ENGIE BRASIL ENERGIA S.A.

Script of Conference Call WEBCAST

THIRD QUARTER 2018 RESULTS

NOVEMBER 1, 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 third quarter 2018. All participants are connected in a listen-only mode. Later, we will open the call for the questions and answers session, at which time instructions for participating will be given. Should you need the help of an operator during the conference call, just touch "asterisk zero" (0*). We would like to remind you that the call is being recorded.

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

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

With us today are **Eduardo Sattamini**, Chief Executive Officer of ENGIE Brasil Energia, **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 third quarter 2018. Immediately afterwards, they will take any questions you may have. We would remind you that 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: Good morning to all. It is a pleasure to be here with you to comment on one more good quarterly result. Let's begin on slide number 5, where we show the company's principal financial and operational highlights. In the quarter we reported a 50.4% improvement in net operating revenue in relation the first quarter of last year. This was due mainly to short term operations with the intensification in our trading activity in 2018, but clearly there was a contribution from our new assets which leveraged our installed capacity, notably Jaguara and Miranda, as well as the startup of the new wind farms at Campo Largo also boosting this increase in net operating revenue.

With this result we also had a significant increase in Ebitda, 43% higher than the same quarter last year. The Ebitda margin on trading activity is much lower than for normal generation activities so the overall Ebitda

margin was down in relation to the same quarter last year from 43% to 41%. Clearly, these two quarters, the third quarter of 2017 and 2018 generated smaller margins than normal due to short term operations. Normally in this third quarter we hold a longer position, operating in the short-term market to settle, sterilize the effect with very positive exposure, one which is subject to delinquencies in the short-term market. Very well, reflected in a net income at 32.8% higher, we saw a significant increase in our leverage. You can see that in relation to the third quarter 2017, this increased almost four times due to the acquisition of assets, this a function of our investment moment, of growth. So this obviously affected our interest costs in financial terms, feeding through to lower growth in net income compared with Ebitda.

So let's go on to the next slide 6, where we look at some of the highlights of the quarter. On September 15 now, we celebrated 20 years since the privatization of the old Gerasul, which became Tractebel Energia and now ENGIE Brasil Energia. During the quarter, we concluded the acquisition of the shares of ENGIE Geração Solar Distribuída, so now we are freer to run at our own pace and ramp up growth for the distributed solar generation business. We see this as a way of being closer to our clients and also offering different options in free energy.

We already had six wind farms at the Campo Largo Wind Complex up and running in the third quarter and a further two came on stream in October. In other words, of the eleven wind farms in the Campo Largo I Complex, we already have eight plants operating and a further two in assisted but not yet in commercial operations but at a test phase.

We have drawn down the first disbursements for the financing of the Campo Largo Complex, because the plants are almost operational and consequently we have been able to draw the financing. Release of finance only close to completion is a recurring factor in the wind power industry, requiring that those investing in this energy source must necessarily have a robust financial situation. I would go so far as to say that this is an entry barrier for small players in this market. We also drew down the first tranche of the BNDES financing for our thermoelectric plant at Pampa Sul, under construction.

Continuing on with the highlights in the next slide, in slide 7. We completed the modernization of the control system at Machadinho's generator unit 2 as part of the operational procedure for improving the performance of our plants. For the ninth time we were awarded the Transparency Trophy organized by ANEFAC-FIPECAFI-SERASA. We consider this here to be the Oscar for Accounting and we are very proud to have been recognized as a transparent company and one which prides itself on the quality of information provided to its investors. And we approved the credit of interest on equity of R$ 397 million, and intermediate dividends of R$ 652 million, R$ 1 per share as of this date. The ex-date was set at January 04 for the Interest on Equity and November 13 for the Dividends.

Very well, moving on to the next slide, slide number 8, the main modification here is the 100% stake in ENGIE Geração Solar Distribuída. You will already have seen this slide: it shows our structure in which there are various companies in view of the need for specific purpose companies established for financing or for the purposes of hooking up to the grid system.

In the next slide, the only change that you have here is the number of plants in operation. This is growing rapidly due to the number of wind farms which are going into operation and contributing to the increase in our installed capacity and the participation of the complementary plants which represent the conventional, renewable energy in our portfolio.

The next slide is where we show our leadership in the market with 10.2 GW of installed capacity, 0.8 being the Umburanas and Pampa plants as well as the remainder of Campo Largo, which will be going into operations between now and the end of next year. This gives us a position of leadership allowing us to conduct an open dialog with the government as well as the possibility of continuing to take advantage of market opportunities.

We entered the transmission market at the end of 2017. This business is proceeding normally and we shall be talking further about this project later on. However, this Gralha Azul project, the transmission line in the state of Paraná, is both within budget and the timeframe for project development.

Our portfolio is in the next slide. Very well, 47% of our business is allocated to the free market, 17% to the trading companies and 36% to the distributors. At the trading companies, short-term volumes tend to be larger precisely because of trading operations which we began in 2018. In an organized way, we understand that trading is an integral part of our activity, giving us a more precision and a better feel in relation to market price and obviously allowing us to arbitrate positions in the short term.

As to our diversification, we are highly diversified across the various segments of our industry and commerce, the most significant being cement and food, but nevertheless with a degree of concentration still very low. Today, we have 2,210 average MW sold in the free market and there are small variations quarter on quarter in the light of forecasted consumption of certain industries. When there is eventually a tendency for some acceleration in industry, there is sufficient flexibility in signed agreements to allow total sales to increase a little. Conversely, when there is a decline in activity, the lower average sales volume represents here our outlook for a reduction in consumption. In the penultimate quarter to the present, we saw a small reduction of 30 average MW out of the total of 2,210 MW.

Moving on to the next slide 15, on the energy market, we can see that there is an excess of structural supply. But you can see that the price during 2018 was still under pressure from the situation of the reservoirs and the hydrological crisis, which we have been experiencing in recent years. There was a significant improvement in hydrology in October and this has fed through to a high degree of price volatility due to the situation at the reservoirs and the change in hydrological regimes.

In the next slide, we talk about our contracting strategy. We try to keep our contracting well distributed over time to avoid a major impact from having a significant quantity of energy expiring in any given year. This strategy means that variations during a peak or a trough in prices is not felt so strongly.

On the left side of the graph, we show out position in decontracted energy. So in 2018 we have 10.7%, in 2019 8.0%, in 2020 7.5%, and after that we have what are basically reserve volumes for dealing with the hydrological crisis and from 2021, we effectively have energy for the trading of new agreements which by then we would have won or renewed.

The next slide shows our energy balance. No major changes here I would say with the exception that we have inserted a column for net prices. We have included this column before, showing gross prices. This was causing some confusion for us to refer to the average selling and buying price which can be found at the bottom of the table. So we are now including this information so that people can have the same comparative base.

Well in this next one we talk about expansion. At Jirau we continue to wait. Our controlling company has hired Itaú to evaluate this transfer but we still have no news on any effective progress in this process. In the light of the pending GSF issue and the need for cash for the project, this decision has been postponed by our controller.

Moving on to Pampa Sul in the next slide, today we are beginning tests on all the main systems. We always talk about the quality of this new plant and despite the delays we are experiencing, operational startup is slated for the second quarter of next year. With the delay, we decontracted energy that was contracted in the regulated environment to make sure we are not exposed. However, the quality of the work and the systems which we have tested has been very satisfactory. It is clear that this is going to affect the profitability of the asset although this asset has a good initial profitability. I am going to ask Carlos Freitas to take over speaking to you because I have a bad throat and am not managing to speak, coughing all the time. I apologize and I'll come back for the questions and answers.

CARLOS FREITAS: Good morning to all. Thank you, Sattamini. I will now go on to slide 23 and the update in relation to the Campo Largo Complex where, as has already been said, we have six wind farms already in commercial operations. Yesterday on October 31, a further two wind farms came on stream, so we now have eight in operation and by the middle of December, at the most, or in early December, the whole Complex will be up and running, 330 MW there in Bahia, which has become our wind hub adjacent to Umburanas. It is a project which is working well up to now, and I hope it will continue like this, operating at below budget and going into commercial operation before the contractual term, before the end of the expected timeframe. And here confirming the company's capacity in execution and the projects proposed.

And something similar is taking place on the following page on page 24 at Umburanas. Work is proceeding well and the idea is that the first of 18 wind parks at the Umburanas project will be ready to go into operation perhaps by the end of November or in early December and by the end of the second quarter of next year, we will have a further 360 MW of wind power up there in Bahia, contributing more wind energy to the Company.

Gralha Azul, on slide 25, is a project which is still at a very early stage, because we are still at the licensing phase, preparing the Environmental Impact Study (EIA) and the Environmental Impact Report (RIMA) and once this phase is complete, then to request the installation license. So now we are also in the land ownership phase, mapping the land owners and beginning to negotiate this part, already with signed contracts, these contracts which make up the CAPEX amount of R$ 1.7 billion. Thus, 15% more or less below the ANEEL CAPEX as established at the auction last December.

At ENGIE Geração Solar Distribuída, slide 26, here there was a small increase in relation to the second quarter. There is a tendency to work with slightly larger systems and we are also entering the commercial client segment where the systems are also a little bigger. This is still a small business in Brazil, still incipient, but it is a niche, a new channel for sales to a B2C market, commercial and residential as well, for us in the free energy market we were not covering. Today, it is a small business, although the tendency is for growth.

And so to growth in slide 27, our asset portfolio. And here it is important to say that we will continue closing agreements in the free market, selling incentivized energy to industrial clients, medium and long-term PPAs until we have a critical mass sufficient to trigger more investments. It is worth remembering that Campo Largo and Umburanas are two projects with an installed capacity of 700 MW, more or less in phase 1 of both, and on average, two thirds are contracted in the free market. So as the leading player in the free market in Brazil, we will continue closing business with industrial clients until we have a volume of PPAs important enough to justify the triggering of a new investment in Campo Largo, phase 2, in Umburanas phase 2, etc. We hope to be able to announce new developments soon.

Moving on now to the financial part, we have here an explanation in slide 31, sorry no, slide 30. The net operating revenue jumped 50% in relation to the third quarter last year, remembering however that the comparative base was a little lower since this was the quarter when we had the lowest result last year. Again the result was driven this year by the activities of trading and by the increase in sales volume in the short term market. We expanded substantially the trading operation, generating R$ 466 million more in sales, both in the CCEE as very short terms sales, bilateral sales, all this making up these R$ 466 million in relation to last year, third quarter. In addition, the higher average price of sales and sales volume producing another R$ 250 million increase in sales. Revenues from Jaguara and Miranda in the regulated environment brought in R$ 108 million for the quarter as a whole, here amounting to 70% of the quotas for Jaguara and Miranda, plus the O&M GAG and maintenance which come to R$ 430 million more or less annually. In addition to this, the 30% of Jaragua and Miranda in the free market are mixed here both in the average sales price column as well as the CCEE market.

In relation to Ebitda, there was an important increase of 43%. Besides the contribution from higher prices and sales volume and from the net balance in the short-term market of R$ 188 million, as well as sales from Jaguara

and Miranda, we also had a small saving in relation to costs of services and materials. We managed to save in this respect, including operations for enhancing our PIS and COFINS credits, resulting in a lower net cost of services and materials. On the other hand, since we had greater thermoelectric dispatch, there was an increase in the cost of fuels which is good because this translated into a better short term balance. And as I have said, an increase in trading operations, buying and selling of short term energy and as a result an increase of nearly R$ 200 million in power purchases for trading and for our portfolio management as a whole to meet GSF risk. Therefore even in a quarter which was very complicated in hydrological as well as GSF terms, we reported an Ebitda of more than R$ 1 billion.

And in relation to net income, the significant highlight here is clearly the financial result where we had an increase in net expense of nearly R$ 150 million for two reasons: the first and the most obvious is due to the increase in debt. As you, ladies and gentlemen, will recall, we financed 100% of the purchase of Jaguara and Miranda with debt and as we have already mentioned, drawing on lines with the BNDES for Campo Largo and Pampa. During the third quarter we drew down about R$ 1.080 billion for the two projects. So obviously this increases the volume of outstanding debt. But that's not the principal reason. The main reason is that during the year we had a significant increase in inflation. We have concessions to pay for some of our hydroelectric plants and the principal concessions are the older plants such as Cana Brava and Ponte de Pedra where agreements are indexed to inflation. In this case, Campo Largo, sorry, Cana Brava and Ponte de Pedra, are indexed to the IGPM. We have a volume of concessions payable amounting to R$ 2.8 billion, of which more or less three quarters is indexed to the IGPM. And the accumulated IGPM for a year to September surpassed 10% compared with the accumulated last year which was negative at -1.4%. We are talking about data for nine months but clearly it is easy to see a greater impact of inflation in this indicator here on net income. This effect is going to decline next year due to increases in PPA prices, because we still have a good part of our agreements indexed to IGPM.

Moving on to slide 33, we maintained a good level of returns over invested capital, return on equity which I think is major differential for the Company. We have a solid financial discipline, only investing in projects which bring attractive returns to the Company.

And as I have mentioned, with increasing debt on the following slide 34, reaching R$ 9.3 billion of gross debt, R$ 6.5 billion net debt and still a comfortable level of 1.5 times Ebitda in net debt. Recalling here that we have an AAA rating which is also a competitive advantage for the company. We still see space in the balance sheet to increase company debt and increase it on the back of growth. We have good projects in the pipeline and intend to continue financing a large part of our growth with debt but always maintaining and defending our AAA rating.

With our debt in reais in slide 36, there exists no pressure of cash in the short and medium terms. The debt is well distributed over time with a very attractive cost of 8.6%, and in reais, without debt in US Dollar in the medium and long term. So this here also gives us peace of mind, and I would venture to say, making the company a fortress of credit, also helping us to grow and raise resources quickly and cheaply.

And finally to the plan of investments on slide 37. Still in this year, we have an important volume of CAPEX to be injected into Umburanas, Campo Largo and Pampa. Next year, this drops a little to around R$ 1.3 billion, still a little in Pampa, transmission as well, an Umburanas, mainly. And in transmission, the principal CAPEX begins after the issue of the environmental license, after the land ownership part and in fact only at the end of next year. So a good part, the larger part of the CAPEX of Gralha Azul will be in 2020.

In the last slide, slide 38, our dividend payout, we announced 100% distribution in the first half. Yesterday, at the Board meeting, we also announced Interest on Equity as we do every year and also announcing an intermediate dividend of R$ 1 per share, therefore, R$ 650 million, more or less. So with this we have already announced about R$ 2.2 billion in dividends and interest on equity, maintaining a very interesting dividend policy in addition to the promised and contracted growth of the company. We already have important

contracted growth with Campo Largo, Umburanas, Pampa, but given the space in the balance sheet we still see room for maintaining an interesting dividend policy.

This is not a promise to be repeated here on every occasion but it is not our intention to accumulate cash for the sake of accumulating cash in the balance sheet. We like to invest cash in good projects combined with maintaining an interesting policy of dividends.

Well with this I would like to open for questions.

BEGINNING OF THE QUESTIONS AND ANSWERS SESSION

OPERATOR: LADIES AND GENTLEMEN, WE SHALL NOW BEGIN THE QUESTIONS AND ANSWERS SESSION. TO ASK A QUESTION, PLEASE TOUCH ASTERISK 1 (*1). TO WITHDRAW A QUESTION FROM THE LIST, TOUCH ASTERISK 2.

Our first question comes from Kaique Vasconcellos of Banco Safra. Kaique, please go ahead.

KAIQUE VASCONCELLOS: Good morning to all and thank you for the call. I have two questions, the first one is if you could talk a little about Pampa Sul, the project for which is due to go into operation in the second quarter of next year. I would like to know how this startup will take place, how many turbines will go into operation in each phase and how long each turbine is expected to remain in a test mode before commercial operations. And on the subject, if you have an update on the divestment process. And my second question is in respect of slide 27. You mentioned the project portfolios which you have under development, up to now with phase 1 of Campo Largo and Umburanas, to become operational by the beginning of next year. I would like to know what these new projects are, if you continue in the direction of the free market and if you are thinking of trying to acquire a longer term agreement in the regulated market. Can you tell us about the development of these projects? Thank you.

SR. EDUARDO SATTAMINI: Hi Kaique, thanks for your questions. The first question on Pampa Sul. Pampa Sul has only one turbine with an installed capacity of 345 MW and the idea is that we should begin the operation and tests with the first firing of the boiler in January of next year and commercial operations in the early part of the second quarter. These are rough dates.

On the process of selling the asset, we have decided to wait until is commercially operational. There is no point in proceeding in this direction while some uncertainty persists even though we are very confident as to the quality of the plant as such. But clearly, it is much better to wait for three or four months so that we can give the prospective buyer the confidence that the asset is working with the desired quality and performance. In relation to our growth in the renewables part, we are already developing Campo Largo phase 2 for the free market and we should have the green light for beginning to contract suppliers and the civil constructor on behalf of the contractor. We are already taking positions for sales in the market, obviously aware that these need to be covered by fresh installed capacity or by long term agreements with third parties. But we are optimistic that we shall be able to take a decision on beginning construction by the end of this year. And obviously we have other wind farms such as the Santo Agostinho Wind Complex where we have also been negotiating, these negotiations close to conclusion on a new area also adjacent to Campo Largo and Umburanas. We have the second phase of Umburanas and obviously we are going to pursue conditions which will give satisfactory returns to compensate for the risk of the activity. We will not enter the regulated market if it does not offer these conditions, if we find the profitability is low. We have a trading capacity which is an advantage for us and if the regulated environment is on the low side, we will continue to develop the free market.

KAIQUE VASCONCELLOS: Thank you, Sattamini. Just a follow-up on Pampa. Perhaps it's better that we see this sale process beginning again in 2020, there is about six months of operations there, a little more, so perhaps 2019 is not the best time. Would this be right?

EDUARDO SATTAMINI: No, no. We are saying that operations begin in 2019. Very probably we are going to ramp up the selling process. It is all going to depend on what is necessary in terms of due diligence, evaluation, etc., you might say that closing will only take place in 2020. But it all depends... right now, we already have some interested parties, and we understood that there existed a difference of vision in relation to the risks and we opted to assume the risks of construction through to the end to eliminate this divergence. And being operational, we already have some interested parties that would be ready to place an offer within a very short time. So it could be that there are possibilities for closing a deal of this size in 2019 still. But I would say conservatively yes that I believe that by 2020, we will conclude the sale of these assets.

KAIQUE VASCONCELLOS: Very clear, Sattamini, thank you.

OPERATOR: Our next question comes from **André Sampaio** of **Santander**. André, please go ahead.

ANDRÉ SAMPAIO: Good morning, I would like to ask a question on the future transmission auction, what is your expectation for the auction. And a second question on GSF, what are you expecting from this ongoing discussion that is now before Congress again and if you believe that this could really pass before the end of this year or if there could be a problem given that the Eletrobras bill has been rejected.

EDUARDO SATTAMINI: So on the first part of your question with respect to the transmission auction. We have high hopes for the transmission auction and we expect it to be a mega one. Investments have increased recently due to Lot A, which Eletrosul has taken back from Shanghai, the joint operation with Shanghai having failed. So this should also be included in the auction in December. So it's going to be an auction with some good opportunities for investment. The volume involved should give us an opportunity to be competitive. As you know, we are a rational investor, doing our calculations and offering prices compatible with the risk return for this project. So, we should be there with some lots of interest and we are going to be competitive from the start. We are already working to this end, analyzing specific lots and getting the teams out in the field to verify the best routes to reduce the uncertainties and of course the number of contingencies. So as far as the transmission auction is concerned, we are determined.

And on GSF, we had some good news yesterday. News that PLS 209/2015 which covered the fine with respect to the supply of electricity and quality of energy supply would be subject to a fresh amendment in relation to the GSF. We understand that this is an indication that the only reason the GSF was not voted was because it was included in bill number (PL) 77 relating to the privatization of the Eletrobras distributors and was therefore probably not the appropriate moment to proceed, perhaps in the light of the opposition's reaction to defeat in first round of the general elections. So it ended up that GSF, which in fact is consensual, I would say irrespective of political party or orientation are measures where there is consensus among market agents to solve the situation and unlock the short term market. So we believe that there are good chances for rapid approval in the Lower Chamber.

Now with respect to ANEEL's initiative also, it is valid, it looks ahead, it also tries to resolve the generators' exposure, the exposure of the generators to hydrological risk with reserve energy. So I believe here that there will also be more good news with a positive initiative which should give more stability to the Brazilian electricity market.

ANDRÉ SAMPAIO: Many thanks. Just by way of a complement. Just a question on this new amendment and part of the previous fines amendment, my doubt in fact is if you believe indeed that the distributors' amendment having been defeated, if there might be some legal impediment due to this same matter having been included with a very similar opinion as part of the new bill.

EDUARDO SATTAMINI: Look, I would say, I am not a lawyer and specialist in legislative processes but my perception is that Senator Fernando Coelho, Fernando Bezerra, sorry, would be putting all his money on this particular amendment unless it was viable, don't you think? I think he must have some good legal foundation for conducting the proposal in this way.

ANDRÉ SAMPAIO: No, perfect, thank you very much.

OPERATOR: Our next question comes from **Marcelo Sá**, of **Banco UBS**. Marcelo, go ahead.

MARCELO SÁ: Hi everyone. I think, following up this question on the solution for the GSF. Not sure that I understood: the discussion now is, the GSF is included in this other bill (PL) but in the same fashion as in the old PL? Or in other words, the companies would pay the pending amount in exchange for an extension of the concession time? If this is the case, there is a comment to be made here. A report that came out basically on the question of access, which says that the government would have to pay R$ 4 billion to CEMIG for account of retroactive GSF for those plants that have already been returned. Could you comment a little more on what the solution would be? And on another question, given what you have mentioned about the solution ANEEL is trying to develop using reserve accounts, from what I understand it makes little sense given the cost of reserve energy is about R$ 200. So eventually it would be cheaper to buy this hedge in the market than to contract reserve energy because when the price is below R$ 200, the company would in fact be losing. It would only gain should the price be higher but would lose out if it were lower. So would it not make more sense for each company to buy this hedge in the market? How would this be better than buying this hedge in the market? Thank you.

EDUARDO SATTAMINI: Let's go, you commented on various things there. In fact the first thing is yes, GSF is the solution which is in the bill PLS 209/2015. This is exactly the same view as your own, the companies pay and settle their accounts now and recover them over the term of the concession. With the exception of the specific article which would be for attending the plants where the concession has expired already and which it appears has been removed from this new amendment. So this is what is different from the previous PL.

In relation to the other matter. In relation to ANEEL's solution, you are right, the price of reserve energy is high but the discussions are still underway. I agree with you totally on the form of protection. It is cheaper for you to have another type of protection through purchasing energy or with your own energy supply, purchasing reserve energy or building your own capacity for protecting yourself and which is cheaper, but this discussion is ongoing. The generators have been requested to present counterproposals so that they have more or less the same control, but which can be implemented advantageously for the market as a whole. So this is the discussion at the moment, because we look at what is positive and ANEEL is concerned about helping to find solutions for today's risks which are perhaps misplaced or go beyond the normal risks of operating a hydroelectric power plant.

MARCELO SÁ: That's fine. So just to understand, given that the first solution is concession extension in exchange for payment of the pending amount, do you know whether there has been any discussion in the government as to whether this payment could in some way be financed? Because, I believe there are some companies which would have to disbursed a large amount. And if this amount can be financed, will it be financed by the entity which has the right to receive this credit, or would it be some type of finance extended by the consumer, in which case clearly it would involve an impact on tariffs?

EDUARDO SATTAMINI: We are not involved in this discussion because our accounts are all in order. But we do know that the large companies, those with large debts to be repaid, or the larger part of them, have set aside their provisions, have resources in cash, and would have no problem in raising the resources to make the payment. These are companies with good credit quality. There are, we have heard, some experiencing a degree of difficulty and I believe this is going to be handled on a case by case basis and that the government is looking favorably towards helping these companies honor their liabilities. As far as I know, there is no generalized initiative underway, rather the matter is to be handled on a case by case basis, OK.

MARCELO SÁ: And in your case, like you said you have no outstandings, do you believe that in the case of ENGIE, that the part relative to the free market might also have the right to an extension of the concession term with respect to this retroactive GSF, or would this apply only to the companies where there is a court injunction under discussion?

EDUARDO SATTAMINI: That has already been dealt with, we have already settled this discussion with the government at the time. I mean to say that the government has to treat the companies on an equal footing. They were in the free market and they are going to be attended now and the portion of the free market of those companies that entered into an agreement will also be treated in the same way. You cannot treat companies differently because this would only mean further judicialization. So this was one of the things which was discussed some time ago and that the measure or Amendment which is being presented now in Congress and similar to the one previously put before the legislature, is already being handled in this way.

MARCELO SÁ: This is great, perfect. Many thanks.

OPERATOR: Our next question comes from **Vinícius Tsubone**, of **HSBC**. Vinícius, please proceed.

VINÍCIUS TSUBONE: Hi, good morning and thanks for the opportunity. Recently, a newspaper reported that ENGIE would be studying gas storage projects in Brazil, up there in the Northeast. I would like to know if ENGIE Brasil Energia might also be looking at these projects or if this is restricted to your parent company. Thanks.

EDUARDO SATTAMINI: Let's look at this. In fact, we are looking at a project which is being analyzed here in the South, close to the port of São Francisco do Sul, namely at the Itapoá Terminal, together with a storage operating company, or specifically a floating storage company, of LNG regasification ships, with an anchorage at our thermoelectric plant in Garuva, here in the state of Santa Catarina. This what exists and there is even our pipeline there. And this is perhaps where there might be a cross participation, us in the Terminal and they in our thermoelectric plant.

Now, ENGIE worldwide is a major LNG operator, a major operator of terminals, and it would make sense to be evaluating a potential entry into this market. If this is done, obviously there would be a discussion as to whether entry into this new market would be through ENGIE Brasil Energia, which is our company listed in Brazil, or if ENGIE parent company would enter the market directly. This does not conflict with our daily activity, in fact the decision could be taken to allocate this activity to one or the other place, inside or outside the listed company. I'm not sure I answered your question.

VINÍCIUS TSUBONE: Yes, yes, you answered it. Just a follow-up. If this project goes ahead, would there have to be some auction in the regulated market and you would enter with this thermal plant via auction and from that the whole project would be developed. Would that be the case?

EDUARDO SATTAMINI: Yes, yes. With respect to thermal plants, we are always required to sell in the regulated market, never in the free market. There is no way that you can have a thermal plant in the free market – it's uncompetitive, you need a long-term agreement, an agreement of a certain capacity to remain operational and to be viable.

VINÍCIUS TSUBONE: Sure. I understand. Thanks.

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

Our next question come from **Marcelo Sá**, of **UBS**. Marcelo, please proceed.

MARCELO SÁ: Hi there, I would like to ask another question. I would like to know a little more about TAG. Do you have any idea as to when the Supreme Court (STF) is going to rule on Lewandowski's injunction. Will it be this year or will it be something for next year only? And we have also seen a report on Bloomberg to the effect that there is going to be a consortium made up of you and a Canadian fund which would result in a proposal of up to R$ 9 bi. But what I want to understand is, I understand from the report that the other competitors will also have a chance of resubmitting their proposals but that you would at the end of the day have

preemptive rights. Do you have preemptive rights? Just so that I can understand a little of how much you can tell us about this structure as far as is possible and the expectations for the injunction. Thank you.

EDUARDO SATTAMINI: Here goes. The process is one designed by Petrobras where the preferential offeror has the opportunity to negotiate contractual aspects in the shareholders agreement, while Petrobras continues with an operational contract with Transpetro, having a fixed term and obviously the amount of the SPA (*Sales and Purchase Agreement*). This stage completed, these conditions will be presented to the other offerors to be followed by a new price offering round within the parameters of those conditions discussed by the preferential offeror. So this is the process although it is at a standstill because of the injunction. We that this should be for Petrobras to sort out and I believe it should be sorted out within the next few months. We cannot say when exactly because this depends on some legal actions or a legal interpretation or action from the AGU (Office of the General Counsel of the Federal Government) itself. So we are uncertain as to when the process will be resumed. But once resumed - and we are in no doubt that it will be resumed – terminating the discussion of the contractual documents – and as far as I know this part is well advanced, there is very little left to conclude. Then there is a timeframe for presentation of this documentation to the other competitors and a new bidding round. This should bring us to a transaction not before January, February, March next year, even if we had resumed this discussion now in the middle of the month of November. Carlos Freitas, do you want to add anything?

CARLOS FREITAS: No, just to add that indeed, the minute the process is resumed, it will take I believe at least three months before consummation at an Extraordinary General Meeting - in Petrobras' case this has to be through an EGM, and here it has to be finalized by an EGM as well. So this is not something which can be concluded rapidly. And now in relation to amounts and partners, etc., this is all market rumor. And we do not comment on market rumor. The newspaper says that the ENGIE group increased the amount of the check... This is all rumor in the market and on this there is nothing to say.

EDUARDO SATTAMINI: No comment.

CARLOS FREITAS: No, we cannot comment.

CARLOS FREITAS : Now the information on TAG, the size of TAG is public. TAG is a company with an Ebitda last year of about R$ 4 bi. What we can say is that we in our group have the idea that no one should control anything. So we are not going to have any position as controller and therefore the need to consolidate these investments. This is what I have to say for the time being.

MARCELO SÁ: That's fine. Just to clear up a doubt about the company TAG itself, not on the bid or specifically involving you which is confidential. The most striking thing here for me is that I had a call with Petrobras and there was something in the agreements that was unclear: you have the gas pipeline where there are various different agreements with different durations, and prices per cubic meter, capacity very different one from the other but from what I can see, there are no specific conditions as to how these agreements will be renewed.. thus indicating a huge uncertainty as to the company's Ebitda in the future.

In this discussion that you are having, or which Petrobras is eventually open to, will it be made clear and in writing how this renewal will be made or will this be a risk that has to be run or something that will be decided later?

CARLOS FREITAS: Let's look at this. Indeed there are various GTAs - gas transportation agreements. There is a small one which falls due now and is not very significant although there are five agreements with a significant size running for medium and long terms, the shortest of them to fall due at the end of 2025. And the others nearly all from 2030 forwards. And they are a defined price, there is no gas volume risk so its ship or pay that Petrobras pay. These agreements today were made in house at Petrobras, but already have a regulatory framework for renewal and for defining the future tariff of this agreement given the regulated business involved. In other words, there is a regulatory framework with the ANP (National Petroleum, Natural Gas and Biofuels Agency) as the regulator which decides how the process would work, which is an asset. It is classic

regulatory case where you have your base of efficient assets, your regulatory opex, which is your efficient opex, and a discussion on WACC beginning now at TBG (Transportadora Brasileira Gasoduto Bolívia-Brasil).

So throughout next year there will be the regulatory process for defining the new tariff for TBG. And there is already a public hearing in place for discussing and deciding the matter. But it is a classic regulatory discussion just as with the electric energy distributors where we examine whether the WACC should be A, B or C. There is an entire economic logic which in our case will be applied if we really go ahead and buy TAG in seven years' time. But there is a logic to it all although we cannot be certain what the numbers will be in seven years' time in the first agreement. But the regulatory framework is already very clear.

MARCELO SÁ: That's great. Just one question: would the ANP be responsible for the regulation? That is one question. And the other would be as you look ahead using a simulation you have prepared for say WACC, what would be the asset base for discussion, if you see any chance of a downside for the average price of these agreements, or rather something closer to what you evaluate? I don't know, as we are building a model to try get a reference which makes sense for us to assume for the renewal.

CARLOS FREITAS : Indeed, the ANP is the regulatory agency for this system and we have our own disciplined and conservative way of evaluating projects. I cannot tell you how we do our calculations, if we are going to reduce, maintain or increase our future price but I would say that this is a conservative company and at the end of the day all this translates into price.

EDUARDO SATTAMINI : Perhaps, Marcelo, as a help, look at the regulatory act to see what is being suggested by TBG, the conditions, their formation, the system and this is going to give you an idea of how to model.

MARCELO SÁ: No, thanks very much to both. Thank you.

CARLOS FREITAS : You are welcome.

OPERATOR: Again, to ask a question, please 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 Mr. **Sattamini** go ahead.

EDUARDO SATTAMINI: I would like to thank you all for your participation, the questions which have given us an opportunity to clarify details of our operation, our growth strategy, the key projects with which we are involved. We look forward to meeting you in the next quarter, the last one for the year, and trust that we will have good news for you again. Thank you.

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.