

Q2 2012 Earnings Call

Company Participants

- Corporate Participant
- Eduardo Antonio Gori Sattamini, Finance and Investor Relations Director

Other Participants

- Analyst
- Felipe Leal

Presentation

Operator

Good morning this Tractebel Energia Conference Call where we will discuss the earnings from the second quarter 2012. All participants are connected only as listeners and later on, we will open the Q&A session when instructions for participation will be given. [Operator Instructions].

You should remember that this teleconference is being recorded. Today's presentation followed by slides will be simultaneously transmitted to the Internet through the website www.tractebelenergia.com.br Investor Relation Section. And slide presentation with company's earnings release are also available on the website.

Before proceeding I would like to clarify that all statements that may be given during this teleconference regarding business outlook of the company should be treated as forecast depending on the country's macroeconomic conditions or the performance and the regulation of the electric sector besides other variables, therefore they are likely to be changed.

With us we have Mr. Ricardo -- Vice President - Mr. Eduardo Antonio Gori Sattamini, Finance and Investor Relations Director; Antonio Previtali, Investor Relations Manager and Mr. Elio Wolff, Market Relations Manager of IPR and GDF Suez Energy Latin American.

Now I would turn it over to Mr. Martinez. Please go ahead.

Corporate Participant

Good morning everyone. I would like to thank you all for your presence and participation of this, making our Tractebel Energia SA and we feel very honored to have this teleconference. We feel that we have our wonderful audience, analysts then interested investors. So for those who are having contact with Tractebel for the first time, I would like

to highlight that Tractebel despite of the new market and despite of the corporate index, in the right table we have the Finance and Director of Investor Relations, Mr. Eduardo Sattamini and Investor Relations Manager, Antonio Previtali and Market Relations Manager, Mr. Elio Wolff.

I would like to ask you all to put in your phones in the mute mode in order to avoid any interference in the presentation.

So now, I would like to pass the floor to Mr. Sattamini, so that he can begin his presentation.

Eduardo Antonio Gori Sattamini {BIO 16648085 <GO>}

Thank you. Good everyone and it's very nice to talk to a full audience, it's a great pleasure to be here. We are going to talk about the earnings for the second quarter of 2012.

For those who are listening to us through the conference call, we are going to begin on page two, we have the net operating income 12.9% above the same quarter of 2011 some positive aspects and the short-term operational activity -- that has contributed with a good amount we have an increase in the average price of 8.9%, we had a reduction in exports in the second quarter of 2012, there was no exports on the part of Tractebel Energia while in the same period of last year we have exported 56 million to Argentina and Uruguay and increase in the income from that period.

We have a slight increase in the volumes last exports of 50 million, now we are going to give you further details where we are going to evaluate the operating income. As regards the EBITDA, it went up 7.5%, impacted mostly by the same items that impacted the net operating income but with a smaller value due to the sales of energy that for retail.

And this increases our cost and will decrease this operating margin of the company represented by the EBITDA on the net revenue and this quarter was 66% against 68.2% the same quarter last year. Now talking about from EBITDA to the net profit.

The main effect that we've suffered in the second quarter of 2012 was inflation, just to give you an idea, we had 2.51% inflation according to the IGP-M against 0.7% in the same quarter of last year. For next semester, our financial expenses excluding that we are having some interference in the transmission and then they have suffered this inflation and -- impact thus increasing our expenses and we had a foreign exchange variation compared every quarter, last quarter we had a negative variation of 4% against the foreign exchange change of this quarter of 11% that is 15% difference between the two quarters and this will also affect the low inventory of foreign debts that we have long-term debts inherited from the privatization area and the result of the result that they are the so called the - bonds.

So we still have some commitments towards the treasury and the treasury towards the international creditors. As regards the contract of energy sold, we had a slight reduction if

we take into account exports last year and if we did regard export, we had a slight increase of energy sold.

And a very curious element and that's nice to remember is that, we had energy production much lower than the second quarter in 2011 and the second quarter 2012 we had 3,029 average megawatts against for 4,468 megawatts in the second quarter of 2011.

The curious aspect is that, there is no major correlation between production and earnings of the company because most of our energy is coming from -- through the energy - mechanics, it's the two of the hydroelectric power and for example, one produces on behalf of the other there and there is a transfer rate which is very low.

Therefore our lower production was poor, was a result of droughts and loss of production did not have a dramatic impact on the company precisely because we have this mechanism -- exchanging energy among the hydroelectric power plants.

So there is a warning signal that presentation is on the website, we have not distributed to you. -- energy the seventh generating unit started its test last week and it will come into commercial operation scheduled for the beginning of August.

Therefore, we generated the first kilowatt hour coming from our great water prototype in the same port in the state of Ceará day-to-day project conducted with the R&D program - and enjoys the partnership of Coppe and UFRJ it's a technological frontier that the company is pursued and we are looking for new sources and the company is ready to profit from the opportunity that arrived with a new technologies.

The third highlight is the approval by the Board of Directors of the distribution of 693.8 million 100% of the payout. The adjusted income as entering dividends. This results for the six months in 2012, the Board of Directors will be find the same day the X date is on August 13.

And this represents R\$1.06 per share within the company's policy of not retaining any unused cash. People may ask us, but the idea is that we've had, we would decrease dividends because of the digital issue but as we have not started the profit, we'll continue generating cash the company is a cash generating company and it wouldn't make any sense to retain any cash at this point in time and not to payout to our shareholders.

The fourth highlight was the upgrade of the company's rating by Fitch Ratings the company. It starts burning the AAA company results in the local scale and starts having a BBB pure on the international level that is one grade above investment grade. That is a company over the last few years is trying to adopt the best communication with the rating agency, with a greater transparency. And this has been recognized by this agencies and constantly we have been improving our risks rating vis-à-vis these rating agencies. We have the Standard & Poor's rating it's going to conduct an evaluation in September.

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And our expectation is that the understanding our Standard & Poor's that our company will made the highest rating at the local level. And the next highlight that in fact is an invitation to you, gentleman and ladies, as regards our sustainability report for the first time, we are going to have a full online report using videos, info graphic resources and making the reading of the sustainability report at some time this -- but is important to our view to be more pleasant. So this is really an invitation to all of you to visit our website and to read our sustainability report.

Now moving to page six, we have the control structure and the main change here is the acquisition by minority shareholders, minority interest that was held by international power by GDF SUEZ, that happening at the end of June. So that now GDF SUEZ has an indirect interest in Tractebel that is higher 78.7% -- 68.7% on Tractebel Energia, which decreases a bit the paper work determined by UK LA, which is the CDM in England.

There is some requirements that are lowered in terms of information flow regarding that agency. So, and the same organizational structure.

Now moving to page seven talking about the new portfolio of the company. It's quite a balanced portfolio with a mix that's very similar to the national mix in terms of share of hydroelectric, hydro power plant 81%, 17% thermal and 2% of complementary energy. This is a mix that could take the company from hydrology movements in the -- when we have poor hydrology the thermal plants coming to operation and that allows for an offset of variations in hydrology and many analysts have found this interesting in the last quarter.

Here we also show our growth capacity and the rationale for growth is the following. Our growth is based on opportunity, not for the sake of growing only. We seek profitable growing, profitable growth and when the market is profitable enough to make our projects feasible according to our criteria we, when its not met then we can grow.

You can see that there are times in which installed capacity of the company has remained the same and we resumed our growth when the profitability and return conditions were favorable in the market.

Now moving to slide eight, we have a leading position in the generation factor. Okay, the largest private company in the industry, of the pure generating company. And we are a major player in Brazil, also when compared to state-owned, government-owned company or mixed companies. And we are looking for opportunities of acquisition and consolidation at the market place, which require a large period of negotiations and some times don't work as recently.

On page nine, we talk about our portfolio of customers. We have a quite balanced portfolio between trading companies, distribution companies and free customers. And regulated market, because we have the PPA. The of the contract of energy sale of Estreito Power Plant. The Estreito plant we believe that total assured energy that is held by the company in the regulated market in the but of auction. It's also important to remember that we have a major focus on the free market because we understand that

this is a market that will generate for the best opportunities for sale and profitability in the existing energy.

On page 10, since there is the company focuses on free customers we talk about our exposure in this market. We seek diversification in the various industry -- segments of the industry and trade in other now to concentrate too much on one specific industry. And therefore, except for the risks of that industry. We've had a very low default rate. We also have a credit policy that's quite strict in which we assess the credit and we're very strict in when granting credit to customers.

And therefore we have a very low default rate, actually its a zero rate. We never ended the year with a customer, defaulting customer. For example, today there is a default in the regulated market, because so as in the judiciary recovery process and but we are looking for an industry solution to ensure the stability of the industry.

In our conversations with Neo and the Ministry, when in -- we are looking for this negotiation, so that we are not considered a bad debtor, because we have the condition to settle them. When we enter an auction, we never know who is going to be the final purchasers of that energy. When we at the end of the auction, and we sold a certain amount of energy, we have a number of companies. And since we couldn't choose the risk, we shouldn't bare the default of these customers.

And the government has been sensitized regarding that, and I believe it's going to be an evolution of the regulation regulation and we have to find solution for this case.

Now moving to page 12, we discussed the overall balance of the marketplace in terms of purchases and sales. On the left when compared to previous quarters, we have witnessed a delay in projects and the energy surplus is reducing -- being reduced in the 2012 from the last quarter to this quarter, we had a reduction of 400 megawatt for 2013 a reduction of 2,000 megawatts from last quarter to this quarter. And we have seen many delays and subsequent delays in the projects, causing this excess energy not to take place.

There are two aspects about this although today the market is not with us, because the growth of the demand has been not at high as predicted, because the industry is not growing so much. Otherwise we would have had a shortage of energy in the marketplace.

Now moving to slide 14, a specific condition of the Tractebel Energia portfolio. On the left we see a chart of uncontracted energy. You may notice that the level of the uncontracted energy is quite low in the following years. It starts to increase, with a -- by a substantial amount as of 2016. We have work to sell future energy contracts, but the market is not yet prepared for that.

And the market slowly starts to increase its prices and we have a better opportunity. Prices have increased from a bit higher than 100 megawatts hour, and we believe that the continuity of this process and the subsequent delays in the increase of the demand and the decrease in the theoretical surplus, all of that will cause the conditions to change.

So, our idea is to change energy when the the opportunity -- better prices arrive. We continue our operations, but trying to make the best of the best price moments. On slide 15, we have the energy balance more in detail. Usually we don't discuss this in this conference call, because this is much more of a tool of evaluation management modeling rather than from earnings release. We may answer any specific question you may have regarding this, but we don't discuss that in details.

And now let's move to slide 17, when we now talk about the growth project and growth prospect for the company. The first project is Estreito. As I've said, this is on regular development according to the schedule. It's about to start. We're now finishing the construction of the plant in this year and the eight unit is scheduled for the end of October.

Of course, the construction will not end, because some reservoir constructions as well as a commitment to the community will continue to develop, but the major investments in this year, 2012. I would like to remind you that the energy was totally sold at the auction of 2007 to start to be provided in 2012, the updated prices are 158 point per megawatt hour, R\$153.4 per megawatt hour.

We are now reaching 2.4 with the sixth units. Now in August 97 -- and the next project that we have in the pipeline is the Jirau project. It is currently being developed by GDF SUEZ, and it is expected to be transferred to Tractebel within the asset transfer process, which had its new governance defined in October 2010, and we'll go through the related parties committees with the specific governance.

And I would now ask -- to talk about this project specifically.

Corporate Participant

Good morning everyone, thank you very much for coming in.

Once again, I'm going to talk about the new -- the update of the Jirau project. You know the capacity is 3,750 megawatts 51 owned by GDF, assured energy is 2,185 megawatts and there is remaining volume and we are waiting for the authorities to -- I'm going to talk about the volume later on of this assured energy 2,185 73% has been contracted first one starting January 2013 and the second PPA March 2014 209 megawatts. The first PPA that's updated for June 88.4 megawatts hour, the second PPA is R\$106.5 megawatts hour.

Though our index reflection PPA on contracted energy, there is not much new with regards to on contracted energy, we are still working that area CapEx. Always bear in mind the last CapEx we informed in December 2011, 15.1 and we selected few -- paid off 15.2 in 2012 and 0.2 billion in relation to remedial actions as regards that we had in March 2012.

Another important aspect in the retention of carbon credits, it's always important to highlight that the CBM is in its final validation phase, which is one of the most important stage for the registration between the UNF SEC so that we can trade the credit. We are

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working in this area to obtain the approval by the end of this year. Now the commercial operation date anticipate that other unit in early in 2013, the first one will be in January; this is our forecast.

In the slide 19, we also show some possibilities, has been materialized to create added value. First, I mentioned the additional short energy of about 90 megawatts hour, and this has been discussed, but we are waiting for definition. Another important aspect is that the project can enjoy some tax benefits from -- which will give us a discount in the income tax rate. And the last point which is very important is the financing, two important points we have advanced discussion with -- to obtain an addition credit line that will be recently publicized. And we hope it confirmed and another important aspect of the discussion with BNDES we were just some parameters.

With regard the advancement of the project and we'll bring it the current situation another positive asset recently we had a reduction in TJLP be in the case of Jirau. This benefit is very specifically went from 6% to 5.5%, but that is 7.2 billion and the reduction of long-term interest rates and the additional finance that we will obtain. And we hope that this rate you must have seen in the press the long-term interest rate will be reducing in further thus benefiting more the project.

Slide 21 we have some updates in terms of picture, pictures of the way that right and left margin. For those who are following us on the project you can see the quick progress of the construction work. And it will enter into operation in January 2013, it's very important for you to move ahead fast so that we can follow the schedule.

On slide 21, at the top, the powerhouse and in the bottom showing our commitment to the social and environmental commitments, the fish monitoring and Nova Mutum Paraná which was built by the Jirau project, 1,600 homes were built. And as you can see in the pictures we have supermarket homes and I screenshot and we will organize a visit to the site shortly. And we'll be able to see how important are the electric power plants important for the region. And if you have the opportunity to visit the project will be very interesting.

Now I will give the floor back to Mr. Sattamini.

Eduardo Antonio Gori Sattamini {BIO 16648085 <GO>}

Okay. Now let's talk about the projects that are being developed by Tractebel in this year.

The next group of the projects are the wind projects authorized by the company to be developed. More specifically, for the sale in the free market out of the five projects that we have approved in the beginning of 2011, four of them are under construction. The four projects in the Ceará, the Trairi Complex, the PLE project went through a more complex licensing process. And the license was only granted on June 18th. So it was separated from the others. So four in Ceará, we went in operation the first semester of 2013 according to schedule while the PLE project is that we are going to take an advanced decision based on the opportunities.

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We sold the energy of the four sites under construction two different markets. And we are assessing the decision to continue with the PLE. It's ready to commence and can be directed to the free market or regulated market or a mix of those for a free and regulated markets. We are considering the conditions within our business development area and this solution will be rigid in the next few months.

Now we are going to move on to the financial performance. The first slide 24, we show the history of the earnings of revenue, EBITDA and net profit. The idea is to show that we have sound earnings and we are very confident and this gives us the company the certainty to be able to continue with its organic growth. So this is the main purpose of the slide.

Slide 25, we talk more specifically about the elements that make up the net revenue from sales of 12.9%. There is a very important component of the short term earnings at CCE. We had a reasonable volume of secondary energy of the systems as a whole also in our quarter the line suffered with the hydrology and that what's we major about the energy relocation mechanism. We have a high net income from sales. And the stock price, the average stock price in the second quarter of 2012 was a 164 is compared with the average POD in the second quarter of 2012 with 2008, and so increase in the price.

On the other hand, we have a increase expenses of NRE and the increase in the Thermo Electrical Power. An important component was increase in the average selling price as a result of inflation contributing 75 million for the increase of the net operating revenue. We had the beginning straight of PPA that contributed with 66 million in this quarter within the plans. We had a reduction of the volume. If we did regard a trade to enter a short term operation, we had a reduction of exports that did not take place as a result in our company in the second quarter of 2012.

Now talking about the EBITDA the same components of the CCA operation. And a very interesting aspect that we had a reduction in our purchases at the CCA therefore, our EBITDA was greater than our income coming from CCA from a 101 to 107 of the net operating revenue for EBITDA. This generated 50 million more in line with a margin of the Hydroelectric project. The EBITDA margin between and 50 and 70, so we have 56 in the Estreito.

And we have a negative contribution that not regarded without in the second quarter of 2011 we have let's say our project generated 15 million of EBITDA for the company. And where we compare quarter-to-quarter, we did not have an operational sale of assets. So, we had a reduction in the comparison between the quarters. Exports, we did not have any exports and in turn operations 62 million is a effect when we exclude the G&A Estreito. We have a reduction in the company's operating margin. Now going to the net income.

In addition to the effects we have already mentioned we have a monetary foreign exchange variation in the foreign exchange variation was 15% between the two monetary of 1.8% impacting especially the inventory of possessions and debt payable.

Now moving on to slide 28, we talk about the financial information. Comparing the quarters, we usually do not encourage this comparison, because the quarters have variable results according to our allocation strategy. But in this case about the financial drivers we had a reduction in the energy sold, excluding next a price increase and a reduction in the margin. As regards the second quarter of 2011 with an increase in the trading activity. But the data shows the soundness of the company's financial results.

Slide 29, talking about the company's indebtedness, it follows today a decline that we can see that is going down, the total indebtedness of the company in the first quarter of 2012 we had 3.6 billion, now we have 3.4 billion. And we had the payment of the second issue of debentures in May and then we are reducing the total debt anywhere from 2 million, up to now, thus increasing our FFO, total debt of 0.64 to 0.17.

And as we mentioned, we are maintaining a part of our debt in foreign currency. And due to the difficulty in hedging our long-term debt, we have the option of not doing the hedging, and this has an impact in the earnings, but in the long run it will be mitigated, because a good deal of our income is impact to our IGP-M and we have the wholesale price and they have some influence on the foreign exchange.

Somehow in the long run we have a natural hedge of our contract for this type of exposure. So, our net debt dropped from 2,974 million to 2,937 million in the second quarter, a reduction 1.2%. And we are going to see the slide of page 30, further details.

Now when we look at the net debt in last quarter and this quarter, we paid dividends in two installments, April and June, which referred to the additional dividends of 2011 of 115 million. We had a social contribution and income paid and that's also used part of our cash, our income tax, investments and we have the monetary variance and what's important is the cash generation through operational activities of R\$790 million, which shows the development of the net debt through the cash outflows and accounting components of 1.2.

Now looking at page 31, you may see that a great part of our debt, 44% is in local currency or functional currency, and this is our goal. We try to avoid as much as possible to take that to make that in foreign currency, not to have a mismatch between revenues and expenses.

And the cost has quite reduced and it has been reduced consistently because we have a great part of our debt paid by TJLP. We had a 6% reduction, from 6% to 5.5% in this rate which causes a substantial impact. We have 2.4 billion index with BNDES and each have 0.5% and causes us to save a lot in interest R\$2 million.

TJLP is a priority debt for the group in terms of development and growth. We went from 71% to 75% from last quarter to this quarter. And as these other debts, we have that have funded acquisitions or the equity of some projects get reduced, this amount becomes more and more important.

Moving to slide 32; on slide 32 there have been new major changes when compared to last quarter. The wind farms and the finishing of Estreito construction and the maintenance CapEx, we have two major maintenance of two major plants that are included here in Salto Santiago and Salto Liza and in Salto Santiago with an operational improvement that, we can consider an increase in the assured energy. So this slide, there has been no major changes in it.

Now let's move to slide 33. I would like to remind you well of our dividend policy. We have a minimum payout according to the bylaws of 30% and we have a commitment to the market of a minimum 55% of payout. We've been doing that since 2005 and also have our commitment to the market, not to retain cash if there is no specific use for it. This is the main reason for us to pay 100% and have a 100% payout. We haven't yet started the analysis of - and this would take some time due to the complexity of the project, process, and that is our dividend policy.

Well this was our presentation. We also have our attachments as usual and now I'll open for questions.

Corporate Participant

Thank you very much for coming. I would also like to thank those attending over the web. I would like to make two important comments. This is the second meeting of Tractebel conducted in São Paulo. And we have the webcast on the earnings release now, which is quite important for us.

In the second meeting, I would like to say that the company has following, it's committed with - São Paulo. For, they've been with us for eight consecutive years and in February, it was awarded the award of attendance, good attendance. It's very important, not only because the company is available through its Board of Executives and Board of Directors, but also we feel that the entire team and this management reflect this dynamic condition of the company. It's very important, we had a chance of meeting other analysts and have a closer interaction with the company.

I would like to highlight the attendance of Elio Wolff, the Investor Relations Manager. Although the Market Relations Managers is -- we thank you for your presence. And now, I would like to open the session for the Q&A session. Please ask your questions on the microphone, since we have a webcast as well. Please raise your hand and Andre will take the microphone to you.

Questions And Answers

Q - Analyst

Hello, good morning. Thank you for your presentation. I am Allan Nuielfe from Pulow Capital and I would like to ask you the increment in the price for settlement of differences. We know that some of it is result through the dispatched energy and what are the areas that were dispatched and how was that beneficial to the company considering the short long strategy? That's the first part of my question in terms of sales allocation of energy.

A - Corporate Participant

Would you like us to answer the first part or you would like to ask the second part?

Q - Analyst

Please answer the first part and then I will ask the second.

A - Corporate Participant

Okay. We have one thermal plant which operated for the whole semester which is the most efficient one, with the lowest informed operations -- operational cost. The dispatched thermal plants, we have dispatches higher than the last quarter. And all of them were dispatched Jorge Lacerda the A and B, which are the other two of the Jorge Lacerda and Charqueadas. We had also some dispatches in the William Arjona thermal plant in Mato Grosso.

And your question, how that impacts our income? Well that decreases our thermal plants exposure, when I have not dispatched, I have to go to the market to purchase energy to replace this generation that was not -- when I have it dispatched, when I am dispatched, I don't have to go to the market to purchase energy.

Q - Analyst

Okay. What are your expectations for the second half of the year regarding price and this movement in the market?

A - Corporate Participant

Well, in terms of the dispatch the second, since -- has not dispatched, we have some coal amount we have to use because of the contract we have with the coal mine in the south of country, and then we have a volume of coal in stock to be dispatched. And therefore, we probably will have a high thermal electric dispatched quite in the second half.

Q - Analyst

The PLD, price for settlement of differences, what do we expect for the second half?

A - Corporate Participant

Well, we just started it with the high level of this price, and we expect this level to remain until the beginning of the following year, and we'll observe that up to October November. This is an expectation. If you look at what happened in June, June was the month in which the rainfall was 40% higher than the historical average of others month of June and that may happen.

So, we have this forecast methodology, but some indicator that we use for a very short term strategy. But this is not sure, 100% sure, but we do expect it to continue high above R\$100 per megawatt for the major part of the second of year.

Q - Analyst

And if it remains high, that would increase the dispatch of part of our thermals, right?

A - Corporate Participant

Well, my thermal plant have a variable cost per unit above R\$100, which will ensure the dispatch for the most part will be flexibility that we have at the terminal plant as I already told you. And if it goes up beyond the variable unit cost in front of the to the operator unit and we have a short-term operating procedures, so dispatch sales due to energy reasons outside the merit orders. Sometimes, we request a dispatch and that happens frequently in the severance plant we have and the south, plants we have in the south.

Q - Felipe Leal {BIO 2015017 <GO>}

Good morning. Felipe Leal from Bank of America Merrill Lynch.

I have two questions; first, the transmission line for the project you are building, what are the prospects for the Jirau and the wind farm in the North East? And the second question is also about Jirau. How are the preparation of Tractebel to start to negotiation process with the holding company with related parties? Is that being structured? I would like to know how is that going.

A - Corporate Participant

First, I will answer the wind farm. This is a concern we have. These transmission lines are delayed. This is no news. And what we have been doing and -- are alternative ways to try to avoid any problem in outflow of energy from our wind farms. We have worked to try to find solutions that would be a backup strategy for these plants. And we are a bit better than other companies that have entered this market and have no transmissions. And the government is -- pay more attention to the situation is now putting more pressure on the companies, whose distribution lines are delayed.

And this is the case of Jirau, and then -- well, in the case Jirau, we know that the expectation of entrepreneur in the line is November 2012 end of November. And if we look at the new report, we see the same date; the arena is more conservative because of commissioning terms for energy. So, all these information makes us believe that this transmission line will be operational when we start the operation of Jirau. Another important point to reminder is to the shareholders is that the transmission lot or batches subdivided, the 2,300 line, the shareholders of this batch are the shareholders of Jirau and St. Antonio...

As for the related party committee, this process has not been started yet. The project has not been taken to the Board, which is the first step. There is a need to take a proposal to submit a proposal to Tractebel Board of Directors and the Board of Directors would create a related party committee to start working; this has not happened yet. GDF SUEZ is about to submit that. But I think they are waiting for some upticks to be better defined in the process. And therefore, this process will be, I think long and complex, because there will be a lot of analysis and discussion to come an understanding.

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So, this one of the reasons that we know that cash will not be necessary in the next three months, because this transfer will happen in 2013, sometime in 2013 depending on how the works progress and depending on when the proposal is submitted to the Board. Can I complement to that? It's also important to highlight the risk there is a few important things to happen in the second half of the year in terms of the efficiency or separation, the investments in the reservoir, additional funding everything you asked about the transmission line. All these things are important factors that must come to reality in the second half of the year, so we can make the transfer in the way you have announced.

When the risks -- the main risks that the -- really mitigated; an important point that already mentioned is the idea of the model is to have transferred for the transfer to take place when the risks are mitigated. If there are uncertainties, we must mitigate risks before making the transfers.

Q - Analyst

I am from Goldman Sachs. I have two quick questions. First, regarding dividend for the second half of the year. We have a larger term for the transfer of Jirau for 2013. We could think for the growth of the second half.

A - Corporate Participant

Well, that is a possibility. We haven't yet defined that, because the timing for the Jirau is not defined, but that's a possibility. One certainty I have it will be between 55% and 100%.

Q - Analyst

Second question: if you could add sense if any energy is being exported in the third quarter.

A - Corporate Participant

We have started to export some energy through -- if I'm not mistaken, and the export process has been interrupted in the weeks for this batch to the domestic market. We were exporting, but the operator has asked us to enter our short-term operating procedure, which I mentioned at the first question and therefore we're no longer to allowed to export. And now we are dispatched to the local, to the domestic market.

Q - Analyst

Third question: we were talking about an increase in the insured energy to 90 megawatts average, that's been asked to anew. Can we assume that that could happen at the second half of this year or most likely later also the commissioning? And then as for the funding from BNDES, is that being considered do you consider obtaining the additional funds from the Bank or not?

A - Corporate Participant

Well, as for the additional amount of assured energy, of course we have been working to obtain this quickly, this 90 megawatts we always mention. But that depends on the

regulatory agency. It's a perception but, at the moment but we believe that, that will be defined in the medium term and up to the end of this year beginning of next year. But of course that depends on the government authorities. As for the funding, funding we have advanced discussions with the BNDES and I think it will be quicker. And of course, the additional energy is also part of the discussion with BNDES. Probably that will take place shortly. We don't believe that will go to 2013.

I would just like to check we're not -- we have received some questions over the web. I think it's important to give a chance to those people who are attending the webcast to participate. We have a question from Gabriel Yarra from BS Securities.

Q - Analyst

Yes sir, good morning. What is the expected schedule to start the study to transfer Estreito and the Jirau project? And what's Tractebel perception on the impacts on energy price in free market due to the canceling of working projects by -- ?

A - Corporate Participant

The first question, I think that it was somehow partly answered by several answers given. As earlier mentioned, there are several stages that must be met by several customers we met for GDF, special purpose company in the second half that would give us more certainty as to the details of this project.

We believe that once these issues have been solved GDF SUEZ will be more comfortable to make the transaction to Tractebel Energia. So we believe that within the next three or four months we'll have the beginning of the process in the Board of Directors, and then the committee will be created. And the consequence of that, we will have to engage technical and financial advisors to give us the necessary support on that process. We will most likely have some market advisors to have a third-party opinion as to energy prices. So, there are several steps that will be met once the committee started operations.

As for the cancellation of the -- project we have had -- we've been frustrated several times because, if the economy also suffered from the international crisis that will have no immediate impact. But as the economy starts growing again when we hope that these stimuli given by the government. So the economy will take -- will be successful shortly as the reduction of interest rate, the reduction of charges and on energy and that will encourage the competitiveness of domestic industry and increasing consumptions that will increase the demand for energy. And therefore, the market will be more under pressure to contract energy and maybe the net prices, net of taxes will improve a bit. And that will bring us positive results.

Operator

[Operator Instructions]. And the second question that came from Internet is from Andre from Avatan Engineering.

Q - Analyst

So how do you see the renewal of concession as regards the free market? What are the risks for the free market with a reduction of the prices for marketing plus trading for Tractebel?

A - Corporate Participant

Let's go by parts. We assume that every new order concession was a decision made by the government. We don't know how it's going to be. Actually the government should look for some type of reduction and we'll conduct on a case by case analysis. And we are talking about 20% of the generation capacity with the renewal orders of 2015, '16 and '17.

Q - Analyst

Will this cause any effect?

A - Corporate Participant

Yes. But we believe that the risk will be marginal. In fact we cannot imagine that companies that were not prepared themselves and lost the concession will have a very depressed margins and won't be able to generate cash to make new investments and build new asset. So that within 20 years, they won't have the same problems they're having today.

So we imagine that the government will take measures seeking the reduction of the tariffs. But the impact within the generation market will be reduced or mitigated. As regard to the other concessions, we assume that there may be a greater reduction, especially in the transmission area. When we talk about transmission, 80% of the transmission of the capacity of transmission of Brazil has in concession and still away capacity 2015. And they account for part of the fares, but hope the government can have, take some more radical measures, perhaps, with the same effect as the 20% of the generation area that may generate for the free market a benefit.

Because in the transmission, it influences all generating agents and distributors as well. Whereas in the case of the generation, if you link that energy to the regulated market, it was going to reach only the regulated customers. It may reflect on the free markets due to the comparison option of this free customer has of being on the fleet or on the regulated markets.

I have another question from Mr. Marcelo from Otiana.

Q - Analyst

The sale portion of energy from Jirau to the free market. Is it prior condition for the transfer of the project to Tractebel?

A - Corporate Participant

In fact, if we -- until the end of the initial periods of concession of the project, 27% is uncontracted. So, it's a percentage a little higher in the beginning. But as of 2016, it will

change without counting on the additional contracted energy. And I would like to later on talking about that.

If there is a possibility of selling the 27% for 30 years. Certainly, we are not going to have an amount to grow in terms of uncontracted. This is not a prior condition for the transfer. We assume it's going to be negotiated before the transfer, as we feel more comfortable with the schedule and the energy is sold. But this will be far from thinking that 100% of the energy will be sold.

It's not a prior precedent condition. Along the lines of what Elio said, the contracts of energy with the three markets usually last from four years to six years.

Recently, they have been for a shorter period due to the strategy of some buyers that bought in the short-term to have lower prices. So even if we had a sellers' market when there is a lack of energy, it would be very hard to sell long-term contracts. There will always be a risk exposure in terms of re-contract and contract which is a risk in here into Tractebel. And we are going through that. Tractebel has a percentage, a reasonable percentage in un-contracted energy. And this is Tractebel's business and it knows how to do this - weighted in the return expected by the investors.

And it has - if we see the amount of un-contracted energy, in the long run our 300 megawatt hours based on Tractebel portfolio, this is part of the business and activities. And if we look at the timetable of un-contracted, this is part of Tractebel's business and will be as stimulated as other projects were also mainstream. We don't see much of a problem.

Operator

[Operator Instructions].

Q - Analyst

Mark -- Thank you Sattamini. In relation to Jirau, how will it be at the end of the year, the evolution of the caps and the total debt contracted by Jirau?

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

Thank you for the question. And I will pass on to - because he is the one that is following out the project more closely. We say that at Tractebel, we are going to begin the process. We obviously help and we somehow participate through the membership of that also in the Board of Directors and we want the project to be successful. We had some participation but the day to day follow-up of the project is done by -- and we are going to be concerned with the project when it is the - to us by the Board of Directors.

I am not fully aware of the time table and I'll pass on to Manoel to talk about that.

A - Corporate Participant

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As we got the CapEx, I think that the near, the CapEx in June 2012 is 15.4 and this reflects the problems we had in March or any renegotiation we had with the builders, obviously that part has now been dispersed, we also can't -- indexation until the end of the year and the indexation depends on the evolution of the indicators. Our growth process for these parameters is IGP-M and it will all depend on how the IGP-M will evolve until the end of the year in 2013.

Your question about the debt is the project has 7.2 billion, the total cost is 16.4 billion. If we see the ratio between gas and -- is a bit lagging behind. And the result of the extension, the additional financing that we are debating will come to contemplate the announced expansion.

And also the increments resulting from the evolution of the indicators in the CapEx and this will be published as we obtain the final approval by BNDES and obviously this will improve the ratio cost, total cost and debt of the project. When we say that we would also encourage the question for the - it doesn't mean that the others should stop asking questions. And, but if you have no questions, that's okay.

Q - Analyst

Elaine -- I would like to talk a little bit about the wind projects. You mentioned that -- to sell this energy in the free market, but this year we have an expansion to have an auction in October. Do you have any intention to sell this energy in the October auction to have this mix between the free and captive markets?

A - Corporate Participant

Thank you, Elaine. It's very nice to have an active participation by some members. Now you touched upon a topic, when we talked about the wind projects, we had four complex that are totally sold, they are sold for different periods between four and five years, which are the contracts we have in the free market, and some others are longer.

If the auction take place and part of this energy in the A5, if we can find it as a new energy, I don't we are going to succeed. And they will be part of this type of auction. But for sure, that POE -- far can be channeled to the regulated market in these auctions. But what's the problem that we face in the recent past, we found players that have different motivations from the simple profitability of the project, assuming a high risk for the returns that those prices that were being offered could bring. So yes, we are going to consider that, if we don't have a direction to the free market, the fifth wind complex will be one of the options that we are going to use in the wind auctions.

We also have other projects underway. We have negotiations with owners of complex that we are considering establishing partnerships to expand our wind complex. But we will also be looking at the POE complex for the regulated market. We can have a mix, we can sell part in the regulated market, part in the free market to have a mix financed by BNDES, this allowing us to deliver the market. We think that a special consumer market is a growing market, it has not been totally kept, it requires a more of a retail approach, very

small quantity and it requires a faster sale structure and more -- structure, and we are looking at that closely.

Okay. So, our presentation is coming to an end. And I would like to thank -- for receiving us. It's always very positive to have a meeting with - in São Paulo and also to be able to talk about the webcast, in the year we had two stressing weeks where we did to -- around Brazil and we decided to concentrate in the yearly earnings release, all of these rounds.

I mean they have yearly release to have something more concentrated. And we selected -- to do that and continued the opportunity to people in other regions to be able to participate in the presentation. And therefore I would like to thank everyone for being our -- in Brazil.

Thank you. On behalf of -- São Paulo and on the behalf of our President, also I would like to thank for this opportunity, not only to be here in the eighth consecutive year of -- but also to be guinea pig and to be frank, to join all efforts to meet the interest -- all the interested parties, investors, analysts and also to be all here together taking advantage of the opportunity to interact with the Board of Directors of the company.

I would like to thank -- for this opportunity as well as -- and I hope to see you more regularly in our meeting. And I would like to remind you that we have some events scheduled for this year in August. We have here 22nd -- conference where we have the topic of Brazil in the long run and with a very interesting participation of analyst and many topics will be debated for -- market or valuation models, whichever important topics.

The conference would be between 30th and 31st of August, and I would like to count on your presence in this event. I'd also like to remind you of the form you have received, so it's very important for you to give us your feedback since it is part of the recognition of the best meeting of the company that made available relevant information and -- information to us.

Once again, I would like to thank you all for your availability and your interest of time, which later is very crucial aspect.

And now I will pass the floor to -- so that he can make the closing remarks.

Once again, I would like to thank you for your presence and also the -- the opportunity to be here with -- and the people, who came here for our participation.

Have a nice day. Thank you.

In closing, we would like to thank you all for your participation and have a nice day.

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