

Management Proposal for the Annual General Meeting of 04.11.2018

ENGIE Brasil Energia S.A.
CNPJ: 02.474.103/0001-19
NIRE: 42 3 0002438-4
R. Paschoal Apóstolo Pitsica, 5064
Agronômica - Florianópolis - SC - CEP 88025-255

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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 B3 on February 22, 2018 and were published in the newspapers Diário Oficial do Estado de Santa Catarina and Diário Catarinense on March 9, 2018. These documents are also available in the following websites: the Company (www.engieenergia.com.br), CVM (www.cvm.gov.br) and B3 (www.b3.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 22, 2018 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 B3 (www.b3.com.br).

- **Proposed allocation of net profit for the year containing at least the information indicated in Attachment 9-1-II, ICVM 481/09 (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 to 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 2017 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 9, 2018 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 B3 (www.b3.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, 2017

The year 2017 was characterized by the Company's performance in creating value, preparing for the transformations and opportunities provoked by the energy transition and reflected in the business strategy which rests on three pillars: decarbonization, decentralization and digitization. The capacity to deliver effective results, despite adverse scenarios, has been among ENGIE Brasil Energia S.A.'s ("ENGIE Brasil Energia" or "Company" or "EBE") virtues throughout its history. In 2017, this was no different and the Company reported significant success in the execution of its strategy.

The Company made progress in expanding the renewable energy matrix, notably with the acquisition of two new concessions – the Jaguara and Miranda Hydroelectric Power Plants, which together added 832 MW of installed capacity to the generating complex. Again, with its focus on renewable energy, the Company acquired the Umburanas Wind Complex in Bahia with 605 MW of potential installed capacity. Adjacent to the Campo Largo Wind Complex, owned by the Company, this project will be responsible for a significant optimization of resources and synergies in the implementation and operation of these wind farms. In the distributed energy segment, ENGIE Geração Solar Distribuída ("ENGIE Solar") was responsible for installing 1,493 systems in 14 states during the year and with an output of 7,714 kWp.

Following 2 consecutive years of decline, the Brazilian economy saw the first green shoots of recovery in 2017. While of modest proportions, these initial signs of economic improvement are indicative of potential for a more favorable business climate in the forthcoming years. The Central Bank of Brazil's *Boletim Focus* published on December 29, 2017, forecast a growth in GDP of about 1% in relation to 2016, a year in which GDP fell by approximately 3.5%.

Accounting for about 65% of GDP, household consumption resumed growth in the second quarter of the year, the first time since the end of 2014. Among the factors contributing to the more buoyant economy is lower inflation. The Amplified Consumer Price Index (IPCA) ended 2017 at 2.95% — against 6.29% reported for the preceding year. Decreasing interest rates also accounted for the improved scenario. Over the course of the year, the Selic Central Bank base rate was cut from 12.9% to 7.4% — its lowest level ever recorded.

The Federal Government reported a primary deficit of R$ 124.4 billion for the year equivalent to 1.9% of GDP and the fourth consecutive year of deficit in the public accounts, symptomatic of the considerable imbalance in public revenues and expenses. Such results were impacted positively by the trade balance, reflecting both the increase in volumes as well as favorable prices for certain key commodities in the roll call of Brazilian exports – notably, iron ore and petroleum (Source: Central Bank of Brazil). The commercial dollar reported a 1.99% increase in the year closing at a selling rate of R$ 3.314.

The hydrology scenario deteriorated even further in 2017 relative to 2016 in terms of hydroelectric supply. With the exception of the subsystem in the northern region of Brazil, which ended the year with storage levels in the hydroelectric plant reservoirs slightly above levels for January, the other subsystems terminated 2017 in conditions worse than those prevailing at the outset of the year.

As to economic and financial performance in 2017, ENGIE Brasil Energia recorded a consolidated net profit of R$ 2,005 million, a 29.5% or R$ 457 million improvement on fiscal year 2016. The Company's EBITDA was R$ 3,520 million, a 10.8% increase or R$ 344 million compared with 2016. The EBITDA margin improved by 0.9 p.p. from 49.3% in 2016 to 50.2% in 2017. The performance is largely due to the combination of an increase in energy volume sold, in turn a reflection of positive results from short-term trading, particularly transactions effected across the CCEE. Other factors also contributing to this performance were a decline in the costs of royalties – again due to less favorable hydrological conditions –, the divestment of the Beberibe, Pedra do Sal and Areia Branca plants and recognition of revenue from the Jaguara and Miranda Hydroelectric Power Plants operations.

The following factors sustain the Company's favorable equity and financial conditions:

- Generation of increased profits – In 2017, the Company reported growth in its results with a consolidated net income of R$ 2,005 million, 29.5% higher than the consolidated net income for the preceding year.
- Strong operating cash generation – Adjusted consolidated EBITDA in 2017 reached R$ 3,520 million, a year-on-year increase of 10.8%. EBTIDA margin was 50.2%.
- Continued low leverage – the "Total debt/EBITDA" ratio as at 12.31.2017 was 1.9 times while "Net debt/ EBITDA", on the same date, was 1.3 times. The increase in debt was driven by the contracting of promissory notes and loans for financing the acquisition of the concession grants for the Jaguara and Miranda Hydroelectric Power Plants. On 12.31.2017, foreign currency denominated debt accounted for 24.7% of the total, fully protected against foreign exchange variation by swap operations.
- Risk rating – In 2017, there were no changes in the Company's international rating for currency denominated debt of "BB+" - still one notch above sovereign rating – with a negative outlook. There were no changes in the Domestic Long-Term Rating, which remains at "AAA (bra)", with a stable outlook. On 02.27.2018, in the light of the recent downgrade in Brazil's sovereign rating to "BB-", Fitch Ratings also downgraded EBE's Long Term International Rating for currency

denominated debt to" BB", with a stable outlook, the Company's risk rating remaining one notch above sovereign rating.

- Reduced level of delinquency – The result of a strict process of credit analysis and portfolio diversification of the Company's clients.
- Sustained growth – At the end of 2017, the Company recorded an installed capacity of 7,868.1 MW and operated a generating complex of 9,588.8 MW. The installed capacity represents an increase of 868.8 MW compared with 2016 and largely due to the acquisition of the Jaguara (424 MW) and Miranda (408 MW) HPPs concessions and the startup of operations at the Assú V Photovoltaic Plant (30 MW). Growth was partially offset by the sale of the Beberibe and Pedra do Sal Wind Farms and the Areia Branca SHP, the divested plants together with an installed capacity of 63.4 MW. The decision to sell these assets was stimulated by the opportunity to prioritize investments in those assets which have a greater degree of synergy.
- Installation of new plants – The Company's expansion plan continues on schedule. The Santa Mônica Wind Complex (97.2 MW) was inaugurated together with the startup in commercial operations at the Assú V Photovoltaic Plant (30.0 MW). In December 2017, the Pampa Sul Thermoelectric Power Plant and the Campo Largo – Phase I and Umburanas - Phase I Wind Complexes totaling 1,031.7 MW were under construction. The Pampa Sul Thermoelectric Power Plant, situated in the municipal district of Candiota, state of Rio Grande do Sul, is to use fuel for generating energy from a coal seam in the region and will have an installed capacity of 345 MW. By the end of 2017, physical work on the plant was 77% complete, notably with work on the coal conveyor belt and dam almost complete. Commercial operations are scheduled to the first quarter of 2019. The Campo Largo Wind Complex – Phase I, located in the municipal districts of Umburanas and Sento Sé in the state of Bahia, will have a total installed capacity of 326.7 MW. By the end of 2017, 100% of the earthmoving and paving of the internal access roads had been completed. Commercial operations of the first projects are scheduled for the second quarter of 2018. The Umburanas Wind Complex located in the municipal district of Umburanas (BA), will have a total installed capacity of 605 MW, to be developed in two phases. Phase I has an installed capacity of 360 MW, with operations scheduled for 2019. The project is located adjacent to the Campo Largo Wind Complex, capturing synergies both during the implementation stage and later with the startup in commercial operations. The entire environmental licensing phase is already regularized and work already underway with civil works initiated in November 2017, with the mobilization of the contractor and beginning of installation of the projects' internal access roads. In addition, the Company has the following projects at a development phase: Santo Agostinho, Campo Largo – Phase II and Umburanas – Phase II Wind Complexes, the Norte Catarinense Thermoelectric Power Plant and the Alvorada and Assú Photovoltaic Complexes totaling 2,011.8 MW. Work on construction of these projects had still not begun as of the date of this Proposal.
- Expansion – The Company has been diversifying its energy matrix and the regional markets where it operates, prioritizing renewable energy sources. In this context, EBE remains alert to the opportunities for expansion in different regions of Brazil as long as these are compatible with the requirements for sustainability on all fronts - economic, social and environmental. In 2017, the

Company acquired the Jaguara and Miranda Hydroelectric Power Plants concessions as well as the total capital stock of the companies making up the Umburanas Wind Complex as described above, total investment amounting to about R$ 3,531 million and R$ 17 million respectively. The Company also successfully bid for Lot 1 at Aneel's 02/2017 Transmission Line Auction. The transmission line is to be built in the state of Paraná with an extension of approximately 1,050 km and marks EBE's debut in the energy transmission sector in Brazil. The public service transmission concession term, including construction, assembling and maintenance of the installations will be 30 years as from the signature date of the concession contract, expected for March 9, 2018.

- Sale of assets – Following fulfillment of contractual conditions precedent, in October 2017, the Company completed the sale of the Beberibe (25.6 MW) (in the state of Ceará) and the Pedra do Sal (18 MW), (in the state of Piauí) Wind Farms 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 reflects the Company's strategy of prioritizing the expansion in assets which offer the greatest degree of synergy one with the other. On 02.15.2017, the Company announced to its shareholders and the market at large that it had appointed Banco Morgan Stanley S.A. to render financial advice for market soundings on a non-binding basis with the purpose of identifying potential purchasers for its coal-fired generation assets as follows: (i) Jorge Lacerda Thermoelectric Complex ("CTJL") – with an installed capacity of 857.0 MW; and (ii) Pampa Sul Thermoelectric Complex – made up of the plant under construction – Pampa Sul Thermoelectric Power Plant, which will have an installed capacity of 345.0 MW – and the project denominated Pampa Sul 2 with a capacity to harness with an installed capacity of 340.0 MW. On 12.13.2017, the Company awarded the exclusive right to a potential acquirer of the assets to undertake due diligence – not however concluded up to presentation date of this Proposal. At the same aforementioned meeting, the Board of Directors of the Company approved the transfer of CTJL's assets to Diamante Geração de Energia Ltda. ("Diamante"), a company controlled by EBE and incorporated exclusively for this purpose. The transfer took place on 01.01.2018 through an increase in the capital of Diamante in the form of property, plant and equipment and inventory related to CTJL.

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. In the last *Boletim Focus* publication for the year, the Central Bank of Brazil's (Bacen) forecast was for a decline in GDP of 3.49% compared with 2015. Should this forecast be confirmed by the Government Statistics Office - Instituto Brasileiro de Geografia e Estatística (IBGE) - responsible for the official calculation of GDP - this will be the first time that the country will have registered two consecutive years of decline in the level of economic activity, the official historical series for measuring GDP having begun in 1948. 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 hydroelectric 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.

With respect to economic and financial performance, 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 to a combination of the Company's low net leverage during the year, a reduction in fuel

consumption for generating energy — a reflection of lower thermoelectric dispatch — a decline in the volume of energy purchases for resale and finally, recognition of impairment of assets. Worthy of note is that the comparison with results in 2015 was impacted by the effects of renegotiation of the hydrological risk for the regulated contracting environment, to which the Company adhered pursuant to Law 13.203/2015. As this was recognized in fiscal year 2015, the positive effects of renegotiation adversely impacted the comparison of performance in 2016 relative to 2015.

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.
- Sustained growth – By the end of 2016, the Company reported installed capacity of 6,999.3 MW and operating a generator complex of 8,720.0 MW. The installed capacity at the end of 2016 represents a reduction of 45.0 MW in relation to 2015. This reduction is due to the decommissioning of the assets of the Charqueados Thermoelectric Power, representing 72 MW of installed capacity, the plant having become anti-economic to run after 50 years of operations combined with the effect of increased fuel costs due to changes in legislative criteria for reimbursement. This decrease was partially attenuated by the initiation in commercial operations of the Santa Mônica and Cacimbas wind farms, the latter on a partial basis. The installed capacity for the two wind farms was 18.9 MW and 8.1 MW on December 31, 2016, respectively, both plants pertaining to the Santa Mônica Wind Complex - also comprising the Estrela and Ouro Verde wind farms - situated in the municipality of Trairí in the state of Ceará.
- 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 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, significant progress having been made on assembling of the transmission line towers with the conclusion of 44 out of the 52 units planned for installation and the engagement of a company to assemble the metal structure. 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, the Decree declaring a public ultility the areas for external access to the Campo Largo Wind Complex for the purposes of expropriation was sanctioned and work on the site construction services area begun. 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 Santa Mônica Wind Complex located in the municipality of Trairi, state of Ceará, consists of four plants, thus adding a further 97.2 MW to the Company's generator complex. The Santa Mônica and Cacimbas wind plants began commercial operations in 2016, the latter on a partial basis. The full Complex began commercial operations during the course of the first half of 2017, representing an additional 59.4 MW to the generator complex. The Assú V Photovoltaic Solar Plant, with an installed capacity of 36.7 MW, is a component of the Assú Photovoltaic Complex to be installed at Assú, state of Rio Grande do Norte. The project began commercial operations in December 2017, as mentioned previously.

- Expansion – The Company remains alert to the opportunities for expansion. 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. The largest hydroelectric project to be developed by ENGIE in the world and the 4th largest in Brazil, the project has an installed capacity of 3,750 MW and will produce enough energy for the consumption of about 10 million residences. The number of turbines in operation in Jirau (50) exceeds the sum of all the hydroelectric plants in the south of the country. ENGIE Brasil Participações (ENGIE 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. Again, in November 2016, through its directly controlled company, ENGIE Solar, the Company signed an agreement with the energy distributor for the state of Santa Catarina for the installation of photovoltaic systems in a thousand residences in the state with a total output of 2,600 KWp.
- 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 divestment was concluded in October 2017 as previously mentioned.
- 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 B3'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%, as did the Electric Energy Stock Index (IEE) and the Ibovespa, at 45.6% and 38.9%, respectively, reflecting principally, investor optimism following the *impeachment* of the president and, in the market's view, the improved outlook for greater political and fiscal stability.

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.

With respect to financial and economic performance, 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 – In January 2015, the National Electric Energy Agency (Aneel) issued resolutions authorizing the implementation and exploration of the wind farms in the Santa Mônica Wind Complex. The approvals are for a term of 30 years as from the date of publication of the said resolutions. The Santa Mônica Wind Complex will add a further 97.2 MW to the Company’s installed capacity and its entry into operation is scheduled for early second half 2016. 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. Still 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. The Ministry of Mines and Energy approved this project as a priority for the generation of electric energy and to supply the market through the National Interconnected System (SIN) and thus contributing to the stability of the energy supply system.
- 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 B3's Corporate Sustainability Index (ISE) - The Company has been a componente of this stock index since inception in 2005.
- 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.

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$	12.31.2017	12.31.2016	12.31.2015
Gross debt[1]	6,738	3,089	3,759
(-) Cash and cash equivalent and restricted deposits	2,156	1,996	2,544
Net debt	4,583	1,093	1,215
Long-term debt (% of total debt)	54.4%	90.3%	67.4%
Net worth	6,835	6,614	6,642
Leverage[2]	40.1%	14.2%	15.5%
Capital structure composition:			
- Own capital (Net worth/ Total liability)	34.9%	45.9%	43.4%
- Third parties' capital (current and non-current liabilities/total liabilities)	65.1%	54.1%	56.6%

Percentage leverage was up from 2017 due to the issue of promissory notes by controlled entities Jaguara and Miranda in the amount of R$ 2,110 million and the securing of loans in foreign currency – fully hedged in Brazilian Reais, in the amount of R$ 1,631 million. The funds were mainly raised to pay for the Bonus Grant for concessions and debt refinancing.

[1] Incorporates loans – net of the effect of the hedge, financing, debentures and the promissory notes.
[2] Net debt / (Net debt + Net worth)

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.

On December 12, 2017, the Company showed negative net outstanding capital due significantly to the promissory notes issued and the loans secured in 2017 to finance the concessions for the Jaguara and Miranda Hydro Power Plans. The company is considering issuing long-term debt in the capital markets and with financial institutions to finance the promissory notes issued in 2017, which are due on November 2018.

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	12.31.2017	12.31.2016	12.31.2015
EBITDA	3,520	3,176	3,115
Gross financial expense	450	753	752
Net financial expense	227	355	471
Gross debt	6,738	3,089	3,759
Net debt	4,583	1,093	1,215
Net debt / EBITDA	1.3	0.3	0.4
Total debt / EBITDA	1.9	1.0	1.2
EBITDA / Gross financial expense	7.8	4.2	4.1

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

The Company's risk classification (rating) as of December 31, 2017 was published by Fitch Ratings. There was no change in 2017 to the Company's "BB+" international foreign currency rating, albeit still above sovereign rating, with a negative outlook. There were no changes in the Long Term National Rating which remains at "AAA (bra)" with a stable outlook. On February 27, 2018, because of the recent sovereign downgrade to "BB-", Fitch Ratings downgraded EBE's Long-Term foreign currency international rating to "BB" with a stable outlook, keeping it one level above the sovereign rating.

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.

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

If the investment project is not eligible for BNDES financing or due to financing-cost issues, the Company may use other sources of incentivized funding such as the Constitutional 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 an adequate capital structure and 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 and 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$ 4.9 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 resources 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, financing agreements and promissory notes

Principal conditions of loan agreements

		Payment conditions		Values in million R$		
Companies / Banks	**Interest**	**Maturity**	**Principal and interest**	**12.31.2017**	**12.31.2016**	**12.31.2015**
Controller:						
National currency						
Nordic Investment Bank	IPCA + 3.55% p.a.	10.2022	Principal: Monthly Interest: Quarterly	135	157	172
BNDES – Modernization	TJLP + 2.26% p.a.[a]	07.2020	Principal: Monthly, after 8.2016 Interest: Quarterly through 8.2016 and then monthly	171	203	191
BNDES – São Salvador Plant	TJLP + 2.7% p.a.[a]	10.2023	Monthly	96	112	126
Banks (transfer to BNDES) [b]	TJLP + 3.25% p.a.[a]	10.2023	Monthly	-	226	255
Banks (transfer to Finame)	3.68% p.a.	11.2024	Monthly	8	18	21
Foreign currency (dollar)						
HSBC USA II	1.4294% p.a. with swap for 97% of CDI	03.2016	Principal: 03.2016 Interest: Quarterly	-	-	387
HSBC USA III	1.7871% p.a. with swap for 99% of CDI	10.2016	Principal: 10.2016 Interest: Quarterly	-	-	307
HSBC USA IV	1.8104% p.a. with swap for 98.6% of CDI	12.2016	Principal: 12.2016 Interest: Quarterly	-	-	191
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
Bank of Tokyo	114.2857% Libor + 0.5486% p.a. with swap for 98% of CDI	12.2016	Principal: 12.2016 Interest: Quarterly	-	-	188
HSBC USA VI	8.459% p.a. with swap for 103% of CDI	10.2020	Principal: 10.2020 Interest: Semi-annual	334	-	-
Scotiabank	3.3710% p.a. with swap for IPCA + 5.2% p.a.	11.2022	Principal: 11.2022 Interest: Semi-annual	669	-	-
Bank of Tokyo	1.9429% p.a. with swap for 101.4% of CDI 2.0571% p.a. with swap for 101.4% of CDI	10.2018	Principal: 10.2018 Interest: Semi-annual	667	-	-

		Payment conditions		Values in million R$		
Companies / Banks	**Interest**	**Maturity**	**Principal and interest**	**12.31.2017**	**12.31.2016**	**12.31.2015**
Controller:						
Hidropower - Banco do Brasil	8.08% p.a.	10.2017	Monthly	-	3	7
Companhia Energética Estreito						
BNDES –Social credit	TJLP	06.2018	Monthly	3	8	14
BNDES	TJLP + 1.89% p.a.[(a)]	09.2029	Monthly	644	692	736
Banks (transfer to BNDES) [(b)]	TJLP + 2.95% p.a.[(a)]	09.2029	Monthly	438	470	499
Ibitiúva						
BNDES (Subcredit B)	4.5% p.a.	01.2020	Monthly	9	13	17
BNDES (Subcredit A and C)	TJLP + 2.05% p.a.[(a)]	01.2021	Monthly	11	15	19
Ferrari						
BNDES	TJLP + 1.91% p.a.[(a)]	06.2021	Monthly	15	19	23
BNDES Expansion	TJLP + 1.76% p.a.[(a)]	07.2032	Monthly	41	44	44
Banks (transfer to BNDES) [(b)]	TJLP + 3.40% p.a.[(a)]	06.2021	Monthly	7	8	10
Trairí Wind Complex [(c)] – BNDES	TJLP + 2.51% p.a.[(a)]	07.2029	Monthly	275	296	315
Beberibe [(d)] **-** BNDES	TJLP + 3.5% p.a.[(a)]	12.2023	Monthly	-	-	74
Pedra do Sal [(d)] – BNDES	TJLP + 1.92% p.a.[(a)]	12.2023	Monthly	-	-	50
Areia Branca [(d)] – BNDES	TJLP + 2.5% p.a.[(a)]	06.2024	Monthly	-	-	41
Santa Mônica Wind Complex [(e)] – BNDES	TJLP + 2.18% p.a.[(a)] (07.2017 to 05.2033)	05.2033	Monthly	293	-	-
Jaguara - Banco J. Safra S.A.	104.9% p.a. over Δ DI Rate	11.2018	Principal: 11.2018 Interest: 11.2018	1,326	-	-
Miranda - Banco J. Safra S.A.	104.9% p.a. over Δ DI Rate	11.2018	Principal: 11.2018 Interest: 11.2018	784	-	-

[(a)] The amount corresponding to the TJLP installment that exceeds 6% p.a. is incorporated into the principal amount.

[(b)] The Banks are the following ones: Itaú Unibanco, Itaú BBA, Bradesco, Santander and Votorantim.

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

[(d)] The entirety of ECP's equity stakes in subsidiaries Eólica Beberibe S.A., Eólica Pedra do Sal S.A. and Hidrelétrica Areia Branca S.A. was divested on October 31, 2017, after all conditions precedent provided in the stock purchase and sales agreement were met .

[(e)] Financing of the Santa Mônica Project, made up of the entities Santa Mônica, Cacimbas, Estrela and Ouro Verde.

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

The balances as at December 31, 2017, December 31, 2016 and December 31, 2015 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 7 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, 2017, tranches totaling R$ 250 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 HPP 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 Power Plant. CESS was incorporated by ENGIE Brasil Energia in December 2013. On-loans with the five banking institutions, totaling R$ 199 million, were settled in December 2017.

- Loans drawn in currency

During 2015, 2016 and 2017, the Company signed currency-denominated loan agreements with the following banks: HSBC USA, Mizuho Bank, Bank of Tokyo and Scotiabank.

In 2017, funds were raised with the main purpose of financing some of the Bonus Grant for concessions, as well as refinancing maturing debt and continuing the implementation of the Company's business plan.

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 II	03.2014	100	231	1.4294 %	97.0% of CDI	03.2016
HSBC USA III	10.2014	80	200	1.7871 %	99.0% of CDI	10.2016
HSBC USA IV	12.2014	50	128	1.8104%.	98.6% of CDI	12.2016
HSBC USA V	01.2016	10	27	1.8471%.	97.0% of CDI	12.2016
Mizuho Bank	12.2014	90	234	1.7260 %	96.02% of CDI	12.2016
Bank of Tokyo I	12.2014	50	131	114.2857% of Libor + 0.5486%	98.0% of CDI	12.2016
Bank of Tokyo II	10.2017	200	656	1.9429% and 2.0571%	101.4% of CDI	10.2018
HSBC USA VI	10.2017	100	325	8.459%.	103% of CDI	10.2020
Scotiabank	11.2017	200	650	3.371%	105.75%	11.2022
		880	**2,582**			

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.

With respect to the Scotiabank operation, in the light of the longer maturity (5 years), the Company chose the strategy of taking a second hedge to peg the operation's exposure to the IPCA, the index for energy sale contracts restatement, and therefore align the risk associated with the loan with the restatement of the Company's receivables. This latter hedge was contracted at IPCA + 5.2% p.a.

Loans denominated in US Dollars contracted in 2015 and 2016 and their respective swap operations were settled in full by the end of 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.

- Santa Mônica Wind Complex

In August 2016, indirectly controlled companies Cacimbas, Estrela, Ouro Verde and Santa Mônica entered into a financing contract with BNDES for the implementation of the wind farms in the state of Ceará. The total amount under the Financing Agreement was R$ 354 million.

- Companhia Energética Jaguara (Jaguara) and Companhia Energética Miranda (Miranda)

On November 27, 2017, directly controlled companies Jaguara and Miranda issued single-series promissory notes for restricted efforts public dealing with R$ 5,000 face value for a total amount of R$ 1,320 million and R$ 780 million, respectively. The funds raised, in the amount of R$ 2,096 million, net of fundraising costs, were channeled into payment of a portion of the bonus paid for the concession pursuant to Aneel Auction 001/2017.

The Company is considering issuing long-term debt with the capital markets and financial institutions to refinance these promissory notes.

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.

- 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.

- Promissory notes - Jaguara and Miranda

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

(ii) other long-term relations with financial institutions

Represented by the debentures issued by the Company. In December 31, 2017, December 31, 2016 and December 31, 2015, the Company had the following outstanding issues:

			Payment conditions				
	Quantity	Remuneration	Interest/ monetary restatement	Principal	Dec/17	Dec/16	Dec/15
5th issue – single series	165,000	IPCA + 6.3% p.a.	Annually in December	3 installments in 12.2022/23/24	199	194	181
6th issue Serie 1	246,600	IPCA + 6.2621% p.a.	Annually in July	3 annual installments from 07.2021	260	251	-
6th issue Serie 2	353,400	IPCA + 6.2515% p.a.	Annually in July	3 annual installments from 07.2024	371	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 and the proceeds were used for the modernization of Salto Santiago and Passo Fundo Hydroelectric Power Plants.

- 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, financing and promissory notes

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 BNDES – São Salvador HPP HSBC USA, Scotiabank and Bank of Tokyo	Controller: Net Debt/EBITDA ≤ 3.5 Consolidated: Gross Debt/EBITDA ≤ 4.5 Consolidated: EBITDA /financial expenses ≥ 2.0 Consolidated: Gross debt /EBITDA ≤ 4.5
Controlled Companies:	
BNDES and Banks (BNDES Transfer)	Coverage ratio of debt service[3] ≥ 1.2 or 1.3, depending on the controlled company
BNDES Expansion	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.

Loans denominated in US Dollars and covered by the hedge against exchange rate variations, as well as the promissory notes mentioned before are not subject to compliance with covenants.

The promissory notes do not include covenant clauses.

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

b) Debentures

Debt	Covenants
5th and 6th 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 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, 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 in both plants has been concluded. A total of R$ 250 million (91%) having been drawn down. The remaining balance is R$ 25 million and the Company expects these resources to be drawn by April 2018.

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 2018.

h. Significant changes in each item of the financial statements

h.1) Comparative analysis between the results for the fiscal years ending December 31, 2017 and 2016 prepared pursuant to the IFRS and the CPC:

	December 31				
Values in R$ million	2017	% of revenue	2016	% of revenue	2017 *versus* 2016 (%)
NET OPERATING REVENUE	**7,010**	**100**	**6,442**	**100**	**8.8**
Costs of energy sold and services provided					
Electricity purchased for resale	(1,746)	24.9	(1,643)	25.5	6.3
Transactions in the short-term energy market	(360)	5.1	(182)	2.8	97.8
Charges for the use of the electric network and connection	(423)	6.0	(397)	6.2	6.5
Electricity production cost	(1,444)	20.6	(1,449)	22.5	(0.3)
Cost of services provided	(31)	0.4	(30)	0.5	3.3
	(4,004)	**57.1**	**(3,701)**	**57.5**	**8.2**
GROSS PROFIT	**3,006**	**42.9**	**2,741**	**42.5**	**9.7**
Operating Revenues (expenses)					
Expenses with sales	(17)	0.2	(17)	0.3	-
General and administrative Expenses	(179)	2.6	(185)	2.8	(3.2)
Impairment	(18)	0.3	(121)	1.9	(85.1)
Divestment income	57	(0.8)	-	-	-
Other net operating revenues	4	(0.1)	7	(0.1)	(57.1)
	(153)	**2.2**	**(316)**	**4.9**	**(51.3)**
PROFIT BEFORE FINANCIAL RESULTS, FROM CORPORATE PARTICIPATIONS AND TAX	**2,853**	**40.7**	**2,425**	**37.6**	**17.6**
Financial Result					
Financial revenue	223	(3.2)	398	(6.2)	(44.0)
Financial expenses	(450)	6.4	(753)	11.6	(40.2)
	(227)	**3.2**	**(355)**	**5.4**	**(36.1)**
Result from Corporate Participations					
Equity loss	(2)	-	(3)	-	(33.3)
	(2)	**-**	**(3)**	**-**	**(33.3)**
PRE-TAX PROFIT	**2,624**	**37.5**	**2,067**	**32.2**	**26.9**
Income tax and social contribution	(619)	8.8	(519)	8.1	19.3
ANNUAL NET PROFIT	**2,005**	**28.7**	**1,548**	**24.1**	**29.5**
EARNINGS PER SHARE - BASIC AND DILUTED - IN REAIS	**3.07**		**2.37**		
EBITDA	**3,520**	**50.2**	**3,176**	**49.3**	**10.8**

Net Operating Revenue

Net operating revenue was up from R$ 6,442 million in 2016 to R$ 7,010 million in 2017, that is, a R$ 568 million, or 8.8% increase. The increase is essentially a consequence of the following combination of events: (i) R$ 350 million – increase in revenues from operations in the short-term market, in particular those executed within the scope of the CCEE; (ii) R$ 165 million – increased energy sales volume; and (iii) R$ 48 million – operating revenue from the Jaguara and Miranda HPPs.

- Net average selling price

The net average selling price net of charges on revenue was R$ 180.39/MWh, down 0.2% from 2016's R$ 180.68/MWh. The decline was essentially due to sales to consumers of the free energy de-contracted with distribution companies because of the term of the Existing Energy Auction agreement, in late 2016, at lower prices than those previously in force.

- Sales volume

In 2017, energy sales volume was 35,761 GWh (4,082 aMW), from 34,789 GWh (3,961 aMW) in 2016, up 972 GWh (121 aMW) or 2.8%. This was largely due to the combination of increased sales of conventional energy to free trading companies and of incentivized energy to free consumers, as well as to the entry into commercial operation of the Santa Mônica Wind Complex, which has 47.4 aMW physical guarantee and the majority of wind farms of which entered into commercial operation in early 2017.

Cost of energy sold and services rendered

The cost of energy and services sold was up by R$ 303 million (8.2%) year-on-year, from R$ 3,701 million in 2016 to R$ R$ 4,004 million in the 2017. The change was largely due to the following principal components:

- Electric energy purchased for resale: a R$ 103 million increase from 2016, due to the following items: (i) R$ 393 million –2,346 GWh (672 aMW) increase in medium- and long-term purchases; and (ii) R$ 290 million – reduction of the average price of these purchases, due mainly to the termination of energy purchase agreements whose prices were higher than the average prices of agreements in force and new agreements.

- Transactions in the short-term market – especially those conducted through the CCEE: between fiscal years 2016 and 2017, these costs increased by R$ 178 million. More details are to be found under the specific heading.

- Charges for the use of and connection to the electricity grid: a R$ 26 million increase between fiscal years 2016 and 2017, due mainly to the annual readjustment in transmission tariffs.

- Fuels for generation: a R$ 314 million increase between the two fiscal years due basically to the booking of a court deal with the natural gas supplier in the proceedings regarding the price differential for the fuel supplied in the period from September 2014 and June 2017, in the total amount of R$ 355 million.

- Financial compensation for the use of water resources (royalties): a R$ 74 million decrease between fiscal years 2016 and 2017, mostly as a reflection of reduced generation at hydro plants in the period at hand, as well as a 22.7% decrease in the TAR in 2017.

- Personnel: a R$ 25 million decrease year-on-year, due largely to headcount readjustment and the reduction of costs associated with the Voluntary Severance Plan (PDV), which ended in November 2016.

- Materials and third-party services: A R$ 23 million increase between the two fiscal years, mainly as a reflection of the following : (i) booking of non-recurring gains in 1Q16 in the amount of R$ 15 million due to the recovery of PIS and Cofins credits from third-party materials and services; and (ii) payment in 2017 of the success fee arising from the court deal with the natural gas supplier in proceedings regarding the differential in fuel supply prices from September 2014 to June 2017.

- Depreciation and amortization: a R$ 18 million increase year-on-year due mainly to the following: (i) entry into commercial operation of the Santa Mônica Wind Complex; and (ii) amortization of the intangible asset associated with the acquisition of the Jaguara and Miranda HPPs in Auction 001/2017, which Aneel held on September 29, 2017. The change was partly mitigated by the reduced depreciation of thermal generation assets under impairment.

- Net operational provisions: a positive R$ 264 million between the two fiscal years. The change was chiefly due to the negotiation and court acceptance of a deal between the Company and the natural gas supplier regarding fuel prices for electric energy generation, leading to the 2Q17 reversal of the R$ 219 million booked as provisions. Add to this, were the reversal of provisions for losses on sale of fuel oil from the Alegrete TPP, which is in the process of being returned to the Union, and the provision for costs incurred decommissioning the Charqueadas TPP. These reversals are due to the fact that the company has been incurring lower losses and costs than originally estimated.

Details of short-term operations – especially CCEE transactions

Short-term operations are classified as energy purchase or sale operations, the principal objective being the management of the Company's exposure on the CCEE. The price of these operations is therefore 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 - and, therefore, short-term - nature of the results originating from accounting movement in the CCEE. Additionally, long and short positions are settled at the PLD, similarly to the short-term operations described above.

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

Generically, these elements are revenues or expenses arising, for example, (i) from the application of the Energy Reallocation Mechanism (MRE); (ii) from the Generation Scaling Factor, 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 2017, the net result from short-term transactions – particularly those transacted across the CCEE, was a positive R$ 107 million, from a negative R$ 65 million in 2016, representing a R$ 172 million increase between the two years under review.

This variation is the result of a combination of the following: (i) increased revenues from a creditor (long) position at the CCEE as a result of the hydro resources allocation strategy together with active portfolio management; (ii) recognition of the effects of a re-counting as a result of the higher Variable Unit Cost (CVU) of the William Arjona TPP after the court agreement with the natural gas supplier; (iii) positive thermal generation results. Despite the lower generation in 2017, there was a reduction in the physical guarantee associated with this source because of the termination of operations at the Charqueadas TPP in late 2016; (iv) recognition of revenues recomposition at the CCEE because of indemnity from an insurance loss event at one of the Company's generation units; (v) increased negative effects of the GSF, net of the positive effects of the hydrological risk re-arrangement arising from the high hydro generation deficit factor; and (vi) reduced MRE revenues because of the lower hydro generation in the period.

In a comparison between the two fiscal years, average PLD was up by 244.1%, from R$ 93.16 to R$ 320.59 at the end of 2017. It is worth mentioning that the higher average PLD in 2017, as noted earlier, had a significant contribution to the increased positive effects of the energy surplus settled at the CCEE and increased thermal dispatch, as well as to the increased negative effects of the application of the GSF.

Gross profit

The Company's gross profit in 2017 was R$ 3,006 million, up R$ 265 million or 9.7% from 2016's R$ 2,741 million. This was due to the changes discussed in sub-items "Net Revenue from Sales" and "Cost of energy sold and services rendered".

Operational revenues (expenses)

In a comparison between the two fiscal years at hand, general, sales and administrative expenses were down by R$ 6 million, due mainly to the reversal of provisions associated with the court dispute of retirement benefits as a result of an agreement reached with participants of one of the Company-sponsored pension funds, partly mitigated by the recognition of provisions for voluntary severance and variable compensation, as well as by the increased expenses with third-party services.

Additionally, in 2017, the Company recognized a supplementary provision for the impairment of assets in the amount of R$ 18 million, initially recognized in 2016 at R$ 121 million. Out of the total provisions made in 2017, R$ 16 million (R$ 45 million in 2016) correspond to thermal generation assets and R$ 2 million (R$ 76 million in 2016) to non-operational assets of the Jacuí Thermal Project, for a positive effect of R$ 103 million in a comparison between the two fiscal years.

On October 31, 2017, after meeting the agreed conditions precedent, the Company completed the sale of controlled companies Beberibe, Pedra do Sal Wind Power Plants and Areia Branca SHP, recognizing R$ 57 million in proceeds from the sale of investments in 4Q17.

Profit before financial result, equity income and taxes (income from services)

This account was R$ 2,853 million in 2017 up R$ 428 million or 17.6% from the same period in the previous year, which was R$ 2,425 million. This was a result of the changes described above under sub-items "Gross profit" and "Operational revenues (expenses)".

Financial Result

- Financial income: comparing 2016 and 2017, financial revenue was down R$ 175 million (44.0%), from R$ 398 million in 2016 to R$ 223 million in 2017. This is basically explained by the following factors: (i) a R$ 128 million decrease in revenues from financial investments because of the lower

volume of funds invested and the drop in interest rates; (ii) a R$ 39 million reduction in monetary restatement as a result of a ruling in favor of the company in a 2016 court dispute surrounding the collection of restated amounts receivable from an industry player; (iii) R$ 14 million reduction in the monetary restatement of accounts receivable due to CCEE financial settlement defaulting in 2016; (iv) higher interest rates on R$ 9 million outstanding income tax and social contribution bills for previous years ; and (v) a R$ 4 million decrease in the monetary restatement of court deposits.

- Financial expenses: In 2017, expenses were down from R$ 753 million to R$ 450 million, that is, by R$ 303 million (or 40.2%). This is essentially the product of a combination of the following : (i) a R$ 136 million decrease in the monetary restatement of concessions owed because of the drop in inflation indices; (ii) recognition, in 2016, of R$ 58 million in monetary restatement of amounts owed before CCEE that were pending payment because of temporary relief orders preventing the CCEE from applying the GSF; and (iii) a R$ 103 million decrease in interest and monetary restatement on debts owed because of the lower indebtedness over the course of 2017 and the drop in inflation.

Income Tax and Social Contribution on Net Income (CSLL)

Income tax and CSLL expenses for the year were up by R$ 100 million, from R$ 519 million in 2016 to R$ 619 million in 2017. The increase was significantly the result of the higher earnings before taxes, partly mitigated by the entry into force of fiscal incentives of the Amazon Development Agency (Sudam) - Ponte de Pedra HPP and the Northeast Development Agency (Sudene) –Estreito HPP, granted in 2017. The effective income tax and CSLL rate in 2017 was 23.6%, from 25.1% in 2016.***Equity Income***

In 2017, the Company recognized R$ 2 million as equity loss from ENGIE Solar.

Net income

Net income was up from R$ 1,548 million in 2016 to R$ 2,005 million in 2017, that is, an increase of R$ 457 million or 29.5%. This was due mainly to the following: (i) a R$ 344 million increase in EBITDA; (ii) R$ 128 million higher net financial income; (iii) asset impairment reduction in the amount of R$ 103 million; (iv) R$ 19 million increase in depreciation and amortization; (v) R$ 100 million increase in income tax and social contribution; and (vi) a R$ 1 million reduction in equity losses.

EBITDA and EBITDA margin

In 2017, EBITDA was up by R$ 344 million (10.8%), from R$ 3,176 million in 2016 to R$ 3,520 million in 2017. The EBITDA margin reached 50.2% in 2017, a 0.9 p.p. increase compared with 2016. The higher indicators were mainly due to a combination of the following: (i) R$ 165 million increase from the agreed price-contracted energy volume combination; (ii) a R$ 173 million increase in operations in the short-term market – especially within the CCEE; (iii) booking of R$ 48 million to the operating revenue of the Jaguara and Miranda HPPs in 2017; (iv) a R$ 103 million increase in energy purchases for resale; (v) a R$ 74 million decrease in royalties costs; (vi) a R$ 30 million increase in fuel costs; (vii) a R$ 26 million increase in grid usage charges; (viii) R$ 57 million in proceeds from divestments; and (ix) a R$ 14 million increase in other operating costs and expenses.

The table ahead reconciles net income and EBITDA.

Reconciliation between net income and EBITDA

Amounts in R$ million	12.31.2017	12.31.2016
Annual Net Profit	2,005	1,548
(+) Income tax and Social Contribution	619	519
(+) Net financial expenses	227	355
(+) Depreciation and amortization	649	630
EBITDA	**3,500**	**3,052**
(+) Provision for impairment	18	121
(+) Result from Corporate Participations	2	3
Adjusted EBITDA	**3,520**	**3,176**
EBITDA Margin (%)	**50.2%**	**49.3%**

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, 2016 and 2015 pursuant to IFRS and CPC accounting principles:

	December 31				
Amounts 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 sold energy 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
Provision for 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.

Cost of energy production

- 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)

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 effects: (i) greater excess thermoelectric energy exposure due to lower dispatch from this energy source; (ii) reduction in MRE revenue due to lower hydroelectric generation in the period; and (iii) 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.

h.2) Comparison of the balance sheets as of December 1, 2017, December 31, 2016 and December 31, 2015 pursuant to IFRS and CPC accounting principles

	ASSETS							
Values in R$ million	**12.31.2017**	**%**	**12.31.2016**	**%**	**12.31.2015**	**%**	**12.31.2017 *versus* 12.31.2016 (%)**	**12.31.2016 *versus* 12.31.2015 (%)**
CURRENT ASSETS								
Cash and cash equivalents	1,930	9.9	1,815	12.6	2,397	15.7	6.3	(24.3)
Accounts receivables from clients	1,058	5.4	824	5.7	774	5.1	28.4	6.5
Inventory	98	0.5	106	0.7	89	0.6	(7.5)	19.1
Fiscal credits recoverable	16	0.1	15	0.1	46	0.3	6.7	(67.4)
Restricted deposits	15	0.1	9	0.1	8	0.1	66.7	12.5
Renegotiation of hydrological risk to appropriate	26	0.1	26	0.2	26	0.2	-	-
Concession financial assets	302	1.5	-	-	-	-	100.0	-
Other current assets	285	1.5	140	1.0	1,004	6.6	103.6	(86.1)
	3,730	**19.1**	**2,935**	**20.4**	**4,344**	**28.6**	**(6.4)**	**(32.4)**
Non current asset held for sale	6	-	420	2.9	87	0.6	(98.6)	382.8
	3,736	**19.1**	**3,355**	**23.3**	**4,431**	**29.2**	**(105.0)**	**350.4**
NON CURRENT ASSETS								
Long Term Assets								
Fiscal credits recoverable	13	0.1	38	0.3	47	0.3	(65.8)	(19.1)
Restricted deposits	231	1.2	186	1.3	158	1.0	24.2	17.7
Deposits in court	101	0.5	150	1.0	132	0.9	(32.7)	13.6
Renegotiation of hydrological risk to appropriate	145	0.7	171	1.2	197	1.3	(15.2)	(13.2)
Concession financial assets	2,245	11.5	-	-	-	-	100.0	-
Other non current assets	92	0.5	67	0.4	183	1.0	37.3	(63.4)
	2,827	**14.5**	**612**	**4.2**	**717**	**4.5**	**361.9**	**(14.6)**
Investments	**19**	**0.1**	**5**	**-**	**-**	**-**	**280**	**100.0**
Property, Plant and Equipment	**11,678**	**59.6**	**10,195**	**70.7**	**9,898**	**64.7**	**14.5**	**3.0**
Intangible	**1,309**	**6.7**	**253**	**1.8**	**243**	**1.6**	**417.4**	**4.1**
	15,833	**80.9**	**11,065**	**76.7**	**10,858**	**70.8**	**43.1**	**1.9**
TOTAL	**19,569**	**100.0**	**14,420**	**100.0**	**15,289**	**100.0**	**35.7**	**(5.7)**

	LIABILITIES AND SHAREHOLDERS' EQUITY							
Values in R$ million	12.31.2017	%	12.31.2016	%	12.31.2015	%	12.31.2017 *versus* 12.31.2016 (%)	12.31.2016 *versus* 12.31.2015 (%)
CURRENT LIABILITIES								
Suppliers	617	3.2	371	2.6	574	3.8	66.3	(35.4)
Dividends and interest on equity	1,301	6.6	372	2.6	271	1.8	249.7	37.3
Loans and financing	948	4.8	283	2.0	1,713	11.2	235.0	(83.5)
Debentures and promissory notes	2,128	10.9	17	0.1	-	-	12,417.6	100.0
Concessions payable	67	0.3	65	0.5	61	0.4	3.1	6.6
Tax and social contribution obligations	181	0.9	81	0.6	18	0.1	123.5	350.0
Other fiscal and regulatory obligations	94	0.5	89	0.6	97	0.6	5.6	(8.2)
Labor obligations	95	0.5	95	0.7	108	0.7	-	(12.0)
Provision	12	0.1	35	0.2	26	0.2	(65.7)	34.6
Obligations related to retirement benefits	31	0.2	27	0.2	22	0.1	14.8	22.7
Other current liabilities	203	1.0	207	1.3	87	0.6	(1.9)	137.9
	5,677	**29.0**	**1,642**	**11.4**	**2,977**	**19.5**	**245.7**	**(44.8)**
Liabilities related to non-current assets held for sale	-	-	159	1.1	-	-	(100.0)	100.0
	5,677	**29.0**	**1,801**	**12.5**	**2,977**	**19.5**	**145.7**	**55.2**
NON-CURRENT LIABILITIES								
Loans and financing	2,868	14.7	2,001	13.9	2,353	15.4	43.3	(15.0)
Debentures and promissory notes	812	4.1	787	5.5	181	1.2	3.2	334.8
Concessions payable	2,433	12.4	2,282	15.8	2,010	13.1	6.6	13.5
Provision	78	0.4	292	2.0	247	1.6	(73.3)	18.2
Obligations related to retirement benefits	281	1.4	272	1.9	256	1.7	3.3	6.3
Deferred income taxes and social contribution	508	2.6	311	2.2	559	3.7	63.3	(44.4)
Other non current liabilities	77	0.4	60	0.4	64	0.4	28.3	(6.3)
	7,057	**36.0**	**6,005**	**41.7**	**5,670**	**37.1**	**17.5**	**5.9**
SHAREHOLDERS' EQUITY								
Capital	2,829	14.5	2,829	19.6	2,446	16.0	-	15.7
Capital reserves	-	-	-	-	92	0.6	-	(100.0)
Profit reserves	2,964	15.2	2,926	20.3	2,833	18.5	1.3	3.3
Capital increase and proposed dividends	637	3.3	410	2.8	500	3.3	55.4	(18.0)
Adjustment to equity valuation	401	2.0	446	3.1	769	5.0	(10.1)	(42.0)
	6,831		**6,611**		**6,640**		**3.3**	**(0.4)**
Non-controlling interest	4	-	3	-	2	-	33.3	50.0
	6,835	**35.0**	**6,614**	**45.8**	**6,642**	**43.4**	**3.3**	**(0.4)**
TOTAL	**19,569**	**100.0**	**14,420**	**100.0**	**15,289**	**100.0**	**35.7**	**(5.7)**

Comments on significant variations between the balance sheets for December 31, 2017 and December 31, 2016

Current assets

Cash and cash equivalents

The R$ 155 million increase was a result of a combination of the following: (i) revenues from operating activities in the amount of R$ 2,831 million, ex- payment of the concession bonus of the Jaguara and Miranda HPPs, in the amount of R$ 2,499 million; (ii) acquisition of investments in the amount of R$ 37 million; (iii) investment of R$ 1,905 million and R$ 1,051 million in fixed and intangible assets, respectively; (iv) proceeds from the divestment of Beberibe, Pedra do Sal and Areia Branca in the amount of R$ 212 million; (v) payment of dividends and interest on shareholders' capital in the amount of R$ 839 million; (vi) amortization of R$ 505 million in loans and financings; (vii) funds raised by means of loans and financing and promissory notes in the respective amounts of R$ 1,952 million and R$ 2,096 million, respectively, and largely intended for payment of the concession bonus for controlled companies Jaguara and Miranda; (viii) payment of concession installments in the amount of R$ 69 million; (ix) investment of R$ 27 million in deposits linked with debt service; and (x) R$ 44 million from other investment and financing activities.

Client accounts receivable

The R$ 234 million increase is largely due to recognition of the effects of the re-counting of amounts receivable at the CCEE from the increased CVU of the William Arjona TPP after the court agreement with the natural gas supplier, in the amount of R$ 178 million.

Inventory

The book value of energy production inputs was down R$ 13 million, due mainly to the 3.47 p.p. reduction in the percentage offset of reimbursed coal (CDE), that is, the increase in the amount reimbursed in a comparison between 2017 and 2016. The reduction was partly mitigated by the realization of a portion of the impairment provision recognized in 2016.

Earmarked deposits

The R$ 6 million change is largely explained by the increased amount of financial guarantees as a result of operations carried out in the CCEE.

Financial concession asset

On September 27, 2017, Aneel held a Non-Extended Concessions Auction (Auction 001/2017), where the company was the winning bidder for two lots corresponding to the Jaguara and Miranda HPP concession, and consequently the pro-rata allocation of their energy and power physical guarantees as per Law 12.783/2013 as amended.

The 30-year concession bonus for the Jaguara and Miranda HPPs was R$ 2,171 million and R$ 1,360 million respectively. Payment was made in a lump sum on November 30, 2017. The company calculated the present value of the future cash flows from energy to be settled at the ACR based on a 6.9% p.a. pre-tax discount rate ascertained for the purposes of these calculations. This is the rate that

best reflects the expected return from this tranche of the investments. The amount found comprises an unconditional right of the Company to collect cash restated according to the IPCA inflation rate and compensatory interest for the duration of the concession period.

Other current assets

The R$ 145 million increase is due mainly to a combination of the following: (i) R$ 112 million – recognition of amounts receivable from the divestment of subsidiaries Beberibe, Pedra do Sal and Areia Branca; (ii) 14 million – insurance indemnity for lost profits due to a loss event at the São Salvador HPP (UHSA) in December 2015, partly offset by the receipt of insurance indemnity for lost profits due to the temporary stoppage of generation units at the Jorge Lacerda Thermal Complex; (iii) R$ 11 million – addition to the outstanding income-tax offset balance; (iv) R$ 7 million — for amounts receivable associated with insurance loss events at certain of the Company's plants; (v) R$ 5 million – reduction due to pending fuel reimbursement amounts for the month of December; and (vi) R$ 3 million – unrealized gains from hedges against exchange-rate effects on loans (fair-value hedge).

Non-current assets held for sale

The R$ 414 million reduction is the result of the following: (i) completion of the divestment of indirectly controlled companies Beberibe, Pedra do Sal and Areia Branca; and (ii) write-off, due to divestment and the recognition of impairment complement, of amounts receivable from the non-operational Jacui thermal project.

Non-current assets

Long-term assets

Tax credits recoverable

The R$ 25 million reduction is largely due to the use of ICMS credits from fixed-asset acquisitions during 2017.

Restricted deposits

The change is largely explained by the increase in deposits associated with collateral for the financings of the Trairí and Santa Monica Wind Complexes pursuant to the terms of the agreements.

Court deposits

The R$ 49 million decrease is due mainly to the release of deposits associated with unappealable proceedings found in favor of the company, in the amount of R$ 55 million, partly offset by the booking of monetary restatement on court deposits and inflows arising from legal proceedings to which the company is a party.

Unappealable proceedings required maintaining the non-accrual system for the purposes of ascertaining PIS and Cofins tax bills associated with revenues from contracts with "predetermined prices".

Renegotiation of hydrological risk to appropriate

The R$ 26 million reduction is due to the amortization conducted in 2017. The R$ 145 million correspond to amounts to be offset with the risk-premium obligation in the 2018-2033 period.

Concession financial assets

The nature of the operation and the reason for the R$ 2,245 million increase are described under the heading "Current assets", item "Financial concession asset".

Other non-current assets

The R$ 25 million increase is mainly due to: (i) R$ 18 million – advances from the Campo Largo Wind Complex to owners of the land on which the wind farms are installed. These amounts will be amortized beginning in 2020, over a 13-period; and (ii) R$ 12 million – unrealized gains from hedges against the effects of exchange-rate variations on loans (fair-value hedges).

Investments

The R$ 14 million booked in 2017 concern the capital injection that the company made in its jointly controlled company ENGIE Solar.

Fixed assets

The R$ 1,483 million increase is due to the following items: (i) acquisition of assets in the amount of R$ 1,953 million; (ii) R$ 630 million in depreciation; (iii) R$ 17 million in assets re-booked as assets held for sale; (iv) capitalization of R$ 169 million in interest and monetary restatement of loans, financings and debentures; (v) write-off of R$ 30 million in assets; and (vi) reversal of impairment provisions in the amount of R$ 4 million.

Intangible

The R$ 1,056 million increase was largely due to the recognition of a portion of the concession bonus in the amount of R$ 1,031 million.

Current liabilities

Suppliers

The main factors leading to the increase in suppliers were: (i) increased balance of fossil fuels and biomass suppliers due to: (i.i) the recognition of a court agreement with the natural gas supplier in proceedings surrounding the fuel-price differential in the period from September 2014 to June 2017; and (i.ii) a share of coal payable to coal suppliers; (ii) increase in suppliers of energy purchased for resale and fixed assets; and (iii) a reduction in short-term market transactions.

Dividends and interest on shareholders' capital

The R$ 929 million increase is largely due to the credit of deferred dividends for 2017. Payment of said dividends began in January 10, 2018.

Loans and financing

The R$ 665 million increase was due to the following factors: (i) principal and interest payments in the amount of R$ 700 million, including early settlement of the financing for the São Salvador HPP (UHSA) and the Jorge Lacerda Thermal Complex with BNDES on-lending banks; (ii) inflows in the amount of R$ 680 million due mainly to funds raised largely intended for the refinancing of debt that was approaching maturity, the financing of the payment of a portion of the Jaguara and Miranda concession bonuses and the construction of the Santa Mônica Wind Complex; (iii) transfer of R$ 464 million from non-current liabilities; (iv) R$ 218 million in financial charges and foreign exchange variations; (v) fair-value adjustment and other effects for a total of R$ 5 million.

Dividends and interest on shareholders' capital

The R$ 929 million increase is largely due to the credit of deferred dividends for 2017. Payment of said dividends began in January 10, 2018.

Loans and financing

The R$ 665 million increase was due to the following factors: (i) principal and interest payments in the amount of R$ 700 million, including early settlement of the financing for the São Salvador HPP (UHSA) and the Jorge Lacerda Thermal Complex with BNDES on-lending banks; (ii) inflows in the amount of R$ 680 million due mainly to funds raised largely intended for the refinancing of debt that was approaching maturity, the financing of the payment of a portion of the Jaguara and Miranda concession bonuses and the construction of the Santa Mônica Wind Complex; (iii) transfer of R$ 464 million from non-current liabilities; (iv) R$ 218 million in financial charges and foreign exchange variations; (v) fair-value adjustment and other effects for a total of R$ 5 million.

Debentures and Promissory Notes

The R$ 2,111 increase stems from a combination of the following: (i) issuance of promissory notes by controlled companies Jaguara and Miranda with maturity in November 2018, in the amount of R$ 2,096 million. The proceeds are intended to pay for a portion of the concession bonus; (ii) R$ 67 million – recognition of interest and monetary restatement; (iii) R$ 50 million in interest amortization; and (iv) transfer of R$ 2 million to non-current assets.

Concessions payable

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

Income tax and social contribution payable

The R$ 100 million increase is due mainly to the real income increase in 2017 (the basis for income tax and social contribution bill calculations).

Other tax and regulatory liabilities

The R$ 5 million increase is largely due to the increased outstanding balance payable of ICMS and INSS, because of the lower credit taken in 2017 compared with December 2016.

Provisions

The change in current and non-current liabilities in the respective amounts of R$ 23 million and R$ 214 million is largely due to the following items: (i) reversal of the provision for the fuel purchase proceedings because of the court agreement with the natural gas supplier in a lawsuit surrounding the difference in fuel supply prices from September 2014 to June 2017; (ii) reversal of the provision un a lawsuit filed against the Fundação Eletrosul de Previdência e Assistência Social – ELOS and Eletrosul – Eletrosul Centrais Elétricas S.A., by participants in the Foundation, in which the plaintiffs requested the declaration of nullity or, alternatively, unenforceability of their options in the sense of limiting contributions to the Foundation to their contribution salaries, due to an deal with the plaintiffs; and (iii) reversal of the provision for the decommissioning of the Charqueadas TPP, due to entry into agreement with the supplier.

Retirement benefits obligations

The increase in this line (both current and non-current, in the respective amounts of R$ 4 million and R$ 9 million) is the result of the recognition of interest and the realization of actuarial assessment, partly offset by the payment of contracted obligations.

Other current assets

The change is partly explained by the following items: (i) R$ 20 million – reduction of non-realized losses in cash-flow hedge operations due to the settlement of certain operations over the course of 2017; and (ii) R$ 17 million – recognition of a complement to provisions for a potential disallowance of coal reimbursement.

Liabilities related to non-current assets held for sale

Due to the completion of the divestment process of subsidiaries Beberibe, Pedra do Sal and Areia Branca, the related non-current assets held for sale were fully written off against income.

Non-current liabilities

Loans and financing

The R$ 867 million increase is explained by the following: (i) a R$ 1,272 million inflow due mainly to loans chiefly intended to refinancing maturing debt, the financing of the payment of a portion of the concession bonuses for Jaguara and Miranda, and the construction of the Santa Mônica Wind Complex; (ii) transfer to current liabilities of R$ 464 million in debt maturing in 2017; (iii) a R$ 14 million increase from the reclassification of liabilities associated with non-current assets held for sale; (iv) financial charges and foreign exchange variation in the amount of R$ 37 million; and (v) R$ 8 million in fair-value adjustment.

Debentures and Promissory Notes

The change in this item is described in item "Current liabilities", sub-item "Debentures and Promissory Notes".

Concessions payable

The R$ 153 million increase in current and non-current liabilities is due to: (i) interest and monetary restatement in the amount of R$ 222 million; and (ii) R$ 69 million in amortization.

Provisions

The change in this entry is described in item "Current liabilities", sub-item "Provisions".

Retirement benefits obligations

The R$ 9 million change in this entry is described in item "Current liabilities", sub-item "Retirement benefits obligations".

Deferred income tax and social contribution

The R$ 197 million increase is essentially due to a combination of the following impacts on deferred taxes: (i) increased accelerated fiscal depreciation of eligible assets; (ii) reduction of the cost attributed to fixed assets (fair-value adjustment); (iii) constitution of deferred taxes on capitalized interest; and (iv) remuneration and monetary restatement of the financial concession asset.

Net shareholders' equity

The R$ 220 million reduction is a result of a combination of the following: (i) fiscal year 2017 net income of R$ 2,005 million; (ii) interim dividends and interest on shareholders' capital credited relative to 2017 in the amount of R$ 1,364 million; (iii) reversal of non-realized gains from cash-flow hedge operations in the amount of R$ 6 million; (iv) approval of R$ 410 million in proposed dividends distribution for 2016; and (v) R$ 5 million loss in the re-measuring of retirement benefits obligations.

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 R$ 1,210 million in loans, financing and debentures; (v) funds raised through loans and financing; (v) funds raised through loans and financing 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 the purchase of incentivized energy from trading companies, for resale to free consumers which have migrated from the Regulated Contracting Environment (ACR) to the Free Contracting Environment (ACL).

Inventory

The R$ 17 million increase is due mainly to greater consumable inventories, chiefly at the Jorge Lacerda and William Arjona TPPs, as a result of purchases for inventory maintenance and management. In addition, the book value of energy production inputs showed an increase due to the recognition, starting in 2016, of own coal, which was previously reimbursed by Eletrobras (CDE). On the other hand, in December 2016, the Company booked impairment provisions as a result of the winding down of the Charqueadas and Alegrete TPPs.

Tax credits recoverable

The reduction in current and non-current entries, in the respective amounts of R$ 31 million and R$ 9 million was due to the use of PIS and Cofins credits from fixed asset acquisitions from controlled company CEE over the course of 2016.

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 formally desisted from any and all legal disputes with Aneel preventing the direct application of the GSF mechanism. 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. 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 R$ 864 million reduction is a result of a combination of the following: (i) R$ 777 million – reduction in non-realized gains from cash-flow hedge operations; (ii) R$ 95 million – reduction associated with pending reimbursable fuels receipts for December; (iii) R$ 7 million – addition to advances to suppliers; (iv) R$ 5 million – decrease in the compensating balance of income tax; (v) R$ 4 million – increase in expenditures and reimbursable insured losses; (vi) R$ 1 million – increase in expenses for appropriation given an IT license and support renewal; and (vii) R$ 1 million – increase in assets and rights divestment.

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 Board of Directors has approved divestment of these subsidiaries.

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 R$ 28 million change is significantly explained by the increase in restricted deposits associated with collateral for the financing of the Trairí, Mundaú, Guajiru and Fleixeiras wind farms, as per the covenants.

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.

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, as per Normative Resolution 684/2015.

Other non-current assets

The R$ 116 million increase is mainly due to the following: (i) R$ 128 million – reduction in unrealized gains from cash-flow hedge operations; and (ii) R$ 22 million – reduction 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, by means of a capital increase subscription. 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 main factors leading to the R$ 203 million reduction in suppliers were: (i) in December 2015, a portion of this account's balance was "Suppliers – short-term market transactions", with respect to

the amount owed to CCEE, net of amounts receivable, because of hydrological risk renegotiation and the postponement of Short-Term Market financial settlements; (ii) reduction of the balance of fossil fuel and biomass suppliers due to: (ii.i) the smaller amount of coal purchased for the Jorge Lacerda and Charqueadas TPPs; and (ii.ii) smaller natural gas purchases due to lower dispatching from the William Arjona TPP; and (iii) a reduction of suppliers of energy for resale and 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 relative to non-current assets held for sale at R$ 18 million..

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 new enrollments in the program, which reopened in 2016, as well as to the annual restatement in employee compensation and benefits. It is worth mentioning that the restatement percentage was not defined in 2016, so that an amount equivalent to 10% was provisioned for this adjustment.

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 were: (i) R$ 87 million – recognition of provisions for the potential disallowance of the coal reimbursement for 2016 – if the disallowance does occur, the Company will have to pay Eletrobras the disallowed amount; and (ii) R$ 22 million – unrealized losses from 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 issuance by the Company of 600,000 simple, non-convertible, secured debentures in two series with R$ 1 face value, for a total of R$ 600 million; (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 in current and in non-current liabilities of R$ 276 million is 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 item "Current liabilities", sub-item "Provisions".

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 R$ 248 million decrease is essentially due to the settlement of swap operations contracted by the Company, leading to the creation of an Income Tax and Social Contribution of Net Profit tax liability over this amount.

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 proposed dividends

for 2015 in the amount of R$ 209 million; and (v) loss in the reassessment of retirement benefits liabilities in the amount of R$ 5 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	12.31.2017	%	12.31.2016	%	12.31.2015	%	12.31.2017 *versus* 12.31.2016 (%)	12.31.2016 *versus* 12.31.2015 (%)
NET REVENUE								
Electricity distributors	2,687	72.2	3,114	103.5	3,046	93.4	(13.7)	2.2
Electricity traders	601	16.1	320	10.6	209	6.4	87.8	53.1
Free consumers	3,162	85.0	2,834	94.2	2,916	89.5	11.6	(2.8)
Transactions in the short-term market	467	12.5	117	3.9	303	9.3	299.1	(61.4)
Remuneration of concession financial assets	48	1.3	-	0.0	-	0.0	100.0	-
Other revenues	45	1.2	57	1.9	38	1.2	(21.1)	50.0
	3,722	**100.0**	**3,008**	**100.0**	**3,257**	**100.0**	**23.7**	**(7.6)**

Comparative analysis of material variations in the components of net operating revenues between the fiscal years ending on December 31, 2017 and December 31, 2016

Electricity distributors

In 2017, revenue reached R$ 2,687 million, down 13.7% from 2016's R$ 3,114 million. The decrease is due to a 3,483 GWh (393 aMW) decrease in the volume of energy sold, partly mitigated by the increased net average selling price due to the period's inflation.

The YoY sales volume decrease is mostly due to the term of the Existing Energy Auction contract in late 2016 (343 aMW), together with reductions arising from the Surpluses and Deficits Compensation Mechanism (MCSD). In addition, the change in average price was due to the effects of the term of the contract stemming from said Auction in 2016, price of which was lower than average for contracts now in force.

Electricity trading companies

Revenues from sales to trading companies reached R$ 601 million in 2017, up 87.8% from 2016's R$ 320 million. The increase is a product of the following: (i) R$ 293 million — 95.3%, or 2,088 GWh (239 aMW) increase in the volume of energy sold; and (ii) R$ 12 million — a 3.8% decrease in the average net selling price.

The change in volume seen in the periods at hand was the result of increased sales of conventional energy, together with the purchase of incentivized energy for resale to free consumers migrating from the Regulated Contracting Environment (ACR) to the Free Contracting Environment (ACL). The price reduction was mostly due to new agreements at prices lower than the average prices under existing contracts.

Free consumers

In 2017, revenues from sales to free consumers reached R$ 3,162 million, up 11.6% from 2016's R$ 2,834 million. The increase is related to the following: (i) R$ 404 million — a 2,443 GWh (284 aMW), or 14.7%, increase in energy sales volume; and (ii) R$ 76 million — a 2.7% decrease in the net average price of energy sold. The free consumers portfolio went from 228 in 2016 to 280 in 2017, up 22.8%.

This increase in quantities sold is basically associated with the greater volume of incentivized energy sales to customers migrating from the ACR to the ACL, including the energy generated by the Santa Monica Wind Complex, with physical guarantee of 47.4 aMW and the majority of whose wind farms entered into commercial operations in early 2017. The drop in price was significantly due to the termination of sales contracts with prices in excess of the average applicable to now contracts.

Short-term market transactions including within the CCEE

In 2017, there was a R$ 350 million increase in revenues from short-term transactions, including within the CCEE, compared with the previous year, from R$ 117 million in 2016 to R$ 467 million in 2017, corresponding to a 299.1% increase. Additional details on these operations and variations are provided in "item 10.1.h.1", sub-item "Details on short-term operations – especially transactions within the CCEE".

Financial Concession Asset Remuneration

An amount equivalent to 70% of the physical guarantee of Jaguara e Miranda HPPs, acquired on September 27, 2017, will be remunerated for the unconditional cash receipts right through the Concession Bonus Return (RBO). Therefore, accounting practices require a portion equivalent to the amount paid for the concession to be booked as a financial asset and that the asset's remuneration be recognized as financial operating revenues.

The amount of this remuneration recognized in the period from November 10 to December 31 at the Jaguara and Miranda HPPs was respectively R$ 29.7 million and R$ 18.2 million.

Comparative analysis of material variations in net operating revenue between the fiscal years ending on 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)".

(ii) fatores que afetaram materialmente os resultados operacionais

Os fatores que afetaram materialmente os resultados operacionais da Companhia nos anos de 2017, 2016 e 2015 estão mencionados a seguir. Informações complementares sobre eles foram detalhadas nos itens 10.1.h e 10.2.a.(i).

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

Year of 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.

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

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

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 2017 was about R$ 11 million, and in the years 2016 and 2015, approximately R$ 33 million and R$ 37 million, respectively.

Fuel for electric energy production: at the end of 2017 the William Arjona TPP was unavailable for dispatch by the National Electric System Operator (ONS) because of the inability to renew the gas supply contract at prices that justified continued economical operation of the Plant. On February 20, 2018, after a request from the Company, Aneel revoked the Plant's concession. In 2017, the company reversed the provision for the fuel purchase process as a result of a court agreement with the natural gas supplier in proceedings involving the difference in fuel prices from September 2014 to June 2017. The cost of the fuel was recognized simultaneously with the reversal, eliminating the effects of this additional cost on the Company's operating results.

In 2016, the unit price of gas was reduced because the William Arjona TPP was dispatched by the National Electric System Operator (ONS) only in the months of January and February. In 2015, the Brazilian Real's depreciation relative to the US Dollar affected the increase in the unit price of gas.

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.

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$ 15 million, 47 million and R$ 35 million in 2017, 2016 and 2015, respectively.

Financial remuneration for the use of water resources (royalties) - The amount corresponds to 7.0% 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. For fiscal year 2017, the TAR had a 22.7% reduction and the positive impact on the Company's cost was approximately R$ 34 million. In 2016 and 2015, the negative impacts arising from the 9.5% and 6.7% restatements were respectively R$ 16 million and e R$ 11 million.

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

Currency exposure

In 2017, the Company contracted US Dollar-denominated loans in the total amount of US$ 500,000, equivalent to R$ 1,631,280. To protect the entirety of future payments flows from exchange rate fluctuations, the Company contracted swaps with the Brazilian subsidiaries of the financial institutions that extended to loans at the same amounts and with the same interest and principal due dates.

In 2016, the company settled the entirety of its US Dollar-Denominated debt with HSBC, Mizuho and Tokyo and their respective swap operations with the Brazilian subsidiaries were settled in full.

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

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

Exposure to interest rates and fluctuating indexes

The company is exposed to fluctuating interest rates and indices related to variations in TJLP, the DI rate, IPCA and IGP-M.

On December 31, 2016, the Company was not exposed to the CDI because that year US Dollar-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 2017, 2016 and 2015 were as follows:

(Values in R$ million)	Loans, financing, debentures and promissory notes	Concessions payable	Total
Fiscal Year ending 12.31.2017			
- Interest	133	217	350
- Monetary restatement	34	4	38
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

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

2017

The Company manages its business as a single operating segment made up of the generation and sales of the electricity generated by its assets or purchased under medium- and long-term contracts. This segment concentrated 99.4% of consolidated net revenues from sales made in 2017.

No operating segments were introduced or divested in 2017.

On December 15, 2017, at Transmission Auction 02/2017, the Company was the winning bidder for Lot 1, in the State of Paraná, for a total extension of approximately 1,050 km of power lines. The deadline for startup of the power line is March 9, 2023, with a concession period, including construction, assembly and maintenance of the transmission facilities, of 30 years from the date of entry into the concession contract, which is scheduled to occur on March 9, 2018.

2016 and 2015

The Company manages its business as a single operating segment made up of the generation and sales of the electricity generated by its assets or purchased under medium- and long-term contracts. This segment concentrated 99.4% of consolidated net revenues from sales made in 2016 and 2015.

No operating segments were introduced or divested in 2016.

b. Constitution, acquisition or disposal of a corporate stake

2017

The main information in connection with the acquisition, incorporation and divestment of equity shares for the Company are as follows:

- Companhia Energética Jaguara and Companhia Energética Miranda

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

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

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

- Umburanas Wind Complex

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

- Divestment – Beberibe and Pedra do Sal Wind Farms and the Areia Branca Small Hydroelectric Plant

On October 31, 2017, the Company completed the divestment of the entirety of its and its direct controlled company ENGIE Brasil Energias Complementares Participações Ltda.'s ("ECP") equity stake in Eólica Beberibe S.A., Eólica Pedra do Sal S.A. and Hidrelétrica Areia Branca S.A. for R$ 321 million, after price adjustments, net of PIS and Cofins and after meeting all precedent conditions provided in the equity purchase and sale agreement. The plants that belong to the divested indirectly

controlled companies have total installed capacity of 63.4 MW and total commercial capacity of 23.9 aMW.

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.

- Assú Project

In November 2015, ECP, a directly controlled entity of 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 and commercial operations began in December 2017. 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 Small 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 6, 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.

c. Unusual events or operations

2017

The key unusual events affecting the Company's results in fiscal year 2017 were as follows: (i) on October 31, 2017, after meeting the agreed conditions precedent, the Company effected the sale of controlled companies Eólica Beberibe, Eólica Pedra do Sal and Pequena Central Hidrelétrica Areia Branca, recognizing in 4Q17 R$ 56.9 million in proceeds from divestments; (ii) complement of the impairment provision in the amount of R$ 18 million, of which R$ 2 million concern non-operating assets of the Jacuí thermal project and R$ 16 million relate to thermal generation assets; (iii) reversal of the provision for estimated future expenditures for decommissioning the Charqueadas TPP, in the amount of R$ 15 million, given the agreement entered into with the outsourced company that will be responsible for disassembly , removal and transportation of the Plant's assets; and (iv) insurance loss event at a generating unit of the São Salvador HPP (UHSA), resulting in an indemnity for long-term lost profits in the amount of R$ 22 million.

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.

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 12.31.2017, 12.31.2016 and 12.31.2015.

b. Significant effects of the changes in accounting practices

There were no significant changes in the Company's accounting practices for fiscal years ending 12.31.2017, 12.31.2016 and 12.31.2015 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 12.31.2017, 12.31.2016 and 12.31.2015 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 are considered important in showing the Company's financial condition and results and require the most difficult, subjective or complex judgments by Management, often as a result of the need to make estimates that impact matters that are inherently uncertain. As the number of variables and assumptions increases, affecting the possible future resolution of the uncertainties, these judgments become even more subjective and complex.

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

The actual results can differ from estimates due to variables, assumptions and 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, especially when in the form of fixed 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) pension plan assets marking to market on the date of the balance sheet.

In the actuarial calculations, actuarial consultants also use subjective factors such as mortality tables, estimated inflation, 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 and experience 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, 2017, 2016 and 2015.

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, 2017, 2016 and 2015.

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 2017, the Company reported work in progress essentially at the Campo Largo and Umburanas Wind Complexes and the Pampa Sul TPP. The Company projects the 2018 launch of works in connection with the power lines stemming from Auction 02/2017, which Aneel held on December 15, 2017, as well as the modernization of the Salto Osório HPP. The amount invested in 2017 was R$ 5,538 million, of which R$ 1,674 million came from own funds and R$ 3,864 million, from third-parties' capital.

The investments made in 2017 and scheduled for the period from 2018 to 2020 as at December 31, 2017, are as follows:

Amounts in R$ million	Actual 2017	Forecast 2018	Forecast 2019	Forecast 2020
Financing with third-party capital	3.,864	2,708	1,130	474
Financing with own capital	1,674	397	(228)	669
	5,538	**3,105**	**902**	**1,143**

The predicted amount to be financed with own capital in 2019 involves the recovery of amounts invested in previous periods by means of debt.

In 2017, the Company invested R$ 1,738 million in the construction of new plants: (i) R$ 866 million –Pampa Sul TPP; (ii) R$ 667 million – wind farms under construction in Northeast Brazil; and (iii) R$ 205 million –Assú V Photovoltaic Project. In addition, on September 27, 2017, the Company acquired for R$ 3,535 million the concessions for the Jaguara and Miranda HPPs at Aneel's Non-Extended Concessions Auction (Auction 01/2017). Finally, new wind projects were acquired for a total amount of R$ 27 million.

In the same year, the Company invested R$ 172 million in maintenance and upgrading of its generator complex in order to maintain a high degree of plant uptime. These investments were mainly channeled to major maintenance work at the Jorge Lacerda Thermal Complex, where total investment was R$ 72 million, and general equipment at the corporate headquarters, in the amount of R$ 32 million. Furthermore, investments of R$ 58 million and R$ 8 million respectively were made in the modernization of the Salto Santiago and Salto Osório HPPs.

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 2018 are: (i) continued work on the modernization of Salto Osório Hydroelectric Power Plant; (ii) ongoing construction work on the Campo Largo and Umburanas Wind Complexes and Pampa Sul TPP; (iii) startup of construction work associated with the power lines from Auction 002/2017 held by Aneel on December 15, 2017; and (iv) 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. The remainder is covered with own funds, which usually come from capital injections from the controlling company ENGIE Brasil Energia. The Controlling Company raises funds through bank loans or capital market issues that are usually channeled to said injections.

(iii) relevant divestments in progress and expected divestments

Charqueadas TPP

The Charqueadas TPP, in the state of Rio Grande do Sul, was decommissioned on November 25, 2016, due to the Company's business model and de-carbonization outlook, as well as lack of financial viability. In December 2017, the Company entered into a decommissioning contract for the Plant, under which the contractors take responsibility for disassembling, removing, packaging and transporting the Plant's assets.

Beberibe and Pedra do Sal Wind Farms and Areia Branca SHP

On October 31, 2017, ECP completed the divestment of its entire stake in subsidiaries Eólica Beberibe S.A., Eólica Pedra do Sal S.A. and Pequena Central Hidrelétrica Areia Branca S.A., after meeting every condition precedent provided in the equity purchase and sale agreement. The divested plants have total installed capacity of 63.4 MW and total commercial capacity of 23.9 aMW. The capital gain from the sale of the assets was R$ 57 million.

Jorge Lacerda Thermoelectric Complex and Pampa Sul TPP

On December 13, 2017, the Company announced to its shareholders and the market at large that it granted exclusive rights to ContourGlobal to carry out due diligence in connection with the divestment of the Jorge Lacerda Thermal Complex and the Pampa Sul Thermal Complex, made up of the plant under construction and the developing project respectively named Pampa Sul TPP and e Pampa Sul 2. The terms and conditions of the deal, if the negotiations succeed, will be subject to approval from the Company's management and shareholders, as well as that of the relevant government authorities.

William Arjona TPP

Immediately after the court agreement with the natural gas supplier for the William Arjona TPP in proceedings involving the difference in fuel supply prices from September 2014 to June 2017, the Company placed a request before Aneel to suspend operations at the Plant because of lack of economic viability. The request was granted in decision 2.638 SFG/Aneel, of August 24, 2017. As such, by the end of the year, the Plant was unavailable for dispatch from the Operator. On February 20, 2018, Aneel granted authority to revoke the plant concession, as requested by the Company.

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, unveiled the Jirau HPP in December 2016, 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 2017, ENGIE Participações continued evaluating the transfer of this stake to the Company. The process is set to continue in 2018 with the involvement of the Special Independent Committee for Transactions with Related Parties. ENGIE Participações hired Banco Itaú BBA to provide financial advisory services in preparing the economic and financial study for the purposes of drafting the transfer proposal.

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 2017, the Company and its controlled companies recorded a balance of R$ 86 million for investments in proprietary projects, of which R$ 47 million relates to R&D projects already being executed.

A substantial portion of this amount is already committed and concerns research and development projects aimed: (i) at developing and certifying an air generator with domestic technology and 3.3 MW in nominal power, in a partnership with manufacturers WEG S.A; and (ii) at exploring every possible role that an energy storage system may play, including the evaluation of systems using electrochemical batteries for centralized large-scale applications, small- and medium-size distributed generation applications, and individual and collective electric vehicles, with the Federal University of Santa Catarina and Guascor do Brasil Ltda. (Siemens group) as partners. We estimate total investments of around R$ 201 million and R$ 25 million for the two projects, of which an approximate R$ 84 million and 19 million, respectively, will be financed with R&D resources from the Company and its Controlled Companies.

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$ 2,003 million (Controller)
2.a) Inform the total amount of dividends, including interim dividends and interest on shareholders' equity already declared	R$ 2,000 million
2.b) Inform the dividends per share, including interim dividends and interest on shareholders' equity already declared	R$ 3.0642635985 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$ 637 million, corresponding to R$ 0.9755096548 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 11, 2018
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$ 939 million interim dividends and R$ 424 million in credit of interest on shareholders' equity
b) Inform the date of the respective payments	Payout of interim dividends began on January 1, 2018 and the interest on shareholders' equity on March 27, 2018.
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	2017 = R$ 3.0692234702 2016 = R$ 2.3704662348 2015 = R$ 2.2985989077
b) Dividends and interest on shareholders equity distributed over the last 3 fiscal years	2017 = R$ 3.0642635985 2016 = R$ 2.2786046398 2015 = R$ 1.2788764646
8) If profits are allocated to the legal reserve	
a) Identify the amount allocated to the legal reserve	Not applicable because the allocated amount has already reached the legal limit of 20% of the paid-in equity capital.
b) Detail the calculation of the legal reserve	Not applicable for 2017. Where applicable, corresponds to 5% of the annual net profit

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 losses deemed probable and their cause	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$ 38 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) and the Northeast Development Agency (Sudene). This benefit corresponds to a 75% reduction in income tax levied on the profits from activities of plants that have been granted the benefit. 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

ATTACHMENT III – COMPOSITION OF THE BOARD OF DIRECTORS AND FISCAL COUNCIL

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

BOARD OF DIRECTORS (candidates named for the slate)

Name	Date of birth	Management body	Election date	Independent member
CPF or Passport	Profession	Elected position held	Tenure date	Nominated by the controlling shareholder
Other positions or functions		Number of terms of office	Term of office	Attendance at 2016 BoD meetings
Maurício Stolle Bähr	**09.17.1957**	**Member of the Board of Directors Only**	**04.11.2018**	**No**
748.528.847-49	Engineer	20 – Chairman of the Board	04.11.2018	Yes
Strategic Committee Member		14 (fourteen)	AUG 2020	100%
Dirk Achiel Marc Beeuwsaert	**01.14.1948**	**Member of the Board of Directors Only**	**04.11.2018**	**No**
EK083845	Engineer	22 - Board of Directors (Full Member)	04.11.2018	Yes
Strategic Committee Member		11 (eleven)	AUG 2020	18%
Manoel Arlindo Zaroni Torres	**12.18.1949**	**Member of the Board of Directors Only**	**04.11.2018**	**No**
115.116.056-34	Engineer	21 – Vice-President of the Board	04.11.2018	Yes
-		13 (thirteen)	AUG 2020	91%
Pierre Jean Bernard Guiollot	**04.21.1968**	**Member of the Board of Directors Only**	**04.11.2018**	**No**
12CE76848	Business Administrator	22 - Board of Directors (Full Member)	04.11.2018	Yes
Strategic Committee Member		2 (two)	AUG 2020	0%
Paulo Jorge Tavares Almirante	**08.24.1964**	**Member of the Board of Directors Only**	**04.11.2018**	**No**
M619074	Engineer	22 – Board of Directors (Full Member)	04.11.2018	Yes
Strategic Committee Member		2 (two)	AUG 2020	9%
Claude Emile Jean Turbet	**14.08.1958**	**Member of the Board of Directors Only**	**04.11.2018**	**No**
16AI14529	Engineer	22 – Board of Directors (Full Member)	04.11.2018	Yes
Strategic Committee Member		0 (zero)	AUG 2020	-

Name	Date of birth	Management body	Election date	Independent member
CPF or Passport	Profession	Elected position held	Tenure date	Nominated by the controlling shareholder
Other positions or functions		Number of terms of office	Term of office	Attendance at 2016 BoD meetings
Paulo de Resende Salgado	**07.02.1945**	**Board Member only**	**04.11.2018**	**Yes**
161.008.917-00	Economist	27 – Independent Board Member (Full)	04.11.2018	Yes
-		0 (zero)	AUG 2020	-
Roberto Henrique Tejada Vencato	**10.14.1964**	**Board Member only**	**04.11.2018**	**No**
412.103.280-20	Electricity Worker	22 - Board of Directors (Full)	04.11.2018	No
Sustainability Committee Member		6 (six)	AUG 2020	73%
José Pais Rangel	**09.09.1940**	**Board Member only**	**04.11.2018**	**Yes**
239.775.667-68	Attorney	27 - Independent Board Member (Full)	04.11.2018	No
-		7 (seven)	AUG 2020	100%
Natacha Herero Et Guichard Marly	**08.02.1971**	**Board Member only**	**04.11.2018**	**No**
063.612.577-70	Attorney	23 - Board of Directors (Alternate Member)	04.11.2018	Yes
-		0 (zero)	AUG 2020	0%
Gil de Methodio Maranhão Neto	**01.18.1963**	**Board Member only**	**04.11.2018**	**No**
734.574.937-15	Business Administrator	23 - Board of Directors (Alternate Member)	04.11.2018	Yes
-		7 (seven)	AUG 2020	64%
Karin Koogan Breitman	**04.18.1969**	**Board Member only**	**04.11.2018**	**No**
375.914.877-87	Engineer	23 - Board of Directors (Alternate Member)	04.11.2018	Yes
-		0 (zero)	AUG 2020	-
Simone Cristina de Paola Barbieri	**03.14.1971**	**Board Member only**	**04.11.2018**	**No**
149.142.418-46	Psychologist	23 - Board of Directors (Alternate Member)	04.11.2018	Yes
-		2 (two)	AUG 2020	73%
Raphael Vincent Philippe Barreau	**12.20.1975**	**Board Member only**	**04.11.2018**	**No**
064.169.627-21	Business Administrator	23 - Board of Directors (Alternate Member)	04.11.2018	Yes
-		0 (zero)	AUG 2020	-

Name	Date of birth	Management body	Election date	Independent member
CPF or Passport	Profession	Elected position held	Tenure date	Nominated by the controlling shareholder
Other positions or functions		Number of terms of office	Term of office	Attendance at 2016 BoD meetings
Leonardo Augusto Serpa	**01.07.1980**	**Board Member Only**	**04.11.2018**	**No**
026.127.629-81	Engineer	23 – Board of Directors (Alternate)	04.11.2018	Yes
-		0 (zero)	AUG 2020	-
Antonio Alberto Gouvêa Vieira	**08.31.1955**	**Board Member Only**	**04.11.2018**	**Yes**
338.907.227-68	Attorney	28 - Independent Board Member (Alternate)	04.11.2018	Yes
-		7 (seven)	AUG 2020	55%
Luiz Antônio Barbosa	**05.26.1956**	**Board Member Only**	**04.11.2018**	**Yes**
343.757.249-00	Electricity Worker	28 - Independent Board Member (Alternate)	04.11.2018	No
-		14 (fourteen)	AUG 2020	27%
José João Abdalla Filho	**05.30.1945**	**Board Member Only**	**04.11.2018**	**Yes**
245.730.788-00	Banker	28 - Independent Board Member (Alternate)	04.11.2018	No
-		4 (four)	AUG 2020	-

CONSELHO FISCAL (nominated candidates)

Name	Date of birth	Management body	Election date	Independent member
CPF or Passport	Profession	Elected position held	Tenure date	Nominated by the controlling shareholder
Other positions or functions		Number of terms of office	Term of office	Attendance at 2016 BoD meetings
Carla Carvalho de Carvalho	**12.18.1965**	**Fiscal Council**	**04.11.2018**	**No**
863.499.377-91	Attorney	40 – Chairwoman of the F.C. – Appointed by the controlling shareholder	04.11.2018	Yes
-		0 (zero)	AUG 2019	-
Carlos Guerreiro Pinto	**06.17.1942**	**Fiscal Council**	**04.11.2018**	**No**
047.615.457-04	Business Administrator	43 - F.C. (Full Member) –Appointed by the controlling shareholder	04.11.2018	Yes
-		10 (ten)	AUG 2019	100%
Manoel Eduardo Lima Lopes	**07.07.1943**	**Fiscal Council**	**04.11.2018**	**Yes**
046.227.237-00	Accountant	45 – F.C. (Alternate) – Elected by minority Common Shareholders	04.11.2018	No
-		15 (fifteen)	AUG 2019	100%
Waltamir Barreiros	**08.04.1953**	**Fiscal Council**	**04.11.2018**	**No**
242.690.507-72	Accountant	46 – F.C. (Alternate) Appointed by the controlling shareholder	04.11.2018	Yes
-		0 (zero)	AUG 2019	-
Manoel Eduardo Bouzan de Almeida	**04.03.1952**	**Fiscal Council**	**04.11.2018**	**No**
269.006.377-87	Accountant	46 – F.C. (Alternate) Appointed by the controlling shareholder	04.11.2018	Yes
-		14 (fourteen)	AUG 2019	-
Ailton Pinto Siqueira	**08.03.1939**	**Fiscal Council**	**04.11.2018**	**Yes**
006.936.346-34	Banker	48 – F.C. (Alternate) – Appointed by minority Common shareholders	04.11.2018	No
-		15 (fifteen)	AUG 2019	-

Maurício Stolle Bähr - 748.528.847-49

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

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

Dirk Achiel Marc Beeuwsaert – EK083845

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

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

Manoel Arlindo Zaroni Torres - 115.116.056-34

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

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

Pierre Jean Bernard Guiollot - 12CE76848

Born on April 21, 1968. Utilities degree from Sciences Po Paris. Was accounting manager at ENGIE S.A. from 2008 to 2012. In 2013 he became Chief Financial Officer of the international energy division of ENGIE S.A. and has since 2014 been a member of the Board of Directors of Glow Energy PCL.
The nominee is capable of issuing a statement to the effect that he or she has not been: i) convicted on criminal charges; ii) convicted in a CVM proceeding; or iii) unappealably convicted in the judiciary or administrative spheres, such that he or she has been suspended or barred from any professional or commercial activity.

Paulo Jorge Tavares Almirante

Born on August 24, 1964. Has a degree in engineering and a master's degree in mechanical engineering from Universidade Técnica de Lisboa, a diploma in managerial studies from Universidade Católica de Lisboa, and attended London Business School's global leadership development program. Has more than 25 years' experience in the electric energy and gas industries. Was an International Power PLC officer for the Iberian region from 2004 to 2013, with responsibility for the executive management of business in Portugal and Spain, and CEO of TrustEnergy from 2013 to early 2016, responsible for the executive management of ENGIE Europa's business in Portugal, and CEO of Portgás, a concessionaire for the implementation of a natural gas network in 29 Portuguese municipalities. Currently CEO of the Generation Business Unit in Europe and Vice-Chairman of the Executive Committee, both at ENGIE. Was also a member of the Portuguese consultative energy regulation committee and is the vice-president of the Portuguese electric energy association.
The nominee is capable of issuing a statement to the effect that he or she has not been: i) convicted on criminal charges; ii) convicted in a CVM proceeding; or iii) unappealably convicted in the judiciary or administrative spheres, such that he or she has been suspended or barred from any professional or commercial activity.

Claude Emile Jean Turbet

Born on August 14, 1958. Has a degree in engineering from École Centrale Paris. Most of his career was with the ENGIE Group, devoting his early professional years to R&D in gas-related activities. From 1990 to 2008, held various positions, such as profit-center officer, technical officer and energy services projects officer. From 2008 to 2012 was executive vice-president of Cofely France and contributed to the creation of the company, a leader in energy efficiency solutions for BtoB customers. Was appointed Corporate Solutions Officer (métier BtoB) in January 2016.
The nominee is capable of issuing a statement to the effect that he or she has not been: i) convicted on criminal charges; ii) convicted in a CVM proceeding; or iii) unappealably convicted in the judiciary or administrative spheres, such that he or she has been suspended or barred from any professional or commercial activity.

Paulo de Resende Salgado - 161.008.917-00

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

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

Roberto Henrique Tejada Vencato - 412.103.280-20

Born on October 14, 1964. Has a Law degree from Pontifícia Universidade Católica de Porto Alegre. Admitted to Eletrosul in June 1984, in the operations area. Subsequently moved to the administrative area, posted to Charqueadas TPP. Formerly a member of the Fiscal Council of PREVIG Sociedade de Previdência Complementar. Is a union manager cleared to address class issues since 1990.

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

José Pais Rangel - 239.775.667-68

Born on September 9, 1940. Has a Law degree from Faculdade Cândido Mendes (RJ), is a Licensed Professor of Law from Faculdade Niteroiense de Formação de Professores. Has attended a Capital Markets course in the United States (Central Bank of Brazil/USAID agreement – 1977) and interned at (i) the US Treasury Department; (ii) the New York Stock Exchange; and (iii) the Chicago Mercantile Exchange. Is a Vice-President of Banco Clássico S.A.; a member of the Board of Directors of Companhia Distribuidora de Gás do Rio de Janeiro – CEG; a member of the board of Directors of Kepler Weber S.A.; CVM-certified Investment Funds Manager and a member of the Board of Directors of Companhia Energética de Minas Gerais, Cemig Distribuição S.A., and Cemig Geração e Transmissão S.A., and a member of the Board of Directors of the Company. Was also a founder and member of the Board of Curators of Fundação Banco Central de Previdência Privada (CENTRUS); a coordinator of the De-Nationalization Program for publicly traded government companies controlled by the Central Bank of Brazil; Chairman of the Board of Companhia América Fabril; a full member of the Board of Companhia Fábrica de Tecidos Dona Isabel; and CEO of Companhia Nacional de Tecidos Nova América.

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

Natacha Herrero Et Guichard Marly - 063.612.577-70

Born on August 2, 1971. Has a Law degree from the University of Madrid, is a master of financial law ESCP (Ecole Supérieure de Commerce de Paris) and in European, corporate and tax law from the University of Pau, and has attended an international law course at the University of Stockholm. She joined the ENGIE Group in 2002. Was deputy general counsel for ENGIE, in charge of all of the group's legal affairs in Morocco, and Chief Legal Officer of the ENGIE group in the Middle East. From 2012 to 2015 she was a member of the Board of Directors of SAFI Energy Company, a specific purpose entity for the implementation of a thermal power plant in southern Morocco and, in the same period, was also secretary of International Power Al Magrib, the company responsible for all ENGIE activities in Northern Africa, and of Tarec the entity responsible for operating a wind farm in the Tarfaya region. She is currently General Counsel and Ethics Officer at ENGIE Brasil. In addition, in 2015 she was a member of the Board of Directors of CAS (Casablanca American School), a not-for-profit organization active in the education area in Northern Africa.

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

Gil de Methodio Maranhão Neto - 734.574.937-15

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

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

Karien Koogan Breitman – 375.914.877-87

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

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

Simone Cristina De Paola Barbieri – 149.142.418-46

Born March 14, 1971, graduated in Psychology from the Universidade de São Paulo (USP). She has an Executive MBA in Global Management from SOCIESC and Universidade Lusófona of Lisbon and 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 nominee is capable of issuing a statement to the effect that he or she has not been: i) convicted on criminal charges; ii) convicted in a CVM proceeding; or iii) unappealably convicted in the judiciary or administrative spheres, such that he or she has been suspended or barred from any professional or commercial activity.

Raphael Vincent Philippe Barreau – 064.169.627-21

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

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

Leonardo Augusto Serpa – 026.127.629-81

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

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

Antonio Alberto Gouvêa Vieira - 338.907.227-68

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

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

Luiz Antônio Barbosa - 343.757.249-00

Born on May 26, 1956. An Electricity Worker. Former Director of the Association of Eletrosul Employees – ASES, and a delegate at the Eletrosul Professionals' Association (APROSUL). Director of the Santa Catarina State Electricity Workers' Union (SINTRESC). Alternate member of the Company's Board of Directors, elected by the employees.

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

José João Abdalla Filho - 245.730.788-00

Born on May 30, 1945. Has a degree in Economics from Universidade Mackenzie. CEO and controlling shareholder of Banco Clássico S.A.; alternate member of the Board of Directors of Companhia Distribuidora de Gás do Rio de Janeiro – CEG; CEO of Dinâmica Energia S.A.; CEO of Social S.A. Mineração e Intercâmbio Comercial e Industrial; alternate member of the Board of Directors of Companhia Energética de Minas Gerais, Cemig Distribuição S.A., Cemig Geração e Transmissão S.A. and of the Company.

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

FISCAL COUNCIL

Carla Carvalho de Carvalho - 863.499.377-91

Born on December 18, 1965. Has a Law degree from Universidade Federal Fluminense - UFF, a Graduate degree in Tax Law from Universidade Estácio de Sá; an Executive MBA from COPPEAD-UFRJ, and a Graduate degree in Civil, Law from Escola Superior de Advocacia – OAB/RJ. Formerly an advisor in the Financial Market, Capital Markets and Corporate Finance areas of Banco Nacional S.A.; advisor to the Comptroller of Banco Boa Vista; legal advisor for Serra da Mesa Energia S.A. for the implementation of the Serra da Mesa HPP; and Legal Superintendent of GDF Suez Energy Brasil Ltda., as well as a member of the Environmental Committee of the French-Brazilian Chamber.

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

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

Manoel Eduardo Lima Lopes - 046.227.237-00

Born on July 7, 1943. Has degrees in Accounting and Law from Universidade do Estado do Rio de Janeiro. Former Auditor-General and Accounting and Comptrollership Superintendent of Banco do Estado do Rio de Janeiro S.A. (BANERJ), a consultant for and officer at Banco Clássico S.A., and Comptrollership Manager of IRB – Brasil Resseguros S.A. Currently an officer at Banco Clássico S.A. and an alternate member of the Board of Directors of Companhia do Gás do Rio de Janeiro.

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

Waltamir Barreiros - 242.690.507-72

Born on August 4, 1953. Has a degree in Accounting from Universidade Federal de Santa Catarina (UFSC) and a post-graduate degree in Auditing from UFSC. Is a member and Financial Director of the Academia Catarinense de Ciências Contábeis. Formerly employed at Eletrosul – Centrais Elétricas S.A. from March 1975 to December 1997, holding various positions in the accounting/tax area and serving as Accounting Department Manager. Formerly Accounting Department Manager at Tractebel Energia S.A. (currently ENGIE Brasil Energia S.A.) from December 1997 to May 2005, and Tax Governance Department Manager from May 2005 to April 2014. Former professor of the Accounting Sciences Department at UFSC, 20 weekly hours regime, from August 1985 to February 2015. Former Full Member of the Administrative Tax Appeals Board – CARF, from September 2015 to August 2016. Former full member of the Fiscal Council of Fundação Eletrosul de Previdência e Assistência Social – ELOS, of the Centro de Pesquisas de Energia Elétrica – CEPEL, and of the Brazilian Energy Concessionaires Association – ABCE. Chairman of the Fiscal Council of Energia Sustentável do Brasil since May 2008. A member of the Tax and Legislative Affairs Chamber at FIESC.

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

Manoel Eduardo Bouzan de Almeida - 269.006.377-87

Born April 3, 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.

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

Ailton Pinto Siqueira - 006.936.346-34

Born August 3, 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 nominee is capable of issuing a statement to the effect that he or she has not been: i) convicted on criminal charges; ii) convicted in a CVM proceeding; or iii) unappealably convicted in the judiciary or administrative spheres, such that he or she has been suspended or barred from any professional or commercial activity.

12.7/8 Composition of the committees

Name	Committee Type	Position Held	Profession	Date of Election	Term of office
CPF	Other Committees Description	Description of other positions held	Date of Birth	Tenure Date	Attendance at 2017 meetings
Other positions held at the issuer					
Maurício Stolle Bähr	**Strategy Committee**	**Committee Member (Full)**	**Engineer**	**06.25.1999**	**Undetermined**
748.528.847-49	-	-	09.17.1957	06.25.1999	100%
Chairman of the Board of Directors					
Dirk Achiel Marc Beeuwsaert	**Strategy Committee**	**Committee Member (Full)**	**Engineer**	**03.15.2001**	**Undetermined**
-	-	-	01.14.1948	03.15.2001	100%
Full Member of the Board of Directors					
Paulo Jorge Tavares Almirante	**Strategy Committee**	**Committee Member (Full)**	**Engineer**	**07.28.2016**	**Undetermined**
-	-	-	08.24.1964	07.28.2016	100%
Full Member of the Board of Directors					
Claude Emile Jean Turbet	**Strategy Committee**	**Committee Member (Full)**	**Engineer**	**10.26.2017**	**Undetermined**
-	-	-	08.14.1958	10.26.2017	25%
Full Member of the Board of Directors					
Pierre Jean Bernard Guiollot	**Strategy Committee**	**Membro do Comitê (Efetivo)**	**Engenheiro**	**05.05.2016**	**Undetermined**
-	-	-	21.04.1968	05.05.2016	100%
Full Member of the Board of Directors					

12.9 Existence of a marital, common law or family relationship up to twice degree 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 managers and nominated members of the Fiscal Council; between managers of the Company and managers of direct or indirect controlled companies; between managers of the Company and its direct or indirect controlled companies and direct or indirect controllers of the Company; and between managers of the Company and managers of the Company's directly and indirectly controlled companies.

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):

a) society under the issuer's direct or indirect control

Identification	CPF/CNPJ	Type of relation of the Administrator with the related person	Type of related person
Position/Function			
Administrator of the Issuer			
Manoel Arlindo Zaroni Torres	**115.116.056-34**		
Member of the Board of Directors			
Related Party – Chairman of the Board of Directors in the fiscal year ending on December 31, 2015			
Ibitiúva Bioenergética S.A. (Ibitiúva)	09.541.336/0001-36	Control	Indirect control
Note			
EBE is the indirect controller of Ibitiúva with a 95% share of the company's equity.			
Related Party – Member of the Board of Directors in the fiscal year ending on December 31, 2015			
Itá Energética S.A. (Itasa)	01.355.994/0001-21	Control	Direct control
Note			
EBE holds joint control with Itasa, with a 48.75% share of the company's equity.			
Manager of the Issuer			
Maurício Stolle Bähr	**748.528.847-49**		
Chairman of the Board of Directors			
Related Party – Vice-Chairman of the Board of Directors in the fiscal year ending on December 31, 2015			
Itá Energética S.A. (Itasa)	01.355.994/0001-21	Control	Direct Control
Manager of the Issuer			
Gil de Methodio Maranhão Neto	**734.574.937-15**		
Member of the Board of Directors			
Related Party – Alternate Member of the Board of Directors in the past three fiscal years			
Itá Energética S.A. (Itasa)	01.355.994/0001-21	Control	Direct Control
Manager of the Issuer			
Leonardo Augusto Serpa	**026.127.629-81**		
Member of the Board of Directors			
Related Party – Chairman of the Board of Directors in the fiscal year ending on December 31, 2015			
ENGIE Geração Solar Distribuída S.A. (EGSD)	24.564.686/0001-01	Control	Direct Control
Note			
EBE is the direct controller of EGSD with a 50% share of the company's equity.			

b) direct or indirect controller of the issuer

Identification	CPF/CNPJ	Type of relation of the Administrator with the related person	Type of related person
Position/Function			
Administrator of the Issuer			
Dirk Achiel Marc Beeuwsaert	**000.000.000-00**		
Member of the Board of Directors			
Related Party – Executive Vice-President and Member of the Executive Committee in the past three fiscal years			
ENGIE S.A.		Control	Indirectly Controlling Shareholder
Related Party – CEO in the past three fiscal years			
Electrabel		Control	Indirectly Controlling Shareholder
International Power S.A.		Control	Indirectly Controlling Shareholder
Administrator of the Issuer			
Simone Cristina De Paola Barbieri	**149.142.418-46**		
Member of the Board of Directors			
Related Party – Human Resources, Health and Occupational Safety Officer in the past two fiscal years			
EBP		Control	Directly Controlling Shareholder
Administrator of the Issuer			
Natacha Herrero Et Guichard Marly	**063.612.577-70**		
Member of the Board of Directors			
Related Party – Ethics and Compliance Officer in the fiscal year ending on December 31, 2017			
EBP		Control	Directly Controlling Shareholder
Administrator of the Issuer			
Pierre Jean Bernard Guiollot	**000.000.000-00**		
Member of the Board of Directors			
Related Party – Chief Financial Officer of the International Energy Division in the past three fiscal years			
ENGIE S.A.		Control	Indirectly Controlling Shareholder

Administrator of the Issuer			
Claude Emile Jean Turbet	**000.000.000-00**		
Member of the Board of Directors			
Related Party – Corporate Solutions Officer in the fiscal year ending on December 31, 2016			
ENGIE S.A.		Control	Indirectly Controlling Shareholder

Identification	**CPF/CNPJ**	**Type of relation of the Administrator with the related person**	**Type of related person**
Position/Function			
Administrator of the Issuer			
Raphael Vincent Philippe Barreau	**064.169.627-21**		
Member of the Board of Directors			
Related Party – Non-statutory Officer for Acquisitions, Investments and Financial Advise in the fiscal year ending on December 31, 2017			
EBP		Control	Directly Controlling Shareholder

12.13 Other information that the Company deems relevant

The Company has no other information that it deems relevant on the nominated members for the tickets of the Board of Directors and Fiscal Council.

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 Company abides by the Controlling Group's Remuneration Policy guidelines.

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

In addition, Committee members who are also on the Company's payroll are not remunerated for their service in the said Committees, and the Special Independent Committee for related Party Transactions Evaluation is remunerated when the commission for which it has been created is completed.

b. Composition of the remuneration

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

The composition of the total remuneration of members of the Board of Directors, Statutory Management and Fiscal Council is proposed by controlling company ENGIE Participações according to criteria set at a global level, and breaks down into fixed remuneration, bonus, and long-term incentive. It is annually approved by the General Shareholders' Meeting.

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

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 Board Chairman's remuneration includes a variable portion based on the Company's results, taking into account financial indicators, goals, and operating results. Payment is made by the Company's controlling shareholder, ENGIE Participações, with whom the Chairman of the Board has entered into an individual employment contract, and 40% of the amount, including charges, are reimbursed by the Company.

The full and alternate members elected by employees may also receive annual variable remuneration calculated based on the sum of the average monthly remuneration paid to employees as Profit Sharing (PLR) and Managerial Bonus, at the discretion of the Chairman of the Board.

Statutory or Statutory Board

Statutory Managers' remuneration is divided into 13 fixed and variable installments, and their maximum annual amount is approved by the General Shareholders' 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 amount of the variable remuneration may vary between 40% and 81% 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 Fiscal Council Members' pro-labore is made up of a fixed remuneration set and approved by the General Shareholders' Meeting and paid in 13 monthly installments. Pro-labore may not be less, for each active member, than 10% of the average monthly remuneration of the Statutory 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.

In the past 3 fiscal years, no payments have been made as remuneration for members of this 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 full and alternate members 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 fixed remuneration only.

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 40% to 81% 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:

	2017	2016	2015
Board of Directors			
Fixed Remuneration	64%	78%	80%
Variable Remuneration	36%	21%	20%
Benefits	-	1%	-
Fiscal Council			
Fixed Remuneration	100%	100%	100%
Statutory Board			
Fixed Remuneration	53%	46%	43%
Variable Remuneration	38%	47%	40%
Benefits	9%	7%	17%

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

The definition of the fixed amount payable to the Statutory Board is established considering the market median in the aforementioned market 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 may be restated annually in the month of January, taking into account the market surveys of executive remuneration restatements.

(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 variable remuneration depends on the attainment of individual and collective goals, the Company's results and a joint contribution of up to 10% to the overall result of the controlling shareholder, ENGIE Participações.

The remuneration of the Fiscal Council may be no less than the 10% of the average remuneration of the Statutory Board, with the exclusion of benefits and variable compensation. This Council is entitled to no variable remuneration.

(v) existence of members not remunerated by the Company and the reason for this

The Company has no unremunerated members on the Board of Directors, Statutory and Non-Statutory Board, Fiscal Council, Statutory Committees and 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 company, ENGIE Participações, 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, as they are set 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 of four years, after which the results are evaluated. In accordance with these results, payments under

the long-term incentive 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 Company, ENGIE Participações, 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.

h. practices and procedures used by the board of directors to set the individual remuneration of the board of directors and executive board:

(i) governing bodies and committees of the issuer that take part in the decision-making process, including identification of how they participate;

The composition of the remuneration and the nomination of members for each manager profile is set by the Board of Directors and approved annually by the General Shareholders' Meeting.

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

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

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

Not applicable at the time because the Company is in the process of drafting an Executive Remuneration Policy.

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, 2018 - Annual Amounts in Reais				
	Board of Directors	Statutory Board	Fiscal Council	Total
Total number of members	18	7	3	28
Numbers of remunerated members ("c")	18	6 (a)	3	27
Annual fixed	6,576,247.67	7,685,543.47	565,394.71	14,827,185.85
Salary or *pro-labore*	5,133,630.32	5,446,785.03	471,162.26	11,051,577.61
Direct and indirect benefits	852.27	713,658.63	-	714,510.90
Participation in committees	253,990.09	-	-	253,990.09
Others	1,187,774.99	1,525,099.81	94,232.45	2,807,107.25
Description of other fixed remuneration	Social charges	Social charges	Social charges	Social charges
Variable remuneration	1,526,650.36	3,977,447.59	-	5,504,097.95
Bonus	1,067,690.66	2,200,376.18	-	3,268,066.84
Participation of results	95,944.88	1,160,966.08	-	1,256,910.96
Participation in meetings	-	-	-	-
Commissions	-	-	-	-
Others	363,014.82	616,105.33	-	979,120.15
Description of other variable remuneration	Social charges	Social charges	-	Social charges
Post-employment	39,045.37	351,774.92	-	390,820.29
Termination of the	-	-	-	-
Share based	1,786,896.16	589,181.09	-	2,376,077.25
Observation	18 members for the entire year	7 members for the entire year	3 members for the entire year	-
Total remuneration	9,928,839.56	12,603,947.07	565,394.71	23,098,181.34

(a) 1 member is remunerated by the Company's controlling shareholder.

Amounts relative to stock-based payments include the applicable social charges. One member of the Statutory Board is remunerated by the Controlling Shareholder.

In 2018, an annual aggregate compensation to the management of up to R$ 33 million is to be submitted for approval of the Annual General Meeting.

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	18	7	3	28
Numbers of remunerated members ("c")	16.2	6 (b)	3	25.2
Annual fixed	5,886,582.73	7,258,980.82	548,926.75	13,694,490.30
Salary or *pro-labore*	4,461,037.16	5,124,938.87	457,439.09	10,043,415.12
Direct and indirect benefits	827.45	671,489.11	-	672,316.56
Participation in committees	246,592.32	-	-	246,592.32
Others	1,178,125.80	1,462,552.84	91,487.66	2,732,166.30
Description of other fixed remuneration	Social charges	Social charges	Social charges	
Variable remuneration	1,622,976.68	4,075,516.11	-	5,698,492.79
Bonus	1,214,559.35	3,038,329.56	-	4,252,888.91
Participation of results	-	-	-	-
Participation in meetings	-	-	-	-
Commissions	-	-	-	-
Others	408,417.33	1,037,186.55	-	1,445,603.88
Description of other variable remuneration	Social charges	Social charges	-	-
Post-employment	37,908.13	460,630.99	-	498,539.12
Termination of the	-	-	-	-
Share based	1,782,013.44	587,571.20	-	2,369,584.64
Observation	(a)	7 members for the entire year	3 members for the entire year	-
Total remuneration	9,329,480.98	12,382,699.12	548,926.75	22,261,106.85

(a) In this fiscal year, the Board of Directors was made up of 14 full-year members, two 8-month members, one 6-month member and 1 4-month member.

(b) one member is remunerated by the Company's controller.

In relation to the Statutory Executive Officers, in addition to the foregoing amounts, the Company provisioned R$ 2,047,958.89 in 2017 – pursuant to the Voluntary Severance Plan for officers. Amounts associated with stock-based payments include applicable social charges.

One member of the Statutory Board is remunerated by the Controlling Company.

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	18	7	3	28
Number of remunerated members ("c")	18	6.5	3	27.5
Annual fixed	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	-	-	-	-
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 – pursuant to the Voluntary Severance Plan for retiring 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	18	7	3	28
Number of remunerated members ("c")	17.5	7	3	27.5
Annual fixed	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	-	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.

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 2018

(Amounts in Reais)	Board of Directors	Statutory Board
Total number of members	18	7
Number of remunerated members	3	6 (a)
Bonus		
Minimum amount estimated in the remuneration plan	-	-
Maximum amount estimated in the remuneration plan	1,430,.705.48	2,816,481.51
Estimated amount in the remuneration plan should the goals be reached	955,939.03	1,334,613.38
Participation in the result		
Minimum amount estimated in the remuneration plan	-	-
Maximum amount estimated in the remuneration plan	95,944.88	1,160,966.08
Estimated amount in the remuneration plan should the goals be reached	95,944.88	1,160,966.08
Amount effectively recognized in the result	95,944.88	1,160,966.08

(a) 1 member is remunerated by the Company's controlling shareholder.
The bonuses shown above include social charges on remuneration.

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

Recognized in the last 3 (three) fiscal years:

Statutory Board (Amounts in Reais)	2017	2016	2015
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	6,132,000.82	7,706,462.64	7,025,364.49
Estimated amount in the remuneration plan should the goals be reached	5,574,546.20	7,380,029.03	4,790,021.24
Amount effectively recognized in the result	4,075,516.11	5,010,799.51	6,877,902.75
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 amounts shown above include social charges.

Board of Directors (Amounts in Reais)	2017	2016	2015
Total number of members	18	18	18
Number of remunerated members	3	2	2
Bonus			
Minimum amount estimated in the remuneration plan	-	-	-
Maximum amount estimated in the remuneration plan	1,630,187.99	1,178,233.26	1,195,632.06
Estimated amount in the remuneration plan should the goals be reached	1,494,032.76	1,178,233.26	868,954.93
Amount effectively recognized in the result	1,622,976.68	1,108,516.56	1,195,632.06
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 CEO of the Company's controlling shareholder, ENGIE Participações. The costs involved in these programs will be entirely borne by ENGIE Participações, and the Company shall be responsible for no disbursement in connection therewith.

Furthermore, the Conglomerate to which the Company belongs has a Group Stock Option Policy, in Paris, at predetermined amounts, and a Performance Shares program tied 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:

In 2018, the Company expects to pay the same amounts as in 2017, restated at the CDI (Interfinancial Deposit Certificates) rate.

In 2017, R$ 1,782,013.44 and R$ 587,571.20, including charges, were paid to members of the Board of Directors and the Statutory Executive Board, respectively. Please note that payment to the members of the Board of Directors was higher because some of them held positions in the Company's Executive Board until 2016 and retain the right to receive stock-based remuneration.

In 2016, the Company paid R$ 313,578.38 and R$ 1,513,901.95, charges included, to the Chairman of the Board of Directors and the members of the Statutory Board, respectively.

The Company recognized no share-based compensation in fiscal year 2015.

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 are no outstanding options for the 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 3 fiscal years, no options were granted relative to share-based remuneration.

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:

Not applicable, given that the Company believes that no additional information is required for understanding the data disclosed in items "13.5" and "13.7".

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 2017, the members of the Board of Directors held 374,628 shares issued by ENGIE Brasil Energia and equivalent to 0.057393% of the total shares issued.

The Company's share price on December 31, 2017 was R$ 35.51 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	2	6
Number of remunerated members	2	6
Name of Plan	CD Plan	CD Plan
Number of members of management qualified for retirement	2	4
Qualifying for early retirement	-	1
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	522,063.71	4,986,360.53
Total accumulated amount of the contributions made during the last fiscal year, discounting the portion relating to contributions made directly by members of management	37,908.13	460,630.99
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)	12.31.2017	12.31.2016	12.31.2015	12.31.2017	12.31.2016	12.31.2015	12.31.2017	12.31.2016	12.31.2015
Nr of members	18	18	18	7	7	7	3	3	3
Nr of remunerated members	16.2	18	17.5	6	6,5	7	3	3	3
Amount of the highest remuneration	2,108,606.39	1,599,214.60	1,497,508.30	2,313,357.96	2,024,126.40	3,406,503.10	182,975.58	162,110.30	147,144.00
Amount of the lowest remuneration	140,947.42	153,091.00	138,960.00	1,055,808.10	990,475.00	1,117,163.90	182,975.58	162,110.30	147,144.00
Average amount of remuneration	575,893.89	376,491.75	342,897.96	2,063,783.19	2,136,157.01	2,446,220.99	182,975.58	162,110.30	147,144.00

The above figures incorporate the fixed and variable remuneration and include social charges on remuneration (INSS and FGTS, when applicable).

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.

One member of the Statutory Board is remunerated by the Controlling Company.

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 Chairman of the Board of Directors receives remuneration from the Controlling Conglomerate, ENGIE, because of his mandate as CEO; 40% of the amount, charges included, are later reimbursed by the Company. The Business Development Officer accumulates statutory duties with other duties before the Controlling Conglomerate, ENGIE, with which he has entered into an individual work contract, so that his remuneration is entirely aid by the latter and not subject to reimbursement from the Company.

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:

(Valores em Reais)	2017	2016	2015
Board of Directors of the Company			
Number of remunerated members	1	1.8	3
Amount	11,073.00	18,808.00	22,616.00
Statutory Board of the Company			
Number of remunerated members	2	2.4	2.5
Amount	22,146.00	18,992.00	27,408.00
Total	33,219.00	37,800.00	50,024.00

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.

13.16 Other information that the Company deems relevant

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

	2017 Plan	2016 Plan	2015 Plan
Performance Shares			
Quantity	3,233	3,964	2,583
Amounts in Reais (at the December 31 trading price)	183,569.74	165,193.39	179,260.20

Notes:

ENGIE shares were traded on the Paris Stock Exchange at the following prices on the following dates:

	Euros	Reais
December 31, 2017	14.34	56.78
December 31, 2016	12.12	41.67
December 31, 2015	16.33	66.40

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$ 30.5 million for the employee PLR for fiscal year 2017, 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 has adopted remote voting 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 4, 2018, 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 4, 2018, 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

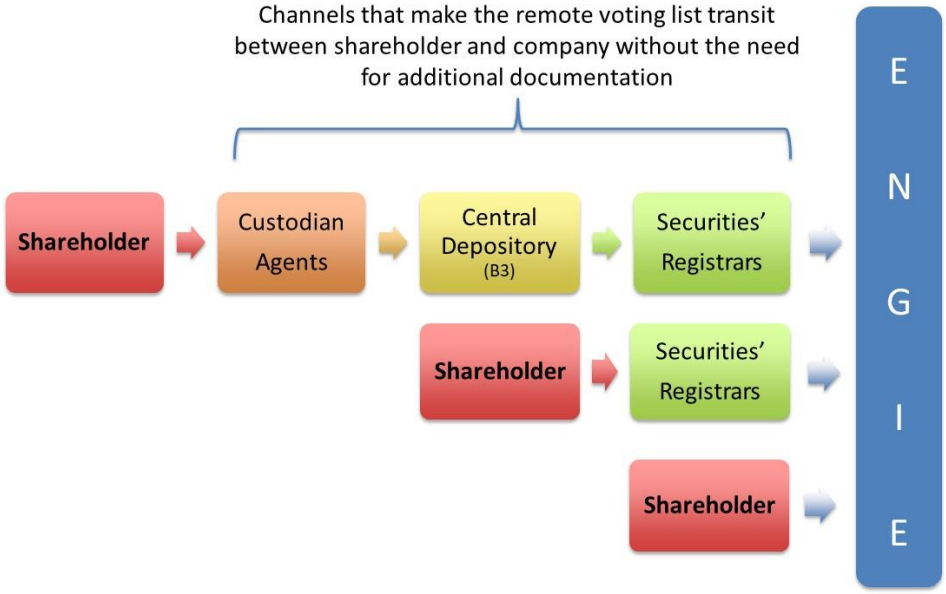
The shareholder may transmit instructions for completing the voting list to the custodian of their shares pursuant to the procedures and documents required by the said custodian. Subsequently, the custodian will forward the voting declaration to B3's Central Depositary. For shareholders with shares held 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 4, 2018, 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.