# Earnings Release | 4Q18 and 2018

## ENGIE Brasil Energia reports 25.5% and 24.1% growth in Net Revenue and Ebitda, respectively, driven by addition of new capacity and trading activities.

The Company reported Net Income of R$ 2.3 billion, a growth of 15.5% and maintains payout equivalent to 100% (R$ 2.7851/share).

Florianópolis, Brazil, February 19, 2019. ENGIE Brasil Energia S.A. ("ENGIE Brasil Energia", "EBE" or "Company") – B3: EGIE3, ADR: EGIEY - announces earnings for the Fourth Quarter and twelve-month period ending in December 31, 2018 (4Q18, 12M18). 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

- In 2018, ENGIE Brasil Energia reported net operating revenue of R$ 8,794.8 million in 2018, an increase of 25.5% (R$ 1,784.8 million) compared to the amount reported in 2017.
- Ebitda[1] reached R$ 4,367.6 million in 2018, an increase of 24.1% (R$ 848.1 million) compared with 2017. The Ebitda margin was 49.7% in 2018, a reduction of 0.5 p.p. in relation to 2017.
- EBE reported net income of R$ 2,315.4 million (R$ 2.8365/share), or 15.5% (R$ 310.8 million) higher than 2017. The average contracted energy sales price, net of exports, revenue taxes and trading operations, was R$ 180.60/MWh in 2018, 0.1% higher than recorded in 2017.
- The amount of energy sold in 2018, excluding trading operations, was 35,904 GWh (4,099 average MW), volume 0.4% greater than in 2017.
- The final wind farm of Phase 1 of the Campo Largo Wind Complex went into commercial operations in December of 2018, thereby reaching 100% of the Complex's commercial capacity.
- Agreements signed in the Free Contracting Environment (ACL) ensure the feasibility of Phase II of the Campo Largo Wind Complex.
- The increase in the capital stock through the issue of new common, book entry shares with no par value, distributed to the Company's shareholders in the form of bonus shares in the proportion of 1 share for every 4 already held, was approved.
- For the 14th consecutive year, ENGIE Brasil Energia was included in the Corporate Sustainability Index (ISE). The Company has been a component of the ISE since its inception in 2005.

### Subsequent Events

- The first four wind farms out of 18 making up the first Phase 1 of the Umburanas Wind Complex (360 MW of installed capacity) began commercial operations. A further four are operating on a test basis.
- The Company broke a new generation record on January 11, 2019 when its plants reported an output of 8,277.8 MWh.
- For the second consecutive year, EBE is one of four Brazilian companies to be included in the Corporate Knights magazine's Global 100 Most Sustainable Companies out of approximately 7.5 thousand publicly listed companies worldwide.
- As from March 15, Eduardo Sattamini, Chief Executive Officer, will accumulate the position of Chief Financial and IR Officer, replacing Carlos Freitas who resigned his post to assume new professional challenges.
- The Company's Board of Directors approved the proposal for the payout of complementary dividends worth R$ 76.7 million (R$ 0.0940/share), which is to be ratified by the Annual General Meeting. Total payout of profits in 2018 will amount to R$ 2,272.5 million (R$ 2.7851/share) equivalent to 100% of net adjusted distributable income.

## Summary of Financial and Operational Indicators

**ENGIE Brasil Energia - Consolidated**

| (In millions of R$) | 4Q18 | 4Q17 | Chg. | 12M18 | 12M17 | Chg. |
|---|---|---|---|---|---|---|
| Net Operating Revenue (NOR) | 2,302.3 | 2,067.4 | 11.4% | 8,794.8 | 7,010.0 | 25.5% |
| Results from Operations (EBIT) | 903.1 | 880.5 | 2.6% | 3,667.1 | 2,850.2 | 28.7% |
| Ebitda (1) | 1,083.3 | 1,067.6 | 1.5% | 4,367.6 | 3,519.5 | 24.1% |
| Ebitda / NRS - (%)(1) | 47.1 | 51.6 | -4.5 p.p. | 49.7 | 50.2 | -0.5 p.p. |
| Net Income | 761.6 | 704.7 | 8.1% | 2,315.4 | 2,004.6 | 15.5% |
| Return On Equity (ROE) (2) | 36.6 | 29.3 | 7.3 p.p. | 36.6 | 29.3 | 7.3 p.p. |
| Return On Invested Capital (ROIC) (3) | 23.1 | 22.5 | 0.6 p.p. | 23.0 | 22.8 | 0.3 p.p. |
| Net Debt (4) | 6,856.3 | 4,582.6 | 49.6% | 6,856.3 | 4,582.6 | 49.6% |
| Gross Power Production (avg MW) (5) | 5,474 | 4,187 | 30.8% | 4,491 | 4,148 | 8.3% |
| Energy Sold (avg MW) (6) | 4,178 | 4,227 | -1.2% | 4,099 | 4,082 | 0.4% |
| Average Net Sales Price (R$/MWh) (7) | 184.35 | 182.17 | 1.2% | 180.60 | 180.39 | 0.1% |
| Number of Employees - Total | 1,370 | 1,131 | 21.1% | 1,370 | 1,131 | 21.1% |
| EBE Employees | 1,322 | 1,083 | 22.1% | 1,322 | 1,083 | 22.1% |
| Employees on Under Construction Plants | 48 | 48 | 0.0% | 48 | 48 | 0.0% |

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

**For Immediate Release**


Additional information:

**Carlos Freitas**
Chief Finance and Investor Relations Officer
carlos.freitas@engie.com

**Rafael Bósio**
IR Manager
rafael.bosio@engie.com
Tel.: +55 48 3221-7225

ri.BREnergia@engie.com


**Conference call and webcast:**
On 2/20/2019 at 10:00 a.m. (EDT): in Portuguese (simultaneous translation into English).

Further details on Upcoming Events section, available on page 25.

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# MESSAGE FROM THE MANAGEMENT

ENGIE Brasil Energia commemorates one more year of excellent results and at the same time, achieving a series of objectives. The regularity in the delivery of consistent growth — a hallmark of our operations — continued throughout 2018. More than this, we were able to build the basis and foundations in readiness for both the next market and Company cycles.

Compared to 2017, we reported two digit growth in various key elements: Net Income reached R$ 2.3 billion (+15.5%); Ebitda was R$ 4.4 billion (+24.1%); and Net Operating Revenue was R$ 8.8 billion (+25.5%), driven, principaly, by the incorporation of the Jaguara and Miranda Hydroelectric Power Plants, short term operations, increases both in average price as well as sales volume and the results from trading operations.

> (...) Our operations continued to be supported on the pillars of Decentralization, Digitization and Decarbonization, and 2018 was one more year where our team was able to prove its capacity of delivery well ahead of the curve.

Our operations continued to be supported on the pillars of Decentralization, Digitization and Decarbonization, and 2018 was one more year where our team was able to prove its capacity of delivery well ahead of the curve. Let us look at the highlights of each pillar:

**Decentralization:**

- We began the restructuring of a more segmented commercial area to serve the different client profiles with specialization, the offer of products and services and channels customized to market needs. In this context during the period, the role of retail seller became a reality, broadening our commercial vision and bringing with it the initial experience of a scenario of greater dynamism and liquidity.

**Digitization:**

- We saw significant progress in our methods and tools for pricing energy, this supported by systems, robots and artificial intelligence. This has brought about a veritable digital revolution in this process which from 2020, will require hourly instead of weekly prices of PLD. We are already taking preliminary steps to capture the opportunities which will arise from this change.
- In 4Q18, we signed a letter of intention with the state government of Santa Catarina, the municipality of Florianópolis and Apex-Brasil for the installation of ENGIE Lab Brasil, Florianópolis, a global research and innovation center. This will be the first ENGIE Lab in Brazil, dedicated to projects in wind and solar power, biogas and hydrogen and contributing to ENGIE's new business ventures or improving solutions the Group already offers. Indeed, there are prospects for exporting innovations and technology developed in Brazil to other Group operations around the world.

**Decarbonization:**

- We delivered the 326.7 MW installed capacity of the Campo Largo Wind Complex on plan, below budget and in line with our high standards of occupational health and safety. At the Umburanas Wind Complex, we anticipated operations, installing the first wind turbine in record time. By the beginning of 2019, Aneel had already authorized the entry into commercial operations of 38 out of the 144 wind turbines at Umburanas where work on about 90% of the stages of the project has already been completed with conclusion expected before the end of the first half of 2019. The Umburanas/Campo Largo wind cluster is the largest of its kind ever implemented by ENGIE in Brazil.
- We acquired all remaining shares in ENGIE Geração Solar Distribuída, and through its intermediary, we installed 10 MW of residential and commercial photovoltaic systems throughout Brazil in 2018.
- In the transmission line segment, we began construction work on the Gralha Azul Transmission System. The first stages of this project involved obtaining the necessary public utility declarations and initiatives in the environmental and land ownership areas.

Operating as a key player in the Brazilian infrastructure sector, over the next business cycles, we will strive to continue delivering stability, predictability, sustainability, growth with financial discipline and an exceptional return to shareholders, driven by an aggressive dividend policy which once more in the light of the results for 2018, will be offering shareholders a payout equivalent to 100% on Adjusted Net Income.

For 2019, we expect to see one more year replete with both challenges and also achievements. Without losing our focus on renewable generation, we shall be alert to opportunities for both growth and diversification. By combining investment in renewable energy with socio-environmental initiatives, we are realizing our strategy of promoting harmonious progress and spearheading the energy transition in Brazil.



**Eduardo Antonio Gori Sattamini**
**Chief Executive Officer**



**Carlos Freitas**
**Chief Financial and Investor Relations Officer**

# OPERATING PERFORMANCE

## Generating Complex

ENGIE Brasil Energia is part of the largest independent power producer group in the country and, with the startup in commercial operations of the total installed capacity at the Campo Largo Wind Complex and Umburanas wind farms 8, 16, 17 and 21, has 8,099.8 MW of installed capacity and operates a generating complex with 9,820.5 MW, comprises 45 plants (11 hydro, three thermal and 31 complementary energy source plants - biomass, SHP, wind powered and solar), 41 of which are wholly-owned by the Company and four (the Itá, Machadinho and Estreito Hydro Power Plants and the biomass-fired Ibitiúva Bioenergética co-generation plant) jointly-owned through consortia with other companies.

### ENGIE Brasil Energia's Generating Complex

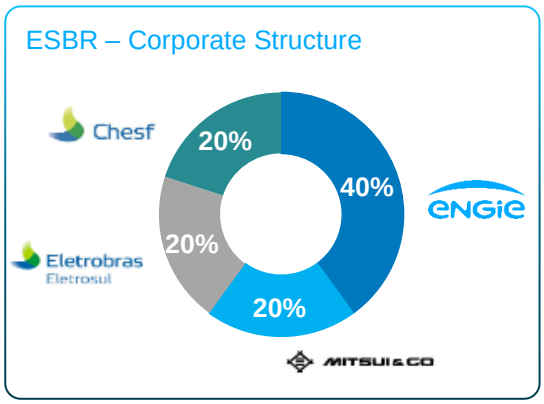
| Power Plants | Source | Location | Installed Capacity (MW) | | Concession/ Authorization original term expiration date | Assured energy (aMW) Company's Share |
|---|---|---|---|---|---|---|
| | | | Total | Company's Share | | |
| Itá | Hydro | Uruguai River (SC and RS) | 1,450.0 | 1,126.9 | Oct/30 | 564.7 |
| Salto Santiago | Hydro | Iguaçu River (PR) | 1,420.0 | 1,420.0 | Sep/28 | 733.3 |
| Machadinho | Hydro | Uruguai River (SC and RS) | 1,140.0 | 403.9 | Jul/32 | 165.3 |
| Estreito | Hydro | Tocantins River (TO/MA) | 1,087.0 | 435.6 | Nov/37 | 256.9 |
| Salto Osório | Hydro | Iguaçu River (PR) | 1,078.0 | 1,078.0 | Sep/28 | 502.6 |
| Cana Brava | Hydro | Tocantins River (GO) | 450.0 | 450.0 | Aug/33 | 260.8 |
| Jaguara | Hydro | Grande River (MG) | 424.0 | 424.0 | Dec/47 | 341.0 |
| Miranda | Hydro | Araguari River (MG) | 408.0 | 408.0 | Dec/47 | 198.2 |
| São Salvador | Hydro | Tocantins River (TO) | 243.2 | 243.2 | Apr/37 | 148.2 |
| Passo Fundo | Hydro | Passo Fundo River (RS) | 226.0 | 226.0 | Sep/28 | 113.1 |
| Ponte de Pedra | Hydro | Correntes River (MT) | 176.1 | 176.1 | Sep/34 | 133.6 |
| **Total - Hydro** | | | **8,102.3** | **6,391.7** | | **3,417.7** |
| Jorge Lacerda Complex[1] | Thermal | Capivari de Baixo (SC) | 857.0 | 857.0 | Sep/28 | 649.9 |
| **Total - Thermal** | | | **857.0** | **857.0** | | **649.9** |
| Campo Largo Complex[2] | Wind Farm | Umburanas (BA) | 326.7 | 326.7 | Jul/50 | 169.6 |
| Trairi Complex[3] | Wind Farm | Trairi (CE) | 115.4 | 115.4 | Sep/41 | 54.9 |
| Santa Mônica Complex[3] | Wind Farm | Trairi (CE) | 97.2 | 97.2 | Jan/45 | 47.4 |
| Umburanas Complex[4] | Wind Farm | Umburanas (BA) | 95.0 | 95.0 | Aug/49 | 56,4[6] |
| Ferrari | Biomass | Pirassununga (SP) | 80.5 | 80.5 | Jun/42 | 35.6 |
| Ibitiúva Bioenergética | Biomass | Pitangueiras (SP) | 33.0 | 22.9 | Apr/30 | 13.9 |
| Assú V | Solar | Assú (RN) | 30.0 | 30.0 | Jun/51 | 9.2 |
| Lages | Biomass | Lages (SC) | 28.0 | 28.0 | Oct/32 | 14.6 |
| Rondonópolis | SHP | Ribeirão Ponte de Pedra (MT) | 26.6 | 26.6 | Dec/32 | 10.1 |
| José Gelazio da Rocha | SHP | Ribeirão Ponte de Pedra (MT) | 23.7 | 23.7 | Dec/32 | 9.2 |
| Cidade Azul | Solar | Tubarão (SC) | 3.0 | 3.0 | not applicable[5] | 0.0 |
| Tubarão P&D | Wind Farm | Tubarão (SC) | 2.1 | 2.1 | not applicable[5] | 0.0 |
| **Total - Complementary** | | | **861.2** | **851.1** | | **420.9** |
| **Total** | | | **9,820.5** | **8,099.8** | | **4,488.5** |

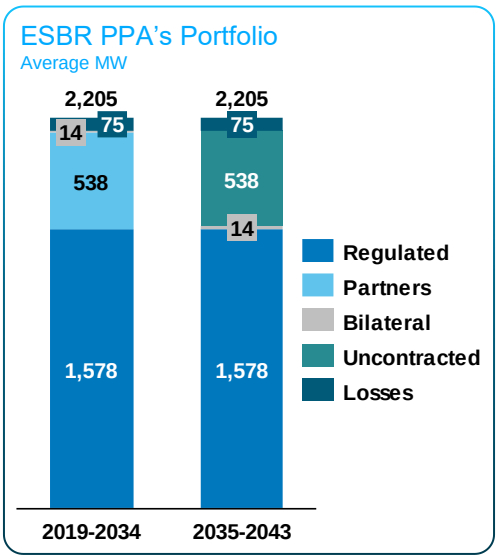
[1] Complex comprised of three power plants.
[2] Complex comprised of four power plants.
[3] Complex comprised of 11 power plants.
[4] Complex with wind farms 8, 16, 17 and 21 under operation.
[5] For generating plants with installed capacity lower than or equal to 5 MW the legal instrument applicable is the record.
[6] Value subject to approval by the Ministry of Mines and Energy.

## Expansion

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

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




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

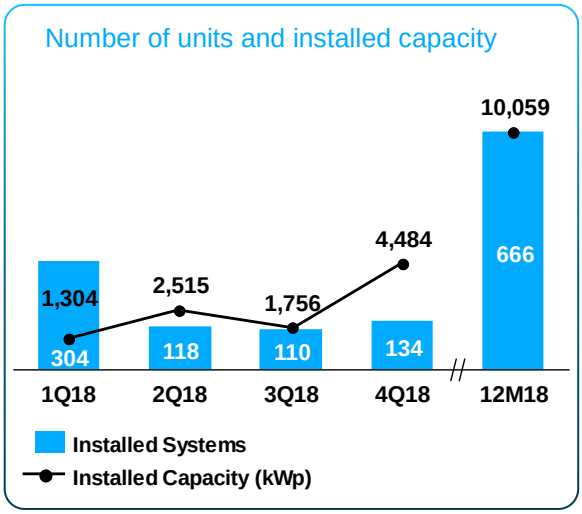
In 4Q18, the plant generated 1,617.7 average MW, 42.3% more than the 1,137.2 average MW for 4Q17, while the National Electrical System Operator Uptime Ratio (FID) was 99.4% (data subject to final Electric Energy Trade Board (CCEE) booking). The accumulated recorded generation for the year was 1,909.5 average MW, 9.4% more than the 1,746.1 average MW for 2017, with FID (Uptime Factor) of 99.4%.

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



Solar systems installed by EGSD

In 2018, the Solar Industry Program, an initiative of the Federation of Industries of the State of Santa Catarina (Fiesc), with execution the responsibility of ENGIE Geração Solar Distribuída and WEG S.A., reached 2,126 and 695 registered applicants in the residential and industrial profiles, respectively, in the state of Santa Cartarina. Thanks to its success, the Program has been extended to the states of Mato Grosso, with 252 and 109 registered residential and industrial consumers, respectively. In the state of Rio Grande do Sul, 208 applicants were signed up in the residential segment together with a further 120 industrial names.




In the state of Goiás, the company installed 833 kWp in 2018 while more than 1,558 kWp worth of contracts have been sold for future installation, this also marking our debut in the agribusiness segment.

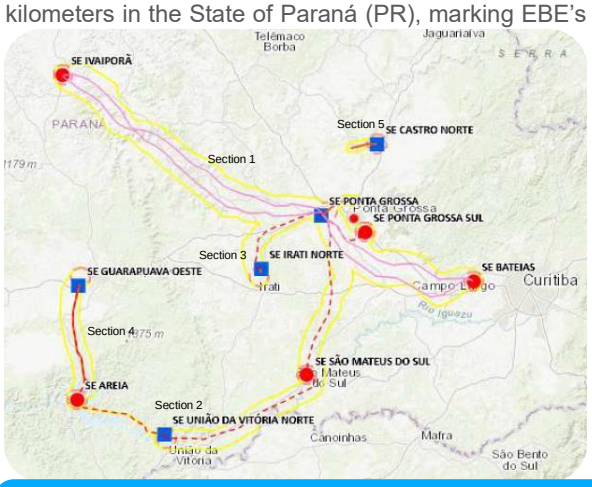
In 4Q18, 134 systems were installed with a capacity of 4,484.0 kWp, an increase of 57.9% compared with 4Q17, when installed capacity was 2,839.9 kWp corresponding to 583 systems. Since the outset of its operations, ENGIE Geração Solar Distribuída has installed 1,954 systems with an installed capacity of 15,920.6 kWp across 13 states of the country.

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

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

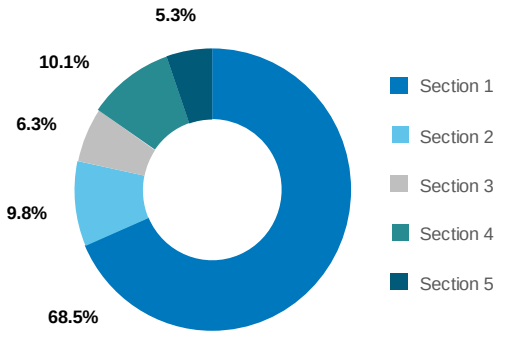
| Lot | Location | Contracted RAP (R$ million) | Estimated Capex (R$ million)* |
|---|---|---|---|
| 1 | Paraná (PR) | 231.7 | 1,700.0 |
| **Total** | | **231.7** | **1,700.0** |

* Value as of December 2017.



Transmission lines and substation location

## Part of the Annual Allowed Revenue (RAP) (%)




Currently with work in progress are activities involving the executive project, topography and test drilling as well as selecting and hiring subcontractors.

The environmental, land ownership and archeological teams continue undertaking studies in the field. The environmental impact studies, or simplified environmental reports, have been concluded and filed with the state of Paraná environmental protection agency. In the case of archeological licensing, the first phase of studies was concluded and approved by the National Historic and Artistic Heritage Institute (IPHAN) and work is now proceeding on the second phase. Public utility declarations for all areas of the project have already been obtained.

## Projects under Construction

| Power plants | Source | Location | Installed Capacity (MW) | | Concession/ Authorization original term expiration date | Assured energy (aMW) Company's Share |
|---|---|---|---|---|---|---|
| | | | Total | Company's Share | | |
| Umburanas Complex - Phase I | Wind Farm | Umburanas (BA) | 265.0 | 265.0 | From Aug/49 to Aug/50 | 158,7 [1] |
| Campo Largo Complex - Phase II | Wind Farm | Umburanas and Sento Sé (BA) | 361.2 | 361.2 | - | 200.0 |
| Pampa Sul | Thermal | Candiota (RS) | 345.0 | 345.0 | Mar/50 | 323.5 |
| **Total** | | | **971.2** | **971.2** | | **682.2** |

[1] Value subject to approval by the Ministry of Mines and Energy .

**Umburanas Wind Complex – Bahia (Phase I).** Located in the municipality of Umburanas (BA), the Complex has a **total installed capacity of 605 MW** to be harnessed in two phases. The installed capacity under Phase I is 360.0 MW, of which 257.5 MW will be sold on the free market while 102.5 MW has been commercialized via the A-5/2014 Energy Auction at the average **price of R$ 172.7/MWh, restated up to December 31, 2018**. The first phase of the Complex will involve an investment of about R$ 1.8 billion (as of September 2017) for 18 wind farms. The remaining 245 MW will be harnessed during Phase II. The project is being developed adjacent to the Campo Largo Wind Complex, thereby capturing synergies both during installation as well as subsequently when commercial operations begin.



Umburanas – general view

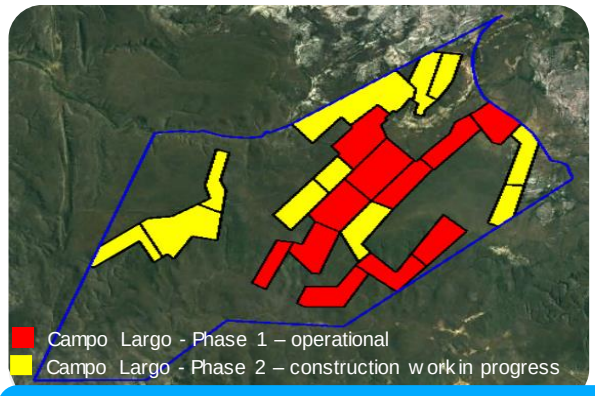
In 4Q18, the following works were concluded: concreting of the 144 wind turbine tower foundations; assembly of the 230kV Transmission Line; construction of the accesses to the wind farms and; the building of the substation.

On November 21, the state Enviromental and Hydric Resources Institute (Inema) issued an Operating License for the Umburanas wind farm number 21, and on January 3, 2019, Aneel authorized its entry into commercial operations as from January 4, 2019, the first unit in the Complex to do so.

On December 1, 2018, Umburanas wind farm number 8 began test operations.

The project is now 87% complete.

**Campo Largo Wind Complex – Bahia (Phase II).** Approval was given for a start on the installation of the Campo Largo Wind Complex – Phase II, located in the muncipalities of Umburanas and Sento Sé, approximately 420 km distant from the state capital, Salvador. **Phase II represents 361.2 MW of installed capacity** and 200.0 average MW of assured energy with investments of about R$ 1.6 billion. Operations are scheduled to begin early in 2021.




Ilustrative image from do Campo Largo Wind Complex

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

**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 345 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 - built by the Company - to the Candiota II substation.



Pampa Sul TPP - general 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$ 242.3/MWh, restated up to December 31, 2018**. 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.

In 4Q18, among the activities that warrant mention are: first fire, dry out and chemical cleaning of the boiler; commissioning of the cooling towers; completion of internal piping in the chimney stack; and assembly and testing of the boiler feed pump. All auxiliary works such as the dam and pipeline, coal conveyor belt, transmission line, the Candiota Substation connection bay, were all completed and transferred to the operations team in December 2018. The principal physical work involving the electromechanical assembly and civil work is now 96% complete.

Worthy of mention in the occupational health and safety area is the mark of more than 19.9 million man hours worked without a fatal accident.

The plant is scheduled to begin commercial operations in the second quarter of 2019.

## Projects under Development

| Power plants | Source | Location | Installed Capacity (MW) | |
|---|---|---|---|---|
| | | | Total | Company'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 |
| Umburanas Complex - Phase II | Wind Farm | Umburanas (BA) | 245.0 | 245.0 |
| Assú - Plants I, II, III e IV | Solar | Assú (RN) | 146.8 | 146.8 |
| Alvorada | Solar | Bom Jesus da Lapa (BA) | 90.0 | 90.0 |
| **Total** | | | **1,681.8** | **1,681.8** |

**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. The project is eligible to take part in the energy auctions.

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



3D images from the Norte Catarinense TPP project

**Umburanas Wind Complex – Bahia (Phase II).** With an **installed capacity of 245 MW**, the environmental licensing for the Second Phase has been issued with energy under this second phase to be harnessed by EBE in due course alongside the Campo Largo Wind Complex, thus maximizing synergies during implementation and subsequent commercial operations.

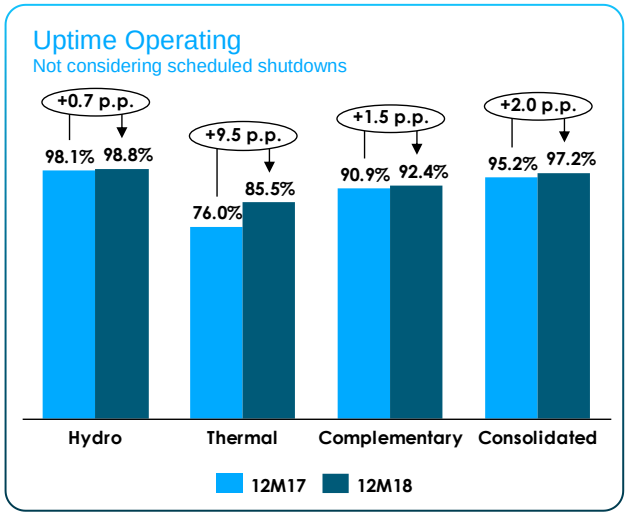
**Assú Photovoltaic Complex.** Located in the Municipality of Assú, State of Rio Grande do Norte, the Complex will have a total **installed capacity of approximately 183 MWp**, consisting of five projects, among them Assú V. Assú V went into commercial operations in December 2017. The remaining projects are at the stage of evaluating solar radiation, with Preliminary License already issued, and qualified to take part in future new energy auctions.

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

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

## Uptime Operating

The plants operated by ENGIE Brasil Energia reported uptime working of **97.0% in 4Q18, ignoring scheduled stoppages**: 98.6% for the hydroelectric plants, 87.5% for the thermoelectric plants and 89.4% with respect to the plants fired from complementary energy sources, namely SHPs, biomass, wind and photovoltaics.




**For the accumulated 12 month period in 2018** (**excluding programmed stoppages)** the plants reached a **97.2% uptime working**, 98.8% at the hydroelectric plants, 85.5% at the thermal plants and 92.4% at the plants fired from complementary energy sources.

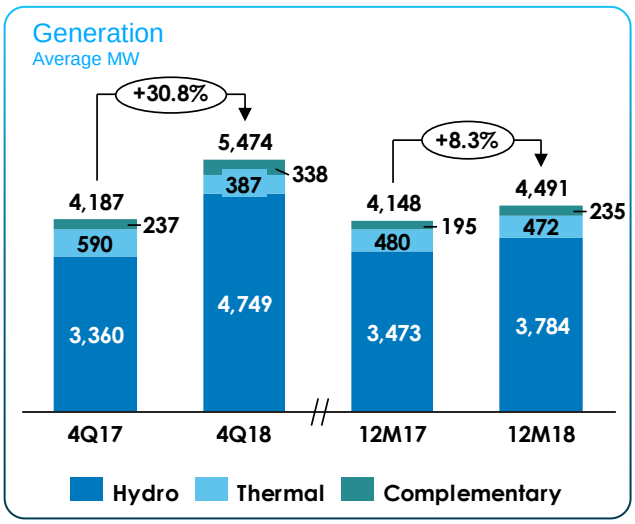
If all scheduled shutdowns are taken into account, the aggregate uptime in the 4Q18 was 92.5%: 94.5% for the hydroelectric plants, 79.6% for the thermoelectric and 85.6% for plants operating with complementary energy sources. These percentages for the year as a whole were 91.5% for all the Company's plants, 93.9% at the hydro plants, 73.4% at the thermoelectric plants and 84.8% at the plants fired from complementary sources.

In 4Q18, uptime working at the Company's plants compared with the preceding year, saw a slight reduction due principally to a short circuit at the Number 4 Unit of the Jaguara Hydroelectric Plant and the need to verify excessive vibrations in the turbine bearing of the Number 1 Unit of the Jorge Lacerda A Thermoelectric Plant. In addition, uptime working was also affected by the modernization at the Number 1 Generator Unit of the Itá Hydroelectric Power Plant and the installation of instrumentation ahead of decommissioning in preparation for modernization work on the Number 5 Generator Unit of the Salto Osório Hydroelectric Plant, to begin in 2019.

The increase in plant uptime in 2018, compared with 2017, is principally due to fewer significant occurrences in the period. Such occurrences include the loosening of the turbine nose cone at the Number 2 Unit of the Passo Fundo Hydroelectric Power Plant and the short circuit in the São Salvador Hydroelectric Power Plant Number 2 Unit's excitation transformer as well as vibrations in the turbine bearing of the Number 2 Unit of the Jorge Lacerda A Thermoelectric Power Plant, all of which in 2017. In 2018, a general overhaul was undertaken of the Number 3 Unit of the Jorge Lacerda A Thermoelectric Plant and there was a short circuit in the generator of the Number 4 Unit of the Jaguara Hydroelectric Power Plant.

## Production

**Electricity output from plants operated by ENGIE Brasil Energia** was 12,087 GWh (5,474 average MW) in 4Q18. This result is **30.8% higher** than production for 4Q17. Total output breaks down as follows: hydroelectric plants, 10,486 GWh (4,749 average MW), thermoelectric plants 855 GWh (387 average MW) and the complementary sourced units 746 GWh (338 average MW). Results point to, respectively, increases of 41.3% and 42.6% on the hydro and complementary energy sources and 34.4% on termoelectric energy sources in relation to 4Q17.

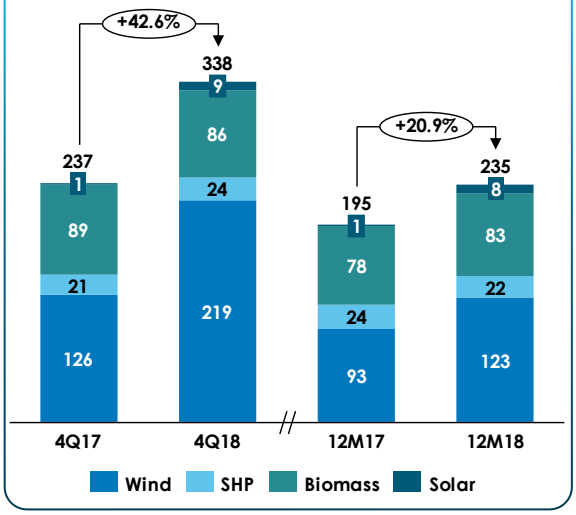



When comparing 4Q18 with 4Q17, the increase in hydroelectric generation was due largely to more favorable hydrological conditions in 2018, as well as consolidating the booking of power generation from the Jaguara and Miranda hydroelectric plants, both of which the Company acquired by auction at the end of 2017, the plants then being incorporated in the hydroelectric portfolio in the same period. Conversely, generation volumes from the thermal electrics fell year-on-year in 4Q18, due to the reduced dispatch by order of cost merit, basically a minimum token dispatch being

required for reasons of stability and quality of the electricity network by the National Interconnected System (SIN). Increased generation from the complementary plants is largely a reflection of Campo Largo Wind Complex I's entry into commercial operations in the second half of 2018.

In the 12 months of 2018, total energy output reached 39,340 GWh (4,491 average MW): an increase of 8.3% (in average MW) compared with 2017. Of the total generated amount, the hydroelectrics accounted for 33,144 GWh (3,784 average MW), an increase of 8.9%; the thermal power plants reported output of 4,134 GWh (472 average MW), a reduction of 1.7%; and the complementary plants for 2,062 GWh (235 average MW), representing an increase of 20.9%.

Generation by Complementary Source
Average MW




In 2018, the increase in global generation is mainly due to the incorporation of the hydro plants successfully auctioned to the Company as well as the entry into commecial operations of the Assú V Photovoltaic Plant and the Campo Largo Wind Complex – Phase I - hence the significant increase in generation from the hydroelectric and complementary plants. Again the small drop in output from the thermoelectric plants was due to smaller volumes of generation by order of merit.

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.

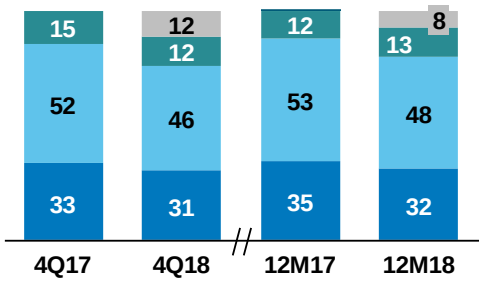
As to the Company's thermal generation, its increase might reduce (as a function of the Company's level of contracting) exposure to the Price for the Settlement of Differences (PLD), the opposite being the case when there is a decrease, all other variables being equal.

## Clients

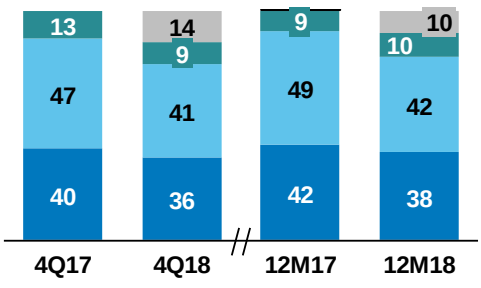
In 4Q18, the free consumer share of the Company's portfolio was 45.7% of total physical sales and 40.5% of the total net operating revenue (except CCEE and other revenues), decreases of 6.2 p.p. and 6.7 p.p., respectively in relation to the same quarter in 2017. For the 12M18 accumulated period, free consumers accounted for 48.2% of physical sales and 42.1% net operating revenues (with the exception of CCEE and other revenues), a decline of 5.2 p.p. and 6.9 p.p., respectively, compared with 2017.

The reduction in the participation of free consumers by and large reflects the reduction in consumption together with lower prices practiced with industrial clients.

Breakdown of Customers by Physical Sales (%)




Breakdown of Customers in Contracted Sales Comprising Net Operating (%)




Export[1] | Trading Companies | Distribution Companies | Trading operations | Free Customers

[1] Energy exports as a share of physical sales and of net operating revenue (except CCEE and other revenues) was 0.01% in the 12M17.

## Commercial Strategy

The Company pursues a commercial strategy of gradual sales of future energy availability for any given year as a means of mitigating the risk of exposure to spot prices (Price for Settlement of Differences - PLD) for that particular year. Electric energy sales are made during windows of opportunity that open when the market shows a greater buying propensity. ENGIE Brasil Energia's energy balance based on proprietary commercial capacity and power purchasing agreements outstanding as at **December 31, 2018** is as follows:

### Energy Balance
(Average MW)

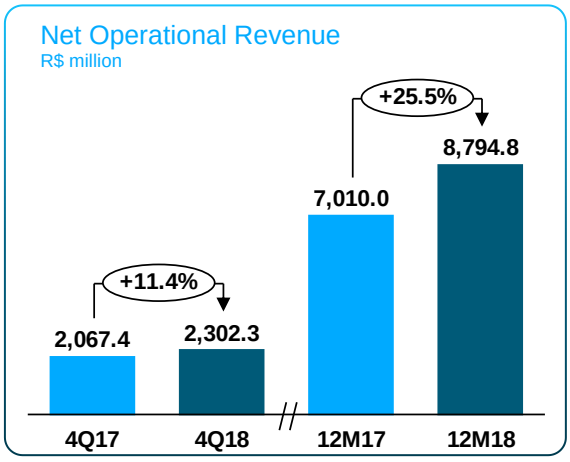
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Auction **Gross** Price (R$/MWh) | Reference Date | **Gross** Price Adjusted (R$/MWh) | **Net** Price of PIS/COFINS/P&D (R$/MWh) |
|---|---|---|---|---|---|---|---|---|---|---|
| Own Resources | 4,530 | 4,706 | 4,880 | 4,930 | 4,928 | 4,929 | | | | |
| + Purchases for Resale | 1,302 | 777 | 483 | 426 | 353 | 174 | | | | |
| **= Total Resources (A)** | **5,832** | **5,483** | **5,363** | **5,356** | **5,281** | **5,103** | | | | |
| Government Auction Sales[1] | 1,992 | 2,013 | 2,013 | 2,013 | 2,013 | 2,008 | | | | |
| 2005-NE-2010-30 | 200 | 200 | 200 | 200 | 200 | 200 | 115.1 | Dec-05 | 227.4 | 204.3 |
| 2006-NE-2009-30 | 493 | 493 | 493 | 493 | 493 | 493 | 128.4 | Jun-06 | 249.9 | 224.5 |
| 2006-NE-2011-30 | 148 | 148 | 148 | 148 | 148 | 148 | 135.0 | Nov-06 | 260.5 | 234.0 |
| 2007-NE-2012-30 | 256 | 256 | 256 | 256 | 256 | 256 | 126.6 | Oct-07 | 234.6 | 210.8 |
| 2014-EE-2014-06 | 98 | - | - | - | - | - | 270.7 | May-14 | 342.2 | 307.5 |
| Proinfa | 19 | 19 | 19 | 19 | 19 | 19 | 147.8 | Jun-04 | 266.3 | 256.6 |
| 1st Reserve Energy Auction | 14 | 14 | 14 | 14 | 14 | 14 | 158.1 | Aug-08 | 274.0 | 264.0 |
| Auction Mix (New Energy / Reserve / DG) | 17 | 14 | 14 | 14 | 14 | 9 | - | - | 257.7 | 248.3 |
| 2014-NE-2019-25 | 173 | 295 | 295 | 295 | 295 | 295 | 183.5 | Mar-14 | 242.3 | 217.7 |
| 2014-NE-2019-25 | 10 | 10 | 10 | 10 | 10 | 10 | 206.2 | Nov-14 | 262.4 | 252.8 |
| 2014-NE-2019-20 | 83 | 83 | 83 | 83 | 83 | 83 | 139.3 | Nov-14 | 177.3 | 160.9 |
| 2015-NE-2018-20 | 46 | 46 | 46 | 46 | 46 | 46 | 188.5 | Aug-15 | 215.9 | 195.9 |
| 8th Reserve Energy Auction | 9 | 9 | 9 | 9 | 9 | 9 | 303.0 | Nov-15 | 347.5 | 315.3 |
| 2014-EN-2019-20 | 48 | 48 | 48 | 48 | 48 | 48 | 136.4 | Nov-14 | 172.7 | 156.8 |
| Government Auction - Quotas regime | | | | | | | | | | |
| 2018 - Quotas (UHJA) - 2018-30 | 239 | 239 | 239 | 239 | 239 | 239 | - | Jul-17 | 130.4 | 124.4 |
| 2018 - Quotas (UHMI) - 2018-30 | 139 | 139 | 139 | 139 | 139 | 139 | - | Jul-17 | 148.9 | 142.1 |
| + Bilateral Sales | 3,293 | 3,109 | 2,656 | 2,256 | 1,542 | 861 | | | | |
| **= Total Sales (B)** | **5,285** | **5,122** | **4,669** | **4,269** | **3,555** | **2,869** | | | | |
| **Balance (A - B)** | **547** | **361** | **694** | **1,087** | **1,726** | **2,234** | | | | |
| Sales average **net** price (R$/MWh) [2, 3]: | 187.3 | 183.4 | 183.9 | | | | | | | |
| Purchases average **net** price (R$/MWh) [4]: | 183.6 | 167.7 | 171.8 | | | | | | | |

[1] XXXX-YY-WWW-ZZ, where:
XXXX ➔ year of auction
YY ➔ EE = existing energy or NE = new energy
WWWW ➔ year of delivery start
ZZ ➔ supply contract duration (in years)
[2] Sales price, including trading operations, is net of ICMS and taxes over revenue (PIS/Cofins, R&D), i.e. future inflation is not considered.
[3] Desconsidering sales for quota regime (Jaguara and Miranda HPPs).
[4] Purchase net price, considering trading operations and benefits from PIS/Cofins credits, i.e. future inflation is not considered.

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

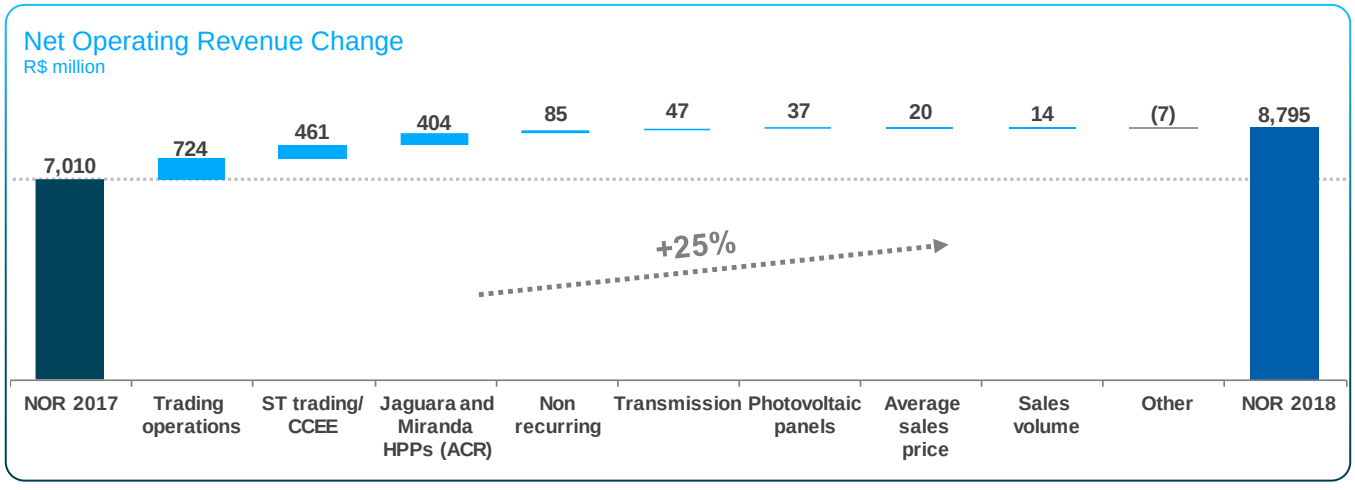
# ECONOMIC-FINANCIAL PERFORMANCE

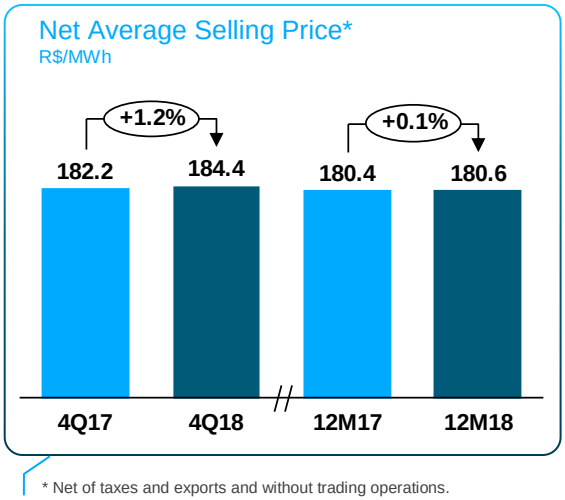
## Net Operating Revenue




**In 4Q18, net operating revenue** reported **an increase of 11.4%, (R$ 234.9 million)** when compared to the same period in 2017, rising from R$ 2,067.4 million to R$ 2,302.3 million. This variation is principally due to the following factors: (i) R$ 319.3 million, due to the beginning of energy trading operations in January 2018; (ii) R$ 212.0 million – a decrease in revenue due to transactions conducted in the short-term market; (iii) R$ 46.6 million, related to revenue flows from construction of infrastructure for the Gralha Azul transmission line, the installation of which was begun in 2018; (iv) R$ 32.9 million with respect to recognition of revenue from the sale of photovoltaic solar energy panels to households and companies through the ENGIE Geração Solar Distribuída (ENGIE Solar) subsidiary, full control of which was acquired in August 2018; (v) R$ 27.9 million corresponding to Generation Assets Management (GAG) revenue and R$ 22.4 million with respect to remuneration of financial assets relative to an installment payment of the Jaguara and Miranda hydroelectric plants concessions grant, the latter to be remunerated through unconditional cash receipts from sales of energy in the Regulated Contracting Environment (ACR); (vi) R$ 13.4 milion due to an increase in net average selling price; and (vii) R$ 13.0 million reflection of lower volumes of energy sold.

In terms of an annual comparison, net operating revenue increased from R$ 7,010.0 million in 2017 to **R$ 8,794.8 million in 2018**, **an increase of** R$ 1,784.8 million, **(25.5%)**. This increase is mainly due to the following factors: (i) R$ 723.7 million, from energy trading operations, which began in 2018; (ii) R$ 461.3 milion an increase in revenue due to transactions conducted in the short-term market; (iii) R$ 292.5 million, as remuneration of financial assets and R$ 111.5 million resulting from GAG of the Jaguara and Miranda hydroelectric plants; (iv) R$ 85.1 million, relating mainly to indemnification revenues for compensating the negative impact of interruption to business with respect to a claim in the name of the Jorge Lacerda A Thermoelectric Plant as well as the collection of contractual fines for the partial delay in modernization of one of the generator units at the Salto Santiago Hydroelectric Plant and downtime at the Santa Mônica Wind Complex plants; (v) R$ 46.6 million, related to revenue flows remunerating the installation of infrastructure of the Gralha Azul transmission line; (vi) R$ 36.9 million in revenue from the sale of photovoltaic panels; (vii) R$ 20.1 million, due to the increase in the net average selling price; and (viii) R$ 13.6 million, due to the growth in volume of energy sold.



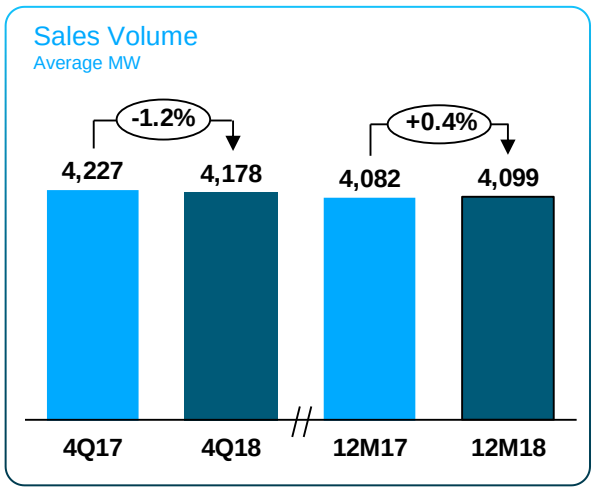



* Net of taxes and exports and without trading operations.

## » Net Average Selling Price

**The average energy selling price**, net of charges on revenue, reached R$ 184.35/MWh in 4Q18, **1.2% greater than the same quarter in 2017**, the amount for which was R$ 182.17/MWh. In the 12 months of 2018, this price was R$ 180,60/MWh, **0,1% greater than the R$ 180.39 in 2017.** These prices exclude the trading operations which the Company began to transact in January 2018.

Comparing quarters, the increase in prices is essentially due to monetary restatement of existing agreements and the slight increase in prices to industrial clients for new agreements against those expiring or existing agreements, partially attenuated by lower prices practiced for new agreements with trading companies. On an annual comparative basis, price increases are largely a reflection of monetary restatement of existing agreements as well as new energy sales contracts for trading companies at higher prices than for expiring or existing agreements, effects mitigated by the reduction in the average net price of energy sold to free consumers.




## » Sales Volume

**The amount of contracted energy sold** increased from 9,334 GWh (4,227 average MW) in 4Q17 to 9,225 GWh (4,178 average MW) in **4Q18, a reduction of 1.2% or 109 GWh** (49 average MW). In **2018, energy sales volume was 35,904 GWh** (4,099 average MW) against **35,761 GWh** (4,082 average MW) reported for 2017, a growth of 143 GWh (17 average MW) or 0.4%. These volumes exclude energy trading operations, details of which are shown under a specific heading.

The reduction in volume reported between quarters is largely due to the decrease in purchase volumes for resale in the period analyzed, in part attenuated by the entry into commercial operations in 2018 of the Campo Largo Wind Complex – Phase I and by the portion of energy transacted through the Free Contracting Environment (ACL) by the Jaguara and Miranda Hydroelectric Plants - acquired in late 2017. On an annual basis, the increases resulting from the entry into commercial operations in 2018 of the Campo Largo Wind Complex - Phase I and the sale of the portion of energy transacted on the free market of the Jaguara and Miranda Hydroelectric Power Plants overcame the impacts of the reduction in the volume of purchases and sale of the Beberibe and Pedra do Sal Wind Plants and Areia Branca Small Hydroelectric Power Plant in October 2017, resulting in an increase in sales volume.

# Comments on Variation in Net Operating Revenue

## » Revenue from Sale of Electric Energy

### Distribution Companies:

**Net operating revenue from sales to distributors** was R$ 715.4 million in **4Q18**, **4.8% higher** than R$ 682.9 million reported in 4Q17. This variation reflects: (i) R$ 20.1 million — an increase of 2.9% in net average selling prices; and (ii) R$ 12.4 million — an increase in 55 GWh (25 average MW) in sales volume, principally due to the changing electric energy consumption profile of distributors between the quarters analyzed.

**In 2018**, revenue was R$ 2,721.8 million, **an increase of 1.3%** over 2017 when the Company reported R$ 2,687.3 million. This increase is explained as follows: (i) R$ 53.3 million — an increase of 2.0% in average net selling prices; and (ii) R$ 18.8 million — a reduction of 85 GWh (10 average MW) in sales volume, mainly due to reductions in the Surplus and Deficits Compensation Mechanism (MCSD).

The increase in net average prices between successive years is principally due to the monetary restatement of existing agreements.

### Trading Companies:

**Revenue from sales to trading companies** fell from R$ 214.1 million in 4Q17 to R$ 183.3 million in 4Q18, **a decline of 14.4%** between compared periods, the result of the following factors: (i) R$ 18.9 million — a decrease of 8.8% in the net average selling price, largely a reflection of new agreements at prices lower than the average for prevailing agreements; and (ii) R$ 11.9 million – a reduction of 83 GWh (39 average MW) in energy sales volume. The reduction in volume between quarters is due mainly to lower purchasing volume for resale, partially attenuated by new sales agreements for trading companies, reflecting the portion of energy transacted by the Jaguara and Miranda hydroelectric power plants in the Free Contracting Environment (ACL) and the entry into commercial operations of the Campo Largo Wind Complex – Phase I during the course of 2018.

**In the 12 months of 2018**, revenues were R$ 742.8 million, **23.6% greater** than the R$ 600.9 million recorded in 2017. The improvement is the result of the following factors: (i) R$ 88.4 million – an increase of 578 GWh (67 average MW) in energy sales volume; and (ii) R$ 53.4 million — growth of 8.9% in the net average price of sales due to the closing of new agreements at higher prices than the average of those in existence or expiring. Growth in volume during the years under analysis is largely due to the portion of energy transacted by the Jaguara and Miranda hydroelectric power plants – acquired at the end of 2017 - in the Free Contracting Environment (ACL) and the entry into commercial operations of the Campo Largo Wind Complex – Phase I in 2018, partially offset by a reduction in purchase volume for resale and the disposal of the Beberibe and Pedra do Sal Wind Farms and the Areia Branca SHP in October 2017.

The foregoing information excludes the trading operations which the Company initiated in January 2018.

### Free Consumers:

**Revenue from sales to free consumers fell 0.2% between the quarters in analysis**, declining from R$ 803.3 million in 4Q17 to R$ 802.0 million in the same period of 2018. A combination of the following factors contributed to this variation: (i) R$ 13.5 million – a fall of 81 GWh (35 average MW) in the amount of energy sold; and (ii) R$ 12.2 million – reflecting a 1.5% rise in the net average selling price of energy.

**In 2018, revenues were R$ 3,020.1 million, amount 4.5% lower** than the R$ 3,162.1 million recorded in 2017. The explanation for this reduction is: (i) R$ 86.0 million – a decrease of 2.7% in the net average selling price of energy; and (ii) R$ 56.0 million – a reduction of 348 GWh (40 average MW) in the energy sales volume.

The decrease in volumes between the two 12-month periods is principally due to the reduction in the consumption of industrial clients. Price decline on an annual basis is largely a function of the lower prices practiced with industrial clients when compared to agreements which either expired during the period or already existing, albeit partially attenuated by the increase of prices in 4Q18 compared to the same quarter in 2017.

### Energy Trading Operations:

In January 2018, the Company entered the energy trading market with the aim of taking market positions in the light of variations in electric power prices, this contingent on the availability of risk limits as well as pre-established counterparty risk.

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

**In 4Q18, the revenue from trading, resulting from energy sales recorded in this quarter,** was R$ 276.1 million, relative to 1,202 GWh (545 average MW). **On an annual basis,** the amount was R$ 680.5 million or 3,049 GWh (348 average MW).

Additionally in **4Q18**, the Company recognized R$ 43.2 million in **unrealized net gains** due to marking to market – a difference between contracted and market prices – of contracted operations net and open on December 31, 2018.

#### » Transactions in the Short-term Energy Market

In 4Q18, **revenue generated in the short-term energy market** was R$ 90.4 million, while in the same period in 2017, revenue was R$ 302.4 million, a **reduction of R$ 212.0 million year-on-year.** As for the **12 months of 2018**, in relation to the preceding year, **there was an increase of R$ 461.3 million** in revenue from short-term transactions from R$ 467.5 million in 2017 to R$ 928.8 million in 2018. A more detailed explanation of these variations is to be found in the item below “Details of Short-Term Operations”.

#### » Remuneration of concession financial assets

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

The remuneration of the concessions’ financial assets increased from R$ 47.9 million in 4Q17 to R$ 70.3 million in 4Q18 and from R$ 47.9 million in 2017 to R$ 340.4 million in 2018. This increase reflects the acquisition of the Jaguara and Miranda hydroelectric plants in November 2017 and the variation in the IPCA.

» Revenue from services rendered

Again in relation to the Jaguara and Miranda hydro plants, for energy sold in the ACR, the companies receive the portion relating to the Generation Assets Management (GAG) for covering operations and maintenance costs as well as expenditures for improvements and investments during the term of the concession agreement. The value of the GAG recognized **in 4Q18** was **R$ 27.9 million** and in **2018, R$ 111.5 million**.

» Revenue from the implementation of transmission infrastructure

In 2017, the Company diversified into the transmission segment following its successful bid for the Gralha Azul Transmission Line (Gralha Azul). The Company has primary responsibility for the construction and installation of infrastructure related to the transmission concession, the implementation of which began in 2018, and to which the Company is exposed in terms of the concession's risks and benefits. Consequently, based on prevailing accounting practices, the Company has been recognizing revenues from the implementation of transmission line infrastructure over the period of installation, corresponding to construction costs plus a gross residual margin for covering construction management costs. Such construction expenditures are recognized in the cost as mentioned below.

**Revenue** from the implementation of transmission infrastructure and **recognized in 2018** was **R$ 46.6 million**.

## Costs of Electric Energy and Services

**The costs of energy sold and services increased by R$ 161.6 million (13.9%**) between compared quarters, increasing from R$ 1,164.5 million in 4Q17 to R$ 1,326.1 million in 4Q18. In **2018, these costs totaled R$ 4,876.0 million, 21.8%, or R$ 872.1 million more than in 2017**, when this item reported costs of R$ 4,003.9 million. These variations essentially reflect the following key components:

» **Energy purchases:** an increase of R$ 195.3 million (38.6%) in 4Q18 compared to the same quarter in 2017, reflecting primarily a combination of the following aspects: (i) R$ 258.5 million — purchases of 1,160 GWh (525 average MW) allocated to power trading operations, which the Company began in January 2018; (ii) R$ 50.0 million — a reduction of 9.9% in net average purchase price; and (iii) R$ 13.2 million — a decrease of 82 GWh (37 average MW) in purchases for the Company's portfolio management. In 2018, there was an increase of R$ 578.9 million (33.2%) in relation to 2017, due to the following items: (i) R$ 694.0 million — purchases of 3,131 GWh (358 average MW) allocated to energy trading operations; (ii) R$ 87.6 million — a decline of 532 GWh (61 average MW) in acquisitions of power for portfolio management; and (iii) R$ 27.4 million — a reduction of 1.6% in the net average purchasing price. The reduction in the net average purchasing price between periods was largely due to a decline in the average price of existing agreements.

Ignoring the effects of energy trading operations, there was a reduction of R$ 63.2 million (12.5%) and R$ 115.1 million (6.6%) in 4Q18 and for the fiscal year 2018, respectively.

» **Transactions in the short-term energy market:** comparing the quarters under analysis, the costs with these transactions rose by R$ 1.8 million (2.6%). Between the two fiscal years, there was an increase of R$ 213.9 million (59.4%) in these costs. More details are given in the specific item below.

» **Charges for use of and connection to the electricity grid:** an increase of R$ 12.9 million (12.0%) between the quarters under analysis and R$ 37.6 million (8.9%) between fiscal years 2017 and 2018, principally due to the annual readjustment in transmission tariffs, the charges relative to the block of energy from the Jaguara and Miranda hydroelectric plants, sold in the free market, and the entry into commercial operations in 2018 of the 11 wind farms in the Campo Largo Wind Complex – Phase I. These variations were partially attenuated by the cessation of operations of the William Arjona Thermoelectric Power Plant due to lack of economic viability in the light of increased gas costs.

» **Fuels for the generation of electricity:** a decrease of R$ 165.3 million (99.4%) comparing 4Q17 with the same quarter of 2018 and R$ 302.5 million (66.5%) between the two compared fiscal years and basically due to the recognition of a legal agreement with the natural gas supplier in a lawsuit involving a dispute over the difference in the price of fuel supplied between September 2014 and June 2017 in the amount of R$ 216.6 million in 2Q17 and R$ 138.9 million in 4Q17. In addition to this, in 4Q18, there was a reduction in coal consumption between periods due to low thermoelectric generation. Conversely, in 2018, there was an increase in coal consumption costs due to limitations imposed on reimbursement under the coal subsidy mechanism through the Energy Development Account (CDE) as from 2018, subsequent to the issue of Aneel Resolution 801 of December 19, 2017, this attenuating the above-mentioned effects recognized in the legal agreement with the natural gas supplier.

» **Financial compensation for the use of water resources (Royalties):** a growth of R$ 6.3 million (21.8%) between quarters under comparison and R$ 5.9 million (5.0%) between fiscal years 2018 and 2017, principally reflecting greater generation from the hydroelectric plants in the periods analyzed, recognition in 2018 of the liabilities of the Jaguara and Miranda hydroelectric plants and the readjustment of 2.5% in the Restated Reference Tariff (TAR) in 2018 for use of hydric resources.

» **Personnel:** an increase of R$ 8.7 million (15.2%) in 4Q18 compared to the same quarter of 2017 and R$ 3.9 million (1.8%) between the two fiscal years, resulting largely from the annual readjustment in employee compensation and benefits. This item was also inflated by new hiring and the assumption of the payroll of ENGIE Geração Solar Distribuída, acquired in full in August 2018, the cost of personnel being R$ 2.7 million in 4Q18 and R$ 3.5 million in the August-December 2018 period. The increase in annual personnel overheads was partially offset by the recognition in 3Q18, of a claw-back of PIS and Cofins tax credits on certain payroll-related operating costs in the amount of R$ 5.1 million.

» **Depreciation and amortization:** an increase of R$ 4.9 million (2.9%) and R$ 9.7 million (1.5%) between quarters and fiscal years, respectively due above all to the following aspects: (i) amortization of an intangible asset with respect to the acquisition of the Jaguara and Miranda hydroelectric plants; and (ii) entry into commercial operations of the Campo Largo Wind Complex – Phase I during 2018. This rising trend was partially attenuated by the following: (i) the ending of the depreciation on major maintenance work at the Jorge Lacerda Thermoelectric Complex in earlier periods; and (ii) the disposal of the Beberibe and Pedra do Sal Wind Power Plants and the Areia Branca Small Hydroelectric Power Plant in October 2017.

» **Net operating provisions:** a negative effect of R$ 16.5 million (117.6%) in 4Q18 compared with 4Q17 and R$ 243.7 million (101.5%) when comparing the fiscal years. The variation reported between respective quarters was principally due to the reversal of a provision for loss on the disposal of fuel oil in 2017 pertaining to the Alegrete Thermoelectric Power Plant, which is being returned to the federal government. In addition to the aforementioned effect, when analyzing the compared fiscal years, the principal factor contributing to the growth in provisions was the signature a court ratification of an agreement on natural gas prices between the Company and the fuel supplier. This resulted in the reversal of the value booked as a provision in 2Q17 in the amount of R$ 219.2 million, and its recognition as cost of fuel for the production of electricity.

» **Cost of implementation of transmission infrastructure:** recognition of R$ 45.4 million in 2018 relating to the costs of infrastructure construction for the Gralha Azul transmission line, counterbalanced by the recording of infrastructure implementation revenue, calculated on the bases of incurred costs in addition to the gross margin allocated to cover the construction management costs.

» **Cost of sale of photovoltaic solar panels:** recognition of R$ 20.3 million in 4Q18 and R$ 22.8 million in 2018 with respect to costs associated with the sale of photovoltaic solar panels to households and companies through the ENGIE Geração Solar Distribuída subsidiary, the control of which was acquired in August 2018.

## Details of Short Term Operations

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

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

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

**In 4Q18 and 4Q17,** net results (the difference between revenues and costs – less taxes) due to short term transactions, were positive at R$ 22.2 million and R$ 236.0 million, respectively, a reduction of R$ 213.8 million between compared periods.

This variation is fundamentally due to the recognition in 4Q17 of the consequences of rebooking the result of the increase in the Unit Variable Cost (UVC) of the William Arjona Thermoelectric Plant, following the legal agreement with the natural gas supplier. In addition the following combination of factors contributed to this variation: (i) lower thermoelectric generation between the periods under consideration; (ii) reduced impact of the MRE Adjustment Factor (GSF), already discounting the effects of the renegotiation of hydrological risk; and (iii) a reduction in the long position with the CCEE thanks to the strategy of allocation of hydric resources and lower PLD in 4Q18 when compared with the same period for 2017.

**For the full 2018 period,** the net result, generated from short-term transactions, was positive at R$ 354.7 million, a growth of R$ 247.4 million relative to the positive result of R$ 107.3 million in 2017. This improvement is a reflection largely of greater revenue, net of purchases, arising from short-term operations, reflecting the strategy for managing the position on the CCEE and the rebooking process for the William Arjona Thermoelectric Plant, combined with (ii) and (iii) items mentioned above.

In December 2017, Aneel set maximum and minimum limits for the PLD for 2018 at R$ 505.18/MWh and R$ 40.16/MWh, respectively. On a quarterly comparison basis, the average PLD for the South and Southeast/Center-West submarkets fell 60.25%, from R$ 398.06/MWh in 4Q17 to R$ 158.24/MWh in 4Q18. Comparing fiscal years, the average PLD for these submarkets declined by 10.25% from R$ 320.59/MWh to R$ 287.73/MWh.

## Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by R$ 2.2 million (3.6%) in the quarters under analysis due largely to expenditures with material and third party services as well as an increase in expenses with contributions and donations for social and cultural projects.

Between the fiscal years, these expenses rose R$ 11.8 million (6.0%) due principally to the reversal in 2017 of a provision for a legal dispute over retirement benefits following an agreement signed with the participants of one of the pension funds sponsored by the Company, partially offset by the recognition in the same year of expenditures with indemnifications relative to the same legal agreement. The value of this reversal, net of indemnification expenditures was R$ 11.3 million. Excluding the impact of this transaction, growth in expenses would have been R$ 0.5 million (0.3%).

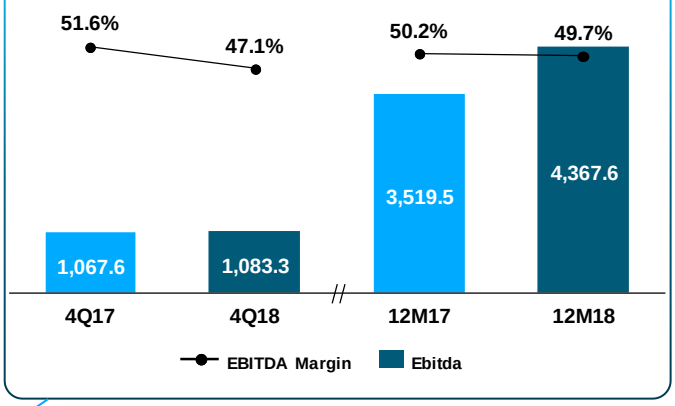
## Result from the Disposal of Investments

Following the fulfillment of agreed conditions precedent, on December 31, 2017, the Company concluded the sale of the Beberibe and Pedra do Sal Wind Farms and the Areia Branca Small Hydroelectric Plant subsidiaries, recognizing in 4Q17, a capital gain from the disposal of investments in the amount of R$ 56.9 million. In 2018, no transactions of this nature were contemplated.

## Ebitda and Ebitda Margin

Set against a background of factors already mentioned, **Ebitda for 4Q18 was R$ 1,083.3 million**, 1.5% or R$ 15.7 million greater than that reported for 4Q17 at R$ 1,067.6 million. The improvement is a reflection of the following **positive effects**: (i) a decrease of R$ 165.3 million in costs of fuels; (ii) a reduction of R$ 63.2 million in power purchasing for the Company's portfolio management; (iii) net result for trading operations amounting to R$ 60.8 million; (iv) an increase in revenue from remuneration and monetary restatement on financial assets and recognition of revenue from Generation Assets Management (GAG) for the Jaguara and Miranda hydroelectric plants of R$ 50.3 million; and (v) R$ 13.4 million due to an increase in the net average selling price. The above-mentioned positive effects were counterbalanced by the following **negative effects**: (i) a reduction of R$ 213.8 million in the result for transactions realized on the short-term market; (ii) recognition of capital gains in 4Q17 due to disposal of investments worth R$ 56.9 million; (iii) an increase of R$ 19.2 million in costs with charges for use of the electrical network/connections and royalties; (iv) the negative impact of R$ 16.5 million, due to the reversal of an operating provision in 2017; (v) an increase of R$ 15.4 million with personnel costs, insurance and rents; (vi) R$ 13.0 million, a reflection of lower energy volume sold; (vii) an increase of R$ 2.2 million in selling, general and administrative expenses; and (viii) an increase of R$ 0.3 million in other operational costs and expenses.

Ebitda[(1)] and Ebitda Margin

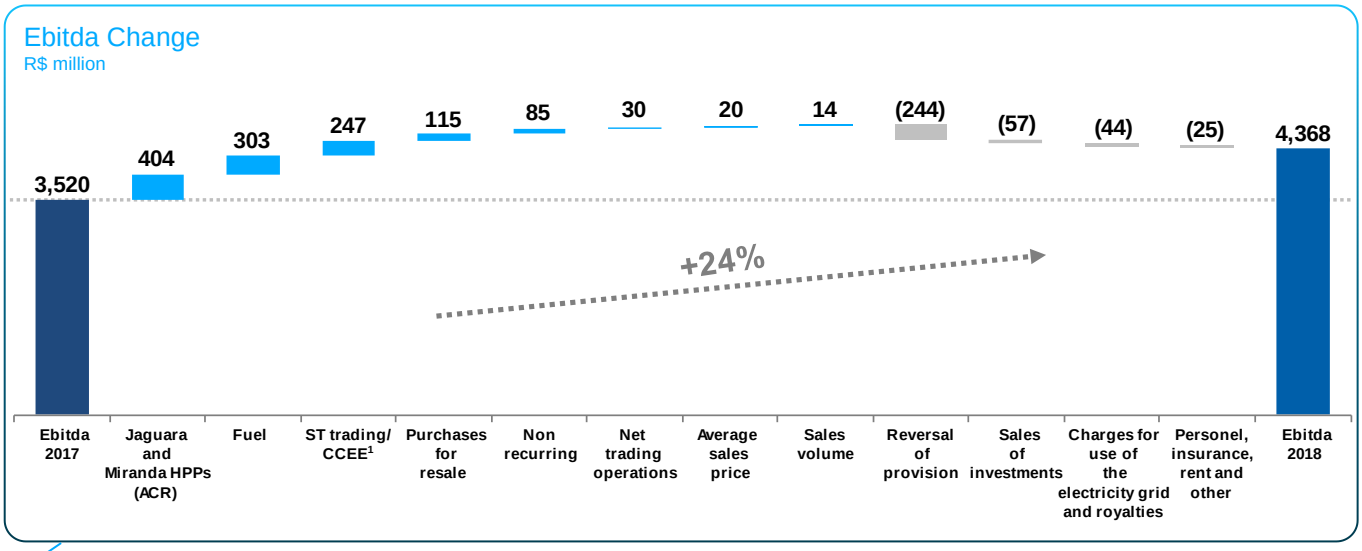



1 Ebitda: net income + income tax and social contribution and financial expenses, net + depreciation and amortization.

Ebitda margin was 47.1% in 4Q18, a decrease of 4.5 p.p. compared to the same quarter in 2017. This reduction is due largely to the impacts in 4Q18 of the energy trading operations, recognition of revenue and costs relative to transmission line construction, margins for which are lower than those for the Company's other business segments. If these effects are ignored, then the Ebitda margin would have been 52.7% in 4Q18, representing a increase of 1.1 p.p. between the respective quarters analyzed.

**In 2018, Ebitda increased R$ 848.1 million (24.1%) from** R$ 3,519.5 million in 2017 to R$ 4,367.6 million in 2018. The improvement is principally due to a combination of these **positive effects**: (i) an increase in revenue from remuneration and monetary restatement on financial assets and recognition of revenue from Generation Assets Management (GAG) relative to Jaguara and Miranda hydroelectric plants of R$ 404.0 million; (ii) a decrease of R$ 302.5 million in fuel costs, above all due to the recognition of a legal agreement with a natural gas supplier in an action over fuel prices and mentioned under the item " Fuels for the generation of electric energy"; (iii) the positive effect of R$ 247.4 million in transactions executed in the short-term market; (iv) a reduction of R$ 115.1 million in acquisitions for company portfolio management purposes; (v) recognition in 2018 of R$ 85.1 million principally relating to revenues from indemnification rights due to interruption of business and a contractual fine; (vi) R$ 29.7 million due to the net result from trading operations; (vii) R$ 20.1 million, due to the increase in net average energy selling prices; (viii) R$ 13.6 million, an increase due to the larger volumes of energy sold; and (ix) a reduction of R$ 0.4 million in other operating costs and expenses. The above-mentioned positive effects were counterbalanced by the following **negative effects**: (i) the negative impact of R$ 243.7 million, due principally to the reversal of a provision with respect to the signature and ratification of a legal agreement on natural gas prices between the Company and the natural gas supplier in 2017, as mentioned in the item "Net operating provisions" and concomitantly recognition of the cost of fuel for electricity generation; (ii) recognition of a capital gain in 4Q17 on the disposal of investments of R$ 56.9 million; (iii) an increase of R$ 43.5 million in costs with charges in the use of the electric energy network and connections plus royalties; (iv) an increase of R$ 13.9 million in the cost of personnel, insurance and rents; and (v) an increase of R$ 11.8 million in selling general and administrative expenses.

The Ebitda margin in 2018 reached 49.7%, a 0.5 p.p. reduction compared with 2017. This reduction is largely reflective of the effects in 2018 of trading operations and the recognition of construction revenues and costs of the transmission line as already discussed. **If the latter effects are ignored, the Ebitda margin would be 54.0%, and therefore an increase of 3.8 p.p. between the periods of analysis.**




1 Considers the combined effect of changes in revenue and expenses.

The following table reconciles net income with Ebitda:

| (In millions of R$) | 4Q18 | 4Q17 | Chg. % | 12M18 | 12M17 | Chg. % |
|---|---|---|---|---|---|---|
| Net income | 761.6 | 704.7 | 8.1 | 2,315.4 | 2,004.6 | 15.5 |
| (+) Income tax and social contribution | -19.8 | 77.9 | -125.4 | 652.4 | 618.8 | 5.4 |
| (+) Net financial result | 161.3 | 97.9 | 64.8 | 699.3 | 226.8 | 208.3 |
| (+) Depreciation and amortization | 173.7 | 168.5 | 3.1 | 660.2 | 649.0 | 1.7 |
| **Ebitda** | **1,076.8** | **1,049.0** | **2.7** | **4,327.3** | **3,499.2** | **23.7** |
| (+) Impairment | 6.5 | 18.4 | -64.7 | 39.3 | 18.4 | 113.6 |
| (+) Equity loss | 0.0 | 0.2 | -100.0 | 1.0 | 1.9 | -47.4 |
| **Adjusted Ebitda** | **1,083.3** | **1,067.6** | **1.5** | **4,367.6** | **3,519.5** | **24.1** |

## Provision for Reduction in Impairment

In 2017, the Company recognized a provision for a reduction in the asset impairment amount of R$ 18.4 million of which R$ 16.0 million corresponded to thermoelectric generation assets at the William Arjona plant and Lages and R$ 2.4 million to non-operating assets pertaining to the Jacuí thermoelectric project. In 2018, an additional generation asset impairment amount was made in respect of the William Arjona facility for R$ 39.3 million, of which R$ 6.5 million was recognized in 4Q18.

## Financial Result

**Financial income: in 4Q18**, revenues reached **R$ 52.9** million, that is, **R$ 6.4 million (10.8%) below** the R$ 59.2 million reported for the same quarter in 2017. This variation is largely due to: (i) the increase of R$ 11.6 million in interest on accounts receivable, mainly on outstandings held with the CCEE; (ii) the decrease of R$ 8.8 million in revenue from financial investments by virtue of the decline in interest rates; and (iii) a reduction of interest on income tax and social contribution to be compensated relative to previous fiscal years and amounting to R$ 7.8 million.

**Comparing the two fiscal years under review**, financial revenues **fell R$ 68.8 million (30.8%)** from R$ 223.5 million in 2017 to R$ 154.7 million in 2018. The explanation for such a variation is essentially due to the following factors: (i) a decrease of R$ 85.4 million in revenue from financial investments due to the lower balance of invested resources and falling interest rates; (ii) the increase of R$ 26.2 million in interest on accounts receivable, mainly on outstandings held with the CCEE; (iii) a reduction of interest on income tax and social contribution to be compensated relative to previous fiscal years and amounting to R$ 7.4 million; and (iv) a decrease or R$ 2.9 million in monetary restatement on court escrow deposits.

**Financial expenses:** financial expenses in **4Q18 were R$ 214.2 million**, that is, R$ 57.1 million **(36.3%) above** those reported in 4Q17, which were R$ 157.1 million. The principal variations observed were: (i) an increase of R$ 63.1 million in interest and monetary restatement on debt, largely the result of the issue of debentures by the Companhia Energética Jaguara and Companhia Energética Miranda subsidiaries in June 2018 as well as by the controlling company in July, 2018 and on recent loan agreements; (ii) a reduction of R$ 15.6 million in interest and monetary restatement on concessions payable due to a reduction in inflation in 4Q18; and (iii) recognition of R$ 9.4 million in 4Q18 of monetary restatement on other values payable.

**Based on an annual comparison,** expenses **increased** from R$ 450.3 million **to R$ 854.0 million**, or R$ 403.7 million (**89.6%**), the result of the combination principally of the following variations: (i) an increase of R$ 201.2 million in interest and monetary restatement on concessions payable in the light of increased inflation during 2018; (ii) an increase of R$ 191.4 million in interest and monetary restatement on debt, largely the result of the issue of debentures by the Companhia Energética Jaguara and Companhia Energética Miranda subsidiaries in June 2018 as well as by the controlling company in July, 2018 and on recent loan agreements; and (iii) recognition of R$ 17.6 million in 2018 of monetary restatement on other values payable.

## Income Tax and Social Contribution on Net Income

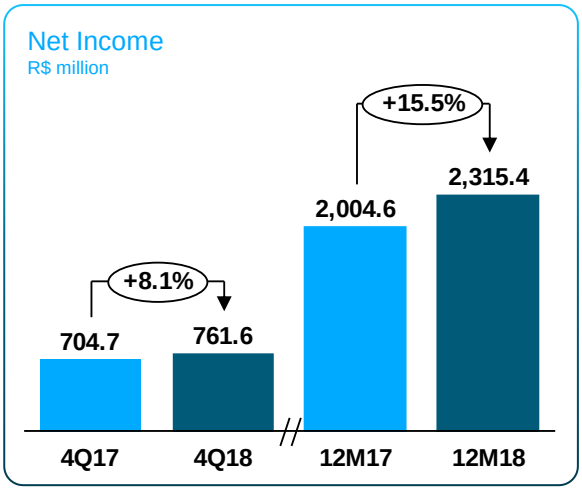
Income Tax and Social Contribution in **4Q18 was a positive R$ 19.8 million**, R$ 97.7 million less than IT and CSLL overheads in the same quarter of 2017 of R$ 77.9 million, basically due to: (i) reversal of a provision in 4Q18 for the difference between the real and presumed profit taxation regimes adopted by the Company's subsidiaries from January and September 2018; and (ii) a reduction in pretax profits. This reduction was partially attenuated by the decrease in the benefit resulting from interest on shareholders' equity and credited to shareholders in 2018.

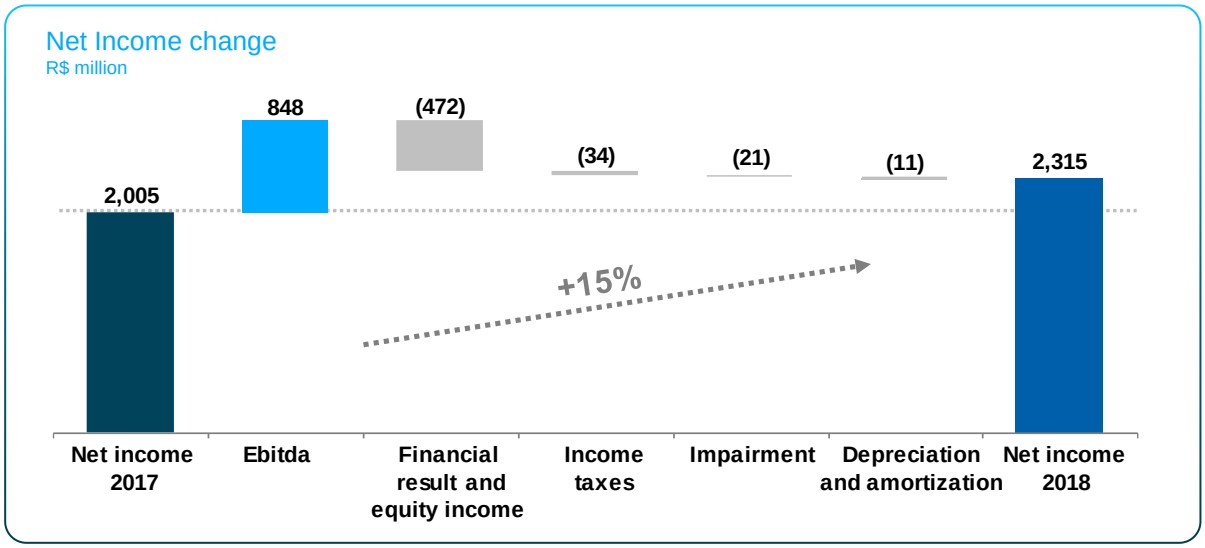
**For the year as a whole**, IT and CSLL expenses rose R$ 33.6 million from R$ 618.8 million in 2017 to R$ 652.4 million in 2018, principally due to the growth in pretax profits, partially offset by changes in 2018 to subsidiary company tax regimes.

## Net Income

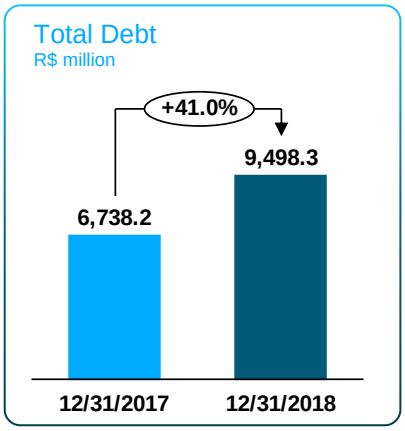
**Net income** for 4Q18 was R$ 761.6 million, R$ 56.9 million **(8.1%) higher** than the R$ 704.7 million recorded in 4Q17. The increase is a combination of the following factors: (i) growth of R$ 15.7 million in Ebitda; (ii) an increase of R$ 5.2 million in depreciation and amortization; (iii) an increase of R$ 63.4 million in net financial expenses; (iv) a reduction in asset impairment of R$ 11.9 million; (v) a positive result for equity income of R$ 0.2 million; and (vi) a reduction of R$ 97.7 million in income tax and social contribution.

**In fiscal year 2018, net income** increased from R$ 2,004.6 million in 2017 to R$ 2,315.4 million, **an increase of R$ 310.8 million or 15.5%.** The increase is a combination of the following factors: (i) growth of R$ 848.1 million in Ebitda; (ii) an increase of R$ 11.2 million in depreciation and amortization; (iii) an increase of R$ 472.5 million in net financial expenses; (iv) an increase in asset impairment of R$ 20.9 million; (v) a positive result for equity income of R$ 0.9 million; and (vi) an increase of R$ 33.6 million in income tax and social contribution.



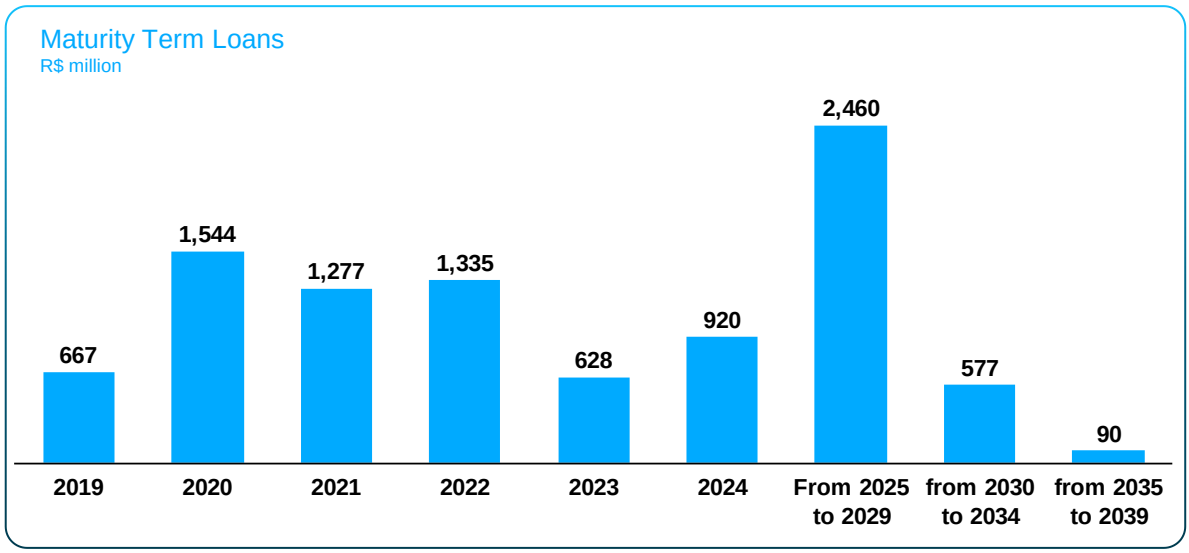



## Debt

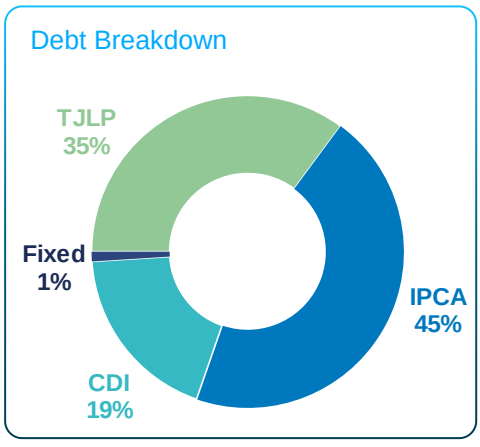



The Company's **total gross consolidated debt** as at December 31, 2018, represented mainly by loans, financing and debentures, net of the effects of hedge operations, **totaled R$ 9,498.3 million, an increase of 41.0%** (R$ 2,760.1 million) compared to the position as at December 31, 2017.

The variation in Company debt is largely related to a combination of the following factors occurring in 2018: (i) drawdowns from the BNDES and its financial agents and other private institutions in the aggregate amount of R$ 2,397,0 million, directed, substantially, for the construction of the Campo Largo Wind Complex, Pampa Sul TPP, the Assú V Photovoltaic Plant and the Santa Mônica Wind Complex and the modernization of the Salto Santiago Hydroelectric Power Plant; (ii) the issue of R$ 2,486.2 million in debentures; (iii) generation of R$ 651.1 million in charges incurred to be paid and monetary restatement; and (iv) R$ 2,775.9 million in the settlement of loans, financing, debentures and promissory notes.




The **average weighted nominal cost of debt** at the end of 2018 was **8.6%** (8.1% at the end of 2017).




On December 31, 2018, the Company's **net debt** (total debt less result of derivatives operations, deposits earmarked to the guarantee of debt servicing and cash and cash equivalents) was **R$ 6,856.3 million**, **an increase of 49.6%** compared with the end of 2017.

Net Debt
R$ million

| | 12/31/2018 | 12/31/2017 | Chg. % |
|---|---|---|---|
| Gross debt | 9,720.2 | 6,756.4 | 43.9 |
| Result of derivatives operations | (221.9) | (18.2) | 1,119.0 |
| Deposits earmarked for the payment of debt | (226.2) | (225.5) | 0.3 |
| Cash and cash equivalents | (2,415.8) | (1,930.1) | 25.2 |
| **Total net debt** | **6,856.3** | **4,582.6** | **49.6** |

## Capital Expenditures

ENGIE Brasil Energia's **total investments in 4Q18 were R$ 1,020.6 million**, of which: (i) R$ 965.3 million was invested in construction of new projects: R$ 255.7 million concentrated in the Campo Largo Wind Complex – Phase I, R$ 258.3 million on Pampa Sul TPP, R$ 424.0 million in the Umburanas Wind Complex – Phase I, R$ 25.5 million in the Gralha Azul Transmission System and R$ 1.8 million in other investments; (ii) R$ 41.5 million was allocated to maintenance and revitalization projects for the generator complex; and (iii) R$ 13.8 million was dedicated to modernization in the Salto Santiago and Salto Osório Hydroelectric Power Plants.

**In 2018, the Company invested R$ 3,452.1 million** in the construction, maintenance, revitalization of the generator complex and in the acquisition of corporate stakes, of which: R$ 3,220.1 million for the construction of the Campo Largo – Phase I and Umburanas – Phase I wind complexes, the Pampa Sul Thermoelectric Plant, Assú V Photovoltaic Plant and the Gralha Azul Transmission Line; R$ 144.1 million in work for maintenance and revitalization of the generator complex; R$ 48.1 million in shareholdings among which the investment for the acquisition of the remaining shares of ENGIE Geração Solar Distribuída; and R$ 39.8 million in modernization of the Salto Santiago and Salto Osório Hydroelectric Power Plants.

## Proposed Complementary Dividends

At a meeting on February 19, 2019, ENGIE Brasil Energia's Board of Directors approved the proposal of **complementary dividends** for the period from January 1 to December 31, 2018 in the amount of **R$ 76.7 million (R$ 0.0940069200 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 2018 will amount to R$ 2,272.5 million (R$ 2.7851510063 per share) equivalent to 100% of net adjusted distributable income.** Value per share already takes into consideration the increase in capital with a share bonus in December 2018.

# COMMITMENT TO SUSTAINABLE DEVELOPMENT

## Sustainable Management

All plants under the Company's responsibility adhere to ENGIE Brasil Energia Sustainable Management Policy, which covers the areas of Quality, Energy Management, Environment, Climate Change, Occupational Health and Safety, Social Responsibility and Engagement of Related Parties. On December 31, 2018, out of the 41 plants installed in 13 states of Brazil's five regions, 12 are certified in accordance with NBR ISO 9001 (for Quality), NBR ISO 14001 (for the Environment) and NBR OHSAS 18001 (for Occupational Health and Safety) standards, with an aggregate capacity of 83.6% of the total operated by the Company. In the area of Social Responsibility, the Company endeavors to adhere to the directives in the NBR ISO 26000 guide (which is not susceptible to certification); and the Jorge Lacerda Thermoelectric Complex, the three plants of which, are among the 12 which are certified according to the NBR ISO 50001 standard for Energy Efficiency.

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

## Sustainability Committee

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

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

## Highlights of the Quarter and Year

- For the second time, the Company was ranked highly in the "*Exame* Sustainability Guide", sponsored by Editora Abril, and featuring among the most sustainable companies in Brazil in the energy sector.
- The Cultural and Sustainability project was one of the finalists in the first edition of the Brazil SDG Award, promoted by the President of the Republic's Office, National Articulation Secretariat. The award received 729 valid entries. The Culture Centers case study is one of the 39 finalists in the "for-profits organizations" category.
- The Adults and Young People Literacy Project (AJA), sponsored by the Company for the areas surrounding the Campo Largo and Umburanas wind complexes in the state of Bahia, in 2018, concluded its first academic year graduating 118 literate students.
- The Umburanas Wind Complex's Carbon Credit Project (360 MW) was registered in the United Nations UNFCCC Clean Development Mechanism. Under construction in the interior of the state of Bahia, the project will contribute with an annual average reduction in Greenhouse Gas (GHG) emissions of the order of 990,000 tons of CO2.
- The "TransformAction: Transforming the relationship of people with energy" Project was concluded for the catchment areas surrounding the Salto Osório and Salto Santiago hydroelectric power plants. The purpose was to stimulate protagonism among students from schools in the neighboring municipalities, at the same time promoting the Sustainable Development Goals (SDGs) theme. A total of 78 schools in the region registered their SDG projects with 18 finalists.
- In November, a further release of fish was made into the reservoir at the Machadinho Hydroelectric Power Plant. Some 3,000 species of *grumatã* and *piava* were released after breeding in the Fresh Water Fish Farming and Biology Laboratory (LAPAD/UFSC). The juvenile fish were bred through the reproduction of individuals drawn from wildlife matrices caught in the upper reaches of the Uruguay River. Members of the fire department, students from the Dorval Porto Cardoso Municipal Primary School and authorities from the region were present for the fish release.
- Also in November, the Estreito Energia Consortium (Ceste), released more than 250 testudines in the area surrounding the Estreito Hydroelectric Power Plant, ensuring the preservation of the *Tracajá P. Unifilis* and *Tartaruga da Amazônia P. Expansa* species. Students from a public school in Estreito (MA) were invited for the occasion. Since inception in 2012, the program has been instrumental in returning more than 3,100 of the species to nature.

## 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 4Q18 and 2018, associating each indicator with GRI Standard recommendations.

### Sustainability Indices[1]

| Item | Dimension[2] | Index | Material themes | GRI disclosure[3] | 4Q18 | 4Q17 | Change | 12M18 | 12M17 | Change |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Quality | Operating plants | - Energy and Climate Change | 102-7, EU1 | 41 | 31 | 10 | 41 | 31 | 10 |
| 2 | | Installed capacity | | 102-7, EU1 | 9,726 | 9,589 | 1.4% | 9,726 | 9,589 | 1.4% |
| 3 | | Proprietary capacity | | 102-7, EU1 | 8,005 | 7,868 | 1.7% | 8,005 | 7,868 | 1.7% |
| 4 | | Number of certified plants | | 102-16, EU6 | 12 | 12 | 0 | 12 | 12 | 0 |
| 5 | | Certified installed capacity (MW) | | 102-16, EU6 | 8,127 | 8,127 | 0.0% | 8,127 | 8,127 | 0.0% |
| 6 | | Certified installed capacity in relation to the total | | 102-16, EU6 | 83.6% | 84.8% | -1.2 p.p. | 83.6% | 84.8% | -1.2 p.p. |
| 7 | | Installed capacity from renewable sources | | 102-7, EU1 | 8,869 | 8,541 | 3.8% | 8,869 | 8,541 | 3.8% |
| 8 | | Installed capacity from renewable sources in relation to the total | | 102-7, EU1 | 91.2% | 89.1% | 2.1 p.p. | 91.2% | 89.1% | 2.1 p.p. |
| 9 | | Energy generation (GWh) | | EU2 | 12,087 | 9,244 | 30.8% | 39,340 | 36,335 | 8.3% |
| 10 | | Certified energy generation | | 102-16, EU6 | 10,536 | 8,701 | 21.1% | 34,647 | 34,602 | 0.1% |
| 11 | | Certified energy generation in relation to the total | | 102-16, EU6 | 87.2% | 94.1% | -7.0 p.p. | 88.1% | 95.2% | -7.2 p.p. |
| 12 | | Energy generation from renewable sources (GWh) | | EU2 | 11,233 | 7,942 | 41.4% | 35,206 | 32,131 | 9.6% |
| 13 | | Energy generation from renewable sources in relation to the total | | EU2 | 92.9% | 85.9% | 7.0 p.p. | 89.5% | 88.4% | 1.1 p.p. |
| 14 | | Uptime ratio, excluding scheduled stoppages | | EU30 | 97.0% | 97.5% | -0.6 p.p. | 97.2% | 95.2% | 2.0 p.p. |
| 15 | | Uptime ratio, including scheduled stoppages | | EU30 | 92.5% | 92.6% | -0.1 p.p. | 91.6% | 88.8% | 2.8 p.p. |
| 16 | Environ-ment and climate change | Saplings donated and planted (sum-total of planted and donated saplings) | - Energy and climate change<br>- Engajament with local comunities and stakeholders<br>- Biodiversity | 304-2, 413-1 | 98,854 | 105,799 | -6.6% | 414,883 | 275,027 | 50.9% |
| 17 | | Number of visitors at the plants | | 413-1 | 28,862 | 20,888 | 38.2% | 106,865 | 84,988 | 25.7% |
| 18 | | CO2 Emissions (fossil fuel plants) (t/MWh) | | D305-1, D305-2, D305-3 | 0.961 | 1.393 | -31.0% | 0.945 | 1.112 | -15.0% |
| 19 | | CO2 Emissions from ENGIE Brasil Energia's generation complex(t/MWh) | | D305-1, D305-2, D305-3 | 0.068 | 0.149 | -54.4% | 0.099 | 0.122 | -18.5% |
| 20 | Occupatio-nal Heath and Safety (OH&S) | Frequency Rate ("Taxa de Frequência" - TF) own employees[4] | - Health and safety, development and equality<br>- Management of impacts in the productive chain | 403-2 | 0.000 | 0.000 | - | 0.000 | 1.050 | ↓ |
| 21 | | Severity Rate ("Taxa de Gravidade" - TG) own employees[5] | | 403-2 | 0.000 | 0.000 | - | 0.000 | 0.004 | ↓ |
| 22 | | Frequency Rate ("Taxa de Frequência" - TF) own employees + long term service providers[4] | | 403-2 | 2.690 | 1.050 | ↑ | 1.390 | 1.030 | ↑ |
| 23 | | Frequency Rate ("Taxa de Frequência" - TF) short term service providers + ongoing constructions[4] | | 403-2 | 0.550 | 0.880 | ↓ | 1.640 | 0.690 | ↑ |
| 24 | Social Responsibi-lity[6] | Non-incentivized investments | - Engajament with local comunities and stakeholderss | 203-2, 413-1 | 1,280.7 | 447.7 | 186.1% | 3,741.3 | 2,898.1 | 29.1% |
| 25 | | Investments through the Infancy and Adolescence Fund (FIA) | | 203-2, 413-1 | 623.2 | 142.5 | 337.3% | 1,837.0 | 2,022.9 | -9.2% |
| 26 | | Investments through the Culture Incentive Law (Rouanet) | | 203-2, 413-1 | 1,310.5 | 1,088.0 | 20.4% | 8,988.3 | 9,537.1 | -5.8% |
| 27 | | Investments through the Sport Incentive Law | | 203-2, 413-1 | 950.0 | 984.6 | -3.5% | 1,430.9 | 1,895.2 | 100.0% |
| 28 | | Investments through National Program of Support to Oncology Care (Pronon) | | 203-2, 413-1 | 1,597.0 | 2,117.2 | -24.6% | 1,597.0 | 2,119.0 | 100.0% |
| 29 | | Investments through the National Care Support Program for People with Special Needs (Pronas/PCD) | | 203-2, 413-1 | 1,607.4 | 2,707.0 | -40.6% | 1,607.4 | 1,383.5 | 100.0% |
| 30 | | Investments through the Municipal Fund for the Elderly | | 203-2, 413-1 | 738.4 | 1,555.7 | -52.5% | 1,430.9 | 2,423.2 | -40.9% |

Notas:
1) Additional indices will be available at Sustainability Report, to be published in April (www.engie.com.br/en/investors/financial-information).
2) Reference: ENGIE Sustainable Management Policy.
3) GRI: Global Reporting Initiative, Standars version, and sector supplement version G4.
4) TF = number of occupational accidents for every million hours of exposure to hazards.
5) TG = number of days lost due to occupational accidents for every one thousand hours of exposure to hazards.
6) Amounts in thousands of reais.

# CORPORATE GOVERNANCE

ENGIE Brasil Energia's Corporate Bylaws are being permanently adjusted to the new rules and procedures of the B3 Novo Mercado Listing Regulations, the highest corporate governance level of that stock exchange. In addition, the Company is a component of the B3's Corporate Sustainability Stock Index (ISE). ENGIE Brasil Energia's Board of Directors' 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 2017, the Stock Exchange announced new Novo Mercado Regulations.** ENGIE Brasil Energia voted in favor of all the modifications proposed to the regulations, viewing them as material to advances in the areas of transparency, equitability, accountability and corporate responsibility applicable to the companies listed in this segment of the market. Companies must implement the new requirements by early 2021, and those superseding rules already in place, will come into effect as from January 2018. The Company views these new requirements as a valuable contribution to its management and governance and is dedicating maximum effort in implementing the changes as soon as possible. A working party was established to address the matter. In 2018, the structure of the Compliance area was established, the statutory reform approved by the Board of Directors, providing for the creation of an Audit Committee, among other changes necessary to comply with the new regulations.

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

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

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

## Share Performance – EGIE3

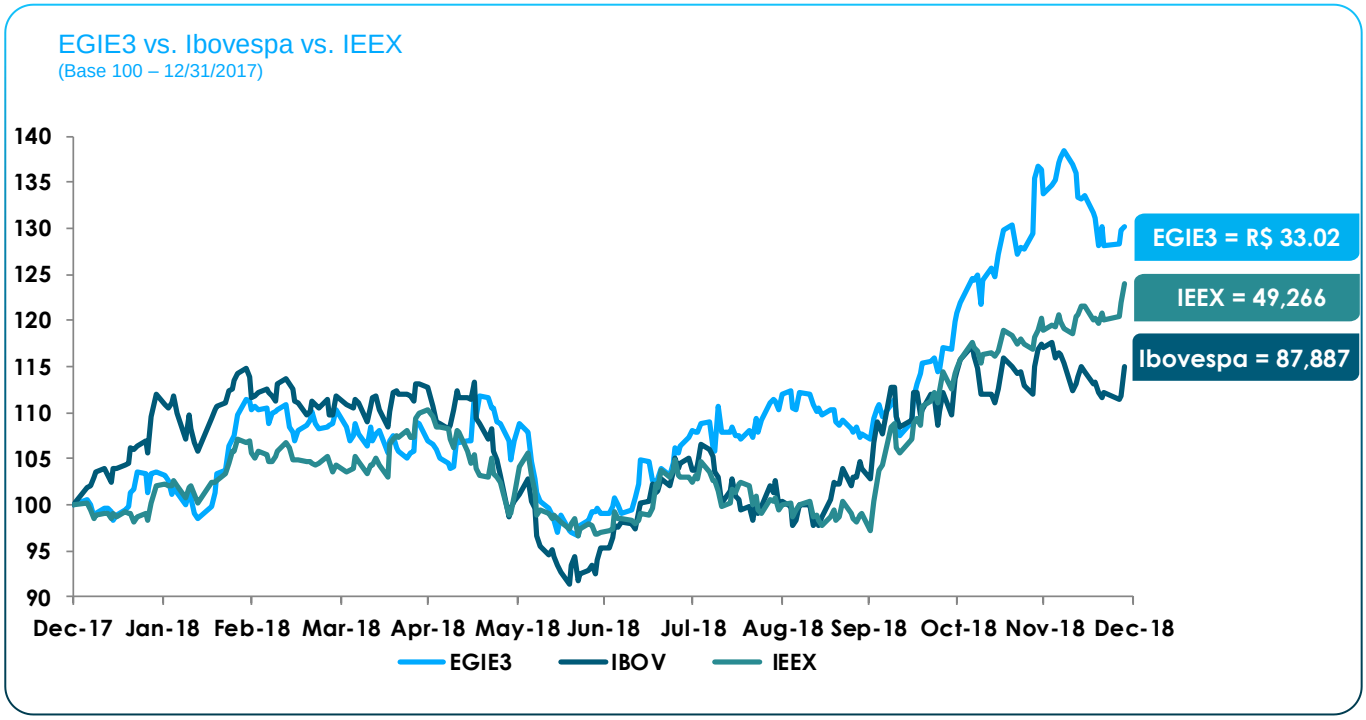
In the fourth quarter 2018, consumer and business confidence improved with a slight acceleration in economic growth. However the fiscal issue continues to retard performance and will be the principal challenge faced by the economic team of the new federal administration. B3's principal stock index, the Ibovespa, closed 4Q18 reporting an appreciation of 10.8%, exceeding 90 thousand points for the first time in its history.

In this scenario, **ENGIE Brasil Energia's equities** reported an **increase of 21.0%** in the final quarter of 2018, considerably exceeding the Ibovespa's performance, albeit slightly below the appreciation in the Electric Energy Stock Index (IEEX), which rose 25.2% in 4Q18.

For the full year of 2018, **EBE's shares appreciated 30.3%,** exceeding results for both the IEEX and Ibovespa, which appreciated 24.0% and 15.0%, respectively in the period.

The closing price for EBE's shares on the last trading day of December 2018 was R$ 33.02/share**, giving the Company a market value of R$ 26.9 billion.**

In 4Q18, EGIE3's average daily trading volume was R$ 49.9 million, 62.8% above the amount recorded in 4Q17, when trading volume was R$ 30.7 million. For the full year 2018, the average daily trading volume was R$ 38.5 million, a growth of 23.9% over 2017, when trading volume reached R$ 31.0 million.



## 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 20, 2019
**Time:** 10:00 a.m. (EDT) / 12:00 a.m. (BST)

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

### Webcast

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

A replay will be available from February 20th to 26, 2019. Access by dialing: +55 (11) 3127-4999, code: 63094246 (Portuguese) and 16681398 (English).

### Apimec Meeting

**São Paulo**
**Date:** February 20, 2019
**Time:** 9:00 a.m. (Brasília time)
**Local:** Pullman Vila Olímpia – Rua Olimpíadas, 205

## 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$) | 31/12/2018 | 31/12/2017 |
|---|---|---|
| **Current Assets** | **4,556,677** | **3,735,779** |
| Cash and cash equivalents | 2,415,792 | 1,930,070 |
| Accounts receivables from clients | 1,181,379 | 1,058,469 |
| Credit of income tax and social contribution | 98,978 | 12,395 |
| Insurance claim receivable | 74,780 | 22,062 |
| Inventory | 125,681 | 98,249 |
| Unrealized gains on hedging transactions | 3,135 | 3,933 |
| Unrealized gains on trading transactions | 116,202 | - |
| Restricted deposits | 8,956 | 15,423 |
| Renegotiation of hydrological risk to appropriate | 15,089 | 26,064 |
| Concession financial assets | 277,502 | 301,904 |
| Non current asset held for sale | 13,728 | 5,569 |
| Other current assets | 225,455 | 261,641 |
| **Non Current Assets** | **19,178,868** | **15,832,734** |
| **Long Term Assets** | **3,230,556** | **2,826,648** |
| Unrealized gains on hedging transactions | 256,464 | 14,274 |
| Unrealized gains on trading transactions | 44,429 | - |
| Restricted deposits | 232,450 | 231,489 |
| Deposits in court | 97,721 | 100,095 |
| Renegotiation of hydrological risk to appropriate | 130,776 | 144,950 |
| Concession financial assets | 2,317,608 | 2,245,463 |
| Other non current assets | 151,108 | 90,377 |
| **Investments** | **-** | **19,027** |
| **Property, Plant and Equipment** | **14,635,467** | **11,678,108** |
| **Intangible** | **1,312,845** | **1,308,951** |
| **Total** | **23,735,545** | **19,568,513** |

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

| (In thousands of R$) | 31/12/2018 | 31/12/2017 |
|---|---|---|
| **Current Liabilities** | **4,170,261** | **5,676,471** |
| Suppliers | 588,471 | 617,396 |
| Dividends and interest on shareholder´s equity | 2,137,039 | 1,300,516 |
| Loans and financing | 454,513 | 948,158 |
| Debentures and promissory notes | 210,369 | 2,127,760 |
| Tax and social contribution obligations payable | 102,033 | 181,351 |
| Other fiscal and regulatory obligations | 104,410 | 93,668 |
| Labor obligations | 99,572 | 94,879 |
| Unrealized gains on trading transactions | 98,047 | - |
| Concessions payable | 84,931 | 67,051 |
| Provision | 8,883 | 11,651 |
| Obligations related to retirement benefits | 35,369 | 30,683 |
| Other current liabilities | 246,624 | 203,358 |
| **Non Current Liabilities** | **13,244,707** | **7,057,317** |
| Loans and financing | 5,854,915 | 2,867,783 |
| Debentures | 3,200,437 | 812,715 |
| Unrealized gains on trading transactions | 19,395 | - |
| Concessions payable | 2,765,538 | 2,432,348 |
| Provision | 88,977 | 77,723 |
| Obligations related to retirement benefits | 283,765 | 280,971 |
| Deferred income taxes and social contribution | 768,814 | 507,905 |
| Other non current liabilities | 262,866 | 77,872 |
| **Shareholders' Equity** | **6,320,577** | **6,834,725** |
| Share capital | 4,902,648 | 2,829,056 |
| Net income reserves | 1,106,277 | 3,600,738 |
| Adjustment on fixed asset | 307,261 | 400,800 |
| Non controlling interests | 4,391 | 4,131 |
| **Total** | **23,735,545** | **19,568,513** |

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

| (In thousands of R$) | 4Q18 | 4Q17 | Chg. % | 12M18 | 12M17 | Chg. % |
|---|---|---|---|---|---|---|
| **Net Operational Revenue** | **2,302,321** | **2,067,364** | **11.4** | **8,794,792** | **7,009,957** | **25.5** |
| **Costs of Energy Sold and Services Provided** | **(1,326,090)** | **(1,164,528)** | **13.9** | **(4,875,986)** | **(4,003,871)** | **21.8** |
| Electric power purchases | (701,839) | (506,500) | 38.6 | (2,324,901) | (1,745,974) | 33.2 |
| Transactions in the short term energy market | (68,157) | (66,407) | 2.6 | (574,092) | (360,168) | 59.4 |
| Charges for the use of and connection to the electricity grid | (120,544) | (107,646) | 12.0 | (461,132) | (423,490) | 8.9 |
| Fuel expenses | (944) | (166,218) | -99.4 | (152,091) | (454,600) | -66.5 |
| Financial compensation for use of water resources (Royalties) | (35,096) | (28,819) | 21.8 | (123,197) | (117,298) | 5.0 |
| Personnel | (65,937) | (57,255) | 15.2 | (221,748) | (217,825) | 1.8 |
| Materials and third party services | (63,450) | (58,698) | 8.1 | (203,167) | (206,276) | -1.5 |
| Depreciation and amortization | (171,004) | (166,118) | 2.9 | (649,627) | (639,899) | 1.5 |
| (Accrual) Reversals of operating provisions | (2,463) | 14,033 | -117.6 | (3,715) | 239,950 | -101.5 |
| Cost of implementing transmission infrastructure | (45,363) | - | - | (45,363) | - | - |
| Cost of selling photovoltaic solar panels | (20,301) | - | - | (22,766) | - | - |
| Others | (30,992) | (20,900) | 48.3 | (94,187) | (78,291) | 20.3 |
| **Gross Income** | **976,231** | **902,836** | **8.1** | **3,918,806** | **3,006,086** | **30.4** |
| **Operating Income (Expenses)** | **(73,115)** | **(22,135)** | **230.3** | **(250,724)** | **(153,993)** | **62.8** |
| Selling, general and administrative expenses | (63,939) | (61,694) | 3.6 | (207,749) | (195,964) | 6.0 |
| Impairment | (6,500) | (18,419) | -64.7 | (39,327) | (18,419) | 113.5 |
| Result in the sale of investments | - | 56,892 | -100.0 | - | 56,892 | -100.0 |
| Other operating (expenses) revenues, net | (2,676) | 1,086 | -346.4 | (3,648) | 3,498 | -204.3 |
| **Result of corporate participations** | **-** | **(190)** | **0.0** | **(971)** | **(1,883)** | **0.0** |
| Equity income/(loss) | - | (190) | -100.0 | (971) | (1,883) | -48.4 |
| **Income Before Financial Result and Taxes** | **903,116** | **880,511** | **2.6** | **3,667,111** | **2,850,210** | **28.7** |
| **Net Financial Result** | **(161,342)** | **(97,902)** | **64.8** | **(699,295)** | **(226,830)** | **208.3** |
| Financial income | 52,864 | 59,237 | -10.8 | 154,685 | 223,483 | -30.8 |
| Financial expenses | (214,206) | (157,139) | 36.3 | (853,980) | (450,313) | 89.6 |
| **Income Before Taxes** | **741,774** | **782,609** | **-5.2** | **2,967,816** | **2,623,380** | **13.1** |
| Income tax | 26,081 | (51,975) | -150.2 | (455,264) | (436,228) | 4.4 |
| Social contribution | (6,293) | (25,964) | -75.8 | (197,145) | (182,593) | 8.0 |
| **Net Income for the Period** | **761,562** | **704,670** | **8.1** | **2,315,407** | **2,004,559** | **15.5** |
| Income allocated to: | | | | | | |
| ENGIE Brasil Energia's shareholders | 761,281 | 704,377 | 8.1 | 2,314,361 | 2,003,412 | 15.5 |
| Non-controlling shareholder of Ibitiúva Bioenergética S.A. | 281 | 293 | -4.1 | 1,046 | 1,147 | -8.8 |
| **Number of Ordinary Shares** | **815,927,740** | **815,927,740** | | **815,927,740** | **815,927,740** | |
| **Net Income per Share** | **0.9330** | **0.8633** | **8.1** | **2.8365** | **2.4554** | **15.5** |

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

| (In thousands of R$) | 4Q18 | 4Q17 | 12M18 | 12M17 |
|---|---|---|---|---|
| **Cash Flow from Operating Activities** | | | | |
| Income before taxes on income | 741,774 | 782,609 | 2,967,816 | 2,623,380 |
| Reconciliation of net income with operating cash flow: | | | | |
| Depreciation and amortization | 173,707 | 168,524 | 660,172 | 648,947 |
| Provision for impairment of assets | 6,500 | 18,419 | 39,327 | 18,419 |
| Monetary variation | 24,787 | 41,475 | 237,060 | 38,800 |
| Interests | 141,479 | 94,589 | 532,911 | 354,199 |
| Accrual (Reversal) of operating provisions | 3,296 | (14,170) | 3,221 | (257,636) |
| Remuneration of concession financial assets | (70,276) | (47,917) | (340,403) | (47,917) |
| Unrealized gains on trading operations | (43,189) | - | (43,189) | - |
| Result in the disposal of investments | - | (56,892) | - | (56,892) |
| Others | 14,382 | 1,704 | 5,822 | 4,147 |
| **Adjusted Net Income** | **992,460** | **988,341** | **4,062,737** | **3,325,447** |
| Increase (reduction) in assets | | | | |
| Accounts receivables from clients | (18,606) | (313,043) | (67,831) | (222,910) |
| Tax credits recoverable | (81,160) | 47,238 | (84,291) | 29,212 |
| Insurance claim receivable | (1,648) | (22,062) | (52,718) | (14,444) |
| Inventory | (31,315) | 7,673 | (30,708) | 11,499 |
| Deposits in court and restricted deposits | (1,634) | (3,379) | 12,156 | 49,158 |
| Renegotiation of hydrological risk to appropriate | 5,602 | 6,516 | 25,149 | 26,065 |
| Financial and concessions assets | 19,198 | (2,499,450) | 246,088 | (2,499,450) |
| Other assets | 59,750 | 45,818 | (12,391) | (28,713) |
| Increase (reduction) in liabilities | | | | |
| Suppliers | 19,693 | 211,209 | (124,518) | 225,277 |
| Other fiscal and regulatory obligations | (20,645) | 8,520 | 3,659 | (1,597) |
| Obligations related to retirement benefits | (6,610) | (6,362) | (26,703) | (26,250) |
| Fuel to pay to the CDE | 180,959 | - | 180,959 | - |
| Other liabilities | (124,728) | (2,909) | 32,029 | 17,093 |
| **Cash Generated from Operating Activities** | **991,316** | **(1,531,890)** | **4,163,617** | **890,387** |
| Payment of interests on debt, net of hedge | (196,628) | (61,314) | (485,754) | (243,844) |
| Payment of income tax and social contribution | (151,349) | (76,163) | (531,157) | (314,741) |
| | | | | |
| **Net Cash from Operating Activities** | **643,339** | **(1,669,367)** | **3,146,706** | **331,802** |
| | | | | |
| **Investments Activities** | **(925,100)** | **(1,385,006)** | **(3,212,655)** | **(2,808,980)** |
| Acquisitions of investments | (1,597) | (20,309) | (18,958) | (45,460) |
| Used in fixed assets and intangibles | (981,149) | (1,573,361) | (3,305,514) | (2,956,348) |
| Received on disposal of investments | 57,646 | 212,091 | 111,817 | 212,091 |
| Cash and cash equivalents of subsidiaries sold | - | (3,427) | - | (19,263) |
| **Financing Activities** | **254,987** | **3,422,926** | **551,671** | **2,591,908** |
| Loans, financing and debentures contracted | 615,584 | 1,630,539 | 2,397,050 | 1,951,482 |
| Debentures and promissory notes contracted | - | 2,096,112 | 2,486,240 | 2,096,112 |
| Payment of loans and financing, net of hedge | (399,909) | (278,911) | (2,290,194) | (505,399) |
| Payments of concessions payable | (18,237) | (17,455) | (70,885) | (68,719) |
| Payments of dividends and interest on shareholders' equity | (22) | (11) | (1,989,966) | (838,621) |
| Others | 57,571 | (7,348) | 19,426 | (42,947) |
| **Increase (Decrease) in Cash and Cash Equivalents** | **(26,774)** | **368,553** | **485,722** | **114,730** |
| **Reconciliation of Cash and Cash Equivalents** | | | | |
| Opening balance | 2,442,566 | 1,561,517 | 1,930,070 | 1,815,340 |
| Closing balance | 2,415,792 | 1,930,070 | 2,415,792 | 1,930,070 |
| **Increase (Decrease) in Cash and Cash Equivalents** | **(26,774)** | **368,553** | **485,722** | **114,730** |
| **Transactions that do Not Affect Cash and Cash Equivalents** | | | | |
| Capital increase with profit and profit | 2,073,592 | - | 2,073,592 | - |
| Interest on shareholders' equity credited | 397,000 | 424,500 | 397,000 | 424,500 |
| Offsetting of income tax and social contribution | (61,093) | 15,245 | (48,024) | 45,367 |
| Measurement of obligations with retirement benefits | 6,119 | 6,970 | 6,119 | 6,970 |
| Capitalized interest and monetary variation | 82,215 | 55,590 | 294,297 | 169,184 |
| Future expenditures estimate to employ in fixed assets | 410 | (10,227) | (27,269) | 28,960 |
| Supplier's of fixed assets and intangibles | (24,449) | (42,865) | 76,100 | 23,298 |
| Non current assets / liabilities held for sale | - | (1,858) | (48,038) | (1,858) |
| Amounts to pay related to purchase of investments | - | 16,938 | - | 12,152 |