ENGIE BRASIL ENERGIA S.A.

TRANSCRIPTION OF THE CONFERENCE CALL WITH WEBCAST

RESULTS FOR THE FOURTH QUARTER 2016 AND THE YEAR 2016

FEBRUARY 24, 2017 – 11:00 (BRASÍLIA TIME)

Operator:

Good morning. This is the conference call of ENGIE Brasil Energia for discussing the Company's results for the fourth quarter 2016 and the year 2016.

All participants are connected in a listen-only mode. Later we will open up the call for the question and answer session when instructions for participating will be given.

Should you need the help of an operator during the conference call, just touch asterisk zero (*0).

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

The presentation with the respective slides will be transmitted simultaneously on the internet through the www.engieenergia.com.br website in the "Investor" section.

By accessing this section, you can also obtain a copy of the presentation and the press release of the Company's results.

Before proceeding, we would like to clarify that any forward-looking statements that may be made during this conference call with respect to the business outlook for the Company should be treated as forecasts contingent on the economic scenario for the country, performance and electric sector regulations as well as other variations, and are 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 ENGIE's performance in the fourth quarter and 2016 year.

Immediately afterwards, we will take any questions that you may have.

I would now like to turn the call over to Eduardo Sattamini.

Mr. Sattamini, please go ahead.

Eduardo Sattamini:

Good morning to all.

One more year comes to an end, a year in which results demonstrated the resilience of the Company and our capacity to sustain these results even during periods of crisis. While Brazil experienced a significant drop in GDP for the second consecutive year, we were successful in posting what can be described as still reasonable earnings. This is my initial consideration.

I am going to have to apologize to you up front since I shall be leaving the call for Carlos Freitas to make the slide presentation. I have an urgent meeting with Eletrosul set now for 11:30 a.m., arranged urgently. If the truth be known, not urgently but rather arranged at the last minute because we are going to discuss the connection of our new Pampa project, a joint solution with Eletrosul and the meeting has been set up for 11:30 a.m.

So, I am going to have to leave although I could not fail to take part and give my support to Carlos Freitas, who is beginning his first experience of conducting a results call. I would like to leave you with the message that the Company continues solid, is seeking to improve performance, reduce costs, adjustments that it will continue to pursue. It has the competitive potential not only in the area of energy generation – and here Carlos Freitas will elaborate a little more – but also other areas connected to the electricity sector as a result of eventual investments we are envisaging during 2017.

I want to leave you with this positive message and the prospects for a 2017 a little better than 2016, although still with a degree of suffering, perhaps a little growth, with the company in parallel demonstrating its capacity to reinvent itself and maintain results at satisfactory levels.

So I will now pass the meeting over to Carlos Freitas to conduct the call with you together with Rafael Bósio. Thank you very much.

Carlos Freitas:

Thank you, Sattamini.

Good morning to all, it is a pleasure to be here with you and to be back home in Florianópolis, at ENGIE Brasil Energia.

To those who do not know me, I have worked at ENGIE for 17 years now. I have been CFO of the former E-CL – Engie Energía Chile – in Santiago for the past four years and before that, I worked here in Florianópolis for some years. At the time, I was financial manager here at the Company - the old Tractebel Energia. I am returning home and will be running this call for you.

I propose to jump to slide number 4 showing the financial highlights of the year.

Here, we can begin by highlighting a slight reduction in annual net revenue, a reduction of 1.1%. This largely reflects a reduction in volumes of energy sold.

We have here a little further down in the table a reduction of 3.5% in average MW sold which can be explained by the downtown in the economy.

As Sattamini has already mentioned earlier, with GDP falling by nearly 4% over the year, it is only natural that electric energy demand should suffer a little. On the other hand, average energy prices rose a trifle. The increase was of the order of 5.4% and below inflation. This slide reflects to a degree the steadily weakening economy over the course of the year.

Those PPAs already contracted reflect the normal restatement at IPCA or IGPM inflation indices. On the other hand, the new PPAs are set at a price slightly lower than would be expected from the passing on of inflation.

All this contrived to produce revenues 1% down albeit with Ebitda growth of 2% and Ebitda margin edging up from 47.8% to 49.3%, because costs reported a stronger downward adjustment than the reduction in revenues. While costs also fell due to the drastic decrease in thermal generation overheads, the Company's efforts to cut costs are apparent. I'll go into this in a little more detail later.

Another point, which is worth mentioning for the quarter is the sharp reduction in net debt, and in parallel, substantially cutting the Company's gross debt. We had some debt indexed to the CDI and drawn some years ago as well as shorter-term debt, which matured last year and was repaid from our accumulated cash position. I'll go into this in more detail later on as well.

And last but not least, I should point out the reduction in employee numbers by 7.7%. In other words, we have 90 fewer people in the Company. The principle reason for this was the Voluntary Severance Plan, a plan for termination or incentivized termination, the execution of which we had been planning for some time. In November of 2016, a large group left the Company, so reducing the payroll and bringing important cost savings over the course of this year.

Moving on to the following slide on page 5, an important event was the startup in operations at the Santa Mônica Complex, a wind complex with a total capacity of 97 MW. Part of the Complex went into operations during the course of 2016, another part in January this year. By the end of the current quarter, the four wind farms should be up and running.

Another highlight of the year was announced in December: we closed the sale of two wind farms and one SHP: the Areia Branca SHP in Minas Gerais, Beberibe, a wind farm in Ceará and the other, Pedra do Sal in Piauí. These divestments are part of our efforts to optimize our portfolio, optimize our capital. These three plants were the first wind farms and the first SHP in our generation complex but they were isolated assets. Beberibe in Ceará is not a principal hub of ours. Our main hub is more in the region of Trairi where Santa Mônica is also located. The SHP in Minas Gerais was also isolated as a small asset there in Minas and similarly the wind farm in Piauí. Thus, the idea was to recycle our capital, turn over our cash and reinvest more in the Santa Mônica complex and now at Campo Largo, which is in Bahia where construction will continue during this year and next.

Another important point to mention is the Company's continued presence in the ISE (Corporate Sustainability Stock Index). ENGIE Brasil Energia is one of the few companies in Brazil, which has been a component of the ISE every year since inception. This for us is cause for pride and underscores our commitment to corporate sustainability given that this is one of the Company's core drivers.

Moving on to the next slide, apart from my investiture here as CFO, I think it is important to emphasize another key aspect: an aggressive entry into the distributed solar energy sector. We announced some time ago a partnership with another company in order to grow in this sector, an area that is going to explode in Brazil. We have made our debut in this segment with an agreement with Celesc in the state of Santa Catarina to install solar panels in a thousand homes. This week saw the initial interest in this project registered in the new company's website. We had more or less 10 thousand visitors, evidence of the repressed demand in this market and representing a new source of revenue for ENGIE Brasil Energia.

Yesterday, the Board approved the payout of 100% of dividends for last year, representing R$ 409.6 million, making for a 100% payout of last year's net income.

Yet a further important point was the announcement to the market last week that on February 15 we mandated a bank to sound out the market for potential players interested in buying our coal-fired assets, that is to say the Jorge Lacerda Thermoelectric Complex, in Santa Catarina, and the Pampa Sul project, under construction in Candiota-RS. For the time being, this is just a case of putting out feelers to the market. We want to get a sense of potential interest in these assets.

There are two assets: the Jorge Lacerda Thermoelectric Complex is an asset with a good performance. A plant which has the benefit of the CDE (Energy Development Account) for various years and a PPA contracted at a favorable price is a good asset. We are now seeking to establish a market price and to see how the market might evaluate this type of asset and then decide on the next step. For the time being, no decision has been taken to sell or not to sell.

Can I suggest that we now jump ahead quickly to slide 8 to show our portfolio.

I think the key aspect in this slide is a small reduction in installed capacity. Despite the startup of Santa Mônica during the fourth quarter, we closed down a very old coal-fired plant, the Charqueadas Thermoelectric Plant close to Porto Alegre-RS with an installed capacity of 36 MW. This plant had been more than 50 years in operation and a unit with a low level of dispatch. Using more optimized portfolio analysis, the plan to evaluate the potential for decommissioning had already been undertaken, eventual closure in fact taking place in December.

We continue to be the largest private sector Group in the electric energy sector in Brazil as can be seen in slide 9. As the ENGIE Group in Brazil, we have 9.3 GW/h in installed energy or under construction.

Looking at slide 10, there are two points of interest here: one is the increase in the number of free consumers in 2017 in our energy portfolio. There is a very simple reason for this: we had a large regulated PPA and inherited from a past auction, a PPA that began in 2009 and matured at the end of December last year. It's a PPA of 350 avMW, which you can see in the document for the last quarter. It was in our energy balance but is no longer there. It was a PPA, which over the course of the last few quarters was selling energy to the free consumer market. So the free market today accounts for a larger stake in our overall portfolio than the normal volume we had for the year before last, etc. However, the Company's competitive edge is indeed in this market.

The free market in Brazil represents our competitive advantage. We are a player that entered this market first in 2000 so allowing us to put together more customized products in this market and consequently extract greater value.

Another important point in this slide is the increase in sales volume to the trading companies. What does this mean here? We are ramping up considerably energy swap operations from last year to this year.

They are operations for producing products to sell in the free market over 5, 6, 7 years for example. We buy energy, undertake a process of energy blending so that we can assemble products for the medium or long term. But here is an important point: we have begun to work a little more aggressively in the incentivized energy market.

Therefore, we build up energy inventory, deliver conventional energy, pay the price and receive incentivized energy to assemble products also for the medium term to sell this incentivized energy to free consumers. In so doing, we get a wider margin because of the transmission discount on the connection charges as you know. This explains a little of the growth from 3% in 2015 to 7% in 2016.

I'll move on again to slide 11, where we see what I have already been talking about.

If you look at the preceding quarter, total sales volume to free consumers for 2016 which was a little less than 2 thousand avMW, has now increased nearly 20%. It reached 2,366 avMW which was already forecast as I have already mentioned, energy, which we have begun to sell to the free market to replace that energy which we ceased selling through the regulated PPA which matured at the end of last year.

Here we continue to have a highly diversified risk profile, profiles of clients with different products. We are proud to say that we have zero delinquency although clearly we monitor this risk, monitor this issue.

Over the course of last year, we saw some reduction in consumption, for some clients where we renegotiated agreements to give a little more breathing space for the client, although not requesting any quid pro quo, increasing the term of an agreement because our strategy is to have predictability in sales, margin and result. This gives us the necessary peace of mind to be able to do all the financial planning, to be able to decide, to be able to think how we are going to grow, and this sustains the central thrust of the Company.

We pursue a strategy of endeavoring over the long term to understand energy in a diversified manner and with credit-worthy clients.

Moving on again to slide 13 where we see a structural surplus of energy for the next few years. Of course, we are aware that the country went through an extremely serious crisis in 2015 and 2016, beginning 2014. Now, we are starting to see signs of improvement in the economy so the tendency will be for this structural surplus to be consumed in line with the improvement in the economy. A large amount of energy was bid over the years in the expectation of consumption - which never materialized. It is our belief that this is circumstantial and this energy surplus will

be absorbed over the next few years. In addition, an important point also is that here we have numerous plants which have been contracted but we are unsure how many will ever be built. We know that there are various players in the market with problems so at the end of the day this surplus may not be so large and look such a serious issue after all.

Moving on to slide 15 now on the Company's strategy of gradual contracting. We continue contracting over time. If you look over a given time line, the energy we are selling is conditional on having improved price predictability as well. It is not worthwhile selling a large amount of energy up front because of the serious doubts surrounding aspects such as hydrology and price for example. So the idea is neither to sell everything at the last minute nor sell everything five years hence. And here's another important point as well. Our uncontracted energy as a percentage of our portfolio is 9.6% in 2017; 9.4% in 2018; 14.8% in 2019. This also works as a buffer, in other words a strategic reserve that we hold to cover eventual GSF requirements. We know that we are a hydro player and we have hydrological insurance, which we negotiated in 2015, but on the other hand, the insurance does not come with a zero deductible.

We have a deductible with this insurance and consequently, this is a risk we have to run in-house by leaving part of the energy uncontracted perhaps to sell short term until we have a clearer idea of the hydrological situation. This is also an intelligent strategic play.

The fact is, however, that this uncontracted volume has increased slightly this year in relation to what we had last year, increasing by some 200 MW. More or less half is indeed a reflection of a reduction in consumption in relation to what was originally expected. However, the increase also reflects purchases made for assembling products.

Again, we were only slightly long in 2017, buying energy for this year and next to assemble products for 5, 6 or 7 years thus enabling us to sell energy in 2018/2019/2020. Once again, this is a strategic play, which we constantly employ.

Slide 16 is more for you to be able to build your models. I would particularly like to point out a new aspect in this slide, which is the energy price for 2019. We always estimate and inform for three years out only, the current year and a further two years, namely 2017, 2018 and 2019. We are informing here the guidance for energy, which has already been contracted. This here is the weighted average of signed agreements. It is not what we expect to sell, it is what is already sold. So the price increases to R$ 181.1/MWh. As of the December baseline date because this is indexed, this is energy restated at IPCA or IGPM, with an average price of R$ 181.1/MWh. This is also a positive sign.

Let´s move on to slides 18 and 19 on expansion.

We have two slides on the Jirau Hydroelectric Plant. The plant is already operating and machine number 50 idem and performing well. We always said that we could assess the possibility of acquiring Jirau from the controlling company once the principal risks had been mitigated. The principal risk was the construction schedule and Capex. The tendency now is that risk is diminishing. Since the plant is already operational and a part of the Capex disbursed, it is only natural to expect that plant acquisition should begin shortly. That is not to say that it will begin tomorrow, but it is something, which is coming to the fore at the controlling company. It is the

controlling company that will at some stage propose the selling procedure to the Board and it is then that the Related Parties Committee will act as the counterparty representing ENGIE Brasil Energia in this discussion with the seller. This has not yet begun but our expectation is that it will begin this year.

Turning to slide 20, the construction of the Pampa Sul Thermoelectric Project is running according to plan, in other words our outlook is for startup in operations to be before the end of next year, sometime in the second half of 2018 because the PPA begins in January 2019. Here the project is going well and on schedule and in line with budget. Work on the plant is about 50% complete, so we can say that the project is fully performing.

In the case of Campo Largo in Bahia on slide 21, work is just beginning. We are currently at the stage of putting in the wind turbine foundations. Important to note that this is the first stage of Campo Largo, a wind farm with 326 MW capacity. Part of the energy has been sold through a regulated PPA and another part through a free PPA, again showing the company's differential in relation to the market. While we are building this wind farm in Bahia, we also have Campo Largo II, which is shelf-ready to be executed once the situation justifies.

The Company is always developing new projects of various types whether wind, solar or gas-fired thermoelectric plants for leaving on the shelf but ready for an investment to be triggered as and when the market so justifies and when we see there is a regulated or free market which justifies fresh capex in a new plant. We have projects at the ready to be triggered when the market so justifies.

And Santa Mônica in slide 22 is nearly ready as I have mentioned, with a total installed capacity of 97 MW, 46 avMW already being contracted at a price of more than R$ 200/MWh and the last machine to go into operation by the end of March.

And last but not least on slides 23 and 24, our solar energy projects.

23: Assú, PPA also sold in November 2015 at above R$ 325/MWh and also under construction. Our idea is to bring the plant on stream before the year-end.

The PPA begins as from November next year but the idea is for the plant to go into operation this year still. This is our debut in the centralized solar energy sector.

As for distributed solar energy in slide 24, we signed an agreement here with another company in order to enter this market and grow rapidly. We have already felt the effects of this growth as I have already mentioned with the first project with Celesc involving a thousand households. On Monday, we launched ENGIE Geração Solar Distribuída's website and our call for interested parties for this first project has already attracted 10 thousand interested visitors up to now for those one thousand opportunities, illustrating the repressed demand for this type of opportunity.

Finally, slide 25 shows shelf projects involving both solar and wind energy. Key projects are wind-powered in the case of Santo Agostinho and Campo Largo II, and a natural gas-fired project here in the state of Santa Catarina known as Norte Catarinense TPP.

Moving on now to the more financial part on slide 27 with respect to growth in Ebitda, revenue and net income, I will look at each in detail.

Let's look at slide 28, net revenue.

As I have already mentioned, our revenue fell 1.1% during the course of last year compared with 2015. In other words, while the increase in average sale price of 5.5% brought in an additional R$ 347 million, this was not sufficient to offset either the reduction in sales volume, which was 3.5%, or the reduction in short-term sales (CCEE). The reduction in CCEE transactions is largely because the PLD fell from nearly R$ 300.0 to a little less than R$ 100.0 last year. So this is clearly a period where revenue from short-term sales was a little less.

We can see this as well in the following slide on Ebitda. Ebitda increased 2.0% and here we have various factors at work in addition to the increase in average sales price and sales volume, namely average sales price increasing R$ 347 million and sales volume R$ 233 million mentioned above a giving a positive R$ 114 million and shown here as an increase in net revenue from contracted sales. We also saw a reduction in the cost of fuel of R$ 109 million due to lower thermal generation in 2016. We also had fewer purchases for resale during the course of last year, that is we purchased R$ 139 million less energy. All this reflects in a smaller long position on the CCEE, here shown as R$ 301 million. This is largely a result of buying less energy for resale, less thermal generation and a lower PLD which fell from R$ 285 to less than R$ 100.0. So all this contributed to a net increase in Ebitda of 2.0% over last year.

In net income, the increase was a little greater at 3.1%. Apart from the increase in Ebitda just mentioned, there are two key items, which stand out in slide 30. One is the increase in financial result that is financial expenses fell during the year because debt also fell. In addition, the falling debt is because we paid some debt, which was indexed to CDI during last year. Consequently, the average cost of debt also fell.

Cost of debt was 11.7% at the end of the third quarter and has since fallen to 10.5%. So that is a significant reduction of 1.2%, that is from 11.7% to 10.5% with a longer-term maturity profile as well. So debt is cheaper, 100% in local currency and long term. This here also helps considerably in the composition of our cost of capital. So all that you see here has improved the Company's financial expenses.

On the other hand, we can see here a total impairment of R$ 111 million. The principal reason was an impairment on a Jacuí asset, an old thermoelectric plant in the Company's portfolio for several years. I would go as far as to say as long ago as when asset was acquired by the former Tractebel 20 years back. The impairment test was undertaken now last year with an accounting effect but no effect on cash.

Now moving on to the following slide 31 where we show the reduction in debt of which I have spoken.

Gross debt fell from R$ 3,758 million at the end of 2015 to R$ 3,089 million and net debt amounted to just R$ 1,093 billion. That is gross debt of R$ 3 bi and net debt a little more than R$ 1 billion. That gives us a net debt to Ebitda ratio of 0.3x and opens up the potential for reducing this cash position while increasing net debt in Capex over the course of this year, Capex that we are already in the process of contracting. We already have the Capex for Pampa and Campo Largo at year-end 2016 and this is going to absorb a good part of this year-end cash. Thus, the Company's net debt will tend to increase during the course of this year.

Here in slide 32, we have the Company's debt, which in the quarter or from the end of September to the end of December, increased a little - not just because of investments but also because of the payout of a substantial dividend. We paid dividends and interest on shareholders' equity of R$ 642 million. Therefore, this gives a 100% payout for the full year 2016 as I mentioned previously, but debt continues very comfortable. In slide 33, we show the debt maturity profile. A maturity schedule of more or less R$ 300 million over the next six years, the larger part of this debt as I have said with the BNDES, more than two thirds with the BNDES in fact, and a Debenture issue restated at the IPCA. So currently, we have debt with a nominal cost of 10.5%, and therefore below SELIC.

The investment plan is shown in slide 34.

Here are investments which have already been contracted and as already mentioned, namely in Pampa, Campo Largo and Assú. While this does not include any of the investments we shall be examining during the course of this year, we already have firm Capex expenditure of R$ 2 billion for this year and R$ 2.3 billion for next. As I have mentioned, we shall be reducing our cash somewhat over the year in order to support these investments.

And finally to slide 35 on the Company's dividends, where we adopt a thoroughly clear and coherent policy. Our minimum payout guidance is 55%. We have always paid out 100% when the Company is experiencing a period of reduced Capex but with a superior cash position. Conversely, when we have a greater Capex outlay and a reduced cash position, we lower the dividends payout. Thus, over the past twelve years, this process has been respected. We reduced the payout in 2014 and 2015 not only to support contracted Capex but also as protection against the crisis in 2015 and 2016 and the accompanying sector uncertainties, these one way or the other having since become less nebulous. We have retained cash to protect the Company against the difficulties. Now the way ahead is a little clearer, a little calmer, we can revert to a payout of 100%. Let's see what the payout of this year and next will look like, and as I have already commented, years of major Capex outlay.

And with this, I conclude this slide and would like to open up 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 one (*1). To remove a question from the list, touch asterisk two (*2). Just

to remind you again, to ask a question just touch one (*1). Our first question is from **Caíque Vasconcelos from Citigroup.**

Caíque, please go ahead.

Caíque Vasconcelos:

Good day to all and thank you for the call.

I would just like to have a strategic vision of the Group in Brazil given that this year there is the expectation of a start being made in the process for transferring Jirau as well as the potential interest in participating in the next transmission line auction. On the other hand, the Company's leverage is low, not to mention the sale of coal-fired assets, which could boost cash even further.

So my question is whether the Group could grow more in brownfield operations as well and given this scenario, which would be the attractive assets - more hydro, more renewables or if there is the option of returning capital to the shareholders.

I would appreciate a short comment on this. Thank you.

Carlos Freitas:

Thanks Caíque for the questions.

Let's begin with transmission. It's true that we are looking closely at transmission. We did the same last year but in the end did not participate in the auction. However, now we see the regulatory context as being more propitious and favorable so we are looking closely at transmission with a view to participating in the next auction, yes. That does not mean we will participate or that we will not participate. However, what I am saying is that we are proactive in business and we see a good regulatory and strategic synergy with generation. We have various transmission lines and we have built such lines in the past. I would remind you that we have installed transmission lines to link our wind farms for example, so we are fully cognizant of the regulatory and environmental procedures involved. Therefore, to reiterate, we are looking closely at this possibility.

As to Jirau, it's a bit like I said. We are not responsible for beginning the process. The seller, ENGIE Brasil triggers the transfer procedure. To date, the process has not begun but we expect this soon. In addition, as I said, once the process is triggered, the Board will be duly informed and will set up the Committee and it is then that we will examine the process. However, for the time being no initiative has been taken by the seller.

As to a more strategic view on growth and leverage etc., we are always going to examine this compared with the alternatives, that is, when we have a comfortable cash position as is the case today, we shall take the decision as to whether to invest or pay dividends. Our aim is not to grow for growth's sake. We want to grow profitably. So we always have this financial discipline of evaluating an opportunity, be it in generation or now in transmission, to see if such gives us an

opportunistic return and if it does not, to payout dividends. We are interested in continuing to grow in Brazil.

On the question of the potential sale of Jorge Lacerda or Pampa, as I have said, for the time being this is just a sounding out of the market. As of today, we have no idea of how such an eventual sale would be conducted. If such a sale goes ahead, we will examine the alternatives for this purpose. So everything in its own time although we will maintain the financial policy of not retaining cash for the sake of retaining cash, but also not to expend cash to grow haphazardly. We will always try to grow in a rational manner.

Caíque Vasconcelos:

That's great, many thanks.

Just additionally, do you have any target for leverage with which you would be comfortable – two, three, or as currently – how do you see this? Thank you.

Carlos Freitas:

I wouldn´t say any specific number. We are comfortable with long-term and cheap leverage although I would say that at least around 2.5x would be most satisfactory for us. Today, we have gross debt of 1.0x Ebitda. As I said, net debt will tend to approximate to gross debt because we are going to have some cash burn during the year. So, let me talk in terms of gross debt. Gross debt today is 1.0x Ebitda, so I would say between 2.0x and 3.0x, that is, 2.5x on average, would be reasonable considering that debt is long term.

If debt were to be much more concentrated in the short term, say in one or two years and indexed to CDI such as the CDI-indexed debt last year, then perhaps leverage would be a little less, closer to 2.0x. If debt were to be 100% long-term and cheap then perhaps we could go as high as 3.0x. The objective here is to have cash predictability but also to leave space in the balance sheet for when an interesting opportunity arises to invest this capital.

Caíque Vasconcelos:

Perfect, many thanks.

Carlos Freitas:

Many thanks.

Operator:

The next question is from **Carolina Carneiro from Santander**.

Carolina, please proceed.

Carolina Carneiro:

Hi, good morning to all. Thanks for the call.

I also have two questions.

The first is rather in the form of a follow up to the preceding question but more to understand the strategy in relation to the sale of the thermal power plants, the process for which you have announced. We understand from the Material Fact that this is apparently a global strategy on the part of the Group. But, we just want to understand if such a sale might not be matched with funding whether for the acquisition of Jirau or to support a possible participation in other auctions. And if indeed the thermal power segment as a whole appears not so attractive for various investors around the world, here in Brazil, the thermal power plants have been very useful at least in protecting the portfolio given the problem that we have had with hydro over the years. So it's more to understand this strategy of selling the thermal power plants a little better, what is behind this and what you see in relation to the strategy of protecting the Company's portfolio against potential GSF problems which are more persistent than might have been expected. That's it.

Carlos Freitas:

Thanks. Let's look at this.

Once again, the sale of the thermal plants is undecided. It is just a sounding out of market potential. If it goes ahead, it will be contingent on conditions of sale being interesting. We have no interest in selling an asset just for the sake of selling. We take the view that these assets played a very important role in the past in protecting as a hedge for hydrology. However, the tendency today is that this relevance is a little less, if only for the reason that we now have a mechanism of hydrological insurance thus mitigating this risk a little. As I said, this is an interesting asset, an asset, which we will examine what to do and whether to sell or not. It's a good asset and we are embarking on the phase of sounding out the market and once this is complete, move on to the next stage of the process. In relation to the funding of Jirau and strategy, no, one thing has nothing to do with the other. As we have already seen, and as I have tried to explain, we have a comfortable cash position today and an important leverage capacity. Today, with a 1.0x Ebitda ratio, if we reach 2.5x, Ebitda 3x, then we are looking at R$ 4.5 bi to R$ 5 bi of leverage capacity. In addition, we also have proprietary cash generation as well as the entire Company's credit profile.

Clearly, we have opportunities in the brownfield market, we have transmission, which could be interesting as I have already said, but I would repeat, this sounding of the market with respect to Jorge Lacerda and Pampa has absolutely nothing to do with the transfer of Jirau.

Carolina Carneiro:

That's fine, thank you.

If you would allow me one more question, I would like to know a little more about the market, how is demand from the industrial sector or potential increase in free consumers and what is your feeling for the commercialization segment. Thanks.

Carlos Freitas:

Thanks. We have been noticing an improvement in the market. We have seen not only increased interest in the market but improved liquidity as well. We are seeing this improvement in the economy as a whole similarly to other sectors as for example corrugated packaging material, which is a great indicator, a great KPI for detecting recovery in the economy and we have seen here an increase of clients interested in incentivized energy. Little by little, the incentivized market is opening up with more and more companies migrating to this market. We are also growing and investing substantially to prepare the Company to become increasingly more horizontal with a greater number of smaller size clients. I think this is going to be the major commercial focus of the Company, to have more and more smaller clients so that you command better margins. By becoming more retail-oriented, you begin to have products which are a little more standardized, customized products and with this, wider margins per kW/hour. It's more work but with a little more margin. So this is the feeling, this interest we have seen on a daily basis.

Carolina Carneiro:

OK, many thanks.

Carlos Freitas:

Thanks.

Operator:

The next question comes from **Ezequiel Fernandes of Scotia Bank**.

Ezequiel, please go ahead.

Ezequiel Fernandes:

Hi, good afternoon. Thanks.

Comparing a little the presentation of the third quarter with the fourth, one can see that you have increased the estimate of excess capacity in the system. I would like to understand a little

as to whether this was a revision of the supply side or demand. Probably you have already spoken of this but I joined the call a little late. Thanks.

Carlos Freitas:

Yes, Ezequiel. Are you referring to information in our commercial portfolio or the system as a whole?

Ezequiel Fernandes:

The supply-demand energy balance for the system as a whole in Brazil.

Rafael Bósio:

Ok. Ezequiel, good morning to all. It's Rafael Bósio here. Addressing your question, this represents a revision of demand at the end of the year adding in an average of 2 GW of surplus energy to the energy balance – always remembering that it is a theoretical balance and contingent on hydrology. We revised demand at the end of the year compared with what we were showing for the third quarter. That is exactly what it is: a revision in our forecast for demand.

Ezequiel Fernandes:

Exactly, and continuing the question.

This I imagine could have some impact on your expectations for the PPAs or it does not go as far as that?

Carlos Freitas

Yes and no. In fact, this revision in demand also generates a revision in the supply side. You may remember that there was an auction fixed for December, which was cancelled but included in the energy balance when we prepared the slide in the third quarter. For this reason, there was an expectation of an increase in supply because there was also an increase in demand. We have since therefore revised our estimates for demand downwards. In fact, the Company's core market is the free energy market where you have something which is more customized for the client. So obviously you have more supply and that means more downward pressure on price. For this reason, we are no longer seeing major increases in prices as with last year but rather a tendency in the agreements we are closing for 2021 or 2022 at reasonable prices.

Rafael Bósio:

If you check, this here is our daily energy balance. In comparison with the third quarter, you can see that we contracted in 2020 and 2021. We are contracting ahead.

Ezequiel Fernandes:

Perfect, very clear, many thanks.

Operator:

Once more, reminding you that to ask a question just press asterisk one (*1).

We now conclude this session of questions and answers.

I would like to ask Eduardo Sattamini and Carlos Freitas for their final considerations. Please go ahead Mr. Sattimini.

Carlos Freitas:

It is Carlos Freitas here. As he explained, Sattamini had to leave for a meeting with Eletrosul, but many thanks for the call and thank you for your attention. Later, I am going to have the opportunity of meeting or meeting again each one of you, because I already know some of you from Chile. Should you have any further questions or comments please contact our IR team, which is available to clarify any doubts. Thank you very much and I wish you a good weekend and a good Carnival.

Operator:

ENGIE Brasil Energia's conference call is concluded.

Many thanks for the participation of all. Have a good afternoon and thank you for using Voitel.