Tractebel Energia
GDF SUEZ



Results Presentation – 4Q10 and 12M10

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Highlights, Shareholding Structure, Market Share, Assets and Sales

Quarter highlights

- Financial and operational indexes:

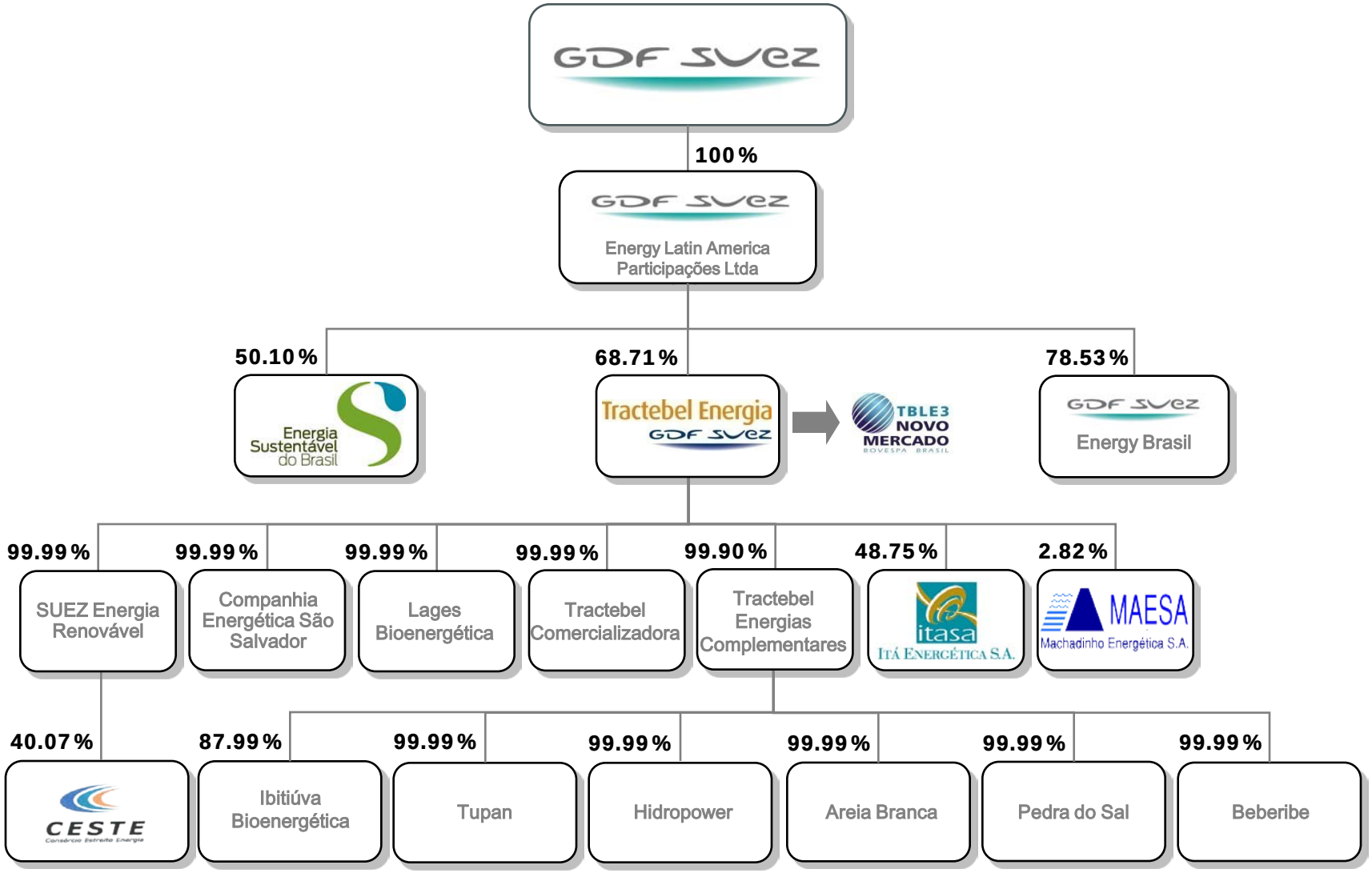
(in millions of R$)	4Q10	4Q09	Chg.	12M10	12M09	Chg.
Net Operating Revenue (NOR)	1,107.6	914.2	21.2%	4,100.4	3,496.7	17.3%
EBITDA [1]	696.2	615.1[2]	13.2%	2,611.5	2,201.7[2]	18.6%
EBITDA / NOR - (%)	62.9	67.3[2]	-4.4 p.p.	63.7	63.0[2]	0.7 p.p.
Net Income	373.3	340.6[2]	9.6%	1,211.6	1,090.9[2]	11.1%
Energy Sold (avg. MW)	3,865	3,522	9.7%	3,863	3,529	9.5%
Average Price of Energy Contracts (R$/MWh)	114.0	109.2	4.4%	112.6	108.8	3.5%
Production (avg. MW)	4,943	4,993	-1.0%	4,907	3,626	35.3%

[1] EBITDA represents: operational results + financial results + depreciation and amortization.
[2] Values adjusted on account of the IFRS adoption for the first time.

- Approved, by the Board of Directors, dividend payment proposal in the amount of R$ 158.3 million (R$ 0.242/share). The payout for 2010 achieve 55% of the adjusted net income.

- Tractebel Energia was reconfirmed, for the sixth consecutive year, as a component of BM&FBovespa's Corporate Sustainability Index – ISE.

Tractebel is controlled by GDF SUEZ, world leader in energy



Note: Simplified version

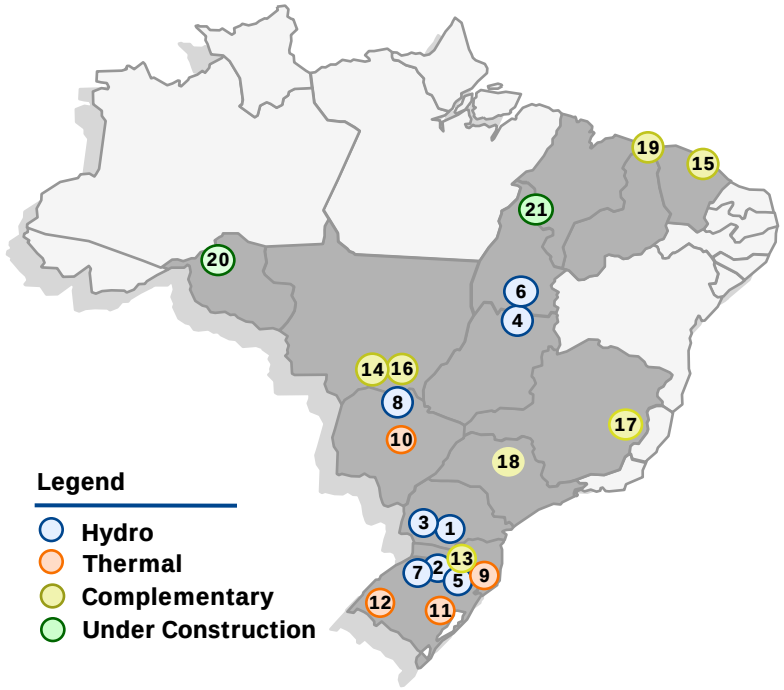
Diversified portfolio of assets, with strategic location

Installed capacity of 6,472.0 MW from 21 plants operated by Tractebel Energia: 79% hydro, 18% thermal e 3% complementary. This capacity stands for a 74% increase since 1998.

Hydro Power Plants	Installed Capacity (MW)	Commercial Capacity (aMW)[1]
1 Salto Santiago	1,420.0	723.0
2 Itá	1,126.9[2]	544.2[2]
3 Salto Osório	1,078.0	522.0
4 Cana Brava	450.0	273.5
5 Machadinho	403.9[2]	147.2[2]
6 São Salvador	243.2	148.5
7 Passo Fundo	226.0	119.0
8 Ponte de Pedra	176.1	131.6
Total	**5,124.1**	**2,609.0**

Thermal Power Plants	Installed Capacity (MW)	Commercial Capacity (aMW)[1]
9 Jorge Lacerda Complex[3]	857.0	649.9
10 William Arjona	190.0	136.1
11 Charqueadas	72.0	45.7
12 Alegrete	66.0	21.1
Total	**1,185.0**	**852.8**

Complementary Power Plants	Installed Capacity (MW)	Commercial Capacity (aMW)[1]
13 Lages (Biomass)	28.0	25.0
14 Rondonópolis (SHP)	26.6	14.0
15 Beberibe (Wind)	25.6	9.8
16 José Gelazio da Rocha (SHP)	23.7	11.9
17 Areia Branca (SHP)	19.8	10.9
18 Ibitiúva (Biomass)	21.2[2]	12.8[2]
19 Pedra do Sal (Wind)	18.0	7.8
Total	**162.9**	**92.2**



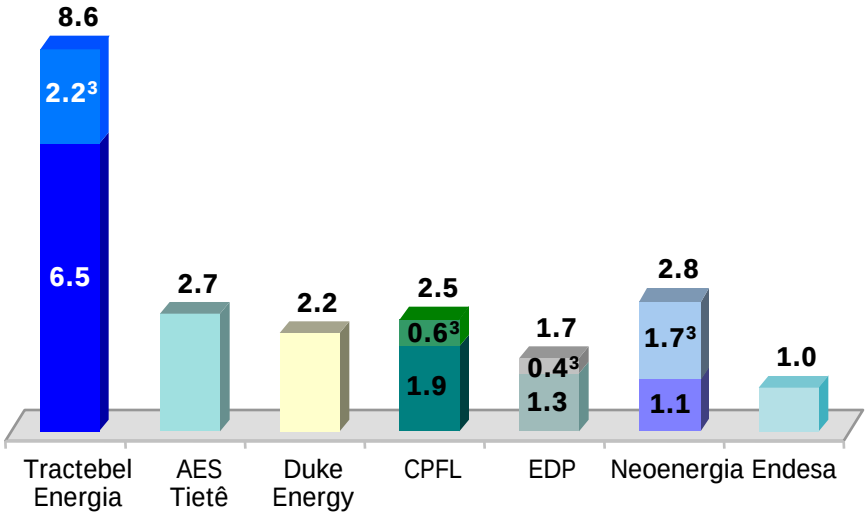
Power Plants Under Construction	Installed Capacity (MW)	Commercial Capacity (aMW)[1]
20 Jirau (Hydro)	1,728.5[4]	1,024.9[4]
21 Estreito (Hydro)	435.6[2]	256.9[2]
Total	**2,164.1**	**1,281.8**

Notes: [1] Figures following specific legislation.
[2] Portion owned by Tractebel Energia.
[3] Complex comprised of 3 power plants.
[4] Portion owned by GDF SUEZ, based on 3,450 MW total inst. capacity.

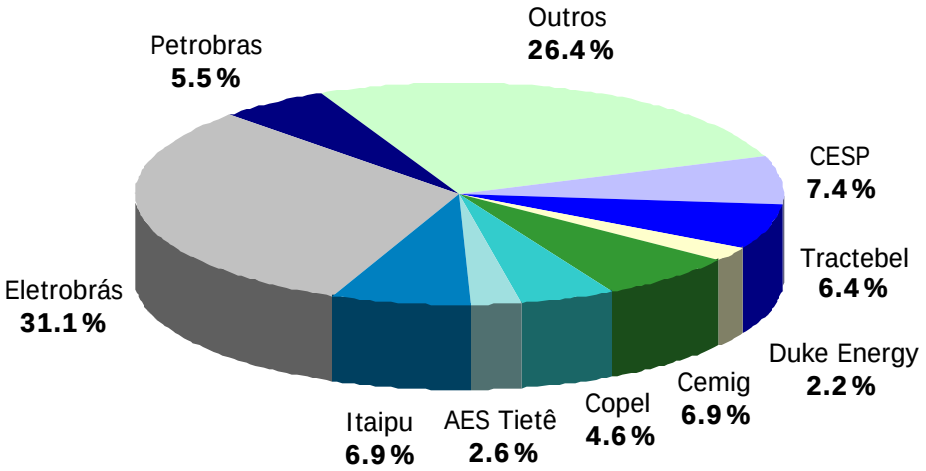
Leading position in the generation sector

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

Private Sector – Installed Capacity (GW)



Brazil – Installed Capacity[1,2]



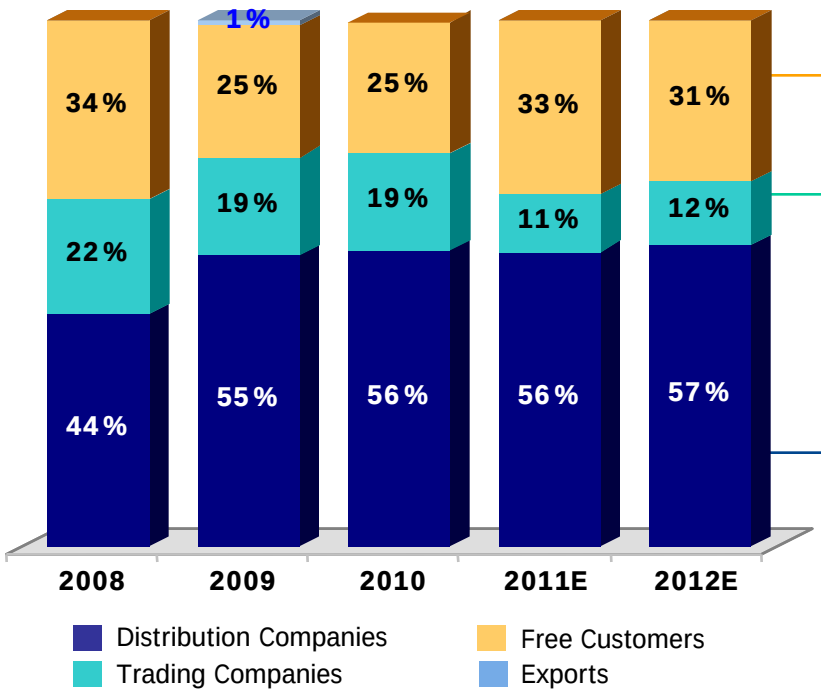
Source: Aneel , Companies' websites and in-house studies.

Notes:
[1] Amount corresponding to SIN – National Interlinked System.
[2] Includes only the Brazilian part of Itaipu.
[3] Installed capacity under construction .

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

Diversified portfolio among free customers, distribution and trading companies

Client Breakdown (based on contracted energy)



First to consistently serve the free market...

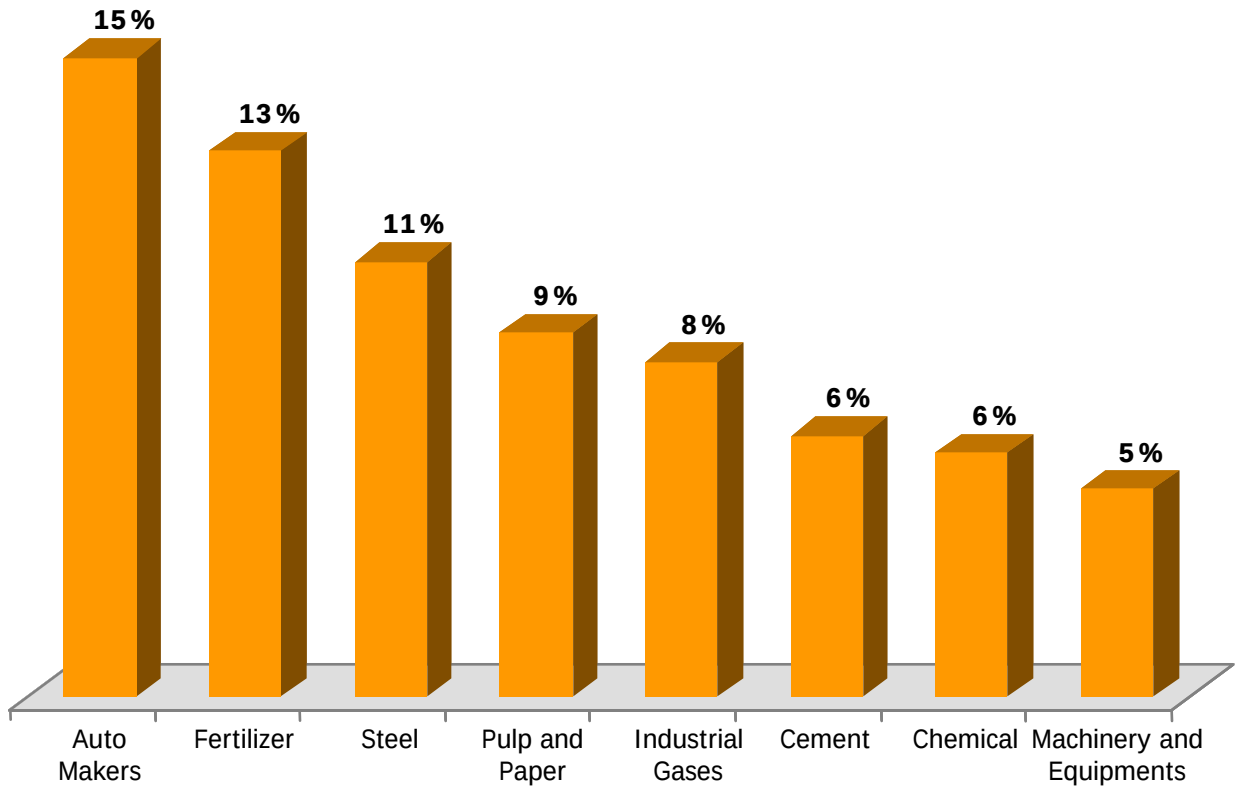
- Flexibility (prices, terms and conditions) → Maximizes portfolio's efficiency
- Solid client relationship → Liaison with some free customers
- Largest consumer market
- Regulated and unregulated contracts → Long-term cash flow predictability

...to maximize portfolio's efficiency.

Diversification also inside of free customers portfolio

Free customer industry diversification and a strict credit assessment policy allow for a zero default reality.

Free customers total sales volume for 2011:
1,188 average MW

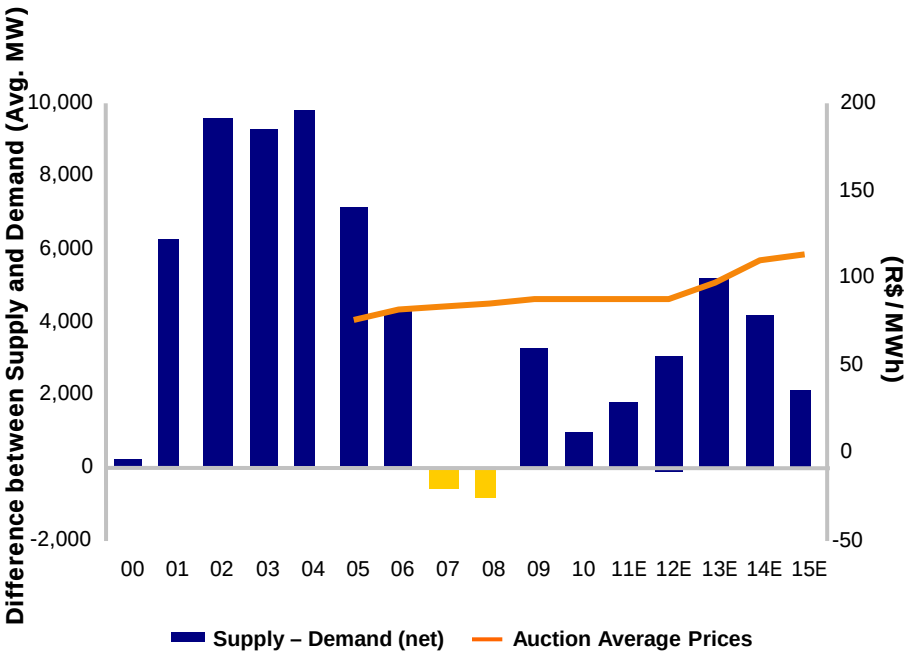


Energy Market in Brazil

Strong economic growth will increase demand for electric energy

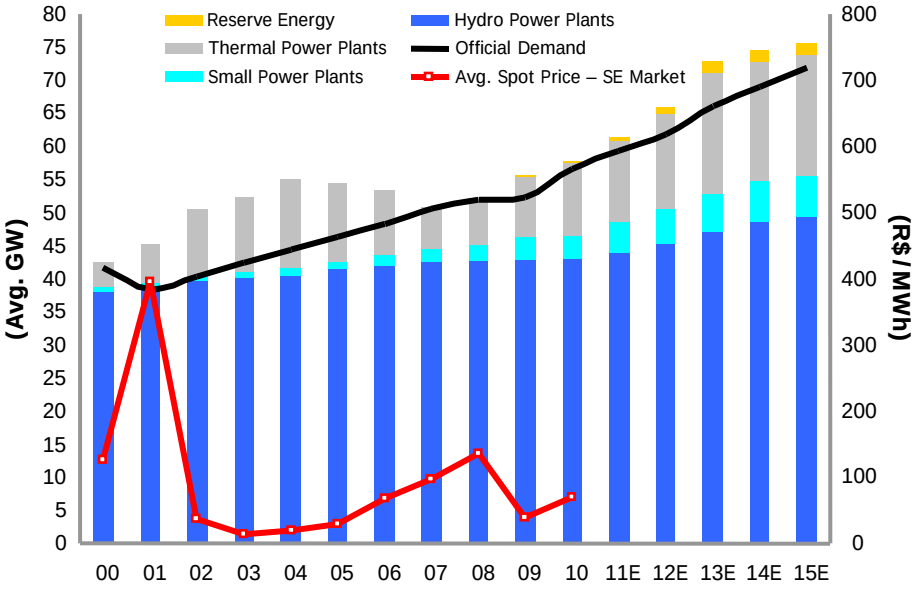
Increased thermal role and adoption of risk aversion procedures may pressure up energy prices in the future.

Energy Market Outlook



Source: Tractebel Energia's internal study based on ONS' Operations Monthly Program of January 2011.

Supply Distribution by Source



Source: Internal study based on information provided by Aneel and ONS.

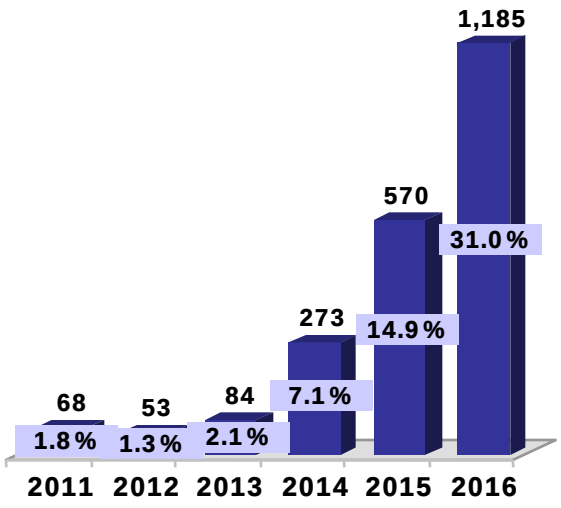
Sales Strategy

The energy for delivery in the medium term is almost fully contracted

Tractebel's commercial strategy considers, among others aspects, the gradual sale of future availability. As the time goes by, the Company is able to better foresee the market conditions in a given year ahead and, as a result, to fine tune the amount of uncontracted energy.

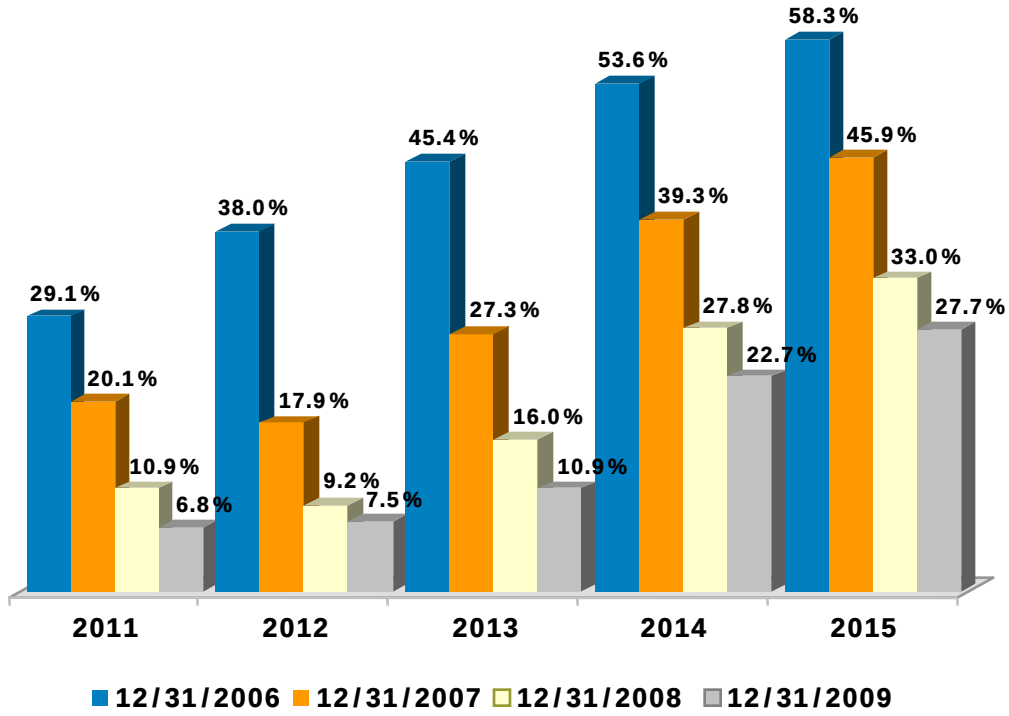
Tractebel Energia's Uncontracted Energy[1]

(average MW)



Note:
[1] Percentage of total resources.

Tractebel: Uncontracted Energy Compared to the Availability of a Given Year



Energy balance

As of December 31, 2010

	(in average MW)	2011	2012	2013	2014	2015	2016	Auction **Gross** Price (R$/MWh)	Reference Date	**Gross** Price Adjusted as of December 31, 2010 (R$/MWh)
	Own Resources	3,467	3,617	3,617	3,617	3,617	3,617			
+	Purchases for Resale	399	426	370	254	201	201			
=	**Total Resources (A)**	**3,866**	**4,043**	**3,987**	**3,871**	**3,818**	**3,818**			
	Government Auction Sales*	1,446	1,701	1,702	1,702	1,692	1,541			
	2004-EE-2007-08	10	10	10	10	-	-	70.9	Dec-04	91.8
	2005-EE-2008-08	150	150	150	150	150	-	81.6	Apr-05	102.6
	2005-EE-2009-08	381	381	381	381	381	381	94.0	Oct-05	116.0
	2005-NE-2010-30	200	200	200	200	200	200	115.1	Dec-05	140.7
	2006-NE-2009-30	493	493	493	493	493	493	128.4	Jun-06	154.4
	2006-NE-2011-30	148	148	148	148	148	148	135.0	Nov-06	166.3
	2007-NE-2012-30	-	256	256	256	256	256	126.6	Jun-07	149.7
	Proinfa	53	52	53	53	53	52	147.8	Jun-04	199.2
	1st Reserve Energy Auction	11	11	11	11	11	11	158.1	Aug-08	169.7
+	Bilateral Sales	2,352	2,289	2,201	1,896	1,556	1,092			
=	**Total Sales (B)**	**3,798**	**3,990**	**3,903**	**3,598**	**3,248**	**2,633**			
	Balance (A - B)	**68**	**53**	**84**	**273**	**570**	**1,185**			
	Sales Average Price (R$/MWh) **(Net)***[1]:	120.6	121.5	121.5						
	Purchases Average Price (R$/MWh) **(Net)***[2]:	120.0	117.3	117.4						

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

*1: Sales price is net of ICMS and taxes over revenues (PIS/Cofins, R&D), as of 12/31/10.

*2: Purchase net price, considering benefits from PIS/Cofins credits, as of 12/31/10.

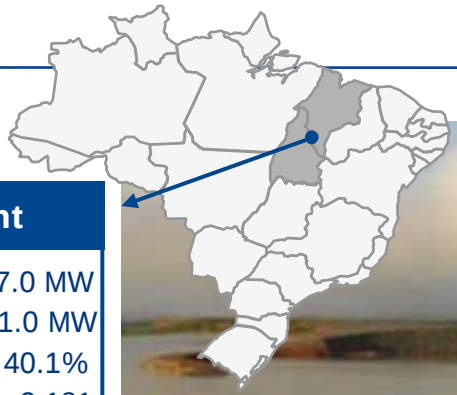
Note: The balance refers to the settlement point. It considers the energy generated by the Estreito, which start of operations is scheduled for 1Q11.

Growth

Hydro project under construction: Estreito

The asset transfer to Tractebel was unanimously approved by the Extraordinary Shareholders Meeting on Oct. 19, 2010. Estreito is scheduled to enter into operation in March 2011.

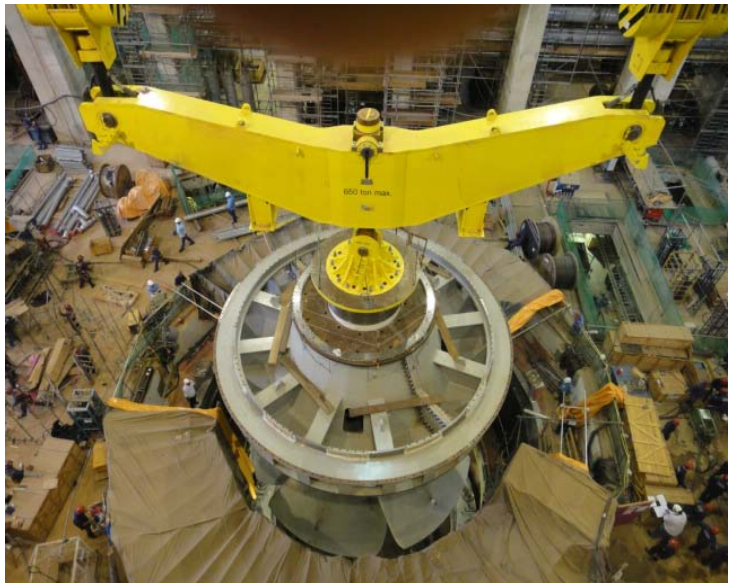
Project Description



Estreito Hydro Plant	
Installed Capacity:	1,087.0 MW
Assured Energy:	641.0 MW
Ownership:	40.1%
Total investment (R$ mm):	2,181
Start of construction:	2007
Start of operations:	2011

The commercial capacity associated to that share, 256 aMW, was sold at the new energy auction held in October 2007, for a 30-year period, as from 2012, at R$ 149.7/MWh as of December 31, 2010. The incremental output (from COD) is factored in Tractebel's energy balance.

Hydro project under construction: Estreito



Kaplan turbine assembling - unit 02



General view of the spillway



Babaçulândia: construction of Leopoldo Bulhões State School



Carolina: construction of the City Market



Estreito: construction of the City Court

Hydro project under construction: Jirau

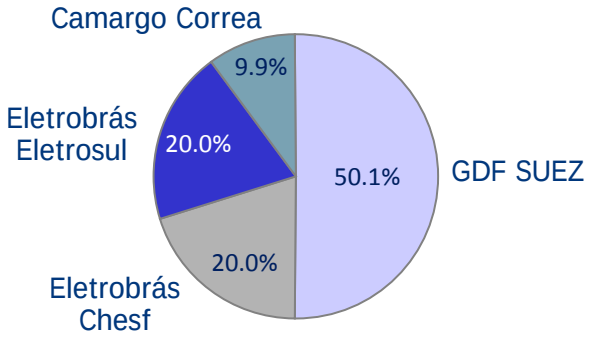
Technical Data

Location:	Madeira River
Reservoir:	269 km2
Capacity:	3,300 MW (44) + 150 MW (committed) + 300 MW (under analysis)
Assured Energy (avg):	1,975 MW (44 turbines[1])
Bulb turbines:	44 + 2 (committed) + 4 (under analysis)

Note:

[1] Additional Assured Energy under analysis

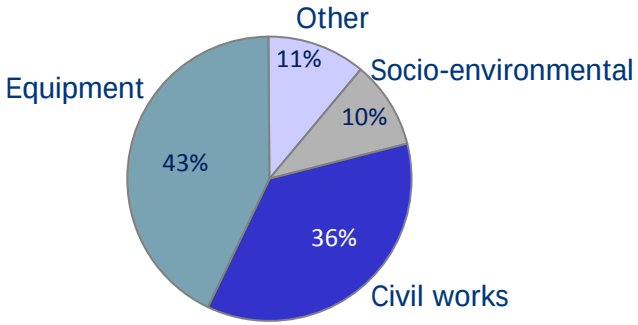
The company: ESBR



Relevant Facts

CAPEX:	R$ 11.9 billion (as of Dec/10) R$ 5.0 billion hard cost already invested
BNDES current financing:	25-year term (20-year amortization) R$ 7.2 billion Grace period (1st credit line): Sep/12 Average financing costs: TJLP + 2.35% Additional financing under discussion

CAPEX breakdown

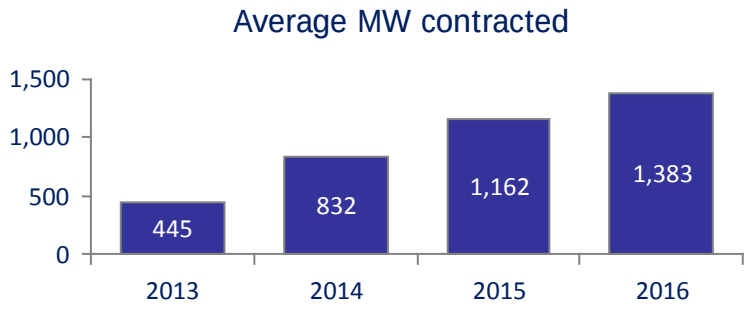


Hydro project under construction: Jirau

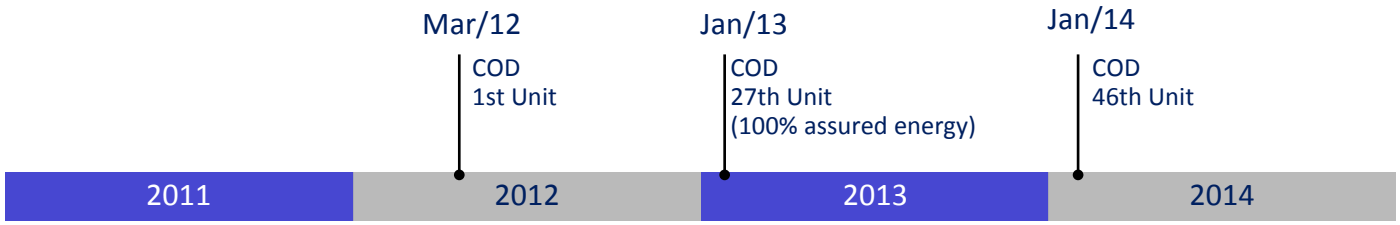
Energy commercialization

30-Year Power Purchase Agreement (PPA)

- ✓ PPA price (indexed to IPCA): R$ 71.4/MWh (as of May/08) equivalent to R$ 81.2/MWh (as of Dec/10)
- ✓ 30-year PPA for 70% of the energy, from 2013 onwards
- ✓ After 2016 the energy amount under the PPA is flat until 2042



Project Schedule



Hydro project under construction: Jirau



Spillway



Power house 2 – left bank



Assembly area – power house 1 (right bank)



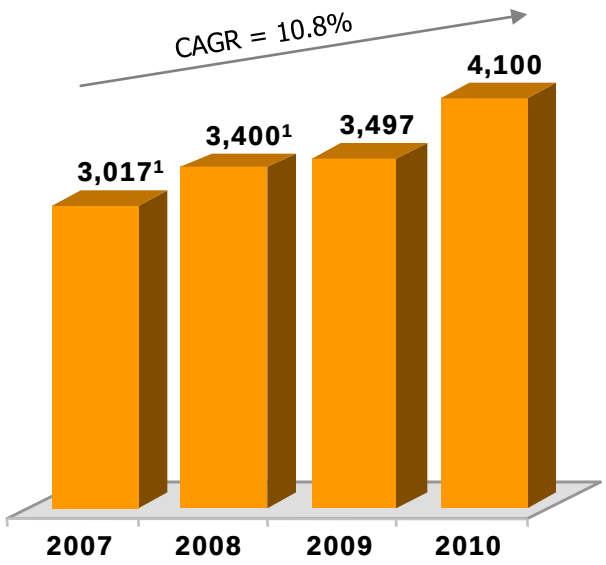
New Mutum Paraná

Financial Performance

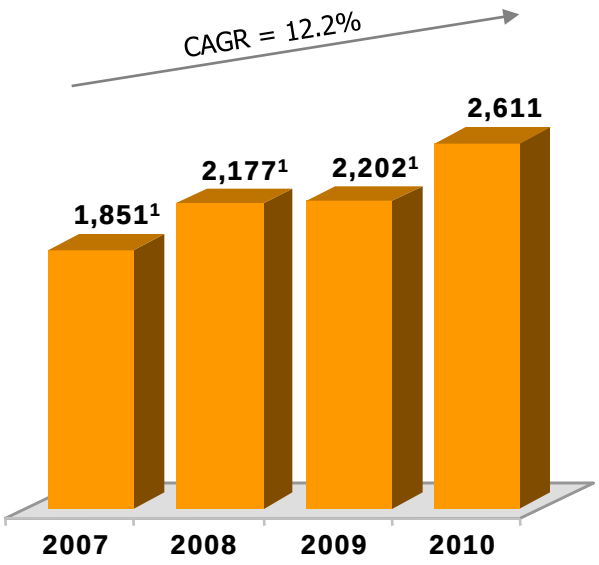
Consistent and constant growth of the financial performance

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 over the years. Consistent net income has supported the Company's investment plan.

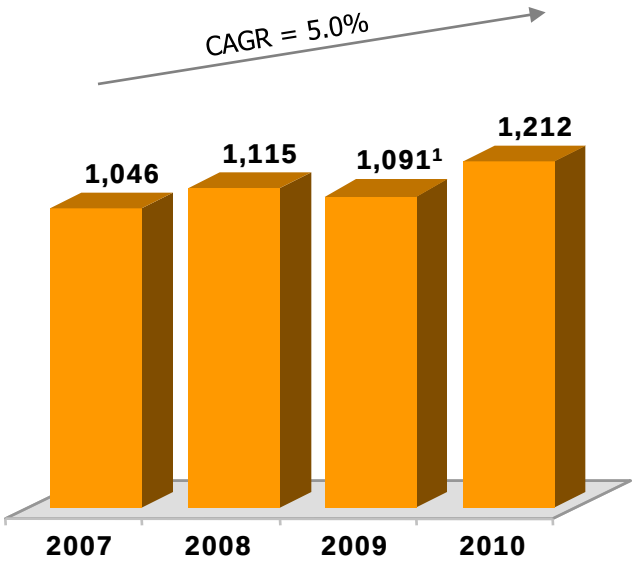
Net Revenues (R$ million)



EBITDA (R$ million)

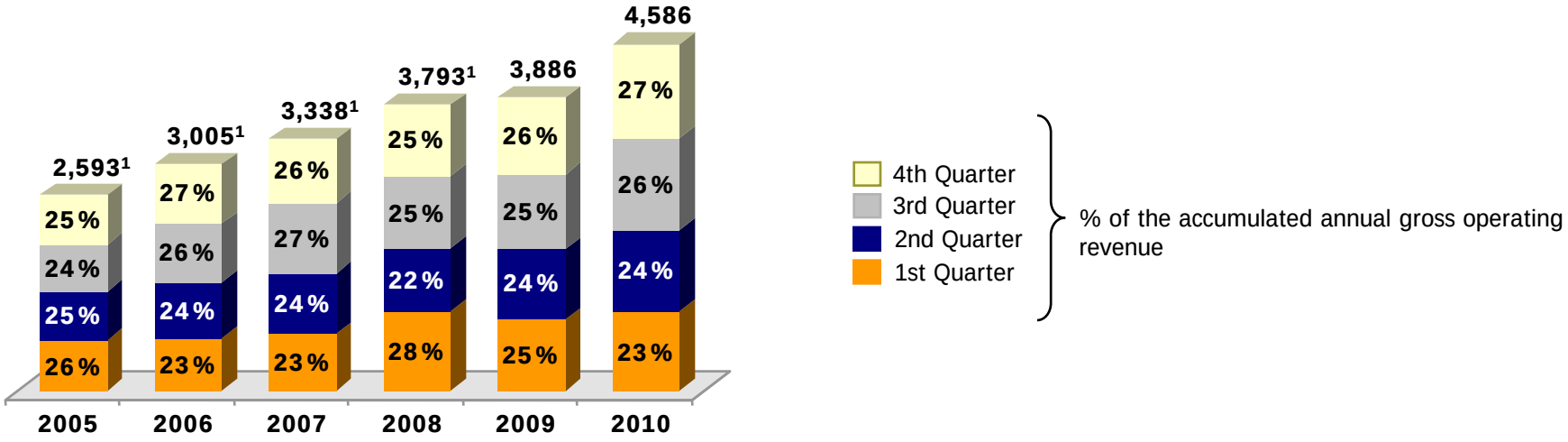


Net Income (R$ million)

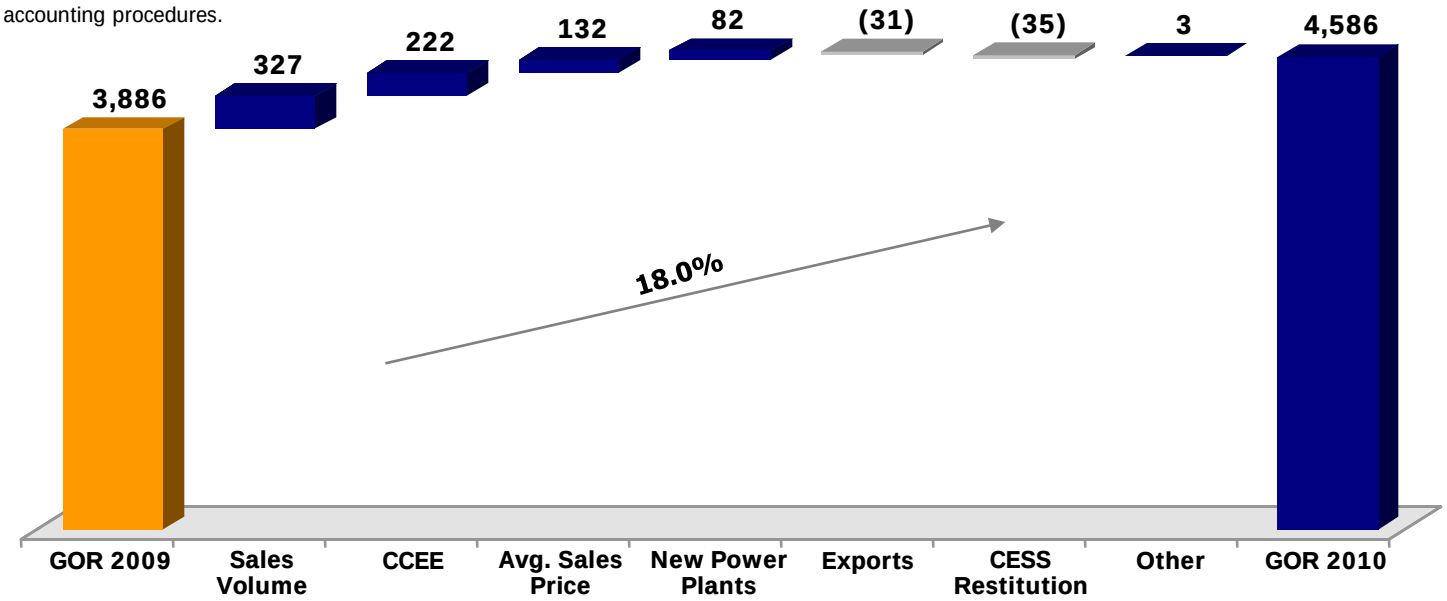


Note:
[1] Considers new accounting procedures.

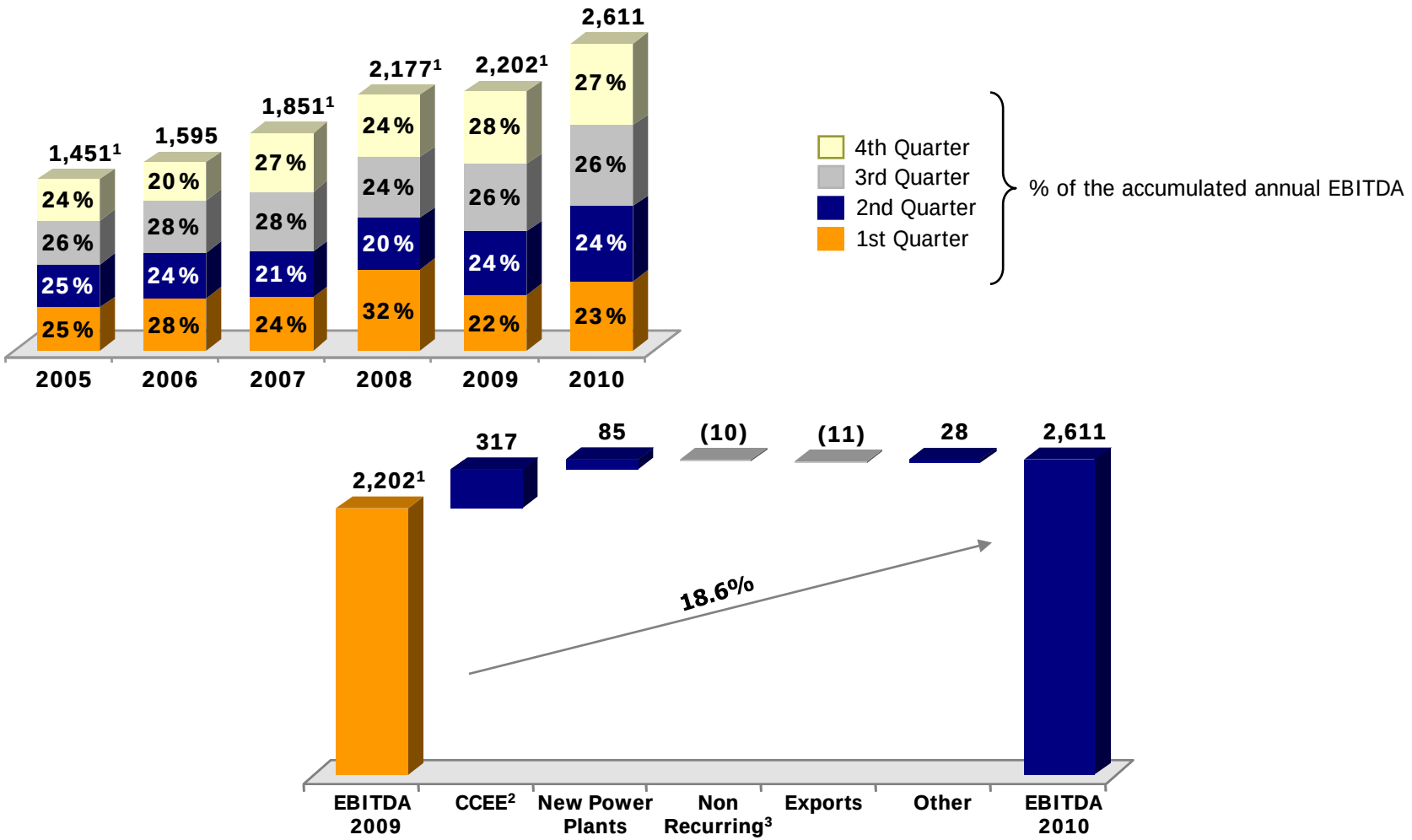
Gross operating revenues change (R$ million)



Note:
[1] Considers new accounting procedures.

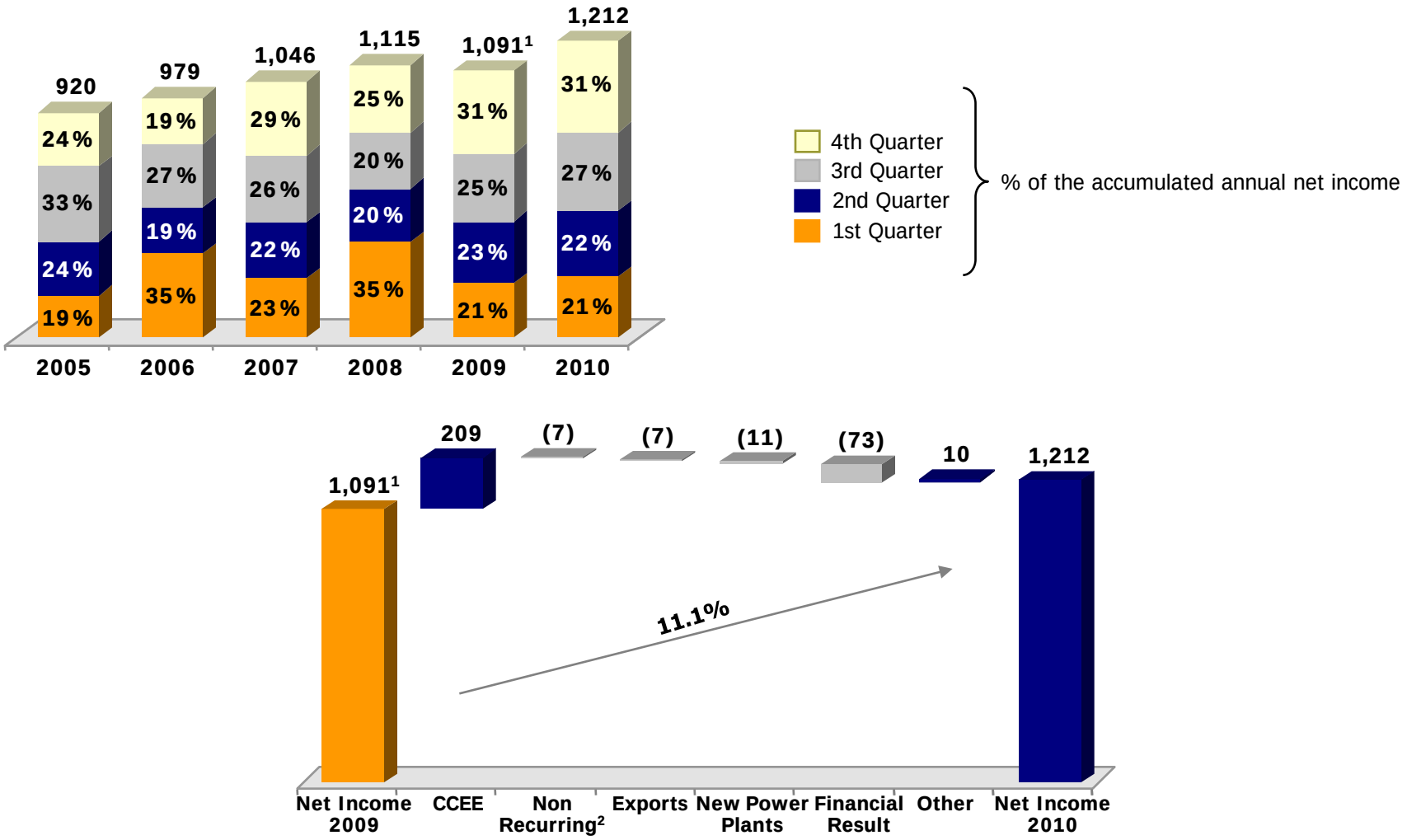


EBITDA change (R$ million)



Notes:
[1] Considers new accounting procedures.
[2] Considers the combined effect of changes in revenue and expenses.
[3] Refers to CESS restitution, PIS/Cofins gain from lawsuit and CSLL loss from lawsuit.

Net income change (R$ million)

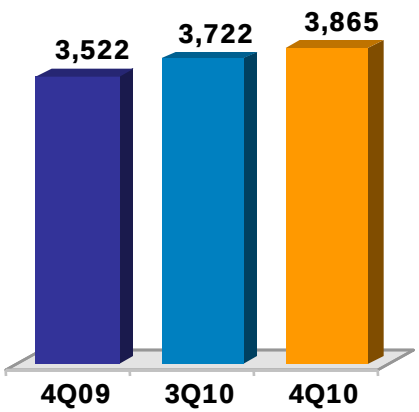


Notes:
[1] Considers new accounting procedures.
[2] Refers to CESS restitution, PIS/Cofins gain from law suit and CSLL loss from law suit.

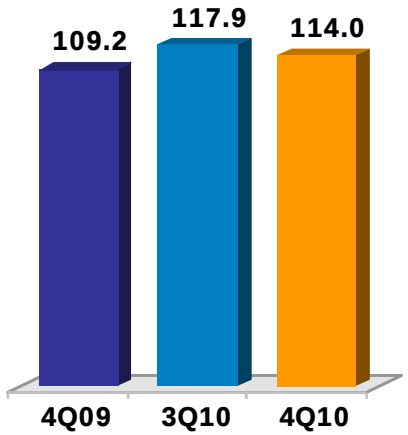
Quarterly financial drivers

Quarterly performance could be affected by allocation strategy of assured energy.

Energy Sold (avg. MW)

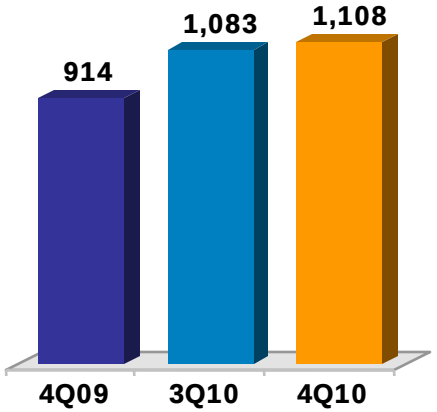


Average Price of Energy Sold (R$ / MWh)

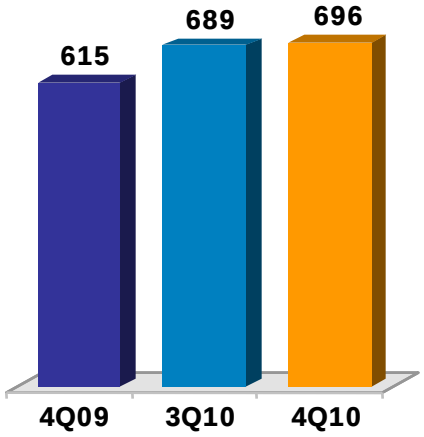


Note: Figures are net of deductions.

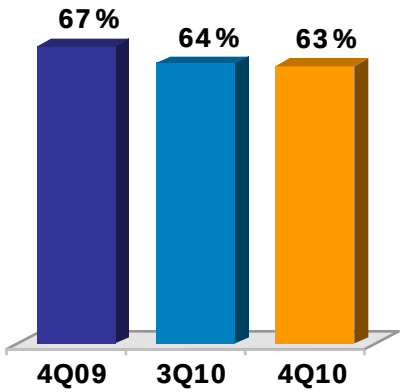
Net Revenues (R$ million)[1]



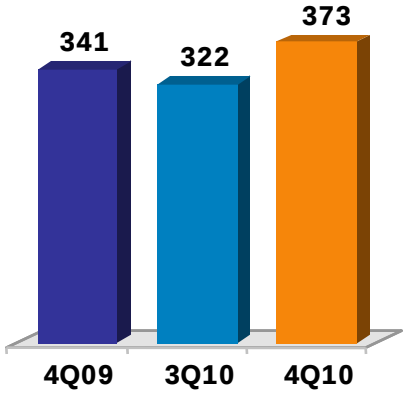
EBITDA (R$ million)[1]



EBITDA Margin[1]



Net Income (R$ million)[1]

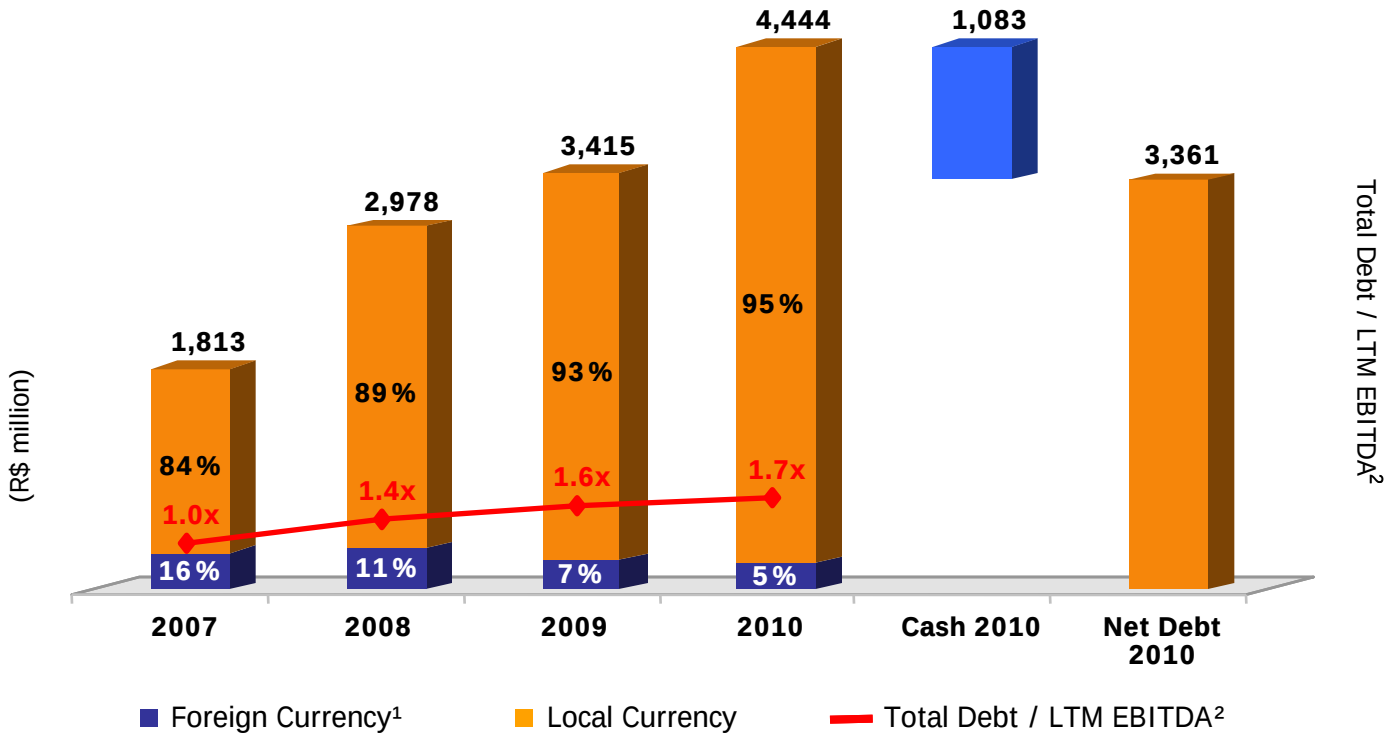


Note:
[1] Considers new accounting procedures.

Limited indebtedness and low exposure to foreign exchange

Low leverage enables Tractebel to benefit from growth opportunities.

Debt Overview (R$ million)

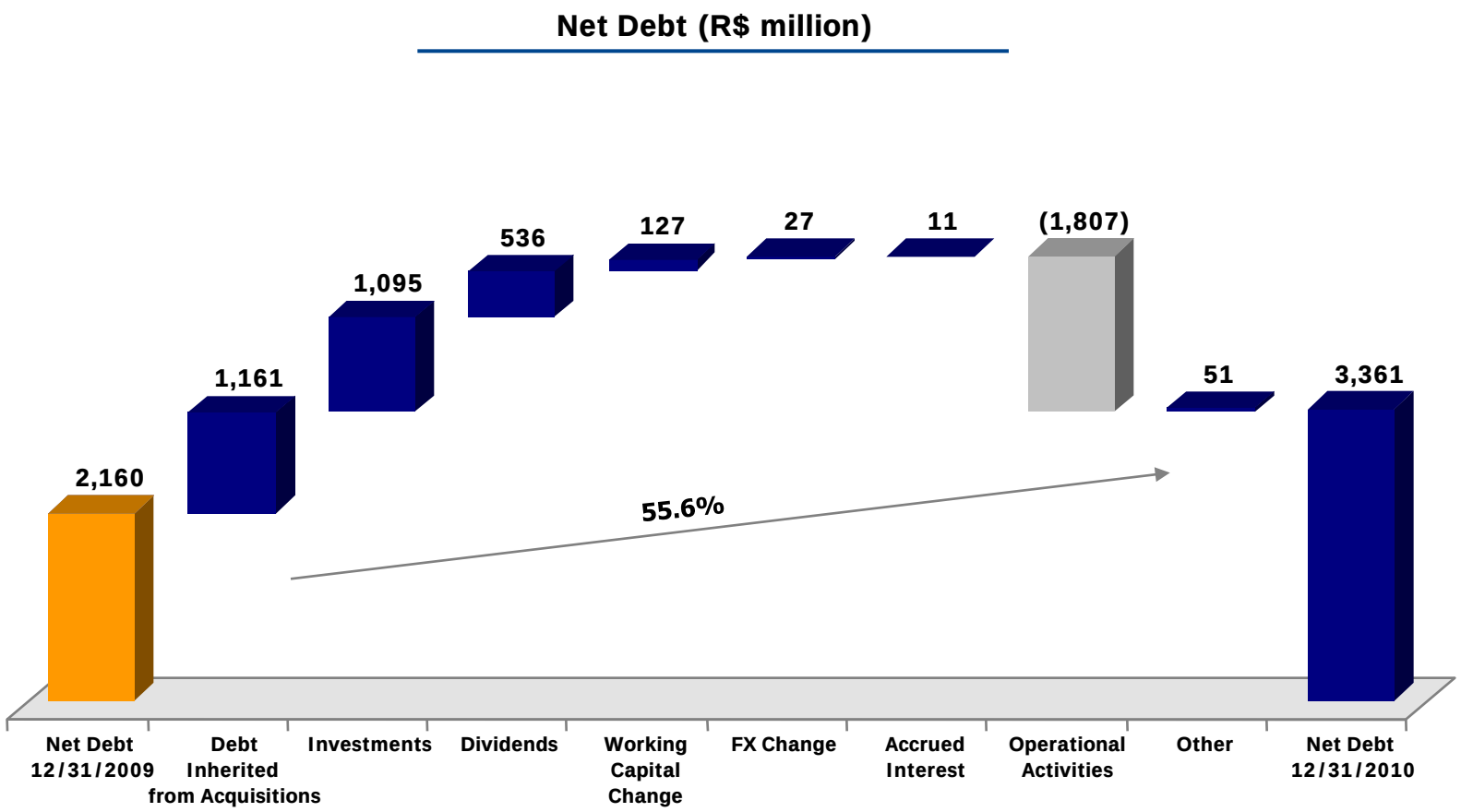


Notes:

¹ Not hedged.

² LTM EBITDA = last-twelve-month EBITDA.

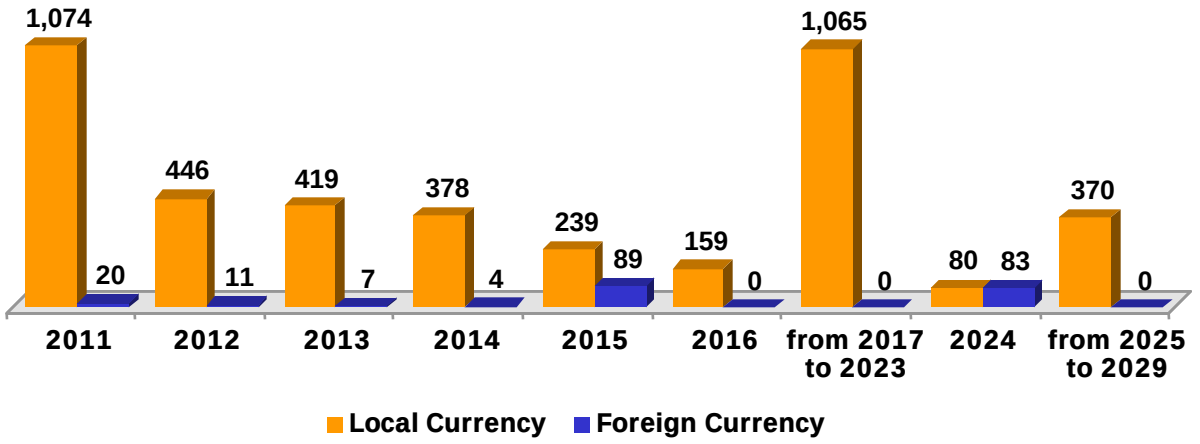
Net debt change



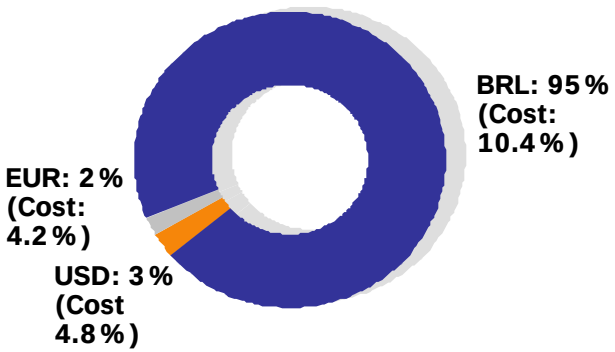
Medium and long-term debt, with low costs and defensive indexes

Debt profile and strong cash generation reduce refinancing risk.

Maturity Term Loans – R$ million



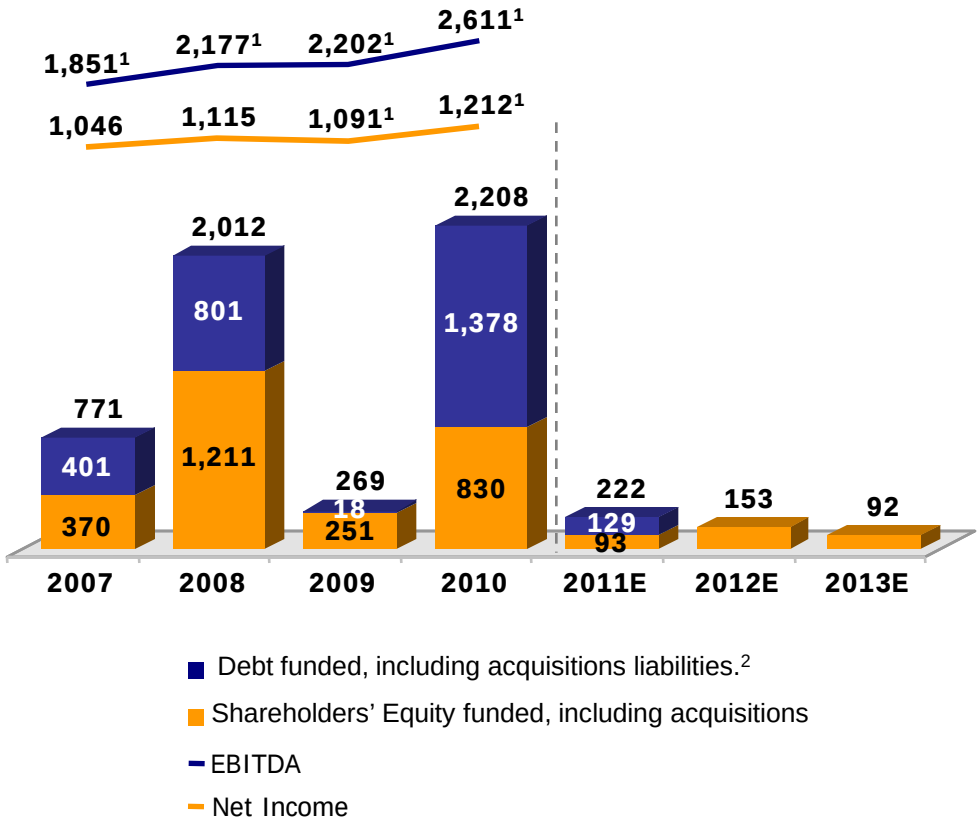
Cost of Debt



Composition of Debt			
Foreign Currency		**Local Currency**	
Fixed	52%	Fixed	2%
Floating	48%	TJLP	59%
Total	**100%**	IGPM	5%
		CDI	24%
		IPCA	10%
		Total	**100%**

Expansion plan and low maintenance CAPEX are supported by a high cash flow

Accomplished / expected CAPEX and corresponding financing sources (R$ million)

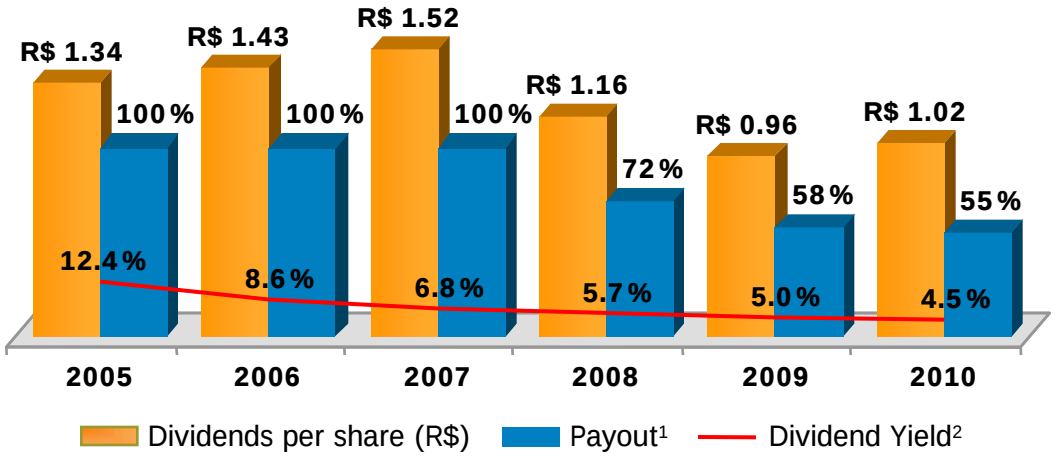


Note:
[1] Considers new accounting procedures.
[2] Does not consider interests incurred during the construction.

Dividend policy

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

Dividends (based on payable net income)



Note:
[1] Considers the annual payable net income.
[2] Based on volume-weighted market price of ON shares in the period.

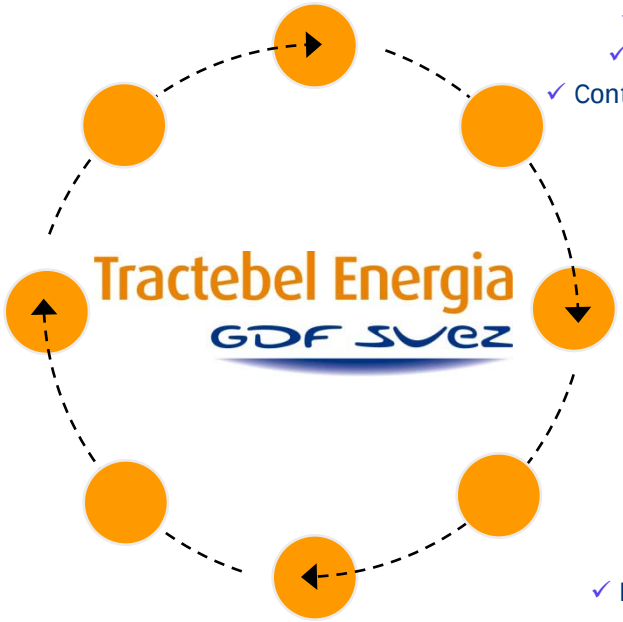
- Announced the distribution of complementary dividends of R$ 158.3 million (0.242 per share). The Executive Board is to define the payment date. Being that, announced dividends for 2010 reach R$ 664.4 million, i.e., 55% payout.

Competitive advantages

ATTRACTIVE INDUSTRY
- ✓ Defensive profile in critical times
- ✓ Growing energy prices

PREMIUM RATING
- ✓ "brAA+" and "AA+(bra)" – Debentures rated by S&P and Fitch, respectively
- ✓ Also corporate AA+

INDUSTRY LEADERSHIP
- ✓ Largest private generator
- ✓ Market cap: R$ 17.9 billion
- ✓ Controlled by GDF SUEZ, world leader in energy



HIGH-CALIBER CORPORATE GOVERNANCE
- ✓ Experienced executives
- ✓ Discipline track record in investment decisions

CLEAR COMMERCIAL STRATEGY
- ✓ Heavy contracting in the next years
- ✓ Diversified portfolio between free customers (over different industries) and regulated ones (distribution companies)

STABLE FINANCIAL PERFORMANCE
- ✓ Strong cash flow
- ✓ Average EBITDA margin at 60% +
- ✓ Consistent net income

CASH FLOW PREDICABILITY
- ✓ Inflation-indexed contracts
- ✓ Hydro basis, complemented by thermal and wind

HIGH OPERATIONAL PERFORMANCE
- ✓ Benchmark indexes of availability
- ✓ ISO 9001 (quality management) and 14001 (environment management) certified plants

Contacts

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Attachment I
Socioenvironmental highlights

Our product, our principles

- Tractebel produces an input essential to life
- Its energy is present along the entire production chain and corresponds to about 7% of Brazilian consumption
- Excluding scheduled stoppages, in 2010, plant uptime was 98.3%
- 82% of production comes from renewable sources which are being prioritized in the Company's expansion
- Tractebel creates more than 2,000 jobs; of these more than 1,000 are jobs with the Company

Principles:

Mission: generating energy for life

Vision: in a sustainable way, to be the best energy company in Brazil

Values: professionalism, sense of partnership, team work, creation of value, respect for the environment and ethics

Commitment to Sustainable Development:
- To provide sustainable solutions from the economic, social and environmental points of view
- To control the impacts of the operations
- To create value for shareholders and society

Management of production



POLÍTICA TRACTEBEL ENERGIA
DE GESTÃO SUSTENTÁVEL

A Tractebel Energia, empresa de grande porte de geração de energia elétrica no território nacional, atua de forma compatível com a natureza da sua atividade na gestão dos impactos de seus processos de produção, minimizando os seus riscos ambientais, sociais e econômicos. Prioriza a prevenção e garante a melhoria contínua do desempenho na sua gestão, cumprindo a legislação aplicável e os requisitos subscritos pela companhia. Atenta às tendências do mercado e necessidades do seu negócio, com base em sua Missão, Visão e seus Valores Corporativos, estabelece esta política para as seguintes dimensões:

Qualidade
A Tractebel Energia se compromete a fornecer energia elétrica com qualidade e melhorar continuamente o seu processo produtivo de geração de energia elétrica, visando a satisfação do cliente, expressa pelos seus requisitos de confiabilidade, disponibilidade e segurança do sistema elétrico.

Meio Ambiente
O respeito ao meio ambiente é componente fundamental da identidade e dos valores da Tractebel Energia, e todas as suas ações são norteadas pelo seu Código de Meio Ambiente. A companhia desenvolve projetos de pesquisa e desenvolvimento e avalia o impacto das suas atividades, buscando a melhoria do seu desempenho na prevenção e controle da poluição, no gerenciamento das situações de emergência e no uso sustentável dos recursos naturais, renováveis e não-renováveis. A Tractebel Energia busca constantemente minimizar o impacto ambiental de suas atividades, priorizando as fontes renováveis de energia e diversificando sua matriz energética.

Saúde e Segurança no Trabalho
A Tractebel Energia prioriza a integridade física e psíquica das pessoas, o profissionalismo, a capacitação e a competência, bem como previne lesões e doenças por meio da conscientização, monitoramento e controle dos perigos e riscos identificados nos seus processos, equipamentos e ambientes de trabalho, melhorando continuamente a gestão e o desempenho da saúde e segurança no trabalho.

Responsabilidade Social
Com ética e integridade, transparência e diálogo com as partes interessadas, a Tractebel Energia busca a promoção do desenvolvimento sustentável, da melhoria da qualidade de vida e da inclusão social, com prioridade para a infância e adolescência, educação e valorização sociocultural das regiões onde atua.

A Tractebel Energia compartilha esta política com todas as partes interessadas.

Compartilhe conosco sua visão e percepção sobre esta política, as atividades e respectivos impactos da Tractebel Energia. Nossos contatos:

Comitê de Sustentabilidade:
comitedesustentabilidade@tractebelenergia.com.br

Comitê de Ética, com a opção de mensagem anônima:
www.tractebelenergia.com.br, selecionando "Comitê de Ética" no menu "contatos", ou cartas para o seguinte endereço: Rua Antônio Dib Mussi, 366 - Centro - Florianópolis - SC - 88015-110.

Manoel Arlindo Zaroni Torres
Diretor-Presidente

Tractebel Energia
GDF SUEZ
Energia para a vida.

Incorporates:

- Quality
- Environment
- Occupational Health and Safety
- Social Responsibility

Tractebel Energia shares this Policy with all stakeholders.

Share with us your vision and perception on this Policy, Tractebel Energia's activities and respective impacts. Our contacts:

Sustainability Committee:
comitedesustentabilidade@tractebelenergia.com.br

Ethics Committee, with the option of sending an anonymous message:
http://www.tractebelenergia.com.br , selecting "Ethics Committee" in the menu "contacts", or letters to the following address: Rua Antônio Dib Mussi, 366 – Centro – Florianópolis, SC – 88015-110 – Brazil

Hydro plants





- Total installed hydro plant capacity in operation: 5,124 MW = 80% of the Company's total generating complex (exclusively Tractebel as of December 2010)
- Financial Compensation for Use of Water Resources paid by the Company to the Federal Government, States and Municipalities in the area impacted by the reservoirs: R$ 100 million / year
- Hydroelectric plants also provide:
  - Improvement in infrastructure (sewage treatment, airports, police department posts ...)
  - Archeological research and preservation
  - Fauna, flora and ichthofauna preservation and research
  - Fish farming and fishing
  - Environmental offsets
  - Visiting Program:
    - Focus: generation and the environment
    - 3 types:
      - Schools and general public
      - Touristic – inclusion in leisure activities of hotels in the region
      - Technical
    - (e.g.:) Machadinho – 6,500 visits/year

Social programs typically implemented by the hydro plants

Housing Resettlement of families that become owners of the land or of the property to which they are transferred	• Property owning families o Indemnification for land and reproductive and non-reproductive assets o Rural or urban resettlement. Letter of credit for unassisted resettlement • Non-property owning families (with effective ties to the land and economic dependence) o Indemnification for reproductive and non-reproductive assets o Collective resettlement o Resettlement in vacant areas o Letter of credit for unassisted resettlement
Infrastructure	• Construction of houses • Basic sanitation • Electric energy (rural networks and/or renewable sources)
Economic development	• Economic assistance for the first production cycle • Technical assistance for three years involving sustainability studies for the economic activities, diagnosis of local vocation and potential and guidance on special professional skills courses and state and federal development and income programs







Typical environmental programs – implementation / operation

- **Biodiversity**

  - Stewardship programs and monitoring of flora, fauna and ichthofauna to guarantee biodiversity and the environmental conditions necessary for the preservation and development of the species before, during and after the construction of the reservoirs.

- **Ichthofauna**

  - Research projects into ichthofauna equilibrium
  - Monitoring of migratory fish
  - Reseeding of the rivers

- **Fauna**

  - Ecological corridors: studies and projects are undertaken at the plants for creating and preservation of ecological corridors for local flora species
  - Preservation rights-of-way: rights-of-way are maintained along the edges of reservoirs to allow the development of the fauna and flora of the region
  - Rescue and conservation of the fauna: study and rescue of the animals in the region during brush clearance and reservoir formation
  - Control of proliferation of possible problems to the health of the local population

Thermoelectric plants







- Total installed capacity of the thermal plants in operation: 1,185 MW = 18% of the total generating complex of the Company (exclusively Tractebel as of December, 2010)

- Represents a strategic reserve for the country in addition to being an important factor for regional economic development. For example, the Jorge Lacerda Thermoelectric Complex (CTJL) with installed capacity of 857 MW and located in the south of Santa Catarina, supplies a broad production chain: creating 900 direct jobs and 5,700 indirect jobs

- Modernization of fossil-fuel fired plants to reduce environmental products:

    - At CTJL, electrostatic precipitators have been installed to collect more than 98% of the particulate material produced through coal-burning activities

    - At the Charqueadas TPP in RS:
        - Prior to delivery, the supplier (Copelmi) processes the coal to reduce the sulfur content to less than 1%
        - Bag filters were installed, reducing ash emissions by 99.95%, and also a coal combustion gases washer with an efficiency of more than 90% generating plaster as a byproduct
        - Environmental monitoring stations were also installed in the region for continuous monitoring and with online data transmission to the environmental protection agency
        - Steam is supplied to industry (Aços Especiais Piratini)

    - Both at Jorge Lacerda as well as Charqueadas, ash from the burning of coal is used as raw material in the cement industry

Sources of complementary energy

Tractebel Energia already generates more than 100 MW of energy from renewable sources: biomass, wind and SHPs, equivalent to 2% of the Company's total generator complex (exclusively Tractebel as of December 2010)



Complementary Plants	Installed Capacity(MW)	Assured Energy / aMW
Lages (Biomass)	28	25
Rondonópolis (SHP)	27	14
Beberibe (Wind)	26	10
José Gelazio da Rocha (SHP)	24	11
Pedra do Sal (Wind)	18	8
	123	**68**



Lages Cogeneration Plant: 28 MW of installed capacity, fired by timber waste, with a maximum usage of up to 400,000 tons of timber waste annually with corresponding environmental improvements. The plant was the first in Brazil to be certified under the Clean Development Mechanism by the UNO, making it eligible for the sale of carbon credits

Caring for the environment

5 forestry nurseries
Production of 450 thousand seedlings / year



Water quality – monitoring wells





Preservation of the biodiversity







Research and Development

- Generation of energy from wave power (tests and unveiling in 2011)
- Restoration of reservoir margin forest cover at the Itá HPP
- Reintroduction of *Dyckia distachya* in the Uruguai River Valley
- Economic Evaluation of Photovoltaic Generation
- Use of rice straw to generate electricity (mixed with coal)

Law 9991/2010 establishes that energy generation, transmission and distribution companies should invest 1% of their net annual revenue in R&D

Certifications

- Quality, Environment and Occupational Health and Safety
- 15 plants certified according to ISO 9001, 14001 and OHSAS 18001 standards

ISO 9001
ISO 14001
BUREAU VERITAS
Certification



Commitments to society

- Fair competitive practices, combating fraud and corruption
- Social inclusion, health and safety and respect for the environment
- Intolerance of child or forced labor or discrimination
- Guarantees to the employees:
  - a safe and healthy working environment
  - the right to free association
  - prohibition of punishment and/or psychological, physical coercion or verbal abuse
  - working day according to the legal limits
  - dignified salaries
- Requires the same attitudes from suppliers and partners
- Ethical and transparent relationship with stakeholders:

Shareholders	Permanent access to company information Regular periodic statements
Communities and Government	Institutional relationship Partnerships in actions to the benefit of the community and environment
Partners and clients	Commitment, long-term and flexibility in negotiation (win-win) Sharing of Company values, principles and sustainable practices Extension of benefits to long-term service providers

Employees

- Sharing of the Company values, principles and sustainable practices
- Fair and competitive compensation, favorable benefits and healthcare plan
- Harmonious long-term co-existence: competence, development, stability
- Health and safety: physical and mental integrity; prevention
- Incentives to quality of life



Management of Organizational Climate – General Result: 70% Favorability Rating

2009 data; survey held every 2 years

87% feel pride in working for Tractebel
95% declare that Tractebel maintains an image of trust and credibility
89% practice the principles and values cultivated by Tractebel in their daily routine
93% perceive that Tractebel is dedicated to the protection of the environment
93% agree that occupational safety standards are applied at Tractebel
89% recommend Tractebel to family or friends as a good place to work
92% recognize that Tractebel has defined plans for reaching its objectives
90% declare that Tractebel strives to improve quality and **92%,** productivity

ISE Corporate Sustainability Index



• For the sixth successive year, the company is a component of BM&FBovespa's ISE Corporate Sustainability Index

• The current portfolio is made up of 47 shares of 38 companies with a total market capitalization of R$ 1.2 trillion, representing 18 economic sectors

• Created in 1995, the ISE reflects the return on a portfolio of shares of companies committed to superior sustainability practices and which represent the best performance with respect to economic efficiency, socio-environmental responsibility and corporate governance

Sustainability Committee

- Members from different areas
- Matricial and propositional operation in conjunction with the units and plants
- Objectives:
    - Proactivity through introduction socio-environmental issues in communities
    - Reduce participation in reactive demands
    - Concentrate resources on actions which have greater social and environmental effectiveness (sustainability)
    - Involve a greater number of employees in investment decisions
    - Avoid projects involving commercial interests of their originators
    - Give greater transparency to initiatives undertaken by the Company
    - Reaffirm Tractebel Energia's posture as a company committed to sustainable development

Social responsibility

• Covers our principles and practices for sustainable development, governance, competition, human resource management and relationship with all stakeholders

• Community interest actions:

→ Development in areas contiguous to the plants and head office

→ Programs and priorities:

• **Tractebel Energia Environmental Improvement Program**

Focus: Environmental education, restoration of degraded areas and reforestation, support for preservation, ecological awareness and rationalization of use of natural resources

• **Tractebel Energia Cultural Development Program**

Focus: Emphasizing the importance of cultural roots and fostering development as something of unquestionable value for society and its sustainability

• **Tractebel Energia Social Inclusion Program**

Infancy and adolescence, education, qualification, creation of jobs and income

Environmental Improvement Program - examples

- **Agreement with Casa Familiar Rural NGO**
  - Specialized in teaching by alternation methods:
    - Tailor-made for rural areas
    - Students alternate with one week on a boarding school basis with classes in environmental education and management and leisure, artistic and cultural activities, with one week at home, studying and disseminating what has been learnt at school to family relations
  - Area of the Salto Santiago HPP in the municipality of Chopinzinho
  - Preservation of 300 fountain heads, benefiting families and water quality and consequently, infant and adolescent learning capacity
  - TBLE investment: R$ 108,012.00
  - Counterbalancing contribution from the Municipality: R$ 56,400.00

- **Preservation of in the Tubarão River basin, CTJL area**
  - 25 fountain heads
  - Environmental Education Program

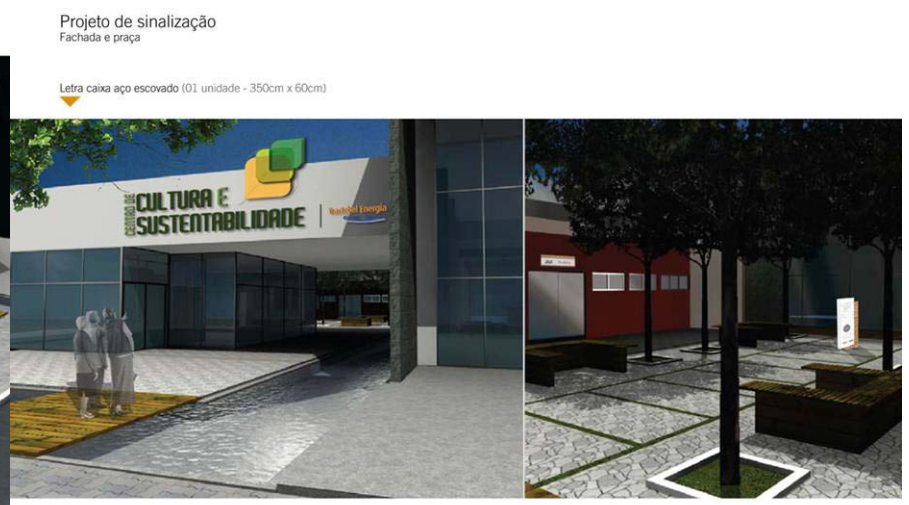
- **Preservation of springs in the Machadinho HPP area**
  - From 21 to 25 fountain heads
  - Jointly with the Consórcio Machadinho

- **Planting of more than 300 thousand trees/year**

Cultural Development Program - examples

CENTERS FOR CULTURE AND SUSTAINABILITY





- Installed with support of Rouanet Law tax break resources
- Economically sustainable management by autonomous associations from the community
- Amphitheater, exhibitions, handicrafts, skills workshops, library and digital inclusion
- Forum for discussion of sustainability and revival of the community heritage
- 1 under construction, to be inaugurated in 2011: Entre Rios do Sul (headquarters of Passo Fundo HPP)
- 4 in development: Quedas do Iguaçu (Salto Osório HPP), Alto Bela Vista (Itá HPP), Jorge Lacerda Environmental Park (CTJL) and Minaçu (Cana Brava HPP)
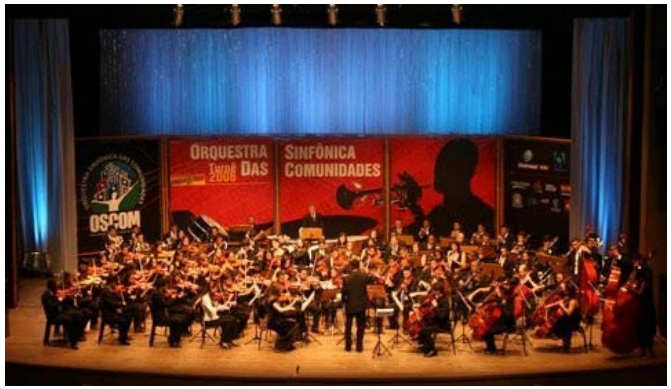
Cultural Development Program - examples

Brazilian Bolshoi School of Ballet



Saint Exupéry Project





Symphony Orchestra in the Communities

Social Inclusion Program - examples

Junior Achievement
Entrepreneurship and raising awareness for sustainability



Young Apprentice Program



Volunteers in Action Institute
Volunteers on-line



Santa Catarina Forum for the End of Violence and Infant and Juvenile Sexual Abuse



Some projects with incentives through the Infancy and Adolescence Fund (FIA):

- Donation to APAE for all contiguous areas where the plants are located
- In SC: Sentinel Project following up on complaints of violence to infants, donation to the Association for Integration of the Blind (ACIC), for the purchase of vehicles for the Tubarão and Florianópolis Infancy and Adolescent Guardianship Councils and for building the Casa Lar – shelter and assistance to children with special needs (Itá)
- In RS: support for Lindeiros à Barragem de Itá Municipalities Association (Amulbi) projects

Socioenvironmental and fiscal responsibility

- **Socioenvironmental investments (R$ thousand):**

In the installation of São Salvador HPP – until 12/31/10	131,890*

* Historical value in Feb/2006 adjusted by IGP-M

In the installation of Estreito HPP – until 12/31/10	779,962
In the plants in operation – 2010	39,895
In Social Responsibility Programs – 2010	9,787

- **Taxes (R$ thousand):**

Financial Compensation for the Use of the Water – 2010	133,548
Federal, State and Municipal taxes – 2010	1,014,964

Most recent recognition – awards obtained in 2010

- ANEFAC Transparency Trophy

- *Expressão* Award for Ecology – Project for restoring degraded areas through the use of thermal coal ash

- Special Edition of *Isto é Dinheiro* – 1st place in "Electricity Sector Companies in Human Resources Management", 2nd place in Corporate Governance and in Financial Sustainability

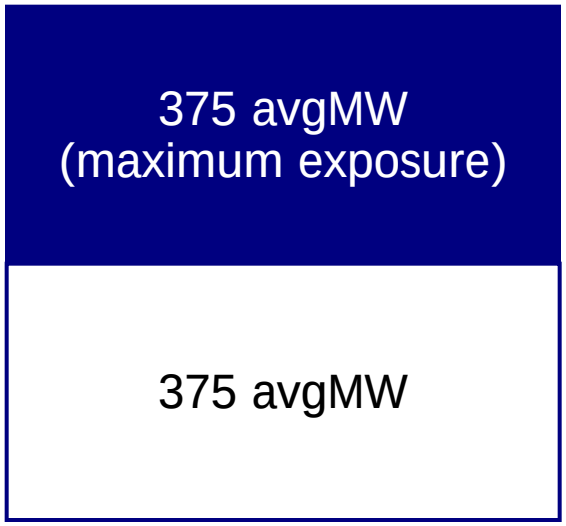
- Award of the 500 largest companies in the South, *Amanhã* magazine – 1st place for Largest Net Income and 3rd place in the overall ranking for Santa Catarina, 9th place in the general ranking for the South Region

- AMCHAM Rio de Janeiro award for the installation of the Fritz Plaumann Park

- 12th ABRASCA Award for an Annual Report: 4th Best Annual Report among Publicly Listed Companies with invoicing of more than R$ 1 billion and an Honorable Mention for coverage of the Risk Management theme

Attachment II
Support Data

Thermal side: exposure to spot prices



→ Estimated commercial capacity (on a yearly basis)

→ Thermal substitution energy → purchase in spot market

→ Expected minimum dispatch due to an annual inflexibility (based on the purchase of some 230,000 tons of coal a month)

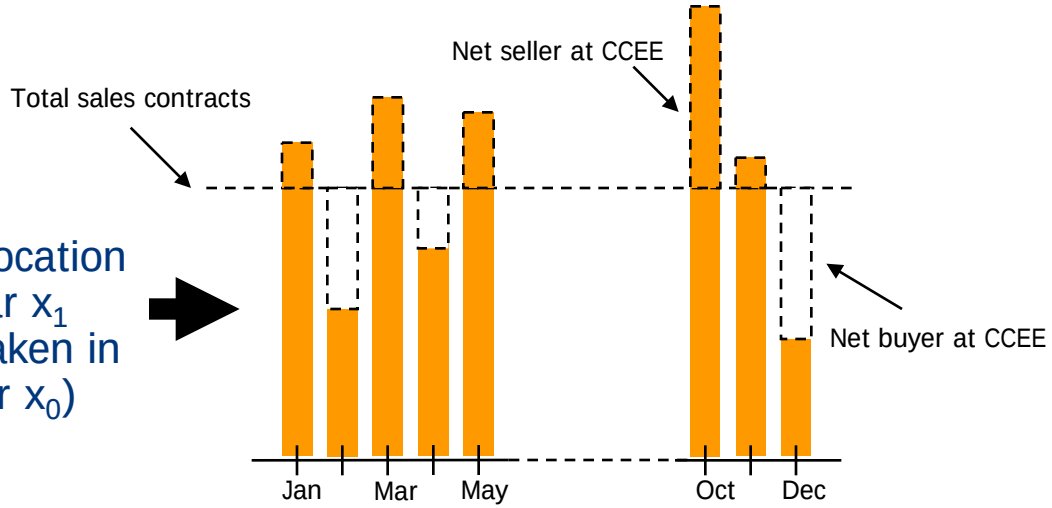
Notes: 1) Tractebel Energia has been fully contracted → purchase of thermal substitution energy.
2) On a monthly basis, inflexibility variations may occur.
3) Figures related to the Energy Trading Board (CCEE) settlement point.

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

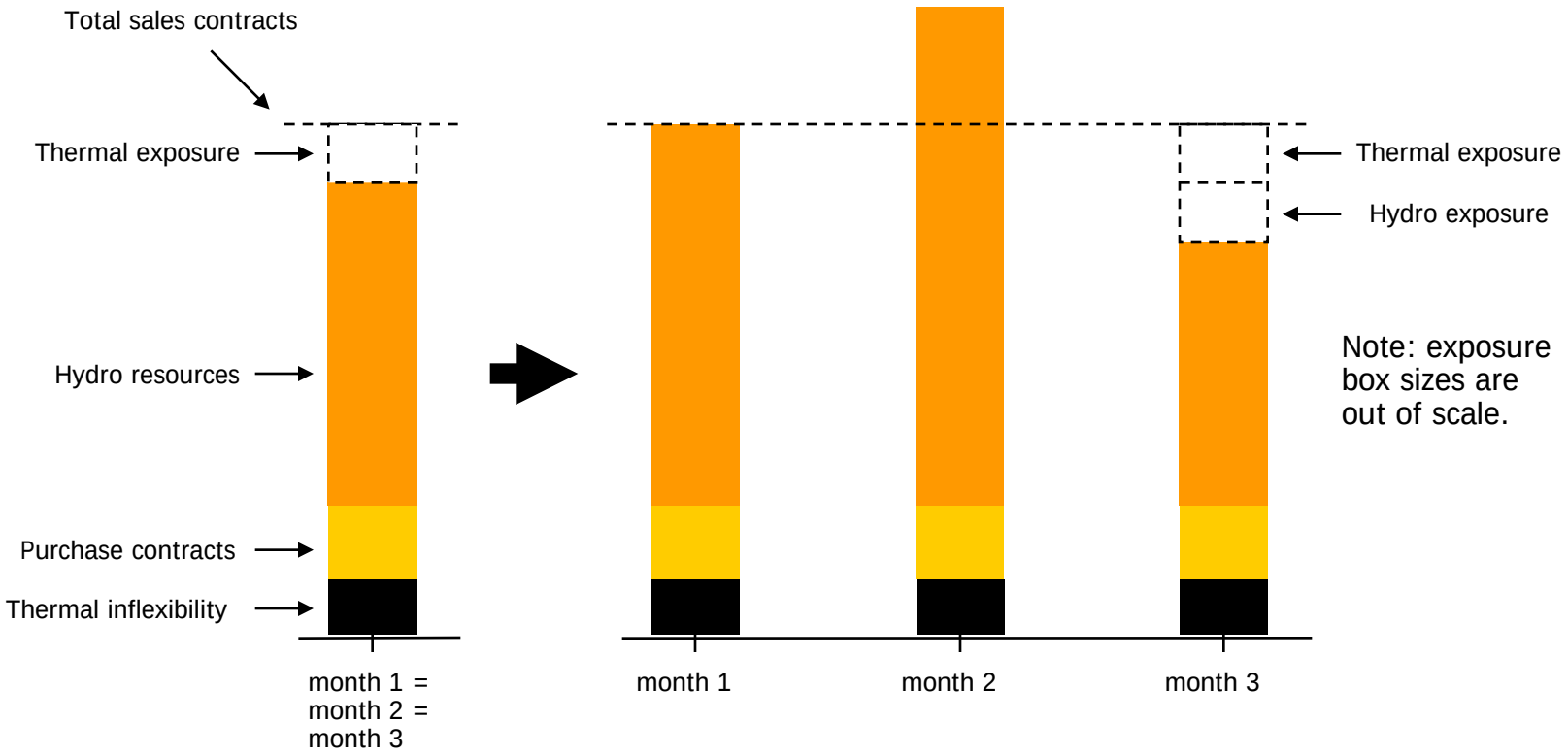
monthly allocation over year x_1 (decision taken in Dec. year x_0)



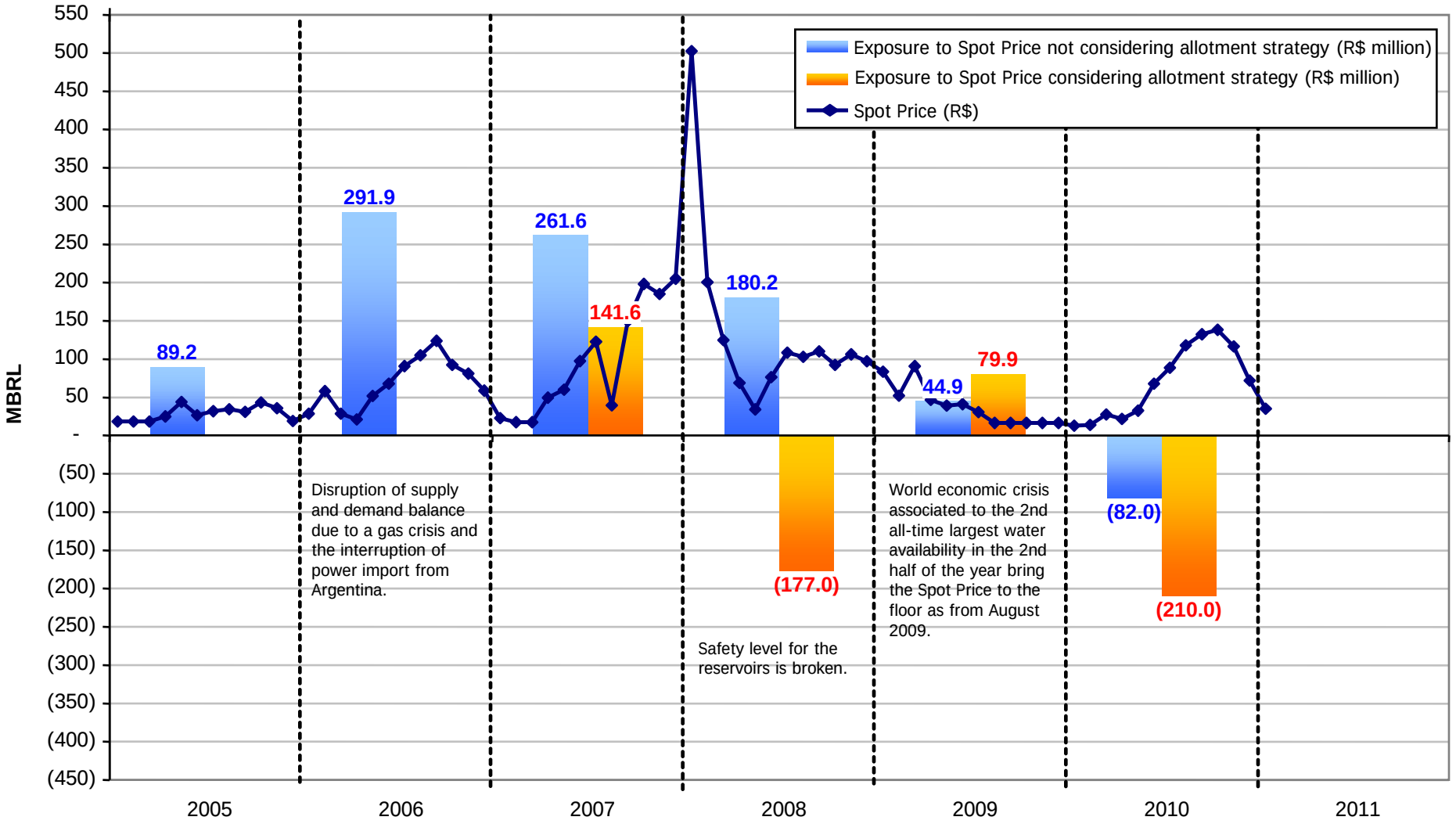
- Hydro gencos can freely allocate their resources over the following year's months;
- Monthly fluctuations on sales is also a driver for exposure to spot price;
- Monthly energy differences are settled at spot price, i.e., PLD (Price for Settlement of Differences);
- As penalties apply for a net buyer, 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:

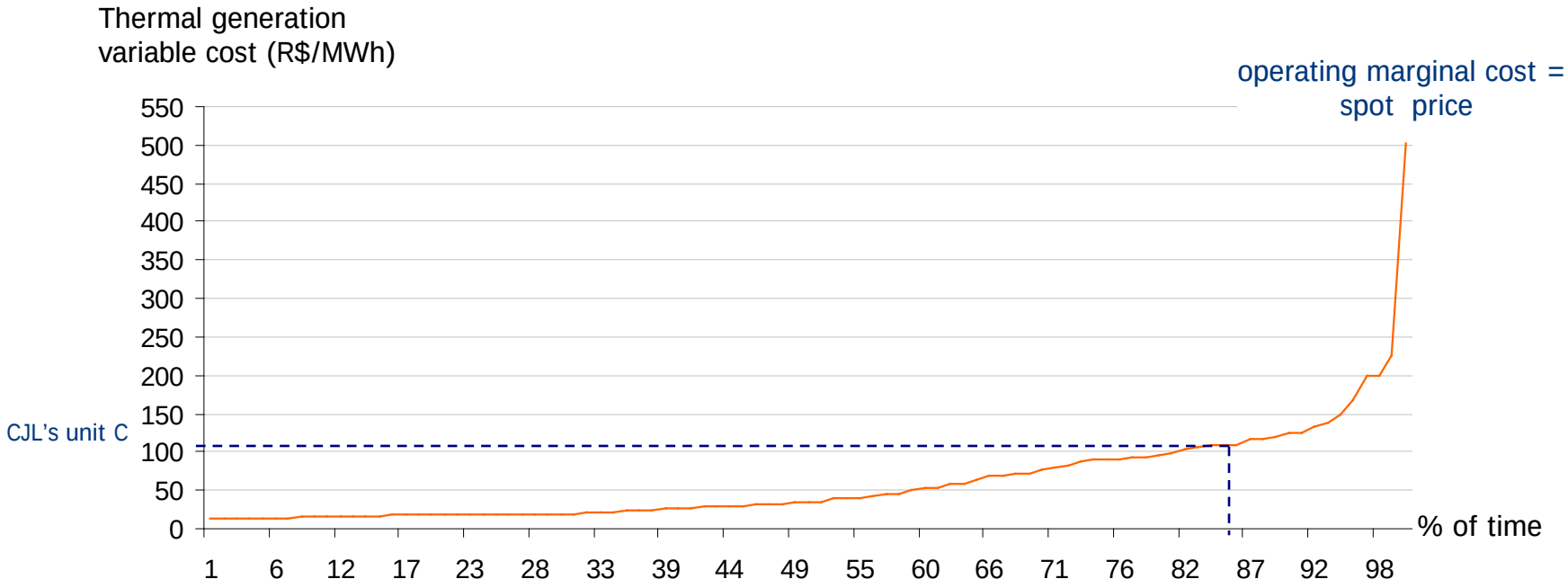


Expenses: impacts of energy allotment (2007 thru 2010)



Main drivers and distribution curve of spot prices

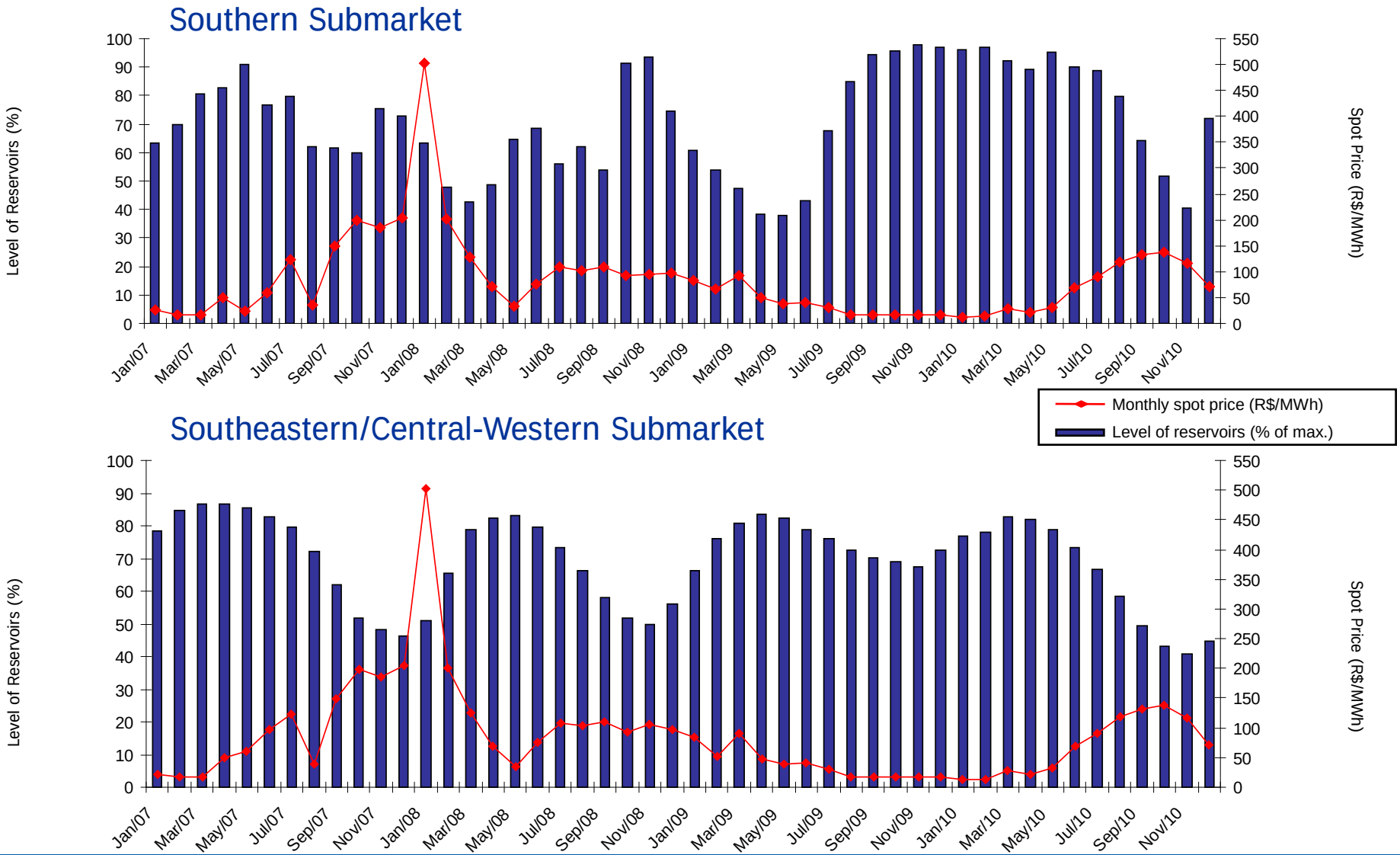
- Reservoir levels of hydro plants;
- Rainfall behavior;
- Forecast of demand for power;
- Current and future availability of power plants and transmission lines;
- Availability of natural gas.



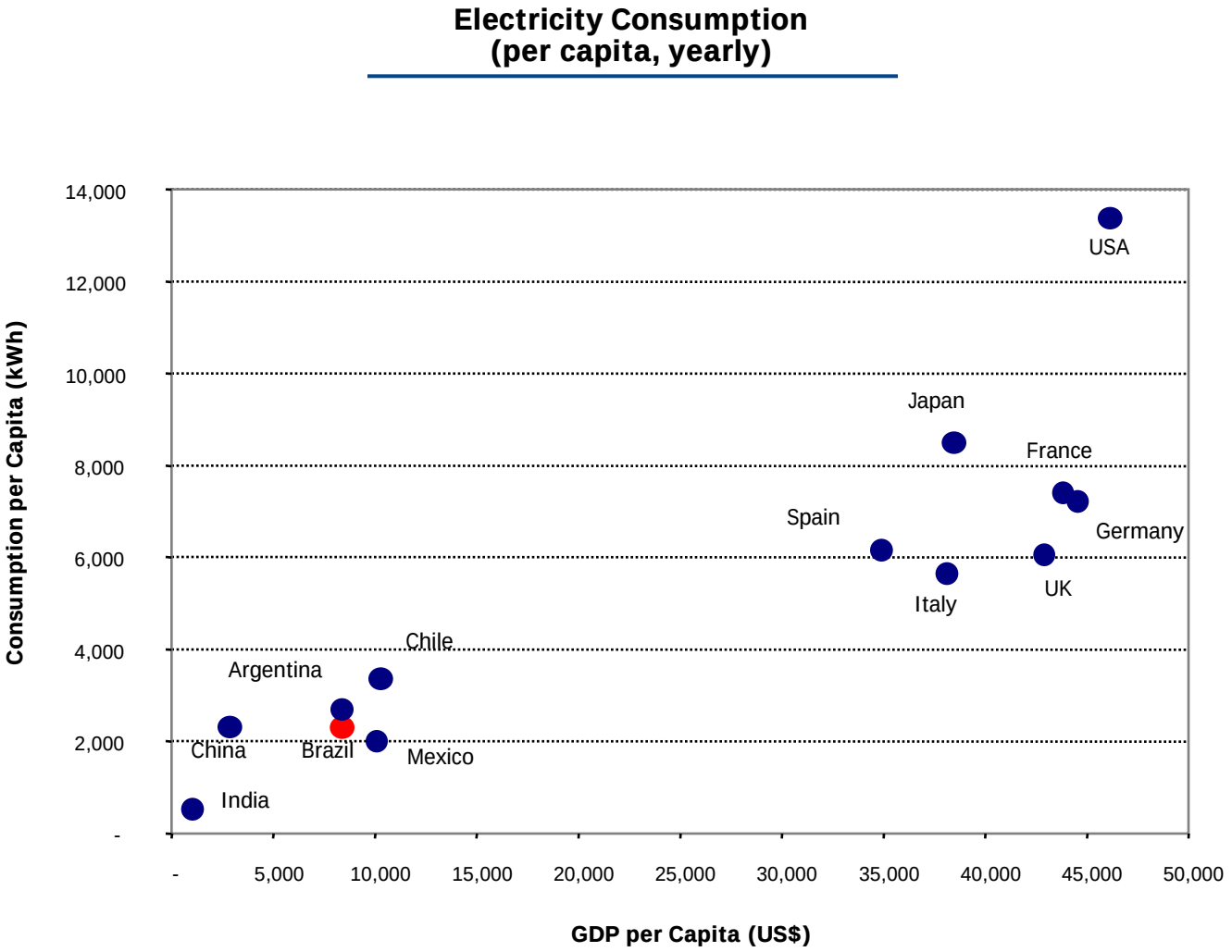
Note: spot market monthly prices for SE-CW submarket from May 2003 to December 2010.

Conclusion: For 59% of the time the spot price is lower than R$50/MWh, and for 86% of the time it is lower than R$110/MWh.

Correlation between reservoir levels and spot prices



Electricity: large growth potential



Source: IEA Energy Statistics, 2009.