ENGIE BRASIL ENERGIA S.A.

TRANSCRIPTION OF THE CONFERENCE CALL WITH WEBCAST

ON RESULTS FOR THE SECOND QUARTER 2018

August 09, 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 second 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". 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 **Eduardo Sattamini**, Chief Executive Officer of ENGIE Brasil Energia, **Carlos Freitas,** Chief Financial and Investor Relations Officer and **Rafael Bósio**, Investor Relations Manager, who will comment on the performance of ENGIE Brasil Energia in the second 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 **Eduardo Sattamini**. Please go ahead.

Eduardo Sattamini – Chief Executive Officer

Good morning to all and it's a pleasure to be here with you again, and as per usual, to talk about the good results for the quarter. We'll begin with slide 5. We had a quarter full of good news with an increase in volume of our businesses. We had a significant increase in our net operating revenue with a variation of 26.9% in the quarter when compared with the same quarter in 2017 and 21.8%, if you compare the first six months of 2017 with the first semester of 2018. EBITDA reported a significant variation in the quarter, of 42.4%,

principally reflecting our portfolio management, the acquisition of the Jaguara and Miranda assets and of course, also the increase in contracted volumes and price. Our net income increased in the quarter by 20% and the accumulated six month period, by 14.5%, this also indicative of the improvement in the Company's overall results. Clearly, we have a result below that for EBITDA due to debt for the acquisition of the Jaguara and Miranda projects which produced a significant increase in leverage between last year and this. We can see that our total net debt in the second half of 2018 increased to R$ 6.2 billion approximately against R$ 1.5 billion at the end of the second quarter in 2017. So we had an increase in debt and this increase generates financial expenses and for this reason we have a performance, a net result a little lower than what we managed to capture for EBITDA. We also had a significant increase in energy sales of about 8%, demonstrating the continuity in our sales policy and trend in the direction of being the largest energy trader in the country. There was a small variation in prices of 1.7%, also making a contribution to our result. We saw a total increase in payroll numbers between last year and this of about 100, although we are talking about those involved in construction work and our own employees. Construction work in progress are assets still not generating revenue, but of this increase in employee numbers, we are including Jaguara and Miranda with approximately 50 and a bit employees out of the total of these 90 employees which we call Engie Brasil Energia and which are the core of our Company.

Let's move onto the sixth slide, slide number 6, which talks about nonfinancial highlights. So we had the issue of the debentures in the name of Companhias Energéticas Jaguara and Companhia Energética Miranda amounting to a total of R$ 1.8 billion. This finance was taken to lengthen the debt profile, the debt for the acquisition taken last year through a bridge loan, the debenture issue being made to settle this bridge loan. And this issue proved most successful being almost two times oversubscribed by the market. Also fruit of the financing structure for the acquisition of Jaguara and Miranda, we had the issue of Engie Brasil Energia, the controlling company of the Jaguara and Miranda assets, of R$ 746 million in debentures, this 1.7 times oversubscribed and at a highly competitive cost. Again in the quarter, we had the entry into commercial operations of the first plant in the Campo Largo Complex, the Campo Largo 7 Wind Farm, with 29.7 MW of renewable, non-conventional energy, and this is the first of the Campo Largo wind farms, the first of the generator plants of the Campo Largo Complex - to become totally operational by the end of the year. The Campo Largo Complex is located adjacent to the Umburanas Complex which will go into operations from January next year with the possibility of anticipating operations in the light of delivery schedules we are currently discussing with our suppliers. And we now have the beginning of full operations of our Trairi Wind Complex out of our Generation Operation Center here in Florianópolis. We have been bringing plant operations into the Center thereby achieving savings in operations and an improvement in quality of the management in the operations of our assets.

We continue the highlights in slide 7 with respect to the signing of an agreement to buy the remaining 50% of ENGIE Geração Solar Distribuída, a company with which we initiated a consortium right at the beginning of 2016 with an investment plan which was completed at the beginning of 2018. We reached a level of business development justifying the exercising of our purchase option on the assets of our partners. This company, Geração Solar Distribuída now becomes 100% EBE, and we are now looking to pursue a way forward for developing Geração Solar Distribuída as one of the links of the energy transition which we understand to be occurring and which is going to accelerate over the next few years.

We have approved the installation of the Special Independent Committee for Transactions with Related Parties to analyze and monitor eventual agreements which are part of the acquisition of Transportadora Associada de Gás, which is TAG, a major investment which will be made in association with other investors and which also has the involvement of ENGIE Internacional. And the idea is that we should be part of this group which controls this new asset. At present we are unable to speak much about the matter, since due to the court injunctions, negotiations are at a standstill, awaiting a court ruling for continuing discussions. However, this is characteristic of a company which jointly with the decision to enter the transmission line business last year, in a company as an investor in infrastructure which is going to capture profitable opportunities and apply its characteristics and skills of an investor in infrastructure, depending on the opportunities which arise. This is our strategic direction: to have an infrastructure investor in areas adjacent to areas in which we already operate, of generation, then moving into transmission and eventually into gas and thereby increasing the spectrum and opportunities which we can develop and explore profitably.

And last but not least, we approved at a Board meeting, the distribution of interim dividends of 100% of the distributable result now for the first half of 2018 in the amount of R$ 1.146 billion, equivalent, approximately to R$ 1.76 per share. On this basis the share will become ex as from August 21.

Very well, on the subject of shareholding control, what we can mention is that we have included our transmission company and also our wind operation, the Umburanas Wind Complex, both now coming under our controlling umbrella here. And we shall shortly have the change from 50% to 100% control of ENGIE Geração Solar Distribuída, as soon as ever the closing occurs. The financial closing is scheduled for tomorrow. All conditions precedent have been fulfilled and as a result, we shall have 100% of this company as I have already said.

With respect to the question of the portfolio in slide 9, we continued to grow. Now we have grown the 29 and something MW installed at Campo Largo 7, and we are going to be growing monthly through to the end of the year to reach a growth of 326.7 MW with these assets, just these assets relative to Campo Largo, the Campo Largo Complex. So we

continue with our strategy of growing in renewables and decarbonizing our portfolio little by little.

In slide 10, we underscore our position as leader in the generator group in Brazil.

In slide 11, we comment on our entry into the transmission segment. No great change here, just some updating in the light of the most recent auction. Unfortunately in the latter, we were unsuccessful due to the aggressiveness of some players.

In slide 12, we talk about our position among our clients, free clients, regulated clients and distributors where we had an increase in trading in 2018 of nearly 16% on the part of the trading company. Today, we have short-term trading that is going to generate liquidity and allow us to have greater sensibility for managing our portfolio. For this reason our performance has improved significantly, with more proactive trading in relation to the Company's bought and sold positions also adding this element of improvement to the management of our portfolio.

In slide 13, we show the segments in which our clients are distributed, our free clients. We always comment that the free market is of extreme importance to us, and this cannot be underemphasized particularly with the expected market opening as a result of the legislation which is under consideration in the Congress. So we have to be alert to the risks, to be attentive to the growth of the free market and even more so with the major growth expected for this market over the next few years.

In slide 15, we discuss a little of the energy market. We have had very high prices in the short-term market when set against a background of apparent excess of supply. However, the hydrology crisis is pushing up prices and this has been the tonic of the last five or six years. There is an excess of structural supply but dependence on hydrology means that there is major price volatility, although we have been successful in surfing these rough conditions in the energy market over the last few years.

Let's move on a little to commercial strategy in slide 17, where we show on the left hand side our position in decontracted energy. We have some decontracted energy in the short-term. This is energy which serves as our buffer for these hydrological crises which the market has been experiencing. This year, we have 612 MW of energy available still in 2018. Clearly it has been left decontracted so that we can absorb hydrological risks and this is also an explanation for consistency of our result. In 2019, we also have a significant availability and in 2020 as well. We have been managing this short-term vision, undertaking active management of this portfolio. As prices fall and we understand that there is a hydrological risk, we adjust the composition of this reserve according to what we believe is necessary to dampen the volatility of our results. And on the right, as you are already well aware, this is our methodology for contracting little by little, energy for a given year, so that we are not exposed, unduly exposed to the price of energy in a specific

year, given this characteristic of our market, of price volatility. So this also makes for stability in results and is a strategy which we continue to pursue.

Very well, in slide 18, we provide information so that analysts can do their modeling and forecasts for future results of the Company. If we look in detail, we can see that there was some good commercial activity in the second quarter. We had a good amount sold in the years from 2019 to 2023, around 160 - 170 average MW, variable over several years. In 2022, total sales reached close to 230 average MW. We are showing this tool so that you can understand how we are structured in managing the trading part of our assets.

This is Jirau in slide 20 and for Jirau there is nothing really new to say. We continue not to give much attention to the transfer, which was originally scheduled for 2018, due to the large number of challenges we are facing elsewhere this year. So for some reason we have been unable to give this matter its due attention. As an asset, this is already part of the group, being part of the controlling company. There are still some problems, GSF has affected the generators as whole and we are in no hurry to accelerate the transfer process. We want to undertake this transfer in a situation with the least risk possible and we see it as unlikely that this will take place in 2018. The matter should stay as it is for the rest of the year, accelerating in 2019. But this is a perception of a controlled company and the process will obviously depend on the controlling company.

As to distributed solar energy, we have been increasing the numbers of clients in line with the growth plan. In this market, scale is important. We have entered into agreements with federations of industry in various states in order to increase our penetration in small clients and medium commercial and industrial clients, a strategy which has proved very successful. We are replicating what we have done in the state of Santa Catarina, in Rio Grande do Sul and Mato Grosso, and we expect to be able to announce new agreements with these federations of industry soon.

In the transmission system, we have Gralha Azul, although there is little new to tell. The project involved the environmental licensing process through engineering, definition of the project, route, and landownership survey. There will be little information to give in these first two years of the project other than the environmental licensing and effective construction work is only expected to begin in early 2020.

The Pampa Sul project is proceeding at an accelerated rate. The only observation to be made here is that some departures are occurring from the original schedule and we should be postponing, in fact we have already postponed, the start of operations to the second quarter of 2019. In the light of this, we are taking this possibility into account and have already renegotiated the cancellation of parts of the regulated market agreement so that we are not exposed to this sale of energy in the first half of 2019. Fresh negotiations have been concluded to establish a new date for the beginning of certain agreements connected to this plant. This will have no major impact. So this is the information we have

on Pampa Sul. On the positive side, this week we tested our coal conveyor belt. In May we carried out the hydrostatic testing with an exceptional performance on the part of our Chinese EPC contractor. Surprisingly, there were absolutely no leakages, most unusual in the case of a boiler for the size being supplied. So quality has been above our expectations. Obviously, the difficulties of operating in Brazil are substantial and for this reason we have had to postpone startup in operations a little. But we continue to be committed to the Chinese and seeking to minimize wherever possible this phase of the work.

In relation to Campo Largo, we have commented before on the startup in operations. We have already begun operations at Campo Largo 7 and have Campo Largo 3 and 4 expected to go into operations in the middle of this month, next week actually and a further two wind farms at the end of August. We shall be going into operations in the case of nearly all these wind farms by the end of 2018.

Umburanas also has an accelerated schedule as well and the idea, despite our commitment, is for startup in January. We are working hard to have some of the plants up and running in November or December. It is a characteristic of these wind farms, differently from the Trairi and Santa Mônica wind farms, to have metallic wind turbine towers where assembly is much quicker than in the case of concrete. In the case of concrete, you have the complexity of local logistics as well as dealing with the cement factories. While it takes three days to build a three section metallic tower, a concrete tower takes nearly two months to assemble. So really, it is a completely different rhythm from the previous plants that we installed in Ceará. There was a reason for using concrete in Ceará because we had very tall towers and we were unable to build metallic towers this high. The characteristics of the Trairi complexes and the complexes in upcountry Bahia were different. We have projects in the pipeline, although there is nothing new here in this set of projects.

Now I will give the floor to Carlos Freitas, who will give more detail on our financial performance, showing you why we were successful in managing to achieve these great results in the quarter and in the first half of the year.

Carlos Freitas – Chief Financial and Investor Relations Officer

Thank you, Sattamini, good morning to all. On slide 29, we have a summary of the Company's financial performance this quarter. Net sales reached R$ 2.1 billion, significant growth of 27% compared with the second quarter in 2017. EBITDA reported even better growth of 42% reaching R$ 1.2 billion this quarter. Not only growth in relation to the second quarter last year but also during the course of this year, we saw important expansion. Worthy of note is that in the first quarter of this year, EBITDA was R$ 1.46 billion. Net income rose a little less and already explained by Sattamini because of the

increase in the Company's debt but even so, growing 20% in relation to the second quarter in 2017. Now let's break things down a little to see where this growth came from.

On slide 30, in relation to net revenue, indeed a good part can be attributed to the increase in sales volume and the increase of 1.7% in average price of sales, or that is to say, we sold a further 7.9% in average MW in this quarter, so this effect combined with higher prices and greater volume amounted to R$ 134 million. There was also a contribution from the Jaguara and Miranda plants, these contributing to sales in the regulated market with R$ 133 million in a quarter. It is worth recalling that at the two plants, 70% of the output is under the quotas regime in long-term agreements without GSF, as well as having regulated revenue in relation to GAG, which is revenue for O&M and improvements. These three sources of regulated revenues amount to R$ 133 million in a quarter. In addition to this, there is the free market revenues from the new plants distributed partially through an increase in sales volume and partially here in the short-term market. We do not normally reveal exactly the EBITDA per project, but you can work it out and it is not too difficult to do these sums. Here, ladies and gentlemen, you will observe that these two plants are having a thoroughly positive impact for the Company.

In addition to the impact of Jaguara and Miranda, in the short-term market, we had an important impact from the allocation of energy, increasing the long position in relation to previously, but also an impact which I would say is small from the reduction in thermoelectric generation. But the key positive effect here is the portfolio management of the Company. Despite a complicated scenario of great volatility in relation to GSF, in relation to price, PLD, we managed to exercise active management, I would say more active than we had been doing in the past. This is proving to be a good strategy and is bringing positive financial, results for the Company.

Finally, we have a non-recurring effect of R$ 70 million, basically a claim for an event which took place two years ago, but regulated and to be paid now. And also a fine which we negotiated with a supplier for work on the modernization of a plant. These two non-recurring events amounted to R$ 70 million in this quarter.

In relation to EBITDA, we grew 42%, in other words, the EBITDA margin increased substantially in the quarter. In addition to the three effects, four effects already discussed in relation to EBITDA, we had a small increase in some costs of charges for use of the network, in outsourced overheads. But I would say the major difference this quarter was firstly a provision we made last year in relation to an agreement for the William Arjona plant. We had already set aside a partial provision for the agreement and afterwards reversed the provision with an impact of R$ 30 million. This year, there was no such effect, there was a negative effect due to the fact of no longer having the benefit of this R$ 30 million. Now the major negative for this quarter was a larger volume of purchases for resale, that is, as a result of the Company being more active in the market and therefore more active in trading with a more active portfolio management, we are purchasing and

selling more energy. So this short-term increase here on the CCEE of R$ 195 plus an increase in sales volume of 7.39%, was partially offset by the increase in the costs of the resale accounts which amounted to R$ 138 million. But net-net we had here an important increase of about R$ 350 million in EBTIDA this quarter.

And in net income in the following slide, in addition to expansion in the EBITDA, we had here a small impairment effect from the William Arjona Plant, which is a small open cycle gas plant which we are no longer operating, consequently making an adjustment in the book value of this asset.

We had an increase in financial cost of nearly R$ 180 million. Repeating what Sattamini said earlier, we financed 100% of the purchase of Jaguara and Miranda last year with debt. So clearly, there has been a corresponding financial impact, a good financial impact but which translated here into an increase in financial expenses of about R$ 180 million net. And basically we had more income tax because income increased ending with a net increase in profit of 20%.

On page 33, we maintained good levels, I would say excellent levels of return on equity and return on invested capital, a demonstration of our financial discipline in reinvesting shareholder capital. As I have had occasion to say at various times, we do not want to grow for the sake of growing. We have projects in the pipeline, which we are going to launch when we deem it to be worthwhile. So this strategy has translated into a good return on invested capital and a return on net equity also because we always pay good dividends.

On the question of debt, we give greater details for you in slide 34. At the end of the quarter, gross debt amounted to almost R$ 7.5 billion, and an important ramp up in debt in relation to the end of 2016. A good part of this, the greater part, comes from the financing for Jaguara and Miranda. We have already signed BNDES financing not only for Campo Largo, already drawing down R$ 500 million at the end of July, but also for Pampa. So here, this volume of debt of R$ 7.5 billion tends to increase to the end of the year but today at the end of June, we had a net debt to EBITDA ratio of just 1.5 times, since net debt was R$ 6.2 billion, more or less. Remembering that we manage I would say our debt conservatively although we still see space to grow this debt but always on the basis of medium and long-term debt.

And this evolution in net debt can be found on slide 35, basically showing that over this second quarter, our investments, our dividends were paid in June, in large part financed with capital, with cash generated from within the Company, the Company's operating cash. Our operating cash flow amounted to R$ 1.15 billion in this quarter and because of this, the evolution in net debt over the quarter was not so great. And this debt has an interesting profile. The Company has an AAA credit rating so we were able to issue in the name of the SPEs Jaguara and Miranda at the end of June, debt of R$ 1.8 billion, which was used to refinance that R$ 2.1 billion which was short-term. If you look at this photograph of debt at the end of the first quarter, short-term debt was R$ 3 billion. So,

we issued R$ 1.8 billion through the SPEs Jaguara e Miranda while also concluding bilateral banking operations at EBE. In this way we managed to reduce the volume of debt which expires this year to around R$ 600 million, half BNDES and the other half of R$300 million in PNs for Jaguara and Miranda, which will be paid in November. But basically it is a profile which is well distributed over time. Today we also have a well-balanced profile between IPCA, CDI and TJLP with a declining cost of nominal debt. The cost of debt today is 8.2%, a substantial decline in relation to last year, with the larger part, medium and long-term. So we have here a very interesting profile which underscores and reinforces our AAA credit rating.

As I have said, over the course of this year, this debt will increase a little and next year as well. Here on slide 37, we see that this year 2018, we expect to have CAPEX of approximately R$ 3.7 billion, more or less distributed between Umburanas, Campo Largo and Pampa, of which R$ 3.1 billion financed with debt. Part of this is already in the Company's cash, the other part before the end of this year. And next year, there will also be CAPEX of about R$ 1 billion, also distributed between Pampa, Umburanas, and in this case here, transmission. CAPEX for transmission, I would say begins in small amounts next year although ramping up further still in 2020. Our forecast is for further leverage in 2019, again a good part of this with the BNDES. With this, we are going to increase the net debt of the Company relative to EBTIDA, but always endeavoring to work within a range, which we have already discussed, attempting to arrive at or work at about 2.5 times, a little more, a little less. It could even be more than this if in the next quarter for example, we have a project going into operation. We do not have a very restrictive policy in relation to this, but it is conservative to transmit tranquility, to leave room in the balance sheet should a market opportunity come up with growth potential.

And finally, all of this while maintaining an interesting payout, this being reiterated now with 100% of profit in the first half, equivalent to a yield of 4.7%. As we always say our policy is a flexible one: when we are in a better position, we pay out 100%, and when really do not have it or we want to hold back a little more cash, we will retain it. So at the moment at the beginning of August, we deemed it interesting to announce a payout of 100% of profit for the first half. And a payout of R$ 1.76 per share.

Well that is what I have to say to you, ladies and gentlemen, in relation to the financial part and I would like to open for questions.

Operator

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). Please wait while we collect questions.
Our first question comes from André Sampaio of Santander. André, you can go ahead.

André Sampaio – Santander

Good morning. I would like to ask a question on the CESP auction. Can you give us a little more color as to what you are looking at in respect to this asset and if you have already taken a decision on participation? And I would also like to ask a question on debt as to whether it would be of interest to change the exposure to TJLP a little.

Eduardo Sattamini - Chief Executive Officer

Good, first to CESP. CESP is an interesting asset and we have acquired the right to examine the database, data room information although it is an asset which brings with it some risks. So there is still no set decision, although we have evaluated it internally and at the right moment we are going to declare our position in this respect.

The second question is on changing the debt indexer. We understand yes that the TJLP represents a high cost if you compare with the cost that we had in mind, the history of the TJLP was for a much lower real rate of interest. But we believe that in the context of our overall portfolio, it has a low level of representativeness as well as contributing to the diversification of funding risk. So today, we do not have in mind any intention of sterilizing TJLP in our financial cost. Carlos can perhaps give us some more information on this.

Carlos Freitas – Chief Financial and Investor Relations Officer

In relation to the breakdown in debt, we have a tendency and try to work with short -term debt indexed to CDI, for the very reason that our cash is indexed, is applied in CDI, so debt of one, two and three years generally is in CDI. And the more medium and long-term, either in IPCA, which is our natural hedge for revenues, or in TJLP, due to a question of not concentrating too much risk on one side or the other. In practice, TJLP has shown itself over time to be almost like a pre-fixed rate which today is not a good thing. Because as Sattamini has said, today's rate is more expensive than we should or would like to see. But the fact is that today, we are not thinking of changing the TJLP for anything else. For new debt taken on by the Company, we will always seek balanced management also as a function of term.

André Sampaio – Santander

Excellent, many thanks for the details.

Operator

Our next question comes from Maria Carolina Carneiro at Credit Suisse. Maria Carolina, please go ahead.

Maria Carolina Carneiro – Credit Suisse

Good morning to all and thanks for the call. I have two questions as well. The first involves an update, if you would, on the profile of concentration. I realize that you cannot give us guidance on price, clearly because of strategy, but we have noticed how you concluded agreements from 2018 out to 2023, right? So it seems to me and other companies have

also concluded agreements with a rather longer profile away from the across-the-board three years to something closer to five years or even longer than this time horizon. I just wanted your confirmation that indeed this is a correct understanding that you are seeing liquidity in the market for agreement profiles with a rather longer duration. And the second question, you have included here in your release, that the company has approved the installation of an Independent Committee for Transactions with Related Parties to examine a potential stake in the acquisition of TAG. And whether you can talk a little about your interest, what would be the strategic interest, what you understand as your rationale for analyzing this project, whether you can give us a little more detail of what you see as advantageous in analyzing this asset vis-à-vis other assets in your own core business. It is a related core sector we know, but perhaps in the context of generation or transmission itself, just so that we can understand. And if you can give us a little more detail on what would be the idea of a stake, whether you would go into the business in equal conditions here with the controlling company or not, if this might be a minority interest. Thank you.

Eduardo Sattamini – Chief Executive Officer

First on the question of price, which is easier, Carolina. Price, a good price curve, we cannot have a price curve in the market. Obviously, we can be at a point in time with a small spread, a little lower or higher, so this is going to represent our skill in capturing agreements or not. You can check out in the BBCE itself or in the DCIDE what would be the short-, medium- and long-term prices. Prices today continue to be pressured by bad hydrology still at a high level but gradually falling away in 2019, until thereabouts in the medium-term, medium to long-term, stabilizing at prices not very different from what we were seeing which was of the order of R$ 150 MW/hour. People say: “but gosh, there is a company selling wind power for less than that”. Ok, but there you deliver in the Northeast, without energy output being flat, energy according to production, so you have a series of things which are, which make the difference relative to price. And clearly, I would say there is a difference between buying energy from a large well-established generator, able to absorb market variations, with portfolio management capacity which is completely different from a generator which is concentrated in a single source or which has a reduced number of plants able to absorb any market variations. So this is always important to bear in mind, it is obvious that when we see some plant developers selling at much lower prices in regulated auctions, there is pressure from clients to reduce our prices as well. Only we resist this tendency because we know the risks are distinct and that we offer greater peace of mind and a different product which has greater value for these clients. Good, speaking a little of agreements with longer duration, we recall that Public Consultation 33/1917 contains possible changes, valorization of certain characteristics of energy sources and a change involving the separation of generation backing and energy. It is this which clearly provokes some doubts along the consumer chain to be on the front line in dealing with this regulatory change. So, if you have to contract generation backing in the future, what

will be the price of the backing, what will be the price of the energy from the source that you are buying. I see this also as the consumer seeking to reduce uncertainty for a raw material eventually important for his productive chain. When he has an agreement he is also already purchasing generation backing and he immediately feels more comfortable that any regulatory change will not affect his equilibrium. So, my view is that this is an important factor in the search for longer term power purchasing agreements. Longer, but no so long. When we look at the consumer market, we have always spoken of a five, six year rate, whereby there are agreements for delivery in 2020 until 2026, and I do not see much more than this. In this context, there have been some isolated cases of agreements with horizons a little longer. The other matter you raised is the rationale behind the purchase of TAG and the installation of the Related Parties Committee. I am unable to discuss much because we are required to maintain confidentiality. While the operation is public knowledge, there is no transparency with respect to discussions, which in fact are in abeyance in the light of the court injunction, which has brought discussions to a standstill and prevented Petrobras from proceeding until a ruling is handed down. But the rationale is what I have already said, the company has the possibility of transforming itself into an infrastructure investment platform. We see opportunities arising in the energy sector, whether in generation, transmission or now in gas and sometimes you have an extremely competitive environment such as the last transmission auction. And as we are generating cash, we need to apply our cash generation in profitable investments as soon as we open up the possibility of entering areas where profitability is significant, where we see this makes sense in the context of our track record. So this is the rationale. In relation to participation, we are expecting a stake which will give us powers within the controlling structure together with partners. Participation has to make sense for us and we are moving in this direction.

Maria Carolina Carneiro – Credit Suisse

Right, perfect. Many thanks.

Eduardo Sattamini – Chief Executive Officer

It's a pleasure, Carolina.

Operator

The next question comes from Fernando Zorzi of UBS. Fernando, please proceed.

Marcelo Sá – UBS

Hi everyone, this is Marcelo here. Thanks for the call. I have a question on the discussion of GSF. In the Eletrobras bill before Congress, there was a discussion on GSF, which was approved in the Lower House but not approved in the Senate. The whole discussion is about compensating the companies for dispatching outside the order of merit and for delays in structuring projects via extension of the concession agreement. Currently, there

are some companies totally in the free market such as Tietê and Light, which when the bill becomes law, are going to have to make this disbursement and will receive an extension to their concession agreement having dispatched outside the order of merit since 2013. My question is: for companies such as yours with energy in the regulated and free market, and which has signed up to the renegotiation in the regulated market and was obliged to remove all preliminary injunctions, do you believe that you could also be benefited for the portion of energy that was in the free market? Could it be that you might be considered for some type of extension to the concession agreement should this bill become law? And if you have an estimate of what would be the impact, and how much it would be. Thank you.

Eduardo Sattamini – Chief Executive Officer

An in-depth discussion was had on this involving all entities and the idea was that the company that had reached an agreement in the regulated market should not be discriminated against, that we should not be prejudiced and should be treated equally given that you are introducing a new solution for the free market. And with this we not only agree, but this aspect is specifically enshrined in the bill 10332, which is pending voting in the Senate. Voting is expected to be delayed not for GSF reasons but on the controversial grounds of privatization of the state distributors in the pre-election environment we are in here in Brazil. But yes, we are involved, we have or will have the right to this extension equivalent to the amount in the free market representing generation outside the order of merit. As to the amount, I would not like to say because it is going to depend. We have an idea, and in the discussion various calculations were made by the CCEE obviously within the philosophy of what the negotiators understood as the quid pro quo, what was being discussed, what were the amounts involved. However, I would not like to say anything further because it is going to depend on the regulation which may change. So, I would be giving guidance which perhaps might be wrong. But as a rule, we had half of our energy in the regulated market, half in the free market, you can find this relationship, half of our total capacity in hydro, see the number for AES in their call, and from this you can do the calculation in average MW and in this way arrive at this amount. But I would prefer not to talk about this.

Marcelo Sá – UBS

That's great. No, thank you, it was more to understand the concept, if you think you have the right or not because, at the end of the day, I think the market always focuses on Tietê and Light, but not so much on what companies which renegotiated could earn. This could be a positive trigger. Thanks.

Eduardo Sattamini – Chief Executive Officer

Marcelo, thanks for the question and sorry about the AES joke, right.

Marcelo Sá – UBS

Not at all, not at all. Many thanks again.

Operator

Reminding you that to ask a question, just touch asterisk one (*1). Please wait while we gather more questions.

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

Eduardo Sattamini – Chief Executive Officer

I would like to thank the participation of all for, as I have said, in the call on one more quarter of good results, a quarter during which our team has been working hard in all areas. I would like to say that we have had success on all fronts, both financially, with the issues, with the leverage of the Company, first in the development, with the capacity to execute and capture opportunities and then on the financial front with the capacity to finance this growth, with an increasingly more efficient operation, seeking rational control costs, with the focus on the business and meaning not on cutting costs without examining the consequences, in portfolio management, on the change in mentality also for meeting the challenge of a completely different market with growing dispersion through the increasing retail business. So I think we should congratulate ourselves - the entire Company I believe. And I have thanked the support of the market – I believe that we have had the same interpretation from several analysts that performance has been very good and that the company has increasingly improved the quality of its delivery. And Carlos also has something to thank you for.

Carlos Freitas – Chief Financial and Investor Relations Officer

Basically it is to thank you for your trust in the work we are doing here. I believe that our work includes maintaining fluid communication with you ladies and gentlemen. So in the event of any questions, please get in touch with us. We are always trying to put on non-deal roadshows, hold meetings to explain the business, on many occasions not so easy to arrange, but the doors are open to maintaining fluid communication. Thank you.

Operator

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