



M&A – Main Transactions (Dec-17/Jan/Feb-18)

Sumitomo invests BRL 39M in Cosan Biomassa (Feb-18)

Japanese group Sumitomo completed a new contribution to Cosan Biomassa, the joint venture with Cosan group. The company subscribed BRL 39M in new shares, increasing Cosan Biomassa's capital to BRL 101M. The total contribution settled with Cosan is BRL 70M, representing 20% control of the JV. The first contribution was made in 2016.

Engie Soluções acquires ACS (Jan-18)

Engie Soluções, one of the Brazilian arms of the French group Engie, acquired ACS, a Brazilian company focused on energy consumption remote control. The acquisition will enable Engie Soluções to maintain a presence in all sectors of energy efficiency in the country. ACS is a leader in the sector, with 40% of market share and over 600 clients.

Capitale invests BRL 100M in Distributed Generation (Jan-18)

The energy trading company Capitale will invest BRL 100M in distributed generation projects through 2018. Capitale acquired a minority stake in ZEG Environmental, a company specialized in turning solid residues into gas, vapor or electricity. A portion of the BRL 100M investment came from Capitale directly and the remainder from investors and a fund. The trading company aims to raise an additional BRL 800M in the future.

AES gets approval from CADE for its acquisition of 5 solar projects (Dec-17)

AES Tietê, the Brazilian subsidiary of the American AES, acquired five pre-operational projects from Cobra Brasil. The total installed capacity of the projects is 150 MW and they are located in the state of Sao Paulo.

Brazil hits 1 GW solar milestone (Jan-18)

Brazil became the second country in Latin America to reach the 1 GW milestone of solar power. According to ABSOLAR, the national solar association, 85% of the installed capacity is represented by large-scale solar plants and the remaining 15% by distributed generation. Approximately 910 MW of newly installed PV capacity was added in 2017 mainly due to the beginning of operation of solar facilities contracted by the federal government in electric power auctions held in 2014 and 2015.

Engie takes over the operation of hydro plants from Cemig (Dec-17)

Engie acquired the hydro plants Jaguara (424 MW) and Miranda (408 MW), both in the state of Minas Gerais, from Cemig, and took over the operation in December. Both plants have won national energy auctions and the value of the transaction was BRL 3.5Bi.

Indices

Energy Price Indices

	Center-West	Southeast	South	Northeast	North
December PLD* (USD/MWh)	72	72	72	71	71
January PLD* (USD/MWh)	55	55	54	54	43
Hydro Reservoir Level - December/17**	33%	33%	83%	19%	40%

Economic Indices

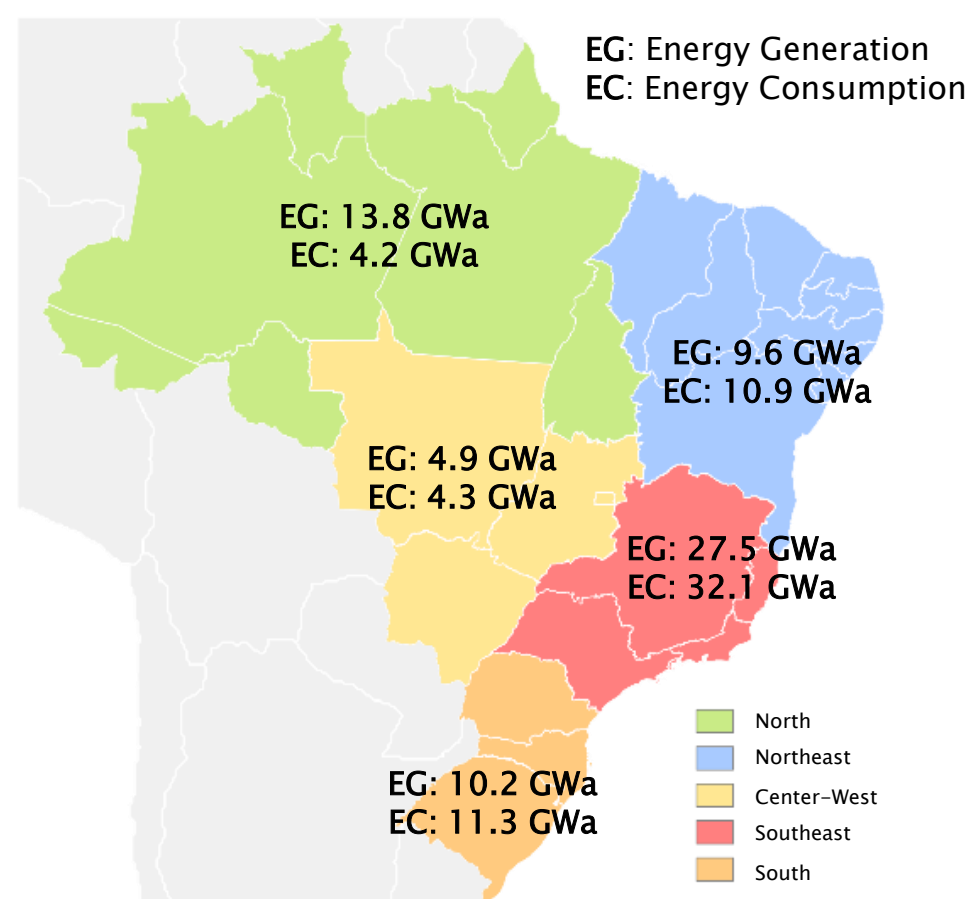
Brazilian Treasury Bonds - NTN2045***	5.11% + IPCA per annum
Brazilian CPI - IPCA - YTD	0.29%
Brazilian CPI - IPCA - 12M	2.86%
Average FX Rate 2017 YTD (R\$/USD)	3.28

* PLD: Average Spot Market Energy price

** Hydro Reservoir Level: used to calculate the PLD and to determine when thermal plants must be turned on to provide security to the system.

*** Brazilian Treasury Bonds NTN2045: indexed to IPCA (Brazilian CPI - Central Bank inflation guidance)

Energy Generation and Consumption



Sources: ANEEL, ONS, EPE, CCEE, Valor, Canal Energia, Reuters, PV Magazine, DCI, UDOP.

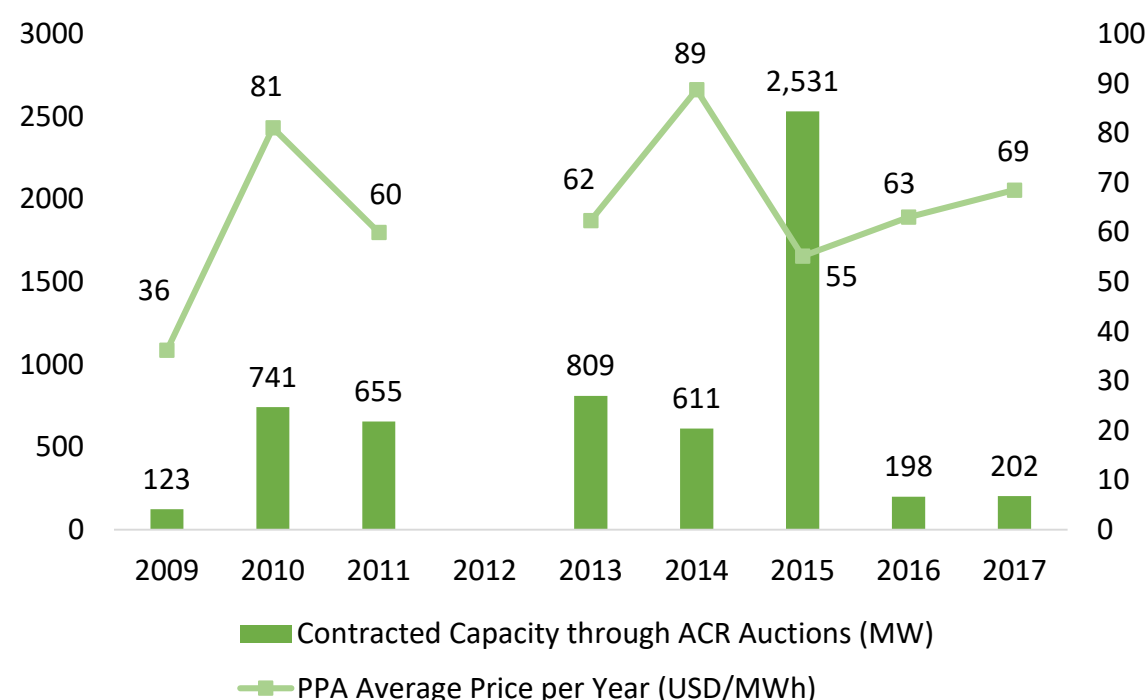


Outlook: ACR Auctions

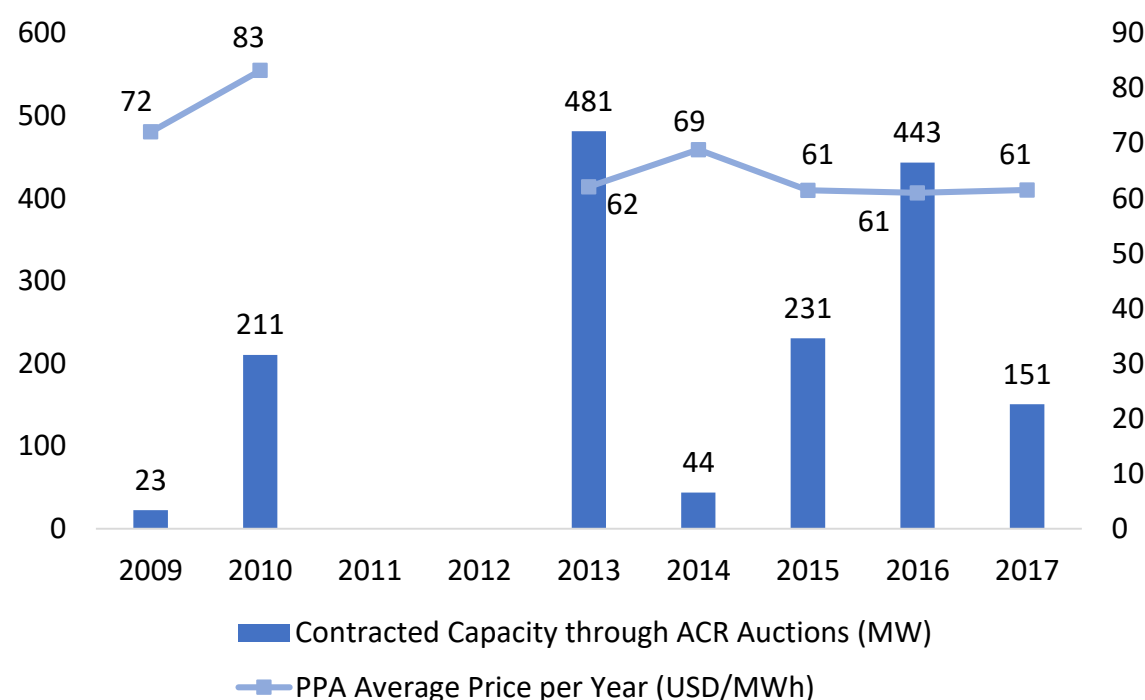
Energy auctions play a central role in the Regulated Contracting Environment (ACR - Ambiente de Contratação Regulada) promoted by ANEEL and operated by CCEE in Brazil. The contracts awarded from the auctions adhere to specific regulations regarding aspects such as energy price and supply validity, which cannot be altered bilaterally by either party. Participants offering the lowest price for energy are selected as auction winners.

Renewable Energy Contracted Through ACR Auctions

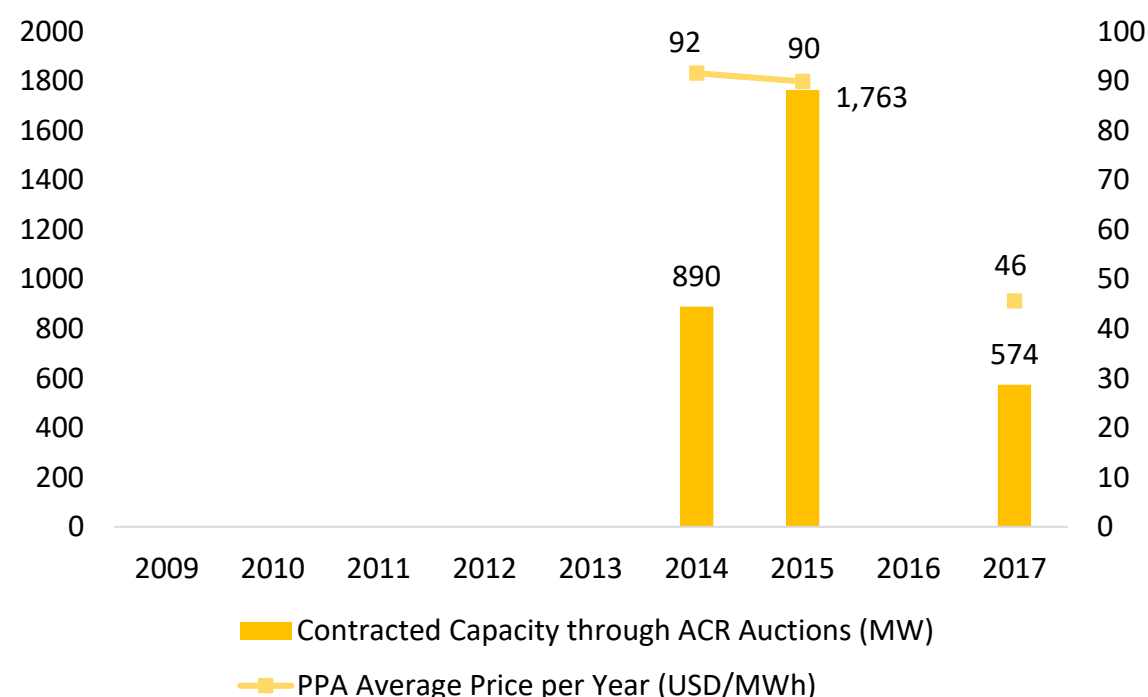
Biomass



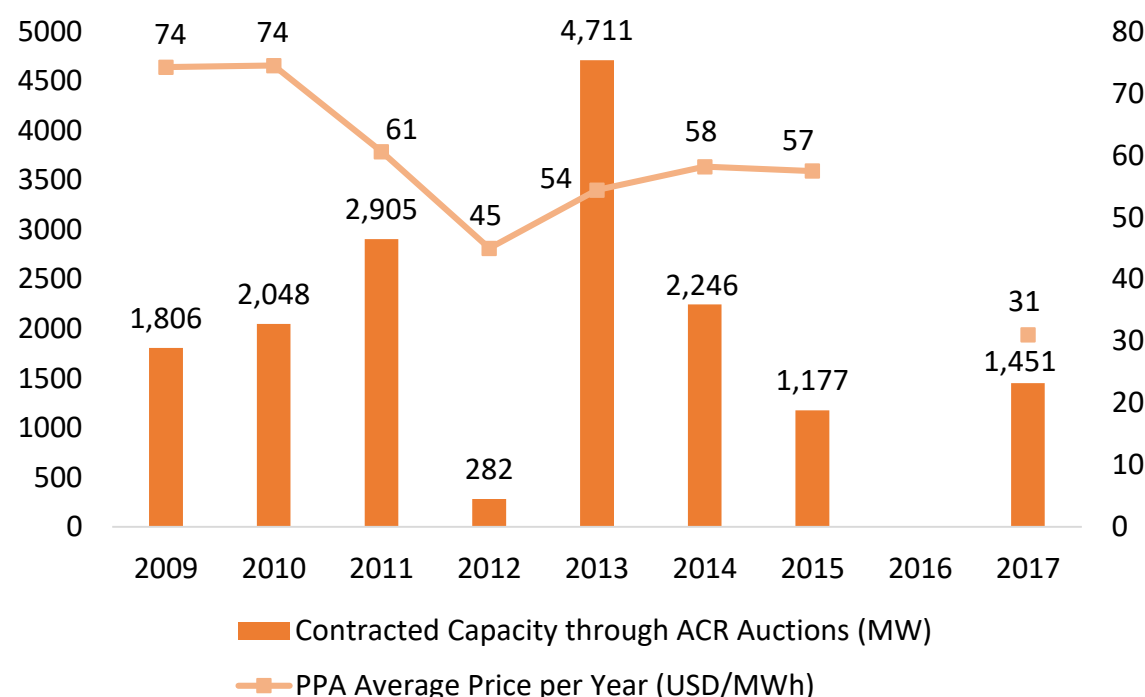
Small Hydro



Solar



Wind

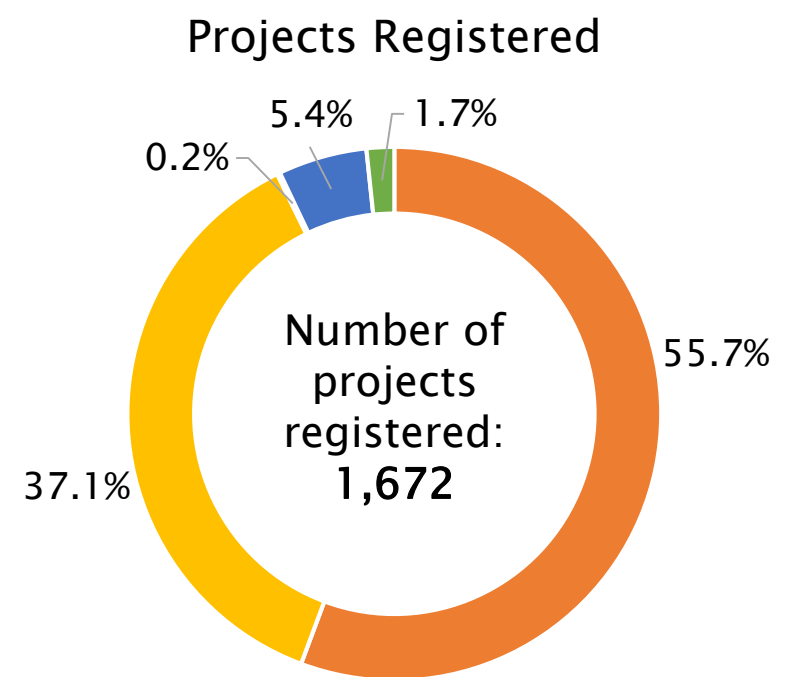
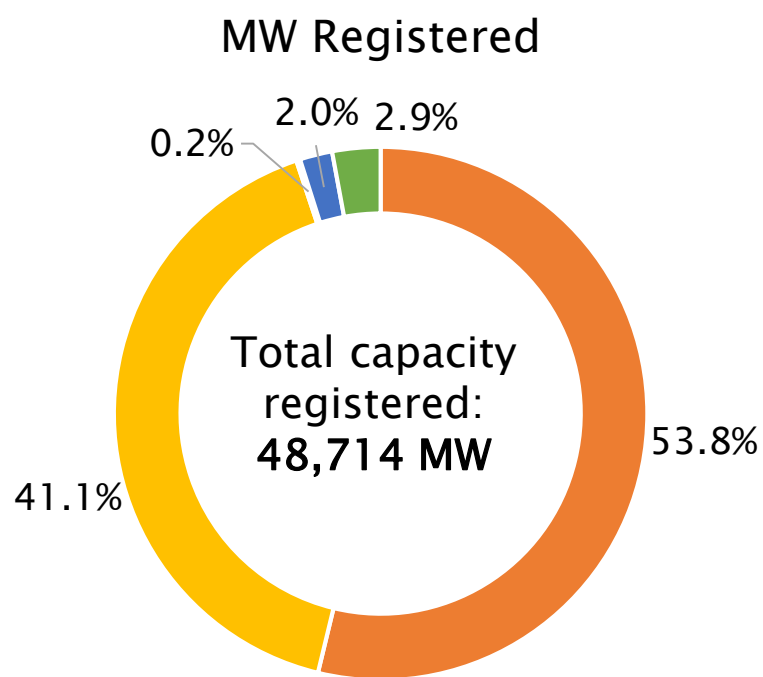


Sources: CCEE, Canal Enegia.



Brazilian New Energy Auction - April 2018

Following the successful power auction last December, the Brazilian Ministry of Mines and Energy (MME) scheduled a new power auction for April 4, 2018. The Energy Research Company (EPE), which is responsible for project registration, registered 1,672 projects with a total of 48,714 MW of power capacity. The leading source in registered capacity was wind with over 26,000 MW spread among 931 projects. Solar appears in second place, with 620 projects representing over 20,000 MW of capacity. Biomass registered 28 projects with a total of 1,400 MW, while hydro projects represented nearly 1,100 MW. The leading states in number of projects registered were Bahia, Rio Grande do Norte and Piauí, with 477, 322 and 194, respectively.

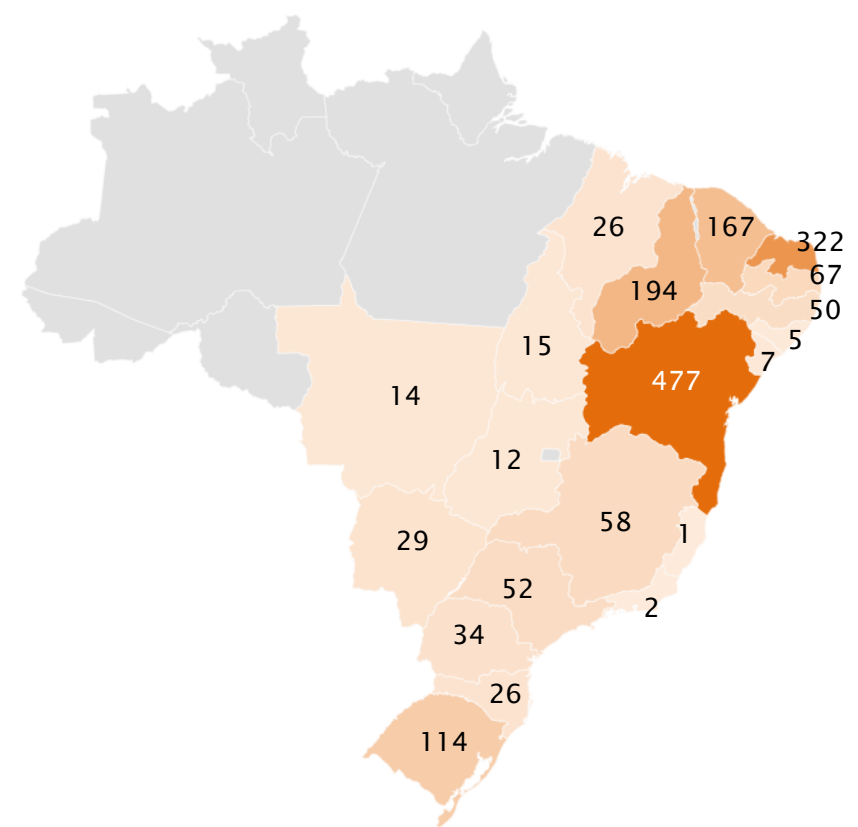
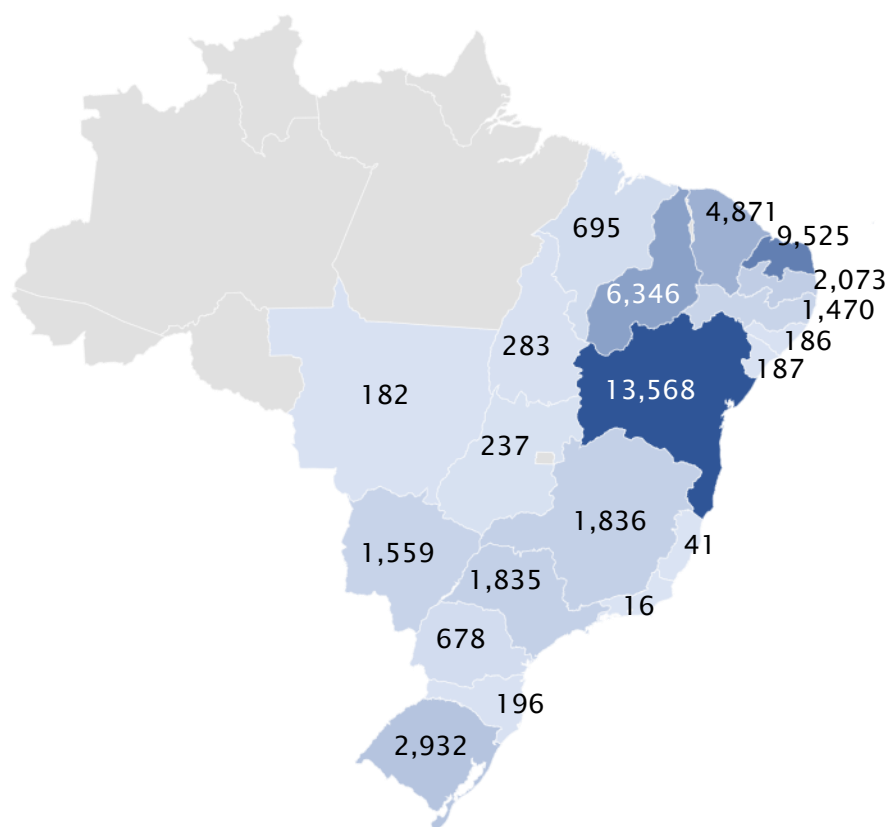


■ Wind ■ Solar ■ Hydro ■ Small Hydro ■ Biomass

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MW Registered per State

Projects Registered per State



Source: EPE.

ITA Capital

ITA Capital is your partner on the ground in Brazil to help navigate the local cultural and political landscape and to assist on regulatory and tax issues for renewable energy infrastructure assets at all stages of development. Our team has developed a strong expertise with over 15 years of investment advisory in Brazil and abroad. Please feel free to contact us if you need a local partner or advisor in this unique and complex market.