ENGIE BRASIL ENERGIA S.A.

TRANSCRIPT OF THE WEBCAST CONFERENCE CALL

IMPACTS OF COVID-19 ON FISCAL YEAR 2020

APRIL 08, 2020 – 2:00 P.N. (BRASÍLIA TIME)

Operator: Good afternoon. This is the ENGIE Brasil Energia conference call that will discuss the potential impacts of the COVID-19 pandemic. All participants are connected as listeners only. The Q&A session will open later, at which time instructions for participation will be provided. If you require operator assistance during the conference call, just dial "star – zero". It is worth mentioning that this conference call is being recorded.

This conference call will be simultaneously webcast at the URL www.engie.com.br/investidores.

Before we proceed, let me explain that any statements made during this conference call in connection with prospects for the Company's business must be treated as forecasts contingent upon the country's economic situation, the electric energy industry's performance and regulations and other variables. Therefore, any such forecasts are subject to change.

Attending today are Mr. **Eduardo Sattamini**, CEO and Investor Relations Officer, Mr. **Marcos Keller**, Regulation and Market Officer, **Gabriel Mann**, Energy Trading Officer, **Gustavo Labanca**, CEO of Transportadora Associada de Gás – TAG, and **Rafael Bósio,** Investor Relations Manager. They will comment on the potential impacts of COVID-19. Soon thereafter, they will answer any questions you may have. Please note that journalists who wish to ask questions may do so by e-mail to the Company's Press Relations.

I now give the floor to M**r. Eduardo Sattamini**. Please, go ahead.

MR. EDUARDO SATTAMINI: Good afternoon everyone. It is great to have you here with us, giving us an opportunity to explain a little about this black swan that recently showed up on the horizon, the COVID-19, and has had major impact in all our lives. Today, we are all probably at home, hopefully safe and sound, and we will talk a little about we are doing and potential impacts on our Company. Our conference today has been split into five topics.

The first topic concerns construction work operations to ensure employee safety and continued progress. Item two, finance, relevant financial aspects for which we would like to have our attention. A commercial and regulatory section where Gabriel and Marcos will be helping us out. We will also talk briefly about impacts on TAG, which became an important asset of ours. It was recently acquired in mid-2019, and Gustavo will talk a little about any steps taken and impacts on operations. Finally, we will open the floor for a Q&A at the end of the session.

Let us first consider project operation and implementation. Just to be clear, Engie Brasil Energia has a contingency plan for pandemics in general, so we already had this in place at the Company to ensure employee health and safety and continued operations. The plan breaks down essentially into three phases: a containment phase, a mitigation phase, and a suppression phase.

The first phase, phase zero, is about the worldwide identification and dissemination of a disease, followed by observation of its movement across the country and the various geographies where we are. And communication with employees about the potential pandemic, with explanations on the infectious agents, mode of contamination, prevention levels, basically to reinforce communications from health authorities.

At this point we also make available the necessary inputs for prevention in the Company's various areas, such as hand sanitizer dispensers, thermometers for taking temperatures, etc., individual kits handed out. This was at time zero, and we restricted travel where the

epidemic was already in outbreak status.

After phase one, where we have been for three weeks already, we convene the Crisis Committee, define certain operational procedures and protocols, determine minimum staffing for fieldwork – which guarantees business continuity – without exposing a large number of employees. We then established home-office regime for all support activities. This was possible due to the massive digitalization effort we launched in 2016. As our investors will recall, we had 3 strategic "D"s, one of them was digitalization. Because of this, we can now keep up all of our support activities in home-office mode. So, 70% of our workforce is working from home, but there's no similar solution for the other 30%, we must keep up fieldwork, carry out corrective maintenance. We need to be there, some plants are operated on-site, and even those that can be remotely operated cannot be done from home. There is a centralized operations center in Florianópolis, and we have been segregating our employees there to keep the teams safe from cross contamination.

Shift handovers take place via call, that is, there is no physical contact between crews, preventing one from contaminating another.

We also set up operations and maintenance rotations with two teams that relieve each other every two weeks. Field teams are under constant medical tracking and monitoring.

We also have protocols in place. We defined workplace and workstation sanitary protocols: employees coming in will clean their workstations; and those going out will clean them as well. That is, each station is sanitized twice to prevent contamination.

We are purchasing quick tests for COVID-19. We managed to get 3 thousand kits domestically that will be arriving next week, and another 40 thousand to arrive in the coming weeks, now from China. There is some red-tape involved importing the tests, and they are key to keeping our population healthy. That is, as the tests begin, we will have to test our employees on a routine basis to keep our operation healthy and prevent contamination.

We are also working on facemasks for our employees. We distributed them to field workers, but there are another 120 thousand masks ordered that are on their way to our units. We had purchased 30 thousand before; these have already been distributed, and we ordered another 120 thousand that will help us along for a long time.

We have requested and been tracking similar plans at our subcontractors, setting up plans with them so that they will have the same safety and health standards that we are implementing for our operations.

We suspended all elective and non-mandatory maintenance work, and have been carrying out emergency and preventive maintenance, which is why we have the O&M crew on the field. At this point, then, we are completing phase I and defining several parameters for the phase II trigger.

What is phase II? It is the suppression phase, which means long-term complete isolation of teams in operational areas. This was the case just now in New York. Their National System Operators are confined in their operational areas 24/7, fully segregated into two shift crews, living in the workplace. We must prepare for something like this if outside contamination becomes very intense, so that the operators may be isolated on-site.

What then? This is why we must set up a complete hospitality scheme, so we are adding cooking facilities, beds and bedding, games so that the people will have some kind of leisure. Imagine being confined to a power plant for 2 weeks, one month. There's a psychological aspect as well, it is very important to maintain the employees' psychological health.

There are many concerns as we reach this point, we must be ready to provide a modicum of comfort for these heroes who are at the frontlines facing the virus, a major challenge.

As for our projects under construction, we are working alongside with our subcontractors to reduce staff. The goal is to reduce headcounts without significantly impacting delivery

periods. This is already underway. So we are and have been working hard with these suppliers. We are replicating virus-related communications in the communities so they will be up-to-date, because sometimes we operate in very poor locations, far removed from major urban centers, it is important for information to make it there so that the population can take precautions and adopt proper sanitary measures.

We are tracking the medical isolation of our teams and our subcontractors, and teams are undergoing remote supervision. We used to have large people flows at our sites, now they have far less mobility and are being monitored. Not ideally, but remotely. So, this is about operations and construction works.

As for team engagement, what have we been doing? As part of the home-office campaign, people are being constantly encouraged to communicate. Lots of people are showing signs of loneliness, lots of them live alone and are in isolation. We try to lend them psychological support, we have held several in-house seminars with psychologists, with motivators, in an effort to keep the workforce and our team highly engaged. This has been paying off. We have what we are calling Energy Dialogues, where we talk about this with all our employees.

We have also been taking some time for e-learning. There are modules we are encouraging people to take to make use of this time at home and prepare for our future challenges.

We also implemented interesting things, like exercise lessons via *Teams*, some people are doing functional gym work, other are taking Pilates, occupational exercise, all done online so that people will keep their bodies healthy as well.

We also reinforced our medical staff. We had a resident MD at the company that supported all medical-related activities, and we got reinforcements in the form of an additional MD and a practical nurse so that we can give our employees proper care, clear doubts about conditions that may turn up, cases of contamination, enabling us to keep

track of things. So there is an open channel where we can monitor not just our employees, but their family members as well.

As for our interaction with communities and humanitarian actions, we are talking to the city authorities and charities of locations where we have plants and construction sites to determine their needs and allocating a specific budget to each region. We have made several donations to local hospitals, provided PPEs, sanitary inputs. For elderly homes as well, we've done it in more than ten states where we have a presence, and are also holding campaigns with our employees for basic staples donations, where the Company will match employee donations to needy communities that are in some cases deprived of their livelihoods. The idea is for us to have a humanitarian and social responsibility view, reaching out to employees and meeting the needs of the communities where we have a presence.

This is a huge task, a job that I might call heroic being done by our employees in the frontlines, in the power plants. For this, I would like to go on record with a special thank-you to the people who have been keeping our show on the road.

Moving on now to the financial area, it is important to point out that we reached yearend 2019 with a robust cash position at R$ 3.8 billion. There are some debts maturing in 2020, with R$ 1.1 billion in the first half of the year and R$ 1.7 billion in the second half. But as a precaution, we are already rolling over some of these debts, those tracking us will remember that we approved taking on new debt at the last Board meeting.

We already have several facilities approved with various banks, and will reach the end of March with a rather comfortable cash position to face potential crises.

As for construction work funding, we recently executed the financing agreement for Gralha Azul. Also recently – Gralha Azul was R$ 1.5 billion – we executed an agreement with BNDES for Campo Largo 2, for another R$ 1.2 billion, and had short-term operations, like I said before, for the rollover of debt that was coming due, thereby guaranteeing the

Company's liquidity.

We will also probably use the standstill clause with BNDES for some subsidiaries. Why some? Because one of the standstill conditions is nonpayment of dividends. So, for subsidiaries that are not under a regime where they cannot pay dividends because of other contract conditions, we will probably be resorting to the standstill and postponing or "accruing" these payments for a period of up to six months.

On to the dividends policy. As you know, we have a minimum of 55%, considering all that has been allocated this year, paid in connection with the first half of 2019, plus interest on shareholders' equity, we are now at 57%. We are now examining, despite the Board of Directors having approved payment of 100%, we are looking at the situation to define, at the Meeting to take place in April, if we will stay at 100% or have some form of reduction to make sure that the Company will remain at an appropriate level of liquidity. Bear in mind that, at any time farther down the road, we can always make an extraordinary payment.

This, then, is being looked at. There is no final decision yet, but it is better to let you know that, because of the economic situation and the need to preserve the Company's cash, there may be a reduction from the Board of Directors' prior resolution.

As for the commercial side, I'm giving the floor to Gabriel so he can talk about what we have been seeing in the market. And then we will explore the solutions being laid out so that you can have a more comprehensive view. And later on, at the Q&A, we will answer questions about any concerns not addressed.

So, Gabriel, take the floor to talk about the commercial side. And Keller will fill us in on the regulatory side as needed.

MR. GABRIEL MANN: Thank you, Sattamini. Good afternoon everyone, I hope you are all well. Actually, I would like to begin by pointing out that ENGIE now has a well-balanced

portfolio. When it comes to customer types, 51% of our 2020 portfolio is sold directly to industrial, commercial clients; 9% to other energy generation or trading companies; and 40% to distribution companies in the regulated environment. And it is just as well balanced looking at the industrial and commercial segments that we serve. I think this is important to have in mind at a time like this, because in a way it helps us smooth out the impact of reduced consumption.

It is also important to bear in mind that our contracts under the free contracting environment generally have consumption-related flexibilities that are on average in the 10%-15% range. At a moment like this, where we can expect consumption to drop because of the COVID, this flexibility helps somewhat accommodate the reduction that we have been seeing in the industrial and commercial clients segment.

We have been getting load revision request from clients, in some cases associated with Force Majeure claims as provided in the agreements. We have been analyzing these requests, these notices, with lots of caution. The overwhelming majority has not been properly substantiated, and characterizing Acts of God and Force Majeure is not a trivial matter, characterization has to be very accurate before the clauses will apply. We are analyzing the claims one by one, and responding to the notices. Obviously, the well our balanced portfolio in terms of the industrial and commercial segments that we serve is beneficial at this point, because just as some sectors are being hit by the event, some others are not, or are even benefitting somehow because they have to consume more to increase output. Some examples are segments like food products, beverages, pharmaceuticals and several more.

It is also important to point out that we have just now completed the March billing cycle, the March metering and billing cycle, which was when the problem began after two thirds of the month had gone by. What we saw was that, looking at our portfolio of clients, the consumption of our portfolio of clients was accommodated within the agreements'

average flexibility levels. Historically, some segments are down a bit, but the entire portfolio was on average within the flexibility levels we grant under our agreements, as mentioned at first.

In the trading and generation segment, where we also sell 9% of our energy, we have no concerns in theory. The risk of consumption variation, load variation, is, say, implied in the trading and generation activity, and these risks are priced in the agreements, as are risks in agreements with free consumers. Therefore, we don't really expect any problems in these agreements with energy trading and generation companies.

In the distribution segment, which is basically our agreements in the regulated environment, the question is of a more regulatory nature, so to speak. As you probably know, and as announced to the market, we have had three distribution companies give notice under their regulated environment agreements claiming Acts of God or Force Majeure. These were ENEL, Light and Equatorial. We only have agreements with ENEL and Light, which have also been notified and are...

MR. MARCOS KELLER: Thank you. Good afternoon, people, I am Keller, Regulatory Officer, to add to Gabriel's input. We have been given notice by these distribution companies, together with a request from Aneel to recognize Force Majeure. This is commonplace in our industry. The industry's main revenues intake, due to the very structure of the market, lies with distribution companies, with distribution niches. So the solution, the need for a more urgent solution, concentrates on them. I can see that the industry is quite united. In fact, I find based on statements by Aneel and the Ministry, that emergency measures, short-term and important measures, are intended to support the cash position, the liquidity of distribution companies at first. This is to prevent frustrated revenues from contaminating the entire chain.

There is unity about this. Obviously, this can't be the only measure taken, other measures are also being taken for mitigation purposes. Aneel itself announced yesterday a R$ 2

billion injection into a reserves fund that was lying unused at the, but it is important to underscore that both the Aneel and the Ministry are acting to enforce agreements and that the principal solution will come from this injection of liquidity into distribution companies.

Another noteworthy aspect is the impact on GSF, reduced consumption, the flattening of consumption itself creates pressure for the GSF to worsen in terms of volume, for worsening GSF exposure, but on the other hand it leads to much lower prices, which smooths out the financial effects of the GSF overall. Obviously, we are in the midst, or early days of the effects of the crisis when it comes to the electric energy industry, so it is very hard to quantify, to get a clear view of the extent of the access volume. But the price effect is already self-evident, so much so that you are already looking at prices at their lowest.

Well, these are the two main points on which I would like to offer commends from the regulatory perspective. We will remain available for questions in the next stage. Back to Sattamini and Labanca.

MR. EDUARDO SATTAMINI: Yes, now we move on to the next section, with Gustavo talking about the impacts of COVID-19 on TAG's operations. Gustavo, if you would.

MR. GUSTAVO HENRIQUE LABANCA: Thank you, Satta. Good afternoon everyone. Before we begin, for a quick test, what is the audio like, is it working? Just to make sure.

MR. EDUARDO SATTAMINI: It's OK, Gustavo.

MR. GUSTAVO HENRIQUE LABANCA: OK, thank you. Well, I would like to thank Rafael Bósio and Sattamini for one more opportunity to talk a little bit about TAG at this EBE investor conference call.

I will be dividing our talk into three main items. First, the crisis contingency plan; second, a

little bit about the financial situation; and third, impacts on the gas market.

Concerning the contingency plan, we immediately set up a Crisis Committee e established two key goals: preserving employee health and guaranteeing continued operations.

Concerning employee health preservation, I'll summarize, I guess Satta already discussed lots of activities and attitudes that ENGIE Brasil Energia has taken and that we share. Our headcount now is approximately 100, all in home-office regime, all telecommuting. We also immediately suspended domestic and international travel. Any exceptional case requires the Executive Board's approval.

We anticipated, and this was interesting, we anticipated our influenza vaccination campaign, which we held last week. We also made medical and psychological advice available to employees around the clock so people can address their anguish because this is not an easy experience, it is a new experience for everyone. We are holding regular activities on *Teams*, we have been using the tool a lot, also for occupational exercise-related activities; we had a chat with the CEO, a series of training programs on digital tools so that people will increase productivity and also mitigate the loneliness that Satta talked about.

Concerning guaranteeing continued operations – before I even begin I would like to thank the entire team, who have been making a huge effort for it all to happen and for everything to work in the best way possible.

So, the first thing we did, a small but very important step, was to improve the system and the mobile network for some key activities. So, if an employee will be working from home, on activities like commercial dispatching, treasury, billing, we upgraded the mobile network to make sure that we had a backup and improve communications.

We also focused on priorities. There are some construction works and interventions on our pipelines grid on which we are focused and working: a compression station in Catu

and a stretch of the Gasene pipeline. Something else worth talking about is that a Ministry of Mining and Power Decree that declared gas transportation an essential activity like electric energy, etc. This lends a big hand moving staff and teams around, even third parties', on the domestic front.

One item that it is important to emphasize is that, because we don't operate the pipeline yet, which Transpetro does, we must track on a daily basis the contingency plans of our main service providers, Transpetro above all. There are also compression stations that are not ours but we must monitor, and there are the construction works I mentioned, which includes Intech, and our ERP is not proprietary yet, so we have to watch DTC's entire accounting, financial and tax operations. These, then, were the steps we took to ensure continued operations.

Let us talk about the financial side, now. Our liquidity position is robust. We reached yearend 2019 – and I'll be giving a full-year figure, even if we only got into TAG in June – with net revenues of about R$ 5.2 billion, R$ 4.4 billion EBITDA, and EBITDA margin above 85%. Net debt was close to R$ 23 billion as at yearend 2019. But what we would like to emphasize is our very string cash generation, with motivation from the debt that comes from the acquisition financing and was incorporated into TAG. In 2020, we are talking about amortization under 7%, with another 90% starting in 2021, 9% next year and the remainder between 2022 and 2027. This is comfortable or the Company, which has no very short-term debt.

The last item, to get into the gas market issue for a bit, as requested by Satta, is also under a lot of discussion, like in the electric energy industry. I think it is worthwhile at this point to talk about the key difference between the two industries in the sense that the number of players in electric energy is far greater than in gas. Distribution companies have almost all been privatized, a large number of generation and transmission companies. Despite the massive presence of Eletrobras in transmission, you don't have a dominant player, unlike

the gas industry, where Petrobras is prevalent throughout the chain, with almost 100% of gas supplies, a stake in State-level distributors through Gaspetro, and a presence in transportation companies, with a minority stake in TAG, NTS, and 51% of TBG.

So the main difference between the electric energy and the gas industries is that in the former there are negotiations involving multiple players, whereas the gas industry is concentrated on a dominant player.

We have been tracking the dropping demand from distribution companies and aligning transportation companies' attitudes by means of industry association ATGÁS. We have been attending meetings set up by the Ministry with the ANP, with Petrobras, and other industry associations. A matter of specific relevance for TAG is that the Petrobras market, where we deliver gas, is basically one third – I'm talking about an average that varies over the year –, averages one third of the demand from distribution companies, with the other two thirds coming from thermal demand and from what we call the Petrobras system, which includes refineries and fertilizer plants.

Looking at the transportation flow in March, we see that it was practically constant, compared with January, with February, with the same period in the previous year, and even with the quarter.

The message, then, is that we are paying attention to market discussions, talking to Petrobras and other industry stakeholders, so that the impact on our business will be the smallest possible.

This is it for me. Let us go on to the Q&A section, and then back to Sattamini.

MR. EDUARDO SATTAMINI: Thank you, Gustavo, excellent presentation of TAG's business, making us quite comfortable about your ability to come out of the crisis with the least possible damage.

Well, now let us move on to the Q&A session. I give the floor to our coordinator.

Q&A SESSION BEGINS

OPERATOR: THANK YOU, LADIES AND GENTLEMEN. WE WILL NOW BEGIN THE QUESTIONS AND ANSWERS SESSION. TO ASK A QUESTION, PLEASE KEY IN STAR–ONE (*1). IF YOU WOULD LIKE TO REMOVE A QUESTION FROM THE QUEUE, ENTER STAR–TWO (*2). OUR FIRST QUESTION COMES FROM GABRIEL FRANCISCO, AT XP INVESTIMENTOS. PLEASE GO ON.

MR. GABRIEL FRANCISCO: Good afternoon everyone, thank you for the conference call and the clear information. My question, which I think any of you can answer, has to do with a greater concern over the free market. I understand about points where contract flexibility is being used, but when it comes to those that really need negotiations, what are the roads you are taking to prevent long-term impact on the Company? Will greater topical reduction now going to be offset against an increase farther down the road? Is there a price change, even the termination of certain agreements, anything that can't be reconciled?

I would like some examples, particularly given your exposure to the steel industry. In the same vein, I would like to understand if you are seeing new opportunities emerge with any excess capacity you may have in industries like agriculture, farming, as I think Sattamini himself mentioned, or Gabriel perhaps, that are in fact showing increased demand. This is my first question. Thank you.

MR. EDUARDO SATTAMINI: Maybe I can take this question from the first part, Gabriel. Thank you for asking. What is going on is we have agreements, like we mentioned, with certain financial characteristics. There is a take-or-pay clause which means that for the range between the contracted quantity and the take-or-pay level, the risk is the generation company's, that is, we accept the risk of reduced demand.

If demand drops below this level, then there are two situations, either you bill for it and the buyer then receives this energy and settles it, or passes it on to someone else, or

settles the PLD; or we can possibly accept the situation for now, that is, a loss at this point, with the PLD at rock bottom, but with the potential to offset it in the future. Obviously, we cannot finance everybody because we don't have the capacity to finance all of our clients. In many cases, what we have to do is maintain the minimum take-or-pay levels. Obviously, if the situation is such that a client is forbidden from operating, we must be more flexible and, perhaps, roll over the obligation for a while.

But there are lots of industrial customers, this is our concern, and we must not yield too much. The fact is that they had in some cases been consuming below the lower limit. But while the PLD was above the average price – in January or February price was around R$ 300.00 – they were benefitting from the spread between the contracted and spot prices. Then, what happened is that some of them now opportunistically requested extensions, etc., and want us to finance it. This means we have to be very careful about our customers.

Obviously, everyone is legitimately defending their own interests, and we have to defend ours, while remaining sensitive to cases that demand sensitivity. Gabriel, you can address the more technical side, now.

MR. GABRIEL MANN: Sattamini, no, you are exactly right, I think you said it all, but let me just emphasize. Perhaps the main concern is precisely the fact that, together with the impact of this event, of the COVID, we are now at a time of lower market prices, lower spot prices. And this has been leading clients, regardless of whether or not their segment is truly enduring some sort of impact, to believe that they have a right to make some sort of claim, to ask for some relief. This means that we must be really careful, examine each case. And I am sure that, if we do add flexibility, the idea will be to do it, but with some form of recovery or offsetting farther down the road. This is the attitude we have been taking, but, let me underscore it, examining each case meticulously.

MR. GABRIEL FRANCISCO: Perfect. You have been very clear. If you'll allow me a follow-up

question, you have to mitigate some of the impacts on our contribution margin, using the buy-side prerogative while purchasing energy from third parties, and some flexibility also to not sell energy at a loss. What does this price imply now?

MR. GABRIEL MANN: Look, energy sale agreements usually include some flexibility, mostly on the energy seasonal weighting side. Because they are usually not pegged to consumption, as with clients, but are instead deals between us as energy generators or traders and other generators-traders, it is always based on flat contracting. And, like I said, at this point we neither have nor expect actual or threatened Act of God or force majeure claims under agreements with generators-traders. And nor are we moving in this direction, we are fully honoring the contracts we have in place and will target our energies on meeting our portfolio needs right now.

MR. GABRIEL FRANCISCO: Perfect, thank you very much.

OPERATOR/THE NEXT QUESTION IS FROM ITAÚ'S MARCELO SÁ. PLEASE GO AHEAD.

MR. MARCELO SÁ: Hi, everyone thanks for the conference call. I think a lot has been said about impacts on the free market, but I would like to learn more about impacts on the regulated market. Do you see any risk facing the regulated PPA contracts'? For example, do you see the potential to mitigate the impact of undercontracting from distribution companies by revising the regulated market's PPA? Do you see any risk in that? This is my first question.

MR. EDUARDO SATTAMINI: Once again, I will begin answering and then pass it on to Keller, who is the expert. What one must understand is that the system, the national electric system, has been designed based on consumers' needs, right? So we go to auction, sell energy, has a contract for a certain quantity. This quantity is guaranteed, there is no flexibility there. Take-or-pay is 100% in order to serve consumers. With this in mind, the price obviously assumes that there will be no quantitative reduction.

Now, looking at it from the angle of a distribution company that has in fact endured reduced consumption, they will have to somehow address the cash shortfall, because it won't get paid for the energy, but must pay the generator in full, and will be left holding low-priced energy. Again, if the PLD were as high as it was a while ago, there would be no complaints. What happens then? As we see it, according to our belief in uniting the industry, we cannot leave the distribution companies in this situation, but also cannot pass it down the chain, to generation companies, to transmission companies. If you do it, you will propagate the loss like a virus, from the link contaminated by delinquency or reduced consumption to the rest of the chain, and then the entire chain will suffer, leading eventually to the breakdown of the entire system.

Therefore, we understand that since the system has been designed to serve consumers' needs, then consumers will have to bear the burden. Obviously, as a matter of public policy, the administration may try to mitigate the effect with some Treasury funding, resorting to some fund already formed by consumers themselves, as was the case with the special fund that was idling in the CCEE. The idea, and this is what we have been working on with the government, is that the solution must come from within the regulated environment itself, that is, financing similar to that under the out-of-merit thermal generation committee, which rang up a bill and was financed by means of a medium- and long-term ACR account. This would mitigate impact on consumers.

Still, the issue has to remain isolated at the level of distribution companies to keep it from creating an impact. When you imagine passing on the responsibility to generation companies, some of them may be facing completely different situations. Everyone has to be treated the same. If you pass it on to them, those with high indebtedness levels, those that are commencing operations, there is cash pressure on them, sometimes they run on negative cash for a while. Bear in mind that we have very long-term concessions and that the cash will be generated over the 30-35 years of the concessions.

Our concern, then, is to not contaminate additional links in the industry's chain, and this has been our motto so far. It is not unanimous. Of course it would be for the industry alone, but not on the part of consumers, because they will complain if they have to pick up the tab. But the fact is that the electric energy system only exists in its current form because it was designed to serve consumers. Keller, would you supplement, please?

MR. MARCOS KELLER: Sure, Satta. I think you covered a lot, so, to begin at the end: not all generation companies are as financially robust as we are, so this is what Sattamini means. A default, even if partial, on the part of distribution companies would cause cascading problems. Some generators would become unable to honor their obligations with transmission, sectoral charges, even with other energy suppliers, and this would perpetuate the problem down the chain.

It is in the nature of the regulated segment, it is only natural for the problem to be contained within it. We have done this in the past through the ACR account, and it seems to me that this is the most likely, a new liquidity injection through the ACR account. For now, as you are fully aware, it is best to assume the amount as announced, it seems to me that this will be the main pillar of the solution, and this is what the government has been signaling, that this will be the main course of action. Other actions, like Treasury inputs in certain segments, may also take place, I think. But it seems to me that the bulk of the funds would come from a loan via the ACR account. I think this is basically it.

MR. EDUARDO SATTAMINI: To just add a little, I mean, this shows that the distribution companies' situation is one that should not be happening, but they are facing energy quantity risk. This makes no sense and, in this vein, the industry's modernization – as sought by bills in Senate or the House, in senate PL 232 is farther along – aims to correct this distortion. That is, to remove energy from the distribution companies' responsibilities, leaving them with just grid remuneration, with no liability for volume for energy demand. This is hugely important, we are pursuing evolution in the industry's modernization bills,

and this is yet another reason to push along these changes in the industry's regulations.

MR. MARCELO SÁ: You have been very clear, Sattamini, all, thank you. Just a final question. I was at a meeting with some industry executives and one of them made a suggestion about spreading the tab around a bi and I wanted to see if it makes sense, or if you think it makes sense, for generation companies. The mechanism you are considering, which is an ACR-account loan that would be passed on to consumers as a regulatory asset like it was in 2014/15, it will make the end cost of tariffs to consumers increase.

What the executive suggested was a way to share the bit with generation companies as follows: generation companies would give up some revenue from distributors, but would receive money from BNDES to cover the cash shortfall. Then the generation companies would repay the loan, but earn a right to extend the concession for X years to offset the effects. This would reduce the tariff impact on consumers after the crisis had blown over. Do you think this might make sense, is it a possibility for the industry?

MR. EDUARDO SATTAMINI: Thank you for your question, Marcelo. I even know who you mean. Keller has talked to them and yes, if it is selective, or rather elective, then we will use it, it could work. Because some generation companies will be able to say, ok, if the return is appropriate, then fine, it will be like buying a concession extension. This would work for some, not for others. Some guys lack the funds because of the GSF, which is not as expected, etc. He even lacks the wherewithal to honor his own obligations. It would have to be selective, then, that is, one potential means to reduce consumers' bills would be as follows: those who want to might extend their concessions and provide financing; reduce their loads now in exchange for a benefit. Then, on an elective basis, if a generation company is interested, if the rate is attractive, it will choose to go this way; or maybe they will choose to set a volume of funds and say: we will hold an auction and start out at a low rate of return for the adjustment, and increase it from there. When it is completed, it becomes a return for those who chose to do the extension, so it would be a

Dutch auction. So it could be done, but, again, it has to be one possibility, and it has to be elective; it cannot be imposed on generation companies because some of them would be unable to survive like this.

MR. MARCELO SÁ: Excellent, perfect. Thanks very much, everyone.

OPERATOR: THE NEXT QUESTION IS FROM HSBC'S VINÍCIUS TSUBONE. PLEASE GO AHEAD.

MR. VINÍCIUS TSUBONE: Good afternoon, thanks for the conference call and the opportunity. Would you comment on the status of the sale of Petrobras's 10% stake in TAG, if it is still underway or if you think the best course of action now is to postpone to not affect the interest of potential buyers? Thank you.

MR. EDUARDO SATTAMINI: Thank you, Vinícius. I will pass this one on to the guy on the front line there, mediating the positions of the shareholders, Gustavo. Then I may or may not add comments. Gustavo, could you help us out with this answer?

MR. GUSTAVO HENRIQUE LABANCA: Good afternoon, Vinícius, thank you for your question. It is hard to answer, so I will try to address different aspects. I believe that there is a distinctive seller in a competitive market. In a crisis, if the seller goes ahead, there may be a reduced number of bidders, or even just ENGIE and CDPQ with an interest because they are the players who already know the assets, are looking at them on day-to-day basis, and have matching rights.

So far there have been no communications in this sense and the process remains on schedule. And there was even, to the surprise of many, an official announcement on March 31, a teaser for the sale of the 10% stake in NTS as well. As I see it, given Petrobras's difficulty, in terms of liquidity given the crisis, to lend speed to the processes, it makes sense on the one hand, but on the other it reduces competition.

It is hard to speak for TAG, but from the angle of the shareholders, and maybe Satta will

comment for ENGIE and CDPQ, we may need a little more time to submit an investment decision to our Committees abroad. And then the postponement might make sense. On the other hand, because we are familiar with the asset, there is theoretically no-one in the market as capable as we are of putting together a bid in the short run. So there is a tradeoff there, and no decision has been made in this sense.

MR. EDUARDO SATTAMINI: If I may add, from the viewpoint of one of the shareholders that will be making this call, I would say that this is obviously not the best time to sell assets. If I were Petrobras, I would put it off until the market became a little more stable. After all, if you do a leveraged acquisition, you will find a market far rougher than it was just a while back. So it would be interesting for the sellers themselves, and I'm surprised we haven't gotten any communication from Petrobras about a postponement.

MR. VINÍCIUS TSUBONE: Right. Perfect. Thank you.

OPERATOR: THE NEXT QUESTION IS FROM CREDIT SUISSE'S CAROLINA CARNEIRO. PLEASE GO AHEAD.

MS. CAROLINA CARNEIRO: Hi, good afternoon, everyone. My question is more on the legal side. Both for gas distribution companies in transportation tranche payment agreements, which would affect TAG, and for distribution companies, as in CCAR, what would the discussion and potential legal proceedings be like of the distribution companies do in fact choose to go ahead with the Force Majeure issue? And specifically for gas distribution companies – and I apologize if you already discussed this in the presentation, but I had no audio here for a while – I would like to understand how the payments flow works for gas, if you indeed receive payments to TAG directly from distributors, and if they have made any requests under a mechanism perhaps similar to the Force Majeure claims that we have seen some distribution companies apply for in the electric energy industry. Thank you.

MR. EDUARDO SATTAMINI: Thank you for your question, Carol. I'm going to ask Keller and Gabriel to coordinate answering because they are the ones handling this, one from the regulatory side, looking at the CCAR, the other from the commercial side. Maybe we'd better begin with Keller.

MR. MARCOS KELLER: Perfectly. First, Carolina, the CCAR regulated energy contracts explicitly provide that Aneel must recognize Force Majeure claims. We believe, therefore, that the notices that the distribution companies have served are preventive. Preventive on account of what is going on, the COVID pandemic, which may in extremis damage their payments capacity. It is already partly damaged, or severely damaged. I believe, therefore, that it is preventive. They have also filed a claim before Aneel, but according to our legal construction, full non-payment of obligations could only take place after Aneel's acceptance, its recognition of Force Majeure circumstances. Then out from legal and into regulatory, this is not what we have been seeing and talking about with both Aneel and the Ministry.

It seems to me that this is not the way Aneel would like to go. The way it would like to go, as mentioned before in this conference call, is for a solution to be found, a solution to be created to inject liquidity on their behalf through an ACR loan. It seems to me, from the legal perspective, that there have been notices served, but non-payment could only occur after Aneel recognizes the claims, and it doesn't seem to me that this is the way Aneel is going to go at first. I think everybody is working for and moving towards the ACR loan.

MR. EDUARDO SATTAMINI: But let us imagine, Carol, that if such a claim is filed, and if Aneel understands, construes the situation as a Force Majeure event and generation companies are hit, which is highly probable, and I would even say, guaranteed, then there will be a legal, judiciary reaction to uphold the generation companies' position. Then there will be yet another judicialization episode in the business, yet another imbroglio, yet another complication. I think it is this understanding of the situation that is leading the

Ministry, generation companies themselves, distribution companies themselves, to look at this matter with greater unity to prevent another judicialization episode that would probably take very long to sort out.

MR. GUSTAVO HENRIQUE LABANCA: Sattamini, may I talk about the gas part for a bit now?

MR. EDUARDO SATTAMINI: You may. You should, you should. Please, Gustavo.

MR. GUSTAVO HENRIQUE LABANCA: OK. Carolina, I will try to be brief, and please feel comfortable getting in touch with you need more details from us. The payments flow will obviously be from consumers to distribution companies and from distribution companies to Petrobras. So, the agreement between a distribution company and Petrobras, the GSA, the *Gas Supply Agreement*, include a take-or-pay clause for the gas molecule, and a ship-or-pay pass-through clause from Petrobras for the transportation agreement.

So the distributor will pay 100% of the ship-or-pay pass-through, and there's the take-or-pay agreed between it and Petrobras. What is Petrobras negotiating with distribution companies? It is important to mention that unlike the electric energy industry, where, as Keller mentioned, it is up to Aneel to define Force Majeure, in the gas industry gas distribution is a monopoly held by each state. Therefore, each state has its own regulations, there is no Aneel in the gas industry. There is the ANP, which regulates transportation; it regulates upstreaming, but not downstreaming. So it is Petrobras that is in talks with distribution companies in connection with waiver of the take-or-pay clause and of the penalties. Actually, when I talk about take-or-pay and ship-or-pay as well, and about distribution companies paying for what they are effectively consuming, this is a negotiation between Petrobras and each distribution company. What is the connection between the transportation company – TAG in this case – and distributors? None, nil, my relationship is 100% with Petrobras. There is the ship-or-pay clause, having our structure

available to transport gas for our client, which is Petrobras. We understand that there is no Force Majeure, but, given the crisis, we are in talks with Petrobras, to see what steps we might take, always under the agreement and in good-faith discussions. So this is the situation right now.

MS. CAROLINA CARNEIRO: Perfect, thank you very much.

OPERATOR: THE NEXT QUESTION IS FROM CITI'S MARCELO BRITO. PLEASE, GO AHEAD.

MR. MARCELO BRITO: Good afternoon, everyone, thank you for the opportunity and for your opening explanations. I would like to ask you a question about last year's presentation in November, during the investor day, when you emphasized the go-to-market project, according to which you would become similar to a retailer. I would like to know how the project is progressing, if customers have been added in lower consumption brackets, and how these lower consumption brackets are behaving in the midst of this abrupt economic retraction. Thank you.

MR. EDUARDO SATTAMINI: Thank you for your question, Marcelo. I'm passing this one on to Gabriel, Gabriel is our project leader for this. I don't know whether we already have any feedback for you because it is a recent example, isn't it, Gabriel, so I don't know if we have any effects yet.

MR. GABRIEL MANN: Yes, it is a recent event and what I might add, Sattamini, is as follows. Yes, this is a segment that has been growing since then in our portfolio of smaller customers, it is a market niche. In this segment, we usually have a form agreement with a flexibility level a bit higher than the average flexibility level I mentioned before. In a way, this helps smooth out the event's impact on this segment of smaller customers.

Now, as with bigger customers, this segment's portfolio includes customers from different industries. So some are being hit harder, others are not being affected, or have even increased consumption. It's too soon to tell, but the situation is now this. Sales in March,

like I said, were within the flexibility limits; we had a little more than one-third of the month impacted. The impact will surely increase in April, but we believe that, in most cases, we will still be able to accommodate it within the agreed flexibility range, and where this is not the case we will examine the situation individually.

MR. EDUARDO SATTAMINI: In a way, Marcelo, I expect the smaller customers to have less reasons, I would even say that they will be more concerned about delinquency, just like the poor, the poor are very good obligors, when they have the cash they pay their bills much faster than the rich, you know. They won't take advantage of the situation. This, then, is what I'm expecting, that smaller ones will end up paying their bills as they come due, that non-delinquency will be better in the range of smaller customers that are joining the market. They are already saving money by joining the free market, so this is what I expect will happen. We'll see if this is in fact the case in the future, we will keep you posted.

MR. GABRIEL MANN: Sattamini, it is also important to bear in mind that generally for this segment, because we face – or imagine we may face, because it's not there yet – higher risk of default, this risk has been priced in upon closing each deal; so there is a surcharge, the agreements include a component precisely to price in this kind of risk. And bear in mind, too, another point that I think is relevant, from a more prospective rather than present-time angle, is what we are imagining in terms of this market's growth, given the event itself and the current situation of lower market prices. I believe that farther down the road there will be a new wave, so to speak, of migrating customers, I mean migration from the smaller segment into the free market, which may boost the project's progress.

MR. MARCELO BRITO: OK. Thank you very much for your replies.

CLOSING

OPERATOR: WE NOW CONCLUDE THE QUESTIONS AND ANSWERS SESSION. I WOULD LIKE TO GIVE THE

FLOOR TO MR. EDUARDO SATTAMINI FOR HIS CLOSING STATEMENTS. PLEASE, MR. SATTAMINI, DO PROCEED.

MR. EDUARDO SATTAMINI: I would like to thank you all for attending once more. I hope we had a clarifying conversation, and we will be back on as soon as there is a little more clarity regarding the situation. The situation remains highly uncertain in terms of when companies will re-open, when social isolation will be lifted, whether there will be a more definitive solution for the black swan that hit us.

I would also like to thank you once more for your support, for understanding our position. It took us a while to try to get a better understanding, better clarity, but sadly the situation remains and we are working to mitigate our risks, minimize effects on our company, but above all to maintain our employees' peace of mind and preserve their health. Thank you all very much.

OPERATOR: THANK YOU. THE ENGIE BRASIL ENERGIA CONFERENCE CALL IS NOW CLOSED. WE THANK YOU ALL FOR ATTENDING, HAVE A GOOD AFTERNOON AND THANK YOU FOR USING VOITEL.