which the results are evaluated. In accordance with these results, payments under the long term inventive plan are calculated and paid either in full or partially or not at all (should the minimum goals not have been reached). The calculation is made by a specialized consultancy, any eventual payment being approved by the Chief Executive Officer of the Controlling Economic Group, ENGIE, in Brazil.

Additionally, the economic group of which the Company is a part, offers a Group stock option policy out of the corporate head office in Paris at pre-set amounts and a program of performance shares earmarked to the group's future results.

Overall, these performance shares and stock options do not represent significant amounts in relation to the overall compensation of the Company's executives, as shown in item 13.16 – of this document.

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

The Company recognized no share-based compensation in the fiscal years 2014 and 2015.

During fiscal year 2016, the Company made a payment of R$ 313,578.38, including charges, to the Chairman of the Board of Directors and R$ 1,513,901.95, including charges, to members of the Statutory Board.

The Company estimates payments of R$ 1,427,219.07 to members of the Board of Directors and a further R$ 575,066.11 to the Statutory Board in 2017. It should be pointed out that the payment to the Board of Directors will be higher, since some of its members held positions on the Statutory Board up to 2016 and therefore maintain the right to receive share-based remuneration.

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

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

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

In the past three fiscal years, neither options were exercised nor shares delivered relative to a share-based remuneration plan.

13.8 Brief description of the necessary information for understanding data disclosed in items "13.5" to "13.7", such as the explanation of the pricing method of shares and options:

The Company offers the Statutory Board and certain members of the Board of Directors a Long Term Incentive Plan - based on the grant of phantom shares - for meeting medium and long term objectives. The plan involves a specific deferred bonus, paid in cash 4 years after concession date. Two indicators are used to verify proposed performance results within the scope of the plan, each one with a 50% weighting for calculating the overall results for a four-year period: TSR – Total Shareholder Return, and EPS – Earnings per Share.

Performance during the period is measured from the grant date of the plan until the end of the period, after which, the results are evaluated. In accordance with these results, payments under the long term inventive plan are calculated and paid in full, partially or not at all (should the minimum goals not have been reached). The calculation is made by a specialized consultancy, any eventual payment being approved by the Chief Executive Officer of the Controlling Economic Group, ENGIE, in Brazil.

13.9 Number of shares or quotas directly or indirectly held in Brazil or abroad, and other securities convertible into shares or quotas issued by the Company, its direct or indirect subsidiaries or under common control, by members of the Board of Directors, of the Statutory Board or of the Fiscal Council, grouped by body, on the closing date of the last fiscal year

As of December 2016, the members of the Board of Directors held 374,328 shares issued by ENGIE Brasil Energia and equivalent to 0.057347% of the total shares issued.

The Company's share price on December 31, 2016 was R$ 35.00 per share.

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

(Amounts in Reais)	Board of Directors	Statutory Board
Number of members	3	7
Number of remunerated members		
Name of Plan	CD Plan	CD Plan
Number of members of management qualified for retirement	3	5
Qualifying for early retirement	1	2
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	3,268,650.80	7,631,980.20
Total accumulated amount of the contributions made during the last fiscal year, discounting the portion relating to contributions made directly by members of management	453,684.30	395,552.90
In the event that early redemption is possible, what are the conditions	Not Applicable	Not Applicable

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

	Board of Directors			Statutory Board			Fiscal Council		
(Amounts in Reais)	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2016	December 31, 2015	December 31, 2014
Nr of members	18	18	18	7	7	7	3	3	3
Nr of remunerated members	18	17.5	18	6.5	7	7	3	3	3
Amount of the highest remuneration	1,599,214.60	1,497,508.30	1,599,840.30	2,024,126.40	3,406,503.10	3,385,348.90	162,110.30	147,144.00	138,600.00
Amount of the lowest remuneration	153,091.00	138,960.00	130,800.00	990,475.00	1,117,163.90	1,382,199.80	162,110.30	147,144.00	138,600.00
Average amount of remuneration	376,491.75	342,897.96	322,590.28	2,136,157.01	2,446,220.99	2,064,935.64	162,110.30	147,144.00	138,600.00

The above figures incorporate the fixed and variable remuneration and include social charges on remuneration.

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

13.12 Contractual arrangements, insurance policies or other instruments that structure mechanisms of remuneration or indemnification of members of management directors in case of dismissal or retirement and what the financial consequences would be for the Company

The Company has no contractual arrangements, insurance policies or other instruments that structure mechanisms of remuneration or indemnification for the members of management in the event of dismissal or retirement.

13.13 In the relation to the last 3 fiscal years, indicate the percentage of total remuneration of each body recognized in the Company's results relating to members of the Board of Directors, the Statutory Board or the Fiscal Council who are parties related to the direct or indirect controller, as defined by the accounting rules that address this matter

The remuneration 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 82%, 83% and 72% of total remuneration of the Board of Directors in 2016, 2015 and 2014, respectively.

The Company's Chief Business Development Officer accumulates his statutory activities with functions in the Controlling Economic Group, ENGIE, with which he maintains an individual work contract.

None of the members of the Fiscal Council is classified as a party related to the controllers of the Company in the last three years.

13.14 Amounts recognized in the result of the Company as remuneration of members of the Board of Directors, the Statutory Board or Fiscal Council, grouped by body, for any reason other than the position they hold, such as for example, commissions and consulting or advisory services rendered, in relation to the last 3 fiscal years

There was no payment of remuneration to members of the Board of Directors, the Statutory Board or Fiscal Council, for any reason other than the function they hold, in relation to the last 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 remuneration 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

Members of the Board of Directors and Statutory Board of ENGIE Brasil Energia sit on the Board of Directors of a corporation under common control, Itá Energética, in which the Company holds a 48.75% stake in the capital stock. As from April 2014, compensation of the Board of Directors was reduced pursuant to the AGM of May 30, 2014. The amounts are recognized in the results for the said company with respect to the compensation of these members of management, the net amounts being deducted from their annual bonus as shown in the following chart:

(Amounts in Reais)	2016	2015	2014
Board of Directors of ENGIE Brasil Energia			
Number of remunerated members	1.8	3	4
Amount	18,808.00	22,616.00	195,076.80
Statutory Board of ENGIE Brasil Energia			
Number of remunerated members	2.4	2.5	3
Amount	18,992.00	27,408.00	117,057.60
Total	37,800.00	50,024.00	312,134.40

The net amounts received by the Directors of ENGIE Brasil Energia as members of the Board of Directors of Itasa are deducted from their annual bonus.

The Chairman of the Board of Directors receives compensation from the Controlling Economic Group, ENGIE in the light of his position as Chief Executive Officer, 40% of the amount, including charges, subsequently being reimbursed by the Company. The Chief Business Development Officer accumulates his statutory activities with functions in the Controlling Economic Group, ENGIE, with which he has an individual work contract, his compensation being paid in full by the latter and not reimbursed by the Company.

13.16 Other information that the Company deems relevant

The Controlling Group operates a stock option program for purchase of ENGIE's shares on the Paris (France) Stock Exchange on behalf of its top executives worldwide in accordance with their main responsibilities, and a share premium program by way of performance shares or in the form of a bonus, which may be granted against pre-established conditions to all employees.

The following table shows the average allocation of shares of the Controlling Group to the members of the Company's Statutory Board:

	2016 Plan	2015 Plan	2014 Plan
Performance Shares			
Quantity	3,964	2,583	3,214
Amounts in Reais December 31, 2016	165,193.39	179,260.20	223,051.60

Notes:

The share price of ENGIE on the Paris Stock Exchange posted the following year-end quotations:

	Euros	Reais
December 31, 2016	12.12	41.67
December 31, 2015	16.33	69.40
December 31, 2014	19.43	62.70

The number of performance shares is reduced to the extent that the controlling company - ENGIE fails to meet certain financial ratios. The shares are transferred to the directors only after five years from date of issue and the final amount depends on the financial results of the controlling group in this period.

Information on the proposal for employee participation in the results for fiscal year 2016

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

a. Salary policy and variable remuneration

Remuneration policy:

The Company's remuneration policy is to maintain compensation in line with market practices, meeting the Company's interests and those of its employees considering that:

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

Participation in Profits or Results (PLR):

In addition to the payment of a fixed salary, the Company maintains a variable remuneration system as part of the Participation Program in Profits or Results (PLR). This remuneration is granted to all employees of the Company and conditional on the results from the business as measured by EBITDA and Net Income for the period, meeting corporate goals, and evaluation of behavior in line with the organizational culture. These criteria are negotiated with the labor unions and established in the Collective Bargaining Agreement (ACT). The payment of PLR fosters the practice of competitive remuneration matching what is on offer in the Brazilian labor market as a whole.

Management's proposal includes the amount of up to R$ 29 million for the employee PLR for fiscal year 2016, to be distributed according to criteria set forth in the Company's Remuneration System and Collective Bargaining Agreements.

ATTACHMENT VI – GUIDANCE ON REMOTE VOTING

Pursuant to CVM Instruction 481/2009 and subsequent amendments, the Company is to adopt the remote voting option from fiscal year 2017.

Should the shareholder decide to exercise remote voting rights by sending the voting list directly to the Company, the list should be duly completed, initialed and signed with notarized signature together with proof of ownership of the shares issued by the Company and certified copies of the following documents:

- Shareholders who are Natural Persons: i) official identification document with photograph (Brazilian ID - RG, Brazilian Foreign Residents ID - RNE, Brazilian Driving License - CNH, Passport or officially recognized class association membership cards).

- Shareholders that are Legal Entities: i) the latest bylaws or consolidated articles of association or their amendments and the minutes electing the directors, should these not appear in the articles of association; and ii) an official identification document with photograph of the legal representative(s).

- Investment Funds: i) the administrator's most recent consolidated regulations or their amendments, bylaws or consolidated articles of association or their amendments and the minutes electing the directors of the fund administrator, should these not be included in the articles of association; and ii) an official identification document with photograph of the legal representative(s).

If the voting list is signed by a proxy (shareholder or manager of the company or a lawyer), in addition to the certified copies of the corporate acts listed above of the shareholders that are legal entities and investment funds, a certified copy of the proxy's official identification document should be submitted together with a power of attorney with specific powers and issued in a period of less than a year from the date of the Meeting, pursuant to Paragraph 1, Article 126 of the Corporate Act, by public or private instrument, in the latter case with notarized signature, presentation of the identification document of the signatory to the power of attorney being waived.

The Company does not require a sworn translation of documents which have been originally drafted in the Portuguese, English or Spanish languages or which are accompanied by the respective translation of these languages.

The Company does not accept powers of attorney granted electronically.

The shareholder shall send the remote voting list to the Company's head office at Rua Paschoal Apóstolo Pítsica, 5064, Bairro Agronômica, CEP 88025-255 – Florianópolis/SC – Brazil, care of Unidade Organizacional Assuntos Jurídicos, accompanied by a document substantiating ownership of the Company's shares together with a certified copy of the documents indicated above for participation in the Meeting, as the case may be.

The remote voting list should be received by the Company no later than 7 (seven) days prior to the date of the meeting, namely April 10, 2017, inclusive. Voting lists sent after that date will be disregarded.

If preferred, the shareholder may also send digitized counterparts of the voting list and documents to the e-mail address ri.brenergia@engie.com. However, the original counterpart of the voting list and the certified copy of the required documents must necessarily be sent to the Company's head office, also to arrive at the latest 7 (seven) days prior to the meeting date, or by April 10, 2017, inclusive.

Once the documentation is received, the Company will notify the shareholder accordingly as well as to its acceptability pursuant to CVM Instruction 481/2009 through the e-mail specified in the voting list.

The Company does not possess a dedicated electronic system for receiving the remote voting list or for remote participation.

In addition to submitting the voting list to the Company, the shareholder may adopt one of the following alternatives:

(i) Send to the custodian

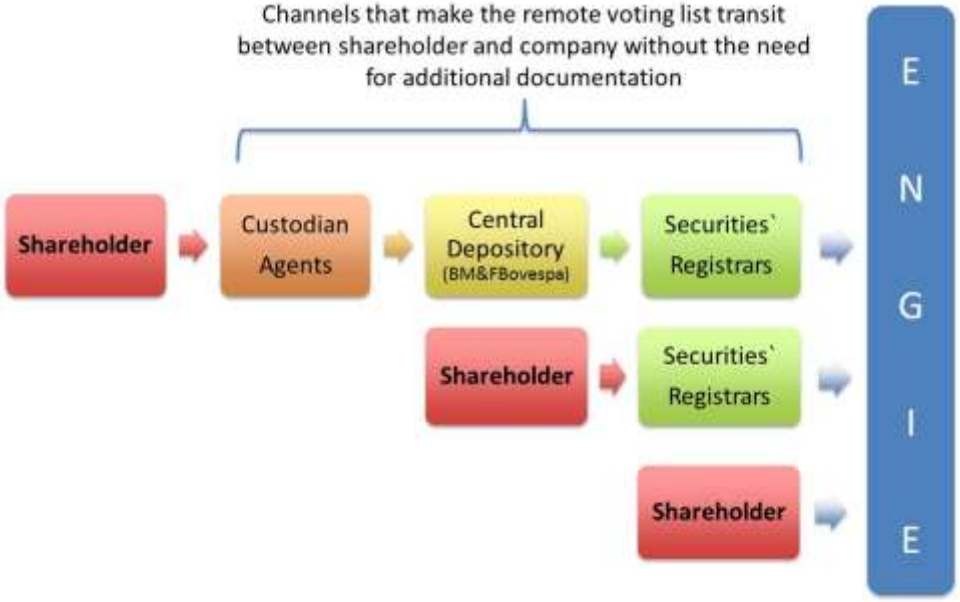
The shareholder may transmit instructions for completing the voting list to the custodian of their shares pursuant to the procedures and documents required by that custodian. Subsequently, the custodian will forward the voting declaration to BM&FBovespa's Central Depositary. For shareholders with shares held in more than one institution, it is sufficient to send voting instructions to just one institution since the vote will always be considered based on the shareholder's total position. It is recommended that shareholders contact their custodian to check the procedures for providing instructions and their voting powers.

(ii) Send to the Securities Registrar

Shareholders with a position in book entry format may exercise their remote voting rights through the securities registrar. Voting instructions should be given through the Itaú Assembleia Digital (Itaú Digital Meeting) website. Registration and a digital certificate are prerequisites for remote voting via the website. Information as to registration and the step by step procedure for issuing the digital certificate are described in the website:
http://www.itau.com.br/securitiesservices/assembleiadigital/.

Voting instructions must be received both by the custodian as well as the securities registrar no later than 7 (seven) day prior to the meeting or by April 10, 2017, inclusive. Instructions received after that date shall be disregarded.

Below we show in schematized format, the channels open to the shareholder to cast their vote on a remote basis.



Finally, worthy of note is that by participating personally in the general meeting, the shareholder or respective proxy may cast their vote onsite, in this event remote voting instructions, if sent, being disregarded.