ENGIE BRASIL ENERGIA S.A.

TRANSCRIPTION OF THE CONFERENCE CALL

ANEEL AUCTIONS 2017

DECEMBER 22, 2017 – 11:00 A.M. (BRASÍLIA TIME)

Operator:

*Good morning. This is the conference call of Engie Brasil Energia where we shall be discussing the ANEEL auctions held in December 2017. All participants are connected in listen only mode, although later the call will be opened to the questions and answers session, at which rime instructions will be given as to participation. Should help be required from an operator during the course of the conference call, please touch asterisk zero (*0). Please remember that this conference call is being recorded. In the* www.engieenergia.com.br *website - investor section - you will find a copy of the presentation prepared for accompanying this conference call. With us today are Eduardo Sattamini, Chief Executive Officer, Carlos Freitas, Chief Financial and Investor Relations Officer and Rafael Bósio, Investor Relations Manager who will comment on the performance of Engie Brasil Energia in the ANEEL auctions held in December 2017. Following the presentation, they will reply to any questions that may be raised. Please be reminded that journalists wishing to ask questions may do so via e-mail submitting them to the company's Press Relations Department. Now I would like to turn the meeting over to Messrs Eduardo Sattamini and Carlos Freitas. Please go ahead gentlemen.*

Eduardo Sattamini – Chief Executive Officer:

Good day to all, this is Sattamini here. The intention of our call is basically to explain a little about our participation in the recent auctions, the results and then to open for discussion and questions from our research analysts and to clarify our positions.

Very well, we have published a short presentation in our website so let us begin with slide number 2 that discusses the transmission auction, Auction 02/2017, in which we bid successfully for Lot 1.

An initial comment is that we bid the second lowest discount for the auction and out of the principal lots, it was the lowest with a 34.8% discount. This represented efforts made to understand this lot and over a six month period, other lots of interest to us, as well as the best engineering solution, contacts with suppliers and negotiations to arrive at CAPEX, a total investment obviously lower than ANEEL, considerably lower, and also abbreviating the term for startup in operations. Clearly, there are challenges involved, principally challenges of an environmental nature. This I believe was the principal bottleneck and the critical issue of our Project preliminary to making a

competitive bid, which translated into a reasonable return in accordance with our expectations.

We have concluded pre-agreements with all our suppliers although we are still unable to announce them because some are still under negotiation in relation to other lots and any announcement could negatively affect the outcome of supplier discussions. However, during the course of next year, we shall be announcing the suppliers. All are first class suppliers and builders inserted in a very comfortable structure and with guarantees, which will permit the solid security, and returns, which we require.

On the other hand, in the new energy auctions in which we participated, we used the same methodology and the same financial discipline but unfortunately, we were unsuccessful in one of the two auctions. In the case of the A-4 auction, demand was extremely reduced and competition very strong with very low prices. And this scenario was repeated in the A-6 auction as well. We do not believe this to be a permanent tendency. Rather, I think this is a situation that is occurring now due to the long period without auctions, the shortage of demand via auctions and the need for some companies notwithstanding to proceed with their projects. We have seen this situation in the past and not too long ago, where the company had been unsuccessful in auctions because of unattractive returns but then succeeded by periods with more interesting returns where we have been able to participate successfully in bidding.

So what we want to talk about with you is this financial discipline of ours, the investment discipline and which guarantees long years of success of Engie Brasil Energia.

In the presentation, we show some numbers in relation to the average prices for energy auctions in which we participated, with very low prices, principally in the case of wind and in the A-4 auction also with very low solar prices. In these cases, we take the view that we should not submit to such low prices and with returns that do not add value to our activity. So this is basically the message we want to give you and to field any questions you may have.

Carlos Freitas, do you want to add anything?

Carlos Freitas – Chief Financial and Investor Relations Officer:

No, just to underscore this and conclude this last point. As you all know, the correct allocation of capital is of great importance to us. So set against this logic of allocating resources where there is the best risk-return trade off, I think that during the course of the year we have made some good decisions buying the Jaguara and Miranda concessions, negotiating the Umburanas wind complex with Renova, where clearly we have a competitive advantage and now in transmission, a low risk business and complementary to our long-term business. So it is clear that we must continue to be very disciplined and not accept prices that for us make no sense such as the case of the A-4 and A -6 auctions.

So just to reinforce the company's financial attitude, which I think is our competitive differential.

Eduardo Sattamini – Chief Executive Officer:
Ok. So I think we can go on to the questions and answers and clear up any doubts among our investment analysts. Operator, lets open to questions.

Operator:
*Ladies and gentlemen, we shall now begin the questions and answers session. To ask a question, please touch asterisk 1 (*1). To withdraw a question from the list, touch asterisk 2 (*2). Please wait while we receive the questions. Our first question comes from Carolina Carneiro of Banco Santander. Carolina, you may go ahead.*

Carolina Carneiro – Banco Santander:
Good morning to all and thank you for the call. I have two questions. First, I would like to have a little more detail with respect to the assumptions for CAPEX. I appreciate that while not finalizing all the agreements, it is indeed difficult to go into further detail, but just so that we can have an idea of magnitude as to the assumptions we can work with compared with ANEEL's CAPEX parameters. I remember in the last auction some players mentioned at least 10% lower than CAPEX. The question is more for us to understand if you are also visualizing this degree of magnitude or whether this project is the case of another REIDI. And the second question is in relation to strategy itself, whether this project represents the effective debut in this segment of transmission, which you have been indicating you have been looking at. Rather, it is so we can understand whether from now on we can expect to see Engie in the upcoming auctions, namely the auction in April 2018 or if in the light of your leverage if you believe it makes more sense to examine brownfield options at this time. It is more to understand in the case of transmission, to understand what the strategy is for this segment now that you have secured a relatively large lot. Thank you.

Eduardo Sattamini – Chief Executive Officer:
Thank you, Carolina. Effectively, our debut in transmission was a strategic decision of the group and we intend to pursue this line of business and not to stop at one transmission line only. Our preference is for greenfield, we believe we have the conditions for creating greater value added in the case of greenfield projects. We know where the risks are, we have the skills and principally in regions where we already have operations, the influence and knowhow.
With respect to CAPEX, we can visualize a reduction of between 15 and 20% in relation to the CAPEX of ANEEL. As you said, we have the majority of our agreements and the principal agreements already concluded and aligned. Clearly, during the course of the Project, there are still some costs that will have to be verified principally in relation to

land rights. But overall, it was principally CAPEX and term which were critical in making the winning proposal.

Carolina Carneiro – Banco Santander:
That's fine. Many thanks.

Eduardo Sattamini – Chief Executive Officer:
You are welcome.

Operator:
*To remind you that to ask questions just touch asterisk 1 (*1). Please, wait while we receive the questions. Our next question comes from Ralph Rosenberg of Perfin Investimentos. Ralph, you may go ahead.*

Ralph Rosenberg – Perfin Investimentos:
Good morning to all and congratulations on the acquisition. I would like to understand a little, you mentioned that you are still not revealing details of the EPC contractor from what I understand. That is the case isn't it? But I would also like to understand a little how you have structured the question of guarantees with the EPC contractor. What type of guarantees is he going to give you whether a surety, via insurance policy relative to the pre-agreement that you have just concluded, whether for the EPC contractor or for other types of agreements that you have signed? Thank you.

Eduardo Sattamini – Chief Executive Officer:
Thank you Renan for the question. Unfortunately, I cannot give you this information in a precise way. However, I can say that we have a tradition of protecting ourselves with good contractual instruments, good guarantees. Unfortunately, I cannot go further also because Perfin is our competitor in these auctions through their association with Alusa.

Ralph Rosenberg – Perfin Investimentos:
No, it's not Alusa, it's Alupar.

Eduardo Sattamini – Chief Executive Officer:
Ah, better still. OK, it's Alupar. Thank for that correction, confirmed.

Operator:
Our next question comes from Francisco Navarrete of Banco Bradesco. Francisco, you can go ahead.

Francisco Navarrete – Banco Bradesco:

Good morning. Thanks for the opportunity to be able to talk on the matter. I have just two questions. The first is: you mentioned your forecasted reduction in CAPEX in relation to ANEEL. I would like to know if your base case considers some anticipation in line operation and if you can tell us how much you think is reasonable to expect for this operation. And the second is on income tax credits for the line. I believe there are none but just to confirm that it is 34% direct and there is no associated tax break. I just want to check these two items of information. Thanks.

Eduardo Sattamini – Chief Executive Officer:
Thank you, Francisco, good morning. Effectively, the rate of income tax on the effective profit is 34%, the benefits are basically the REIDI (REIDI is a special regime with federal tax incentives for the Development of Infrastructure in Brazil) - reductions in PIS and COFINS on equipment. In other words, there is no fiscal magic other than the usual.
As to the term for anticipation of operational startup, our team has worked on a conservative basis which gives us potentially between 6 and 12 months of anticipation.

Francisco Navarrete – Banco Bradesco:
Thank you.

Operator:
Our next question comes from Victor Hugo Menezes of Goldman Sachs. Victor, you may go ahead.

Victor Hugo Menezes – Goldman Sachs:
Good morning Sattamini, good morning Carlos, congratulations for the acquisition. My question is on the strategy for financing, if instead of leveraging to the level of the SPC only, or also taking advantage of the fact that the holding company's balance sheet is leveraged and to complement the rest by financing the project 100% with working capital. Thanks.

Eduardo Sattamini – Chief Executive Officer:
I'll pass the baton across to Carlos Freitas for him to reply on financing. I cannot, I was responsible for the financial area but I prefer to leave this to Carlos.

Carlos Freitas – Chief Financial and Investor Relations Officer:
Good morning. Indeed, financing is one of the important drivers of this transmission business. Currently, we would easily have conditions to leverage not only the SPC but also the holding company, ENGIE Brasil Energia. This question hinges on the structure of capital some years hence because in reality, the CAPEX curve for this type of project is not now in the short term with peak CAPEX coming some two years from the outset

of the projects. So we will have to see the structure of the company's capital in two years' time. At this point in time, I would say that we would leverage not only the maximum possible of the SPC's balance sheet and then examine the conditions open to us and alternatives such as BNDES, debentures, etc. and also the potential of the holding company until we get to a reasonable degree of leverage. As we have already said before, we are expecting to operate at a cruising speed of around 2.5 times EBITDA. This is to say, perhaps a little more a little less but 2.5 times EBITDA is a magic number and reasonable.

Victor Hugo Menezes – Goldman Sachs:
Perfect. Thank you.

Carlos Freitas – Chief Financial and Investor Relations Officer:
Thanks.

Operator:
*Again, to ask questions, just touch asterisk 1 (*1). Please wait while we receive the questions. We now conclude this session of questions and answers. I would like to turn the call over to Eduardo Sattamini and Carlos Freitas for their final considerations. Gentlemen, please go ahead.*

Eduardo Sattamini – Chief Executive Officer:
I would like to thank everyone for their attention and camaraderie throughout the year 2017, a difficult year in which we experienced an extremely low GSF, 79.5. However, we succeeded in circumventing the obstacles and managed to acquire some good investments at the year-end, reporting profitable growth. Our expectation is that 2018 will bring success and good news. Thank you, a happy Christmas to all and here's to a very promising 2018.

Operator:
The conference call of Engie Brasil Energia is concluded. We thank the participation of all and wish you a very good day. Thank you for using Voitel.