Local Conference Call

ENGIE Brasil Energia

Results for the Second Quarter 2016

July 29, 2016

Operator:

*Good morning. This is the conference call of ENGIE Brasil Energia for discussing the Company's second quarter 2016 results. All participants are connected in a listen-only mode. Later we will open up the call for the question and answer session when instructions for participating will be given. Should you need the help of an operator during the conference call, just touch *0 (asterisk zero). We would like to remind you that this conference call is being recorded. The presentation with the respective slides will be transmitted simultaneously on the internet through the www.engieenergia.com.br, website in the investor section. By accessing this section, you can also obtain a copy of the presentation and the release of the company's results. Before proceeding, 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, independently of the economic scenario for the country, performance and electric sector regulations as well as other variations, and are therefore are subject to change. With us today are Eduardo Sattamini, Chief Executive, Financial and Investor Relations Officer of ENGIE Brasil Energia and Rafael Bósio, Investor Relations Manager, both of whom will comment on ENGIE's performance in the second quarter 2016 and will present an update on the work at Jirau HPP. Immediately afterwards, we will take any questions that you may have. I would now like to turn the call over to Eduardo Sattamini. Mr. Sattamini, please go ahead.*

Eduardo Sattamini – Chief Executive, Financial and Investor Relations Officer of ENGIE Brasil Energia:

Good morning to all. One more quarter talking to you and a quarter substantially better than the second quarter in 2015. While we continue to suffer some of the impacts and turbulence experienced by the sector over the past few years due to the GSF, which still affected our results albeit to a much lesser degree given the much lower Price for the Settlement of Differences (PLD) in relation to earlier quarters, some residual impacts still remain. So let us begin with Net Revenue from Sales, which was 1.7% higher than the same period last year. We had a positive impact relative to prices even though these rose at less than the rate of inflation, a reflection of some easing this year feeding through to reduced pricing pressure. We also saw a reduction in volume, basically due to the termination of some contracts in the regulated market as well as a fall in amounts

purchased for resale resulting in our Net Revenue from Sales increasing by just R$ 26 million - equivalent to that low percentage in relation to the quarter last year. The EBITDA figure reflects an important reduction in our costs. Here, there was an important reduction in the costs of energy purchased from the short-term market in the order of R$ 187 million in the second quarter of this year in relation to the second quarter last year. This is largely due to the fact that while we are still suffering from the GDF effect the difference is settled in the market at a much lower average price than the average price for the short position which we incurred in the second quarter of 2015 when the PLD was in the region of R$ 380.00 per MW/hour. By comparison, prices this quarter were probably in the region of a little over R$ 60.00 per MW/hour, and this reflected in our EBITDA with an increase of R$ 165.7 million over the second quarter for last year. Consequently, there was a substantial improvement of 10 percentage points from 37.9% to 47.9% in EBITDA margin. Net Income received a small boost from a modestly improved financial result due to a year-on-year reduction in Net Debt. We can see a major reduction in Net Debt compared with the second quarter 2015 from R$ 2,079 million to R$ 1,202 million, thanks to our strategy of retaining profits in order to meet a cash difficulty due to increased financial costs. We also experienced major concerns with respect to the release of financing, of delays as we have already commented on previous occasions, due to the federal government's fiscal imbalances. So this scenario was reflected in a significantly lower Net Debt thanks to retention of profits and with this, our financial expenses also fell significantly.

The Company recorded an increase of 15% in energy production, incorporating a substantial increase in hydro generation of 28%. Thermal obviously reported a reduction with lower thermoelectric dispatch as hydrological conditions improved at the beginning of the year, this energy source posting a decline of 34%. Output from complementary resources was more or less the same level with generation just 2% down on the result for the same period in 2015. Perhaps an important point to highlight and something about which little has been said in previous quarters: we had a reduction in head count, a result of our voluntary retirement and severance program, still ongoing. We are already preparing in 2016 for a group of people to take retirement and to be replaced following an integration period where the new entrants work side-by-side with leavers. Now the latter will begin to decline in two groups, one in April and one in November. Overall, our headcount should remain at reduced levels and decline a little further by the end of this year.

Well now, let's move on to slide number 5, where we discuss the highlights of the quarter: we concluded the concreting of the pedestal to the turbo-generator at Pampa Sul Plant, this requiring the mobilization of 42 hours of uninterrupted work, an important milestone for us. This is symptomatic of how work at Pampa Sul is progressing satisfactorily and we expect to be giving constant updates as to the evolution of work

on this plant. The Company received another regional award, this time from the *Jornal A Notícia* for Social Responsibility and Sustainability.

The Company also concluded a debenture issue under CVM Instruction 476 this week, issuing two series for seven and ten years at an average rate of IPCA + 6.26%, these funds being injected into the equity of Pampa Sul.

We also received some good news this first half, the Brazilian Development Bank - BNDES approving the financing of R$ 353.5 million for the Santa Mônica Complex. This financing is at the agreement signature stage, having been approved by management. There is still one final step for adjusting the agreements prior to signature and registration. I shall be talking further about the Santa Mônica Complex later on. Suffice to say here that it has just begun feeding energy to the system following synchronization of the first generators on Wednesday. So, this is a piece of good news for us.

Continuing on with the highlights: in slide 6, we held an Extraordinary General Meeting on July 14 - Bastille day in fact - adopting the corporate denomination of our parent company, changing the name of the Company to ENGIE Brasil Energia S.A. the share trading under the ticker symbol of EGIE3 and our ADRs with the EGIEY symbol. These therefore are the changes to our name and ticker symbol for our shares and our depositary receipts. Recent news also is that the Board of Directors approved the distribution of interim dividends of R$ 645.2 million, representing 100% of Net Income and equivalent to nearly R$ 1 per share in the first half.

The Company was again awarded the ANEFAC, Fipecafi and Serasa Experian Transparency Trophy. This is the sixth time we have won this award in the last seven years, an indicative of the quality of the information rendered to the market.

Slide 7 shows no significant change in Shareholding Control with only the ENGIE logo now becoming the Company's logo together with the name change.

Moving on to slide 8, there were no changes at our generator complex, no further additions to our generator capacity being made and we continue with the same total installed capacity of 7,008 MW.

Speaking of our leadership among the private sector generators, there are some new players with growth appetites in the market. Nevertheless, we are seeking to maintain our leadership - not just for the sake of maintaining it, but rather for the important standing of the Company in the generation environment in Brazil. And for maintaining the Company's access for dialog with the federal government, it is critical that the ENGIE Brasil continues big and important. This is the view we take. We have growth in energy already acquired and due to be incorporated in the Company's capacity over the next few years, namely the Pampa Thermoelectric Plant with 340 MW, Campo Largo with 330 MW and Santa Mônica due to go into commercial operations by next January with 97 MW. We also have the Jirau plant about which we should be beginning discussions on transfer to ENGIE Brasil, with a further 1,500 MW and Assú, which is our solar energy plant with 30 MWp. This represents the additional 2.3 GW of growth in our forecasted

capacity from our current 7 thousand MW on which we have already commented in the preceding slide. We are and will continue to be the largest private sector player and intend to maintain this position, taking advantage of growth opportunities which appear in the market.

In relation to the portfolio, perhaps the only other more notable feature is the increase in the participation of the trading companies in our portfolio, the numbers increasing from 3 in 2015 to 6 in 2016. The importance of this is that we have undertaken some energy swaps in order to adjust the composition of our portfolio and with this, the number of trading companies with which we operate. It is not that we are focusing on the trading companies again as previously when we operated strongly in this market, it is not exactly that, rather it is the fact that we need to exchange energy in a such a way that we can adjust products and serve the market, or otherwise for the purpose of opportunistic exchanges or the exchange of energy which I have in the future to cover my portfolio in the present. Or it may be for exchanging energy from conventional sources for energy from non-conventional sources to cater for the growing demand we have detected in the non-conventional market. As the free market is very important for us, we always refer to it as a growing market, one of growing importance. We take great care in relation to the risk, which it may represent. Even in a complicated scenario and under economic-financial crisis conditions, we have managed to maintain our zero default record. Clearly, delays occur, but these delays are covered by guarantees, which can eventually be called in. We try not to execute but rather maintain the client relationship. However, this policy of credit evaluation and establishing guarantees has successfully kept us with a zero default record. We seek to diversify across several industries so that there is no systemic risk in relation to any one specific segment of the economy.

Moving onto slide number 13, this one on the market, we have an excess of supply when seen over the horizon of the next few years. A large part of this excess capacity is in the hands of the distributors, creating a different market situation where you have excess supply but limited liquidity. This also has resulted in a slight move upwards in the free market price. Initially, we had the impact of an improvement in hydrology with falling prices, a scenario of excess supply and eventual liquidity became apparent in the market. However, this situation is beginning to disappear given that a good part of excess supply is uncontracted energy and in the hands of the distributors. So this is the situation that we are having to deal with in the market and a situation, which is a relatively new one. On the other hand, in the medium and long-term, we are going to see a tendency in the direction of greater price volatility and continuing high cost thermoelectric plants in the system - thus tending to drive prices higher. This is not the case at present, but when we look to the future, expansion has been taking place at relatively high prices and the operation of the system has been more expensive when you need to resort to the thermal plants. Such plants operate at a high variable unit cost

and they end up influencing both the short term and also the medium and long-term contracting prices.

Let's move on to slide 15 showing our position in contracted energy where we have a very comfortable position over the next few years with a high level of contracted energy. However, as you know, our level of uncontracting has to increase since the contracts in the free market run for average terms of 4 to 5 years so we need to be renewing our portfolio of contracts in this period of 4 to 5 years with a 20% to 25% rotation in these contracts. In this way, after three to four years we are going to have 60% to 70% of our energy on an uncontracted basis, of free market energy. Obviously, when we look at the regulated market, as this participation is more or less half and half, what we are saying is that about 60%, 70% of energy from the free market would be 30%, 35% of our total energy. This is what we can see looking at this graph on the left hand side. On the right, this shows year-by-year the renewal of the contracts, the capture of new clients albeit in a gradual fashion.
Moving on to the Energy Balance, this is a tool that we show more for the purposes of giving an opportunity for analysts to build their models for the Company. There are no specific details or significant changes worthy of mention at this time.
With respect to expansion, I am going to hand over to Rafael to talk about Jirau and later I will discuss the other projects of ENGIE Brasil Energia.

Rafael Bósio - Investor Relations Manager of ENGIE Brasil Energia:
Thanks Sattamini, good morning to all. As usual, we open this section on expansion in our results presentation with an update on the Jirau project, a plant under construction on the Madeira River, in which our controlling company has a 40% stake, and 120 km from Porto Velho in the state of Rondônia.
In slide 18, we can see that 72.2% of assured energy is already contracted through a 30-year PPAs, indexed to inflation. The available energy balance is today commercialized with the shareholders ENGIE, Chesf and Eletrosul. In relation to discussion on the force majeure lawsuit involving acts of vandalism in 2011 and 2012, the action continues to be examined by the court of second instance. Financing conditions remained unaltered during this quarter.
Going on to 19, where we give an update on the work at the site, we can announce an increase in the capacity of the operation with generation beginning on a test basis at one more 75 MW unit. This should go into commercial operation over the next few weeks thus increasing installed capacity in operation to 3,225 MW, the output from 43 units. In addition, another two units are already at an advanced phase of assembly and commissioning. Worthy of note always is that the total assured energy for the project was achieved with the entry into commercial operations of the 33rd unit, an event which took place in July 2015. In the second quarter of 2016, the plant generated 1,489 aMW

reaching an uptime operating factor of 99.6%, indicative of the excellent operating performance of the project. Work is in the final phase as can be seen from the photographs in slide 20, the conclusion of the project being scheduled for the second half of this year.
I will now hand you back to Sattamini to continue the presentation of projects being constructed by ENGIE Brasil Energia.

Eduardo Sattamini – Chief Executive, Financial and Investor Relations Officer of ENGIE Brasil Energia:
OK, so let's resume with Pampa Sul about which we have already made mention at the beginning of the presentation. What we can see in slide 21 is the chimney foundation beginning to take shape. Clearly, this is a really big project and it is important for us that it begins to show signs of evolution at the site. Previously, we were still very much at the incipient stage of the project together with the monitoring of the manufacture of plant components at the suppliers. Now we are seeing the initial deliveries of parts and the beginning of the preparation of the foundations for installing the first assembled items. This project sold 294.5 aMW at the A-5 auction in November 2014 at the price of R$ 201.98 MWh. If I am not mistaken, this price today would be in the region of R$ 220 and a little more. In the slide with the summary of our contracts, you can see the details. This plant is scheduled to go into operation there in the second half of 2018 for supplying energy under a 25-year PPA beginning in January 2019. We also have the Campo Largo wind project under construction with a total of nearly 327 MW. We are working with a strategy of commercializing energy in two parts with one part of the wind farms supplying energy to the regulated market. There are 6 wind farms altogether with a capacity of 178.2 MW, that is a commercialized value of 82.6 aMW at a price of R$ 139.29 as of November 2014. Today, this price is a little higher. I would remind you that when we acquired the equipment for these projects, the imported components were entirely hedged and therefore free of the FX translation effect, which occurred in the period.
The Santa Mônica project in slide 23, as we have already said, is beginning generation of energy now, a process that will be completed by the end of the first quarter in 2017 with various generator units going into operation. The price at the A-3 auction in August 2015 was R$ 188.45 and today it is in the region of R$ 204 per MWh. This wind complex is made up of 36 turbogenerators divided among 4 wind farms, these being Estrela, Ouro Verde, Cacimbas and Santa Mônica Parks. Moving onto the Assú - Central Fotovoltaica Assú V solar project. This was one of the three parks we entered for the November 2015 auction, in the Reserve Auction, where we sold at a marginal price for the auction and for this reason we were unable to sell the other two. The price at the time was R$ 303 per MWh, while today this is about R$ 320, a little less than R$ 319 and something. Operations are expected to begin in 2018. Still on projects under development, in the

second quarter of 2016, more exactly in April, we signed a partnership with the Araxá Group for the development of a company called ENGIE Geração Solar Distribuída, representing our debut in this segment of distributed generation. The idea is to supply rooftop solutions for residential, commercial and small and medium size industries with a view to developing this segment in Brazil. We believe that this is a segment which will show substantial development and that we should be a part of it.
Other projects in the pipeline are the Assú I and II photovoltaic plants in the state of Rio Grande do Norte, which would complement the one for which we sold output in the auction. We also have Santo Agostinho with 600 MW of installed capacity also on hold awaiting an opportunity to take part in upcoming auctions. There is also Campo Largo - Phase II, which would be a phase in synergy with Campo Largo - Phase I, and with an installed capacity of 330 MW. We have the Alvorada Photovoltaic Complex in Bahia with 90 MW and situated close to our Campo Largo Wind Complex. In addition, we have the Norte Catarinense TPP in the state of Santa Catarina, a project we are holding in reserve pending deregulation measures in the gas market when we can also explore capacity in the generation of gas-fired thermoelectricity in greater volume.

Moving on to Financial Performance, the graph on slide 28 where we show the key financial components. In 2015, we saw a resumption of growth in the results and our hope is that in 2016 we shall also turn in year-on-year growth. In the quarters under comparison, we were able to report significant growth in EBITDA and Net Income, showing that to some extent, the return of the PLD to lower levels that is the improvement in supplies, is not being beneficial due to that GSF is still an active factor at a lower PLD price. We also have other problems in the system which are influencing the plants in the MRE: the financial excess, the distribution of the financial residual, occurring due to the differing prices in the various submarkets and this also affecting first half results.
On net revenue from sales, we have already spoken at length at the beginning. This account basically involves two components. In slide 29, we have an average selling price increasing R$ 94 million, reflecting the increase from R$ 170 to R$ 180 per MWh, approximately. We also have a volume reduction component… there was 199 aMW drop in bilateral agreements and there was also a reduction in consumption on the part of some commercial and industrial clients. Obviously, the crisis affects the level of consumption and this also affects contracting levels. We have contracts that have some degree of flexibility and this flexibility is exercised during these periods of weak economic activity. In the light of the foregoing, our revenue rose 1.7% from R$ 1,545 million to R$ 1,571 million.
Slide 30 looks at changes in EBITDA. The principal component here is relative to the short-term market with the main factor being the reduction in market overheads as a function of reduced PLDs. We went from an expense of about R$ 347 million in the second quarter 2015 to an expense of around R$ 60 million in the second quarter of 2016 in the short-term market. This translated into R$ 187 million less in expenses

between the compared periods while revenues recorded a small increase of R$ 14 million. You can see this change in the earnings release that the revenue increased from R$ 16.4 million to R$ 30.7 million. We also recorded an increase in Net Revenue from contracted sales of R$ 14 million, which is not significant and the other components are of minor importance.

Let's move on to slide 31 where we look at Net Income. This has the components of EBITDA, the Financial Result which we have already touched on, lower Net Debt, the tax component, obviously, more profit, more taxes resulting in our net income increasing R$ 120 million from R$ 209 million to R$ 329 million on a year-on-year comparative basis.

Moving on to slide 32 on Net Debt or rather Debt. Net Debt was R$ 1,203 million, recording a small increase and we can see the change in the Net Debt in the next slide. More important is that our indicators remained stable or improved. In the case of Net Debt to EBITDA, we maintained a 0.4 times ratio, while the ratio for Total Debt/EBITDA is 1.1 times - with a significantly high volume of cash - against 1.2 times at the end of 2015. Cash Flow from Operations increased from 0.78 in 2015 to 0.86 in the second quarter of 2016. As we have already commented, Net Debt posted a small increase of 11.9%. The principal driver here was capital expenditure of R$ 209 million, due to the investments we are making in Pampa and Santa Mônica. In the case of Campo Largo, the volumes are still not large. We should also mention a hedge operation, in this case with a negative effect although this is probably reflected in a reduction on the other side in my liabilities with suppliers. I have touched on the principal components only. Again among these is the monetary restatement also important given the increase in inflation and which is also influencing our concessions payable adjusted at the IPCA or IGPM. We also have a strong operation with operating cash generation. All the foregoing components have basically driven an increase in Net Debt from R$ 1,075 million to R$ 1,203 million.

Slide 34 covers the debt profile. There is a concentration at the end of 2016 and relating to those operations made at the end of 2014 based on CDI which at that time we drew down with a negative carrying cost, CDI less something, while our cash has been invested at SELIC which is CDI plus something…very little. Why? So that we could ride out a period of turbulence expected for 2015 and early 2016. In our view, this decision was the correct strategy but now we have this amount to settle at the end of 2016, albeit basically guaranteed by our cash position. In addition, there are some operations, which are going to contribute to the bolstering of our cash position, principally with the signature of the financing for Santa Mônica with the BNDES. Resources for this line have already largely been expended - and the work will be largely concluded by year-end and the line of finance will by and large replace own capital, which was injected into the projects. Similarly, the infrastructure debenture issue which we issued for Pampa is also to substitute proprietary capital which has also already been injected into the project.

The remainder of the debt has a very amenable profile, being largely based on long-term BNDES financing as we can see from the 67% in the pie chart on the right hand side of the slide. CDI accounts for 21% and should be liquidated at year-end. The funding indexed to the IPCA is a debenture issued at the end of 2014 for the modernization of the Company's plants. We should now have an increase in the share of IPCA-linked operations as we have the liquidation of the financing operation for the Pampa project, which is also linked to the IPCA NTNB + 6.26%, about which we have commented at the outset to the presentation.

Investment Plan. We have a robust investment plan. You will already be aware of those projects that were listed previously with investments worth R$ 2.2 billion, with R$ 511 million of retention being carried forward since 2010 for initial work on Pampa, sorry, I mean Jirau. This amount is scheduled for this year, although settlement, probably any settlement, of a transaction to be made with ENGIE for the transfer of Jirau can be expected to occur in 2017 only. Therefore, if we do not settle this year, this item will be carried forward to 2017, reflecting the level of transparency that has been demonstrated in relation to these retained earnings carried forward. Other than this, R$ 1,700 million has been allocated for capex this year with heavy investments to be made in the Pampa Thermoelectric Plant. Next year, capex will amount to a further R$ 1,916 million, with Pampa again taking the lion's share. During 2017, capex begins to be scaled up in the Campo Largo project and by 2018, the breakdown in allocated capex is more or less equal between Campo Largo and Pampa … and you have other solar projects beginning to enter the equation.

Well, in relation to Dividend Policy, we resumed the distribution of a payout of 100%. We believe that the situation to a large degree is already tending towards equilibrium with the macroeconomic scenario already beginning to show improvement - at least in terms of growth. Instead of a 3.6% decline in GDP, the decline is now expected to be 3.3% and next year is already indicating a scenario which is a little better with inflation beginning to ease. So we believe that we are already back in equilibrium, already retained earnings and our cash position healthy, equalized allowing us to resume a payout of 100% dividends in the same way as in the years 2011, 2012 and 2013 when the situation was also in equilibrium.

OK so this is our presentation… I think that now we can throw open proceedings to the question and answer session.

Operator:

*Thank you, we shall now begin the questions and answers session. To ask a question, please touch asterisk 1 (*1). To remove a question from the list, touch asterisk 2 (*2). Our first question is from Caique Vasconcelos, Citigroup.*

Caique Vasconcelos - Citigroup:

Good morning to all. Two quick questions one of which is just an update in relation to commercialization strategy as to how you are viewing the market, how you are seeing the evolution in free market prices and whether you have seen greater demand on the part of consumers? And a second question, we are seeing many assets in the market with a high selling potential, principally in the case of generation assets, what would be the appetite for you at ENGIE for M&A, and whether you think there is room for the generation of value under the current market conditions? Thanks.

Eduardo Sattamini – Chief Executive, Financial and Investor Relations Officer at ENGIE Brasil Energia:

The situation in the market is *sui generis* like he said, there is oversupply but limited liquidity. We have seen prices behaving somewhat irrationally. You have an excess of supply but prices have been increasing, I don´t know, over the past two months or six weeks. We have seen major demand principally on the part of new entrants to the free market coming from the distributors. Distributors' prices are rising substantially and this on the other hand is making the price in the free market fall. This in turn has meant that the appetite of those players which had still not migrated from the regulated market to the free market increases, stimulating demand for non-renewable conventional energy. This is the market with potential and will have to be more flexible if it is to generate capacity where there is a current difficulty in satisfying demand. We are experiencing a contradictory situation with excess supply but with unattended demand. Therefore, we will have to work on it and see how we can come to a solution in discussions with the regulator and the government.

As for M&A, there is a lot going on and we have been looking and endeavoring to analyze some opportunities in greater depth. However, you know about our appetite - we have an appetite but we are very conservative always in the steps we take. We do not go out in the market buying at any price … until we align the interest with that of the seller and they with our interests, we end up not completing any operations. So we have been looking and are looking at some assets and it is possible that there could be a surprise in the pipeline. Nevertheless, there is no desperation or going into the market thinking that prices are really good and that we have to go on a major shopping spree at this time. We are approaching the situation with interest but with caution.

Caique Vasconcelos - Citigroup:

Great, many thanks.

Operator:

Our next question is from Carolina Carneiro, Santander.

Carolina Carneiro - Santander:

Good morning to all. In fact, I have two questions…. the first is a continuation of the previous question. It is just because you, Sattamini, said you were detecting behavior which seems rather irrational. Just so that I understand this irrationality, is it because of the excess supply or is it because of the pricing you have been seeing? Because in the first quarter, you commented that the price level was always between R$ 120 and R$ 130, so it is more for me to know if the price has risen a lot in relation to this level or not, OK? Alternatively, if it was like you were saying, really because of excess supply. And the second question leading on from the first: we have seen the government announcing a possible A-3 auction before the end of the year which does not seem to make sense in the context of what all the market agents have been saying. It is just to understand how you see this A-3 auction fits into the scheme of things. Might it be for adjustment purposes, to source more thermal power, in essence to adjust the energy matrix itself or whether the government continues to see space for new contracts? That's it.

Eduardo Sattamini – Chief Executive, Financial and Investor Relations Officer of ENGIE Brasil Energia:

Let us see here, I don't know, perhaps if I used the word irrational, perhaps I have used the word incorrectly. What I am saying is that there are contradictory signs since you have excess supply and yet an increase in prices instead of a reduction. Initially, there was a reduction with the outlook for an excess in supply in future years, making the price fall. However, what happened was that liquidity is non-existent, excess supply is restricted to the contracting of the distributors. And this has created a situation where people have realized this and prices are rising a little, rising a little above this price of R$ 120 to R$ 130, not substantially above this but this is the effect of the perception of lack of liquidity. So it is not irrational, rather the increase in price is contradictory. Perhaps we have a downward overshooting with prices falling to exaggeratedly low levels and these are now coming back. But, I think that it is more lack of momentary liquidity due to oversupply at the distributors. I believe steps are being taken so that this oversupply is corrected little by little, possible bilateral discussions between generators and distributors for uncontracting, things like that which the government is stimulating so that this situation normalizes. With respect to the A-3 auction, no one knows if this is merely a formality or whether there is some set level of contracting in mind. I see no reason for this A-3 auction, when in our view there is an excess. Unless you see a robust increase in the economy over the next two years, I do not see demand for an A-3 auction. Perhaps we are seeing some specific and marginal demand and a need for a specific

distributor and the government feels obliged to meet that requirement. But I do not see quantity in this auction - rather I think it's much more a formality.

Carolina Carneiro - Santander:
Right, thanks.

Operator:
*To ask a question, please touch asterisk 1 (*1). Our next question is from Vinícius Canheu, Credit Suisse.*

Vinícius Canheu - Credit Suisse:
Hi Sattamini, good morning. Both in the Press Release as well as in your comments now on results when you talk about the position of the CCEE, it was not clear to me if in the quarter with the overall effect of allocation versus thermoelectric substitution whether you were long or short in this second quarter given that the forecasted PLD for the remainder of the year is for a considerable increase. I would like an idea as to the CCEE result for the remainder of the year now in the second half vis a vis this potentially significant rise in the price of PLD.

Eduardo Sattamini – Chief Executive, Financial and Investor Relations Officer of ENGIE Brasil Energia:
Hi Vinicius, you are used to us and you know we do not answer questions on how we allocate energy.

Vinícius Canheu - Credit Suisse:
Now is in the past and in general it is only the future you do not talk about. Now is in the past.

Eduardo Sattamini – Chief Executive, Financial and Investor Relations Officer of ENGIE Brasil Energia:
The past could reveal the future so I reserve the right not to answer this question.

Vinícius Canheu - Credit Suisse:
OK, fine, thank you.

Operator:
We now conclude this session of questions and answers. I would like to ask Eduardo Sattamini for his final considerations.

Eduardo Sattamini – Chief Executive, Financial and Investor Relations Officer of ENGIE Brasil Energia:

I would like to thank you all. We are returning to a degree of normality. I hope this is obvious although there are still factors which are creating instability in the market - delinquency, the impact of GSF, distributor subcontracting. However, we are seeing good will on the part of government and industry entities to sort out these aspects and our hope is for a more stable scenario in the sector. This, I believe you investors and analysts have already noticed and for this reason the electricity sector has seen a thoroughly satisfactory performance on the stock exchanges. So I think you share the same opinion as ourselves that we can expect to revert to a scenario of greater stability, of no longer thinking in the very short term but thinking medium, long term which is very positive for the investor and for us working in a long-term business. Therefore, I would like to thank you and leave the way open for eventual information you may need. Many thanks to all.

Operator:

ENGIE Brasil Energia's conference call is concluded. We would like to thank the participation of all, have a good day and thank you all for using Chorus Call.