Credit Crunch

Consequences to Brazil's Power Industry and Tractebel Energia

December 1st, 2008

Tractebel Energia

GDF SUEZ

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Brazilian Economy

- Although the crisis is a fact, there is uncertainty upon its strength and the period it will last
- Brazilian Reals depreciation → impacts on forex-debt exposed companies, importers and exporters
- Though times for highly-leveraged companies
- Brazilian economy slowdown due to credit tightness, internal consumption decrease and fall on exports
- Debt repayment and rollover more difficult
- Demand for capex revision, especially in the commodity-based companies
- Impact of forex on IGPM, partially offset by the decrease in commodity prices, food above all
- GDP prospects: expected slowdown from 3.0% to 2.0% in 2009

Estimated Long-Term Key Macroeconomic Indices Summary

%, unless otherwise stated	2006	2007	2008 P	2009 P
GDP (at market prices)	3.8	5.4	5.1	2.8
General Industry Index (PIM-IBGE)	2.8	6.0	5.3	2.7
Retail Sales (PMC-IBGE)	6.2	9.7	10.6	6.3
Unemployment rate (annual average)	10.0	9.3	7.9	8.0
Unemployment rate (4Q average)	9.2	8.1	7.4	7.8
Gross Wage Earnings	6.4	6.3	6.5	4.0
Trade Balance (US$ Bi)	46.5	40.0	24.0	13.4
Current Account (US$ Bi)	13.6	1.5	-32.2	-30.0
Current Account (% of GDP)	1.3	0.1	-1.9	-1.6
Exchange Rate (R$ / US$) - average	2.18	1.95	1.80	2.05
Exchange Rate (R$ / US$) - year-end	2.14	1.77	2.10	2.00
Benchmark Interest Rate - SELIC (accumulated)	15.2	11.6	12.5	13.4
Benchmark Interest Rate - SELIC (year-end)	13.25	11.25	13.75	12.75
Inflation – Wholesale Price Index - IPCA	3.1	4.5	6.3	5.2
Inflation – Consumer Price Index - IGP-M	3.8	7.7	11.0	6.3
Fiscal Accounts (% of GDP) (+ stands for deficit)				
Primary Balance	-3.9	-4.0	-5.9	-3.9
Interests (ex of exchange rate devaluation)	6.9	6.2	5.6	5.4
Nominal Balance (inc exchange rate devaluation)	3.0	2.2	-0.3	1.5
Net Public Debt	44.7	42.7	36.8	37.4

Source: IBGE, Brazilian Central Bank

Estimates: MB Associados. November 17, /2008.

Brazil Power Industry – Energy Balance

- Current supply was adjusted to meet a forecasted demand of 4.8% p.a. (GDP of 4.0% p.a.), what stands for the lower level for EPE – the Power Industry Planning Agency
- If Brazil's GDP falls even further, industrial segment may lead 2009 overall power demand to the 3.5%-4.5% range
- The economic growth slowdown may result in power oversupply, pending on the materialization of expansion program ➔ this may erode the existing lack of supply for the free market segment
- The USD appreciation vs. BRL will turn Itaipu supply more expensive, thus increasing the average tariff for some discos ➔ incentive to migration to the free market segment

Tractebel Energia
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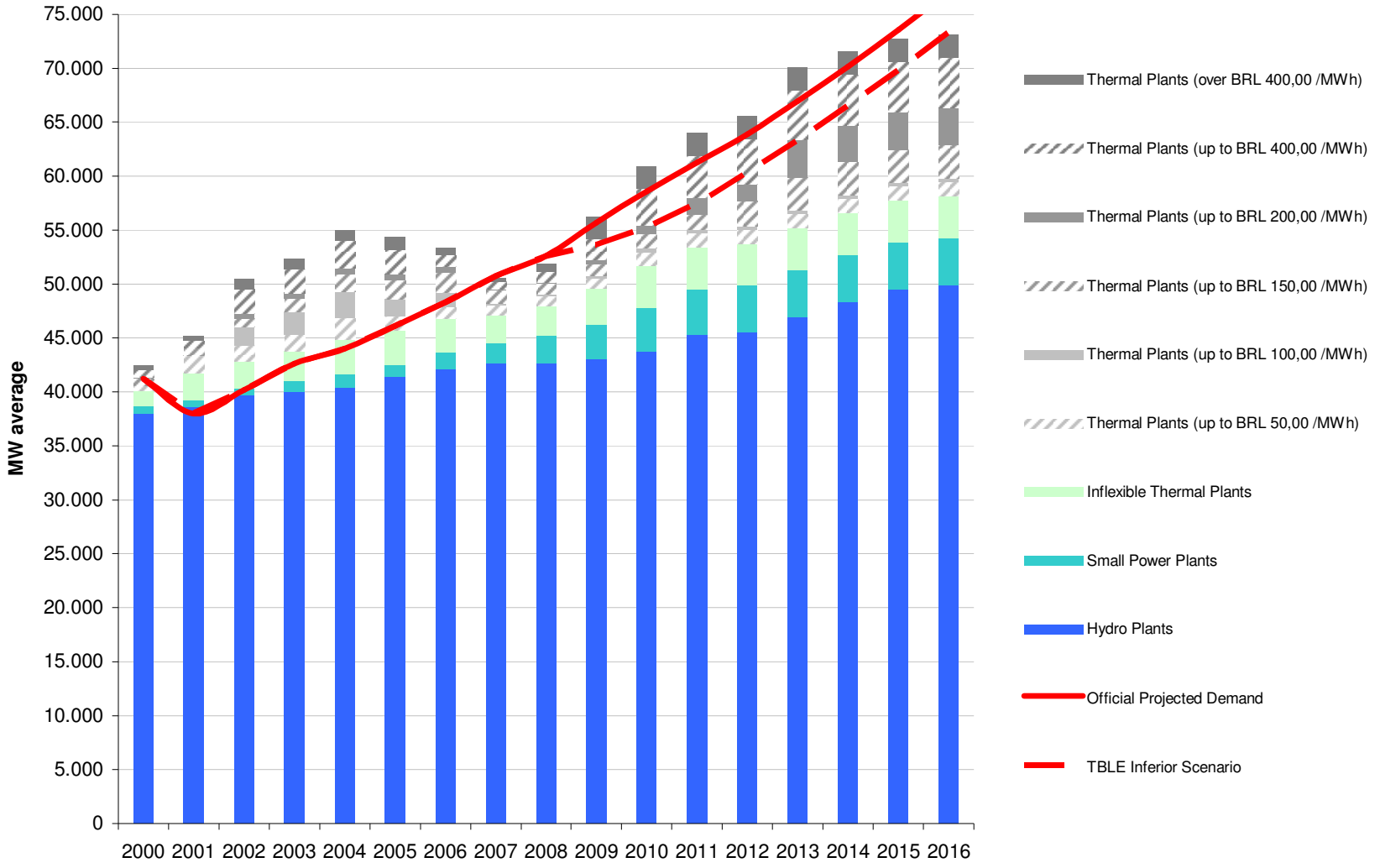
Demand – SIN (Interconnected System) – Expected Floor

Tabela 40 – Sistema Interligado Nacional (SIN) e Subsistemas: Carga de Energia (MWmédio) – Trajetória Inferior

Ano	Subsistemas Interligados				SIN
	Norte [1]	Nordeste	Sudeste/ Centro-Oeste [2]	Sul	
2006	3.398	6.920	29.866	7.941	48.124
2007	3.502	7.324	31.421	8.320	50.568
2008	3.773	7.653	32.959	8.696	53.081
2009	3.946	7.995	34.594	9.148	55.683
2010	4.083	8.550	36.080	9.626	58.339
2011	4.365	8.936	37.596	10.030	60.927
2012	5.759	9.383	39.279	10.463	64.885
2013	5.966	9.796	41.241	10.905	67.908
2014	6.220	10.327	42.943	11.458	70.947
2015	6.950	10.879	44.878	11.978	74.685
2016	7.784	11.404	46.706	12.495	78.388
Período	**Variação (% ao ano)**				
2006/2011	5,1	5,2	4,7	4,8	4,8
2011/2016	12,3	5,0	4,4	4,5	5,2
2006/2016	8,6	5,1	4,6	4,6	5,0

Power Industry

Supply and Demand Balance

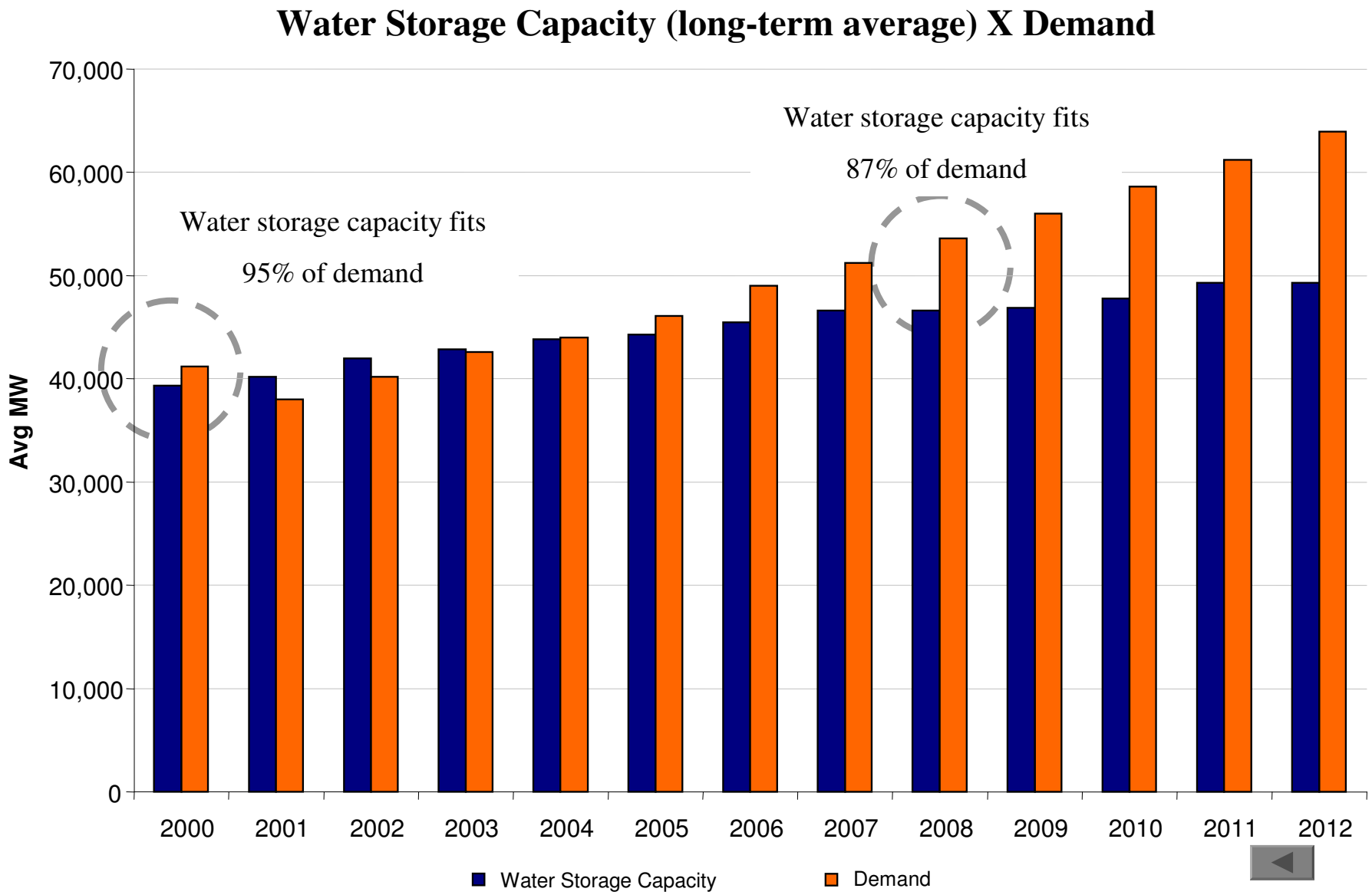


Power Industry – Prices and Thermal Generation

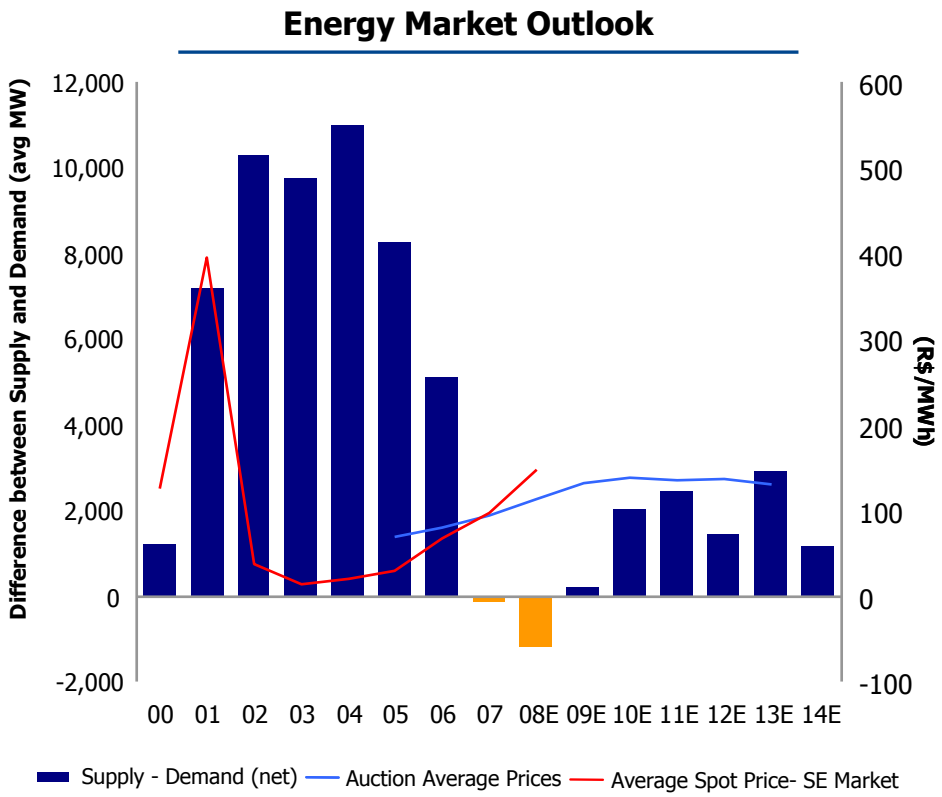
- Even considering a demand slowdown, the spot price should not decrease, due to increase in thermal participation, delays in new capacity, ONS' not immediate response, EPE's demand conservative approach)

- There is a high likelihood for ONS to maintain the out-of-merit dispatch policy, especially the cheapest ones (coal-fired units), even factoring in the demand slowdown, in order to enhance the system reliability, as a presidential election in 2010 approaches

The Supply Profile is Changing



The Spot Price Profile is Changing

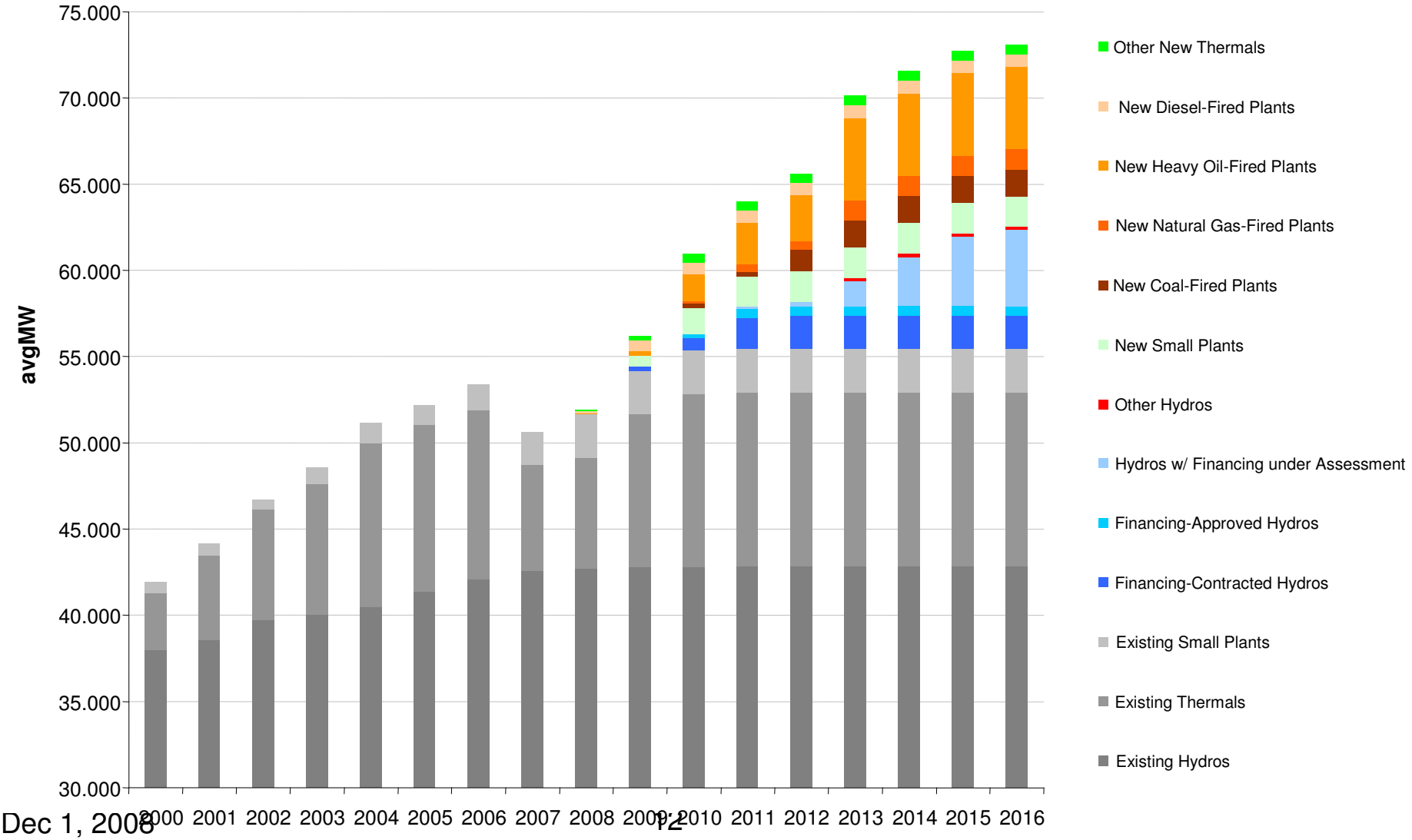


Source: Tractebel Energia's internal study based on ONS' Operations Monthly Program of October 2008 and on SFG/ANEEL's report of October 2008. Includes the results of the A-3 and A-5 Auctions and the 1st Reserve Auction, all accomplished in 2008.

Power Industry - Expansion

- PAC – the Growth Boost Program may be affected by the credit crunch and demand slowdown:
  - Lack of stimulus for early start up of hydro projects as crisis strengthens
  - The schedule of contracted greenfield oil-fired plants may be hurt as these projects are concentrated in a handful of developers, although construction can start as late as 2010
  - Natural gas and imported mineral coal projects may have their margins squeezed ➔ decision to proceed with construction should be taken soon
  - Biomass-fired projects may also be affected by difficulties reigning in the ethanol market

Supply Expansion Structure



Power Industry – Gas

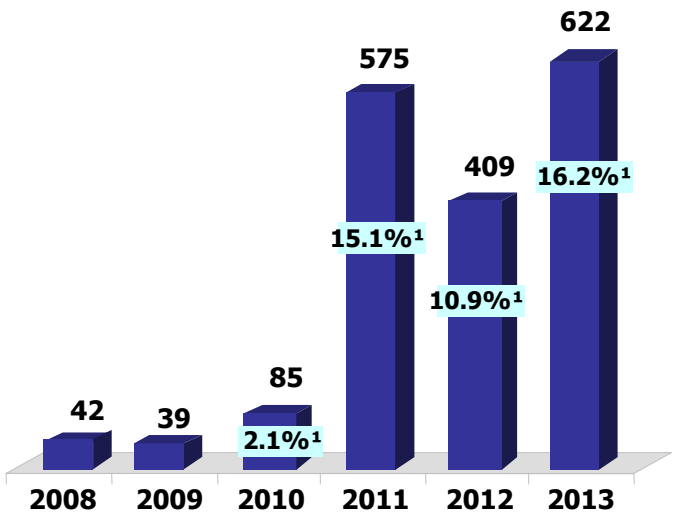
- Supply constraint; industry concentration; absence of competition; supply instability; cyclic crises, etc.
- Gas-electricity integration is non-complementary: when water is abundant (low spot price ➔ gas availability) x when water is scarce (high spot price ➔ lack of gas)
- Currently there is an structural gas deficit of 28% for the existing demand
- Thermal plants stand for some 50% of the gas demand, but it swings according to hydrology (monthly and yearly)
- The crisis may lessen the intensity of shortage, but definitely there will be no excess. Bolivian and Argentine capex in gas fields may not resume
- International consumption of LNG may reduce ➔ supply on the rise and falling prices

Tractebel Energia – Sales Status

- Tractebel Energia is almost fully contracted in the coming years.

Tractebel Energia's Uncontracted Energy

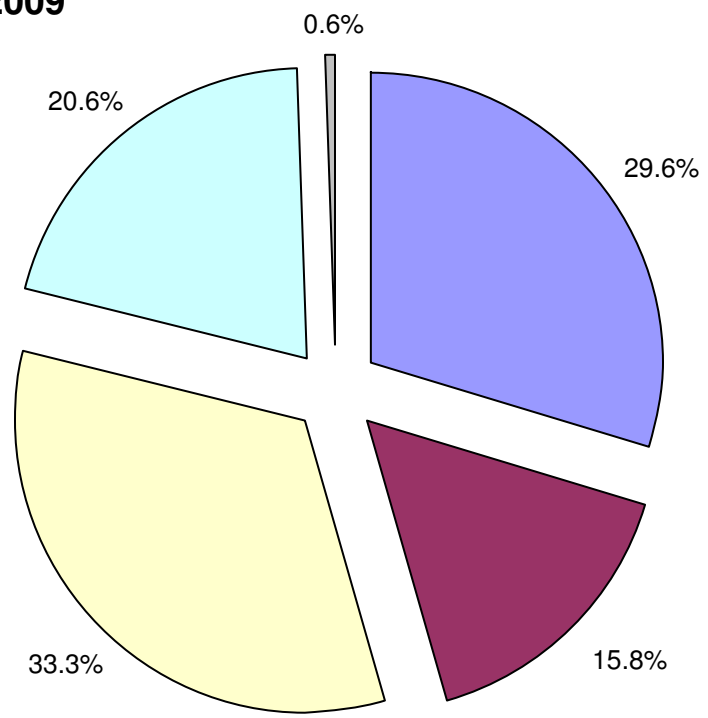
(average MW)



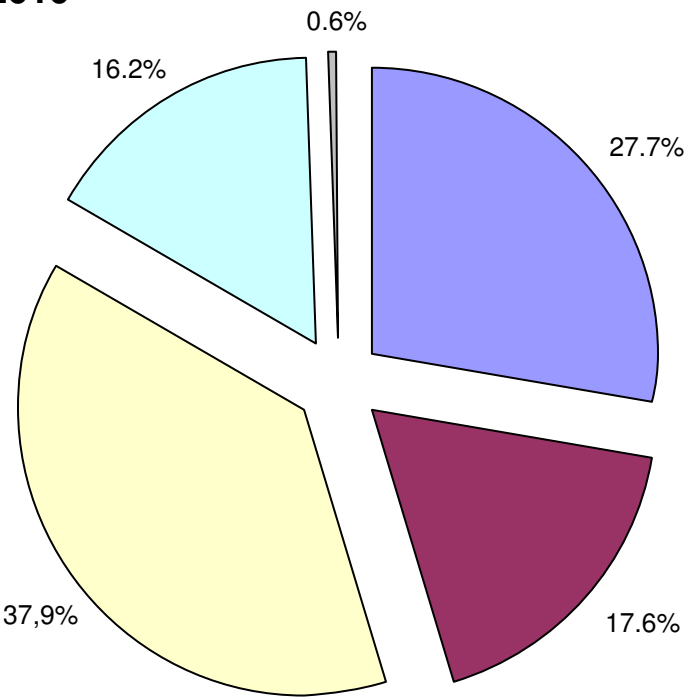
Nota:
¹ Percentage of Total Resources.

Tractebel Energia – Sales Breakdown

2009



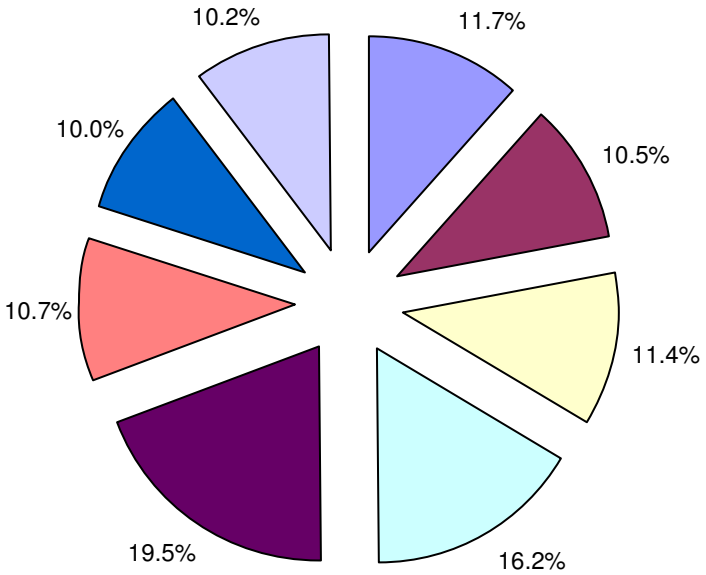
2010



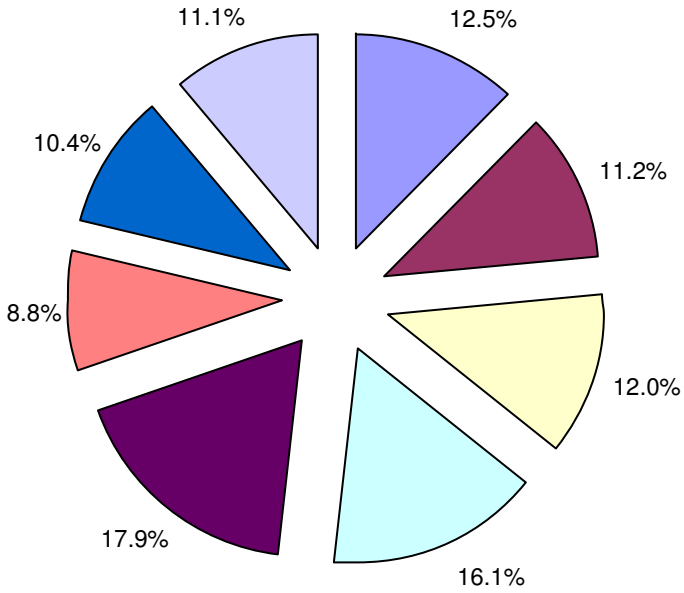
Free Consumers
Distributors - Private
Others
Distributors - State Owned
Traders

Tractebel Energia – Free Customer Industry Breakdown

2009



2010



Fertilizers
Industrial Gases
Pulp and Paper
Automakers
Mining and Steel
Petrochemical
Consumer Goods
Other

Tractebel Energia – Free Customer Contracting Policy

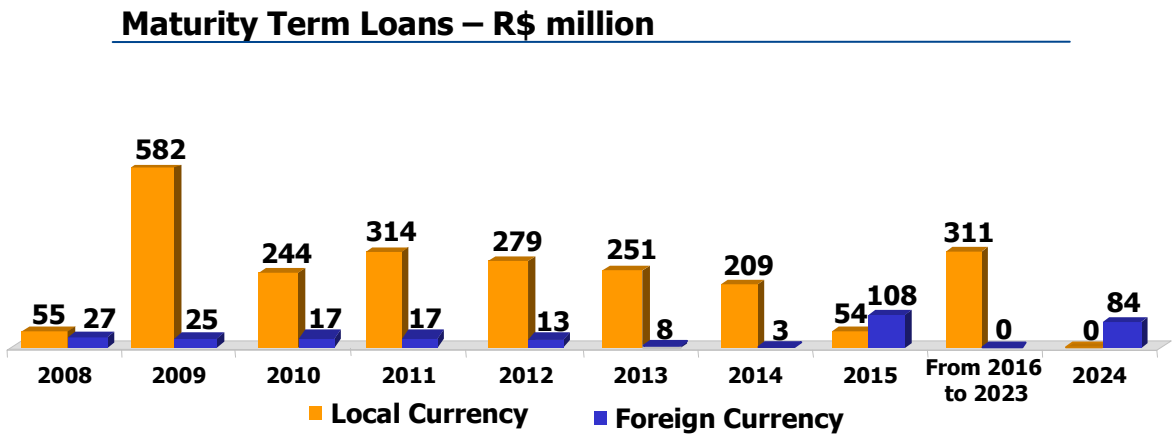
- Tractebel Energia has adopted a non-concentration sale strategy in industries which power-related costs account for a high percentage of total expenses
- The Company has been expanding in the fertilizer, industrial gases, steel, automaker and capital goods sectors
- The largest portion of the sale contracts is pegged to the actual power consumed, being in force variable take-or-pay clauses of around 80%

Tractebel Energia – Impacts from Consumption Slowdown

- Energy consumption slowdown may reduce contracting level for the short term, thus allowing the uncontracted energy for Tractebel Energia to increase in the coming years. We may experience a fall in the consumption of free customers, who currently are paying some R$ 100/MWh.
- The non-recontracted balance will be settled at spot price (PLD). If PLD stands at R$ 100/MWh plus, the impact for the Company is a beneficial one. If it stands lower, then the impact will be a negative one. For each 5% reduction in consumption and R$ 10/MWh spread between the PLD and the contract price, Tractebel Energia will improve or erode R$ 4.8 million at EBITDA level in 2009.
- However, extra short-term uncontracted energy will allow the Company to tailor long-term products starting delivery sooner

TBLE – Indebtedness and Cash Situation

- Debt Profile



- Negotiation for rollover or repayment of R$ 400 MM commercial paper due in 2009 is undergoing.
- Estreito and Econergy may be acquired with Tractebel Energia's own capital.
- Foreign currency debt is not meaningful and impact of exchange rate is minor.

TBLE - Opportunities

1. Opportunities for acquisition of financially-distressed companies
2. Extra energy balance allows the tailoring of long-term products
3. Increase of availability of goods and services may lead to cost-saving opportunities
4. Gas-consumption slowdown may resume supply to Arjona

The End