ENGIE BRASIL ENERGIA S.A.

TRANSCRIPTION OF THE CONFERENCE CALL WITH WEBCAST

ON RESULTS FOR THE FIRST QUARTER 2018

April 20, 2018 – 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 2018. 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" (*0).*

We would like to remind you that the call is being recorded. The presentation, accompanied by the 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 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 2018. 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 turn the call over to Carlos Freitas. Please go ahead.

Carlos Freitas - Chief Financial Officer:

Thank you, operator and good morning to all. I am pleased to be able to announce the first quarter 2018 results for ENGIE Brasil Energia to you. I trust you all have the material in front of you in the form of power point slides. So, let's get straight to the point. Here in slide number 5, we can see the financial highlights of the quarter. In general, it was a good quarter with growth in net operating revenue of 16%, that is an increase of R$ 260 million in revenue. Slightly less than half of this is due to Jaguara and Miranda which contributed for the first time to our revenue for the entire quarter. Remembering that we took over the operations of Jaguara and Miranda at the very end of last year and the agreement was only signed at the end of November, so this was the first full quarter in which both plants made a positive contribution. So, revenues from

the regulated market, that is to say 70% in quotas plus O&M revenue, amounted to R$113 million. And the remainder, the other R$ 140 million more or less reflects growth, the larger part of which came I would say as a result of the performance in the short-term market where we saw the average PLD rising from about R$150 last year to R$200 this. And as everyone knows, in this quarter there was a lot of secondary energy, that is the market as a whole sub-allocated energy in the quarter, so hydroelectric generation surpassed assured energy above 100%, 115% more or less, so generating secondary energy overall. This is going to go into reverse during the course of the year, because we still expect to have a reasonable level of GSF this year, not so marked as last year when it was over 20%, but around 13, 14% for this year. And we also had an increase in revenues from higher sales volumes. The market is coming back, in fact it is back and you are going to see how we made some important medium-term sales of around 300 average MW more or less between 2020-2022. So, there is market liquidity and this translated into an increase in revenue already in the short term. The Company's Ebitda grew 18% for the reasons that I have basically explained. And now to net income, growing just "8.6%" largely because we increased the Company's financial expenses. Because, ladies and gentleman, as you know, we financed 100% of the acquisition of the Jaguara and Miranda concession grants with debt. So, the Company's gross debt from one quarter to the other last year from March to March this year more than doubled. So, this clearly translates into higher financial costs and a lower financial income as well, because the cash levels with the Company today are less than in the past due to the expansion that we are making in assets such as Jaguara, Miranda, Umburanas, transmission and Campo Largo. I will make some comments on this later. And on another interesting highlight here, there was a slight fall in energy generation both hydro as well as thermal. This also translates into a slight drop in royalties payable. And another factor which is not so material - but I believe iconic - is that this quarter we no longer have the William Arjona Hydroelectric plant in operation. This plant was gas-fired and generated electricity for the last time in the first quarter of last year so there is a small saving in fuel here and an important saving in fixed costs.

Moving on to the next slide, slide 6, general highlights of the Company. So, the first point here I would like to comment on is that we managed to sell about 300 average MW of medium-term energy in the free market. This is in line with our strategy of gradual re-contracting of energy – in this there are times when we accelerate more and times when we brake a little. So, we have seen a lot of interest, liquidity in the market and, as you know, we are the leading player in the free energy market in Brazil. Jaguara and Miranda contributed in full, as I have already mentioned, R$113 million in revenue from the regulated market. And besides this, we have 30% of the free market, a part of which we sold and the other part not, so this also contributed a little for example to an improvement in our results in the short-term market. Another important point is that we kept our AAA rating on the national scale. Fitch downgraded sovereign rating and consequently our own rating on the global scale to BB, but on the scale of the domestic

market, which is our source of refinancing, the local debt market, we continue to have a prime Company with an AAA rating.

And another detail: the concession agreement for the transmission lot was signed in March now. From March then the countdown for the maximum five-year term to build the transmission line begins. As we have already said, our expectation is to anticipate the complete installation of this line by at least 12 months.

On the next slide, another important point relates to the possible sale of coal-fired assets, namely the Jorge Lacerda Complex and the Pampa Sul Plant, the latter of which is under construction. We were negotiating with ContourGlobal, as also previously announced. We were unable to come to an agreement and now we are reevaluating the way forward with this process. We are still going to reevaluate alternatives so that we can define what is going to be the next step with respect to the Company's decarbonization. Yesterday, at the Board's meeting we presented and the Board approved, the purchase of the 50% of the shares which we still do not have in a company which today is still small but in a business with a tendency to grow, that is the generation of distributed solar energy and a way of also entering this segment. And another highlight of the quarter is the AGM's approval some two weeks ago of the payment of complementary dividends amounting to R$637 million and to be paid at the end of the first half of this year. With this, we finalize the payout of 100% with an amount of about R$2 billion distributed, a part last year and another part this year, maintaining our pitch that we will continue to endeavor to pay an attractive dividend to the market. There may be moments when perhaps we will have to take a small step back but always in the same spirit of paying out the maximum possible and always with the minimum of 55% payout which is our commitment to the market.

Well moving on a little, I propose to jump to slide 12. Here we had a small growth between 2018 and 2019 in the participation of the trading companies. Basically, because there is one thing that we do a lot which is to buy energy and sell energy to traders to complement our portfolio, both in conventional energy as well as renewable energy, incentivized energy. So, on many occasions we enter into an energy contract whereby we sell conventional energy and pay a premium and buy incentivized energy and then later distribute this energy in the free market to maximize our competitive advantage of being a player which operates very strongly in this market. So today, this mechanism represents 12% of sales to the trading market. However, we have maintained more or less the proportion of 50% of the revenues from free clients, direct sales, industrial and commercial clients and about 40% between PPAs and sales in the regulated environment.

Moving on a little again directly to the slide which I think is worth commenting, slide 17, on strategy of sales. Here if we compare one quarter with another, here we have this important change which was volume sold in 2020, 21 and 22. If we make a comparison against the last quarter, we have here in 2020, 370 average MW sold, 300 average MW in 2021 and 270 average MW in 2022, thus more or less 300 and something average MW

in these three years. So, this here shows the liquidity in the market. The amount here which is decontracted in 2018 is similar to the figure in the preceding quarter which was 12% and is now 11.4%. We believe that this amount is reasonable to meet the risks of GSF which still lie ahead. For the year, we have 12.3% and depending on the evolution of the hydrological risk, etc., this number could decrease a little over the course of the year. However, for the time being, it is 12% and the tendency is that we carry on selling energy over the medium term to mitigate risks of recontraction with specific clients and consequently perpetuate and ensure predictability in the Company's cash flow.

On slide 23, I think it is important to also highlight the Gralha Azul Transmission System, the name we have chosen for this, our first transmission line lot. This represents a CAPEX of R$ 2 billion, R$ 1.7 billion being the CAPEX in practice, because we are reducing by 15% the Aneel authorized CAPEX. And we are confident that we will succeed, as I have said, in completing this operation, the line and its five substations, 12 months ahead of the allotted time and even attempting to do so even a little before.

On Pampa Sul, slide 24, work is going well, accumulated work now up to 82% complete with forecasted entry into operation slated for the first quarter next year. This is a new and complex job but we are managing it well. And as I said, as part of the process of decarbonization, we continue to look for alternatives for this asset, which can be sold now, can be sold later, or might not be sold. We still have a range of options open on the table.

On slide 25, Campo Largo Phase I is also going well. Note that we are already beginning the commissioning stage of three of the 11 windfarms, remembering that there are 11 wind farms, each with more or less 30 mega. So, we are putting 90 mega into operation by the end of June, more or less. And the expectation is to begin operations of the last farm at the end of the year or early December. In other words, over these six months, between June and December, we will have 330 MW at Campo Largo up and running and a little ahead of schedule and currently, a little below budget. Let us hope that all will continue like this - the conditions are very positive. Part of our competitive advantage is to execute and build, develop this capacity and to build a wind farm. We have already done this in the past and we are doing it in Campo Largo in Bahia.

And on the following slide, slide 26, we are repeating Campo Largo at Umburanas. Umburanas has a capacity of 360 mega and also as in the case of Campo Largo part of the sales has gone to the free market and another part to the regulated market. There are 144 towers, civil work on foundations, etc., already begun with the forecast for the first wind farm to go into operations early next year and the last in June. So, during the first half of next year, we are going to have more than 360 megawatts of wind power coming on stream.

And we have a pipeline - on slide 27 - of solar, wind and thermal energy plants, the start on which as you know we will trigger as soon as we believe it to be worthwhile investing when market conditions are attractive. For example, we did not take part in the auction held a few days ago. The fact is that we saw that it would not be worth participating,

given the conditions, the asymmetry of demand, etc. So, at present while we are not participating in the auctions, we do have this pipeline ready to go when we believe it in the Company's interests.

Well on to financial performance, slide 29, the quarter's numbers I have already commented. However, it is important to look at the trend - year after year after year we have been growing. We grew substantially last year basically with the same portfolio of assets and this year the tendency is also positive because as I have said, we will enjoy the full contribution from Jaguara and Miranda. And in the second half, Campo Largo as well.

In slide 30, we have the breakdown in net revenue with growth as I have said of R$260 million more or less, R$113 million from Jaguara and Miranda, revenue generated in the regulated environment. In the short term, a part here is Jaguara and Miranda and part is secondary. There are higher spot prices and increased volumes in sales bringing in here R$40 million.

In relation to Ebitda in slide 31, besides R$113, R$85 plus R$28 from Jaguara and Miranda, we have an effect on Ebitda in the short-term market of R$78 million, positive not only because of secondary energy but also thanks to our portfolio asset management. And at the side, I would say less material but even so, an interesting event, an increase of R$6 million as a result of the closing of Arjona, and after an increase as well in energy purchases for resale of R$51 million, results which offset the short-term performance of R$78 million. Here as I said, we are increasing the trading volume generally to complement our portfolio.

In relation to net income on slide 32, in addition to the variation in Ebitda, I think there are two important points to make. The most important is the decrease in financial result compared with the same quarter last year of R$85 million. In spite of the fall in interest rates, as I have already said, we have already substantially increased the Company's debt. And the second point a little less here, is also the greater cost of depreciation and amortization with an important part of this also coming from Jaguara and Miranda. In terms of return, a consistent return, always above 20%, of return on invested capital as well as equity, I think is also one of the company's differentials - we are growing but maintaining good profitability and a good payout.

And finally, before concluding, let me say a little on debt and on investment, on CAPEX on slide 34. This is what I was talking about. About a year ago, debt stood at a little over R$ 3 billion of gross debt and now stands at R$ 6.7 billion with cash balances also reduced. So that now gross debt and net debt are similar although we still have a ratio of 1.6 times Ebitda for net debt to Ebitda, still a very comfortable ratio. As I already said before, we intend to increase this indicator over the course of this year because part of our Capex is going to be financed from debt.

The following slide shows the evolution of net debt. Basically, net debt increased between December and March of this year, increasing in the first quarter by R$1.3 billion which was the amount of dividends. As simple as that. We paid out dividends in March,

more or less R$1 billion, a little less, and R$300 million and something of interest on shareholders' equity in January. So, totaling the R$1.357 million, R$931 million of our operating cash flow was used in investments, in Capex to pay income tax, etc. But basically, the variation in net debt occurred this quarter due to the reduction of cash with the payout of dividends.

The debt profile in slide 36 shows a photograph at the end of March with a significant volume of debt maturing in the short term this year, R$3 billion, part of which was earmarked to the acquisition of Jaguara and Miranda, and another part to normal Company operations.

We are already working on this, already organizing this so the photo at the end of June is going to be a photo showing a slight drop here in relation to short-term debt. And another important point to make is the fall in cost of debt - 10% in the first quarter of last year and now 7.9%. There has been a substantial increase in the percentage of debt in CDI, cheap debt, a percentage below on a low CDI. So, this also helped reduce the average cost of debt.

And finally, to slide 37, the Company's investment plan which last year was R$5.5 billion, a good part of which was R$3.5 billion in Jaguara and Miranda. This year, investments are going to be R$3.6 billion, of which R$2.7 billion is going to be financed with debt. In this R$3.6 billion, we have Pampa, Umburanas and we have Campo Largo and other Capex of a lesser nature relating to the day-to-day activities. Investment is basically concentrated on Pampa, Umburanas and Campo Largo. There is not much here for the transmission line. Our Capex for the transmission line begins in practice in 2020 only.

To conclude then, slide 38, this here is the same slide for the last quarter, a yield of 8.6% last year with a record dividend payout of R$3 per share. We are trying to maintain our commitment to be a balanced Company which grows responsibly and which pays dividends when we see no better use for the resources in-house – the tendency for the last few years - and we have capacity to increase debt. So, we have financed growth with debt and we have space to take on more. With this, I would like to open for questions and comments.

Operator:

*Thank you. Ladies and gentlemen, we shall now begin the questions and answers session. To ask a question please touch asterisk one (*1). To cancel a question from the list, touch asterisk two (*2).*
Our first question comes from Thiago Silva of Banco Santander. Thiago, please proceed.

Thiago Silva - Santander:
Good morning to all and thanks for the call. In fact, I have two questions. The first is on energy prices. I know that you do not give any guidance for your strategy but it is only to see what you envision in the market, the price of energy over the long term. You even commented on the auction, the last auction, A-4 on the sale of energy, which was at a very low level for renewables. In other words, do you think there is any downward pressure here for long-term agreements? And my second question is on M&A, whether you want to grow more in transmission lines or what is your preference for greenfield or brownfield, what do you see here for these next few years in terms of growth strategy. Thank you.

Carlos Freitas - Chief Financial Officer:
Great. Well beginning with your second point. We intend to grow in transmission and also in renewable generation of course. And we can do this through M&A or otherwise. Generally, we are more competitive when we go greenfield. And why is that? Because you have to manage some risks in a greenfield project, environmental risks, construction risks, EPC risks, etc., all of which is our métier, our core business, I would say. We are able to manage this risk well and can capture a greater return. On the other hand, if we buy a line or a wind farm already up and running, all contracted, constructed, financed, the return is low and it is probable that we will not be competitive. Thus, it is a question of allocating resources where we think we have greater chances of success. Can be brownfield as well but brownfield like Umburanas, for example. Umburanas was not a greenfield project, it was a sort of brownfield project, construction had not begun, but there were power purchasing agreements already in place, there was land already there, there was already an EPC pre-contractual agreement, and much else. We took over this project which was a very interesting deal for us. So, there could be this type of brownfield operation in the future. I think it is more probable than buying something already complete. In relation to your first question on long-term energy prices. We continue to see long-term prices at around R$150, R$170, sometimes R$165, R$160, but this is the range we work with for the long term. In the short-term now, prices are above this range because the spot price we are expecting for this year is for one of more than R$200. But long term is still in the same range that we commented on for the last quarter. And despite the auction of renewables, solar and wind power at the lowest prices which we have seen in Brazil, we do not in fact see any immediate impact on long-term prices. Many people have these questions and the question is a valid one if this is going to become a tendency and bring future energy prices under pressure. We feel that

the energy price in the future is a mixture of many things. On the one hand, you have wind and solar energy which can be sold under the availability concept and where the risks are much lower and taking the range of options on offer would command one of the lowest prices. On the other hand, Brasil as a whole is not going to be dependent on wind and solar energy. You are still going to have a large hydroelectric base for various decades in the future as the principal energy source in Brazil as well as thermal power. So, in this mix of sources, I do not see such a direct impact of these lower prices. But it is a tendency in these auctions, if things remain as they are, we will have a lower price for some time until things readjust. We have already seen in the past around 2011, 2012, wind power auctions at lower prices, about R$100 at the time, R$100 and a bit, and then later some of the wind farms were not delivered, etc., they had problems, etc., and so the cycle repeats itself. We are a long-term player, we are in this for the long term. We do not want to grow for the sake of growing, we want to grow with good returns. This is the view of the Company.

Thiago Silva - Santander:
That is excellent. Thanks.

Carlos Freitas - Chief Financial Officer:
Thank you.

Operator:
Our next question comes from Vinícius Tsubone of HSBC. Please Vinícius, you can go ahead.

Vinícius Tsubone – HSBC:
Hi, good morning and thanks for the opportunity. My doubt concerns Estreito. I would like to know if you have any estimate of costs for the repair of the generator units and if there is any type of insurance covering these amounts. Thank you.

Carlos Freitas - Chief Financial Officer:
Good morning. Good point. At the end of March, the twentieth or thereabouts more or less a month ago, Estreito was one of the worst affected plants in that blackout which affected the whole of Brazil. Because our system became isolated and for some seconds, a minute, the plant generated and there was no release of energy, this created some problems at the asset. Eight of the machines at Estreito ceased to operate, some little affected, others more affected and we are now in the process of bringing all eight machines back into operation during the course of this and next month. We have already brought one machine back into operation and by the end of the month, a further two. By then three machines will be operating. No, there are already two in operation and

then a further three and then the last three. By the end of May, all eight machines will be back in working order. In relation to insurance, yes, we have insurance for this. As this whole situation was caused by third parties, we are talking to the government, for example, so that the effects in relation to the availability factor - FID can be excluded. So, in reality we do not envisage any major effect from this. And the material effects, material, physical cost of this problem have not been so significant and we have insurance for this kind of accident.

Vinícius Tsubone – HSBC:
Ok, perfect. Thanks.

Operator:
Our next question comes from Pedro Manfredini of Itaú BBA. Please go ahead Pedro.

Pedro Manfredini – Itaú BBA:
Good morning to all, good morning Carlos, Rafael, thank you for the call. I have three small questions here. The first two questions are on Jorge Lacerda. The first is: how the process of selling Jorge Lacerda influenced the allocation of energy for 2018? Was there any type of influence - we could imagine a slightly different allocation in terms of strategy than was the case in other years? Possibly, if the process had been concluded, you would not have been able to count on this buffer during the year. The second question is that you spoke of an alternative to Jorge Lacerda. I joined the call in the middle, if you could speak a little on what are the alternatives, and if one of the alternatives is to renew the contact with ContourGlobal, or at the end of the day, any other player that may be interested in the asset. Could you comment a little on this? And my third question, being really specific, we saw that the bidding notice of CESP could be published at any time in May or a little later. In other words, the process could happen this year. Is this on your radar - also now that there is a longer timeframe and you will have much more... I understand that you are also prepared to go the M&A route when you have something to add principally in respect to trading energy. We know that CESP has a capacity with this new agreement, an extended agreement, thus being a decontracted player in the years ahead. In short, if this is also part of your strategy or alternatively, if the strategy remains to focus on wind subsequent to Jaguara and Miranda. Therefore, if you could talk a little about where CESP comes in your growth strategy. Thank you.

Carlos Freitas - Chief Financial Officer:
Thanks Pedro for the good questions. So, beginning at the beginning. Lacerda and the allocation of energy this year. Until we sell it, the Jorge Lacerda Complex is ours so in our energy allocation this year we considered the Complex as ours for the full year. For two reasons: the first because in practice a process such as this one takes time and has

to have the approval of Aneel. And we have a negotiating process here as well that in practice even if we had reached an agreement with ContourGlobal, I am not sure we would have closed the transfer before the end of this year. We tried hard with this. And more important, we put this potential sale on the road although we will only sell if it makes sense. And up to now, we were negotiating with them and it did not make sense. So, yes, Lacerda is in our portfolio this year, is in the portfolio for next year and in the portfolio every year. And we know that if we sell to this or that player, we can – and this is the most probable outcome – do a transitional PPA in which for two, three or four years we will still make good use of this energy perhaps on a declining basis over time, rather like the early agreements some twenty years back. Which would be good for us to readapt the portfolio, and it would be good for the purchaser to take over ownership with something already contracted. So, in terms of allocation, the answer is that. Alternatives, you arrived in the middle of the call, but I had said that we are now at the table pondering our next move. We have alternatives for proceeding with the process so may be we will move ahead with the process, I cannot comment with whom that might be at present, because we have an agreement that we cannot comment. But we are not at a standstill and yes, we are examining alternatives, not only for Lacerda, but also for Pampa as well. In relation to CESP, the position is the same since the beginning of the year. Now that Porto Primavera is to have an extension for a further twenty years, CESP becomes more interesting. So, we are waiting for the bidding notice and this is on our radar. But just as Sattamini himself has said, it all depends on the conditions that the São Paulo state government includes in the bidding notice in relation to the part of the liabilities - those that are already known and those which have yet to become apparent - in CESP as everyone knows. Yes, this is on our radar but it is going to be contingent on how complicated or not is the bidding notice when it is published.

Pedro Manfredini – Itaú BBA:

Great. Let me just conclude on CESP. When the process was made last year, when the Data Room was opened and all that, if you can comment, did you evaluate at the time? I imagine that since then as CESP continues on your radar, you must have spent some time or not, I don't know, evaluating all the possible pending issues. Since I understand this to be one of the most critical aspects to the CESP process, have you already spent time looking more deeply into the situation or do you believe that you should wait for the bidding notice before looking into the question in more detail? And if so, do you think that there will be sufficient time for an in-depth analysis, given that there will be an auction 30 days after the publication of the notice?

Carlos Freitas - Chief Financial Officer:
Pedro, what I can say is that this is on the radar. It is still on the radar, we are looking at the business but I cannot comment on details.

Pedro Manfredini – Itaú BBA:
Done. Agreed. Thanks.

Carlos Freitas - Chief Financial Officer:
Thanks.

Operator:
*Reminding you that to ask a question, just touch asterisk one (*1).*

We now conclude this questions and answers session. I would like to ask Carlos Freitas for his final considerations. Please proceed Carlos.

Carlos Freitas - Chief Financial Officer:
Well, I would like to thank all for your time and trust in the company as well over the last few years. And should you have any more doubts or comments, please do not hesitate to contact us. Thank you and good morning.

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