International Conference Call
Tractebel Energia S.A.
1st Quarter 2011 Earnings Results
April 29, 2011

Operator: Good morning. This is Tractebel Energia's conference call. All participants are connected in listen-only mode and later on we would like to open a Q&A session with further instructions for participation will be given. Should you need the assistance of an operator during the conference call please press star zero (*0). You should be reminded that this conference call is being recorded. Now I would like to turn the conference over to Mr. Antonio Previtali, Tractebel Energia's Investor Relations Manager. Please Mr. Previtali.

Mr. Antonio Previtali: Good morning ladies and gentlemen, welcome to Tractebel Energia's conference call when we are going to discuss the results of 1Q11. This presentation along with the slide presentation is simultaneously being transmitted by the Internet in the website www.tractebelenergia.com.br in the investor relations section. There you can also see a copy of the presentation and the company's earnings release.

Before proceeding I would like to clarify that all statements made in this conference regarding the business outlook of the company should be configured forecasts that depend on the country's macroeconomic conditions, on the performance and regulation of the electric industry and they are subject to changes.

Today with us here in Florianópolis we have Mr. Manoel Arlindo Zaroni Torres, Chief Executive Officer, who will talk about Tractebel Energia's performance in 1Q11; and Mr. Elio Wolff, Market Relations Manager for GDF Suez Latin America, who will make a presentation presenting an update on the development of Jirau hydropower plant. Afterwards we are going to have a Q&A session.

Now I would like to turn it over to Mr. Manoel Arlindo Zaroni Torres.

Mr. Manoel Arlindo Zaroni Torres: Good morning everyone. We are here to talk about the results of 1Q and we are going to start on slide number 4 with the main highlights of the quarter and the main financial and operational indicators. As you can see there has been an increase in net operating revenue of 8.1% and as a consequence of that our Ebitda grew by 17.9% and Ebitda margin has gone up from 62.1 to 67.7.

All of this is basically due to the high generation of hydropower, a little thermal generation, better contract prices and less energy being resold. So when we generate less thermal energy we increase Ebitda margin… that happens too and even though it contributes to increased turnover, the margin is smaller. So these increases they are result of this variation.

We kept financial expenses and that has led to an increase in net income or net profit. Energy sold is stable. As we had better prices we increased revenues, and you can also see that our average prices have gone up by 7.5% and production, as it happens in every rainy first half of the year, first quarter of the year, is more or less on average and similar to the previous quarter.

On slide number 5 the novelty here is the change of the name of the company that is part of Estreito Consortium that is now called Companhia Energética Estreito and used to be Suez Energia Renovável, on the left, and now we have also included International Power as the controller of International Power Latin America, which does not change much, but you can see this new layer in our organization chart.

On slide number 6 we are already considering 6,500 MW for all power plants and the highlight is that right now we have a reduction in reference energy, we call it assured energy, and physical guarantees for the power plants that we are... renewable and nonconventional, we call them complementary power plants. And this is a reduction in wind power plants and also in some SHPs. So this adjustment is done yearly. Last year was a year without much wind in the Northeast - usually when it rains a lot it does not wind much, there is not much wind.

On slide number 7 I think you already know it, nothing has changed here.

On slide number 8 I would like to remind you that these blocks refer to the year and we are talking about the first quarter only, but you can see that there has been a yearly growth that is significant in terms of free customers and a decrease in marketing companies in distribution companies. In 1Q free customers increased in physical terms to 31%, and so that is about 24% as compared... it was 24, it went to 25 and in financial terms from 33 to 31. As to the portfolio you can see that we have had 1,188 average megawatts.

As to the energy market on slide number 11 there has been surprises. The year ended in the dry season, but it has been raining a lot, March has been the rainiest month ever, the rainiest March ever, and in the level we are considering maximum levels, because usually after the rainy season we have 100% in the reservoir in the Northeast and in the Southeast we have 80% and have a minimum bad debt.

The increase in the average consumption in Brazil is 4.8% in 1Q considering that in the Southeast it was 6.2 and it does not really agree with what we have been seeing in terms of the pressure from the exchange rate. The industrial consumption in the Southeast has gone up 6.7% and the average of the Southeast is higher than the average in Brazil, where is the largest market of consumers.

On slide number 11 the chart on the right you can see that bad debt we have a low average, but it is likely to go up because we are using more thermal power in the future. The share of thermal power plants has been going up year on year in terms of offer and so we are going to use more thermal energy at higher prices.

On slide number 13 you can see that every year we sell energy gradually - this is our strategy – and we cannot always make it look like a staircase as we would like. So whenever there is an opportunity we can buy for two years and then sometimes increase more on one-year or not so much on another year as you can see.

So as compared to December 31, 2010 we have had a growth in our non-contracted energy of 17 average megawatts in 2011; 95 in 2012; we went down by 18 in 2013; 19 in 2014; 39 and 2015 and 40 in 2016.

So I would like you to pay close attention to this bar chart and you can see that for me to start selling energy as of 2014 or 2015 I will need to improve the mix in my portfolio to be able to sell as of 2012 and this will be related to something else that we will be talking further ahead, which is the option contract without cost with Jirau.

Slide 14 is quite detailed and I will ask Previtali to explain it.

Mr. Previtali: Well, actually the purpose of slide 14 is to show how we have arrived at that variation of the energy that was not in the contract anymore that was mentioned on slide... the previous slide. That variation did not result exclusively from sales that were made in 1Q because there was an increase in the energy that was no longer in contract in 2011 and 2012 - that is for two years.

So where does that difference come from? In our own resources if you compare on December… 2012 there was reduction of 10 average megawatts from 2013 to 2016 and that is the difference of Proinfa.

And of course nothing prevents that these amounts could be increased or decreased in coming years given this behavior that Zaroni mentioned year after year and in 2011 and 2012 we have had a larger reduction than the 10 MW that I mentioned. We also had an adjustment of the schedule at Estreito reducing our own resources by 8 MW in 2011 and 10 MW in 2012.

No going down for purchases for resale we had an increase of 37 MW in 2011; 115 MW in 2012 and 20 MW in 2013, as well as in 2014. So the marketing activity has not stopped because we intend to get more energy to provide those projects that, as Zaroni mentioned, will allow us to sell more energy to be delivered in 2014 and 2015.

With regards to sales of energy at the Government auction, we notice that in the Proinfa line there is a reduction of 8 to 9 MW that corresponds to that decrease in the own resources regarding those contracts, the same contracts we have mentioned, and there was also a small adjustment of 2 MW upward regarding the first reserve auction and here we are talking about an increase in the reference energy of Andrade plant that now it is called Ibitiúva Energética. Therefore we arrive at our balances that Zaroni mentioned to you.

And now I will give the floor back to him so that he will talk about investments on the next page.

Mr. Zaroni: Ok. On page 16 we are talking about Estreito power plant. As you know its first unit is already in unassisted operation mode. Since our portfolio considered that the unit would start up in May, we are taking this time to make some fine-tuning of the controls everything, because we have a very low bad debt and we will be selling at R$ 12 if we had generated, and so we preferred to wait a little bit to start up the first unit that will be the benchmark for the other units. Everything is ok, is according to schedule.

And the schedule for the other machines… every machine that starts to operate improves the assured energy and the ramp up schedule is one machine every month or every two months. The machines have been synchronized and they should start to be operational... operating for commercial purposes this week.

Before turning to Elio Wolff that will talk about Jirau Project, I would like to include in the minute of the 11th meeting of the board that it was approved the committee of transactions with related parties to analyze and recommend or not the entry into agreement of purchase of energy by the company from Energia Sustentável do Brasil.

And this opportunity came at a good timing, because we want to improve governance and transparency and so we created this committee for transactions with related parties, and because for the first time we want to implement it for Jirau. That is what we expected; but in the meantime we had this opportunity to negotiate with SBR an option - it is a call option to be part of our portfolio.

It is a quite simple contract, and the committee will be able to do everything according to the bylaws and conduct all the meetings and make the reports and hire, engage consultants or not as needed. José Fay Rangel and Antonio Alberto Nogueira Vieira are two independent consultants and we can have three or five according to the bylaws and we decided to have three independent consultants or members of the board, and the representative of the company will be José Luiz Janson and the members of the committee should present a report by June 15 based on the report on this transaction and the recommendations at the committee will be discussed with the board of directors of the company.

I would now pass the floor to Elio to comment on Jirau.

Mr. Elio Wolff: Good morning everyone. I am going to talk a bit about Jirau, we are now on slide 18. No major news in this first slide. I would just like to highlight that the capacity of the plant that is being implemented is 3,450 MW, 46 machines and we are also analyzing the additional 46 MW.

It is also important to mention that the amount of 65 average megawatts of assured energy that corresponds to 4 turbines and the rest is being approved.

The positive news is the approval at the change in the basic project that was approved by Aneel, by the regulating agency, and then was approved by Ibama as well. This change from the 44 turbines to 64... or 46... and this has been approved.

As for the second part of the slide there are no major changes. The Capex that was presented in the last call, 8.9 at the base date of December, and the amount invested up to December is 5 billion.

And the additional financing is also being discussed and we wait for the definition of the assured energy so that we can continue with that.

Now moving to slide 19 I would like to quickly talk about sales of energy. The first block I would like to mention that Jirau Project has 60% of its energy already purchased as of 2013 and its volumes and modulation are shown on the chart on the right and as of 2016 we have a constant amount 1383, 1,383 MW - that is the total of the project.

As Zaroni has mentioned we have the call option that is being analyzed by the independent committee - that is something new would bring today and I would like to remind you that all the stockholders or all the partners will also have the right to analyze this project and SBR is working to qualify for this new energy auction with an amount of the assured energy. We think that this will happen in the coming months and that will provide us opportunity to be part of this auction and then sell this energy that is scheduled to happen by July this year.

As to the schedule it is important to mention everything that happened and we are going to detail in the following slides, the occurrences, but about the schedule it is important to emphasize that it is still too early for us to talk about the impact of the incidents in the schedule - in the generation schedule to be more specific - and so soon as we reassess and adjust the situation then we will announce the novelty.

But the good news is that our construction schedule is going to be kept. We are keeping the same pace on what we had scheduled for August and September and this is a very important landmark for us. So this commitment... we are

keeping the commitment and we say that the deviation of the river is scheduled to be done in August/September.

Now on slide number 20 additional information about the incident that you all may have heard about in the news. The incident from 15 to March 17 in the construction site on the right bank of the river. So there was the lodging, there was destruction of many facilities, sales and even electronic cases or the ATMs were damaged - but this was only on the right bank, the left bank remains intact.

Now on page 21 we would also like to share with you some of the work we have been doing and the conditions in our lodgings in February 2011, reporting that the conditions of our lodging facilities are very high quality – you can see the gym on the first picture, the second picture the lodging; there is a lan house, this is important, this is highlighted and not just by the company but from others.

Our president even mentioned one of the very few lodgings or maybe the only one with air conditioning in all environments, so you can see air conditioning in every area; leisure; and then employees may have Internet access in a lan house, ping-pong, billiard and so this really makes it possible for our employees to have recreational activities.

I would also like to emphasize another aspect: Jirau Project is very often visited by many external agents - the public prosecutor; NGOs; independent auditors; Brazilian and foreign people that assure our faithful compliance to principles and we have external auditors also assuring the compliance of the details of the environmental practices and so this was done in the past and is still being done and there has never been... we have never identified any noncompliances in our site.

Now on slide number 22 just emphasizing a few points that we mentioned here, and maybe the main aspect is the first bullet, that no... there were no casualties or no wounded people and no piece of equipment was damaged. We assured the safety of employees and the national forces were there to assure the safety of our employees.

And the cause of the incident we may talk about is that it is still being investigated by the due authorities. We have not yet been able to identify the real cause of the incident, and the responsibility of the contractor of the company is to assure the safety of the site and to do the maintenance of the lodging facilities. This is part of the contract with the construction company or the contractors who were doing the construction.

So there has been a gradual resumption of work as of March 24. We have heard some good news and we are already in mid April. We have already been able to attain 8,000 m^3 of concrete and this shows a good pace in the evolution of the construction.

And another important thing to be mentioned which is in the last bullet is the recognition of Jirau site, a very high-quality construction site.

Now on slide number 23 you can see the pictures, some pictures of February 2011 and we should emphasize something very important: none of our pieces of equipment were damaged. The equipments, you can see here, they are still the same and so there were no losses, no pieces of equipment were damaged.

Now I turn it back over to Antonio Previtali for him to continue our presentation.

Mr. Previtali: Now we are going to talk about the financial performance before we move on to our Q&A session. On page 25 you can see a summary of our main indicators, main financial indicators: net income, net revenue, Ebitda and net income. I am going to skip this because we are going to talk about each one of these indicators in detail on the following pages.

On page 26 on the chart at the bottom we highlight how we went from ROB at the end of 1Q10 to an ROB in 1Q11, the evolution. So basically this increase is explained by the average sale price, which naturally bears a relationship not only with our prices but also with volumes involved in new prices.

So in detail with regards to supply and in terms of distribution and marketing companies there has been a reduction in sales to distribution companies because contracts matured and these contracts have been signed before the new model. They were bilateral contracts with distribution companies and the beginning of a regulated contract environment.

Still in terms of supply there has been a reduction of sales to marketing companies because our contracts matured and we did not renew and there has been a price increase between the two segments.

In terms of supply, sales to free customers, you can see an increase in the financial volume of 45% as Zaroni mentioned before. There has been not only an increase in average sale price, but also an increase in energy sold as a result of new customers that have been included in the company's portfolio and also higher consumption by our free customers that were existing before.

On page 27 I am going to highlight a few points that justify the 18% increase in Ebitda from 1Q10... comparing the first quarters of the two years, 2010 and 2011. So one of the main factors is a reduction of 70 million in the energy bought to be resold as Zaroni explained before, justifying the increase in the Company's Ebitda margin.

And these R$ 70 million are associated to approximately 286 average megawatts; there has been an increase in CCEE of 13.5 million; there has been

an increase in fuel that was irrelevant (0.3 million) as a result of the purchase of coal to be exported - we had a small export to Uruguay.

As to connection charges and distribution and transmission lines that has been a 2.3 million reduction as a result of the tariff revision of these agents.

And as to royalties, the payment that Tractebel makes for the use of water, there was a 7 million reduction as an increase in hydroelectric generation. There was an increase of 1.8 million in personnel as a result of the adjustment of compensation of our employees and also an expansion in headcount already trying to make provisions for the startup of Estreito and Jirau, too.

In terms of third-party services there has been a 8 million increase basically as a result of the fact that we had a low bad debt to expedite, so to speak, the maintenance of the thermal plants.

And we have also had a 8.5 million increase in depreciation and amortization basically as a result of... because of Areia Branca and Ibitinga that went live.

In CCEE we had a very small reduction in expenses of 4 million... I am sorry, actually there has been an increase in 4 million in expenses and that is due to the increase in the short production at the company because of the reduction of thermal energy production that was smaller than 1Q10, and this increase in the short production was offset by an increase in the secondary energy production.

For January and February we had secondary generation in the system of 25%. We do not have much data yet, and also an increase in the allocation or leases, which results in bank credit facilities which are the same when compared to the previous quarter.

A higher bad debt was applied because the bad debt was... 31 against 18 for 1Q.

On slide 28 we see a large increase in operations in contrast with a postponement of financial results that was almost flat. The combination of these two situations justifies the increase of 24% in income against an increase in 18% in Ebitda.

On page 29 I would like to highlight two points: in the upper central part when you talk about average price of energy sold, R$ 120/MWh. But it important to highlight that this is the net price, net of taxes, and in the jargon of the industry when we talk about sales price for free customers the price includes PIS and Cofins taxes, which the rate is 9.5%... 9.25. So the average price of Tractebel within that jargon is already above 130/MWh.

I would also like to highlight and call your attention to the fact that the Ebitda margin was almost 68% basically due to the impact brought by the reduction in marketing activities where we had naturally smaller margins.

Now on page 30 when talking about indebtedness we see that the ratio between total debt and Ebitda remained stable and the comment here is that without considering Jirau the leverage will decrease, since the debt of Estreito is already built in here, in the total amount presented here, but Ebitda is not, because as Zaroni mentioned the plant is still in the startup process and it has not become operational yet and so the margin should still decrease before Jirau starts up effectively.

Now we can move to page 32, the schedule of maturity of our debt, and the position of 2011 actually refers to March 31, so how much debt we still have based on March 31 data. This is as of March 31, 2011 of outstanding debt and we have two issues of debentures that were settled. On the first we paid off the third issue of debentures amounting to 640 million and we expect the cash flow of today, outgoing cash of 170 million for the trench, IGPM, and that would have... that would account for a reduction of 810 million approximately for the position of 2011.

Another comment that is relevant to this slide, with regards to the debt positioning when we include Jirau naturally the interest of TJLP within the bucket of national indicators will increase somehow.

On page 33 we have some adjustments of Capex for this quarter and these adjustments were basically due to the inclusion of wind farms. Maybe we could comment a bit more on that project in a minute. We had 620, 630 million as Capex for these wind farms and a bit of reduction in the maintenance Capex and that caused an impact in the Capex of 2011 and 2012.

For 2013 the difference when compared to the figures presented at the end of 2012 has to do with the reserve that is being made for a potential purchase of Jirau. Zaroni, would you like to make any comments on the wind farms?

Mr. Zaroni: Well, the wind farms in the Northeast we have 5 wind farms that are pretty mature totaling 145.4 MW, an average of 75 MW or 75 average megawatts in Porto das Barcas wind farm in Piauí, Paraíba it is very close to another one and the Complexo Tairí; there are 4 wind farms in Ceará.

As everything is approved and now we are looking for special consumers to have the contracts, because there was a condition: we must have energy sold of about 60% in order to start and the supply engineering and construction contracts have been negotiated already.

Mr. Previtali: And to finish our presentation on page 34 about our dividend policy. Over the next few weeks we are due to announce, we will be announcing the payment date both for JCP (interest on own capital) totaling 220 million as complementary dividends, 158.3 million. As to the complementary dividends I would just like to remind you that next Monday, May 2...

We have closed our presentation and we are open to answer any questions you may have to ask us.

Q&A Session

Operator: Excuse me ladies and gentlemen, we are now going to start our Q&A session. To ask a question please press star one (*1). If you want to take a question from the line please press star two (*2).

You should be reminded that this conference call is exclusive for investors and market analysts. We kindly ask that any questions by journalists be sent to our press services office at Tractebel Energia. Please respect the limits of no more than two questions at a time.

Our first question comes from Mr. Luis Pinho from UBS. Excuse me Mr. Luis Pinho you may ask your question.

Mr. Henrique XXX: Good afternoon, this is Henrique actually. I have a question about the announcement of the call option for Jirau's energy. Could you give more details about prices? Do you have any ideas of their sale policy? Do you have anything in mind? And about the vote? Is Suez going to abstain from voting for Jirau? What is your guidance according to the new mechanism for transfer of assets?

Mr. Zaroni: We were expecting this question. Actually we cannot talk about it right now because there are still negotiations and we depend on the committee to analyze that. So all I can say for the time being is that this is an auction without cost for Tractebel to comprise the portfolio... to comprise Tractebel's portfolio so that we may form products as of 2012, 2013, 2014 with an option for 2013 and 2014 only. So this is all I can say for now, we need to wait.

As to Jirau and so on we still have a long time to go, I do not think this is the right time for us to talk about that.

Mr. XXX: Ok thank you very much.

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

Mr. Felipe Leal: Hello, good morning to everyone and I have two short questions about Jirau, the first one is the Capex that you mentioned of R$ 1.9 billion, whether they refer to the project with 44 or 46 turbines or 50 turbines.

And the second question you mentioned, Elio mentioned, the possible sale of energy of Jirau in an auction A-3. So the idea is to sell energy referring to this additional assured energy which is still pending to be approved?

Or maybe also talking about the sale of the original 30%, almost 600 MW that have not been contacted yet, or if they have been does it require an approval or can you already sell it?

Mr. Elio Wolff: Thank you Felipe for your question. First of all 11.9 refers to 46 machines. It does not include yet the 4 additional turbines because they are still being reviewed and analyzed.

Mr. Zaroni: As to A-3 auction - this is Zaroni talking - it is impossible to include that 30% auction in the A-3 auction for the regulated environment and so then this has to be for the additional machines and then it is subject to approval and still under study and assessment.

Mr. Leal: Thank you very much.

Mr. Wolff: Just to complement, the amount of insured energy is still being studied or under consideration and what we disclosed last year to the market is our expectation as to the operational that went up from 44 machines to 46 and the amount of approximately 190, 196 average megawatts.

So again this amount refers to the change from 44 to 46 turbines and a few other adjustments that have been made and this is what our group expected, what shareholders expected.

Operator: Excuse me ladies and gentlemen just to remind you, if you want to ask a question please press star one (*1).

Excuse me. Our next question comes from Mr. Vinícius Canheu from Credit Suisse.

Mr. Vinícius Canheu: Good morning everyone. I would just like to go back to the slide 33 when Previtali was talking about Capex. He said that these 11 in 2011, 2012 there will be an increase in Capex related to maintenance plus wind farms and in 2013 you already have something regarding the transfer from Jirau. Did I understand it accurately? Is that what you meant?

Mr. Previtali: Yes you are right, Vinícius. This reserve for 2013 we are already forecasting Jirau's operation and it will become part of our budget. There is no

indication in addition to that. Please do not try to infer which would be the goodwill, whether there would be or not. We are already setting aside resources to make that investment.

Mr. Canheu: So wind farms do not affect the Capex for 2013?

Mr. Previtali: So let us do quick math: if we add the Capex of 2011 and 2012 in the presentation of December 31, 2010 we had 222% and this will total 375; and now if you add the two numbers (358+584) we are talking about 944; minus 375 - let us round up numbers - so we are talking about 570 million and the Capex forecast for the wind farms is 620 to 630 and so there may be a small residue for 2013.

Mr. Canheu: Thank you very much.

Operator: Excuse me ladies and gentlemen just to remind you, if you want to ask a question please press star one (*1).

Excuse me. Since there are no further questions I would now like to pass the floor to Manoel Arlindo Zaroni Torres for his final comments.

Mr. Zaroni: I thank all of you for your attendance and for your interest in our company and I would like to say that we probably do not have many surprises for 2012... 2011. The income and earnings is in line with the budget and all the plants are operating with a lot of energy available. Our energy allocation was done correctly in the first half of the year or the first quarter, and I think we only have good news for the future. Thank you very much.

Operator: The Tractebel teleconference has ended. We thank you all for attending and have a good day.
