International Conference Call
Tractebel Energia
1st Quarter 2010 Earnings Results
May 14, 2010

Operator: Good morning. This is Tractebel Energia's teleconference. All participants are connected only as listeners and later on we will open the Q&A session when instructions for participation will be given. In case it is necessary to have help from an operator during the teleconference just press star zero (*0). We should remember that this teleconference is being recorded.

Now Mr. Antonio Previtali has the floor. He is the relations manager with Tractebel's Investors.

Mr. Antonio Previtali: Good morning ladies and gentlemen, be welcome to Tractebel Energia teleconference, where we will discuss the results of 1Q10. This presentation followed by slides will be simultaneously transmitted through the Internet through www.tractebelenergia.com.br, section investors. There you will be able to have a copy of the company's results released.

Before proceeding forward I would like to clarify that all statements that may be made during this teleconference regarding prospects, business prospects of the company should be treated as forecasts, depending on the economic conjuncture of the country, of the performance regulation of the electric sector, besides other variables.

With us Mr. Eduardo Sattamini, Financial Director and Investor Relations and initially Dr. Sattamini will talk about the performance in 1Q10. Right after we have the Q&A session. Now Mr. Eduardo Sattamini, please proceed.

Mr. Eduardo Sattamini: Thank you for your participation. Today we have the results of 1Q10, which were marked by the low spot prices (average of R$ 18,00 / MWh) and for the financial effects of the inflation pickup, which will be shown in our balance sheet.

Page 4, the main indicators of operation. We had 9.9% increase in net operating revenue due to price volume, as we will see later on; 22.2% of Ebitda increase, especially due to the spot prices, because this decreased our expenses with electric energy at CCEE; we had an increase of 6 p.p. in Ebitda margin; the net income 6.3% above 1Q10 - it was partially offset by the low spot prices and also

because of the pickup in inflation and the effects of monetary indexation on our debt.

And as to energy sold 7.8% above, 4.3% average price and the production we had 44% above 1Q10 due to a big draught we had in 2009 and in 2010 we had high rainfall.

As operating highlights in March 10th the Areia Branca Small Power Plant came into operation and this increased 19.8 MW to our installed capacity.

Here in slide 5 the controlling situation. It's important to note that SUEZ Energias Renováveis is still under the umbrella of GDF SUEZ. It awaits the approval of Aneel and BNDES and then a shareholders' meeting will be called to ratify the acquisition. Tractebel Energia guaranteed the OEM contract with the Estreito Consortium, which will account for R$ 15 million a year and this is made up by Vale, Alcoa and Camargo Correa and SUEZ Energia Renovável.

Now slide 6. The modification we had from the previous to this quarter is the entering into operation of Areia Branca in March 2010. No big changes have been made as of 4Q last year.

Slide 7 shows you our market share, consolidating our position as the largest Brazilian energy generator and a consolidator of the generation industry. On the left we see that since last quarter we have new projects in our portfolio and at the end of the construction of these projects we will have 8.6 GW of installed capacity.

Slide 8 it is worth noting that in 2010 we start feeling the reflection of a pickup in industrial consumption in our contracts and if we compare 2010 to what we had forecasted in 4Q09 we had an increase in free customers participation from 25% to 26%, an increase in trading companies from 17% to 18% and a reduction in the participation of distribution companies from 58% to 56% in our portfolio. This reflects the increase in industrial consumption, not yet due to new contracts, but due to the exercise option on flexibility of the existing contracts.

In terms of diversification of our customer portfolio, on slide 9, we have a diversification policy into several industries and here we present you the distribution of the main industries where we operate. As we said, the industrial growth will and already has been impacting our results and we expect that in 2010 we will have high GDP growth and this year will be quite promising in terms of the free market.

Now slide 11 we will talk a little about the energy market. You notice that we have changed the chart on the right. Previously we had a chart on consumption and GDP of several countries and this chart is still important. It is now an annex to this presentation, but we decided to modify the slide in order to strengthen the fact that the recent auctions of thermoelectric energy will increase the supply for the next years, but will also increase the price of energy in regulated markets, which will reflect in the contracted mix to distributors and yield an increase in price for free consumers.

You can see the several charts for small power plants, hydropower plants, flexible and inflexible thermal power plants and the demand line along time and we can see that along 2010, 2011 we will have this demand line cutting the flexible thermal power plants line, which have generally a more expensive dispatch price.

Obviously this is a snapshot and when we have greater affluence the hydroelectric power plant will displace the other types of energy and then we will have a little more volatility in the short-term market.

Now a little bit of our commercial strategy, on slide 13. We want to trade future availability and we can see on the right chart this strategy. We always take the year 2013, which is the average, so in end-2006 we had 45% of available energy still to be sold; in end-2007 we have 27% of the available energy in 2013 and then going on this is a gradual policy; as the opportunities pop-up we will have these changes for future years.

On the left we see the uncontracted energy of our portfolio. In 2010 we had a reduction of 52 MW; in 4Q09 we had still 138 megawatts to be sold, today we only have 86 MW and therefore with minor variations. We will see this in the energy balance.

In 2010, slide 14, we had minor fluctuations and a part is for resale, there was a slight reduction, 29 MW less. We increased bilateral sales accounting for 23 MW. So we have a reduction of 52 MW in available energy.

Small variations occurred in the balance from 2011 to 2015. In 2012 we had 12 MW contracted and so forth; small quantities that are not relevant and this does not display the appetite of new customers and there is some intention to contract other amounts of energy.

It is also worth noting that in this energy balance we started supplying in 2010 energy from HPP Itá and Machadinho, within the regulated market, at R$

134.3/MWh, which is quite an attractive price. In terms of average sales and purchase price they are in line with what we had in the last quarter of 2009.

Now the growth policy of Tractebel Energia. Here the Estreito project, slide 16. In December 21, 2009 the Board of Directors approved the buying of the share of 40.7% of GDF SUEZ on the plant. The other partners are Vale do Rio Doce with 30%; Alcoa with roughly 25% and Camargo Correa with 4.4%. The approval of this negotiation is still being analyzed by BNDES and Aneel, that is a normal process. It is a time-consuming process and it should be ratified in our next shareholders' meeting.

You see a new photo taken on April 6th. It is a picture of the dam and it is following in the right schedule, it is scheduled to start operating in February 2011. The assured energy corresponding to 253 MW, which is the allocated portion for SUEZ Energia Renovável, was sold in 2007 at A-5 auction for 30 years starting in 2012 with a price of R$ 144/MWh referring to March 31st of this year.

Slide 17 shows you the Destilaria Andrade project. This will be starting up in May and it will be connected tomorrow to the power grid and then it will go from a project under construction to an operating plant so it's probably the last time you will see this project in the part related to the Company's growth.

On slide 18, we see the Jirau hydroelectric project under construction where GDF SUEZ holds 50.1% of Energia Sustentável do Brasil, an SPC, and the remaining is 40% for Eletrobrás through 20% from Eletrosul and 20% from Chesf; and 9.9% for Camargo Correa in transition to Funcef. The plant had 70% of its energy sold in a A-5 auction. Today it is within schedule with an installed capacity of 3,450 MW with the addition of two new machines and approximately 2,045 MW of assured energy and its startup is forecasted for 1H12.

Let us now talk about the financial performance on page 20. We always make these first statements, the perenity and the soundness of the Company's results allow us to grow and enforce our growth strategy. We have strong cash generation and consistent net income that can support our investment program and as regards 1Q09 we have here the different drivers of our results. The main ones were the low spot prices, the advance of the generation of energy in São Salvador and the pickup of inflation. These were the main drivers that impacted our results in 1Q10.

On slide 21 you see the trend for the gross operating revenue. The revenue went from R$ 955 million in 2009, in 1Q09 to 1.057 billion in 1Q10, a 10.7% increase when we compare with a net revenue which grew 9.9% we see that there was a

slight increase in taxes, mainly due to the different regimen for PIS and Cofins, which went from non-cumulative to cumulative in some contracts.

As regards the gross operating revenue we had the effect of R$ 90 million basically due to energy purchased for resale, an increase related to the relative price of sales, which went from R$ 119/MWh to R$125/MWh as compared with 1Q09. There were no exports in 1Q10; this also had a negative impact on our gross operating revenues and also the energy from São Salvador, which was available in advance, in 2009 whereas the energy only needed to be made available to the pool of distributors in 2011.

As regards Ebitda, on page 22 you can see 1Q10. It looks very much like 1Q07, 1Q09, not so much as 2008. The allocation of energy was slightly different and there was a 22% increase in Ebitda and the main driver for this growth was the impact of settlements in the CCEE, where in 2009 we had an expense of R$76 million. So there was a reduction of our expenses by R$ 76 million in this item and we also had more energy generated because of the greater rainfall in 1Q10, which gave us R$ 83 million of impact on our Ebitda. Exports - there were no exports, this had a negative impact of course. São Salvador had a positive impact of R$ 9 million and our normal operations with a positive impact of R$ 30 million, which gave us an Ebitda of R$ 573 million in 1Q10.

On slide 23 let us talk about net income. There is a similarity with 1Q09, 1Q07 but not 2008. We had a 6.3% increase. This was of course an effect of the CCEE because of the low spot price and quantity of energy generated and this is after tax. There were no exports, operations contributed R$ 16 million and yes, here we felt the effects of inflation on our financial bottom line, pickup in inflation in 1Q10 affected us negatively especially compared with 1Q09.

Then the startup of São Salvador, the interest was capitalized and now is accounted for as expenses for the project of São Salvador because it now starts to generate revenues, so you have also the revenue that is a counterpart of the interest, which are expenses, and we did not have the effect of something that we had in 2009 and that was the adjustment of the remuneration of a deposit given in guarantee and we had a R$ 24 million gain in our financial bottom line last year. So because of these drivers we had a financial result that was R$ 44 million smaller than the financial result of 1Q09. We had a net income of R$ 249 million in 1Q10.

Now about the quarterly financial drivers, as I said energy sold in the first graph on the left hand side, we sold more energy and also the Ebitda margin from 1Q09 to 1Q10 we went from 55% to 61% basically due to spot price and generation and

there was higher rainfall regime in 1Q10. If we compare the Ebitda margin with the previous quarter, 4Q09, there was a reduction in the margin because obviously all the volumes and mostly because of the energy we had to buy to resell. When we buy energy to resell, the margins are a lot smaller than when we generate energy..

On slide 25 you will see our indebtedness. We have been saying that the low level of indebtedness has allowed us to take advantage of this moment to grow. This has been proven right. There was a reduction in our indebtedness by R$ 200 million, basically we settled the most expensive debt we had.

There was also a reduction in the total debt/Ebitda ratio from 1.6 to 1.5, and we still have a cash position that is very substantial, R$ 825 million, which will allow us to pay interest on shareholder's capital and dividends, R$ 275 million in total, on May 20th, the investments we have scheduled and we have a cash position that allows us to operate. Our net debt at the end of 1Q10 was R$ 2,381 million.

Now looking at the change in net debt we had R$ 365 million relative to the last quarter of 2009, a shown on slide 26, the debt increased because of the investments we made in Areia Branca, São Salvador and Destilaria Andrade, where we invested R$ 30 million. We also had maintenance Capex and the rest of it, R$ 305 million were related to the first payment for the acquisition of Estreito made in January 2010. We also had the impact of the exchange rate variation, which increased, contributed to increase our debt in R$ 30 million, we also had operational factors that reduced it by R$ 420 million.

There was also an increase in working capital, which reflected increasing sales and it was R$ 213 and other factors, R$ 33 million, and we have a net debt of R$ 2,381 million. This is a bit over 1x Ebitda, which is a very comfortable level.

On page 27 you see our debt profile. We have a concentration of debt in 2011 in terms of maturity because our third issue of debentures for R$ 600 million, but this is not really relevant and will not have an impact since we are going to generate enough cash and should have a small amount in terms of debentures that will have to be rolled over in 2011. This will not have any relevant impact on our debt.

As regards the cost of debt only 8% is denominated in foreign currency, so our exposure to foreign exchange variation is very low. Most of our debt is in Brazilian reais and is linked to long-term interest rates which cost is very reasonable.

On slide 28 you will see our investments. We have a very strong cash generation that can support our investments. In 2010 there is going to be a small adjustment

in the total investment, but not significant and most of the investments will be funded through BNDES funding and part will be funded with our own cash.

As regards the dividend policy we stress that the commitment of the management is a minimum of 55% of payout of the adjusted net income and we have been paying it on a semi-annual basis and on May 20th we are going to be paying out R$ 194 million of interest on equity capital and almost R$ 82 million in dividends.

The other slides are for your information. I thank you for listening and we will now start the Q&A session.

Q&A session

Operator: Ladies and gentlemen we will now begin the Q&A session. To ask a question please dial star one (*1). To remove your question from the list please dial star two (*2). We remind you that this audio conference is for investors and market analysts only. Any questions from journalists should be forwarded to the press assistance of Tractebel Energia and we also request that you have only two questions at each turn.

Our first question comes from Mr. Vinícius Canheu from Credit Suisse.

Mr. Vinícius Canheu: Hello Sattamini, Previtali, good mornig. I would like to thank you for the presentation. My question has to do more with the scenario. I would like to know if you can give us an idea of what the expectation of the management is relative to contracting energy in the Government auction, the reserve energy; what is your expectation regarding the demand and the number of projects that may be part of the auction A-5?

Mr. Sattamini: Ok, let us talk about the auction. There is going to be an auction for reserve energy on June 18th. We are getting ready with some wind energy projects, approximately 150 MW and our expectation is that we will be successful in negotiating with suppliers, in lowering prices to achieve a competitive level of prices.

As regards the projects A-5 the Group is assessing some projects. We have some priorities by year-end and Tapajós River is one of them, approximately some 3,000 MW that we are being analyzed and of course we are not going to win them all; we are analyzing some 3,000 installed megawatts in these enterprises in the Teles Pires and Tapajós rivers.

Mr. Canheu: And what about Tapajós and the other river? Are you optimistic regarding the permit? Do you think they can be part of the auction or is it not clear yet?

Mr. Sattamini: We have projects at different stages. In some projects we have submitted the environmental project, some are in the licensing process and some projects are not so advanced. Some projects should be ready by year-end for the auction for new energy.

Mr. Canheu: Thank you.

Operator: Our next question comes from Ms. Carolina Carneiro from Santander.

Ms. Carolina Carneiro: Good morning. I would like to know from you as regards commercialization, direct commercialization to free customers, how is the trend there? We saw data on demand, demand is picking up to pre-crisis level or even above that. So what are the prospects regarding the prices of energy for the free market? Are you more bullish? Do you believe that in 2010 we will have indications of better prices than we were expecting for 2010? Do you have any guidance regarding prices for negotiation in the free market?

Mr. Sattamini: Thank you for your question. Yes, we have seen an increase in demand. This has not been translated into new contracts, only few, but yes, we have seen that there have been options, exercising of options in the contracts that we have. This will have a positive impact on the price at the short to medium-term.

Ms. Carneiro: Thank you and just a follow on question: EPE has disclosed its expansion plan and some companies have made comments about the fact that you might be going for hydro and renewable energy. Some people do not think you are going to be able to implement all the projects you want for this year because of environmental licenses and delays. How do you see that? Are you thinking of expansion on hydropower and renewable energy or is there an underestimation on demand of the time necessary to approve the licenses?

Mr. Sattamini: It has been said that some thermal projects will be delayed; but the Government has been following it closely and as these projects are delayed the Government should carry out auctions to adjust supply and demand.

The policy has been to have excess supply on the part of the Government and if the Government feels there is a risk of demand surpassing supply in the medium term the Government will hold the new auctions. This is our understanding relative to this issue.

Ms. Carneiro: Thank you very much.

Operator: Our next question comes from Mr. Diego Moreno from Merrill Lynch.

Mr. Diego Moreno: My question is related to the project of the Seival TPP. Did you give it up? Does this mean that the company is going to focus on hydro and renewable energy and not on thermal plants or are you going to take advantage of any opportunities that may arise?

Mr. Sattamini: In a way it is not that we have given up coal-based projects; but we are taking advantage of an opportunity. Today we focus on hydro and renewable energy. These are the projects that are more advanced and we see an opportunity to sell an asset that we have in our portfolio that will not necessarily be developed in the coming years.

We have other projects that could replace the coal-based project and this is the focus. Today we are much more focused on renewable energy. We have set coal aside a little bit, but we are looking at opportunities and we might sell the project.

Mr. Moreno: Thank you.

Operator: Our next question comes from Mr. Marcelo Brito from Citigroup.

Mr. Marcelo Brito: Good morning. My question has to do with the allocation of energy. You have a smaller exposure to the spot price in this quarter, although the spot price was lower. This was also the case partially in 4Q, so what is the strategy underlying it? Do you expect higher spot? Do you have more hydropower in your mix or was it the exercise or the options of flexibility in the free market that drove it?

Mr. Previtali: This is Previtali speaking. The difference of the short position of the Company in CCEE in 1Q10 relative to 1Q09 was not big; the buying volume was not considerably different. The difference was that there was a reduction by 5x of the spot price, so from R$ 76/MWh in 1Q09 to approximately R$ 18/MWh in this quarter. This was the main reason.

And as a consequence the strategy so far is very similar to the strategy of last year, although this year we have a volume from hydropower which is higher, which allows us to have bigger or smaller allocation throughout the year.

I would also like to take advantage of your question to say that so far the strategy has been working. In the months where the company was short, there would be others, but so far when the company was short the spot price was good for our strategy.

This does not mean, however, that by year-end we will have a global benefit from the strategy. Of course we need the second part of the strategy, which is in those months when we are long the spot price should be high. So far so good, but there is no guarantee that by year-end we are going to have any extraordinary gains based on this strategy, which is based on seasonality. Have I answered your question?

Mr. Brito: Yes you did. What about the exercise of flexibility options in the free market? Was it substantial at the end of the year? That is, are people taking the whole volume of contracts?

Mr. Previtali: You mean free consumers?

Mr. Brito: Yes.

Mr. Previtali: Yes, they are consuming more. They are taking advantage of the upper band of flexibility and as Sattamini said there is a very favorable expectation for us to come to add new contracts, since this higher consumption will put pressure in the sense of meeting the demands of free consumers in the future.

Mr. Brito: Thank you.

Operator: Our next question comes from Ms. Mariana Coelho from Itaú Securities.

Ms. Mariana Coelho: Good morning everybody. My question regards Tractebel's growth model in which SUEZ develops greenfields and then sells to the Company. We know that SUEZ has used an auditing collecting feedback regarding this model. So is there any prospect expectations from Tractebel in terms of change of this model and what would be the timeline for communicating the market about this?

Mr. Sattamini: Yes, Tractebel and GDF SUEZ are involved in this study to try to understand and meet the concerns of investors and agents regarding this transfer model. We are involving in the study several stakeholders from Tractebel and GDF SUEZ trying to find an answer that assures us that we will keep the continued commitment of Tractebel to add value to its shareholders as it has been happening in the last few years, extraordinary value to them.

If we look at the past we have had a total return for investors quite satisfactory and above the market average. The idea of this study, which should be completed within roughly 2 months, and GDF SUEZ and Tractebel may disclose their results at the end of these two months. I think this answers your question.

Ms. Coelho: Yes, thank you very much.

Operator: Our next question comes from Gustavo Gattass from BTG Pactual.

Mr. Gustavo Gattass: Good morning everybody. I had a few questions to ask but then I lost my focus here. Let me ask first in terms of contracting when we look at your disclosure of results we have an increase of 15 MW in contract, I think, for 2012, 2013 and 2014.

I know that you do not disclose prices, but just for me to understand: the price that you see, the price trend that you see in these new contracts is this in line with the past ones or is there any weakness or stronger number vis-a-vis what the company had indicated in the past?

The second question, I would like to say that you have just mentioned the potential result of this study within two months and we have a situation in which potentially speaking there might be an auction meanwhile and the Jirau HPP transfer so could this study have a direct impact even before these two months or is just the future that is being discussed here?

And then my third question regarding Estreito. Just to confirm, when do you think it to be actually become consolidated and the final moment of payment, would there be an additional price or is that fixed final price?

Mr. Sattamini: First question, the trends in terms of price. We feel a greater demand, but these contracts that were closed at the end of 2009 and in 1Q10; but they are roughly the same prices that we were expecting at the end of last year. So there is no significant change in this respect, although we have seen greater demand. But there was no price change from 4Q09 till now.

Constratos fechados eles foram fechados, eles começaram as negociações no finalzinho de 2009 e os contratos foram fechados no 1Q10, então mais ou menos o mesmo nível de preço que a gente tava indicando no final do ano passado. Não em nenhuma mudança significativa.

Regarding auctions, the auctions that should take place or the auction within these two months that we have mentioned it is reserve energy auction. These are projects that are born from Tractebel Energia and any change in the study or improvement that is resulting from this study will not be included within the horizons of this study, therefore not affecting it.

Regarding Estreito I cannot tell you whether there is going to be adjustment or not as a result of this study that is being carried out. Today there is a contracted price that reflects a negotiation from last year and initially speaking it would be this price; but if the studies point at something different we have not had any access to the results disclosed.

Mr. Gattass: In the case of Estreito I was not considering the studies, only Capex variation between the expected Capex and the actual Capex, since the contract was executed and then you should keep an eye on this transaction.

Mr. Sattamini: Initially what we had disclosed was what was negotiated. In the call from 4Q09 we mentioned that within the assessment budget there was some slack in the budget for possible contingencies. In principle the transaction value is not being negotiated.

Mr. Gattass: Ok.

Operator: Our next question comes from Diogo Amaral from Safra Bank.

Mr. Diogo Amaral: Good morning. Going back to the previous question just to see if I understood it correctly: Jirau, the transfer will come as in the old model that we used for Estreito?

Mr. Sattamini: No, no; it is within the scope …

Mr. Amaral: Of the new model that will be released within two months?

Mr. Sattamini: We do not know exactly, we do not know what the result of this study will be and not necessarily, we do not want to create expectation on this change. This study is being done on an ongoing basis, so it is being done, it will be discussed and will be disclosed to the market. But what will be disclosed to the market is still too early to speculate.

Mr. Amaral: Do you have any timing for this Jirau transfer or will you comment upon this in the next call?

Mr. Sattamini: What is the existing model? Well, it foresees the transfer of projects when risks are mitigated and one of the important risks is the schedule risk, timing. We know that the main event is the bypass of the river around the spill ways what is highly significant for the completion of the work and this will take place around July or August 2011.

Our expectation, our forecast is that this Jirau negotiation will take place toward the end of 2011, beginning 2012. This is our forecast, way beyond any type of definition that we will have about this issue.

Maybe it is important to mention that this study that is being done is an orientation study, it is not a mandatory thing. The decision will be taken by GDF SUEZ. It will just give us some directions, some facts, some expectations, possible adjustments or improvement in our process. But it is basically a guidance, orientation nature.

Operator: Ladies and gentlemen, we would like to remind you that if you want to ask a question type star one (*1).

Then we close the Q&A session. We would like to hand the floor to Mr. Previtali for final remarks.

Mr. Sattamini: Well, I would like to thank the presence of all of you in this call for the very intelligent questions, so we could discuss important issues or matters that involve Tractebel Energia's business and we hope to be with you at the end of 1H10 and we are at your disposal through our e-mails and telephone and if you have any questions we will be available. Thank you very much, have a nice day.

Operator: Tractebel Energia's teleconference is ended. We thank you for your participation and have a very good day. Thank you.
