ENGIE BRASIL ENERGIA S.A.

TRANSCRIPTION OF THE CONFERENCE CALL

OF RESULTS OF THE FIRST QUARTER 2017

APRIL 26, 2017 – 11:00 A.M. (BRASÍLIA TIME)

OPERATOR: Good morning. This is the conference call of ENGIE Brasil Energia where we shall discuss the results for the first quarter 2017. All participants are connected in a listen-only mode. Later, we will open up the call for the questions and answers session, at which time instructions for participating will be given. Should you need the help of an operator during the conference call, just touch "asterisk zero". We would like to remind you that the call is being recorded.

The presentation with respective slides will be transmitted simultaneously on the internet through the www.engieenergia.com.br website, Investor section. By accessing this section, you can also obtain a copy of the presentation and the press release of the Company's results.

Before proceeding further, we would like to clarify that any forward-looking statements that may be made during this conference call with respect to the business outlook for the Company should be treated as forecasts contingent on the economic scenario for the country, performance and electric sector regulations as well as other variables and are therefore subject to change.

With us today are **Carlos Freitas,** Chief Financial and Investor Relations Officer and **Rafael Bósio**, Investor Relations Manager, both of whom will comment on the performance of ENGIE Brasil Energia in the first quarter of 2017. Immediately afterwards, they will take any questions you may have. We would remind you that the journalists wishing to ask questions should do so via e-mail, sending their questions to the Company's Press Relations area.

I will now like to turn the call over to **Carlos Freitas**. Please go ahead, Carlos.

CARLOS FREITAS: Thank you, operator. Good morning to all and it is a pleasure to be with you on this call. I am assuming that all of you have the release material on your screens that was downloaded onto the page last night. I therefore propose that we begin with the presentation on slide 4: highlights of the quarter.

Firstly, I would like to highlight a stable performance in energy sales with our net revenue from sales in the quarter basically the same as last year on just a small hike in average prices of 1.4%, which you can also see from the table. There was a reduction in energy volume sold of 0.9%.

Starting out with the increase in prices of 1.4%, this breaks down into energy sold to clients in the regulated and the free markets. Here, worthy of mention is that in the free energy sector or sales to free clients, we had a high comparative base last year. Last year, we still had some contracts, which were closed when PLD rates were high in 2014 and 2015 - three-year PPAs for example, which expired last year. So, the comparative base was high.

Just by way of example, if you look at our material for two years ago, the release of two years ago, you will see that we had an increase of 16% in average sales price, a reflection of this type of contract. So, the contracts we see today reflected in our balance sheet for the first quarter 2017 are at more normal prices. The comparative base for last year therefore was still a little inflated and influenced by the high PLDs in 2014 and 2015.

And the reduced consumption of 0.9% is again the effect of the economic crisis of the last two years although this is now beginning to dissipate with the first signs of a better performance over the course of this year. A performance which is still heavily influenced by the agricultural sector in Brazil as you know and a continuing somewhat lack luster industrial sector which while improving a little, is still not enough for us to be able to show sales growth. Here we had a slight reduction in sales, nothing very alarming. We hope that the rest of the year will see a better performance in sales as the industrial economy does indeed react.

Another indicator worthy of mention on this page was the improvement in performance of both EBIT as well as Ebitda, rising 15.2% and 11.7%, respectively. Here, the principal factor was the improvement in the short-term result of R$ 60 million. We recorded a performance on the CCEE of a negative R$ 50 million in the first quarter of last year. On the other hand, the result in the first quarter this year was a positive R$ 10 million more or less, thus making a contribution here of R$ 60 million in this quarter, basically thanks to the performance of the sector as a whole in secondary energy.

In the same quarter last year, we had a GSF of 12% more or less, a physical deficit of 12%. In the first quarter of this year, the allocation strategy of sector players as a whole generated secondary energy in the quarter. In other words, the market as a whole, ENGIE included, allocated less energy to the first quarter and more to the remainder of the year. Everyone, ENGIE included, is expecting an increase in PLD as the year wears on.

So the sector as a whole I would say, allocated extremely little energy in the first quarter, thus generating secondary energy which you could say is almost artificial given that river

flows were not brilliant. However, the result was this secondary effect here of 9.5%. So this secondary energy more than compensated for the fact that we are short, or in other words, carry an over-bought position on the CCEE. This contribution of R$ 60 million comparing quarter with quarter is what largely explains the variation in EBIT and Ebitda.

In addition, we also had cost savings in fuels. In the first quarter of last year, we still had the old coal-fired Charqueados plant in operation. In the same quarter last year as well, we also generated a small amount of energy from the gas-fired William Arjona plant, which this quarter was barely dispatched at all. As a result, we had a reduction in fuel costs as well as a reduction in the cost of royalties, not only because of less hydro generation in this quarter, it is true, but also due to the reduction in tariffs which are a function of royalties. In addition, with the reduction in overall payroll costs as well, we were able to post an improved margin and allowing us to record a better performance in Ebitda this quarter.

Net income was even better, an increase of 30% in the quarter. And not only for the reasons I have already explained. In the case of Ebitda, there was also another important effect: the reduction of R$ 44 million in the Company's financial result as whole. Although there are some nonrecurring factors at play here year-on-year, if we look at what is recurrent alone, there was a significant reduction in the cost of debt since part of it is indexed to the IPCA and the IPCA fell.

We also have another important factor here: the monetary restatement on our concession payments is also influenced by inflation. All this contributed to a R$ 44 million reduction in financial result for the quarter, which also helps justify the better showing in earnings (net income) of 30%.

Net debt rose just a shade, that is to say, gross debt also rose slightly. The increase was nearly R$ 200 million, principally due to drawdown during the quarter of R$ 220 million, a disbursement from the BNDES for financing Santa Mônica, a wind farm which, incidentally, is already in operation.

The fall of 3% in generation, I have already touched on. There was a decrease of 16% in hydro generation due to deteriorating hydrology in the quarter and 9% in thermal generation for the reasons I have discussed: Charqueadas and William Arjona, basically.

And another point to highlight here in the last line was the reduction in payroll numbers, 7% more or less, principally the result of the Voluntary Severance Program, most of which was executed in November last year. So quarter-on-quarter, there is an important decrease in headcount, some 80 people to date.

Moving on to slide 5, generally non-financial highlights. The first point to mention was the confirmation by Fitch of our Triple A long-term national rating and on the global scale,

Double B+, and still one notch more than sovereign rating. For us this is a source of pride, because a company, which has activities in Brazil and revenues in Reais, to have a rating above sovereign rating is, I think, cause for celebration. So, Fitch reiterated our Triple A rating then.

Another important point is here on the right hand side of the slide: the Santa Mônica Complex is now totally operational, 97 MW going into operations in early April of this year. Complementary dividends were also approved for R$ 409 million, a total payout of 100% of net income for last year with a payout per share of R$ 2.28. These dividends are to be paid in June now.

The following slide touches on the conclusion of modernization work on the Salto Santiago plant, a large unit with an installed capacity of 1400 MW. Modernization work on the plant took over four years and will extend the useful life of an operation that is extremely important in the context of the Company's generation complex. The plant's assured energy also increased a little so this work represented an important project to ensure cash flow stability.

It is also with pride that we see the Lages Co-generation Plant concluding a ten-year period of issuing Carbon Emissions Reduction Certificates and one of the first plants to do so here in Brazil ten years ago. Still on the sustainability theme, we are also pleased to note that approval has been given by Aneel to an R&D project for research into electrochemical battery systems. We are also now looking carefully at new technologies, which are going to help register knowhow allowing us to evolve in line with the market.

I propose that we now jump to slide number 8 just to show the growth of our Company. During the course of this quarter, more or less 60 MW of capacity came on stream from the two wind farms pending completion at the Santa Mônica Wind Complex.

Slide 9 shows how we are part of the largest independent power producer group in Brazil. We have 8.6% of the total operations in Brazil, including here ENGIE's stake in Jirau. Meanwhile we are building Pampa, Campo Largo and Assú, the three with combined installed capacity of more or less 700 MW.

In slide 10, it is worth mentioning a couple of things. Firstly, this year we can see here an increase, an important increase, in the participation of free clients due basically to the expiry last year of a large contract of regulated clients of 350 avMW, which reallocated, to the free market. However, the tendency is to return to around a 50/50 position between free market and regulated market since in 2019 the PPAs of Campo Largo and Pampa come into effect. From then on, we resume an important or more important share in the distributors market.

And here it is important to remember that the increase in the green line, traders, is due to a swap operation where we deliver conventional energy, receive incentivized energy, assemble products and sell lesser volumes of energy to more clients, thereby gaining in margin. This is a deal designed to lower the threshold of sales volume to clients a little and access a wider customer base. For this reason, so that we have the products, we end up doing a little more energy trading.

This is reflected on page 11 in our diversified sales profile for free consumers, which you know about. We are also proud to say that we have zero delinquency in our free consumer portfolio.

Let me talk a little about markets on slide 13. Here we have changed the layout of the slide a little to reinforce the message that nowadays we have a surplus of spare capacity, which is shown here in the graph on the left, in the short-term now in 2017, 2018, 2019 and 2020, for example, but lack energy.

That is to say, there is available capacity, which can be theoretically spare capacity because we still have something of an overestimate in projects which perhaps may never be built. However, the fact is that we today have more run-of-river hydroelectric plants in Brazil as well as a hydrological deficit this year - just as we had a strong water deficit in 2015 and 2014, and this injects greater volatility into spot PLD prices.

We have seen in the past four weeks for instance PLD oscillated absurdly. Three hundred and something Reais now, but R$ 400 ten days ago and two hundred and something about a month back. Thus, the system is sensitive to any change in hydrological parameters. It is for this reason that we are leaving a larger amount of uncontracted energy this and next year.

In slide 15, we show a portion of more or less 10% of energy, 9.6% of energy that would be unsold selling potential. And the tendency is for this number not to change much over the course of this year. It can change a little, but if we sell more energy, it is because we are making products and buying energy for 2017 and 2018.

We think that this volume of 9.6% of available unsold energy for sale is a reasonable level to face any uncertainties surrounding GSF, in relation to PLD and already considering that we have GSF insurance for part of our regulated client sales. It is important to remember this. Today in 2017, we have partial protection for clients in the regulated market.

Today in 2017, we have a lack of sales because of this. For this reason, we have to leave nearly 10% of energy unsold to be able to meet this type of uncertainty. However, the tendency over time is to recontract this energy. These days, given the high PLD, given the outlook for a high PLD next year as well, we have seen an increase in the average market price for energy. What we have seen for example some months ago is energy for next year at below R$ 200. Today, it is in the region of R$ 220, that's energy for delivery next year. For this year, it is even more absurd. This year, the PLD is much higher, above R$ 300.

In medium term markets, here we return to rather more normal levels, I would say around R$ 165, R$ 170 more or less, which is about the standard we expect for medium term. However increasingly, this medium term is being influenced by short-term PLD, which is high, very high. And this year, much higher than last year. And the outlook for next year is that it will continue at a level a little higher than it was for last year, although still lower than this year. All this translates into a sales strategy, which we are executing, selling more when we think that the price is better, when we think that there is more margin in this cycle.

Slide 17 here is just to show the situation at Jirau, of which you are already aware. The plant has had fifty machines in operation since November last year and is generating in accordance with expectations. It has a FID of 99.7% - an extremely efficient level of generation. We are indeed waiting to start the transfer process, we are waiting for this process to really begin this year. We are unable to give an estimate of when this will be but we expect that it will be shortly.

Certainly, the process will not be concluded this year, because a process such as this is protracted and clearly will require approval of such authorities as Aneel, Cade and BNDES. Nevertheless, we expect this process to begin in a few months' time. We will then be able to evaluate in committee how this asset can be inserted into the Company's portfolio.

Now moving on to assets, which are already in our portfolio from slide 19 to 23. First Pampa Sul shows interesting accumulated progress of 55% of the total work completed down there in Candiota-RS. In this first quarter, a start was made on the filling of the reservoir to hold the water for the plants thermoelectric process. And the stringing of the cables for the larger part of the transmission line was concluded. Work at the plant is going according to plan and in line with estimated budget.

The same goes for Campo Largo – Phase I in slide 20. It is currently our largest wind project and the first to have energy sold in both the free and regulated markets. At the end of the first quarter, the larger part of the distribution towers had been installed, work progressing on plan while the wind turbine generator bases are being completed. So, this project in Bahia is also progressing on schedule and on budget. Operations will begin late next year since supplies under the PPA begin in 2019, as already mentioned.

Work on Assú Photovoltaic Plant in Rio Grande do Norte began in March, conclusion forecast for the year-end. Even if the PPA begins in November next year only, when you anticipate the completion of a project, you can also anticipate the start of the PPA. Our intention is therefore to complete the work by the year-end.

Finally, on slide 22, our already disclosed debut into the distributed solar generation business and the key project of the quarter - the participation in a project with Celesc in Santa Catarina where we had a demand for residential solar panels, which was eleven times over supply. We began installation work already in the first quarter, the first major step forward, and the most significant in this segment.

And finally to slide 23 and our pipeline of projects - to be triggered in the light of market conditions. We have always have some shelf projects which are being prepared for when market are right, both in the regulated market via auctions and also in the free market. Just as we did with Campo Largo, Santa Mônica and Pampa, the situation continues the same. We have proposed investments in energy projects involving solar, wind and natural gas under study, which when the opportunity arises, will be activated.

Now moving on a little to the financial part in slide 25. As I have already explained, we had a relatively flat performance in revenue terms, but important increases in Ebitda and net income in the quarter - consistent with what has occurred over the years.

Explaining a little more on each effect, in slide 26, there was the increase in average sales price, which contributed here some R$ 70 million against a reduction in sales volume of nearly R$ 80 million. The increase in average sales price was due to short-term transactions. As I have said, the sector players allocated much less energy to the first quarter of the year, creating what I would describe as an artificial supply of secondary energy which was settled at the high price of R$ 155 on average. Although we were short as a whole in allocated energy, we had the benefit of an additional R$ 15 million in revenue, contributing a further R$ 70 million to Ebitda about which I spoke earlier.

GSF of 2% in the first quarter of last year and secondary energy of 9.5% in the first quarter of this year. And reductions in fuels with R$ 24 million and royalties with R$ 16 million. Again, not just through a reduction in generation but also a reduction in tariff according to which these royalties are paid. These were the main reasons for the improvement in Ebitda performance.

And in the next slide, a financial result which was R$57 million better than last year and explained by the reduction in cost of debt, by the reduction in monetary restatement. Also because we are managing to capitalize part of our equity investments in Campo Largo and Pampa and consequently with smaller financial expenses, albeit offset by higher income tax because of higher earnings. As we increased our profit base, we show here a greater provision for income tax.

In slide 29, we can see here a small increase of more or less R$ 180 million in gross debt. The larger part coming from a BNDES disbursement to Santa Mônica, as already mentioned. Cash stands roughly at the same level it was in December last, which translated into a small increase in net debt to R$ 1.2 billion, a net debt which is still low at only 0.4 times our Ebitda. That means that there is still plenty of space to improve this to make our balance sheet more efficient. However, we are going to do that through growth - in transmission for example.

You will know that we took part in the transmission auction on Monday although unfortunately we were unsuccessful in winning any lots. However, at the end of the day, I think the process was a very good one for ENGIE. We were competitive. For example, in lot 1, the largest, we got as far as disputing in open outcry with the winner and lost by just a little. It was the same in other lots. This was our first participation in a transmission auction and we nearly got there. Now the tendency is to continue to examine the possibilities of future participations - if we have the conditions to participate, and I think we are going to have them – in the next transmission auctions. We are going to continue looking carefully at our entry into the transmission sector.

And there is also room to grow leverage via M&A, including the purchase of Jirau, which can be with debt for example. The amount of debt is also going to increase during this year because I would say that all our forecasted CAPEX for this year is going to be financed with debt. I am going to talk a little about this as well.

However, before going into this, on slide 30, it is important to mention that our payment of dividends and our investments have nearly all been financed in the first quarter from operating cash flow. In other words, only about R$ 200 million was funded from drawdowns from the BNDES as I have said.

The highlight in slide 31 was in the nominal cost of debt, which was 11.2% a year ago and today stands at 10.1%. Debt is cheap with more than 2/3 from the BNDES and with a good maturity profile.

Here in slide 32 is what I was speaking about just now - contracted CAPEX for 2017. Here is CAPEX with investments in Pampa, Campo Largo, Assú and what remains for Santa Mônica. CAPEX will be financed via debt to the level of the projects. We expect a growth of R$ 2 billion in investments so gross debt that is R$ 3.3 billion more or less will reach R$ 5.3 billion by year-end. Little by little, we will be improving the efficiency of our balance sheet but always with space to increase leverage further through growth whether in M&A, greenfield projects or in transmission.

Finally, in slide 33, we have resumed payouts of 100%. There was a reduction in payout for two years in 2014 and 2015. Due to the economic crisis, the hydrology crisis, we conserved our cash a little. Now, despite a scenario of heavy CAPEX outlays, as the

Company has leverage capacity, we have resumed 100% payouts now in 2016. We maintain our commitment for a minimum payout of 55% of the adjusted profit and to always pay more as soon as possible, in other words to walk the talk. When there is more CAPEX, we can reduce payout if there is no way to finance this CAPEX. Now we have the capacity to finance, we are resuming 100% payments and let's see what the future holds. However, as I said, we have the leverage capacity to improve the Company's balance sheet profile.

In short, that is it. I would like to open now to questions.

BEGINNING OF THE QUESTIONS AND ANSWERS SESSION

OPERATOR: We shall now begin the questions and answers session. To ask a question please touch asterisk 1 (*1). To cancel a question from the list, touch asterisk two (*2).

Remembering that to ask questions, just touch asterisk one (*1).

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Our first question comes from Caíque Vasconcelos, Banco Safra. Please go ahead Caíque.

CAÍQUE VASCONCELOS: Good morning to all and thank you for the call. Just so that I understand your strategy in the auction. You said you participated in bidding for a lot. I would like to know what the assumption behind this was. Was it a reduction of CAPEX, anticipation... It was mentioned during the call that there was open outcry bidding. Just to understand what the strategy was there. Thanks.

SR. CARLOS FREITAS: Well, we examine some lots and participate in some and clearly for each lot, we and other players have assumptions in relation to what the effective CAPEX is for the work, the construction term, what the term is for the environmental part. Each one establishes its own assumptions. We looked at some lots and participated in the bid for this lot. The largest was the first lot. What I said is that we delivered the first offer in a sealed envelope like everyone else in the auction. If there is a difference of 5% between the best offer and the runner up, you get a chance to bid via open outcry. Which is what we did.

We made an offer in a sealed envelope as the other bidder did and others as well. In the end, we disputed bids in open outcry, decreasing the value of each bid by a million at a time. That is, you reduce your RAP (Annual Allowed Revenue) in amounts of a million apiece. We disputed some rounds and went as far as our limit permitted, which is the limit we consider to be reasonable. We got there. Each one is free to make its own choices according to its own financial discipline. We made some assumptions in relation to the

reduction in CAPEX and in relation to the work schedule, but someone adopted a different assumption.

Within the framework of our logic, what we consider reasonable, we went as far as our limit allowed, but each one is free to make his own assumptions. In my view, we maintained our financial discipline by going to the limit we believe reasonable to generate value. Beyond that limit we will not go. We do not wish to grow for growth's sake, rather we want to grow creating value, within parameters we believe to be reasonable in terms of assumptions on CAPEX and term. But again, this is an assumption and each one has its own.

CAÍQUE VASCONCELOS: Great, thank you very much.

OPERATOR: Once more reminding you that to ask a question just touch asterisk one (*1).

Please wait while we collect the questions.

Our next question comes from Thiago Silva of Banco Santander. Thiago, please go ahead.

THIAGO SILVA: Thanks for the call. On Jirau, I know that you have already mentioned that probably the transfer will occur before the year-end, but I wanted to see if you could give us a view on how this asset will look in your balance sheet. Thanks.

CARLOS FREITAS: Thanks for the question. For the time being, I am unable to pass on any view. This is a matter, which will be analyzed by the Related Parties Committee. We will have to make a very intelligent analysis of the pros and cons of each alternative. There are alternatives, which clearly increase the Company's leverage, alternatives with a mix of debt and shares or deferred payment. I remember that there is a precedent for this. On selling a small asset in December last, we ourselves accepted a deferred payment. Partially in cash sight and partially in cash later. All this has to be evaluated. This process has still to begin, all this is going to be examined by us within the scope of the Committee and discussed and decided by the independent directors. We will be evaluating the pros and cons of each alternative. But for the time being there is no view in relation to this. What I can say, and I have already mentioned this, is that there is space to increase the leverage of the Company and this is nothing new. There is space aplenty to improve balance sheet efficiency but how this will work out in the case of Jirau is still an open question.

THIAGO SILVA: Excellent, thanks.

OPERATOR: Once more to remind you that to ask a question just touch asterisk 1 (*1).

FINAL CONSIDERATIONS

OPERATOR: We now conclude this questions and answers session. I would like to ask **Carlos Freitas** for his final considerations. Please go ahead, **Carlos**.

CARLOS FREITAS: Thank you all for taking part. If you have any more questions or comments, we are available to provide the answers via e-mail or telephone. Thank you and a good day to all.

CONCLUSION

OPERATOR: The conference call of ENGIE Brasil Energia is now concluded. We thank the participation of all and have a good day.