

Q4 2010 Earnings Call

Company Participants

- Antonio Previtali, IR Manager
- Eduardo Sattamini, Finance & IR Director
- Elio Wolff, Market Relations Manager for GDF SUEZ

Other Participants

- Felipe Leal, Analyst
- Marcelo Britto, Analyst
- Mariana Coelho, Analyst
- Unidentified Participant, Analyst
- Vinicius Canheu, Analyst

Presentation

Operator

Good morning. This is Tractebel Energia's Conference Call. All participants are only connected as listeners now and later on we will open a Q&A session, when instructions for participation will be given. (Operator Instructions). We'd like to remind you that this conference is being recorded.

I would like to give the floor now to Antonio Previtali, the IR Manager of Tractebel Energia. (Operator Instructions). We are waiting for Mr. Previtali to connect. Okay, Mr. Previtali, go on.

Antonio Previtali

Good morning, ladies and gentlemen. Welcome to Tractebel Energia's teleconference where we'll discuss the results for 4Q '10 for 12 and '10.

This presentation, together with the slides, will be broadcast simultaneously by the Internet, via www.tractebelenergia.com.br under the Investor Relations section. There, you may also obtain a copy of the presentation and of the earnings results for the Company.

Before going on, I'd like to say that any statements made during this teleconference relative to the forecasts of the Company should be treated as forecasts only, depending on the country's macroeconomic conditions, the performance and regulation of the electricity sector in addition to other variables and, therefore, are subject to change.

Together with us, we have Eduardo Sattamini, Chief Financial and Investor Relations Officer, who will talk about performance of 4Q '10 and 2010 and Mr. Elio Wolff, Market Relations Manager of GDF Suez, Latin America, who will present an update on the development of Jirau Hydro Power Plant. Right after, they will answer any questions you may ask. I will give the floor to Mr. Sattamini now.

Eduardo Sattamini {BIO 16648085 <GO>}

Good morning. It's a great pleasure to announce another quarter of excellent results in 2010, another record. For seven years in a row, we've had records. I'd like to comment on the highlights of this quarter; first, the financial and operational indexes, net operating revenue. We're talking about page 4.

So the increase was for this quarter of 21.2%, with an annual change vis-a-vis 2009 of 17.3%. The volume increased 9.5% and prices increased 7.3%. This led us to operating results of EBITDA of 18.6% above the annual change, which attests to the strong operating capacity of the Company. The EBITDA margin over net operating revenue was 0.7 pp, so we reached 67.3 (sic; see slide 4) vis-a-vis 2009.

We had an increase of net income of 11.1%, so we went from BRL1,090.9 billion (sic; see press release) already adjusted according to the new accounting guidelines, BRL1,211.6 billion (sic; see press release).

We had an increase of energy sold of 9.5%, a change of 9.7% and the average price energy contracts also showed an increase of 4.4% in the quarter and 3.5% year-to-year.

It's important to highlight that the production of energy has increased 35.3% this year. We had some interesting events that I would like to mention. In terms of our thermal generation, we had 739 megawatts on average of energy generated, 640 megawatts equivalent. This is very important, because we have an exposure, a thermal exposure in the replacement of thermal energy and this has reduced our exposure in the Fourth Quarter of 2010.

And for the whole year, we had an average generation of 619 megawatts, which represents something around 540 megawatts on average. And this was one of the reasons why we had an exceptional result for this year due to allocation of energy and also the participation of thermal energy leading us to a result in the energy trading board, which was rather significant.

The Board of Directors approved, based on the generation of profits this year, a distribution of BRL158.3 million, i.e. BRL0.242 per share, maintaining the commitment of payout of 55% of the adjusted net income.

It's important to highlight also that Tractebel has been reconfirmed in the Sustainability Index by BM&FBovespa's Index. It's an important result for us because we've been in this index, Sustainability Index, since its implementation.

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Slide number 5 talks about our controlling structure. We're controlled by GDF Suez. On February 3, we had a communication of a closing of the operation with International Power. Therefore, we have a new Company, a new structure. GDF Suez is the main Company, but incorporating International Power into its international unit.

So International Power now has 600 gigawatts installed, and part of this is already guaranteed by the processes that are being implemented and we have 107 gigawatts installed. This is an important figure in view of the fact that it can be compared with installed capacity in Brazil, which is 108 gigawatts today in Brazil. So GDF Suez has installed capacity quite close to the total installed capacity in Brazil.

In this control map, we see a change vis-a-vis the Third Quarter of 2010, which is the absence of Ponte de Pedra SA [ph] under the comment of Tractebel Energy. This company was incorporated into Tractebel Energia. It's no longer a separate company. The decision was taken in order to simplify the structure and to improve the capturing of energy for the next years.

Page 6. We have a portfolio of assets. There is no great changes here, except for some different participations in biomass in Ibitiúva, which now has an installed capacity of 21.2%. So the participation of Tractebel Energia has increased a bit due to a [ph] equity adjustment.

We still have two projects undergoing, Estreito and Jirau, which we're going to focus during the presentation.

Slide number 7. We are the leaders in generation. We're the largest private player in Brazilian generating market and will go on being so for the next years.

You see here a comparison of our Company and the other companies in the market. And as you can see, we're very well positioned for the consolidating growth. We'll be active and looking out for any opportunities that may come our way along the year in 2011 and perhaps 2012.

Slide number 8 talks about our portfolio of traders, trading companies and distribution companies. As you can see, we've had an increase in free clients, free customers in our portfolio and this is consistent this year. It shows that these free customers have matured and are contracting out directly from the generating companies without any intermediaries.

Another point to highlight here, comparing 2012 and 2011 projected figures, is a small increase in terms of the distribution company's portfolio, basically represented by the PPA, a sales energy contract, regulated by Estreito HPP.

Slide number 9 shows the diversification in the portfolio among free customers. Total sales in 2011 projected for 1,188 average megawatts. If we compare this to 981 that we had in 2010, we have an increase of 207, representing 21%. This is not just sales figures;

sales are above this, because there are some contracts which have been discontinued during 2010. We're going to focus on that when we talk about sales.

It's important to highlight that there is a diversification in terms of the several segments, the automotive segment having 15%.

Slide number 11, this is the outlook for the energy growth in line with the economic increase or improvement. We still have a structural surplus. We can see this on the left-hand side chart, but this surplus will come from thermal plants and will depend on the timely beginning of new projects. So the participation of thermal companies and other procedures will increase the price for energy in Brazil, so that the dispatch will be passed on to consumers via the fuel payments or via charges.

Slide number 13, here we show a bit about the portfolio's contracted energy, our strategy considered gradual sales' future availability. So then this availability is refined as time goes by and the Company defines its strategic forward contracts.

On the left-hand side, the bar chart, here we don't have the comparison, but if we compare this to the Fourth Quarter of 2009, we see what sales in 2010 represented. In the Fourth Quarter of 2009, availability was 263 megawatts. We had -- was 293. Today, we have 425. Today we have 84 and for 2014; the projection was 263 and now we have 273. We had 1,057. Today we have 570 for 2015. This represents the amount of energy sold on average between 2011 and '12, 2015 of 364 megawatts; strong sales activities for 2010.

As we said, our strategy is to make the most of the windows of opportunity in the market contracting for free consumers and having contracts wherever we can have higher prices for our portfolio. In 2011, we are going to see an increase, or a cooling in 2011, due to the forward prices, which will be -- which will decrease but growth will resume in the second half of 2011.

Moving on to slide 14, as regards the energy balance, there have been some changes relative to the portfolio in the chart represented in the previous quarter. There is a small reduction in our own resources; They fell 37 megawatts and this was basically growth.

As regards the decrease of the energy relative to 2011 regarding Estreito, we are going to introduce another forecast in March and we have to comment on this. Our forecast was before February and in March, 2011, we are going to have a new forecast.

In the second line, purchases for resale, we have been buying energy. This is a commercial strategy. We will continue to sell energy and we had to replace our portfolio to meet this need. It is important to say also that as regards bilateral sales, we continue to sell in the quarter. If we compare it with Q3 we see that Q4 has net sales of 20 megawatts for 2011; 123 between 2012 and 2014; and 66 megawatts for 2016. So there are activities going on at a slower pace, because of a reduction in the trend for contracting. And this is due, of course, to the spot price.

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Let's move on now to our growth and the projects that are underway. We have the Estreito project and, as I said, start-up is predicted for March 2011. You see that the reservoir is filling up. You see here it's upstream from the engine. And with this filling up, we will be able to commission the first engines.

This project has a total assured energy for Tractebel, BRL149.07 for 2010, and this project was developed in partnership with Vale, Alcoa and Camargo Correa. And this is the Estreito Energia consortium.

Moving onto slide 17, some other pictures of the Estreito project; you see the unit 2 being placed in the well. We are advanced in finishing this unit. We have a general view of the spillway. And we are showing here some of the works that are part of our social and environmental actions. We are building a school in Babaculandia, a city market in Carolina, and a city court in Estreito.

This is all part of our social and environmental activities, which are required by a hydropower plant in order to ensure a good relationship with society. This is essential for the viability of this project. And as of this year, we are also going to present our social and environmental actions, together with the results, and this is an attachment that you will find to this presentation.

I'm going to move now to the hydro project of Jirau, and I'll pass the floor to Elio; please go on, Elio.

Elio Wolff {BIO 17147591 <GO>}

Good morning. Thank you, Eduardo. On slide 18 I will give you some information about the Jirau project. It is we own 51% of the -- 50.1%. We are partners with Eletrobras and Eletrosul; each one owns 20%, and Camargo Correa owns 9.9%.

As you very well know, this is located in the Madeira River in the state of Rondonia. The current capacity under construction is 3,450 megawatts, and an additional capacity under analysis for 300 megawatts. The assured energy is currently 1,975 megawatt average. And we are waiting for a resolution on the part of the regulatory agency about the additional assured energy.

CapEx was BRL11.9 billion; was updated in December for BRL11.9 billion. BRL5 billion has already been invested.

I would like to highlight that as soon as we have a decision regarding the additional assured energy, and the additional machine, we will need further investment, and we believe that a large of this additional investment will be funded by BNDES. The conditions of the initial BNDES funding was BRL7.2 billion and the other conditions remain as the previous ones.

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Moving onto slide 19; in terms of the updating of the sold energy in the long-term for 30 years, the PPA was updated 2.8%/3%, and in December we have BRL80 to [ph] BRL81.2 per megawatt hour. And as regards the sale of the energy, our partners and GDF [ph] are looking for the best solution, and once we have news we will certainly bring the news to the market.

As regards the schedule I would just like to bring forth that we maintained the original schedule, March 2012 for unit 1; January of 2013 for the 27th unit; and then we will be able to produce 100% of the assured energy. And the 46th unit is due in 2014.

I would also like to confirm that the project is on schedule. Everything is on track, and the deviation of the river is for June 2010 -- sorry, June 2012.

As regards the transmission line, we have very important news. In December we were granted the prior [ph] license for the transmission line. And we believe that the consortium will try to meet the original schedule for the implementation of the transmission line.

Moving onto slide 20, we see our pictures of the spillway; the power house on the left bank; the power house on the right bank; and also the new Mutum Parana, you see a picture here. It was opened in January. And new Mutum will offer quality of life, not only to the employees of the plant, but also to the inhabitants of the region of Vila Mutum in the state of Parana.

Let's move back to the financial items. On slide 22 you see the main aggregate. We have been growing 10.8% in terms of CAGR. EBITDA also in the period has had a CAGR of 12.2%, and a net income has had a CAGR of 5%. These figures already include the adjustment for 2009 and '10. And in 2009, there was some reclassification so as to allow the comparison between '09 and 2010.

The impacts are the adoption of the par value for fixed assets. The impact was BRL1.2 billion, which accounts for an increase in depreciation -- in gross depreciation of BRL80-something-million, with a net impact of BRL57 million in our results in the next few years.

The benefit, there was an impact in the first adoption as well, and this reflects CVM's rule that allows a corridor of a variation of 10%. The first adjustment was done in 2009, and this created an impact in the accrued income in 2009. And there was also a reversal of expenses, which took place in 2009 and 2010, and that was an impact of BRL24 million in 2009 and BRL75 million in 2010. You will be able to see this detail in the release that includes this data.

Moving on now to slide 23, where you see the changes in gross operating revenue. As I said, basically there was an impact on the increasing volume, 9.5%, BRL327 million more; an impact of seasonality of energy and of the liquidation at the CCEE of the settlement; and an impact of 3.7% in price.

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In such a year with such a high inflation prices did not grow so much. Our prices are escalated according to inflation. But we have to remember that some prices, which had an impact in 2010 absorbed the inflation of 2009. So today we have a mix of variation of indexes for 2009 and 2010, and the same will happen in 2011, we will feel the impact of indexes of 2009.

IGP-M linked contracts, which are readjusted in January, will have this impact felt in 2011, and the impact will be 11.1%. Also the contracts that are linked to IGP-M will suffer with the inflation of 2010 and 2011.

We also have the start-up of new plants, so our gross operating revenue will rise. There was also a reduction in exports in 2010 relative to 2009, and also the indemnification of CESF. It also contributed to reduce the gross operating revenues in 2010.

There was also an increase of 18% -- of 2009.

Moving on, the contribution of CCEE to EBITDA, slide 24; it is important to say that this has an effect on the revenues, BRL222 million which you saw in the last slide. There was also an effect of BRL118 million in the reduction of purchases, and the settlement at CCEE [ph]. So we have BRL340.3 million, which is not affected, and that is actually the BRL317 million you see here.

It is a reduction regarding fiscal things in the value of the revenue. The new power plants are contributing BRL85 million to the EBITDA, and we have other minor effects. So EBITDA grows 18.6%, and went from BRL2.202 billion to BRL2.611 billion.

Something also that is important regarding the CCEE, the Energy Trading Board, is average PLD for the South East region in 2009 was BRL39 per megawatt hour, and in 2010 it was BRL70.2, substantial grow -- increase. And the steep drop in Q4 -- very substantially if we compare 2010 to 2009, it was BRL109 in 2010, whereas in Q4 it was BRL16 per megawatt hour in Q4 2009. So this also contributed to the results of Q4 and, of course, of the year of 2010.

And talking about net income change you see the role played by CCEE. And another important factor was that inflation accelerated; we had more financial expenses. Inflation is distributed here in new plants and financial results. The new power plants also incur financial expenses, because of the funding structure. This is incorporated to their fixed assets, and the financial expenses are appropriated in the income/loss account; we have 73% [ph] (sic; see presentation) of net result and in the new plants we have minus BRL11 million.

Moving onto slide 26 we see a comparison, quarter on quarter, Q4, 2010 and '09, and the other aggregates as well, financial and operational aggregates. And I would like to highlight here that as regards the average price of energy sold, there was a decrease from Q3 2010 to Q4 2010, basically due to the spot price -- the average spot price in Q3, which was higher than the average price of Q4. So we had to settle in an unfavorable environment, and this reduced the average price of the energy sold in Q4.

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I would also like to highlight the EBITDA margin. We went from 67% in Q4 '09 to 63% in Q4 '10, basically through the new generation of thermo energy. There is a reimbursement of fuel; when we use [ph] gas. And also, we had a larger volume of purchases for resales.

Slide 27; our limited indebtedness and low exposure to foreign exchange has this impact that you see. We have a debt of BRL4,444 million compared to BRL2.618 billion EBITDA. This is a ratio of 1.7. So in spite of the fact that we increased our gross debt substantially from BRL3,415 million to BRL4,444 million by Estreito, our ratio, total debt and EBITDA has increased very little, showing that the cash generation in strong terms has been supporting our increase.

In terms of cash, our cash is quite substantial at the end of 2010. It's going to be used to settle taxes starting in January. Income -- we have already paid income tax, and also taxes on our own capital, which will be complemented now in the next month. And we're also reserving some funds for the payment of debentures for 2005 and 2007. And we had some expenses to settle in the first semester of 2011. Our liquid indebtedness then is BRL3.361 billion; in other words 1.3 times the generated EBITDA of 2009.

The next slide, slide number 28, you see the evolution of or the net debt change. The first element, BRL1,161 million is relative to Estreito. Then we have investments; payments of Estreito, HPP, CapEx, operation maintenance, other small projects; several payments being made in 2010 in terms of dividends for our own capital, variation of BRL127 million in our own capital; foreign exchange, small amount.

What's important is the cash generation of BRL1,807 million in operational activities. So we had an increase of net debt of 55.6% to BRL3,361 million.

The next slide talks more about the debt profile. We see the first and third emissions, the amounts of BRL140 million [ph] and BRL600 million respectively, which will be settled in April. So the profile of our debt is more balanced for the BNDES project and for issuance of BRL350 million.

The debt cost is pegged to the real. This is our strategy to avoid any mismatch of the currencies. Only 5% is in foreign exchange. We have no hedging; it's very long-term for this 5%. There is -- we cannot settle the amount due to their characteristics, their origins, and they are linked to the country debt and the trading bond negotiation.

The indebtedness is ever more changing to the finance of the BNDES. This is a strategy of ours; we think this is the most adequate path for long-term in terms of TJPLP [ph]. It has increased with new projects and new plants that are being built.

Slide number 30; the CapEx supported by a high cash flow, which we have already mentioned. EBITDA of BRL2.611 billion. We had investments of BRL2.608 billion, partially financed by the BNDES, but the debt assumed [ph] with BNDES, and disbursements which will be made along the year for the existing projects.

We chose not to include Jirau project here until there is a closing for this operation, and this closing should affect the beginning of 2012 with the committee of related parties, which was established last October, together with a consortium.

The dividend policy, we still have our commitment; payments of at least 55% in terms of the management committee, although the by-laws established 30%. And this has then generated complementary payments in 2010 of BRL0.242 per share, totaling a total payout in 2010 of BRL664.4 million, representing a 55% payout.

This is what we had to talk about financial changes, and we are here available for questions. We'll now open up for Q&A.

Questions And Answers

Operator

(Operator Instructions). Credit Suisse, Vinicius Canheu.

Q - Vinicius Canheu {BIO 6300903 <GO>}

Good morning, (foreign language). My question about the growth if we see the auctions of last year, even if we don't include the Vila [ph] (inaudible), we're talking about 3 gigawatts of new capacity under contract. What's the potential for 2011 and is there anything specific? I -- you don't need to name the projects, but any figure in terms of capacity for Tractebel Energia GDF.

Second one about Jirau, the expansion for capacity counts as proof it's going at ANEEL [ph]. Is there any chance that this will be already in A minus 3 for June that's already scheduled?

A - Eduardo Sattamini {BIO 16648085 <GO>}

So let's split the question in two; first one about the growth; we are still thinking about projects, studying the possibility of other projects for the (inaudible) River and other projects. There is a potential for the development of wind plants and biomass.

There is no magic figure, but we want to ensure at least our participation in the market, our market share. This growth should not be for the betterment of returns to investors. So we are going to try and obtain the most and on [ph] in this strategy of growth in terms of making our share in the market for 2011 and for the next years.

And I would like to Elio Wolff, who will talk about Jirau.

A - Elio Wolff {BIO 17147591 <GO>}

The situation, Jirau is still considered upon the approval of the regulating agencies.

In terms of assured energy, there's no great news vis-a-vis the previous half year. We're working together with the regulating agency to try and find a definition to bridge the figure to -- this may happen soon. And if possible, the Group will assess and take the decision depending on the moment -- on the conditions at the moment.

Q - Vinicius Canheu {BIO 6300903 <GO>}

Thank you very much.

Operator

Marcos Severine, Itau BBA. [ph]

Q - Unidentified Participant

Good morning, everybody. Thank you for the call. Sattamini and Previtali have two questions; the first one about the scenario for contracting energy for 2011/2012.

The news talked about the possibility of delays in the commissioning of some plants or the operation of some plants, together with a delay in the transmission lines that will connect these project from Madeira River. Do you see, or have you felt today vis-a-vis two months ago, any pressure in terms of price, any growth in the demand of free customers looking for more long-term contracts? I'd like to have an idea of what you think an update in terms of this market dynamic.

And about the free energy in Jirau, you had that attempt of trading by the electronic auctioning. You detected that the best way that would be individual negotiations with contracts that would meet the need of free customers? So the question is; have you engaged in any contracts, in any trading? Do you bet on 2011 as the year when you're going to sell this energy? Or do you think that due to the fact that the scenario's not so positive for generation for price, this could be less for 2012? These are my two questions.

A - Eduardo Sattamini {BIO 16648085 <GO>}

I will answer the first part and then I'll give to Elio [ph] to talk about Jirau.

As regards the scenario for contracting energy in 2011/2012, you touched upon something that has been a concern since last quarter. And part of the demand will be met by the offer that's going to be available in the next few years.

So part of it will be met by projects that we'll start up. And this obviously poses a concern if these projects do not start up in time, there might be a shortage of power in the market. We don't see it this way. It obviously depends on hydrology. Obviously, if hydrological conditions are poor and the scenario will worsen, but there is the possibility but it's not concrete.

I believe that in 2013, we are talking about a whole different scenario. There might be a delay in the Madeira line, but to offset that, some other plants will start up in 2013 instead

of 2011 and 2012. So there won't be necessarily an imbalance between supply and demand, but the market will be a bit tighter and may require a bit more attention on the part of regulatory agencies and operators as well.

I'm going to turn over to Elio for him to talk about Jirau.

A - Elio Wolff {BIO 17147591 <GO>}

As regards Jirau, there was an attempt last year. We are looking for alternatives to commercialize the energy, direct commercialization with some participation of others. We are trying to identify the best way to do it and trying to look for PPAs under the conditions that the Group thinks appropriate. So far, we have no news regarding the PPAs, but as soon as we have news about PPAs, we will bring them to the market.

Q - Unidentified Participant

Just a follow-on if you allow me. If I understood the answer to the first question, in the next two years, because of the events underway, the scenario will be more benign for contracts, we should expect better prices than the prices of the last two years. Is that what you're saying?

A - Elio Wolff {BIO 17147591 <GO>}

It depends, that's what I'm saying. There is a very strong component there. Today -- you see today or during the presentation, we said that there was a high volume of contracts in the second Q of 2010 and third Q of 2010. It dropped towards the 4Q. And the component is that the spot price, although there is no relation between the contracting price and the short-term price, psychologically it attracts a decision of consumers.

So what we see is that this is happening effectively. And what do I mean by that? So although the market is expected to be a bit tighter going forward, if hydrological conditions are favorable, we might not feel the impact in the improvement of prices. There are some elements that are playing a role in the market in 2010 and 2012, and this is the renewal of concessions. This is something also that will affect substantially the behavior of free consumers.

It's very difficult to say something for sure. What you assume might happen because the market will be tighter. But there are other elements that we have to take into account, which may not improve the contracting market, although, in principle, your direction is correct.

Operator

Mr. Enrique Barreto [ph] from UBS.

Q - Unidentified Participant

Good morning, my question has to do with the payout for 2011. Should we expect it to be at the same level of 2010?

And also, the investments that you have committed to, does this include Jirau, so the deviation of the river in 2011? Would that be a pressure [ph] in 2011? And if it doesn't happen, would the payout be higher?

A - Eduardo Sattamini {BIO 16648085 <GO>}

No. This does not take into account Jirau. Jirau -- if we contracted out before or after, this will not impact the 55% payout. This is the minimum commitment that the management has made. And if Jirau doesn't come through in 2011, we have other commitments to other investments. There shouldn't be any disbursement for Jirau in 2011. There should be a disbursement in 2012 and then, yes, in 2012 there could be potentially a change in the payout. Thank you.

Operator

Marcelo Britto, Citigroup.

Q - Marcelo Britto {BIO 15393330 <GO>}

Good morning, my question has to do basically with Jirau. In the release of Q4 and in your presentation, you said that Jirau could be transferred in Q1 2012. So all risk mitigators have been duly addressed by Tractebel I may assume. And one of these mitigators should be the contracting of the capacity that was not regionally commercialized when you obtained a concession for Jirau.

Is there a possibility of transferring Jirau without selling the capacity? And does the project finance include impediments to the transfer, and it should be redeemed by BNDES? Or should more equity be placed in this project if Jirau is not fully commercialized?

A - Eduardo Sattamini {BIO 16648085 <GO>}

Marcelo, I'm sorry, I didn't get the first part of the question. I was asking my colleagues to help me.

The transfer and the commercialization may take place, yes? And what is going to happen? Is that this going to be yet one more variable to be negotiated between GDF Suez and the independent committee that assesses the negotiations regarding shareholding also.

And as regards the funding, yes, there are items that the project has to comply with and partners will have to accept guarantees, if they are unable to commercialize, or if the commercialization is carried out at lower prices, lower than established in contract. There is a price we are going to price that. I don't believe that this will impact the level of leverage of the project.

If we are in a position where we can offer a guarantee or obtain contracts at prices that are in compliance with the funding contracts, or if we have a guarantee on the part of the

controllers of the project that these guarantees are good enough for BNDES, the leverage for new capacity may be maintained.

I answered the question that should be answered by Elio, but --

Q - Marcelo Britto {BIO 15393330 <GO>}

So it is actually again between guarantees and commercialization, and how you transfer?

A - Eduardo Sattamini {BIO 16648085 <GO>}

Yes exactly, and who's going to take that risk at that time. What is important is that when we are negotiating between the controller and the Company through the committee, the more uncertainty there is, the more elements we will have to deal with and that will impact price, and this will make things more complicated. GDF Suez is going to look for a reduction.

Q - Marcelo Britto {BIO 15393330 <GO>}

Thank you, Sattamini.

Operator

Miss Mariana Coelho from Itau BBA.

Q - Mariana Coelho {BIO 16262980 <GO>}

Good morning. My question has to do with Cesp [ph]. We have seen that the Sao Paulo State Government is interested in privatizing Cesp, and waiting for the renewal of concessions on the part of the Federal Government. Would Tractebel be interested in bidding for Cesp? Would you have the means to do it? We are also waiting for the incorporation of Jirau now.

A - Eduardo Sattamini {BIO 16648085 <GO>}

Okay, yes. I would say yes, it is not a decision that we have to make; it is the controlling party that should make this decision together with us. We have participated in a previous process, but it didn't move forward. It is a very good asset; might be too big. And the last time we had to make associations but yes, we are interested in Cesp, I would say so.

And as regards the second question, if it would be something that we can do, if the Cesp is a generating -- an energy-generating asset, so it will generate resources, so you can make a leveraged acquisition and it's a high quality asset. So I think that the controlling company would be interested in putting equity in the operation. So I don't see any problem relative to funding as good acquisition as long as the prices are interesting and the returns are good.

Q - Mariana Coelho {BIO 16262980 <GO>}

Thank you.

Operator

Felipe Leal, BofA Merrill Lynch Intl.

Q - Felipe Leal {BIO 2015017 <GO>}

Good morning. My question also has to do with Jirau. I see here that BRL11.9 billion CapEx that were for the project; you have invested BRL5 billion. How much disbursement is forecast for 2011?

A - Eduardo Sattamini {BIO 16648085 <GO>}

We don't really want to go into this level of detail. The BRL6.9 billion of investment should be disbursed until the last machine is put to work. There may be a big concentration of CapEx investment in 2011/2012, and then the levels would be lower in 2013 until we have the last machine operating.

Q - Felipe Leal {BIO 2015017 <GO>}

So most of the disbursement should take place until you reach 100% of the assured energy?

A - Eduardo Sattamini {BIO 16648085 <GO>}

Yes. A large part of that. And the remainder will take place after that; up to 2011/2012, I would say.

Operator

(Operator Instructions). This concludes today's question and answer session. I would now like to pass the floor to Mr. Sattamini for his final remarks.

A - Eduardo Sattamini {BIO 16648085 <GO>}

I would like to thank you all for participating in this call for your questions. And I would like to share our joy, and I also thank you; investors of Tractebel Energia are happy with the results we are presenting. These results are very good results for 2010.

Thank you, all for participating. And we will see each other, or rather hear each other, in the next question.

Operator

Tractebel Energia's teleconference is now ended. We thank you all for participating and have a very good day.

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