Tractebel Energia

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Earnings Release 3Q06

October 2006



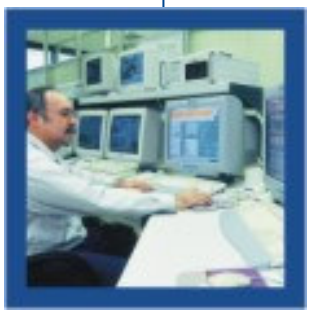
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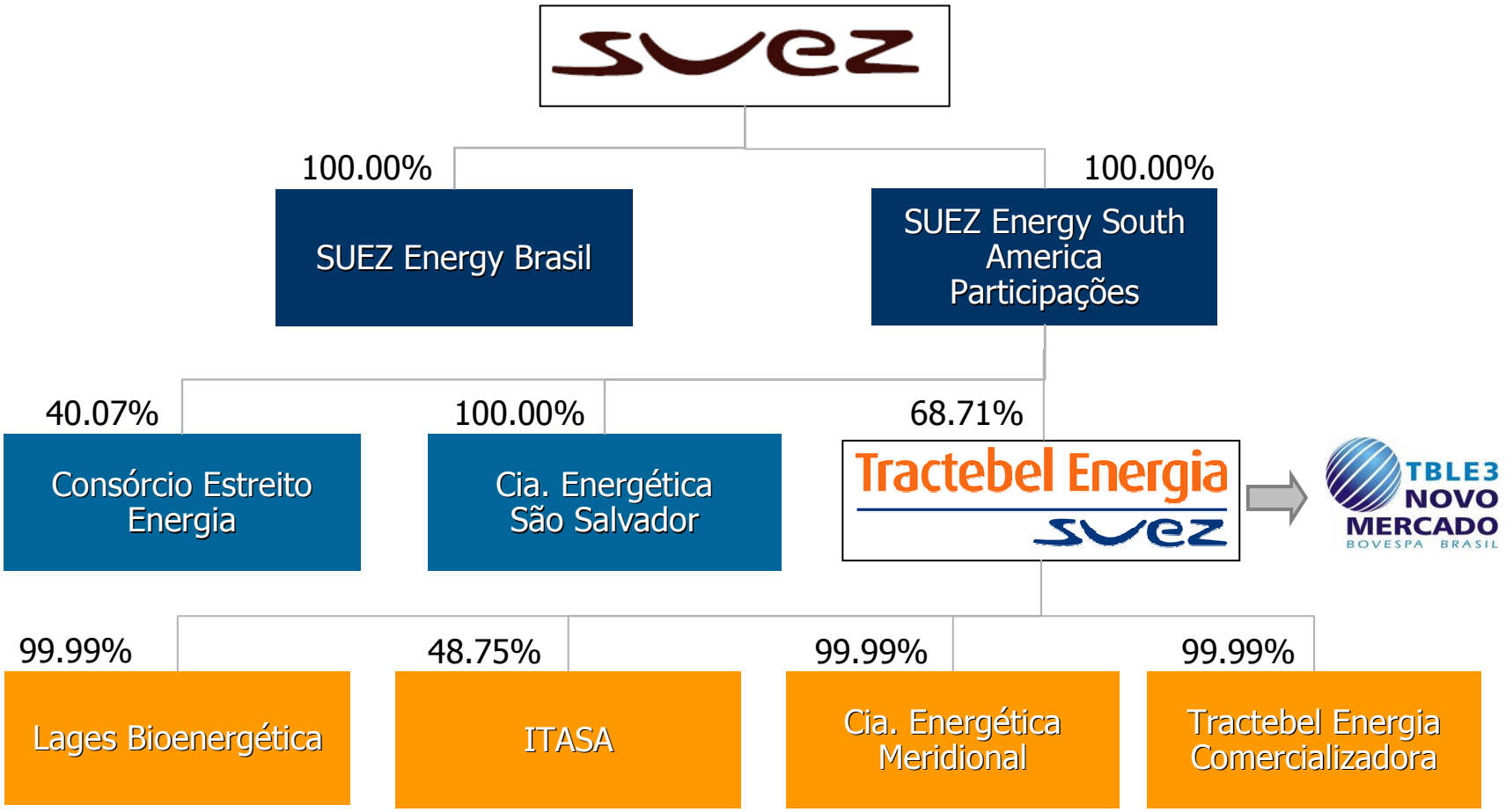
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Market Share, Assets and Sales

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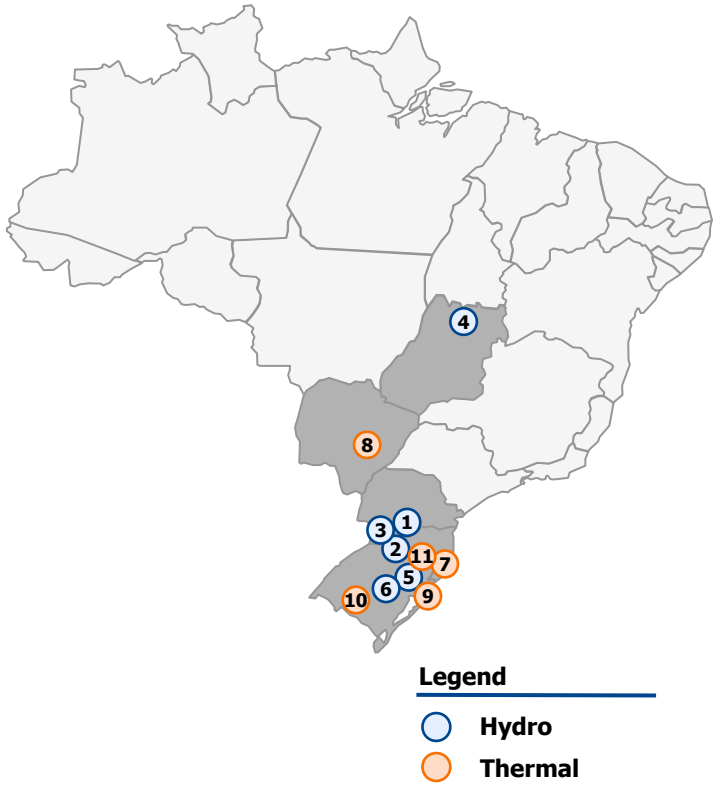
Shareholding Structure



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Asset Overview

Balanced generation portfolio (79% hydro and 21% thermal), strategic location and 3,172 MW of assured energy from 13 plants fully operated by Tractebel Energia



Hydro Power Plants	
1 SALTO SANTIAGO	
Installed Capacity	1,420 MW
Assured Energy	723 aMW
2 ITÁ	
Installed Capacity[1]	1,090 MW
Assured Energy[1]	513 aMW
3 SALTO OSÓRIO	
Installed Capacity	1,078 MW
Assured Energy	522 aMW
4 CANA BRAVA	
Installed Capacity	450 MW
Assured Energy	273 aMW
5 MACHADINHO	
Installed Capacity[1]	383 MW
Assured Energy[1]	136 aMW
6 PASSO FUNDO	
Installed Capacity	226 MW
Assured Energy	119 aMW
TOTAL:	
Installed Capacity	4,647 MW
Assured Energy	2,286 aMW

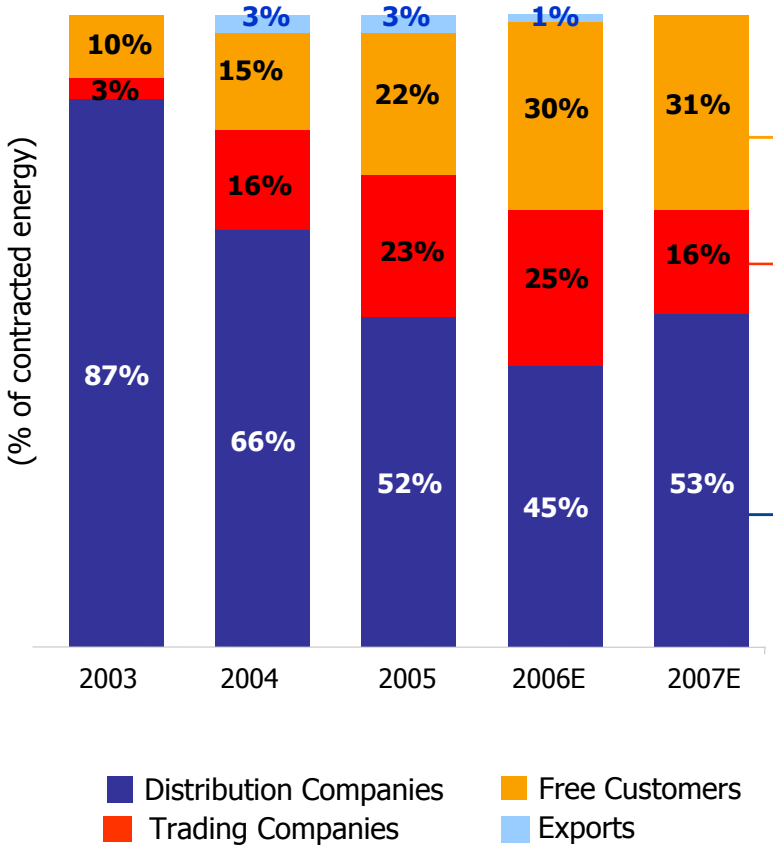
Thermal Power Plants	
7 ORGE LACERDA COMPLEX[2]	
Installed Capacity	857 MW
Assured Energy	598 aMW
8 WILLIAM ARJONA	
Installed Capacity	190 MW
Assured Energy	177 aMW
9 CHARQUEADAS	
Installed Capacity	72 MW
Assured Energy	45 aMW
10 ALEGRETE	
Installed Capacity	66 MW
Assured Energy	41 aMW
11 LAGES	
Installed Capacity	28 MW
Assured Energy	25 aMW
TOTAL:	
Installed Capacity	1,213 MW
Assured Energy	886 aMW

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

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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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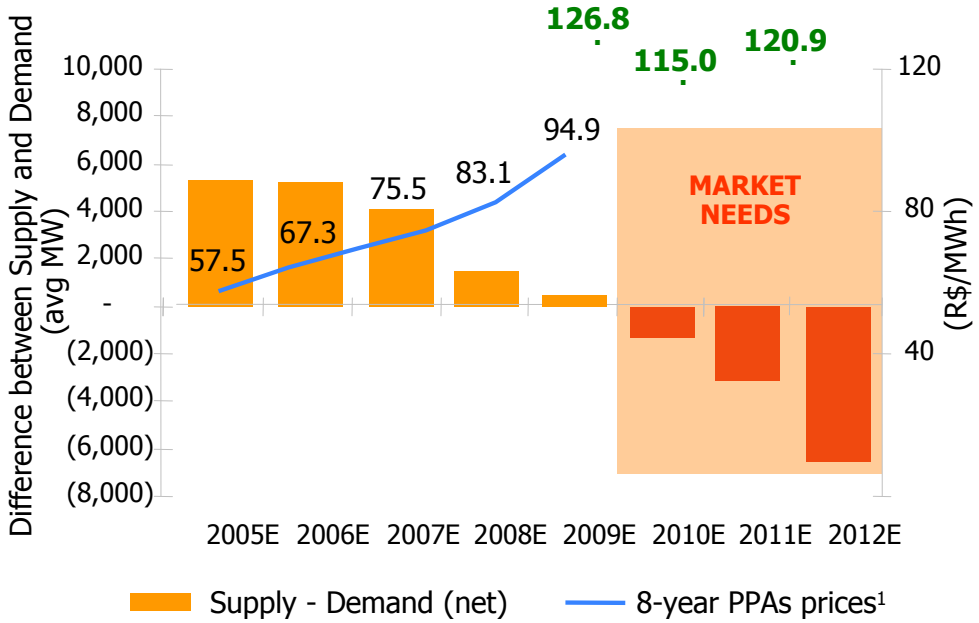


Strategy

Uncontracted Profile Benefits From Expected Higher Prices

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

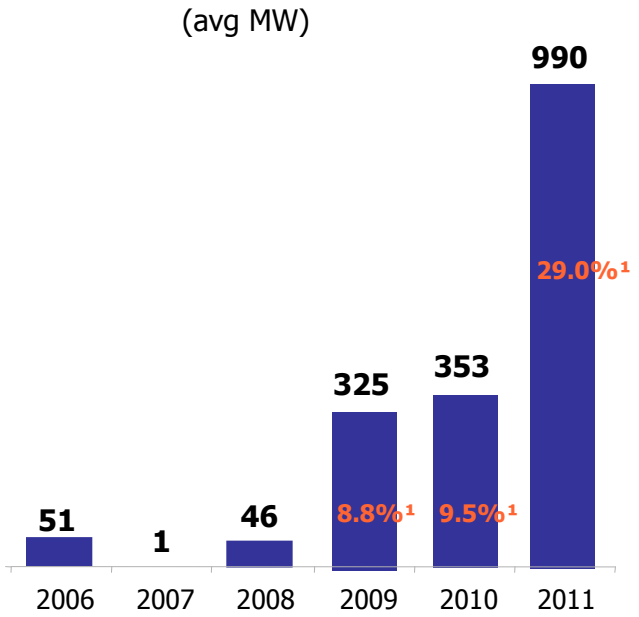
Energy Market Outlook



Source: Research carried out by TBLE. Demand based on MME's Expansion Decennial Plan and supply based on the power plants in operation or under construction within ONS's Monthly Operation Schedule and new energy auctions.

Note:
1 Based on energy auctions' average price for 8-year term contracts (existing energy) starting supply in that given year, except for the supply starting in 2009, 2010 and 2011, which are associated to a 30-year term contract (new or "botox" energy)

Tractebel Energia's Uncontracted Energy



Note:
1 Percentage of Total Resources

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Energy Balance

(average MW)	2006	2007	2008	2009	2010	2011	2012	Price at Auction (R$/MWh)	Price Reference Date	Adjusted Price of Sept. 30, 2006 (R$/MWh)
Own Resources	3,210	3,167	2,998	3,280	3,280	3,280	3,280			
+ Purchases	651	333	325	409	439	130	130			
= **Total Resources (A)**	**3,861**	**3,499**	**3,322**	**3,689**	**3,719**	**3,410**	**3,410**			
Sales thru Govt Auctions*	0	10	160	1,034	1,234	1,234	1,234			
2004-EE-08		**10**	**10**	**10**	**10**	**10**	**10**	**70.9**	**Dec-04**	**76.7**
2005-EE-08			**150**	**150**	**150**	**150**	**150**	**81.6**	**Apr-05**	**85.9**
2005-EE-08				**381**	**381**	**381**	**381**	**94.0**	**Oct-05**	**97.1**
2005-NE-30					**200**	**200**	**200**	**115.1**	**Dec-05**	**117.9**
2006-NE-30				**493**	**493**	**493**	**493**	**128.4**	**Jun-06**	**129.2**
+ Bilateral Sales	3,810	3,488	3,116	2,330	2,132	1,186	881			
= **Total Sales (B)**	**3,810**	**3,498**	**3,276**	**3,364**	**3,366**	**2,420**	**2,115**			
Balance (A - B)	**51**	**1**	**46**	**325**	**353**	**990**	**1,295**			
Sales Avg Price (R$/MWh)	**92.0**	**99.5**	**102.1**							
Purchases Avg Price (R$/MWh)	**62.0**	**81.5**	**82.0**							

* XXXX-YY-ZZ, where:
XXXX --> auction year
YY --> EE = existent energy or NE = new energy
ZZ --> supply term (in years)

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Growth of Installed Capacity: Project Under Development

São Salvador hydro power plant, still property of SUEZ, will soon start to be constructed…

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



… as the sale of 148 MW has already 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 in the Pipeline

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]:	1,200
Start of construction:	2007
Start of operations:	2010
End of construction:	2011

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

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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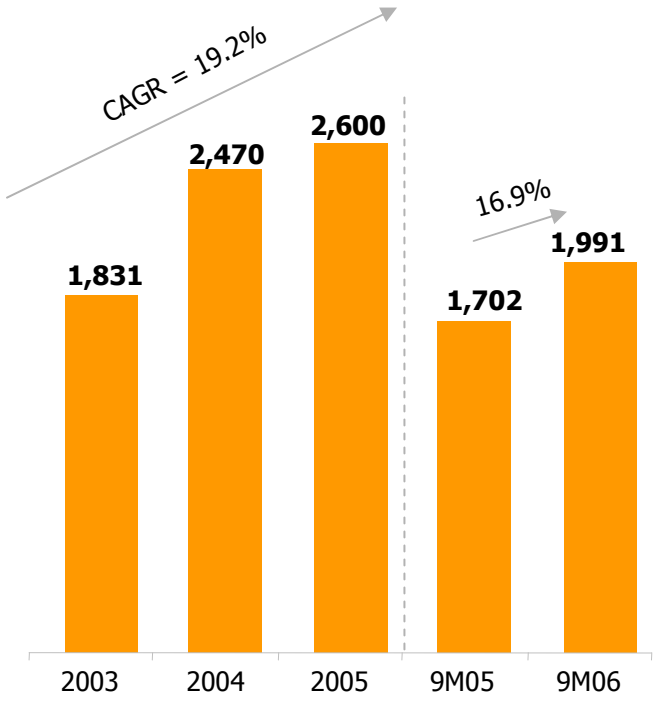


Financial Performance

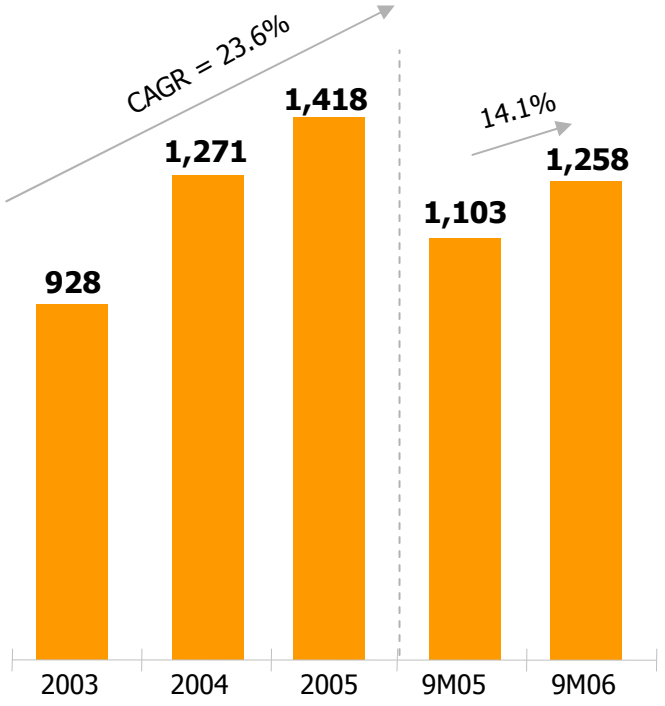
Net Revenues and EBITDA

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)



EBITDA (R$ million)

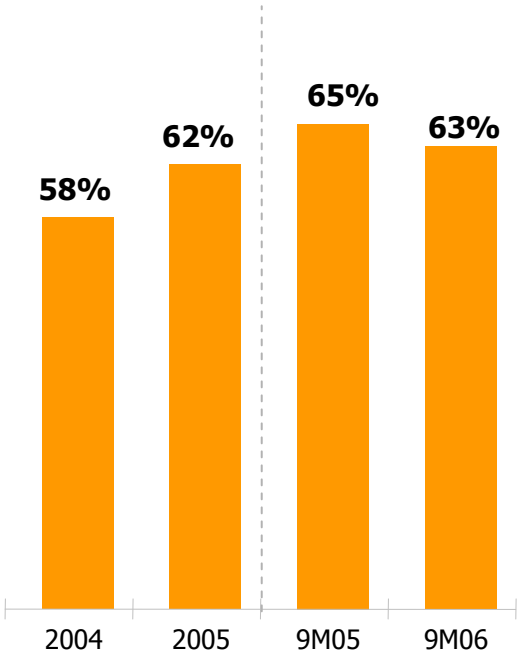


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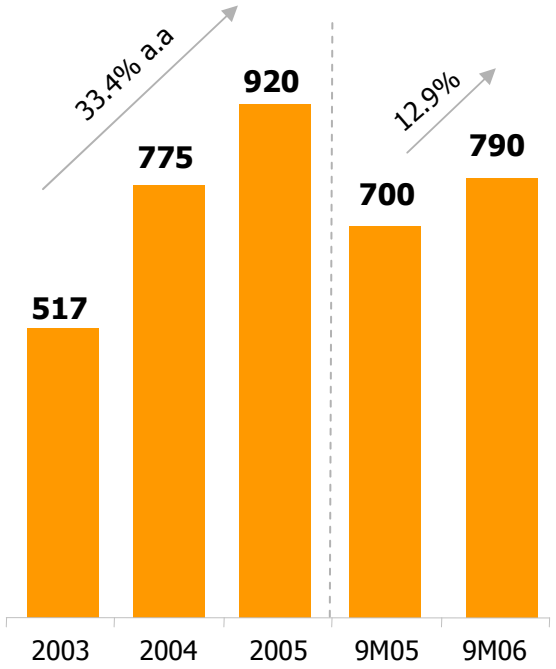
EBITDA Margin and Net Income

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

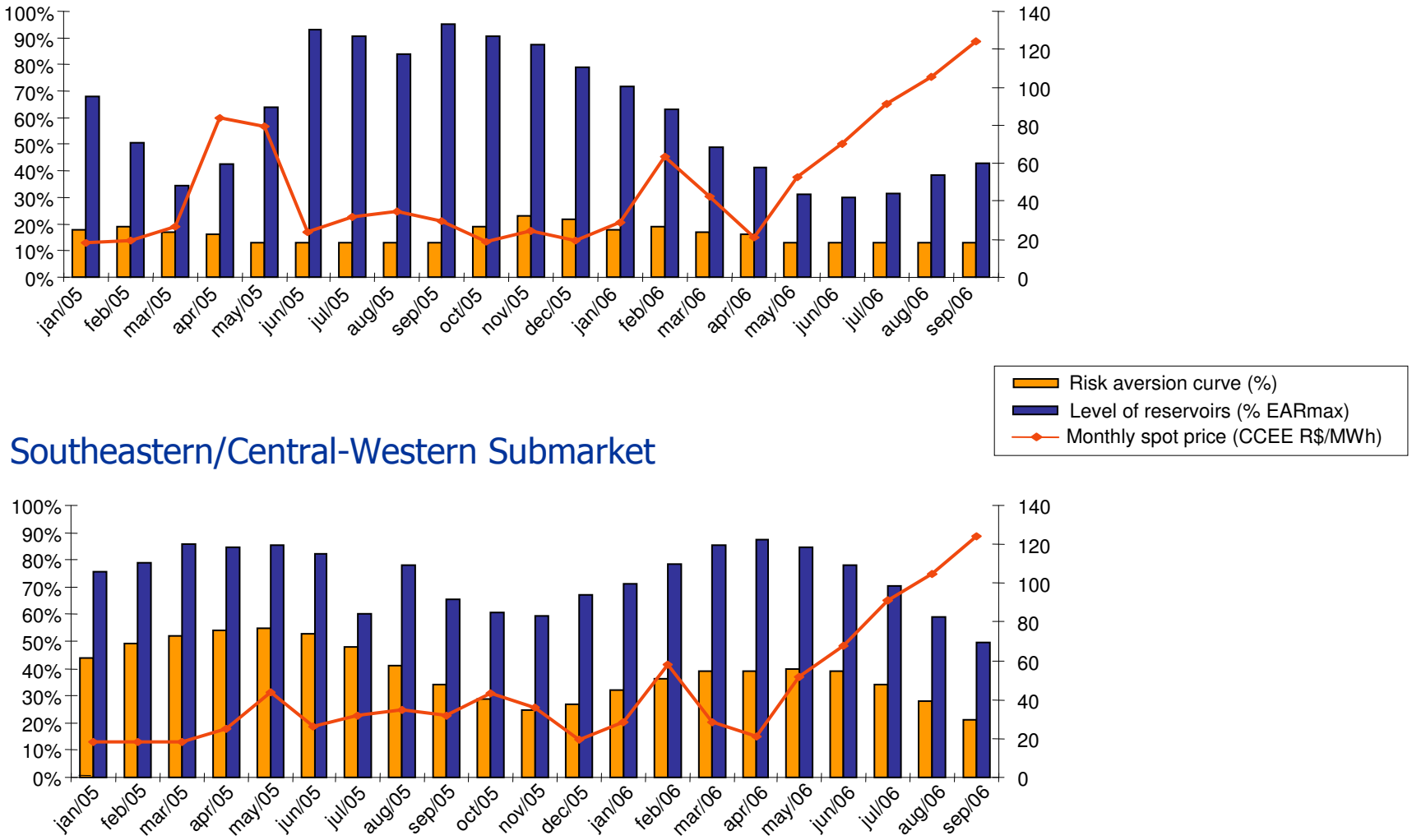
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Quarter Highlights

- Physical sales increase of 18.8 % in 3Q06: 3,794 avg MW versus 3,194 avg MW in 3Q05;
- Average price of contracts 8.4% higher than 3Q05: R$ 92.98/MWh vs R$ 85.78/MWh;
- Net revenues 27.1% higher than in the same period of 2005: R$ 694.8 million;
- Rise in spot prices resulted in higher expenses from thermal substitution energy purchases, which reached R$ 86.3 million in 3Q06;
- EBITDA 18.0% above the recorded in 3Q05: R$ 441.9 million;
- Net income of R$ 257.8 million: R$ 0.39 of earnings per share;
- Announcement of the payment of dividends and interest on shareholders' equity for 1H06.

A look at the Power System

Southern Submarket



Southeastern/Central-Western Submarket

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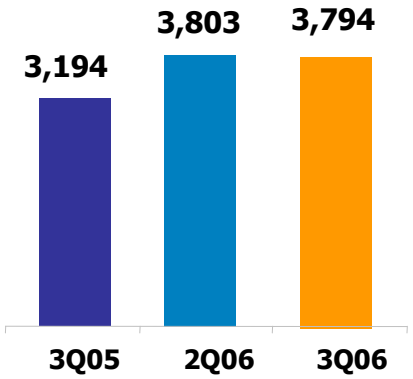
Income Statement

In Thousand Reais	3Q06	3Q05	Chg. %	9M06	9M05	Chg. %
Gross operating revenue	**787,068**	**616,296**	**27.7**	**2,249,440**	**1,934,248**	**16.3**
Deductions from operating revenue	**(92,231)**	**(69,555)**	**32.6**	**(258,814)**	**(231,948)**	**11.6**
Net revenue from sales and services	**694,837**	**546,741**	**27.1**	**1,990,626**	**1,702,300**	**16.9**
Costs and operating expenses	**(304,992)**	**(222,807)**	**36.9**	**(888,530)**	**(754,701)**	**17.7**
Electric energy purchased for resale	(174,001)	(18,763)	827.4	(348,931)	(128,774)	171.0
Fuel to produce energy	(22,400)	(28,157)	-20.4	(87,109)	(83,422)	4.4
Charges on the use of electric system	(52,190)	(40,310)	29.5	(150,981)	(121,832)	23.9
Financial compensation for use of water resources	(9,092)	(23,234)	-60.9	(32,190)	(48,805)	-34.0
Personnel	(32,779)	(26,000)	26.1	(95,734)	(86,625)	10.5
Material and Third-party services	(25,510)	(22,791)	11.9	(65,719)	(66,143)	-0.6
Depreciation and amortization	(52,044)	(50,400)	3.3	(156,069)	(155,897)	0.1
Rebate on tariff add on	(8,929)	-	-	(8,929)	-	-
Favorable ruling on lawsuit	88,687	-	-	88,687	-	-
Other	(16,734)	(13,152)	27.2	(31,555)	(63,203)	-50.1
Service income (EBIT)	**389,845**	**323,934**	**20.3**	**1,102,096**	**947,599**	**16.3**
Amortization of goodwill	(1,687)	(1,687)	-	(5,060)	(5,060)	-
Equity income on prior year adjustment	-	-	-	300	-	-
Net financial income (expenses)	**(50,880)**	**(3,862)**	**1,217.5**	**(115,830)**	**(89,620)**	**29.2**
Financial income	**26,042**	**34,574**	**-24.7**	**86,410**	**82,898**	**4.2**
Financial expenses	**(76,922)**	**(38,436)**	**100.1**	**(202,240)**	**(172,518)**	**17.2**
Operating income	**337,278**	**318,385**	**5.9**	**981,506**	**852,919**	**15.1**
Non-operating income (loss)	135	3,625	-96.3	17,269	3,515	391.3
Income before taxes	**337,413**	**322,010**	**4.8**	**998,775**	**856,434**	**16.6**
Income tax and Social contribution	(79,660)	(14,639)	444.2	(208,454)	(156,382)	33.3
Net income for the period	**257,753**	**307,371**	**-16.1**	**790,321**	**700,052**	**12.9**
EBITDA	441,889	374,334	18.0	1,258,165	1,103,496	14.0

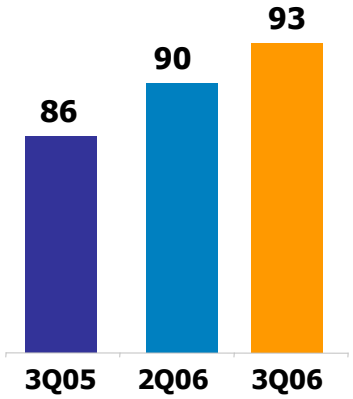
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Updating Financial Drivers

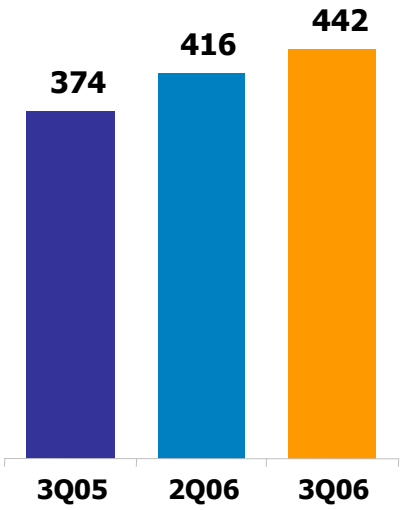
Energy Sold (Avg. MW)



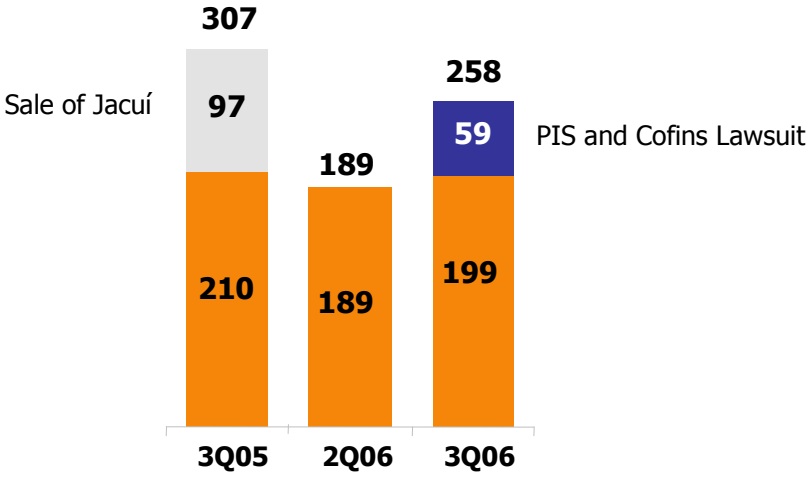
Average Price of Energy Sold (R$ / MWh)



EBITDA (R$ million)



Net Profit (R$ million)

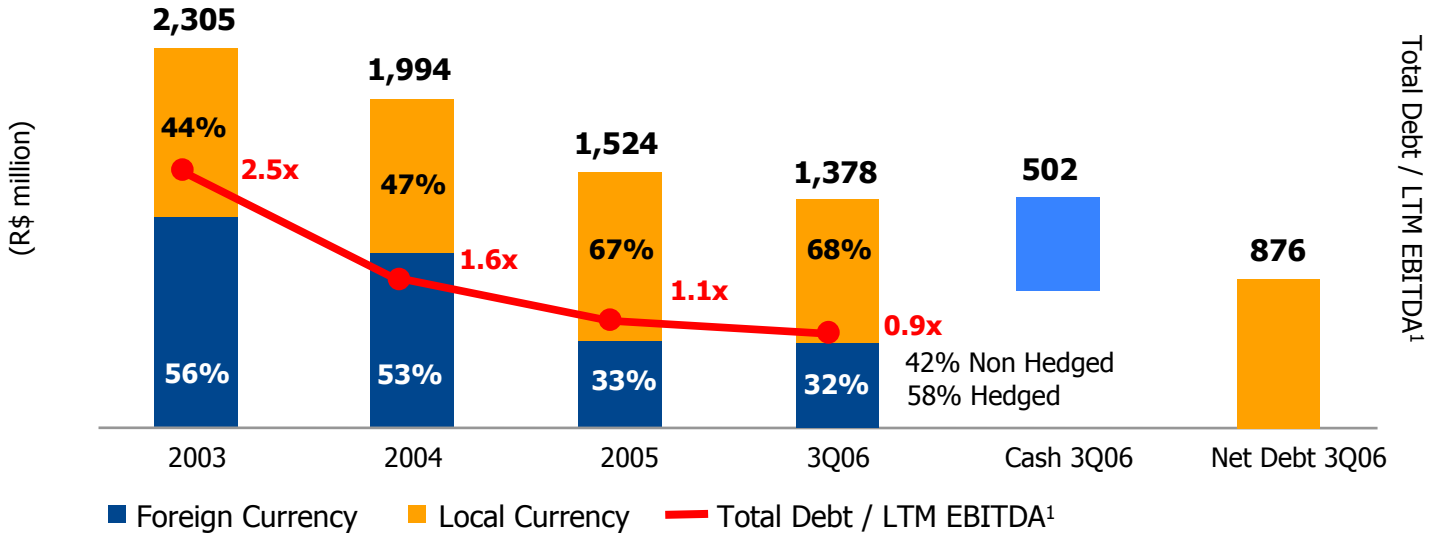


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Indebtedness

Declining leverage and exposure to foreign currency

Debt Overview (R$ million)



Note:
1 LTM EBITDA = last twelve months EBITDA

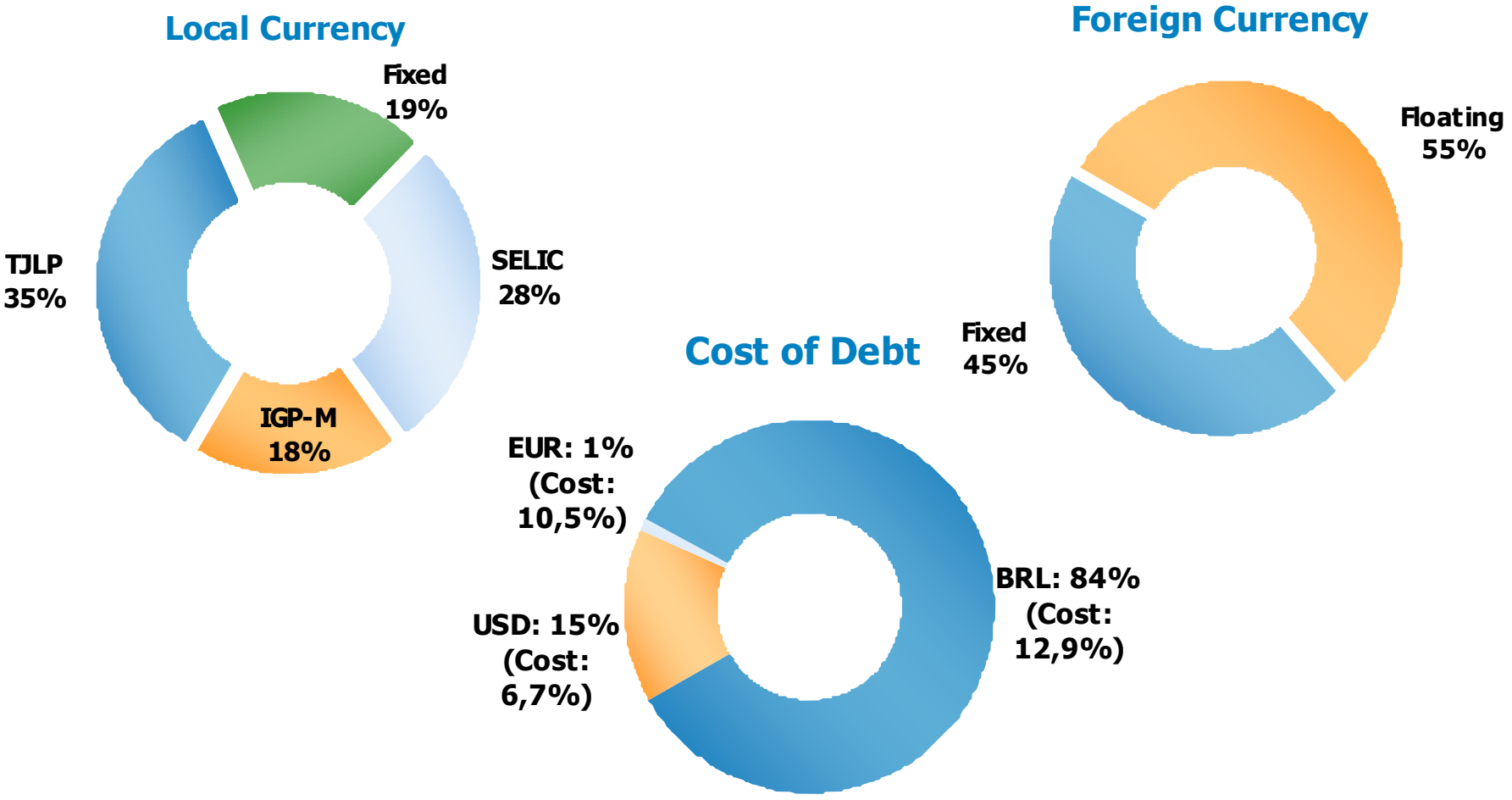
Leverage limit: 2.5x Total Debt to LTM EBITDA[1]

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Debt Composition

Considering hedge

Cost of Debt, Local and Foreign Currencies

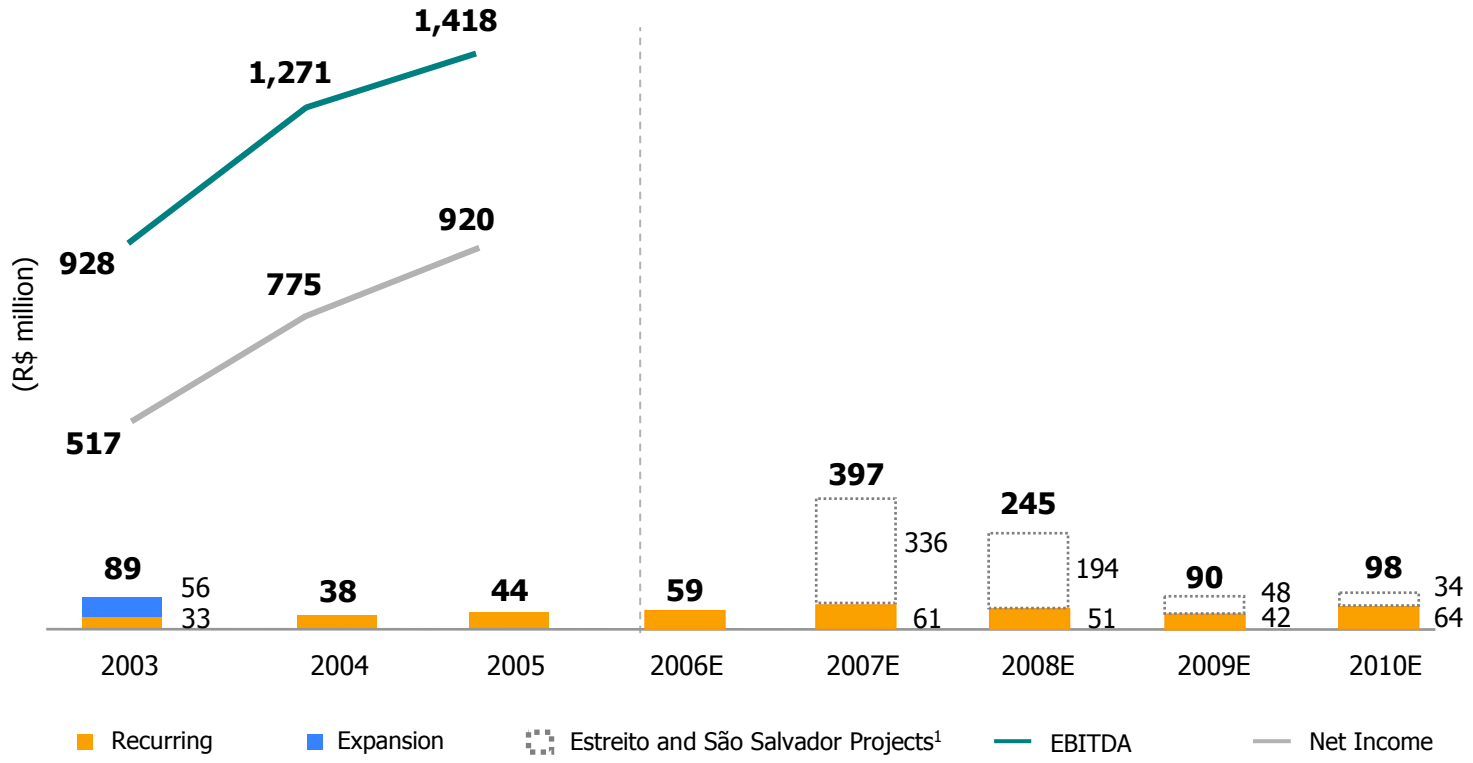


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Tractebel Energia's Investment Plan

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)



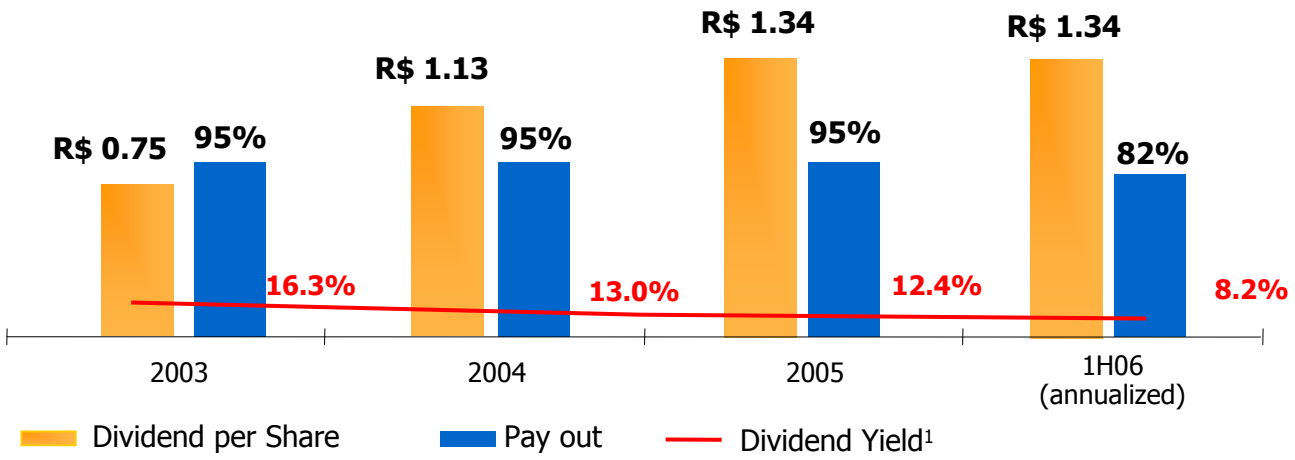
Note: 1 Equity investment of Tractebel Energia

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Dividend Policy

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

Historical Dividends



Note:

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

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