Tractebel Energia

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Tractebel Energia 2005 Results Presentation

March 2006

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Market Share, Assets and Sales

Leading Position in the Generation Sector

Tractebel Energia is the largest private player in the Brazilian generating market, accounting for 8% of the country's installed capacity...

Private Sector – Installed Capacity (GW)

Tractebel Energia	**5.9**
AES Tietê	2.7
Duke Paranapanema	2.3
Endesa	1.0
CPFL	1.0
Neo Energia	0.8
Energias do Brasil	0.5

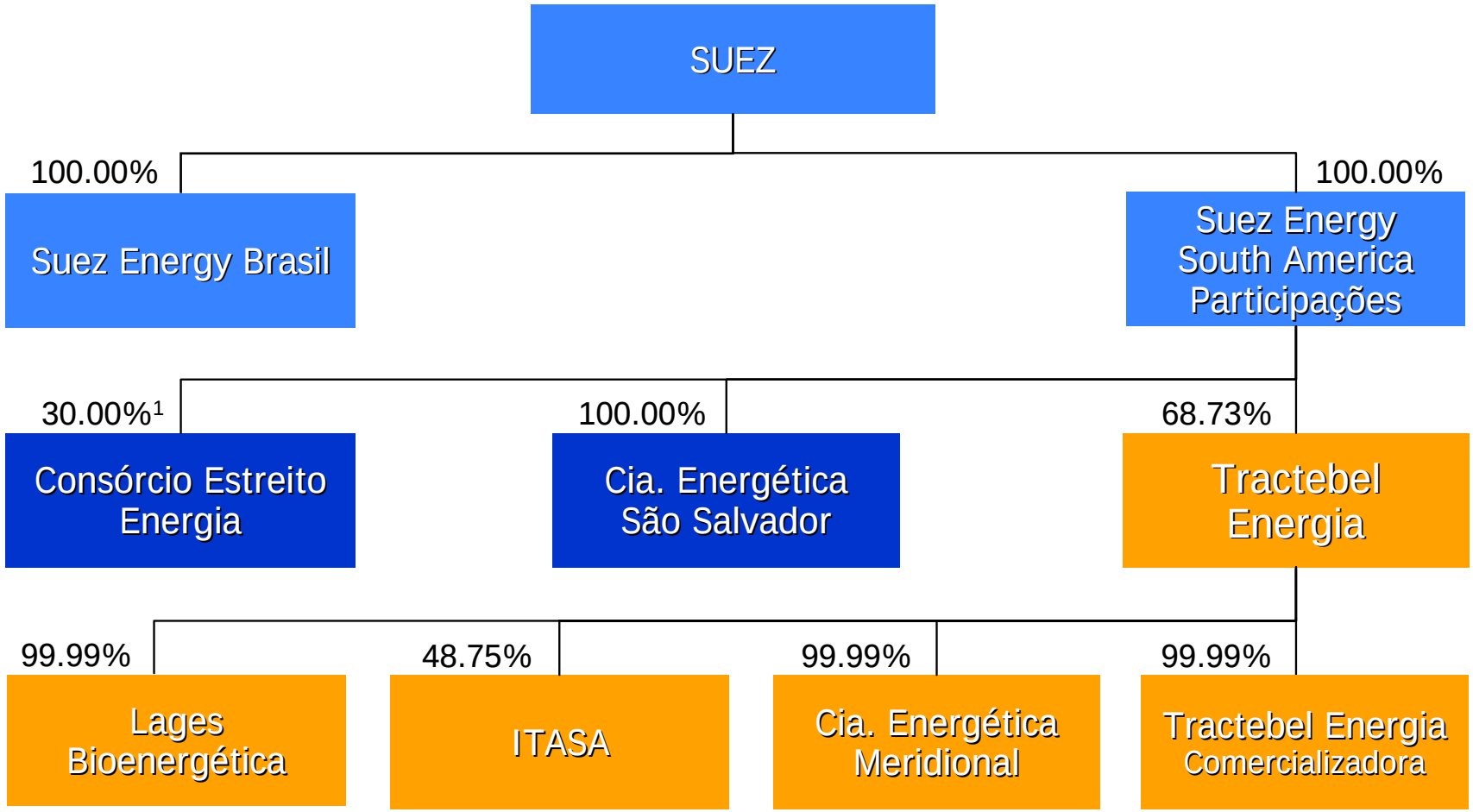
Generation – Market Share

Eletrobrás	34%
Cesp	10%
Tractebel Energia	**8%**
Itaipu	8%
Cemig	8%
Copel	6%
AES Tietê	3%
Duke Paranapanema	3%
Other	20%

Source: ANEEL (2004) and Companies' Reports (June 2005)

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

Shareholding Structure



Note:

1 As of February 2006, SESA's stake in the consortium increased to 40.07%.

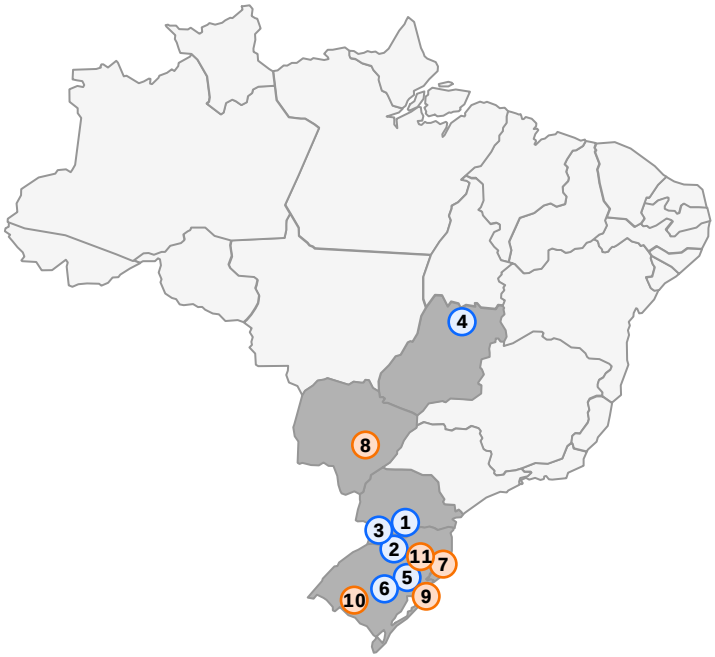
Asset Overview

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 MW
2	**ITÁ**	
	Installed Capacity[1]:	1,090 MW
	Assured Energy[1]:	513 MW
3	**SALTO OSÓRIO**	
	Installed Capacity:	1,078 MW
	Assured Energy:	522 MW
4	**CANA BRAVA**	
	Installed Capacity:	450 MW
	Assured Energy:	273 MW
5	**MACHADINHO**	
	Installed Capacity[1]:	383 MW
	Assured Energy[1]:	136 MW
6	**PASSO FUNDO**	
	Installed Capacity:	226 MW
	Assured Energy:	119 MW

TOTAL:
Installed Capacity: 4,647 MW
Assured Energy: 2,286 MW



Legend

- Hydroelectric
- Thermal

Thermal Power Plants

7	**JORGE LACERDA COMPLEX**	
	Installed Capacity:	857 MW
	Assured Energy:	598 MW
8	**WILLIAM ARJONA**	
	Installed Capacity:	190 MW
	Assured Energy:	177 MW
9	**CHARQUEADAS**	
	Installed Capacity:	72 MW
	Assured Energy:	45 MW
10	**ALEGRETE**	
	Installed Capacity:	66 MW
	Assured Energy:	41 MW
11	**LAGES**	
	Installed Capacity:	28 MW
	Assured Energy:	25 MW

TOTAL:
Installed Capacity: 1,213 MW
Assured Energy: 886 MW

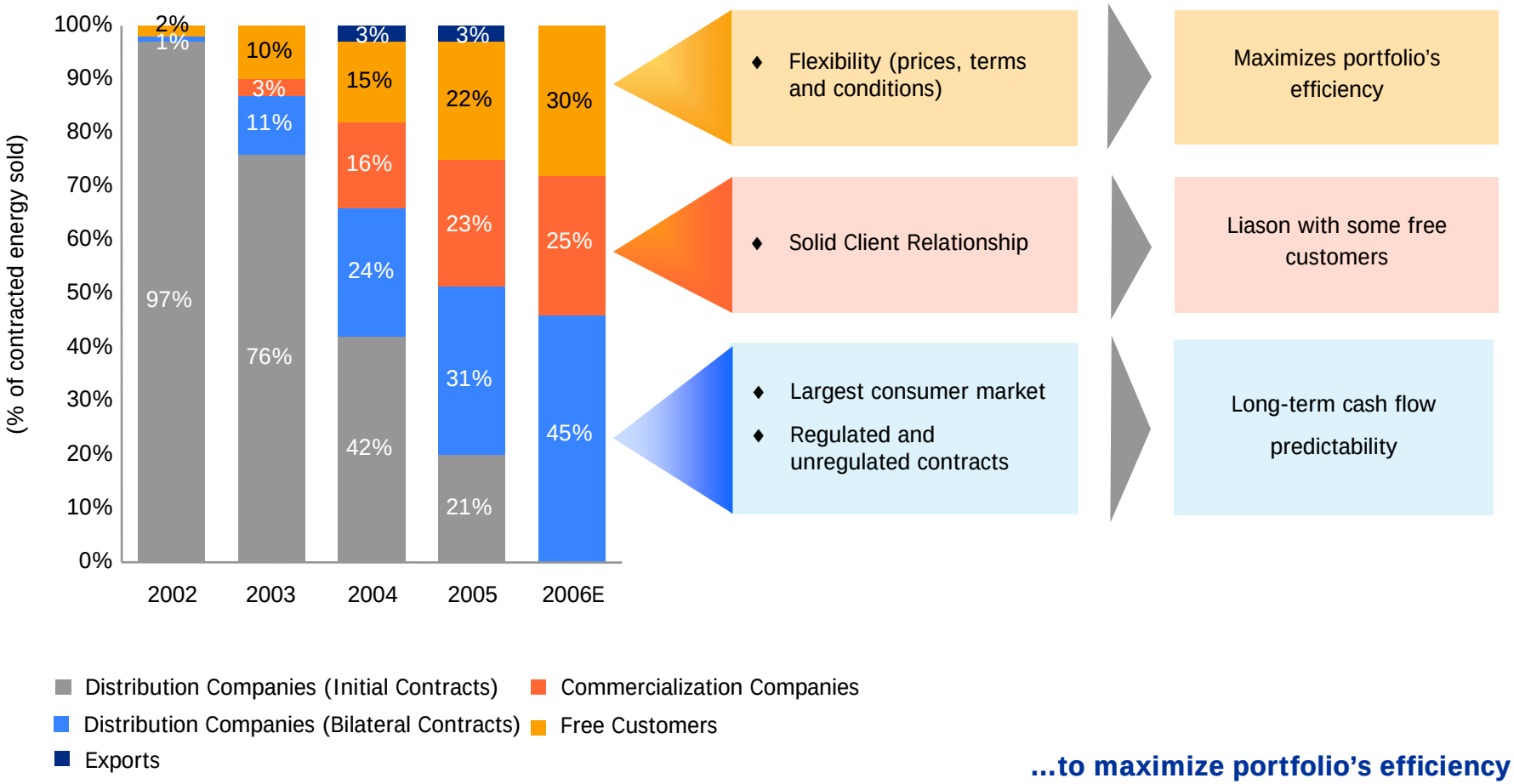
Note:
1 Portion owned by Tractebel Energia

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Client Portfolio Management

Focus on free customers and commercialization companies, with a successful replacement of initial contracts...

Client Breakdown (based on contracted energy)



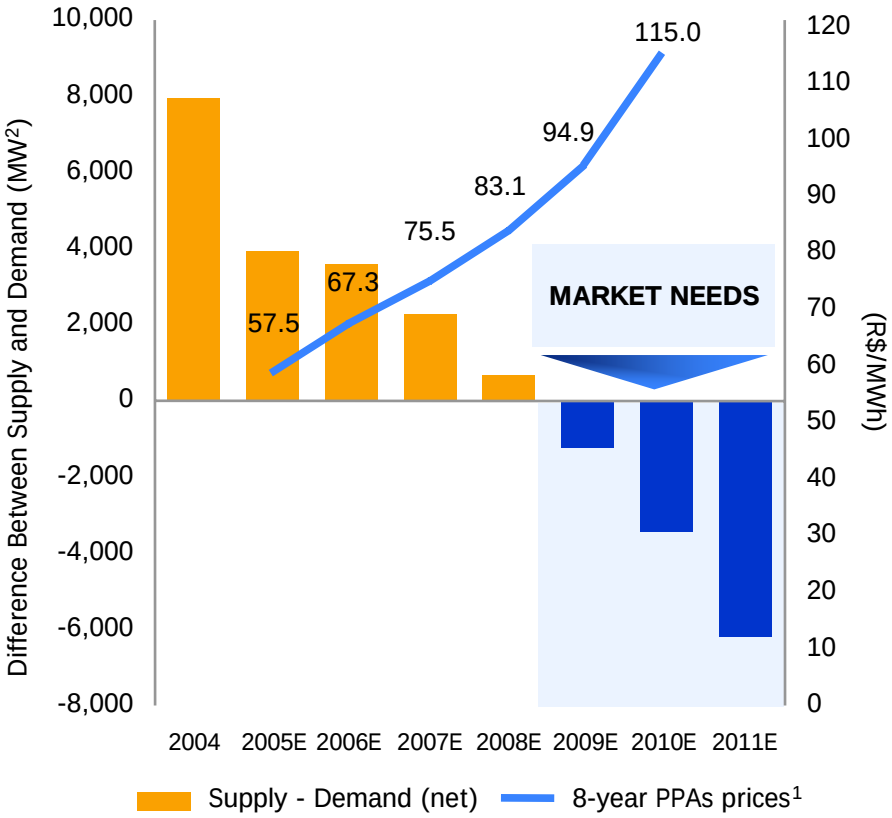
...to maximize portfolio's efficiency

Strategy

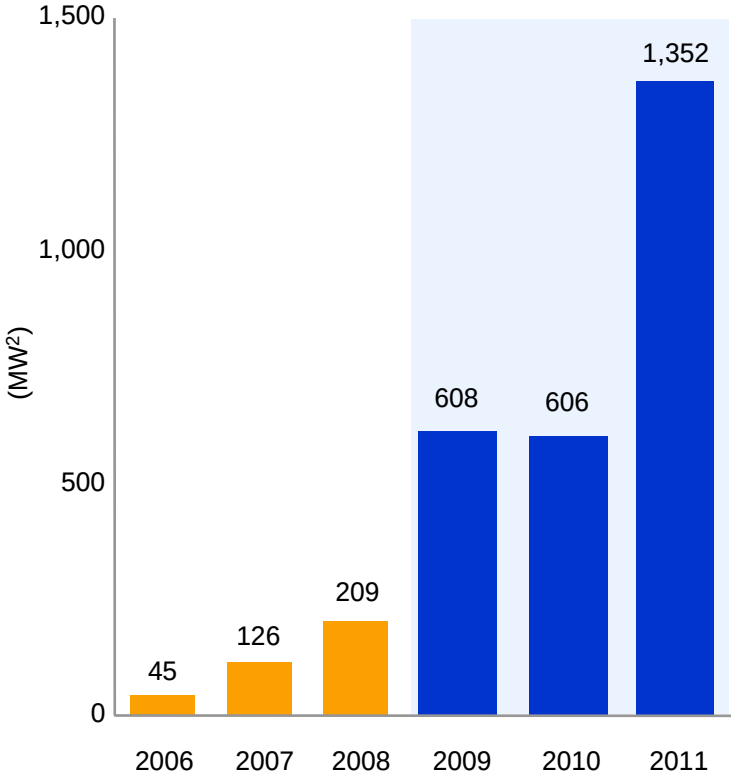
Uncontracted Profile Benefits From Expected Higher Energy Prices

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

Energy Market Outlook



Tractebel Energia's Uncontracted Energy



Source: Empresa de Pesquisa Energética

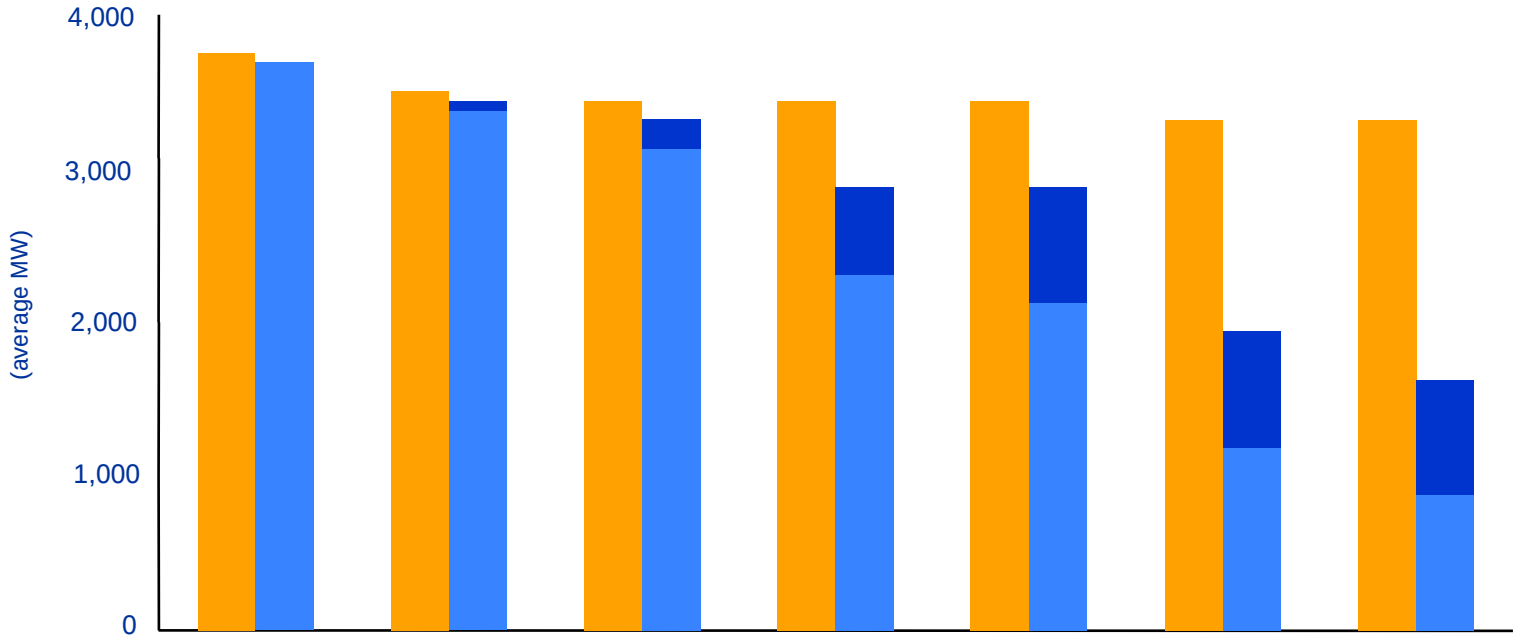
Notes:

1 Based on energy auctions' average price for 8-year term contracts starting supply in that given year, except for the supply starting in 2010, which is associated to a 30-year term contract

2 Assured energy

Tractebel Energia is well positioned to capitalize on the potential increase in energy prices

Assured Energy, Purchases and Sales Breakdown



	(Average MW)	2006	2007	2008	2009	2010	2011	2012
	Assured Energy	3,187	3,183	3,279	3,279	3,279	3,279	3,279
+	Purchases	560	343	200	200	200	0	0
=	**Own Resources**	**3,747**	**3,526**	**3,479**	**3,479**	**3,479**	**3,279**	**3,279**
-	**Gov. Auctions Sales**	**0**	**10**	**160**	**541**	**741**	**741**	**741**
-	**Ordinary Sales**	**3,702**	**3,390**	**3,110**	**2,330**	**2,132**	**1,186**	**881**
=	Balance	45	126	209	608	606	1,352	1,657
	Average Price (R$ / MWh)	92	98					

Price Incentive for New Energy

Investments in the generation sector required until 2009 should amount to approximately R$8 billion per year

- Model approved in 2004 favors the new energy investments providing for long-term contracts with expected price in line with the marginal cost of expansion
- All the concessions granted and plants that started operations after 2000 (the “botox” energy) can be sold in the new energy auctions, benefiting from potential higher prices

Tractebel Energia is well positioned on the two fronts:

“Botox” Energy	• Operating: 544 MW[1,2] (Cana Brava, Itá, Machadinho and William Arjona) • Under Development: 382 MW[1] (Estreito and São Salvador)
New Energy	• Capacity to develop new projects

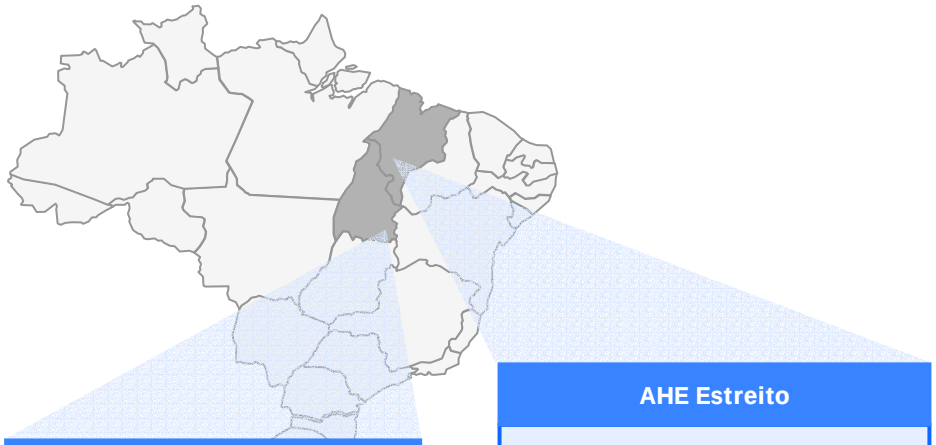
Note:
1 Assured energy
2 Net of sales of 200 MW at the 1ST new energy auction, on December 16, 2005

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Growth of Installed Capacity: New Projects

Currently, the controlling shareholder is developing two new projects that will be transferred to Tractebel Energia prior to their construction

Projects Description

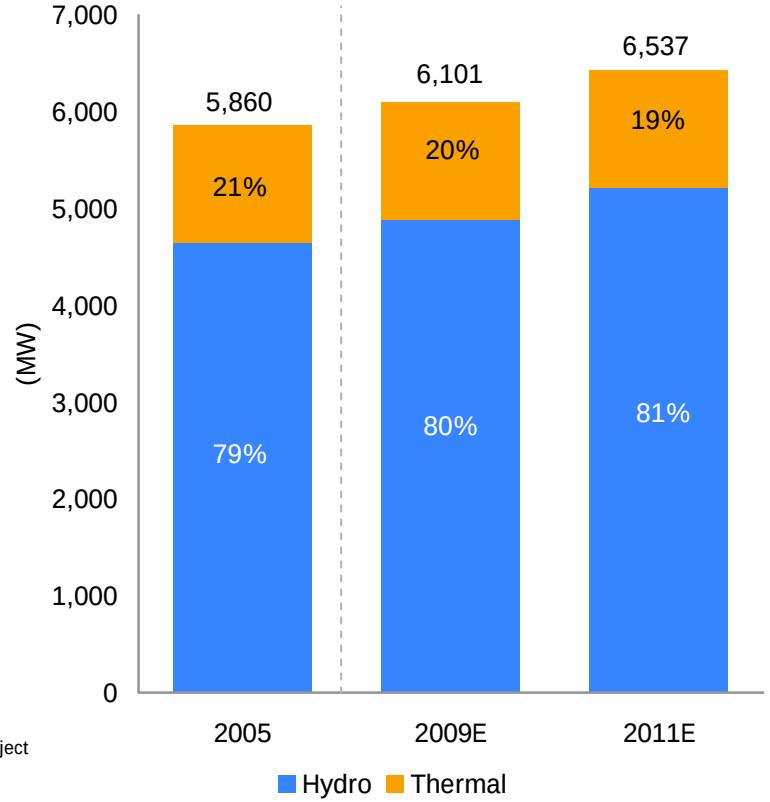


AHE São Salvador	
Installed Capacity:	241 MW
Assured Energy:	148 MW
SESA Ownership:	100%
Investment (R$mm)[1]:	830
Start of construction:	2006
Start of operations:	2009
End of construction:	2009

AHE Estreito	
Installed Capacity:	1,087 MW
Assured Energy:	585 MW
SESA Ownership:	40.1%
Investment (R$mm)[1]:	1,109
Start of construction:	2006
Start of operations:	2009
End of construction:	2011

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

Tractebel Energia Expected Installed Capacity

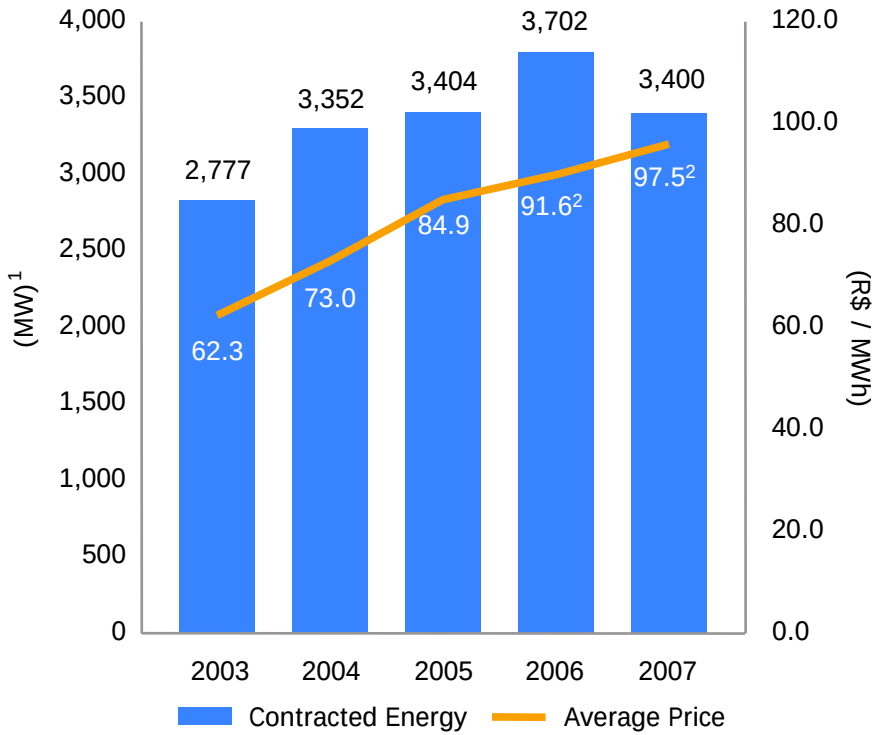


The projects will add 676 MW of installed capacity to Tractebel Energia and give flexibility to participate in the next new energy auctions

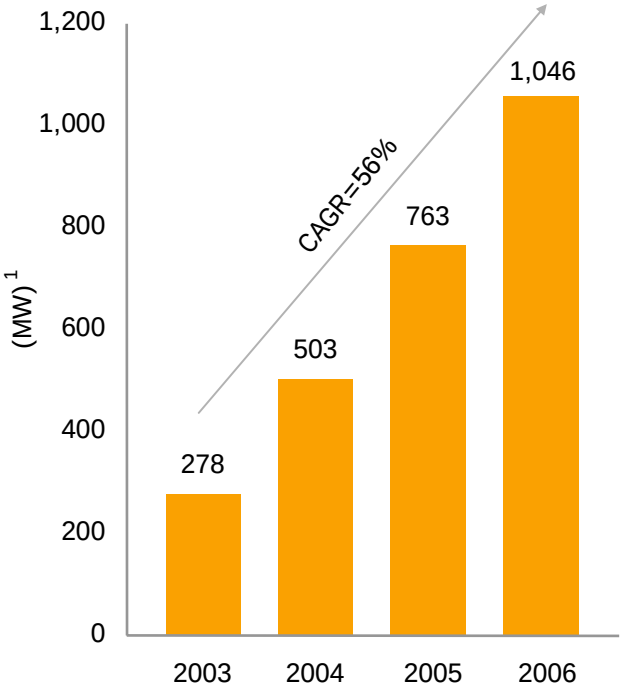
Maximization of Portfolio Efficiency

Tractebel Energia's commercialization strategy allows it to benefit from consistently higher average prices

Tractebel Energia's Contracted Energy and Average Price



Tractebel Energia's Sales to Free Customers



Notes:
1 Assured Energy
2 Real prices as of December, 05

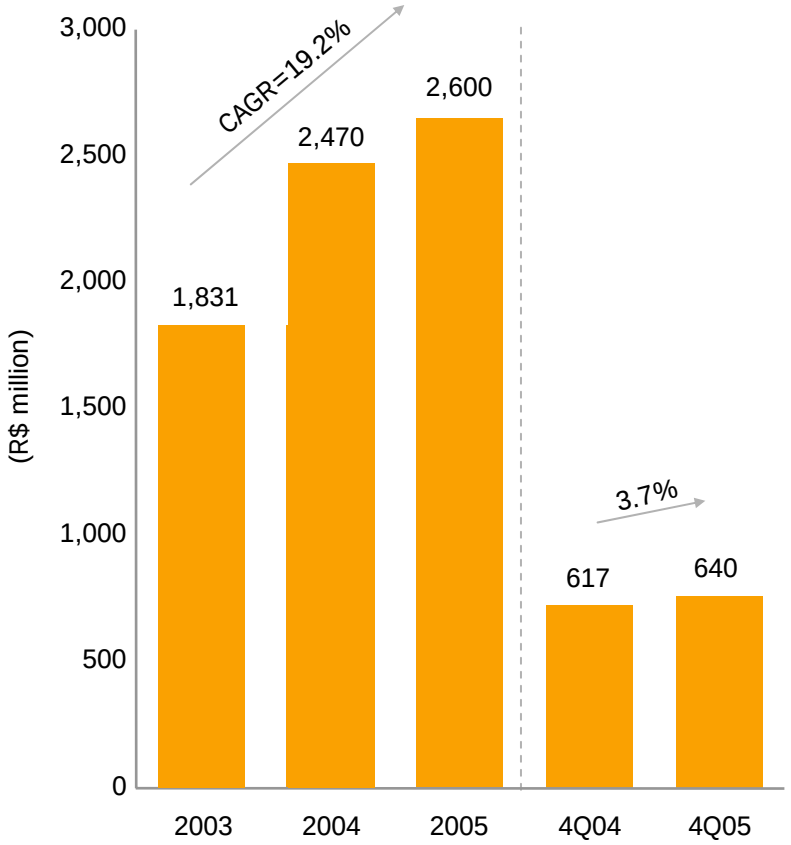
Strategy focused on free customers combined with Tractebel's unparalleled track-record in dealing with this market (estimated 15% market share), maximizing portfolio efficiency

Financial Performance

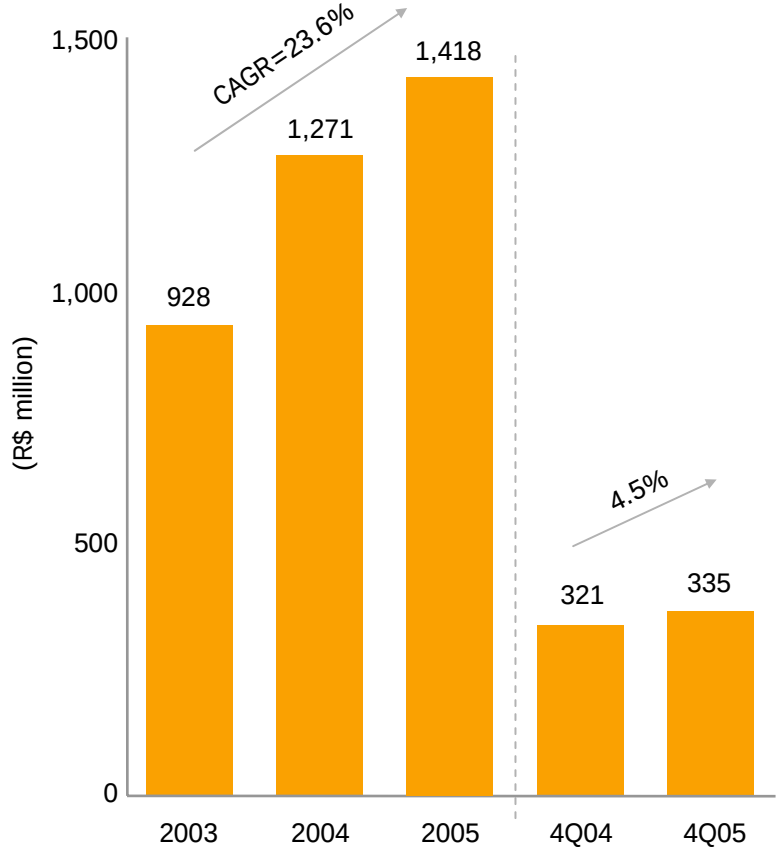
Net Revenues and EBITDA

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

Net Revenues (R$ million)



EBITDA (R$ million)

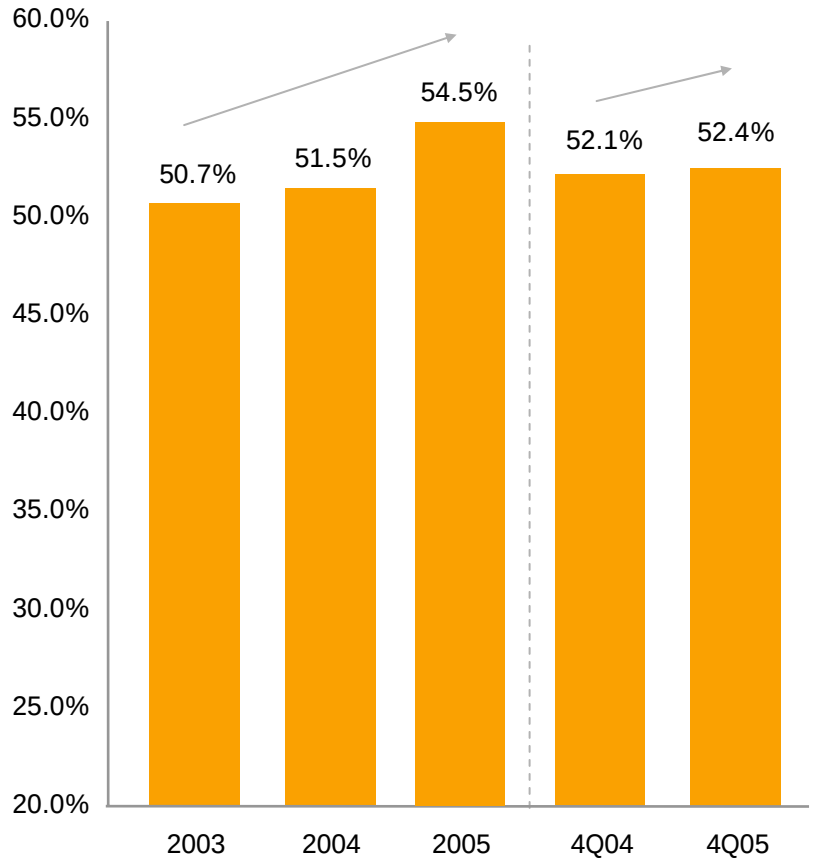


...and an even stronger growth in EBITDA, given Tractebel Energia's high levels of operating efficiency

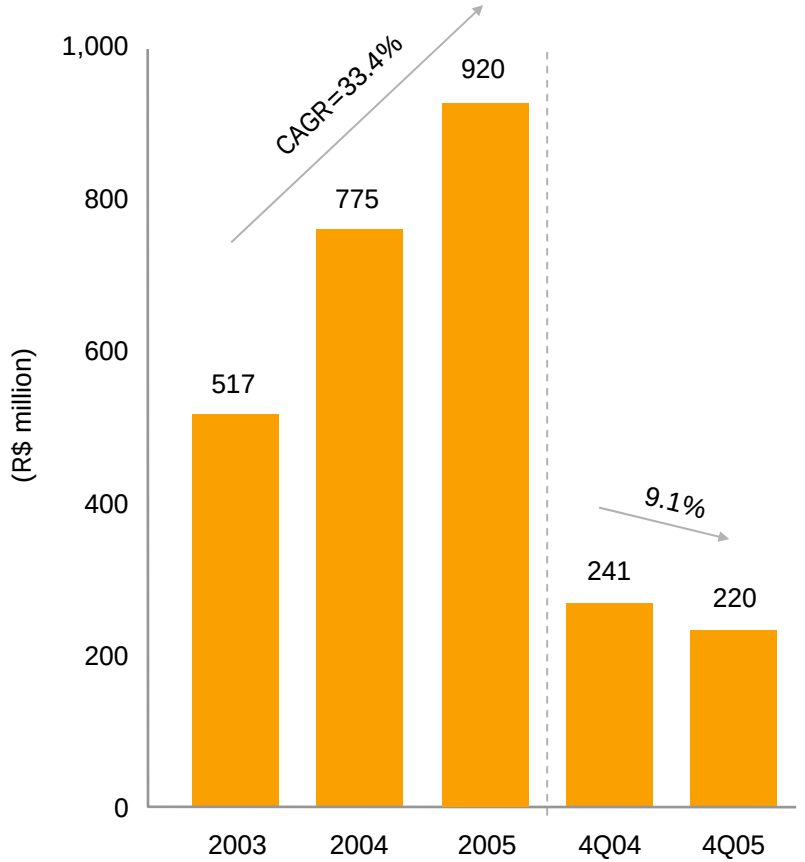
EBITDA Margin and Net Income

Increase in EBITDA margins...

EBITDA Margin



Net Income (R$ million)

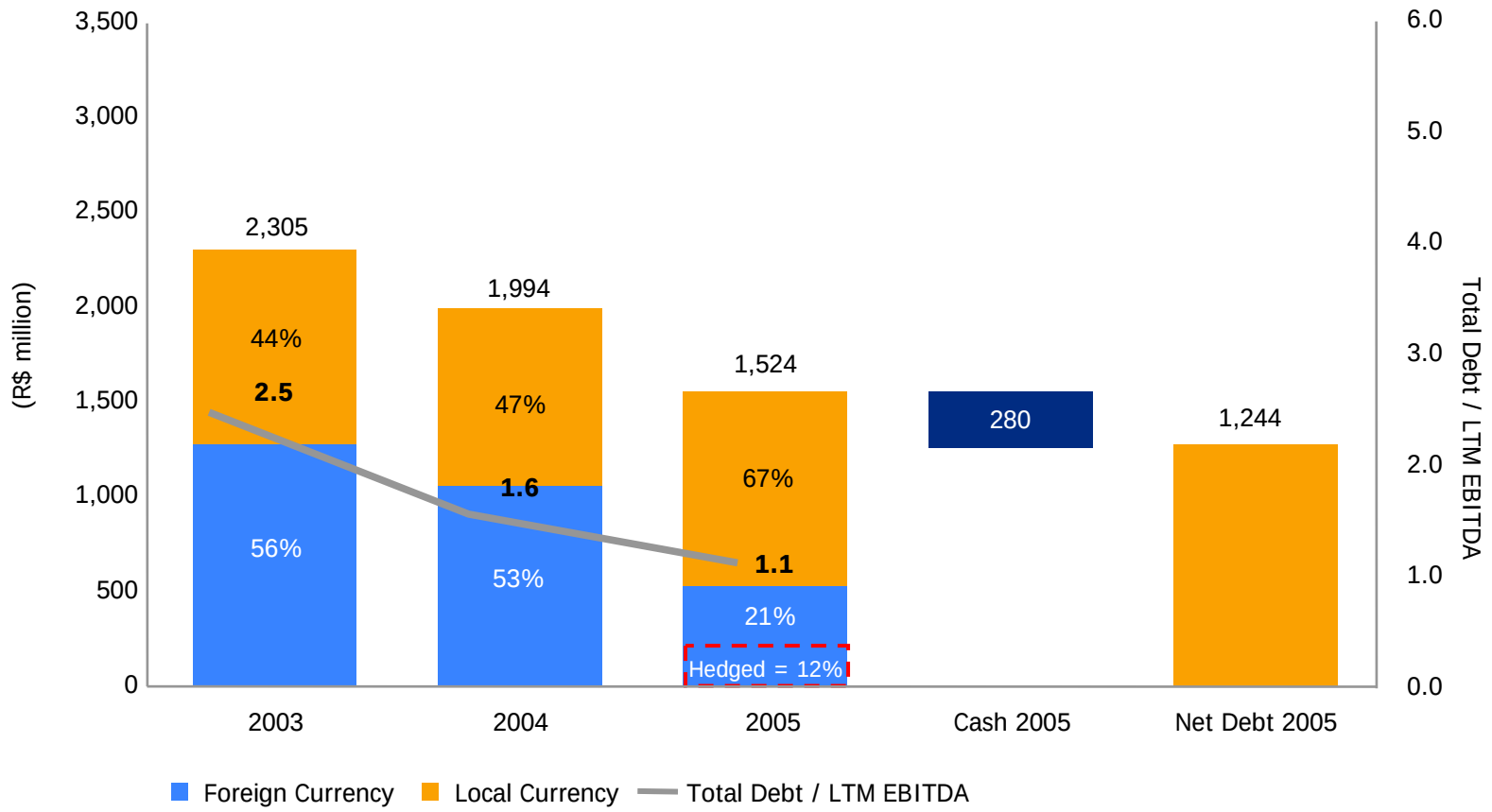


...and substantial net income allowing for a relevant dividend distribution

Indebtedness

Declining leverage and exposure to foreign currency

Debt Overview (R$ million)



Note:

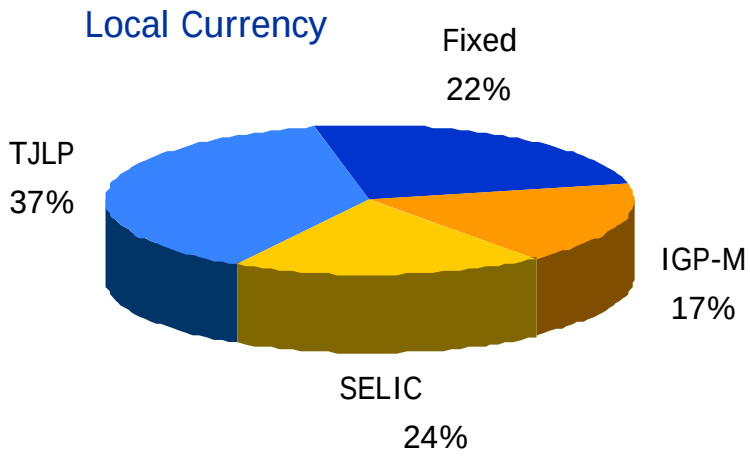
LTM EBITDA = last twelve months EBITDA

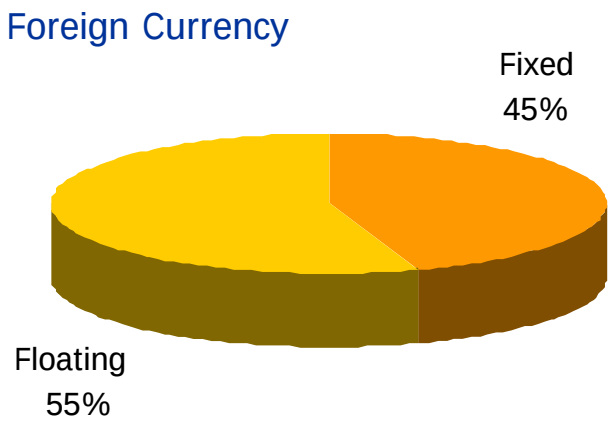
Leverage limit: 2.5x Total Debt to LTM EBITDA

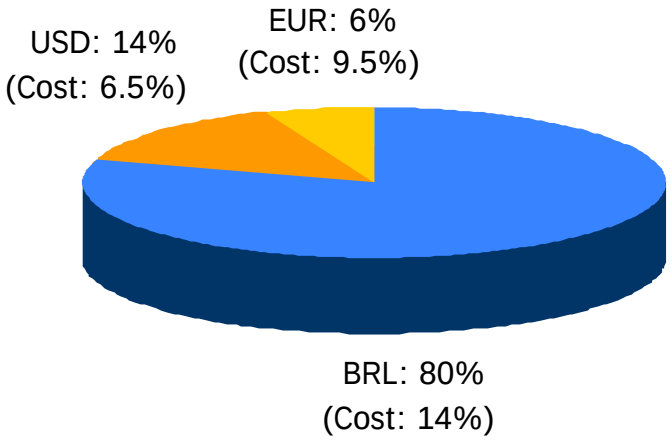
Debt Composition

Considering hedge

Cost of Debt, Local and Foreign Currencies





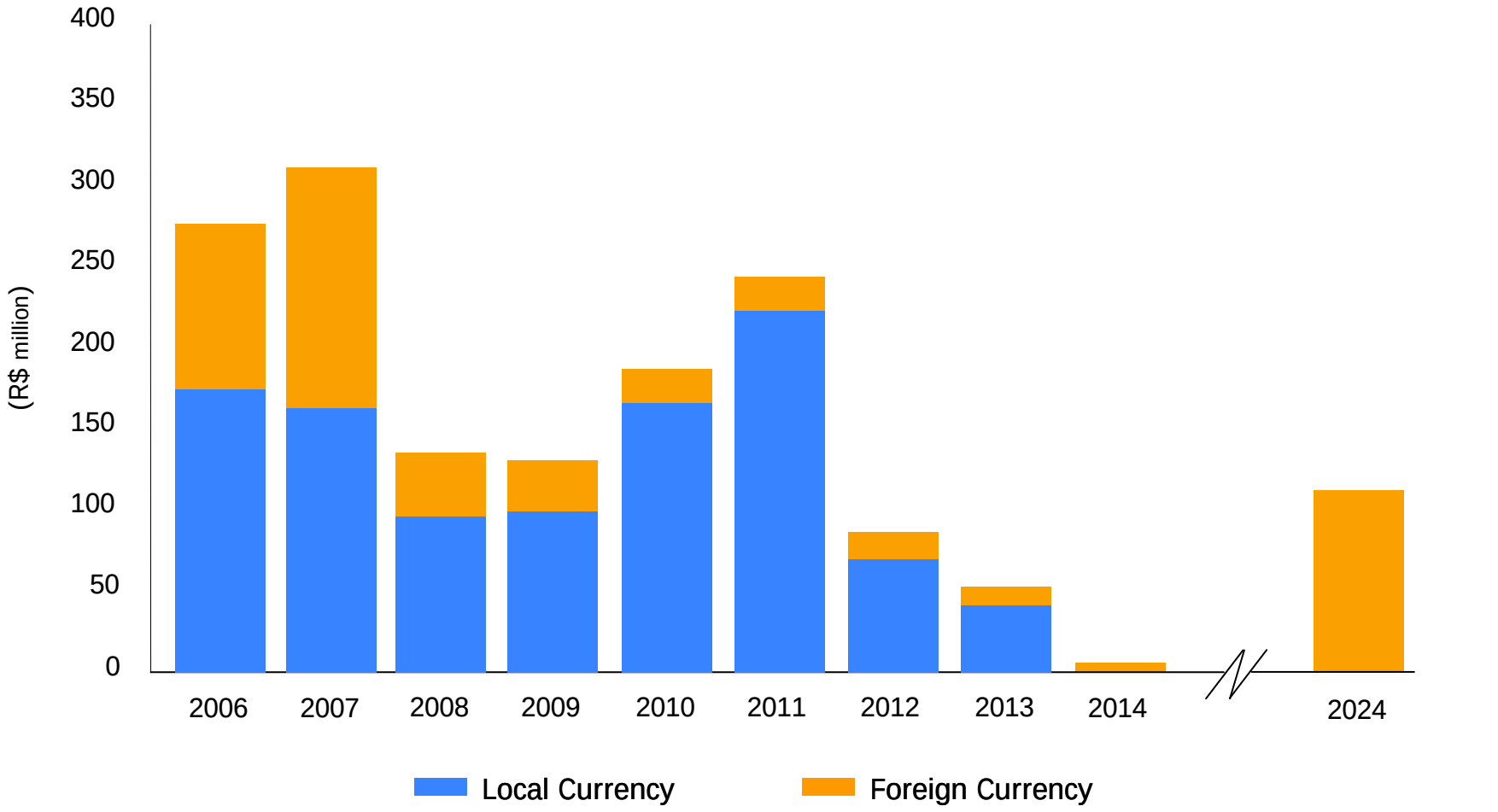


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Debt Profile

Not considering hedge

Amortization Profile (R$ million)



Cash Generation and Growth

Paving the way for further expansion

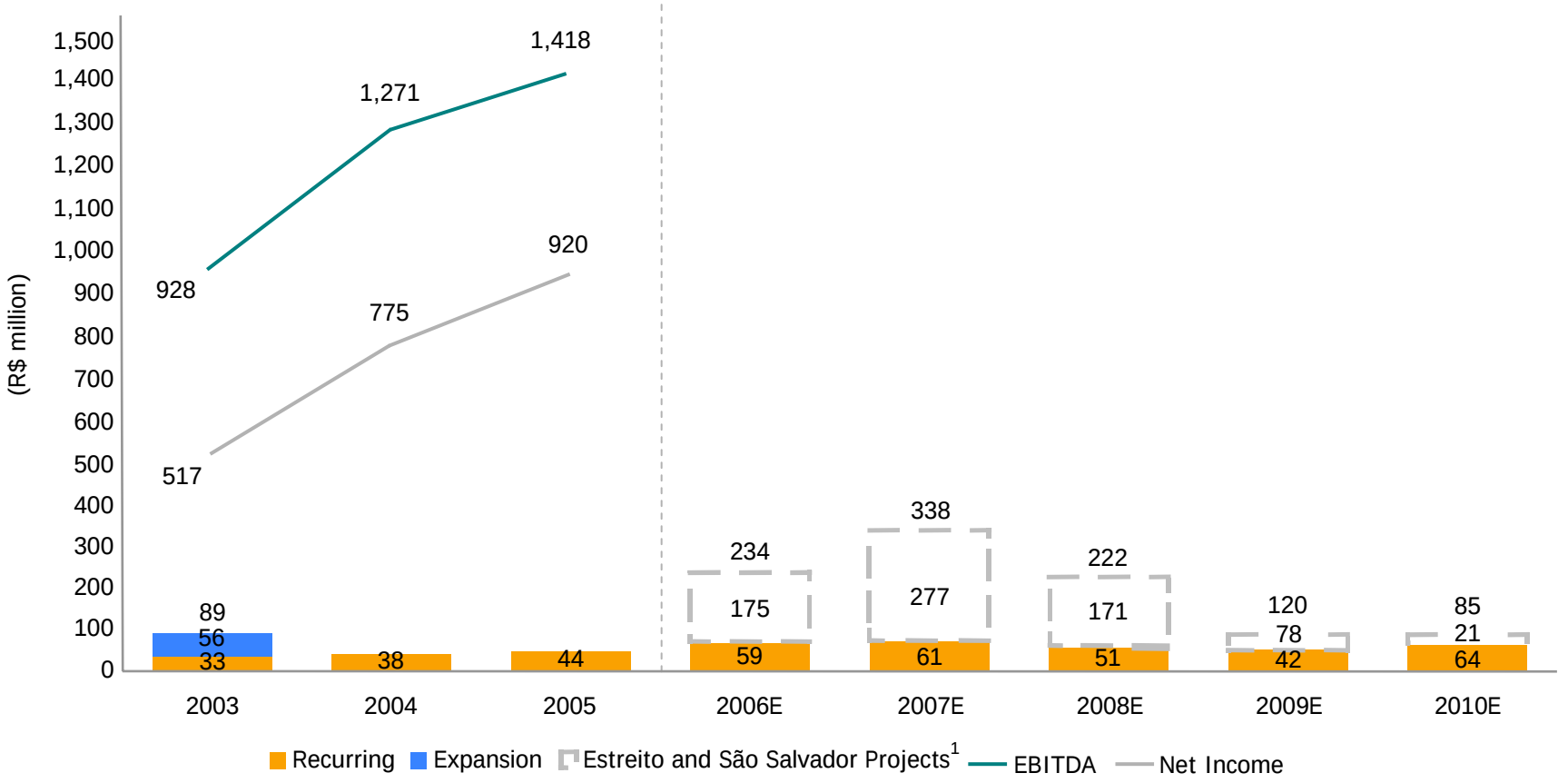
Leverage Ratios

	2003	2004	2005
EBITDA / Interest Expenses	4.0 x	6.8 x	8.8 x
Total Debt / EBITDA	2.5 x	1.6 x	1.1 x
EBITDA / Equity	35%	46%	53%
Total Debt / Equity	89%	72%	57%

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

Dividend Policy
♦ By-law minimum pay-out: 30% of net income
♦ Minimum pay-out: 55% of net income
♦ Payment frequency: semi-annual

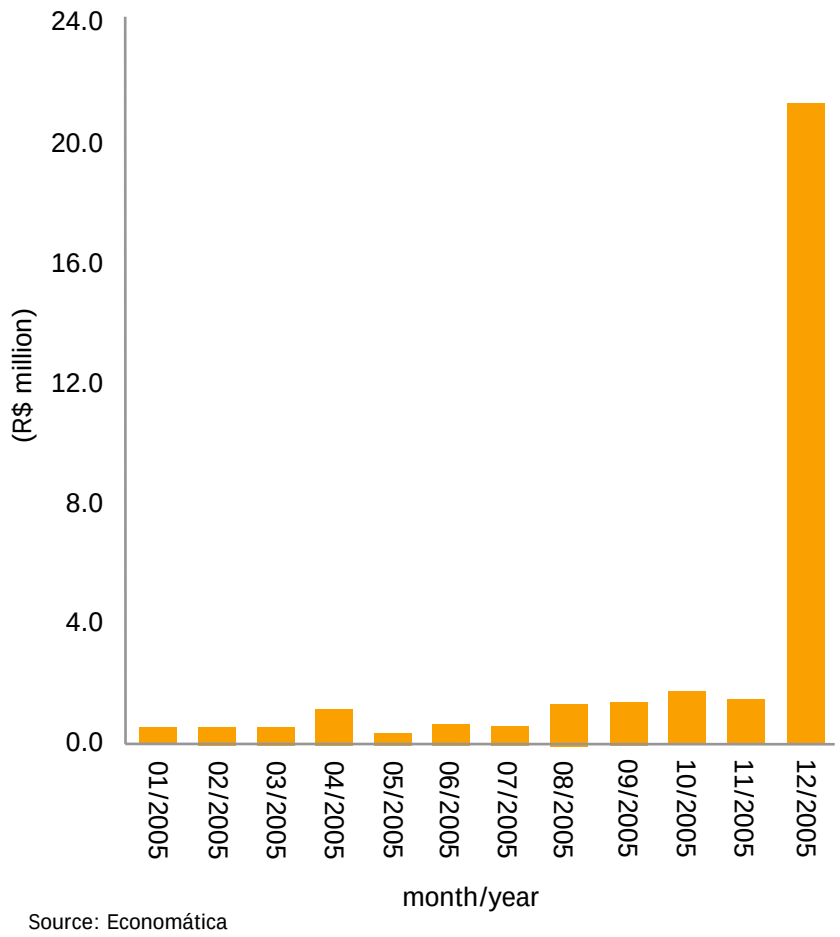
Historical Dividends

	2003	2004	2005
Dividend per Share (R$)	0.75	1.13	1.34
Pay-out	95%	95%	95%
Dividend Yield[1]	16.3%	13.0%	12.4%

Note: 1 Based on average market price of ON shares in the year

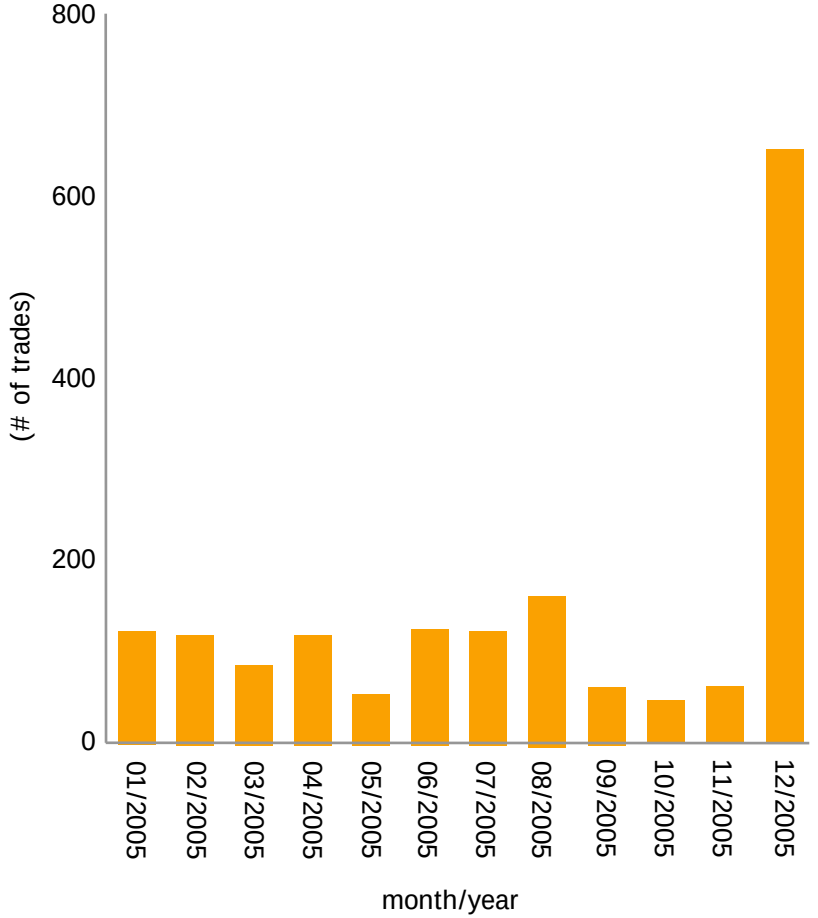
Liquidity Analysis

Average Daily Trading Volume (R$ million)



Source: Economática

Average Daily Number of Trades



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