Tractebel Energia

SUEZ



Generating Energy for Life

Earnings Release – 3Q07

Florianópolis - November 2007



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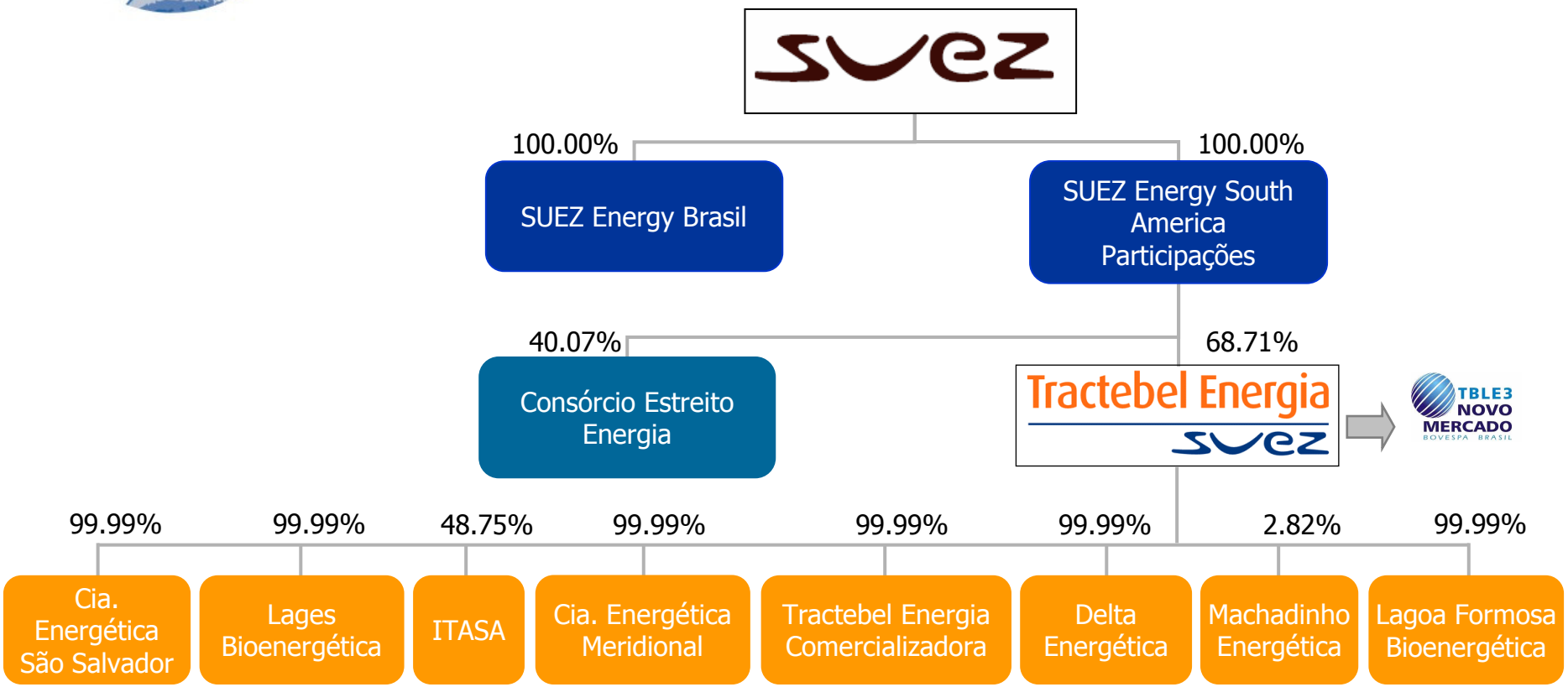
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Market Share, Assets and Sales

Shareholding Structure



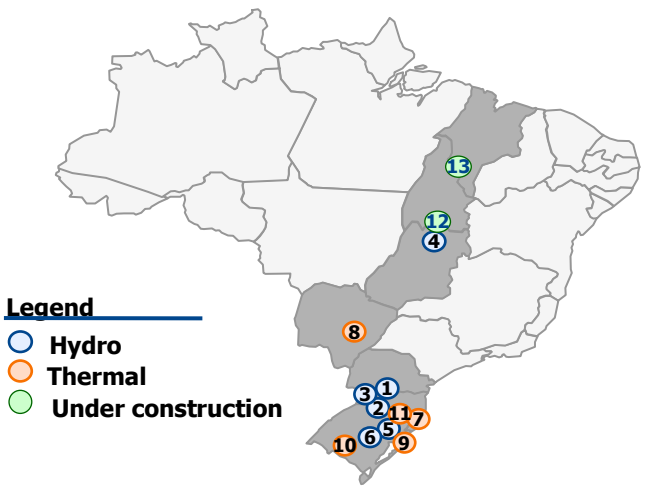
Asset Overview

Balanced installed capacity 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**

Power Plants Under Construction	Installed Capacity (MW)	Assured Energy (aMW)
12 São Salvador (Hydro)	243	148
13 Estreito (Hydro)[3]	435[1]	256[1]
Total	**678**	**404**

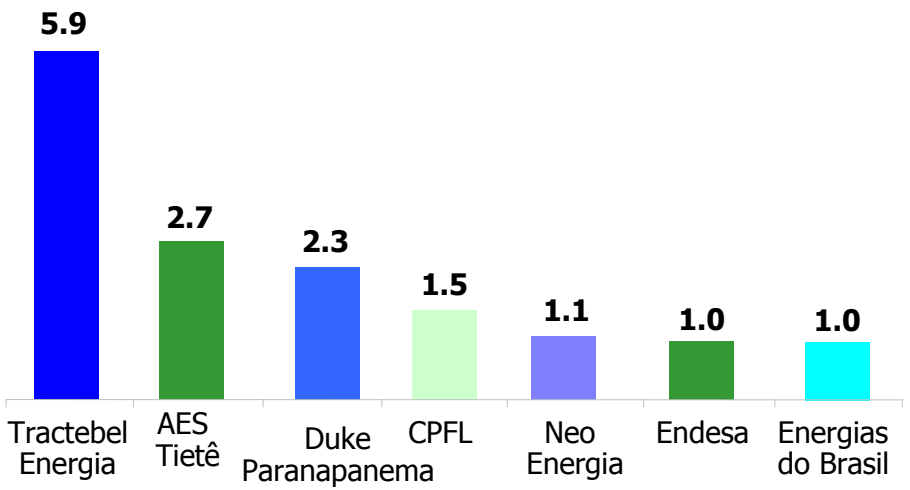


Notes: [1] Portion owned by Tractebel Energia.
[2] Complex comprised of 3 power plants.
[3] Project to be transferred from SUEZ in 1H08.

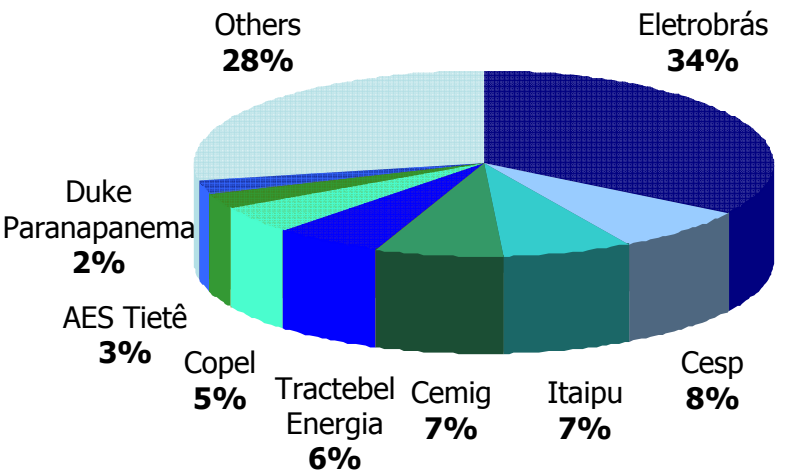
Leading Position in the Generation Sector

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

Private Sector – Installed Capacity (GW)



Brazil – Installed Capacity[1,2]



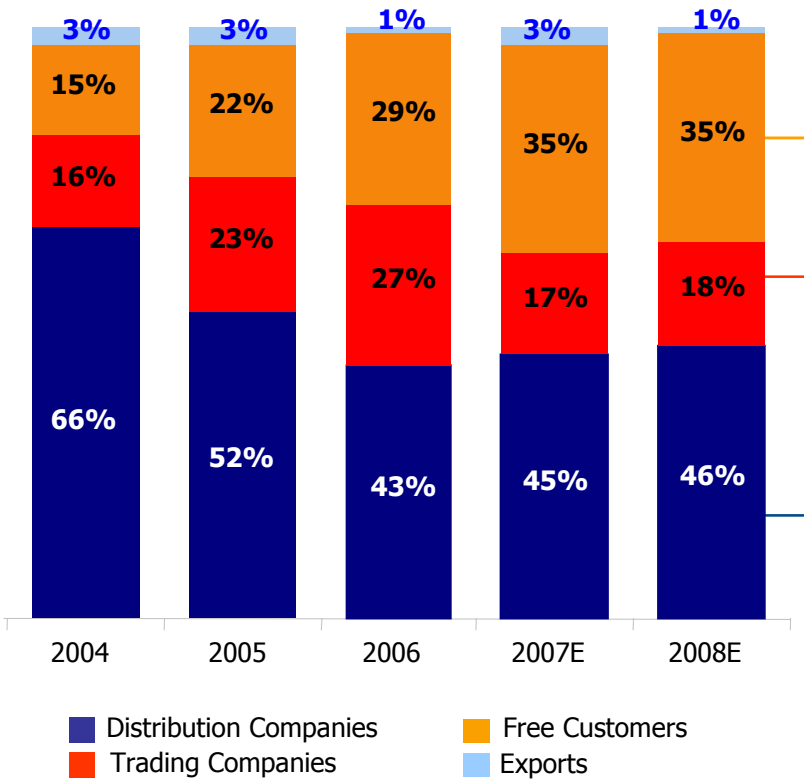
Source: ANEEL and Companies' websites.

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.

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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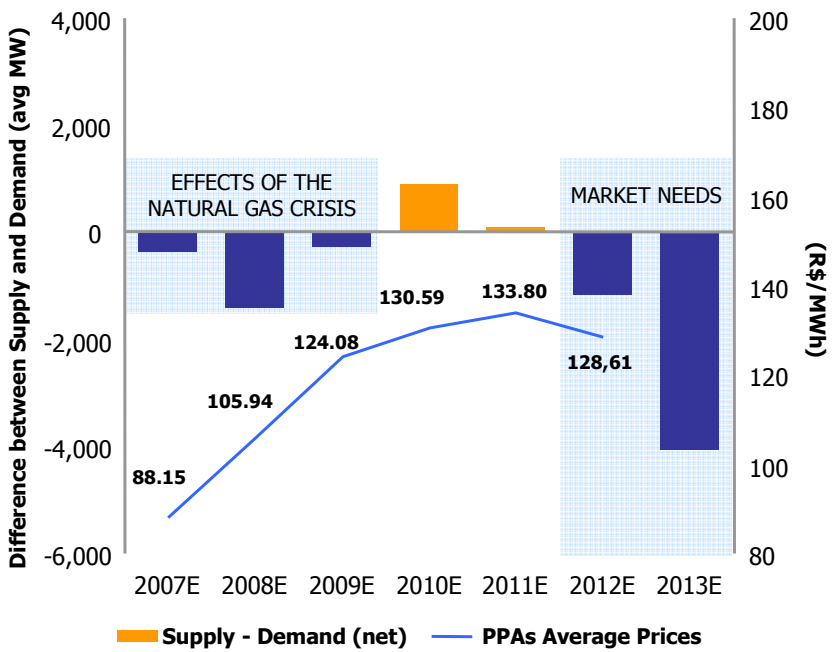
Strategy

Uncontracted Profile Benefits from Expected Higher Prices

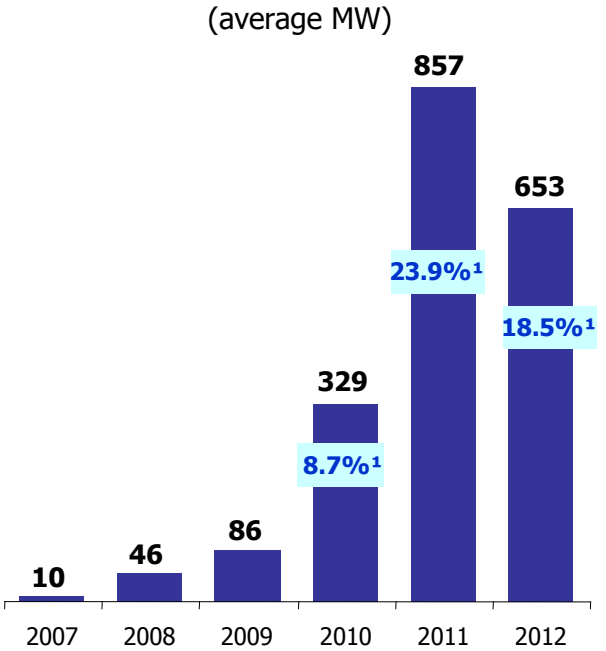
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Scenario of supply and demand indicates potential raise of energy prices.

Energy Market Outlook



Tractebel Energia's Uncontracted Energy



Nota:
¹ Percentage of Total Resources.

Source: Tractebel Energia's internal study based on ONS' Operations Monthly Program of September 2007 and on SFG/ANEEL's report of September 2007. Includes the results of the 5th New Energy Auction.

Note: Prices are based on the average prices of both existing and new energy auctions starting supply in that given year weighted by the volume transacted (base: September 2007).

Energy Balance

As of September 30, 2007

	(avg MW)	2007	2008	2009	2010	2011	2012	Auction Price (R$/MWh)	Reference Date	Price Adjusted as of Sep. 30, 2007 (R$/MWh)
	Own Resources	3,189	3,009	3,143	3,178	3,365	3,402			
+	Purchases for Resale	508	417	467	598	217	130			
=	Total Resources (A)	3,697	3,426	3,610	3,776	3,582	3,532			
	Government Auction Sales*	10	160	1,034	1,234	1,382	1,638			
	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	89.2
	2005-EE-08	-	-	381	381	381	381	94.0	Oct-05	100.8
	2005-NE-30	-	-	-	200	200	200	115.1	Dec-05	122.3
	2006-NE-30	-	-	493	493	493	493	128.4	Jun-06	134.0
	2006-NE-30	-	-	-	-	148	148	135.0	Nov-06	140.2
	2007-NE-30	-	-	-	-	-	256	126.6	Jun-07	128.1
+	Bilateral Sales	3,677	3,220	2,490	2,213	1,343	1,241			
=	Total Sales (B)	3,687	3,380	3,524	3,447	2,725	2,879			
	Balance (A - B)	10	46	86	329	857	653			
	Sales Average Price (R$/MWh) *1:	85.7	89.5	90.3						
	Purchases Average Price (R$/MWh) *2:	51.2	70.6	80.5						

* XXXX-YY-ZZ, where:

XXXX ⇨ year of auction

YY ⇨ EE = existing energy or NE = new energy

ZZ ⇨ supply contract duration (in years)

*1: Sales price is net of ICMS and taxes over revenues (PIS/COFINS, R&D).
*2: Purchase net price, considering benefits from PIS/COFINS credits.

Note: The balance considers the energy generated by the projects São Salvador and Estreito, which start of operations are scheduled for 1Q09 and 3Q10, respectively. From 2Q07 on the resume of the energy proceeding from the contract with CIEN was disregarded.



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Growth

Growth of Installed Capacity: Project under Construction - I

São Salvador hydro power plant started construction in 3Q06.

Project Description

São Salvador Hydro Plant	
Installed Capacity:	243 MW
Assured Energy:	148 MW
Investment (R$ mm):	866
Start of construction:	2006
Start of operations:	2009



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

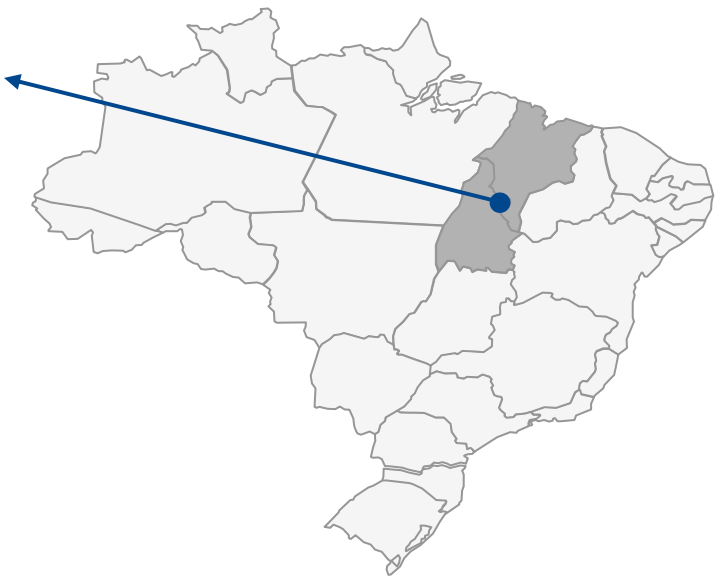
Growth of Installed Capacity: Project under Construction - II

Currently, the controlling shareholder is constructing a new plant that will be transferred to Tractebel Energia, adding 435 MW of installed capacity.

Project Description

Estreito Hydro Plant	
Installed Capacity:	1,087 MW
Assured Energy:	641 MW
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 energy to be generated by the Estreito Hydro power plant was sold at the new energy auction held in October 2007, for a 30-year period, as from 2012.

Greenfield, Coal-Fired Project Under Development

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- 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.
- Tractebel Energia has acquired the control of SPC Seival Ltda., which holds the rights for constructing a thermal project in the region, what can speed up the development of the plant.
- TIC of around US$ 850 MM.

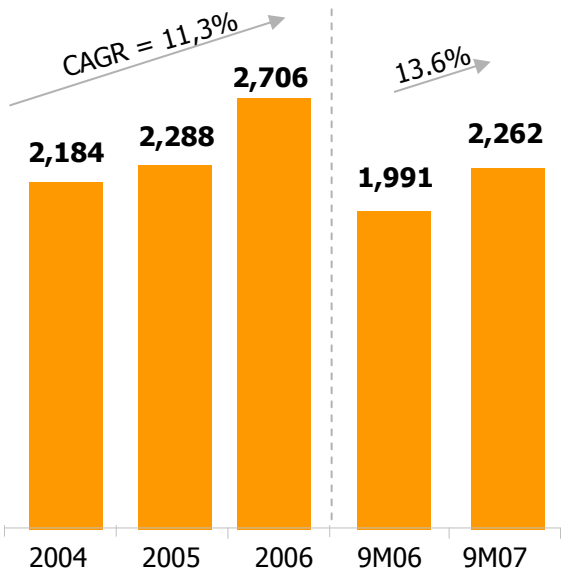


Financial Performance

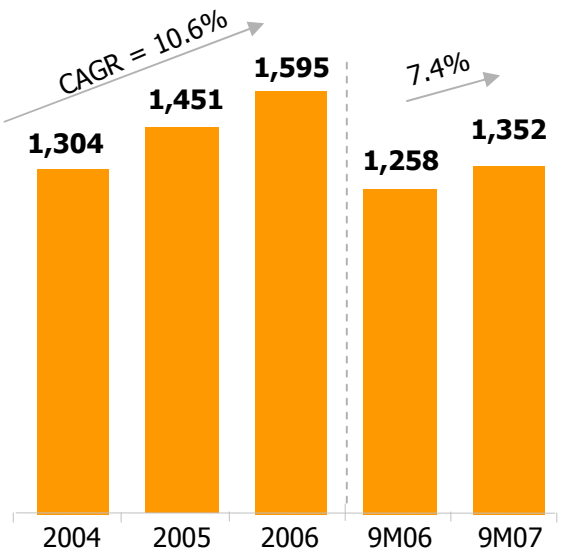
Net Revenues and EBITDA

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]

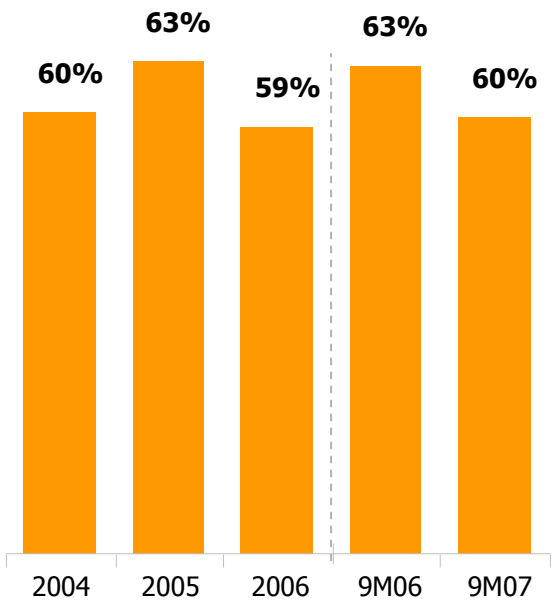


Note:
[1] Considering new accounting procedures.

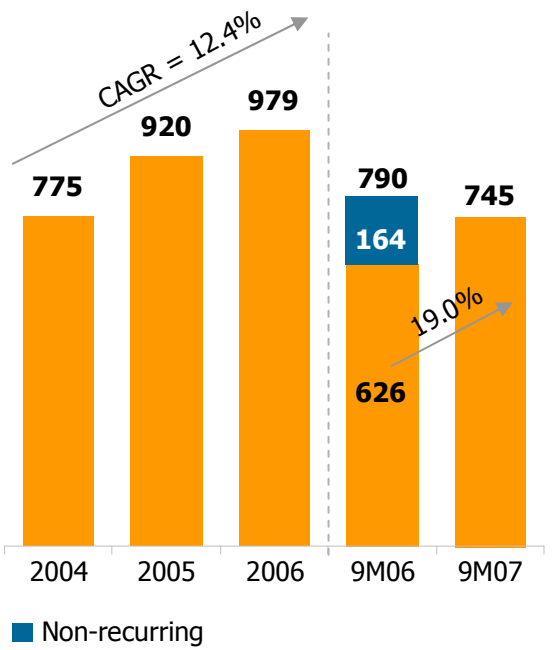
EBITDA Margin and Net Income

Consistent EBITDA margins and net income, ...

EBITDA Margin[1]



Net Income (R$ million)

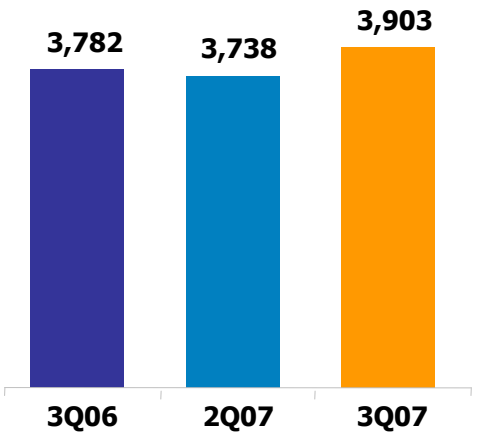


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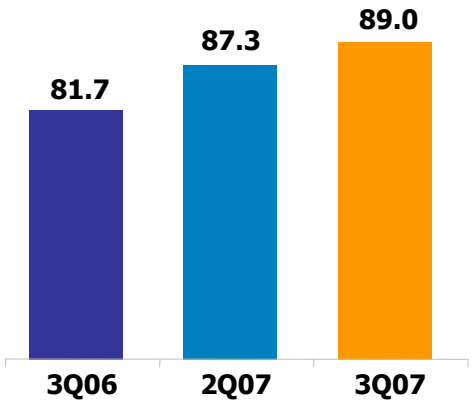
...allowing for a relevant dividend distribution.

Financial Drivers

Energy Sold (Avg. MW)

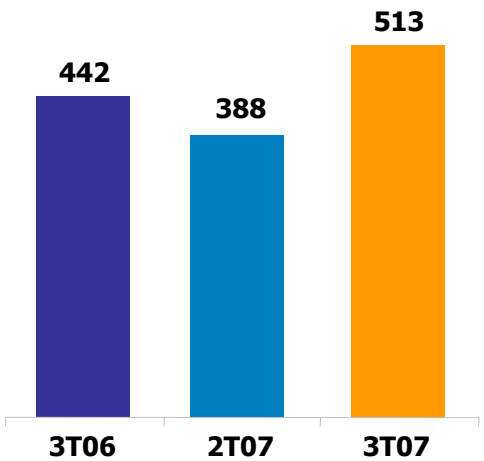


Average Price of Energy Sold (R$ / MWh)

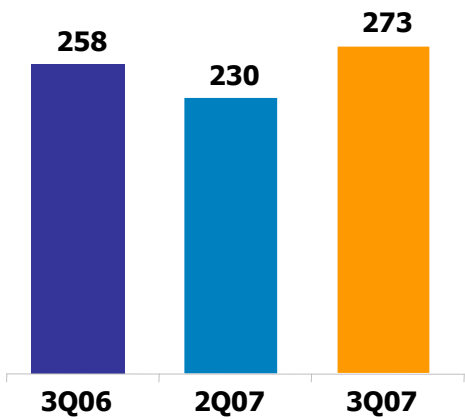


Note:
Figures are net of deductions and exclude exports.

EBITDA (R$ million)

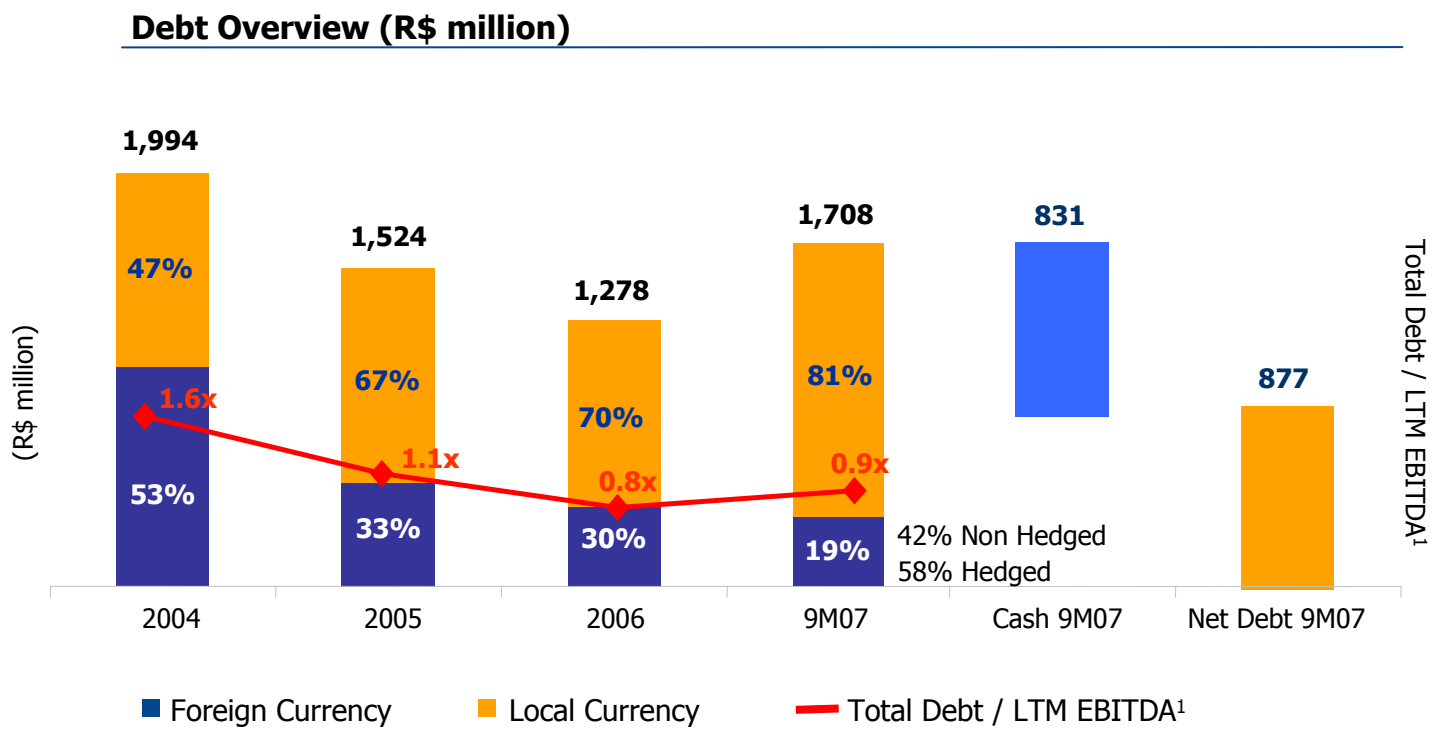


Net Income (R$ million)



Indebtedness

Evolution of leverage and exposure to foreign currency:



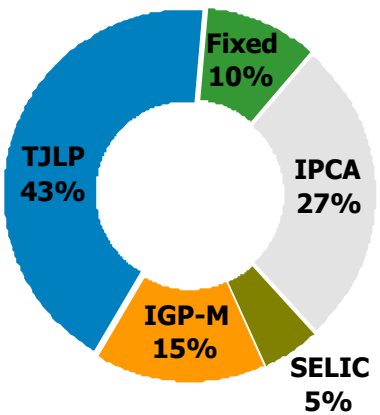
Note:
[1] LTM EBITDA = last twelve months EBITDA.

Debt Composition

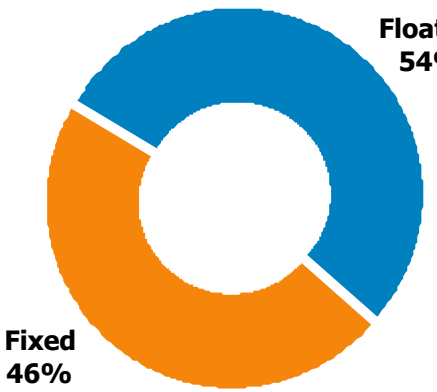
Considering hedge

Cost of Debt, Local and Foreign Currencies

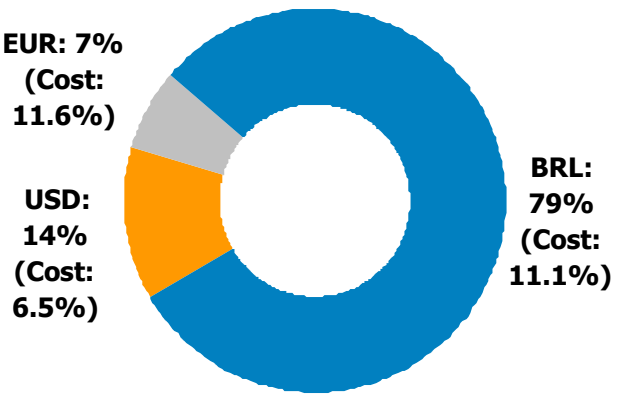
Local Currency



Foreign Currency



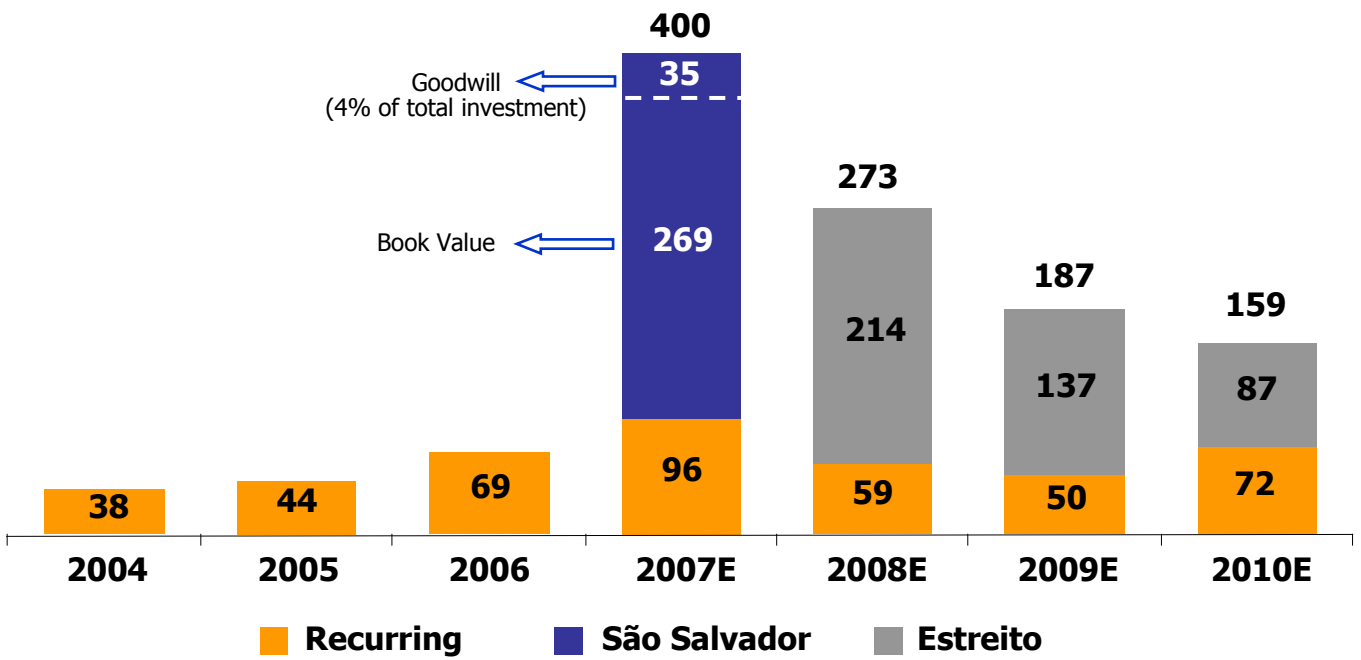
Cost of Debt



Tractebel Energia's Investment Plan

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

Capital Expenditures[1] (R$ million)

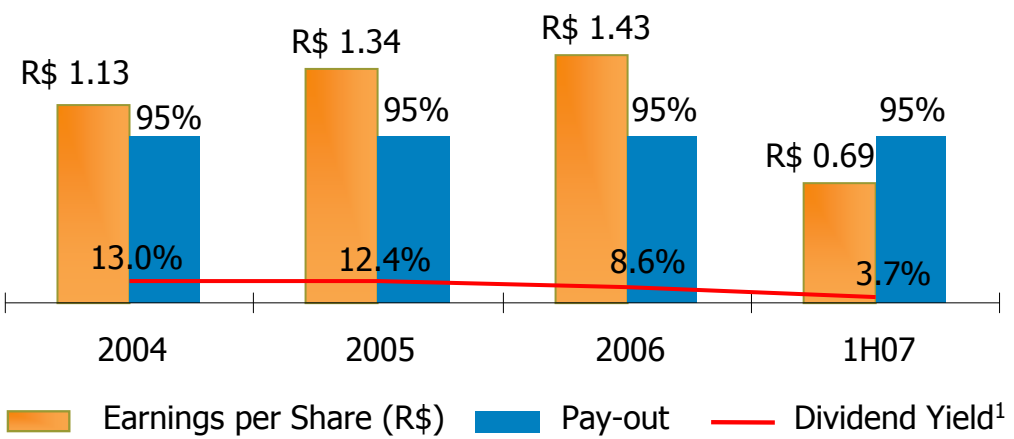


Note:
[1] Equity investment of Tractebel Energia.

Dividend Policy

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

Dividends



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



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Attachments

Exposure to Spot Price due to:

- **Thermal Generation**
- **Hydro Monthly Allocation**

Thermal Side: Exposure to Spot Prices



900 avgMW → Assured energy (on a yearly basis)

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

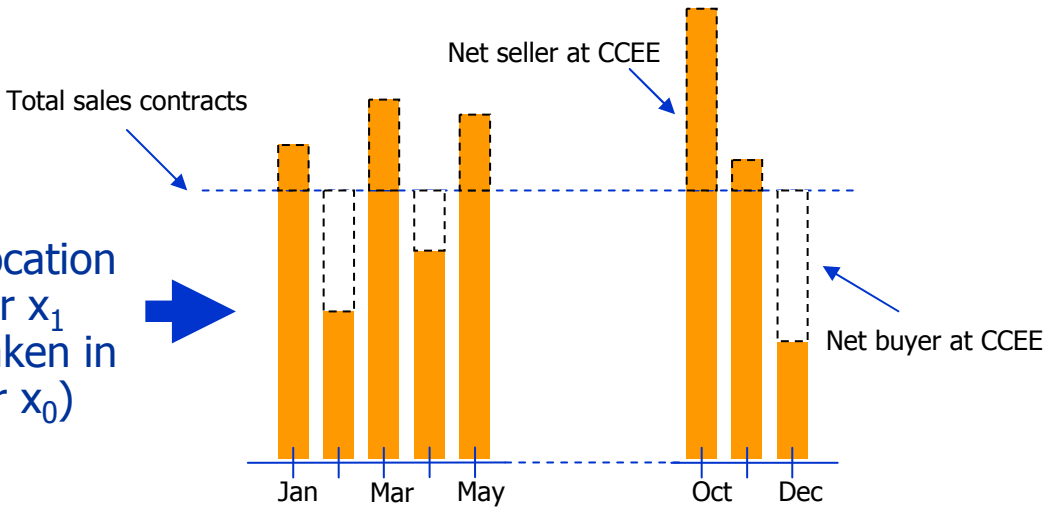
450 avgMW → Dispatch due to an annual inflexibility (based on the purchase of some 200,000 tons of coal a month)

Note: 1) Tractebel Energia has been fully contracted → purchase of thermal substitution energy
2) On a monthly basis, differences may occur

Hydro Gencos Monthly Allocation of Resources

How does the allocation of resources at CCEE (the energy trading board) over the months interfere with a hydro genco quarterly results?

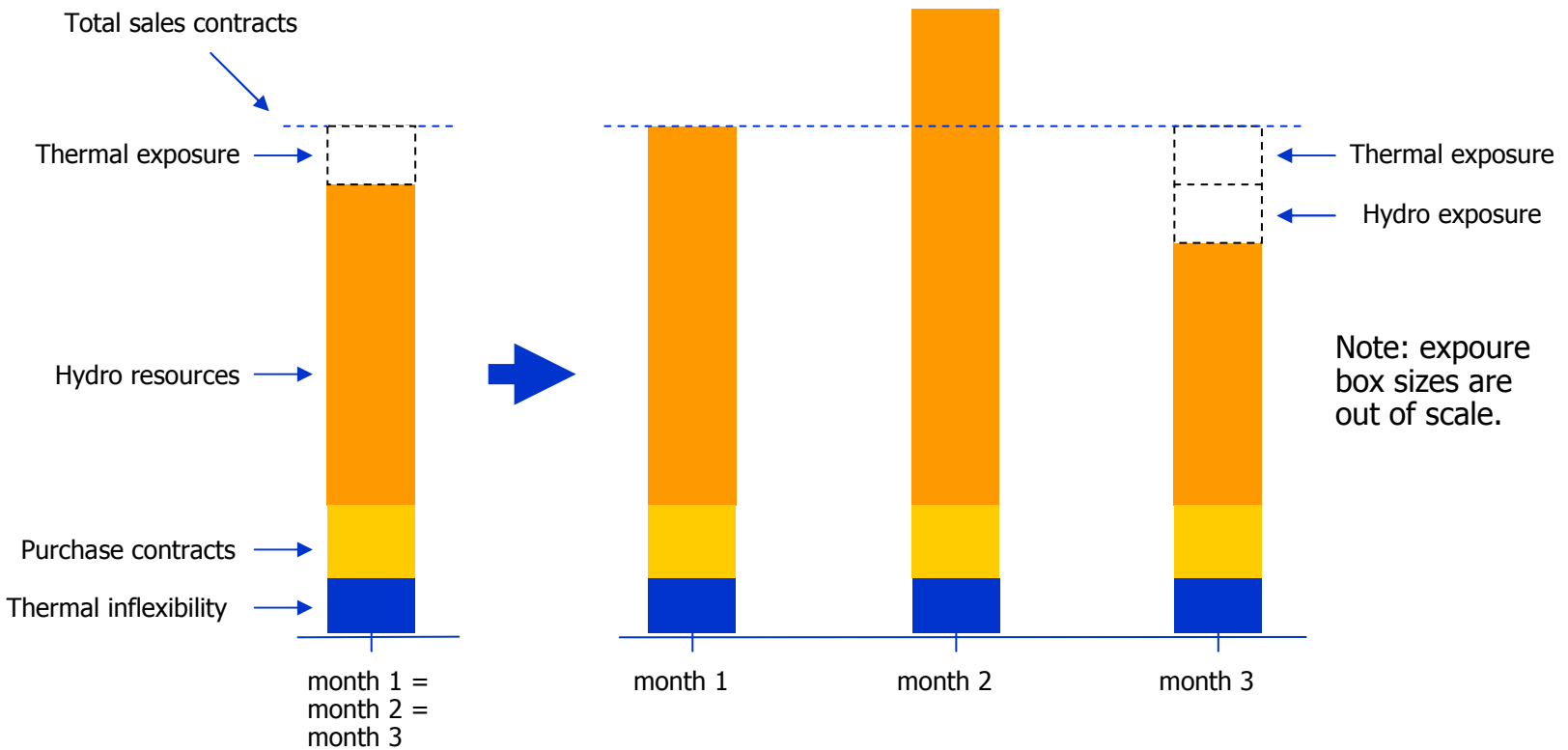
Annual Hydro Resources → monthly allocation over year x_1 (decision taken in Dec. year x_0) →



- Hydro gencos can freely allocate their resources over the following year's months;
- Monthly fluctuations on sales is also a driver for exposure to spot price;
- Monthly energy differences are settled at spot price, i.e., PLD (Price for Settlement of Differences);
- As penalties apply for a net buyer, a "monthly closing" market is available for those gencos who need to cover up their position;
- The pricing for the "monthly closing" market is strongly linked to the spot price.

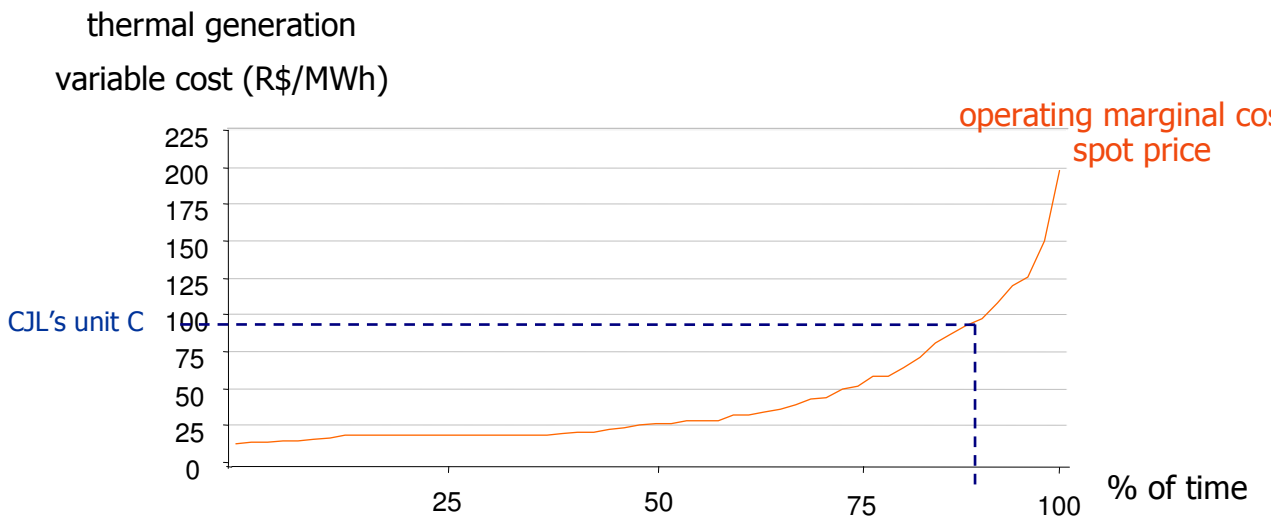
Mechanisms to Mitigate Exposure from the Thermal Side

As a consequence of the two previous slides, an appropriate monthly allocation of the hydro resources over the year can mitigate the exposure arising from the thermal substitution energy to be purchased at spot price. An example follows:



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.



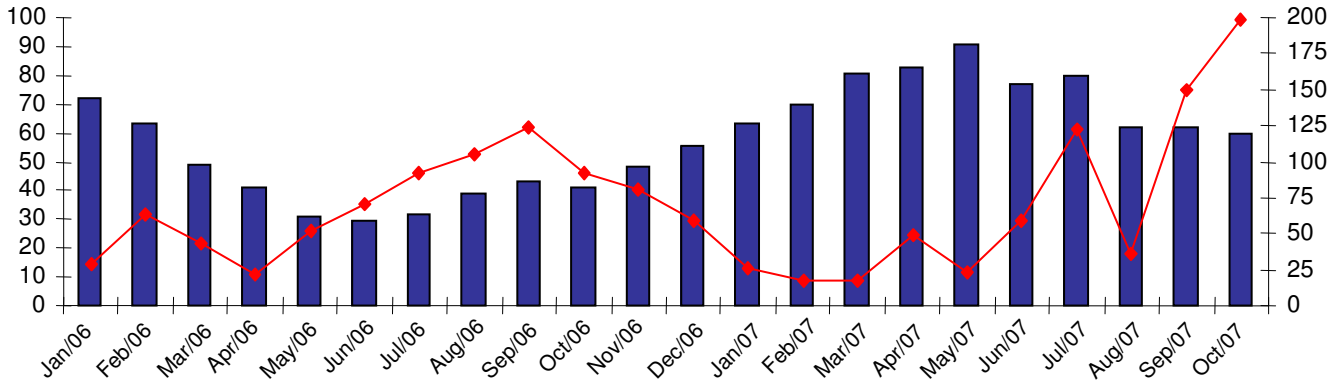
Note: spot market monthly prices for SE-CW submarket from May 2003 to October 2007.

Conclusion: For 75% of the time the spot price is lower than R$50/MWh, and for almost 90% of the time it is lower than R$100/MWh.

A Look at the Power System

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Southern Submarket



Southeastern/Central-Western Submarket

