TRACTEBEL ENERGIA S.A.
1st Quarter 2009 Earnings Results
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Operator: Good morning! This is the teleconference of Tractebel Energia. All participants are now connected in the listen only mode and in later we will open for the Q&A session, when you will receive further instructions. If you require the help of an operator during the teleconference dial star 0 (*0). This teleconference is being recorded.

I now turn over to Mr. Antonio Previtali, Investor Relations Manager of Tractebel Energia. You may proceed Mr. Previtali.

Mr. Antonio Previtali: Good morning ladies and gentlemen! Welcome to the teleconference of Tractebel Energia where we will discuss the results of the 1Q09.

This presentation with the respective slides will be transmitted simultaneously through the Internet on the site www.tractebelenergia.com.br in the investors section. You can also obtain a copy of the earnings release of the Company.

Before we move forward I want to clarify that any statements that may be made during this teleconference relative to be outlook of business for the Company should be treated as forecasts, which depend on the economic scenario of the country, of its performance and the regulation of the electrical industry in addition to other variables and may be subject to variations and changes.

Today with us in Florianópolis we have Mr. Manoel Torres, Financial Director and acting Investor Relations Director and CEO. He will make comments on the performance of Tractebel in the 1Q09 and will be later available to questions and answers.

Mr. Torres, you may continue now.

Mr. Manoel Torres: Good morning! It is a pleasure to present our comments on the results of the 1Q09. I would like to start with the highlights of the quarter - slide number 4. The first point is about the energy allocation strategy which is the main driver of the quarter results and was a factor that made this quarter not as good as the 1Q08 because we changed the strategy.

In the 1Q08 we allocated a large volume of energy and then we were sold (long) in the Energy Chamber at very high prices. The average of January 2008 was R$500/KWh. In the 1Q09 we allocated a smaller amount of energy with an opposite strategy and we were in a purchasing (short) position. We have been saying that for a long time. If we make an analogy with a marathon this is like in last year's race we were very strong in the beginning with less reserves at the end of the year; whereas in 2009 we started and a slower pace to keep the energy for the rest of the race.

The result of the quarter was impacted by the generation of thermal energy, which was 40% smaller approximately. In the 1Q08, in order to guarantee energy security - and remember there was a high-risk aversion curve - all these thermals dispatched with great intensity, including outside the order of merit. This was not the case in this year. This is taking place in the South because of the draught, in the South of Brazil. Additionally, in the 1Q08 we had a non-recurring gain of R$76 million in view of the recovery of PIS and Cofins, two taxes as we have explained before.

The second point that I would like to highlight is a change in our portfolio. Many people make confusion and attribute this to the financial crisis, but the sales mix of Tractebel Energia is now very different from what it was in the end of last year. Distributor companies increased their share from 45% to 56% in our portfolio and as of January 2009 we started delivering 874 average MW to the distributors. We won two auctions held in 2005 and 2006, one for old energy and one for botox energy, new energy therefore.

And part of this energy is coming from contracts with trading companies and free consumers. These contracts are due after the 1Q08. The change in mix is beneficial for Tractebel Energia because the average price of these new sales is higher. It could be R$128/MWh that is sold energy in the regulated market for 8 and 30 years as compared with R$ 113/MWh for the average contracts that expired and were not renewed.

And particularly about free consumers, I would like to clarify that the reduction in sales to these consumers between the 1Q08 and the 1Q09 did not impact Tractebel Energia in a relevant manner. As we explained before, we sold 45 MW at R$145/MWh in the adjustment auction in this year and a decrease in sales is also liquidated and settled in the pool at the spot price.

We can therefore divide the reduction in free consumers in two parts: (i) the drop in consumption which can naturally be attributed to the worldwide crisis; and (ii) the expiring of contracts. This means that although the volume was reduced from 1,180 average MW to 912 average MW - a reduction of 23% - half of this drop can be attributed to the reduction in industrial activity – that is 12%. This figure is very close to our estimation for the year, the estimation that we have released in our meetings, which is 10% - so it is in line with our estimation.

And still about this issue I would like to admit a fault on our part: in our release on pages 4 and 6 in Portuguese and in English we inform wrongly that the reduction of supply to free consumers was caused by the crisis itself; but it would be correct to say that it was partially only caused by the crisis, as I just explained.

It is correct to say also that the reduction of sales to industrial consumers helped reducing the purchasing (short) position of Tractebel. I remind you that our commercial availability of thermal energy was totally sold and we almost always generated less than this, which forces us to buy energy in the short term to honor the contracts. So because we sold less we had to buy less too.

And also among the highlights I would like to remind you that in this period we concluded our offer of debentures. We issued successfully non-convertible debentures for 24 months worth R$ 600 million with the bookbuilding at 117% of the CDI, based on a demand that was above R$ 2 billion, very competitive rate for the current time.

We will now move to slide number 8 and we will talk about the breakdown of our client portfolio. I highlight that in the portfolio of 2009: we see an estimation of 1% of sales for exports; and there was a significant increase of sales to discos because of the sales in the auctions as I said before.

In the next slide, number 9, you see two things: first the expectation of sales of 1,034 average MW for 2009. We will continue to sell energy during the year. And also that the industry risk for the segments where we sell is diluted in different contracts with different percentages that you see across different industries.

I would also like to highlight that even those customers that wanted a reduction, some of these customers brought in other customers to buy the energy they were making available. And with other clients we work in the sense that we can sell the energy that we do not deliver to them in the spot market and we can then settle that at the end of the year.

But the most important thing was that some contracts that still had to go 2 or 3 years forward - these were very good contracts for the customers, because the prices were very competitive; contracts closed in 2003 and 2004 - and I proposed a reduction for the coming years, none of these clients accepted this reduction.

This means that there is an expectation in the recovery of growth in the industrial market until the end of the year. There is an expectation that the industrial activity will peak up - this is the expectation of the industrial sector. They expect that there will be renewed growth this year.

And now moving to slide 11. I highlight that this slide shows the net result between supply and demand and for some years things will be very difficult - especially in 2006 and 2007 because of the gas crisis - and the prices for contracts went up and for the coming years. You see that there is a surplus, expensive energy and polluting energy was contracted.

Thermal energy was contracted and will not be dispatched obviously. But some of it will, which will contribute to the increase of the short-term price. The short-term price in Brazil, I remind you, does not have to do with the supply, it is a calculated price. On the right-hand side you see the per capita consumption relative to the per capita GDP. So as you can see Brazil is very low in the curve in terms of per capita consumption.

It is not 2 thousand MWh, but 2 KWh per consumer, which is very low if we compare it with the consumption on France or Switzerland; our per capita consumption is approximately 25% of their consumption. And this means that if the economy improves and there is better distribution, if we consider that 70% of the market is a captive market we will have - and we have seen this in the past - an increase in consumption that increases irrespective of the increase in the GDP.

Moving on to slide 13 I remind you that on the left-hand side we see the uncontracted energy and of course for 2011 and 2012 and forward we have included the reserves that we call critical reserves, which are reserves for hydrological risks for contract flexibility and for thermal energy, which we sell gradually.

And this is shown on the right-hand side, showing year on year what our contracts and profile were for the end of 2006, 2007, 2008 and so on and so forth. For example, in 2012, by the end of 2006 we had 38% of uncontracted energy; 2007 17.9% and in 2008 we have 9.2%.

Moving to slide 14 I highlight the sales in the regulated market in the auctions promoted by the Government. If you look at the third line, for 2005-EE-2009-08 381 average MW plus the sales, in the next line, 2006-NE-2009-30 493 average MW.

These contracts start in January, which will contribute to the results we have. If we look on the right we have 381 MW sold at R$105/MWh for existing energy and 493 MW at R$145/MWh, a weighted average of R$128.3/MWh as I said before.

Now let us talk about growth. First we have the Estreito plant that will be transfered to Tractebel Energia next year. Things are on track.

In the next slide, number 17, it shows the Andrade project. It is a biomass plant in the State of Sao Paulo. These two projects belong to Tractebel Energia and they are both within what we expected, Areia Branca SHP and Andrade.

Going to slide number 19 we see the results. Net revenues went down 9.7%; EBITDA dropped 32% especially due to the position of energy allocation in the Electricity Trading Chamber; and net income dropped 40.3% due to the depreciation of the new acquisitons and some taxes reversion.

Next we have a breakdown in our revenues, EBITDA and income. In slide number 20 we show how we came from R$1,059 in 1Q08 to R$955 in 1Q09. We had volume sales decrease equivalent to R$74 million; drop in the Trading Chamber of R$194 million, we got short in 1Q09 while we were sellers (long) in 2008; we gained R$70 million in sales average price; R$73 million in companies purchased - in 1Q08 Ponte de Pedra, José Gelazio, Rondonópolis and Ecoenergy were not present, they are now; exports R$41 million; and with new acquisitions we increased our expenses. Resulting in R$955 million.

If we go to EBITDA, we went from R$690 million to R$469 million. The impact is on this Trading Chamber. EBITDA is a relation between revenue and expenses. Our revenues dropped a lot, but our expenses increased due to allocation. This affected the EBITDA in R$200 million; as for exports, R$19

million; R$41 million for acquired companies; we do not have PIS/Cofins because it was non-recurring; and have R$5 million in operations.

Slide 22 shows the net income resulting from the same reasons already mentioned in EBITDA variations, R$392 million in 1Q08 and R$234 million in 1Q09. PIS and Cofins taxes plus the Trading Chamber corresponding to a drop of R$ 182 million.

Slide number 23, once again I would like to highlight that we do not motivate the comparison on quarterly basis because we have this issue of thermal generation and allocation of hydraulic energy. So to compare these on a quarterly basis is difficult, because the volume increases due to new acquisitions, but decreases due to new allocations. Average price is the contract price and this is the basis of the Company's business.

If you have a constant annual volume, it increases with new acquisitions, new projects and the sales price increases. It means you have a higher revenue by the end of the year with a marginal variation lower than 10% at the Trading Chamber, up or down.

Now I would like to go to slide number 24 and talk about the debt. Our debt with exchange exposure is around 10%. We had an increase comparing the year of 2008 with the first quarter basically due to the working capital variation, especially from the bridge loan of R$300 million to cover the cash flow.

In slides 25 we have a breakdown to show how we went from R$2,559 million to R$2,802 million of net debt. Basically R$73 million on investments and the remaining corresponds to variation in working capital and cash flow operations. Exchange variation gave us only R$11 million (Impact).

Slide number 26 we made a change. Again, our EBITDA variation where we have this ascending curve, ascending curve also for net income. But we decided not to show the split by project in this slide because this was creating misunderstandings.

I'd like to emphasize that there was not any increase in debt. In 2008 we had not included the assumed debt of Ponte de Pedra and other projects. For the greenfield projects we included the value of the budget that included equity plus debt. So from now on, not to have any misunderstandings, we will show our equity and our debt by year. So what is happening here is that there was no change in Capex and we are including the debt recurring from acquisitions.

Slides 27 shows medium and long-term debt with the indicators. At the end of last year, we had a debt of R$699 million and now we have R$1,044 million plus R$40 million; so basically these are the interest rates plus the bridge loan that we had for the settlement of debentures.

Then in the next quarter this will change, because we will have debentures with a longer debt for 2011; in the second quarter of 2009 we will have a decrease in debt, but we will have other profile. But we have good indicators that the cost of our debt is still low.

As for dividends we follow the same policy, nothing has changed; 68% of the profits that was mentioned in the last presentation. For 2009 we are not expecting any surprises. We have our sales volume increased, 55% will be our payout depending on the Board approval. We need the approval of the shareholders and we are aligned with our projections. We will have sales increase in the year and increase in price; variations will depend on what happens in the Trading Chamber and thermal generation.

So with this I conclude my presentation. I thank you for your attention and we are at your disposal to answer any questions you may have.

Q&A Session

Operator: Ladies and gentlemen, we will begin the Q&A session. To ask a question press star one (*1); to remove it from the list dial star two (*2).

This conference is exclusively for investors and market analysts. Questions from the press and journalists should be forwarded to the press department of the Company.

Our first question comes from Mr. Marcio Prado, Santander.

Mr. Marcio Prado: Good morning! Thank you for this call! I have two questions. The first is about the results of the Trading Chamber in 1Q09 compared to 2008 and expectations on spot price and seasonality. Last year's strategy was to allocate more energy in the first trimester and this year it is more in line with the usual.

My question is about the spot price. When you thought about seasonality for 2009, did you have this outlook of drop in consumption in mind? Because we have very low spot price in April and May.

Could you share with us your price expectations? Do you think that prices will recover in the second half of the year or we will have spot prices lower than the average?

The second question is about the enegy balance. Areia Branca SHP and Andrade are in the energy balance sheet that was published? Are they in percentage according to Tractebel's participation?

Mr. Torres: As far as the Trading Chamber we ran some studies but we did not have a different strategy last year. We did what we usually do. In fact the higher volatility in prices allowed for better gains. The strategy of this year was very similar to 2007. We were short in the beginning and long at the end of the year because we had this expectation of lower prices in the first quarter. So when you have less variation you gain more through your strategy.

Mr. Prado: Zaroni, I would like to complement my question. Usually the first quarter has lower prices than the second quarter. Although, in this second quarter we are seeing now lower prices than in the first quarter due to two major factors: this projection of consumption of the EPE and also ...

Mr. Torres: Well, we can anticipate that the consumption compared to flow is marginal, it is market variation. Flows are really drivers of prices. Since we are in May and experiencing a streamlining, we see the North and Northeast transferring energy blocks to the Southeast with a volume above the historical average, so much more capacity to transferring energy from the Southeast to the South, this dropped the price.

But it does not mean that we will have low prices in the second half. It is inadequate to say that, because today reservoirs have a very fast depletion. We should wait to see. We are generating all thermals here in the South. We will hardly have results like last year's. Last year we had R$500/MWh in January with an average of R$275/MWh and we had never seen such a variation, it was in the beginning of the year and we were able to capture this very well. So we were in a selling position that was very good. We gained the year in January and February. This year it will increase slightly in the second half. It is normal, it is expected.

Our seasonality is aligned. We will not have gain (similar to 2008), but we will be in an average quite similar to 2007, slightly better I think.

Mr. Prado: Ok. Thank you! About the energy balance, are Andrade and Areia Branca SHP in? Are they proportional to Tractebel's participation?

Mr. Torres: In 2010 they are. Areia Branca SHP enters in the second half and Andrade from April next year.

Mr. Previtali: And complementing Zanoni's answer, all projects were considered except for Jirau, but the other ones were considered in the percentage that Tractebel holds for each of them.

Mr. Prado: Ok. Thank you, Previtali!

Operator: Our next question comes from Mr. Felipe Leal from Merrill Lynch.

Mr. Felipe Leal: Good morning! I have two questions, the first I would like to hear from you what the outlook is for the second semester relative to exports. You earned revenues from exports in 1Q, will it continue?

And I would also like to know if there is any possibility of bringing forward the contract for energy signed with the pool for São Salvador and Estreito, since they are going to begin operating before the date of the contract. Can you push this forward? And what is the potential strategy for you if you do not find a buyer for this energy for the next years?

Mr. Torres: As for the first question regarding exports for 2Q there have been no signals about it. We also look Argentina and it depends on the situation in Brazil. It is a decision that the Government makes when negotiating with Argentina. There might be exports and we might not be able to export if the draught continues in the South. We are generating energy in our thermals in the South, so as to spare the reservoirs (save water in reservoirs). So in terms of exports today our plants would not be exporting I would say; it is too early to say.

And as regards the anticipation of the contracts with the pool, I would like to say that the law allows this. There is a decree law that allows it, but we have to go to the Electrical Energy Regulatory Agency and they have to approve it. But this energy has been sold, so we are not interested in that.

Mr. Leal: Thank you!

Operator: Our next question comes from Mr. Sergio Tamashiro from Itaú Bank.

Mr. Sergio Tamashiro: Good morning! I have two questions, Zaroni. One has to do with the re-contracting of energy. In the presentation you informed that in time there is going to be greater predictability relative to the market. But in the previous slide we see that in the long term, as of 2010, you forecast higher demand than the supply of energy in the market. So you are not closing contracts anymore. The uncontracted energy from 4Q08 to 1Q09 has remained unchanged. But do you think the market will be strong, with an upward trend relative to prices?

And the second one regards the policy for dividends. You do not plan to raise any more funds, but if the cost of the debt in the market goes down substantially, are you going to raise funds to pay these R$1 billion that are due and raise another R$400 million? And if this is so, would you change the dividend policy?

Mr. Torres: As regards the first question there is always somebody wanting to buy energy. So what is happening today is that the market is very accessible and is affected by things like a low spot price, so industry custumers might think that they will be able to buy it at a low price.

You are talking about crisis; everybody is putting pressure to lower the prices, so people come to us to negotiate but we do not sell. We have our own method of working. We have our prices and we will sell in the right time. So you can rest assured that we are active, we have an excellent planning and sales team and their competence has been proven in the last 10 years and at the right time we are going to sell.

The energy price goes up because the best sources have been used by us – engineers -, but sometimes prices are higher or sometimes they are lower depending on the market basically. So we sell at the right time.

Mr. Tamashiro: And what about the volatility? What type of comparison can I make between the current price relative to last year's? Has the long-term price been reduced? How is it behaving?

Mr. Torres: In some days we are going to close some contracts at the same price we closed the latest contracts. As regards debt raising funds and increasing dividends, this is a dynamic thing. Today this is our position. We do have margin to deal with our debt and we can also raise funds to soften that, to prepay extensive debt, to make investments, to use our cash flow.

Today this is our position, but in three months' time or in six months' time we are always reassessing things. So it is not something that you can ascertain today that we are going to increase dividends because there is going to be cheap money, and we are going to pay the debt. It is difficult to say today. Today this is our position; this is what we can say. We are not going to raise other funds and we are going to pay out 55% in dividends and when I say that we are going to pay, this is what we are proposing with the Management but the Board or the shareholders might decide otherwise and we will have to adapt to their decision.

Mr. Tamashiro: Ok. Thank you!

Operator: Our next question comes from Mr. Reginaldo Pereira from HSBC.

Mr. Reginaldo Pereira: Good morning! I just have one question that has to do with the results of the energy allocation strategy in 1Q09. Can you tell us what the impact on the results would be if you had adopted a flat strategy for energy allocation due to seasonality?

Mr. Torres: It is very difficult to talk about it. Let me have a look at it ... Reginaldo, we prefer to disclose this at the end of the year.

Mr. Pereira: As you did in 2008?

Mr. Torres: Yes, that is correct.

Mr. Pereira: I was just curious about it. Thank you!

Operator: Our next question comes from Ms. Luciana Puccetti from Itaú Asset.

Ms. Luciana Puccetti: Good morning! As regards the change in the way you present the investments, could you give us more details about what exactly has changed? What are these additional debts that came together with the acquired projects? What is different now from what we saw in 4Q08?

Mr. Torres: I'm sorry, but when we made these acquisitions we made a release on what debt we had assumed and what we acquired, so this is the way we are going to do it. I will give you an example: Ponte de Pedra, SHPz and Econergy debt were not included and we included it now.

Ms. Puccetti: So would you say that maybe the most relevant difference would be Ponte de Pedra?

Mr. Torres: No.

Ms. Puccetti: No?

Mr. Torres: No. I am sorry, we are not going to ...

Ms. Puccetti: Thank you very much, anyway!

Operator: Our next question comes from Ms. Lilyanna Yang from J.P. Morgan.

Ms. Lilyanna Yang: Good morning! Could you please give us the status of the cost of the new projects not only in the final part of Estreito, but also at Jirau? I would like to know if you are within the cost expected or if it is to rise above inflation. Thank you!

Mr. Torres: We are contracting Jirau and we are not going to talk about Jirau.

Ms. Yang: It can bean overview...

Mr. Torres: The project will be transferred only in 2011 or 2012, so we are not going to talk about the Jirau Project in conference. We are going to make comments about Jirau further ahead. And as regards Estreito you have here the amount. This is the amount that we are going to disclose. Once it is transferred we will then disclose all the values.

Ms. Yang: Ok! And why is that that the transfer is going to be done in the end of 2009, begining of 2010? I understood that it would be in the 2Q09

Mr. Torres: No, I said it would be in the last quarter of the year.

Ms. Yang: Ok! Thank you!

Operator: Our next question comes from Mr. Gustavo Gattass from UBS Pactual.

Mr. Gustavo Gattass: Good morning, Zaroni! Good morning, Previtali! This is Gustavo Gattass and I came late to the call, but I would like to make two brief questions. The first one has to do with the contracting in 1Q09. Just for me to understand, you adopted an energy allocation strategy to be short; but I would like to understand if you saw a drop of industrial demand in like for like. Were you able to re-contract all that or were you, despite all this, unable to maintain a higher level of contracts?

Mr. Torres: We sold part of the drop of demand in an adjustment auction, we sold 45 MW.

Mr. Gattass: And this as of March; is that correct?

Mr. Torres: Yes.

Mr.Gattass: My doubt has to do with the beginning of the year, January and February.

Mr. Torres: Because we were short in our energy allocation due to seasonal reasons we have more energy for the rest of the year than in the first months. So this is something we are taking into account; then the drop in demand is less negative, less short than what we were.

And as of January we were selling 874 average MW more to the distributor companies, so we cannot analyze that “per si”. We had more sales to distribute and there was a drop in demand, but also we purchased less because we had some contracts with CST and CSA and so the supply to us decreased, we had to buy less. So it is a combination of things.

Mr. Gattass: Ok. And my second question has to do with the contracts of the adjustment auction. Did you place all the additional availability there? When I think about the future and your seasonality strategy are you still long in energy for the next quarters or have you covered that in the contract you closed in the adjustment auction?

Mr. Torres: This adjustment auction was just for this year, so we sold only a part of the energy. We are very prudent and cautious. We could have sold more, but people come here negociate with us. We

sell according to the reduction in consumption. We knew about this reduction until March; we do not know what this reduction will be. This is at a slower pace because the activities in the industry are increasing, so it is only partially sold this reduction.

Mr.Gattass: So the assumption there is that you are going to be able to close contracts above R$145/MWh?

Mr. Torres: No. We do not think we will sell contracts above R$145/MWh, but we can have a spot price above R$145/MWh or not have the reduction we expected and then become in a short position and have to buy or even pay a penalty. So since we are very cautious and prudent...

Mr.Gattass: You leave a margin there.

Mr. Torres: ...we leave a buffer, a margin there.

Mr.Gattass: Perfect. Thanks!

Operator: We remind you that is to ask a question dial star one (*1). Our next question comes from Mr. Eduardo Cancian from Itaú Unibanco.

Mr. Eduardo Cancian: Good morning, Zaroni! Good morning, Previtali! I have two questions; first one I would like to know if you could give us an update relative to the schedule of Estreito and the startup of the plant. And also I would like to know in the new energy balance there is a reduction in the average MW of your own resources. What is this small reduction and why was this reduction placed here? Why has it occurred?

Mr. Torres: The Estreito schedule, although last week the flow was higher than in the last 50 years because of the rain in Maranhão, in Tocantins State we are still working with the original schedule.

As regards the reduction by 24 MW on average that you see in the item own resources, it is a small delay in the startup of operations in São Salvador. We had some technical problems in the acceptance of São Salvador - this is common to happen - so we had to delay the start up of operations and in the average of the year there was an impact.

Mr. Cancian: Thank you very much!

Mr. Torres: If you want to know how long you multiply 145 per 24 and multiply per 12 and you will see how many months, ok?

Mr. Cancian: Thank you very much!

Operator: We now close our Q&A session. I would like to give the floor to Mr. Manoel Arlindo Zaroni Torres for his final comments.

Mr. Torres: I would like to say that first, the effects of the crisis and the decline in economic activity is marginal at Tractebel. We have 30% of the energy sold in the free market with a 10% anticipated reduction in the consumption; 10% of 30% corresponds to 3% and this can be sold through the spot market. So the effect on the revenue is marginal and can be positive or negative.

Secondly, the result of the Company is not based on the Trading Chamber; it is based on the trading that we do. It is fascinating and we want to discuss this variation on CCEE because we have this game.

Our price is increasing and we have virtually 100% contracted. These make the Company's results stable, and our costs are totally controlled. We have a low debt and low exposure. These make the Company's results. The Trading Chamber is marginal upside or downside.

I thank you for your attention and you have our telephone numbers, our e-mail if you have any questions that I or Previtali can further answer. Thank you very much!

Operator: Tractebel's teleconference is concluded. We thank you for your participation. Have a nice day! Thank you very much!
