ENGIE BRASIL ENERGIA S.A.
TRANSCRIPT OF THE WEBCAST CONFERENCE CALL
THIRD QUARTER 2020 EARNINGS RESULTS
NOVEMBER 06, 2020 – 11:00 A.M.

MR. RAFAEL BÓSIO: Hello, everyone, good morning. Welcome to ENGIE Brasil Energia's earnings conference call. For those of you who don't' know me, I am Rafael Bósio, the Company's Investor Relations Manager. Like many other companies, we chose the conference call format because we feel that it will bring us closer, particularly given the social distancing scenario that the pandemic requires.

You are now connected as listeners only. We will later open the floor for questions and answers that can be placed both by telephone and Webchat. It is worth mentioning that this conference call is being recorded.

The presentation, this one, with the slides, will be transmitted via our Website, www.engie.com.br/investidores. The Website will also give access to this presentation's files and to the 3Q20 results release.

Before we proceed, let me explain that any statements made during this conference call in connection with the Company's business prospects must be treated as forecasts contingent upon the country's economic situation, the electric energy industry's performance and regulations, and other variables. Therefore, any such forecasts are subject to change.

Attending today are M**r. Eduardo Sattamini,** Chief Executive and Investor Relations Officer, **Marcelo Malta**, our CFO, and **Márcio Daian Neves**, Manager of the Gralha Azul Transmission Project. They will comment on ENGIE Brasil Energia's performance in the third quarter of 2020.

Please note that journalists who wish to ask questions may do so by e-mail to the Company's Press Relations.

I now give the floor to **Mr. Eduardo Sattamini.** Please**,** Sattamini, go ahead.

MR. EDUARDO SATTAMINI: Thank you, everyone. It is truly novel to be here in a results live session instead of a results conference call, but I hope that we will be able to be in a conference room together in the near future, and that we too will be able to see each of you, and be closer together.

Well, moving on to results, let us begin with slide 05 of the presentation, where we talk about the main financial indicators to provide an early view of finances to which our CFO, Marcelo Malta, will add detail later on.

The quarter was marked, in terms of net operating revenues, by a significant increase in these revenues, something like 28.7%. The main factor there was the contribution from transmission revenues, although we are not yet operating transmission, but because of how we book them, accounting practices require recognizing the CAPEX implemented for transmission, and this ends up reflecting in net operating revenues. Its contribution was approximately R$ 720 million, this was the main factor there.

We also had an event that had not taken place in many years, which was energy exports to Argentina. This was in July, when we had R$ 31 million in connection with these exports, and we also had slightly higher short-term market results than in the same quarter last year, at R$ 37 million.

Moving on to services income, excuse me, to Ebitda, we had a 9.4% decrease, but this was largely due to the booking of the liquidated damages guarantee that was executed against the EPC provider for our Pampa Sul plant in the third quarter of 2019, in the amount of R$ 320 million. If not for this event in 2019, our Ebitda would have seen a 14% increase. That is, there would have been a significant organic increase in Ebitda as well.

As for net earnings, we had two effects, not just the impact from the Pampa EPC liquidated damages, which represented net income of approximately R$ 200 million and change, but also massive financial expenses impact in connection with concessions payable. A significant portion of these liabilities are indexed to the IGPM, in the ballpark of R$ 3.4 billion, and the acceleration of inflation according to the IGPM had an impact on our financial results this quarter. On the other hand, this will also reflect as improved revenues because we have approximately R$ 4.1, R$ 4.2 billion in contracts that are also indexed to the IPCA, so that we will recover this inflation over the course of the coming months and years. Because of this, our net earnings appear to have decreased by 34%, but the actual effect is slightly smaller than that.

That was finances. We now move on to the non-financial highlights, slide number 06. So, in slide number 06, the main highlight is our continued actions in connection with the Covid-19 pandemic. Special emphasis on a partnership with BNDES, a program in benefit of hospitals across Brazil to which we allocated R$ 500 thousand and BNDES matched it with another R$ 500 thousand, making up R$ 1 million to be allocated to Paraná State hospitals. Paraná, where we are developing our Gralha Azul project, which is why Márcio is in attendance, and where we are having a few issues that we would like to shed light on for ou, and tell you a little more about the project's operations.

Another highlight was the Pampa Sul debentures issue. We had a R$ 340 million private issue that we added to the Engie Brasil Energia portfolio, that first part. But now we also had, and are finishing up, a second emission of R$ 582 million intended for the market. These funds will be allocated to rearranging the Pampa project's capital structure. The project was heavy on equity,

with a great deal of own capital, and the issue will balance out the capital structure equation.

Well, another highlight has to do with the entry of Itaú into the Novo Estado project's capital structure, which somewhat increases the project's leverage, improving the Novo Estado project's expected return.

Moving on to slide 07, where we talk about the September 08 enactment of Law 14,052, which compensates hydroelectric generation companies for the financial effects arising from the externalities that deepened the GSF, which we call GFOM – generation out of merit order. We are now in discussions, there was a Public Call for Issues held by Aneel, and by December 08 Aneel must issue a Resolution that will set the rules so that calculations can be made and compensation paid to hydroelectric generation companies. There are some figures out there, some speculation about the outcome, but we are not yet comfortable with the existence of a final formula, which will take place after the Resolution comes out, enabling a clear view of the amounts and benefits provided by the new law. Then there will be the calculations to be done by the CCEE. We imagine that, given the estimated schedule, we may be able to book it before the end of fiscal year 2020.

For the next highlight, the Federal Courts in Paraná granted an injunction in favor of Paraná Stage non-governmental organizations, partially interrupting works on the Gralha Azul project. The injunction is based on the argument that IBAMA should play a role in plant suppression licensing because of the sheer size of the project. We are challenging the argument, and understand that entire process has been legally conducted. We even adopted some ex-post measures that were already being studied, such as using taller towers to prevent felling trees in-between towers, using cable payout drones, a new technology that had never been used in this scale, but that we are employing already. The project's environmental impact is being reduced from 4% of the project's catchment area to 2%. We therefore understand that all of the measures being taken will enable us to quickly convince the Court that we are executing the project in the best possible way and within the law. So we expect to quickly overturn the injunction, or having it reviewed by the Paraná State Federal Judge, or if that is not possible with a write of review, to reverse it in the 4th Circuit Federal Court of Appeals, the TRF4, in Porto Alegre. So, basically, this is the message we will be sending when Mário goes into greater detail as we discuss the project, how the project is moving ahead; in principle, the project remains on schedule.

Another highlight concerns the Energy Place, the digital relationship and sales platform for energy market customers and managers, which we launched on November 03. This is the first platform to enable fully digital market transactions. We are still on the first product, which is the monthly closing; you log in, select, check the price, place it in the cart, issue the payment slip, pay it, and then CCEE registration is automatic. No human intervention, then, this is just the first process where we will have additional products being added to the platform, effectively creating a digital marketplace for energy in Brazil. I would say that this is an important milestone in the development of the free energy market.

Moving on to slide 08, on recent recognitions, which we always mention. For the 11th time, the Company was recognized with the Transparency Award, organized by Anefac-Fipecafi-Serasa Experian. I consider this the most important award for financial statements given to Brazilian companies. The second recognition is from Época Negócios 360, where the Company was elected best company in the energy sector according to this important magazine's annual almanac edition.

Moving on to the next slides. Slide 10: basically, the only change here has to do with our reduced stake in Novo Estado Transmissora de Energia, as mentioned before, because of Itaú coming in on redeemable preferred shares – APRs.

Let us move on to the next slide, number 11. The only change here has to do with the number of solar systems installed, and the increasing quantity, there are no other structural changes.

Moving on to slide 12, again just a few changes here, the slide shows our growth in electric energy generation and our leading market position. And there are no significant market share changes, although some of our competitors are also increasing their installed capacity.

Moving on to slide 13, also with no big changes, just showing that we are in the natural gas transportation market and keeping a very close eye on the evolution of the governing laws.

On transmission, slide 14, the only important change is the date of the auction, now slated for late 2020, on December 17. We will be looking at some projects to expand our electric energy transmission portfolio.

Slide 15 shows some evolution on the operational startup of some distributed energy installations. We are emphasizing our entry into the asset-based market, that is, we install equipment at the client that we own, and we operate the installations. So, this year we have already closed the deal on approximately 4 megawatts' worth of installations under this business model, and still have about 9 megawatts of capacity left to install. In other words, it is a growth activity, departing a bit from simply installing solar panels to a business model where we invest in customers' installations, with a lengthier and longer-lasting partnership than merely offering the product and then losing the relationship.

On to slide 17, the electric energy market. We have been seeing an increase in PLD, with PLD at a rather high level because of the hydrology. One new factor in this slide is that we are now looking at supply from a slightly different angle. We still have plenty of supply, a surplus of it, as the slide shows in the lower left. But because we have been facing bad hydrology for quite some time and there are structural problems at the MRE, we now show not only the plants boilerplate commercial capacity, but also the expected reduction because of the GSF, which is now structural. So, the solid blue bars represent this capacity, this surplus supply, including the GSF, whereas the blue bar plus the white one, that would be surplus commercial capacity. Therefore, our commercial capacity is greater than what effectively takes place in the market because of the GSF.

Moving on to slide 19, no big changes here, it is just to show our position in the regulated and free markets.

In slide 20 there is a small change in the total volume of sales to free customers, a reduction between the previous quarter and this one of around 86 megawatts/average because of our customers' expected consumption, more than anything else. We are distributed across several industries and face no systemic risk, which also enabled to endure the pandemic period without any major impacts on total consumption by our customers. Another important element in this slide is that we have seen significant growth in number of customers because of the market opening and the pulverization of our reach into increasingly small customers. And this matters, which is why our effective entry into the digital electric energy sales market is important.

Looking at slide 21, no big changes. You know that we always leave a bit of energy untraded to absorb the impact of the GSF, which is what the slide on the left shows. Our trading strategy is to always trade gradually, staying close to our customers, which also dilutes specific risks of years with higher or lower prices that we may face.

As we will see in the next slide, slide 22, showing our position, this is basically a modeling tool for our analysts, but there is a new element there. Starting this quarter, we are showing what our average contract period would be, adding together our entire capacity and weighing it by contracted years. So we now have more or less 18 years of contracts in the ACR, 3 years in the ACL, giving an average period of approximately 13 years, isn't that right, Rafael? You can correct me later, but I think that is the average period.

MR. RAFAEL BÓSIO: Exactly, 13 years, Sattamini.

MR. EDUARDO SATTAMINI: 13 years. This is important information, given that we have a level of resilience, of guaranteed future income under this level of contracting. Let's talk expansion. No big news in terms of expansion at Jirau, the project is still being run over there by Edson Silva, who used to be Engie Brasil Energia's regulatory and market officer, pursuing the best project upgrades and perhaps one day bring it in peacefully, in a way that adds value to Engie Brasil Energia. While these conditions do not materialize, the project will continue to be run by Engie Brasil Participações, our Holding Company, which is the principal owner of the Jira plant.

Moving on to slide 26, our Campo Largo 2 wind project, accumulated progress is at approximately 40% of the project. This week we will begin assembling the fans and the first generator is now slated for commissioning by late November. We now expect commercial operations to begin in the fourth quarter of 2020. And the average date of operational startup for our wind turbines is February. We will have turbines going live in November, December, January, February, March, all

the way into May, but the average date of operational startup we expect to be the beginning of the second quarter of 2020. This, then, is the information. There has been a small delay on account of the Covid, we even mentioned that in the last quarter's conference call, but we are making up for it with the addition of new, of a larger number of cranes for assembly.

I would now like Márcio to talk about the Gralha Azul transmission line, about the stage where it is at, about the conversations we have been having with the communities, and then I'll come back to talk a little more for projects under development.

MR. MÁRCIO DAIAN NEVES: Good morning, everybody. The Gralha Azul transmission system project is progressing very well. We have some difficulties, as Sattamini said, but in terms of construction works execution we hit 67% physical completion in early November, this is a very significant number that shows that we are ahead of initial projections. We should complete the project's procurement by the end of the year, procurement is a critical path that we were able to maintain even during the pandemic, and move it ahead of expected schedule. Construction works, too, are moving at a brisk pace, it is ten substations, five new and five upgrades, all of which moving ahead briskly. Now we are moving out of the civil construction phase into electromechanical assembly, whose purpose is to energize the project's first substations by May next year, so that by early September 2021 we may have the project's full operational startup.

The project is made up of 15 transmission lines, all of which are also progressing rapidly. The injunction order froze some of these activities, more specifically the four 500 kV lines. To avoid impacting the project, we were able to reallocate all of the teams to other working fronts, which means that we have been able to evolve ahead of schedule on the other fronts, and then return to the 500 KV lines.

We are taking every step to reverse the injunction order, like Sattamini pointed out, and hope to do so in the short run, so that there will be no impacts on commercial startup as scheduled for 2021.

From the socio-environmental angle, we have been working on developing a series of projects with neighboring communities, it is 27 municipalities that the project covers. We have several projects in connection with fighting the pandemic, donations of PPEs. This includes the BNDES partnership mentioned earlier. We are also developing projects in connection with perpetuating the araucaria pine, that is, socio-environmental projects for environmental preservation that is very much in line with the purpose of the project, whose plant suppression, as also noted, has been very low because of a series of measures that have been adopted, such as higher towers and paying out cable from drones.

So, I think what we might say in general terms is that the project, despite these small hurdles that we are crossing right now, should see commercial startup in September 2021. We are now ahead

of contractual schedule, and will remain on call if you have any questions of a more specific nature.

MR. EDUARDO SATTAMINI: Thank you, Márcio. I may be able to add some information in terms of magnitude. We have submitted a proposal, actually a compensation agreement, for the araucaria pines. For each araucaria felled during the plant suppression process, we will replant three new ones, that is, more than the legal requirement. And to give the audience a sense of what this means, last week, with the help of a Paraná State Boy Scouts NGO, we planted 2,800 araucaria pines in a single day. That is, what we would like to mention is the impact of this, this is more than one-third of the araucaria pines we expect to affect in connection with the project, that is, to give an actual sense of the fact that the project's environmental impact is very small compared with the benefits it will bring for electric energy supply in the state of Paraná, mainly by having the energy generated by Itaipu, which lies in the state itself, may flow to the state, without having to go to São Paulo and then return to Paraná. This is, then, an extremely important project for the state and for the South region in general.

The next project that we will talk about is the Novo Estado project, in the states of Pará and Tocantins. We executed financing agreements with BNDES and the Banco da Amazônia this quarter, which is important information, important milestones, guaranteeing the project's cash flow. But we also began assembly of the towers and transmission lines, also of the new substation, which we have already begun installing. We also began implementing upgrades to the existing substations. It is still on schedule and set for December 2021. This project experienced minimal Covid-related impacts. Our estimated Capex for it is R$ 3 billion, it is programmed in our investment forecasts for the coming years, as you will see in the next few slides.

As for projects underway, we are still focusing on renewables, with several potential fronts for the development of new solar and photovoltaic plants, currently concentrated in the states of Bahia and Rio Grande do Norte. And one of the projects that we are still finalizing, the Santo Agostinho project, in Rio Grande do Norte, the first phase of which, at around 420 megawatts, we expect to get our launch orders soon, as soon as we are able to close the deal with suppliers.

I now give the floor to Malta, who will speak on the Company's financial performance this quarter and so far in fiscal year 2020. Please , Malta.

MR. MARCELO MALTA: Thank you, Sattamini, and good morning, everyone. Slide 31 shows the evolution of operating revenues, EBITDA and net income. As mentioned before, there has been a quarter-on-quarter variation of almost 29%, due, as Sattamini mentioned before, to the recognition of revenue from transmission assets because of the application of the relevant accounting practices. Our Ebitda was down 9.4% because of the recognition of the non-recurring

effect arising from the Pampa EPC provider indemnity, which took place in the third quarter of 2019. As for net income, in addition to the impact of the EPC provider indemnity, we also had, as Sattamini mentioned, material impacts from the monetary restatement of certain concession payable we have.

Slide 32, graph one, shows the breakdown of revenue effects across quarters. Quarter-on-quarter and year-on-year variations are normally due to non-recurring effects, in addition to the operational startup of assets. The same behavior is replicated in the evolution of Ebitda and net income. The graph below, as mentioned, shows the positive R$ 718 million effect of the transmission assets, and these effects will increase with the projects' Capex.

As concerns the rising operating revenue from our assets, there has been an increase in the average selling price, as well as a positive effect at the CCEE, plus this quarter's exports to Argentina. It is worth emphasizing that the average selling price increase was around 3.8%. On the other hand, we also had a 4.3% decrease in energy volumes due, partly, to reduced consumption, a lingering effect of the pandemic.

Slide 33 breaks down TAG's earnings, ending the quarter with R$ 320 million in profits, where our share is R$ 102 million in positive contribution to our Ebitda.

In slide 34, the lower graph shows the previously mentioned non-recurring effect of the EPC contractor, at R$ 321 million. In addition, there was a quarter-on-quarter positive effect due to equity income from TAG. Portfolio energy purchase volumes were down and, as concerns revenues, as mentioned previously, there was a positive impact from the CCEE and from electric energy exports to Argentina. There was also a negative impact from a combination of higher prices and lower volumes of energy sold.

Slide 35 shows the change in net income. As already mentioned, the impact of the EPC contractor indemnity in the third quarter of 2019 led to a negative Ebitda variation. As mentioned, with the exclusion of this impact, Ebitda would have been up 14%. In addition, there was also a significant impact from the monetary restatement of concessions payable, which materially affected our financial results. There was also a reduction in the income tax and social contribution bill because of the lower Ebitda and financial income

As slide 36 shows, we saw ROI increase because of the combined reduction of net income and increased equity. ROIC was down due, mainly, to the increased capital invested in the quarter.

The slide next shows a change in our debt that was about R$ 3 billion, due mainly to funding for Campo Largo, Gralha Azul and Novo Estado. Our leverage indices are well-behaved. I think it is worth mentioning the early repayment of the Estreito debt, whose covenants were quite restrictive, at 3.5 times gross debt-to-Ebitda. It is also important to mention that this early repayment, in addition to doing away with the covenant, took place at more advantageous financial conditions than the cost of our debt with BNDES. We also expect to incorporate this SPE,

as it is debt-free and of course the incorporation will also lead to a reduction in administrative costs and simplify our corporate structure as well. We reached the end of the quarter with a robust cash position at almost R$ 5.7 billion, raising our net debt to R$ 11.2 billion.

Slide 38 shows debt evolution. The main impact is cash management from operations. There is also the change in working capital and the TAG acquisition this quarter.

Slide 39 shows our debt maturity profile. There is a concentration in the coming 12 months, due mainly to the 4131 loans coming due and, to a lesser extent, the maturity of some contracts with BNDES, or the amortization of contracts with BNDES. Similarly, in 2022 there will be an important amortization tranche of the 4131 debt, as well as BNDES debt amortization.

From 2026 to 2030 there is also a substantial concentration that is mainly concerned with BNDES debt amortization. There is a new element in the debt breakdown, we had no fixed-rate debt. What we did this quarter was a swap of some of our CDI debt for fixed-rate debt, it was a market opportunity that we found important. We are talking about close to R$ 1.8 billion in debt that will come due in 2021 and 2022, and the average fixed rate was in the neighborhood of 2.9%. Well, the nominal cost of debt remains low, and is at 6.8% this quarter.

Slide 40 shows our investment evolution. In 2020 we emphasize Novo Estado, Campo Largo and Gralha Azul and similarly in 2021, at a lower level, but again with investments in Novo Estado, Gralha Azul and Campo Largo.

Slide 41 shows our payout evolution. In the first half of 2020 we decided to propose 55% payout, due to the uncertainties at the time surrounding the pandemic's impacts. In the next quarter we will set the payout for 2020.

This was it for me. I will also remain on call for any questions you may have.

Operator: Thank you. Ladies and gentlemen, we will now begin the questions and answers session. To ask a question by phone, please enter star-one (*1). The first question is from Gabriel Francisco, with XP Investimentos.

MR. GABRIEL FRANCISCO: Hello, everyone, good morning, Sattamini, good morning, Malta. I have two questions. First, let me congratulate you on your results. First, I would like to ask about a dividends-related point. I recall that at some point it was mentioned that in an increasingly clear macro and capital markets scenario, there might not only be a revision of the company's payout practices, but also a reversal and the distribution of the dividends from the call back, at the time when things were more uncertain, and that was in fact the prudent thing to do. I would like to know if there has been any progress, if the scenario has already improved enough to provide some

indication in this sense, that was question number one. Number two, could you expand a bit on long-term strategies, given the likely passing of the New Gas Law in its current format. It has several, shall I say, restrictions and prohibitions in terms of equity connections, particularly between companies active in transportation, such as the consortium, the TAG consortium, and other links in the value chain. Givens a scenario where the law passes as it is, what would it be like? Would there be a revision of the Company's natural gas strategy going forward? That is all, thank you very much.

MR. EDUARDO SATTAMINI: Let's go, thank you very much for your question, Chicão. Question number one, which is easier to answer. We did say that the payout reduction to 55% was preventive. You know that, whenever we can, we end up paying as big a percentage as we can. And our cash is now quite robust vis-à-vis our obligations, there is a possibility we may revise this position and decide in favor of a more generous payout come yearend. The decision will probably be made early next year, during the 2020 annual results presentation, but prospects are better because we understand that the economy has recovered quickly, it has already returned to the same consumption levels, exceeded last year's consumption levels for electric energy, and this reflects a lower impact of the pandemic on the Company. So, if this persists, then there is indeed a possibility of us revising the payout, including the first half's. So, that's answer number one. Number two has to do with our strategy for the Gas Law. There is certainly a possibility that the law will be enacted with restrictions against transportation companies operating other links in the value chain. The only measure we have is that we already own a gas transportation company, there are no gas trading operations in Brazil, but we had preemptively registered a gas trading company. This trading company will require the agency's approval to operate. And the fact is that this discussion may also go to the regulatory sphere, not the Legislative, but sub-legislative, thereby permitting, under certain circumstances, that companies, as long as they abide by certain rules may be able to operate other links in the chain. So this is what we are expecting. In the meantime, the investment made in the gas transportation area remains economically sound, fully contracted for years on end, contracted for an average 11 years' operations. The returns are satisfactory, in fact better than expected because of the lower interest rates. It was an opportunity to expand the existing asset, so that there may be additional growth for our operation. So, obviously, we are acting in the regulatory spheres and will continue to act. We are in the gas area, through transmission, to stay. And of course we would like to not be subject to so many restrictions, but we also understand that the law is aiming for a more liberalized market, a more dynamic gas market, and this will be good for our business overall.

MR. GABRIEL FRANCISCO: Perfect, excellent, very clear. A follow- up question, if I may, on the gas area. The question focuses on TAG. One of the pipelines is the Urucu, Urucu-Coari-Manaus. Its

supplier asset, which is Petrobras's, is in a divestment process. And there are some studies indicating that there might even be idle pipeline capacity, but that it might require investing in compressors. I would like to know if, in your opinion, well, if you are considering, if and when this deal takes place, making an investment in this sense. Or if, for example, uncertainty still remains on the definition of tariffs beyond what your existing contracts may offer, due to the uncertainty of the moment, to make this investment decision. This is the last one, I will ask no more questions to give everyone a chance. Thank you.

MR. EDUARDO SATTAMINI: Well, regarding your question, if we look at slide 45 of the presentation, you will see that the Urucu-Manaus pipeline is contracted until November 2030. Until November 2030, therefore, our revenues are fully guaranteed by Petrobras for the pipeline's full capacity. Obviously, if there is some capacity available due to the discontinuation or reduction of gas production by Petrobras, and if there are other parties interested in operating and transmitting gas, transporting gas, through the pipeline, the regulator will determine the formula according to which this entry will take place and it will be great news for us. And if there is a need for some kind of specific investment in the pipeline to this end, it will also be included in the basis, in the tariff calculations. I think it is normal, natural, for shifts such as this to happen, and we will be there as the operators in charge to support the gas market and support new market entrants.

MR. GABRIEL FRANCISCO: Perfect, Sattamini. You have been very clear, thank you very much.

MR. EDUARDO SATTAMINI: Thank you, Chicão.

Operator: Our next question comes from Carolina Carneiro, with Credit Suisse.

MS. CAROLINA CARNEIRO: Thank you for the conference call. I, too, have two questions, both in connection with trading. First, I would like to talk, I would like you to add detail about the new platform, Energy Place, what is the actual idea in terms of target public. Just so we can understand the company's strategy, will you be providing service through the platform up to a certain customer size, has this size been determined yet, or an already determined percentage of customers you already have to be served specifically through the platform. Mainly so we can have a bit more detail on the use of the tool itself, how it fits your strategy. The second trading question is: looking at your balance sheet, it seems that sales this time around are far more concentrated in the long-term, a little farther down the road, '23, '24 and '25. Comparing with the balance sheet,

at least the 2Q balance sheet, it is just so we can understand these sales, because it does look like a different scenario than we had until then, with sales more concentrated in the short term, it feels like we are seeing longer contracts. And because there is no indication there of average prices, looking forward we lack a lot of detail, whether or not this, how these sales compare with what we saw before. It would be nice if you could give us some detail about the new contracts that you executed this quarter. Thank you.

MR. EDUARDO SATTAMINI: Thank you, Carol. Well, for your first question, what we... we currently have a segmentation across our, we have four trading desks in the commercial area, and they are segmented by size, by consumer size. It is natural for more electricity-intensive consumers, with larger volumes, will tend to prefer specific, special, more tailor-made service, more in line with their needs. And as consumer size decreases and energy consumption becomes less relevant in their cost structure, their interest may be less, or they may want a more practical and pragmatic solution. This, then, is more or less the structure we now have, desks segmented by customer volume. This platform, in fact, will serve all segments. In fact, at this early moment, we are coming in with monthly closing. And monthly closing, regardless of customer size, is something very easy to operate. These are very short-term operations where a trade can be automatically registered after payment without any difficulties. Of course, when you speak or more longer-term products, things begin to get different, larger-volume customers want to negotiate specific clauses and conditions, and these will get differentiated treatment. But it may even be that, if they don't have any specific demands, if a product is truly standard, they may want to purchase through the platform. The platform will be ready for it. Very likely a customer, one your bank might call a private-banking customer, well your bank only has private-banking customers no retail, but if it were a regular Brazilian bank, a private-banking customer will want special treatment, after all they are bringing in large volumes. This, then is more or less how it is. The other aspect you mentioned, about slightly longer-term contracting, what is going on is that our portfolio, as we have been saying, is basically sold out as far as 2022, and we are going into '23, too. So we are in a position to make sales with a slightly longer profile, beginning with '23, '24, '25. And this is a trend we have been seeing in the market because of better long-term prices, lower future prices, we have been seeing increased consumer appetite for contracts a bit lengthier than we used to see in the market, which was 4 to 6 years. This may be topical, but we, it is a shift we have been looking at in the past two years in the free energy market. It is a feature. I don't know if this will persist, manufacturers usually tend not to enter into very long-term contracts and not to fully contract a customer at a single time, among other things to enable buffering market shifts. You know, when you have a bad hydrology in Brazil, prices go up. When they do, they affect the price in coming years, mainly, the market is now experiencing the impact of a high spot price. The 2021 market has already gone up about 10, 15%, and the '22 market has gone up a bit. So there are impacts

that manufacturers usually try to mitigate or buffer against with several contracts and different maturities, and also by not executing very long-term contracts. Unless the price is very appealing, apparently due to the large supply of non-conventional renewable energy, due to the prospect of the reduction or extinction of the cable tariff, then there is a larger volume of projects like these in the market, offering excess supply, making prices a little lower and, as a result, maybe it is time for consumers to capture this opportunity for lower prices of a slightly longer horizon. I suppose this may be the development, or at least this is what we understand is going on in the market.

MS. CAROLINA CARNEIRO: Ok. Thank you.

Operator: Our next question comes from Marcelo Sá, with Banco Itaú.

MR. MARCELO SÁ: Hi, everybody, thank you for the conference call. I have two questions. O slide 17 you showed an interesting supply versus theoretical demand graph, and make an adjustment as if removing an average GSF effect. That is, showing that, in practice, today's excess supply is not that large. And this is a highly relevant point for us to imagine what the government will do in terms of auctions looking forward. And then I would like you to comment on your expectations regarding auctions, considering the supply-demand balance, and the fact that distribution companies today are generally overcontracted. This is my first question, I will ask the other one next. Thank you.

MR. EDUARDO SATTAMINI: All right, let us begin. It depends on the kind of demand. If we are talking about demand for power, we understand that demand for power won't be needed that soon, perhaps from 2026 onwards. As you can see, although there is the GSF, when we talk about power, we are talking about boilerplate installed capacity. And there is a visible installed capacity surplus as far as 2026, at least. This, in fact, is what the EPE's studies indicate. As for energy itself, we believe that there may be some energy demand for 2025, 2026 onwards as well. So we see no great need for an auction, in fact the free market has been providing opportunities for new capacity. There are many people today offering new capacity under long-term contracts, such as corporate PPAs. So, the auction issue in become more and more, less and less frequent, they will be fewer and farther between, among other things because energy auctions come from distribution company contracts. And distribution companies today, as captive customer migrate to the free market as it opens, they will end up overcontracted and will have to find a solution for the energy in their portfolios. So, no, I don't see big expectations for auctions soon, Marcelo, unless it is auctions for specific interests, such as regional development, or the development of some kind

of energy. We have been hearing a lot about inflexible thermal power plants to back up the development of the gas market. If this is the case, and there is no compensation for shifting the hydro energy as if it were a GFOM, you will, who will foot the bill of some of this development of the gas sector without a hydroelectric generation company? So, it is things that make no sense at all, this is why you are seeing much resistance from the country's electric energy officials against accepting inflexible thermal plants that are being, say, pushed on, or showing interest in companies that have, that are in the gas market. Obviously the gas market is positive, for it to develop, we are in the gas market as well, in the service market, but we need to be careful not to develop the gas sector at the expense of the electric energy sector, and mainly at the expense of players who have absolutely nothing to do with it, or who enjoy no specific benefit from the development of this market, which would be the hydroelectric generation companies. Might something be done in this direction? It could even be, but you would have to put together, once more, a GFOM for the inflexible thermal plants. That is, when you add those plants to the base they crowd out hydro plants, and the hydro plants end up compensated for it. And, one way or another, this ends up in the consumer's pocket, the electric energy consumer', who will be subsidizing gas consumers. These, then, are situations we would like to avoid in the Brazilian market, the presence of cross subsidies, and strife beginning to rise between players... previously, it was strife between players within the electric energy sector itself, now the discussion is leading to strife between players in different sectors. So we need to be very careful about this, and the takeaway is: in principle, we do not need auctions, the market is adjusting, and when the time comes when we need auctions, we are creating, I understand that the Government is creating, through MP 988, the elements for power auctions to make sure that there will be no supply failures. And this is it, we need to deregulate and make the market freer and freer, and for resource allocation to be more and more rational. Subsidies and mandates end up working against the sector's modernization.

MR. MARCELO SÁ: That's great. And I guess the second question has to do with the discussion of the GSF compensation for the free market. My question is, well, the CCEE has presented its preliminary calculations, they include the NPV amount and the plant concession extensions, and as I recall there was a request from some companies that this extension might apply to specific plants, you would choose to which plant you would allocate the extension. You have not yet disclosed at least not in the release, the size of this impact for you, consolidated in NPV terms, as the figures are preliminary. Could you comment on this, and do you see a change to allocate this extension to specific plants instead of each plant having this right? Thank you.

MR. EDUARDO SATTAMINI: Thank you, Marcelo, this is a very relevant question. Yes, we did submit an application through APINE, and even directly at meetings with Aneel, this is very

important because there is... for several reasons. If you look at the calculations, you will see that there are plants under very different conditions. One plant may take two months, three months, five months, another may take twelve months, fourteen months. There will have to be countless contracts, add-ons to the concession contracts, for almost every plant, while in fact a regulatory asset has been created. And this regulatory asset might be allocated to a specific plant at the discretion of the hydro generation company. This would be very rational, it would reduce the amount of red-tape paperwork for the agency, for the players and, besides, there would be an additional positive factor, certain plants have partners experiencing different circumstances. Partners who sold energy on the regulated market, like we did in Estreito, we sold energy on the regulated market have absolutely no right to the GFOM, and our partners, free consumers, would have a right to it because they can, they themselves are responsible for the hydrological risks. So what happens when the time comes for the Estreito concession extension? Ultimately, I am part of the concession contract as well, and I would need a complex commercial agreement with those players. On the other hand there is also the opposite situation, we have certain credits, we are currently entitled to credits because of the hydrological risk of the plants where we have partners, and those partners have no such title because they are not facing the hydrological risk. So this issue, or rather issues, can be easily addressed if you had it as a right, a regulatory asset, and this regulatory asset, at the stipulated amount, could be allocated to a specific plant at the discretion of the hydroelectric generation companies. This, then, is not a situation that applies to us in particular, we are seeing it in several hydro generation companies, and it may even affect some government-owned companies, under some restrictions. For example, Cemig, if it has a right to the amounts, it will be a right to the regulatory asset of plants that may not have been subject to a new bidding process, and that are in the hands of other players. So, one case we may see, in the event of the privatization of some of the public sector players' plants, is that they would be limited, or could only make this choice later on, which may not make sense for a state that might want to capitalize or resolve an asset's sale to be able to reinvest the money, as a State, in a different kind of activity more closely connected with welfare. So I think the idea is very interesting and we support it, we see no legal hurdles against it, and it would serve the interests of all parties, and cause no losses to any stakeholders.

MR. MARCELO SÁ: You have made it very clear. Now there is one point you mentioned that I found intriguing, you exemplified with Cemig plants, plants that Cemig ended up offering up for new bids, you even placed winning bids for some of the Cemig plants. And the GSF compensation accounts are done retroactively to fiscal year 2013. In theory, then, if the company returned the plant at a certain point, it should be entitled to the compensation in connection with the years during which it held the plant. I understand that this is the concept you have in mind, that this should become a regulatory asset, and even if you returned a plant

you would be entitled to compensation. And in your case, for example, where you took, took over, a Cemig plant afterwards, you would only be entitled to the period exceeding that of Cemig management. That would be the idea, right?

MR. EDUARDO SATTAMINI: Yes, that would be common-sense, indeed.

MR. MARCELO SÁ: Ok, got it. That is great. Thank you very much.

MR. EDUARDO SATTAMINI: Thank you.

Operator: I would now like to give the floor to Mr. Rafael Bósio.

MR. RAFAEL BÓSIO: Well, people I have here with me a few questions from the chat session, unfortunately we will not be able to answer them all because of time constraints, we are already one hour and twenty minutes into this conference call. Sattamini, question number one: in the coming years, what area does the company believe crucial to increase investments? Question coming from Thiago.

MR. EDUARDO SATTAMINI: Thiago, thank you for your question. Rafael, actually we already have a large investment volume allocated to transmission, and some to generation. We have been trying to increase our share of transmission, and gas is now in our portfolio as well, so that our portfolio will be a bit more balanced. But without losing sight of generation. We understand that generation is our core business, we have been there for many years, ever since we first came to Brazil in 1998, generation has been our main business. But we also understand that diversifying into other segments like transmission and gas is important for results resilience and to generate growth opportunities. Bear in mind that our decision back there to go into transmission was due to difficulty and the absence of profitable investment opportunities in the generation area in that moment. And we did find opportunities in transmission. So we want our portfolio to balance better across sources of wealth, of results within the portfolio. Consequently we will somewhat prioritize investments in areas other than generation, but without losing sight of investments in generation, which is our main business.

MR. RAFAEL BÓSIO: Perfect, Sattamini. I will read out another question and the ones that remain to be answered, we at the investor relations area will get in touch with the askers, ok? The question is: given the current Selic scenario, wouldn't it make sense to raise funds at CDI less inflation?

MR. EDUARDO SATTAMINI: Well, yes, if you can find the market to take out credit in CDI. We currently have a reasonable share out our debt in CDI, but it tends to be shorter-term. Our contracts, most of our contracts are pegged to the inflation. This is why we have inflation as our main index, and because the majority of our contracts considers the IPCA, the IPCA is our inflation index. So, well, it would be reasonable if we could find a market for longer-maturity securities, there is no such for CDI to be seen at this point. Now, we did take some, for example, looking at TAG< that was the structure; our loans there are CDI-denominated. We recently did some operations, last year, from 4131 to CDI with four to five years' maturity. We do as much as we can, but it is not that easy to fund a project with ten-fifteen-year debt based on CDI. Particularly at the present time.

MR. RAFAEL BÓSIO: Ok. Thank you, Sattamini, I guess this ends the conference call. I give the floor back to you for your closing remarks.

MR. EDUARDO SATTAMINI: Well, again, thank you all for attending, and we hope we will come out of this pandemic stronger, I am sure that lots of adjustments have been made to our lives, and they have been made to our company, for sure. I would say that we, as a society, have taken a leap forward in digitalization, so much so that we are all here, meeting in a way that we did not expect to before. Far better than a call, for sure, and worse than in person. But a very effective way nonetheless. I think this is happening in every area of activity, business activities will certainly gain efficiency, and this will cause another leap forward in people's quality of life. But it is important that we overcome the pandemic and return to our normal lives, far more effective and far more productive. Thank you all very much.

Operator: Thank you. This concludes the Engie Brasil Energia conference call. We thank you for attending, have a good afternoon. And thank you for using Voitel.