ENGIE BRASIL ENERGIA S.A.

TRANSCRIPTION OF THE CONFERENCE CALL WITH WEBCAST

ON RESULTS FOR THE FOURTH QUARTER 2017

FEBRUARY 23, 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 fourth quarter 2017 and for the year of 2017. 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 fourth quarter 2017. 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 – Chief Executive Officer:

Good morning to all and it is a pleasure to be with you again particularly to talk about a highly satisfactory result for 2017.

In slide 5, we talk about the Group's main financial and operational indicators where we were able to report some significant improvements in the principal financial aggregates, surpassing all-time records both in Revenue as well as EBITDA and Net Income.

Talking specifically about the numbers, we reported revenues of more than R$ 7 billion this year, R$ 7,010 billion to be precise, and a growth of 8.8%. This was largely due to our greater trading activity, purchases for resale and our long position in the short-term market. This also reflected in an EBITDA 10.8% higher, reaching and surpassing the R$ 3.5 billion mark. We reached R$ 3,519 billion, a notable improvement in relation to 2016. The Margin was up by 0.9 p.p. to 50.2% for the year and a Net Income reporting substantial growth of 29.5% and hitting the R$ 2,005 billion mark, approximately. Return on Equity also rose almost 6% from 23.4% to 29.3%, thus improving return on invested capital, and this also a reflection of the better level of Company leverage. There was a substantial increase in Net Debt and this has still not fed through fully to results in terms of our EBITDA. This debt stems basically from the acquisition of the Jaguara and Miranda concessions at year-end. We had just two months of ownership of the plants while effective operation under our direction only began on December 29. So, we had an increase in Net Debt which has still not been reflected in the increase of EBITDA, and this will only be reflected in full at the end of 2018. Carlos Freitas will be commenting with you a little more during the presentation when we come to discuss the details of the financial part.

In terms of energy output, we experienced a decrease due mainly to the less favorable hydrological situation; in energy sales there was a small increase of 3.1%; while average selling price fell slightly due to expiring agreements which were not renewed or where there was a renewal, at somewhat lower prices. Payroll numbers rose very little despite the increased activities and the new plants incorporated into the generating complex. The number of employees involved with projects under construction increased just a little, this because of the ramping up of rates of construction and consequently, we expect to see employee numbers rise in 2018 a tad further.

In 2018, we will see important projects with work in progress reaching a stage of accelerated construction. This is the case of Campo Largo, where the assembly of its towers and nacelles has already begun. We shall be going into more detail in August 2018 when we shall be reporting 2Q results. Again, we have Umburanas, also acquired from Renova at the end of last year and where immediately following purchase, we started construction work in November 2017.

Let’s move on to slide 6 where we have the highlights - some of which already mentioned. In the case of the first highlight, we record our success in the transmission auction, thus making way for our entry into this segment. Our intention is to have a larger volume of works and lines in the future - we have the capacity to acquire new transmission line concessions so that this segment of business becomes more representative in our operations as a whole. But as our initial sortie into this business, we won a significant lot of 1,050 kilometers in length plus 5 substations. The concession term will run for 30 years from this March, when we have an important event to be concluded.

EBE (ENGIE Brasil Energia), as we have already said, has concluded the acquisition of the capital stock of the companies comprising the Umburanas Complex. The acquisition value already announced to the market is R$ 16.9 million and work, as I have already said, began in November, the Commercial Operation Date (COD) of these plants being expected for 2019, the first quarter of 2019. In the fourth quarter 2017, the management of the Jaguara and Miranda plants was transferred to us and with this we are entitled not only to the income from plant uptime operations under the quotas regime but also the free energy generated from these plants - which have already been incorporated into our portfolio and will reflect in our energy balance as from the first half of this year.

Also, right at the year-end, we were happy to see the startup in commercial operations of our solar energy plant, Assú V, with an installed capacity of 30 MW. With this, we guaranteed the discount in the TUST, this awarded to companies with solar energy plants that came on stream up to the end of 2017. This was an important milestone for us, guaranteeing the profitability of this project in our portfolio.

Moving onto slide 07 and also in the fourth quarter, we had the financial closing for the sale of the Beberibe and Pedra do Sal wind farms and the Areia Branca SHP. The closing amount was R$ 322 million and you will see the sale of these assets reflected in a result of R$ 57 million. This consolidated our strategy of reallocation and optimization of the generating complex. We had originally announced the sale of the plants two years ago and this was followed by the entire process of negotiating with potential buyers, the entire deal being finally concluded two years later. We recognize that it is a long time, but we managed to conclude the business with a good result for the Company, allowing us to transfer these resources from the sale of these plants, which were isolated, to our clusters under development, the case of Campo Largo and Umburanas - complexes close to one another in the state of Bahia.

At the Company's request, in February 2018, ANEEL revoked the authorization to operate the William Arjona Thermoelectric Plant with an installed capacity of 190 MW and you will see that this amount has already been excluded from our overall installed capacity. This plant had already been at a standstill due to the absence of a gas supply agreement. The gas agreement with Petrobras rendered the plant's commercial operation unviable and consequently, we took the decision to discontinue operations.

Also, during the year, you will remember, we reached an agreement with Petrobras to extinguish the pending lawsuit. You will see that in our result, there is a reversal component for provisions relative to the fuel agreement. There was thus an increase in the fourth quarter with respect to the fuel account and in compensation, also ANEEL's agreement with respect to the recalculation of the CVU, impacting revenue and having a positive effect in the fourth quarter of about R$ 40 million in relation to this agreement relative to the William Arjona unit.

Also, a highlight of the fourth quarter, we have our inclusion as a component of the Corporate Sustainability Stock Index, the ISE, for the thirteenth consecutive time. We

have been a component of this index since 2005, one of the few Brazilian companies, if I am not mistaken, a select group of ten companies which have been continually in the ISE since inception. The Company was also honored with its inclusion in the ranking of the most sustainable 100 Global Companies, prepared by Corporate Knights and announced at a meeting in Dallas in January.

And we approved the proposal for the payout of complementary dividends - which will be ratified by the AGM - of R$ 0.9755/share, totaling R$ 637 million, approximately. With this, our payout for 2017 surpasses the R$ 3.00/share mark, also an important level for us to have exceeded.

Let's move on to slide 08, where basically what is significant is the inclusion of the Jaguara and Miranda plants in our organization chart and the exclusion of the divested assets - two changes therefore.

In slide 09, we are consolidating these movements with an increase in installed capacity from the hydroelectric plants in Minas Gerais, Assú V and conversely, the exclusion of William Arjona. The result was a net increase of 668 MW in our capacity from 7,010 MW to 7,678 MW installed capacity, increasing our participation of energy generated from renewable sources. This now totals 83% against 79%, if we look at the numbers before the inclusion of Jaguara and Miranda hydroelectric plants, with thermoelectric generation now representing 11% and those plants operated from complementary sources, 6%.

Slide 10 shows our ranking and our importance among private sector generators and as the largest private sector group in generation in the country with a total capacity of 10.2 GW, 1.5 GW of these 10.2 GW being relative to Jirau where ownership of the participation in the plant is still in the hands of the Brazilian controlling company. I believe that before the end of the year, this asset will be submitted for analysis by the Board of Directors.

Moving on to slide 11, where we already feature as a player in the transmission business. You can see here ENGIE's 2% participation in the auctions from 2013 to 2017. This is the Company's first participation and, as I said to you earlier, our idea is to grow in this segment - one that creates profitable opportunities of investment and a stable cash flow.

Moving ahead to slide 12 and as we always say, we have a well-balanced portfolio between the free and regulated market, the regulated market increasing slightly from 2018-2019 because 70% of the energy output from Jaguara and Miranda goes to the regulated market and 30% to the free market. So, this is increasing a little the distributors' participation in our portfolio, returning it to an almost 50/50 equilibrium between free and regulated markets. Important to point out that we increased the number of our free clients from 228 in 2016 to 280 in 2017. A growth then of 22.8% in the number of free clients, much of this due to migration of small consumers that see the increased tariffs in the regulated market as an opportunity to migrate to the free

market and enjoy the benefit of lower tariffs and better negotiations face to face with the generators.

Slide 13 shows our position in relation to the various segments of the free market. We endeavor not to have a concentration in any one segment although we still maintain a relatively high concentration in the cement sector. Although a sector which has suffered a lot in recent years with the slump in civil construction, it still remains healthy, the companies are first class and we have never experienced delinquency in the sector. In fact, delinquency is not a problem for us in the free market thanks to a rigorous system of credit analysis, of guarantees. We continue to maintain a very good track record by keeping our delinquency rates to zero.

This is not to say that there are no small delays in payment. Occasionally, there are clients that have to delay payments due to cashflow issues or market considerations, but we always have guarantees to cover such delays and our clients end up clearing any back payments, paying late interest accordingly and life continues normally. So, for us, the process of credit is very well designed and one which allows us to maintain our zero past dues performance. Clearly by the end of 2017, we had got over the worst of the crisis and the country is now beginning to recover growth momentum and our worries as to delinquency in the free market have eased.

Moving on to slide 15, what has characterized the market is this excess of theoretical supply up to 2021, 2022, but this supply is really from intermittent resources, which due to lack of water or wind creates, generating substantial price volatility. This is what we have seen. Despite this excess of supply in capacity backing, with weaker hydrology and below the long-term average, this translates into a lower supply of energy and a short-term market under pressure with higher prices.

So, let's go to slide 17 to talk about our position for confronting a more volatile market and eventual unfavorable hydrological scenarios. For 2018, we have a reasonably comfortable position in uncontracted energy of 11.6%. At this point, it is worth recalling that compared with 2016, results in 2017 benefited from a more comfortable position in uncontracted energy together with our portfolio management with opportunistic purchases both at the end of 2016 and also in June 2017 when there was a decline in PLD and in the light of our expectation of lower PLDs for the year, a fact which in the end did not occur and we ended up buying energy only to cover specific positions at the end of 2016 and in June 2017. We also changed our plant maintenance schedule so that we could take full advantage of optimizing generation capacity. So here in slide 17, we show this strategy of maintaining part of the uncontracted energy to protect the part of the portfolio unprotected by GSF insurance – the latter acquired at the end of 2015 under the GSF agreement. Very well, you know our sales policy - our strategy is to gradually sell our future availability. In this way we even out the movement of the highs and lows of our portfolio, thus guaranteeing a more stable cashflow.

Moving on to slide 18. In slide 18, we have our Energy Balance showing more detailed information so that our research analysts can do their financial modeling and evaluate the Company.

Let's go to slide 20 on expansion. We have already talked at little about Jirau. As everyone will be aware, Jirau has been operating at full capacity since 2016. Our expectation is that the Controlling Company will be liaising with the Board of Directors so that the transfer can be examined by the Related Parties Committee. Last year, Banco Itaú was engaged as adviser to ENGIE Brasil Participações to better examine the way and the timing of transferring this asset to ENGIE Brasil Energia. What we know is that Itaú has been talking to the Controlling Company on the best transfer structure and the best timing of this transfer. We are waiting so that we can resume discussions within the scope of the Related Parties Committee which as you know is made up of a majority of independent directors and it is this committee which will spearhead negotiations with the Controlling Company.

In slide 22, we can see the expansion in distributed solar energy, you can see how this market is growing strongly, almost exponentially. The investment period with our partner is ending and we should begin to see positive results as from 2018 - this is our expectation. There were two years, 2016 and 2017 of investments, gaining critical mass, of fixed costs issues. We believe that as from 2018, we should show some very positive results in this segment, obviously proportional to the size of the operation.

Slide 23 shows our expansion into transmission lines in the segment for which we won the bid for Lot 1 with 13 transmission lines and about 1,050 kilometers and five substations. We have access to financing at competitive rates. The TLs are to be installed in the state of Paraná, with synergies with the Salto Santiago and Salto Osório Hydro Power Plants and close to our head office which facilitates supervision of construction work. We shall be monitoring the work with the EPC contractor and with the local teams. We are now in the process of environmental licensing, just the first phase of the process, together with the definition of the basic project, the project for executing this work. Our suppliers are Tabocas, a company with long experience in transmission line construction, and Siemens with the part of the supply. These are the two principal suppliers for this contract. It is worth pointing out that the RAP is divided in sections and obviously the largest section is section 1 which has 500kV lines as you can see on the map here.

Here on slide 24, we look at Pampa Sul. By year-end, we were able to report an accumulated progress of 77%, in the fourth quarter concluding civil construction work on the chimney stack and the complex logistics operations involving the transportation and positioning of the turbine and generator. The turbine and generator are already on site. Work on the coal conveyor belt is practically complete and we expect hydrostatic testing on the boiler to be concluded now in May. The EPC contractor, SDEPCI, is finalizing welding and connections so that testing of the boiler can take place between April and May. COD continues to be scheduled for the first quarter 2019, so no changes on this front.

We are on slide 25, with the Campo Largo Project and the beginning of the commissioning of three of the eleven wind farms, expected for the second quarter 2018. There are six wind farms with 82.6 aMW sold in the A-5 auction held in November and five wind farms with 75.2 aMW sold for free consumers in medium- to long-term agreements. At the end of the fourth quarter, earthmoving, paving of internal accesses and concreting and the foundations of the 121 wind turbines had been concluded. In the case of the project's transmission line, assembly is 70% complete and work on earthing of the towers, 73% executed.

Moving on again to slide 26, the Umburanas wind complex project. As you know, this will strengthen our generation cluster in the state of Bahia and capturing synergies with the adjacent Campo Largo project. Of these 360 MW under construction, 257.5 MW will be allocated to the free market with a high level of contracting, also medium- and long-term agreements, and 102.5 MW were sold in the A-5 auction of 2014. We must deliver all this power from 2019 onwards and this remains our objective. In the fourth quarter 2017, we began the initial civil work and construction of the internal accesses, all the environmental licensing already being regularized. From now on, work on this project is to proceed at an accelerated rate, but our schedule is a realistic one and we are going to be ready to operate from the first quarter 2019. In relation to the development projects, the difference between the last and this quarter is basically the inclusion of the opportunity for expansion at Umburanas, with 245 MW of installed capacity, which added in the same region to the capacity of Campo Largo with approximately 330 MW. The sum total of installed capacity in Bahia that we still have to harness is about 575 MW. Among others, we also have the gas-fired units in the north of the state of Santa Catarina, also the wind complex of Santo Agostinho, and the photovoltaic plants of Assú I, II, III and IV, the power from which may also be sold in future new energy auctions.

Now we will go on to talk about Financial Performance. I will pass the word over to Carlos Freitas so that he can discuss our results in greater detail. Go ahead, Carlos.

Carlos Freitas – Chief Financial and Investor Relations Officer:

Thank you Sattamini and good morning to all.

I propose to jump to slide 29 now for an overview of the big picture numbers in terms of Net Operating Revenue, EBITDA and Net Income. Here you can see there was important growth in the three lines. Net Operating Revenue surpassed the barrier of R$ 7 billion. In the past two years, we had been at about R$ 6.5 billion and now we have climbed to R$ 7 billion in Revenue. EBITDA is rather the same story with a bit more of R$ 3.1 billion for 2016 and 2015 but now in 2017, moving up to R$ 3.5 billion and in the case of Net Income, a still larger rise. Annual Net Income had been flat for 2015 and 2016 at around R$ 1.5 billion but in 2017, broke through the R$ 2 billion barrier. This is to say that our entire commercial strategy for growth and financial management translated into a positive performance during last year.

Now I would like to go into the details of each line. In slide 30, we have here the trend in Net Operating Revenue. The prime driver in Net Operating Revenue was clearly the short-term market, CCEE. Here you can see what I would say was the result of the more proactive management of the Company's portfolio. We think we were very efficient, very fortunate in managing this portfolio over the course of the year. As has already been said, we purchased at optimum moments in the market, minimizing our exposure to the spot price not only in the purchase of energy as mentioned at the end of 2016 and in May 2017, but also in the efficient allocation of energy throughout the year. In all this here we were successful in operating and anticipating the tendencies. Consequently, we managed a short-term result R$ 350 million greater than 2016. The increase in volume was also important, representing R$ 165 million while in the volume-price combination, price was more or less flat as has been mentioned, there was a 3% increase in volume which thus translated into this figure. Jaguara and Miranda also contributed to revenue of R$ 48 million for the little less than the two months we owned these concessions between November 10 and the year-end. This here is just the equivalent of 50 days operations – over the full year the number will be much higher. Just for this short period we notched up total revenue of R$ 7 billion.

In the following slide on EBITDA, besides the factors I have already mentioned of short-term market and sales price and volume, we had a reduction in royalty costs due to lower hydro dispatch and to GSF, which was heavy last year. GSF was of the order of 20% last year compared to 13% in 2016. And we had the non-recurring effect of the sale of wind power assets and the Areia Branca SHP for R$ 57 million. Again, there was the contribution from Jaguara and Miranda which we show here just as revenue because the costs of plant operations will only register this year. As we have already said, we only took over plant operations at the end of 2017, at the end of December. We had a small increase in the cost of fuel as well - in the cost of gas, but this is part of the agreement which has already been mentioned: we increased the revenue and there was an increase in the cost of gas but on the other side, there was a decrease in the cost of coal. Coal-fired generation over last year was a little lower than in 2016. And finally, here, the cost of energy purchases to mitigate the effect of GSF amounted to R$ 103 million more. Overall net net, we had an important increase of R$ 350 million more or less in our EBITDA, breaking through the R$ 3.5 billion barrier.

In addition to the variation in EBITDA, already mentioned, Net Income shows some important aspects, the two principal ones I think being financial revenues/expenses and impairment. We had a R$ 128 million improvement in financial result and a large part of this reflected lower inflation. We have concessions payable and these are indexed to inflation, to the IPCA and IGPM, and amount to R$ 2.5 billion at the end of 2017. We also have debentures indexed to the IPCA which worth a little more than R$ 800 million at the end of 2017. So, we have here R$ 3.3 billion in liabilities or financial debt all indexed to inflation. Inflation was low last year, the IGPM was negative and the IPCA less than 3%, giving a weighted average of 1% more or less. So, for every 1% variation we

have R$ 33 million more in the result. So, the effect here is R$ 128 million. If inflation instead of being 1% were 3%, which is what we expect for this year for example, this number here of R$ 128 million, would be more or less half. And another important effect also on results was the impairment line, more so because we had some impairments in 2016, the principal one being the old Jacuí plant, already mentioned on various occasions, and the William Arjona plant itself where, as already commented, we took the decision to decommission. As a result, we had a much lighter year in terms of impairment in 2017 than was the case in 2016.

In the following slide, we translate our performance into return indicators, Return on Equity (ROE), and Return on Invested Capital (ROIC). Clearly here I think a very interesting result was achieved, a jump from 23% to 29% for the Return on Equity, that is Equity as a whole including Revenue Reserves, etc. and Return on Invested Capital of about 23%. Included here is the capital invested in Jaguara and Miranda, the R$ 3.5 billion, although not yet the annual effect of Jaguara and Miranda. For 2017, there is just the R$ 48 million which I mentioned already, which was the EBIT from Jaguara and Miranda. So, over the full 12 months this year, this figure is going to be much more and on the same asset base, the number for 2018 should be higher, all more consistent.

In slide 34, we reported a spike in our debt levels because as you know we financed 100% of the Jaguara and Miranda concession grants worth R$ 3.5 billion. The Company's Gross Debt jumped from R$ 3.1 billion to R$ 6.7 billion at the end of 2017. That still represents very comfortable leverage with a net debt to EBITDA of just 1.3x, that is a very comfortable level. Our debt profile has always been long term. Now, it is a little more concentrated in the short term, but we are working to rollover liabilities during 2018.

But in relation to this, here in slide 35, we show a bridge for the evolution of Net Debt. Here is the R$ 3.5 billion for Jaguara and Miranda which I have talked about already, we also invested more than R$ 500 million in other projects, which have been under construction for more than a year, such as Pampa, Campo Largo and Assú. So, these were the two principal effects. The Company's cash generation is shown in the gray colored bars on the right of nearly R$ 1 billion but not enough to support all our investments, and this is normal, so we financed a good part of the growth as was expected. We have always indicated to the market that our intention was to better optimize the balance sheet with growth. We were always looking for a way to grow intelligently and profitably and to finance this growth with debt. So now walking the talk, we are financing growth with debt and leveraging the business a little more.

The profile as I said, is on slide 36. Historically, we have always paid down a consistent annual volume of around R$ 300 million of debt, spread across the year. We have a one-off concentration now of R$ 3 billion of debt in 2018. Why? Because the lion's share of Jaguara and Miranda was financed via a promissory note for SPE Jaguara and SPE Miranda and we are going take this out over the course of the year and extend our profile again, resuming a more normal long-term debt profile. The cost of debt fell as

well. At the end of 2016, the average cost was 10.5%, compared with an average cost of 8.1% now.

In the following slide, slide 37, in our Investment Plan, here are the amounts invested not only in the year 2017 but also forecast for 2018. Here we have the R$ 5.5 billion, which was the amount invested last year, again the larger part for the acquisition of Jaguara and Miranda. For 2018, the larger part of the investments will go to Campo Largo and Umburanas as well as Pampa. But the principal investment in 2018 is in the wind segment, Campo Largo, as already said, beginning operations in August with operations ramping up through to the year-end. Umburanas is slated to begin operating over the course of the first half of 2019.

And finally, to slide 38, dividends. Yesterday, the Board of Directors approved a dividend, a payout of 100%, still to be ratified by the AGM. With this, we maintain our constant theme which is whenever possible to distribute the maximum possible. So, we are keeping to our 100% payout even in a period of enormous investments. However, because we have no intention of accumulating cash, either we seek a profitable way to grow or otherwise, we distribute dividends to you. So, we are trying to maintain this equilibrium and with this, reaching a dividend yield of 8.6% last year.

With this I conclude the focus on financial aspects and I would like now to open for questions.

Operator:

*We shall now begin the questions and answers session. To ask a question please touch asterisk 1 (*1). To cancel a question from the list, touch asterisk two (*2). Please wait while we collate the questions.*

Our first question comes from Vinícius Tsubone of HSBC. Vinícius, please go ahead.

Vinícius Tsubone – HSBC:

Hi. Good morning and thank you for the opportunity. I would like you to give us some greater details on the process for acquiring Jirau, if possible what is being analyzed to decide the best timing for the process to take place. I would also like a better understanding as to how a solution for hydrological risk would speed up the process. Thanks.

Eduardo Sattamini – Chief Executive Officer:

Good, let's look at this and firstly in relation to the transfer... Vinícius, all well? The first answer in relation to the transfer of Jirau is what we have already told you. So far, we are not privy to the process, indeed we are even prohibited from taking part in the process by the regulations of the Related Parties Committee. However, we understand that there are fiscal, corporate assessments which the controlling company must complete so that this transfer can be concluded in the sense of minimizing the impacts

and a generating win-win situation. So, this is what I imagine are the aspects which are being worked on by Itaú together with the team at the controlling company. And that is basically it, and this will decide the timing, the internal discussion, the discussion with Paris, when these proposals are to be put into practice, a proposal which involves a structure, not merely a simple price or a transfer, it is a price, it's a way in which the transfer will occur. A well thought through and structured solution for obtaining the best benefits possible from this transfer. That is the first point. The second point on the hydrological risk at Jirau. Jirau also has an energy aspect with a good part of the energy risk covered by insurance. If I am not mistaken, they made some products in the regulated market with coverage of more than 90% and this is a part. And another part is the part in the free market, if I am not mistaken Jirau uncontracted. This was even discussed with the BNDES, to protect part of the free market portfolio. I do not have the details to give you, I am not involved in the day-to-day of Jirau, but it is the information I have.

Vinícius Tsubone – HSBC:
I understand. And, I am sorry for asking another question, on the process of selling Petrobras gas assets. Now that the process is advancing, can you tell me which vehicle of ENGIE would be analyzing these assets. Would it be ENGIE Brasil Energia or ENGIE Participações?

Eduardo Sattamini – Chief Executive Officer:
I would prefer not to disclose this information for the time being. We have been discussing this internally and I would not like to go into the matter now. Is that OK?

Vinícius Tsubone – HSBC:
Ok, very well. Thank you.

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

André Sampaio - Santander:
Good morning. I would like to know whether you can comment a little more on the strategy for future growth in relation both to M&A as well as greenfield projects, principally in the transmission sector.

Eduardo Sattamini – Chief Executive Officer:
Principally in relation to what, I'm sorry?

André Sampaio - Santander:
To the transmission segment, sorry.

Eduardo Sattamini – Chief Executive Officer:
No, our growth strategy is to grow primarily through greenfield projects because we believe we capture value through our entrepreneurial capacity. That's point one. What we want is to maintain a flow of works and continuous growth. Transmission today is a priority for us precisely so that we can achieve critical mass. And in transmission, our strategy is to identify lines which have some other type of synergy with our portfolio. That is to say, in areas where we have a strong presence, where we know the regulatory organs and understand their requirements for measuring adequately the environmental costs and the environmental process. This is critical to deciding on the date for startup in operations, delivery of the line or also identifying what other synergies there are with our assets in the sense of having the transmission assets adequate for delivering the energy we generate. So, these are basically the two components which define our interest for the transmission line asset.

André Sampaio - Santander:
Excellent. Thank you.

Operator:
Our next question comes from Marcelo Brito, do Citi. Marcelo, please go ahead.

Marcelo Brito – Citi:
Good morning Sattamini, Carlos and Rafael. My question is a discussion which is a little more top down on the allocation of capital over the next few years.

Eduardo Sattamini – Chief Executive Officer:
Sorry, Marcelo, sorry to interrupt but the sound is very low, if you could speak a little louder or closer to the phone.

Marcelo Brito – Citi:
... Company growing, in this period if this is compatible with maintaining the dividend policy which you have had of late?

Eduardo Sattamini – Chief Executive Officer:
Marcelo, good. Thank you, I hadn't understood the question because the line is very bad. But your concern is in relation to our leverage capacity and dividends policy, is it not? We see no problem in continuing to distribute 100% with the level of investments we have. However, at such time that we think that the distribution of dividends is blocking or preventing investments or increasing the cost of debt or is slowing growth, then we have the flexibility to lower the dividend to 55%, which is the commitment we have with the market, and to increase our possibilities of growth. And we would only do

this if we felt the market conditions were attractive enough. To the extent that they might be - and indeed we found conditions attractive recently - we would request our controlling company and our shareholders as to the possibility of reverting to a less generous dividend payment policy. So, we do have this flexibility yes, and we have always used it both at times of growth in investments and also in moments of financial market stress. Well, I am not sure if I answered your question.

Marcelo Brito – Citi:
I think so. But please, if you could give me a notion of how much you believe is a comfortable level of leverage for you now. I mean to say in the context of your current growth rates, what do you see as the right leverage, is a target for improving the fiscal efficiency of your balance sheet and in the light of this process of rating with other companies, of the Company as a general rule. What I mean is your perception of credit risk in the market, the target, what is the percentage of leverage currently.

Eduardo Sattamini – Chief Executive Officer:
We have already mentioned this level on occasions and during our history as a company, when I was CFO, so I'll leave this one for our CFO to give you an answer. We are both on the same page on this so please reply, Carlos.

Carlos Freitas – Chief Financial and Investor Relations Officer:
Thank you, Sattamini. Good morning, Marcelo. The question is an important one and we are very clear on the answer. The degree of leverage we would work with is the level at which you seek equilibrium between what is best for the shareholder, but also does not undermine our capacity to manage cash flow conservatively according to the Company's hymn sheet. So, what is this number? Under normal conditions, we work to reach a level of 2.5x, net debt. Net debt / EBITDA of 2.5x with long-term debt, this is our normal. This is not the photograph today, but it will be the photograph shortly, with long-term debt, structured debt, debt, in our case, cheap debt, we feel comfortable to work with a net debt of 2.5x. So, today at 1.3x, we could double this level, this level is well below our covenants, so there is no concern there. Our concern is that we want to keep our AAA rating with Fitch. For us, this represents a competitive differential. When we go to the market, as was the case in October and November last, to raise R$ 3.5 billion in six weeks - which effectively is what we did - our AAA rating and the quality of the Company as a whole which translates into this rating, I think counted as a competitive differential which allowed us to be one of the few players in the market with the capacity to execute rapid and efficient leverage. So, we are working with the maximum there which could go as high as 2.7x, 2.6x, but around 2.5x is a comfortable level.

Eduardo Sattamini – Chief Executive Officer:

I would say that we could even temporarily surpass a little these limits, right Carlos. For example, today we are at 1.3x of net debt / EBITDA, but we have just acquired a large debt relative to assets which has still not contributed in full. So, that means 1.3x, if we had no other investments to be made during the year of 2018, we would certainly be lowering this ratio to about 0.9x, 0.8x at year-end. But obviously, since we have Umburanas and Campo Largo, levels will not decrease to this ratio. But what I am really wanting to say is that we could eventually – and this already exists, there exists a discussion in relation to this theme in the past when there was a possibility of transferring Jirau some time back - when we began to discuss what might be the maximum level of leverage which we could reach, at the same time maintaining our AAA rating. We always had guidance and orientation from the rating agencies to the effect that we should not stray much above 3.5x. So what Carlos is saying is that our level of 2.5x is our cruising level, a level which still permits you to make investments, use and operate these investments over time, rising and descending to and from these levels. Basically, that is it. Agree Carlos? I think that is the way it is, right?

Carlos Freitas – Chief Financial and Investor Relations Officer:
Undoubtedly.

Marcelo Brito – Citi:
Perfect. Sattamini and Carlos, thank you for the reply.

Eduardo Sattamini – Chief Executive Officer:
Thank you, Marcelo.

Carlos Freitas – Chief Financial and Investor Relations Officer:
Thank you.

Operator:
Our next question comes from Ezequiel Fernandes of Scotiabank. Ezequiel, please go ahead.

Ezequiel Fernandes – Scotiabank:
Good morning, Eduardo, Carlos, Rafael, IR team. Thank you for the presentation and congratulations on the results and allocation strategy for the year. I have two questions. The first is in relation to slide 15 of your presentation, the system's energy balance. Comparing this presentation with the presentation of the preceding quarter, the difference between supply and demand is less, more or less, 1 GW. I would like to know, what is behind this. I imagine greater demand, if it is regulated, not regulated, industrial activity, temperature. This is the first thing. And the second is, if you have been able to see the PPA price for agreements with supply beginning after 2020.

Eduardo Sattamini – Chief Executive Officer:
Right. The first question was in relation to the chart in slide 15, which effectively reflects the expectation for greater demand, yes, as well as some adjustment also in the revision of physical guarantee. The second question I didn't catch, sorry, Ezequiel.

Ezequiel Fernandes – Scotiabank:
What does this greater demand consist of, lesser reserve in the system, let's say, have you really managed to get an idea of PPA prices after 2020.

Eduardo Sattamini – Chief Executive Officer:
Yes, we have begun to see greater demand. You will see if you look in the energy balance on slide 18, if you look at what we have had for fresh bilateral sales, you can see this by comparing with the preceding quarter. We have for 2020, 2021 and 2022, nearly 400 average MW sold in this quarter. So, this is a significant change, a highly significant volume of sales in the quarter showing an increase in demand. And, yes this increase in demand is going to gradually impact price. And we begin to see this price change at the longer term. This had been flat due to excess supply but now begins to show signs of life a little more.

Carlos Freitas – Chief Financial and Investor Relations Officer:
Ezequiel, to confirm and corroborate this point, in slide 17 we have the Company's sales strategy. If you look at the average term, 2020 to 2021, for example, in 2021, we have 26% of uncontracted energy, equivalent in the third quarter to about 1,420 average MW. And this number has already fallen, fallen 120 average MW more or less in this quarter, even when considering that we took over Jaguara and Miranda. Jaguara and Miranda together have more than 500 average MW, 30% of this energy is free in the free market. So, assuming about 160 average MW, free for Jaguara and Miranda, we have reduced the open volume for 2020, 2021, 2022, etc. This is what Sattamini said, we closed sales at the beginning of the last quarter for approximately 400 MW medium term. So yes, there is market liquidity.

Ezequiel Fernandes – Scotiabank:
Ok, that's very clear. The second question related to distributed generation. We are really seeing a very strong rate of growth. But primarily, I would like to know if on the regulatory side you feel that something is lacking which would allow you to grow rooftop solar even faster. And secondly, how we can measure this a little, whether you have some internal forecast which you could share as to the penetration of distributed generation in Brazil for 2030. I know it is difficult to say but just to get an idea. Thank you.

Eduardo Sattamini – Chief Executive Officer:
Well let's look at this then, the solar question, our centralized solar business. Our view is that prices at the last auction were unattractive. I do not know the strategy of the other players in the market, but you know that we take a very conservative posture and if you look at our track record for wind, at the beginning of this technology as well, we were also not among those more aggressive developers, adopting a cautious policy in relation to investments. In wind, this proved to be very good strategy because some of the players made their debut in the market aggressively at the outset of the process and were then left behind along the way. We see big players moving strongly into solar at the last auction. I would say that prices at this auction, with demand so low, are not prices for growth. I believe that perhaps there was a combination of excessively favorable conditions for these players at prices which, in my opinion, are well below those that would be reasonable for us. In the case of decentralized solar generation, this is the view we have. In decentralized solar, the market is growing fast, it is a cultural question with which people have to get accustomed. Another question for this market to continue growing, I think, is positive, the question of economic growth which drives payment capacity and the resumption in the capacity to take on additional household debt allowing people to invest in solar panels and residential solar energy. On the other hand, also, we are seeing that there is a demand for small and medium industrial and commercial consumers that have suffered greatly over the last two years of crisis and obviously with their capacity to finance CAPEX for installing new solar panels on their roofs, debilitated. So, in this context, the economic conditions for growth in decentralized energy is substantial. However, we have some questions which raise concerns, principally the tariff binomial, that could prove a drag on this market. But we understand government policy for decentralized energy is viewed positively and will be encouraged. We believe that the legislation will evolve positively for this type of activity.

Ezequiel Fernandes – Scotiabank:
I understand, very clear. Thank you.

Operator:
Our next question comes from Giuliano Ajeje of Claritas. Giuliano, please go ahead.

Giuliano Ajeje - Claritas:
Hi, good morning. In fact, there are a few questions. And further to the last comment, it is more a doubt I have, if in the growth of distributed energy, whether you should have a partnership with an energy distributor? It is just to understand what you can achieve in this market without a distributor as a partner. Secondly, and to understand a little more about transmission. The lot you won in the last auction seemed to me to have a very aggressive discount. So really this is to understand a little about the assumptions you are working with. Of course, you do not have to mention the number off the top of

your head, but just to understand a little when you work with a scenario first, if the bid is considering an anticipation. Secondly, also what is the debt/equity ratio you are building into the bid. And the third doubt is the bit on growth, if you are looking at CESP or if the contingency continues to be a problem even with this new grant, this new extension to be announced shortly. And let me take this opportunity also, Sattamini, I think it interesting to hear your side, when you talk of renegotiation. This question of GSF, you concluded those insurances, SP I think which is 91 or 92, but if, when you signed this renegotiation of the hydrological risk, if in principle you waived the right to any future claim. Therefore, if you could in some way benefit practically from such a reconsideration of the past. It's a lot isn't it?

Eduardo Sattamini – Chief Executive Officer:

OK let's take a look. It's a lot of things, Giuliano, but let's go because you are friend of many years, known to us for a long time so we will let you ask four questions. Let's get to them. On DG and a partnership with distributors, we had the benefit of having a partnership with CELESC here in an energy efficiency program, but we believe that we ourselves have to be close to the client in an independent condition. The partnership with the distributor ends up with the distributor not registering gains because the gains of the distributor must be passed on. So, we must be independent. The distributors, through their holding companies, etc., can even be, or eventually become, a competitor in this segment. Examples in this context might be ENEL, you have CPFL in this segment. You can see the large energy players, which have distributors also acting in this segment. So, in the case here of CELESC, you have a situation I would say which is abnormal. Therefore, I do not see the need, we have capillarity and we want independent capillarity from the distributors. We do not want to be dependent on a third party to perform our business for us and have the possibility of access to the end client. On transmission, I will ask Carlos to talk about debt/equity and what the ratio is, but basically what differs for all bids so far in transmission is to consider the anticipation of COD responsibly. For this particular bid, we believed we could anticipate the COD for the line and thus reduce the higher ANEEL forecasted costs. And this is good because it is not ANEEL's business to second guess the minimum cost for construction. Their job is to set a cost and then let the competition fix the price and reduce RAP. That is the way to make the competition work. If ANEEL stipulates a very low amount and there are no bidders for that lot, the absence of the infrastructure means a much greater loss for society than any minor saving if it errs a little in the budgeted estimate and fixes an amount a little higher and allowing, for example, the entrepreneur to capture a return which is a little higher. This is I think, the tonic for a competitive market. Carlos can talk about the debt/equity ratio and I will just finish with CESP. With a substantially improved structure at CESP, we could potentially look at this asset, but the time is not yet ripe since we need to await the documentation. When it becomes available, we will take a look. On GSF, would future claims be allowed? Yes and no. Obviously, we waived our

ability to question under certain circumstances. Clearly, if the government should adopt some other type of posture which is deemed inadequate, we would have no compunction about defending our rights with respect to future events. Thus, it is not necessarily a major restriction. And if you ask me if this eliminates the possibility of some regression changes in the regulations which benefited the generators, I would say to you no. Despite the government having made an agreement with us, the agreement was in the sense of removing a roadblock in the market at that particular moment, and for that reason we accepted the government's proposal in good faith. So, if a better deal is offered to third parties, I believe the government itself will consider it fair that those that have played by the rule book previously should not be excluded from obtaining any new benefit negotiated by others that did not respond to the government's offer initially. So, I think it is a question of justice and the proposals which have been included in the bill before Congress are proposals that cover all the generators, not only those with temporary injunctions and those with injunctions until a short time ago.

Giuliano Ajeje - Claritas:
Ok.
Carlos Freitas – Chief Financial and Investor Relations Officer:
Well, in relation to financing for transmission, we are just beginning to work on this because it is a long-term project. The CAPEX for this project in the first 18 months is not so significant since the operation is more backloaded. But our premise, our idea was to finance this project with a mix of BNDES and market. After that, we will discuss what is the maximum level of leverage… we are estimating that we can leverage about 70% of the CAPEX. There are some that say it can be more. I would love that. In practice it is to have something which is well distributed over time, be long term, but without a large balloon at the end, that is, for something to be really long term and self-financing, on many occasions the coverage ratio is what determines the maximum amount of debt. So, in practice, we expect and are working to this end, to finance 70% of CAPEX with a mix of infrastructure debentures, BNDES and at the lowest possible cost.

Giuliano Ajeje - Claritas:
Ok. Excellent, perfect,

Operator:
*Remembering that to ask questions just touch asterisk one (*1). Please wait while we receive the questions.*
Our next question comes from Giuliano Ajeje of Claritas. Please go ahead.

Giuliano Ajeje - Claritas:
Since no one is asking questions, I will put my fifth question. A legal question still, which is the proposal to resolve the RBSE question when the distributors are lengthening term

out to the end of the concession that could in theory impact you with a frozen TUST, I think out to 2022, is it not? Had you noticed this - that at the end of the day the generators including yourselves could be part of this RBSE problem?

Eduardo Sattamini – Chief Executive Officer:
Well, I had not thought of this. To tell you the truth, I must look and see if our regulatory people are monitoring this. They are, Rafael tells me, they are. But this matter has still not arisen. I do not know if the formula has been established and if it will have an impact on us. I do not believe so. I believe it should be protected therefore but I owe you a reply. We don't know everything.

Rafael Bósio – Investor Relations Manager:
Right, Giuliano, I think we have already spoken on this matter. Really, the regulatory people are tracking this matter but as yet, we have no reply.

Giuliano Ajeje - Claritas:
Right. Ok. Thank you.

Operator:
Please wait while we collate 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 you may go ahead.

Eduardo Sattamini – Chief Executive Officer:
I would like to thank the participation of all as well as the active participation with many questions and interest in the result and in the Company. It is always good to know that we can always count on this partnership with you analysts and investors since you are the reason for our existence. Thank you very much.

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.