Suez Energia Renovável S.A.

Translation of the Valuation Report prepared exclusively for Tractebel Energia S.A

December 21, 2009

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O Valor das idéias



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Disclaimers

Banco Santander (Brasil) S.A. (“Santander") was engaged by Tractebel Energia S.A. (“Tractebel”) to prepare an economic and financial appraisal report (“Valuation Report”), in accordance with §1st and §6st of article n. 8 of Law n. 6.404/76, as amended (“LSA”), on Suez Energia Renovável S.A., current name of Renova Energia Renovável S.A. (“Renova” or “Company”), a corporate entity that holds a 40.07% shareholding in Consórcio Estreito Energia (“CESTE” or “Consortium”), established with the purpose of the construction and operation of the hydroelectric power plant Usina Hidrelétrica Estreito, and, consequently, of Renova’s stake in Estreito’s concession, within the context of the acquisition by Tractebel of 100% share capital of Renova (the “Transaction”), which, according to §1st of article 256 and other applicable dispositions of LSA, will be submitted to ratification by the General Shareholders Assembly (the “Assembly”).

This Valuation Report is an intellectual property of Santander, and was prepared by Santander upon Tractebel’s request, for the sole purpose of evaluating the Transaction, and will be submitted to ratification by the Assembly. This Valuation Report shall not be released to third parties or used as reference to third parties or distributed, reproduced or used for any other purpose without the prior written consent of Santander, except for the use by Tractebel’s management and the release for consultation by Tractebel, both cases being exclusively related to the process of ratification of the Transaction by the Assembly, in accordance with article 256 and other applicable dispositions of LSA.

This Valuation Report was originally prepared in Portuguese, and the version in Portuguese shall always prevail.

Santander did not and will not make any explicit or implicit recommendation, and will not express any opinion, express or implied, with respect to the Transaction, including, but not limited, with respect to the opportunity or strategic decision of Tractebel and its realization, which will be decided by Tractebel’s Board of Directors and submitted to approval by the Assembly. In addition, Santander did not and will not make any explicit or implicit recommendation with respect to the structure of the Transaction, the value paid or to be paid by Tractebel regarding the Transaction, other contractual terms of the Transaction, and any other aspects related to the Transaction or to the manner in which Tractebel’s shareholders shall vote in the Assembly, considering that Santander did not participate in the negotiation or structuring of the Transaction.

According to orientation given to Santander by Tractebel, the base date for the Valuation Report is September 30, 2009.

The methodology adopted by Santander for the elaboration of the Valuation Report was the Discounted Cash Flow methodology, considering (i) Renova’s business plan (Book of Assumptions), which Tractebel prepared and provided to Santander; (ii) macroeconomic projections prepared by Santander’s economic research department; (iii) financial information available on Bloomberg and Ibbotson; and (iv) Renova’s non-audited financial statements for the period of nine months ended on September 30, 2009.

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Renova was evaluated as an independent operation "standalone", therefore, Valuation Report's results do not include operational, fiscal or any other kind of gains or losses, nor contemplate potential synergies which may result from the Transaction or costs related to the Transaction, or which may eventually by generated upon completion of the Transaction.

The preparation of economic and financial valuations is a complex process that involves subjective judgments and is not susceptible to a partial analysis or brief description. Santander did not attribute specific importance to certain factors considered in this Valuation Report, but, on the contrary, undertook a qualitative analysis of the importance and relevance of all factors considered herein. As such, this Valuation Report must be analyzed as a whole, and the analysis of selected parts, summaries or specific aspects of this Valuation Report without knowledge and analysis of the Valuation Report in its entirety may result in an incomplete or incorrect understanding of the analysis undertaken by Santander and of the conclusions contained in this Valuation Report.

To prepare this Valuation Report, Santander used information furnished exclusively by Tractebel, available until November 30, 2009, including the Book of Assumptions prepared by Tractebel describing assumptions for implementation and operation of the Estreito power plant, received on October 29, 2009. To elaborate the Valuation Report, Santander used (i) assumptions and estimates prepared and approved by Tractebel's management; (ii) Renova's non-audited financial statements for the period of nine months ended on September 30, 2009; (iii) the Company's cash and equivalents accounts, financial investments and loans of Renova as of September 30, 2009, according to its financial statements, to calculate Renova's equity value, without any independent verification ("Net Debt") (altogether, "Information").

Information on the macroeconomic scenario, regulations and Renova's market mentioned in this Valuation Report, when not contained in the Book of Assumptions, or when not furnished by Tractebel, were taken from, among others, recognized, reliable public sources (sector associations, government organizations and specialized publications). In addition, Santander used information from public sources such as the Brazilian Central Bank (Banco Central do Brasil), Comissão de Valores Mobiliários – CVM, Bloomberg and Ibbotson. Although information made publicly available was obtained from recognized and reliable sources, Santander did not submit such information to and independent verification process, therefore it is not possible to assure its authenticity, exactitude, accuracy, completeness or totality.

As informed by Tractebel's management, (i) we assumed that the Information provided by Tractebel reflects the best estimates of Tractebel's management at the time they were furnished, and (ii) the estimates provided to Santander or discussed with Tractebel's management team, specifically those whose ocurrence depends upon future and uncertain events (including estimates of expenses and investments) were based on the best judgment of Tractebel's management.

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Estimates and projections contained in this Valuation Report are intrinsically subject to uncertainties and many events or factors which are beyond the control of the Consortium, Renova and Tractebel, as well as Santander, especially those whose occurrence depends upon future or uncertain events. It is not possible to assure that the estimates and projections used in this Valuation Report will be effectively achieved. Actual future results may significantly diverge from those suggested in this Valuation Report. As such, Santander does not assume any responsibility or obligation for indemnification concerning the aforementioned estimates and projections, and does not make any representation or warranty related to those estimates and projections. Santander does not assume any responsibility concerning the way the estimates and projections were elaborated.

Santander assumed that all the Information are true and complete, without any independent verification and, therefore, does not assume any responsibility for the exactness, veracity, integrity, consistency, sufficiency or precision of the Information, including, but not limited to, the assumptions, estimates and other information discussed with Tracebel's management. Santander did not: (i) conduct any valuation of the assets and liabilities (contingent or not) of the Consortium and/or of Renova; (ii) run any revision or audit the financial statements regarding Consortium and/or Renova, and Net Debt; (iii) run any technical audit of the operations of the Consortium and/or Renova; (iv) evaluate the solvency of the Consortium and/or Renova, in accordance with any municipal, state or federal legislation regarding bankruptcy, solvency or similar issues; or (v) run any inspection of the properties, installations or assets of the Consortium and/or Renova.

Santander assumes that all Information furnished by Tractebel or discussed with Tractebel's management are exact, true, complete, consistent and precise. Santander received a written notification from Tractebel stating that all Information furnished to Santander or in any way made available to or discussed with Santander are correct, all the assumptions provided to Santander or in any way made available to or discussed with Santander are correct and were prepared in a reasonable manner and reflect the best estimates and evaluations when made available, and that since the date they were provided, with the exception of the circumstances described in the next item, there was no material change in the business, financial situation, assets, liabilities, business perspectives, commercial transactions or in the number of shares or options of the Consortium and/or Renova, as well as in any other significant fact that could alter the Information provided to Santander or in any way made available to or discussed with Santander, or cause them to be incorrect or inaccurate in any material aspects or that could cause a material effect in the conclusions presented in this Valuation Report.

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According to information provided by Tractebel, after the base date of this Valuation Report, BNDES and other financial institutions, acting as intermediary agents, did not disburse resources regarding the financing contracts related to the long-term loan contracted by the Company with the aforementioned institutions in March 11, 2008. In addition, according to information provided by Tractebel, after the base date of this Valuation Report the Company's share capital will be raised in R$ 60,459,646.13 (sixty million, four hundred and fifty-nine thousand, six hundred and forty-six reais and thirteen cents) by GDF Suez Energy Latin América Participações Ltda.. However, such changes did not produce a material impact in the conclusions presented in this Valuation Report, including in what concerns the financing conditions and investments plans, considering that those changes were expected in the Information.

Santander does not, and will not make, expressly or implicitly, any representation or warranty regarding the information used for the preparation of this Valuation Report (including assumptions and estimates provided and discussed with Tractebel's management and used for the preparation of this Valuation Report), nor does it assume any responsibility or obligation for indemnification related to the exactness, veracity, integrity, consistency, sufficiency and precision of such Information, which are unique and exclusively responsibility of Tractebel. Santander does not take responsibility for any direct or indirect losses, or loss of profits, that may result from the use of this Valuation Report, except in the cases described in art. 8, §6º of LSA and/or in cases of proven negligence or misconduct by Santander (according to a final judicial decision).

This Valuation Report does not represent a judgment, opinion or recommendation to Tractebel's management, its shareholders or to any third parties concerning the convenience and opportunity, or regarding the strategic decision of Tractebel to complete the Transaction, matters that are under the exclusive competence of Tractebel's management and Assembly. This Valuation Report does not constitute any recommendation to Tractebel's shareholders concerning how they shall vote regarding the Transaction, nor it aims to provide a basis to any decision for investment or vote.

Santander is not obligated, at any time, to update, revise, correct or reaffirm any information contained in this Valuation Report nor to provide any additional information related to this Valuation Report, except regarding clarifications that may be made necessary to Tractebel's Board of Directors and/or Tractebel's shareholdera upon the Assembly.

Other valuations of companies and sectors prepared by Santander may treat market assumptions in a different way than was framed in this Valuation Report, as such the research departments and other departments of Santander and its affiliated companies may use other analyses, reports and publications, estimates, projections and different methodologies than those used in this Valuation Report, with such analyses, reports and publications containing different conclusions from those set out in this Valuation Report.

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Santander has provided, directly or through its affiliated companies, certain financial and investment banking services to Tractebel, its controlling shareholders, controlled companies, affiliates, and to the Consortium, for which Santander received remuneration, continues to provide such services and may, at any time, provide such services again. Santander, directly or through its affiliated companies, is and may become a creditor of Tractebel, its subsidiaries, direct or indirect controlled companies and of the Consortium, in certain financial operations, as well as increase or decrease the volume of its financial transactions with such companies.

In the normal course of its activities, Santander may, directly or through its affiliated companies, trade in securities of Tractebel, its controlling shareholders, controlled companies and affiliates, on its own behalf or on behalf of its clients and, consequently, may, at any time, retain buying or selling positions with respect to such securities.

Santander will be remunerated by Tractebel for the services related to the elaboration of this Valuation Report, independently of the conclusion of the Transaction or of the Assembly result. Tractebel has agreed to exempt Santander and its affiliates from any losses, harm, obligations, costs or expenses (including legal fees) effectively incurred by Tractebel or by any third parties, and resulting directly or indirectly from the hiring of the services regarding the elaboration of the Valuation Report and/or the Transaction (as determined by a final judicial decision), except in the cases described in article 8, §6th of LSA and/or in cases of proven negligence or misconduct by Santander and/or its affiliates (as determined by a final judicial decision).

Tractebel has also agreed to provide indemnity to Santander and its affiliates related to any losses, harm, obligations, costs or expenses (including legal fees) which have effectively occurred, including those related to complains and/or legal actions made by third parties, regarding, directly or indirectly, to the rendering of the services related to the elaboration of this Valuation Report and or the Operation (as determined by a definitive legal decision), except in the cases described in article 8, §6th of LSA and/or in the cases of proven negligence or misconduct by Santander and/or its affiliates (as determined by a definitive legal decision).

Santander and/or its affiliates shall be responsible for the conclusions contained in this Valuation Report and for related indemnities only in cases of proven negligence or misconduct of Santander (as determined by a final judicial decision), upon prove of the exactness, veracity, integrity, consistency, sufficiency and precision of the relevant Information used.

Tractebel also agreed to reimburse Santander with its legal and accounting advisors' fees, within the context of the elaboration of this Valuation Report, such as lawyers and accountants, in case the hiring of such advisors was previously approved by Tractebel.

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Santander represents that it has no conflict of interest with Tractebel, the Consortium, Renova, their respective shareholders and managers, which could impair the necessary independency to perform its functions in connection with the preparation of this Valuation Report.

Santander declares that Tractebel, its controlling shareholders and its management did not direct, interfere, limit, render, difficult nor undertake any action that compromised the access to, utilization or attainment of the information, goods, documents or working methodologies relevant to the quality of the conclusions presented herein, nor did they either determine or restrict the capacity of Santander to determine its methodology used to reach the conclusions presented in this Valuation Report or restrict the capacity of Santander to determine the conclusions presented in this Valuation Report.

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Executive Summary

- Suez Energia Renovável S.A. (“Renova”) currently holds a 40,07% stake in Consórcio Estreito Energia (“CESTE”, “Consortium” and/or “Estreito”), which is responsible for the implementation and operation of the hydroelectric power plant Estreito (“Project”), with installed capacity of 1,087 MW
- Santander was engaged by Tractebel to elaborate, in accordance with LSA, this Valuation Report on Renova, a shareholder of CESTE and, consequently, of the concession of Estreito, within the context of the acquisition of Renova
- Santander elaborated an independent valuation of Renova, based on operating and commercial assumptions prepared by Tractebel and public information
- For the valuation we used the Discounted Cash Flow (“DCF”) methodology, which we believe is the most appropriate for the valuation of this type of project. According to this methodology, the future cash flows of Renova must be discounted by a discount rate that reflects the risks related to the Project (Weighted Average Cost of Capital – WAAC)
- The valuation’s base date is September 30, 2009, with projected cash flows until December 31, 2057, not assuming a terminal value for the assets on this date, only existing cash balance, liquidation of working capital and non-depreciated balance of fixed assets.
- The estimated cash flows (converted into US$ in nominal terms) were discounted by an estimated WACC of 7.6% (post-tax)
- The value range for 100% of Renova’s shares is estimated between R$ 554 and R$ 1,187 million, with a mid-point value of R$ 834 million

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Overview of Consórcio Estreito Energia

Project Overview

- Renova (with 40,07%), Vale, Alcoa and Camargo Corrêa, all shareholders of Estreito Energia Consortium (CESTE), detain a concession for 35 years (approved in November, 2002) to implement and explore a hydroelectric power plant with installed capacity of 1,087 MW and 641,08[1] MW of assured energy in the border of the states of Maranhão and Tocantins
- The Consortium has already obtained the installation license from IBAMA
- The hydroelectric power plant will start its operations on February 1st, 2011
- Renova signed a 30-year PPA in October, 2007 with 32 distribution companies, for the delivery of energy, starting in 2012 (totalizing 256 average MW)
- The project is located in a region known as "*Amazônia Legal*", therefore receiving fiscal incentives - a reduction of 75% of income tax for the first 10 years of operation, guaranteed by ADA (*Agência de Desenvolvimento da Amazônia* – Amazon Development Agency)

Investments
R$ MM (nominal terms)

	Actual				Projected			
	2006	2007	2008	9M09	4Q09	2010	2011	2012
Main Civil Works	5	168	587	573	189	432	55	5
Reservoir	2	2	18	24	16	41	20	-
Equipments	0	20	226	389	137	622	83	8
Interconnection	-	0	4	95	41	54	-	-
Environmental	-	3	11	37	22	53	6	95
Development	54	14	28	26	7	26	11	-
Social Costs	-	8	119	108	67	112	13	-
Total Capex	**61**	**216**	**993**	**1,254**	**479**	**1,340**	**187**	**108**

Geographic Location



[1] Includes 50,67 MW of assured energy related to the delay of the Serra Quebrada power plant

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Discounted Free Cash Flow (DCF) Methodology

- The Valuation of Renova was based on Discounted Cash Flow ("DCF") methodology
- The DCF methodology measures the value of a business as the net present value of its future cash flows discounted by their respective WACC. We have discounted the Consortium's Free Cash Flow ("FCF") to determine its total economic value (Enterprise Value). FCF is defined as follows:

Earnings before interest and taxes (EBIT)
+ Depreciation and Amortization
= EBITDA[1]
- Corporate Taxes[2]
- Capital Expenditures ("Capex")
+/- Changes in working capital
= Free Cash Flow

- The DCF methodology provides information on the valuation of the business through time. The projections can be divided into two different stages
  - **Stage 1:** explicit forecast period, the value of the business is determined by the explicit forecast period in which the model is driven by the profit and loss, cash flow and balance sheet projections. This stage covers the projection period in which the company presents higher volatility or FCF growth
  - **Stage 2:** the value of the "remaining" or "existing" business ("Terminal Value") after the explicit forecast period, which is a proxy of the value of the cash flows that would be generated after the forecast period. This stage reflects the Consortium reaching a more stable cash flow generation profile. However, in the case of concessions, the use of a terminal value is not applicable, as, when the period of concession and its 20-year renewal ends, it cannot be renewed again. Generally, it is considered only existing cash values, the liquidation of working capital and its refund for the non-depreciated balance of fixed assets

[1] Earnings Before Interest, Taxes, Depreciation and Amortization
[2] After financial expenses and other non-operational items, such as tax loss carry forward

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Discounted Free Cash Flow Methodology (cont.)

Base Date	▪ September 30th, 2009
Forecasted Period	▪ Forecasts for the Consortium in the period from October 1st, 2009 to December 31st, 2057, assuming concession renewal for 20 years
Cash Flow Considerations	▪ All values shown consider 100% of the CESTE Consortium
Currency	▪ Pro-forma Financial Statements forecasted in R$ nominal terms and converted into US$ nominal terms by the exchange rate projected by Santander
WACC	▪ Weighted Average Cost of Capital based on the Capital Asset Pricing Model – CAPM, in US$ nominal terms
Residual Value	▪ Considering the concession renewal in 2041 for 16 more years, until 2057. However, we considered that in 2057 there will be a cash withdrawal, liquidation of working capital and refund by the conceding power of the non-depreciated balance of fixed assets at present value
Corporate Tax	▪ Estreito is located in a region known as "Amazônia Legal", with fiscal incentives. Energy and infrastructure projects located in this region are subject to a 75.0% reduction in income tax rate for the first 10 years of operation. This incentive is guaranteed by "SUDAM" ("*Superintendência de Desenvolvimento da Amazônia"* - Amazon Region Development Agency) ▪ The income tax rate is reduced to 15.25% until 2020 (6.25% for income tax ("IR") and 9% for social contribution("CS") resettled at 34.0% (25.0% IR and 9,0% of CS) from 2021 onwards
Net Debt	+ Total Financial Debt – Cash and Equivalents = **Net Financial Debt**

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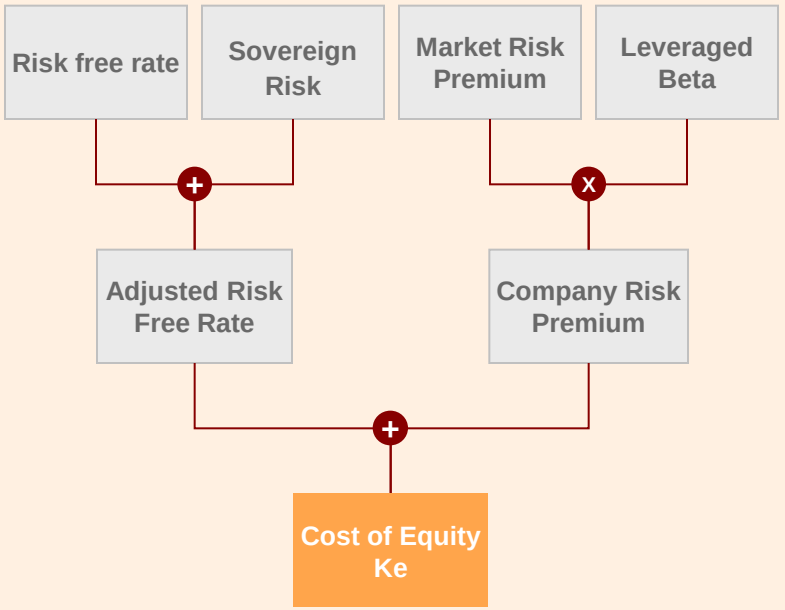


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Definition of Cost of Equity (*Ke*)

Methodology



Assumptions
US$ nominal terms

Risk free rate	▪ Yield of 10-year US Treasury Bonds (30-Nov-2009)	3.2%
Sovereign Risk	▪ EMBI+ Brazil (30-Nov-2009)	2.3%
Market Risk Premium	▪ Ibbotson Associates Research	5.6%
Unleveraged Beta	▪ Unleveraged Beta of comparable companies from the sector	0.41
Average corporate tax rate	▪ Average weighted corporate tax rate, for the forecast and considering the Consortium financing plan	22.9%
Debt / Equity	▪ Coefficient calculated as detailed in the next page	0.33
Leveraged Beta	▪ Leveraged Beta = Unleveraged Beta x {1 + [(D/E) x (1 – marginal tax rate)]}	0.52
Ke	▪ Ke = Risk Free Rate + Sovereign Risk + (Leveraged Beta x Market Risk Premium)	**8.4%**

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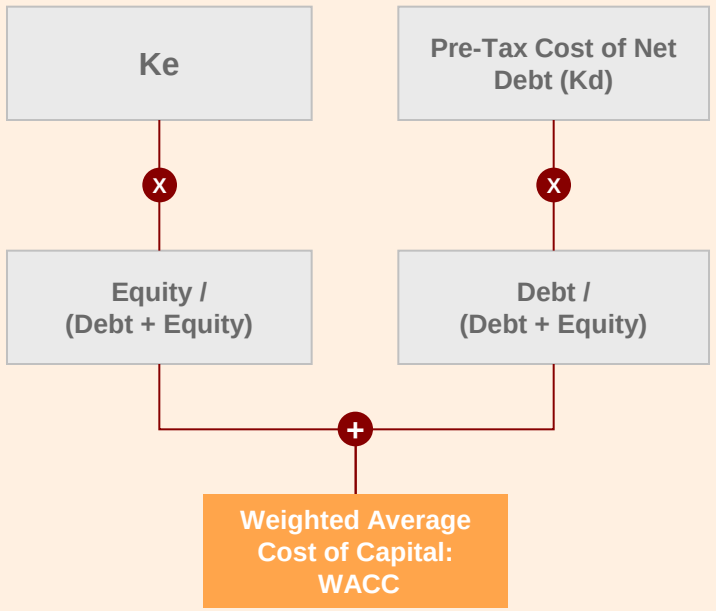


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Weighted Average Cost of Capital: (*WACC*)

Methodology



Assumptions
US$

Cost of Net Debt before taxes	▪ Average cost was projected according to the contracted financing conditions, converted to US$ in nominal terms according to projected exchange rates variations ▪ Considered that the interest expenses are deductible from income tax, the estimated average cost is liquid from marginal tax rate	5.1%
Capital Structure	▪ The capital structure used for the calculation of WACC considers the future performance of the Company, its investment, financing, and dividend distribution plans in the long term	75.0% Equity 25.0% Debt
Weighted Average Cost of Capital (WACC – US$ nominal terns)	▪ WACC = Ke x [Equity / (Debt + Equity)] + Post-Tax Kd x [Debt / (Debt + Equity)]	**7.6%**

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Beta Estimation

- Beta for Estreito was estimated according to the analysis of comparable companies, in line with historical data from the last 4 years
- For this analysis, the following listed Brazilian energy generation companies were considered:
  - Tractebel Energia
  - AES Tietê

Beta Analysis

	Ticker	Market Capitalization (R$ MM)	Net Debt (R$ MM)	Debt / Equity	Leveraged Beta	Unleveraged Beta
Tractebel	TBLE3	14,393	2,609	18%	0.50	0.45
AES Tietê	GETI4	7,444	449	6%	0.39	0.37
Average					**0.44**	**0.41**

Source: Bloomberg

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Macroeconomic Assumptions

Macroeconomic assumptions used in the valuation analysis were developed by Santander's Macroeconomic Research Department

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Inflation																									
IPCA	4.3%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
IGP-M	-0.3%	6.2%	4.7%	4.5%	4.5%	4.5%	4.5%	4.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Interest / Foreign Exchange Rate																									
CDI	9.9%	9.6%	11.7%	11.4%	10.0%	9.9%	9.7%	9.7%	9.7%	9.4%	9.4%	9.4%	9.4%	9.2%	9.2%	9.2%	9.2%	9.2%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%
TJLP	6.1%	5.8%	5.5%	6.0%	5.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Averagte FX Rate (R$/US$)	2.01	1.81	2.03	2.12	2.15	2.18	2.21	2.25	2.29	2.32	2.36	2.40	2.45	2.50	2.55	2.60	2.64	2.68	2.72	2.76	2.80	2.84	2.89	2.93	2.97
EoP FX Rate (R$/US$)	1.75	1.95	2.10	2.13	2.16	2.19	2.23	2.27	2.30	2.34	2.38	2.43	2.48	2.52	2.57	2.62	2.66	2.70	2.74	2.78	2.82	2.86	2.91	2.95	2.99

	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057
Inflation																								
IPCA	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
IGP-M	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Interest / Foreign Exchange Rate																								
CDI	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%
TJLP	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Averagte FX Rate (R$/US$)	3.01	3.06	3.10	3.15	3.20	3.24	3.29	3.34	3.39	3.44	3.49	3.54	3.59	3.64	3.70	3.75	3.81	3.86	3.92	3.98	4.04	4.10	4.16	4.22
EoP FX Rate (R$/US$)	3.04	3.08	3.13	3.17	3.22	3.27	3.31	3.36	3.41	3.46	3.51	3.57	3.62	3.67	3.72	3.78	3.84	3.89	3.95	4.01	4.07	4.13	4.19	4.25

Source: Santander Research

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Operating Assumptions

Energy Volume

Energy

- According to ANEEL's *Portaria* n. 26 from October 10th, 2007 and timetables provided by Tractebel, we assumed the following schedule for the implementation of commercialized energy and the start of commercial operation of the Project:

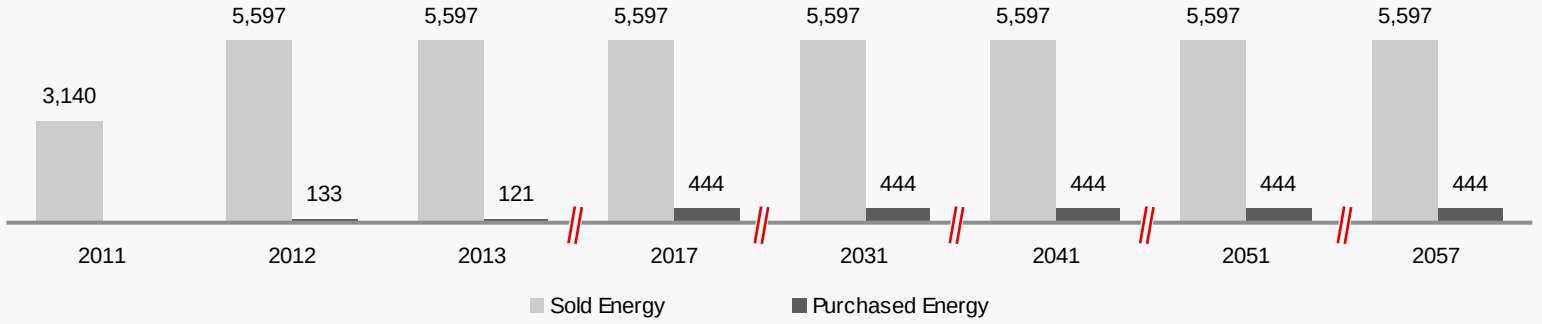
Turbine	Avg. MW	Start of Operation	Turbine	Avg. MW	Start of Operation
1	129.8	01-Feb-11	5	546.2	15-Sep-11
2	258.8	01-Apr-11	6	592.4	01-Nov-11
3	385.6	01-Jun-11	7	623.6	15-Dec-11
4	481.4	01-Aug-11	8	641.1	01-Feb-12

  - The additional assured energy of 50.67 average MW, referring to the delay in the implementation of the Serra Quebrada power plant, will be implemented proportionally to the turbines' assured energy, and will be extinguished with the start of the power plant's operations in the 2017

- Energy sold
  - Non-contracted energy: sold integrally in 2011 and between 2042 and 2057
  - PPA: Sale of 639 average MW, equivalent to 99.66% of the energy generated by Estreito, between the years of 2012 and 2041 [1]
- Energy purchase: Equivalent to the 2.5% of losses, excluding the 0.34% share not sold. From 2017 onwards, this amount is increased by an amount equivalent to Serra Quebrada-related energy, when the additional assured energy is expected to end

Generated Energy vs. Energy Purchase

GWh



[1] The signed PPA guarantees only the sale of 256 average MW, concerning the energy share held by Renova. However, for the asset valuation, it was considered the PPA for 99,66% of the assured energy

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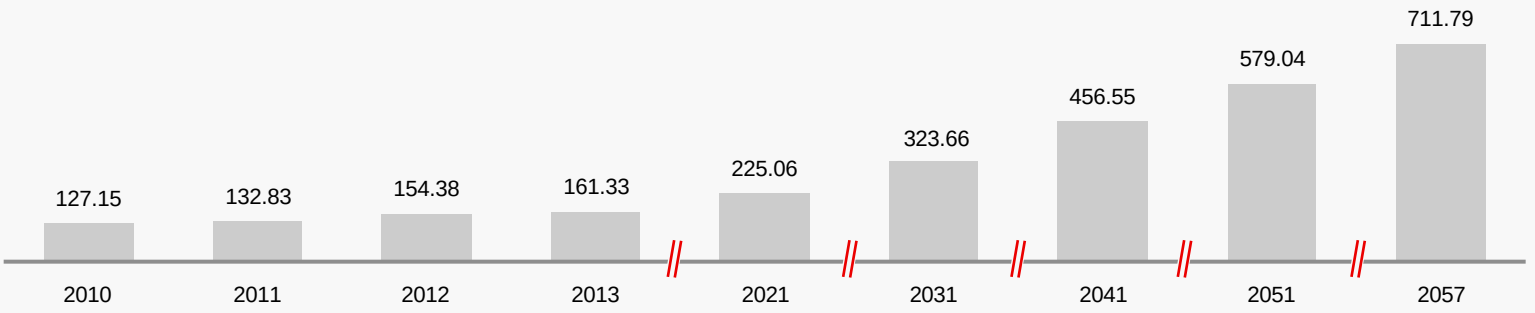
Operating Assumptions

Energy Prices

Energy Prices

- **Price of energy currently not contracted for 2011:** assuming the sale of total generated energy for the amount of R$ 125.79/MWh (base: September, 2009) indexed by IPCA
- **PPA price from 2012 to 2041:** R$ 139.90/MWh (base: September, 2009) according to PPA terms, including the additional energy related to Serra Quebrada, indexed by IPCA
- Price of energy currently not contracted from 2042 to 2057 (16-year extension of concession): R$ 125.00/MWh (basis: September, 2009)
- Energy purchases are made at the same price of sold energy - equivalent to 2.16% (2.5% losses per year minus 0.34% per year for the not contracted energy)
- Starting in 2017, due to the end of additional energy of Serra Quebrada, a proportional percentage to the assured energy reduction (50.67 average MW) will be contracted

Energy Price
R$ / MWh



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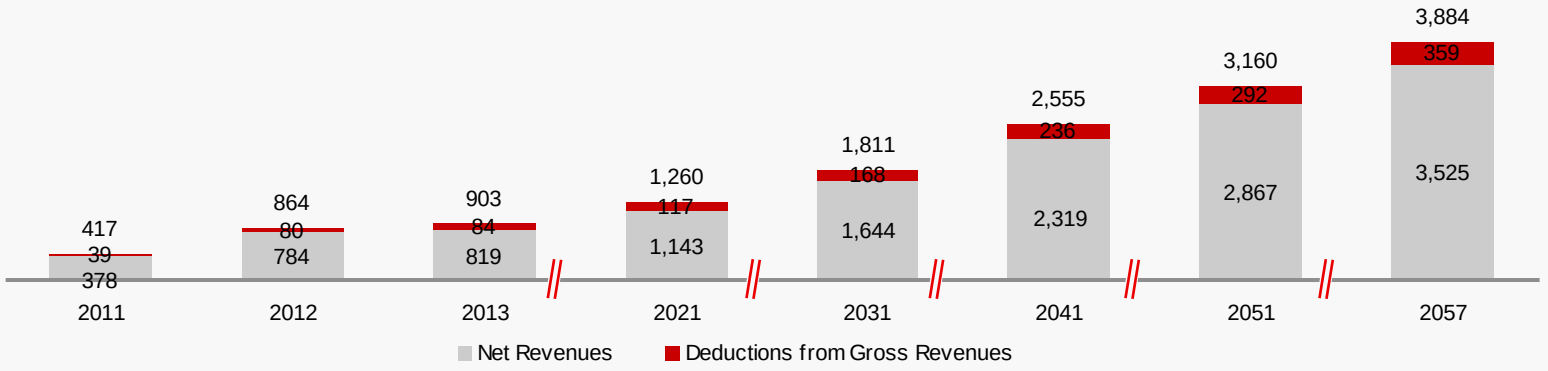
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Revenues and Deductions

Assumptions

- From energy volume and prices assumptions herein stated, we arrive at the gross revenue, which incurs in the following deductions:
  - **PIS:** 1.65% of gross revenue
  - **Cofins:** 7.60% of gross revenue
- Were considered PIS/Cofins credit compensations deriving from the "TUST" (Tariffs for the Use of the Distribution and Transmission Systems) payment, reflected in costs

Gross Revenues
R$ MM



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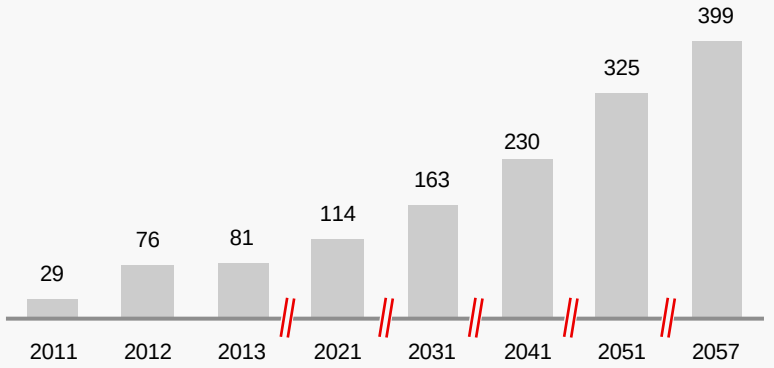
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Costs

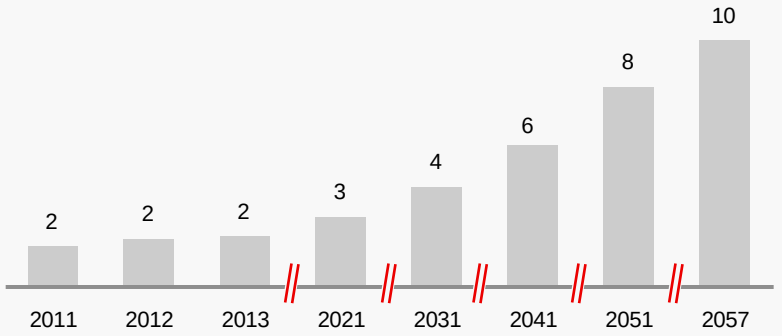
Transmission Costs
R$ MM

- According to Resolution 474 from June of 2007, the TUST follows the following evolution, indexed by IGP-M (base: September, 2009)
  - 01/01/2010 to 06/30/2010: R$ 5.098/ KW* per month
  - 07/01/2010 to 06/30/2011: R$ 5.118/ KW* per month
  - 07/01/2011 to 06/30/2012: R$ 5.138/ KW* per month
  - 07/01/2012 to 06/30/2013: R$ 5.159/ KW* per month
  - 07/01/2013 to 06/30/2014: R$ 5.179/ KW* per month
  - 07/01/2014 to 06/30/2015: R$ 5.771/ KW* per month
  - 07/01/2015 to 07/30/2019: R$ 5.210/ KW* per month



ANEEL – TFSEE Tariffs
R$ MM

- Related to technical auditing services made by the Brazilian regulatory agency (ANEEL): 0.5% of the installed capacity multiplied by a tariff of R$ 335,42 / installed KW for 2009, according to ANEEL's Expedition n. 4778/2008. This tariff is defined annually by ANEEL and indexed by IGP-M.



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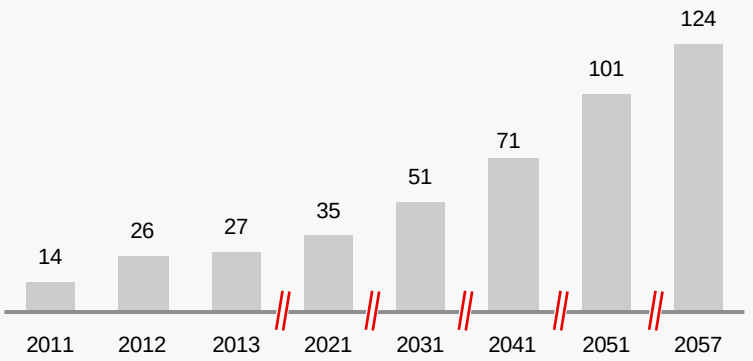
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Costs

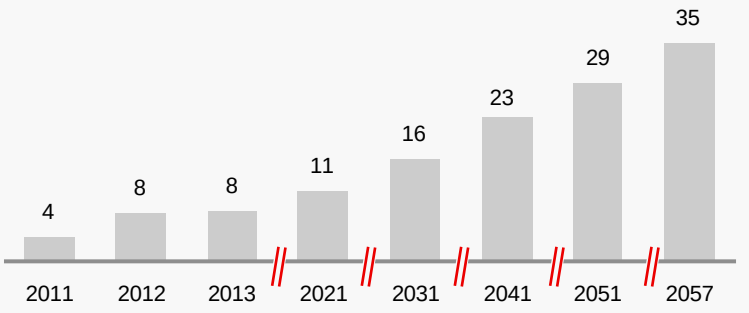
Royalties
R$ MM

- Technically known as financial compensation for the utilization of hydro resources (*CFURH*), is calculated over 6.75% of the total amount of generated energy, considering the reference tariff (*TAR*) of R$ 62.33/MWh, starting in January 1st, 2009, indexed by IGP-M



Research & Development
R$ MM

- According to Brazilian Law n. 9991 from June 24th, 2000, the generation concessions are obliged to apply annually the amount equivalent to 1% of its net revenue in research & development in the electric sector



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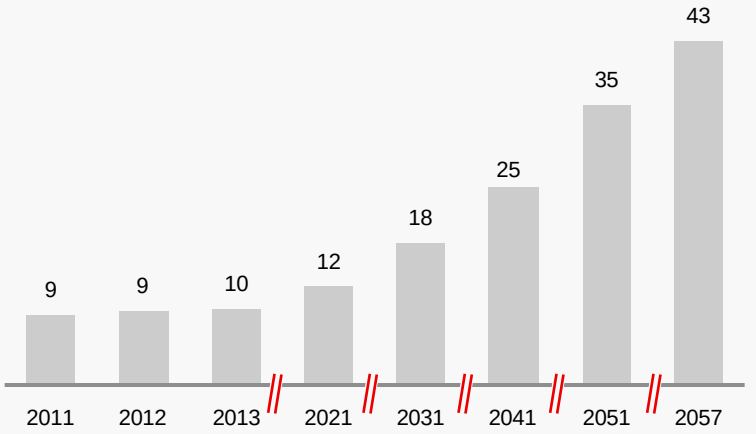
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Costs

Concession Cost (*UBP*)
R$ MM

- The payment for the ANEEL concession (signed in a public auction in 2001)
- Annual installments of R$ 4.169 million, indexed by IGP-M (base: June, 2002) until the signature date of the PPA (October, 2007). After this date, the index changed to IPCA
  - Values include the additional share of R$ 646 thousand, relative to the additional assured energy (50.67 MW) deriving from Serra Quebrada power plant.
- Start date: February, 2011. For this year, it was considered the payment of monthly UBP, from the beginning of the commercial operation of the first generating unit onwards
- We assumed the payment of UBP until the end of the concession renewal (December, 2057)



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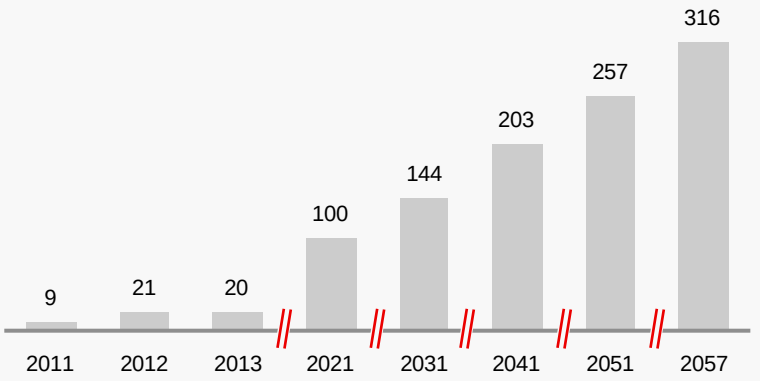
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Costs

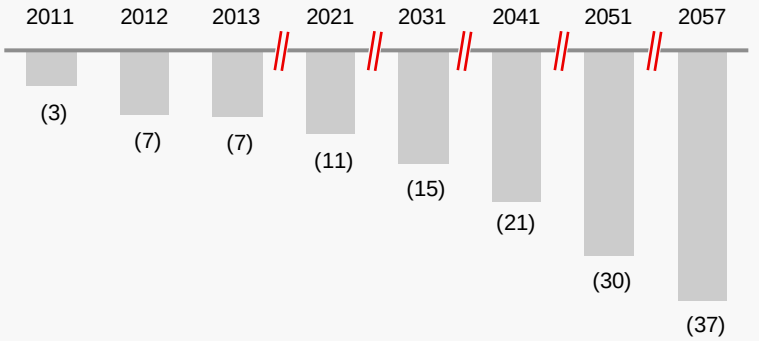
Energy Purchase
R$ MM

- Energy Purchase: equivalent to the 2.5% losses, excluding the non-sold share of the assured energy of 0.34% (adding up to 2.16%). Starting in 2017, this amount is increased by amount of energy related to Serra Quebrada, due to the end of the additional assured energy (50.67 average MW)
  - From 2041 to 2057, we assumed the commercialization of 97.5% of the assured energy, not having an additional purchase of energy, apart from the energy related to Serra Quebrada
- Purchases of energy are made at the same price of sold energy:
  - In 2011, at the price of R$ 125.79/MWh (base: September, 2009) indexed by IPCA
  - From 2012 to 2041 at the price of R$ 139.90/MWh (base: September 2009) according to PPA terms, including the additional energy of Serra Quebrada, indexed by IPCA



PIS/Cofins Credit (Related to Operating Expenses and Costs)
R$ MM

- Non-cumulative PIS/Cofins credits by the rate of 9.25% over the TUST
- PIS/Cofins credits were considered reducing the costs, therefore, are presented in negative values



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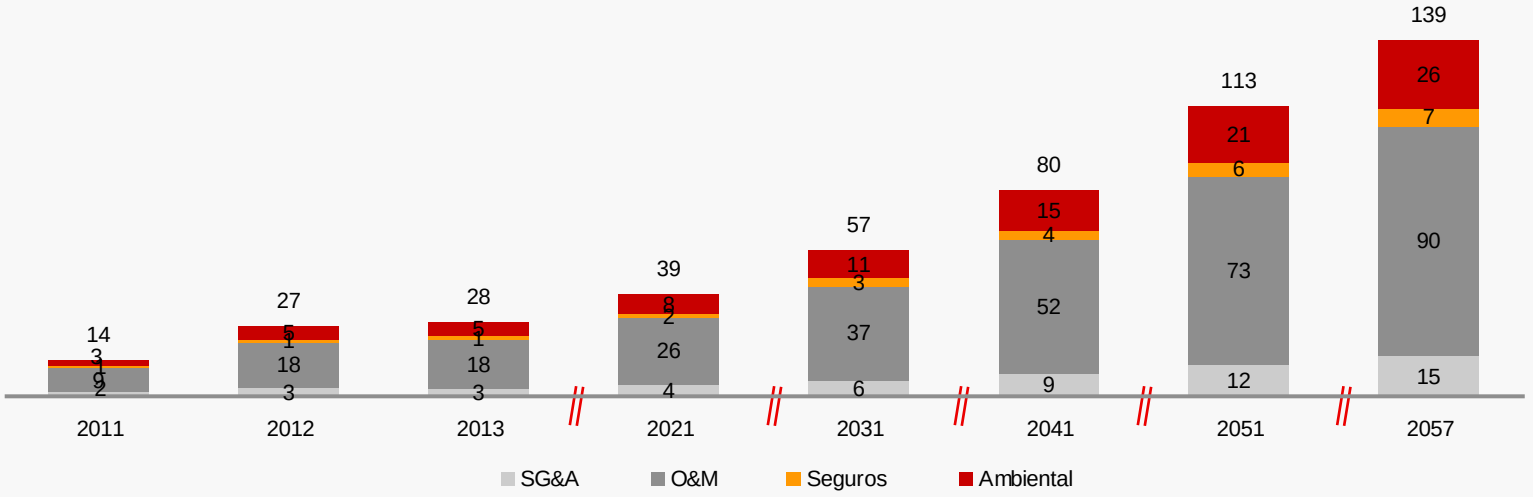
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Operating Expenses

Operating Expenses
R$ MM

- Operating Expenses, including maintenance and operation of the power plant and substation, sales, general and administrative expenses (SG&A), environmental and insurance expenses over the years of operation, are presented as follows (basis: September, 2009)
  - **O&M**: R$ 15.3 MM per year
  - **SG&A**: R$ 2.6 MM per year
  - **Insurances**: R$ 1.2 MM per year
  - **Environmental**: R$ 4.5 MM per year
- In the financial model, these costs were indexed by IGP-M, apart from SG&A, which were adjusted by the IPCA index



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EBITDA / Depreciation and Amortization

EBITDA

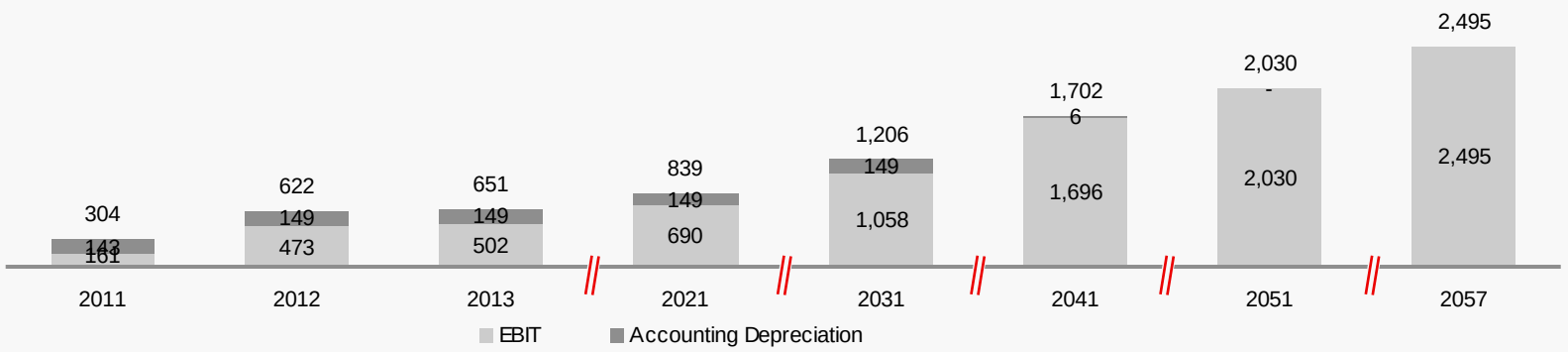
EBITDA is calculated in the following manner:

- Net Revenues
- (-) Operating Costs
- (-) Operatingl Expenses
- (-) Regulatory Taxes
- (+) PIS/Cofins Credits

Depreciation of Fixed Assets

- Depreciation: accounting and fiscal depreciation expenses are calculated in a linear form for each type of asset
  - For accounting purposes, depreciation expenses are defined by ANEEL, establishing an average depreciation of 3.33% for the fixed assets base
  - Concerning fiscal depreciation, Law n. 11.196 (from November 22nd, 2005) defines an average rate of 5.7% for construction services and 10% for other fixed assets

EBITDA
R$ MM



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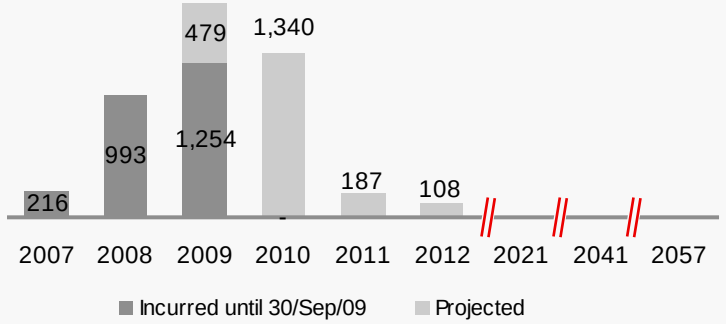
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Capex & Working Capital Investments

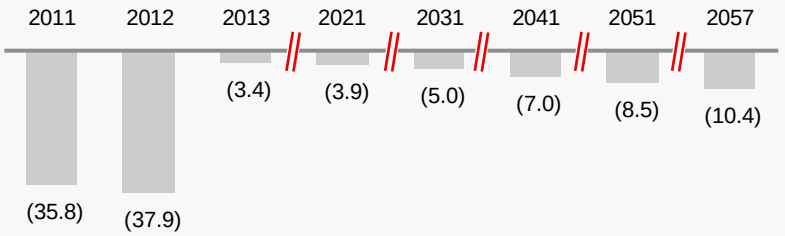
Capex
R$ MM

- Currently, estimated investments for the project are approximately R$ 4.6 billion [1]
- Capex is indexed quarterly according to projected inflation



Working Capital Investments (total balance)
R$ MM

- Assuming for receivable 40 days of total sales, for accounts payable 30 days of operating costs and for cash 15 days of operating expenses



[1] R$2.5 billion invested until September 30th, 2009 and R$2.1 billion (nominal terms) to be invested after this date

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Pro-forma Financial Statements

Financial Forecasts

Forecasted Results - CESTE
R$ MM (nominal terms)

	4Q09	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Net Revenues	-	-	378	784	819	856	895	935	977	1,016	1,057	1,099	1,143	1,189	1,236	1,286	1,337	1,384	1,432	1,483	1,535	1,588	1,644	1,701	1,761
EBITDA	-	-	304	622	651	680	701	742	695	723	752	806	839	872	907	943	981	1,016	1,051	1,088	1,126	1,166	1,206	1,249	1,292
% EBITDA Margin	n.a.	n.a.	80%	79%	79%	79%	78%	79%	71%	71%	71%	73%	73%	73%	73%	73%	73%	73%	73%	73%	73%	73%	73%	73%	73%
Tax Depreciation	-	-	345	360	360	360	360	360	360	360	360	360	127	115	115	115	115	115	115	64	2	-	-	-	-
Free Cash Flow to Firm																									
Taxable EBIT	-	-	(40)	262	290	319	341	382	335	363	392	446	711	757	792	828	867	901	937	1,024	1,125	1,166	1,206	1,249	1,292
Effective tax rate	15.3%	15.3%	15.3%	15.3%	15.3%	15.3%	15.3%	15.3%	15.3%	15.3%	15.3%	19.9%	32.4%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
(-) Taxes on EBIT	-	-	-	(40)	(44)	(49)	(52)	(58)	(51)	(55)	(60)	(89)	(231)	(257)	(269)	(282)	(295)	(306)	(318)	(348)	(382)	(396)	(410)	(425)	(439)
(+) PIS / Cofins Credit	-	-	36	73	72	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(+)Tax Depreciation	-	-	345	360	360	360	360	360	360	360	360	360	127	115	115	115	115	115	115	64	2	-	-	-	-
Changes in Working Cap.	-	-	(36)	(38)	(3)	(3)	(3)	(5)	3	(3)	(4)	(6)	(4)	(4)	(4)	(4)	(5)	(4)	(4)	(4)	(5)	(5)	(5)	(5)	(5)
Capex	(479)	(1,340)	(187)	(108)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FCFF	**(479)**	**(1,340)**	**118**	**509**	**675**	**628**	**646**	**679**	**647**	**664**	**689**	**712**	**604**	**611**	**633**	**657**	**682**	**705**	**729**	**735**	**739**	**765**	**791**	**819**	**848**

	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057
Net Revenues	1,823	1,886	1,952	2,021	2,091	2,165	2,240	2,319	2,158	2,178	2,254	2,333	2,414	2,499	2,586	2,677	2,770	2,867	2,968	3,072	3,179	3,290	3,406	3,525
EBITDA	1,338	1,384	1,433	1,483	1,535	1,589	1,644	1,702	1,543	1,542	1,596	1,651	1,709	1,769	1,831	1,895	1,961	2,030	2,101	2,175	2,251	2,329	2,411	2,495
% EBITDA Margin	73%	73%	73%	73%	73%	73%	73%	73%	72%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%	71%
Tax Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Free Cash Flow to Firm																								
Taxable EBIT	1,338	1,384	1,433	1,483	1,535	1,589	1,644	1,702	1,543	1,542	1,596	1,651	1,709	1,769	1,831	1,895	1,961	2,030	2,101	2,175	2,251	2,329	2,411	2,495
Effective tax rate	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
(-) Taxes on EBIT	(455)	(471)	(487)	(504)	(522)	(540)	(559)	(579)	(525)	(524)	(542)	(561)	(581)	(601)	(623)	(644)	(667)	(690)	(714)	(739)	(765)	(792)	(820)	(848)
(+) PIS / Cofins Credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(+)Tax Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in Working Cap.	(5)	(6)	(6)	(6)	(6)	(7)	(7)	(7)	17	(1)	(7)	(7)	(7)	(7)	(8)	(8)	(8)	(8)	(9)	(9)	(9)	(10)	(10)	(10)
Capex	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FCFF	**877**	**908**	**940**	**973**	**1,007**	**1,042**	**1,078**	**1,116**	**1,036**	**1,017**	**1,046**	**1,083**	**1,121**	**1,160**	**1,201**	**1,243**	**1,286**	**1,331**	**1,378**	**1,426**	**1,476**	**1,528**	**1,581**	**1,637**

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Valuation Results

100% CESTE
R$ MM

- According to the assumptions herein stated, the value for 100% of CESTE is estimated between R$ 3,417 million and R$ 4,997 million
- Considering that in September 30th, 2009, the Consortium has a R$ 2,035 million net debt, CESTE's equity value is estimated between R$ 1,382 million and R$ 2,962 million

Valuation Results

WACC (US$ nominal)	6.6%	6.8%	7.0%	7.2%	7.4%	7.6%	7.8%	8.0%	8.2%	8.4%	8.6%
Valor da Empresa (R$ MM)	4,997	4,804	4,620	4,444	4,277	4,117	3,964	3,818	3,678	3,545	3,417
(-) Dívida Líquida (R$ MM)	(2,035)	(2,035)	(2,035)	(2,035)	(2,035)	(2,035)	(2,035)	(2,035)	(2,035)	(2,035)	(2,035)
= Valor do Acionista (R$ MM)	2,962	2,769	2,585	2,409	2,242	2,082	1,929	1,783	1,644	1,510	1,382

Renova (40.07% of CESTE)
R$ MM

- Considering that Renova currently holds a 40.07% shareholding stake in CESTE, the estimated value of such participation is valued between R$ 554 and R$ 1,187 million (R$ 815 million proportional net debt)

Valuation Results (40,07%)

WACC (US$ nominal)	6.6%	6.8%	7.0%	7.2%	7.4%	7.6%	7.8%	8.0%	8.2%	8.4%	8.6%
Valor da Empresa (R$ MM)	2,002	1,925	1,851	1,781	1,714	1,650	1,588	1,530	1,474	1,420	1,369
(-) Dívida Líquida (R$ MM)	(815)	(815)	(815)	(815)	(815)	(815)	(815)	(815)	(815)	(815)	(815)
= Valor do Acionista (R$ MM)	1,187	1,109	1,036	965	898	834	773	715	659	605	554

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