TRACTEBEL ENERGIA S.A.

A PUBLICLY LISTED COMPANY – CNPJ 02.474.103/0001-19

NOTICE TO SHAREHOLDERS

We hereby notify all Shareholders and the market in general that the Board of Directors of Tractebel Energia S.A., meeting on August 11 2006 pursuant to subsection XV of article 19 of the Company's bylaws, approved: (i) the credit of interest on shareholders' equity relative to the period from January 1 to June 30 2006, pursuant to article 9 of Law 9,249/95 and Deliberation 207/96 of the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários – CVM); and (ii) the distribution of interim dividends based on the financial statements raised on June 30 2006 pursuant to article 204 of Law 6,404/76 for the following values and conditions:

I – Interest on Shareholders' Equity

a) Value
The gross amount of the interest on shareholders' equity shall be R$114,000,000.00 (one hundred and fourteen million Reais), equivalent to R$0.174648 per share.

b) Record date
The record date for the entry of the interest on shareholders' equity to the Company's accounting records shall take place on August 31 2006, based on the shareholding position as of August 18 2006.

c) Share trading
The Company's shares shall be traded ex-interest on shareholders' equity as from August 21 2006.

d) Income tax withheld at source
Income tax at the rate of 15% shall be withheld from the amounts of interest on shareholders' equity due, except in the case of shareholders that are immune or exempt. Income tax shall be withheld at the rate of 25% for those shareholders resident or domiciled in countries where income is not taxed or where the maximum tax rate is less than 20%, pursuant to article 24 of Law 9,430 of December 1996.

e) Proof of immunity or exemption from withholding tax
Pursuant to the prevailing tax legislation, shareholders that are immune or exempt from withholding taxes must present proof of such immunity or exemption on or before August 23 2005, at the company's head offices at Rua Antônio Dib Mussi, 366 – Centro, Florianópolis – SC, CEP 88015-110, Attn: Departamento de Planejamento e Gestão Tributária - PGT.

f) Computation of the interest for purposes of dividend calculation
The interest on shareholders' equity, net of taxes withheld, shall be computed as part of the minimum mandatory dividend pursuant to article 202 of Law 6,404/76.

g) Payment of interest on shareholders' equity
The interest on shareholders' equity shall be paid to shareholders according to the existing shareholder registration details at Banco Itaú S.A. on a date to be decided by the Board of Executive Officers and notified by a Notice to Shareholders in due course.

II – Interim Dividends:

a) Value
The value of the interim dividends shall be R$ 324,000,000.00 (three hundred and twenty-four million Reais), corresponding to R$ 0.496367 per share.

b) Share trading
The Company's shares shall be traded ex-interim dividends as from August 21 2006;

c) Payout of interim dividends

The interim dividends shall be paid according to the existing shareholder registration details at Banco Itaú S.A., on a date to be decided by the Board of Executive Officers and notified by means of a Notice to Shareholders

Florianópolis, August 11 2006.

Marc Verstraete
Finance and Investor Relations Director