

Estreito Hydro Power Plant – Transfer to Tractebel Energia

Conference Call – December 22, 2009

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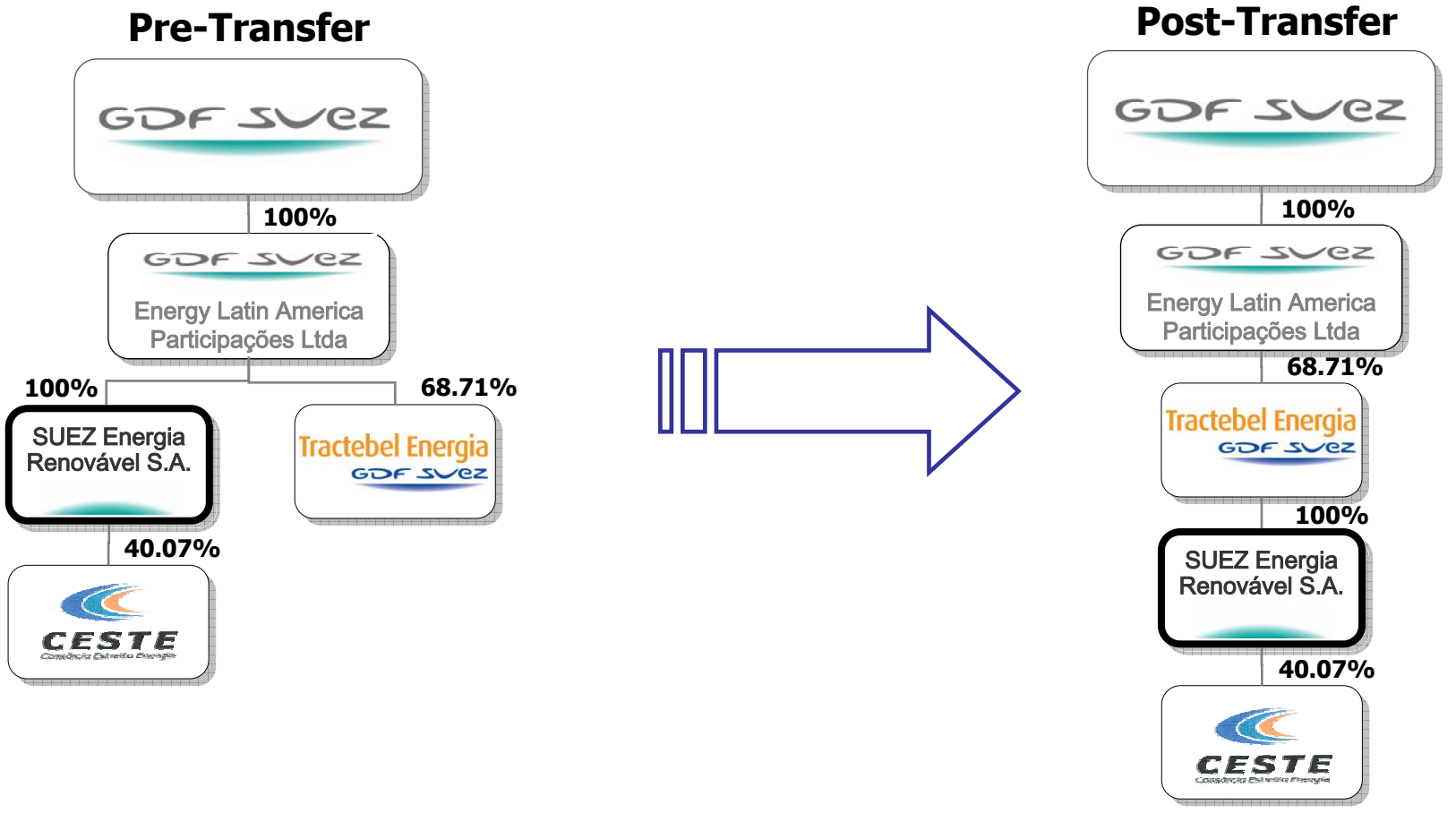
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Shareholding Structure

Tractebel Energia acquires SUEZ Energia Renovável S.A.

SUEZ Energia Renovável S.A. ("SER") is a special purpose company wholly owned by Tractebel Energia's controlling shareholder GDF SUEZ Latin America ("GSELA") and holds a 40.07% stake on Estreito HPP through CESTE (Consórcio Estreito), being the consortium leader.



The remaining partners in CESTE are Vale (30%), Alcoa (25.49%) and Camargo Corrêa (4.44%).

Note: Simplified version of Tractebel Energia and GDF Suez shareholding structures

Estreito Hydro Power Plant

Estreito Hydro Power Plant

GSELA's share in Estreito will add 435 MW (i.e., 40.07% of 1,087 MW) to Tractebel Energia's installed capacity. Tocantins River bypass has been executed and COD is scheduled for February 2011.

Project Description





Estreito Hydro Plant	
Installed Capacity:	1,087 MW
Assured Energy:	641 MW
Group ownership:	40.07%
Start of construction:	2007
Start of operations (COD)[1]:	2011
End of construction[1]:	2012

Notes:
[1] Tractebel Energia's estimates.

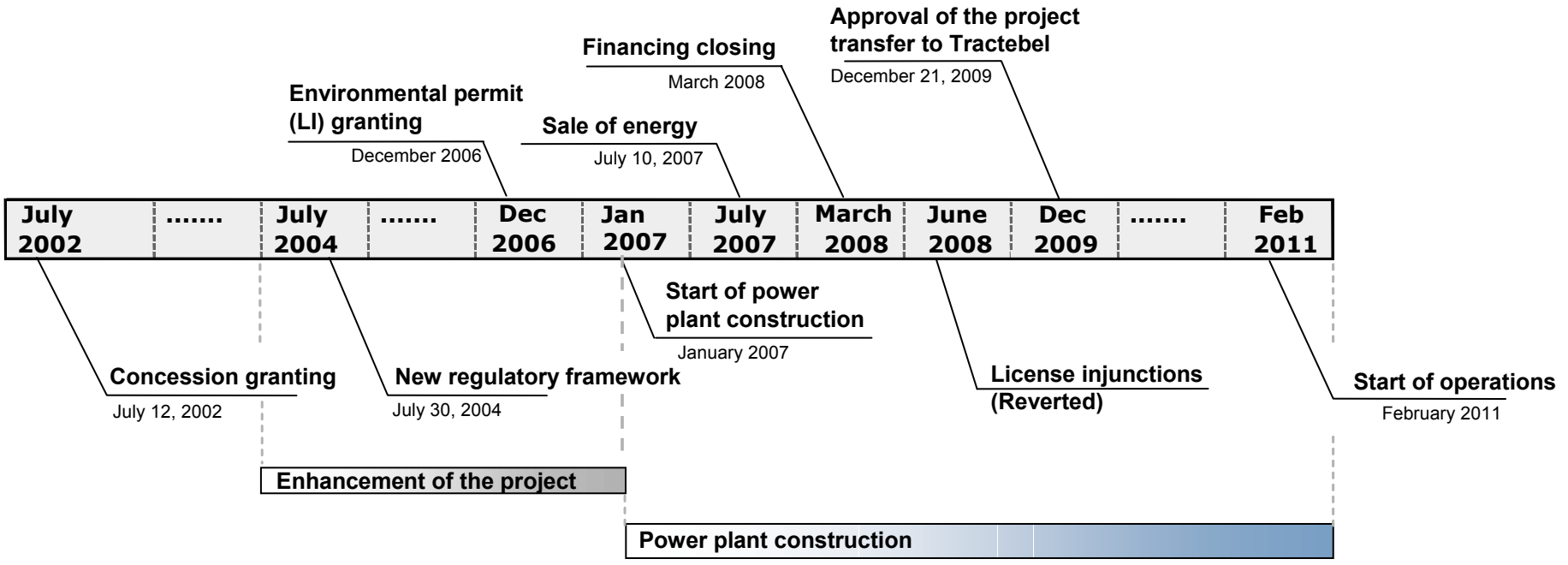
- The full commercial capacity belonging to GSELA in Estreito (256 average MW) was sold at the new energy auction held in October 2007, for a 30-year period, as from January 2012 at R$ 139.90/MWh - gross price adjusted as of September 30, 2009.
- The concession contract, which initial concession period is 35 years, was signed in December 2002, therefore valid until December 2037. The contract allows for renewal for additional 20 years, thus ending in December 2057.

Project Timeline and Value added by GSELA

Estreito HPP Timeline

The concession was obtained in 2002, through an auction organized by ANEEL.

Project Schedule



The sale of the energy was only secured 5 years after the granting of concession, under a new regulatory framework.

Value added by GSELA

GSELA created value and mitigated several risks during the development of the Estreito HPP project

- Regulatory risks – a significant change in the regulatory framework took place since the Estreito concession was granted, from the highest UBP to the lowest tariff. A change in law was required to allow the sale of Estreito's energy in "new energy" auctions.
- Additional assured energy from Serra Quebrada – actions towards regulatory bodies to obtain additional 50.67 average MW until the COD of Serra Quebrada, the HPP immediately downstream.
- Modification on the connection point – GSELA has been able to obtain the authorization to change the connection point from Colinas to Imperatriz, reducing the investment by 100 km of 500 kV transmission lines.
- Construction and schedule risk – GSELA has borne the construction and schedule risks by contracting the construction of a non-EPC system and assuring a reasonable cost at a seller's market.
- Improved financing conditions – GSELA has obtained better financing conditions than those of previous projects (longer tenor, lower spread, lower DSCR etc).
- Installation license – for the first time ever a project had its installation license cancelled by a legal injunction. GSELA was able to revert the decision, limiting the construction delay by means of changing order of the construction and erection activities in coordination with suppliers and civil contractors.

Santander Independent Valuation, Strategic Rationale for the Acquisition and Transfer Price

Santander Independent Valuation

Tractebel Energia has hired Banco Santander to prepare an independent valuation report of the project ("*laudo de avaliação*").

- Such valuation report will be available to its shareholders at Tractebel Energia's headquarters upon summoning of the Extraordinary Shareholders Meeting to confirm the transaction.

- The unanimous approval of the acquisition proposal took place on December 21, 2009, after the submission of the offer to Tractebel Energia's Board.

- The price for the acquisition was defined based on free cash flow valuation taking assumptions given by Tractebel Energia and market data gathered by Banco Santander.

Strategic Rationale for the Acquisition

This acquisition will add significant value to Tractebel Energia due to the following:

1. Most of the risks involved in a greenfield project has been minimized or completely mitigated:
   a) Construction is in its final phase (river deviated; geology well known; quantities more precisely defined; capex estimate more accurate; clearer schedule).
   b) Commercial risk has been mitigated since the whole block of energy belonging to SUEZ Energia Renovável has been sold to a pool of distribution companies.
   c) Financing secured and regularly disbursed.
2. Project time to generate EBITDA is close.
3. O&M has been assured to Tractebel Energia.
4. Return on investment, measured by the IRR, was calculated by Banco Santander to be between 12% and 13%, besides potential upsides such as:
   a) revenues from secondary energy;
   b) further delays on Serra Quebrada's COD;
   c) capex reduction from the current estimation;
   d) efficient use of SUDAM´s benefits, among others.

Transfer Price

Tractebel Energia will pay R$ 604 million for SUEZ Energia Renovável S.A.

- The acquisition price will allow for Tractebel Energia an IRR between 12% and 13% in nominal Reais.

- The premium included in the price is R$ 280 million, representing 15.5% of the revised capex of R$ 1,810 million (for the 40.07% stake). Considering the equity injections adjusted by CDI as from their injection dates, the premium equals to R$ 224 million, representing 12.4% of capex.

- Payment will be made in two installments:

  • first installment, of R$ 302 million, up to 30 days after the Board of Directors meeting that approved the transaction (December 21, 2009); and

  • second installment of R$ 302 million, plus any equity injection made by GSELA after December 21, 2009, being due at the closing of the transaction, closing to occur (a) up to July 31, 2010, provided that the required approvals for the transfer are obtained (i.e. ANEEL, BNDES and remaining lenders' approval for the transaction) or, (b) if such approvals are not obtained until such date, 10 working days after all approvals are duly obtained.

- Payments will be escalated by IPCA+6% p.a.