Earnings Release | 2Q19

Acquisition of stake in TAG successfully concluded and Pampa Sul Thermoelectric Power Plant goes into commercial operations.

Florianópolis, Brazil, August 6, 2019. ENGIE Brasil Energia S.A. ("ENGIE Brasil Energia", "EBE" or "Company") – B3: EGIE3, ADR: EGIEY - announces earnings for the Second Quarter and six-month period ending June 30, 2019 (2Q19, 6M19/1S19). The information in this release is shown on a consolidated basis and in accordance with Brazilian accounting principles and practices. The values are expressed in Brazilian Reais (R$), except where otherwise indicated.

Highlights

- ENGIE Brasil Energia (EBE) reported net operating revenue of R$ 2,176.5 million in 2Q19, 1.9% (R$ 41.5 million) greater than in 2Q18.
- Ebitda[1] reached R$ 1,052.0 million in 2Q19, a decrease of 13.7% (R$ 166.7 million) compared to 2Q18. The Ebitda margin was 48.3% in 2Q19, a 8.8 p.p. reduction compared to 2Q18.
- 2Q19 net income was R$ 385.4 million (R$ 0.4720/share), 34.6% (R$ 203.8 million) lower than 2Q18.
- The average price of energy sales agreements, net of exports, revenue taxes and trading operations was R$ 189.9/MWh in 2Q19, an amount 4.8% higher than recorded in 2Q18.
- The volume of energy sold in 2Q19, excluding trading operations, was 8,790 GWh (4,025 average MW), 4.1% lower than 2Q18.
- In April 2019, the final four wind farms in the Umburanas Wind Complex went into commercial operation, adding 360 MW of installed capacity to the Company's generator complex.
- The Pampa Sul Thermoelectric Power Plant began commercial operations on June 28. During the trial period, the plant reported generation of 117 GWh (54 average MW). Situated in the municipality of Candiota, state of Rio Grande do Sul, the project has an installed capacity of 345 MW.
- The financial closing of the operation for the acquisition by Aliança Transportadora de Gás Participações S.A. (Aliança) of a stake in Transportadora Associada de Gás S.A. (TAG) took place on June 13th following compliance with all conditions precedent.
- EBE concluded a partnership with L'Oréal, the latter at all its units in Brazil now to be supplied with clean energy from the Company's Trairí Wind Complex, so contributing to the energy transition towards a low carbon economy.

Subsequent Event

- The 9th issue of unsecured non-convertible, simple infrastructure debentures in four series, totaling R$ 1.6 billion, was concluded on July 15.

Summary of Financial and Operational Indicators

ENGIE Brasil Energia - Consolidated						
(In millions of R$)	2Q19	2Q18	Chg.	6M19	6M18	Chg.
Net Operating Revenue (NOR)	2,176.5	2,135.0	1.9%	4,515.2	4,003.8	12.8%
Results from Operations (EBIT)	848.4	1,039.3	-18.4%	1,865.1	1,914.9	-2.6%
Ebitda [1]	1,052.0	1,218.7	-13.7%	2,264.8	2,263.3	0.1%
Ebitda / NOR - (%) [1]	48.3	57.1	-8.8 p.p.	50.2	56.5	-6.3 p.p.
Net Income	385.4	589.2	-34.6%	950.9	1,078.5	-11.8%
Return On Equity (ROE) [2]	30.4	29.4	1.0 p.p.	30.4	29.4	1.0 p.p.
Return On Invested Capital (ROIC) [3]	17.5	22.3	-4.8 p.p.	17.5	22.3	-4.8 p.p.
Net Debt [4]	11,371.2	6,192.2	83.6%	11,371.2	6,192.2	83.6%
Gross Power Production (avg MW) [5]	4,446	3,429	29.6%	4,859	4,026	20.7%
Energy Sold (avg MW) [6]	4,025	4,197	-4.1%	4,107	4,141	-0.8%
Average Net Sales Price (R$/MWh) [7]	189.87	181.11	4.8%	188.96	179.30	5.4%
Number of Employees - Total	1,413	1,220	15.8%	1,413	1,220	15.8%
EBE Employees	1,386	1,171	18.4%	1,386	1,171	18.4%
Employees on Under Construction Plants	27	49	-44.9%	27	49	-44.9%

[1] Ebitda: net income + income tax and social contribution + financial result + depreciation and amortization.
[2] ROE: net average equity for the past 4 quarters /shareholders' equity.
[3] ROIC: effective tax rate x EBIT / invested capital (invested capital: debt - cash and cash equivalents - deposits earmarked for debt servicing + SE).
[4] Adjusted amount, net of gains from hedge operations.
[5] Total gross electricity output from the plants operated by ENGIE Brasil Energia.
[6] Disregarding sales for quota regime (Jaguara and Miranda HPPs).
[7] Net of taxes, exports and trading operations.

For Immediate Release

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Conference call and webcast:
On 8/7/2019 at 10:00 a.m. (EDT): in Portuguese (simultaneous translation into English).

Further details on Upcoming Events section, available on page 26.

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MESSAGE FROM THE MANAGEMENT

Focused on the energy transition, EBE has transformed itself over the past three years through diversification of businesses and pursuit of its goal of prioritizing renewable sources of energy generation. In this second quarter of 2019 (2Q19), we have maintained consistency in delivering the necessary steps towards achieving our strategic objectives. The second quarter was particularly influenced by certain events about which we have already had cause to comment and on which we shall go into more detail during the course of this report.

> We are positioned as one of the key agents in the Brazilian energy infrastructure where growth is coupled to the development of new transformational and long-term projects.

From the operational point of view, in 2Q19, the Energy Reallocation Mechanism (MRE) Adjustment Factor – Generation Scaling Factor (GSF) was applied – differently from 1Q19 when secondary energy was settled at high Differences Settlement Prices (PLD). Again, compared with 2Q18, there was a reduction in the Company's long position with the Electric Energy Trade Board (CCEE), reflecting the strategy adopted for the seasonal allocation of hydroelectric generation combined with a reduction of 56.6% in average PLD for the South and Southeast/Center-West submarkets in 2Q19.

To support EBE's transformation and acceleration in growth, we have increased our leverage over the past two years, in so doing, improving our capital structure, albeit at the same time incurring higher financial expenses. In addition, important to mention is a non-recurring event related to an insurance claim receivable in 2Q18, which boosted the result for that quarter by about R$ 70 million.

The combination of all these factors impacted the key elements of our income statement for 2Q19: we reported Net Operating Revenue (NOR) of R$ 2.2 billion, Ebitda of R$ 1.1 billion and Net Income of R$ 385 million, variations of +1.9%, -13.7% and -34.6% respectively when compared with 2Q18. On a semi-annual comparative basis, NOR increased by 12.8% to R$ 4.5 billion, Ebitda rose 0.1% to R$ 2.3 billion while our Net Income registered a year-on-year decline of 11.8%, totaling R$ 951 million for reasons already mentioned.

In short, the non-recurring event relating to the insurance claim together with hydrological volatility and the seasonal weighting of hydroelectric generation were the principal elements justifying the decrease in 2Q19 results.

In addition to results, we sustained our strategic plan with advances on important fronts:

Startup in operations in the gas transportation market

» As widely informed and disclosed by the Company, with all stages in the negotiations having been completed including financial closing on June 13, the operation for acquisition of Transportadora Associada de Gás was concluded. Consequently, as from 2Q19, we began booking the results of the TAG operation, marking the definitive beginning to our operations in the gas transportation market.

Beginning of commercial generation of Pampa Sul TPP

» It is with satisfaction that we can confirm the start of commercial generation of the 345 MW capacity Pampa Sul Thermoelectric Power Plant on June 28. This project proved to be an extremely challenging one, but once more demonstrating the execution capacity of our teams. The completion of this stage is one more important step ahead in our continuing proposal for divesting both Pampa Sul as well as the Jorge Lacerda Thermoelectric Complex in line with the Group's decarbonization strategy.

Commercial achievements

» We highlight the partnership between EBE and L'Oréal under which we shall be supplying clean energy from the Trairí Wind Complex to all units of the company in Brazil. This agreement with L'Oréal implies seven thousand tons less of greenhouse gas emissions, the equivalent of planting 43 thousand trees, and underscoring our joint commitment with sustainable development.

» Our efforts in the direction of digitization and automation of commercial activities with the aim of intensifying our retail sales drive is producing significant results. While at the end of 2Q18, the Company had 15 adhesion contracts (created as an alternative to customized agreements), the number had increased to 80 by the end of 2Q19, up 433.3%.

Seeking to spearhead the energy transition in Brazil towards a clean and renewable matrix, we are positioned as one of the key agents in the Brazilian energy infrastructure where growth is coupled to the development of new transformational and long-term projects with the goal of achieving burgeoning and increasingly significant returns for our shareholders. This has always been and always will be our commitment.



Eduardo Antonio Gori Sattamini
Chief Executive Officer and Chief
Financial and Investor Relations Officer

BREAKDOWN OF ASSETS

Energy Generation Assets

ENGIE Brasil Energia is part of the largest independent power producer group in the country and, with the startup in commercial operations of the last four wind farms from the Umburanas Wind Complex and the Pampa Sul Termoelectric Power Plant, at the end of the 2Q19 had 8,710.5 MW of installed capacity and operates a generating complex with 10,431.2 MW, comprised of 60 plants (11 hydro, four thermal and 45 complementary energy source plants — biomass, SHP, wind powered and solar), 56 of which are wholly-owned by the Company and four (the Itá, Machadinho and Estreito Hydro Power Plants and the biomass-fired Ibitiúva Bioenergética co-generation plant) jointly-owned through consortia with other companies.

ENGIE Brasil Energia's Generating Complex – in June 30, 2019

Power Plants	Source	Location	Installed Capacity (MW)		Concession/ Authorization original term expiration date	Assured energy (aMW) Company's Share
			Total	Company's Share		
Itá	Hydro	Uruguai River (SC and RS)	1,450.0	1,126.9	Oct/30	564.7
Salto Santiago	Hydro	Iguaçu River (PR)	1,420.0	1,420.0	Sep/28	733.3
Machadinho	Hydro	Uruguai River (SC and RS)	1,140.0	403.9	Jul/32	165.3
Estreito	Hydro	Tocantins River (TO/MA)	1,087.0	435.6	Nov/37	256.9
Salto Osório	Hydro	Iguaçu River (PR)	1,078.0	1,078.0	Sep/28	502.6
Cana Brava	Hydro	Tocantins River (GO)	450.0	450.0	Aug/33	260.8
Jaguara	Hydro	Grande River (MG)	424.0	424.0	Dec/47	341.0
Miranda	Hydro	Araguari River (MG)	408.0	408.0	Dec/47	198.2
São Salvador	Hydro	Tocantins River (TO)	243.2	243.2	Apr/37	148.2
Passo Fundo	Hydro	Passo Fundo River (RS)	226.0	226.0	Sep/28	113.1
Ponte de Pedra	Hydro	Correntes River (MT)	176.1	176.1	Sep/34	133.6
Total - Hydro			**8,102.3**	**6,391.7**		**3,417.7**
Jorge Lacerda Complex[1]	Thermal	Capivari de Baixo (SC)	857.0	857.0	Sep/28	649.9
Pampa Sul	Thermal	Candiota (RS)	345.0	345.0	Mar/50	323.5
Total - Thermal			**1,202.0**	**1,202.0**		**973.4**
Umburanas Complex[2]	Wind Farm	Umburanas (BA)	360.0	360.0	Aug/49	213.3
Campo Largo Complex[3]	Wind Farm	Umburanas (BA)	326.7	326.7	Jul/50	169.6
Trairi Complex[4]	Wind Farm	Trairi (CE)	212.6	212.6	Sep/41	102.3
Ferrari	Biomass	Pirassununga (SP)	80.5	80.5	Jun/42	35.6
Ibitiúva Bioenergética	Biomass	Pitangueiras (SP)	33.0	22.9	Apr/30	13.9
Assú V	Solar	Assú (RN)	30.0	30.0	Jun/51	9.2
Lages	Biomass	Lages (SC)	28.0	28.0	Oct/32	14.6
Rondonópolis	SHP	Ribeirão Ponte de Pedra (MT)	26.6	26.6	Dec/32	14.0
José Gelazio da Rocha	SHP	Ribeirão Ponte de Pedra (MT)	24.4	24.4	Dec/32	11.9
Nova Aurora	Solar	Tubarão (SC)	3.0	3.0	not applicable[5]	0.0
Tubarão	Wind Farm	Tubarão (SC)	2.1	2.1	not applicable[5]	0.0
Total - Complementary			**1,126.9**	**1,116.8**		**584.4**
Total			**10,431.2**	**8,710.5**		**4,975.5**

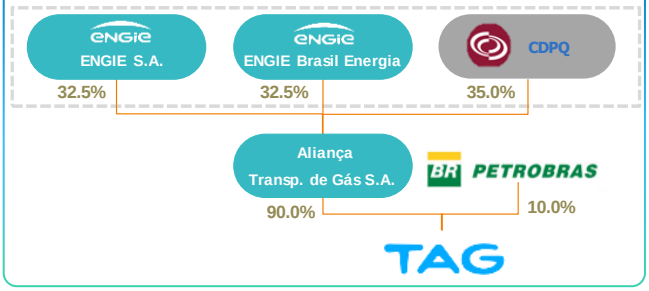
[1] Complex comprised of three power plants.
[2] Complex comprised of 18 power plants.
[3] Complex comprised of 11 power plants.
[4] Complex comprised of 8 power plants.
[5] For generating plants with installed capacity lower than or equal to 5 MW the legal instrument applicable is the record.

Gas Transportation Assets

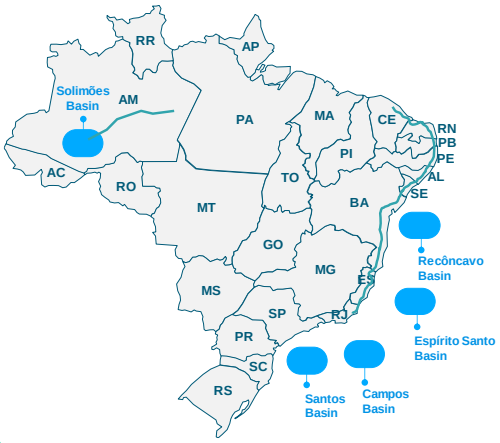
The Company successfully concluded the acquisition of Transportadora Associada de Gás (TAG), through the jointly controlled Aliança Transportadora de Gás Participações S.A. (Aliança), in which it holds a direct stake of 32.50% of capital stock and following the financial closing of the operation on June 13, 2019, an indirect stake of 29.25% in the capital stock of TAG.

TAG is the largest natural gas transportation operation in Brazil, with an infrastructure of 4,500 km of high pressure gas pipelines extending along the country's southeastern and northeastern seaboards as well as a further section of line between Urucu and Manaus, in the state of Amazonas.

Consortium Constitution



TAG Gas Pipelines Location



The gas pipeline network has several interconnection points, among them, 10 gas distributors, 13 active gas entry points (including two Liquified Natural Gas (LNG) terminals) and a further 90 gas exit points as well as 11 compressor stations for supplying refineries, fertilizer plants and thermoelectric power plants.

This acquisition marks EBE`s entry into the natural gas segment in Brazil and is in line with the Group`s global strategy of being a leader in the energy transition. This requires large scale and sophisticated infrastructure such as TAG`s gas pipelines, contributing to the diversification and decarbonization of the Brazilian energy mix.

In line with the Group's strategy, the investment does not entail a construction and volume risk (ship-or-pay model) for the Company. Following the expiry of the current agreements, a five-year tariff revision cycle will be triggered under the responsibility of the National Petroleum Agency (ANP), which will decide the revised maximum permitted revenue flow.

TAG is significantly contracted (~98%) over the medium and long terms through long-term agreements with Petróleo Brasileiro S.A. (Petrobras).

Contracts Breakdown

Gas Pipelines	Size (km)	Contract Maturity	Authorization Term Expiration Date	Volumes Contracted (MM m³/day)	% Projected of Net Operating Revenue*
Gasene	1,401	nov-33	mar-39	30.3	36.9%
Malha NE	2,002	dez-25	mar-39	21.6	24.0%
Pilar-Ipojuca	189	nov-31	nov-41	15.0	6.6%
Urucu-Coari-Manaus	802	nov-30	nov-40	6.3	32.5%
Lagoa Parda-Vitoria	81	Under negotiation	mar-39	0.7	0.0%
Total	**4,475.0**			**73.9**	**100.0%**

* Differences in the representativity of revenues between contracts may occur.

Distributed Solar Generation

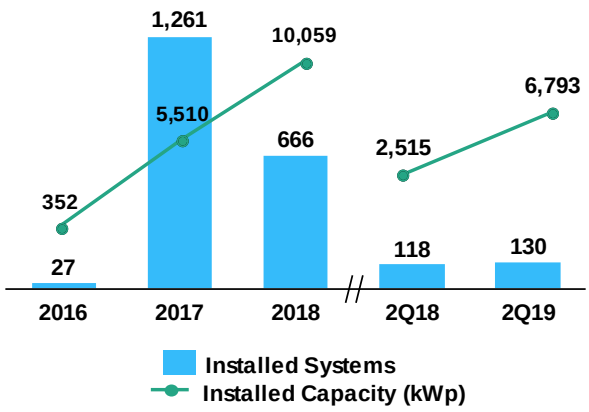
ENGIE Geração Solar Distribuída. The Company has operated in the distributed generation market since 2016 through ENGIE Geração Solar Distribuída S.A. (EGSD), the acquisition of the total capital stock of which being concluded in August 2018. The increased investment in the distributed solar energy segment is one of the ways the Company reaffirms its commitment to operations in the segment and contributes to a more dynamic energy matrix, one closer to the end consumer.

In 2Q19, the Solar Industry Program, an initiative of the industries' federations of the states of Santa Catarina, Mato Grosso and Rio Grande do Sul, reached 2,870 enrollments of residential customers and 1,001 industrial customers in the three states. Based on this initiative, the Unicred Solar and Credifoz Solar programs were launched – both regional cooperatives – with a total of 220 consumers having been enrolled up to the end of 2Q19.



System installed by EGSD.

Number of systems and installed capacity



The B2B (business-to-business) segment underscores the Company's relationship with large companies responsible for projects with larger installed capacity and which represented 96.6% of power commercialized in the second quarter. Of this total, 9.9 MWp were sold in the North and Northeast regions of Brazil, which corresponds to 43.7% of total energy sold by the segment.

In 2Q19, 130 systems were deployed with an installed capacity of 6,793 kWp, an increase of 170.1% compared with 2Q18, when installed capacity was 2,514.8 kWp corresponding to 118 systems. Since the outset of its operations, ENGIE Geração Solar Distribuída has installed 2,199 systems with an installed capacity of 28,272.5 kWp across 13 states of the country.

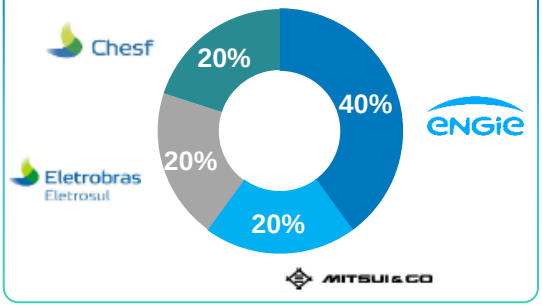
Expansion

Jirau. Energia Sustentável do Brasil (ESBR), is responsible for the maintenance, operation and sale of energy generated by the Jirau Hydroelectric Power Plant, located in the Madeira River, in the city of Porto Velho, state of Rondônia.

Since November 2016, Jirau HPP has 50 generating units in operation, representing a total installed capacity of 3,750 MW. The plant was unveiled on December 16, 2016.

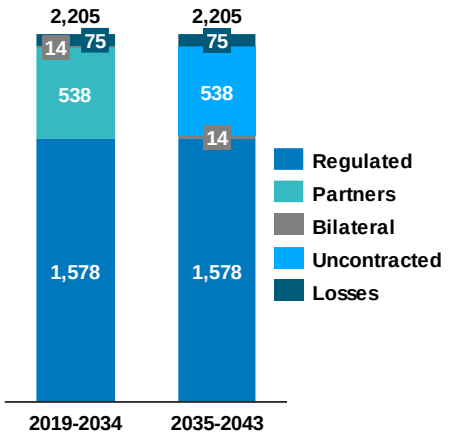
In May 2017, ENGIE Brasil Participações (EBP) announced the engagement of Banco Itaú BBA S.A. to provide financial advisory services for an economic-financial study for the preparation of a proposal for the eventual transfer to ENGIE Brasil Energia (EBE) of EBP's stakes of 40% in ESBR Participações S.A. (ESBRpar) – holder of 100% of the capital stock of ESBR – and the 100% participation in Geramamoré Participações e Comercializadora de Energia Ltda. The transfer assessment has put on hold, awaiting more favorable conditions for the discussions to resume.

ESBR – Corporate Structure



ESBR PPA's Portfolio

Average MW



In 2Q19, the plant generated 3,040.5 average MW, 21.8% higher than the 2,497.3 average MW for 2Q18, while the National Electrical System Operator Uptime Ratio (FID) was 99.1% (data subject to final Electric Energy Trade Board (CCEE) booking).

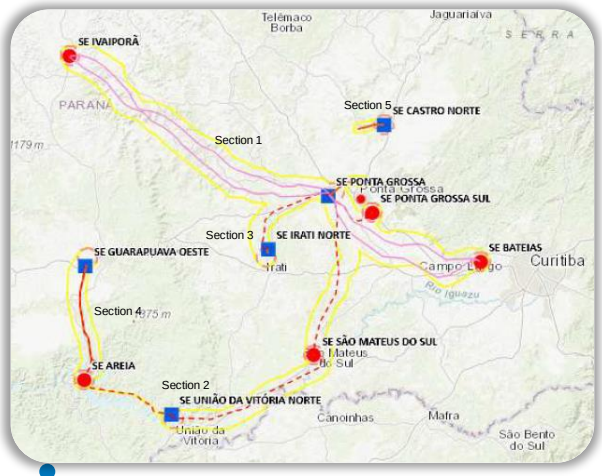
In May 2019, Jirau HPP broke the record for monthly generation of energy since its entry into commercial operations. The volume reached 3,397.8 average MW, 53.9% over the plant's physical guarantee of 2,207.9 average MW, representing 5.42% of all energy generated in Brazil during the month.

Gralha Azul Transmission System. On December 15, 2017, the Company made a successful bid for Lot 1 of Aneel Transmission Auction 02 for a stretch of about 1,000 kilometers in the State of Paraná (PR), marking EBE's debut into the energy transmission sector in Brazil. The project also includes the installation of five new substations and expansion of another five existing ones. The concession term for the public utility transmission service, including the licensing, the construction, assembly and the operation and maintenance of the transmission line installations will be 30 years as from signature date of the concession agreement.

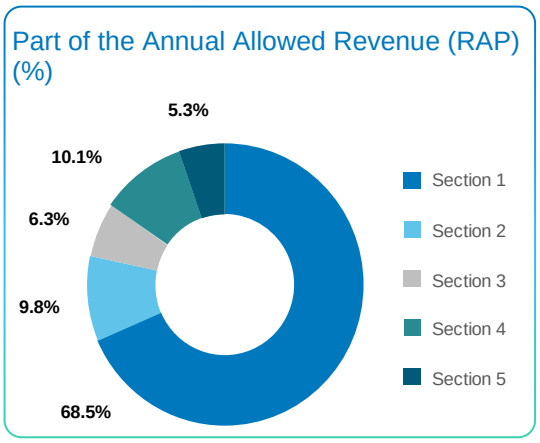
The expiry date by which time the transmission line must be operational is March 9, 2023. However, EBE will reduce this lead time for installing the operation by at least 12 months. In addition, its plan is to reduce the Aneel investment forecast by about 15%.

Lot	Location	Contracted RAP (RS million)	Estimated Capex (R$ million)*
1	Paraná (PR)	231.7	1,700.0
Total		**231.7**	**1,700.0**

Value as of December 2017



Transmission lines and substation location



The implementation of the executive project is progressing while topographic and drilling activities are nearing conclusion. The main equipment subcontractors have been selected and are currently being signed up.

All the necessary environmental studies have been filed with the state environmental protection agency (*Instituto Ambiental do Paraná - IAP*) preparatory to licensing, while inspections and public hearings for licensing the installation of the 525KV transmission lines and associated substations have been concluded. In parallel, the initial preliminary license for the Gralha Azul project has been obtained, establishing the conditions precedent for the issue of the installation license. Meanwhile, anthropological studies continue.

As to landowning issues, about 65% of all the relevant properties have been assessed in order to permit amicable negotiations with the owners or to provide a basis for court rulings on actions for the institution of right of ways.

Project under Construction

Power plants	Source	Location	Installed Capacity (MW)		Concession/ Authorization original term expiration date	Assured energy (aMW) Company's Share
			Total	Company's Share		
Campo Largo Complex - Phase II	Wind Farm	Umburanas and Sento Sé (BA)	361.2	361.2	-	202.6
Total			**361.2**	**361.2**		**202.6**

Campo Largo Wind Complex – Bahia (Phase II).

Approval was given for a start on the installation of the Campo Largo Wind Complex – Phase II, located in the muncipalities of Umburanas and Sento Sé, approximately 420 km distant from the state capital, Salvador. **Phase II represents 361.2 MW of installed capacity** and 202.6 average MW of assured energy with investments of about R$ 1.6 billion. Operations are scheduled to complete early in 2021.



Earthmoving at the Campo Largo II Wind Complex

The Project will enjoy the benefits of the synergies with existing structures such as the substation and transmission line, installed by the Company to support both the Campo Largo – Phase I and Umburanas – Phase I wind complexes with a total of 686.7 MW of installed capacity. With the installation of the second phase of Campo Largo, EBE's total installed wind capacity will surpass the mark of 1 gigawatt (GW) in the region. Power output from Campo Largo – Phase II will be sold entirely in the Free Contracting Environment (ACL).

In the second quarter 2019, EBE signed agreements with the suppliers for the civil and electromechanical work.

In June, the state environmental protection agency (*Instituto do Meio Ambiente e Recursos Hídricos - Inema*) issued the first licenses for work to begin on construction of the Wind Complex allowing topographic work, test drilling and brush clearance to begin in the areas to be occupied by the internal access areas to the wind parks.

Projects under Development

Power plants	Source	Location	Installed Capacity (MW)	
			Total	Company's Share
Santo Agostinho Complex	Wind Farm	Lajes and Pedro Avelino (RN)	800.0	800.0
Norte Catarinense	Thermal	Garuva (SC)	600.0	600.0
Umburanas Complex - Phase II	Wind Farm	Umburanas (BA)	300.0	300.0
Campo Largo Complex - Phase III	Wind Farm	Umburanas e Sento Sé (BA)	250.0	250.0
Assú - Plants I, II, III e IV	Solar	Assú (RN)	120.0	120.0
Alvorada	Solar	Bom Jesus da Lapa (BA)	90.0	90.0
Total			**2,160.0**	**2,160.0**

Santo Agostinho Wind Complex – Rio Grande do Norte. The Complex is made up of 24 Specific Purpose Companies (SPEs), each one responsible for the development of a wind generation project. All the projects will be located in the municipalities of Lajes and Pedro Avelino, about 120 km from the city of Natal, the capital of the State of Rio Grande do Norte. In June 2016, the State of Rio Grande do Norte's environmental protection agency, the Environmental and Sustainable Development Institute (Idema), declared the project to be environmentally viable. The project now has all the documentation necessary to participate in the energy auctions, including the A-6 auction to be held this year. The increase of the nominal capacity of the wind turbines allowed the revision of its **total installed capacity to 800 MW**.

Norte Catarinense Thermoelectric Power Plant – Santa Catarina. The Company is developing a project for the construction of a natural gas-fired combined cycle thermoelectric power plant in the city of Garuva, in the north of the State of Santa Catarina. **The Norte Catarinense TPP will have an installed capacity of approximately 600 MW.** The project has a preliminary environmental license and the Company is evaluating alternatives for the secure supply of natural gas for eventual participation future electric energy auctions.



3D images from the Norte Catarinense TPP project

Umburanas Wind Complex – Bahia (Phase II). The environmental licensing for the Second Phase has been issued with energy under this second phase to be harnessed by EBE in due course alongside the Campo Largo Wind Complex, thus maximizing synergies during implementation and subsequent commercial operations. The project now has all the documentation necessary to participate in the energy auctions, including the A-6 auction to be held this year. Like the Santo Agostinho Complex, Umburanas II also had the nominal capacity of the wind turbines revised, passing its **total installed capacity to 300 MW**.

Campo Largo Wind Complex – Bahia (Phase III). The Company intends to add about **250 MW of installed capacity** to the Campo Largo Wind Complex with the development of its third phase. The project is in the environmental licensing process, regularizing land aspects and will be further developed by EBE next to Phases 1 and 2 of Campo Largo Wind Complex, capturing synergies especially during the commercial operation.

Assú Photovoltaic Complex. Located in the Municipality of Assú, State of Rio Grande do Norte, the Complex will have a total **installed capacity of approximately 150 MW**, consisting of five projects, among them Assú V. Assú V went into commercial operations in December 2017. The remaining projects are at the stage of evaluating solar radiation, with preliminary license already issued, and qualified to take part in future new energy auctions.

Besides the abovementioned projects, the Company is also examining the potential for photovoltaic solar energy generation in areas where it is installing its wind farms. In addition, it is also analyzing partnerships which could accelerate the development of this energy source in line with the process of energy transition which is taking place at world level.

Alvorada Photovoltaic Complex. ENGIE Brasil Energia has acquired a site in the State of Bahia, – a region with potential for generating solar energy – for the development of three projects comprising the **Alvorada Photovoltaic Complex**. The projects, which **will have a total installed capacity of 90 MW.** All projects are at the stage of raising solar irradiance data and received their preliminary license in August 2016, qualifying them to take part in new energy auctions.

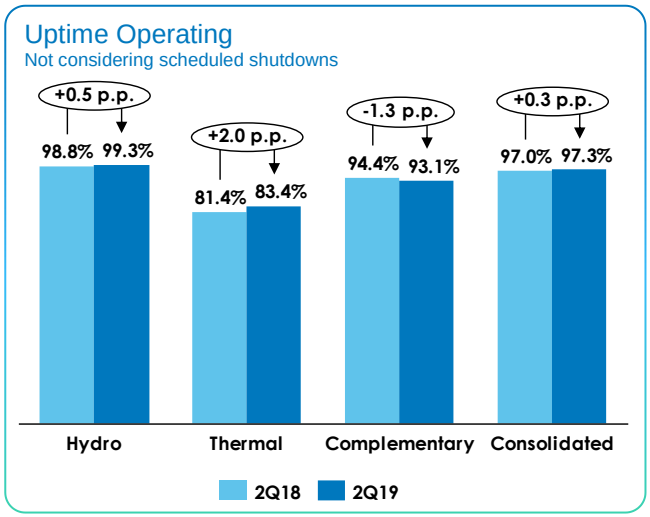
OPERATING PERFORMANCE

Energy Generator Park Uptime Operating

The plants operated by ENGIE Brasil Energia reported uptime working of **97.3% in 2Q19, ignoring scheduled stoppages**: 99.3% for the hydroelectric plants, 83.4% for the thermoelectric plants and 93.1% with respect to the plants fired from complementary energy sources, namely SHPs, biomass, wind and photovoltaics.

If all scheduled shutdowns are taken into account, the aggregate uptime in the 2Q19 was 89.7%: 91.1% for the hydroelectric plants, 77.5% for the thermoelectric and 89.2% for plants operating with complementary energy sources.

Hydroelectric plant uptime working in the quarter under analysis recorded a slight increase (0.5 p.p.) despite ongoing modernization work on the Number 5 Generator Unit at the Salto Osório Hydroelectric Power Plant.

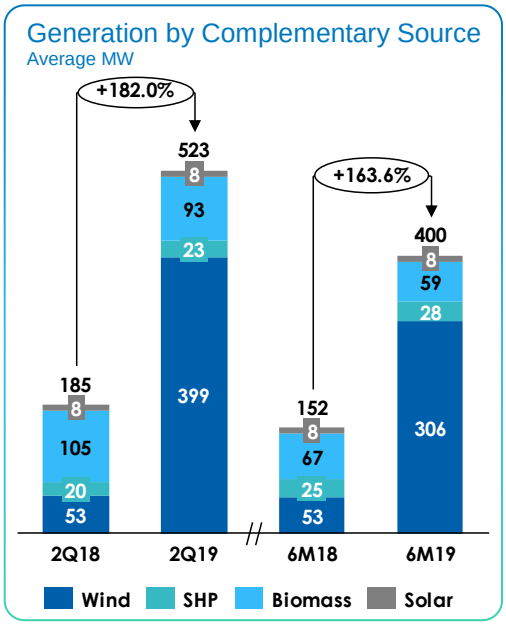


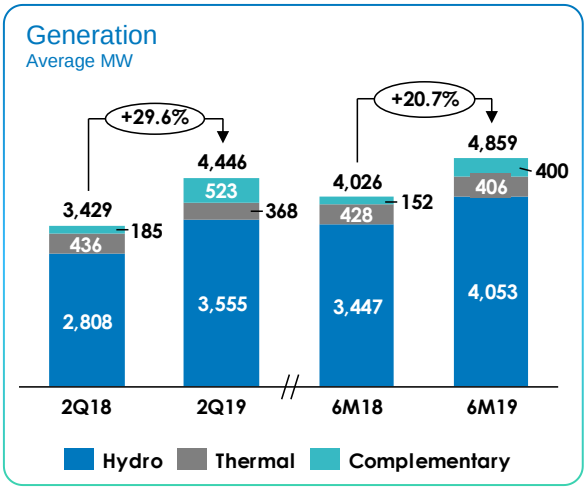
In relation to the thermoelectric power plants, the increase in the uptime ratio relative to 2Q18 (2.0 p.p.) was due to the absence of any major scheduled maintenance program in 2Q19.

In the case of the complementary plants, the reduction in uptime operations (-1.3 p.p.) relative to 2Q18 was largely due to the startup in commercial operations at the Campo Largo – Phase I and Umburanas – Phase I wind complexes, which experienced sporadic downtime typical of the early stages of operations.

Energy Production

Electricity output from plants operated by ENGIE Brasil Energia was 9.709 GWh (4,446 average MW) in 2Q19. This result is **29.6% higher** than production for 2Q18. Total output breaks down as follows: hydroelectric plants, 7,764 GWh (3,555 average MW), thermoelectric plants 804 GWh (368 average MW) and the complementary sourced units 1,141 GWh (523 average MW). Results point to, respectively, increases of 26.6% and 182.0% on the hydro and complementary energy sources and a decrease of 15.7% on the termoelectric energy sources in relation to 2Q18.





The increase in total generation from the Company`s hydroelectric plants on a 2Q19 x 2Q18 comparative basis is principally due to the more favorable hydrological conditions in 2Q19 in the hydrographic basins where the EBE`s plants are located. In addition, global load in the National Interconnected System (SIN) reported growth of 2.63% when compared to 2Q18.

On the other hand, the increase in hydrolelectric generation delivered to the SIN saw a reduction in the Marginal Cost of Operations (CMO), consequently occasioning a reduction in the Company's thermoelectric power plants, more notably that of the Jorge Lacerda Thermoelectric Complex due to low dispatch by order of merit of cost of its generator units as compared with 2Q18. Special mention should be made of the unveiling of commercial operations at the Pampa Sul Thermoelectric Plant on June 28, 2019, this unit reporting generation of 117 GWh (54 average MW) during prior trial test runs.

The substantial increase in generation from complementary plants is due to the startup in commercial operations of the Campo Largo – Phase I and Umburanas – Phase I wind complexes.

In this context, it is worth pointing out that an increase in the Company's hydroelectric generation does not necessarily reflect an improvement in economic-financial performance. Conversely, a reduction in this type of generation does not inevitably imply a deterioration in economic-financial performance due to the adoption of the Energy Reallocation Mechanism (MRE), which defrays the risks of hydro generation among its participants.

As to the Company's thermal generation, its increase might reduce (as a function of the Company's level of contracting) exposure to the Price for the Settlement of Differences (PLD), the opposite being the case when there is a decrease, all other variables being equal.

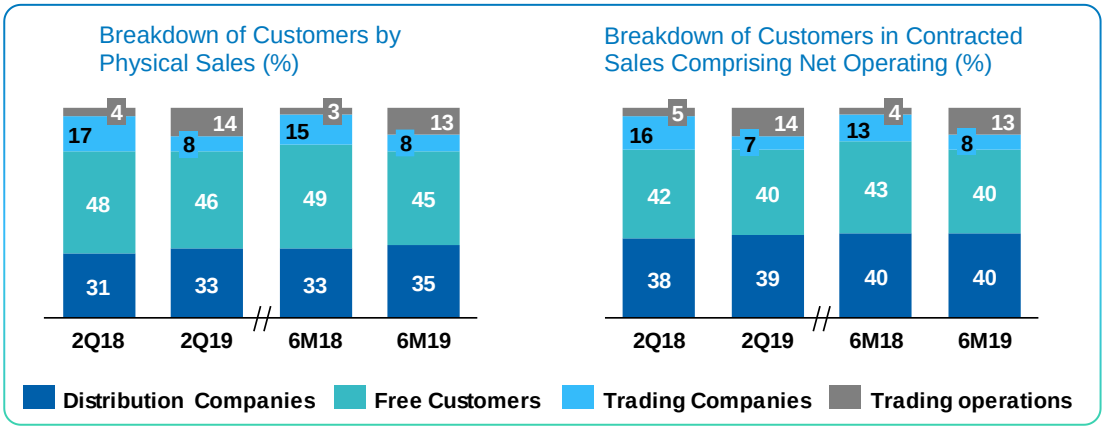
Gas Transportation

Operations of Transportadora Associada de Gás under ENGIE group management totalled 18 days in the second quarter. During this period, the average volume of gas transmitted amounted to 37.9 million of m^3/day.

Electric Energy Sales Portfolio

In 2Q19, the free consumer share of the Company's portfolio was 45.8% of total physical sales and 40.4% of the total net operating revenue (except CCEE and other revenues), decreases of 2.4 p.p. and 1.5 p.p., respectively in relation to the same quarter in 2018.

The year-on-year reduction in the share of the trading companies in the Company's physical sales and net operating revenue during 2Q19 was mainly due to the decrease in consumption of industrial clients.



Commercialization Strategy of Electric Energy

The Company pursues a commercial strategy of gradual sales of future energy availability for any given year as a means of mitigating the risk of exposure to spot prices (Price for Settlement of Differences — PLD) for that particular year. Electric energy sales are made during windows of opportunity that open when the market shows a greater buying propensity. ENGIE Brasil Energia's energy balance based on proprietary commercial capacity and power purchasing agreements outstanding as at **June 30, 2019** is as follows:

Energy Balance

(Average MW)

	2019	2020	2021	2022	2023	2024	**Auction** **Gross** Price (R$/MWh)	Reference Date	**Gross** Price Adjusted (R$/MWh)	**Net** Price of PIS/COFINS/P&D (R$/MWh)
Own Resources	4,536	4,695	4,860	4,919	4,917	4,918				
+ Purchases for Resale	1,498	907	497	428	355	176				
= Total Resources (A)	**6,034**	**5,602**	**5,357**	**5,347**	**5,272**	**5,094**				
Government Auction Sales[1]	1,970	2,013	2,013	2,013	2,013	2,008				
2005-NE-2010-30	200	200	200	200	200	200	115.1	Dec-05	231.9	208.3
2006-NE-2009-30	493	493	493	493	493	493	128.4	Jun-06	255.0	229.1
2006-NE-2011-30	148	148	148	148	148	148	135.0	Nov-06	265.7	238.7
2007-NE-2012-30	256	256	256	256	256	256	126.6	Oct-07	239.4	215.1
2014-EE-2014-06	98	-	-	-	-	-	270.7	May-14	359.2	322.7
Proinfa	19	19	19	19	19	19	147.8	Jun-04	286.6	276.2
1st Reserve Energy Auction	14	14	14	14	14	14	158.1	Aug-08	284.7	274.3
Auction Mix (New Energy / Reserve / DG)	17	14	14	14	14	9	-	-	261.3	251.7
2014-NE-2019-25	151	295	295	295	295	295	183.5	Mar-14	247.7	222.5
2014-NE-2019-25	10	10	10	10	10	10	206.2	Nov-14	261.0	251.5
2014-NE-2019-20	83	83	83	83	83	83	139.3	Nov-14	176.4	160.1
2015-NE-2018-20	46	46	46	46	46	46	188.5	Aug-15	223.5	202.8
8th Reserve Energy Auction	9	9	9	9	9	9	303.0	Nov-15	347.5	315.3
2014-EN-2019-20	48	48	48	48	48	48	136.4	Nov-14	176.7	160.4
Government Auction - Quotas regime										
2018 - Quotas (UHJA) - 2018-30	239	239	239	239	239	239	-	Jul-17	138.5	132.1
2018 - Quotas (UHMI) - 2018-30	139	139	139	139	139	139	-	Jul-17	158.8	151.5
+ Bilateral Sales	3,408	3,177	2,860	2,512	1,826	1,082				
= Total Sales (B)	**5,378**	**5,190**	**4,873**	**4,525**	**3,839**	**3,090**				
Balance (A - B)	**656**	**412**	**484**	**822**	**1,433**	**2,004**				
Sales average **net** price (R$/MWh) [2, 3]:	188.9	188.1	187.6							
Purchases average **net** price (R$/MWh) [4]:	182.5	176.1	176.9							

[1] XXXX-YY-WWW-ZZ, where:
XXXX → year of auction
YY → EE = existing energy or NE = new energy
WWWW → year of delivery start
ZZ → supply contract duration (in years)

[2] Sales price, including trading operations, is net of ICMS and taxes over revenue (PIS/Cofins, R&D), i.e. future inflation is not considered.

[3] Desconsidering sales for quota regime (Jaguara and Miranda HPPs).

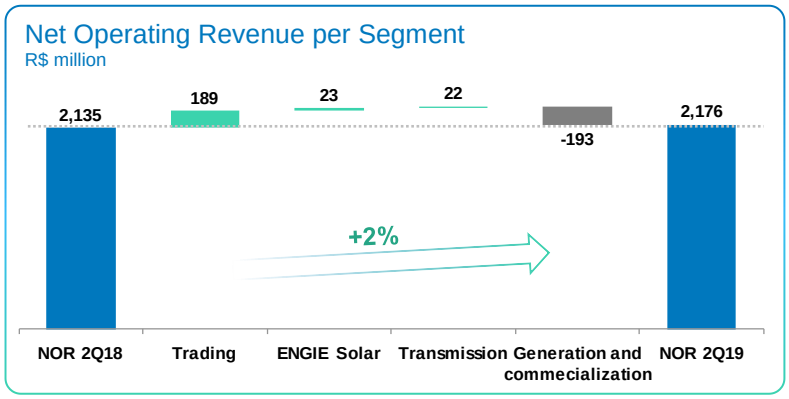
[4] Purchase net price, considering trading operations and benefits from PIS/Cofins credits, i.e. future inflation is not considered.

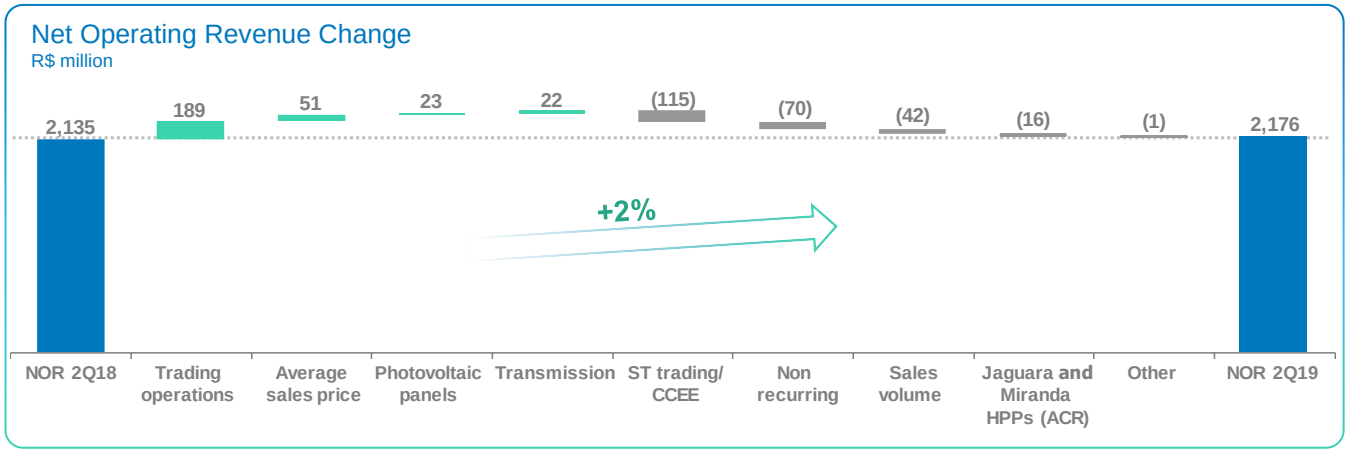
Notes:
- The balance refers to the settlement point (net of losses of internal consumption of the plant).
- The average prices are considered simply estimates and are based on financial planning revisions, not capturing volume changes, which are updated quarterly.
- Aneel agreed to the renegotiation of the hydrological risk with respect to the Company's agreements negotiated through the Regulated Contracting Environment (ACR). Additional information can be found in the financial statements of 2015.

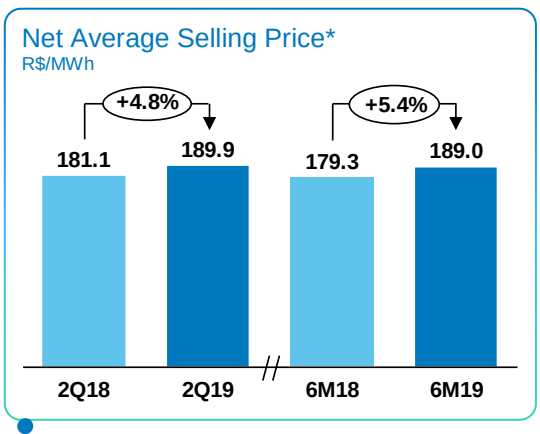
ECONOMIC-FINANCIAL PERFORMANCE

Net Operating Revenue

In 2Q19, net operating revenue recorded an increase of 1.9% (R$ 41.5 million) when compared to 2Q18, increasing from R$ 2,135.0 million to R$ 2,176.5 million. This change is mainly a reflection of the following factors: (i) a R$ 192.9 million (9.4%) decrease in the generation and commercialization of electric energy for supplying the Company's portfolio of which (i.i) R$ 115.1 million relates to the reduction in transactions conducted in the short-term market; (i.ii) a R$ 69.6 million reduction in non-recurring revenues, recognized in 2Q18, with respect to the compensation for lost revenues the result of a claim for indemnification for the interruption to business in the case of the Jorge Lacerda A Thermoelectric Plant and the collection of a contractual fine from a supplier resulting from partial delay in delivery of modernization work on one of the machines at the Salto Santiago Hydroelectric Power Power Plant; (i.iii) R$ 42.3 million due to the decline in the amount of energy sold; (i.iv) a R$ 15.6 million reduction in the remuneration of financial assets relative to the payment for the Jaguara and Miranda hydroelectric concession grants; (i.v) R$ 1.4 million decrease in other operating revenue; and (i.vi) R$ 51.1 million corresponding to the increase in net average selling price; (ii) a R$ 188.7 million increase in the light of energy trading operations; (iii) R$ 23.3 million as a result of booking of revenue to the accounts from the sale and installation of photovoltaic solar panels through the ENGIE Geração Solar Distribuída (ENGIE Solar) subsidiary, the control of which was acquired in August 2018, when it was consolidated by the Company; and (iv) R$ 22.4 million related to the transmission segment, being (iv.i) R$ 20.0 million with respect to infrastructure construction revenue from the Gralha Azul Transmission Line; and (iv.ii) R$ 2.4 million relating to the remuneration of the financial asset.



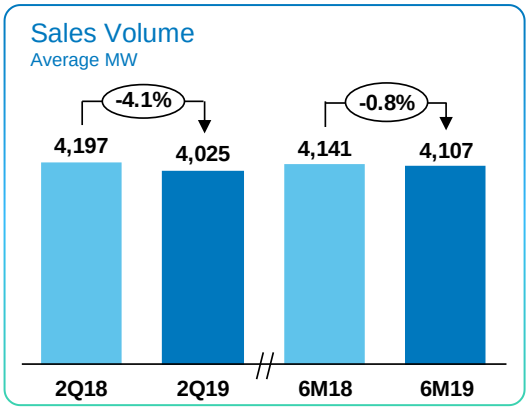




* Net of taxes, exports and trading operations.

➢ Net Average Selling Price

The average energy selling price, net of charges on revenue, reached R$ 189.87/MWh in 2Q19, **4.8% greater than the same quarter in 2018**, the value for which was R$ 181.11/MWh. These prices exclude the trading operations which the Company began in January 2018 and described below under a separate heading. The increase in price is largely due to the monetary restatement of current agreements.



➢ Sales Volume

Volumes of contracted energy sold under agreements decreased from 9,166 GWh (4,197 average MW) in 2Q18 to **8,790 GWh (4,025 average MW) in 2Q19**, a reduction of 376 GWh (172 average MW), or 4.1%, between comparative periods. These volumes do not include energy trading operations which are described below under a specific heading.

The reduction in sales volume is largely due to the decline in the trading company segment, impacted by a decrease in the demand for electric energy nationwide, albeit partially attenuated by the increase in sales to distributors with the initial servicing of the new energy auctions in 1Q19.

Comments on Variation in Net Operating Revenue

➢ Generation and Commercialization of Energy

➢ Revenue from Sale of Electric Energy

- Distribution Companies:

Revenue from sales to distributors was R$ 756.7 million in 2Q19, **15.7% higher than** the R$ 654.1 million reported in 2Q18. The variation reflected the following factors: (i) R$ 90.9 million – an increase of 403 GWh (185 average MW) sales volume; and (ii) R$ 11.7 million – an increase of 1.8% in net average selling price.

The increase in sales volume is due largely to initial supplies under the new energy auctions from the Ferrari Thermoelectric Power Plant and wind farms at the Campo Largo – Phase I, Umburanas – Phase I and Trairí wind complexes, which have been feeding their energy into the regulated market since 1Q19. Price increases largely reflect monetary restatement of existing agreements, partially compensated by the lower average price set at the auctions, supplies under which began in 1Q19.

- Trading Companies:

In 2Q19, sales revenue to trading companies was R$ 131.3 million, **52.5% lower** than revenue for this same item in 2Q18, which was R$ 276.7 million. This reduction is a result of a combination of the following aspects: (i) R$ 139.8 million – a reduction of 819 GWh (375 average MW) in energy sales volume; and (ii) R$ 5.6 million – a decrease of 2.0% in the net average selling price.

The decrease in the amount between the two comparative periods analyzed was mainly a reflection of the reduction in consumption on the part of industrial customers that purchased energy through the medium of trading companies. The reduction in price was principally due to the expiry of agreements at higher average prices than those of the new agreements replacing them or existing agreements.

- Free Consumers:

Revenue from sales to free consumers increased by 7.1% between quarters under analysis, rising from R$ 729.2 million in 2Q18 to R$ 780.8 million in 2Q19. The following events contributed to this variation: (i) R$ 45.0 million growth of 6.2% in net average energy selling prices; and (ii) R$ 6.6 million – an increase of 40 GWh (18 average MW) in the volume of energy sold.

The increase in price is basically due to monetary restatement of prevailing agreements. The increase in the volume of energy sold is a reflection basically of the increase in sales volume to industrial clients, some of which were categorized previously as trading companies but reclassified subsequently as free consumers, including many clients reporting low levels of consumption in relation to contracted amounts.

➢ Transactions in the Short-term Energy Market

In 2Q19, revenue from transactions in the short-term market, especially generated across the CCEE, **was R$ 68.8 million**, as against R$ 183.9 million in 2Q18, this representing a reduction of R$ 115.1 million between comparative quarters (62.6%). These amounts exclude transactions in the short-term market involving trading operations, details of which are shown under a separate heading below. A more detailed explanation of these short-term operations is to be found in the item below “Details of Short-Term Operations”.

➢ Remuneration of Concession Financial Assets

The financial assets of concessions represent the present value of the future cash flows of the portion of energy from the Jaguara and Miranda hydroelectric plants transacted through the Regulatory Contracting Environment and equivalent to 70% of the plants’ physical guarantee. These assets are remunerated at the internal rate of return and according to the variation in the Amplified Consumer Price Index (IPCA).

The remuneration of the financial assets of concessions decreased from R$ 105.2 million in 2Q18 to R$ 89.6 million in 2Q19. The variation in the balance is largely due to monetary restatement in the compared quarters, the impact of which was a reduction of R$ 15.3 million. The Grant Bonus Return (RBO) is restated annually at the IPCA, this index reporting a reduction of 1.2 p.p. in 2Q19 compared to 2Q18 and decreasing from 1.9% in 2Q18 to 0.7% in 2Q19.

➢ Other Revenues

In 2Q18, non-recurring revenues of R$ 69.6 million were booked to the accounts, the result of the recomposing of revenues resulting from: (i) the claim for indemnification arising from the interruption of business at the Jorge Lacerda A Thermoelectric Power Plant in 2017; and (ii) the levying of a contractual fine on the supplier due to the partial delay in the conclusion of modernization work on one of the machines of the Salto Santiago Hydroelectric Power Plant in 2015.

➢ Energy Trading

➢ Energy Trading Operations

With a view to taking positions in the market in the light of electric energy price variations and on the basis of established risk limits and pre-authorized counterparties, in January 2018, the Company made its debut in the energy trading market.

Energy trading operations are transacted in an active market and for accounting purposes, are defined as financial instruments at fair value. This is due principally to the fact that there is no commitment to match buying and selling operations given the flexibility of managing the contracts for leveraging results from price variations in the market.

Revenue from trading, resulting from the sale of energy reported between the analyzed quarters, increased by R$ 188.7 million (236.2%), from R$ 79.9 million in 2Q18 to R$ 268.6 million in 2Q19. The following events contributed to this variation: (i) R$ 184.4 million – an increase of 968 GWh (442 average MW) in energy sales volume; (ii) R$ 4.6 million – booking of a positive result in transactions executed across the CCEE in 2Q19; and (iii) R$ 0.3 million – a reduction of 0.4% in the average energy net selling price which reached R$ 190.58/MWh in 2Q19, against R$ 191.38/MWh in 2Q18.

Further explanations on item (ii) can be found in “Details of Short-Term Operations”.

➢ Energy Transmission

➢ Revenue from Transmission

The Company has primary responsibility for the constructing and installation related to the Gralha Azul Transmission System’s concession, the implementation of which began in the second half of 2018 and thus being exposed to the risks and benefits therefrom. Consequently, based on prevailing accounting practices, the Company has been recognizing revenues from the implementation of transmission line infrastructure over the period of installation, corresponding to construction costs plus a gross residual margin for covering management costs. These construction expenditures are recognized in the cost as mentioned below.

The revenues from implementation of transmission infrastructure and the associated remuneration **booked to the accounts for 2Q19** were **R$ 20.0 million and R$ 2.4 million,** respectively.

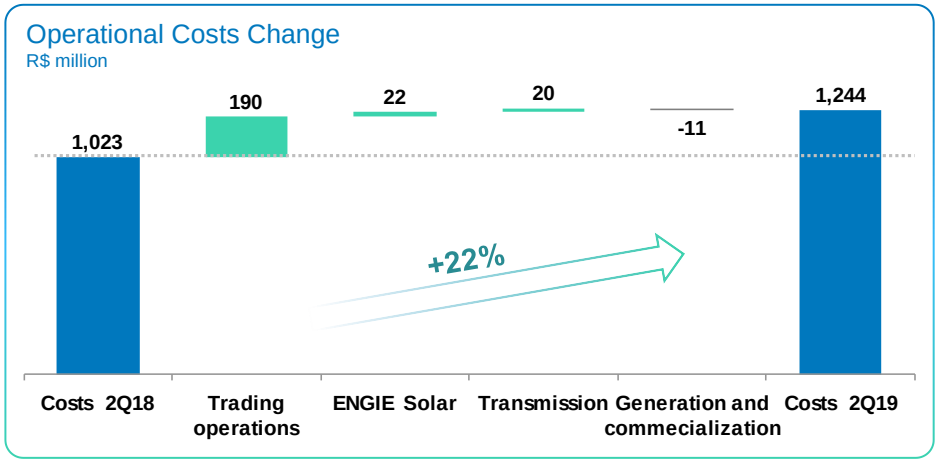
➢ Solar Panels

➢ Revenue from the Sale of Solar Panels

In 2Q19, the Company booked R$ 23.3 million of revenue to the accounts from the sale of photovoltaic solar panels, through ENGIE Geração Solar Distribuída (ENGIE Solar), control of which was acquired in August 2018 when the subsidiary was consolidated by the Company.

Operational Costs

Operational costs increased by R$ 220.8 million (21.6%), between compared quarters, from R$ 1,023.1 million in 2Q18 to R$ 1,243.9 million in 2Q19. This variation was a reflection principally of the following factors: (i) an increase of R$ 190.0 million in the costs of trading operations; (ii) a reduction of R$ 11.1 million (1.2%) in relation to 2Q18 in the costs of the generation and commercialization segment for servicing the Company’s portfolio; (iii) booking of R$ 22.4 million costs of selling and installation of the photovoltaic panels by ENGIE Solar; and (iv) recognition in the accounts of R$ 19.5 million of transmission segment costs.



These variations basically reflect the following key components:

» **Energy purchases:** an increase of R$ 104.2 million (19.5%) between comparable quarters due to a combination of the following items: (i) increase of R$ 191.7 million in 2Q19 compared to the same quarter in 2018, in energy trading operations, a reflection above all of the following: (i.i) R$ 186.6 million – growth of 998 GWh (457 average MW) in purchases allocated to trading operations; (i.ii) R$ 7.1 million – booking in 2Q19 of unrealized losses due to marking to market – differences between contracted prices and those prevailing in the market – of net contracted operations open in the accounts as at June 30, 2019; and (i.iii) R$ 2.0 million – a reduction of 2.6% in the net average price of purchases in trading operations; and (ii) a reduction of R$ 87.5 million in energy portfolio management operations in the light of the following factors: (ii.i) R$ 142.1 million – decrease of 754 GWh (345 average MW) in purchases for management of the Company's portfolio; and (ii.ii) R$ 54.6 million – growth of 11.9% in net purchase prices for operations realized for the portfolio.

The year-on-year growth in net average purchase price was mainly due to new agreements at higher than average prices of existing agreements.

» **Transactions in the short-term energy market:** the costs of these transactions were R$ 30.1 million (155.3%) higher between the quarters under analysis, reflecting: (i) the increase of R$ 31.8 million incurred in the generation and commercialization segment; and (ii) a reduction of R$ 1.7 million in the light of energy trading transactions settled across the CCEE. More details are described under the specific heading below.

» **Charges for use of and connection to the electricity grid:** an increase of R$ 11.3 million (10.1%), between quarters under analysis, above all due to the startup of commercial operations of 11 wind farms in the Campo Largo Wind Complex – Phase I in the second half of 2018 and 18 wind farms in the Umburanas Wind Complex – Phase I in the first half of 2019. Additionally, in 2Q19, charges incurred by the Pampa Sul Thermoelectric Power Plant – which began commercial operations in June 2019 – were booked to the accounts.

Excluding the above effects, the increase in charges would have been R$ 1.3 million (1.2%) in 2Q19 compared with the same period in 2018, a reflection largely of annual tariff adjustment for transmission and distribution.

» **Fuels for the generation of electricity:** a decrease of R$ 18.9 million (49.7%) on a year-on-year comparative basis, mainly due to recognition in the accounts in 2Q18 of R$ 18.0 million following a court sponsored agreement with the natural gas supplier. This subsequent to a lawsuit involving a dispute over pricing of fuel supplied between September 2014 and June 2017, as well as the declining volume of thermoelectric generation between the periods, albeit partially offset by the annual readjustment in fuel costs.

» **Financial compensation for use of water resources (Royalties):** growth of R$ 6.8 million (32.7%) between comparative quarters, principally reflecting increased generation from the hydroelectric plants in the periods analyzed and the 4.5% readjustment in Restated Reference Tariff (TAR) in 2019.

» **Personnel:** increase of R$ 10.0 million (18.2%) in 2Q19 against the same quarter for 2018, largely due to the annual readjustment in employee compensation and new hiring with the expansion in the Company's generator complex. The Personnel line was also inflated by the cost of absorbing the payroll of Engie Solar, acquired in full in August 2018, personnel costs of the latter subsidiary in 2Q19 being R$ 2.3 million.

Excluding the impact of ENGIE Solar, personnel overheads would have risen year-on-year by R$ 7.7 million (14.0%) in 2Q19.

» **Material and third party services:** an increase of R$ 6.1 million (11.5%) in 2Q19, in relation to the same quarter of 2018, largely resulting from: (i) higher costs of operations and maintenance due principally to new power purchasing agreements with the entry into operations of the Umburanas – Phase I and Campo Largo – Phase I wind complexes; and (ii) an increase of R$ 4.7 million in ENGIE Solar overheads.

Excluding the effect of ENGIE Solar, the increase would have been R$ 1.4 million (2.6%) in 2Q19 in relation to 2Q18.

» **Depreciation and amortization:** increase of R$ 45.2 million (29.3%) between compared quarters due largely to the entry into commercial operations of the Campo Largo Wind Complex – Phase I in the second half of 2018, of the Umburanas Wind Complex – Phase I, in the first four months of 2019 and maintenance work on the Company's generator complex between the second half of 2018 and the first half of 2019.

» **Insurance:** a year-on-year increase of R$ 10.4 million (102.5%) due to the renewal of the operational risks policy in June 2018, the increase in premium largely reflected by a reassessment of risks in the light of claims in 2017 relating to work on the Jorge Lacerda A Power Plant and in 2018 at the Jaguara Hydroelectric Power Plant.

» **Net operating provisions:** positive effect on the result for the period of R$ 14.8 million (127.3%) between quarters mainly due to the following effects: (i) provisions booked in 2Q18 for losses on the reduction in market value of William Arjona TPP and; (ii) reversal of provisions in 2Q19 for the decommissioning of Charqueadas.

» **Cost of implementation of transmission infrastructure:** recognition in the accounts of R$ 19.5 million in 2Q19 related to the costs of infrastructure construction of the Gralha Azul transmission line, compensated by the booking of infrastructure implementation revenue calculated on the bases of incurred costs as well as the gross margin for covering the management costs of the construction.

» **Cost of sale of photovoltaic solar panels:** recognition of R$ 14.9 million in 2Q19 with respect to the costs related to the sale of photovoltaic solar panels through the ENGIE Solar subsidiary, control of which was acquired in August 2018.

Details of Short Term Operations

Short-term operations are classified as energy purchase or sale operations, the principal objective being the management of exposure on the CCEE. Consequently, the price of these operations is characterized by the linkage with the Price for Settlement of Differences (PLD). This item also includes the transactions conducted through the CCEE, given their volatile and seasonal nature, therefore, short-term, of the results originating from accounting movement in the CCEE. Additionally, the long and short positions are settled at the PLD, thus, similar to the short-term operations described above.

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

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

In 2Q19 and 2Q18, net results (the difference between revenues and costs – less taxes) due to short-term transactions – more particularly those transacted across the CCEE – were positive at R$ 23.9 million and R$ 164.5 million, respectively. The amount represents **a reduction of R$ 140.6 million between comparative periods**, this having a negative effect of R$ 146.9 million on results for transactions in the generation and commercialization segment and a positive effect of R$ 6.3 million on the result for trading transactions.

This variation is fundamentally a result of the combination of the following factors: (i) a reduction in the long position held on the CCEE, by virtue of the strategy adopted for allocation of hydroelectric generation resources plus active portfolio management; (ii) the reduced impact of the MRE Adjustment Factor – GSF –, already deducted for the effects of renegotiation of hydrological risk; (iii) the negative effect arising from the difference in prices between the North/Northeast and Southeast/Center-West submarkets for the quarters under review; and (iv) an increase in MRE revenue.

In December 2018, Aneel set maximum and minimum PLD limits for 2019 at R$ 513.89/MWh and R$ 42.35/MWh, respectively. On a quarterly comparison basis, the average PLD for the South and Southeast/Center-West submarkets fell 56.6%, from R$ 302.68/MWh in 2Q18 to R$ 131.37/MWh in 2Q19. Additionally, the PLD for the North submarket fell 73.7% from R$ 217.52/MWh in 2Q18 to R$ 57.27/MWh in 2Q19 and average PLD for the Northeast submarket fell from R$ 254.06/MWh in 2Q18 to R$ 57.27/MWh in 2Q19, that is, 77.5%.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by R$ 7.2 million (14.3%) in the quarters under review due mainly to: (i) a growth of R$ 3.2 million in payroll due to the annual readjustment in employee compensation and new hiring, of which R$ 0.7 million reflects expenses at ENGIE Solar; (ii) growth of R$ 2.8 million in expenses with third party services, R$ 0.6 million of this expended by ENGIE Solar. The above increases were partially attenuated by the following factors: (i) a reduction of R$ 0.5 million in expenses with materials; and a (ii) reduction of R$ 0.5 million in operational provisions.

Ignoring the effect of ENGIE Solar, there would have been a year-on-year increase of R$ 5.6 million (11.3%) in 2Q19.

Increased selling, general and administrative expenses largely reflect, (i) growth in the Company's operational capacity through a 13.0% greater installed capacity between 2Q18 and 2Q19; (ii) the new market dynamic based on the energy transition and the expansion in access to the free market; and (iii) an inflationary effect on prevailing agreements and on payroll expenses between compared periods. These effects are partially offset by reductions in certain expenses already mentioned above in the light of the Company's efforts to optimize overheads.

Equity Income

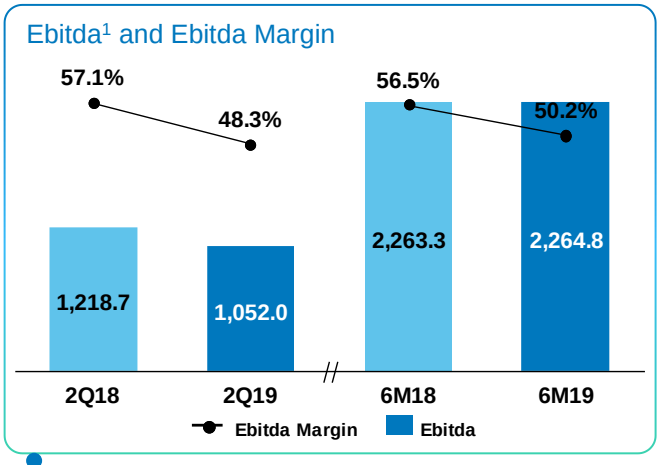
On June 13, 2019, the jointly controlled Aliança Transportadora de Gás S.A. acquired a 90% corporate control in Transportadora Associada de Gás S.A. The Company has a 32.5% direct corporate stake in the jointly controlled company, Aliança, hence a 29.25% indirect corporate stake in TAG.

In 2Q19, the Company booked the negative equity income result in the jointly controlled, Aliança, for the amount of R$ 26.8 million. This result is largely a consequence of the combination of the following effects: (i) non-recurring expenses of R$ 44.7 million in Aliança with respect to financial, legal, tax, corporate, regulatory advisory services among others, related to the development of the project for acquiring TAG; (ii) positive financial result at Aliança of R$ 13.9 million, largely arising from FX variation on currency denominated debt, with a positive impact of R$ 37.2 million, attenuated by debt service charges, with a negative effect of R$ 23.3 million; (iii) taxes and general and administrative expenses of Aliança of R$ 13.6 million; and (iv) a positive result from the shareholding stake in TAG in the period from June 13 (the acquisition date of the company) to June 30, 2019 amounting to R$ 14.6 million. This result includes equity income on non-recurring costs arising from the early settlement of debt by TAG, in the amount of R$ 17.8 million.

Excluding the aforementioned non-recurring effects, equity income in 2Q19 would have been positive in the amount of R$ 35.7 million.

Ebitda and Ebitda Margin

Reflecting the aforementioned factors, **Ebitda for 2Q19 was R$ 1,052.0 million**, that is, 13.7% or R$ 166.7 million below the amount reported for 2Q18 of R$ 1,218.7 million. The variation is a consequence of the combination of the following **positive effects**: (i) reduction of R$ 87.5 million in energy purchases for managing the Company's portfolio; (ii) R$ 51.1 million due to the increase in the average net selling price, excluding trading operations; (iii) R$ 18.9 million due to the reduction in fuel costs; (iv) a reduction of R$ 14.8 million in operational provisions costs; (v) a reduction of R$ 6.8 million of other operating costs and expenses; and (vi) R$ 5.8 million reflecting a net positive result between sales and purchaes arising from energy trading.



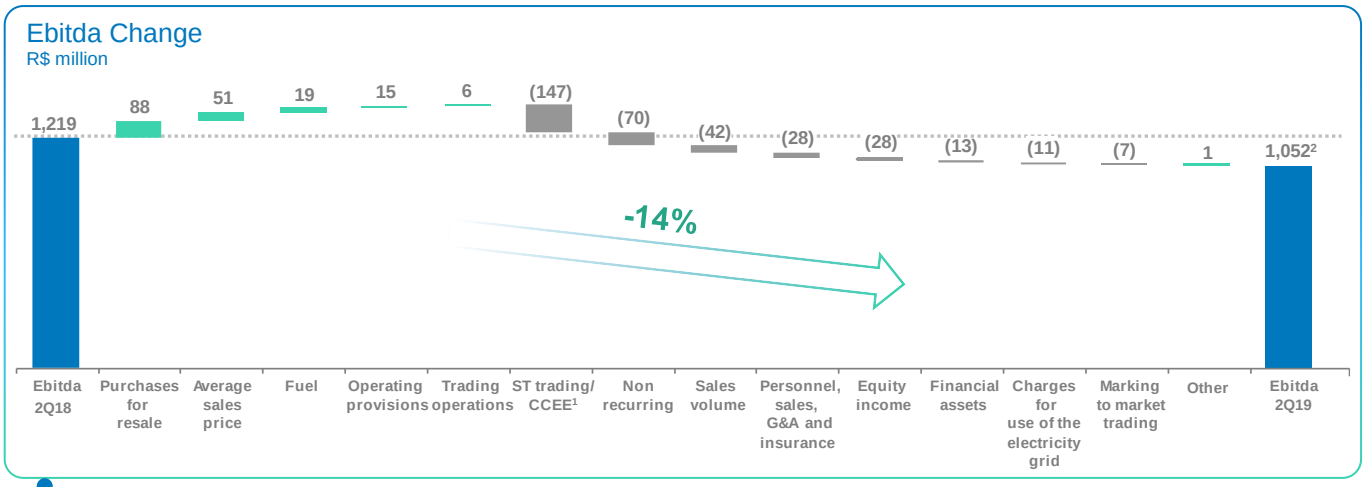
[1] Ebitda: net income + income tax and social contribution and financial expenses, net + depreciation and amortization.

The above-mentioned positive effects were counterbalanced by the following **negative effects**: (i) reduction of R$ 146.9 million in the result of transactions executed in the short-term market in the generation and commercialization segment for the Company's portfolio management; (ii) recognition in 2Q18 of R$ 69.6 million of non-recurring revenues with the recomposition of revenue from indemnification via a claim against, and collection of a contractual fine from a supplier due to the partial delay in carrying out modernization work; (iii) R$ 42.3 million due to the reduction in energy sales volume, excluding trading operations; (iv) a negative R$ 27.6 million equity income result; (v) decrease of revenue from remuneration and monetary restatement on Jaguara and Miranda Hydroelectric Power Plant assets and growth in the Gralha Azul transmission line with a net impact of R$ 13.2 million; (vi) an increase of R$ 11.2 million in costs with charges for use of the electricity network and connections; (vii) increase of R$ 10.4 million of insurance premium costs; (viii) increased payroll costs of R$ 10.0 million; (ix) increase of R$ 7.2 million in sales, general and administrative expenses; (x) negative net result in the marking to market of unrealized losses on trading operations of R$ 7.1 million; and (xi) an increase of R$ 6.1 million in costs and outsourced services.

Ebitda includes the result of corporate stakes of the jointly controlled company Aliança, given that the subsidiary foresees distribution of dividends on a recurring basis.

Ebitda margin was 48.3% in 2Q19, a decrease of 8.8 p.p. in relation to the same period of 2018. This reduction is a consequence principally of impacts in 2Q19 and in 2Q18 arising from energy trading operations, recognition of revenue and costs relative to the construction of the Gralha Azul transmission line and operations realized by ENGIE Solar, a subsidiary which was acquired in August 2018, margins of which are lower than those for other operations conducted by the Company. The decrease in Ebitda margin is also the result of a decline in the short-term market, including transactions conducted across the CCEE and the reduction in the energy sales volume in the generation and commercialization segment.

Excluding these effects, **the Ebitda margin for 2Q19 would have been 56.3%** against 59.3%, in 2Q18, representing a decrease of 3.0 p.p. between compared quarters.



[1] Considers the combined effect of changes in revenue and expenses.
[2] Apparent sum-related errors are a result from rounding of addends.

The following table reconciles net income with Ebitda:

(In millions of R$)	2Q19	2Q18	Chg. %	6M19	6M18	Chg. %
Net income	385.4	589.2	-34.6	950.9	1,078.5	-11.8
(+) Income tax and social contribution	172.8	264.4	-34.6	409.8	493.7	-17.0
(+) Net financial result	290.3	185.7	56.3	504.4	342.6	47.2
(+) Depreciation and amortization	203.5	157.0	29.6	394.8	326.1	21.1
Ebitda	**1,052.0**	**1,196.3**	**-12.1**	**2,259.9**	**2,240.9**	**0.8**
(+) Impairment	0.0	22.4	-100.0	4.9	22.4	-78.1
Adjusted Ebitda	**1,052.0**	**1,218.7**	**-13.7**	**2,264.8**	**2,263.3**	**0.1**

Provision for Reduction in Impairment

In 2Q19, the Company saw no reason to book or reverse provisions for asset impairment. In 2Q18, a R$ 22.4 million were provisioned for impaired generation assets at the William Arjona Thermoelectric Power Plant, the commercial operation of which was discontinued, its economic and financial operation having become unviable.

Financial Result

Financial income: in 2Q19, financial revenue reached **R$ 41.6 million**, that is, R$ 10.8 million or **35.3% above** the R$ 30.8 million reported in the same quarter in 2018, principally due to the combination of the following factors: (i) an increase of interest on amounts receivable from third parties and income tax and social contribution to be compensated relative to previous fiscal years and amounting to R$ 7.5 million; and (ii) an increase of R$ 4.9 million in revenues from financial investments, due to an increase in the average balance of cash and cash equivalents in the period.

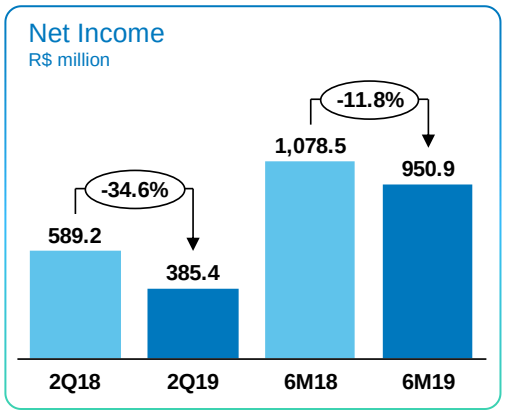
Financial expenses: expenses in **2Q19** were **R$ 331.9 million**, that is, R$ 115.4 million **or 53.3% above** expenses reported in 2Q18, which were R$ 216.5 million. The principal variations were: (i) an increase of R$ 126.2 million in interest and monetary restatement on debt, largely the result of the issue of debentures by the Companhia Energética Jaguara and Companhia Energética Miranda subsidiaries in June 2018 as well as by the Company in July 2018 and in May 2019 and the contracting of loans and financing throughout 2018 and 2019; (ii) a reduction of R$ 18.9 million in interest and monetary restatement on concessions payable due to the reduction in IPCA and General Market Price Index (IGPM) between 2Q19 and 2Q18; and (iii) an increase of R$ 1.8 million in interest on taxes and social contributions payable.

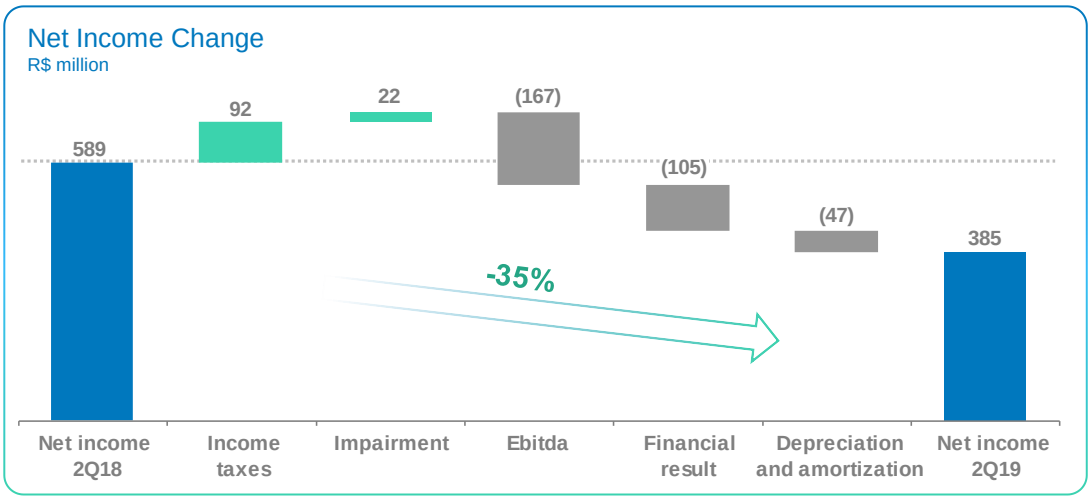
Income Tax and Social Contribution on Net Income

Income Tax (IR) and Social Contribution (CSLL) in **2Q19 amounted to R$ 172.8 million**, R$ 91.6 million (34.6%) lower than the IR and CSLL recorded for the same quarter of 2018, which was R$ 264.4 million, principally due to a lower profit before tax figure. The effective tax rate for IR and CSLL in 2Q19 and in 2Q18 was 31.0%

Net Income

Net income for 2Q19 was R$ 385.4 million, R$ 203.8 million or **34.6% lower** than the R$ 589.2 million reported for the same quarter in 2018. This result reflects the following factors: (i) a reduction of R$ 91.6 million in income tax and social contribution; (ii) recognition in the accounts of 2Q18 of an asset impairment of R$ 22.4 million; (iii) a reduction of R$ 166.7 million in Ebitda; (iv) an increase of R$ 104.6 million in net financial expenses; e (v) a growth of R$ 46.5 million in depreciation and amortization.

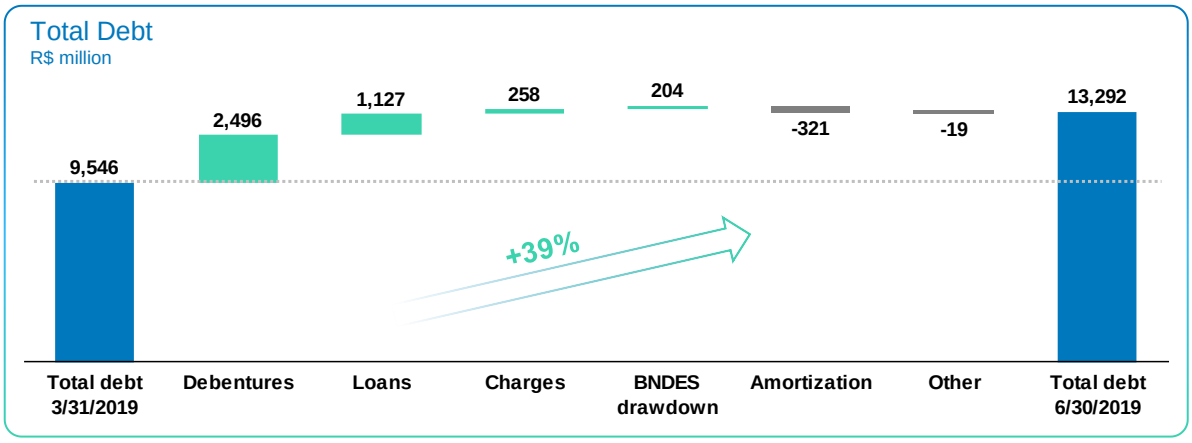


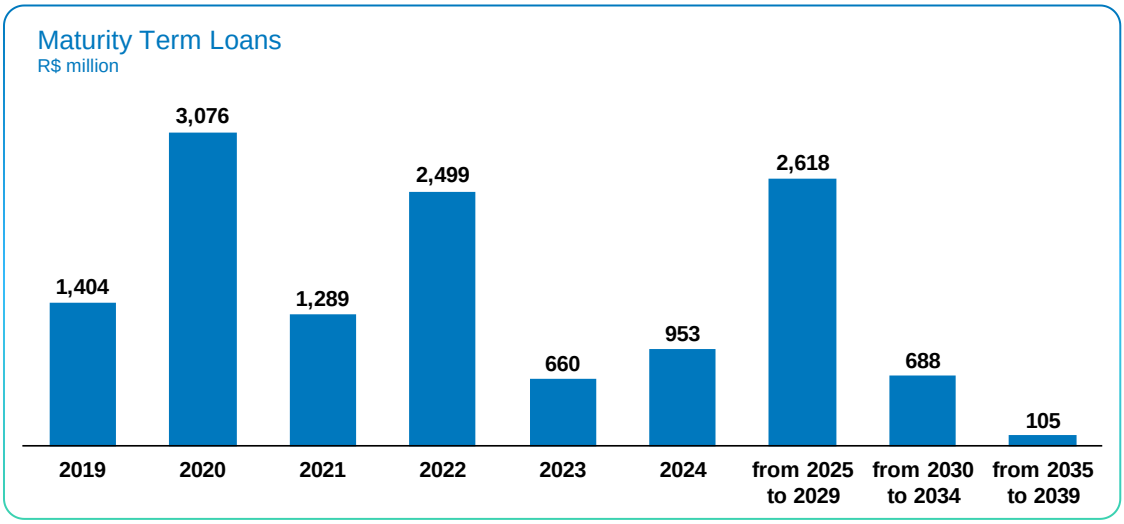


Debt

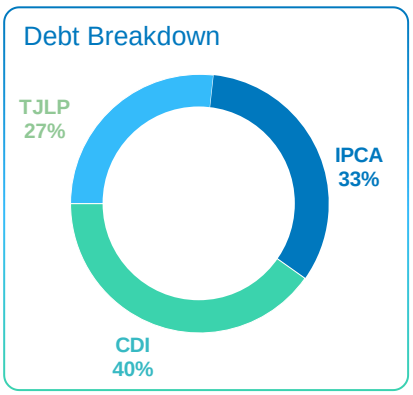
The Company's **total gross consolidated debt** as at June 30, 2019, represented mainly by loans, financing and debentures, net of the effects of hedge operations, **totaled R$ 13,292.2 million, an increase of 39.2%** (R$ 3,746.2 million) compared to the position as at March 31, 2019.

The change in Company debt levels is largely due to the combination of the following factors in 2Q19: (i) issuance of the 8th debenture issue of R$ 2,496.0 million for working capital to support the Company's business plan; (ii) loans amounting to R$ 1,127.2 million from overseas financial institutions, hedged by swap operations for protecting future cash flows; (iii) generation of R$ 257.8 million in charges incurred to be paid and monetary restatement; (iv) drawdown from the Brazilian Development Bank – Banco Nacional de Desenvolvimento Econômico e Social (BNDES) for a total of R$ 204.3 million for construction work on the Campo Largo Wind Complex – Phase I, expansion at the Ferrari Thermoelectric Power Plant and construction of the Pampa Sul Thermoelectric Power Plant; and (v) R$ 320.6 million in amortization of loans and financing.





The **average weighted nominal cost of debt** at the end of the 2Q19 was **8.0%** (8.2% at the end of the 2Q18).



On June 30, 2019, the Company's **net debt** (total debt less result of derivatives operations, deposits earmarked to the guarantee of debt servicing and cash and cash equivalents) was **R$ 11,371.2 million**, **an increase of 36.6%** compared with the end of the 1Q19.

Net Debt

R$ million

	6/30/2019	3/31/2019	Chg. %
Gross debt	13,568.8	9,773.5	38.8
Result of derivatives operations	(276.6)	(227.5)	21.6
Deposits earmarked for the payment of debt	(278.7)	(273.7)	1.8
Cash and cash equivalents	(1,642.3)	(950.3)	72.8
Total net debt	**11,371.2**	**8,322.0**	**36.6**

Capital Expenditures

ENGIE Brasil Energia's **total investments in 2Q19 were R$ 3,759.6 million**, of which: (i) R$ 3,443.1 million allocated for the acquisition of a corporate stake in Aliança Transportadora de Gás S.A., the latter company acquiring a 90% stake in Transportadora Associada de Gás S.A.; (ii) R$ 291.4 million was invested in construction of new projects: (ii.i) R$ 3.7 million concentrated in the Campo Largo Wind Complex – Phase I; (ii.ii) R$ 164.1 million on Pampa Sul TPP; (ii.iii) R$ 101.1 million in the Umburanas Wind Complex – Phase I and; (ii.iv) R$ 22.5 million in the Gralha Azul Transmission Line; (iii) R$ 18.4 million was allocated to maintenance and revitalization projects for the generating complex; and (iv) R$ 6.7 million was dedicated to modernization in the Salto Santiago and Salto Osório Hydroelectric Power Plants.



Arrival of Salto Osório HPP GU5 turbine rotor

COMMITMENT TO SUSTAINABLE DEVELOPMENT

Sustainable Management

All plants under the Company's responsibility adhere to ENGIE Brasil Energia Sustainable Management Policy, which covers the areas of Quality, Energy Management, Environment, Climate Change, Occupational Health and Safety, Social Responsibility and Engagement of Related Parties. On June 30, 2019, out of the 60 plants installed in 13 states of Brazil's five regions, 12 are certified in accordance with NBR ISO 9001 (for Quality), NBR ISO 14001 (for the Environment) and NBR OHSAS 18001 (for Occupational Health and Safety) standards, with an aggregate capacity of 77.9% of the total operated by the Company. In the area of Social Responsibility, the Company endeavors to adhere to the directives in the NBR ISO 26000 guide (which is not susceptible to certification); and the Jorge Lacerda Thermoelectric Complex, the three plants of which, are among the 12 which are certified according to the NBR ISO 50001 standard for Energy Efficiency.

In addition to the mentioned Sustainable Management Policy, other standards related to the Company's commitment to sustainable development are included in the corporate website on such themes as Human Rights and Ethics as well as the Sustainability Committee's Internal Charter. The Sustainability Reports are published annually based on Global Reporting Initiative (GRI) recommendations and since 2014 also making use of the International Integrated Reporting Council (IIRC) framework.

Sustainability Committee

ENGIE Brasil Energia Sustainability Committee was set up in 2007 and is currently made up of 12 members drawn from different areas, more especially those related most closely to stakeholders, such as shareholders, clients, suppliers, employees, the media and communities. Coordination is the responsibility of the Administrative Director's Office while one of the Committee members is the Board employee representative. Among others, the Committee has as its objectives to:

- Contribute towards maintaining the balance of interests of the different stakeholders in relation to the Company;
- Develop awareness programs to propagate concepts and practices of sustainability among both internal and external audiences;
- Contribute to the use of best corporate governance practices; and
- Propose, obtain approval from the Management Board and work on a coordinated basis with the organizational units to achieve the annual corporate sustainability goals ("ENGIE Brasil Energia Sustainability Goals"). These goals are based on four Programs — Cultural Development, Environmental Improvement, Social Inclusion and Education for Sustainability —, with initiatives linked to indicators and weightings so permitting an evaluation at the end of each year.

Highlights of the Quarter

- During the month of June, the square in the Alegre community and the rehabbed and expanded school and library in the Campo Largo community were inaugurated, both of which situated in the municipality of Sento Sé (BA). The Campo Largo Solid Waste Management Program was also implemented. All these projects in the sphere of influence of the Campo Largo and Umburanas wind complexes were executed using ENGIE Brasil Energia's private social investment resources.
- In accordance with their commitment to sustainability, L´Oréal Brasil and EBE announced a partnership for the use of electricity generated from renewable sources at all L´Oréal's units in Brazil. Wind power is generated from the Trairí Wind Complex in the state of Ceará, thus avoiding emissions of seven thousand tons of $CO^{2.}$, the equivalent of planting more than 43 thousand trees. In addition to the decarbonization context, the project also represents a benchmark for positive socio-environmental impacts in the surrounding communities in alignment with Sustainable Development Goals.
- Public hearings with respect to the Gralha Azul Transmission System in the state of Paraná were held on June 5, 6 and 7, completing one more stage in the licensing process and attesting to the project's environmental viability prior to the use of the preliminary license. Hearings were held in the municipalities of Cândido Abreu, Ponta Grossa and Campo Largo with audiences of 71, 103 and 83 respectively, these numbers deemed a record for this type of project.
- The ENGIE Sustainable Management Seminar was held on June 5 at the Company's head office in Florianópolis. This was the eighth event of its type and designed to raise awareness and engage employees and stakeholders on topics of sustainability. This year's mantra was "attitudes which inspire".
- ENGIE Brasil Energia was the winner of the 25th edition of the Top of Mind SC award in the "Company, Institution or Foundation in the state of Santa Catarina highlight in sustainability and environmental responsibility" category. The award is granted to brands most recalled by Santa Catarina's population in 2019.
- The Final Acceptance Certificate for the Alegrete Thermoelectric Power Plant was issued by the Rio Grande do Sul state environment agency — Fundação Estadual de Proteção Ambiental (FEPAM) — on June 14, certifying " the inexistence of an environmental liability for the closure of this project/activity which represents risks to the environment or the health of the population".

Sustainability Indices

Since 2012, it has been standard practice of the Company to include the principal sustainability indicators for each period in its quarterly and annually results presentations. The following table shows the indicators for 2Q19 and 2Q18, associating each indicator with GRI Standard recommendations.

Sustainability Indices[1]

Item	Dimension[2]	Index[3]	Material themes	GRI disclosure[4]	2Q19	2Q18	Change	6M19	6M18	Change
1	Quality	Operating plants	- Energy Transition for a low carbon economy	102-7, EU1	60	30	30	60	30	30
2		Installed capacity		102-7, EU1	10,430	9,399	11.0%	10,430	9,399	11.0%
3		Proprietary capacity		102-7, EU1	8,710	7,678	13.4%	8,710	7,678	13.4%
4		Number of certified plants		102-16, EU6	12	12	0	12	12	0
5		Certified installed capacity (MW)		102-16, EU6	8,127	8,127	0.0%	8,127	8,127	0.0%
6		Certified installed capacity in relation to the total		102-16, EU6	77.9%	86.5%	-8.6 p.p.	77.9%	86.5%	-8.6 p.p.
7		Installed capacity from renewable sources		102-7, EU1	9,229	8,542	8.0%	9,229	8,542	8.0%
8		Installed capacity from renewable sources in relation to the total		102-7, EU1	88.5%	90.9%	-2.4 p.p.	88.5%	90.9%	-2.4 p.p.
9		Energy generation (GWh)		EU2	9,709	7,489	29.6%	21,108	17,491	20.7%
10		Certified energy generation		102-16, EU6	7,803	6,633	17.6%	17,645	15,689	12.5%
11		Certified energy generation in relation to the total		102-16, EU6	80.4%	88.6%	-8.2 p.p.	83.6%	89.7%	-6.1 p.p.
12		Energy generation from renewable sources (GWh)		EU2	8,906	6,536	36.3%	19,343	15,632	23.7%
13		Energy generation from renewable sources in relation to the total		EU2	91.7%	87.3%	4.5 p.p.	91.6%	89.4%	2.3 p.p.
14		Uptime ratio, excluding scheduled stoppages		EU30	97.3%	97.0%	0.3 p.p.	97.2%	97.6%	-0.4 p.p.
15		Uptime ratio, including scheduled stoppages		EU30	89.7%	90.7%	-1.1 p.p.	91.3%	92.4%	-1.1 p.p.
16	Environment and climate change	Saplings donated and planted (sum-total of planted and donated saplings)	- Energy Transition for a low carbon economy - Engajament with local comunities and stakeholders - Environment management	304-2, 413-1	77,675	66,681	16.5%	200,647	219,887	-8.7%
17		Number of visitors at the plants		413-1	28,916	33,793	-14.4%	38,289	47,493	-19.4%
18		CO2 Emissions (fossil fuel plants) (t/MWh)		D305-1, D305-2, D305-3	0.942	0.965	-2.4%	0.944	0.951	-0.8%
19		CO2 Emissions from Tractebel Energia's generation complex(t/MWh)		D305-1, D305-2, D305-3	0.067	0.123	-45.0%	0.076	0.101	-24.7%
20	Occupational Heath and Safety (OH&S)	Frequency Rate ("Taxa de Frequência" - TF) own employees[5]	- Development, equality and health and safety - Management of impacts in the productive chain	403-2	0.000	0.000	-	0.000	0.000	-
21		Severity Rate ("Taxa de Gravidade" - TG) own employees[6]		403-2	0.000	0.000	-	0.000	0.000	-
22		Frequency Rate ("Taxa de Frequência" - TF) own employees + long term service providers[5]		403-2	0.860	0.920	↓	0.890	0.470	↑
23		Frequency Rate ("Taxa de Frequência" - TF) short term service providers + ongoing constructions[5]		403-2	2.630	1.950	↑	1.120	2.530	↓
24	Social Responsibility[7]	Non-incentivized investments	- Engajament with local comunities and stakeholderss	203-2, 413-1	824.6	466.2	76.9%	1,365.3	1,089.1	25.4%
25		Investments through the Infancy and Adolescence Fund (FIA)		203-2, 413-1	149.6	303.4	-50.7%	1,606.4	723.3	122.1%
26		Investments through the Culture Incentive Law (Rouanet)		203-2, 413-1	3,376.0	2,955.2	14.2%	6,642.0	6,605.6	0.6%
27		Investments through the Sport Incentive Law		203-2, 413-1	0.0	240.0	-100.0%	340.0	560.0	-39.3%
28		Investments through National Program of Support to Oncology Care (Pronon)		203-2, 413-1	0.0	0.0	-	0	0.0	-
29		Investments through the National Care Support Program for People with Special Needs (Pronas/PCD)		203-2, 413-1	0.0	0.0	-	0.0	0.0	-
30		Investments through the Municipal Fund for the Elderly		203-2, 413-1	45.0	0.0	100.0%	583.1	492.4	18.4%

Notes:
[1] Additional information regarding the sustainability at the Company are avaliable at Sustainability Report (www.engie.com.br/en/investors/financial-information).
[2] Reference: ENGIE Sustainable Management Policy.
[3] Figures at 06/30/2019.
[4] GRI: Global Reporting Initiative, Standars version and sector supplement version G4.
[5] TF = number of occupational accidents for every million hours of exposure to hazards.
[6] TG = number of days lost due to occupational accidents for every one thousand hours of exposure to hazards.
[7] Amounts in thousands of reais.

CORPORATE GOVERNANCE

The Company seeks to regularly improve its management mechanisms, with optimization of control procedures, compliance and transparency. It is a component of the Novo Mercado, the listing segment for companies with the highest level of corporate governance trading their shares on the Stock Exchange. This segment was subject to a revision in 2017 to increase the general requirements of the segment's regulations. Since then, the Company has endeavored to use our best efforts to implement the changes as soon as possible. A multidisciplinary working party was constituted to address the theme and in the light of the first results, the Annual General Meeting in April this year approved the new Corporate Bylaws, the principal initiative being the establishment of the Audit Committee with the participation of at least one Independent Councilor. On another related front, the management of corporate compliance procedures was improved, implementing three policies to give greater transparency to the activities and procedures of senior management: Nomination, Remuneration and Evaluation.

Additionally, the Company is a component of the Stock Exchange Sustainability Index (ISE). ENGIE Brasil Energia's Board of Directors comprises nine effective members, one representing the employees while two are independent directors. None of the Board members hold executive positions in the Company and consequently the Chairman of the Board does not occupy the position of Chief Executive Officer. With the exception of the member chosen by the employees, all are elected by the shareholders at the Annual General Meeting.

A Code of Ethics provides the basis of conduct at the Company: a public document available from its website. The Company also has an Ethics Committee responsible for constantly updating the Code and for evaluating ethical issues. **In 2013, ENGIE Brasil Energia signed up to the Brazilian Business Pact for Integrity and against Corruption:** an initiative of the Ethos Institute, in association with the United Nations Global Compact, of which ENGIE Brasil Energia has been a signatory since launch.

ENGIE Brasil Energia's dividend policy establishes a minimum mandatory dividend of 30% of net income for the fiscal year, adjusted pursuant to Law 6,404/76. In addition, the Company policy determines the intention of paying in each calendar year dividends and/or interest on shareholders' equity for a value of not less than 55% of adjusted net income in the form of semi-annual payouts.

With respect to the asset transfer model and other transactions with related parties, ENGIE Brasil Energia and its controlling shareholder understand that its existing corporate governance standards should be raised even further. Among the initiatives implemented stands out the creation, by means of adaptation to the Company's Bylaw, of the Special Independent **Committee for Valuation of Transactions with Related Parties**, a non-permanent body, which, when called, will be composed in its majority by independent directors of the ENGIE Brasil Energia's Board This Committee was instrumental in the acquisition of the stake in Transportadora Associada de Gás (TAG).

CAPITAL MARKETS

Since its listing on B3's Novo Mercado, ENGIE Brasil Energia has become a component of the Special Corporate Governance Stock Index (IGC) and the Special Tag Along Stock Index (ITAG), incorporating those companies offering greater protection to minority shareholders in the event of the sale of a controlling stake. The Company's shares are also included in the Corporate Sustainability Stock Index (ISE), comprising companies with a recognized commitment to social and corporate responsibility, as well as the Electric Energy Stock Index (IEE), which is a sector index made up of the more significant listed companies in the industry. The Company' shares are also traded on B3's leading stock index – the Bovespa and on Euronext-Vigeo EM 70 — a stock index made up of companies with a premium performance in corporate responsibility in developing countries. Vigeo is the leading constituent agent for ratings of corporate social responsibility and analyzes approximately 330 indicators.

ENGIE Brasil Energia's shares are traded on the B3 under the **EGIE3** symbol. On the United States Over-The-Counter (OTC) market, the Company's Level 1 American Depositary Receipts (ADR) are traded under the **EGIEY Code**, one ADR being equivalent to one common share.

In December 2018, the 32nd Extraordinary General Meeting of the Company approved the capital increase with the issue of 163,185,548 new common, book entry shares with no par value, distributed to its shareholders in the form of a bonus issue in the proportion of 1 new share for every 4 common shares already held. The benefits of the bonus was extended to the ADRs in the same proportion.

Share Performance – EGIE3

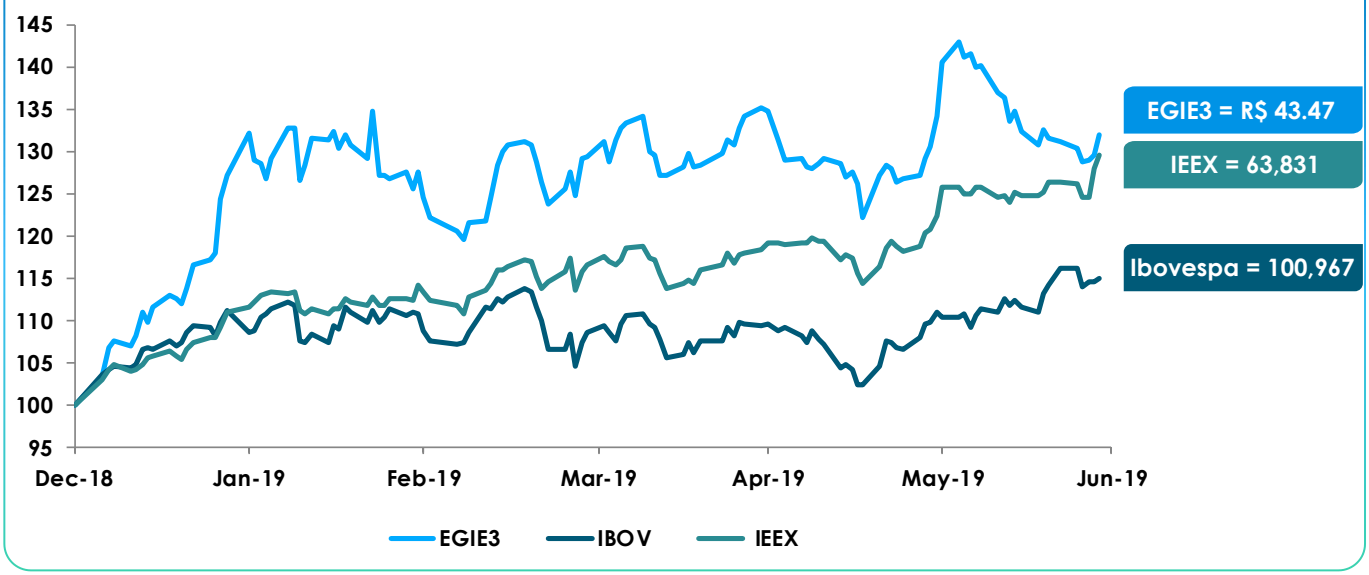
The imminent approval of social security reform had a positive influence on the performance of the Ibovespa in 2Q19, closing up 5.8% in the quarter and breaking through the 100 thousand points barrier. The agreements reached at the G-20 meeting pleased world markets and reflected in across the board increases among the leading overseas bourses.

ENGIE Brasil Energia's equities reported an **increase of 2.0%** in the second quarter of 2019, while the Electric Energy Stock Index (IEEX) posted a gain of 11.1% in the period.

Average daily trading volume of EGIE3 was R$ 66.5 million in 2Q19, 74.1% more than recorded in 2Q18, when average volumes were R$ 38.2 million.

EBE's closed the last trading day of June priced at R$ 43.47/share**, translating into a market capitalization of R$ 35.5 billion.**

EGIE3 vs. Ibovespa vs. IEEX
(Base 100 – 12/31/2018)



Upcoming Event

ENGIE Brasil Energia will be holding the following events to discuss the earnings results:

Conference call with Webcast
(In Portuguese — simultaneous translation into English)

Date: August 7, 2019
Time: 10:00 a.m. (EDT) / 11:00 a.m. (BRT)

Connection numbers:
Participants in the USA: +1 (516) 300-1066 / 1-866-866-2673 (Toll Free)
Participants in the UK: + 44 (20) 3478-5282
Participants in Brazil: +55 (11) 3127-4971 / (11) 3728-5971
Access code: ENGIE

Webcast

The access links will be found at the company's website (www.engie.com.br), at the Investors section.

A replay will be available from August 7th to 13, 2019. Access by dialing: +55 (11) 3127-4999, code: 89636263 (Portuguese) and 14215186 (English).

Important

This release contains information and opinions on future events subject to risks and uncertainties, which are based on current forecasts, projections and tendencies in relation to the Company´s businesses. Innumerous factors can affect the estimates and assumptions on which these opinions are based. For this reason, the estimates and forward looking statements in this release may not become a reality. In the light of these restrictions, shareholders and investors should not adopt any decisions based on estimates, projections and forward looking statements contained in this release.

ATTACHMENT I
ENGIE BRASIL ENERGIA S.A.
CONSOLIDATED BALANCE SHEET — ASSETS

(In thousands of R$)	6/30/2019	12/31/2018
Current Assets	**4,018,821**	**4,556,677**
Cash and cash equivalents	1,642,323	2,415,792
Accounts receivables from clients	1,336,032	1,181,379
Credit of income tax and social contribution	108,084	98,978
Insurance claim receivable	-	74,780
Inventory	217,592	125,681
Unrealized gains on hedging transactions	69,581	3,135
Unrealized gains on trading transactions	113,238	116,202
Restricted deposits	7,921	8,956
Renegotiation of hydrological risk to appropriate	15,089	15,089
Concession financial assets	290,299	277,502
Non current asset held for sale	8,829	13,728
Other current assets	209,833	225,455
Non Current Assets	**23,558,584**	**19,178,868**
Long Term Assets	**3,497,261**	**3,230,556**
Unrealized gains on hedging transactions	274,278	256,464
Unrealized gains on trading transactions	71,161	44,429
Restricted deposits	284,452	232,450
Deposits in court	100,127	97,721
Renegotiation of hydrological risk to appropriate	123,231	130,776
Concession financial assets	2,362,446	2,317,608
Right of use	117,859	-
Other non current assets	163,707	151,108
Investments	**3,443,060**	**-**
Property, Plant and Equipment	**15,323,197**	**14,635,467**
Intangible	**1,295,066**	**1,312,845**
Total	**27,577,405**	**23,735,545**

ATTACHMENT II
ENGIE BRASIL ENERGIA S.A.
CONSOLIDATED BALANCE SHEET — LIABILITIES

(In thousands of R$)	6/30/2019	12/31/2018
Current Liabilities	**3,768,873**	**4,170,261**
Suppliers	581,903	588,471
Dividends and interest on shareholder´s equity	739,213	2,137,039
Loans and financing	1,180,307	454,513
Debentures	281,349	210,369
Lease liabilities	14,081	-
Tax and social contribution obligations payable	179,897	102,033
Other fiscal and regulatory obligations	89,651	104,410
Labor obligations	82,205	99,572
Unrealized gains on trading transactions	126,739	98,047
Concessions payable	120,961	84,931
Provision	8,880	8,883
Obligations related to retirement benefits	35,370	35,369
Other current liabilities	328,317	246,624
Non Current Liabilities	**16,613,859**	**13,244,707**
Loans and financing	6,435,145	5,854,915
Debentures	5,672,006	3,200,437
Lease liabilities	73,055	-
Unrealized gains on trading transactions	48,176	19,395
Concessions payable	2,923,117	2,765,538
Provision	91,954	88,977
Obligations related to retirement benefits	283,688	283,765
Deferred income taxes and social contribution	821,229	768,814
Other non current liabilities	265,489	262,866
Shareholders' Equity	**7,194,673**	**6,320,577**
Share capital	4,902,648	4,902,648
Net income reserves	1,049,580	1,106,277
Adjustment on fixed asset	295,930	307,261
Retained earnings	943,353	-
Non controlling interests	3,162	4,391
Total	**27,577,405**	**23,735,545**

ATTACHMENT III
ENGIE BRASIL ENERGIA S.A.
CONSOLIDATED INCOME STATEMENT

(In thousands of R$)	2Q19	2Q18	Chg. %	6M19	6M18	Chg. %
Net Operational Revenue	**2,176,479**	**2,134,972**	**1.9**	**4,515,238**	**4,003,825**	**12.8**
Costs of Energy Sold and Services Provided	**(1,243,871)**	**(1,023,065)**	**21.6**	**(2,501,838)**	**(1,966,646)**	**27.2**
Electric power purchases	(639,864)	(535,665)	19.5	(1,221,882)	(965,347)	26.6
Transactions in the short term energy market	(49,536)	(19,404)	155.3	(182,848)	(78,087)	134.2
Charges for the use of and connection to the electricity grid	(122,957)	(111,693)	10.1	(247,054)	(223,343)	10.6
Fuel expenses	(19,182)	(38,129)	-49.7	(39,448)	(60,449)	-34.7
Financial compensation for use of water resources (Royalties)	(27,489)	(20,716)	32.7	(65,521)	(55,095)	18.9
Personnel	(65,050)	(55,054)	18.2	(123,581)	(105,356)	17.3
Materials and third party services	(59,812)	(53,652)	11.5	(117,138)	(103,342)	13.3
Depreciation and amortization	(199,452)	(154,286)	29.3	(386,644)	(321,006)	20.4
Insurance	(20,541)	(10,146)	102.5	(34,239)	(17,265)	98.3
Reversals (Accrual) of operating provisions	3,176	(11,629)	-127.3	2,909	(11,663)	-124.9
Cost of implementing transmission infrastructure	(19,504)	-	100.0	(34,755)	-	100.0
Cost of selling photovoltaic solar panels	(14,936)	-	100.0	(29,892)	-	100.0
Others	(8,724)	(12,691)	-31.3	(21,745)	(25,693)	-15.4
Gross Income	**932,608**	**1,111,907**	**-16.1**	**2,013,400**	**2,037,179**	**-1.2**
Operating Income (Expenses)	**(57,376)**	**(73,428)**	**-21.9**	**(121,527)**	**(121,191)**	**0.3**
Selling, general and administrative expenses	(57,769)	(50,537)	14.3	(116,884)	(98,271)	18.9
Impairment	-	(22,411)	100.0	(4,900)	(22,411)	-78.1
Other operating (expenses) revenues, net	393	(480)	-181.9	257	(509)	-150.5
Result of corporate participations	**(26,809)**	**819**	**-3,373.4**	**(26,809)**	**(1,114)**	**0.0**
Equity income/(loss)	(26,809)	819	-3,373.4	(26,809)	(1,114)	2,306.6
Income Before Financial Result and Taxes	**848,423**	**1,039,298**	**-18.4**	**1,865,064**	**1,914,874**	**-2.6**
Net Financial Result	**(290,272)**	**(185,735)**	**56.3**	**(504,395)**	**(342,637)**	**47.2**
Financial income	41,660	30,793	35.3	68,770	55,641	23.6
Financial expenses	(331,932)	(216,528)	53.3	(573,165)	(398,278)	43.9
Income Before Taxes	**558,151**	**853,563**	**-34.6**	**1,360,669**	**1,572,237**	**-13.5**
Income tax	(122,894)	(190,482)	-35.5	(292,266)	(355,724)	-17.8
Social contribution	(49,889)	(73,922)	-32.5	(117,545)	(138,019)	-14.8
Net Income for the Period	**385,368**	**589,159**	**-34.6**	**950,858**	**1,078,494**	**-11.8**
Income allocated to:						
ENGIE Brasil Energia's shareholders	385,116	588,973	-34.6	950,300	1,078,011	-11.8
Non-controlling shareholder of Ibitiúva Bioenergética S.A.	252	186	35.5	558	483	15.5
Number of Ordinary Shares	**815,927,740**	**815,927,740**		**815,927,740**	**815,927,740**	
Net Income per Share	**0.4720**	**0.7218**	**-34.6**	**1.1647**	**1.3212**	**-11.8**

ATTACHMENT IV
ENGIE BRASIL ENERGIA S.A.
CONSOLIDATED STATEMENT OF CASH FLOW

(In thousands of R$)	2Q19	2Q18	6M19	6M18
Cash Flow from Operating Activities				
Income before taxes on income	558,151	853,563	1,360,669	1,572,237
Reconciliation of net income with operating cash flow:				
Equity loss	26,809	(819)	26,809	1,114
Depreciation and amortization	203,527	157,049	394,754	326,110
Provision for impairment of assets	-	22,411	-	22,411
Monetary variation	95,074	90,032	166,729	131,293
Interests	234,303	124,227	389,400	254,660
Accrual of operating provisions	-	11,345	-	11,437
Remuneration of concession assets	(91,968)	(105,163)	(192,122)	(189,977)
Unrealized losses on trading operations	7,090	-	33,705	-
Others	(21,925)	(2,204)	(14,074)	2,558
Adjusted Net Income	**1,011,061**	**1,150,441**	**2,165,870**	**2,131,843**
Increase (reduction) in assets				
Accounts receivables from clients	32,816	(110,728)	(138,881)	(197,337)
Tax credits recoverable	(7,632)	-	(8,908)	-
Inventory	(21,800)	5,003	(88,729)	(45,428)
Deposits in court and restricted deposits	29,972	539	1,599	6,397
Renegotiation of hydrological risk to appropriate	3,773	6,516	7,545	13,031
Financial and concessions assets	65,770	65,772	130,137	161,120
Insurance claim receivable	-	-	74,780	-
Other assets	(22,638)	(44,464)	(28,506)	(112,029)
Increase (reduction) in liabilities				
Suppliers	(24,698)	151,849	(615)	37,988
Other fiscal and regulatory obligations	(9,704)	(1,256)	(17,099)	6,676
Obligations related to retirement benefits	(7,385)	(6,407)	(14,508)	(13,306)
Fuel to pay to the CDE	(10,551)	(16,383)	(15,597)	114,676
Other liabilities	(46,865)	(17,305)	14,322	(947)
Cash Generated from Operating Activities	**992,119**	**1,183,577**	**2,081,410**	**2,102,684**
Payment of interests on debt, net of hedge	(162,223)	(146,708)	(198,793)	(197,597)
Payment of income tax and social contribution	(70,729)	(82,267)	(202,591)	(249,628)
Net Cash from Operating Activities	**759,167**	**954,602**	**1,680,026**	**1,655,459**
Investments Activities	**(3,711,297)**	**(713,393)**	**(4,369,796)**	**(1,173,948)**
Capital increase at joint ventures	(3,469,869)	(3,997)	(3,469,869)	(4,264)
Used in fixed assets and intangibles	(241,428)	(767,148)	(899,927)	(1,227,169)
Received on disposal of investments	-	57,752	-	57,752
Others	-	-	-	(267)
Financing Activities	**3,644,179**	**89,028**	**1,916,301**	**(1,365,200)**
Loans, financing and debentures contracted	1,331,358	2,489,486	1,390,011	2,489,486
Debentures and promissory notes contracted	2,495,972	-	2,495,972	-
Payment of loans and financing, net of hedge	(158,418)	(1,754,105)	(343,227)	(1,821,452)
Payments of concessions payable	(18,295)	(17,479)	(36,542)	(34,931)
Payments of dividends and interest on shareholders' equity	88	(633,401)	(1,535,056)	(1,989,940)
Payments of leases	(6,098)	-	(9,716)	-
Others	(428)	4,527	(45,141)	(8,363)
Increase (Decrease) in Cash and Cash Equivalents	**692,049**	**330,237**	**(773,469)**	**(883,689)**
Reconciliation of Cash and Cash Equivalents				
Opening balance	950,274	716,144	2,415,792	1,930,070
Closing balance	1,642,323	1,046,381	1,642,323	1,046,381
Increase (Decrease) in Cash and Cash Equivalents	**692,049**	**330,237**	**(773,469)**	**(883,689)**
Transactions that do Not Affect Cash and Cash Equivalents				
Offsetting of income tax and social contribution	7,157	6,010	11,243	10,870
Capitalized interest and monetary variation	49,228	66,486	144,865	123,686
Future expenditures estimate to employ in fixed assets	7,894	(29,850)	25,343	(26,756)
Supplier's of fixed assets and intangibles	80,745	(33,693)	(6,476)	10,612
Input of non current assets held for sale	-	-	-	(48,038)
Transfer of property, plant and equipment to other non-current assets	-	-	(2,926)	-