

Y 2015 Earnings Call

Company Participants

- Anamelia Medeiros, Market Relations Manager, ENGIE Energy Latin America
- Eduardo Antonio Gori Sattamini, Chief Financial Officer and Investor Relations Director

Other Participants

- Carolina Carneiro, Analyst
- Carolina Yamaguchi, Analyst
- Sergio Tamashiro, Analyst
- Unidentified Participant

Presentation

Operator

Good morning. This is the Tractebel Energia Conference Call where we will discuss the results for the Fourth Quarter and Full-Year of 2015. All participants will be connected in listen-mode only. Ensuing this the Q-and-A session will be opened when further instructions will be given. (Operator Instructions). We would like to remind you that this call is being recorded. This presentation followed by slides will be simultaneously transmitted through internet through www.tractebelenergia.com.br. The slide presentation and the company's earnings release are also available on that website.

Before proceeding, I would like to clarify that any forward-looking statements made during the conference call regarding the business outlook of the company should be treated as forecast that depend on the country's macroeconomic condition, the performance and regulation of the electric sector, besides other variables. They are therefore subject to change.

With us, we have Mr. Eduardo Sattamini, the CFO and IRO; and Mr. Rafael Bosio, Investor Manager, who will refer to the fourth quarter and full-year of 2015. We also have Ms. Anamelia Medeiros, Market Relations Manager for ENGIE Energy Latin America, who will present an update on the developments of the Jirau Hydropower plant. After that we will go on to the question-and-answer session.

It is now my pleasure to turn the call over to Mr. Eduardo Sattamini.

Eduardo Antonio Gori Sattamini {BIO 16648085 <GO>}

Good morning to all of you. It is a pleasure to be here once again to remark on the results of 2015. We begin on slide number four, where we have the main financial indicators for

the company. The net sales from revenues had a slight increase vis-a-vis 2014 of 0.6%. There is a component, a drop of sales in volume of 120 average megawatt and an increase in the average price one offsetting the other. The drop in the sales volumes, in fact, contributed to new position in GSF.

The revenues went from BRL6,512 million for 2015. The EBIT increased 8.7% going from BRL2,303 million to BRL2,504 million, especially because of a cost reduction. The highlight is the lower cost for the short-term operation substantially lower, BRL72 million less in expenses. We also had a greater purchase of energy of 7 million, which was one of the reasons to reduce this cost in the short-term market.

EBITDA with an increase of a 3.1 percentage point margin increase, reasonable improvement. At present, we no longer have margins level of 60%, because our trading activity has increased considerably, and with these the margins are lower and they have an impact on the general company margins.

Net income increased 8.5%, the main highlight here is the financial expenses because of the concessions that need to be paid. We had a consumer pricing index of 10.7%, about 6.4% in 2014. We have another indicator referring to our concession with a variation of 10.5% during 2015, in 2014 the variation was 3.8%. We had a drop in production of the electrical power in 2015, especially due to the reduction of what happened in the south of the country, where we have the concentration of our production, in terms of energy sold, the total volume of contracts in 2015 was lower vis-a-vis 2014. But this is part of the strategy of reducing contracted energy to protect ourselves sector from the exposure to GSF and the low hydrology observed in 2015.

Once again, the average net sales price that led to a slight increase on the average, it went from a 149.2 in 2014 to 171.37 in 2015 representing 15%. A drop in the number of employees, gradually we are laying off people or people are retiring this is underway. And at some point in time, we had to have a duplication of role and throughout the year. Once again, we expect to further reduce our number of employees, thanks to this voluntary plan that is part of the company goals.

And highlights on slide number five. We refer to the 11th consecutive year of our inclusion in the corporate sustainability index, we have been part of this index since its inception in December of 2015. Fitch ratings downgraded the company from BBB to BBB minus with a negative outlook, once again as a consequence of the downgrading in Brazilian rating, Fitch has also informed us that our local long-term rating continues to be AAA with a stable outlook.

On the next slide, we will refer to this rating further to align the company's visual identity, we are now using the ENGIE logo band which is the parent company. As another highlight, the Brazilian Electricity Regulatory Agency approved the company's adherence to the hydrological risk negotiation. We will refer to this further ahead. The company was ranked second in 17th Abrasca Best Annual Report Award, once again, we received an honorable mention for the economic and financial analysis.

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In slide number six, we continue with the highlights. For the second consecutive time, the company was acknowledged by the Brazilian Institute for Ethics in Business as a result of our vision of sustainability and our long-term commitment with the country and with our stakeholders. In November, the Company sold 9.2 average megawatts of solar energy that will be generated by the Assu V Photovoltaic Plant. And there was a second auction in 2015 carried out with a marginal values, the higher sales value for that auction energy is for a 20-year term with delivery beginning in 2018.

The Board of Directors yesterday approved the proposal of net income allocation of BRL290.5 million and complementary dividend of BRL209.5 million again, which is to say, BRL0.3210 per share. In February of 2016, Standards & Poor's downgraded the company rating from AAA to AA, that is to say, we had a drop of two degrees nationally. And once again this has been stated by Standard & Poor's at the end of December 2015. This downgrade once again is due to the downgrade of the Brazilian sovereign risk, and we are still one degree above the local rating. There was disagreement with the methodology and therefore, we decided to eliminate this rating allowing only Fitch to offer us the rating for the company.

In slide number seven, there are no changes when it comes to the shareholding structure of the company. We already mentioned the change in local tide and as the company has several subsidiaries, once again we have decided to do this to be able to embody projects and to render warranties for the projects. And also because of the development of small central to benefit our production and differential taxation.

In slide number eight, we refer to our diversified portfolio of assets with a strategic location. We would like to remind you that we began Gerasul, a generating company in the south, a subsidiary of Electrosul in 1998 with 3,799 [ph] megawatt. At present we have 7,044 with a growth of 89% since our inception. Our matrix is mainly hydro electrical. We have some thermoelectric plants and coal plants that we inherited and we are growing in this segment of complementary energy, as we call them, which are wind, solar, biomass and small hydroelectric plants.

In slide number nine, we are showing you our leading position in the generating sector. As a private player, we have 7 gigawatts installed with a growth acquired that's -- or that will be acquired of 2.3 additional gigawatts with the plants that are under construction, Pampa, Santa Monica and others besides the 1,500 megawatt installed that would represent the partnership stake of the controlling company and during this year, we should discuss the transfer of this.

Further ahead, we're going to speak about why we're doing this in 2016, the operation has a large number of turbines and we are concluding the construction, and because of this we now have more favorable risk conditions for the transfer and we think that it is the appropriate moment to do this.

In slide number 10, we speak about our diversified portfolio and balanced one. We try to have a division between the free contracting market and the regulated market, evidently as regulated contracts come to an end. We look for good option, be it the regulated

market through some auctions or through the free contracting market for energy and for the industrial parks. We have a strong activity in terms of commercializing to the free contracting market, perhaps the highest.

In slide number 11, we show you the diversification of the free customers considering the growing importance of this portfolio, we are seeking diversification among the different sectors of economy attempting to defray the specific risk of specific industries. To be able to act on this market, we have a credit policy that has guaranteed a zero default level. In situations of crisis, of course, we have some delinquency, but once again, we never have that default as we have good warranties and very robust contracts to be able to deal with the problem of delinquency or non-payment.

We go on to slide number 13; to the left on the graph, you can see the considerable increase in available energy, a greater supply than the demand for the coming years. Once again, as a result of the drop in demand caused by a reduction in economic activity and also because of what is happening in the captive market and the consumption prices, this has had an impact in the short term. The settlement of differences is at a high level with the exception of the North East and once again this has had an impact on the contracting market, on the long-term contracting market.

We tend to say that although there is no benchmark, there is the influence of the spot market in the contracting market as happened in the last two years. We had an increase in contracting the spot market at very high prices and we contracted for the long-term at prices that were average. Now with a spot market with lower prices, once again, the pressure is for a decrease in prices for a long-term contracting.

In slide number 15, we show you our position in terms of uncontracted energy, to left with a very small amount of energy in 2019. And we remind you that the uncontracted energy takes into account the commercial capacity that is to say we have included here the ensured energy from the hydro plants, but also the energy from thermal plants that now necessary are dispatched at a low price to the spot market as they are not dispatched. They are not very flexible, They guarantee the use of the coal plants in the south of the country, but there is a flexible part, 50% of the plants that in an environment of low prices in the spot market is not dispatched and that we have to purchase.

At present, we would have 200 or some megawatts that are being purchased for an average during the year as a very low-spot price. If we speak of the medium and long term, our energy has been practically fully contracted for the coming three years. We have 375 megawatts that we're still going to work with and we begin to have more energy release beginning in 2019 or 2020. This is a very normal situation. The average term of contracts is five years and for the free contracting market this represents 20% a year.

In the graph to the right, we show this very clearly, if you look at the year 2016, this is the energy for the year 2016. At the end of 2012, which is the first bar, 26%. This is what we had as uncontracted energy for 2016. This shows you, therefore that the 22% for 2019 and 2020 is an energy that will enable us to work normally as a company. We're going to

renew our contract with clients, we're going to capture new clients and this energy will be sold. We remind you that we're looking for the best price window to sell.

In the last two years, we had a strong commercial activity. There was a pressure on prices, the long-term view of prices was high and we signed contracts at higher prices. In periods of lower price, we tend to have a lower level of contracting and we tend to act more with trading operation to service the contracts that are about to mature to be able to sell our energy where the prices are more inviting for the company.

In slide number 16, the energy balance for the company with the prices. This is a slide that we make available for those who are seeking more information to work with financial modeling. Evidently, we do not offer guidance in terms of results. What I would like to highlight here is that we have an average sales price that is lower than the average buying price. In the case of sales, we have 816 average megawatt for 2016, and our total sales represent 4,365 average megawatts. Evidently these prices happen and they refer to a specific moment, we have to buy and sell, buying sometimes at higher prices to create a margin and that is why you see the price differences here.

In slide number 17, we refer to the renegotiation of the hydrological risk. We had a result of BRL223 million in this transaction for the renegotiation with a reimbursement of expenses as the trade board of 62 million minus the annual risk premium of 42 million that was paid or that was discounted from this credit. We are now hedging or protecting all of our regulated contracts that could adhere to this trade board agreement 1,044 average megawatts. Once again, our capacity of 281 without considering the losses we could have a drop of 2% or 3%, which means to say we have hedged half of the total hydrological risk for the company.

I would like to refer to the reasoning for this renegotiation. The company carried out an evaluation as part of its vision of market situation as part of the future price vision, the spot prices, the contracting prices and the future hydrological situation. We evaluated several scenario and we carried out an analysis at present value, once again to detect the best scenario for each of the plant.

We now go on to speaking about the expansion on slide number 19, and I would like to give the floor to Anamelia who will speak about this project.

Anamelia Medeiros {BIO 16881348 <GO>}

Good morning to all of you. It's a pleasure to be here. I'm going to update you on the Jirau project. As all of you know, this is a project of 3,750 megawatt, 40% held by ENGIE. Recently at the end of last year we had an increase in the energy for the project, it went on to 2,205 average megawatts. This increase was due to a review of the hydraulic losses in the company. So we have included the ensured energy for the project.

Well, what is happening in terms of the contracting of this energy, 72.2% contracted under 30-year PPAs indexed by inflation and 0.8% of the contracted energy under a three-year PPA Indexed by installation in the last auction for December 2015. Now, the balance of

energy will be sold by ENGIE's Chesf and Eletrosul. When it comes to our legal decision, there has been a decision issued in the first instance, recognizing this 535 days of force majeure. Nevertheless, the lawsuit remains under analysis in the second instance. The financing conditions have not undergone any changes.

We now go on to slide number 20, we have a plant in the last phase of construction with 41 units installed and operating. We have 225 megas in the assembling and commissioning phase. In July of last year, we reached a total assured energy of the plant. And once again at the end of 2016, we will have that coming in to delivery. We had an additional 20.5 average megawatt granted by Aneel and we are now able to commercialize this energy since October of 2015. This is the plant with the highest availability among the hydroelectric plants in the National Interlinked System, thanks to the very good performance that it has presented.

Now this good performance has allowed us to discuss the increase of assured energy for the plant through the operation of the reservoir at constant levels, at present the levels are variable when operating at constant level, this will result in an increase of the assured energy, and we have additional long term tax incentives in the region.

I give the floor back to Dr. Sattamini to continue to speak about this expansion.

Eduardo Antonio Gori Sattamini {BIO 16648085 <GO>}

We are now on slide number 21, where we speak about the Pampa Sul thermal plant. We begin to see the pictures formerly we had schematic design and this makes this work very real. This is a plant with 340 megawatts installed, a commercial capacity of 294.5 average megawatt. The investment in the auction of 2014 was 1.800 billion. A large part of the equipment was purchased from international suppliers in international currency fully hedged and this you will observe in our balance. We have hedged the risk of supplies as part of the assets and this has guaranteed that we maintain the cost of this job.

The average price, once again will be 291 megawatts per hour and it will also guarantee BRL473.3 of annual fixed revenue. The installation license was obtained on June 19, 2015 and once again, the construction is underway and we are ready to install the boilers.

In slide number 22, we have the Campo Largo Wind Complex from the A-5 auction where we commercialized 82.6 average megawatt. This is part of a group of the 11 wind farms, six of which came from the auction and we have begun the construction to sell for the free market. For some time, we purchased energy and we captured clients from the A-4 auction, now this wind complex will offer the necessary energy to be able to continue to supply to these clients as part of our normal activity of commercializing and servicing special clients. This wind complex will begin in 2019. Once again, it is still not under construction, all of the equipment has been contracted with a hedge once again, but the construction will only begin in 2017. The picture that you see is less aggressive. It is a picture of the region where this wind complex will be installed.

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We go onto slide number 23 to speak about Santa Monica Wind Complex, originally it was been sold to the free contracting market. On August 21st, we took advantage of the Auction A-3 [ph] and we sold our megawatts at 188.45 megawatts for a 20 year term beginning January 1, 2018. It is made up of four units, and the beginning of operation will take place during 2016.

On slide number 24, our first commercial initiative for solar plants. We already have a project, a small plant of 3 megawatt called Cidade Azul. However, we began at the second energy auction in 2015 with a solar plant that was something marginal in the auction with installed capacity of 36.7 megawatt, but with a commercial capacity of 9.2 [ph] average megawatt. They were sold with an investment of BRL220 million that go back to the date of the auction. And the beginning of construction will begin in 2017, to begin operations in 2018. The supply contract is with import of solar panel that are fully hedged once again.

On slide 25 we refer to our project pipeline. We have 73 point some megawatts to commercialize in the same region in Rio Grande do Norte.

In Rio Grande do Norte, 600 megawatts of installed capacity at the Santo Agostinho Wind Farm. We have Campo Largo with an additional 300 megawatts of installed capacity. We also have a possibility in Bahia with Alvorada Photovoltaic Complex and a project with less possibility of being developed in the short term, which is Norte Catarinense, we believe that gap will become ever more important in the energy matrix. And that is why we're working on this project, perhaps at a slower pace. When this becomes necessary or feasible, we will speed up the development and have a gas thermoelectric plant in the south of the country.

We go onto slide number 27 to speak about the financial performance of the company, this year we once again had a growth in our net revenues. We went to -- an increase and increase in EBITDA after two years of a drop because of the prices and the MP 179 and the hydrological crisis. So once again, we have a growth in our EBITDA, especially EBITDA and net income as you can observe.

In slide number 28, a detailed presentation of our net revenue. We already spoke about the factors that had an impact on this, we had a small growth of net revenue. Once again, thanks to the increase in average price, this was offset, and thanks to a lower PLD that had less impact in our short-term operation. With a lower PLD, we have less revenues in the trade for the CCEE. Once again, when we are long or short, we enter this in our balance in the year 2014 that PLD was 660 per megawatt hour compared to 265 in 2015, and necessarily we have a lower net revenue regardless of the volume.

Besides this, we had a greater level of transactions and allocation during some months increasing our expenses.

In slide number 29, we refer to the EBITDA. You observe the main components of net revenue, the short term operations with the contribution, although the net revenues were lower. These expenses were also lower, evidently thanks to the ESS agreement and

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because of a larger volume of purchases, for resale with an impact on EBITDA, 15 million expenses, once again to sell this, and a change in EBITDA was BRL220 million going from 2,895 to 3,115 with an increase of 6%.

On slide number 30, we present you the net income evolution. We have a component that comes from the EBITDA and the financial components. We had a reduction in income tax and social contribution, because of a reduction of 26% to 25%. We also use shareholder capital and this was higher during 2015 vis-a-vis 2014. The financial result was about 124 million lower with greater expenses, greater indebtedness. What is important here is the impact of inflation of course, the acceleration of inflation in the short term has a negative impact on our indebtedness and the concessions that we have to pay. But in the long term, as most of our contracts are indexed inflation, well, all of this will be reflected in future years.

In slide number 31, we're going to refer to our indebtedness. We have a very low level of debt at present. The net debt EBITDA was 0.4 times and throughout 2015 and 2014 we took the initiative of obtaining resources through law 141 back to international currency, we changed this to CDI, 96 -- 99% CDI to be able to go through the year 2015 without the need of further funding. And once again, all of this to be able to face the crisis. We have extremely high interest rates with an increase in spreads due to the crisis and by paying high interest rate. The risk appetite even with the rating and the quality credit that we have increases the spread in nominal terms. For this reason, we have a low level of debt to be able to go through this period and we remind you that this year we do have some investment to make and if we have any funding capacity we will use those resources as well.

And the funding comes above the projects that we are already funding such as Santa Monica will come in to operation. And we have Jirau [ph] that is in the final phase. Although the National Development Bank is willing to offer us credit, it takes some time to obtain this credit and this shows you that when we have a large investment program we need to be able to count on resources and we can now be limited to the market or to the funding from the National Development Bank if they are also facing problems.

Our net debt, therefore, was at BRL1.215 billion and in slide number 32 you will observe the evolution. We had a variation in working capital to 205 million, investments of 166 million, income tax and social contribution 79 million, hedge operations contributing and the operating activities was a 1.028 billion, contributing to this drop of net debt; that dropped to 1.215, a drop of 8% and this as preparation for the company, a decision made due to the stress situation that we see in our economy and the company would like to preserve this liquidity at this point in time.

On page 33, we're going to speak about the profile of our medium and long-term debt, 64% of the debt based on TJLP with an average spread of 2%, part of it is fed to Consumer Price Index especially debentures to streamline the company launched at the end 2014, and short-term operations of CDI, which are the ones that we will see on the slide to the left. You can observe that they represent approximately BRL1 billion, the normal long-term funding is 270, amortization of the debt for the National Bank for the long-term debt. And in 2016, investments of 431 that has been changed to CDI.

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In slide number 34, we show you the company's investment program, once again BRL2,350 million invested this year. We still have 500 million, this is the retention that we made, and there is a possibility that this transaction will begin this year, perhaps it will not be concluded, but we do have to allocate these resources that began in 2010.

We have 1,880 million that will be funded with the third-party resources, our own resources for these projects are already been invested in the year 2015, where you had BRL779 million of our own capital invested in Santa Monica, in Pampa and part of it in Campo Largo Wind Complex, with pending funding that will be released by the National Development Bank. As you can observe, we have approximately 4 billion for the coming two years, while BRL3.950 billion plus an amount in 2018 of 2 billion, we have an investment program of 6 billion for the coming three years.

The dividend policy for the company, you are quite familiar with this, the minimum payout is 30%, now we have increased this, thanks to management commitment of 55%, we pay dividend three times a year, in May normally and in October or in November, we pay the part referring to the first semester of the year. This year we have a dividend of 3.7 with a dividend per share of BRL1.28 [ph].

This is the company presentation. And we are at your disposal for questions and answers.

Questions And Answers

Operator

Ladies and gentlemen, we will now go on to the question-and-answer session. (Operator Instructions) Our first question is from Carolina Yamaguchi from JP Morgan.

Q - Carolina Yamaguchi {BIO 18419061 <GO>}

Hey, good morning, and thank you. The El Nino phenomenon is normally followed by the contrary which is La Nina. What is happening with this in terms of energy?

A - Eduardo Antonio Gori Sattamini {BIO 16648085 <GO>}

Perhaps one of the most difficult things to foresee is the weather. Well, that could happen, it could not happen as well. Evidently, if we have a reversion, we will go back to having periods of greater drought and this represents lower availability of energy and lower availability of energy and the short-term means higher prices. This could once again lead to an increase in prices.

Now, if this materializes, we will be attentive to adopt a right position and is very difficult for us to foresee the behavior of weather in the coming months. We based ourselves on the great trends. With a certain degree of reliability, we have obtained reasonable results. But once again in the long term this forecast is very difficult. It is possible, but we cannot guarantee that it will materialize.

Q - Carolina Yamaguchi {BIO 18419061 <GO>}

Thank you.

Operator

Our next question is from Carolina Carneiro from Santander.

Q - Carolina Carneiro

Good morning, and thank you for the call. I have two questions. The first, I would like to hear about the expectation for growth this year opportunities, if there is a specific auction that may be interesting for Tractebel Energia. And if you have seen an increase in the M&A market if there are important players you have already remarked on this and we would like to hear your vision on possible M&As?

Secondly, the question refers to the contracts that you have signed. We would like to have an idea of which are the price level. We know that there is the downward trend and if these prices are aligned with what we saw in the last quarter? Thank you very much.

A - Eduardo Antonio Gori Sattamini {BIO 16648085 <GO>}

Well, to answer your first question, an auction, I believe, that the demand will be very low. We had a significant drop in demand, and at present we have a surplus in distribution companies. I don't believe we will have an increase in demand, and perhaps these auctions will not be very appealing or inviting. Perhaps, somebody who is desperate for growth will try to offer lower prices and there will be a huge supply for a very limited demand. It obviously won't be one of the best auctions. We are going to position ourself, we have projects to be able to do this and we will participate in the auction.

In terms of M&A, there is a great deal of activity. Several companies have shown their interest in selling off assets. And we do participate in these M&As, but everything will depend on the conditions that we can offer. And on the timing, once again in terms of timing we need to receive quality information from the seller. We need to have confidence in our decision and on the information rendered, so that we can feel comfortable to make an offer that will make sense. Otherwise, it is very probable that the company will no longer make these offers. I mean, we cannot make an offer, if we don't know what we are buying.

In terms of contracts, as we mentioned, the short-term price has an impact on the contracting price. We're working with a very low price. And this data show a comfortable situation in supply and demand in 2017. The prices have already dropped since 2015, after this year was a substantial drop. Last year, the average price compared to this year shows us the significant drop. In these periods we drop our selling, we service our clients. So once again was a great deal of parsimony. I truly would not like to refer to the sales price at present, because there are some auctions being held in the market and I would not like to interfere in them.

Q - Carolina Carneiro

Thank you very much for your response.

Operator

(Operator Instructions) Our next question is from Mr. Tsubone from UBS.

Q - Unidentified Participant

Good morning to all of you and thank you for the call. We go back to the issue of mergers and acquisition as Duke and Parapanema want to sell their assets in Latin America. The question is, if Tractebel is interested in them and referring to Petrobras, if there has been a change in the Petrobras proposal allowing ENGIE and Tractebel to perhaps buy these assets?

A - Eduardo Antonio Gori Sattamini {BIO 16648085 <GO>}

Well, that's an asset that we have considered oftentimes and as said in the Southeastern region, which is very appealing considering the consumer market there. We are going to consider it. But there is a great deal of similarity with the assets that we have at present. We have clients that are very close to our concessions. There is the issue of innovation and renewal. So once again, if these assets are up for sale, we will consider them, but they are very similar to our assets, their profile does not stand out to reduce our risk or improve our operation.

In the case of the Petrobras thermal plant, we are going to assess the quality of their information. Once again, our people have been evaluating this and our appetite will depend on the conditions we find and on the quality of the information transmitted. I hope that answers your question.

Q - Unidentified Participant

Thank you.

Operator

Our next question is from Sergio Tamashiro from Haitong.

Q - Sergio Tamashiro {BIO 2274485 <GO>}

Good morning to all of you, Anna, Sattamini and the rest of you. Two questions here. I would like to gain a better understanding on the transfer of Jirau. If this is included in the CapEx that you are announcing comparing this with the third and fourth quarter, you increased the CapEx from 2.1 to 2.4 and you will maintain 2.6 for 2017. If you could mention this CapEx?

Once again, referring to Jirau, and if you could give us more color in terms of what will happen with your offsetting and the 300 megawatts that you have contracted to ENGIE, are you going to take on this contract? What is going to happen with this type of

transactions? And the BRL9.5 billion, part of your debt if you could speak about the total CapEx? How much of the equity was put into that?

A - Eduardo Antonio Gori Sattamini {BIO 16648085 <GO>}

Okay. Let us respond to that question. Several questions, let's try to answer all of them. And please remind me, if I have forgotten to answer one of your questions. First of all, the issue of the timing and the process of the parent company, this has to be discussed at the management board and this has not happened, the construction of Jirau is coming to the end and this is one risk class, that has to be mitigated to our contractual solution.

Once again, this has to be dealt with among the party through an analysis that the parent company and the control of a discussion of negotiation will depend on the committee and those who participate in the committee along with the minority investors or the professionals from the company that of course are interested in maintaining the soundness of the company, and offering a solution, so that the counselors will have the necessary tools to carry out their analysis -- technical analysis.

And that is once again -- this is a process that will be lengthy. It is in the hands of the majority investors, who will act in a very prudent way. And the discussion will be on the conditions some situations of conflict or perception -- not an conflict perhaps, but different perception.

Now if they have a different vision regarding the waiver discussions, perhaps we will have to foot -- on another type of solution; a solution that will encompass these different vision part of the price or a commitment for contribution, if the solution is negative. Once again, these are the mechanism that we match and welcome about it, if there are any discrepancies or disagreements this is what will be used to deal with the discrepancy.

You also talk about the commercialization of energy by ENGIE. ENGIE commercialized asset 300 average megawatts in the last auction through our company Geramamore at a price of 148 megawatt per hour. This was an ascertained and very correct position considering the market situation with very low prices.

The contract is for three years and this was a way of decreasing ENGIE's exposure. ENGIE took this decision last year. It decreased its exposure to these spot market prices. You also asked about the CapEx and updated CapEx. At present is a BRL20 billion, of which 10 billion or that 10 billion are equity and the stake of SBR and perhaps this is relevant is a 40% of this equity representing a book value of 4 billion.

Now when we carry out any type of cash projection for Tractebel Energia or cash flow to absorb this asset, we always take into account a book value amount and a transaction value will evidently depend on the discussion between the parent company and others. We are not sure, which will be the outcome and the project has had some setbacks, some cost overruns, but on the other hand we have been able to work with additional energy and we still have some outside advantages that we can capture. I hope that I have answered all your questions. One more comment, therefore, the increase of CapEx from 2.1 to 2.4, which is the justification for this.

Q - Sergio Tamashiro {BIO 2274485 <GO>}

This does not refer to Jirau therefore?

A - Eduardo Antonio Gori Sattamini {BIO 16648085 <GO>}

No. It has nothing to do with Jirau. I'm not sure, I don't recall this figures. We may now have had several factors, which I will not mention here. One is the postponement of some investment, for example, a supplier that did not deliver the parts or the material or did not conclude the phase of the job. We don't pay in that case or we are accelerating the project on a given year, because perhaps we can obtain a discount from the vendor if we advance supply, perhaps it is due to factors of this magnitude. It has nothing to do with Jirau.

Still referring to Jirau, this was a very turbulent project with several delays. Now when we think about the auction, Tapajos, for example, will ENGIE have this type of appetite, does this continue to be a learning curve, is it worthwhile to create much more value for Jirau, for Tapajos or had the yellow light come up for the Board of management leading them to say, no we're only going to work with smaller projects.

Q - Sergio Tamashiro {BIO 2274485 <GO>}

Once again, which is the long-term strategy?

A - Eduardo Antonio Gori Sattamini {BIO 16648085 <GO>}

I'm going to do the following. I'm going to take advantage of the fact that Anamelia is with us from ENGIE and pass the question on to her.

A - Anamelia Medeiros {BIO 16881348 <GO>}

ENGIE as an industrial group, once again does enjoy taking advantage of opportunities, especially greenfield projects or mergers and acquisitions. At present our portfolio have a great deal of hydroelectric plants. So we are looking towards greater diversification, are looking at conventional projects, in projects that are more advanced.

We are going to look at these, we take part of a consortium that is analyzing this now. If we participate or not in the project is a decision that will be taken by the Board. It will be taken with a great deal of caution and based on the experience that we had with Jirau.

Q - Sergio Tamashiro {BIO 2274485 <GO>}

Very well, thank you for the answer.

Operator

(Operator Instructions) With this we would like to end the question and answer session. I will now give the floor to Mr. Eduardo Sattamini for his final remarks. You have the floor, sir.

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A - Eduardo Antonio Gori Sattamini {BIO 16648085 <GO>}

I would like to thank all of you for your presence. We had a large number of participation. Thank you for the questions and we will keep in touch until the results of the first quarter. Let me hope will be very positive. Thank you very much and have a good day.

Operator

The Tractebel Energia conference call ends here. We would like to thank all of you for your participation. Have a good day, and thank you for using Chorus Call.

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