

Generating Energy for Life

Earnings Release – 1Q2007

May 10, 2007

Tractebel Energia

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Market Share, Assets and Sales

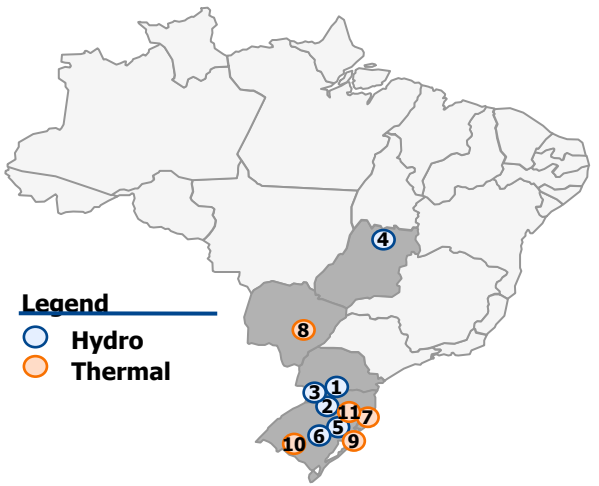


Asset Overview

Balanced generation portfolio (72% hydro and 28% thermal), strategic location and 3,183 MW of assured energy from 13 plants fully operated by Tractebel Energia

Hydro Power Plants	Installed Capacity (MW)	Assured Energy (aMW)
1 Salto Santiago	1,420	723
2 Itá	1,090[1]	513[1]
3 Salto Osório	1,078	522
4 Cana Brava	450	273
5 Machadinho	404[1]	147[1]
6 Passo Fundo	226	119
Total	**4,668**	**2,297**

Thermal Power Plants	Installed Capacity (MW)	Assured Energy (aMW)
7 Jorge Lacerda Complex[2]	857	598
8 William Arjona	190	177
9 Charqueadas	72	45
10 Alegrete	66	41
11 Lages	28	25
Total	**1,213**	**886**



Notes: [1] Portion owned by Tractebel Energia
[2] Complex comprised of 3 power plants

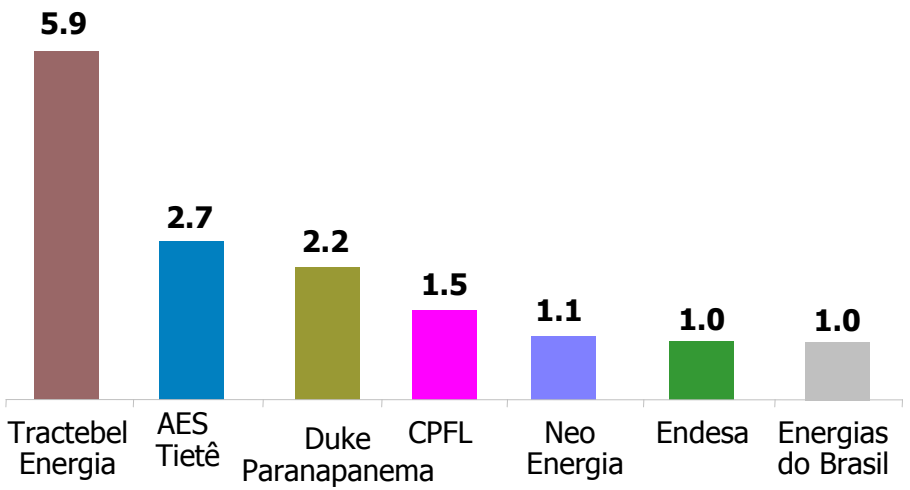
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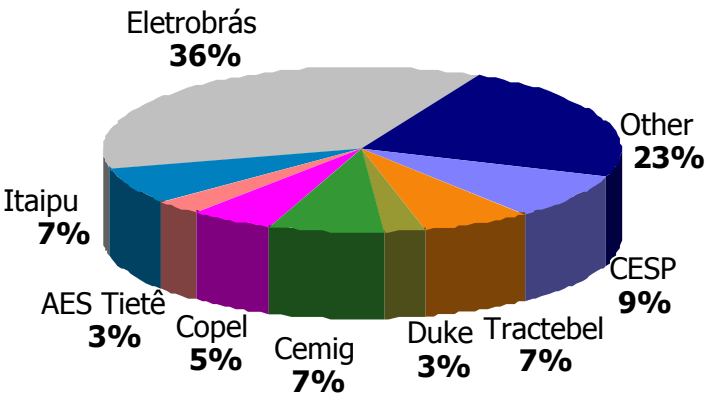
Leading Position in the Generation Sector

Tractebel Energia is the largest private player in the Brazilian generating market...

Private Sector – Installed Capacity (GW)



Brazil – Installed Capacity[1,2]



Source: ANEEL and Companies' websites

Notes:
[1] Amount corresponding to SIN – National Interlinked System
[2] Includes only the Brazilian part of Itaipu

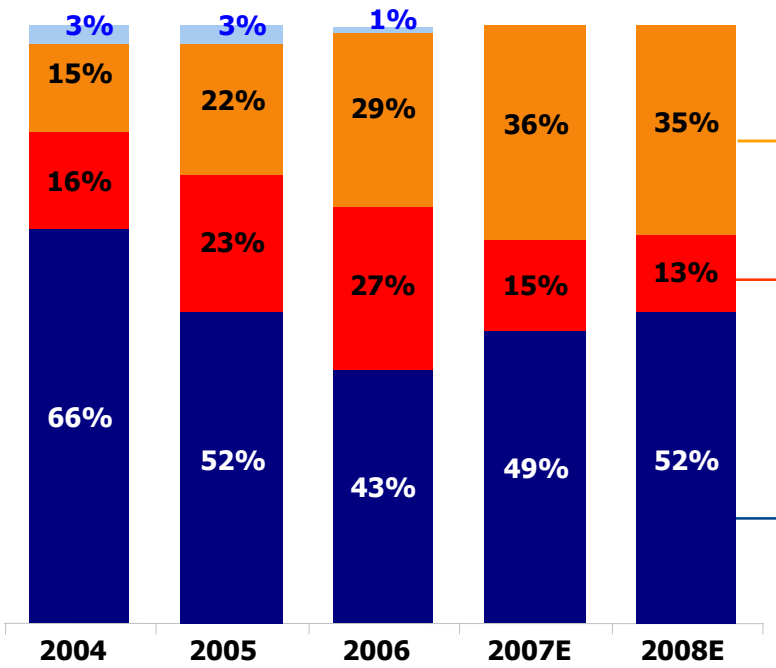
...and is well positioned to play a consolidating role

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Client Portfolio Management

Client Breakdown (based on contracted energy)



First to consistently serve the free market...

- Flexibility (prices, terms and conditions) → Maximizes portfolio's efficiency
- Solid client relationship → Liason with some free customers
- Largest consumer market
- Regulated and unregulated contracts → Long-term cash flow predictability

...to maximize portfolio's efficiency

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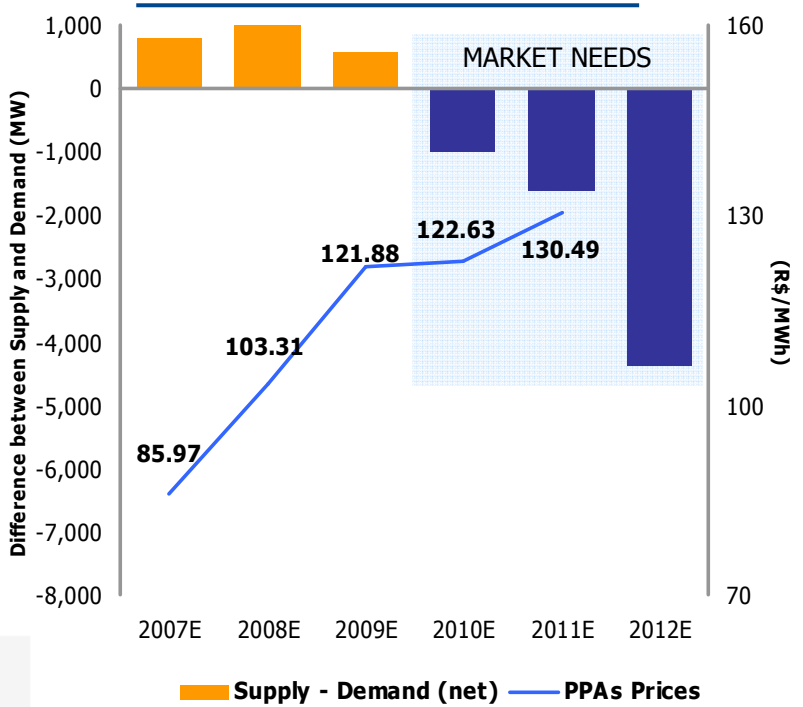
Strategy



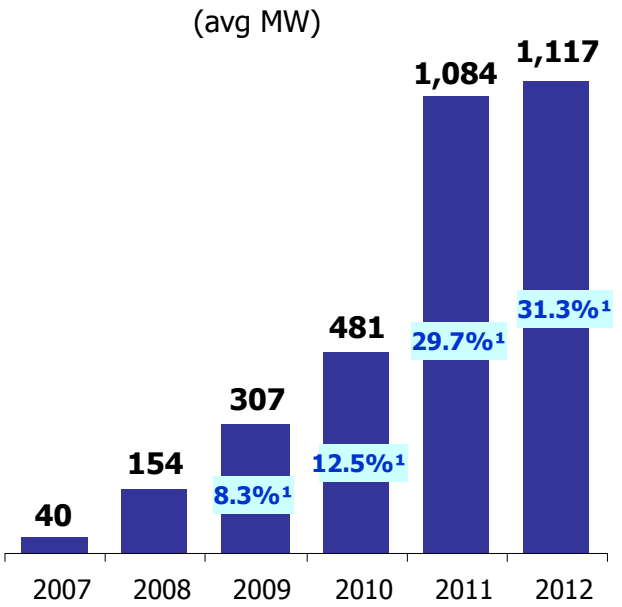
Uncontracted Profile Benefits from Expected Higher Prices

The potential gap between supply and demand around 2009 should drive energy prices upward

Energy Market Outlook



Tractebel Energia's Uncontracted Energy



Note:
¹ Percentage of Total Resources

Source: Tractebel based on ONS's Feb. 07 edition of Monthly Operation Schedule.

Note:
Prices are based on the average price of both existing and new energy auctions starting supply in that given year weighted by the volume transacted

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Energy Balance

	(avg MW)	2007	2008	2009	2010	2011	2012	Auction Price (R$/MWh)	Date	Price Adjusted as of Mar 31, 2007 (R$/MWh)
	Own Resources	3,189	3,008	3,291	3,291	3,435	3,435			
+	Purchases for Resale	502	417	409	556	217	130			
=	Total Resources (A)	3,691	3,425	3,700	3,847	3,652	3,565			
	Government Auction Sales*	10	160	1,034	1,234	1,382	1,382			
	2004-EE-08	10	10	10	10	10	10	70.9	Dec-04	78.3
	2005-EE-08	-	150	150	150	150	150	81.6	Apr-05	87.7
	2005-EE-08	-	-	381	381	381	381	94.0	Oct-05	99.1
	2005-EN-30	-	-	-	200	200	200	115.1	Dec-05	120.2
	2006-EN-30	-	-	493	493	493	493	128.4	Jun-06	131.7
	2006-EN-30	-	-	-	-	148	148	135.0	Nov-06	137.8
+	Bilateral Sales	3,641	3,111	2,359	2,132	1,186	1,066			
=	Total Sales (B)	3,651	3,271	3,393	3,366	2,568	2,448			
	Balance (A - B)	40	154	307	481	1,084	1,117			
	Sales Average Price (R$/MWh):	101.0	105.6							
	Purchases Average Price (R$/MWh):	74.3	88.7							

* XXXX-YY-ZZ, where:
XXXX ⇨ year of auction
YY ⇨ EE = existing energy or NE = new energy
ZZ ⇨ supply contract duration (in years)

Notes: São Salvador => Own Resources (144 average MW from 2011 on) and Botox sale (148 average MW from 2011 on).
Assuming resume of contract with CIEN as from 2009 (as Own Resources), based on ongoing negotiations and Memorandum of Understanding Brazil/Argentina.

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Spot Market



Thermal Side: Exposure to Spot Prices

900 avg MW → Assured energy

450 avg MW (maximum exposure) → Thermal substitution energy → purchase in spot market

450 avg MW → Dispatch due to inflexibility

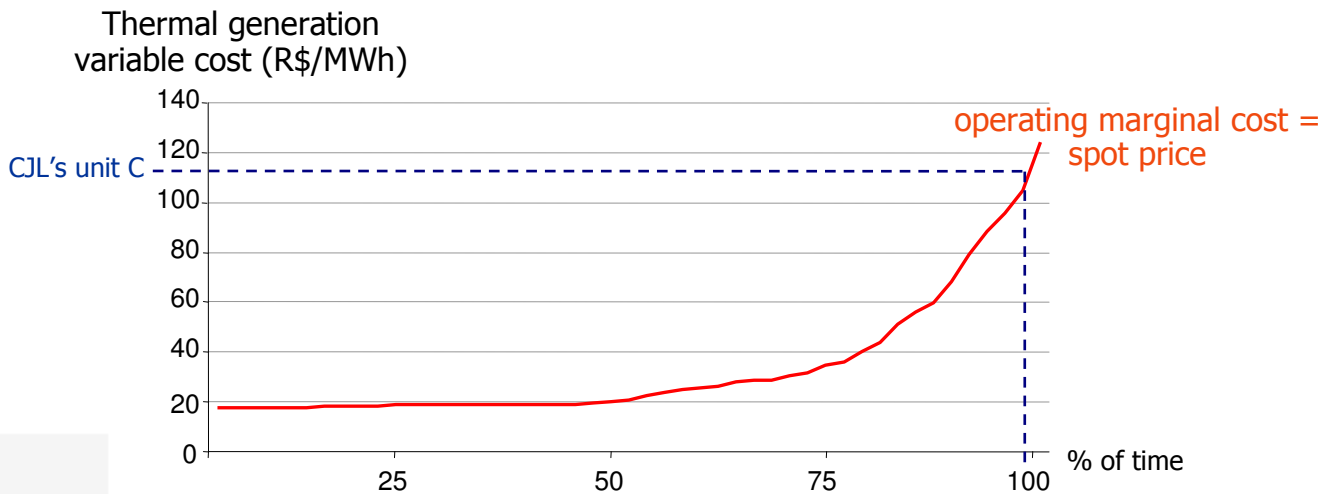
Note: Tractebel Energia is fully contracted → purchase of thermal substitution energy

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Main Drivers and Behavior of Spot Prices

- Reservoir levels of hydro plants;
- Rainfall behavior;
- Forecast of demand for power;
- Current and future availability of power plants and transmission lines;
- Availability of natural gas.



Note: spot market monthly prices for SE-CW submarket from May 2003 to April 2007.

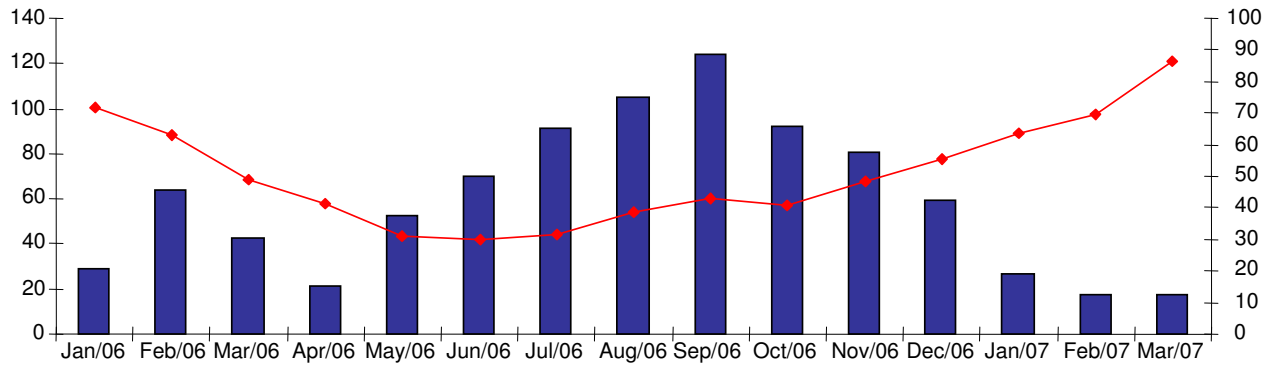
Conclusion: 75% of the time the spot price is lower than R$40/MWh and 95% of the time it is lower than R$100/MWh.

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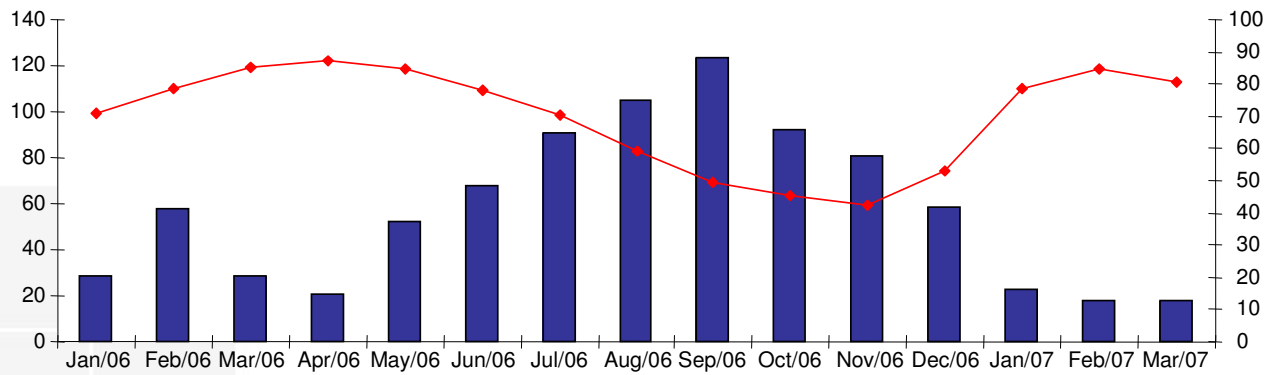
A Look at the Power System

Southern Submarket



Average spot price
1Q07: R$ 21/MWh
1Q06: R$ 44/MWh

Southeastern/Central-Western Submarket



Monthly spot price (R$/MWh)
Level of reservoirs (% EARmax)

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Growth



Growth of Installed Capacity: Project under Construction

São Salvador hydro power plant, to be transferred to Tractebel in 1H07,...

Project Description

São Salvador Hydro Plant	
Installed Capacity:	241 MW
Assured Energy:	148 MW
SESA Ownership:	100%
Investment (R$mm)[1]:	845
Start of construction:	2006
Start of operations:	2011
End of construction:	2010

Note:
[1] Estimated Tractebel Energia's investment in the project



...has already started to be constructed. The sale of 148 MW occurred at the new energy auction held in October 2006, for a 30-year period, as from 2011.

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Growth of Installed Capacity: Project under Development

Currently, the controlling shareholder is developing a new project that will be transferred to Tractebel Energia

Project Description



Estreito Hydro Plant	
Installed Capacity:	1,087 MW
Assured Energy:	585 MW
SESA Ownership:	40.1%
Investment (R$mm)[1]:	1,250
Start of construction[2]:	2007
Start of operations[2]:	2010
End of construction[2]:	2011

Notes:
[1] Estimated Tractebel Energia's investment in the project
[2] Tractebel Energia's estimates

The Estreito project will add 435 MW of installed capacity to Tractebel Energia and give flexibility to participate in the next new energy auctions

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Greenfield, Coal-Fired and Biomass Projects under Development

- Coal-fired plant:



- Candiota reserve, located in southern Brazil, offers the most abundant coal and also at the lowest price per BTU in Brazil.
- A 340 MW greenfield project is being developed to deliver energy as from 2012. The energy will be sold to the Brazilian or Uruguayan electricity market.

- Set of bagasse-fired (sugar cane) cogen plants:



- Location: industrial sites in the state of São Paulo.
- Total sugar cane milling capacity: 9.2 million tons / year.
- Total excess energy for sale: 55 avg MW.

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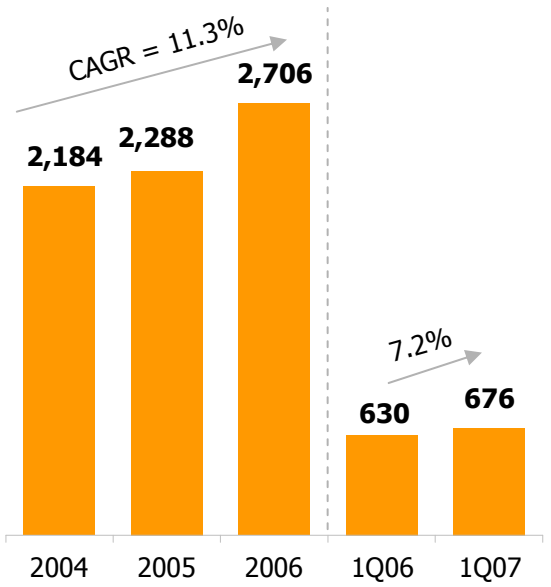
Financial Performance



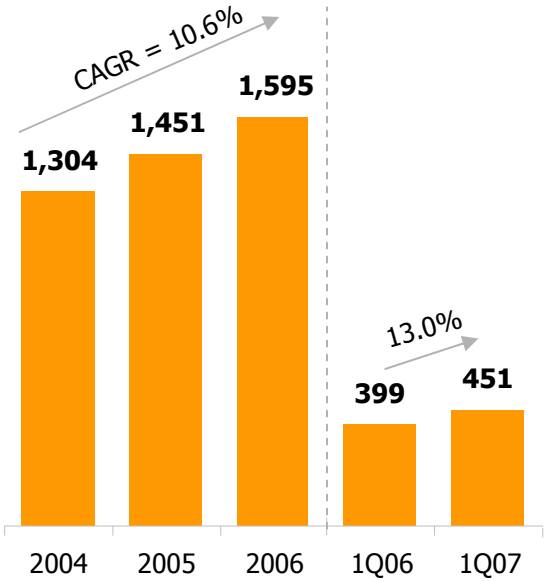
Net Revenues and EBITDA

Efficient management of its client portfolio and focus on contracting strategies have paved the way for a substantial top line growth of both revenues and EBITDA.

Net Revenues (R$ million)[1]



EBITDA (R$ million)[1]



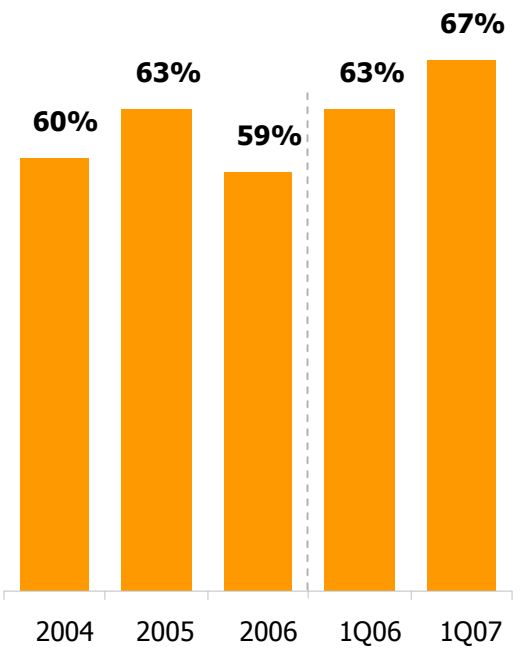
Note:
[1] Considering new accounting procedures



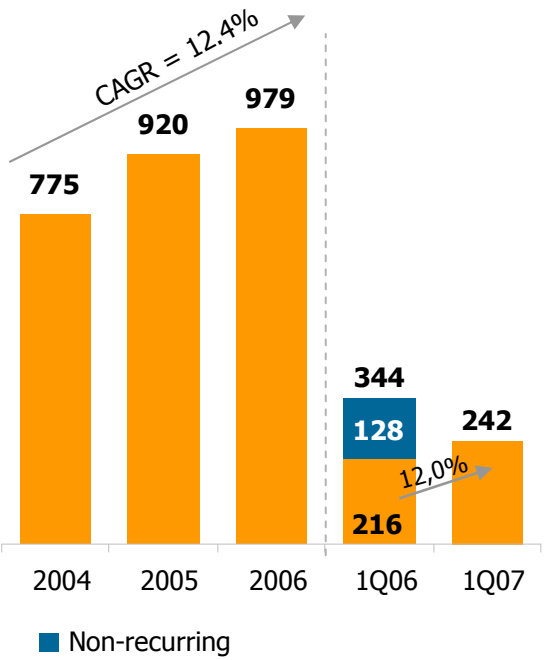
EBITDA Margin and Net Income

Consistent EBITDA margins...

EBITDA Margin[1]



Net Income (R$ million)



Note:
[1] Considering new accounting procedures

...and substantial net income allowing for a relevant dividend distribution



Quarter Highlights

- Sales average price 7.7% higher than 1Q06: R$ 95.78/MWh versus R$ 88.96/MWh;
- Net revenues 7.2% higher than in the same period of 2006: R$ 675.5 million;
- EBITDA 13.0% above the 1Q06 figures: R$ 451.1 million;
- Net income of R$ 242.1 million: R$ 0.3709 of earnings per share.

Subsequent Event

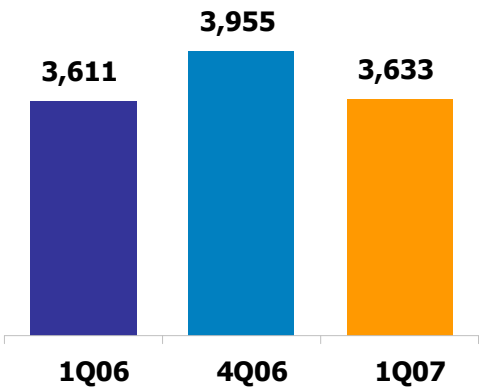
- The Board of Directors has approved the credit of interest on shareholders' equity relative to the 1H07 in the gross amount of R$ 88.0 million, corresponding to R$ 0.1348158600 per share.

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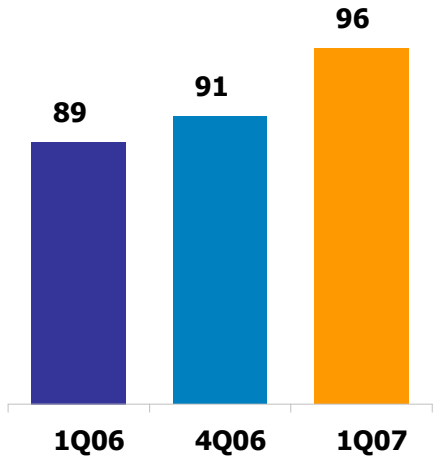


Financial Drivers

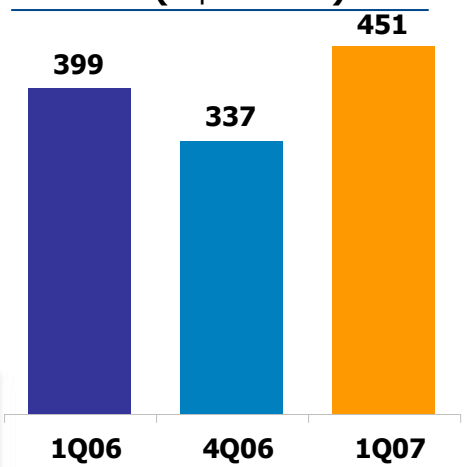
Energy Sold (Avg. MW)



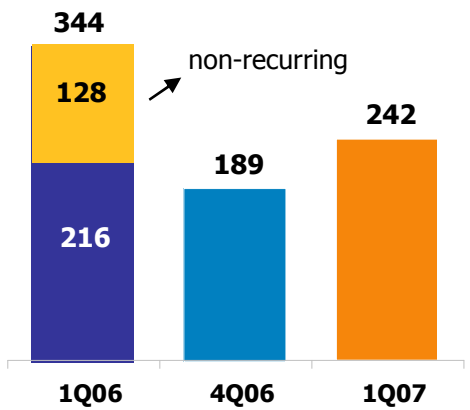
Average Price of Energy Sold (R$ / MWh)



EBITDA (R$ million)



Net Profit (R$ million)

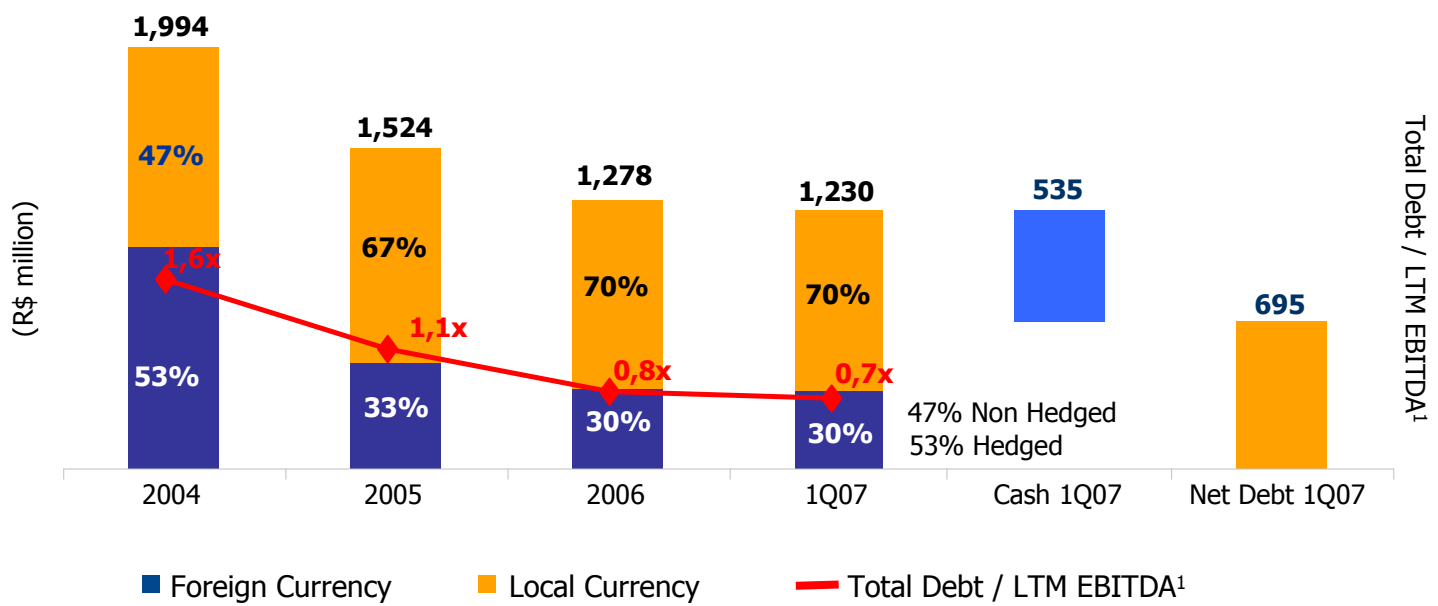


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Indebtedness

Declining leverage and exposure to foreign currency

Debt Overview (R$ million)



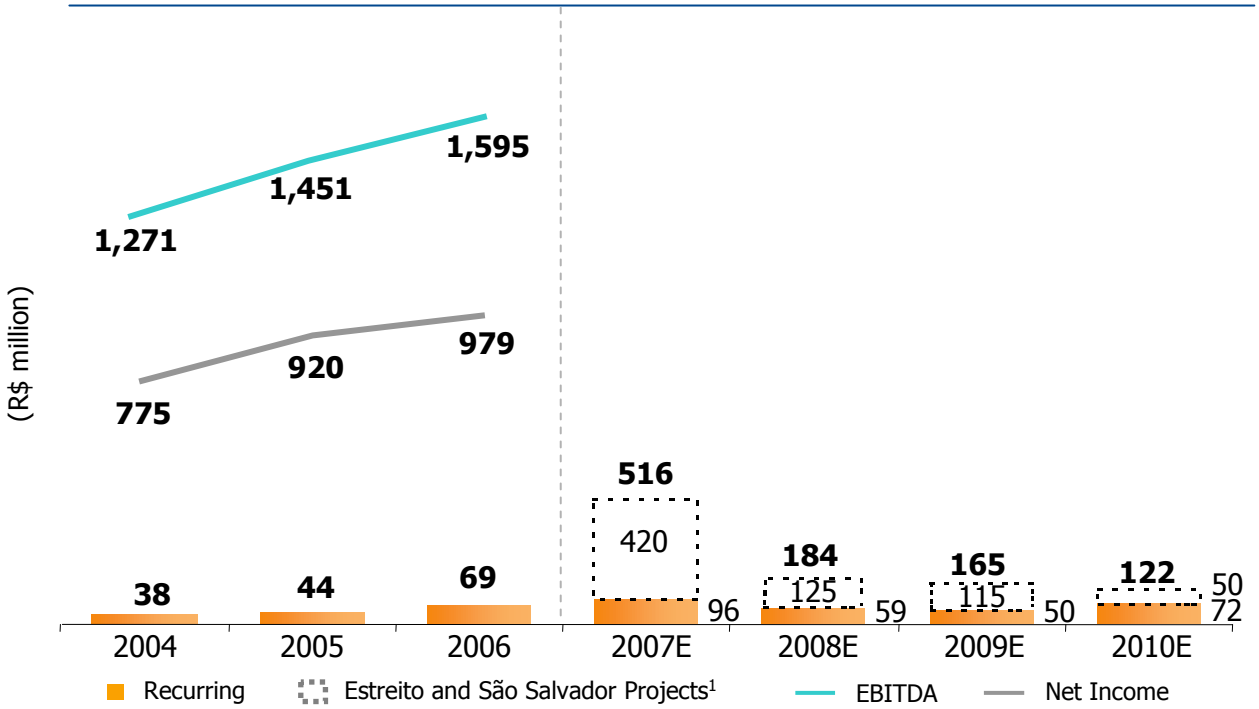
Note:
[1] LTM EBITDA = last twelve months EBITDA



Tractebel Energia's Investment Plan

Low recurring investments and relatively low expansion capex, supported by high level of cash flow generation

Capital Expenditures vs. EBITDA and Net Income (R$ million)

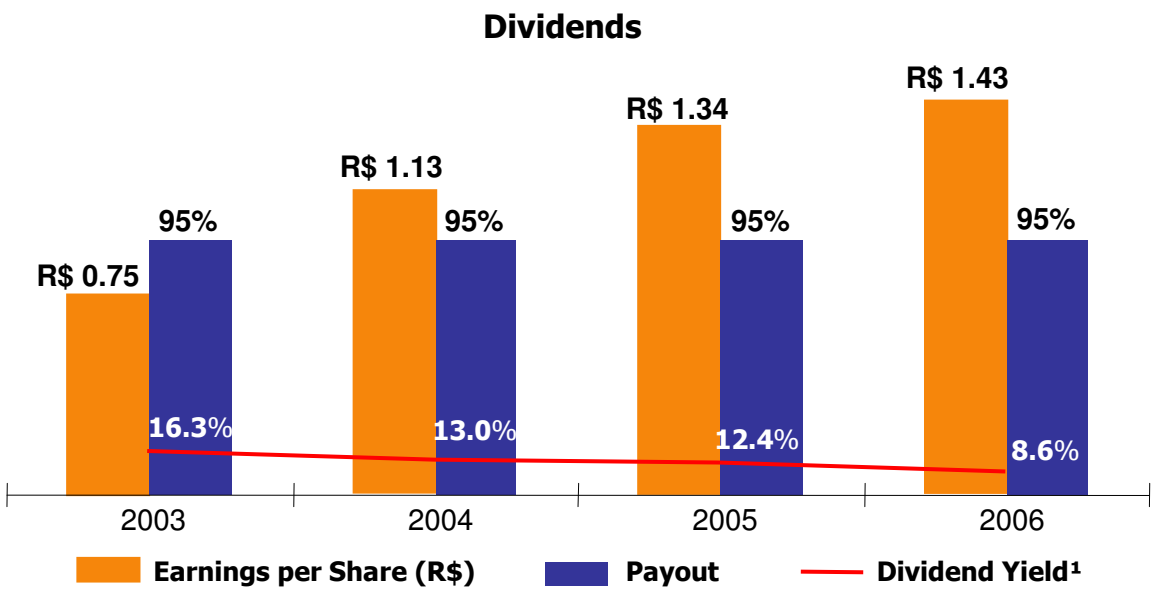


Note:
[1] Equity investment of Tractebel Energia



Dividend Policy

- By-law minimum payout: 30% of net income
- Management Commitment: minimum payout of 55% of net income
- Payment frequency: semi-annual



Note:
¹ Based on volume-weighted market price of ON shares in the period



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