

## Q3 2009 Earnings Call

### Company Participants

- Antonio Previtali, IR Manager
- Rafael Bosio, IR Director

### Other Participants

- David Descalzi, Analyst
- Eduardo Figueredo, Analyst
- Felipe Leal, Analyst
- Marcos Severine, Analyst
- Maria Carolina Carneiro, Analyst
- Mariana Coelho, Analyst
- Pedro Manfredini, Analyst
- Pedro Mendes, Analyst
- Sergio Conti, Analyst

### Presentation

#### Operator

Good morning. This is the conference call of Tractebel Energia. (Operator Instructions)

Now, I give the words to Mr. Rafael Bosio, Investor Relations Director of Tractebel Energia. Please Mr. Rafael, you may proceed.

#### Rafael Bosio

Good morning, ladies and gentlemen. You are all most welcome to Tractebel Energia conference call, where we are going to discuss the earnings release of the Third Quarter '09. This presentation with the slides is going to be simultaneously broadcast over the Internet on the website [www.tractebelenergia.com.br](http://www.tractebelenergia.com.br) in the section Investors. There you can also have a copy of the earnings release of the Company.

Before proceeding, I would like to clarify that any statements made during this conference call regarding business prospects of the Company should be regarded as forward-looking statements, depending on the economic scenario of the country and on the performance and regulation of the electric industry in addition to other variables and therefore they are subject to change.

Here today in Florianopolis with us we have Mr. Antonio Previtali Jr., Investor Relations Manager. First Mr. Previtali will talk about Tractebel Energia performance in the Third Quarter of '09. Right afterwards, he is going to answer any possible questions.

Now I give the floor to Mr. Antonio Previtali. Please you may proceed.

## Antonio Previtali

Good morning, everyone. Thank you very much for your interest in Tractebel Energia and for your participation in this conference call. Before anything, our President Mr. Manoel Zaroni could not participate in this conference call with you, so he asked me to apologize for his absence from this conference call.

Our presentation as usual is going to be based on the presentation, and I apologize for the -- you can see it on our Investor Relations website. And we are going to start on page four of our presentation, where we have the highlights of the quarter.

In the Third Quarter of '09, the first bullet you have there, talks about the operating efficiency. Because of the intense rains that we have had in Brazil, especially in the south region of the country in the past quarter, Tractebel has had conditions offsetting its overall monthly record of generation. We have generated 5,595 megawatts of energy, especially in August.

After this item, I would like to make a few additional clarifications, but before that I am going to go through all bullets and we're going to see more details further ahead, as we see the corresponding slides.

The second bullet on slide number four is about the increase in the average sales price of net sales that was 8.9% higher in relation to the same quarter last year. Net revenues amounted to BRL887 million, is 4.3% higher year-on-year and the accrued net revenue in the first three quarters has amounted to BRL553 million and EBITDA has reached BRL572.5 million and was 10% higher than in the Third Quarter '08. And the accrued for this year amounts to BRL1,568 million.

Then we are going to explain during this presentation, why we have had this increase and why we have had a 4% rise in net revenues to a 10% increase in EBITDA. Net income in the next bullet has recorded 25% increase year-on-year, BRL285 million and year-to-date number totaled BRL783 million.

Here we have the opportunity of making a comment about the guidance that we have been having since the beginning of the year, when we said that in spite of the different strategies for seasonality, and that has had different results during the semester, our expectation not just in terms of profit, but also in terms of net income for '09, they were very similar to our actual results in '08. The accrued results of net income of over these nine months, as already said that it is very close to year-to-date also of '08. And we are keeping our guidance, I think that we are going to get by the end of '09, we are going to get very closed to our guidance. It's going to be very similar to the full results of '08, and

lastly the fact that the Company announced the record of interest on shareholders equity, in terms of BRL194 million and wants to reinforce the guidance of 55% for the whole year.

Although this amount of BRL194 million plus dividend and they will add up to BRL348 million for the First Quarter of '09, we will reach 69% payout for the first three quarters of '09.

Now going back to the first bullet, and then I'm going to get the opportunity to provide the clarification that's why I find necessary. In spite of all the efforts that we've been making over the past years, there is still a share of the market that usually relates financial performance of Tractebel to its hydroelectric generation, to the hydrology of the period.

I would like to remind that the revenues of the Company come basically from sales contracts that it has signed or from PLD. When there is a part of our capacity of our commercial capacity in the case of hydropower plants that was not contracted, so this is regardless of the level of generation that is determined by AENS.

In fact, the fact that we produced energy or not reflects on costs and usually in the case of hydropower plants, this reflect is minor and I'm going to try to explain to you why.

When a power plant generates power, it needs to pay a financial compensation for the use of hydraulic resources that is royalties about 5%. Where as if it does not generate power, it has to pay a special fee for use which is, there is about BRL8 for the hydroelectric generating agents that generated instead of the Company that did not generate, so although there is a large relative difference from eight to five, which is 60% when you consider that the energy is being sold to consumers at 110, 120, 130 per hour, the impact of you're producing or not is not really relevant.

I would like you to remember better this concept and the markets to remember this concept. Then although, Tractebel had a weaker -- and the First Quarter was very weak in the South, where are the largest power plants of Tractebel, and the result in the Third Quarter was much stronger and hydrology was also very favorable. This was just a coincidence. The driver for the results comes from seasonality, the fact that we are located more funds on a given month than in others.

And there is a short and long and is related to PLD. Again this does not have a significant impact along the year, but there may be considerable fluctuations depending on the quarter. I am going to give you an example about hydrology.

We used to have a projection for the natural affluent energy, which represents the amount of water in the reservoir that will make it possible to generate electric power that was 148% in relation to the long-term average for the month of September in the Southeast. That is we had an expectation of almost 50% more water this month in the Southeast in September, however we have had 181%. In the South numbers are even more impressive although that storage capacity of the South is relatively smaller than the Southeast, the

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natural affluent energy projected for September in the South was 105% of the long term average, however, we have had 255%.

This makes the hydroelectric systems to be at excellent conditions especially if we consider that we are about to start rain season in the Southeast which really rules out the risk of a blackout. And today the situation of the reservoir is 70% of storage, whereas we have an aversion to risk of 30%.

So we are at a very favorable situation. In the Southeast the discrepancy is even higher. The curve of aversion to risk is 13% and our reservoirs have 95% of their total storage capacity. So the situation is very favorable for 2010.

And I would like to close this slide asking those of you to reconsider if you do not yet understand this association between hydroelectric production and the results of Tractebel. Then moving on the presentation, I think that we can go to page, eight.

Between pages 4 and 7 there had been no variations that are worthwhile mentioning in relation to the materials that has been distributed in the second semester of '09.

On page eight, you can see the sales breakdown of Tractebel. There has been a small change in relation to the amounts that were announced in the Second Quarter of '08, especially for '09 we had 25% of those volumes sold to free, customers, which is 1% point smaller than we had in prior quarters. And this percent point was actually transferred to market and in '10 there is also slight adjustment.

There has been an increase of 1% point for free customers for the free market in orange here, and the consequence a reduction of 1% point in the blue part of the chart for distribution companies.

So there has been a significant reduction for free customers and in the sales of free customers from '08 to '09, 34% of the portfolio to 25% of the portfolio and it corresponds to a reduction of 26% sales of the free customers and this quarter, we are confirming a trend that we had already been seeing since late last year, but especially after the First Quarter of this year in which at least in terms of the free customers base of Tractebel Energia, half of this 26% reduction is due to a drop in consumption by customers. So having the same customer base we have seen a drop of about 12% to 13% drop in consumptions, and the other half of this consumption regards the beginning of supply of contracts that we have signed and a pool of distributors totally 874 megawatts on average.

So naturally we had to save, we had the direct path of those contracts to free consumers that were expiring along '08 to this new reality, so we are having a larger share of our portfolio that is formed by distributors.

Now moving to slide number nine, data broken down among those 25%, that sold to distributors, how it is broken down by industry are very segmented to prevent any risk

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concentration by industry and looking at the energy surge companies, consolidated data up to September 2009, we see a gradual increase in consumption throughout the year. The accumulated until September for the whole Brazil, energy consumption was 2.4% lower than 2008, although in September more specifically this reduction amounts to only 0.7%.

So as the two main segments of the power industry; the total[ph] amount for 40% of the consumption and residential 20% of consumption, we'll see that year-to-date consolidated figures for residential users, there has been an increase of 5.9%, whereas in September an increase in 7.6%. Even the residential sector has had a better performance throughout 2009. Whereas industrial consumption has been 10.3 reduction accumulated for Brazil. In September that drop amounted to 6%. So also in the industrial sector we see average[ph].

When we look at the data for the Southeast region at year-to-date, the industrial customers had a reduction in consumption of 2.4, exactly the same figure mentioned as the reduction for industrial consumer of Tractebel.

So our portfolio of free customers seems to have a very close relationship with the industrial portfolio of the Southeast region as a whole. Also regarding the industrial consumers of the Southeast had a reduction of 12.4% year-to-date. In September its reduction amounted to 7% only. There is an expectation that until the end of this year, this reduction is 2.4 and consumption will be closer to or similar to the figure found for 2008, especially for those at higher consumption (inaudible) in 2009.

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From page nine, let's move on to page 11, where I would like to quickly comment on the changes that took place in the energy market in Brazil last quarter. On the left side with two bar graphs showing the difference between demand and supply, there has been no major change when compared to that presented in the Second Quarter of this year, and I would like to remind you that 70% of Brazil in power capacity comes from hydroelectric power plants.

So how important rainfall is? This is even higher on a daily basis, when you can figure that the historical average of Brazil is that 90% of the consumption is given by hydroelectric power plants. In 2009, given the exceptionally good rainfall, this has been accounting for 94% of consumption until September hydraulic generation. It's important to remember that the blue bars that show the difference between supply and demand, on the supply side it takes into account assured energy of the plants about 55% for Brazil, it is strongly dependent on rainfall. And this is why in 2001, although we have an excess of supply of 7 megawatts on average, after going through very low rainfall summers, we had rationing period.

(inaudible) of this chart is as following; if the rainfall keeps to the average on the long-term our expectation is good, until we keep your expectations for 2010 especially, otherwise we must probably rely on other sources of energy either renewable or thermoelectric.

On page 13 talk a bit about the behavior of energy sales for Tractebel in the Third Quarter. Left side of the chart, rather on the left side of the page; dark blue bar uncontracted energy, so the difference between the available energy and all the sales so far.

Next page I'll detail that a bit more. That we did make some sales of energy on the long run on the Third Quarter, it's a bit different from the Second Quarter. And on the right side of the slide, you see the year-end figures for the various years and the message is as we advance in time, the uncontracted energy for that year is gradually reduced.

for example, the energy to be contracted for 2002, at the end of 2006 or 2012; at the end of 2006, we still had 38% to be contracted, at the end of 2007 that dropped and at the end of 2008 that dropped to 9.8%. As you can see on the right, on September 30th, it had been reduced even further to 8.5% of the total energy available.

Now moving on to slide 14, here we have the main changes regarding our position, number 13, we saw a small reduction in purchases for resale from 24 megawatts in 2008, 29 for 2010 and 50 for 2011, basically due to a review of estimates regarding consumption behavior.

Going down on the chart, we can see that there has been a reduction on sales of auctions conducted by the government, but basically sales to free consumers have changed. In 2009, the bilateral production of 58 was an average for 2009 as a result of the same review of estimates of consumption for the industry.

But that reduction of Tractebel's consumption for free consumers is pretty much aligned with the reduction we had (inaudible) with that it was going to be 10% and it's 12% and in the following years we also see for a bilateral sales, an increase of 14 megawatts for 2010, a 126 for 2011, a 128 for 2012 and another 123 for 2014. So on average, 125 average megawatts for the years between 2011 and 2014.

This situation is quite different from that we had in the Second Quarter. Signs of free consumers to purchase energy in the long run and expectations for these free consumers or customers for the next -- for 2011, the sales is about -- gross sales of 2012 have an average price of BRL135 per megawatt hour.

I would like to remind you that these prices include PIS/Cofins tax but not ICMS tax because ICMS varies from state to state. This allows us to see that the market is gaining it's free consumers in need to contract more energy for the future needs as compared to their vision in first half of this year.

I would like to remind you that these prices take into account only the energy that was effectively contracted. Therefore, this balance, the energy that still hasn't been sold do not -- does not contaminate these prices, right?

Another comment I would like to make on this that some people still confuse a bit the average price -- purchase price for the three years 2009 to '11 are a bit higher than the sales price. The basis -- the purchase -- average purchase price applies to a basis that goes from 350 to 360 megawatts average, as you can see above, whereas the average sales price goes from 3,602 to 4,000 average megawatts. That's the first thing I would like to comment on.

And the second comment is that in order to allow the sales of products on a 30-year term, we had to make purchases years ago in order to be able for those long-term agreements. These agreements have very -- considerably short term, three to four years, and within this three to four-year period, this average purchase price is a bit contaminated. But I can assure you that for the following years, of course, the average purchase price that -- this situation of having an average purchase price higher than average sales price, especially if you are talking about the same basis for the two accounts is -- cannot be sustained.

Now, let me talk about the growth. On page 16, a view on the Estreito project. As expected in the Third Quarter, there has been a deviation of the Tocantins River. This is on page 16. We have a recent picture. If you have this picture shown on the Second Quarter presentation, you'd see that it is quite different. The previous pictures, the river cause -- different was closer to the structure here on the left of the -- as you can see now, it's going through it, close to it, areas that are a bit higher and then the center of the picture they are parted to build the dam. And on the right side of the slide, structure, that is the powerhouse of the plant that will have the eight turbines or engines of the Estreito power plant, confirms that this project would be (inaudible) number scheduled for construction, quite in line with our expectations.

17 and to talk about projects, talk about two smaller projects under construction -- biomass plant with sugar cane bagasse that's being built in the interior of San Paulo state. Construction schedule, we are on schedule for that and expect it to be in operation soon. On the right side, we have SHP Areia Branca, which also is on schedule for construction, expected to be in operation until the end of this year.

Now, let's talk about the financial performance. Page 19, we see graph showing the evolution of net revenues, EBITDA and net income, not only for the recent years as well as a comparison of performances between the Third Quarter.

Starting with net revenues, net revenue amounted to -- it was 4.3% higher. I will break it down from the gross operating revenue and not the net operating revenue for you to have a better idea, but I can anticipate that despite having a gross operating revenue that increased 3.4% and net operating revenue increased by 4.3%.

FMC[ph] lower incidents of ICMS, given the reduction of the weight of -- when we sell energy through distribution and trading companies, prices includes PIS/Cofins taxes and when we sell energy to free customers in addition to those taxes, it also -- price also includes ICMS. Since we had a reduction in sales to free customers year-on-year, naturally ICMS has lower weight in the reduction of growth operating revenue.

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On the same page, we also see that despite having had an increase on 4.3% in net operating revenue, our EBITDA increased by 10.1%. Such difference based due to the fact that we have significant reduction in the purchase of energy to be -- for retail.

Following that, still on the same page, although we had an increase in debt, we had almost 25% increase which explains the reduction -- explained by the reduction of financial expenses. All companies who had debt in foreign currencies were favored by the exchange variance in debt.

One page 20, you are going to see what happened in terms of the gross operating revenue, also year-on-year. In the lower part of the slide, you are seeing the breakdown of the drivers that leads to an increase in the gross operating revenues.

The first one is the sales volume. Within the sales volume, obviously I am excluding the effects of export, but there is a special item to the right and new companies -- new companies, the companies that were not part in the Third Quarter '08 are now part of the consolidated data of the Company, and this is also a special item.

Once we exclude those in terms of sales volume, we have had a reduction of approximately BRL2 million, which is something quite interesting if we consider that there has been a 94 megawatt on average reduction in sales. And there has been a corresponding reduction of only BRL2.4 million. If you do the math, this is more or less BRL11 per megawatt hour.

So how did we get to a number that is so surprising? In this reduction of 94 average megawatt, there is a composition of an increase of 369 average megawatt to distributors at the average price of BRL133 per megawatt hours and a reduction of 463 average megawatt sold to free customers at lower prices, 112 megawatt hours for free consumers and 96 for the retailer. So this is the explanation why we've had a financial reduction that has been small as compared to the reduction in the volume of power.

The next item shows a reduction of BRL35 million in CCEE. This is an interesting fact that took place here, which is in CCEE -- in this quarter than in the Third Quarter of '08, we are farther away from its average spot prices which are the prices which settles the difference in CCEE and have had a very typical behavior on the Third Quarter of '09 and the average spot price was BRL21, whereas in the Third Quarter of '08 was BRL107 megawatt or that is[ph], it's five times smaller. So for this results to remain unchanged, we should have had a long exposure in CCEE that was a five times greater, of course it didn't have that much, but this is the explanation why we were more focused on the long-term and we have had CCEE income that was BRL3 million -- BRL5 million lower than Third Quarter last year.

The next item on this slide is about a BRL35 million increase in average sales price considering the same base on the scales, which corresponds to an increase of 8% approximately in the price of contract. And the next item, BRL36 million and those BRL36 million increase in revenues are related to new companies -- to the companies that started operating or that have been acquired after the Third Quarter of '08 and this is Salvador and the two wins power plants; Beberibe, about BRL10 million in export for



Argentina and Uruguay and these exports have had an average price of BRL192 per megawatt hour.

And the two remaining items, also both of them were reductions. The sale of carbon credits -- we had sold approximately 10 million in the Third Quarter of '08 and about 2 million this quarter generating a negative number of eight, and then other is 3. This is how we explain the evolution of the growth operating revenues.

Still in the slide I would like to draw your attention to a comment that is interesting when we are talking about a new analysis further ahead. On the top of the slide, we breakdown the data showing that the share of each one of the quarters in terms of growth operating profit, in terms of the growth operating revenue of the whole year. So you can see that in '09, the growth operating revenue for each one of the three quarters have had a quite similar behavior and revenues have been quite similar quarter-on-quarter.

Now, on slide 21, we are going to explain the evolution of EBITDA and the impacts of revenue have already been mentioned. So all we have to say here to mention is the impact on expenses. The impact of expenses is especially due to the reduction of the purchase of energy to be resold. So that activity of -- that we always do of buying energy to resale it, we reduced it in 200 megawatts on average from the Third Quarter of '09 in relation to the Third Quarter of '08.

The cost for this reduction naturally has been the drop in the sales to free customers. So if there was not so much market, we didn't have so much appetite. So we're not so interested in buying this type of energy in the market, although spot prices were low. And also, 15% increase in the prices of purchase contracts. And this might generate some surprise, because in the Third Quarter '09, we have had spot prices that were considerably lower than spot prices in the Third Quarter of '08. And you are all aware that there is a strong correlation of short-term average prices and spot prices.

What happens is that, we bought energies for a few years as I mentioned the few minutes ago, so that we could sell a longer term projects. So those purchases are not related to low spot prices that we've seen now on this quarter. And this reinforces the situation that we bought energy at a higher price than spot price and it has a limited impact because we bought this energy only for the first years of contracts that are good for 30 years. In this manner, the contamination of the margin of marketing will not last very long and will not affect significantly Tractebel's performance.

Here I draw your attention to the top of this line to a behavior that is considerably different in terms of the share of quarterly EBITDA in relation to the total of the year which for the growth operating revenues were very similar and for EBITDA versus -- it's not true because in EBITDA we are already seeing that behavior of long and short exposure, which naturally leads the quarterly EBITDA to have a more volatile behavior than when we were just effecting revenues.

On page 22, year ago into CCEE, the other items for us to explain -- have a more overall explanation for the other variations in the period. So once we've explained the EBITDA,

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we should mention in a more generic term financial performance. So what happened in this quarter? There had been an improvement of BRL45 million that was a result of a drop of BRL19 million in revenues and a BRL69 million reduction in financial expenses.

As to revenues, the main causes that have led to this BRL19 million drop were a reduction of BRL9 million in the income of financial investments and the explanation is that in the Third Quarter of '09, we've had a smaller amount, where smaller volume of funds invested as compared to the Third Quarter of '08. And the second component in this drop in revenue is a BRL9 million reduction in interest and in monetary variation of accounts receivable, so some of the customers delayed paying their invoices less.

So Tractebel is not interested in having the forecast numbers, but some customers pay their bills late and they cannot pay their bills on the due date and this what we are talking about. There has been a reduction in those average times for payments by customers.

In terms of financial expenses, we have had a BRL64 million reduction and a breakdown of that reduction is the following. We have had an increase of BRL16 million that has been the result of incremental debt of the companies that we have acquired or that started operating after the Third Quarter of '08 and also the effect of the debenture that we issued in April this year. So debentures totaled BRL600 million that were used to pay some mature bonds at the same time.

The second item that was explained the reduction in financial expense because of the gain of BRL61 million in exchange rate, and because of the appreciation of real compared to the other currencies that composed the foreign currency debts.

All amount is 9% to 10%, our intention is to reduce that percentage. All new debt will be made in reals. Despite that not very significant amount, only 10% that did rise to a gain of BRL61 million. And finally a reduction of BRL21 million on the expenses with monetary variation regarding gain -- that's because of the variation of IPCA.

So this explains a significant increase of 25% of net income. Drivers, and continuing our presentation now on page 23, a few reminders regarding the quarterly financial drivers, six drivers on the top, plus we see energy sold.

But you should be very careful when interpreting energy -- larger amount of energy sold is not necessarily translated -- greater income for the electric indus -- but a part of the income comes from CCEE, which may create a debt. The explanation is as follows. Imagine that a generator has a commercial capacity of a 100 units of electric power, if it sell 70, it will receive 70 at the contract price and the 30 left will be received as PLD.

If the PLD exceed the average sales price for that 70 units, it will be a better deal not to sell anything and to be totally exposed to PLD. Of course that's a very risky situation, we don't recommend anyone to follow that. But in terms of results analysis, it's important for you to remember that.

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On the right center then -- on the top center graph, we see the 8% increase in the average sales price of energy sold that is net of export. Export prices are always very high, so they can contaminate the results. We also reduce the PIS/Cofins and ICMS effects.

Also on this page, the last thing I would like to emphasize regarding EBITDA margins. We had a considerable increase in our EBITDA margin for the Third Quarter of this -- when compared to 2009 of 4percentage points. Such increase reflects the reduction of energy purchase to be -- this energy has much lower margin than our electric or thermoelectric energy. Global margin has increased which increased an EBITDA margins.

On page 24 I would like to comment on the development of the indebtedness of the Company. Vertical bars show the total debt of Tractebel. You can see that at the end of the Third Quarter of 2009, only 9% of our debt was in foreign currency, other 91% was in local currency. There has been an increase of BRL472 million in our gross debt, but the Third Quarter when compared to September 30, 2008 or rather September 30, 2009, when compared to the same data of the year before.

On the net debt, ended September 30, 2009, there has been an increase of -- basically due to loan and debentures that were issued. Despite this increase in indebtedness, company has a very low leverage 1.5%, one and half leverage, if we consider the EBITDA and the net debt, this falls to 1.3 or 1.4 times. And it's important to mention that this graph does not include the issue of the debentures announced yesterday. That is September 30, 2009.

After that I would like to invite you to take a look on slide 26 as show of maturity for Tractebel's debt. Debentures issued in amounted to BRL400 million that was announced yesterday approved at the board meeting yesterday, carried out through a restricted offer. We were able to obtain a very competitive interest rate considering the current 110% rate of CDI for three years term.

And that would allow us to increase the debt profile and reduce its cost. Noted that in the Fourth Quarter of 2009 and '10, approximately BRL500 million in amortization and debt maturity, so we are able to obtain those funds at a very competitive rate, which will allow us to reduce the debt service.

For the other periods, debt conditions is pretty -- pretty is the same for the issues of new debentures and debt matures in (inaudible).

Page 27 have the CapEx for the Company for the years to come and a comparison of CapEx with EBITDA and net income. There has been no significant change -- CapEx -- Second Quarter of this year. I'd like to remind you that most of this CapEx is associated to Estreito.

And we have our maintenance CapEx -- balance for Sao Salvador, a bit left for ecology -- as well as two wind energies in Biomass Areia Branca in the South and also Andrade. And this figure does not increase the potential premium -- purchase of the 40% interest on the GDF Suez host on the Estreito project.

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On page 28 of the presentation, I would like to talk about dividends. The board has approved the payment -- will be ex-dividend on November 18 -- they have not defined the dates for payment -- the payment of the BRL194 million, we will reach BRL542 million paid or rather approved for the year 2009. And if we divide the BRL432 million for the adjusted accrued income, there will be a 59% payout ratio. I would like to emphasize again that we plan to pay close to 55%, which is our guidance for the last month regarding the payout for 2009.

So that concludes the presentation -- the slide presentation part. And I would like to now open the session for question-and-answers. Thank you very much.

## Questions And Answers

### Operator

Excuse me, ladies and gentlemen we are now going to start our Q&A session. (Operator Instructions) Our first question comes from Mr. Marcos Severine from Itau Corretora.

#### Q - Marcos Severine {BIO 3322666 <GO>}

Good morning, Previtali. First of all congratulations for your performance. I have two questions to ask you. The first one regards these contracts to purchase energy that you did some time before for longer term contractors they have done at higher prices. When are these contractors -- these contracts effectively going to mature or to be finalized, so that we may expect an improvement in margins? And the second question regards the assets that you already have some interest, is there any possibility of buying the power plants of Machadinho or your buying the interest of other shareholders?

#### A - Antonio Previtali

Good morning, Marcos. Thank you very much for your questions. These contracts that we purchase, so as to allow the sale of 30-year product, they were about three, four years. So the effect of it is already included in disclosure showing the balance of energy. As to the purchase of stakes from moderate investors in Machadinho, nothing more consistent with that regard the Company re-affirms that it is completely focused on growth, and if there is any opportunity for acquisitions, we are going to assess, we are going to evaluate them more, we might choose not to do any one, but so far there is nothing concrete in terms of buying assets from third parties. Also because it is the wish of the Company in these power plants, where it already has operations, it has the control. So depending on the assets, we want a minority interest and to buy a more stock, other minority interest might not be of our interest.

#### Q - Marcos Severine {BIO 3322666 <GO>}

Well thank you. Just one last question in the chart on page 11, for the energy market and you talk about offers and consumption, what is the GDP you are considering there, about 3.5 GDP.

## A - Antonio Previtali

3.5, well that's quite low, 3.5 considering an elasticity of one to two times which might be to a 4.2 -- 4.5 in terms of increasing demand.

## Operator

Excuse me. Our next question comes from Ms. Maria Carolina Carneiro from Santander.

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

Good afternoon, everyone. I would like to go back to your energy balance to ask, which are your prospects for next year. So you've mentioned that there has been a reduction in consumption expenses and that's why there is less energy. Less energy is being bought to be resold in about three to four megawatts. And at the same time, you have signed this long-term contract in the free market and I believe, and you please correct me if I am wrong that the time should be about 10 years. And at price levels and about 130, 135, so my question is do you already have from free consumers -- is there more demand from free consumers, but have you been seeing an improvement? In the case if you're seeing the price, as a reasonable price for us to have in mind as a balance price for the sale of contract in the future.

## A - Antonio Previtali

Thank you very much Maria Catalina for your question. As to the reduction in our purchases for resale, I remember that a share of those purchases. First the numbers that we have here, sometimes they are just what we expect, they are just estimates. In the case of purchases to -- for resale there are some contracts that are associated to purchase options. So I can review those prices, if I am not interested in buying the whole lot. So this is the first point that I would like to comment on. In your question you also asked me to confirm the 10-year time for these sale operation for free consumers, on average, what we have been seeing are times of four to five years. Sometimes six but not more than that, this is very rare.

As to the change in the perception of free customers, I think that the fact that we did not sell practically no average megawatt in the first and Second Quarters this year. And we also said about 120 average megawatts on this Third Quarter to be delivered as of 2011. This naturally shows that there is more concern of free consumers for the behavior of prices from now on. And I think there is also more awareness of free consumers that this price -- this short-term price might not last very long. And manufacturers focused on that will not want to go into a very complex business, as it is as of electric power business and might benefit from something on the spot market. We have many examples. At least almost 10 examples those who tried to trade in the spot market, they were very much hurt and so I think that we have more awareness of that. So the price of 120, 135 seems to be a reality, because we sell 120, 130 megawatts at that level and this confirms our expectations that long-term prices are very strongly correlated to margin expansion costs. Have I answered everything?

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

Now, thank you very much.

## A - Antonio Previtali

Thank you.

## Operator

Excuse me our next question comes from the Mr. Pedro Manfredini from JPMorgan.

## Q - Pedro Manfredini {BIO 21633245 <GO>}

Good afternoon, Previtali and Rafael. My question is regards Tractebel's contract with Complem -- I just would like to understand better why did Tractebel wait this long to effectively file a suit to recover amounts, and what do you expect to win through -- as with this lawsuit. What do you expect from these lawsuits?

## A - Antonio Previtali

Thank you very much Manfredini for your question, if you allow me I'm going to make a very brief introduction for those who do not know about this issue. Tractebel signed a contract to buy energy from CCEE, 300 average megawatts and this contract in fact is -- was a spare contract, so Tractebel would pay a flat fee for the availability on the line of this 300 megawatts, and if necessary if the interconnected Brazilian system needed then the energy would flow through these lines in addition to the payment for the installed capacity -- for renting the installed capacity, we would also pay for the energy. In mid '05, if I'm not mistaken in May, AENS was suspicious of the supply capacity of that line, asked for a test and those 300 megawatts became 72 megawatts. So just overnight, we were short in almost 230 megawatts and the result of the Company was very much impacted by that because we had to buy that energy at spot prices, and spot prices were unfavorable to us then. And one year later AENS asked for another test for CN and then not even 72 were available. Those 72 became dust or nothing in mid '06. Now answering more specifically your question, I think that undoubtedly it is always more profitable to try to seek an amicable solution. We've had many attempts to solve the problem with CN along all these years and because of the delay or because they didn't show very much interest to settle the issue, Tractebel had no other alternative but to file a lawsuit against CN. So how much do we expect to win with that lawsuit?

This is a very difficult question to answer, because the way -- and the interpretation of the contract might lead to some questions. We could say that there is a considerable amount, but we prefer not to disclose our expectation in terms of those amounts. But it's a considerable amount.

## Q - Pedro Manfredini {BIO 21633245 <GO>}

Thank you very much.

## Operator

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Excuse me, our next question comes from Felipe Leal from Merrill Lynch.

**Q - Felipe Leal** {BIO 2015017 <GO>}

So. Good afternoon, everyone. It's a question about thermal power plants and I saw that in the auction you are going to buy by availability for thermal power. Do you see any opportunity to hire your thermal capacity or you -- will your strategy not change now?

**A - Antonio Previtali**

We still do not have a position about this auction, Felipe. It's very new, very recent I think people are still assessing our participation.

**Q - Felipe Leal** {BIO 2015017 <GO>}

So today as you said on the capacity, your thermal capacity, is there anything related to old power contracts?

**A - Antonio Previtali**

When we sell energy through an auction for existing energy, we are not related to the source, so in fact it's a mix. It's a combination there may be hydropower plants, thermal power. So I can not say much more about that. Felipe, I am going to take the opportunity of your question to make a complementation -- to complement Manfredini's question. I answered his question in an incomplete manner. So at first the reduction of our availability of power from 300 to 72 caused a strong impact in the Company's performance. So we had to buy that energy at spot prices, but this lack of availability generated damage to Tractebel, because we had to keep on buying energy in the market to comply with those contracts, as to a moment when we did not have and that available and we announced that to the market and we made that announcement. But we certainly -- it certainly isn't still affecting our results. Thank you very much.

**Operator**

Our next question comes from Mr. Sergio Conti from Barclays.

**Q - Sergio Conti** {BIO 3441214 <GO>}

Good afternoon, Previtali and Rafael. In the recent past, we have seen similar rating companies ratings similar that to Tractebel issuing debentures for two or three years in the market and as you announced you -- Tractebel announced a restricted offering for six years of 110% of the CDL. I would like to understand a little better what are the main differences between a public offering and a restricted offering and what are the main advantages for Tractebel in making such options? Is that more related to costs or terms? And my second question would be -- to regarding the offerings, whether that placement will happen with related parties of Tractebel, with the controlling company, or shareholder, or to other, it's an open offering.

**A - Antonio Previtali**

Thank you, Sergio. No. This offering is being conducted by Banco do Brasil and as you said in your question, our goal is the cost reduction and increasing of our payment terms. Banco came to us, we believe that it was an attractive deal and we decided to make it. It's that simple.

**Q - Sergio Conti** {BIO 3441214 <GO>}

Thank you very much for your answer.

**Operator**

The next question comes from Eduardo Figueredo from (inaudible) Investment Bank.

**Q - Eduardo Figueredo**

Good morning, Previtali. My -- I almost have no questions. Just going back to CN, I would like to know whether there is any schedule. I know you had filed a suit recently, is there anything we can keep track of this suit, any timeframe?

**A - Antonio Previtali**

Thank you, Eduardo for your question. No, unfortunately we cannot anticipate or provide any information right now. It will be related to the -- a court's process, this is a variable we have no control over. As I've tried -- as I have said, we tried all amicable solutions and since we can not reach an agreement, we had no other option but to file a suit. Therefore we have no estimated timeframe to solve this issue. Thank you very much.

**Q - Eduardo Figueredo**

Thank you.

**Operator**

Excuse me, our next question comes from David Descalzi from Raymond James.

**Q - David Descalzi** {BIO 1944513 <GO>}

Good afternoon. Previtali I would like to know if you can comment on your view -- as a controlling interest on shareholder on this Celemonite auction.

**A - Antonio Previtali**

Thank you for your question, David. Well given the size of the project and naturally the enormous risk associated to construction, this is a typical project in which Suez should act - Suez is a pioneer agent. We are able to advance the project, mitigate risks on every side, until it becomes more palatable in terms of risks and therefore able to be transferred to Tractebel. We still don't know the -- exactly what GDF Suez is doing nor -- neither regarding the construction or the CapEx expectations. I would say that we do not have better information than the market in general regarding the amount of the CapEx.



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Within that range that varies from 16 to 30 billion, but also based on the question I answered before, I would say that given the focus on growth that we have now and that it's supported by the group. We as a group are certainly looking closely to GDF Suez. Of course Tractebel is involved, our technicians participate in the process. We evaluate the assured energy as compared to the assured energy that is disclosed and we provide all support for GDF Suez. We are the operating branch of them in Brazil. But now we cannot answer the questions about the market that is anxious to know regarding the construction, CapEx, anticipated construction deadlines. There are too many variables open right now. It will be very premature on our part to make any comments right now. Thank you.

**Q - David Descalzi** {BIO 1944513 <GO>}

Thank you.

**Operator**

Excuse me. Our next question comes from Pedro Mendes from BTG Pactual.

**Q - Pedro Mendes** {BIO 16512339 <GO>}

Good afternoon, Previtali, I have very quick question just to understand this movement. If we look at 2011, it seems that there will be an increase in contracted energy as compared to data reported in the Second Quarter -- Third Quarter but as compared to your average sales price, this new contract came at a lower price, BRL34 megawatt hour. So please tell us what happened to this contract, is there any specificity in it that we are not considering. I'd like to understand why the price is a bit lower.

**A - Antonio Previtali**

Thank you, Pedro. Just a second, I will take a look on our table for the Second Quarter of this year. Yes. It's slightly lower. Pedro I can't tell you for sure, but I think that it's possible that there is a group of contracts in which the customer decides not to pay a flat price adjusted according to IGPM rate, where there is a -- there are group of contracts in which we provide for a gradual increase in prices always with some index of adjustments. May be this is -- this explains this slight reduction when compared to the figures we had expected.

**Q - Pedro Mendes** {BIO 16512339 <GO>}

Thank you.

**Operator**

Your next question comes from Mariana Coelho from Itau Corretora.

**Q - Mariana Coelho** {BIO 16262980 <GO>}

Good afternoon, everyone, Previtali, Rafael, which is like a follow-up on Estreito project, whether your timing expectation remains for this year or whether there has been any

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changes?

## A - Antonio Previtali

Yes. Mariana, our expectation continues and the transfer is expected to happen to the end of this year.

## Q - Mariana Coelho {BIO 16262980 <GO>}

Thank you.

## Operator

(Operator Instructions) Excuse me, our next question comes from the Mr. Marcos Severine from Itau Corretora.

## Q - Marcos Severine {BIO 3322666 <GO>}

Hi, Previtali. I am going to take advantage that there are no further questions. In terms of you seasonalization strategy, I think that for the Fourth Quarter, what can we expect in terms of 2010, may be a repetition of the same strategy that you have this year, so you are short along the First Quarter and longer in the second semester. That's basically my question.

## A - Antonio Previtali

Thank you, Severine, for your question. As to the Fourth Quarter, the Fourth Quarter is part of the strategy for the whole year of '09. The strategy was defined in late '08, so now there is nothing else for us to do. And so my answer is that the results of the Fourth Quarter will enable Tractebel to have a net income in '09. That is very similar to '08. This leads us to believe that in terms of seasonality, very below significant variations in relation to the Third Quarter of '09.

Then again this will enable us to have a convergence of '09 profit in relation to '08 profit, although in this year, the performance of the manufacturing industry was very much affected. Not just back but last year in the First Quarter, you had extraordinary gain above in the spot market above BRL500 and this spot was BRL21 on average. So it's really amazing, your performance. Yes. And even our internal challenges are increasingly bigger because of that.

So on a given year we attain or we manage to find something through which we can add value to the Company, and then the following year the result will be compared to that favorable performance.

So Tractebel's employees are driven by constant challenges and you said something very interesting. Even considering the weak performance of the manufacturing industry as a whole this year, our company is going to be very close to last year's performance considering that in '08 we had a huge gain with the seasonality strategy, which will not happen in '09.

So this shows Tractebel's opportunity and capacity to identify opportunities that can add value to shareholders. As to our seasonality strategy for '010, it's still too early. The amount of information that those responsible for decision-making will still needs to deal with, is huge and as this decision needs to be made in the last phase of December or may be even on the first days of August, historically this decision is always made on the last minute.

So I would like to take advantage of your question to say that the Company has prepared itself along '08 in terms of buying energy to have a quite flexible seasonable scheme in '09 or whatever it is. So you'll have more exposure in the first -- in the Fourth Quarter and the Second Quarter. So this is also an interesting fact that if you consider Tractebel's results, so we could have had a better result exclusively for '09, but we have given up part of those gains because we had to buy energy in the market not resell it, so that we could have a greater flexibility in 2010. I think that this shows us huge differential of the Company and expertise that has led to such consistent results and then it's placing a company at a situation, a very profitable position in terms of consumption in the country.

#### **Q - Marcos Severine {BIO 3322666 <GO>}**

Thank you very much, Previtali.

#### **Operator**

(Operator Instructions) We are now closing our Q&A session. We would like now to give the floor to Mr. Antonio Previtali. Please Mr. Antonio you may proceed.

#### **A - Antonio Previtali**

Well first of all, thank you all very much for you participation in our conference call. I think that it has been very productive. We could explain and answer many of your questions. I'd like to say that we are all available and our Investor Relations department is available, Rafael Bosio is available to answer your questions. He is here with me in this call, Ana Sayuri Machado, Mariana Puricelli, we will all be delighted to answer your questions and to give you answers as soon as possible. Thank you, all very much and see you soon.

#### **Operator**

Tractebel Energia conference call is now ended. We thank you all for your participation. Have a nice day and thank you very much.

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