

Q3 2011 Earnings Call

Company Participants

- Antonio Previtali, IR
- Eduardo Sattamini, CFO and IR
- Elio Wolff, VP Strategy & Portfolio
- Unidentified Speaker, Unknown

Other Participants

- Antonio Junqueira, Analyst
- Felipe Leal, Analyst
- Marcio Prado, Analyst
- Mariana Coelho, Analyst
- Sergio Tomashiro, Analyst
- Vladimir Pinto, Analyst

Presentation

Operator

All participants are connected in listen-only mode, and later on we will open a Q&A session, when further instructions for your participation will be given. (Operator Instructions).

We should remind you that this conference call is being recorded. Now, I would like to turn it over to Mr. Antonio Previtali, Tractebel Investor Relations Manager. Please, Mr. Previtali, go ahead.

Antonio Previtali

Good morning, ladies and gentlemen. You are all most welcome to this conference call of Tractebel Energia, when we are going to announce the results of the Third Quarter of 2011. This presentation, along with its slides, will be simultaneously webcast on the Internet on the website www.tractebelenergia.com.br in the Investor Relations section, where you can also have access to a copy of our slide presentation and the Company's earnings release.

Before proceeding, I would like to clarify that any forward-looking statements regarding the business outlook of the Company should be considered as forecasts that depend on the economic conditions of the country, on the regulation of the electric industry in addition to other variables, and therefore, they are subject to change.

Today with us we have Mr. Eduardo Sattamini, Finance and Investor Relations Director, who will talk about the performance of Tractebel Energia in the 3Q '11, and Mr. Elio Wolff, Market Relations Manager of GDF SUEZ Energy Latin America, who will present an update on the developments of Jirau hydropower plant. Afterwards, we'll have some time to answer any questions you may have.

Now, I would like to turn it over to Mr. Eduardo Sattamini.

Eduardo Sattamini {BIO 16648085 <GO>}

Good morning, ladies and gentlemen. It's a pleasure to be here once again with you to announce the results of our Third Quarter. We are going to go straight over to slide number four, where we are going to talk about the highlights.

And one of the highlights was the approval by the Board of Directors of payout of interest was BRL254 million, which -- and there will be accounted on December 31, 2011, and the shares will go ex-interest on November 18 and the payment will be defined along with dividends for the year of 2011. So the dividends in the shareholders' meeting next year.

Aneel has also authorized the commercial startup of the second and third generating units of Estreito HPP. And in this manner, we have added 102 megawatt hour to the Company's generating complex and we have reached 60% of our commercial capacity. We have had successive records of monthly generation, and the last one was 5,847 average megawatts in September.

Also, on August 26, Fitch Ratings reaffirmed the international rating of BBB-minus and global -- and we were assigned investment grade and Fitch AA-plus for Brazil. In early September, Standard & Poor's upgraded the Company from AA-plus to AA-positive also for Brazil.

On September 22, Tractebel was awarded for the 15th Transparency Trophy by Anefac, Fipecafi, and Serasa Experian for the quality of its account statements in 2010 in the category Companies with Sales up to BRL8 billion. It was the third award the Company received and the second consecutive award.

In its first participation in this competition also, the Third Quarter of 2011, Tractebel was chosen to be a member of the group of the 150 companies as one of The Best Companies to Work For. Considering its total score, this ranking is not defined like that, but considering the overall score, Tractebel came 34th.

Now, on page five, you can see the highlights of the quarter, the financial and operational highlights. First of all, our net operating revenue. We have had a 6.2% increase quarter-on-quarter, basically as a result of higher prices, contract prices 6.1% greater, going from BRL117.9 million to BRL125.1 million. And we have also had a sales volume of 6.4% greater, especially as a result of more exports.

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In the Third Quarter, we had 253 megawatts average, approximately BRL96 million in exports. And on the negative side, we had a settlement price that was low, which reduced our thermal dispatch in the national integrated system as compared to the previous quarter. This led to a reduction in the net operating revenue in this specific quarter of BRL75 million.

Our EBITDA has had an increase of 5.3% compared to the Third Quarter last year, reaching BRL725 million, basically because of the aforementioned. But the cost of energy sold was above last year by 10.5%, primarily as a result of the exports of coal and partially set off by less purchases for resale. In this manner, our EBITDA margin has gone down slightly by 0.6 percentage points, from BRL63.0 million to BRL63.6 million as a result of exports.

Net income has had a 3.2% increase, a smaller increase than EBITDA, and the main impact here, and we are going to mention more details, it was because of variations in the exchange rate during the quarter. The exchange rate at the end of the Second Quarter, it went up on September 30 this year, and this has led to a growth effect of BRL23 million of negative variation and it had a consequence in our bottom line. Energy sold, it went up by 6.4% average prices, as we mentioned before.

And so, now we can move on to page six, where you can see our shareholding structure. So it has not changed since the recent events here, because we created a holding for wind power projects. And we had already created this holding in our last call and the Company has the same shareholding structure.

On slide number seven, there has been a slight change in terms of information and layout. In the past, here, we listed all our plants with their installed capacities and commercial capacities. Now, this is an attachment to our presentation and we decided to focus more on the information regarding installed capacity and the units that participate in that.

We have 81% power plants, 17% thermal, and 2% complementary. And here in terms, we have had a growth of 86% since Jirau, so in the past, thereby showing that the Company has been having a continuing growth and is profitable.

Now, on the right you can see a map of Brazil, showing the location of our power plants. In blue, you can see hydropower plants; in orange, thermal power plants; and then in yellow, complementary, and the ones with an X, under construction.

There are some wind power plants being built -- one in Ceara and one in Piaui. And we are going to talk in more detail about that. And also, the Jirau power plant, which is the power plant that was GDF SUEZ through [ph] Energia Sustentavel do Brasil, and the transfer to Tractebel Energia will take place after negotiations with the committee and with the controlling company.

Now, let's move on to page eight, basically reinforcing our position in the sector. We are the leading company in the private generation in Brazil. We have a specific operation

concerning the additional commercial capacity assigned to Jirau in the last auction of new energy. It was guaranteed to Jirau, and we are going to address that in further details. And this also adds an average 105 megawatts, the future capacity of Tractebel with the transfer of assets.

In slide number nine, we reinforce our strategy of trying to have balanced inventory. We have been saying that there is a trend to reduce the participation of the traders due to the thrust of the free consumers of buying directly from the generators.

And there is also regular growth in the market of the distributors as a result of the long-term contracts obtained in the concessions. With the new concessions, basically 2011, we have the Sao Salvador. In 2012, we are going to have the full effect of Estreito HPP.

In page 10, there is a slight change. We had almost 80% of our sales in the free market open in the sector. There was a gap of about 20%. We were one of the sectors that accounted very little, and then we decided to have a more complete presentation, reducing the others to 6%.

So this slide shows that we are very well diversified in several segments of the economy that are affected differently, thus reducing specific risks to some sectors of the economy. Our contracts of average consumers -- free consumers, they went up substantially from 2010 to 2011, and this is reflected in the low level of contracting as we see.

Slide number 12, we have the view of the energy market where we have been presenting excessive structure. On the left-hand side, there is a slight change. For those want to take a look at the volumes, the excess volumes as a result of the resolution 440 [ph], reducing the commercial capacity of the small hydroelectric power plants. And here, we have some updates concerning the schedule of construction work.

So we have this curve on the right-hand with the excess energy that went more towards the right side [ph]. This surplus are more the 2013, 2014, and before they were better distributed along the years. So we have excessive structural supply and this has pressed the prices of contracting down -- pressing down, and I'm going to address that later on, concerning the new contracting.

In the long-term view, we notice that there is a demand, although this demand curve has been constantly reassessed based on the perspective for the growth of the economy, but we know there is a major importance [ph] by the thermoelectric power plants as the market grows. With that, we are going to have more dispatch from the thermals, and thus there will be pressure on the prices for contracting the future. Obviously, the ideology is important.

Now, moving on to slide 14, you can see based on the chart on the left-hand side that our uncontracted position is very low. It was set up based on our expectation of balance in the next two or three years, and we have slight changes throughout this quarter. The commercial activity, as we always say, is characterized on the right-hand side chart by the sale of energy at Tractebel that is done weekly.

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And on a weekly basis, we are contacting our clients, making offers, participating in bidding process, selling a little bit of energy. But obviously -- but we have to take advantage of the windows of opportunity as they become higher when the prices are high, and they reduce with the low prices.

Not that we don't serve our clients -- we serve our major clients. But the thrust of sales decreases when you have the market pressed down, and this is due to PLD and the surplus of supply in the next two or three years.

Now, we have the energy balance on page 15. It has changed very little. We have a small adjustment. We have the timetable for Estreito HPP. And in the case of total sales, as we have low volume of contracted and a very comfortable position in the next few years, we had low commercial activity throughout this period.

Now, let's move on to the Estreito Hydroelectric Power Plant. We have three units in operation -- the first one took [ph] in April, another one in July and September. And the project had all the energy sold in the regulated market and the price was updated as regards September of 157.2 megawatts per hour. These agreements will begin in 2012, and they are for a 30-year period.

On page 18, we present the several units concerning the accumulated energy. We have 154.5 megawatts of accumulated energy with the third plant. We are going to 192 with the fourth unit that will come into operation until the end of the year, 75% of the commercial capacity. And the others will come into operation during 2012 strictly according to the schedule approved by Aneel.

Now, on slide number 19, where Mr. Wolff is going to talk about Jirau project.

Elio Wolff {BIO 17147591 <GO>}

So thank you all very much, again. So now, we'll be talking a little bit about Jirau project, and I'll give you an update on the project with our developments. On the first table, you can see the updated capacity of 3,450 now we have -- sorry, 3,750 megawatts is the capacity. The commercial capacity now is 2,184 megawatts average, now with 50 turbines.

Just to remind you that this energy and this commercial capacity still has an amount that is under discussion, how much would be the average megawatts, and it regards discussion of this additional amount. And this is widely being discussed in the media, and obviously it regards with the share operation in that power plant.

Here at the bottom, another relevant fact, a positive piece of information. Then we had expected to start it in the second half of 2011 and it should be done by September or October this year, which was the completion of the deviation of the Madeira River. And this landmark was completed on September 28. Now the water is going through the spillway.

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And this is a very important landmark. And it's important to emphasize that this is very important in terms of deviation of the river. And the next important milestone is the commercial operation. From now on, the power plant is controlling its flow.

And the funding, or the loan from BNDES is going on. Obviously, the expansion has been confirmed in the final sale of energy. As you can see on the next slide, negotiations have developed and we hope that very soon we will have something new to tell you about the additional loan for this power plant.

Now, on slide number 20, in talking about the sale of energy. The first part, we talk about realized in 2008, and now we sold 70% of the energy at 71.4 megawatt hours and now it's equivalent to BRL85.00 for a megawatt hour. And a 30-year PPA, as you can see on the chart to the right -- you can see that it's been growing and it has reached its maximum level and that this level will remain constant from 2016 to 2042.

Then, as you can see the sale of energy, we've sold 100% of the additional energy of Jirau and we have sold already 414 [ph] at BRL102.00 and about BRL102.5 per megawatt hour. And this PPA is represented in green in the chart, so it's going to start in 2014. So it's 1012 [ph] -- and then it will reach its maximum level of 209 and it will remain that way for about 30 years. And now, with this additional funding or this additional amount, we will have from 70% to 73% contracting in the long-term.

Another important piece of information is construction of the transmission line that is going on, and we expect this transmission line to be ready by the second half of 2012. And we would like to confirm the transfer to Tractebel Energia when main risks will be mitigated and which will take place concomitantly with the commercial operation of the power plant.

Now, on slide number 21, you can see a few pictures of the construction of Jirau. You can see the spillway in July 2011, so we were assembling or building the spillway. Then September 2011, you can see was the milestone that we mentioned with deviation of the river, with a significant change in the way it looks in the layout. And at the bottom here, you can see the rapid evolvement of the powerhouse being built, so that in the second half of 2011 it will become operational.

Now, on slide number 22, unfortunately, we do not yet have the pictures of the sites of the wind farms; they don't look as good as the ones for Jirau. These are just computer simulations, but these power plants, four of them are in Ceara, have already been granted the operation license in October.

Contracts have been signed and will start in early November. So we are up-to-date with the schedule, expecting to start operation by the end of 2012 totaling 145 installed megawatts. And we are orienting these wind farms to the free market, about 60% of the commercial capacity of these power plants have already been sold.

And just to remind you, that this is energy meant for special customers; customers who are distributors and they buy from alternative sources. And the project in Piaui, we hope

that over the next 30 or 40 days we will be granted the construction license.

Now, the highlights about our financial performance, on page 24, where you can see the recent history of the Company's performance over the past few years. And we have been constantly evolving in terms of our operations, cash generation, and our net results.

When you look at the operation and its history, you can see net revenues, EBITDA and net income. You can see the net income does not grow at the same rate as EBITDA and revenue, and this is because we are investing in projects -- new projects, where there is higher leverage. And this has a result with a net income that is slightly smaller. This is just only on the most critical period when financial expenses are higher because we are contracting and building new projects.

Now, on slide number 25, you can see the gross operating revenues and its changes. And so these revenues have had a growth of 5.8%, as we mentioned before. Basically, this is the BRL73 million increase in exports.

Then we have (inaudible) of BRL53 million related to new power plants. We have the reflects of price increase of BRL48 million. And we had a reduction in sales volume. Our total sales volume has gone down in spite of our increase in exports and new power plants, and we have also had a reduction in the energy bought for resale.

And the final result in CCEE, obviously, it was BRL84 million, down or lower. So in 2010, we had higher production, we had greater PLD, and we had more thermal dispatch, and this caused this difference in our CCEE between 2010 and 2011. So we have had a GOR in the third Q '11 of BRL1.283 billion.

And now, on page 26, you can see the effect of the EBITDA change over the years, BRL49 million in terms of operations. In new power plants, the impact on EBITDA was BRL35 million on average margin, so it increased the net revenue by 70% approximately.

And we have also had a contribution of exports accounting for BRL25 million here, in contrast with a net operational revenue of BRL173 million [ph]. And this shows expenses. And basically in fuel it was BRL48 million with coal. And also, we had a net effect, as I mentioned, and the gross effect of the 50 [ph] of BRL75 million negative. In this manner, we had an EBITDA of BRL725 million, in contrast with a BRL689 million EBITDA in the previous quarter -- in the previous year, sorry.

So on page 27, you can see basically the same numbers. And the only point relevant here is that we highlighted the change or variation in the foreign exchange rates. And it's had a negative impact and this has started to reverse. So in the beginning of the quarter, we had 185 and today we have 173, and there will be a small reversal of the expenses with the foreign exchange rates with the appreciation of real before the dollar. Now, so we went net income, we reached BRL332 million in the Third Quarter of 2011.

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Here on page 28, we have the quarterly financial drivers. This is a summary of everything we have mentioned before. But the basic message that we want to convey here is the quarter-on-quarter comparison may be affected depending on the strategy of energy allocation or seasonality or also because of the total effect of the industry.

On slide number 29, we keep the strategy of reducing our indebtedness because we are preparing the Company for Jirau. So our total debt-to-EBITDA ratio is 1.3, very comfortable. We are very confident with it.

We have added a new index to assess. It is the ratio, operational cash flow over total debt, which is FFO over total debt, where we can note a significant reduction in this indicator. So went from 0.38 to 0.51.

Cash. We closed the quarter BRL1.123 billion, and part of it was spent in October with a payment of dividends that were paid on October 31.

On slide number 30, you can see the changes in the net debt where we had investments of BRL78 million and accrued interest of BRL61 million. Working capital, basically a slight contribution, obviously, because of accounts receivable, but especially with regards to the coal that we received from CCEE that is more specifically in this quarter in the month of September. This amount was outstanding for early October, and this has increased considerably our working capital.

We had a net foreign exchange, BRL22 million of capitalized interest; and the debt charges that were paid, BRL37 million; and operational activities contributed to reduce the net debt BRL729 million. So it went from BRL3.134 billion to BRL2.635 billion at the end of this quarter.

Now, slide 31, the profile of the debt composition, and the other elements to be highlighted here. We have a low exposure to foreign exchange variation. And the impact in the Third Quarter was 6% of the total indebtedness because our total indebtedness is very low today is 9.4% in real.

And we had an operation in the Third Quarter, we had the fourth issue of debenture out to 2015. And there were five installments in an operation that was structured for 131 [ph], the loan in foreign exchange by Merrill Lynch, and that was a perfect [ph] hedge done by the bank itself. So in accounting terms, we are accounting for the net operation of those assets.

With that, this portion of the debt has a reduction of cost of 110% of CDN to 98% of CDI, a substantial savings. So what has changed was the profile of debt and has generated a significant reduction. As regards the indexation cost of indebtedness, we have long-term interest -- we have the strength of increasing the indebtedness of new projects based on the growth of generation.

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Now, on page 32, we see the growth of the EBITDA compared to our indebtedness in our CapEx that had a slight growth from last quarter to this one. And basically, we included here our plant maintenance in the Salto Santiago plant to gain efficiency and availability, and some small movements concerning Estreito.

So from 2012 into 2011, concerning the variation in the monetary amount of the discounted -- concerning dividends policy, we had the approval for the payment of BRL254 million with our equity capital. We had paid concerning the first semester 100%, in the first half. And it's our intention to continue the same policy of 100% for 2011, depending on the international financial conditions. And if things continue favorable, we will maintain our position of 100% in 2011.

Well so this was our presentation for the Third Quarter, and now we are going to open for Qs and As for the audience.

Questions And Answers

Operator

Ladies and gentlemen, we are going to begin now the Q&A session. (Operator Instructions). We ask you to respect the limit of two questions at a time.

Our first question comes from Mr. Vladimir Pinto from Bradesco.

Q - Vladimir Pinto {BIO 1554020 <GO>}

Hello, Eduardo and Previtali. My first question is about your expansion in capacity. I see you've mentioned your wind projects. Do you have any idea of increasing your capacity and having new wind farms to sell to free customers? Thank you.

A - Eduardo Sattamini {BIO 16648085 <GO>}

Yes. We have that intention. We are assessing it. And we have intention of having new plants, but before we start these new ventures, first we want to sell 100% of the energy meant for the free market.

As we mentioned before, this is a buyer's market for -- there are two purchasers influenced because of the favorable rainfall. And we are expecting to have a capacity surplus that might reverse or -- yes, we do have the intention. We are working towards that. And this will happen as the prices -- as prices on the whole seem interesting.

Of course, these customers are special customers who are willing to pay slightly more, but obviously the price aspect prevents them from having medium and long-term contracts and they prefer to have shorter-term contracts. So we are very responsible and conservative in addressing that matter.

Operator

Thank you very much. Our next question comes from Mr. Marcio Prado from Santander.

Q - Marcio Prado {BIO 15398968 <GO>}

Good morning, everyone. I have a question still with regards to price. From what we saw in the presentation, if I'm not mistaken, in your energy balance you sold slightly more energy in 2011 in terms of the energy balance that we had in the second half of 2011. So my question is did that effectively happen and could you tell us what is the price? This is my first question.

And second question is about Jirau. Can we have any further information and updates about the strategy for the sale of energy that remains for the free market? Are you going to wait for 2012, 2013? Could you share a little bit more about that with us?

A - Eduardo Sattamini {BIO 16648085 <GO>}

I'll answer one on you [ph], and then one I will turn to Elio. So with regards to commercial activity, yes, we do have some customers. We have sold something. I may not have the exact amount here, but they were very small amounts. This really reminds me of the commercial activity that we had in early 2010.

If you remember, when we were suffering lots of pressure from everyone because we were not selling in the first two quarters -- the Fourth Quarter of 2009 into First Quarters of 2010. So when rainfall is very favorable, people are more likely to contract, and they are not really willing to contract. So this led us to have lower contracts and we usually tend to be out of the market as much as possible.

Now, what happens? I will not fail to serve one of our customers if I am aware that there's an additional need -- an additional load. Or, if they have a need for expansion for existing contracts. If that comes up, I will meet those needs. This is normal at the levels, and I will do that at the levels normally practiced in the markets.

No one is contracting for very long times. The contracts that we've been seeing, they are shorter contracts than what we usually see in the free market. We used to see four or six years; now this has gone down between two and three because no one wants to close or to be bound by very long-term contracts at low prices.

A - Elio Wolff {BIO 17147591 <GO>}

So if you want to have an idea of prices, the prices practiced in the market, BRL100, BRL105, something like that, in that range. We expect that whenever there is a change in rainfall and when it becomes clearer, want to know more about the development about our projects and constructions so that we can give you a more clearer answer.

But remember that we are substantially contracted. There is some volatility, but we have been contracted at the considerable level.

Q - Marcio Prado {BIO 15398968 <GO>}

Thank you very much, Sattamini.

Operator

Excuse me, our next question is from Mr. Felipe Leal, Bank of America Merrill Lynch.

Q - Felipe Leal {BIO 2015017 <GO>}

Good morning, everyone. I have two questions. Taking upon Marcio's question concerning the commercialization of Jirau energy, I would like you to elaborate on that, if Tractebel has been authorized to sell part of this energy in case it finds consumers or buyers.

Second, in relation to Jirau, I would like to know what kind of impact on the CapEx of the plant now that the expansion has been approved.

A - Elio Wolff {BIO 17147591 <GO>}

Okay. I'm going to answer both questions. Concerning the commercialization, firstly, I would like to call you the chart on page 20 where we still depend on the negotiations with the construction company. And that's why we cannot have exact volumes of non-contracted energy.

We have the volume for 2014 and 2015, and of 2016 this volume will be very limited in terms of the growth -- 50% of this volume. Our actual volume is 300 megawatts and it's easily managed when you have portfolio concerning energy to be contracted.

Concerning the strategy, to reinforce what has been said, we have improved the long-term contracting and we continue working, trying to have this energy. As he said there is pressure on price on the marketplace. And obviously, with the schedule under finalization 2012 and 2013 is still to be defined, and this makes it more difficult to commercialize the energy. But the partners continue working with synergy and focus, and this is one of the main topics of our partners.

As regards the CapEx, with the discussion with Camargo Correa concerned, it has evolved there is a defined CapEx for the expansion. And we imagine that very shortly we'll be able to finalize the discussions with the construction company in order to have a CapEx to be informed. The CapEx we are not releasing because we are still under negotiation with the construction company. And very shortly we hope to have finalized the discussion and give you an updated value. Thank you.

Operator

Our next question is by Mr. Antonio Junqueira from BTG Pactual.

Q - Antonio Junqueira {BIO 15403195 <GO>}

Good morning. Concerning Jirau, I would like to understand if there is in Tractebel's mind a free and average that will be -- make possible, this transfer.

A - Unidentified Speaker

I think that this question is the reverse because the price will be the result. I understand that your question today, what's the price that I have in the long run and how this reflects in the transfer amount?

Q - Antonio Junqueira {BIO 15403195 <GO>}

No, no. What was the minimum price of the free energy that you imagined when you were going to buy Jirau?

A - Unidentified Speaker

This energy has to be negotiated. Well we expect firstly that perhaps part of this energy is contracted out to the transfer point. And if it's not contracted, we are going to discuss expectations and this is going to be discussed in a committee.

And the premises for defining for the valuation of the project will be taken in this committee of related parties. I reserve the right of not sharing with you this information. Thank you very much.

Operator

(Operator Instructions). Our next question comes from Ms. Mariana Coelho from Itau BBA.

Q - Mariana Coelho {BIO 16262980 <GO>}

Hello. Good morning, everyone. I have another question about Jirau which regards the timing for the transfer. In your presentation, you said that it will take place once the plant starts operation. So when in 2012 will that happen?

And do you expect promoting an unleveraging of the Company after the transfer to a primary offer?

And my second question regards A-minus-5, is whether you have any interest in this auction?

A - Unidentified Speaker

Operation is scheduled for late 2012, something between the third and Fourth Quarter of 2012.

And the second part of the question, primary -- we have a covenant that binds us and this covenant can be dealt with in a few different ways. It can be an installment and our idea in principle is not to have a primary offer, but we have not yet made a final decision. So the basic scenario is for us to have it in installments -- in parts.

And your third question?

Q - Mariana Coelho {BIO 16262980 <GO>}

A-minus-5, would you be interested?

A - Unidentified Speaker

Well yes, we are considering a few projects. We are working and analyzing in that. And we always do that through International Power with the participation of Tractebel in terms of operational cost, regulation aspects, too. But the development is done in International Power.

So we have some projects that we are interested in, a few projects, and that's basically all I have to say. Thank you very much.

Operator

(Operator Instructions). Now we have a question from Mr. Sergio Tomashiro from Banco Safra.

Q - Sergio Tomashiro

Good morning, everyone. Still with regard to Jirau, I would like to explore more on the rationale of the offer and the auction. I always assumed that in the past you used to negotiate with contractors, and depending on the CapEx, and if you know the CapEx you know the minimum price that you could offer.

Now, in the answer of Wolff, it seems like it's the opposite. You offered BRL102 as a price and now you will try to negotiate CapEx. Do you always do it like this in all offers and every time you bid in major auctions, especially if they take place towards the end of the year?

The second question regards you had mentioned an increase in CapEx. I think it's about BRL300 million of variation as compared to the Second Quarter. You mentioned Santiago, Estreito, and wind farms. So is this also related to a slight increase in revenues, or is it just CapEx?

A - Unidentified Speaker

I am going to start answering about Jirau. Actually, the investment required for the expansion, of course, it has an amount that has been defined. And it's predefined so that we may come to the amount of BRL102, And no one is irresponsible in terms of selling energy without having a predefined CapEx.

So what we are negotiating with the contractor, Camargo Correa, is that it took place in March and other negotiations that are going on, there are claims from the contractors and claims from everyone that needs to be settled. And they are evolving, they are going on, and this actually may have an impact on the development of such a large power plant, especially if we consider what took place in March.

This all is part of the implementation of a hydropower plant. And actually, what we can do and what we always do whenever we come to a final price, we will announce it to you and we'll tell you what is the global CapEx of the power plant. And this is what I have to say.

Q - Sergio Tomashiro

Still, again, about Jirau. On this slide, on page 20, you can see the profile illustration of the 2012 and 2013. Just considering your negotiation with the contractors with the construction company, or are you also including the transmission line here? Is the transmission line always late in terms of the schedule? Are you considering this also here, or are you just considering the part of the construction company?

A - Unidentified Speaker

No. The two things have been taken into account. Our expectation is that it will go live in 2012, and we don't know exactly when and how much energy we will be able to make flow through the usual system.

Then, analyzed jointly with all the information on a schedule that we are discussing with the construction company, then we'll be able to reach a final answer and a definition. So as soon as we have a more clearer definition, we can share those details with you.

Operator

(Operator Instructions). Speakers, at this moment, we have no further questions.

A - Eduardo Sattamini {BIO 16648085 <GO>}

Okay. So I would like to thank you all for your attendance, for your questions. And we are available to you -- myself and Previtali and everyone who works with Investor Relations -- if you have any questions to ask or otherwise see you when we have our next quarter conference call.

Operator

Tractebel Energia's conference call has now ended. We thank you all for your participation, and have a good day. Thank you.

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