Local Conference Call

Tractebel Energia

Results for the First Quarter of 2014

April 28, 2014

Operator:
Good morning! This is the teleconference of Tractebel Energia, which will discuss the results for the first quarter of 2014. All participants are connected only as listeners, and the session of questions and answers will be opened later, when you will be given instructions for participation. If you need assistance by an operator during the call, please press "* 0" (star zero). We remind you that this conference is being recorded. This presentation, accompanied by slides, will be simultaneously broadcast over the Internet through the website www.tractebelenergia.com.br, in the Investors session. In it, you may obtain a copy of the presentation and the release of the company's results. Before proceeding, allow me to clarify that any statements that may be made during this teleconference regarding the company's business prospects, should be treated as prospective statements, dependent on the country's economic situation, the performance and regulation of the electricity sector, and other variables, and therefore are subject to change. With us today are Mr. Eduardo Sattamini, Chief Financial and investor Relations Officer, and Mr. Antonio Previtalli Jr., Manager of Investor Relations, who will comment on the performance of Tractebel Energia in the first quarter of 2014, and Ms. Anamélia Medeiros, Manager of Market Relations for GDF Suez Energy Latin America, who will provide an update on the implementation of the Jirau Hydropower Plan. Soon after, any questions that are made will be answered. I now give the floor to Mr. Eduardo Sattamini. Please go ahead.

Eduardo Sattamini – Chief Financial and Investor Relations Officer:
Good morning everyone! First I would like to comment that this is the quarter in which we remember that the comparison between quarters ends up being hampered by the allocation strategy, which can be diametrically different from one quarter to another. That is what happened between the first quarter of 2014 and the first quarter of 2013, where we had a much heavier allocation in the first quarter of 2013 – you do remember what we performed the allocation there in February, retroactively to January 2013 – and that did not happen this year. We had no opportunity to perform this allocation, already having some information about the quarter.

We had then, as you can see, a different allocation, with less energy allocated in the first quarter of 2014, as previously disclosed, including on Zaroni, in the press release of this weekend. It is clear that our position is selling more in the second half, and we will have to observe the impact of lower allocation in the first quarter of 2014.

Looking at the figures on page 4 of slide 4, we can talk a little about net revenue. Revenue rose by 18%. This is an effect that we have been feeling every time we make an allocation. We end up creating revenue and, subsequently, a cost. It is as if we were conducting a trading, except that it is a trading only with the energy delivered and the receipt of energy shifted in time. So the revenue increases more than the readjustment of our contracts or the increase in our sales portfolio, and that is what happened. You can see that we have had a net increase in selling prices of about 6%, that is, an increase of 2.4% of in the amount of energy, but the revenue this quarter was 18.1% higher. What influenced the increase in revenue? Short-term operations, as we said, have created – being the largest contributor to this increase in net sales – a contribution of R$155 million in the quarter-to-quarter comparison.

EBITDA was eventually reduced, mostly due to our position as buyers in short-term operations. We have increased purchases between quarters by almost R$300 million and had purchases for resale and purchases of longer-term contracts, which were made last year, increasing the volume of our expenditures byR$90 million. This allows our EBITDA margin to be reduced substantially. As we increase the activity, trading or allocation, our margins tend to reduce naturally. Another factor that contributed to the reduction of the margin was the surplus thermal power generation. Keep in mind that the fuel component increased this year by R$3 million compared to the first quarter of the previous year. Last year we had the stoppage of William Arjona in March, meaning that it operated for only two months in the first quarter of 2013, and this year it operated fully. This is an aspect that has been favorable to us. This plant had been removed from our portfolio, so it has contributed to lowering our short-term exposure.

Net income then fell by 31%, almost 32%. We had an increase in financial expenses, specifically due to the rising inflation. To give you an idea, inflation measured by IGPM was approximately 0.84% in the first quarter of 2013 and 2.5% in the first quarter of 2014. It did not have such a dramatic increase as measured by IPCA, but still had an increase from 1.9% to 2.2%, approximately. Those are the main aspects. We have already commented on the issue of energy sold, and production this year was much higher due to the high demand in the first quarter. We had plenty thermal power ordered, at almost 32% over the first quarter of 2013, and we had a better hydrology in this first quarter than in the first quarter of the previous year, also allowing for an increase in our production at 26.6%. That is to say, our thermal and hydropower generation park have operated with high levels of performance, despite the fact that this generation has not necessarily yielded results.

Let us see slide 5, where we will speak about the quarter's highlight. We had record instantaneous generation, reached on January 22, in which our parks reached 8031.6 MW of instantaneous generation – an increase of approximately 2.6% compared to the previous record of 7824.5 MW of generation.

The Fleixeiras I Wind Power Center obtained approval by ANEEL to commence its commercial operations on January 28. Also in the first quarter, we completed the acquisition of the capital stock of Ferrari Termoelétrica, with 65.5 MW of power and an average trading capacity of 23.3 MW. This occurred on February 20. Subsequently, the last wind farm of the Trairi Complex, Mundaú Wind Power Center went into commercial operation on April 1. The Trairi Park is now fully operational today, adding 115.4 MW of power to the company.

Another subsequent event was the approval of the Santa Mônica Wind Power Complex by the Board of Directors. It will be part of our CAPEX estimate, so you will be able to notice that there has been an increase in our CAPEX guidance. With 97.2 MW of installed capacity, this park is located next to our Trairi complex, in Ceará. We have also authorized the purchase of an average 150 MW for five wind projects to be developed in the state of Bahia, as well as 10 wind generation projects with an installed capacity of 300 MW, also located in Bahia, for R$35.1 million.

On slide 6, we present our control chart, noting that GDF Suez is our parent company, through GDF Suez América Latina Participações, with 68.7% of the company. The company has a holding in the Novo Mercado, the shares have been included in the Sustainability Index for nine years, since its inception, and there has been no significant change in the stock control or subsidiaries and no upstream above Tractebel Energia.

Slide 7 shows our asset portfolio. We can see an increase of complementary sources, based on the entry to the Trairi Complex and the acquisition of Ferrari, which caused an increase in the share of non-conventional energy. We also had a reduction in our thermal power capacity due to the exclusion of Alegrete, starting this quarter. We had paralyzed the plant and requested ANEEL for a permit to suspend its operations. Finally, in the first quarter, ANEEL authorized the cancellation of this permit. This leaves us with 7,024 MW of installed capacity, distributed across various plants and energy sources, as you can see on the map.

Slide 8 highlights our leading position in the private generation sector. We are still the largest company in the sector and we intend to remain being so. The company is well positioned for business opportunities that appear in the market.

This is slide number 9, on our balanced portfolio between distributors, free clients and the trader. We note here an apparent reduction between distributors' proportion and the distributors' contract in our portfolio from 2013 to 2014. We did not have a reduction in contracts, but rather an increase in sales on the resource market to the free market, allowing it to increase and gain more importance. It is important to point out that the free market for us has a very great importance, as it prevents us from selling energy in the A-1 actions, with very little predictability of sale. The free market allows us to sell in advance the energy that would not be contracted in a given year. With that, we can ensure predictability in our cash flow.

Let us see slide 10. We have to remember that we, the free market, should also be very wary of the credit policy and the risk administration and management of our business portfolio. This policy is in line with a wide diversification among sectors of the economy so that the company may not suffer and not take any systemic risk of any one sector of the economy. You can tell that we have a slightly larger concentration than in other sectors of the cement industry, but that does not concern us because the credit assessment of those clients, who are part of this portfolio, are Triple A clients, that is, international operators with enough financial strength.

Moving on to slide number 12, we see no significant change from last quarter to this quarter, regarding the energy market and the structural position. As regards the slide on the right side – supply distribution by source –, we have identified we are increasingly dependent on thermal power, which is what we experience now. Thermal power generation is becoming more important. This tends to increase the cost of energy, as we have a greater need for thermal power order. I believe that this position of bad hydrology has showed some weakness in our system today, with costly thermal power plants, rapidly causing a substantial increase in prices after a certain level of thermal power generation. The MC also rises substantially, bringing the PLD to very high levels.

Moving to Slide 14, we can talk a little about our non-contracted energy, our portfolio, and how we are positioned. We are selling well, as you can see in plans 14 and 15. We are continuing with our strategy of maintaining a high level of recruitment and the company is taking advantage of windows of opportunity, as we always say, in which the trading price of long-term contracts rises – we see this trend today – for composition of our long-term sales portfolio. If you look and compare it with the previous quarter, you will see that, for 2016, we sold 191 MW over last quarter, that is, we have reduced the position by 191 MW. If we compare it to 2017, we can see a change of 163 MW in the portfolio position, 157 MW for 2018, and 99 MW for 2019.

Similarly, slide 15 shows bilateral sales, where these increases in sale become even clearer. In 2016 bilateral sales increase by 249 MW, in 2017, 190 MW, and in 2018, 171 MW, that is, the company's business activity remains very active, so we seek to seize this moment and trend of higher prices on the market due to the potential inclusion of thermal power generation in the Brazilian matrix, due to the bad hydrology that we are currently experiencing. We believe that the government should take action so that, in coming new energy auctions, we may have other sources that are likely to be more expensive, but which should also give more security to the system.

Let us now talk about the expansion of the company's capacity. The first and main project is the Jirau Project. I will give the floor to Anamélia, who will give you an update on this project.

Anamélia Medeiros – Manager of Market Relations for GDF Suez Energy Latin America:

Good morning everyone! Slide 17 gives an update on the project, with widely known on the installed capacity of the Jirau Hydropower Plant, which is 3,750 MW, comprising 50 units with 75 MW each. Seventy-three percent of the energy contracted through a 30-year PPA, indexed to inflation and the balance of the available energy center will be marketed by the shareholders at a proportion of 60% to GDF Suez, 20% to Eletrobrás, and 20% to Chesf. Financing conditions are also widely known. There was no update to the project's CAPEX, which remains at R$17.4 billion, as previously announced. The news concerning the latest results release is on slide 18, especially regarding the number of units in operation. We currently 7 units in commercial operation, totaling 525 MW injected into the system and one unit synchronized to the network in April, totaling 8 units that are already connected to the National Interconnected System. We have two other units in the test phase, which should commence operations next month, with 92% of physical completion of the work; if we consider civil work, progress is over 95%.

One topic that has been a highlight in recent weeks was the flow of the Madeira River, which reached a record level of 59,000 m^3/s in late March. It currently presents a trend of reduction and the latest data available records 46,000 m^3/s in April, which shows that the level of the river is decreasing. The partnership with Mitsui, as you know, was completed on January 16, 2014, after approval by BNDES and the lending banks. In addition, options for additional value still in vogue include additional assured energy and other compensation, as proposed by ANEEL in the decision issued at the end of the year 2013, long-term additional incentives for the region, and the possibility of issuing infrastructure debentures, thereby creating other funding possibilities.

Slide 19 gives an update on construction, which is more difficult in that construction is in continual progress. The comparison from January 2014 to April 2014 is more difficult to detect by the photos. However, here is an interesting point that shows the level of the Madeira River, which, as you know, reached record levels, considering the perspective of both the powerhouse on the right bank and the powerhouse on the left margin. These are the updates that I have to give at the moment. I now give the floor back to the officer Mr. Sattamini.

Eduardo Sattamini – Chief Financial and Investor Relations Officer:
Let us move on to slide 27, where we talk about the Ferrari thermal power project, which was acquired, as we said, at the end of December. The transaction was completed on February 20. It is a biomass unit, located in Pirassununga, state of São Paulo, with an installed capacity of 65.5 MW, including an expansion to be carried out, which will add approximately 15 MW to it. The company made the decision to go ahead and, today, the plant has an average of 23.2 MW. Roughly 18 MW are used in reserve and alternative energy auctions. In this expansion, the remaining energy is being marketed by the company, in long-term contracts with special clients, who can buy energy only from plants with biomass, that is, unconventional renewable plants. The expansion of Ferrari will be of around R$85 million. It will undergo a modernization that will enable its expansion capacity.

We also have on page 21 new wind projects under construction authorized by the Board of Directors at their last meeting. Not the most recent one, but one immediately prior to it. This complex, again the Santa Mônica Complex, will have an installed capacity of 97.2 MW and a commercial capacity of 47.3 MW, consisting of four projects: Cacimbas, Estrelas, Santa Mônica and Ouro Verde, which you will be able to follow in the coming months. The company will invest R$460 million in this Complex and entry into operation is scheduled for 2016.

On page 22, we begin with a new source of generation: Photovoltaics. As you know, we took advantage of ANEEL's R&D program and made an investment in several test modules with different technologies in various locations around the country, as well as a solar power plant of 3 MWp, located next to our Jorge Lacerda Plant, in the South. This first photovoltaic plant will give us experience so that we can then assess new investments in the area of solar energy.

Moving on to Slide 24, where we start to talk about the financial performance, it is important to remark that in 2003, despite the fact that it was a very difficult year, with regulatory changes, lack of gas to Arjona and many movements that were contrary to the company's normal activities, we had not such a bad result as it might appear in a moment of stress. The message here is to speak of the resilience of the results. Indeed,

we now have a very bad quarter compared to the first quarter of 2013, but this is perhaps an interesting feature. Look at what happened in 2013, when we had a very good result in the first quarter, gradually trimming the fat. This year, we will have the opposite situation – we have trimmed the fat, and it should accumulate over the course of the year – and, as Zaroni said, our position favors sales in the second half. Therefore, we should be recovering our results in the second half of this year.

Net revenue evolution is shown on slide 25, with the main clients. As we said, an important component of the revenue evolution is the short-term operations. In fact, we generate revenue as we make allocations. It is almost a trading at different times. We then generate had an increase in short-term revenue from R$162 million to R$317 million, resulting in a difference of approximately R$155 million quarter over quarter. We had an average selling price contributing with R$82 million. Our price rose from R$136.33 to R$144.54 on average, which accounts for a 6% increase. We then had an increase in sales volume from Trairi, plus energy purchases, at R$22 million. This has allowed our total net revenue to grow from R$1.39 billion to R$1.64 billion.

Moving on to slide 26, the EBITDA trend, we can see a strong impact of short-term operations. That is, we had an increase in short-term energy purchase expenditures of nearly R$300 million. We also had purchases in the first quarter of 2014 at R$380 million, with a difference of almost R$300 million compared to the first quarter of 2013. This has in impacted our EBITDA in a liquid way. The R$298 minus the R$155 of the revue provided an effect of approximately R$144 million, which we see here in the short-term operations. Energy purchased for resale accounted for R$90 million. We grew from R$175 million in purchases in the first quarter of 2013 to R$265 million in the first quarter of 2014. Fuel accounted for R$23 million and, as we said here regarding the Arjona gas, we had a high order level during the first quarter of 2014.

On page 27, net profit, you can see the other components. We have components impacting the EBITDA, which are the short-term operations, energy purchased for resale, and fuel. We had, however, R$14 million of financial income, with basically R$6 million as the result of the financing costs of concessions. You know how we conduct the accounting of our concessions. They represent a debt and suffer the inflation adjustment, at a total of R$16 million from these concession expenses alone. Our normal operations accounted for R$57 million, showing that the operation is healthy while eliminating this short-term effect.

On slide 28, we can see where our Total Debt/EBITDA ratio increases from 1.1xa to 1.3x. It basically is the consequence of the replacement of the first quarter of 2013, which had a very good result, for the worse result for the first quarter of 2014. The debt did not rise substantially – it was very little – and this affected the EBITDA

variation indicator. However, the company continues with a very low level of debt. Its rating was reaffirmed by Fitch in April and the company remains with a Triple A in Brazil and a Triple B internationally. Our net debt is R$2.455 million. You can see on page 29 the evolution of net debt from the end of last year to the closing balance this quarter. We paid income tax, equity and debt interest payments and the acquisition of Ferrari, accounting for R$161 million. Also, we had investments such as Trairi and the asset recovery of Passo Fundo and Salto Santiago and other companies with profits included in the income statement, etc. This made the company's net debt rise by 8% from late last year to the end of this quarter.

Regarding the profile of this debt, slide 30 shows us that there is a concentration in 2014 comprising the expiration of the second debenture issue, which is the last installment of this second issue, due in May. We had two 4131-type operation tranches contracted with Bank of America Merrill Lynch, 4131-type operations, cost below the CDI, with one installment that matured in January and another due in July, and about R$200 million in BNDES, which is what we see in the long term. You can see in 2017, 2018 and 2019 that this amount of two hundred-odd million is the standard of normal debts of long-term financing from BNDES. In 2015, we also had 4131-type operations contracted with HSBC, totaling about R$90 million dollars undermined for CDI, and below the CDI. The same thing happened in 2016: BNDES and the difference with the 4131-type operation contracted with HSBC at 98% of the CDI. We have thus been showing the best way to finance the company's activities, at the best possible cost, and sometimes with a negative carrying cost, such as those of 4131-type operations.

Our debt is essentially linked to TJLP and the trend is that this value increases as other debts mature, unless we choose to roll over some of these debts, due to the company's cash or investment needs.

Speaking of investment, let us see page 31, where we updated our CAPEX estimate for 2014, with the entry of Ferrari, due to the entry of Santa Mônica. So, we will speak in large numbers, addressing the bulk of this investment. Ferrari has approximately R$180 million in acquisition and assumption of debt. We will be making more investment in its expansion, with approximately R$40 million for the first phase. Investments started this year and earthworks have been carried out near the plant. We have a big investment in O&M, which you been following for some time now, encompassing the reform of Passo Fundo and Salto Santiago, whereby we are obtaining funding from BNDES. We have made a letter of interest, our priority has been approved, and we are in talks to sign the contract. Of this amount off R$725 million, only R$48 million are funded and effectively contracted and R$41 were debts that came from the Ferrari Project, that is, they were existing debts at the plant, which

we assumed. However, a large portion of these R$677 will be funded in the longer-term funding from the BNDES. We are in the process of signing these contracts and hope to bring this news already in the coming quarter.

As regards 2015, you can see the usual. In O&M, we are continuing with the remodeling in Salto Santiago and Passo Fundo. We will also perform remodeling works in the electrostatic provider Jorge Lacerda B, as well as Santa Mônica and Ferrari by 2015. These R$511 million are the profit we had in 2010, which would be used to purchase Jirau, when this process occurs.

We are aware that this transfer will not occur in 2014, considering the process we have to undertake through the Related Parties Committee, where we will have to hire advisers and independent auditors for independent assessments and provide the Related Parties Committee with the external view of the transference This process takes time and has to be approved by ANEEL and so on. Therefore, we are aware that, even if this process had begun earlier this year, we would not be able to achieve a financial conclusion of this transfer in 2014, so we decided to schedule it for 2015. Want not necessarily mean that the date of transfer is right for 2015. As I said before, this will depend on when the controller of the company GDF Suez, who holds an interest in Jirau, finds that the main risks are already mitigated. We see the turbines coming into operation and this gives a little more confidence to the controller. We believe, at the moment when he understands that the risks are mitigated, this project will be submitted to the Council and forwarded to the Related Parties Committee.

Let us move on to page 32, where we can talk about the dividend policy. Most of you are aware that we have a statutory minimum of 30%. We have an acquired commitment that was made at the time of the follow-on in making a minimum payment of 55% of adjusted net income, and we have paid 100% of earnings as dividends, due to the lack of large-scale investments. Obviously, if these investments occur again, we will review this policy for payment of 100%. This has been the presentation for the quarter. I now give the floor to the coordinators of the call for any questions that you may have for us.

Operator:

Ladies and gentlemen, we will now begin the session of questions and answers. To ask a question, please press star one (* 1). To remove the question from the list, press star two (* 2). Our first question comes from Marcos Severini, from JP Morgan.

Marcos Severini – JPMorgan:

Good morning, Mr. Sattamini! Good morning, Mr. Previtalli! I have actually three questions, if I may. The first is in relation to William Arjona. We know that you have been working, since the end of last year, based on an injunction that allows you to continue receiving fuel from Petrobrás. So the question is, what is your expectation regarding William Arjona? I mean, you are negotiating, or do you plan to negotiate, with Petrobrás on some sort of contract for gas supply, which may allow you to participate in the A-0 auction, scheduled for this week, or is it possible that you will continue to operate based on this injunction? And is there any possibility of reversing this injunction anytime? In other words, I would like to see a slightly more updated view of that, Mr. Sattamini, if I may. The second question is regarding the GSF. We witnessed the negative GCA in the first quarter, and most likely throughout year too, so I would like to hear an update from you regarding your GSF estimate for 2014. Another concern I have is the upcoming years. We have been promoting a massive expansion of plants – biomass and wind, mostly. The new hydropower lack reservoirs so the GSF is expected to be often negative over coming years and this should generate some kind of change in the recruitment strategy. Do want intend to stay with a higher percentage of energy non-contracted to cover such additional risk that comes into existence now with this change in the energy matrix? What would be the minus or plus difference in this percentage of non-contracting if this becomes a reality, 5%, 10%? That is the second question. The third is in relation to the trading strategy of the energy that was intended for the Jirau free market. Are you or Suez already doing it and do you wish to stay with a share of this non-contracted energy? In other words, what can you give us regarding this matter? Thank you and sorry if I made too many questions here.

Eduardo Sattamini – Chief Financial and Investor Relations Officer:

Thank you for the questions, Mr. Severini. Let us begin with William Arjona. Actually, you are right, it is a legal issue, but rather, we found an injunction from Petrobras that allowed it not to fulfill the contract that is currently in force. So our expectation is to have gas, that is, no new legal action by Petrobras – we did not observe any new action for suspension of gas supplies to Arjona –, and that we have most of this gas this year. It remains in our portfolio as a matter of precaution, but we believe that Petrobras will not undertake any new legal measures to suspend the supply of the gas. That is because we need the electricity system order. The country needs right now, and it

would be reckless for it to suspend it. Obviously, we are negotiating and we will attempt to negotiate contract extensions so that, with the help of the government, this plant may remain in our portfolio for future years to come, and I think it is the right time. So this is a conversation we are having with Petrobras, with mediation by the Ministry, and we hope to be successful by year-end to ensure longer operation of the plant. There is nothing regarding the A-0 auction at the moment. We have attempted to make an approach, but there was not enough time to negotiate a five-year contract with Petrobras so that we could offer this plant in the auction. We have a different idea of A-0. You saw that we approved an interested in the minutes of the last Council meeting, but it is the composition of portfolios with other players so that we can deliver energy to decrease it and aid in the administration of the distributors' exposure. We are trying to set up a portfolio with other players and should join the A-0 once we have this structure.

Regarding the negative GSF, the expectation for the remainder of the year is very difficult. It is our million-dollar question. We do not know how demand will behave. We see that some players have begun to reduce demand to capture value in the energy they have contracted. This weekend, they talked about reducing the activity of Usiminas and the sales of its energy descendants, but we do not have a very clear vision of what will be and whether there will be reduction in demand that may have a strong impact on the GSF. We know that there will be a high thermal power order. Remember that this thermal power order does not occur at maximum levels, as plants stop for maintenance and thermal power plants are susceptible to breaks and periodic shutdowns, thereby reducing this volume generation percentage. We estimate that, year-end, we will have about 14-15 MW, continually being ordered. This tends to dislocates hydropower, but the GSF will depend on the effective demand noted, and that is the big question we have. As William Arjona has not been sold and we have increased our purchasing portfolio, we have a cushion that allows us to absorb some of this GSF below 1. As for the impact, we would have to draw various scenarios and assumptions, and it is difficult for us to do this with you. Maybe it would be better that each of you estimated, in your view, what the government will do. Remember that this year the government is having difficulty stimulating a sharp reduction in demand for energy, as we have a lot of infrastructure work taking place to prepare the country for the World Cup, as well as elections toward the end of the year. Any dramatic reduction in the country's industrial and economic activity will also impact the government's strategy in this election year. So there may be a drop in demand but we do not believe that volumes should be significant because of these factors. Regarding Jirau, maybe I can allow Anamélia to answer this question. She could speak a little bit of the business strategy for Jirau so far.

Anamélia Medeiros – Manager of Market Relations for GDF Suez Energy Latin America:

As you know, Jirau's commercial obligations are currently outstanding, to the extent that we have an injunction for delayed units. The energy available today and contracted with partners is being paid at the PLD. There are, of course, discussions with Tractebel in relation to the allocation of this energy of the portion of GDF Suez, but the strategy for future allocation will depend on how these discussions will move forward, and our vision of the market should certainly be defined in the future, most likely after the transfer of Jirau to Tractebel Energia.

Eduardo Sattamini – Chief Financial and Investor Relations Officer:

Perhaps we have actually followed up the commercial activities of Jirau based on a particular interest for the participation of GDF Suez in the plant's output, but there some issues are still not defined such as the liability exclusion etc., which gives us a clear picture of how much energy we have available for such trading. So for that reason, we have not undertaken a strong trading action regarding this energy, that is, until this situation is resolved and we feel comfortable with the energy volumes to be released for effective trading by each partner.

Marcos Severini – JPMorgan:

Thank you very much.

Operator:

Our next question comes from Kaique Vasconcellos, from Citigroup.

Kaique Vasconcellos – Citigroup:
Good morning everyone! A quick update: how do you see the medium- and long-term energy market? Is the demand high? And how is the issue of liquidity in longer contracts?

Eduardo Sattamini – Chief Financial and Investor Relations Officer:
Hello, Mr. Vasconcellos! How are you doing? As we said, we sell energy as windows of opportunity happen. And we have some quite interesting windows of opportunity now. We have felt increasing energy prices for 2016, 2017, and longer periods. Previously, we had an increase of almost 20% in long-term prices, as the result of the increased demand for contracts. Currently, many people are concerned about the situation, considering that their activity may depend on their energy being contracted, and that is bringing a greater volume of buyers to the market, with a hedged long-term position. Therefore, contracting interest increases, as well as contract prices. As for price levels, long-term price was about R$110-115, and currently they are about R$130-135 and rising. That means, we have been noticing that, as the solutions are found, they generate a higher cost of energy in the short and medium term for consumers through transfers by the thermal power system and expansion of sources with variable operating cost such as thermal plants. We begin to get a view of rising energy prices for the future and this has favored the trading market for long-term contracts.

Kaique Vasconcellos – Citigroup:
That's great. Thank you!

Operator:
Ladies and gentlemen, please remember that to ask a question, press *1 (star one).

Eduardo Sattamini – Chief Financial and Investor Relations Officer:
To complement the answer to Mr. Vasconcellos' question and avoid any misunderstanding, long-term energy prices refer to 2017 and 2018. The energy market for 2015 and 2016 is illiquid, that is, there is no transaction or energy available to the market in 2015. Fixed-price sales may buy the PLD or something like that, or a very high price that ends up not allowing the transaction to happen. As for 2016, it is already under a lot of pressure too. I would say that it has much higher prices than that level of about R$130 that we mentioned. This was just this question a little clearer.

Operator:
Excuse me. Our next question comes from Sandra Boente, from HSBC.

Sandra Boente– HSBC:

Good morning everyone! Thank you for the call. I would like to get an idea of the company's vision in November when you decided on the allocation of energy for 2014, and how it has changed. What was the surprise that caused the allocation to be a little bad?

Eduardo Sattamini – Chief Financial and Investor Relations Officer:

Okay, I will try to help you without exposing mine too much. You know we do not describe exactly how we performed the allocation, especially because the market has captured neither a long nor a short position and we could lose bargaining power when discussing the purchase or sale of energy at said time. But to give you an idea of what was happening in December, we had an arena very close to AMLT – maybe a little above it but still very close – showing there a wet period, beginning within the normal range. We looked forward a little and give up. The expectation was that January would not be as good as December, thus including a price towards the end of the year, maybe in January. It would remain slightly higher, but nothing indicated that February and March would be months with such a bad hydrology. So there was no reason not to think the rains would come, with recovering reservoir levels. The arena is normalized in February and March and it would not cause the PLD to be ordered. Therefore, that was the vision that allowed the allocation to favor the second half more than the first. That is because the normal dry period would start in towards the end of April or beginning of May and stretching to June and so on, thereby lowering reservoir levels. As reservoir levels fall, model pricing would indicate a higher PLD in the second half, so this is the rationale that was used when making the allocation. We seek to always get it right, but sometimes that does not happen. However, that does not hinder the results for the whole year. There is a possibility of recovery, depending on the GSF and PLD. We may still have a good result this year, so let us wait. We should recover something over the second half of this year.

Sandra Boente – HSBC:
A question: Does Tractebel or the sector in general, the generators associations, consult with meteorologists in advance of the allocation to have a vision for the medium and long term, or not?

Eduardo Sattamini – Chief Financial and Investor Relations Officer:
We have our models, but they are very inaccurate because this is an area of great uncertainty in accuracy. We have technicians in the actual body of the company who are engaged primarily in studying meteorology, ocean temperature behavior etc. that may influence the amount of rain and our business directly. However, it is very difficult to predict what we seek, which is sometimes to protect ourselves, and we are not always able to do that.

Sandra Boente– HSBC:
Fine, thank you. Thank you for the effort to answer.

Eduardo Sattamini – Chief Financial and Investor Relations Officer:
You're welcome!

Operator:
Once again, if you have any question, please press *1 (star one). Our next question comes from Sandra Boente, from HSBC.

Sandra Boente – HSBC:
Taking advantage of the last moment with Anamélia, is there has an update of what is happening in the negotiations with ANEEL on the trade issue? And as for the possibility of penalties, how is the negotiation with ANNEL?

Anamélia Medeiros – Manager of Market Relations for GDF Suez Energy Latin America:
Since the last results release, we do not have any updates. ANEEL is still assessing the claim and the obligations remain suspended on the effect of the injunction in place. So we have no update at this time to give you regarding the latter, which we even got to discuss.

Sandra Boente – HSBC:
Does the company have an estimate of when ANNEL will be making a decision? Does it have a deadline, soft deadline or indication?

Anamélia Medeiros – Manager of Market Relations for GDF Suez Energy Latin America:

No. Of course we would like to have a definition as quickly as possible, but it is not necessarily what will happen. We have a number of other issues in the agenda of ANEEL, which I think have a greater importance at the time.

Sandra Boente – HSBC:
Excellent! Thank you so much.

Anamélia Medeiros – Manager of Market Relations for GDF Suez Energy Latin America:
You're welcome!

Operator:
Our next question comes from Vinícius Canheu, from Credit Suisse.

Vinícius Canheu – Credit Suisse:
Mr. Sattamini, a quick question: How much thermal energy do you expect to be available over the year? Since William Arjona will be operating throughout the year, I would like to have an idea of how much. Considering maintenance adjustments, that is, the complete order, the company is expected to have 850-900 MW on average, or is the amount very different from this?

Eduardo Sattamini – Chief Financial and Investor Relations Officer:
We are delaying our longer maintenance works to have a wider availability with prudent operation. We have replaced longer-term maintenance operations, in which we usually open the machine, inspect it for 45 days etc. for short interruption. That is because small interruptions usually happen in thermal power plant when you operate continuously. Eventually a pipe is damaged and you have need to stop the operation for two or three days to replace that section of the pipe, so you can use these interruptions for replacement to make inspections and check if there is no other intervention that you can do to improve works and fix any problems. So we have to have an idea of an average of 600-odd MW delivered around the center of gravity, continuously.

Vinícius Canheu – Credit Suisse.
But did that include Arjona?

Eduardo Sattamini – Chief Financial and Investor Relations Officer:
That, no... Does that include Arjona, Previtalli?

Antonio Previtalli Junior – Investor Relations Manager:

No, because we had an average of 720 MW generated in the first quarter, Mr. Canheu. However, this is the gross generation and a discount should be included to take into account the Center of Gravity, possibly including the maintenance works mentioned by Mr. Sattamini. I think a good estimate, being conservative and cautious, is about 600 MW in CG, because the average of 718 MW already took into account the gross generation of Arjona, even though it was not included in the portfolio.

Vinícius Canheu – Credit Suisse:
So, does this figure of six hundred-odd per year include Arjona?

Antonio Previtalli Junior – Investor Relations Manager:
It did include Arjona on average for the year.

Vinícius Canheu – Credit Suisse:
It is the average for the year.

Antonio Previtalli Junior - Investor Relations Manager:
That oscillates a lot, of course.

Vinícius Canheu - Credit Suisse.
All right, thank you!

Operator:
This concludes the session of questions and answers. I will pass the floor to Mr. Eduardo Sattamini for any closing remarks. You may proceed now, Mr. Sattamini.

Eduardo Sattamini – Chief Financial and Investor Relations Officer:
Many thanks to all those present for participating and for your questions! We will keep the market up to date regarding our normal RI activities and participation in conferences. We expect an improvement for the second half of this year. Thank you and good afternoon, everyone!

Operator:
The conference call of Tractebel Energia is closed. Thank you everyone for participating and have a nice day.