THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

EGIE3.SA - Engie Brasil Energia SA Inside ENGIE Investor Day

EVENT DATE/TIME: NOVEMBER 29, 2019 / 11:45AM GMT





THOMSON REUTERS

## CORPORATE PARTICIPANTS

**Eduardo Antonio Gori Sattamini** *Engie Brasil Energia S.A. - CEO, IR Officer & Member of Management Board*

**Gabriel Mann dos Santos** *Engie Brasil Energia S.A. - Chief Trading Officer, Energy Commercialization Officer & Member of Management Board*

**Guilherme Slovinski Ferrari** *Engie Brasil Energia S.A. - Chief New Businesses, Strategy & Innovation Officer and Member of Management Board*

**Gustavo Labanca**

**Jose Luiz Jansson Laydner** *Engie Brasil Energia S.A. - Chief Generation Officer & Member of Management Board*

**Júlio César Lunardi** *Engie Brasil Energia S.A. - Chief Administration Officer & Member of Management Board*

**Marcelo Cardoso Malta** *Engie Brasil Energia S.A. - CFO & Member of Management Board*

**Marcos Keller Amboni** *Engie Brasil Energia S.A. - Chief Regulation & Market Officer and Member of Management Board*

**Rafael José Caron Bósio** *Engie Brasil Energia S.A. - IR Officer*

## CONFERENCE CALL PARTICIPANTS

**Andre Sampaio** *Santander Investment Securities Inc., Research Division - Research Analyst*

**Carolina Carneiro** *Crédit Suisse AG, Research Division - Sector Head*

**Gustavo Miele** *Itaú Corretora de Valores S.A., Research Division - Research Analyst*

**João Pimentel** *Banco BTG Pactual S.A., Research Division - Research Analyst*

**Marcelo Britto** *Citigroup Inc, Research Division - Director*

**Vladimir Pinto** *Kiron Capital Gestao De Recursos Ltda - Senior Equity Analyst*

## PRESENTATION

**Eduardo Antonio Gori Sattamini** - *Engie Brasil Energia S.A. - CEO, IR Officer & Member of Management Board*

(technical difficulty)

the [menti]. So all you have to do is access with your cell phone [www.menti.com] using

(technical difficulty)

Inside ENGIE. So the application is called menti , which is a pun with lie, but here we speak the truth.

For those who are following us in the webcast and YouTube, I thank you. And I thank you, for those who have attended, are attending here personally. Reminding that, as we have people attending remotely, we want to do this the most dynamic possible with the opportunity for everyone to participate. So if there are any questions, please use the microphone so that allow everyone to listen, including those who are listening and watching us remotely.

We reached the 14th edition of our event, and our focus is always explaining to you the positioning of EBE. And today, we place ourselves as a key investor in infrastructure, investments in the infrastructures of the country. As you have seen rapidly in our agenda today, for those who are personally attending, we're also going to have a guided tour of the operation sector, which is a concretization of one of the D of our strategy, digitalization, decarbonization. So the center shows us that we already have 3 power plants operated centrally from here. As you will be able to see, we also have some very big power plants. We are negotiating with the national operating systems to operate remotely. We are going to add. And that brings a much more efficiency to our operation and a digital control of the resources with data analytics, which are very interesting for our operations.

Our objective here today, as Rafael has mentioned, is to sort out main doubts that we heard. We received contribution about the subjects that you'd like to listen to, and we are going to have our directors and chief officers addressing each of these subjects and opening up for a Q&A session. So our idea is that you do not leave here with any doubts, so take advantage of the opportunity. Participate. Make your questions.

So just to remind you of the participations and hallmarks that we had this year. We placed the Miranda power plant. We started it in end of April. We started Campo Largo II, a power plant that we are dedicating to the free market totally. The construction has started in August. We also started in September the transmission line of Gralha Azul power plant. We are obtaining the environmental permits slowly, and we are starting the sites slowly. We are -- entered the gas market with the acquisition of TAG, TAG. TAG, the CEO is here today, who's going to address that issue as well. And we have restructured our commercial area, and we are going to see here today the presentation on the go-to-market project. We understand that the opening of the market is going to bring a totally different dynamic to the market, and we have to be able to adapt from the very beginning right now.

As the first part of our program, we're going to have a panel in which I am going to ask our chief officers. And initially, I would like to introduce the financial -- the officers that are not going to be part of the panel but are here. So we would like to present, introduce to you those who have just taken over the new offices, but we have José Laydner, a person that you are all familiar with. Please, Laydner, would you like to introduce yourself?

---

**Jose Luiz Jansson Laydner** - *Engie Brasil Energia S.A. - Chief Generation Officer & Member of Management Board*

Good morning. I've been, for the last 35 years, in the company, 35 years in the directorship. I've been in the development, commercial agencies. And I work now with the operating power plants.

---

**Eduardo Antonio Gori Sattamini** - *Engie Brasil Energia S.A. - CEO, IR Officer & Member of Management Board*

Júlio? Júlio has also been in the directorship for a long time.

---

**Júlio César Lunardi** - *Engie Brasil Energia S.A. - Chief Administration Officer & Member of Management Board*

Good morning, everyone. I'm Júlio César Lunardi, the Administrative Director. I have been for 33 years with the company. My history and origin is in the hydro power plant. I've been the manager of many power -- hydro power plant and hydraulic generation. And for 5 years, I've been in the administrative office.

---

**Eduardo Antonio Gori Sattamini** - *Engie Brasil Energia S.A. - CEO, IR Officer & Member of Management Board*

I'm not going to introduce the people that are going to participate in the panel, and they are going to introduce themself: Marcelo Malta, CFO; Marcos Keller, the investors relation (sic) [regulation officer]; Guilherme, the business development; and Guilherme (sic) [Gabriel], commercial officers. And they are going join me now and introduce themselves.

---

**Marcelo Cardoso Malta** - *Engie Brasil Energia S.A. - CFO & Member of Management Board*

Good morning, everyone. For those of you who do not know me: My name is Marcelo Malta. I've been in -- appointed for this position of CFO recently in August this year. I've been in the company since 2005. I've come here as a manager, accounting manager. I have gone through planning and controlling department. I am and I have been the financial manager of many of the controlled subsidiaries of our company. Now I'm here representing this important position as CFO.

---

**Gabriel Mann dos Santos** - *Engie Brasil Energia S.A. - Chief Trading Officer, Energy Commercialization Officer & Member of Management Board*

Gabriel Mann. I am the Commercialization Officer. I have been in the company for 18 years. I have started my career with ENGIE, have entered as a intern in 2001 in the business development. I stayed in the business development area until 2009. And then in 2009, I was invited to take over the commercialization management. I stayed in this management until 2015. When I took over the challenge in 2015, just to remind you, the group created a business unit here in Brazil, realigning the strategy. And I was invited then to be the Commercial Officer of the group in Brazil and take over new challenges, also taking over the innovation areas. And now with the new structure, I came back in the mid of 2018 to take over the commercialization department.

---

**Guilherme Slovinski Ferrari** - *Engie Brasil Energia S.A. - Chief New Businesses, Strategy & Innovation Officer and Member of Management Board*

Good morning, everyone. My name is Guilherme Slovinski Ferrari. I've been in the company since 2007. I've started in the business development area, and I was there until 2013, when I became the manager. And then in 2015, I had an opportunity to participate in this event Inside ENGIE, presenting also the perspective of the area. We even made a recap. I will recap that matter when I speak. And in 2019, I took another challenge. Being a chief officer now that has now innovation and development areas put together is a great challenge, but we know that in here we have several skills. And we are able always to bring new opportunities to add more value to the company.

---

**Marcos Keller Amboni** - *Engie Brasil Energia S.A. - Chief Regulation & Market Officer and Member of Management Board*

Good morning, everyone. My name is Marcos Keller. I've been in the company for 15 years. I entered in 2004 in the regulatory area. I stayed for 11 years in this regulatory area, of which 6 years was as a regulation manager. And I was invited by Sattamini to inaugurate the trading department of the company; and then 2018, I've been here. And in October this year, I was invited to come back to the regulation as a director of regulation. So I've -- in this department, besides regulation, there is always a part of portfolio management and technology, the IT area.

---

**Eduardo Antonio Gori Sattamini** - *Engie Brasil Energia S.A. - CEO, IR Officer & Member of Management Board*

I think Keller now can hold the microphone. Because I think you're going to make the presentation on the regulatory environment. So make yourself comfortable. I think we are able to sit here. It's okay.

---

**Marcos Keller Amboni** - *Engie Brasil Energia S.A. - Chief Regulation & Market Officer and Member of Management Board*

Good morning, everyone, once again. Let's start with this panel, the regulatory panel. We are going to make a brief presentation.

We have seen in the media constantly, actually daily news on the reform and changes in the regulations that are being dealt in the ministry of energy and congress. And the meaning of this presentation, the objective of it is to give you a broad overview of how those initiatives are linked and how they communicate. And then after, in this panel we are going to open a debate with you actually to establish a conversation.

It all started, have stemmed from the fact that the society is changing. The industry is changing. There is a great empowerment of people in terms of choosing. And that has happened all over the world, not only in Brazil, and we have come to the conclusion -- the responsible for public policies have concluded that [regulamentation] has to be adjusted to this new reality of societies and life. And then it was concluded that these changes in the regulations are inevitably -- inevitable. It's the inevitability of changes. And a lot -- based on the -- our strategy here in ENGIE, which is digitalization, and that takes to empowerment and a better choice for consumer. It started in -- still in the Temer government. And from then on, several initiatives are coming, popping up. And we are trying to give you a broad overview of how they are organized. We have the modernization that is led by the ministry of energy. We have the [PLS 23T], which is a draft bill, the draft bill from 2015, also was born at the congress, was proposed at congress, similar to the draft bill. And also we have the ethic code, the energy -- the electric energy code.

These 4 initiatives have in common these micro topics: the opening of the market, price formation and rationalization of subsidies and taxes, the respect to the existing contracts, the issue of the allocation of costs and risks and the separations of the PEGs of energy. And I -- new -- some dis-bureaucratization acts. And the draft bill 232, besides this common topic, they talk about the end of the quota system. It's related to the risk, costs and related to the costs of generations, which are themes are -- similar to the draft bill 1,917. The code is an attempt to organize all the legislation in the electric in a single document. It does not have by itself the initiative to alter the laws but to organize. And the people that are putting this draft together, they are very much aligned with the other projects, the project that developed the 232 or the 1,917. They are very similar actually. They are going to be contained in the electric energy code. Besides that, we have the 3,975 draft bill, which talks about the historic, the non-hydrological risks; the ratification of this plan in part. And Brasduto Brazilian pipeline. And more recently, the draft bill 5,829, which is restricted to the [GD]. See these at the background. And just like to emphasize 2 things that permeate it all, opening of the market.

What do we have today? We -- let's clarify a little bit this matter. What we have today is an ordinance, 514th, from 2018 that has reduced the eligibility, reduced the -- for 2,000 -- and will reduce further. That is already established. This requisite is going to be reduced to 2 megawatts. That is already in force. That's current. And also we have an initiative in the ministry of energy, which was a public consultation, the CP that proposes to reduce these requisites, the prerequisites, still further in January 2021 to 1.4. And why does it stop there? Because that is the path that can be dealt as infra legal. So these can be done through a decree at the energy and mines ministry.

Just for the debate: Our opinion is that there is a great chance that this bill comes into effect soon. It's a very major proposal at the ministry of energy, and this is proposed that has been dealt with the laws -- in the laws. We have the draft bill 19 (sic) [1,917], represented by this blue line, and it follows the 1,917, but it advances from the 500 kilowatts from January 2024 and then '26, final step in January '28. The draft bill 232 does not establish the temporal hallmarks but schedules or deadlines. If this law was promoted in June as an exercise -- it was promoted in June 2025. These would be the steps in the purple line. So you can see that as -- initial steps are not updated in regards to the other initiatives. And certain -- it anticipates just one step in 2020. So this is what we have in terms of market opening just to organizing all initiatives.

So in order not to have any doubts. This is a reality already. We have decided through these draft bills of the ministry that, from January 2020, the operation of the ONS will follow the descent, our programming. And from 2020, a schedule [customization] will be there. And then from 2021, the [distinct] model, the hour price function is going to be used for liquidation and accounting. This is the background. I'm not going to delve into any subject. And now let's move on to a dynamic that everyone is anxious to hear.

---

**Eduardo Antonio Gori Sattamini** - *Engie Brasil Energia S.A. - CEO, IR Officer & Member of Management Board*

Well, our people, what we wanted in mind here -- what we had in mind here is just to give you a brief overview. There are many draft bills and infra legal initiatives, and we'd like to give you an opportunity -- to briefly show you and to give you an opportunity to ask questions and understand how this new legislation is proceeding and how this may impact our businesses.

So I'd like now to pass the floor to you so that you could ask questions on the regulatory issues, market issues so that we can move on to the next panels. Anyone would like to ask a question? I already have a question here, but please, [Giuliano]?

---

## QUESTIONS AND ANSWERS

**Unidentified Participant**

My doubt is on the -- hour price issue. If the operation starts in January, I'd like to understand a bit the impact in the average price of -- whether there will be any problem in your operation. I would like to understand a little bit more how the implementation of the hour price may affect your business model.

---

**Eduardo Antonio Gori Sattamini** - *Engie Brasil Energia S.A. - CEO, IR Officer & Member of Management Board*

Well, maybe we can have Keller talking about the PLD, the draft bill. And Keller (sic) [Gabriel] talks about the impact in the market.

**Marcos Keller Amboni** - *Engie Brasil Energia S.A. - Chief Regulation & Market Officer and Member of Management Board*

[Giuliano], I'd like to start saying that, along the year of 2019, we had a publication of some preliminary results because the model has been recalibrated along the year. And the ONS and [CCR] published some of results of this model, the tests of these models, but I would like to clarify. Well, if you see these models, you will see that they are confused, that basically they do not change. It's basically the same as the one we have. So I'd just like to clarify that this is natural. Along the test phase, along this year, the phases are going to be implemented. The functionalities have been implemented. And I think that -- are about -- maybe I'm wrong, but over 30 versions along the year, certainly over 30 different versions in such a way that the result published in the middle of the year does nothing to do with what is going to be published in the end. So the model has evolved a lot. And I'm saying this because there has been already some confusion, because I can see the publications and nothing changes. And now going directly to your question: Our opinion is that the -- if the model is well calibrated, and we believe that it's been well calibrated, it's going to better reflect the system. So it's going to be a period of very differentiated prices. It does not have the objective in terms of it does -- not going to have per se an alteration of the average price. What it's going to do is to adjust along the day. The price is going to be adjusted along the day, but the model by itself does not have intrinsically the capability of changing the price. Well, we can have different prices along the day, which is in such a way more aligned with the new system. So that gives us a lot of risks and opportunities that we have to be prepared to deal with.

**Gabriel Mann dos Santos** - *Engie Brasil Energia S.A. - Chief Trading Officer, Energy Commercialization Officer & Member of Management Board*

Well, this is going to impact a lot on the competitivity issue, our competitivity in the market. We have different kind of sources with different characteristics or generations. And the sources that are going to better modulate along the day are going to have a competitive advantage, so companies such as ENGIE which has a very diversified hydro portfolio is going to have a better competitive compared to other companies that have a portfolio only in wind or solar. The wind generation, we imagine that is going to be a lot -- going to have a great impact; solar, not so much, because it's going to be generating -- where we expect the price will be more elevated, but we believe that companies that are more competitive are going to have a competitive -- important competitive advantage, in our opinion. Another issue that changes the market is the possibility to create new products, not only new products but also to insert new technologies, so to speak. I think that they are going to reinforce the issue in certain situations, the storage of energy. It's going to reinforce and allow the demand response ratios to be more optimized. We had the ONS pilot project, which was something that did not evolved a lot, but I think that with the hour price scheme, this is going to be readdressed because the consumer is going to have an adequate signal when they can stop their productions and take better advantage of the hour prices.

**Eduardo Antonio Gori Sattamini** - *Engie Brasil Energia S.A. - CEO, IR Officer & Member of Management Board*

So in summary, that will be -- well, in a certain way, the price, the hour price, when we have a right signal of the price, the person is not going to consume it the peak hour. If he has the option, he will try to change his consuming characteristics. So in that way, you diminish the demand on that peak hour. So that is rational, and it tries to improve energy resources along the day. And Carolina. So -- we have another one from Felipe.

**Carolina Carneiro** - *Crédit Suisse AG, Research Division - Sector Head*

Caro (sic) [Carolina] from Crédit Suisse. I'd like -- I imagine you do not have, perhaps no one has, a -- are certain about how the modeling of the commercialization are going to be or in terms of pricing; and then the security, the PEG of the price or -- in the energy. Now you must have talked with the operator in what is the modeling that they are going to adopt. If you could comment because there are several different formats. We heard that -- people saying this or that is going to be, but what is your opinion on what the pricing of the security or the ballast is going to be made?

**Marcos Keller Amboni** - *Engie Brasil Energia S.A. - Chief Regulation & Market Officer and Member of Management Board*

Well, actually, there are several options, and still there is not a clear definition of how this is going to play out. We defend that we do something more immediately in -- or rather than to try to investigate what is the optimal form for years. So -- and one of the things that we defend is that we defend the ballast of energy. And that'd be the production ballast, which is very much similar to the physical guarantee that we have today. We would have a ballast regulated contract for several years, 10, 15 years, but that would be enough to help in the funding of new project. And that will be the most important revenue of the contract. And we could also opt for auctions, new energy auctions for the ballast auction. And I think that this is a more reasonable option that should -- taken into effect, but there is a lot still -- it's there is a lot of [indefinition] about this still.

---

**Eduardo Antonio Gori Sattamini** - *Engie Brasil Energia S.A. - CEO, IR Officer & Member of Management Board*

I have one doubt about the separation of the energy ballast, so to speak. And I think that you can speak a little bit. I know there is no solution, but it's just a reflection that we have to make. How do you deal with what the contracts, existing contracts -- we have a number of contracts in force with mid and long term. And how are you going to separate for those contracts? And what is the impact on the consumers exactly?

---

**Marcos Keller Amboni** - *Engie Brasil Energia S.A. - Chief Regulation & Market Officer and Member of Management Board*

Well, that is also an open question. We have -- the first word that is repeated is respect to contracts. So contracts are going to be respected, volume, price, until the end of their terms. The opening of the market, those numbers I showed you, they follow the bigger steps of D. That is going to mitigate the effect, but the problem exists. And there is no other way it's going to be paid. The existing contracts are going to be paid by actual -- the current consumers. And by opening the market somehow, there's cost that is not going to be left for just few consumers to pay, but it's going to be divided by all consumers. So on one hand, we have the sellers of energy, a guaranteed revenue. And then on the part of the consumers, this is going to be paid -- it is not going to be paid by the captive market. It's also going to be paid by the free market.

---

**Gabriel Mann dos Santos** - *Engie Brasil Energia S.A. - Chief Trading Officer, Energy Commercialization Officer & Member of Management Board*

Just an additional point here, more from the market point of view. As this ballast is going to be guaranteeing the supply to consumers energy, the consumers will have to contract basically in order to cover their exposed risk. So that's going to bring something new to the market, reinforcing the movement that we have already seen which is that we're going to have increasingly more financial products in the market. I think that is also important to stress.

---

**Marcos Keller Amboni** - *Engie Brasil Energia S.A. - Chief Regulation & Market Officer and Member of Management Board*

Let me open, delve in this a little bit more. I believe that you are familiar with this, but let me take a step back. What does it mean to separate the security of energy, the ballast of energy? It is for you to guarantee that the infrastructure is going to be there as the system needs. So it's energy guaranteed. So when you do this, when a planner does that, and guarantees that there is an available infrastructure, it doesn't matter if a decision is made, centralized how each will manage your energy risk. And what does that mean? The contracting of energy for those regulator because they pay a fixed fee. So that has to be regulated, but they would regulate the energy in the best possible way. So that -- the CCEE ends up. So it opens up a new world because, if they do not want to contract and if they want to pay spot prices, there is no problem because somehow exposition to spot price is no longer permitted because you have to make sure that everyone has bought so that -- so when you open this, you'll guarantee that infrastructure is present. And the energy management is an individual matter.

---

**Eduardo Antonio Gori Sattamini** - *Engie Brasil Energia S.A. - CEO, IR Officer & Member of Management Board*

But how do you deal with the different quality of the security of the ballast? I may have, be in a contract that is a traditional contract in which the energy and security, the ballast is from wind, but I can be in a contract with the security or the ballast being hydro. So how do you guarantee the security of this contract, see that you have the flexibility in the hydraulic and et cetera?

---

**Marcos Keller Amboni** - *Engie Brasil Energia S.A. - Chief Regulation & Market Officer and Member of Management Board*

For the past, we already paid. We already contracted. We pay different prices for different technologies. So regardless what we have done up to now, there is no way it was going to be paid directly by those who has a contract. And from there on, when this model does not exist, it's going to be paid by everyone. So the new contracts, this is our dilemma because, if there is no differentiation of the ballast price, if the -- [always] by the same price we're going to contract solar or wind -- and that is not necessarily meets the security, energetic security of the system, so we have to differentiate what is to pay for attributes, system security as a hydro power or thermoelectric in the back, backing it up. So the trick is how to differentiate whether it's a parametric formula that is chosen by the [APA] or is through the market, through market competition. I think that nowadays the most probable model is that -- APA is going to is the parametrics, a differentiation between the sources. And they are going to pay X reais more for a different source of energy.

---

**Eduardo Antonio Gori Sattamini** - *Engie Brasil Energia S.A. - CEO, IR Officer & Member of Management Board*

Thank you. [Felipe], do you have a question?

---

**Unidentified Analyst**

I have 2 questions actually. I have 1 on each theme at the opening of the market and the hourly price. Let me first ask one and listen to the answer and then ask the other one. So the hourly price from the upticks of demand, the load is seasonal along the year. And it makes sense to see that there should be a different price along the day. On the other hand, we have seen the hourly price that have been the [PL], the draft bill shadow. I think that is going to change, but on -- based on what has been published, we have seen that, many days, basically there was no difference between the hourly price, the PLD and the hour-hour variation. This great variation was not that great. So we started thinking why is the model showing this. So we started to think from the uptake of offers. So it was the cheapest energy being produced at that time. So we thought that the system is producing this because, a thermoelectric, you don't turn it on in the morning and turn it off in the -- at night. So some may operate this way, but in -- we are not going to operate a thermoelectric. You've got to do it for 1 week. So the price of a highest energy is -- at night is going to be a thermoelectric because you cannot turn it off and on all the time. Does that make sense? And if it does, what is the adjust that it's going to have on the model to cause a variation in the hourly price hour to hour? Because you said that there should be a higher variation between hour. Or whether it's going to be more or less similar to this. And that's going to be so different from the hour to hour from the uptick of demand. You should be, but from the uptakes of offer, I don't know.

---

**Marcos Keller Amboni** - *Engie Brasil Energia S.A. - Chief Regulation & Market Officer and Member of Management Board*

Well, you've already supplied the answer. What happens? The more technical term is we have to model. If a thermoelectric needs to be turned on at 5:00, but it has -- for it to be producing 17 hour, it has to be turned on 3 -- 12 hours prior beforehand and then turned off 5 hours later. So the cost of production at this time is not only what it does mean at that time. It's all the rope, slope, the ramp costs. And this modeling was not present in the initial modeling. It is still being implemented by -- if you see what has been published, it doesn't reflect that yet. It has very little to do with what is going to be because this is the main characteristic. It was not modeled. And so the answer for your question is it will depend a lot on the slope, the step of price. If we do not need a thermoelectric, we can have quick variation. We can go from 0 -- well, if he has a thermal, if it's already on or if he has to -- that is going to increase -- to change less. So it depends on the energy stress at that moment. Lower variates less. Higher has to be more behaved, but at the end of all this, if it does not represent correctly what time the time has to be at [300] to dispatch the terminal and what time I have to dispatch other sources, the price would be wrong. And last but -- thermal -- flexible thermal are more rapid. They have a rapid response. They are more -- they can be turned on and off more rapidly. And our technology are slower, so it depends a lot on the modeling of each source.

---

**Eduardo Antonio Gori Sattamini** - *Engie Brasil Energia S.A. - CEO, IR Officer & Member of Management Board*

Well, the terminal is not the best instrument for you to model area. You should use the hydroelectric to model the area. So do -- you have the ramp-up and the cooldown phases. You have -- you're using thermal with a long period of ramp-up and cooldown. You're using it in a wrong way. So that's always -- it's going to show some mistakes of the operator and put the operator more on the -- in charge.

---

**Unidentified Analyst**

Second question, on the opening of the market. I'm not sure whether you can code how much migration from the captive to free. We -- this covered the markets that you've shown on the graphic. This would be relatively connected to the ending of contracts of the distributors because the distributors have had a overcontracting problem, but some of them are still overcontracted. And when you have an intense opening of the market, what is going to happen? Contracts are going to have a lot -- the free market is a bit more attractive. There is an expansion. It's much more -- it's cheaper in the free market. And the secondary price is generally a bit lower than the mean contracting price of distributors. So just to give an idea of how much this movement can be. And will that cause a problem in the distributors? And has that been part of the discussions?

---

**Gabriel Mann dos Santos** - *Engie Brasil Energia S.A. - Chief Trading Officer, Energy Commercialization Officer & Member of Management Board*

[Felipe], I'm actually going to show in my presentation a projection that we did. Because you have the opening and then you have like a potential market of migration. And this market in 2027, say, by the estimates that we have, it could be opening the high tension. It's a high-tension segment. And you could get to something around, I don't know, 170,000 clients, just for you to have an idea. But we know from past migration movements, when the free market was created, nobody -- people don't migrate at the same time. So we have a projection. We have a forecast less aggressive in this [potential], but maybe by 2027 we're going to have 1/3 of these potential consumers migrated already. I'm going to show you a graph in my presentation, but in regards to this fusion with the contracts of the distributors, maybe Keller has a better figure. But I think that there is an unmatching. We're going to have overcontracting in the distributors that must be addressed. There are some proposals right, Keller? They're talking about a regulated commercializer or something, so within the distribution company. And then this commercialization part of the distribution would be -- would put these leftovers, let's say, of the regulated contracts. So we have to address that problem in order to open the market well. But we believe as a company that the market must be open as soon as possible. We can't be just forecasting and doing things like that. We have to really address these problems.

---

**Eduardo Antonio Gori Sattamini** - *Engie Brasil Energia S.A. - CEO, IR Officer & Member of Management Board*

Regarding pricing, the market will be adjusted. If there is a market, it will be adjusted.

---

**Unidentified Participant**

[Interpreted] I'd like to understand.

---

**Eduardo Antonio Gori Sattamini** - *Engie Brasil Energia S.A. - CEO, IR Officer & Member of Management Board*

[Interpreted] Who are you?

---

**Unidentified Analyst**

[Interpreted] I'm from Capital. How does MRE can impact the hourly price, the existence for the hydro plants if -- are they going to be dispatched? I mean, you have interest in the market, and maybe you could dispatch the correct movements. Having the MRE for all the hydro plants, do you gain together with the system? Or somehow you could have some advantage, some specific advantage the way you are working?

**Marcos Keller Amboni** - *Engie Brasil Energia S.A. - Chief Regulation & Market Officer and Member of Management Board*

[Interpreted] You're talking about hourly price, right? Okay. So the MRE keeps working the same way in a collective way, the way it is. But globally speaking, yes. There will be a bigger valuing of the hydro plants, like they said, because they could be using the flexibility, and they would generate -- I mean, the resource will be more flexible to respond well to the pricing. So yes, but this is in a collective way for the MRE. Another discussion would be how -- I mean, individually generating that is not in the discussion. It's still a law project by the PLS 232. So in the future, we could do some MRE reform and it's -- we're still debating that. We're doing some sort of voluntary MRE so it's a little bit out of question.

**Eduardo Antonio Gori Sattamini** - *Engie Brasil Energia S.A. - CEO, IR Officer & Member of Management Board*

Just for us to understand, so hydroelectrical plants will be dispatched, and then will be a bigger dispatch in a period when the demand is higher and the price be higher, too. And this volume, this amount of money will be put away, and then each company will get its percentage from the jar, let's say.

In another moment though, you could have a dispatch offer saying, "Well, I want a dispatch at that moment." And then there's another accounting, another thing. Because how are you going to offer that if you have a centralized planning? So maybe you have a graphic accounting, who dispatched it and who didn't, who has credit, who doesn't. So it's a little bit more complex. But I think at the first moment, they will do the way they do collectively without individual offers.

**Marcos Keller Amboni** - *Engie Brasil Energia S.A. - Chief Regulation & Market Officer and Member of Management Board*

And just to complement a little bit, another discussion that will be generated is when we diminish the price and then we see the consequences of the pricing in the operations. It's more evident that the hydros will have a good service, which is the flexibility service, and this is a service along the panels. We're going to be back to this subject. But the biggest penetration of renewable resources, which are good for Brazil and more competitive, better for our country are only possible because, yes, there is a flexibility in the system for this to happen because the system, each moment, it has to be balanced. It has to be adjusted.

Of course, the wind -- how do we close this equation with the hydro generation? So -- and this is made. So this brings the discussion that we've been actually doing, it's another compensation type. And then the system, the hydro systems is good, and it's going to provide services of those. And then other providers will be used, too.

**Eduardo Antonio Gori Sattamini** - *Engie Brasil Energia S.A. - CEO, IR Officer & Member of Management Board*

Well, we've seen that the intermittent sources are surfing in the hydro plants kind of thing. So the hydro plants are actually working for free for this intermittent sources. Because when we see the most competitive source, it's wind. We know that. It's wind energy. We go -- there's a selling wind energy at a very cheap, very low price because they're counting on the subsidiaries. They're counting on with free services of energies, the flexibilization of the system and so on and so forth. So I think it's key for us to really act fast, taking into consideration this element in order to not continue with the source that actually has an embedded cost for society much higher than it seems. The guy that buys wind energy in the free market, he's actually benefiting from the consumers because consumers pay through taxes, this type of flexibility or even this subsidies, which is the reduction of the fee. I'm actually debating a lot about this. I'm insisting on this because it seems that, "Oh, this is so competitive, it's so cheap." But no, the price should be -- it's artificially low though. It should be higher. Even with the corrections, it will be a competitive source.

**Andre Sampaio** - *Santander Investment Securities Inc., Research Division - Research Analyst*

[Interpreted] Just to complement a little bit. I'm Andre from Santander Bank. How do you understand the solution of this thing? It's going to be the energy balance? Or it's going to be out of the energy balance?

And the second question is, just to complement Felipe's question and to understand a little bit, what is the possibility or how this would be doing? I mean how that regulated commercializer, like you said, it's going to be all the portfolio of the company? Or only this contracted part?

---

**Marcos Keller Amboni** - *Engie Brasil Energia S.A. - Chief Regulation & Market Officer and Member of Management Board*

Let me talk about my part, and Gabriel is going to talk about his part. Well, let's see. It's open still. Our vision, first moment, we're going to regulate that by the energy balance, but it's going to be different by source, by technology, probably calculated through some parametrical source. Well, it's not going to happen in the first moment. Well, it's more evident for this -- for the services.

---

**Gabriel Mann dos Santos** - *Engie Brasil Energia S.A. - Chief Trading Officer, Energy Commercialization Officer & Member of Management Board*

Well, the commercializer though, it's still very uncertain. We don't know how it's going to happen. But what we imagine is when we separate the activity, we're going to have -- there's a mix of purchases at a medium price, and that's going to be recovered in the -- through the fee. And this is going -- there is a problem with, as the market is open, of having extra energy and opening more market. And then the exceeding energy would be even bigger. So it would be good to put this remaining energy and we believe that this would come for the commercializer with the price coming from the mix. It doesn't make sense for us to have all, let's put this contract to the regulator and this to the commercializer because -- to put it out in market, what I mean by that is to create that interface with the free market. And so all these things are still -- we're still thinking about it. But that's the way we believe. I think that it would be a good solution for this subcontracting because of all the contracts that there are, but we don't know yet how it's going be done. But of course, we keep that in mind because it's very, very important. The free market is something really important. We have to be very attentive, very aware.

---

**Eduardo Antonio Gori Sattamini** - *Engie Brasil Energia S.A. - CEO, IR Officer & Member of Management Board*

It's nothing like super different than what happens. The first moment, it's going to be some excess during the migration. The government will demand that. And then these regulated commercializers will probably make auctions because they have to be certain about the price. The price should be fair, auctions of energy sales to the market. And then if there are losses, that somehow will be part of the fee that will be charged by the captive or maybe the government will analyze a way to make -- it's going to be some sort of something to be charged because the distributor's there to make services of fee and not to make or lose money with energy.

I mean, just for you to understand what's fee and what's energy and what's the risk of the activity of the distributor because that's the distributor only, should be just a distributor. I don't know if you agree with me.

Do we have any extra questions? Any other questions? If we don't have any questions, let's move on to the next step of the program, Rafael? Is that you?

---

## PRESENTATION

**Eduardo Antonio Gori Sattamini** - *Engie Brasil Energia S.A. - CEO, IR Officer & Member of Management Board*

So thank you for the directors that were here in this panel, and they're going to come back for their individual presentations.

And now Rafael, the floor is yours.

---

**Rafael José Caron Bósio** - *Engie Brasil Energia S.A. - IR Officer*

Not for too long. Actually, let me call Gabriel because it's Gabriel's turn now. The floor is yours.

**Gabriel Mann dos Santos** - *Engie Brasil Energia S.A. - Chief Trading Officer, Energy Commercialization Officer & Member of Management Board*

Okay. I said that I took over the -- I became the Energy Commercialization Officer in the middle of 2018. The biggest challenge for me was to rethink the structure and the way to act in the commercial area to be ready for the market future. And the future that we just mentioned, the market should be more open, more dynamic, new products will appear. And along the second semester of 2018, we designed a project, which began in the end of 2018. We're calling it go-to-market project, where we created a corporate project, validating the phases in order to prepare for the future. I'm going to show you a little bit of the project to see what were the motivations so then we have to be ready for it, what are the main project phases and all the changes that we did in the structure of the commercial area. And also, we're going to be talking about the transformation, the digital transformation, more sales channels. I call it digital transformation. So that's going to be the topic.

The first thing is motivation. Basically, what we see here is the history of growth in terms of number of customers of the free market. In the -- we see, even in the conventional market, it's been -- we have a mild growth the last 10 years. In the other segment, in the incentivated segment, it's very, very high. You see the volume of energy here is smaller than the conventional, obviously, because of the share of clients that consume that. But the growth is very expressive, as you can see, and this was reflected in our clients, too. I'm going to show you in the next slide.

But what really motivated us was -- and in the way we have to act in the future, is a perspective for growth, as we mentioned in the previous panel. In the history that we see here -- can I point here? We have the 2 markets. And in the first moment, it's not even an opening yet. It's some sort of elimination of the market niche of the incentivated. And the effective opening started when I opened the market lower than half mega. And then I actually -- I put it together because this niche with the biggest market opening would decrease. There wouldn't be any free consumer market. It would be a single thing. And then the projection that I mentioned that when I answered that question, just to remind you, as I commented, the potential of migration is much higher, I would say, 3x bigger. That's the number for 2027. But we see an exponential growth already, and it makes us think, "Wow, I can operate -- I can sell the same way today, when I have 600 customers." We have groups of -- we have 600 groups in our portfolio of clients. And then when I start having thousands of clients of consumers, and then the answer is still no. And I have to understand how I can adapt to that.

And here, we see where the growth is with this market opening, what will be the type of consumer? What is the size or how this market will grow? And then we took, just for you to see, the markets today, the CCE 2007 to 2009, the ECC, we see that happening in growing terms of number of consumers. And the clients, I mean, the consumption is very slow. I mean the segment is smaller than 1 average megawatt, AMW. With the total volume of energy, very, very small still. And that's that movement of migration that I showed you in the incentive-d one. The clients are smaller. When we see the proposals along 2018, 2019, the fact is the same. It keeps the same, a lot of proposals for smaller, clients smaller than 1 mega.

And when we go to our portfolio in supply, this is the supply in 2019. In this portfolio, we're going to have clients coming in 2020, 2021, and I see the same effect, a big growth of clients that have more clients, bigger number of clients with less consumption. So I already have, in my portfolio, a segment, some sort of retail gross sales. I cannot act the same way as I do with big, big clients that have 30, 40, 50 megawatts. So this is the big variation of my project -- of our project. We don't -- it's not a problem, but we already have this differentiation in terms of consumers.

As I showed you in the previous slide, it tends to grow because it's linked to the opening of market. We're trying to reach clients with less consumption. So then we designed this project, go-to-market, that's the name of it, with different phases. It has a governance already. We have a committee, which is defined already, to validate each deliverable of each phase of the project. And it started in the end of 2018. The first phase of this project was to actually validate the strategy, the commercial strategy, and we started answering questions that we had something like, "Does that make sense?" I mean to reach smaller customers, is it good? Is it valuable, will it bring benefits to us? So all this is -- I mean, this work was done in that phase, Phase 1.

And then we concluded that, yes, it's good. I need to adjust to act in that market. But because the customer is migrating from the captive to the free one, we understand that this is where the market will grow. And if it's where the market will grow, I have to be present there. And that's where I can add biggest margin because the customer is coming from the captive market in which we have a high-fees scenario still.

In the second phase, we worked on segmentation, the segmentation of our portfolio, our client portfolio, and there's a good message here. When we design -- as we design the project in order to think about the future in this segment of smaller customers, the project brought benefits to our commercial activity as a whole, especially in big clients. The first benefit is the segmentation anyway because they didn't have segmentation. We define a segmentation in 4 levels. But I could actually summarize these levels in 2, which is the corporate and the company less than 1 mega and over 1 mega and above 1 mega. And with this characteristic, how this will grow. This small, small consumer will grow. And then necessarily, I have to have sort of a low touch with it. It's not that I don't have to be close to him but lower -- the lowest touch possible. We're going to mention this over and over.

And then in consumers, bigger consumers, let's say, we have to be closer to them, so the high touch, high contact, be more present, to visit them, but I cannot grow this structure in the small one. I cannot grow my structure. They're doing the same thing that I'm doing with the top ones, with the high-touch ones. Because, otherwise, I'm going to increase the cost of the company. And now we will be less agile, and I will not capture all the value that would be possible to be captured there. So we did that segmentation. And that was -- there was a lot of debate to get that. And then so less than 1 mega and above 1 mega.

When I speak about lower than 1 mega and above 1 mega, another important thing that it's important to be mentioned is that I'm not talking about the client consumption, but what is its load. Maybe I can -- Nestlé, for example, I can sell 1 mega to Nestlé and then its load is very high. Nestlé's load is very high. It's being treated as a top client probably. But for a client, let's say, that has a load of only 1 mega, of course, we have to see all the information, all the available information for EECC, and we came to the conclusion, of course, in our portfolio, and we came to the conclusion that the best segmentation was this one.

On the third phase of the project, we started to -- analyzing or we call it the 8-P's of the market. And we try to see all the part of the product in this segment, how I do the pricing for this segment because it's going to be migrating, most of it. What way I position myself in this segment, what processes I have to review in order to be more agile to act -- operate in this segment. And this is Phase 3, a little bit -- just an amplified version of it. And then we move on to phase 4, which has started, I would say, along the other phases. It does not have an exact hallmark date. But from the third quarter of 2019, we have entered definitely in this phase. Things were implemented before, but we implemented everything that we have decided and discussed in the previous phases, which I'm going to show you in the next slides.

One of the first modifications that we have implemented along the project was in the structure of the commercial area itself. This one was our previous structure. We have here under the commercial area, 3 areas: a trading area, which was rated in 2018, as Keller has mentioned; an area for the contract administration, energy contract administration, managing all the -- along with the pre-invoicing, et cetera; and a front area for the commercialization itself. But within this area, we had different kind of activities, not only the front itself, but also parts of relationship with the clients, market intelligence, marketing area, planning, commercial planning, not only sales.

So we've understood, with this work, that we should evolve to such -- to this structure presented here. So we have created a new activity and intelligence, a market intelligence, a presale, so to speak, in the -- to the extent that this segment, for the smaller clients, is going to migrate. We have to know where these clients are, in which way I'm able to reach them, what are their demands so that I can design my products. And then we've decided that we had to create an area for market intelligence, reinforce this activity. So we have reinforced the team, and this area has more attributes. So besides the commercial planning, it is an area to think of new products to work and continue to work because it was previous in the commercial area, the marketing area. So they have to think of new channels for this smaller consumers, all the intelligence, market intelligence, data analytics. We have a lot of data that is generated internally and from the market. And we do not tap this for a better commercial management. So we have reinforced this area with this objective.

The commercialization area itself has -- is now focused on sales, the front area. And the energy contract administration area is still managing the contracts. And in the -- well, this area, which until then would only do their relationships with the commercialization chamber, we are now bringing all the contract administration area and relations with the customers, which was within the commercialization area to this new administration area, creating a single back office.

So a little bit of my back office was in the front in the past. So we are reorganized and better restructuring it. And we're also bringing a bias of this -- based on the success of the clients, so it's client success-driven. And the trading area, we are just reinforcing with putting -- adding up some new activities.

There is just one thing that I just remember here, which is important to stress that in the front, we have also implemented a modification here that was very important, which is the creation of tables to service that clients that we have observed. So we have specific teams to deal with smaller and bigger clients.

And then the other great transformation that this project has brought about in different aspects is the digital transformation issue. As I said, the retail, we have to be more low touch with the client but without leaving -- without being next close, without leaving the proximity to the client. So that is very much aligned with the strategy of the group with the 3D. So we have sort to create a proximity with the clients. So this transformation, this digital transformation has happened in several fronts, so to speak, that we are working on this project in its implementation phase. And these are the first deliverable. Some of them still in the pilot phase but with a road map ready and laying ahead.

And the first implementation that we made in -- along 2019 was the CRM. We adopted the sales force. So there is a lot of integration with the group's CRM so that we can manage all the commercial the commercialization area of the company. We will do all the proposals through the Salesforce CRM. I have specific slides here for the CRM, and then I have all the business intelligence area, bringing tools for business intelligence, bringing it to the business, creating what we call a data lake with all the information that I have mentioned that we have from the market, our internal data, generating useful information, strategic information for the commercial area. That is very strong, and I think it's very much in line with what Sattamini mentioned. The company is digitalizing itself increasingly, and you will have the opportunity to see our operation central. So that is not true only for the operational area, not only in the commercial area, but in all areas of the company. This digitalization process is going on and is very much strong as it is.

Another tool to create proximity with the client is the relationship portal in which the client is going to access and have all the information on its contract. And on top of that is going to be the communication channel with our team and our systems, and I'm going to give you an example here along with the energy contract. You know that there are several events, several hallmarks that have to be met. And one of them that happens annually is the client to go seasonal in the consumption of its energy. Today, it does that in -- by sending -- by e-mail this information and later is going to be inputted in our corporate systems. So the idea is that he is able to do it directly through this portal, and the information is already accessing our corporate system. It's just an example. But this is the kind of tool that is needed when you are approaching these smaller clients that you need to have. I cannot have -- I'm not able to receive 5,000 e-mails from clients and have someone typing all this information into the system. So this is the kind of modernization of the system and processes that we are thinking of in order to prepare for this new market and these smaller clients.

Without losing proximity and contact, because through this portal, we are going to keep the client informed. We're going to keep the client aware of what is going on in the market and the sector in his own segment. So there are a lot of functionalities that we can implement here and transform this in an effective communication channel with the client.

We're also designing a marketplace. This is a pilot project that we intend to put it in place at the end of December in which we will, in the first moment, is going to be available only for the actual clients in our portfolio. And later, the idea is to open for new clients, but the initial idea of this pilot is to commercialize, to trade through this marketplace the close of the month energy. So sometimes, clients have a need for a certain volume of energy, and there is a lot of set of people that are going to be accessed in order to be able to deliver that proposal. And the idea here is that they can have a product in which they can enter this marketplace, have a look, what is going on in terms of prices, et cetera, and be able to buy directly. So this is just a pilot. The idea is to extend this for future products because we believe that the energy market is going to be very much similar to the telecommunication market. And the example that I brought here in this little -- in this slide here. We are creating a little -- some packages. It's not the case of this pilot because it's just a short-term project but we believe in the future. The client will be able to come in here, and he will assess the product that he needs. He is going to find the price, the characteristics that he's looking for, but he's also going to look for find alternative products, alternative bundles for his problems, pretty much as we see in the telecommunication market. So I think this -- our industry is marching towards this, and we have to be prepared for that.

---

**Eduardo Antonio Gori Sattamini** - *Engie Brasil Energia S.A. - CEO, IR Officer & Member of Management Board*

(inaudible)

**Gabriel Mann dos Santos** - *Engie Brasil Energia S.A. - Chief Trading Officer, Energy Commercialization Officer & Member of Management Board*

Yes, well reminded, [Sat.] What I spoke in the beginning, but I think we have to restress the margins. I think here is the value of this market. It is going to be -- it's going to increase, but it also brings more attractive margins. And in order not to leave this margin at the table, we have to digitalize. Otherwise, our cost will kill this extra margin that we are able to bring with this new market.

In order to construct that portal, we have evaluated all the journey of the client. And when I speak about smaller clients, I have to understand precisely what is the journey. Also, we have to understand the big clients' journey. But I have to understand the smaller clients and minimize the interfaces with ourselves but also understanding where the needs and where the value lies for the client in order to be able to deliver the product that he needs. So this is what we've been doing. We are trying to understand beforehand what the needs are. So if the design offers in such a way that when he looks at this, you will find the exact need, the exact offer for his need, but we have to put some effort in order to understand. I do not have to customize for each customer, but I do a mass profiling. And the idea is that they will think as if ENGIE has thought of them individually. So this is our concern when we move on to this lower volume consumer market.

And lastly, the market experience, I'm not going to speak about the whole slide, but I'd like to stress 2 specific points here. We, yearly, just to give an example, in this direction we are moving with this customer experience. We do a satisfaction research when we are digitalizing this itself, and we are doing it in different phases of their journey. So it's no good to only hear them at one stage, but we have to understand them and hear them right after they bought something -- a product from me. And then we have to understand and listen after 1 year of consumption, so that will allow me to be more agile and improve increasingly my products and identify better opportunities along with this research.

And another important issue is that such a project, nobody does it without people, without teams, without our collaborators. So this work that we are very strong about, and our team has been very much involved in it, it's a work of creating with our teams, a customer-focused culture. So that is also important to stress.

And this is the last slide, just to give you an overview of what we've had in terms of deliverables in the year 2019, but also what we have ahead of us, which is already programmed for 2020. The project goes on. Our road map is in place already. And we are working on these different fronts in order to make the company increasingly agile and digital from the commercial point of view. So that was all. I open up the floor now for questions. Well, I'm not sure how much time I have. Well, we have 10 minutes for questions.

## QUESTIONS AND ANSWERS

**Vladimir Pinto** - *Kiron Capital Gestao De Recursos Ltda - Senior Equity Analyst*

Vladimir Pinto from Kiron Capital. The model that you have shown from the energy marketplace, today, it's only been used for acquisition? Or also for sale?

**Gabriel Mann dos Santos** - *Engie Brasil Energia S.A. - Chief Trading Officer, Energy Commercialization Officer & Member of Management Board*

Well, our idea is for sale. And we are putting up -- putting this first pilot in place with our existing customers. ENGIE is selling. So the first pilot that we have joined for test purposes is getting a more basic product -- a more simple product. So this is the end of the month product, as we call it. And we're going to -- we're going to test it with it. We're not going to wait trying to design the best portal in line with the innovation that do test. So we get -- we got a simple project. We designed a portal. We're going to launch this at the end of the year. It's not operational as now. But through it, the client is able to access, and he will find a price for the energy to end of the month, and he will see -- he will have all the digital -- all the process digitalized. He can also digitally sign a short-term contract, and we are going to test this journey of the customer. And then from there on, we are going to study how we can add new products to the portal.

**Andre Sampaio** - *Santander Investment Securities Inc., Research Division - Research Analyst*

I'd like to ask a question. My name is Andre from Santander. Going back a little bit to the comparison with the telecom. How do you understand -- why do you understand that there would be a premium to be paid in price? And after, how do you understand or do you understand that this could cause a concentration in the market in the future as it happened with the telecom era, these evolutions that the sector is going through?

---

**Gabriel Mann dos Santos** - *Engie Brasil Energia S.A. - Chief Trading Officer, Energy Commercialization Officer & Member of Management Board*

Well, that's a good point. I think that I'm not -- I have no doubts in my mind that in the initial phase, it is a higher-margin market. I think that with the evolution and the eventual concentration, we're going to have bigger player operating in the market. And consequently, competition is going to increase, and perhaps those margins that they had in the beginning are (inaudible).

But I think definitely that we have value. I think that we will have different ways to capture value as I move to smaller clients with a characteristic that is more like retail, more. And also looking at the ENGIE business as a whole, we'll be able, eventually, to have a higher -- bigger link with other solutions that we offer, energy monitoring, distributed photovoltaic generation. So I think that we have an added value, not only in energy, but also with the synergies that are going to be reinforced for these smaller clients. I'm not sure whether I answered precisely your question, but this is what we envisage.

Satta would like to complement.

---

**Eduardo Antonio Gori Sattamini** - *Engie Brasil Energia S.A. - CEO, IR Officer & Member of Management Board*

When we compared with the telecom, it's more the dynamics of the market, not necessarily in the margin. The energy margin is still going to be much bigger than the telecom's margin. There is no doubt about this. He was -- he meant more like the dynamics.

And we also have to bear in mind is that when you sell to this market, you end up also offering a bundle of a series of things. You send -- you sell security, you sell overpassing, you sell a lot of things. So you're going -- just like when you go to rent a car, you can rent a basic car or you can add some navigation. So we will charge 1/4 of what he rented for the car to rent navigation system. So you want a child seats. And so the margins will come from the things we bundle in the offer, just to complement.

---

**Unidentified Analyst**

Gabriel, I imagine that potential clients, you will have the whole client. In geographical terms, there is no restriction at all. But the doubt is how are you going to be known for those smaller clients that today receives a bill from Eletropaulo, Celes, those smaller distributors. He doesn't even know who is the generator, who is the transmitter -- the distributor. How are you going to make yourselves -- make the consumer aware of your existence? And is that going to cost a lot through marketing tools? What do you have in mind? .

---

**Gabriel Mann dos Santos** - *Engie Brasil Energia S.A. - Chief Trading Officer, Energy Commercialization Officer & Member of Management Board*

That is a good questions, and that gives me the opportunity to comment on something that we have already made, and perhaps some of you have already noticed we have in the last few years. From 2018 onwards, we've working a lot on social networks, producing content, blogs. We review our whole homepage insights, and that has brought new business. As -- and as you move on to these smaller clients, we have to use those tools. And this is one of the attributions of this intelligent -- market intelligence area that we have created through this channel to generate leads, to qualify these leads and to give a ready ball for the commercial area to kick and close the business.

So we are going to have this kind of channel. We're going to have to invest in marketing. We are already investing, but much more I would say, on this digital marketing strategies. Perhaps regional events. And I think that this is in the road -- is contemplated in the road map of the project.

And I think that we're also going to evolve to have new sales channel. I cannot operate in the retail market with a sales team. Possibly, I will have to go to reps or representatives or brokers. This is already a reality in other units of business of ENGIE around the world, such as ENGIE in the United States for instance. We have exchanged a lot of information with them.

So this is where I imagine we are going to move to in terms of sale channels. And in some way, this is going to increase our capillarity. It would increase our presence in such a big continental country as ours without necessarily exploding our marketing budget. This is what we believe, but we have a way to follow. It's contemplated in the road map, but we have to take one step at a time, and with concept that I mentioned that is a little bit related to innovation is test, assess, redesign and move forward.

---

**Unidentified Analyst**

Gabriel, just in the part of the management of this smaller customer, that you said it was a mix between wholesale and retail, how do you see -- how do you contemplate dealing with the non -- with defaults in the payment?

---

**Gabriel Mann dos Santos** - *Engie Brasil Energia S.A. - Chief Trading Officer, Energy Commercialization Officer & Member of Management Board*

Well, I'm not sure. Perhaps Malta will -- can add. But we see this. We know. We are aware that there is the risk, insolvency. We know that in telecommunication, there is; distribution, there is, and it takes a time from cutting off the customers, things that we already have in the market. We're still going to have -- we're going to have this in the smaller consumer market.

And what we are doing. As we digitalize, we are trying to analyze, do a credit analysis, digitalize. It doesn't mean that I'm going to sell to everyone. That's why, in our estimation, I did not put the whole potential of the market because there is a lot of filters that you have to apply to get to your effective market. But you have to automate and have a credit analysis process to simplify and digitalize in order to minimize the insolvency problem. But we expect there will be this problem? Yes, we do expect to have some defaults here and there as in other markets.

And you have different mechanisms of -- to tackle that, not only credit analysis, but you perhaps could hire a security contract for -- or you can add a fee to the contracts in order to mitigate the risk of the portfolio as a whole or put this additional for clients with the higher risk. So these are formulas that we are still studying. But yes, we do expect that to happen. There is an insolvency potential, but we are contemplating and preparing ourselves.

I think that the company has a very important track record on -- in this matter. It does -- it has -- doesn't have any insolvency in the corporate market. So this is a segment that we already operate in. We have almost 200 lines in our customers that are already in this segment. And we maintain this track record of not having any defaults with our clients, and because we are very rigorous in terms of credit analysis and that somehow protects us.

---

**Marcelo Cardoso Malta** - *Engie Brasil Energia S.A. - CFO & Member of Management Board*

Well, exactly as Gabriel has mentioned, obviously, because of the volume, the credit analysis is more simple. As alternatives in our view, we hire some sort of insurance, and we embed that in the price where we aggregate a fee to the price to mitigate this risk of insolvency. So that's basically it.

---

**Eduardo Antonio Gori Sattamini** - *Engie Brasil Energia S.A. - CEO, IR Officer & Member of Management Board*

Any other questions? So we are going to wrap it up. Thank you, Gabriel. I thank you for your questions. And I now invite Guilherme Ferrari.

---

## PRESENTATION

**Guilherme Slovinski Ferrari** - *Engie Brasil Energia S.A. - Chief New Businesses, Strategy & Innovation Officer and Member of Management Board*

Good morning, everyone once again. The objective here is to show you the way that we've gone through in the last few years and actually doing a recap on what we have presented from 2015 and the evolution that we have and to show our capacity in diversifying. That was the great thing that ENGIE was able to do. In the last few years, we moved from only generation and created new opportunities, and I think that this is one of the topics that we are going to tap and explore. And we're going to opt for a question-and-answer session at the end. So let me speed it up a little bit here.

So as I mentioned, ENGIE is looking for infrastructure investments. It is not only generation. We have very -- 2 successful cases. Recently, ITAG distribution. Tiago is going to -- TAG acquisition, I mean. And Tiago is going to speak a little bit that -- about that.

And we have this different focus. And to meet this focus, we end up looking for the best opportunities available in the market. We've been doing that with the generation area, the wind assets and solar assets that we have developed over the last few years. We always try to buy the best in the market. We do not start in the initial phases because we notice that there are better-skilled players. So we select the best players, we select the best assets, and that increases our competitiveness.

And another fundamental point here is to have project at different stages of development, not only initial stages in which we had always to start or when there were opportunities for auctions, we had to go after a project at that year. So now we have put together a portfolio of projects, and which allows us to have a specific planning. And we've done this very successfully in the last few years.

And another fundamental topic here, especially in regards to renewables, is to have clusters of businesses. It's hard to be competitive in small projects, so we have to have areas with large-scale projects, areas with synergies in terms of operation and construction and obviously gains of scale with customer. This is what we've been doing. We try to keep our project portfolios along this line.

As a result of all this strategy of ours, we end up having an opportunistic view in the short term, and we have 3 examples of what happened in terms of generation assets: TAG, Miranda, Jaguara. We manage in a short term, make an analysis and utilize all the capacitation that ENGIE Brazil has in terms of maintenance and operation of its generation asset. That was a great competitive advantage that we had at the time. And TAG, as I mentioned -- T-A-G, as I mentioned, was also a view, a vision of the group, and we were able to mobilize very rapidly. And Gustavo is going to delve into this later on.

The focus of the company, where we aggregate value, we are in a chain in which we are able to aggregate everything and we have the development implementation and commercialization, as Gabriel has mentioned. As you were able to see in Gabriel's presentation, there is a market to be tapped, and it's a very big one. And with this optimization and this capillarity, one of the alternatives is through new projects.

So here, we have all the projects that we've been developing in the last years where we show our capacity of organic growth. I think that this is good to see a good analysis in how we can adapt well to situations. Till the middle of 2016, we had the regulated market with good, interesting prices, prices that could add value to the company. And then at a certain moment, we surfed these waves. We were successful in Campo Largo, Umburanas, in [Fejari]. Pampa was there too at the time. And some projects that -- in which we were successful. And then the price of the regulator market was appropriate, it was good.

From 2017 on though, we had consequences of problems of the economy in our country. And then we had problems in the auctions. Prices decreased strongly. And then we thought, well, what could we do? We cannot stay only in this market. If we stayed only in that market, we would destroy the value of the company. So we had an alternative and option of looking for an open market. And we did 2 projects, which will be presented after my presentation, projects that are driven -- I mean towards the free market, too.

So we left this -- we were not depending only on the regulated market, and then we migrated to the free market. And I think that to the free market, this is -- Sattamini mentioned this as far as the renewable sources. The renewable sources are really competitive nowadays. So there's no need in continuing these subsidies in subsidized in the alternative sources. We had funds in a very, very good, attractive fees at B&B. And then we judge that, and then it can bring some sort of distortion of the prices of the market, and then we should continue correcting that.

And then in the end here, we looked for the diversification. So the alternatives that were created along the last years made us leave -- we left the regulated market. We moved to the free market. And then not only that, we had -- we followed other steady recipes, transmission. And then these are actually our good results, our big results of this new strategy, and showing our capacity or our agility of seeing the opportunities and bringing our company to these new businesses.

Of course, that there are huge challenges for the development. They're not easy tasks whatsoever. There is a multidisciplinary team working on these projects. But I listed some of our main challenges, of course, that we have, some problems in Brazil that when a developing projects of -- especially in renewable. In the Northeast, there are problems of landing and everything. I mean, of course, the transmission is a process, it's a very important process when we're implementing that.

And we have to have resources. In measuring the resources, there's an engineering working on that, analyzing wind data, sun data, solar data and so on. So the environment also -- the environment agencies, there is an evolution going on. Some things are happening, things are more clear now, and we can have good interaction with those entities in making things more agile and faster. So this is key for us.

And then for the regulatory projects, I think this -- there, of course, are improvements to be made, but there's always a goodwill of the regulatory agencies and other entities in order for this project to happen, to be put into practice.

And then we're always trying to adapt to the market. So looking for alternatives together with the clients, to customers looking for alternatives for ENGIE Brazil as well.

Everything together, as Gabriel mentioned before, this is all key for us. And it's because of the ability of ENGIE Brazil's team. This is a multidisciplinary project. So many areas of the company are working together, especially of course, the development department takes care of the whole thing. But we wouldn't be successful if the other areas wouldn't be involved in this project.

So in the development phases, there's a participation of the whole team. I mean the whole company works together, making everybody feels as they own the projects. Everybody is engaged with quality, and everybody brings information, people of implementation. If they see a problem, something that was created or generated in development, they tell us. They come to us and they say, "Because we want the project to be improved all the time." So this improving cycle is always happening, and there's an integration of the team. So the teams own the project, and they are part of the success of the company as a whole.

So here, we see in all the areas of the company that participated on this, I mean all the teams are there. So we have the regulatory team, development team, engineering team, legal team, implementations, all these people, all these teams add value, making the project to be resilient, make the project to be strong, and it brings results to our company. So we make everything happening at -- I mean we do it fast. And then it's important. So the return to the company is concrete and it's fast.

Here, we see our recent history, there is a time line here. So in 2015, around the middle of 2015, we had the -- we were talking about business developments in a meeting. It was something that we did in the middle of 2015. We met with the investors, and we were doing Campo Largo. We presented things about Campo Largo. We talked about Pampa and the opportunity of Pampa participating on the auction. And we were really focused at that time in generation only. And the volume that we could put in practice that year was much higher than we ever thought for that moment. And we expect that to keep happening because we know the competition is higher and higher.

And then the returns, as you can see, I mean you do you analysis of investments and everything, and we know that fees are hard. And here, we try to do the much -- the best we can in synergies. We try to add more value to the company. And along these years -- these past years, the company, not only in generation.

We want to highlight Umburanas is a project very -- it was a very good opportunity. Renova owned that project, and Renova had a lot of problems. So we brought that project to our company, and we implemented that at a record time when Renova closed. And then we started commercializing, I mean, in less than 18 months. It was a very strong work that the implementation team did.

We did everything at the due time, so everything was good. Jaguara and Miranda, as I mentioned before. Gralha Azul in 2017 was good. I'm going to talk about Gralha Azul soon. And Gustavo mentioned also things about the other ones. So we're talking about BRL 34 billion in investments of EBE, ENGIE Brazil Energy as a whole, ENGIE Brazil did all that and with all the participations. And there are BRL 12 billion only for EBE in that cycle.

Just reinforcing some topics. Our financing discipline is key. The subject is important. We really go by the book. We really follow the projections by the book, and the results are very satisfactory.

Health and safety is key for the new businesses. The company is extremely demanding with its employees. The policies are very strict. Along the last years, we have been performing everything very well as far as health and safety.

And a point that it's not -- sometimes it's not mentioned so much, but I think the next years, this will -- it tends to be more spoken about. Our development with the communities, there are many works, many -- a lot of social works done in the area. So the social side of the company is really strong, and I'm proud of speaking about the projects that are very successful in the regions that are in need. We have -- I mean, sometimes, the government doesn't get there. So it's important for companies like ours, private companies, that actually go and invest in social projects because the places needs that.

And it's key to reinforce the partnership that we have with our clients. Gabriel and I, I mean we work together a lot, especially in developing projects. We do -- the commercial area demands from us, and we demand from them. I mean they -- we want to make projects, they want to have energy. So we do this together. And there's a very cool example that we did with the L'Oréal Cosmetics that was very important. It was a very nice, sustainable partnership that we made with L'Oréal and there was a campaign about the energy that they were buying from ENGIE. So projects that really add value to both companies. There was a 0-carbon journey done with L'Oréal.

And then about the clusters, I think it's key to say for -- it's important to talk about the portfolio synergies. We bought a project in 2009, 2010, Campo Largo. And it has 327 mega in operation, so in commercial operations up there. 361 megawatts in construction, which is Campo Largo 2., it's in construction yet. And there is a capacity of development for 330 mW. For the first phase, we have left a -- half regulated and half free market.

And down here, we have the Umburanas project shown there, the purple and yellow there. I think it's the best place for wind compared to the whole world. I mean it's very efficient. Just to show you the synergy between the phases. I mean it's like having an island of Florianópolis with all -- I mean it's big. It's equivalent to the whole island of Florianópolis. I'm going to show you a fast video so that you can go ahead and analyze it.

In this cluster, there's more than BRL 5 billion of investments and then more than BRL 10 million of social and environmental investments. And the radiation is strong here, so in the future, we're developing already the possibility of making a hybrid project which is a mitigator for what was mentioned before by Keller and Gabriel.

Just for you -- to show you, there is 1.5-minute long video just to show you what Campo Largo and Umburanas look like.

(presentation)

---

**Guilherme Slovinski Ferrari** - *Engie Brasil Energia S.A. - Chief New Businesses, Strategy & Innovation Officer and Member of Management Board*

So the example of our implementation ability. This is a new challenge that we have. It's a process of internal approvals and development, which is the Santo Agostinho project. It's an area -- it's a new area for us. It's part of our portfolio already. And we've been improving this project along the last years with the same idea of having possibility for expansion. We want to have commercial operations by January 2022 in order to make it viable and especially to feed the demands of the commercial areas.

Our main challenges is the first transmission auction. The Gralha Azul project is a success already. We had a lot of environmental licenses already, more than 62%. So it's a project that it's bringing, obviously, a lot of work for the teams. But we have been developing and implementing things in a very high speed, and we've been successful about the opportunities for transmissions.

So since 2016, the project started being more attractive, as you see, as you've been following. And there are a big number of players searching for transmission -- for the transmission projects. And in the end -- at the end of the day, the competitiveness increases with the lower fees. And I think the opportunities are still to be good for the next years. They're still attractive for the companies.

We've been participating a lot since, I said, since 2017, when we entered this sector. It's not easy. There's a lot of competition. But in the next auction we're analyzing, there are smaller things. We're still analyzing the projects. And obviously, we're always aware of new opportunities for acquisitions, for M&A. And looking for projects that are still before implementation phase so that we can add more value.

Another thing of success is that we -- Jaguara and Miranda, we were successful in 2017, too. Just a little bit because I want to have more time for questions, let me speed up a little bit. Azul is another solid project that we did. It's implementing -- being implemented already. The solar project is a new technology. All the investors are still learning. There's still a learning curve to be filled, but it will be part of our expansion portfolio next years.

And then last but not least, just to show you how we're not only the strategy and innovation, but we're doing -- innovation is -- we give a lot of importance to innovation, honestly, because [Zu Carato] is here and he's our Innovation Manager. And since he entered in the last years, we've been changing the profile of innovation a little bit, not only being some regulatory obligation, but we need to really work with research and development. We have to enter in projects that can add value to the company, that can be benefit to the company or benign.

And this is our new moderator. We are looking for this. We have internal -- internal innovation programs to foster that in our company, make that good for collaborations of our employees. And this project started a few years ago, and it's been -- remain. We have 100 new ideas analyzed this year. Some are already in time for be implemented. So we're looking for this fostering because we -- it's a first step for us to bring new projects, new opportunities for the company to long term -- medium to long term.

Here, we have some examples of practical projects -- practical examples that actually became products and that we are interested in. We had the first R&D solar, which was good for -- to analyze new technologies, to see the behavior of these new technologies. We have the R&D for energy storage. So the company looks for innovation all the time using actually R&D budget, which is an obligation, actually, but in projects that can bring, in the future, good opportunities for the company, real opportunities.

I'd like to thank you. And I'm here. If you have any questions, I'll be more than glad to answer your questions if you feel the need.

## QUESTIONS AND ANSWERS

**Gustavo Miele** - *Itaú Corretora de Valores S.A., Research Division - Research Analyst*

My name is -- Guilherme. Gustavo from Itaú. I'd like to ask you about the wind portfolio that you have because you spoke a little bit about your wind clients. You said that the company explores a lot of synergies in order to really put this cluster, especially example this in Bahia, and it makes a lot of sense. But my question is as far as to when or where you see room for growth in that state? Not considering the bottleneck in growing.

I mean is there a possibility for you to have a belt effect if you have the space in a small territory? Is this a threat? Or maybe in the future, this can be a little bit more attractive to grow in wind in other states? As Rio Grande do Sul for instance, do you have a profile of sales a little bit different, to have a more diversity because of the implementation of -- because of the -- I mean because there's a lot of different events, maybe could be attractive to open a little bit -- I mean to let go of this synergy in order to gain through other fronts? I mean does that make sense to you? Do you have that in mind?

**Guilherme Slovinski Ferrari** - *Engie Brasil Energia S.A. - Chief New Businesses, Strategy & Innovation Officer and Member of Management Board*

It makes a lot of sense, though. Yes, definitely. I just showed the map of our development so far. We were focused specifically in Bahia, of course, looking for synergies. And about the hourly price, in the past, because we didn't have that hourly pricing, we didn't -- we would analyze that, but the hourly pricing matters a lot now. So we are definitely going to define a new state.

Rio Grande do Norte is a new state, we've been analyzing that. But the wind profile of Rio Grande do Norte is a little bit different than the profile of wind in Bahia, and it makes new value to be added in our portfolio. So we analyze other opportunities in other states, of course, together the regulatory area. We will analyze is this going to be good or bad? Will this add value or subtract value? So Rio Grande do Norte, yes, adds value.

Of course, Rio Grande do Sul, it can be good. I mean you can add value middle or long term. In the North, you still -- we still have a good potential to grow. And the quality of the northeastern winds is something not seen globally. I mean the volume, it will still be -- is too good to be explored.

And as far as conflicts of projects, I mean it's something that we have to really take -- make it -- keep it in mind. In Bahia, all the projects that have been developed so far, they are extremely interesting because they have a natural protection. I mean they are in flat areas, so nobody can get there. So it's really protected. The belt effect doesn't happen, I mean the treadmill effects, whatever.

So when you move to other places, Rio Grande do Norte for instance, there are areas that have been developed already in the past and there are conflicts among the entrepreneurs. And we try to avoid that, and it's key to avoid that. So this is something to be analyzed.

Yes, we have to analyze hourly pricing. We have to analyze other states to actually add in our client portfolio. And the physical characteristics are in analyzed order to avoid conflicts with companies that already have authorization to explore that. So thank you.

Oh, as I mentioned before, in the wind project in Santo Agostinho or in Bahia, the solar potential in those regions is good, and we are analyzing that already. We're doing environmental studies. And then maybe midterm, we will try to implement a project like that, which would be good. It's going to be good for the [PLDR] of that company.

**Unidentified Analyst**

I'm [Juliano] from UBS. The biggest part of your expansion is towards -- driven to the Northeast. And the biggest -- a number of clients, consumers are in the Southeast. What about the risk of submarket? Is it irrelevant to you, the risk of submarket? And how are you protecting yourselves? And the hourly pricing can increase?

**Guilherme Slovinski Ferrari** - *Engie Brasil Energia S.A. - Chief New Businesses, Strategy & Innovation Officer and Member of Management Board*

Well, Keller will help me, though.

**Marcos Keller Amboni** - *Engie Brasil Energia S.A. - Chief Regulation & Market Officer and Member of Management Board*

But obviously, when we develop something, we're analyzing risks all the time. So we price it somehow. There is a [specification] of our pricing. But yes, there are 2 subjects that we really take into consideration. The submarket in the Northeast exists -- I mean the risk exists. It almost happened this year. Yes, there is. But there is a risk, and it's a risk that there is a due date, I mean there's a deadline. It will definitely decrease a lot or end because there is an expansion which is already contracted, hired already. I mean in just a few years, this risk tends to decrease. I'm talking about that risk for submarket.

But the risk for hourly pricing, it's a project. What is a project? It's a project, as Guilherme said. There is not a simple way to say, "Oh, the hourly pricing is good or bad for the wind source." Even the Northeast, the local -- I mean the places, we analyze that with the best techniques. We analyze that hourly. And then in development, we take in consideration the risks as we establish prices, too. I mean -- so I think this is important. It's key.

And also, the hourly pricing, we have to keep it in mind, we are the portfolio -- I mean, a company that manages the generation portfolio. We don't have only wind energy. When we look for a company that's purely wind, there's no way for it to be protected. So when you bring the wind energy to our portfolio because we have a lot of hydro, what happens is we reduce the risk of our portfolio because the profile of generation along the year, they are complementary. There is a period -- there is a wet period in the beginning of the year, is when you have more and more water so the hydro produces more than the wind. And we have a period in the Northeast which -- in which the winds are stronger in the second part of the year. So they're complementary.

I think that the -- to bring more wind energy to our portfolio for ENGIE Brazil Energy will actually decrease our risk, which is a risk for a project -- which is an individual risk for the project. It doesn't mean that it's going to be a risk for the whole project.

---

**Unidentified Analyst**

I'd like to talk about this. I'd like to understand more details. This thermal in...

---

**Guilherme Slovinski Ferrari** - *Engie Brasil Energia S.A. - Chief New Businesses, Strategy & Innovation Officer and Member of Management Board*

Well, in that -- we started that project in 2012, 2013. It was a project that, in the beginning, we didn't think about the connection of places. We didn't know how to connect the places. And as the market evolved, how that looked for us, and they asked about the possibility of putting that project as an anchor in that terminal that they developed. So they are separated projects.

The [thermica] is -- thermal is something that we're still analyzing, thermal energy. It still, we have to do the decarbonization process. But natural gas, yes, is part of our movement of energetic transmission. The regulated market is very competitive right now. We -- just take a look in the prices of the last auctions, I mean the prices are low. So yes, our portfolio is there, but there is -- thermic -- thermal is in our portfolio, but we don't know when yet.

---

**Unidentified Analyst**

And what about the negotiation of the natural gas? It would be with [Golas] or with another group?

---

**Guilherme Slovinski Ferrari** - *Engie Brasil Energia S.A. - Chief New Businesses, Strategy & Innovation Officer and Member of Management Board*

Well, the group left the negotiation of natural gas. It's not part anymore of that. But -- in trading of gas, natural gas in the past, but today, they don't have it anymore. So obviously, the owner of the thermal plant tends to negotiate this gas. Of course, [the Golar] has an interest, too, in the southern region. But because of the physical restrictions, it would be a little hard. So the entrance of gas in that region of the north of Santa Catarina is very good. It's very good, injects natural gas without new event. .

---

**Unidentified Analyst**

One more question in regards to the term of contracting for free clients. These projects that you have made viable with these clients, what is the term that are set in the contracts? And whether this time frame, if it's not too long, how do you deal with the pricing issue at the end of the contract?

---

**Guilherme Slovinski Ferrari** - *Engie Brasil Energia S.A. - Chief New Businesses, Strategy & Innovation Officer and Member of Management Board*

Well, we have several different kinds of clients, and there are different profiles for contracting. There is short term, midterm and long term. So at the end -- today, when we start a project, we already have a contracted project for the 5-, 6-years horizon. There are smaller midterm, but the average time is 5 years.

In regards to the second question, it's always a good question. What is the future price? As Sattamini has mentioned today, the energy price for wind energy is low, but it has an attractive that comes from the hydro. So at the moment, when the subsidy for renewables is stopped, I think the price is going to increase a little bit in comparison to what it is today. So this is a dynamic that is taking place in the market. And then our regulatory folks are always on the ball in order to orient us, to tell us in order how to do well. We expect the markets to be better in the future.

So this is what I'm going to complement. We are conservative. We put relatively small prices for future prices. But the reality, and we've been doing this for 20, 21 years that we've been here in the country operating generators and installing new capacities. And we see that always, the price is not -- does not meet of that previous forecast that we made. So looking forward, we have it conservative, very conservative, right?

Our expectation is that the price is going to be much higher than our models are set. People use very high prices in the model. So we -- when we go to a competitive market, we already -- or we have faced some problems because of this being conservative in our estimation. So what's important is that we have these elements that distorts the price to be purged out of the market because then you're going to have a real view of the problem. If you do not solve the subsidy problem, if you have crossed subsidies, we end up with problems.

---

**Unidentified Analyst**

You have a very big pipeline development -- project development pipeline. You also have M&A pipeline. Do you think do you have a specific kind of asset that is -- should be done in M&A?

---

**Guilherme Slovinski Ferrari** - *Engie Brasil Energia S.A. - Chief New Businesses, Strategy & Innovation Officer and Member of Management Board*

Well, as I mentioned in the beginning of the presentation, the M&A is an opportunistic case that may pop up today. When we receive a project that is already undergoing and it's a mid project, it is a discount in the cash flow. And to add value, we have to be in the whole chain, development, commercialization, implementation and commercialization.

If you get a project that's already implemented and develop it with the PPAs, it's going to be discounted from the flow effects and we end up not being as competitive as we could. In the M&A, we enter when we are able to add value. T-A-G, TAG, an example of this, which is a great project with different know-how. So we were able to add value there. Jaguara and Miranda was also the matter of long-term commercialization of the energy.

So these are punctual project, and we have to analyze whether we have to add value, not only to see it's just another one to discount our cash flow. So we enter when we can be competitive. So when we find a 10 megawatts contracted for 20 years, there's no good to look at it because I'm not going to be competitive there.

---

**Unidentified Analyst**

Guilherme, if you'll allow me just one more quick question here. If you could give us a quick outlook in terms of wind generators, how are you positioned in regards to the main generators? Is there -- what are each one offering in terms of the scope?

---

**Guilherme Slovinski Ferrari** - *Engie Brasil Energia S.A. - Chief New Businesses, Strategy & Innovation Officer and Member of Management Board*

Today, clearly, it's a seller's market. Today in Brazil, we have very few suppliers. We are talking about GE, Siemens Gamesa and Investa. Obviously, there are smaller suppliers but with smaller capacities. There is [VEG] coming into the market, but it's still a long way to go. We have an R&D with them for a wind turbine.

Well, today, it's rather a commodity. Suppliers, they already have their bundle, full scope, how many years, what are your guarantees you want? So you have a relatively small bargain power. And there's also the American market which is waiting a lot in Brazil. We see difficulty in meeting the '20 years, '22, '23 specifically, about the propellers because we're exporting to the States. So that brings additional difficulties to our market. But it's a complicated market. Manufacturers there, as we had some years of economy recession, they ended up not expanding. So their production capabilities, output was reduced. So it's difficult to anticipate delivery time. So it's not an easy market with wind generators.

Just coming back to the concentration issue. We have Siemens Gamesa, they operate our power plants in Trairi. GE has the highest concentration because of the area of Alstom. They have inherited the Alstom machinery. So GE, we have de facto machines. And we have the [Marunas] project with such machines, and [Block], we have investors. So this is our profile in terms of suppliers.

---

**Eduardo Antonio Gori Sattamini** - *Engie Brasil Energia S.A. - CEO, IR Officer & Member of Management Board*

So we have to break up now. I'd just like to break the news here where you're going to have a break -- a coffee break here, and we come back in 20 minutes.

But the news that we have to break is that once again, we are in the ISE's portfolio with 1 of the 7 companies that are, since the incept of the ISE, years -- the 15th consecutive year last year. We still don't know how many were left in the portfolio. But last year, it was 28. So that brings us -- we're very proud of it. So that shows us we are in the right way.

So let's go to the coffee break. And in 20 minutes, we are back, people who are watching us online.

(Break)

(technical difficulty)

our operation -- generation operations center. What I would like to ask here is to not forget to fuel the research, that is very important for us in order to improve our event, in order to improve this event for you even further. I'm going to pass the floor now to Gustavo as we wait for all of the attendees to come back to their seats.

---

**Unidentified Company Representative**

Well, good morning, everyone. It's a pleasure for me to take part in this Inside ENGIE Event and now with a new challenge at TAG. This presentation is divided in 2 big blocks. And the first block, I'm going to be speaking about TAG as a company, as an asset itself. And then the second block, since we are here Inside ENGIE Brazil Energia, which is speaking about a leader company in the energy generation, the focus in integration between gas and electric energy sectors. I intend to leave a very long space for the Q&A session. Because we've already noticed that there's a lot of doubts going on in regards to this subject, and I can assure you that I also have, and we will try to share that with you. Obviously, I would like to have a very open session in which you're going to have lots of questions because that is going to help us. Even those that I am not -- that I cannot answer, we will take it. We'll note them, we'll take them to the company and get it back to you, because this is something right on you, and I'm sure that every contribution is going to be worth.

The first question that we are up with is, what are the merits of acquisition of the TAG, of TAG? And the message that we are going to bring you is that there is a total alignment with ENGIE strategy via the global strategy via the Brazilian strategy. That represents, for us, the diversification of the portfolio, the entrance in the infrastructure area with more predictable revenues and with a complement to the portfolio that we have of our existing assets. Brazil is a priority country to the group. So we increased our geographic presence as well. And thinking, in the longer term, a desire that we have for the group, the group intends -- understands that gas is the transition fuel, but we also think -- in terms of 0 carbon. I'm now talking about biogas, green gas, biomethane and a series of alternatives that are already being studied and in the future we expect will be able to be transported within our infrastructure through our pipelines. And as far as the operation is concerned, it's already operating assets without any risks involved with in the construction with all the infills risks. Of course, we have other challenges in such a size, but we already have an existing and operating asset.

It's important to mention that of all the experience, all the ENGIE experience in the area of gas, the group is very strong in transportation, distribution & storage of natural gas in Europe and as well as in Mexico, and we are going to be using all of these expertise at TAG and here in Brazil. As far as the financial area is concerned, this is a business that has a predictable revenue. It's a regulated business. Similar to the transmission lines, we have the REP. It's the maximum revenue always regulated by the agents, by the government. They are always stable. And the partnership, the investor, the long-term investor, the Canadian investor which made the big infrastructure investment in Brazil counting on this as the strategic presence of ENGIE in Brazil. It's interesting. We wanted a local partner and they understood, and they saw ENGIE as a local partner. [Evidence] project finance is very important for our competitiveness in the auction and the sales process there. Later on, I'm going to show you that all the contracts are adjusted through inflation and exchange rate variation.

Talking a little bit about the asset itself. It's an asset that can be found along all the coast of Brazil from (inaudible) to Rio de Janeiro, and part of it from (inaudible) inside the Amazon Basin. So there are 400 -- 5,500 kilometers of pipeline. Brazil has 9,000 kilometers of pipelines, transportation pipelines in ENGIE through RGP Gas operates in France, 32,000 kilometers of pipeline. So you see the potential that we have for expansion in this network of pipelines in the country. Also, I would like to stress that certain sub-connection points, the pipeline goes through 10 states, about 180 municipalities, and it has in interconnection points at 10 gas distributors, 91 delivery points in total, delivering to fertilizers, plants, thermals and 12 entry points including 2 LNG terminals in Bahia.

From the contract to our point of view, there are 3 periods just to make a point here. The first period, which is midterm, which is (inaudible) which is bilateral contracts with Petrobras. All the installed capacity is contracted with Petrobras. The first contract that is maturing is the [Nordeste] It matures in 2025. After this period, in a mid period of 12 years, it enters in the tariff revision period, which is happening with the AG, the first transporting agent that has an expiring contract which is for gas ball, and it is under public audience that were suspended by the corporate business agent. And what does it mean this tariff revision. It's a regulated business. The regulator is going to look into the market, it's going to see our base, it will define a regulatory base, and we're going to have a new tariff from this. And the third period is the -- when we have our permits expiring and most of them expire from to 2040, 2039. And when do we have the (inaudible) for the value of this net asset, what has not been amortized yet and the reversion to the country. That is all under construction. There is a draft bill for gas that has been already approved by the Mines and Energy Ministry. It's at the Congress already, and it may be voted soon under urgency rules, and it's going to modify a little bit what I am saying here, and this is what we are following closely.

I would like to talk a little bit about the O&M activities -- A&M. The Transpetro, which is a subsidiary of Petrobras, is responsible for the OEM of TAG up to 3 years until 2022. And ENGIE is going to take over all this operation in '20. And bringing all this experience that we have and the teams from Mexico, France, from the Tractebel engineering department that has a lot of experience in these pipelines, we're going to bring improvements to this operation, some innovations. And this is going to allow us to have a reduction in terms of costs. The middle part in terms of staff, this is an estimation, of course, that we have in our business plan in terms of number of people that you should have in order to operate, but this is an ongoing process. We are reevaluating all possible alternatives.

In regards to the shareholding structure, it's important to mention one of the great hallmarks of our acquisition was the reverse incorporation because of the debt in order to buy the asset was within the Allied -- Alliance, Transportadora de Gás, which was the vehicle for transporting, which the consortium, formed by ENGIE, 50%, 50% ENGIE s.a. and CDPQ have acquired 100% of TAG. Petrobras remained with 10%. With the reversed merger, and that was at request of the lenders, it was incorporated in the cash flow of TAG and they asked us to transfer this debt in -- within -- inside the asset, so the guarantee, the -- it's GTI is accounting on TAG. And with that, we ended up with a structure such as 58% ENGIE, half through ENGIE Energia, 31% CDPQ, and Petrobras is still holding 10%.

The ENGIE Group as a whole, the participation of ENGIE Group as a whole, it's 43.9%. Speaking about the funding with a little bit more detail. Some of you have participated in this funding process, which was very important for us because it increased our competitiveness in EBIT terms. And we have 2 lines of financing in order for us to separate here, 1 line in reals, which was financed by 3 local banks. In this case, Banco do Brasil, Bradesco and Itaú. And with a 7-year term and part in dollar, almost $2.45 billion financed by international banks. I'm going to mention a few of them, not all of them (inaudible) BNP Paribas, Societe Generale among others. And after 5 months of the acquisition. They have syndicated already. So these initial 7 banks became 12. Among them, Santander, AB and [Intesa.]

It's important to mention the dollar financing. There is no uncoupling impacting the balance or the cash flow or the balance of the company, because one of the contract, the gas end contract, is 50% based on GPN and 50% exchange rate variation. So all this connected to dollar. It has -- it is pegged with GTA indexed to U.S. dollars. Some numbers, and this is very basic, in regards to TAG numbers in 2018. We don't have any baseline here, BRL 5 billion in net revenue. And this revenue, 65% was indexed to EGPM, 16% EBGA and 90% U.S. dollars. Depending on the variation, this can vary a little bit, but this is the actual current situation. Also looking through a few numbers, important numbers of TAG, we're talking about BRL 35 billion, assets BRL 7.8 billion. These are the numbers after the reverse merger, and it had a net debt of 22.6 billion. It's a regulated asset, with an EBITDA margin that is relatively high. And it's always above 85%. I'd also like to leave some reference in regards to CapEx, which is important for you. And this is an activity that we are doing all refining, the company was for 3 years in the sale process because the team that was there was also the team that sold NTS. So obviously, there were some frozen projects or suspended, so we're now analyzing those projects in order to prioritize and focus on the implementation of this project.

So we estimate something around BRL 200 million in the next 5 years, a little bit more or less, possibly a little less. And from 2025, on the sixth year onward or something, stabilize at BRL 75 million. These are investments that are higher on the environmental area and part of safety of integrity of the pipelines, also something that the market, the more technical people say, the location and population getting closer to the pipeline, either you reduce the pressure or you make additional investments in order to avoid people hitting or opening or having any accidents with the pipeline. Some initiatives are already in place in regards to crossing rivers, interfering with road. So we have a series of studies that are conducted by the team that we are prioritizing in the next few years.

This slide looks a little complicated, and I'm not going to dwell into details, but we have bought company that, in fact, was a department of Petrobras. So imagine if ENGIE Brazil Energia decided to sell the catalog or complex to a new player that is arriving in Brazil without any structure in the country. So ENGIE Brazil would need to give support until the structure of the new player is established. So this is happening with TAG as well. Petrobras signed a contract for our service delivery with TAG and with landing of some staff for a 6-year period, which can be extended, which I call the Transitory Support Agreement in December 13 expires and the next in January 2020. And we are going to be exploring the links. In 1st of October, we already had in provisory ERP in which we started some activities there. Until then, we're done through Petrobras systems, such as payment, accounting tax. That is all in turned in TAG through the ERP. So I still have a challenges in the IT area. So I'm slowly disconnecting those that we incorporate and those that we need more support, we are going to extend the contract.

The same thing with the staff. When we arrived, we had 90 people team, 50% third party, 50% considered given by Petrobras. So we are now building a new culture, a TAG culture, and we expect to end the year 40% or 40 people, TAG people, and the remainder is still where some people from Petrobras and third-party employees. And we are adjusting the structure along the next months.

Speaking about integration, mergers. It's always important to plan and have focus. It's very gratifying to participate in such a project, form a team, form a culture. But we have to be very focused on our objectives. So the first thing is to guarantee the continuity of the business. We have our obligations, transport of gas and deliver that to clients. So we have to maintain the continuity. And at the same time, guarantee that our business plan has been implemented to define a strong governance and management people. So our board of Directors already defined. Sata is part of the board. Mauricio, who is the Chairman. He's also the Chairman of our Board at TAG. we also have directors from Petrobras and also Director from ENGIE that brings some experience in infrastructure from abroad. As far as the management is concerned, I am the CEO, I have Manuel [Del Foso] as the operating -- Chief Operating Officer; Joaquin (inaudible) that has recently come in to the team as the Financial Officer. [Felipe Bautista,] as the legal team adviser and regulatory team, which still have an open vacancy. So this is the macro structure in terms of governance. So obviously, we had to focus and identify critical steps to process, and it's not easy to change the mindset of people.

And when we arrived, we sort of make joke. Nobody had a TAG, so to speak, a TAG tag. While we cannot please everyone, but the we are working on an integration project with an internal communication that is very strong because they know that deals with the people's life and always when we deal with people, it's complicated. So we have to transfer knowledge from the teams that are in place to, the teams that we are putting there, to our teams to do -- you have to take over the activities. I mentioned that we already took over the ERP in certain areas, and we have to keep the elevated security patterns, environmental patterns for all our pipeline network, 4,500 kilometer is a very challenging task and to adequate the culture of the company to the culture and ballast of our shareholders.

This is also a slide that has a lot of information. We've placed a number of items that we were able to meet in this 5-month period in regards to governance and management and integration of the company and some challenges that we still have ahead of us. Some of them, we are already facing. So we marked -- we kicked out those that we have already fulfilled. So I'm going to give you a few examples in challenges that lie ahead, that are important for you to know. For instance, in terms of health and security environment, there is lots of work, lots of work been done in terms of licensing and audit work in order to prioritize -- to see what to prioritize, what programs, what are delayed, what requires an urgent action, that this is an ongoing work. We have hired [REM] for the health and security of work in Tractebel for environmental area. The same work that we have in environmental area, we have in the technical area, we did the due diligence and the M&A phase. And now we are having to confirm this. It's not saying that we are having some surprises and there are some hidden tricks. No, there are no surprises in terms of Petrobas and Petrobras are excellent operators and the technical capacity are outstanding, but there are areas in which some interventions are needed. And we have to prioritize, 4 years basically, the same teams are working with sales.

Now we have to see exactly what we need to prioritize. Now technical -- the technical people are in the field, trying to establish what priorities are -- so this is the kind of work that we're doing at the moment, and it is very important. So this is what we call post-sale auditing. Another important point that I said that, a firefighting mode, overburden of tasks. Well, that happens. Distraction, perhaps we have to focus on the integration. We have to be making the takeover process. We are guiding to known assets. But surprises pop up here and there, and we cannot lose focus. But that's not it. So this is a challenge that is constant.

Well I spoke about the asset, now I'm going to speak about the new gas market and this attempt to opening up the gas market and the integration with gas and electric energy. The first slide is a question, why integrating natural gas in power sectors? In our view, ENGIE as group, well, why? Because the first step, as I mentioned, ENGIE understands that natural gas is the fuel for the transition for a low-carbon economy. And then we want to align the track record, the experience, of our positive presence in Brazil of ENGIE Energia, 21 years, as Sata has mentioned, with 10 giga of installed capacity. That's a little bit -- as a long-term investor in Brazil, align that with the experience of the world group in terms of [us], there are some data here in terms of why the group has, in terms of gas, I brought here the example of GRT gas in France, which I already mentioned are covered 32,000 kilometers. And you can see how an interconnected network of pipeline works. Here, you have each point station storage of natural gas installations, several connection links, interconnection points. Some outstanding numbers here today, there are 140 loaders. So we want to bring all these dynamics, all this experience that the group had with the opening up of this market that happened 20 years ago in Europe, now to Brazil. So there's knowledge. This learning is very useful. And you have to be interacting with other transporters, which are our transporter -- gas transportation. There's no competition.

And with the regulator and our client and predominantly in the gas sector, in this case, is Petrobras, our main client. And why should we integrate gas power sectors? What is the vision of -- for our contract. I think is that it's important for ENGIE, but it's also -- it's more important for the country, for Brazil. First point is linked to this draft, which is the increase in the production of natural gas in Brazil, the net domestic production. These are public data in the expansion program for 2020 to 2029. So depending on the scenario, the production capacity doubles. So it's important because the electric sector, the terminal work as a sort of anchors for this gas market creation, is the main demand. So the electric system is what calls for more gas. So it's important that we have a regulatory alignment.

Today, for instance, for you to see the importance of this, there's going to be an option for changing the fuel, but diesel, oil to gas, some companies that are coming to us that want to access our transportation networking. Today, I cannot help.

(technical difficulty)

**Unidentified Participant**

Well, because what I can do, I mean, I can only expand my network up to 15 kilometers, because I need to connect a thermal 20, 40 or 50 kilometers. We can't do it. You have to do a public call. And this type of thing needs to be aligned. And it's very important to the country because you have kind of like 17 gigawatts of fossil fuels in operations that can be and might be replaced by natural gas. Another important thing to be mentioned is the flexibility issue because you have an increase of the generation, the intent generation of solar and wind and the battery of the system gives this flexibility. And natural gas can complement that, can add to that, when necessary, especially in the period of low hydro energy generation and low water in the reservoirs. Another thing that we would say is the gas storage. I mean, it's key, because the presale gas associated with petrol. And when it arrives in the coast, it has to be used. Today, Brazil doesn't have gas, natural gas storage, it has to be created to generate the flexibility that the power sector needs. So we have to do that end-to-end and try to burn this gas somehow.

Another public day of EEP, Expansion in Electric Power. When we see the generation metrics for the next 10 years, natural gas is the source that is responding to this expansion here, according to the client of (inaudible), almost 40% of what it's going to be added to the installed capacity in this generation system in the next 10 years. So again, it's important to see how is key to integrate these 2 sectors.

Let's talk a little bit about the market. And this -- from the regulatory agency point of view, it's a public document. Today, we have markets that has a dominant player, which is Petrobras. Petrobras has today 81% of the natural gas production in the country.

Petrobras, as a matter of fact, hires 100% because it owns 100% of the generation plants and everything and it buys that gas from the other players in order to monetize the gas of the other players because they do not have access to the treatment stations. So you have production, you have gas processing, which is treatment stations and then the regasification terminals.

We also have imports from Bolivia, 100% of imports come from Bolivia, except regional. And then you have the transport, the LDCs. I mean, we have NTS Italy. So there is a point-to-point or end-to-endsystem. We have the local distributors too in which Petrobras has a participation in 19 of them, specifically shareholder in 19 out of the 25 ones. So Petrobras produces gas, processes gas. Petrobras hires 100% of the transport capacity, point-to-point, and it's the biggest part of the distributors. So there's a player, which is a total verticalized player within the sector present massively throughout the whole chain.

So what's intended here I mean, I don't want to take too long on this, but Petrobras made an agreement with CADE, which is the Petrobras will -- there is an obligation for Petrobras to open the market. Petrobas needs to sell participation in all the gas product production places, and it has to sell the 10% -- and it sold already 90%. It has to sell the 10%, remaining 10%. So you have to leave the transportation. Petrobras needs to sell the participations it has in the state, distributions, gas distributors through [gas petro].

It will have to ensure access to the stations of processing and treatment, so it will actually guarantee the access to other players, open access of the place. It's prohibited for Petrobras to buy gas from the exploration. So to force that opening of the market, this 90% which don't belong to Petrobras, imagining when they start ending, Petrobras will be forced not to hire so other producers will have to find another market to that gas. So these are the main opportunities. I mean, we have this in detail. But the main goal is this is to open that for many players in order to commercialize the gas to give access not only to the processing treatments, but to the terminals. So Petrobras opened that in that document and agreement. I think in 3 years, so the terminal will be leased by them in Bahia.

And then there is a term, there's an agreement within the -- yes. Well, [Dutch]. Well, there is a lot of debate in the company, ability, the capacity, TAG has 70 million of cubic meters [contract]. I cannot get 70 millions of cubic meters putting Rio de Janeiro and delivering Ceará, 74 million is the adding of what I have in each part, each area of my network. I think the subway is the best example.

Subway, there's a subway station. There is Station A to Station Z. If there is only passengers entering A and going to Z, and then you have capacity for 1,000 passengers. It will transport the maximum of 1,000. But from A to Z, if I have B, C, D, E, F in which people can enter and leave, enter and leave, this 1,000 capacity can transport 10,000 people because from A, you get 1,000. And then B, 5,000 leaves, and then you have 15, whatever.

So see, it adds like that. So that's the main objective from this point-to-point entrance and exit. Of course, it's not as simple as a subway train. But of course, we have to see where Petrobras can let go of this capacity? And if when it opens, if there's a third player that can offer, too, that's something to keep in mind.

So I spoke about the diversification a little bit, with the participation of the distributors. One important thing is that Petrobras let go of the exclusivity of using the transport for (inaudible) and it sent the (inaudible) already of the technical team. I mean, the work of its technical team and our team is assessing that. Technically, there had been some meetings already to be evaluated together with the regulatory agencies.

This one here is my last slide, my last image before questions and answers. And it's -- I'm actually -- I want to provoke some debate. What kind of business model do we want for the new gas market? The big question here is how to monetize the gas from exploration to production or in production? Of course, you can export and make the gas and you can export or reinject to produce more oil because there are some technical or legal restrictions too.

But what we see here is a building of new terminals. There's a lot of construction of new [GL] of natural gas. Terminals that link the thermal plant point-to-point, isolated projects. So I built the terminal. And then I participate of an auction, and I sell the capacity of energy for, I don't know, maybe 20, 25 years in a power sector or electric power auction. And then the consumer of power pays for all the investment that was done or was made in that chain. Are we against this? No. I mean, you have to be a hero to invest in Brazil, right? That's the way they found to make this process project to be feasible.

But we understand that this is not the best way. The planner or the regulator, whatever -- whoever is looking to both sectors and you have to see that with -- in a planned work. It needs to look for integration. Because then we can see -- we understand that the more verticalized this system is, the less competitive it is. And it's more integrated, it is more competitive. So we have to really balance that. So there's the fees and the rules, all the rules for taxes and everything. It's complicated here in Brazil, and it has to be clear. The power option, would that be federal or would that be a regional or state. I mean, so this is key, we have to really establish that.

Recently, we had some regulations for auctions. And then the (inaudible) they were hired and then indicated flexibility in rainy periods for the power sector is not good. This has to be planned and has to be studied and discussed. So when we talk about having a business model that is more integrated what do we mean by that? Actually, there is a -- offers a shock kind of thing because there's a terminal of the gasification. And if it's connected to the transport network or distribution network, we need to have a clear -- clearer rules. It's a little bit shady still. These rules are all a bit shady. It has to be connected because if the thermal is not being dispatched. And there's a possibility for the gas to be more competitive.

Way to create this market, to reduce price and increase competitiveness is -- I mean, if you keep point-to-point, it won't work. Somebody asking question on the microphone? Well, Satta just asked me something -- or who you access the storage, and that's what we want. That's what we -- yes, all the expansion of the network. This is important, actually, because I said it's 9,400 kilometers. In France, I think there's 37,000. ENGIE has 32,000. We have to grow the network. We have to invest. And the more integrated the system is, it's more incentives, more capital, more users less cost for the ones that are connected. It seems obvious, though, but it's not happening yet. So we have to work in order to get that, I mean, to -- we don't want to make islands or infrastructure bypass because if we allow that we won't have investments in infrastructure that will generate the best efficiency of the system long term.

If we take -- there was a question for Guilherme, for -- about [Gorla Project], which is the last point of my slide. You have the thermal, you have a secondary market of gas, and then you have security of supply.

If you're connected in the transport -- transportation network, you make your business model more feasible, not only with your thermal plants but if you can have a secondary market for gas. What's security of supply? Well, depending on the point is, you're connected through your terminal or through some exploration of block of protection. If at a certain point, you have a product, the ship has arrived, you can try another one. I mean you have -- this is security of supply because you cannot lack the product. So this is the background of this debate that we're having in our sector right now. And we want to work and we want to even be more educated, plan things better in order to have a business model that is more integrated in order to increase the competition and have better -- best investments that our country really needs. I think this was my message. Thank you, and now let's open for questions. Gustavo?





THOMSON REUTERS

**Carolina Carneiro** - *Crédit Suisse AG, Research Division - Sector Head*

My name is Carol from Crédit Suisse. Can you go back to the point in which you said that Petrobras actually declared entrances and exits, I mean, being so exclusive anymore? And you're analyzing this declaration that Petrobras gave. So what's the step by step about this information? From when on are we going to really have access to the amounts that Petrobras let go of? And when we could start -- you could start negotiating that with third players in order for other people could participate, enter and leave?

**Unidentified Company Representative**

Oh, thanks for your question. Well, exclusivity is over. Yes. So Petrobras let go of that after the agreement signed with CADE. So it sends letters to the distributors saying that's not exclusive anymore. So the capacity session was already reviewed. So Petrobras could have given part of their capacity to third players depending on the place, depending on the region. So this was already previewed. And then what was done after that, Petrobras is in all the chain. I mean there are contracts with clients because Petrobras serves distributors. So there is a thermal station in the base. So it needs that, and then in -- throughout the whole network, Petrobras will see what it can -- whatever can be left out. So this is the point of view from the carriers. So if Petrobras had 90 days to do that and it did -- it completed before 90 days, in theory, we have 90 days to answer. So we're still within the due date. I mean, we still have time to do it. If everything goes well, we could have some sort of public call to announce that next year, but our main concern is that the teams technically validate these points. And according to our current contract, I have a regulated business, 100% regulated, and I have maximum revenue that is allowed. So if I have expenses -- I mean, revenue of 100 and then it's 100 with Petrobras. And then Shell comes in, and there is a 10 and then I'm not going to get 110. I'm going to have 100. I'm going to have more than 100. If I make an additional investment, there will be probably another delivery point, other things. I mean, I'm not going to be next to 110. I'm going to be near 100, a little over 100. So we have that concern. We want to protect our revenues, but we're favorable? Yes, we are in favor in order to open the market to make it more free, but something that is important to be mentioned is that we see a lot of pressure in the market on the transportation. I mean transportation companies are just -- it's a ring of the whole chain. Transportation, according to the EPE data, it makes 30% of the final fee of gas. So there's a whole thing, state laws and everything, it is a state monopoly, the government, the federal government is interested in that. I put a lot of information. And if you can -- it's available to you -- if you can see later. We don't want to break the monopoly, but the distributors need to accept a more federal regulation just like ANEEL does in the power sector, IPE talked about this plan for gas infrastructure for LNG structure based on the opportunities that they found, no doubt. You and the TAG could consider some of those projects or some similar projects in order to propose or to invest, or is still are in a very, very early stage. We are interested in doing that. It's not the moment yet. It's not the right moment. We'd like, yes, to make these connections, the connections that I mentioned, with the players that are looking for. [Gorla] is talking to us from the (inaudible) terminal. [Port du Plaisance] is talking to us. So yes, there is a lot of opportunity -- there are a lot of opportunities. Our business is regulated and I just can't make a bilateral negotiation with a third player, sign a contract and now I have to go to the E&P. And then the investment has to be validated and then calculated, and we would define the fee that I will be able to charge for that investment.

**Marcelo Britto** - *Citigroup Inc, Research Division - Director*

Marcelo Britto from Citi. I imagine that when you did the study to buy this asset, you probably -- maybe you did a possible expansion for this outfit. So when you see the whole networking and everything. I mean, how much more can I expand along the whole pipeline? What's that number?

**Unidentified Company Representative**

Oh, no, we don't have that number. We don't. We have expectations. We have expectations. We have -- asked to make, but we don't know what the market is. What is this LNG market? What is it? That's the big question. I mean we don't know. I mean, yes, you're right. I mean it has to be used, not only thermal. Thermal is the anchor. We do not have this data. You don't have the physical structure. I'm talking about what's the capacity of expansion. What's possible to be expanded, physically speaking? It really depends on each region in each area because our network -- this is an attempt to show what it is. I mean, imagine this was a pipeline because it goes from Rio to Ceará. And then here, we have all the processing units, thermal, delivery points, and so on. And here, this is just for you to see. And then the capacity, the diameter that I can transport in the pipeline from Bahia up to Ceará, the capacity is much smaller in the pipeline because the diameter is shorter, and I'm not able to transport the same volume that

I can do in the lower part. So well, you still need a lot of extra studies and evaluations to -- using our technical team to see the possibilities that we have in each of these different states and seeing -- depending on where the gas is arriving and whatever I'm delivering, Petrobras can decide, for instance, to remove -- the terminal that is in EPC and bring it to Rio de Janeiro. And then we have to see new alternatives together with Petrobras to actually meet the needs of the terminals up there. And they can remove -- technically speaking, I won't be able to serve them. So there is no specific number. We evaluated the opening of the market and we know all the opportunities that we could have, not only about the thermal electrical generation and bringing the international experience close to us. But we don't have datas where the market will be. And technically, what we could be doing to contribute. It's part of the work of this debate with Petrobras. So it's going to be discussed.

---

**João Pimentel** - *Banco BTG Pactual S.A., Research Division - Research Analyst*

My name is João. My question is, thinking about the consumers' point of view that's not thermoelectrical, what's the economical feasibility from him to shift to gas. He has a few sector thinking about the prices of the current contracts. Maybe in the future, this will be better as far as the CapEx. But nowadays with the client that is interested in entering the network, what's the economic viability for him? Because if you don't have a turbidite gas available or regasification and so on, I mean do you have that in mind?

---

**Unidentified Company Representative**

I mean to connect directly the network, well, the fees, the transportation fee are public. They are in our site. You can take a look in our tag. So whatever player wants to connect, then he can go ahead and check our website. They can see some sort of incremental -- I don't have a [cabalistic] number. One thing is to connect to the transportation. Another thing is to connect to the distribution. The distribution has 25 or 26 state distributors with different legislations, Rio, São Paulo with mature regulatory agencies, other states trying to catch up and be more mature. But if each state does or has a different approach, it's very hard to have a common thing. It depends on the state that we're talking about. It depends on the distribution fees. I really don't have an answer for you.

---

**João Pimentel** - *Banco BTG Pactual S.A., Research Division - Research Analyst*

I'm thinking little bit about what Engie in the power sector. In the free market, prospecting clients, creating a brand like Engie, Engie is doing that? Is there some sort of prospection of clients, free clients? Do you have anything in mind?

---

**Unidentified Company Representative**

Remember that I am actually releasing gas. So the ones that produce gas are the ones that are looking for this market. I am -- I make things happen. I mean, I just -- I am an intermediate on this, not a producer. I don't own the gas. And then they will negotiate with the client and they will use my network to get to their final client -- consumer. But as Engie, obviously, we will see possibilities to be a gas commercializer, a trader in order to supply our clients with power, electric power and gas for thermal abilities.

---

**João Pimentel** - *Banco BTG Pactual S.A., Research Division - Research Analyst*

Gustavo, what about the risk of volume? When the current contracts end, of course, there is a risk for volume. But thinking -- the northeastern network, when -- once you have the contract, how are you going to define the initial volumes? You have a base of assets and then you have an OpEx, and then you gets to a revenue and you need to reach a volume to get a fee. How would you define that initial volume? And will you follow a model that is -- in which the risk of volume is within the fees risk in the Northeast? I think the volumes are associated to the BIPT. If the dispatches of those are smaller, are you going to take the risk within the cycle or maybe it's going to be during the transmission in which we have no risk?

---

**Gustavo Labanca**

No there is a risk for volume. This risk of a market -- in fee reduction, we took that risk. We made a very good detailed assessment, analysis. And then we saw how the market was. Of course, we considered a reduction of -- a fee reduction during that revision period. I don't know the number. I don't have a magic number. But yes, this market risk, it belongs to us, too.

---

**Unidentified Analyst**

Gustavo, I have a question about the Urucu–Manaus region because the dynamics there is a little bit different. We know it's a pipeline that was very expensive and then the transportation's fees are very high then because of that. And at the same time, there are some companies trying to be very exploratory, doing exploratory actions. And in the past, there was a contract from Petrobras together with Eletrobras. I'd like to know if in case of these companies, these exploratory companies succeed, and if these companies want to use your pipeline to release part of this production, let's say, whatever the leftover there -- the remaining gas there, in your understanding, in order to use our pipeline, they will have to talk only with Engie because Petrobras has already declared the real capacity, so it's already fixed? I mean it's that or Eletrobras, which we know that there was a lot of confusion already in that contract. You know that it's -- or that company would have to sit together with Eletrobras in order to use your pipeline. How would that be -- found more gas in the region, want to use Urucu–Manaus what can I do?

---

**Unidentified Company Representative**

I mean, just to make it clear that everything that speak about here -- about entrance and exit in opening the market, I'm talking about the coast of Urucu–Manaus, not in that region. It's a very important pipeline for TAG which is 1/3 of our revenue. It means 1/3 of our revenue. It's obvious that we are following up these things. I mean, Eletrobras are the users of the gas. There was a change or a shift along our acquisition process. I don't know if you remember because of the Amazonas energy, because of the privatization, they reduced the PPA. So by the end of the current contract, we saw a change in the market. So we had to reduce the transportation fees because there was a risk, a bigger risk in that specific case, but now that pipeline is overused. I mean, it has a nominal capacity of 6 million and it's transporting 6 million or near that. So it's very, very well used. The work that we do, and then we're doing, it's something that was not done.

We have a lot of interest in order to foster this market because NAV is there, too. The (inaudible) basin there. And we have to see it and do this capacity study, I think that what the other colleagues have asked a similar question, we have to see what we can do in order to meet these demands. Is there any kind of investment in compression, so any kind of investment or additional investment on the network? So everything, we'll have to understand the need in order to see how we're going to be able to contribute. And obviously, our interest that is takes -- happens that, so that when the first contract ends, which is the bilateral contract that we have, that we have a bigger market and that guarantees a higher use of our transportation network. Well, this is a PPA. We have -- we have to honor. We have to fulfill what we have been contracted by Petrobras. Petrobras is delivering it and we -- we're just transporting. So the contract is between Petrobras and Eletrobras. What happens that if this terminal steals these patches, we have to respect those limits. I cannot do any additional thing because, remember, transmission line or an energy generator have a 100 mega plant that have to connect to a basic line and this line has to support 1,000 mega, but most of the time, I'm going to be dispatching 550, which is the average secured energy transmission. So I'm going to say that this 450 is idle -- if somebody enters between 10 and 4:00 during the day, I'll be using this capacity. But this is not very common. This is not easy to happen. So we have to use this example sometimes in order to think about the transportation of gas, but we want to work in order to make this market viable that uses better this infrastructure for the future as well.

---

**João Pimentel** - *Banco BTG Pactual S.A., Research Division - Research Analyst*

João Pimentel from BTG. The question is, I would like to understand whether you already have an idea in terms of the magnitude, how it can represent in terms of margin and costs when the CTSA, where the Petro finishes in 2020, when the contract ends and when -- or so when you have the exchange of the contract of O&M with Transpetro until 2022, whether there is a very relevant increase in your margin or not?

---

**Unidentified Company Representative**

Well, the contract with Petrobras, the impact is minimal. Minimal, because this is a contract that we were talking about, OSN contract. It's very short in regards to the revenue of the company. So we're going to have an optimization, but I shall repeat. This is marginal gain. In terms of OEM, I'm not -- I don't have a number now, but we understand that I will be able to work with a higher margin, and we're going to have a benefit of having an optimization in this operation but it's hard to give you a specific number. We have a number that we've used in our business plan, but I'd rather not comment on it. Just to give you on a reference, remind you that there is a report on KPMG that served as a basis to define the recess right and one of premises that KPMG use was a reduction of 26%. So this is public information. Thank you, Rafael. In next opportunity, I'll also bring along some people from TAG in order to have people would -- that can share more technical knowledge and clarify you further, but I cannot answer everything here.

---

**Andre Sampaio** - *Santander Investment Securities Inc., Research Division - Research Analyst*

Andre, Santander. I have 2 questions. The first one is in regards to the contracts that you commented on, that Petrobras has with other producers. When do they expire? That's the first question.

---

**Unidentified Company Representative**

Sure. Can you repeat?

---

**Andre Sampaio** - *Santander Investment Securities Inc., Research Division - Research Analyst*

Yes. That producers that sell to Petrobras, those remainders that -- I would like to know when is the expiration of those contracts, the existing contracts, whether you have this information? And the second question is in regards to the structure, the shareholding structure of TAG. The acquisition was made through this partnership with the 3 investors, and I'd like to understand a little bit better looking ahead, whether there is a possibility of EBE to acquire the GDFI participation and whether this was something that was already structured into the process or whether it wasn't discussed. Additionally, when can we look -- expect the leaving of Petrobras from the remainder 10%?

---

**Unidentified Company Representative**

Well, the first question, we may take note of it in our research and answer it later. I do not have the deadlines, the end term, the expiration. I know some will end in 10 years and they will not be able to renew but I do not know about the other players in the market. In regards to the structure, just to make it clear, this is a transaction that involves Engie Brasil Energia with their -- its controller. So the committee of related parts was called and I was part of this committee as a Director of Business Development. And we have -- what we have a reciprocity agreement. So following this philosophy, if we decide, be for any reason this is not in our business plan, just answering your question, if we decide to let go of a percentage of our asset, it has to be made equalitarily. So if it's 10%, that should be 10% EBE and it's 5% GDFI. So there is no agreement whether there should be a restructuring between the 2 Engie investors in this investment.

In regards to 10% belonging to Petrobras, they already started the process with the TCC. They have up to 2021 to meet their demands with CADE. They have already informed us, the opening of the sale process, they have sent us a notification and we have a period to answer the letter we haven't addressed in participating because we have the preference, which was already negotiated and contemplated in the contract. So there are some conditions that we can exert. So I believe that this process is going to be made public by the end of the year but most probably by the beginning of the next year. And when I say become public, the teasers for investors are going to be delivered, the first phase of this process.

---

**Unidentified Company Representative**

Just to complement Gustavo. Maybe you can clarify a little better the reciprocity agreement forecasted that they should have both companies at the same level of decision, the decision that one should not affect the other. But that doesn't mean that, for instance, if the group decides to evaluate that exposition to Brazil is too big, which -- because we're making a lot of big investments and whether they would like to diminish the employed capital in Brazil, maybe they could suggest to reduce the GDFI participations served. So EBE does not necessarily have to follow that decision. That is something that can be negotiated later. I don't have necessarily to sell a participation in the same way that NGA abroad. So obviously, for us to have a quality of conditions, but this is not a straitjacket for the strategic decisions. If we are satisfied -- because we also have to think about it for the bigger group, it's most -- more exposed to the real. As we are here, we are seeing in Brazil and the real exposition -- exposition to real is natural to our business. There's no problem, but eventually, GDFI may have. So it's not a straitjacket as we can have an accreditary treatment. That's why -- that is what is set forth in the reciprocity agreement. Isn't that so, Gustavo?

---

**Gustavo Labanca**

Yes, thank you very much.

---

**Unidentified Company Representative**

Well, finished. Well, I thank you, and I apologize for the more technical questions that I couldn't answer, but I'll talk to my team, and we're going to have the list of the participants, and we will send you the answers later on. Thank you very much.

---

**Unidentified Company Representative**

Good morning, everyone. Once again, this presentation is shorter and simpler one compared to the previous presentations and the objective to bring this presentation to this event is to show you what we -- that we've made several investment in other segments of business, and the impacts on our results in these segments have been increasingly more relevant. Then in order to give more transparency and a better understanding, possibilities of our financial statements from the next quarter, we are going to make our financial statements by business segmentation. So I'm going to show you what segmentations are going to be shown individually and also bring the result of the third quarter considering segmentation of the businesses.

Here, our main segment is the generation and sale of energy. It's the main segment of our portfolio. It represents about 85% of our revenue. We've entered the general solar -- distributed solar energy. We acquired 50% of a company that works basically in the sale and installation of solar panels. In '18, we have bought the other -- the remaining 50%, and we took over the control of this company. So this is a business segment that we're going to dealt separately as well. As Guilherme has mentioned in '17, we were the winners of the auction for transmission. The work has already been started. And according to the accounting rules, we have to consider a revenue for the construction of the infrastructure. So as the construction goes on, this revenue becomes more relevant. And it also is going to be dealt as a separate business to be dealt with individually.

The trading, we entered the trading market. At the beginning of 2018, we created a trading table -- trading board, and this is something that has been growing a lot until September 2019. We had an operating revenue near BRL 800 million and the trend is that this revenue is going to increase even more in the next years.

And finally, as Gustavo has mentioned, we have acquired in June of TAG. We have bought a 29% participation of the company. EBE individually has not -- does not hold the control. This is the reason why we have not consolidated the numbers in numbers of the balance sheet result. What we do is we consider our participation in a single line in the equity equivalents. Here, a few references that's been established in accounting norms. It considers there is operational segment when you have costs and revenues associated with the segment and when the operating results are used for decision-making and for performance evaluation of this economic sector and when information can be identified individually.

It's also forecast in the accounting rules, the obligation to publish separately these segments, every time that the revenues loss and profits is over 10% of what is consolidated. Today, we already have segments -- business segments with segment revenues that is 10% of our consolidated revenues, over 10%.

Here is our demonstration of the third quarter of 2019, if we had -- if you were -- if we had presented this by the business segmentation, it would look like this. So our main segment already mentioned is the generation and sale of energy of our portfolio. It represents an expressive share of our operating revenue and almost all of our EBITDA and the trading operation, as I mentioned, is growing. We ended the third quarter with a loss, motivated basically by the marking of our sale and purchase contracts, which are open contracts. And transmission here is EBITDA is our margin of construction -- constructing this asset. So this segment is going to generate EBITDA and more expressive margin as soon as it enters operation. Solar panels is a business that is expanding and gaining scale in order to revert this negative EBITDA that is still showing and gas, the equivalent equity, which is our participation in the third quarter of TAG. And also, we have our financial information of the -- consolidated information that as can be seen has a very inferior margin as our main segment, which reinforces the need to present and explaining them separately.

In the last column, the information on TAG. And this is exactly our participation, the share -- our shareholding, the participation in the shareholding up to the level of EBITDA. In the period of 9 months in 2019, the situation is very much similar to the third quarter. Our main business segment, express -- reflecting the most of the EBITDA and our consolidated also a EBITDA margin that much inferior to our -- compared to our main segment, which was motivated basically by the impacts of the margins from the other segments that, given the nature, are smaller and inferior to our main business. Trading sale and installation of solar panels naturally have inferior margins than the generation and transmission, and transmission margins are going to be elevated when they enter operation.

So this is what I had to show you, this novelty, that is, as I said, from the next quarter, we are going to be presenting our financial results broken down into the segments, and we're going to show about each financial performance separately as well. So I'd like to open now for questions, and I am available to entertain your -- any questions that you may have.

---

**Unidentified Analyst**

It's a very specific question in regards to the funding of the Santo Agostinho project. How do you see the data as an ACL project? Can you have a funding -- cheap funding through BNDES? How do you see this?

---

**Unidentified Company Representative**

Guilherme, perhaps has, and for me, more precise information, but I think that the main funding source for this project would be the BNDES. Just to complement, I mentioned in my presentation as well, in regards to BNB, I think the perspective is there's a reduction to the access to BNB. They're stretching a little bit. I think that is natural from the part of the government to reduce subsidies, mainly for segments such as the power sector, which doesn't need. So BNDES would be something and bond issuance would be another thing, debentures issues. Just be a bit more precise in the answer, the answer is it depends. And why does it depend? Depends because we want to put Santo Agostinho in place. We have several funding possibilities. Eventually, you're going to have BNB, perhaps BNB will have better conditions eventually, BNDES will have better conditions, and perhaps the market is receptive for -- to buying bonds. So when we make this evaluation, we consider, again, in a more conservative way, what we understand to be the market fee through the infrastructure investment bonds. So this has been our practice in order to evaluate projects.

---

**Unidentified Analyst**

I was going to ask a question at the end before the coffee break. So let me ask again -- now. It's the cash cost of the several forms of generations of energy, be it hydropower, thermal, solar and wind because I understand the complementarity, and this is not in question. I just wanted to know whether we can have an idea of this cash cost of each segment. And also a comment on solar, whether the cash cost is competitive in relation to the others.

---

**Unidentified Company Representative**

Just to make it clearer and try to give you a more precise answer. When you refer to cash cost what exactly do you mean? What kind of information do you want? Would you mean funding?

---

**Unidentified Analyst**

No. I mean, the cost per megawatt.

---

**Unidentified Company Representative**

Well, perhaps Guilherme may help you. I don't have any precision of this information. Perhaps Guilherme knows better on these numbers. This is a reference. If we see the regulated market we're going to have -- we're going to see the differences, what are the more competitive sources. Point that we always stress is the solar is -- nowadays, it's a very low-cost source, but you see lots of suppliers, the solar panel manufacturer has a participation. So it can capture a little of the return selling their equipment offering certain kind of services. So if we segregate that, perhaps the wind ends up being more competitive. And if you would analyze all the sources, if we take away this issue of getting gain in selling equipment or service supplies, I think that wind will be more competitive than solar, then depending on the hydro and then thermals. But -- and the reference is nowadays, we can see in the auctions that are being made by the federal government, you'll see that with the costs varying from 190 -- 100 to renewable ending up to ECB for thermal, hydro, depending on the size will be in the middle of the way.

---

**Unidentified Company Representative**

Maybe I try -- I should try to help. So what we offer is price. The cost, obviously -- has the price has to have -- has a component of cost. So if we're talking about variable cost, so it's a completely different, the variable cost of a hydro power plant. If we talk about royalty, operating cost and maintenance, we are talking about less than BRL 30 per kilowatt hour. Each power plant has their own specificities. If we're talking about a thermoelectric power plant, our variable cost varies by 180 for George Lacerda to 240 for George Lacerda, A, maybe a little bit higher than that. I don't have this number off the top of my head. Wind also, the variable cost is very, very low. It may be less than BRL 10, BRL 12 per kilowatt hour because we are talking about maintenance and operating. We do not pay royalty for wind. They try to institute this royalty but it was through a draft bill, but that wasn't voted yet. So that is -- I'm not sure whether you were referring to whether it's variable cost, cost. But I think that, that can give you a broad idea. Also, there is the cost of technology of each one source that these are open information. Solar varies from 2.5 million per mega to about 600 million installed megawatts. So these references are open.

---

**Unidentified Analyst**

[Caro.] There are some companies about considering new issuance, putting covenants of up to 4%, be it to prepare for future opportunities in new markets, which I think Europe, obviously looking into because of the CPCEs relative to the ERFs affecting the results of the distributors. Is that a trend? Or how do you see the debt issuance market, this kind of covenant that is a little more stretched or higher is something that you also been considering?

---

**Unidentified Company Representative**

Yes. This is something that we have considered. We've been negotiating with some of our funders, the review of the levels of our covenants. So this is, indeed, something that we are considering. It's under our radar.

---

**Andre Sampaio** - *Santander Investment Securities Inc., Research Division - Research Analyst*

Andre, Santander. I'd like to ask a simple question about the publishing of transmission. We have a great difficulty to understand in a correct way the ERFs. And what we see in the -- with the big players of transmission is the regulatory ERF. I'm not sure whether you intend to do something with your publication of results by segment, do something with their reports.

---

**Unidentified Company Representative**

Well, the informations and individualized information of our ESPA, we do our publication, also on the shareholding result, Jaguara and Miranda, we also make public the results not only the revenues, but also the shareholding results. And the idea is that we also do this kind of publication as well. We have the intention to also present the regulatory result. Are there any more questions?

---

**Unidentified Company Representative**

Thank you, Martin. We are coming close to the end of the presentations. We are now going to have a guided tour to the operation central. [Santamina] would like to address the folks, say a few words. Well, we're going to have -- make a group visit about 20 people per group. I think you can follow.

Well, as we are already finishing wrapping up the part of visitation, people that are online cannot participate. Unfortunately, we do not have cameras that can be brought with us. Perhaps next time we can think of something like that. So I'd like to thank the people that are watching us online. Thank you for your participation, and we are now bringing the online transmission to an end. And we are now going on to the guided tour to our central, just to see how we are structured to see our operator. We're going to have a brief explanation. I ask people not to take too long because there isn't lot to be talked about. If we leave them, they can talk on end just to show you around how we do our operation. And then we go out for our lunch. So you're going to have a 5-minute presentation for each group, and our groups will be formed by 20 people not to distract our operators because the operation must go on. And then in 15 minutes' time, we can be over with this visit, and then we go up to the attic for lunchtime, respecting our lunch because we know that people have flights to take later on. Well, talking about that, people that are taking the vans to the airport, please be -- attend to the time because today's Friday. Traffic can be a bit messy today. And also, I would like to reinforce the request, you answer the research. Thank you very much.

---