

Q3 2015 Earnings Call

Company Participants

- Anamelia Medeiros, Market Relations Manager, Latin America
- Antonio Previtali Jr., Ex-Investor Relations Manager
- Eduardo Antonio Gori Sattamini, Finance and Investor Relations Director
- Unidentified Speaker

Other Participants

- Henrique Peretti, Analyst
- Kaique Vasconcellos, Analyst
- Marcelo Sa, Analyst
- Maria Carolina Carneiro, Analyst
- Vinicius Canheu, Analyst

Presentation

Operator

Good morning. This is the Tractebel Energia's Conference Call, where we will discuss the results for the Third Quarter 2015. All participants are connected in listen-mode only. Later, we will open a question-and-answer session when further instructions will be given for your participation.

(Operator Instructions) We would like to remind you that this teleconference is being recorded. The presentation followed by slides will be simultaneously transmitted through internet through the site, www.tractebelenergia.com.br in the Investors section. You will find a slide presentation and the Company's earnings release at the same website. Before proceeding, I would like to clarify that forward-looking statements that may be made during this teleconference regarding the business outlook of the company should be treated as forecast that dependent on the country's macroeconomic conditions on the performance and the regulation of the electric sector, besides other variables they are therefore subject to change.

With us today we have Mr. Eduardo Sattamini, Tractebel's Finance and IRO Director, Mr. Rafael Bosio, the Investor Relations Manager, who will talk about the company's performance for the third quarter of 2015 and Ms. Anamelia Medeiros, Market Relations Manager of ENGIE Energy Latin America, who will present an update on the development of Jirau Hydro Power Plant. And soon this, we will have the question-and-answer session.

I would now like to give the floor to Mr. Eduardo Sattamini. You may proceed, sir.

Eduardo Antonio Gori Sattamini {BIO 16648085 <GO>}

Good morning to all of you. And before I begin, I would like to thank you for participating in the call. And I would like to thank Mr. Antonio who was with us as a Manager in Investor Relations for 10 years. And beginning on November 1, we have Rafael Bosio, who is now going to become IR Manager.

I will give him the floor so that he can bid all of you farewell.

Antonio Previtali Jr. {BIO 15056782 <GO>}

Good morning to all of you, as Eduardo Sattamini has mentioned, Rafael is taking on the charge as Investor Relations Manager. And I would like to bid farewell to you after 10 years in this position. This was a very rich and challenging experience. Once again, thank you and I would like to publicly thank the IR team, those that are with us at present so as that were in the past, Rafael, Mariana, Vicari, Ivani and Alisha [ph] as well as others.

You have allowed, tracked us to become attractive in terms of investors. I would like to thank all of you for the permanent support and the company for its professionalism, for its (inaudible). And once again for the positioning that we have in the market, and for the IR work. I would like to thank Eduardo for his contribution. I fully trust the work that he is carrying out. He has been in that position for 15 years. We do know that there are challenges to come, but I know that we will get over them very easily. Thank you all once again.

Thank you for your kind words. And we will now begin our call on slide number four, where we present our highlights. I would like to begin speaking about the net revenue. We always say that the analysis is complicated quarter-after-quarter, because of the differences that takes place, the allotment but, because of market needs, we do have to carry out this comparison between quarters in that revenue, we had a drop of approximately BRL100 million vis-a-vis the third quarter 2014, we had a positive component which was the average price contributing with BRL200 million. As you can see the average price went from 151.70 as an average to 182 a substantial increase of 3.9%.

We had alteration in the short-term market negative of 130 million. We have the purge of the problem that we had in the short-term market in the second quarter of 2014 referring to the machines, 100 million negative quarter-on-quarter and in terms of the energy source, the contribution of (inaudible). So, this amounts to the 100 million drop in revenues between the third quarter of 2014 and the first quarter 2015.

The EBITDA had a drop of 243.7 million due to the cost of energy purchased through a resale and a reasonable growth as well, when it comes to material and services, BRL10 million approximately a growth between quarters of 22%, especially due to the maintenance at Jorge Lacerda C plant, which in the month of August due to a drop allowed us to take advantage and begin maintenance that had been '14 for September, October.

FINAL

The machine was not available and because of it, we took advantage to work on our maintenance schedule. We had a drop in margin from 58.5 to 41.1 because of the energy allotment. The net debt with a very large drop because of the dividends. We had a net debt of 2 billion some [ph]. We now have 1.6 billion due to a reduction of almost BRL900 million. Power production, a marginal change, but we did have a change in the composition of generation. We have less hydro energy and this was complemented compared to the ratio we had last year in the third quarter, we're counting upon as Jorge Lacerda C plant and a machine from Jorge Lacerda B plant. The energy source I have already mentioned, we had a small drop that contributed to a reduction in revenues and we had an increase in the number of employees, evidently the Company had an increase in assets. We are growing organically with the new plants and we are also hiring new employees the coming year.

We have a plan, so that some of our professional will leave the company and we will be begin process to replace these professionals and we should expect more therefore, for the end of the year 2016 and a small drop in the number of employees. This for the third quarter of 2015 vis-a-vis, third quarter to 2014 when we look at the last nine months, we have had positive variation, 1.2 positive for net revenues, 1.3 increase in terms of services, EBITDA with an increase of 6.8%, a higher EBITDA margin. Net income quite stable and the net debt as I mentioned, we are timely positioned and a significant reduction.

We now go on to slide number five, where we continue with a highlight in August. We traded at the Aneel A-3 Auction, 46.0 average megawatts from wind source at an average price of 188.45 megawatts for a 20-year term.

This is an opportunity that we took up through the Santa Monica project which is destined to the free market. We were able to use this new undertaking to itself as a regular market and to recompose our portfolio by buying renewable non-conventional energy from third-parties, paying a margin on the spot operation. We continue to pursue new wind farm projects this linked to contracts in the free market in the third quarter 2015 Tractebel Energia posted a record generation from complex powered complementary sources coming to 171.7 gigawatts per hour and a capacity factor of 61.4%. It's the story that we tend to reiterate. We have had greater wind as observed in the northeast and a very high generation in our wind farm.

In September, Tractebel was elected as a highlight of the 19th Transparency Trophy awards sponsored by Anefac and Fipecafi, because of the transparency and quality of this financial statements. This is the sixth award for Tractebel and for the fifth consecutive year we had been among the best company and we have once again, had this award for six years. The Board of Directors approved a credit of 314 million, referring to 2015. This for November 24, the amounts were substantially higher compared to the amount last year, because of the increase of TJLP and of course, our base of calculation we had retained earnings this year, we did not pay all of the dividend and that is why we have an increase in this amount.

In slide number six, there are no changes in the slide, simply to highlight the name of the ENGIE that will be reflected in Tractebel Energia. Through the slide, you can see that we still have the signature of Tractebel Energia as GDF Suez. We were waiting to see how we

FINAL

were going to disclose our brand and how to work with subsidiary companies. Last week, we came to a definition and we will now go onto the name ENGIE with a signature Tractebel Energia. This is the brand that will be disseminated to the market in a few days.

We now go on to slide number seven. We would like to remind you that the company has 7,044 megawatts from 28 clients operated by the company, a very balanced portfolio. Once again with hydrothermal and complementary production, we are throughout the country with a greater emphasis on the South but we are trying to fully nationalize the Company aspects to reduce the sub-market risk. That is why we have a presence in other states. Regarding the growth of the Company's installed capacity, we would like to remind you that we have a sound financial position and we'll take advantage of opportunities if the investments are attractive. The rate-of-return of the projects are good and the Company once again prefer to work with integrated distribution.

On slide number eight, we would like to underscore that we're the largest private player in the generation market with 7 [ph] gig of installed capacity. The forecast is to go to 9.3 in the coming year, thanks to the Pampa, Campo Largo, Santa Monica and Jirau projects that will be absorbed from the holding company. We are in a position that enables us to look upon the market opportunities and to obtain a competitive edge that we have as the market leader.

In slide number nine, we show you our diversified client portfolio. Basically, we have a 50:50 ratio for regulated market free market as our new plants have been destined largely to the regulated market with longer-term contracts as we return are more common thing.

In slide number 10 as the free market is extremely important for us, we attempt to work with it so as to reduce risks. We have a diversification per sector, we have a careful credit analysis to reduce the default range to zero. This does not mean we don't have a delinquency in payments, we do have late payments, but the structure of our contracts allows us to receive these resources in the long-term and all of this enables us to have a zero default reality in the company.

In slide number 12, we're going to speak about the market. You can observe that due to the reduction in demand because of the economic crisis there is a surplus supply which does not necessarily mean that the supply will materialize in previous years. We were able to observe that some of the projects that had been foreseen by ONS and others did not materialize. We had a case of the team as well as other companies and it is possible that this will happen. So there are also non-intentional delays in projects that were published, but with a delay in the supply of power. This surplus supply therefore, is nearly theoretical and may not come about.

We are now going to go on to slide number of 14, referring to the commercial strategy for the company. The company has a strategy to gradually market its future demand so as to mitigate all types of risks. We do not take advantage of those periods where we have dropped our price increases and we also do not have prolonged periods with price drops in the market. We adopt our price curve based on this gradual scale of future availability.

FINAL

When it comes to our portfolio, we have observed a difference between the third quarter of 2015 we had an increase of availability in 2015 and a reduction of availability in 2016, this because of the contract that we had with Jirau. This contract has been approved for some time already and our estimates are that due to the availability of power at Jirau plants we were only received this energy in the year 2016.

What happened is that, Jirau showed us a schedule that went into full commercial operation in last July and was able to supply power as part of the auction contract that we had. This contract foresaw a sharing of results based on a fixed price and spot price in the market. This ended up being an advantage for us as we have been in perception that if the period is favorable, we will have a decrease in the PLCs in the coming years. Beside this, we did have commercial activity as you will see on slide number 15. Total sales had rather interesting variation. We had some commercial activity during this quarter considering our future availability, we have several contracts signed until 2020.

When we begin to speak about expansion, the first project that comes to our mind is Jirau. And, I would like to give the floor to Anamelia for her presentation.

Anamelia Medeiros {BIO 16881348 <GO>}

Thank you again for your participation and good day. You are familiar, Jirau is a project for 3,750 megas of which 40% are held by ENGIE. 50 units of 75 megas each with assured energy of 2,185, 73% contracted under 30 years of PPAs indexed by inflation. The balance of energy available to be sold by ENGIE, Chesf and Eletrosul we're still awaiting for a decision, a legal decision we had a victory in the first instance where, it was a recognition of 535 days of force majeure and the profit remains under analysis in the Second Instance. And we're waiting to see how this end. Refinancing conditions. I think you're familiar with. We have an increase in the loan financing.

On slide number 17, at the right below, you see the distribution of energy both in the regulated and free market and in slide number 18, some more recent highlights for this project. Compared to the last call, the total energy is assured since July with the coming into the delivery of the third unit. And at present, we have 16 units in commercial operation with 2,700 megawatts in operation. We have 300 megawatts under final assembly phase and commissioning and in 2016 this should be fully concluded.

At the right, you see our additional value. And as you can see in the picture that is to your right the strategy of assembly that was done bringing together all of the units creating a Company that sets itself as high. We have greater availability in the National Grid as of September. And this shows the quality of the project and the caution that we have had, ensuring that we maintain our availability level.

We're debating some possibilities for additional co-generation by reviewing our hydraulic losses. We're also thinking of having a permanent operation of the reservoir that at present operates with variable quarters. As soon as we obtain authorization to operate constantly, we will be able to improve the projects assured energy and we have additional long-term tax incentives.

Bloomberg Transcript

I now give the floor back to Eduardo Sattamini and I am at your entire disposal for questions at the end of the call.

Eduardo Antonio Gori Sattamini {BIO 16648085 <GO>}

We continue therefore, on slide number 19 with the project, Pampa Sul. There are no operating novelties. The works have begun. In fact, we began the water reservoir works. We have begun the concreting of our boiler area and this work begins to gain a body [ph]. We have a team that is accompanying the manufacturer of equipment in China. This is very important to guarantee the quality and the terms of the supplier. And once again, the project proceeds within a level of normalcy.

The Campo Largo Wind Complex, this is a project that will come into operation in 2019. The part denominated in foreign currency, allowed us to win the auction as well as also has a hedge with all of the project imported from the Pampa project. We're still working on some environmental issues and targets, but in fact, this work has not begun yet. It will begin at the right time and according to our schedule.

On page 21, the Santa Monica wind project that is under construction. The equipment has begun to arrive and in well in the following call, I would like to include a picture so that you can see the stage that we're in. The work is doing well within our terms. And this will come into operation in mid-2016 with energy to service our free customers, but also with power for the regulated market.

We go on to page 22, to show you what is in the pipeline. We have the second phase of Campo Largo at some point in 2016. We will take part in the power auction. We have the second cluster of wind farms that we have in the Rio Grande do Norte. We have the (inaudible) Alvorada complex, a photovoltaic complex in Bahia associated to our Campo Largo plant and the UTE in the north of Catarina, the natural gas thermal plant where we are trying to develop and allow it to be ready in the case, that we have a good price and a contract for the use of cash.

We're now going to go on to our financial performance on slide number 24. We have had a reduction of net revenue and EBITDA in the last few years because of what is happening in the sector and we hope in 2016 or 2017 to go back to those record growth that we had in that revenue and EBITDA that we had until the year 2012.

Let us go on to slide 25, where we speak about the net revenue evolution. The average sales price as mentioned had a positive impact of almost BRL400 million. But this was offset by the negative effect such as sales volume and the make up of 101 million for the Jorge Lacerda C and 120 million for the short-term operations are part of those 220 million of drop in revenues that we observe in CCEE. Once again we say that we have a reduction of 320 plus 301 million in the revenue for the short-term market. Our net revenue for sales dropped to 1,140, a reduction of 5.6 during the quarter.

Slide number 26, you will see the evolution of EBITDA. Net revenues are 123, short-term trading with 81, plus 101, which gives us 182 a decrease in the short-term operation when it

comes to EBITDA. The energy purchased for resale basically this is the energy that we buy from Jirau composing a large part of 140 million and the EBITDA of 772 for the quarter.

We are going on to net income and the component that has an impact on our EBITDA. And when it comes to the financial results, the result was 21 million less compared to the previous quarter, although the financial revenues have been much higher. Once again, this because of the inflationary rate, the inflation variation applied on our stock of concession to pay. And because of this, our net income for the third quarter we 2015 had a drop of 35.4%.

We now go on to slide number 28, where we referred to our indebtedness, we have no exposure to foreign exchange. We do have some debt in foreign currency, but with the drop and we deem that this enables us to nullify the foreign exchange impact. The total debt of the company 3,763 million was 3,390 million last quarter. We have 1,942 million in cash. Now, this cash is retained because of the need to support and allocate the projects that are underway. We have a situation of stress in the financial market with a very high interest rate and because of this, the Company has taken on a short-term loans at the end of last year, so that we could go through the year 2015 and 2016 without the need of raising funds in the market because of these higher rates.

We did foresee this fiscal stress inflation was rather steep and our forecast was that the interest rate was tend to be high. And this is what has materialized this year, because of this, we raised funds and allowed them to be available, eliminating a liquidity problem that could impact the Company investment.

In terms of the total debt on EBITDA rate that went from 0.8 times to 0.6 times in this quarter. It was seven times the previous quarter and the free cash generation went from 0.48 to 0.83 this quarter and the total debt on EBITDA went from 1.4 to 1.2, which shows you an improvement in all of our indicators.

We go on to slide number 29, where we take about the net change, I think you're all familiar with this and the highlight is the monitor and exchange variations of BRL336 million. We have the hedge operation that offset, and you see it in grey at the end of this cascade [ph] as we call that and dividends that were paid at the end of September. Investments that we have been making during the year. Income tax sales shows contribution, variation in working capital, the hedge operation and operational activity.

The working capital change is important. We had a delay in the CDI accounts that have now become regularized in the third quarter, contributing to rebuild our needs for working capital.

On slide number 30, the debt profile with respective indexes, as we mentioned, we have a concentration of short-term maturities in 2016. Most of these debts will be replaced by longer-term debt. But once again, this is funding that is in accordance with the Company's cash generation. This maturity will be evenly absorbed by the cash generation in the Company.

FINAL

What should happen is that, as the BNDES funding is approved and if the market shows a better situation, we will issue debentures for the Pampa project for example, and the short-term debt will be replaced by a lengthening of the debt. This is a comfortable situation and will allow our indebtedness to go back to a cruising speed enabling us to pay our long-term funding with BNDES. We have a debt linked to CDI of 40% as I mentioned before, these are debts that can be paid through our cash generation. This is simply a strategy to protect our liquidity and guarantee of the resources for the development of our project.

We'll go on to slide number 31, where we refer to our CapEx. Perhaps the only change that we have in this slide is a part of our own resources that is negative for 2016. This because we are applying resources in projects so that they can be concluded within the schedule. These are our own resources and the BNDES resources. What happens is that, as soon as the BNDES resources are released, we will recover our cash. Perhaps this is only the difference that you will see on this slide.

When it comes to investment, you are familiar with all of them. We have a process to maintain or to carry out maintenance in some plants this will require the disbursement of repurchase in coming years we have the Termoeletrica [ph], Campo Largo, Santa Monica and another plant that has come into operation in 2015, we're awaiting the BNDES to release the resources. And this process has not finished, it should be concluded at the end of the year. We cannot depend only on the funding from BNDES as they have their normal processes set into be somewhat lengthy.

The dividend policy that you are familiar with, re-payment of dividends for 2014 at present, we're going to maintain this 55% which is a minimum payable net income. The forecast to reduce this was to guarantee cash or the investments that we have underway and to eventually absorb the cash impact. Our uncertainty when it comes to our cash for 2015 and 2016 is that it will be differed gradually.

We have new contract with the BNDES and it seems that GSF already has a direction given by Aneel and authorities and this should allow us greater comfort and this will enable us to once again evaluate our situation and we will depend on for new investments that may appeal and maintain our perception.

This in the presentation. I would now like to give the floor to all of you for questions-and-answers.

Questions And Answers

Operator

(Operator Instructions). Our first question Henrique Peretti from JPMorgan.

Q - Henrique Peretti {BIO 18446440 <GO>}

Good morning, and thank you for this opportunity. My question refers to the agreement and the last proposal of Aneel. What is it that you are expecting in terms of the approval, the timing? Do you have any other proposal? What is happening with your injunction? If you could please give us more color on those?

A - Unidentified Speaker

Last week we had the vote for the technical note at the Aneel board giving us a glimpse of the solutions the coming day the approval of the 686 [ph] this still has to be voted in the primary [ph]. The government proposal very gradually seems to be improving. We believe that we still have to achieve some improvements, some specific issues especially, when it refers to the free market. All of this needs to be more carefully defined, we're not sure how all of this will be put in place.

And what we are attempting to do at present is, clarifying some issues to have a clearer idea of what is being offered. This will allow us to carry out our calculations and see if business an advantage or not for the company in the future. These decisions will be made based on how reasonable this technique is and based on the confidence that the Company has to unlock this market. I can not give you additional details on this. We are analyzing the situation and there's nothing definite so far. As soon as we have something definite, we will communicate this.

When it comes to terms, the term is for December 4th, that the proposed and up to December '14 for the signature. I believe that this is a reasonable term as long as we have a better image as long as we are able to clarify our doubt. I believe that this term is in accordance with the Company that seems to have greater urgency to improve their results because of the pressure in 2015. And this is the trend that we have so far.

Q - Henrique Peretti {BIO 18446440 <GO>}

Thank you. In the case that you do not accept the proposal, will you continue on with your injunction?

A - Unidentified Speaker

We have not analyzed the proposal so far. And if the proposal is not satisfactory, we will have to come to a decision. Once again, this decision has not been discussed in-house.

Q - Henrique Peretti {BIO 18446440 <GO>}

If you allow me another question in another scenario. If there is a proposal, would there be a positive impact on earnings and of course, this would have an impact on dividend?

A - Unidentified Speaker

Yes. dividends and the payment of taxes.

Q - Henrique Peretti {BIO 18446440 <GO>}

A last question, if you allow me. The auction for the 25th, are you considering this? Are you intending to participate intensively with the ENGIE?

A - Unidentified Speaker

Yes. Of course, we are considering this, we have not taken a decision when it comes to the assets. We have several auctions opened when it comes to partnership or entering on our own for some of these assets. The most probable situation is that, we will proceed through Tractebel using our existing assets and perhaps in the M&A modality. And although we do have the approval from the holding company, all of this will be done within Tractebel Energia.

Once again nothing has been defined so far, we're looking at the possibilities of participating. We're thinking of carrying out some partnership, but I really cannot say too much more at this point in time.

Q - Henrique Peretti {BIO 18446440 <GO>}

Have you begun to consider funding with a private bank or any other bank?

A - Unidentified Speaker

Once again, I cannot respond to that question.

Q - Henrique Peretti {BIO 18446440 <GO>}

Very well. Thank you very much.

Operator

Our next question comes from Carolina Carneiro from Banco Santander.

Q - Maria Carolina Carneiro {BIO 16342681 <GO>}

Hey, good morning to all of you. I have two questions. The first, refers to the auctions themselves. 2015, 2016 and the possibility of growth. If you could speak about which would be a comfortable price for you? Which are the prices that you expect? And if the Company is looking for some specific stores, a preferential stores for the 2016 auction if you could speak about this?

The second question refers to trading. If you could give us more color on this you mentioned that you are negotiating additional contract this quarter, and we would like to know what's the market move is like in terms of new contracts if you have found prices that are interesting and how you are positioning yourself in terms of price expectations for 2016 there has been the possibility of the drop in spot prices for the coming year and this would have an impact on the energy market therefore, power and prices?

A - Unidentified Speaker

FINAL

Indeed minus five auctions we have a wind project, we have solar project that we are considering. And the minus one auction well, this will depend, what will happen we don't know how much energy we will have available or not. For the coming year we still have to carry out our calculations. But we're believing that we will have reasonable amount the coming year because of the reservoir.

There will be a pressure of PLD once again, because of the pressure on reservoir. We have a very low level of reservoirs which will perhaps lead to a higher price settlement of differences. When it comes to the comprised level practice, we do sell in the market that there will be a drop in price and greater pressure in the price settlements of difference, because of the demand forecast there is a component of the increase of suppliers well in some projects, but what is curious is that, we have been able to sign some contracts with very satisfactory prices.

There is a trend for migration that is greater as we have seen in the distribution companies this year and this has generated an opportunity when we sell it's because the prices are positive. If the prices are bad, we sell very little, if the prices are good we can do sell more and our sales level for the quarter has been satisfactory. We're observing the market and we can say that the price situation is still not that desperate as you could believe.

Q - Maria Carolina Carneiro {BIO 16342681 <GO>}

Thank you very much.

Operator

Our next question is from Kaique Vasconcellos from Citigroup.

Q - Kaique Vasconcellos {BIO 17317373 <GO>}

Good morning, and thank you to all. Is there anything specific in the free market proposal that you would like to change so that it can become more acceptable and if you do not work with the free market, what is going to happen with this drop in GSF?

A - Unidentified Speaker

Well, there are some agreements, I cannot explain to you exactly how we're going to deal with this. One of the decisions that we have to make is, if we're going to work with our own reserves or by reserve -- the reserve and the cost and how this operated something that has not been clearly defined so far. And the investment that we're going to make will only be recovered in an extension of this concession.

And then we have that problem risk of return, our opportunity of course because, we end up carrying forward a debt that is not ours, it's the debt that would only begin to give you EBITDA in 15 years. Therefore this is a very complex situation and these are issues that need to be take into account. This is our doubt when it comes to adhering or not to these three markets.

Bloomberg Transcript

FINAL

Now, when it comes to the amounts that we would not receive, this is something that what have to be analyzed. If you have a high level of reservoirs during a satisfactory period, you can have lower result because the probability of having higher prices in the future tends to drop considerably. These are scenarios that you'll have to set forth basing yourself on a known ground. Year-after-year the Company is going to evaluate what is happening to define the net level of reserves that we need to protect our portfolio. There is no other way of proceeding. This is what we began doing last year 2014 to attempt to maintain our reserve of approximately 10% as a minimum reserve to evaluate the previous year. This was the strategy adopted. Now, because of GSF, this could change. If half of my portfolio is at risk this 10% will drop to half. This is what we're going to evaluate year-after-year based on our decision especially, our decisions -- that depends on the study that we are carrying on.

Operator

Our next question Marcelo Sa from UBS.

Q - Marcelo Sa {BIO 16454581 <GO>}

Good morning to all of you. I would like to speak about your energy balance that is not very clear to me. I would like to know why the purchase volume dropped from 9.36 to 7.99. I had understood that in 2015 you'll have more energy available, but what will happen in 2016? I understood that at present, you should have more energy available to sell into 2016. But in third, there has been a drop. What happened in 2016?

A - Unidentified Speaker

We have a forecast to deliver the energy where we had general auction. Nevertheless due to the -- coming into operations of the plan in July, the total coming into operation what happened is that Jirau had energy before it was expected and by having this, it also delivered power before it was to come into operation in 2016 but it came into operation 2015. That is why we have a drop of 137 megawatts in 2016 and an increase in 2015. I am not quite sure. I understood your doubt, Marcelo.

Q - Marcelo Sa {BIO 16454581 <GO>}

Very well. I think you have clarified my doubt and if you could remark upon the price?

A - Unidentified Speaker

We had an agreement to have a compensation based on the price settlement of differences. This is all I can disclose and the rest is among those people that analyze how convenient this contract would be.

Operator

Thank you. (Operator Instructions). Our next question is from Vinicius Canheu from Credit Suisse.

Bloomberg Transcript

FINAL

Q - Vinicius Canheu {BIO 6300903 <GO>}

Good afternoon. And I would like to go back to an issue that we've mentioned very quickly in the question in the last conference call. We spoke about the assets about the size from the market that is very large. During this call, you have not referred to this of course, we do have the auction for the concessions and now have you put any of your assets for sale? Have you had any buyers for this, if you could give us an update on this if there has been a drop in the market. If you're not interested in this? What is happening with those M&A projects that you had mentioned previously? Did they not go forward if you could give us an update on this?

A - Unidentified Speaker

Some of these companies were bought by other agent. We decided that others did not make sense for us. We were evaluating the risk and decided we did not want to run the risk and once again, after the analysis, we decided not to proceed with these M&As. At present we're focusing on new projects, projects that we have full knowledge of. All of this allows us to grow in a more comfortable fashion.

We have the construction risk, but the other risks that are inherent is the development risk that we are aware of. When you buy an asset from a third-party, you're never quite sure how this business was managed. And once again this is the reason why we abandoned or left aside some of the projects. Evidently, there are opportunities in the new concession and the bid of the assets.

Q - Vinicius Canheu {BIO 6300903 <GO>}

And when it comes to the sales process for the wind plant do you have any update to give us? The assets that you had purchased that will be another that we were on.

A - Unidentified Speaker

So we're holding conversations and it is very possible that until the end of the year, we will be able to better define these assets, we do not have the need to sell this but what we are trying to do is have a good turnover of assets. We have some isolated assets Santa [ph], Minas Gerais, Jirau and Piaui. Here rather remote assets.

So we would like to do is concentrate in the assets inside where we have a greater synergy perhaps these assets will be more appropriate for those who have their own projects and can capture better synergies. What we're looking for is a win-win situation. We do have some players that have set for its proposal reasonable, interesting proposals and we are proceeding with it. It is possible that something will materialize until the end of the year.

Q - Vinicius Canheu {BIO 6300903 <GO>}

Thank you.

Operator

Bloomberg Transcript

With this, we would like to end the question-and-answer session. I will give the floor to Mr. Eduardo Sattamini for his final remarks. Mr. Sattamini, you may proceed.

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

I apologize, I would like to thank all of you for your participation for the questions of course and we are going to go back to our normal Investor Relations activities and work with our new manager Rafael. We are at your entire disposal to clarify any other doubts that you may have. Once again, thank you for your participation.

Operator

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

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.

FINAL

Bloomberg Transcript