ENGIE BRASIL ENERGIA S.A.

VIDEO CONFERENCE TRANSCRIPTION
RESULT FOR THE FIRST QUARTER 2023
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RAFAEL BÓSIO: Hi and a good morning to all. We are now beginning the video conference for the first quarter of 2023 of ENGIE Brasil Energia. I am Rafael Bósio, the Company's Investor Relations Manager and I would like to make a few announcements before beginning the call.

Currently, those who are connected are in listening mode only. Later, when we open the questions and answers session to participants, you may submit your questions via the Zoom Q&A tool. Please note that this video conference is being recorded.

We have also made available in our website www.engie.com.br/investidores the files for the Presentation and Earnings Release as well as the ITR and other documents filed yesterday at the CVM where more detailed analysis of the financial statements, operational results, ESG indicators, advances made with the implementation of new projects, among other notable factors in the period.

Before proceeding further, I would like to clarify that any statements that may be made during this video conference 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 are therefore subject to change.

We would remind you that journalists wishing to ask questions should do so via e-amil, sending their questions to the Company's Press Relations office.

With me today to discuss ENGIE Brasil Energia's first quarter 2023 performance are Eduardo Sattamini, Chief Executive and Investor Relations Officer; Marcelo Malta, Chief Financial Officer; and also, Eduardo Takamori, appointed yesterday by the Board of Directors to take over the Chief Financial Officer's position as from June 1, 2023.

I would like now to pass the floor to Sattamini, to begin the presentation. Sattamini, please go ahead.

EDUARDO SATTAMINI: Good morning everyone. Once more, it is a pleasure to be here with you and to present ENGIE Brasil Energia's solid results. As we always point out, the resilient results of the Company are the result of a long-term strategy, asset diversification as well as contracting levels.

Let's go to slide 5… we are already here on slide 5 where we show the financial highlights; after, we will look at the qualitative highlights of the Company in this quarter. When we examine the quarter-on-quarter trajectory, we can see an evolution in Ebitda, of 9.1%, and when we compared this with inflation over the accumulated twelve months of IPCA, with 4.65%, it shows that our growth strategy is achieving results.

Factors which are to the right of the slide explaining growth in Ebitda are: transmission RAP, we achieved complete energization at Novo Estado on February 27 and at Gralha Azul, where we were just missing a very small bit prior to completion, on February 19. this adding R$ 100 million of RAP. There was also a further R$ 86 million related to the increase in price as a function of the inflationary spiral, the indexing of our contracts to inflation and a little more from settled energy volumes.

TAG once again surprised with better-than-expected results of R$ 75 million, with some very specific contributions involving the readjustment of tariffs and another very important factor which is the contribution from the substitution of the operator. The previous operator was Transpetro, and now we have the operation conducted by ENGIE itself with a much more adequate cost in relation to the level of the operation.

We also saw a higher net result from CCEE operations, a function of the more favorable hydrological scenario. We had a reduced consumption of fuel, naturally the outcome of the dispatch strategy adopted at the Pampa plant. And we had a reduction, also a function of the volume of energy purchases and associated with the sale of Jorge Lacerda. Conversely, and in the light of greater generation, of royalties and sectorial charges, we had other elements which also weighed on costs.

So, we had an increase in Ebitda of 9.1% due to these elements; and, in net profit, we had a substantial increase principally due to the reduction in inflation in the period. We saw inflation as measured by the IPCA in the quarter equivalent to 2.09% against 3.20% for the first quarter of 2022. And it had a significant effect… It was one of the effects that we identify as improving the financial result, contributing R$ 104 million to our net result, and with this, boosting our net profit by 36.7% in relation to the same quarter in 2022.

Let's now move onto the non-financial highlights on the next slide. Here we see what we have already commented, the total entry into operation of both Gralha Azul and Novo Estado. Yet another important element is that operations have also begun with some of the generator units at the Santo Agostinho Wind Complex. March 23 saw the first generator unit go into operation, while today, we have 11 operational units, 3 of them already in commercial operation and 8 operating on a test basis. Our forecast is for the entire park to be up and running by the end of this year, meeting our goal and forecast.

And Fitch reaffirmed our AAA (bra) rating. This is already the 11th consecutive year that we have been assigned this rating. And this, it should be remembered, always together with our recognition by ANEFAC FIPECAFI's Transparency Trophy, showing that our rating has the value and the transparency necessary to be credible, to be respected and credible for all.

We also signed a Memorandum of Understanding with Invest Paraná in the first quarter for the production of green hydrogen in the state. We have a specific project in the state and Invest Paraná is giving us the support so that this project can be developed, and we can make our debut in hydrogen on an industrial scale in Brazil.

Moving on to the next slide. So, we have the approval for the distribution of complementary dividends for the fiscal year, the fiscal year 2022, in the amount of nearly R$ 1.5 billion, representing R$1.78 per share. The shares will be traded ex-dividend as from May 9 and payout will be decided later in the light of cashflow and the Company's requirements. We allow this freedom while giving the investor some prior notice as to payout – reflecting the way we manage cashflow and our investment obligations.

Another highlight has been the publishing of our Sustainability Report 2022, and I invite you to participate… ladies and gentlemen, to go to our website. We have gone into our journey for the climate in greater depth — and you are going to find it in the Report. We are also going to talk about investments in the communities where our businesses are located and our Integrity Program and Ethics Committee, accompanied by the Board of Directors. So, you are going to have a very rich compendium of information on the sustainability of the Company's businesses - this is a report which I invite you to share with us. There's a link in our presentation.

Speaking of ESG indicators which we are now informing, we are on a trajectory for decarbonizing our assets. During this year, we expect to be 100% renewable with the sale of the Pampa asset.

Obviously, our emissions intensity has been on the decline. In the first quarter, we also had a very low level of intensity since, in the light of the strategy adopted for dispatch from Pampa agreed with the purchaser, we decided not to dispatch in the first quarter. Total emissions fell significantly because of this; water withdrawal and consumption also because the withdrawal of water is predominantly for thermoelectricity generation.

We have increased the number of women in our workforce, we have gradually been introducing and creating opportunities so that gender diversification happens not only at the administrative level where we are already near the 50-50 mark, very close to it — in some areas we even have more women than men —, but we are giving this opportunity in the operational area as well, with various diversity programs in regions where we operate: Bahia, Rio Grande do Norte, upstate Santa Catarina. We also have projects and programs together with Sesi and specific training programs for operators.

And as to investments in social responsibility, we have monitored these investments so that we use 100% of incentivized resources. Clearly, at the start of the year, when we still have only limited visibility as to taxable profits – the base of the resources for these investments – we have a little more… we are a little more parsimonious with these expenditures, but accelerating this more towards the end of the year when we can visualize the total value we are going to have available and we can then spend the resources…. invest these social resources.

Moving on to the next slide, we look at energy commercialization. As always we have a highly contracted portfolio in the short-term. This is part of the resilience of our business.

We have…. You are going to see this later, in another slide later on, we have 65% of our revenue linked to regulated activities and contracted long-term; meanwhile in energy commercialization in the free contracting environment, we have something around 35% of our total volume, but even these 35% are reasonably well contracted in the short-term. You can see here that the uncontracted values from 23 to 25 are very small, basically showing that this is a GSF structural reserve plus a little energy which we use for operating in the market.

The diversification of the free energy portfolio is also for us, very important to dilute the specific risk on any one industrial segment. And, in this way we are always selling energy, protecting our average price from major fluctuations. We had a quarter which was a good one for sales despite low prices, but without any major impact on the average price of our energy balance, a function of the energy volumes sold in the past.

Let's go on to the next slide. Our energy commercialization strategy is to seek quality at times of low price, for us to have clients increasingly… with growth perspectives in their specific industries. During 2021, we also had a reduction in our total number of customers due to lack of energy although now we are expanding into a more pulverized market and the tendency is to grow still more in numbers of small customers, with small units and with a rather more comfortable margin in the current low-price environment.

Next slide, slide 14, talking a little about our expansion. As we have already commented, the Santo Agostinho Wind Complex, under construction, with 52% of the project executed at the end of March, with the operation in test mode. Here we have 8 generator units authorized at present, but if I am not mistaken, we were up to 11 at the time of the Report and we are now moving forward in the commissioning process so that the complex can be totally operational by the year-end.

With the Gavião Real transmission project, we had licenses issued in the first quarter, and topographic and drilling activities proceeding apace, so we can meet our planned schedule which provides for an anticipation of 24 months at least for this new installation. As for the investment in relation to the CAPEX limit set by ANEEL, we have already finalized the contracts, guaranteeing a reduction of approximately 30% of this CAPEX, enhancing the profitability of this project which is complementary to our Novo Estado Transmission System.

Our other project is the Assuruá project, the Assuruá Wind Project. We have partially issued environmental licenses, and this already permits us to begin earthmoving preliminary to the substation works. We have begun construction without many surprises, without anything very new as well, bearing in mind the phase we are at.

And this will also be the same with, in the next slide, slide 17, the Assú Sol Photovoltaic Plant, where we are also beginning activities. We have a preliminary license, and land use agreements have also already been signed and we are going to begin work now in the third quarter of 2023.

Jirau. Jirau always back on screen. We have it here because the original idea was the transfer of this asset to ENGIE Brasil Energia. We have nothing new to add since the last discussion we had at the beginning of the year when we presented the fourth quarter 2022 results but we are always minded that there exists the possibility of the controller presenting this asset to ENGIE Brasil Energia through the Related Parties Committee, which will have to be installed, convened by the Board of Directors, and manned by the majority of the minority shareholder representatives and advised by ENGIE Brasil Energia's Executive Directors.

The next slide shows our pipeline of projects, with 1.8 GW of capacity and the attached message is "don't expect great movements in this for the next few months, or perhaps years, while we have a very large excess in energy supply which has been driving prices lower". Our message here is that we need the government to stimulate consumption and offtake for this volume of energy that there is today in the market so that prices can recover and when and if recovered, to be a stimulus to investments in new capacity.

I am going to pass the ball to Malta to speak about the financial performance but before I do, I would like to thank Malta for the period he has been Chief Financial Officer of ENGIE Brasil Energia, for his marvelous, excellent work, and wish him great happiness in this new phase of his career. He is moving across to our foundation. Our foundation is now incorporating resources from Elos, previously Eletrosul and ENGIE Brasil Energia and, with the privatization of Eletrobras, these resources will come to Previg. The dimension of the Foundation will be much greater, and we need top, qualified management and Malta is going to measure up to this challenge over the next few months, restructuring our private pension plan.

So, Malta, thank you so much for your contribution over these 18 years of dedication to the Company, and very good luck in your new challenge.

Are you there, Malta?

MARCELO MALTA: Thanks, Satta. Next slide then. Good, here we have the track record of our financial performance. You can see the return on net equity and on invested capital at very high and consistent levels. This is a demonstration of our financial performance.

In the chart on the right, we have some significant information as to our performance from 2016 to 2022: an expressive investment volume, nearly R$ 26 billion, with high leverage; and a significant increase in our installed capacity as well, the highlight going

for renewables with a 36% increase.

In the period we acquired TAG, an investment where the financial performance has been amazing. We have taken our debut in transmission with absolute success in implementation despite critical periods, such as that of the pandemic. Our Ebitda in this period increased by 108%, net profit 65% and we paid out nearly R$ 14 billion in dividends.

Next one please. What I am going to say here has been partly covered by Sattamini in his opening remarks. I will try and go into a little more detail in order to give a little more depth on the variations in our result.

Net revenue fell 4.9%. A large part of this reduction is due to accounting and economic impacts of the transmission segment. So, there was a decrease from R$ 502 million in the first quarter of 2022 to R$ 374 million in the same quarter of this year.

The main highlights in this evolution were the increase in price and volume of energy sales. The price rose on average 3.1%, a little less than inflation, largely due to prices slightly down on the re-contracting of energy which took place in the period with the maturing of some agreements. Sales volume increased 1% mainly in the light of the acquisition of Floresta and Paracatu, with the incorporation of additional energy in our portfolio.

For business transacted across the CCEE, we reported a reduction of R$ 29 million, but on the other hand, we also recorded lower costs of R$ 66 million, which generated a positive impact on our Ebitda of R$ 37 million. This is largely the result of exports of energy in the period and also an increase in both GSF and PLD in the period as well.

With respect to trading, we had a reduction in revenue, of R$ 64 million, but also a reduction in cost, of R$ 66 million, which added R$ 2 million to our Ebitda.

As mentioned, we reported a reduction of R$ 128 million in our revenue resulting from Ifric 12, but we also posted a reduction of R$ 182 million in cost which generated a positive effect on our Ebitda of R$ 54 million, and the main driver for this was the remuneration of our financial asset arising from the transmission activities.

Next please. This slide shows the result from TAG of R$ 763 million, in this quarter. Our participation in this result was R$ 248 million, about R$ 75 million more than the R$ 173 million for the result we reported for the first quarter 2022. The reason for this increase in the result was largely due to the readjustment of transportation tariffs and the reduction in O&M due to the incorporation of these activities previously performed by Transpetro.

Here in the Ebitda, we had an increase of 9.1% between the two quarters but if we eliminate the economic effects of the transmission business due to the application of Ifric 12 and incorporating the increase in the RAP due to the start of operations at Novo Estado and Gralha Azul, we would have had an increase in our Ebitda of 13.1%.

As already mentioned, we had variations in price and volume and CCEE, all positive, in this period. We also had a reduction in fuel consumption at Pampa and a fall… an impact as well due to an increase in purchasing volume as already mentioned as a function of the agreement signed with Diamante.

We recorded an elevation in costs principally reflecting the readjustment for inflation of our contracts with suppliers and also the incorporation of costs of the new investments that we made over the course of the past year. Already mentioned also is the cash impact of RAP received and also our take from the participation in the result of TAG, of R$ 75 million.

Net profit with a significant increase of 36.7%, resulting mainly from the growth in Ebitda and one of the best financial results for this quarter, due largely to slowing inflation combined with lower financial revenue because of the cash burn from the new investments which we have made. And a higher Income Tax bill is due to the increase in our Ebitda and to the improvement in our financial result.

Here we have the breakdown of our debt since 2020. Leverage continues very comfortable in spite of the significant volumes of investment. Very good, we ended the quarter with a gross debt/Ebitda ratio of 2.6x and net debt/Ebitda of 2.1x, still giving us plenty of room to sustain our growth, remembering at the same time that the more restrictive covenant we have is gross debt/Ebitda ratio of 4.5x and net debt/Ebitda of 3.5x.

Here we have a profile of our debt. As Sattamini said, our AAA rating was reaffirmed. In the graph in the middle of the slide we show a well-balanced maturity profile for

payments. On the right-hand side, we highlight the percentage of our debt indexed to the IPCA, the index to which the majority of our power purchasing agreements are linked. Duration closed at 7.2 years and at a nominal cost of debt at 10.5%.

Here is the composition of our investments since 2019: significant volumes of about R$ 15 billion. Forecasted investments for the next three years is something in the region of R$ 12 billion relative to Santo Agostinho, Assuruá and Assú Sol.

Next please. Here we show the track record for dividend distribution. In most years there was a payout of 100%.

With this, I come to the end of my presentation. As Sattamini mentioned, I am about to assume a new challenge as president of our foundation which has grown substantially. Today it has an equity of… will have equity of R$ 6 billion; there are 6 thousand members of which 3 thousand retirees. So, the challenge is a big one there and I am passing the baton to Eduardo Takamori, a highly experienced professional and very qualified, who will certainly be very successful in this function. So, my thanks for our friendship. The most important aspect is that I will be staying in the Group and that the person selected to replace me is very qualified.

EDUARDO SATTAMINI: I give the floor to Takamori, and I would once again like to thank you and to present Takamori, a professional who began his career at ENGIE, and has been working with us since he was very young; he still has a young face but already has many years of experience. So, Takamori, please introduce yourself. As from the next quarter you will be here with us making these presentations as well and interacting with our investors and attending to their needs and responding to questions.

Takamori, please introduce yourself to the team.

EDUARDO TAKAMORI: Before everything else, it is an honor and a great satisfaction to have been selected for the position of CFO. My special thanks go to Sattamini, who is Chief Executive Officer here at ENGIE Brasil Energia, and also Maurício Bähr, Chairman of the Board, for the trust bestowed in me.

Also, I would like to make a special vote of thanks to Malta, for the excellent work he has done in the command of the Financial Area. This work naturally has had the recognition of all of you in the market, when we remember that he was chosen once more as the best CFO on the sell side according to the Institutional Investor ranking and in this context, I wish Malta every success in his new challenges. We count on you, Malta.

MARCELO MALTA: Thanks.

EDUARDO TAKAMORI: About me – I have been working at ENGIE for more than 20 years. I have already held various positions here in the Company and this has allowed me to get to know the business very well, the culture, the assets and our virtues which have brought us to where we are today.

So, naturally, with financial discipline and a strategic vision, there is consistency in delivery and transparency above all, which at the end of the day is what has enabled us to arrive where we are, with this Company of success. And of course, I have the ambition naturally to keep to this formula which has been so successful. I am very enthusiastic at the challenge and am counting on you.

Satta, I give the floor back to you.

EDUARDO SATTAMINI: That is what it's all about, Taka. Thank you very much and yes the formula is a good one, but there is always room to improve. We always have to bring new perspectives to the table, and I think this is what drives our Company. We always have this uncomfortable feeling of wanting to do things in the best way possible, innovating… all, obviously with the conservativism that our activity demands, long-term investors but always seeking to improve, and I am sure that new eyes will also bring with them new possibilities for improvement. So, we count on you. We are counting on Malta, as well to continue helping us; a little more distant but continuing to help us. And a very warm welcome to you.

Now, I think this is where we move on to the question-and-answer session isn't it, Rafael? Coordinated by you. We should already have somethings in the pipeline, right?

RAFAEL BÓSIO: Yes, we already have some good questions. And not forgetting also for my part to thank the partnership with Malta. It is not possible to do a good job on behalf of investors without a joint effort with the financial area, work that was always performed with great quality from the beginning, right? My thanks to Malta, and welcome to Takamori.

MARCELO MALTA: Thank you.

RAFAEL BÓSIO: We have some good questions here. The first comes from Guilherme Lima, sell side at Santander. He has two questions. The first is… in fact he asks us to comment on our interest in participating in the capacity auction at the end of the year,

with what plants might we participate and whether we can give a dimension of the necessary investment. Satta.

EDUARDO SATTAMINI: This is a good question for Takamori, who is looking at the possibility of our plants, the capacity to put in new units. We have Salto Santiago, we have Jaguara… And what is our view? Begin now Takamori, he can give his first response.

EDUARDO TAKAMORI: Throwing me in the deep end already? So, look here…

EDUARDO SATTAMINI: You have a detailed knowledge of the matter, isn't that the case?

EDUARDO TAKAMORI: It's a very good question. There is still an element of uncertainty as to what will be the shortfall in capacity in Brazil in the future. We know that there is a current scenario of excess supply, so we have to be a little cautious with contracting as well, but certainly we are going to assess the opportunity of implementing – motorizing the existing spaces already available for further turbines at Jaguara and Salto Santiago.

These plants already have the physical slots and technical capacity to do this and could add important capacity, installed capacity for the Company as well as naturally allowing the absorption of a greater number of renewable sources in Brazil. Bearing in mind that hydropower plants are critical for supporting further expansion of renewable sources.

So yes we are confident. Depends a little on the model the government is going to use allowing these new projects to be included, but yes we are confident that we can participate.

RAFAEL BÓSIO: Perfect. Thank you, Satta and Takamori. Guilherme's second question is if we can comment on the energy export dynamic with the hydropower plants to Argentina which occurred in the first quarter; what our outlook for exportation is, price levels and how the remuneration dynamic will work. I think that Takamori can help here as well.

EDUARDO SATTAMINI: Look here! Excellent. The specialist is here, the regulatory man. We have worked together on this here, trying to measure with the CCEE the value of exports of spilled hydropower at the limit so that we can extract greater value for the MRE.

And how might it benefit us? Takamori can be more precise, but it is through the increase in hydropower generation which ends up being divided between all the agents that are participants in the MRE. But, Taka, please, you can, if you wish, add something.

EDUARDO TAKAMORI: The question is more on the form, isn't it Rafael? Just to make it clear.

RAFAEL BÓSIO: Yes. What is the dynamic, how does it work, and how is the price level established – from what I understand from his question.

EDUARDO SATTAMINI: And the outlook as to whether this is going to continue happening. I understand … if it is going to be perennial. This we can talk about, right, Takamori? We are trying to perennialize this export.

Currently, we have an excess of energy in Brazil and there is a shortage in other countries of Latin America. We believe that we can offer energy at a more competitive price than the energy that for example could be offered inside Argentina itself or Uruguay and eventually this can even generate energetic integration in the continent, using gas transmission capacity from Argentina to Chile together and some regional agreement. So, we are trying this.

If we are unsuccessful in this way, a regional agreement, then in all probability we are going to come up against the obstacle of the contractual conditions that exist in Argentina itself. The agents there have their take-or-pay contracts with gas. They have a good gas generation capacity, and we cannot ignore the fact that we cannot bring disorder to the market of our neighbor without offering an opportunity for them. For this reason, then we are thinking of exporting to Argentina with the subsequent export of gas to Chile, making this integration happen that way.

So it is this perennial aspect that we want and this is obviously going to reduce a little the excess of supply in Brazil which raises a point in question, Takamori, which you can discuss with us in relation to the effective necessity of contracting capacity at this time given that we have excess supply.

EDUARDO TAKAMORI: I have little to add to what Sattamini has said, who was very eloquent in the way he connected this with the longer term and this excess of supply.

On the more operational point, the process is simple, one of declaration. The generators in Brazil declare availability to export, the verified availability of eventual spilled hydropower… that has to be spilled the following day. The system operator does the compilation and places it at the disposal of the neighboring countries, and the neighboring country accepts or otherwise. Remembering that the CCEE has the important role also of deciding what the minimum price would be for monetizing this amount of energy to be exported.

So, this is a business process, a simple and efficient process and a great step forward in relation to what we had before. Before, we could only export thermoelectric energy and as from this year it has been possible to export spilled hydropower, bringing hard currency reserves for the country and income for MRE agents.

So, it was a very, very good idea, very welcome and there is naturally room for improvement because today with the end of the rainy season it is a fair assumption that this spilled hydropower will cease to exist soon for this hydrological cycle. But our reservoirs are still at a very comfortable level leaving space to anticipate spilling and monetizing part of these reservoirs, in an economic and more efficient way. This links in with what Sattamini has just said which is to develop a design which would not only use in an intelligent way hydropower which would be lost across the spillway but also use the excess from existing reservoirs.

There is room for improvement, but we would highlight the very positive design the government has come up with so far which brings reserves for the country and for the members of the MRE.

RAFAEL BÓSIO: Perfect. Thanks, Takamori and Sattamini. Let's move on to the next question which comes from Rafael Nagano, sell side at Credit Suisse. Two questions: "What is the expectation of competition for the next transmission auction in June?" and if there is any lot that is of particular interest. This is the first question. Satta, you are on mute. Now, it's OK.

EDUARDO SATTAMINI: I think they put me on it. The expectation of competition is always great. We know the large players are looking at this auction. Now, the auction has a very reasonable dimension in terms of total volume of investment and depending on the way in which the players are positioned, it may be that we will be in a rather more comfortable position.

Also, to a degree, we have seen players participating in past auctions very aggressively on the basis of unrealistic assumptions that turn out to be misplaced, this holding out the hope that perhaps there will now be a little more rationality in the bids made in this coming auction.

So, this is our perception. We have a lot of confidence in our team that it will operate in the best way possible within the limits of responsibility of the mandate which we have been given by our shareholders.

Financial discipline, but also without the excess of discipline to avoid not being competitive. We have been looking very closely at this. I think that the main difference we bring to the table is: we have substantially bolstered our support and development team in these last few months to allow us to study a larger number of lots and to be certain that we have done an adequate technical job to come up with the best engineering solution, the best draft of a solution, the best negotiation with suppliers and service providers so that we are better prepared for the auction at the end of June.

Unfortunately, I am unable to tell you which specific lots are of interest to us, but we are going to be there at the auction. We are going to seek a reasonable level of investments so that we can continue our strategy of ENGIE Brasil Energia's portfolio growth and diversification.

As we have said, our strategy adopted years ago, in 2016, is diversification close to our core and today this makes total sense. Today we have a clear understanding… not only us - we already had this back then when we adopted the decision, but the market has a clear perception that transmission is a fundamental element in the energy transition since it enables renewable energy to be brought close to the consuming hubs.

So, we are rock solid with our strategy and are hopeful that we can come out winners of a reasonable tranche of investment in the June auction.

RAFAEL BÓSIO: Perfect. Thanks, Sattamini. The next question also from Rafael Nagano, is on what our outlook is — on which you have already commented, I believe, Sattamini — for the implementation of new generation projects. Perhaps you want to add something…

EDUARDO SATTAMINI: Yes, we currently have three major projects. One in its final stages and about to go into operations; the other two projects are part of our sold energy portfolio. If you look, we have a large portfolio of sold energy, which has to be renewed

periodically.

Today we have 5.5 GW average of sold energy and approximately 1 GW is third party energy. So, we are able to recontract energy. The question is price.

We believe that prices cannot remain below the marginal cost of expansion for a long period. We are already seeing some of the effects of this happening: we had the closure of the GE wind turbine plant here in Brazil and we have already received the announcement from Siemens Gamesa that they will close their wind turbine factory in early July of this year.

Thus, in this way, this situation of excess supply that was caused by various market distortions, subsidies for self-production, withdrawal of free market capacity to the self-production market… therefore, things which distort the market and in fact are toxic because the market is only healthy if it is healthy for all, both consumer and also producer and obviously the value chain of the system as well.

So, we need to seek a balance, and this is also part of our agenda, and I think we are in for some good surprises since the government is already seeing this need.

RAFAEL BÓSIO: Thank you. Thanks, Sattamini, again. The next question comes from Arlindo Souza, sell side at TC Investimentos. He says: "Good morning and congratulations on the results. Could you explain a little of TAG's above expected performance in the past few quarters? Does the Company expect to maintain this level of results with TAG in the short and medium term?"

EDUARDO SATTAMINI: Look, it's like this: I believe that there are important factors at play here. TAG was a leveraged buyout, so it has debt, and the debt is little by little being repaid. This is also the question of debt being partially linked to inflationary indices; and because of this, debt servicing is declining.

And we were making the necessary adjustments set out in our business plan. Following two years of operations with Transpetro, we undertook a process of phasing out Transpetro to replace it with our own operation, with the level of efficiency and quality that ENGIE has in the operation.

So, these results which we are seeing now should become consistent over time and even further improve as we see a reduction in debt servicing.

So, this is what was already enshrined in the business plan. Its proving to be a little better than we had expected, a result of management opportunities, of managing this result, that our TAG team is managing.

RAFAEL BÓSIO: Thank you, Sattamini. A question comes now from Hiury Goulart, buy side at Trilha Investimentos. He comments that in the last few days the discussion on the calculation of PLD has intensified and if you could give us an update on our view with respect to the theme.

EDUARDO SATTAMINI: Yes. Our view is that the calculation of the PLD can be brought into question, reviewed and so on but it needs to have one fundamental element which is the sustainability of the businesses in Brazil.

If you have a very low price that fails to cover all the elements necessary to the costs of an operation, it will end up generating losses and weaken the system as a whole. So, we have been defending that this is worthy of reflection but a reflection which endeavors to establish a price level that maintains sustainability of generation in Brazil. So, this has been our positioning.

The questioning surrounding the use or not of the cost of Itaipu is pertinent, but the formula that has to prevail is a formula which is sustainable over the long-term. We cannot… if today we work with a vision of excess supply for a long period, the strong probability is that price levels will remain at the floor of the PLD, and this level has to be sufficient at least, for example, for an hydropower plant to undertake the maintenance needed for those turbines to continue delivering energy and are reliable when the system needs to call on them. So, this is what we defend, and I think that the decision will be something in this direction.

Takamori, you are the one working on this front, do you want to add something?

EDUARDO TAKAMORI: Yes I would like to make a brief additional comment, Sattamini. The question is a very good one and as to the merits of the PLD, of the discussion, I think Sattamini has already addressed the issues. What I would like to recall here is that the discussion this year was provoked following an opportunistic action on the part of an agent in the judicial sphere and we see this as very bad strategy.

We are of the opinion that there is always room for improvement, but this improvement has to be conducted in the regulatory environment, in the administrative environment

with the consultation of all the agents and indeed at an opportune point in time such that all those involved are able to position in an adequate and opportune and timely way.

So as to the manner in which the issue was brought up, we think was very bad, although we are fully convinced that the regulator… ANEEL, is aware of the relevance of the theme and will handle it in a calm and opportune way. So, we are certain that the matter will be dealt with in the appropriate field, that of ANEEL.

RAFAEL BÓSIO: Very well, thanks, Sattamini and Takamori. The next question comes from Marcelo Sá, sell side at Itaú BBA. He would like us to comment on regulatory discussions about the potential for remunerating the hydropower plants for ancillary services, at what stage have discussions been reached, if there has been any progress and if we can give a broad outline on this. He has another question as well, but I will come back to it. Let's go on this one.

EDUARDO SATTAMINI: Look, as we are already in the regulatory field, the right man, Takamori, who is migrating from there to here, can answer. But the answer will be much less satisfactory than we would like. Isn't that so, Takamori?

EDUARDO TAKAMORI: Exactly. Everyone knows that the ancillary services are rendered by ANEEL using a cost-plus approach. In many instances, this does not permit the agents to coordinate in the best way possible, provide the best service. In this context, ENGIE always defends whenever possible to use market conditions so that the correct price for the service can appear.

This issue of ancillary services has been gaining traction recently. The regulator has already opened some space for discussion with public hearings, public meetings. Some regulation has just been concluded maintaining some items of ancillary services, but we understand that it is very opportune and pertinent moment to discuss the repricing of these ancillary services.

The regulator is alert to this and there is room for improvement. The situation I would say is at an intermediary stage but is more timid than what we at ENGIE would like, but it is important to understand that this is the right moment to discuss this theme.

RAFAEL BÓSIO: Perfect, thank you. A complementary question on the capacity auction. Marcelo asks if we think the hydric is going to compete with the thermal product or whether they should be different products.

EDUARDO TAKAMORI: Can I handle this as well, Sattamini?

EDUARDO SATTAMINI: Go right ahead.

EDUARDO TAKAMORI: That's good. Marcelo, ENGIE defends competition. Right? Because we believe the best agents will turn out better. So this is the context, this is the way we look at it… besides this competitive question and efficiency, we understand that every time you include niches and subproducts, this limits the competition and limits the ability of the market to provide the best solution for the problem which the central agent, the government or ANEEL has identified.

So, we prefer a more agnostic auction from the technological or source point of view. Eventually there may be some difficulty in implementation, but we understand that this must always be pursued so we do not see any problem in hydric and thermal competing one with the other. Remembering that there is a need to define very well what is the product to be attended and what is the scarce resource. On this basis, all agents including other sources may find intelligent and efficient combinations and solutions to attend the problem to be resolved.

EDUARDO SATTAMINI: Just by way of concluding, Taka, what we want is to avoid decisions involving inadequate allocation of resources in the sector. Competition permits the most efficient allocation possible in the sense of delivering what the system wants at the lowest price.

For this reason, we say "no point in wanting to go into offshore wind generation at the moment through a specific auction": because this will generate distortion and inefficiency instead of using the resources you have today to provide what you need. So, the best resource is the one which should be made available. So, I think that is the message which we have been giving in the market and fighting for a healthier sector in this context.

RAFAEL BÓSIO: Perfect. Thanks, Sattamini and Takamori. Changing the focus, a little and leaving the regulatory part and moving to the commercial, we have a question from Daniel Travitzky, sell side at Banco Safra. He asks us to comment on the energy commercialization dynamic and to position ourselves in the environment of falling prices and how is the dialog commercialization vis-a-vis investments in renewables.

EDUARDO SATTAMINI: Look we have had as a strategy for a long time to be contracted for the next few years ahead and you can see this in our energy balance. Clearly at moments when prices are lower, our appetite to sell declines. Now we cannot stop selling completely because we have customers to attend.

From time to time, we become a little more selective; we have a floor below which we will not sell. If you already have low prices and I haven't sold, could the price fall a little more? It could fall a little but probably very little, because prices are already very low.

So, all this is taken into account in our strategy for selling and this dynamic is a dynamic which is being discussed in our energy forum which meets twice a month for analyzing commercial price movements and to take decisions. And we monitor all the price movements and quotations of our customers.

So it is in this sense: we cannot stop selling, but we can sell more selectively to the clients that have the greatest potential to stick with us or who we would prefer to keep in our portfolio.

RAFAEL BÓSIO: Perfect. Thank you, Sattamini. Now moving to the last question which is coming from both Daniel of Banco Safra as well as Joana at Studio. They are asking for an update on the transfer of Jirau, given in Joana's words, the asset's imminent and recent cash equalization, Sattamini?

EDUARDO SATTAMINI: We have been talking about this, but it is something that will have to come from the controller at the time that it thinks it should. Certainly, we have been talking since the third quarter last year with the revision of Jirau's transmission tariff, the operation has become a cash generator. With this shareholder pressure has been eliminated, so it becomes more comfortable for the controller to bring a cash generating asset into our listed company.

However, this is an initiative that the controller will have to make at the moment that he deems convenient and adequate. Today, we are in the midst of a large investment in new capacity. We perhaps… will have to bring this asset, have to bring it with a financial solution as well. So, all this has to be considered by the controller.

We, as officers and managers of ENGIE Brasil Energia, have no part in this discussion until it comes or is brought to the Board. This is part of our governance. So, for this reason I have nothing precise to tell you as to when the green light will come. We have no part in this, including to maintain our impartiality in the discussion of an eventual transaction between related parties.

RAFAEL BÓSIO: OK. Thanks, Sattamini. With this we conclude the questions and answers session. Sattamini, Malta and Takamori, the floor is yours for final considerations in the order in which you feel more comfortable.

EDUARDO SATTAMINI: Let's go. Malta, Taka and then I will conclude, please.

RAFAEL BÓSIO: Yes, finish with Satta.

EDUARDO SATTAMINI: You are on listen mode only. You are on mute Malta.

MARCELO MALTA: Hi everyone. Once again, thank you for the last four years; the interactions which have always been very positive and professional. As I mentioned and you have already seen, Takamori has a deep knowledge of both market and regulatory aspects. In the light of this scenario of oversupply, perhaps he is the most qualified professional in the Company to discuss matters related to these areas.

Very well, I wish all of you a good afternoon and a good weekend.

EDUARDO TAKAMORI: For my part, I can only thank you for the trust endowed in me. I am very happy to take up the challenge and it is an honor for me. I am certain that we are going to build and maintain the excellent contact and transparency with the market. Let's move ahead. I look forward to meeting you on the next occasion.

EDUARDO SATTAMINI: And for my part, once more my thanks to Malta, welcome to Takamori and to say to the market that we have always been very well served by professionals here at ENGIE and we prepare all these moments of succession to ensure that we maintain this dynamism in our Company.

We are tireless in pursuing improvements, and I think we are going to have both in our Previg, with Malta, and also here, things that are going to improve and that we shall bring you, and this you are going to see over time. We have to keep this dynamism at ENGIE Brasil Energia. It is this that makes us stand out, one of the best players in the market.

Once more my thanks go to you. Good afternoon and a good weekend.