

ENGIE Brasil Energia proposes distribution of 100% of adjusted net income for 2016

Ebitda margin posts an increase of 1.5 p.p. compared with 2015

Florianópolis, Brazil, February 23, 2017. ENGIE Brasil Energia S.A. ("ENGIE Brasil Energia" or "Company") – BM&FBOVESPA: EGIE3, ADR: EGIEY - announces earnings for the fourth quarter and twelve-month period ending December 31, 2016 (4Q16 and 12M16). 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 reported an accumulated net income of R$ 1,548.3 million in 2016 (R$ 2,3720/share), 3.1% or R$ 47.0 million higher than reported in 2015.
- ✓ Ebitda[1] amounted to R$ 3,175.6 million in 2016, an increase of 2.0% (R$ 61.0 million) compared with 2015. Ebitda margin was 49.3% in 2016, a 1.5 p.p. increase compared to the preceding year.
- ✓ Net revenue from sales amounted to R$ 6,442.4 million in 2016, a decrease of 1.1% or R$ 69.7 million compared to 2015.
- ✓ The amount of energy sold in fiscal year 2016 was 34,789 GWh (3,971 aMW), 3.5% lower in volume terms than sold in fiscal year 2015.
- ✓ The average contracted energy sales price, net of exports and income tax, was R$ 180.68/MWh in 2016: 5.4% higher than recorded in 2015.
- ✓ The Company finalized the negotiations for the sale of the Beberibe and Pedra do Sal wind plants as well as the Areia Branca Small Hydroelectric Plant. The transaction was approved by the Company's Board of Directors on December 23, 2016 and is a component part of the optimization strategy for the generating complex, permitting expansion in assets which have a greater degree of synergy one with the other. The conclusion of the operation is subject to completion of certain conditions precedent.
- ✓ In November 2016, the Company signed an agreement with the energy distributor for the state of Santa Catarina for the installation of photovoltaic systems in a thousand households in the state, totaling 2,600 kWp.
- ✓ For the 12th consecutive year, ENGIE Brasil Energia was included in the portfolio of the Corporate Sustainability Stock Index (ISE). The Company is one of ten companies which have been components of the ISE since its inception in 2005.

Subsequent Events

- ✓ The new Chief Financial and Investor Relations Officer, Carlos Freitas took up his position on January 9. Freitas was appointed by the Board of Directors in October 2016.
- ✓ Three wind turbines at Cacimbas Wind Farm, component part of the Santa Mônica Wind Complex, began commercial operations in December 2016. The remaining four turbines were released for operations in January 2017. As a result, 18.9 MW of renewable, non-conventional energy was added to the Company's generator complex.
- ✓ The Company's Board of Directors approved the proposal for the payout of complementary dividends for R$ 409.6 million (R$ 0.6275/share) subject to ratification by the Annual General Shareholders' Meeting.
- ✓ The Company has mandated Banco Morgan Stanley S.A. to render financial advisory services in the form of market prospection on a non-binding basis with a view to identifying potential purchasers for its following coal fired generation assets: the Jorge Lacerda Thermoelectric Complex situated in Capivari de Baixo, state of Santa Catarina and Pampa Sul Thermoelectric Power Plant under construction in the municipal district of Candiota, state of Rio Grande do Sul.

For Immediate Release

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Conference call and webcast:
On 02/24/2017 at 09:00 a.m. (EDT): in Portuguese (simultaneous translation into English).

Further details on Upcoming Events section, available on page 22.

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Summary of Economic and Operational Indicators

ENGIE Brasil Energia - Consolidated						
(In millions of R$)	4Q16	4Q15	Chg.	12M16	12M15	Chg.
Net Revenue from Sales (NRS)	1,666.2	1,709.2	-2.5%	6,442.4	6,512.0	-1.1%
Results from Operations (EBIT)	542.8	805.1	-32.6%	2,424.4	2,503.8	-3.2%
Ebitda [1]	824.0	967.0	-14.8%	3,175.6	3,114.6	2.0%
Ebitda / NRS - (%)[1]	49.5	56.6	-7.1 p.p.	49.3	47.8	1.5 p.p.
Net Income	475.6	599.7	-20.7%	1,548.3	1,501.3	3.1%
Net Debt [2]	1,093.2	1,214.8	-10.0%	1,093.2	1,214.8	-10.0%
Gross Power Production (avg MW) [3]	4,794	5,902	-18.8%	5,077	5,436	-6.6%
Energy Sold (avg MW)	3,962	4,099	-3.4%	3,971	4,111	-3.5%
Average Net Sales Price (R$/MWh) [4]	183.98	175.26	5.0%	180.68	171.37	5.4%
Number of Employees	1,078	1,168	-7.7%	1,078	1,168	-7.7%

(1) Ebitda: net income + income tax and social contribution + financial results + depreciation and amortization.
(2) Adjusted amount, net of gains from hedge operations.
(3) Total electricity output from the plants operated by ENGIE Brasil Energia.
(4) Net of taxes and exports.

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MESSAGE FROM THE MANAGEMENT

"To transform people's relationship with energy for a sustainable world". With this vision as its yardstick, ENGIE Brasil Energia reached the end of 2016 able to report a series of advances despite a challenging scenario. In a year characterized by political instability and economic recession, the Company continued to pursue the process of strategic integration proposed by its controlling company — ENGIE.

We were able to report a 3.1% increase in net income to R$ 1,548.3 million in 2016, which after adjustments, will be distributed in full to the Company's shareholders subject to ratification by the Annual General Shareholders' Meeting. Despite the slowing Brazilian economy overall during the year, Ebitda margin widened by 1.5 p.p. from 47.8% in 2015 to 49.3% in 2016. This performance is due in large part to the combined effect of the Company's strategy of long-term contracting - which sustained sales revenue in the face of a critical economic scenario - and low net indebtedness during the year. Other factors contributing to the result were a reduction in fuel consumption for power generation - a reflection of the reduced dispatch from the thermoelectric plants; the drop in the volume of energy purchases for resale; and recognition of a reduced recoverable amount from thermal generation-related assets. It is worth pointing out that the GSF – Generation Scaling Factor continued to affect ENGIE Brasil's results. Among other factors, this is due to the startup of commercial capacity of new plants and members of the Energy Reallocation Mechanisms (MRE) but where transmission of the relative energy output is still deficient, the forecasted reduction in load and thermoelectric generation in order to replenish the reservoirs and to meet the needs of the Northeast submarket in the light of restrictions on energy exchange with other submarkets.

The key event for the ENGIE Group in Brazil in 2016 was the inauguration of the Jirau Hydroelectric Plant on the Madeira River in the state of Rondônia. The largest hydroelectric project ever developed by ENGIE in the world and the third largest in Brazil, in operation, having a total installed capacity of 3,750 MW which will produce enough energy for the consumption of approximately 10 million households. The number of turbines in Jirau (50) is in excess of all the hydro power plants put together in the Southern Region. ENGIE Brasil Participações, the parent company of ENGIE Brasil Energia, holds a 40% stake in the operation. The process involving the eventual transfer of this stake to the Company is expected to begin in 2017, the Special Independent Committee for Transactions with Related Parties being central to the operation.

A further key achievement with respect to renewable energy was the startup in commercial operations of the Santa Mônica Wind Farm and the Cacimbas Wind Farm, the latter on a partial basis, both located in Trairi, state of Ceará. The outlook is that before the end of the first quarter of 2017 a further two wind farms comprising the Complex will go into production totaling 97.2 MW of installed capacity.

On another front and aligned with the strategy of decentralization, ENGIE Brasil Energia made its debut in the market for distributed generation by acquiring 50% of the equity of GD Brasil Energia Solar S.A. in the first half of 2016. From this acquisition came ENGIE Geração Solar Distribuída S.A., now one of the leaders in the segment in Brazil. Through this new subsidiary, an agreement was signed in November with the energy distributor of the state of Santa Catarina for the installation of photovoltaic systems in a thousand households in the state. Implementation of the project will be ensured under a program which involves the distributor subsidizing part of the consumer's investment. This action represents one more important step on the part of the Company in the direction of spearheading the development of the distributed photovoltaic generation segment.

Investment in complementary sources underscores ENGIE Brasil Energia's commitment to energy transition, key to sustainable development - especially with respect to climate change and consequently, decarbonization. Our controlling company's decision not to construct further coal-fired plants is in line with global awareness as to the need to produce more energy and, at the same time, to reduce carbon emissions. This is a question of survival for the planet and for future generations.

In the direction of the future which is emerging, the Company seeks to establish a balance between current and future challenges, global demands and local realities, economic growth and sustainability. The implementation of our expansion is in accordance with what was planned. We currently have 762.8 MW under construction with full capacity scheduled to come on stream up to the beginning of 2019.

We continue alert to the transformations taking place in the world and the opportunities which are arising as a result of this revolution of which we are a part. ENGIE Brasil Energia stands prepared to make an increasing contribution to the relationship between people and the environment in which our society is inserted.

Carlos Freitas
Chief Financial and Investor Relations Officer

Eduardo Antonio Gori Sattamini
Chief Executive Officer



OPERATING PERFORMANCE

Generating Complex

With the entry into commercial operations of Santa Mônica and Cacimbas Wind Farms, both with an installed capacity of 18.9 MW and located in the municipal district of Trairi, Ceará, and following the decommissioning of the Charqueadas Thermoelectric Power Plant with an installed capacity of 36 MW, ENGIE Brasil Energia's total installed capacity as at December 31, 2016 amounted to 7,010.1 MW. The Company's generating complex totals 29 plants, of which nine are hydroelectric, four thermoelectric and 16 fired from complementary sources — biomass-fired plants, small hydroelectric plants (SHPs), wind and solar -, of which 25 are wholly owned by the Company while four (the Itá, Machadinho and Estreito hydro plants and the Ibitiúva Bioenergética biomass plant) are run commercially on a partnership basis with other companies.

ENGIE Brasil Energia's Generating Complex

Power Plants	Source	Location	Installed Capacity (MW)		Concession/Authorization original term expiration date
			Total	Company's/Group's Share	
Itá	Hydro	Uruguai River (SC and RS)	1,450.0	1,126.9	Oct/30
Salto Santiago	Hydro	Iguaçu River (PR)	1,420.0	1,420.0	Sep/28
Machadinho	Hydro	Uruguai River (SC and RS)	1,140.0	403.9	Jul/32
Estreito	Hydro	Tocantins River (TO/MA)	1,087.0	435.6	Nov/37
Salto Osório	Hydro	Iguaçu River (PR)	1,078.0	1,078.0	Sep/28
Cana Brava	Hydro	Tocantins River (GO)	450.0	450.0	Aug/33
Passo Fundo	Hydro	Passo Fundo River (RS)	226.0	226.0	Sep/28
São Salvador	Hydro	Tocantins River (TO)	243.2	243.2	Apr/37
Ponte de Pedra	Hydro	Correntes River (MT)	176.1	176.1	Sep/34
Total - Hydro			**7,270.3**	**5,559.7**	
Jorge Lacerda Complex[1]	Thermal	Capivari de Baixo (SC)	857.0	857.0	Sep/28
William Arjona	Thermal	Campo Grande (MS)	190.0	190.0	Apr/29
Total - Thermal			**1,047.0**	**1,047.0**	
Ferrari	Biomass	Pirassununga (SP)	80.5	80.5	Jun/42
Ibitiúva Bioenergética	Biomass	Pitangueiras (SP)	33.0	22.9	Apr/30
Trairi Complex[2]	Wind Farm	Trairi (CE)	115.4	115.4	Sep/41
Lages	Biomass	Lages (SC)	28.0	28.0	Oct/32
Rondonópolis	SHP	Ribeirão Ponte de Pedra (MT)	26.6	26.6	Dec/32
José Gelazio da Rocha	SHP	Ribeirão Ponte de Pedra (MT)	23.7	23.7	Dec/32
Santa Mônica Complex [3]	Wind Farm	Trairi (CE)	37.8	37.8	Jan/45
Beberibe[4]	Wind Farm	Beberibe (CE)	25.6	25.6	Aug/33
Areia Branca[4]	SHP	Rio Manhuaçu (MG)	19.8	19.8	May/30
Pedra do Sal[4]	Wind Farm	Parnaíba (PI)	18.0	18.0	Oct/32
Cidade Azul	Solar	Tubarão (SC)	3.0	3.0	not applicable[5]
Tubarão P&D	Wind Farm	Tubarão (SC)	2.1	2.1	not applicable[5]
Total - Complementary			**413.5**	**403.4**	
Total			**8,730.8**	**7,010.1**	

[1] Complex comprised of three power plants.
[2] Complex comprised of four power plants.
[3] Complex comprises the Santa Mônica Wind Farms, which went into commercial operations in October 2016 and Cacimbas Wind Farm which began full commercial operations in January 2017.
[4] The Beberibe and Pedra do Sal Wind Farms and the Areia Branca Small Hydroelectric Plant are being sold pursuant to the decision of the Company's Board of Directors dated December 23, 2016.
[5] For generating plants with installed capacity lower than or equal to 5 MW the legal instrument applicable is the record.

Expansion

Jirau. Energia Sustentável do Brasil (ESBR), is responsible for the construction, 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. ENGIE Brasil Participações Ltda., the Company's parent company, holds a 40% stake in the project, while Chesf, Eletrosul (subsidiaries of Eletrobras) and Mitsui & Co. Ltd. retain a further 20% each.

ESBR submitted the winning bid at the 35-year concession auction organized by Brazilian Electricity Regulatory Agency (Aneel) (A-5/2008 Auction) on May 19, 2008, offering the most competitive proposal for 70% of the energy to be produced by the Plant, at the time, based on a total of 44 generating units, for



Jirau HPP Power House (Dec/16)



captive customers supplied by electric energy distributors. At the energy auction held on August 17, 2011 (A-3/2011 Auction), ESBR sold a further 209.3 average MW for delivery in 2014 over a 30-year period, the result of increased expansion of the initial project to 50 generating units. The Ministry of Mines and Energy (MME) confirmed Jirau HPP´s new commercial capacity in Ordinance 337 of November 10, 2015 with an increase from 2,184.3 average MW to 2,205.1 average MW as from publication date. The 20.5 average MW increase represents the result of a review of the plant's hydraulic losses and as a consequence, ESBR was able to sell an additional 18 average MW at the A-1 Energy Auction held on December 13, 2015.

On December 26, 2012, the Plant became eligible for the sale of carbon credits following United Nations Organization (UNO) registration. Jirau now enjoys the right to trade approximately 6 million tons of CO_2/year. In September 2016, UNO released the first issue of carbon credits (1.7 million) generated by Jirau Hydroelectric Power Plant covering the commissioning period between July 2014 and February 2015. This preliminary issue concluded a cycle which began in 2008, when Jirau was conceived as a project supported under the Clean Development Mechanism (MDL).



Inauguration of Jirau HPP in December 16, 2016

All 50 generator units at Jirau HPP are now operational, representing a total installed capacity of 3,750 MW. Approval for commercial operations at the last turbines to be installed was obtained in November 2016 and the Plant, currently Brazil´s third largest, was officially unveiled in December 16 of the same year. It is worth noting that Jirau HPP reached its full assured energy in July 2015 with the startup in operations of the 33rd unit.

In 4Q16, the plant generated energy totaling 645 aMW, while the National Electrical System Operator Uptime Ratio (FID) was 99.7%. In 12M16, the plant generated 1,065 aMW with a FID of 99.6%.

In line with the current business model, the transfer of ENGIE Brasil Participações Ltda's stake in the project to the Company is to be examined shortly.

Projects under Construction

Power plants	Source	Location	Installed Capacity (MW)		Concession/Authorization original term expiration date
			Total	Company's/Group's Share	
Pampa Sul	Thermal	Candiota (RS)	340.0	340.0	Mar/50
Campo Largo Complex - Phase I	Wind Farm	Umburanas and Sento Sé (BA)	326.7	326.7	Jul/50
Santa Mônica Complex	Wind Farm	Trairi (CE)	59.4	59.4	Jan/45
Assú V	Solar	Assú (RN)	36.7	36.7	Jun/51
Total			**762.8**	**762.8**	

Pampa Sul Thermoelectric Power Plant – Rio Grande do Sul. The Pampa Sul TPP is to be sited in the Municipality of Candiota, state of Rio Grande do Sul with an installed capacity of 340 MW. The plant will use thermal coal as fuel from a seam also located in Candiota and will be linked to the SIN through a 525 kv transmission line to the Candiota II substation, to be built by the Company.



Pampa Sul TPP – panoramic site view

The plant's 294.5 average MW of commercial capacity was sold for a 25-year term at the A-5 Auction held on November 28, 2014 at a **price of R$ 226.8/MWh, restated up to December 31, 2016**. The investment approved for the construction of the Plant was approximately R$ 1.8 billion (as of November 2014). Also in November 2014, the Company protected the investment portion in foreign currencies against the exchange rate variation effects through hedging operations.

Under the Ministry of Mines and Energy's Ordinance 187 of May 8, 2015, Pampa Sul was approved as a priority project for the generation of energy. On June 19, 2015, the Brazilian Institute of the Environment and Renewable Natural Resources (Ibama) issued the Installation License for the plant.

In the fourth quarter 2016, work on the site was approximately 47% complete, the main feature of the period being the engagement of the erection company which will take full control of the activities involving the mounting of the metallic structure (assembly of the third layer out of a total of five in progress). Also worthy of note was the significant advance



in the assembly of the transmission line towers with 44 units having been concluded by December 2016 (out of the total of 52 envisaged).

Campo Largo Wind Complex – Bahia (Phase I). The Campo Largo Wind Farm Complex (CECL) is made up of a complex of wind generation projects with a total potential development capacity of 656.7 MW, all located in the municipalities of Umburanas and Sento Sé, about 420 km from the city of Salvador in the state of Bahia. The Complex will be developed in stages. At the A-5 Auction on November 28, 2014, ENGIE Brasil Energia sold 82.6 average MW for a 20-year term at a **price of R$ 166.0/MWh, restated up to December 31, 2016**, to be generated from six wind farms with an installed capacity of 178.2 MW. A further five wind farms in the Complex with a total installed capacity of 148.5 MW (75.2 average MW) will be developed at this stage of the project. In this case, the energy might be sold to the Free Contracting Environment (ACL). The investment approved for the 11 wind farms was of approximately R$ 1.7 billion (as of June 2014). The investment portion denominated in foreign currencies was protected against the exchange rate variation effects through hedging operations.

In September 2016, the decree declaring the external access approaches to the Campo Largo Wind Complex an area of public utility for the purposes of expropriation. Work on services at the site for accommodation was begun. On October 27, the civil construction contractor began work on the execution of the internal access routes, the platforms and the foundations for the wind turbines. On November 28, the Instituto do Meio Ambiente e Recursos Hídricos (Inema) issued the installation license for the final wind farm making up the Complex. Consequently Inema has now issued installation licenses for all the wind farms. The startup in commercial operations for the first projects is scheduled for the final quarter of 2018.



Santa Mônica Wind Farm in comercial operation

Santa Mônica Wind Complex – Ceará. Under construction in the Municipality of Trairi, state of Ceará, the Santa Mônica Wind Complex will be made up of the following projects with the respective installed capacities: Estrela Wind Farm, 29.7 MW; Cacimbas Wind Farm, 18.9 MW; Santa Mônica Wind Farm, 18.9 MW; and Ouro Verde Wind Farm, 29.7 MW. The project is located close to the Trairi Wind Complex with (115.4 MW installed capacity) - already in commercial operation - and will benefit from the synergies to be derived from existing structures such as a substation and transmission line which both projects have in common. The Company is investing of approximately R$ 460 million (as of March 2014) in the Complex, which will increase the capacity of ENGIE Brasil Energia generating complex by a 97.2 MW of unconventional renewable energy once all the generating units are in commercial operations. At the A-3 Auction of August 21, 2015, ENGIE Brasil Energia sold 46.0 average MW for a 20-year term at a **price of R$ 207.5/MWh, restated up to December 31, 2016**.

In 4Q16, the assembly of the wind turbine towers, nacelles, hubs and blades of the four Wind Farms comprising the Santa Mônica Wind Complex was concluded, commercial operations of all wind turbines making up the Santa Mônica Wind Farm initiated together with three of the seven wind turbines at the Cacimbas Wind Farm. The four remaining wind turbines were approved for operations from January 2017. Work on the other Wind Farms proceeded apace, Estrela Wind Farm is finishing its reliability tests and Ouro Verde is in commissioning phase, and these plants are scheduled to go into commercial operations between January and March 2017.

Assú V Photovoltaic Plant. Through the intermediary of a subsidiary, in November 2015 at Aneel's Second Reserve Energy Auction (Aneel Auction 009/2015) of 2015, the Company sold 9.2 average MW solar energy for a 20-year term **at a price of R$ 325.1/MWh, restated up to December 31, 2016**. The energy is to be generated by the Assú V Photovoltaic Plant, which will have an installed capacity of 36.7 MW and a component of the Assú Photovoltaic Complex to be built in the Municipality of Assú state of Rio Grande do Norte.

The operation received its installation license in January 2017. Total investment is about R$ 220.0 million (in June 2015). Work is to begin in 2017 while commercial operations are scheduled for December of the same year.



Projects under Development

Power plants	Source	Location	Installed Capacity (MW)	
			Total	Company's/Group's Share
Santo Agostinho Complex	Wind Farm	Lajes and Pedro Avelino (RN)	600.0	600.0
Norte Catarinense	Thermal	Garuva (SC)	600.0	600.0
Campo Largo Complex - Phase II	Wind Farm	Umburanas and Sento Sé (BA)	330.0	330.0
Alvorada	Solar	Bom Jesus da Lapa (BA)	90.0	90.0
Assú - Plants I, II, III e IV	Solar	Assú (RN)	146.8	146.8
Total			**1,766.8**	**1,766.8**

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, representing a **total development capacity of 600 MW.** 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. Documentary requirements are already complete to allow participation in energy auctions, the documentation, among others, also including energy generation studies, agreements on title to the area and environmental licensing.



3D images from the Norte Catarinense TPP project.

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**. In March 2016, the Preliminary License was issued, allowing the Plant to take part in future new energy auctions.

Campo Largo Wind Complex – Bahia (Phase II). The Company intends to add about 330 MW of installed capacity to the Complex with the implementation of its second phase, for sale of energy to the free and regulated markets. In the same way as the Santo Agostinho Wind Complex, Phase II of the Campo Largo Wind Complex already has the necessary documentation, qualifying it take part in energy auctions.

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 four projects comprising the **Alvorada Photovoltaic Complex**. The projects, which **will have a total installed capacity of 90 MWp.** All projects are at the stage of raising solar irradiance data and received their Preliminary License in August, qualifying them to take part in new energy auctions as from 2017.

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.

Assú Photovoltaic Complex. ENGIE Brasil Energia has exercised an option to purchase a further two projects belonging to the Assú Photovoltaic Complex. This now consists of five projects, to be developed in the municipal district of Assú, state of Rio Grande do Norte, expanding its **total installed capacity to approximately 183 MWp**. As previously mentioned, the energy to be generated by the Assú V Photovoltaic Plant was sold at the 2015 Second Reserve Energy Auction. The other solar energy plants are at the stage of raising solar irradiance data, already having Preliminary Licenses and qualifying them to take part in new energy auctions.



ENGIE Geração Solar Distribuída. The Company has begun operations in the distributed energy market through the acquisition of a 50% stake in the capital of GD Brasil Energia Solar S.A. (a company with its origins in the Araxá Solar Group, one of the leaders in the Brazilian market for distributed solar energy), to be redenominated ENGIE Geração Solar Distribuída S.A. This investment will be instrumental in ENGIE Brasil Energia penetrating a market with major growth potential in Brazil, currently extremely dispersed with no dominate participant, as an answer to the challenges of an energy matrix which is both dynamic and close to the end consumer. The investment could amount to as high as R$ 24.3 million (as of April 2016) and will be channeled towards upgrading execution capacity and corporate management as well as providing necessary working capital for growth in operations. In 4Q16, an agreement was signed with the state of Santa Catarina energy distributor for the installation of photovoltaic systems in a thousand households throughout the state. The project will be operated under the Efficient Bonus Program – Photovoltaic Line, which provides for a subsidy from the distributor of 60% of the consumer's total investment.

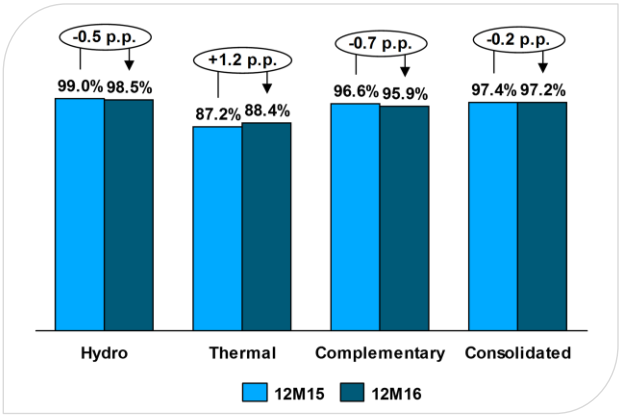


The Company is currently in negotiations for sales to the commercial segment and the structuring of a marketing campaign in the light of growth prospects in the household segment as well.

Uptime Operating

The plants operated by ENGIE Brasil Energia reported uptime working of **97.7% in 4Q16, ignoring scheduled stoppages**: 99.7% for the hydroelectric plants, 86.5% for the thermoelectric plants and 92.5% with respect to the plants fired from complementary energy sources, namely SHPs, biomass, wind and photovoltaic. **For the full 12 months of 2016** (excluding scheduled shutdowns), plants reported **uptime of 97.2%**, namely 98.5% at the hydroelectric plants, 88.4% at the thermoelectrics and 95.9% in the case of the units fired from complementary sources.

Uptime Operating
Not considering scheduled shutdowns



If all scheduled shutdowns are taken into account, the aggregate uptime in the fourth quarter 2016 was 86.4%: 88.6% for the hydroelectric plants, 70.4% for the thermoelectrics and 89.6% for plants operating with complementary energy sources. Uptime for the year as a whole was 86.8% for the Company's plant complex, 88.5% for the hydroelectric operations, 75.0% for the thermoelectric units and 87.8% for the plants fired from complementary sources.

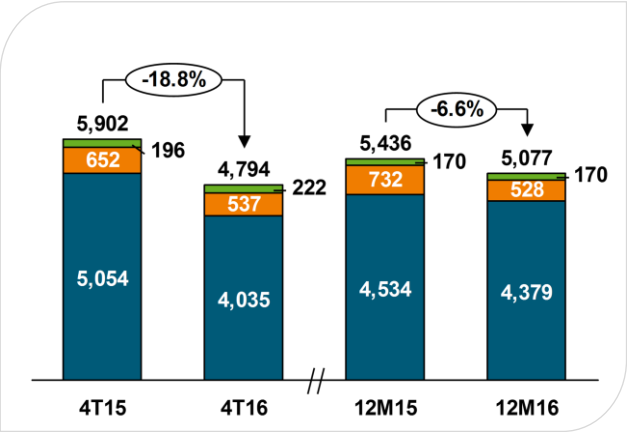
Uptime at the hydroelectric plants was negatively affected principally by the modernization work on Salto Santiago HPP's Generator Unit 4 as well as the annual inspection of Generator Unit 1 at the São Salvador HPP. In the case of the thermal plants, uptime was impacted by scheduled maintenance on Generator Unit 4 of the Jorge Lacerda Thermoelectric Complex and by the unscheduled stoppage for maintenance work on the elevator transformer of Generator Unit 3 of the William Arjona TPP. Uptime working was also affected by the disconnection of the last two units of the Charqueadas TPP due to the scheduled termination of coal inventory. In this respect it is worth mentioning that in line with the Company's plans, the operating authority for Charqueadas TPP was revoked by Aneel as of December 31, 2016.

Equally, key factors which affected hydroelectric uptime in 2016 when compared with the preceding year were modernization work on the Generator Unit 3 of Ponte de Pedra HPP and on Units 3 and 4 of Salto Santiago HPP. Maintenance activity also took place on Unit 1 of the Passo Fundo HPP and on Units 1 and 2 of São Salvador HPP. Another factor impacting uptime ratios was the modernization of the velocity and voltage regulators on Generator Unit 1 of Cana Brava HPP. As to the thermoelectric plants, uptime working was most affected by scheduled maintenance on Generator Units 2, 4 and 5 of the Jorge Lacerda Thermoelectric Complex and on Unit 3 of the William Arjona TPP. An additional impact came from the decommissioning of the Charqueadas TPP. In the case of the plants fired from complementary sources, uptime ratios were affected by maintenance on the Unit 3 turbine of the José Gelázio SHP.



Production

Generation
Average MW



Electricity output from plants operated by ENGIE Brasil Energia was 10,584 GWh (4,794 average MW) in 4Q16. This result is **18.8% lower** than production for 4Q15. Total output breaks down as follows: hydroelectric plants, 8,909 GWh (4,035 average MW), thermoelectric plants 1,185 GWh (537 average MW) and the complementary sourced units 490 GWh (222 average MW). Results point to reductions of 20.2% and 17.8%, respectively, on the hydro and thermoelectric and an increase of 13.4% in complementary energy sources, in relation to 4Q15.

Reduced generation from the hydroelectric plants in 4Q16 relative to the same period in 2015 reflects less favorable hydrological conditions in the final quarter of 2016. The reduction in generation from the thermal-powered plants was a reflection of the complete stoppage albeit only temporary, at the William Arjona TPP for reasons of operational convenience. The decommissioning at Charqueadas TPP already mentioned above also proved a drag on thermoelectric uptime ratios. Increased generation from complementary plants was due to startup in commercial operations at the Santa Mônica and Cacimbas Wind Farms as well as commissioning tests at the remaining plants in the Santa Mônica Wind Complex.

In the full 12-month period of 2016, total electric energy output was 44,592 GWh (5,077 average MW): a year-on-year reduction of 6.6%. Out of total generation, the hydroelectric plants corresponded for 38,462 GWh (4,379 average MW), a 3.2% decrease; the thermoelectric plants for 4,638 GWh (528 average MW), a reduction of 27.6%; and the complementary-powered plants for 1,492 GWh (170 average MW), an increase of 0.2%. There was no particular event at the hydro plants meriting specific mention other than the less favorable hydrological conditions prevailing in 2016. The decreased generation from thermoelectric sources is due to reduced generation by order of merit and also the temporary shutdown in operations at the William Arjona TPP for reasons of operating convenience and the decommissioning of the Charqueadas TPP, already mentioned. Generation from complementary plants was virtually stable, the key factor in this case being reduced generation from the SHPs in the light of low rainfall, albeit offset by increased generation from the wind power plants with initial commercial operations at the Santa Mônica and Cacimbas wind farms.

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.

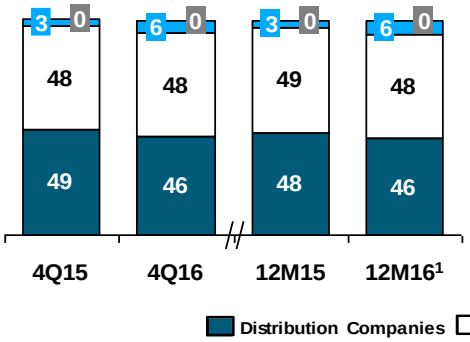
Clients

In 4Q16, the free consumer share of the Company's portfolio was 48.0% of total physical sales and 44.1% of the total net revenue from sales, decreases of 0.2 p.p. and 1.8 p.p., respectively in relation to the same quarter in 2015. For 12M16, free consumers represented 47.9% of physical sales and 45.1% of net revenue from sales, declines of 0.9 p.p. and 2.2 p.p., respectively when compared with 2015.

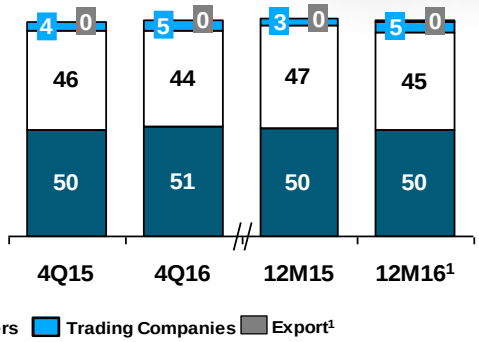
The year-on-year increases seen in 4Q16 and 12M16 in the percentage of trading company activity in physical sales and in net revenue from sales is a reflection of the commercialization of conventional energy pari passu with purchases of incentivized energy from trading companies, in turn for sale to free consumers.



Breakdown of Customers by Physical Sales
(%)



Breakdown of Customers in Contracted Sales Comprising Net Revenues from Sales
(%)



Distribution Companies | Free Customers | Trading Companies | Export¹

[1] Energy exports as a share of physical sales and net revenue from sales were 0.2% and 0.3%, respectively in 12M16.

Commercial Strategy

The Company pursues a commercial strategy of gradual sales of future energy availability for any given year as a means of mitigate 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 **December 31, 2016** is as follows:

Energy Balance
(Average MW)

	2017	2018	2019	2020	2021	2022	Auction **Gross** Price (R$/MWh)	Reference Date	**Gross** Price Adjusted (R$/MWh)
Own Resources	3,518	3,536	3,962	3,989	3,998	4,013			
+ Purchases for Resale	1,105	1,012	715	415	317	314			
= Total Resources (A)	**4,623**	**4,548**	**4,677**	**4,404**	**4,315**	**4,327**			
Government Auction Sales[1]	1,307	1,355	1,749	1,612	1,612	1,612			
2005-NE-2010-30	200	200	200	200	200	200	115.1	Dec-05	212.2
2006-NE-2009-30	493	493	493	493	493	493	128.4	Jun-06	232.9
2006-NE-2011-30	148	148	148	148	148	148	135.0	Nov-06	243.5
2007-NE-2012-30	256	256	256	256	256	256	126.6	Oct-07	219.0
2014-EE-2014-06	134	134	134	-	-	-	270.7	May-14	320.0
Proinfa	44	44	44	44	44	44	147.8	Jun-04	311.0
1st Reserve Energy Auction	14	14	14	14	14	14	158.1	Aug-08	254.3
Auction Mix (New Energy / Reserve / DG)	18	18	17	14	14	14	-	-	242.9
2014-NE-2019-25	-	-	295	295	295	295	183.5	Mar-14	226.8
2014-NE-2019-25	-	-	10	10	10	10	206.2	Nov-14	245.7
2014-NE-2019-20	-	-	83	83	83	83	139.3	Nov-14	166.0
2015-NE-2018-20	-	46	46	46	46	46	188.5	Aug-15	207.5
8th Reserve Energy Auction	-	2	9	9	9	9	303.0	Nov-15	325.1
+ Bilateral Sales	2,871	2,767	2,238	1,507	950	737			
= Total Sales (B)	**4,178**	**4,122**	**3,987**	**3,119**	**2,562**	**2,349**			
Balance (A - B)	**445**	**426**	**690**	**1,285**	**1,753**	**1,978**			
Sales average **net** price (R$/MWh) [2]:	176.7	174.6	181.1						
Purchases average **net** price (R$/MWh) [3]:	166.3	173.0	183.9						

[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 is net of ICMS and taxes over revenue (PIS/Cofins, R&D), i.e. future inflation is not considered.

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

Notes:
- The balance refers to the settlement point.
- 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.

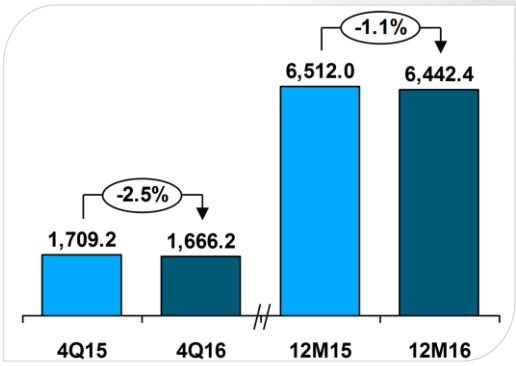


ECONOMIC-FINANCIAL PERFORMANCE

Net Revenue from Sales

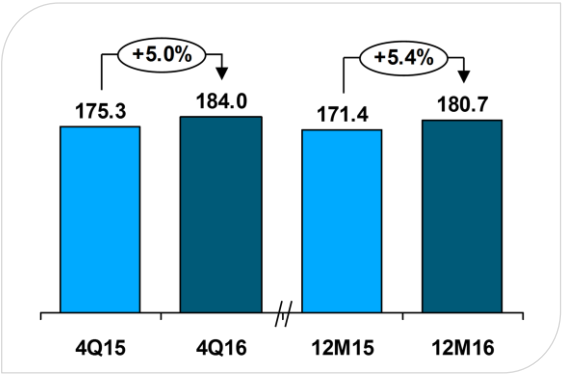
In 4Q16, net revenue from sales reported a decline of 2.5% (or R$ 43.0 million), when compared with this item for the same period in 2015, decreasing from R$ 1,709.2 million to R$ 1,666.2 million. The following were the leading factors explaining this variation: (i) +R$ 82.6 million, due to an increase in net average selling price; (ii) -R$ 67.3 million, due to the decrease in revenue from transacions conducted in the short-term market, particularly those conducted within the scope of the Electric Energy Trade Board (CCEE); and (iii) -R$ 59.5 million, due to reduced energy volume sold.

Net Revenue from Sales
R$ million



When comparing full years, net revenue from sales declined from R$ 6,512.0 million in 2015 to R$ 6,442.4 million in 2016, representing a reduction of R$ 69.6 million or 1.1%. This decline is essentially a reflection of the following combination of events: (i) +R$ 347.0 million, due to the increase in average net selling price; (ii) -R$ 232.5 million, due to lower volumes of energy sold; and (iii) -R$ 185.5 million, a reflection of the reduction in revenue from transactions conducted across the short-term market, more particularly those executed within the scope of the CCEE.

Net Average Selling Price*
R$/MWh



(*) Net of taxes and exports

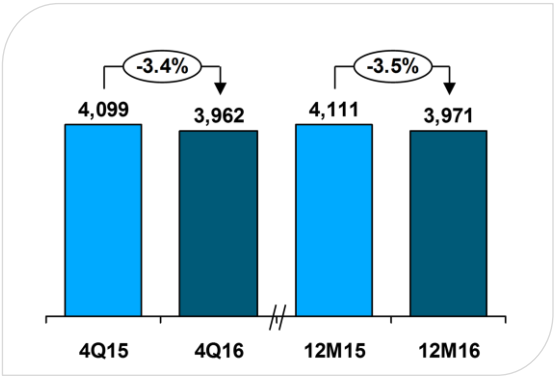
✓ **Net Average Selling Price**

The net average selling price of energy, net of tax was R$ 183.98/MWh in 4Q16, **5.0% higher** than reported in the same quarter of 2015, when average prices were R$ 175.26/MWh. In the 12-month period of 2016, this price was R$ 180.68/MWh, **5.4% higher than the price prevailing in 2015**, which was R$ 171.37/MWh. Higher prices were largely due to monetary restatement of the existing agreements, partially mitigated by prices practiced for new sales at values below the average price for the portfolio.

✓ **Sales Volume**

Energy sales volume in agreements fell from 9,052 GWh (4.099 aMW) in 4Q15 to 8,748 GWh (3,962 aMW) in **4Q16, a reduction of 3.4% or 304 GWh** (137 aMW), between the compared periods. **In 2016, energy sales volume was 34,789 GWh** (3,971 aMW) against 36,012 GWh (4,111 aMW) reported in 2015, a decrease of 1,223 GWh (140 aMW) or 3.5%. These variations are largely due to the expiry and renegotiation of existing agreements as well as the reduction in consumption under flexible supply agreements, partially offset by a growth in conventional energy sales to trading companies.

Sales Volume
Average MW





Comments on Variation in Net Revenue from Sales by Client Class

✓ **Distributors**

Revenue from sales to distributors amounted to R$ 824.6 million in 4Q16, **2.7% higher** than the R$ 803.3 million posted in 4Q15. This variation reflecting the following factors: (i) R$ 84.2 million — an increase of 10.9% in the net average selling price; and (ii) R$ 62.9 million - a reduction of 326 GWh (147 aMW) or 7.4% volume sold.

In 2016, revenue from sales to distributors was R$ 3,113.8 million, **an increase of 2.2% in relation to fiscal year 2015**, compared with R$ 3,046.6 million. This increase was driven by a series of factors as follows: (i) R$ 327.6 million – an increase of 11.2% in net average selling price; and (ii) R$ 260.4 million – a decline of 8.1%, or 1,397 GWh (164 aMW) of energy volume sold. The decrease in sales volume between the periods under analysis is largely a reflection of the expiry of the agreement under the Existing Energy Auction at the end of 2015, combined with the reductions arising from the Surplus and Deficits Compensation Mechanism (MCSD). In addition, the variation in average selling price in excess of inflation was due to the termination of the agreement under the aforementioned auction, the price of which was less than the average practiced for agreements prevailing in 2016.

✓ **Trading Companies**

Revenue from sales to trading companies rose from R$ 55.6 million in 4Q15 to R$ 75.6 million in 4Q16, **an increase of 36.0%** between compared periods, the result of the following factors: (i) R$ 31.4 million – growth of 189 GWh (86 aMW) or 61.3% in energy sales volume; and (ii) R$ 11.4 million – a reduction of 15.7% in net average selling prices.

In the full 12-month period in 2016, revenue was R$ 319.7 million, **53.0% higher than the revenue recorded for 2015** – R$ 209.0 million. The increase is a reflection of the following aspects: (i) R$ 163.8 million – an increase of 86.0% or 1,013 GWh (115 aMW) in energy volume sold; and (ii) R$ 53.1 million – a decrease of 17.8% in net average selling prices.

The increased sales volume reported for the periods under analysis is due largely to sales of conventional energy concomitantly with the purchase of incentivized energy from trading companies for resale to free consumers which migrated from the Regulated Contracting Environment (ACR) to the Free Contracting Environment (ACL).

✓ **Free Consumers**

Revenue from sales to free consumers fell 2.5% between the quarters under analysis, declining from R$ 727.5 million in 4Q15 to R$ 709.3 million for the same period in 2016. The following events contributed to this variation: (i) R$ 28.0 million – a reduction of 167 GWh (76 aMW) or 3.8% in volume of energy sold; and (ii) R$ 9.8 million – an increase of 1.4% in the net average selling price of energy.

In 2016, revenue amounted to R$ 2,834.2 million, 2.8% less than the R$ 2,915.7 million posted in 2015. This reduction reflects the following: (i) R$ 154.0 million – a decrease of 917 GWh (110 aMW) or 5.2% in energy volume sold; and (ii) R$ 72.5 million – growth of 2.6% in net average selling price of energy.

These decreases in sales volumes are related to reduced consumption under flexible supply agreements and the renegotiation of existing agreements partially attenuated by sales volume of incentivized energy in 2016 to clients migrating from the ACR to the ACL.

✓ **Electric Energy Exports**

In the quarters under analysis, the Company exported no energy. In 2016 as a whole, exports amounted to 78 GWh (9 aMW) to Argentina, at the average price of R$ 232.28, generating net revenue of R$ 18.1 million.

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

In 4Q16, **revenue from short-term market transactions** – more especially those within the scope of the CCEE, was R$ 43.9 million when compared to R$ 111.2 million for the same period in 2015, **a decline of R$ 67.3 million when comparing the two quarters in question**. **On a 12-month comparative basis** there was a decrease of **R$ 185.5 million** in revenue from short-term transactions from R$ 302.6 million in 2015 to R$ 117.1 million in 2016. A more detailed explanation of these variations is to be found in the item below "Details of Short Term Operations – especially Transactions on the Electric Energy Trade Board (CCEE)".

Costs of Electric Energy and Services

The costs of the sale of energy and services rose R$ 106.1 million or 12.6% between the quarters under review increasing from R$ 844.8 million in 4Q15 to R$ 950.9 million in 4Q16. **In 2016 as a whole, these costs reached R$ 3,701.5 million, 2.7%, or R$ 101.6 million lower than the figure for 2015**, which was R$ 3,803.1 million. These variations largely reflect tendencies in the following components:

✓ **Electric energy purchased for resale:** reduction of R$ 92.9 million in 4Q16 compared with the same quarter in 2015 and of R$ 139.2 million in 2016 in relation to 12M15, reflecting above all the reduction of 510 GWh (231 aMW) in 4Q16 and 886 GWh (104 aMW) in 12M16 in medium and long-term purchases, albeit partially offset by higher prices



practiced for new agreements when compared to the preceding period. The reduction in purchase volumes is due largely to the acquisition in 2015 of energy from Jirau Hydroelectric Power Plant, to a degree compensated by higher incentivized energy purchase volumes in the period under analysis. In 2016, the Company's purchases of energy from Jirau HPP were zero.

✓ **Transactions in the short-term market - especially those conducted through the CCEE:** between the two quarters under analysis, costs with these transactions rose by R$ 222.2 million. Between the fiscal years 2015 and 2016, the increase in transaction costs was R$ 115.5 million. More details are to be found under the specific heading.

✓ **Charges for the use of and connection to the electricity grid:** an increase of R$ 10.4 million between the quarters under analysis and an increase of R$ 34.3 million in 2016 against 2015, principally due to the annual readjustment in transmission tariffs.

✓ **Fuels for generation:** a decrease of R$ 53.8 million comparing 4Q16 with the same period in 2015, and R$ 109.0 million between the two fiscal years due to a reduction in consumption of natural gas at the William Arjona TPP (UTWA) due to zero dispatch from this plant by the National Electric System Operator (ONS) at the end of February 2016. This fall was partially offset by the following factors: (i) cost of mineral coal in 2016 when the Company ceased to be fully reimbursed under the Energy Development Account (CDE) for coal consumed in the Jorge Lacerda Thermoelectric Complex and the Charqueadas TPP and pursuant to new legislation establishing parameters for greater energy efficiency at coal-fired plants; and (ii) own unsubsidized mineral coal consumption in 2016 by virtue of exports of electricity to Argentina.

✓ **Financial compensation for the use of water resources (royalties):** a drop of R$ 7.9 million between the compared quarters, reflecting reduced dispatch from the hydroelectric plants, offset by the tariff readjustment. In fiscal year 2016, there was an increase of R$ 12.9 million due largely to the annual price readjustment, offset by a small reduction in hydroelectric generation.

✓ **Personnel:** an increase of R$ 1.5 million in 4Q16 relative to the same quarter in 2015, and R$ 18.2 million between fiscal years, substantially the result of the annual agreement on employee salaries and benefits and due to further employees signing up to the Voluntary Severance Plan (PDV) following its resumption in 2016. Personnel costs were partially offset by the readjustment of head count in the light of voluntary termination of employees under the PDV.

✓ **Materials and third party services:** reduction of R$ 11.7 million between quarters analyzed and R$ 29.3 million when confronting comparative years, this principally due to lower demand for services relating to maintenance and conservation of the thermoelectric generator units as well as efforts to rationalize Company costs.

✓ **Depreciation and amortization:** an increase of R$ 9.1 million and R$ 30.5 million in the compared quarters and years, respectively, due above all to a major review of the Company's thermoelectric complex at the end of 2015, modernization and new assets introduced into the generating complex.

✓ **Net operational provisions:** a negative impact of R$ 27.3 million in 4Q16 compared with 4Q15 and a positive R$ 38.8 million for the full fiscal years under analysis. The variation between respective quarters was substantially due to a recognition in 4Q16 of: (i) a provision for decommissioning the Charqueadas TPP; and (ii) a provision for reducing inventory to the net realizable value of the Charqueadas and Alegrete Thermoelectric Power Plants. The principal factor contributing to the full year-on-year decrease of these costs was the constitution of a civil provision in 2015, in the light of a judicial dispute with a supplier. This arose from a disagreement on the application of the current legislation relating to the setting of the price of a raw material consumed by the Company. This positive effect was partially offset by above-mentioned items (i) and (ii).

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

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

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



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

In 4Q16 and 4Q15, net results (difference between revenues and costs – less taxes on revenues together with the costs) generated from short-term transactions – particularly those executed across the CCEE, were positive at R$ 14.9 million and R$ 304.4 million, respectively, a reduction of R$ 289.5 million between comparative periods.

This variation is essentially a combination of the following factors: (i) an increase in the negative effect arising from the recognition of the renegotiation of the hydrological risk in 4Q15; (ii) an increase in excess energy settled on the CCEE; (iii) greater thermoelectric exposure due to reduced dispatch of this source of generation; (iv) reduction in revenue in the MRE due to lower hydroelectric generation in the period; and (v) recognition in 4T15 of the impact of the agreement to the renegotiation of the hydrological risk of plants selling energy through the ACR, pursuant to Law 13.203/2015, in the amount of R$ 223.1 million.

For the full fiscal year 2016, the net result from short-term transactions – particularly those transacted across the CCEE, was negative at R$ 65.3 million against a positive result of R$ 235.7 million in 2015, representing a reduction of R$ 301.0 million between the two years under review.

This variation reflects a combination of the aforementioned effects with the exception of items (i), (ii) and (v), as well as higher exposure to price difference among submarkets.

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

On a quarter by quarter comparative basis, average PLD for the South and Southeast/Center-West submarkets declined by 5.3%, from R$ 171.97/MWh in 4Q15 to R$ 162.89/MWh in 4Q16. Comparing the full two years, PLD for the same submarkets fell 67.4% from R$ 285.41/MWh in 2015 to R$ 93.18/MWh in 2016.

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

As a consequence of this agreement, the Company has recognized in its cost base a risk premium of R$ 23.7 million for 2016, having at the same time avoided generating the cost of a deficit of R$ 92.5 million, both net of direct tax charges.

General and Administrative Expenses

General and administrative expenses remained stable at R$ 55.1 million in the quarters analyzed. In 4Q16, staff and senior management overheads fell by R$ 6.5 million due to the effects of the Voluntary Severance Plan concluded in 2016. This decline however was almost totally attenuated by reversal of a civil provision in 2015.

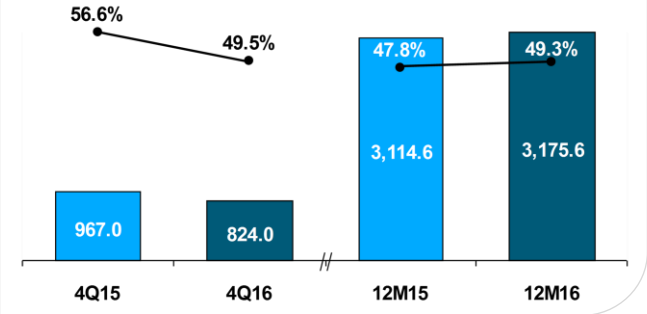
On a full year-on-year basis, expenses increased from R$ 200.2 million to R$ 202.5 million, an increase of R$ 2.3 million or 1.1%. This increase was largely a reflection of the reversal of the civil provision in 2015, partially compensated by the reduction in staff and senior management expenses in the amount of R$ 7.2 million, for the same reasons as mentioned above.



Ebitda and Ebitda Margin

Reflecting the aforementioned effects, **Ebitda for 4Q16 was R$ 824.0 million**, that is, 14.8% or R$ 143.0 million lower than the R$ 967.0 million reported in 4Q15. Ebitda margin was 49.5% in 4Q16, a decrease of 7.1 p.p. compared with the same period in 2015. The reductions reflect a combination of factors, already commented in greater detail in the course of this release: (i) the negative R$ 289.5 million in the transactions executed in the short-term market – more especially those executed within the scope of the CCEE; (ii) a reduction of R$ 92.9 million in energy purchases for resale; (iii) a decrease of R$ 53.8 million in fuel consumption; (iv) the negative effect of R$ 32.7 million in net operating provisions; (v) the increase of R$ 23.1 million in net revenue from sales of contracted energy; and (vi) a decline of R$ 9.4 million in other costs and operating expenses.

Ebitda (1) and Ebitda Margin



(1) Ebitda: net profit + income tax and social contribution and financial expenses, net + depreciation and amortization.

For 12M16, Ebitda posted an increase of R$ 61.0 million (or 2.0%) from R$ 3,114.6 million in 2015 to R$ 3,175.6 million in 2016. The Ebitda margin in 2016 was 49.3%, representing an increase of 1.5 p.p. in relation to 2015. These increases reflect principally a combination of factors: (i) the negative R$ 301.0 million in transactions executed in the short-term market – more specifically, those executed within the scope of the CCEE; (ii) a reduction of R$ 139.2 million in energy purchases for resale; (iii) a growth of R$ 114.5 million in net revenue from the sale of contracted energy; (iv) a decrease of R$ 109.0 million in fuel consumption; (v) an increase of R$ 34.3 million in charges for the use of the electricity network and connections; (vi) the positive effect of R$ 28.7 million in net operating provisions; and (vii) the decrease of R$ 4.9 million in other costs and operating expenses.

The following table reconciles net income with Ebitda:

(In millions of R$)	4Q16	4Q15	Chg. %	12M16	12M15	Chg. %
Net income	475.5	599.7	-20.7	1,548.3	1,501.3	3.1
(+) Income tax and social contribution	20.6	108.0	-80.9	518.4	531.9	-2.5
(+) Financial expenses, net	44.3	97.4	-54.5	354.9	470.6	-24.6
(+) Depreciation and amortization	160.4	151.6	5.8	630.3	600.5	5.0
Ebitda	**700.8**	**956.7**	**-26.7**	**3,051.9**	**3,104.3**	**-1.7**
(+) Impairment	120.9	10.3	1,073.8	120.9	10.3	-
(+) Equity loss	2.3	0.0	0.0	2.8	0.0	0.0
Adjusted Ebitda	**824.0**	**967.0**	**-14.8**	**3,175.6**	**3,114.6**	**2.0**

Provision for Reduction in Recoverable Value

In 2016, the Company recognized a provision for a reduction in recoverable value (impairment) from assets amounting to R$ 120.9 million, of which R$ 76.0 million corresponds to non-operating assets pertaining to the Jacuí thermoelectric project and R$ 44.9 million in thermoelectric generation assets. By contrast, in 2015, the amount provisioned was R$ 10.3 million with respect to Charqueadas TPP.

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

In 2015, the Company signed an exclusive sale agreement with a potential buyer of the assets. The agreement provided for an option for the acquisition of the project valid until January 2016 but not however exercised by the eventual purchaser. During the course of 2016, attempts continued to sell the assets as operating assets, albeit unsuccessfully. In the light of this scenario, the Company engaged a company specialized in asset sales to draw up a viable divestment strategy and to provide an evaluation of the market value for the assets, prepared on the basis of the alternative sale proposal. With this evaluation, the Company constituted an impairment of R$ 76.0 million, corresponding to the book value exceeding the estimated sale value of the assets.



Financial Result

Financial income: in 4Q16, financial revenue was R$ 75.7 million, or R$ 9.9 million and **11.6% lower** than the R$ 85.6 million reported for the same quarter in 2015, largely due to the following factors: (i) reduction of R$ 8.4 million in monetary restatement of court escrow deposits; (ii) increased revenue from financial investments of R$ 4.6 million; (iii) a decrease of R$ 4.3 million due to the recognition in 4Q15 of the restatement of gains from court actions ruled in the Company's favor and gains from hedge operations.

Comparing the full 12 month periods 2015 x 2016, financial revenue **increased R$ 117.1 million (or 41.7%)** from R$ 280.8 million in 2015 to R$ 397.9 million in 2016. This is essentially explained as follows: (i) an increase of R$ 71.4 million in revenue from financial investments; (ii) growth of R$ 38.8 million in interest and monetary restatement as a result of a decision ruled in the Company's favor with respect to a legal dispute on the collection of restatement value on amounts receivable from a sector agent; (iii) an increase of R$ 17.7 million in interest and monetary restatement of accounts receivable due to defaulting on a financial settlement on the CCEE, the result of court injunctions preventing the application of the GSF; and (iv)a R$ 5.6 million reduction in monetary restatement of court escrow accounts.

Financial expenses: expenses in 4Q16 were R$ 120.0 million, that is, R$ 63.0 million **or 34.4% less than the R$ 183.0 million recorded in the same quarter for 2015**. The principal variations were: (i) a reduction of R$ 60.1 million in interest and monetary restatement on concession fees payable; (ii) an increase of R$ 22.1 million in interest, net of provisions and actuarial liabilities; (iii) a reversal of R$ 15.1 million in interest on accounts payable at the CCEE, and recognized in 1Q16, the result of Aneel's revision of the methodology for restating amounts pending financial settlement but protected by court injunctions preventing the application of the GSF; and (iv) a decrease of R$ 4.8 million in interest and monetary restatement on debt.

From an annual point of view, expenses increased from R$ 751.4 million to R$ 752.8 million, a difference of R$ 1.4 million (or 0.2%), the result of a combination of the following main variations: (i) recognition in 2016 of R$ 57.6 million in monetary restatement of amounts payable at the CCEE but pending due to court injunctions preventing the CCEE from applying the GSF; (ii) a decrease of R$ 56.0 million in interest and monetary restatement on debt; (iii) an increase of R$ 27.7 million in net interest on provisions and actuarial liabilities; (iv) a reduction of R$ 22.5 million in interest and monetary restatement of concession fees payable; and (v) a decrease of R$ 1.4 million of tax on financial operations.

Income Tax and Social Contribution on Net Income

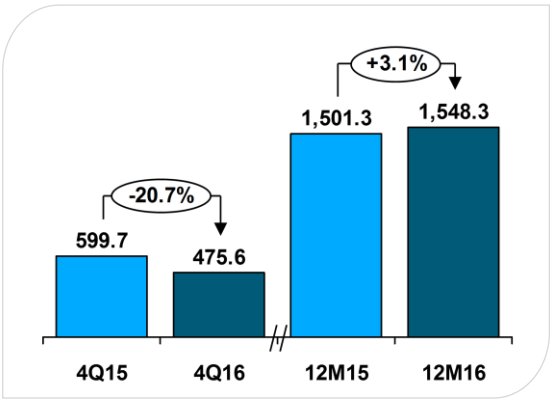
Income Tax and Social Contribution **in 4Q16 were R$ 20.6 million**, R$ 87.4 million down on the same quarter for 2015 when this item was R$ 108.0 million. The decrease was largely due to the following variations: (i) reduction of pre-tax profits; (ii) higher interest on shareholders' equity credited in 2016; and (iii) the end of tax breaks at the Ponte de Pedra HPP in 2016.

On a full year basis, these expenses decreased from R$ 531.9 million in 2015 to R$ 518.4 million **in 2016: a decline of R$ 13.5 million**. This variation is the result above all of higher interest on shareholders' equity credited in 2016, a variation partially attenuated by the following: (i) an increase in pre-tax profits in the period; and (ii) the end of tax breaks at the Ponte de Pedra HPP. The effective tax rates on profits in 2015 and 2016 were 26.2% and 25.1%, respectively.

Net Income

Net income for 4Q16 was R$ 475.5 million, R$ 124.2 million or **20.7% lower** than the R$ 599.7 million recorded for the same quarter in the preceding year. This decrease is largely the result of: (i) a decrease of R$ 143.0 million in Ebitda; (ii) an increase of R$ 8.8 million in depreciation and amortization; (iii) an increase in asset impairment of R$ 110.6 million; (iv) a decrease of R$ 53.1 million in net financial expenses; (v) a reduction of R$ 87.4 million in income tax and social contribution; and (vi) a negative amount for equity income of R$ 2.3 million.

Net Income
R$ million

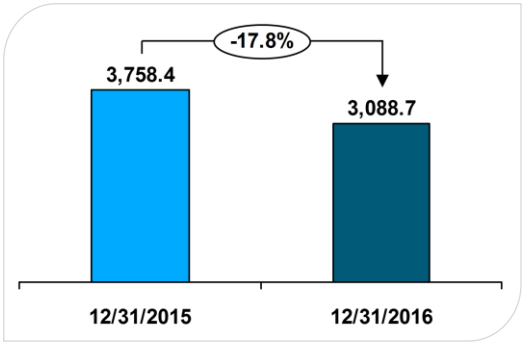


In the full 12M16 period, net income increased from R$ 1,501.3 million in 2015 to R$ 1,548.3 million, **an increase of R$ 47.0 million or 3.1%**. This variation is due to the following factors: (i) growth of R$ 61.0 million in Ebitda; (ii) an increase of R$ 29.8 million in depreciation and amortization; (iii) growth in asset impairment of R$ 110.6 million; (iv) a reduction of R$ 115.7 million net financial expenses; (v) a decrease of R$ 13.5 million in Income Tax and Social Contribution; and (vi) a negative amount for the equity item of R$ 2.8 million.



Debt

Total Debt
R$ million

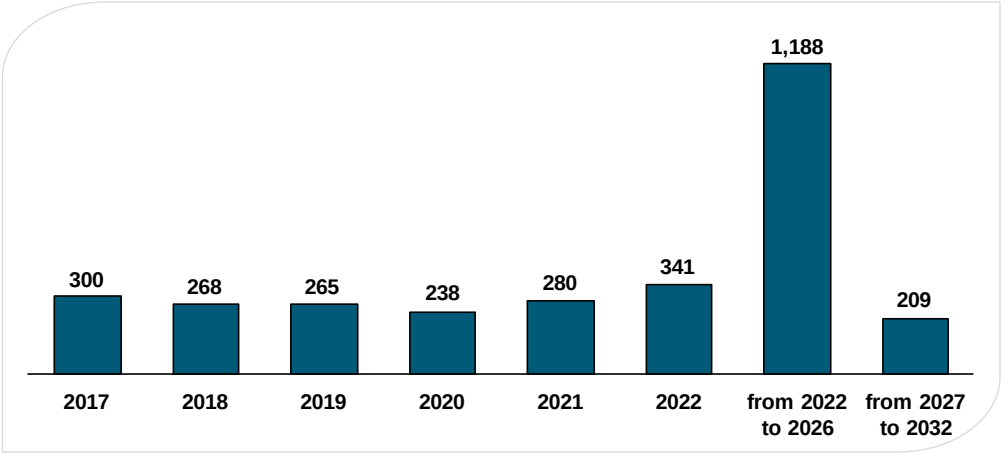


The Company's **total gross consolidated debt** as at December 31, 2016, represented mainly by loans, financing and debentures, **net of hedge operations, totaled R$ 3,088.7 million, a decrease of 17.8%** (R$ 669.7 million) compared to the position as at December 31, 2015.

Out of total debt at year-end 2016, there was no foreign currency denominated debt outstanding compared with 2015, when debt denominated in foreign currency was 34.2% of the total. Currency loans and their respective hedges were settled in December 2016 on due date.

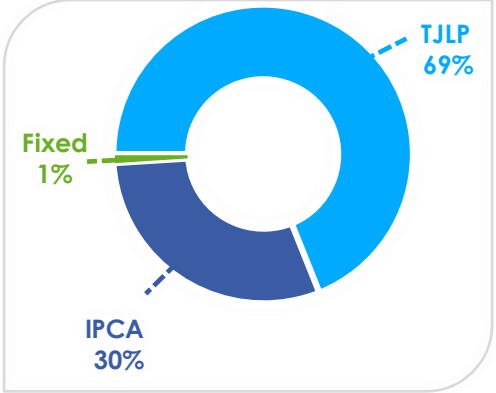
The variation in Company debt is largely related to a combination of the following factors occurring between 4Q15 and 4Q16: (i) drawdowns from the BNDES and its financial agents in the aggregate amount of R$ 35.3 million for investments in the modernization of the Salto Santiago and Passo Fundo HPPs, the Jorge Lacerda Thermoelectric Complex and for the expansion of Ferrari TPP; (ii) R$ 384.1 million in charges payable together with monetary restatement and currency translation effects; and (iii) 6th emission of non-convertible, simple debentures, in the aggregate net amount of R$ 585.8 million; (iv) R$ 1,524.2 million in amortization of loans, financing and debentures; and (v) R$ 150.7 million transfer of financing of subsidiaries and reclassified as assets held for sale.

Maturity Term Loans
R$ million



The **average weighted nominal cost of debt** in the end of 2016 was **10.5%.**

Composition of Debt





On December 31, 2016, the Company's **net debt** (total debt less derivative operations, deposits earmarked to the guarantee of debt servicing and cash and cash equivalents) was **R$ 1,093.2 million**, **a reduction of 10.0%** compared with the end of 2015.

Net Debt
R$ million

	12/31/2016	12/31/2015	Chg. %
Gross debt	3,088.7	4,247.2	-27.3
Result of derivatives operations	0.0	(488.8)	-100.0
Deposits earmarked for the payment of debt	(180.2)	(146.8)	22.8
Cash and cash equivalents	(1,815.3)	(2,396.9)	-24.3
Total net debt	**1,093.2**	**1,214.8**	**-10.0**

Capital Expenditures

ENGIE Brasil Energia's **total investments in 4Q16 were R$ 453.4 million**, of which (i) R$ 59.1 million were allocated to generating complex maintenance and revitalization; (ii) R$ 11.3 million, to modernization of Salto Santiago Hydroelectric Power Plant; and (iii) R$ 383.0 million to the construction of new plants, of which R$ 263.3 million were allocated to the construction of Pampa Sul TPP, R$ 83.6 million to Campo Largo Wind Complex, R$ 26.9 million to Santa Mônica Wind Complex and R$ 9.2 million to other plants.

In 2016, the Company invested a total of R$ 1,189.7 million in construction, maintenance and revitalization of its generating complex and in the acquisition of projects. Construction work at the Santa Mônica and Campo Largo Wind Parks, the Pampa Sul TPP and the Central Fotovoltaica Assú involved further investments of R$ 875.1 million. A further R$ 191.6 million was dedicated to investments in maintenance projects with a view to the continuation of a high plant uptime fator, this being 97.2% in 2016 as mentioned in the "Uptime" item. A total of R$ 97.8 million was invested in the modernization of Salto Santiago and Passo Fundo plants. During the year, the Company also acquired projects totaling R$ 25.2 million.

Proposed Complementary Dividends

At a meeting held on February 23, 2017, ENGIE Brasil Energia's Board of Directors approved the proposal for a payout of complementary dividends for the period from January 1 to December 31, 2016 **in the amount of R$ 409.6 million (R$ 0,6275749291 per share).** This proposal is to be ratified by the Annual General Meeting, on which it is also incumbent to establish conditions for payout.

Total payout of profits in 2016 will amount to R$ 1,487.3 million, equivalent to R$ 2.2786046398 per share or 100% of net adjusted distributable income.

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, Environment, Occupational Health and Safety, Social Responsibility and Energy Management. Out of the 29 plants installed in 12 states of Brazil's five regions, 14 (with an aggregate capacity of 95.3% of the total operated by the Company) 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. 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 14 which are certified according to the NBR ISO 50001 standard for Energy Efficiency.

In addition to the 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, Stakeholder Engagement and Climate Change as well as the Sustainability Committee's Internal Charter, the code for the Environment and Ethics and the Sustainability Reports 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 and Year

In relation to commitments with sustainable development, worthy of mention is ENGIE's renewed selection as a component of BM&FBovespa's Corporate Sustainability Stock Index for the 12th consecutive year. A tool for the comparative analysis of the performance of companies listed on the BM&FBovespa from the point of view of corporate sustainability, based on economic efficiency, environmental equilibrium, social justice and corporate governance, the ISE represents in 2017 a portfolio of 38 shares of 34 companies. ENGIE and only another nine companies have been members of the index since its inception in 2005.

Another highlight of the year was the certification of Estreito HPP under the NBR ISO 9001 management standard (Quality), NBR ISO 14001 (Environment) and NBR OHSAS 18001 (Occupational Health and Safety), now with a further 1,087 MW of installed certified capacity making 95.3% of the total energy output operated by the Company now certified (a year-on-year increase of 11.7 p.p).

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 4Q16 and 12M16, associating each indicator with GRI recommendations.



Sustainability Indices[1]

Item	Dimension[2]	Index	GRI disclosure[3]	4Q16	4Q15	Change	12M16	12M15	Change
1	Quality	Operating plants	EU1, G4-9	29	28	1	29	28	1
2		Installed capacity	EU1, G4-9	8,720	8,765	-0.5%	8,720	8,765	-0.5%
3		Proprietary capacity	EU1, G4-9	6,999	7,044	-0.6%	6,999	7,044	-0.6%
4		Number of certified plants	EU6, G4-15	14	14	-	14	14	-
5		Certified installed capacity (MW)	EU6, G4-15	8,345	7,330	13.8%	8,345	7,330	13.8%
6		Certified installed capacity in relation to the total	EU6, G4-15	95.31%	83.63%	11.7 p.p.	95.31%	83.63%	11.7 p.p.
7		Installed capacity from renewable sources	EU1, G4-9	7,673	7,646	0.4%	7,673	7,646	0.4%
8		Installed capacity from renewable sources in relation to the total	EU1, G4-9	87.99%	87.23%	0.76 p.p.	87.99%	87.23%	0.76 p.p.
9		Energy generation (GWh)	EU2	10,584	13,031	-18.8%	44,592	47,622	-6.4%
10		Certified energy generation	EU6, G4-15	10,076	11,829	-14.8%	42,944	41,894	2.5%
11		Certified energy generation in relation to the total	EU6, G4-15	95.2%	90.8%	4.4 p.p.	96.3%	88.0%	8.3 p.p.
12		Energy generation from renewable sources (GWh)	EU2	9,399	11,591	-18.9%	39,954	41,212	-3.1%
13		Energy generation from renewable sources in relation to the total	EU2	88.8%	88.9%	-0.1 p.p.	89.6%	86.5%	3.1 p.p.
14		Uptime ratio, excluding scheduled stoppages	EU30	97.7%	97.9%	-0.2 p.p.	97.2%	97.4%	-0.2 p.p.
15		Uptime ratio, including scheduled stoppages	EU30	86.4%	86.7%	-0.3 p.p.	86.8%	86.9%	-0.1 p.p.
16	Environment	Saplings donated and planted (sum-total of planted and donated saplings)[4]	G4-EN27	95,914	81,178	18.2%	340,269	262,218	29.8%
17		Number of visitors at the plants[4]	G4-26	20,548	24,287	-15.4%	92,154	100,464	-8.3%
18		CO2 Emissions (fossil fuel plants) (t/MWh)	G4-EN15	1.0289	0.969	6.2%	1.0087	0.976	3.4%
19		CO2 Emissions from Tractebel Energia's generation complex(t/MWh)	G4-EN15	0.146	0.107	36.4%	0.135	0.131	2.9%
20	Occupational Heath and Safety (OH&S)	Average number of employees[5]	G4-10, G4-LA1	1,078	1,138	-5.3%	1,114	1,139	-2.2%
21		Frequency Rate ("Taxa de Frequência" - TF), except for outsourced positions[6]	G4-LA6	0.00	0.000	-	0.49	0.000	↑
22		Severity Rate ("Taxa de Gravidade" - TG), except for outsourced positions[7]	G4-LA6	0.000	0.000	-	0.002	0.000	↑
23		Frequency Rate ("Taxa de Frequência" - TF), including outsourced positions[6]	G4-LA6	0.00	0.000	-	1.52	0.540	↑
24		Severity Rate ("Taxa de Gravidade" - TG), including outsourced positions[7]	G4-LA6	0.000	0.000	-	0.001	0.000	↑
25	Social Responsibility[8]	Non-incentive investments	G4-EC8, G4-SO1	1,166.92	1,459.28	-20.0%	5,044.28	3,304.36	52.7%
26		Investments via Children and Teenagers Fund - FIA	G4-EC8, G4-SO1	237.59	639.80	-62.9%	2,544.27	1,709.01	48.9%
27		Investments via Cultural Incentives Act - Rouanet	G4-EC8, G4-SO1	1,563.00	602.00	159.6%	10,184.72	7,465.44	36.4%
28		Investments via Sport Incentives Act	G4-EC8, G4-SO1	2,255.30	832.26	1.7	2,565.29	1,420.00	0.8
29		Investments via National Program of Support to Oncology Care - PRONON	G4-EC8, G4-SO1	2,573.80	251.47	9.2	2,573.80	637.77	3.0
30		Investments via National Program of Support to Disabled Person´s Heath - PRONAS/PCD	G4-EC8, G4-SO1	1,310.21	550.00	1.38	1,310.20	550.00	1.38
31		Investments via Municipal Elderly Fund	G4-EC8, G4-SO1	2,184.12	142.04	1437.7%	2,348.33	234.44	9.0

Notes:

1) Additional indices available from DPF (ENGIE website / Investors / Financial Information/ Financial Statements) and from Sustainability Report, to be published in April (ENGIE website / Sustainability / Finance / Sustainability Report)
2) Reference: ENGIE Sustainable Management Policy.
3) GRI: Global Reporting Initiative, G4.
4) Ceste (Consórcio Estreito Energia) not included.
5) Average number in the period of own employees working at power plants in operation, at the headquarters and at the São Paulo's office.
6) TF = number of occupational accidents for every million hours of exposure to hazards, considered the same employees of item 19.
7) TG = number of days lost due to occupational accidents for every one thousand hours of exposure to hazards, considered the same employees of item 19 and the outsourced working in the same places.
8) Amounts In thousands of R$.

CORPORATE GOVERNANCE

ENGIE Brasil Energia's Corporate Bylaws are being permanently adjusted to the new rules and procedures of the BM&FBovespa Novo Mercado Listing Regulations, the highest corporate governance level of that stock exchange. In addition, as already mentioned, the Company is a component of the BM&FBovespa's Corporate Sustainability Stock Index (ISE). ENGIE Brasil Energia's Board of Directors' meetings are monitored in relation to the time dedicated to strategic and short term issues, relative to corporate sustainability. The Board is made up of nine effective members, one of whom represents the employees. A further two directors are independent. With the exception of the employee representative, all are elected by the shareholders at a General Shareholders Meeting. Permanently installed, the Fiscal Council is totally independent of management and the outside auditor, and is accountable for the supervision of management acts and for examining and opining on the financial statements, for evaluating risk management systems and internal controls as well as proposals to be submitted to the Board of Directors when engaging additional services from the external auditor of the financial statements.

Ethical behavior is one of the Company's corporate values. In this context it has adopted a Code of Ethics – a public document which can be accessed from the corporate website -, as well as having an Ethics Committee responsible for updating the Code and analyzing ethical issues. **In 2013, ENGIE Brasil Energia ratified its adherence to the Business Pact for Integrity and against Corruption,** an Instituto Ethos initiative in parallel with the United Nations Global Compact to which ENGIE S.A. has been a signatory since launch.

In addition to Novo Mercado regulations, ENGIE Brasil Energia complies with the precepts of the Sarbanes-Oxley act, the purpose of which is to combat unethical conduct and make the financial statements more reliable.

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.

CAPITAL MARKETS

Since its listing on BM&FBovespa'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 BMF&FBovespa'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.

In the light of the change in corporate denomination from Tractebel Energia S.A. to ENGIE Brasil Energia S.A., as from July 21, 2016 there was also an alteration in the **stock ticker symbol** on the BM&FBovespa to **EGIE3** and in the trading name to ENGIE BRASIL. In the United States Over-The-Counter (OTC) market, the Company's Level 1 American Depositary Receipts (ADR) use the **EGIEY symbol**, the ratio of one ADR for every common share remaining unchanged.

Share Performance — EGIE3

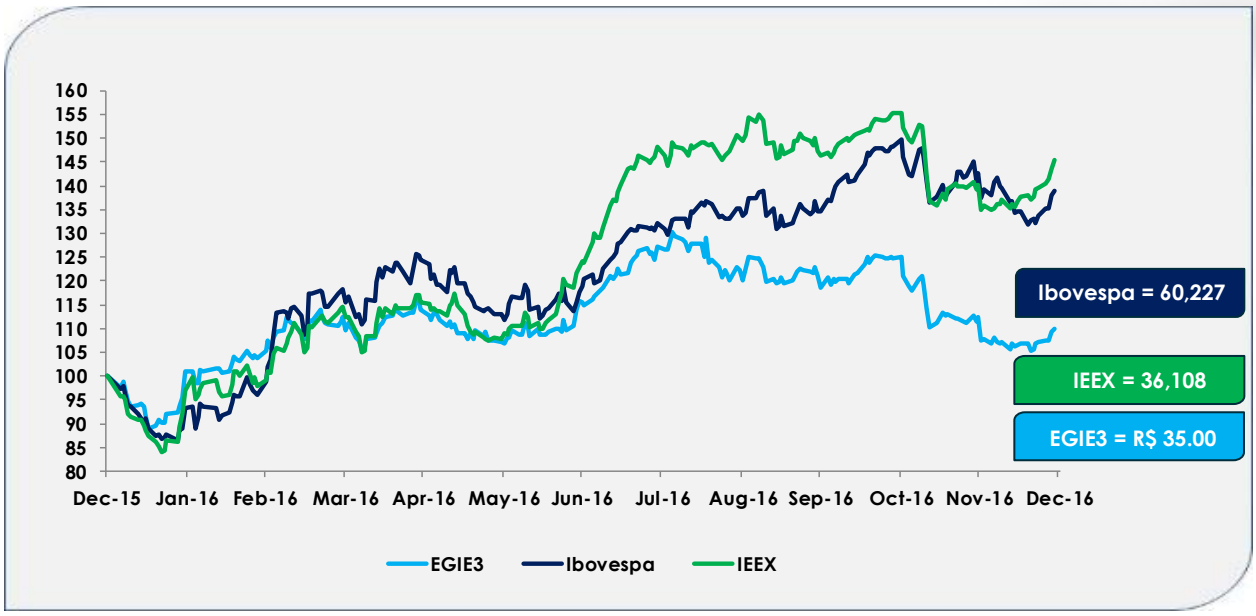
The benchmark Bovespa stock index reported an appreciation of 3.2% in 4Q16 and 38.9% for 2016 as a whole in spite of sharp volatility in the Brazilian capital markets, and set against the background of a tumultuous political scenario. The variation reflected essentially investor optimism in the light of the impeachment proceedings against the ex-president and the market outlook for greater political and fiscal stability. Abroad, the year was marked by the unexpected outcome to the Brexit referendum, losses in Deutsche Bank's market value, political uncertainty in countries such as France and Italy and by the election of Donald Trump in the United States.

Notwithstanding the decline of 7.4% in 4Q16, **ENGIE Brasil Energia's shares** closed 2016 **with an appreciation of 9.9%** when compared to the closing price for 2015. However, this result was lower than Ibovespa´s performance overall as well as that of the Electric Energy Stock Index (IEEX) which reported an appreciation of 38.9% and 45.6%, respectively. EGIE3's closing price for the year was R$ 35.0 per share **translating into a market capitalization of R$ 22.8 billion.**

In 4Q16, EGIE3 recorded an average daily trading volume of R$ 31.9 million, 0.8% below that for the same period in 2015, when average daily trading volume was R$ 32.2 million. For 2016 as a whole, average trading volume was R$ 33.5 million, a growth of 20.2% compared with 2015.



EGIE vs. Ibovespa vs. IEEX
(Base 100 – 12/31/2015)





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: February 24, 2017
Time: 09:00 a.m. (EDT) / 11:00 a.m. (Brasília time)

Connection numbers:
Participants in the USA: +1 (516) 300-1066 / 1-866-866-2673 (Toll Free)
Participants in the UK: + 44 (20) 34785282
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.ENGIEenergia.com.br), at the Investors section.

A replay will be available from February 24th to March 2nd, 2017. Access by dialing: +55 (11) 3127-4999, code: 57762839 (Portuguese) and 30956860 (English)

Meetings with analysts (Brasília time)

São Paulo
Date: March 03, 2017
Time: 9:00 a.m.
Venue: Staybridge Suites São Paulo

Rio de Janeiro
Date: March 03, 2017
Time: 7:00 p.m
Venue: JW Mariott Hotel Rio de Janeiro

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$)		
Assets	**12/31/2016**	**12/31/2015**
Current Assets	**3,355,091**	**4,431,818**
Cash and cash equiv alents	1,815,340	2,396,854
Accounts receiv ables from clients	824,079	773,602
Inv entory	105,541	88,888
Fiscal credits recov erable	14,589	46,385
Refund of fuel purchases	49,472	144,249
Restricted deposits	8,760	8,426
Unrealized gains on hedging transactions	1,490	778,227
Hedge of debt	-	488,802
Cash flow hedge on purchases commitments	1,490	289,425
Renegotiation of hydrological risk to appropriate	26,064	26,064
Other current assets	90,153	82,237
Non current asset held for sale	419,603	86,886
Non Current Assets	**11,064,600**	**10,857,568**
Long Term Assets	**612,302**	**716,695**
Fiscal credits recov erable	37,991	46,763
Restricted deposits	185,768	158,139
Deposits earmarked for the payment of debt	180,183	146,766
Other restricted deposits	5,585	11,373
Deposits in court	149,730	132,480
Unrealized gains on hedging transactions	1,965	130,240
Cash flow hedge on purchases commitments	1,965	130,240
Renegotiation of hydrological risk to appropriate	171,015	197,079
Other non current assets	65,833	51,994
Investments	**4,886**	**-**
Property, Plant and Equipment	**10,194,898**	**9,897,550**
Intangible	**252,514**	**243,323**
Total	**14,419,691**	**15,289,386**



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

(In thousands of R$)		
Liabilities	**12/31/2016**	**12/31/2015**
Current Liabilities	**1,800,794**	**2,977,377**
Suppliers	371,149	573,573
Dividends and interest on shareholder´s equity	372,040	271,021
Loans and financing	283,196	1,712,490
Debentures	16,547	489
Concessions payable	65,408	60,572
Tax and social contribution obligations	81,023	17,799
Other fiscal and regulatory obligations	88,632	97,665
Labor obligations	94,753	108,016
Provision	35,001	25,727
Obligations related to retirement benefits	27,219	22,189
Liabilities related to non current asset held for sale	159,496	-
Other current liabilities	206,330	87,836
Non Current Liabilities	**6,004,503**	**5,669,873**
Loans and financing	2,001,081	2,353,268
Debentures	787,908	180,947
Concessions payable	2,281,968	2,009,980
Provision	292,106	246,873
Obligations related to retirement benefits	272,248	255,552
Deferred income taxes and social contribution	311,331	558,826
Other non current liabilities	57,861	64,427
Shareholders' Equity	**6,614,394**	**6,642,136**
Share capital	2,829,056	2,445,766
Capital reserve	-	91,695
Profit reserves	3,336,013	3,333,102
Adjustment on fixed asset	446,158	769,309
Non controlling interests	3,167	2,264
Total	**14,419,691**	**15,289,386**



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

(In thousands of R$)	4Q16	4Q15	Chg. %	12M16	12M15	Chg. %
Net Revenue from Sales	**1,666,209**	**1,709,197**	**-2.5**	**6,442,371**	**6,512,037**	**-1.1**
Costs of Energy Sold and Services Provided	**(950,884)**	**(844,767)**	**12.6**	**(3,701,457)**	**(3,803,095)**	**-2.7**
Electric power purchased for resale	(435,140)	(528,063)	-17.6	(1,643,327)	(1,782,558)	-7.8
Transactions in the short term market, including those conducted through the CCEE	(29,039)	193,162	-115.0	(182,416)	(66,885)	172.7
Charges for the use of and connection to the electricity grid	(104,962)	(94,580)	11.0	(397,402)	(363,127)	9.4
Fuel expenses	(14,883)	(68,718)	-78.3	(141,000)	(249,984)	-43.6
Financial compensation for use of water resources	(44,925)	(52,780)	-14.9	(190,898)	(177,958)	7.3
Personnel	(67,131)	(65,613)	2.3	(242,833)	(224,666)	8.1
Materials and third party services	(52,057)	(63,764)	-18.4	(183,452)	(212,780)	-13.8
Depreciation and amortization	(158,322)	(149,202)	6.1	(622,060)	(591,569)	5.2
(Reversals) Constitution of operating provisions	(24,449)	2,848	-958.5	(24,400)	(63,217)	-61.4
Others	(19,976)	(18,057)	10.6	(73,669)	(70,351)	4.7
Gross Income	**715,325**	**864,430**	**-17.2**	**2,740,914**	**2,708,942**	**1.2**
Operating Income (Expenses)	**(172,491)**	**(59,335)**	**190.7**	**(316,465)**	**(205,112)**	**54.3**
Selling expenses	(3,836)	(3,847)	-0.3	(17,246)	(17,461)	-1.2
General and administrative expenses	(51,295)	(51,289)	0.0	(185,248)	(182,757)	1.4
Impairment	(120,869)	(10,298)	0.0	(120,869)	(10,298)	0.0
Other operating income (expenses), net	3,509	6,099	-42.5	6,898	5,404	27.6
Income Before Financial Result and Taxes	**542,834**	**805,095**	**-32.6**	**2,424,449**	**2,503,830**	**-3.2**
Net Financial Result	**(44,376)**	**(97,472)**	**-54.5**	**(354,844)**	**(470,598)**	**-24.6**
Financial income	75,641	85,574	-11.6	397,921	280,830	41.7
Financial expenses	(120,017)	(183,046)	-34.4	(752,765)	(751,428)	0.2
Result of corporate participations	**(2,314)**	**-**	**0.0**	**(2,832)**	**-**	**0.0**
Equity loss	(2,314)	-	0.0	(2,832)	-	0.0
Income Before Taxes	**496,144**	**707,623**	**-29.9**	**2,066,773**	**2,033,232**	**1.6**
Income tax	(15,139)	(73,863)	-79.5	(375,594)	(383,334)	-2.0
Social contribution	(5,447)	(34,087)	-84.0	(142,878)	(148,595)	-3.8
Net Income for the Period	**475,558**	**599,673**	**-20.7**	**1,548,301**	**1,501,303**	**3.1**
Number of Ordinary Shares	**652,742,192**	**652,742,192**		**652,742,192**	**652,742,192**	
Net Income per Share	**0.7286**	**0.9187**	**-20.7**	**2.3720**	**2.3000**	**3.1**



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

(In thousands of R$)	4Q16	4Q15	12M16	12M15
Cash Flow from Operating Activities				
Income before taxes on income	496,144	707,623	2,066,773	2,033,232
Adjustments to reconcile net income before taxes generated from operating cash flow:				
Depreciation and amortization	160,365	151,597	630,246	600,425
Monetary v ariation	25,999	65,285	172,971	218,323
Interests	89,765	99,087	473,894	471,241
Constitution (rev ersal) of operating prov isions	25,344	(7,363)	25,474	54,193
Others	2,941	3,152	5,630	12,139
Adjusted Profit	**921,427**	**1,029,679**	**3,495,857**	**3,399,851**
Increase (reduction) in assets				
Accounts receiv ables from clients	(38,990)	39,163	(44,149)	(54,660)
Refund of fuel purchases	10,225	3,494	94,777	198,972
Fiscal credits recov erable	(68,881)	(34,811)	(96,776)	(33,782)
Inv entory	(15,145)	(2,990)	(22,906)	(18,629)
Deposits in court and restricted deposits	(10,332)	(11,955)	(2,855)	45,203
Insurance claim receiv able	-	87,393	-	208,808
Renegotiation of hydrological risk to appropriate	6,516	(223,143)	26,064	(223,143)
Other assets	52,796	(572)	37,599	(13,820)
Increase (reduction) in liabilities				
Suppliers	13,204	(76,852)	(231,649)	(133,462)
Taxes and social contribution obligations	(6,417)	2,632	(1,010)	(1,323)
Other fiscal and regulatory obligations	(1,192)	15,567	(19,845)	39,431
Research and dev elopment obligations	2,656	(6,583)	16,470	(16,108)
Obligations related to retirement benefits	(11,353)	(3,173)	(21,349)	(11,980)
Other liabilities	19,953	4,761	68,777	17,299
Cash Generated from Operating Activities	**874,467**	**822,610**	**3,299,005**	**3,402,657**
Payment of income tax and social contribution	(97,446)	(78,932)	(457,616)	(477,035)
Payment of interests on debt, net of hedge	(83,785)	(93,559)	(316,595)	(347,010)
Net Cash from Operating Activities	**693,236**	**650,119**	**2,524,794**	**2,578,612**
Investments Activities	**(513,744)**	**(175,143)**	**(1,272,113)**	**(778,931)**
Acquisitions of inv estments, net of cash and cash equiv alents receiv ed	(7,435)	(9,553)	(27,490)	(26,200)
Used in fixed assets	(434,961)	(145,672)	(1,166,583)	(723,996)
Used in intangibles	(2,308)	(19,918)	(9,000)	(28,735)
Cash and cash equiv alents of subsidiaries transferred to assets held for sale	(69,040)	-	(69,040)	-
Financing Activities	**(1,449,500)**	**(19,859)**	**(1,834,195)**	**(1,007,558)**
Loans and financing contracted	(656)	44,471	621,123	137,995
Payment of loans and financing	(797,099)	(56,341)	(1,209,544)	(413,681)
Payments of concessions payable	(16,995)	(15,648)	(64,491)	(59,006)
Payments of div idends and interest on shareholders' equity	(641,878)	(1,446)	(1,164,012)	(704,335)
Deposits for funding	(2,347)	(4,930)	(23,689)	16,425
Others	9,475	14,035	6,418	15,044
Decrease (Increase) in Cash and Cash Equivalents	**(1,270,008)**	**455,117**	**(581,514)**	**792,123**
Reconciliation of Cash and Cash Equivalents				
Opening balance	3,085,348	1,941,737	2,396,854	1,604,731
Closing balance	1,815,340	2,396,854	1,815,340	2,396,854
Decrease (Increase) in Cash and Cash Equivalents	**(1,270,008)**	**455,117**	**(581,514)**	**792,123**
Transactions that do Not Affect Cash and Cash Equivalents				
Capitalized interest and monetary	30,000	40,295	113,557	67,808
Supplier's of fixed assets and intangibles	6,464	31,203	(27,035)	69,244
Interest on shareholders' equity credited	432,500	314,000	432,500	314,000
Offsetting of income tax and social contribution	79,361	51,717	133,092	78,461
Future disbursements estimate to employ in fixed assets	(68)	(3,657)	(4,967)	(8,801)
Amounts to pay related to purchase of inv estments	(1,329)	15,064	11,698	29,157
Measurement of obligations with retirement benefits presented in other comprehensiv e income	7,255	(21,013)	7,255	(21,013)
Non current asset held for sale	339,641	-	339,641	-
Non current liabilities related to assets held for sale	159,496	-	159,496	-