ENGIE BRASIL ENERGIA S.A.

TRANSCRIPTION OF THE CONFERENCE CALL WITH WEBCAST ON

RESULTS FOR THE SECOND QUARTER 2017

JULY 28, 2017 – 11:00 (BRASÍLIA TIME)

OPERATOR: Good morning. This is the conference call of ENGIE Brasil Energia where we shall discuss the results for the second 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" (0*).

We would like to remind you that the call is being recorded.

The presentation and 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 Eduardo Sattamini, Chief Executive Officer, Carlos Freitas**,** Chief Financial and Investor Relations Officer and Rafael Bósio, Investor Relations Manager, all of whom will comment on the performance of ENGIE Brasil Energia in the second quarter 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 Eduardo Sattamini and Carlos Freitas. Please go ahead.

EDUARDO SATTAMINI: Good morning to all. It is a pleasure to be here once more with you to report on a good quarter. Let us move to slide 4 where we have the principal financial highlights and the general message of improved all-round performance both for the quarter and the first half.

Year-on-year for this quarter, we had an increase in sales of about 180 MW which in spite of the decline in price, represented a substantial net increase in sales.

The management of the portfolio helped protect us from the effects of the GSF. In the second quarter, we had an energy deficit of the order of 16% against 10% in the second quarter 2016 together with a much higher PLD.

On a more specific note, what aggravated the situation a little was the hydrology situation in the south of the country, which meant that our hydroelectric plants generated less than in 2016.

The scenario was a challenging one, which thanks to our portfolio management we were able to mitigate some of the risks without suffering significant effects from exposure to the short-term market.

A further component, which also positively helped our Ebitda, was our management of costs. We made a significant reduction in headcount and also reduced the cost of fuels, this involving two aspects. First, effectively less thermoelectric generation with no necessity for government ordained dispatch. The second aspect involved more effective management of the effects of Resolution 500, the resolution which establishes percentage penalties according to the efficiency of thermoelectric plants. In this second quarter we were subject to a reduced level of penalization than was the case in the second quarter last year.

With respect to materials, services and others, we also saw stagnation in nominal terms, representing an effective decline in costs.

So these were the aspects that influenced Ebitda positively. Moving to net income, we have a very important component, namely the decline in inflation and interest rates, translating into a result, which was considerably superior to the second quarter of 2016.

Overall, these were the aspects, which influenced our results for the quarter, results which we consider most satisfactory given the economic conditions the country is experiencing.

Moving on quickly to the numbers, net revenue from sales rose 7.1% in relation to the second quarter 2016, Ebitda rising 13.8% with an increase of 3% in Ebitda margin and net income up 49.4%, significantly impacted by the reduction in financial expenses.

There was a small increase in net debt. R$ 300 million in terms of Ebitda generation is small, but net debt increased 25.6% on the back of our investments. We were able to

drawdown funds from the BNDES early on in the year, thus restoring the flow of resources.

Obviously, we have to talk about cash as well. We pay dividends and taxes and this means that our cash has also been mobilized.

As we have already commented, production suffered a significant drop due to hydrological factors. In the second quarter 2016, we generated nearly 5 thousand average MW against 3.6 GW this quarter.

In terms of energy sales, as already mentioned, we recorded growth and prices fell slightly, largely because of the high prices practiced in 2016, the result of the two preceding years when short-term prices were very high – very high spot prices and PLD – and influencing greatly the sales price for 2016. So we saw a small reduction of 1.1% in the Company's average selling price.

The total number of employees fell from 1,183 to 1,125, a key factor that translated into a significant decline in the number of effective and permanent employees on the payroll from 1,148 to 1,081. This movement should be set against a small increase in employee numbers in the construction area, obviously a measure of the stage that our projects have reached, principally Pampa, where work is proceeding at an accelerated rate with a large number of subcontractors on site. We need supervision, improved safety engineering and this is reflected in the number of employees needed to take care of these aspects at the site. Or in other words, close onsite management on the part of our team, ensuring our result is highly satisfactory.

Moving on to the highlights in slide 5, with respect to Jirau, we received notice from our controlling company and announced to the market accordingly that Banco Itaú had been engaged to prepare a proposal for transferring the stake in Energia Sustentável do Brasil (ESBR) and Geramamoré from the controlling company. Geramamoré is a trading company set up to purchase energy from Energia Sustentável do Brasil (ESBR) in the name of ENGIE Participações. So these two assets should be transferred as you know and Banco Itaú has been hired to decide in conjunction with the controlling company as to the structure which best creates value for the various shareholders, be they shareholders of ENGIE Brasil Energia or shareholders of ENGIE Internacional.

The Ministry of Mines and Energy (MME) also published Technical Note 5/2017 proposing improvements to the legal framework of the electric sector. We take a positive view on this. Various issues impeding the development of the electric sector have been addressed and now we are participating with contributions to a public hearing to come up with a regulatory framework, which is increasingly pro-market and efficient for managing the adequate allocation of risk.

At the last meeting of the Board of Directors, we received approval for the payment of interim dividends worth R$ 938.9 million, once more a payout of 100% of the distributable net income for first half 2017. This dividend payment is the largest in terms

of semi-annual dividends we have ever paid out in our entire history. So it is an important landmark event for dividend players, and very relevant information.

Another important event was the additional gain of 7.9 average MW from the Salto Santiago plant as a result of the modernization of the machines and their performance demonstrated to Aneel, representing an increase of 32.1 average MW in the plant's physical guarantee.

Continuing with the highlights in Slide 6, as you all know, we are introducing a process of automation, modernization, digitization. We have an agreement with Link Lab, sponsoring Link Lab, an innovative environment here in Florianópolis, the city becoming a major hub for startups and technology. The partnership with LinkLab allows us to begin to have open innovation with the potential to bring operational improvements, new business models and an external view in the context of adapting to a world with more rapid and modern changes.

Also on the theme of digitization, we are incorporating more plants to be operated out of our Generation Operations Center here at company headquarters. We have already begun operations of some machines albeit still on a redundant basis and in parallel with the local operation at the Cana Brava plant.

The intention is this year, with remote operations fully implemented at Cana Brava, that we also connect and begin operating the São Salvador plant on a centralized basis - with Estreito next in line. And by early next year, we should be operating all of our wind farms, leaving just the large-scale plants in the South to be connected centrally. These are plants of a larger size, always more than a thousand MW, so we are anxious to incorporate these as well.

Aneel authorized the transfer of corporate control of the Beberibe and Pedra do Sal wind farms and the Areia Branca SHP. The transfer process of these assets to the purchaser, in this case Petrolina, should take place as soon as the BNDES gives the green light, which is still pending. In the next couple of months, we expect to have concluded this operation, announced at the end of last year.

Other important information was that Company received the Top of Mind Award for the Santa Catarina-based Companies, Institutions and Foundations, Highlight in Sustainability and Environmental Responsibility category, reinforcing our crusade for good, to do good for people and show our credentials in environmental and social responsibility, which a company wanting to be sustainable over the long term needs to demonstrate.

The next slide, slide 7, shareholding structure, there have been no significant changes other than the aforementioned three units, which will be transferred as soon as we get approval from the BNDES and can finalize these asset sales.

In the next slide (8), Balanced Asset Portfolio, there has also been little change. Let's skip quickly through this, which is only information for those wanting to know our footprint across Brazil and developments in installed capacity.

The next slide (9), we show our importance in the context of the Brazilian generating scenario, the Group being the largest private sector power generator in the country, a position we hope to keep. Obviously, we are not growing and maintaining positions solely to secure market share. Our idea is always to grow on a profitable and sustainable basis.

In the following slide, number 10, we show the portfolio breakdown between free and regulated markets and trading companies. In 2017, we saw an increase in the participation of trading companies because of the swap between sources – conventional and incentivized sources – to allow us to meet the needs of small consumers joining the free market. We have maintained equilibrium between free and regulated markets, which we understand to be a healthy strategy for our Company.

This year, the free market has played a significant role. In slide 11, we talk about the diversification of our portfolio. We have no major concentration other than in the cement industry. However, this is an industry in Brazil today comprising world class companies.

So we feel very comfortable with the risk of the cement business: the respective contracts are well prepared and with appropriate guarantees. We had here a small reduction in sales volume on a quarter-on-quarter comparative basis – the first quarter 2017 with the second quarter 2017 – but this is very much a function of the reduction in consumption of some industries.

We are living through an economic crisis with an accentuated decline in industrial activity principally and this is reflected in consumption. To a degree under unfavorable hydrological conditions, this is helpful for us because we have no spare energy in these contracts.

Moving onto the next slide, slide 13, where we talk about the energy market. We have a decrease from 2020 onwards here in the graph on the left-hand side. This decrease is basically because no additional supply is entering while demand is growing given the prospects for growth in demand in that year. And we also have an overall reduction in physical guarantee of 1300 average MW from 2018 due to the revision in physical guarantee by the MME and Aneel.

In slide 15, we show our portfolio position for the next few years on a consolidated basis. We have a small increase in our capacity for 2017 - representing purchases so that our portfolio is suitably prepared to support a deterioration in GSF - and this strategy has given us very good results so far.

In 2018, we have a little less available energy, but by analyzing our portfolio closer to the end of the year, we will have a view of what will be the expected hydrology for next year and an idea as to growth in the economy. In this way, we can make adequate preparations for confronting a situation, which may or may not be similar in the following year.

As from 2019, we have some energy to be sold although we have already been making efforts to sell and have begun to see a significant trend in sales for 2020/2021, sales of the order of 140 average MW, so reducing our availability of uncontracted energy for the following year.

In the graph on the right hand side - as you know, there is decontracted energy but at the same time this energy is being sold for the following years in order to maintain an equilibrium should available volumes of energy become very low. Here we have part of our portfolio being decontracted and we have to recontract to maintain this equilibrium in the free market.

Slide 16 is basically an informational slide for those who need to or are interested in modeling the company. No major new information worth dwelling upon therefore.

On expansion at Jirau, we are now fully operational with an excellent performance. There is some basic information here on the project. As far as we are concerned, we await a position from the controlling company on the structure that it intends to offer us for the transaction. Once this is forthcoming, we will set up a Related Parties Committee and begin discussions as to how this operation, this transaction can be concluded.

We imagine that this offer can be presented to the Board in October and this, as we have always said to you, will take us some six months to reach some kind of conclusion. Thus, in all probability, closing will be towards the end of the first half of 2018 if everything goes according to what we are anticipating.

In slide 20, we have the Pampa Sul Thermoelectric Project. As with any difficult project, an industrial project of great complexity, various difficulties, although the project is moving forward.

You can see in the photograph that the boiler is already being assembled in accordance with plan.

On slide 21, we have the Campo Largo Wind Complex. Construction here is also underway and running according to plan with nothing new to report.

The construction work on the Assú V Solar project is also proceeding normally and our forecast is for this to go into operation in 2017 in order to enjoy some of the benefits from the Solares Project by the end of this year.

In distributed solar generation, there were developments in the last quarter on Celesc's Efficient Bonus Project. We were selected to install standard panels in a thousand homes. We have already signed 800 agreements and installed the first 200 units.

During 2017 and early 2018, we intend to install a thousand units. Just to give you an idea, we have something in the region of 11 thousand units installed throughout Brazil. With this contract in conjunction with Celesc alone, we will achieve something close to a further 10% more in relation to the other installations for which we have been responsible, so we are on track to being an important agent in this segment of distributed energy.

We have projects under development, which will allow us to grow. These are greenfield projects. They will be contingent on future auctions, which we are expecting at year-end and early next year. Obviously, growth still on upcoming decontractions. Obviously, we have been looking for opportunities in the market in the light of the re-bidding of plants and privatization, which Technical Note 5/2017 brings us, of the possible privatization of Eletrobras assets.

I will pass over the call to our CFO, Carlos Freitas so that he can tell you about the Company's financial performance.

CARLOS FREITAS: Thank you, Sattamini. Good morning to all. I would like to invite you to take a look at slide 26 so that we can show in greater detail the financial performance of the company during the quarter.

As Sattamini has already commented, net revenue grew 7%, Ebitda by 14% in the quarter in relation to last year, while earnings jumped an important 49%.

Going into details a little more in the following slide (27), net revenue from sales in this quarter reported growth of about R$ 110 million, half of which due to variations in price and sales volume.

We have already mentioned that sales volume rose about 4.6% with a small decline in average price, so this brought in an additional R$ 54 million to quarterly revenues.

And the other half is the short term market, CCEE, with R$ 56 million. In this quarter, we had an increase in this volume of revenue in the short-term market as well as an increase in costs.

So the end variation in Ebitda in relation to the short-term was practically zero (0) in the quarter in spite of the complicated hydrological scenario.

As Sattamini has said, we have a PLD of R$300 against R$ 60 last year, a GSF of 16% against 10% and making for a much more complicated scenario. However, in this complicated scenario, adjustments to the portfolio worked, bringing us more revenue and a little more cost, but little variation in Ebitda.

Thus, revenue from sales here shows a variation of 7%, equivalent to R$ 110 million more or less.

In the following slide (28), we can see growth of 14% in Ebitda here, about R$ 100 million, of which a half – R$ 54 million as already commented, due to the increase in price and sales. The reduction in overall costs both in costs of royalties due to lower hydroelectric generation and also lower tariffs paid in hydro generation amounted to a reduced cost in R$ 24 million this quarter. There was also a reduction in fuels worth R$ 12 million due to lower thermal dispatch both because Charqueadas is no longer in operation and also thanks to portfolio management at Jorge Lacerda which is a complex operation.

Thus, we were successful in our management here also, reducing the cost of fuels during the quarter. This R$ 12 million is the net effect of a reversal of a provision. It is worth commenting further since this has caused a little confusion with some analysts.

We closed an agreement with Petrobras in relation to our gas contract which increased about R$ 220 million, our cost of gas which was already provisioned. Thus, our fuel costs line increased by R$ 220 million more or less, although compensated almost entirely – just R$ 12/13 million of this increase remains – in the provisions line, which was reversed. So the effect on the Ebitda was almost zero (0). Here, this R$ 12 million represents the net effect of this reversal in provisions.

Finally, in relation to purchases for resale, we had R$ 7 million less from the cost in energy purchases for resale. These were made at a lower price this quarter. Our average selling price fell a little but purchase costs fell even more. Important to mention therefore that margins widened.

Finally, the reduction in personnel and already commented, more or less 5% down in headcount, thanks to our efforts to compensate by optimizing our resources.

In the following slide (29), net income increased here by R$ 160 million of which R$ 104 million due to the increase in Ebitda and already commented. Here among other factors is principally financial expenses, which fell in the quarter, largely due to monetary restatement on concessions payable. As you know, our concessions payable are indexed to inflation, more or less ¾ at the IGPM and a ¼ at the IPCA. The amount for concessions payable today is of the order of R$ 2.4/2.5 billion.

IGPM for this quarter was a negative -12.7% while last year it was +12.8%. So this really important variation in IGPM on such a high base allowed us to save nearly R$ 100 million on this comparative basis. Thus, the deficit here of R$ 10 million represents a reduction of this expense and also a reduction in the effective rate of Income Tax.

We have been successful in the Company's tax management with respect to the tax treatment in the area under SUDAM, involving the Estreito and Ponte de Pedra plants,

which reduced the effective average rate of Income Tax this quarter in relation to last year. All this helped boost net income by 49%.

Finally, here in the slide on net debt, gross debt remained more or less constant at R$ 3.2 billion. We had R$ 1.5 billion in cash at the end of June with more than R$ 200 million in an escrow account making a net debt of about R$ 1.5 billion. This is just 0.4x of our Ebitda, which gives us the peace of mind to finance the Company's growth with debt and optimize this capital.

As this net debt varied over the quarter, in slide 31, we can see growth in net debt, largely due to cash burn, that is to say we generated a lot of cash this quarter. We generated R$ 685 million plus R$150 million in working capital, that is R$ 835 million in operating cash generation. However, there was a substantial outflow of cash from the complementary payout of dividends in relation to last year, R$ 408 million now at the beginning of June together with a heavy investment schedule of the order of R$ 538 million during the period.

In other words, despite a scenario of strong cash generation, our investment and 100% payout consumed more cash than was generated so the Company's cash fell a little and net debt rose. Nothing really to bother us about. There is still a lot of space to increase this net debt and our cash will be consumed little by little with Capex and the 100% payout of dividends.

Debt shown in slide 32 is long term and really is no cause for concern and its cost is falling. Today the nominal cost of debt is just 9.4% against 11.2% in the second quarter of last year.

Slide 33 shows our Capex profile. Here is contracted Capex, or in other words, here in 2017/18/19, as well as normal Capex for maintenance, we estimate Campo Largo, Pampa and Assú Capex, the larger part of which will be funded from debt. So here is the debt, which we hope to fund both with debentures as well as a line from the BNDES to finance the expansion and with this, optimize the Company's capital.

Finally, in slide 34, our dividend payout track record. The Board yesterday approved a 100% payout in relation to distributable profit for the first quarter, translating into a dividend yield of 4.1% in the first half year. I think this is an excellent performance. The Company is managing to pay dividends in the way it wants to pay. We have no intention of ceasing to accumulate cash. When we generate a lot of capital, a lot of resources, our intention certainly is to make a 100% payout whenever possible and this is what we have been doing. And in parallel, to grow in a responsible manner, which we are also doing. So with this, I believe we are generating a good level of growth and dividends.

That completes our part and with this, I would like to open for questions.

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).

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

KAIQUE: Good morning to all, thanks for the call. One point I would like to explore a little is the strategy for growth. In addition to the company analyzing the possible transfer of Jirau, I would like to know if you have anything else in the pipeline. Given the sale and the resulting funds raised from the coal-fired plants, would you be interested in the Cemig plants and would the focus be on one more large plant, on medium sized and also renewables plants. What is your focus?

In addition, a second question, could you talk a little more about commercialization, the long-term prices, the liquidity, if this is increasing demand with migration. How is this process? Thank you.

EDUARDO: Let's look at this. Speaking a little of the growth you have spoken of, our intention is to use the resources both from the minor assets we have sold – that is those assets distant from our clusters – and also from the coal-fired assets in the acquisition of new concessions, in addition to developing our greenfield pipeline as well as for some assets/acquisitions we are looking at in the short term of renewable energy.

We are active in the market. The market has been questioning us on growth and our alignment with the global strategy of the group. But now that we have established the path forward, we are going to look at growth much more assiduously and I expect that we shall have good news for the market shortly over the coming months.

Sorry, commercialization, Rafael is reminding me. Long-term prices stand at about R$ 150/160 and have been very volatile during the year. I hope in some way this is resolved with the new regulations to be introduced over the next few years.

Prices differ substantially from one year to another. In 2018, you are going to see prices close to two hundred and something. Already this year, they have fluctuated between R$ 190/250. In 2019, you have a reduction in long-term prices close to what would be a marginal price for expansion, today around R$ 180. However, in view of expectations of supply to an over-supplied market in future and eventual disruptive technologies, we find the market operating in a band of R$ 150/160. So, this is our vision of prices based on what we have found in the market.

CARLOS: With respect to liquidity in this market Kaíque, certainly for 2017 and 2018, we have purchased energy in the market. More to compensate the GSF, we increased slightly our energy purchases for 2017 in an opportunistic way. When PLD dipped in June, we took the opportunity to purchase cheap energy for this year and also purchased for next year to make products.

We have already bought a little energy for next year to guarantee liquidity and with this, transform it into 4/5 year products. Indeed, as has already been mentioned, we succeeded in adding about 140 average MW to sales for 2020/2021 in PPAs, which come into effect in 2018/2019.

In 2018, we have no energy to sell. We think that this volume, which today is decontracted, is reasonable from today's point of view in relation to next year. In order to have a new PPA next year, we have to buy in the energy market for one year in order to form a product with our energy for 2019/2020/2021 and a PPA of 4/5 years.

Liquidity is interesting. During the quarter, we managed to close some interesting PPAs.

KAÍQUE: Perfect, thank you very much.
CARLOS: Thank you.

OPERATOR: Remembering that to ask a question just touch asterisk um (*1). Please wait while we collect the questions.

The next question comes from Ezequiel Fernandes of Banco ScotiaBank. Ezequiel, you can go ahead.

EZEQUIEL: Hi, good morning. Thanks for the call. I have four questions.

The first relates to the public consultation for general changes, the proposal for the generation sector in Brazil. I would like your opinion as to what is the most positive for ENGIE Brasil and what perhaps may involve a little more work.

EDUARDO: Look, in my view it is market opening. It brings opportunities and this brings a vision of efficiency of performance. He who is the most efficient, the most agile, is successful in capturing greater value in the freer market. Then you begin to have market segmentation and market reserve and it is more difficult to benefit the most competitive. Therefore, in my view, the best of all the aspects in this public hearing is the opening of the market over the next few years.

CARLOS: Ezequiel, in general, the proposals are very positive. They bring greater economic rationality and transparency to prices as well. We are inclined to see these proposals as very positive.

EZEQUIEL: Understood, thanks. The second question is with respect to slide 13, the system's energy balance. We can see that you have reduced excess capacity in supply by more or less 2 GW for use in 2018/2019/2020. I would like to know... Well, why have you reduced all this, if it is on the side of supply or demand.

EDUARDO: You have two components here. One of which we have already spoken is the question of reduction in supply – we had a reduction in physical guarantee of the

hydroelectric plants – and the other is the increase in demand, the outlook for an increase in demand in relation to the preceding quarter.

EZEQUIEL: Perfect, thank you. The third question... Sorry, I connected to the call a little late. Perhaps you have already said something about this. The Capex guidance for 2019 has been cut by R$ 120 million. This relates to what?

CARLOS: Indeed, this reduction in Capex guidance for 2019 is due to a revision of maintenance Capex in which we revisited our maintenance plans for the thermal power plants, more especially at Jorge Lacerda. You have seen in the maintenance guidance for 2019 that we managed to push scheduled maintenance work a little further into the future. We rescheduled the Capex profile for Jorge Lacerda and thus reduced a little the numbers forecast for 2019, pushing it forward to 2020.

EDUARDO: Just to add to this, Ezequiel, today, we have adopted a proactive stance in relation to the maintenance budget. In other words, we are constantly reassessing if certain maintenance interventions make or do not make economic sense. Sometimes under certain price scenarios, you have an incentive to undertake given maintenance and equipment replacement to gain a little additional performance, because you have an expectation of high prices.

On other occasions, that expectation may be unfounded, so you have to reassess. So you always have to be reassessing the possibility of conducting or not conducting maintenance interventions. These numbers tend to have limited dynamism because they are also not so significant, but they end up having this dynamic. It could be that this investment is postponed at any given time if you have pricing pressure and a need to increasingly dispatch the thermoelectric plants. It could be that you have to review this again, but from the current point of view, we understood that the maintenance which we were forecasting in the previous quarters is either not necessary or is not economically interesting.

EZEQUIEL: Perfect, thanks. My last question – and sorry again if you have already commented – in the information on the portfolio of PPAs with volumes and average expected prices for the coming years, there is a reduction in expected price of more or less R$ 3.00 per MW/h. Can you comment a little on what lies behind this?

CARLOS: Of course. We have a reduction of about R$ 3.00 MW/h in the average expected price for next year and the other year, but a still greater reduction in the purchase of energy. I believe energy purchases fell some R$ 5.00 MW/h.

So here, this is a function of a variation in inflation. We have a negative factor for IGPM in the quarter, which is important. All this results in a revising down a little in the already contracted average sale price for this year, next year and 2019 but the average purchase price is still lower. We have been more proactive and managed to purchase well, reducing the average purchase price even more.

EZEQUIEL: Understood, perfect. Thank you.
EDUARDO: Thank you.

OPERATOR: Our next question comes from Vinícius Tsubone of HSBC. Vinícius, please go ahead.

VINÍCIUS: Good day to all, thanks for the call. My question is about M&A. In addition to expanding renewable generation, would you be interested in gas pipelines, LNG, distribution of gas and electric power? Would it make sense for ENGIE to go into these segments or not?

EDUARDO: For ENGIE Brasil, yes. For ENGIE Brasil Energia, it depends on the strategy and vision of the group as to how ENGIE Brasil Energia would be a suitable vehicle. We are having this discussion now whether we should mirror the model, which we have abroad, where all the activities with which the group is involved – whether gas, energy, services – whether or not these should be in the same vehicle. This discussion is taking place. We have not yet come to any conclusion. The group has an interest certainly in gas pipelines, in gas distribution, if for no other reason than this is a core activity in Europe, but whether this should be done under the umbrella of the listed company is still undecided. Also, we would like to know what the analists' vision is, but this we can do one on one, as the opportunity arises.

VINÍCIUS: Ok, thanks. And can I ask another question? I was unable to hear correctly during the call - could you please repeat what and when would be the next steps in the transfer of Jirau and when you expect the operation to be concluded?

CARLOS: Sure. With respect to Jirau, the process has yet to reach ENGIE Brasil Energia. The controlling company, ENGIE Brasil Participações is evaluating together with the advisor as to how this process is to be conducted and under what conditions. What we have indicated is that we hope that this can be submitted to the board of EBE (ENGIE Brasil Energia) in October. This is our expected schedule. On this occasion – that is at the board meeting of October, the board, the consultants or related parties committee will decide to submit the process for the latter to begin working on the transfer. The Committee as you know will be the entity which is going to discuss these transactions in the name of EBE with the seller, ENGIE Brasil Participações, under what conditions and how. On this occasion, the Committee will be constituted, have its own budget, engage an advisor, hire an attorney's office for example. All this will be right here... At the end of October, this begins to take place.

And with this, the entire process is going to be a protracted one because it involves a large volume of work. The transaction is not a small one and it also has to be done very transparently for the market and at the right pace. Consequently, we are estimating this will take some six months to be decided so the meeting for closing the transaction should be at the end of the first half of next year. This is the schedule with which we are working.

VINÍCIUS: That's fine. Thank you.
EDUARDO: Thank you.

OPERATOR: Our next question comes from Fernando of UBS. Fernando, please go ahead.

MARCELO: Good morning, everyone. This is Marcelo Sá speaking. I have some questions. One on the sale of the coal-fired assets. You have mentioned at the annual meeting that the outlook was to receive a non-binding offer for these assets by the end of July. I would like know the status of this process.

And the other question is in relation to the Technical Note subsequent to the announced Public Consultation on electric sector reform. I would like to understand if you think these measures for eliminating quotas will have some kind of structural impact on long-term energy prices. Might there be an impact upwards or is it still too early to know?

While still on the theme of the Technical Note, if you understand that the separation of generation backing and energy will apply to new contracts or if this will affect old ones as well. That's it, thank you.

EDUARDO: Let's look at this. The sale of coal-fired assets: yes, we are still receiving proposals and the proposals are complex. We are clarifying doubts, we are evaluating and comparing, preparing equalization between proposals. The next phase would be to decide on some players, five at the most – a number between four and five – to take part in the second phase. This would be the data room and due diligence phase lasting between 60 and 90 days. This will be announced when we choose a process letter that will indicate dates and the stages of this process.

If we think of a timeline, it would have to be something between the end of September and the end of October for the binding offers - which we would have to equalize as well. And when we speak of equalizing, when you are selling the assets and the asset is decontracted, there are players, which ask to maintain the PPA in place for some time and want to allocate one or other risk from one side or from the other. So we have to look at each one of these proposals very carefully. The proposals are highly complex.

So coming to the end of October, early November, we should have some definition. Then we start on the negotiation of the SPA, which will be part of the process... During this process, this will be available, although there are always some final conditions involving adjustments which need to be concluded and which are going to arise during a negotiation.

So this is our horizon up to the end of the year when we should be able to announce the sale of the assets. This is our expected schedule. Obviously, however, these are profitable assets that contribute to our operation. We do not have extreme rigidity - in spite of wanting to conclude the process as speedily as possible - if for no other reason

than for the sake of our employees at these plants, it is important that they know who will be the next owners and how they are going to operate. This is a source of anxiety, which we want to remove from our employees.

With respect to the elimination of quotas, our perception is that if today I have at the distributors a lower price and we are going to eliminate quotas in order to have a higher average price, the tendency is that you are going to see pressure for rising prices in the market. So the answer is yes.

And with respect to generation backing and energy this is a source of concern. We believe that this makes every sense in a freer model where you have the adequate allocation of risk, where distributors cease to run the contraction risk. You need to generate an environment where you can make the growing free market generate long-term growth opportunities and this would have to be done through auctions of generation backing. But will this be enough to create the necessary motivation for expansion?

This is going to depend on other market instruments which will have to be created so that the energy portion can also be contracted over the medium and long-term, eliminating the uncertainty of the entrepreneur as to the return on his asset. These are issues, which are going to be examined during the formulation of these new regulations. Even if the Technical Note is approved, you need a provisional measure covering the necessary legal aspects. You still have a great deal of work of a regulatory nature to be done over the next few years to make the adjustments. You see in fact that the Technical Note has concepts, but is going to need complementary appendices over time to make the change in the regulatory framework effective.

MARCELO: That's excellent. Many thanks.

OPERATOR: The next question comes from Vinícius do Credit Suisse. Vinícius, please go ahead.

VINÍCIUS: Good morning, nearly good afternoon to all here. I would like to take a look at three points. More for you to confirm than... Because they are quite specific.

First: the Technical Note, which was for the public hearing now for the eventual provisional measure, talks about the reimbursement of the GFOM for the free market. I understand that you are able to take part in this, but I just wanted to make sure, given that from what I understand in the company, there are no more temporary injunctions. You eliminated this issue at the time of the regulated market agreement. And, if you have some number which you can mention as the potential value of this. I know that there is no cash effect today and that this will become a concession adjustment later, but if you could give an idea as to how much might be recovered here then this helps us.

You mentioned an interest in a transmission auction, which may occur at the end of the year. For the first auction, it was clear. You were interested but were unsuccessful in bidding for the lots due to competition issues. However, if you could make some comment in relation to the Company's appetite, the quality of the lots, size, and whether for this next auction we can expect an attempt very similar to that early on this year, or not. Are you not seeing the same quality in the lots, or perhaps, given the priorities you have, the interest is not so great or on the contrary, greater still? I should be grateful for an opinion on this.

And finally, talking of growth, you have not mentioned the privatization of CESP at other events and calls. You have already said that you do not see a strategic adjustment for the privatization of CESP in the company. I just wanted to be sure that this is still the case given that we can expect to see this privatization taking place in September/October, which is soon. Thanks.

EDUARDO: Let's look at this. First, are you OK, Vinícius? How are you? Let's look at this. Firstly, the Technical Note: yes, we would apply for reimbursement of the GFOM for that energy which was not in the regulated market. What was in the free market, we would certainly have the possibility of recovering the adjustment of the impacts of this generation in the GSF market. How much, I cannot say now because we are discussing with Aneel on how to make this calculation. What goes into the calculation, if for example, importation from Uruguay should be considered for elimination, electricity dispatches, how is this going to be done, whether it is customary in the market custom or not. So for the time being, we do not have an idea of how much. As you mentioned, it is important to remember that this is not going to represent immediate cash for us, but will be represented in the result. I will probably have a result equivalent to this value which is going to be booked to my fixed assets as an intangible. Consequently, it is like a regulatory asset. I think I have answered the first part of your question.

Second, on the transmission auction. Yes, we are looking at this and have already selected some lots. We are working on this and preparing a little better this time round. In the case of the previous auction, we had a very short time to prepare because our decision to effectively participate in the transmission auction was made around February and the auction was held in April. We had only a short time in which to analyze the best technical solutions and now I think in this sense that we are going to be much better prepared for this upcoming auction. We have already identified some lines in which we are interested. We always say that has everything to do with the lines close to the projects we want to develop, or lines very close to the plants that we actually operate in order to have some sort of synergy and benefits from the installation.

And turning to the third question which I think was specifically on CESP. We do not see CESP without the renewal of the respective concession as adding longevity to the Company's business. We prefer to participate in processes where the concession has a longer duration. Our first concessions to mature do so in 2028. We are looking to renew. I do not know how this is going to be understood by the authorizing organ but we are going to try to renew. However, if our attempts to renew fail, we are going to lose part

of our capacity or we are going to have to compete for this capacity. Nevertheless, if we lose, we want to have additional capacity with a longer duration than is the case with CESP and which will give us longevity and potentially a smaller decline in business volume from 2028. For this reason, CESP does not fit our strategy as we have commented last year. We would not have this interest.

VINÍCIUS: That's excellent. Very clear in all the answers. Thank you.
EDUARDO: Thank you.

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

We now conclude this questions and answers session. I would like to ask Eduardo Sattamini and Carlos Freitas for their final considerations. Please go ahead Mr. Sattamini.

EDUARDO: Well, I would like to end here with a message of great expectation of an improvement in the sector's regulatory framework. I have already mentioned and Carlos Freitas has underscored it, that we look favorably on this federal administration's wish to correct some of the problems we have been identifying in the current model. And with this, to improve the regulatory environment, its stability so that we can resume growth on a consistent basis. So this is the message I would like to convey. I would like to thank you for taking part, for the good questions and in the expectation of good results for the year-end.

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