Local Conference Call

Tractebel Energia

2015 First Quarter Results

April 27, 2015

Operator:

Good morning. This is Tractebel Energia's Conference Call, where we will discuss the results of the first quarter of 2015. All participants are connected exclusively as listeners, and, later on, there will be a section for questions and answers, when we will provide instructions for participation. If an operator's help is necessary during the conference call, please type *0 (asterisk zero). We would like to remind you this conference call will be recorded. This presentation will be accompanied of a slides presentation and broadcast simultaneously over the internet, through the website www.tractebelenergia.com.br, in the Investors section. There, you may also obtain a copy of the presentation and a copy of the company's results release. Before we proceed, we would like to make clear that eventual statements made during this conference call regarding the company's business perspectives should be received as forecasts, depending on the country's economic context, performance and regulation of the electric sector, besides other variables and, therefore, are subject to changes.

Today we have here Mr. Eduardo Sattamini, Chief Financial and Investor Relations Officer at Tractebel Energia, and Mr. Antônio Previtali, Investor Relations Manager, who will be commenting on Tractebel Energia's performance during the first quarter of 2015, and Anamélia Medeiros, Market Relations Manager at GDF Suez Energy Latin America, who will update us on the implementation of the Jirau Hydroelectric Power Plant. Afterwards, they will answer eventual questions. Now I would like to hand over the floor to Mr. Eduardo Sattamini. Please, you may proceed**.**

Eduardo Sattamini – Chief Financial and Investor Relations Officer:

Good morning, everyone. Now we will talk about slide 4, highlights of the quarter, of the first quarter of 2015, where we can observe that net revenue of sales was reduced by 1.5%, mainly due to short-term operations. Through a quarter-by-quarter look, we can see an increase in the EBITDA of de 13.8%, mainly due to the smaller costs of coverage of our expositions at the short-term market in CCEE. That led us to an increase of the EBITDA margin from 42.2%, in the first quarter of 2014, to 48.8% in the first quarter of 2015. Those impacts reflect in an improvement of 19.2% in the net profit, in a quarter-by-quarter analysis. We had a small reduction in net debt, close to R$ 90 million less in comparison to the previous quarter.

Energy production, we have a higher production in the first quarter of 2015, mainly due to a more favorable hydrology in the first quarter of 2015, at the South region, than during the first quarter of 2014, with 7.8% of hydric generation growth. Regarding

sold energy, we had a slight improvement of average 21 MW, mainly due to the introduction of the latest power plant, Mundaú, that did not exist previously and had not entered operation in the first quarter of 2014, as well as Ferrari's acquisition.

Going to slide number 5, the Highlights, we had our international 'BBB' rating reaffirmed, as well as our national long-term rating as 'AAA(br)', with stable perspectives for both. Right now, this is very important to us as, while the sector is going through difficulties, the company has its rating reaffirmed and the credibility of its financial solidity has been confirmed.

The company paid interest over its owned capital relative to 2014, an amount of R$ 223 million, that is, R$ 0.3416/per share, to its shareholders. The machine that was unavailable in Jorge Lacerda B, a machine that added something close to a hundred or so MW, is now back in operation, starting from February 17, 2015, a machine that was involved in an incident by the end of June 2014, and was out of operation for a good while, due to the impact and damage to the generator. Now, it is back into operation and that makes our thermal energy generation go back to its previous levels. I should remind you that the incident was covered by business interruption insurance and we have received the insurance company's advance payments, though the claim has not been fully closed yet.

In page 6, we had no change in our control structure, Anamélia will talk a little further about the only news we have later on, it is a change in the name of the group. This should reflect in some operational companies as a brand change, but that is still in progress, we initially have no definite information regarding that.

In slide 7 we go through our portfolio, our balanced portfolio, with a strategic location, we currently operate in 12 states, and Jirau will give us access to another one, we will soon be operating in 13 states. Seventy-nine percent of our hydroelectric capacity, 16 thermal power plants, which give us some manner of relief when we go through low hydrology, does not completely mitigates risk, but at least decreases it. We have a chart showing our capacity issues, showing that in times of low market profitability, we do not grow, but in times when conditions are favorable, we pursue growth.

In slide 8, we reaffirm our leadership among private energy providers, currently an undisputable leadership in comparison to the second place. The growth expectation of 2.3 GW allows us to say that, if no radical change happens, such as fusions within the sector, we should likely maintain our leadership position, and that allows us to say that Tractebel is quite well prepared and positioned for an eventual sector consolidation.

In slide 9 we talk about our balanced portfolio, practically half of our energy is in the free market and half of our energy is in the regulated market. The regulated market has long-term contracts, usually acquired through the increasing number of new energy auctions, and the free market is very important to us, since it is the best destination for the energy of existing power plants. This allows us to value our energy in a more efficient way. We should consider a regulatory change at the beginning of the current year now enables the government to hold A-2 auctions that maybe could

be attractive to our existing energy, as you consider, at the time of energy delivery, you are able to visualize the company's cash flow a little earlier.

In page 10, in slide 10, we speak of free clients, their importance, we had, we currently have a portfolio of average 2,144 MW sold to free clients in several sectors of economy. Such diversification is pursued by the company as a way to reduce systemic risk from a specific sector of economy. We have a strong, efficient credit policy, we have zero default levels, but that does not mean we do not suffer with eventual supplier lateness, but we do have assurances and the necessary means to meet our contractual obligations. This is important, this is very important, at this moment when economy is going through a deceleration scenario.

In slide 12, we speak about the market, we mention that pressure on prices should continue, especially now, with those thermal power dispatches and the higher volatility due to the new PLD calculation methodology. There is a trend for future prices to rise. That is a situation we have observed over the last year and a half, the entrance of new, more expensive dispatch power plants, and the expectation of growth of the generator park expansion through more expensive power plants, thermal power plants, and that should raise future prices. Therefore, that is a trend the company has tried to take advantage of, capturing contracts with higher prices on the long term.

In page 14, we present our unhired energy and the way to market it. The company tries to market its energy through the years, so that it is reasonably hired when the next year approaches. This policy is due to the attempt to stabilize cash flow, and to predict, to reach predictability over such flow. And there is a trend for a small change due to the recent events of regulatory change, changes to the PLD calculation methodology and due to the existence, of more recent observation of GSF, of GSF application to hydroelectric generators, which has made us look at our hydric reserves with more care, trying to maintain a reasonable amount of energy, especially when we observe low hydrologic conditions or low reservoirs. That is the case, for instance, of our reserves for 2016. We currently have 9% of our energy unhired, the reservoirs remain low, we currently have reserves, the current predictions say we will be close to 35% of the interconnected system by the end of April. That is, by the end of the year we will have something close to 15%, 20%, which may be, depending on demand behavior, be a little higher, yet, still a really low level for the reservoirs, meaning we may still face, by the beginning of 2016 at least, very demanding times, in terms of thermal power generation. Therefore, it is our perception that we should preserve those reserves a bit, and as the situation gets better, we would market that energy. This behavior should remain the same in the next few years, holding a bit to sell energy, due to this GSF matter and due to high-cost thermal power generation.

In slide 15 we present our energy balance, there you may notice we had an increase, I mean, we had good commercial activity during the first quarter, with a reasonable amount of sold energy for 2016, 2017. However, if we take a look we will see we had an increase in bilateral sales in 2016 of 77 MW, in 2017 of 170 MW, in 2018 of 217 MW, and so on, that is, that is quite a good sale, quite good commercial activity for a

period of three months. Nevertheless, this slide usually gives analysts the possibility to model company revenue, and expenses with energy purchase.

Now, going to slide 17 we speak about our expansion, Anamélia will take the floor to talk about Jirau.

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

Well, first of all, good morning everyone. Before we start on the update of the Jirau project, I would like to inform you, since there has been an announcement of the company's new name last Friday, on April 24, that GDF Suez now is called Engie. The new name was conceived to reflect the energetic transmission and challenges faced by the group in a global level. That transition, which is very strong in Europe, has as its main characteristics the increasing in the development of sustainable energy, decentralized generation, higher energetic efficiency and higher consumer participation, both as generator and consumer of energy. The new name comes as a commitment of the group to thinking in new energetic solutions in this ever more challenging scenario. From now on, you will see the change in the logo of the GDF Suez group to broadcast this change. Regarding operational companies, from the moment the announcement was made we have been analyzing how this will be extended to operational companies, so that we understand the market reality and some unique characteristics of each of these companies. Therefore, in the next update you will have a better idea of how this will develop and the impact of this to Tractebel Energia.

Regarding the Jirau Project, as you already know, there is project in construction since 2008, with 3,750 MW of installed capacity, 40% of which belong to the GDF Suez Group. Energy was sold in two tranches, in 2008 and 2011, and 73% of the energy is hired through long-term, 30 year PPAs, and the surplus of hired energy is with shareholders. Discussions about liability exclusion regarding the vandalism acts of 2011 and 2012 remain open, both at an administrative level, with ANEEL, and on a legal level, regarding the Federal Court. Financing conditions, also widely known, have undergone no change, despite the recent changes in the TJLP.

Well, proceeding to slide 18, the update we have in comparison to the last results presentation is that we have 26 units in commercial operation and three units still synchronized, that is, 29 units dispatching energy directly into the national interconnected system. Besides, we have additional unit in conditioning and ten units in assembly stage. Thanks to this, it is safe to assume we will reach the assured energy in the second quarter, thanks to the start of operations of the 33rd unit. The project has shown good operational performance, even there are different flows at full capacity, and those are great news, we notice that the whole quality system, the following-up on the installation of turbines and assembly, has been performed with great success. Commercial obligations to the regulated market were complied to in regards to auction A-5, since November 2014, and we currently present a physical advancement over 98%. The first stage of the left shore is already concluded, the civil works left refer to the second left shore, as the right shore has little civil works activity left.

About the options of creation of additional value, we still await ANEEL's decision regarding the revision of hydraulic losses, methodology used, which may bring a gain, though small, of additional energy to the project, as well as other forms of compensation, such as the use of the guide curve upstream in the reservoir. Besides that, fiscal incentives remain the same, and were guaranteed to Jirau at the time of the auction.

In slide 19, in comparison to the last presentation we have very few advances, as it has been only one month ago. What you can see is that we have been advancing in the left shore powerhouse, and are currently focusing in the left shore powerhouse, especially in the civil construction of these ten additional units, which represent the second stage of this powerhouse.

I hand the floor back to director Sattamini, afterwards we will be available to answer to any inquiries.

Eduardo Sattamini – Chief Financial and Investor Relations Officer:

Going back to slide 20, we talk about the projects involved within Tractebel Energia, from the most to the least important. The first is Pampa Sul, a project sold at the auction of last November, we sold an average 294.5 MW at a price, an energy value of R$ 201.98/MWh, for a 25 years term, to be delivered from January 1, 2019, on. This plant is a first stage, conceived to be a power plant of average 680 MW, with two average 340 MW machines, the second machine will not necessarily be constructed, but we have been developing and looking for opportunities for this second stage. We will probably look into the next auctions so that, if conditions are satisfactory, we are able to offer the second stage of Pampa Sul, as well. This plant has a fixed annual revenue of R$ 473.3 million, within that revenue is the inflexibility part of 50%, that is, the necessary coal to this generation of half of its capacity.

In slide 21 we talk about the Campo Largo Wind Power Complex, also sold at the A-5 November auction, where an average 82.6 MW were marketed, at an amount of R$ 135.47/MWh. We have a PPA contract of 20 years and concession starts on January 1, 2019, as well. We have added to this capacity, we have more, we have approved other five parks, and total installed capacity will reach approximately 327 MW installed. The five parks, six parks were sold at the energy auction, that is, at the ACR, at the Regulated Commercialization Environment, and there will be five parks where energy is already destined to the free contracting, the ACL.

In page 22 we have a project already in construction, the Santa Monica Wind Power, which is composed of four power plants: the Estrela, Ouro Verde, Cacimba and Santa Monica Wind Power Plants. Those are projects close to an undertaking already in operation, the Trairi Wind Power Complex, with four power plants, and that will create an operation cluster close to the city of Trairi. We also have the expansion of biomass, UTE Ferrari. We bought that unit at the beginning of last year, with 65.5 MW installed capacity, and are expanding 15 MW, and part of the energy was also sold at the A-5 auction last year, at a price of R$ 202/MWh, for a 25 years term.

In the *pipeline* we still have, in page 24 you can see a few projects, the Santo Agostinho Wind Power Complex in Rio Grande do Norte, installed capacity of almost 600 MW. We have the second stage of the Campo Largo Wind Power Complex, in Bahia, that should add more 300 MW to our capacity. We have UTE Norte Catarinense, in the development stage, undergoing environmental studies, etc., the gas issue remains undefined, we need a solution to that. Also we have the second stage of Pampa Sul, as I have already commented with you, which might increase the capacity of that complex from 340 MW to 680 MW installed.

In slides 25 and 26 we speak about financial performance. The annual result had already been commented last month, the quarterly result saw an evolution of our net profit and EBITDA, with a revenue reduction. We will talk about those financial aggregates with more detail from slide 27 on.

In slide 27, we notice this 1.5% reduction in the sales net revenue, mainly because of short-term operation, you see in the slide a reduction of R$ 279 million, but on the other hand we had a rise of the average price, which increased revenue in R$ 210 million. As a whole, we had a reduction, a small reduction of our sales net revenue.

In page 28, talking about EBITDA, we have the same components we approached in the net revenue, average price and quantity. We had two components of the short-term operations, one of R$ 80 million and the other of revenue costs recomposition, that is a relative value, that would be liquidated in the short-term market but was unavailable and, therefore, we have the right to receive from the insurance company. As such, our short-term result is close to R$ 126 million in both components, one already liquidated, in CCEE, and the other one yet to receive from the insurance company. We have an increase in costs, due to the increase of hydric generation, increase of TUST, personnel, other costs. We had an increase in maintenance and services that was reasonable, as our intention is to keep the highest availability of our equipment as possible. Then we have a moment where operation costs and maintenance become irrelevant, regarding a possibility of machines stopping. That is, it is better to spend a bit more in operation and maintenance, eventually anticipating work, so that the machines stop period is the shortest possible. We have there the provision of suppliers, fuel suppliers, we have been doing this for a few quarters already. Then the energy purchased for resale, obviously at a higher price in the quarter then on the first quarter of last year.

While we talk, let's go to the evolution of net profit, in page 29, the same components we had in EBITDA, but in net form, deduced revenue tax, and we had an increase in financial costs only due to an increase of monetary and exchange correction, not exchange, but monetary correction of debts and concessions to pay, taking our profit from R$ 289 million last year, in the first quarter of last year, to R$ 345 million in the first quarter of 2015.

Page 30, regarding debt, the gross debt, remained more or less stable. We had an evolution, a slight evolution of indicators of total debt, EBITDA. Last quarter we had 1.4x EBITDA, this quarter we have 1.3x. Also, in the net debt EBITDA we went from 0.8x to 0.7x, especially due to a best first quarter, the first quarter of this year, than

last year's. There was no significant change in debt, but an improvement in the quarter-by-quarter comparison. We have a solid cash flow this year, it was our strategy to spend the year with a little higher cash account. We have investments currently being performed, which will begin this year, and the company's idea is to remain liquid and reduce the need to raise resources in the market, at a moment when the market is harder, more difficult.

Going to slide 31, evolution of the net debt, the main components, monetary variation over debts, as we already commented, revenue tax and social contribution paid, besides dividends and interest of owned capital, investments made, investments in the normal course of business of the company and, obviously, those were the elements that led to an increase of the debts, and were compensated by operational elements. Also, an important factor, hedge, hedge operations we had for projects we hired in November, last year. The same day we sold energy in the auction, the company, cautiously closed hedges for sale of imported equipment indexed to dollar, to protect itself from exchange variation. So, this element also appears at the net debt evolution. It is a part of de debt composition, and goes at the hedge element through the determinants we saw.

In slide 32 we have our debt's profile, with a small concentration in 2016, most of the operations are last year's operations, made in the 4131 modality, calls a direct loan with foreign banks, that were swapped with representatives of the bank or the bank itself, the dollar indexer to the CDI indexer. In the end, all operations remained below the CDI, with variation between 96% and 99% of CDI. Those operations will give place to financial operations of longer term, in the year, during, through the year of 2016. In 2015 and 2016 we will remake hiring at the moment most proper in the market of long-term debts, to finance current projects: Santa Monica, Campo Largo. Obviously, there is also participation of BNDES, that we have also requested and will be hiring throughout this year and next year.

In slide 33 we show our CAPEX estimate, mostly those are the projects we already mentioned to you. We have a huge program for operation and maintenance in the next years, in the order of R$ 300 million per year. These projects have improved efficiency, ensured energy gain, and normal maintenance, which should be performed in the power plants so that they present availability and performance demanded.

In slide 34 no news, shows our decision to reduce payout of 2014 to 55%, as cash preservation, as a prudent decision, as the scenario improves, controllers and the company should go back to pay maximum dividends. This is our presentation; we are open to questions and answers after our operator's announcement.

Operator:

*Ladies and gentlemen, we will start the questions and answers section. To make a question, please type asterisk 1 (*1). To remove your question from the list, please type asterisk 2 (*2). Our first question is from* Marcos Severine – JPMorgan.

Marcos Severine – JPMorgan:

Hello, good morning everyone, good morning Sattamini. I have a few questions. First I would like to approach this provision you made regarding the William Arjona Power Plant, if I am not mistaken, it was R$ 77 million, which basically represents the difference between the CVU of the plant and the CVU Petro indicates, if I am not mistaken. What is your expectation in regards to the next quarters, do you think this provision will possibly be repeated or not? This is one question. The second, if you allow me, regards the Pampa Sul Power Plant, is there any possibility you will participate of this A-5 auction, or do you believe this project should be delayed? Also, including it here, this natural gas plant, I do not know, I imagine this plant should be in a lower development stage and, eventually, this is a project that should be delayed. The third and last question regards GSF's scenario. I remember that during the last two months the market discussed a lot the possibility that the government would design some kind of solution to GSF's issue, or maybe a reduction of this debt. I would like to know if there was any recent update on this issue. And whether you believe that proposal from APINE could take flight or if there is any alternative designed by the generator. Those are the questions. Thank you, Sattamini.

Eduardo Sattamini – Chief Financial and Investor Relations Officer:

I will answer the first question first, I will answer to you by saying we would rather not talk about William Arjona, we have an issue, that is under discussion, in arbitration, and we would rather not talk about it. The only thing I can say is that we have been conservative in our presentation of eventual results from this plant. Regarding Pampa Sul, we are indeed interested in developing the second stage. We have great timing to use resources on the site in the most efficient way. For instance, if I have two plants under construction at the same time I will have double contingent, double need of equipment. If I make one of them with a slight delay, I may have optimization of equipment programs of work force and that is what we are looking for. So, at some time we may decide to implement the project, as long as the return prices are satisfying. The natural gas issue, that is a project we have for some time, it has been kept on wait, obviously as solutions to the gas appear, become more visible, we may accelerate the process. I would say it is difficult for us to get ready a plant as this one this year, but next year and a half, we, if we had a reasonable gas negotiation, with hiring perspective, a long-term contract, we could be investing this power plant in the north of Santa Catarina.

GSF, we are effectively looking, as generators, for some kind of solution alongside the regulator, alongside the Ministry. It is difficult, we all know the solution, to take this cost from generator investors backs, may mean, and should mean, something to be directed to the consumer or the government itself. We imagine the government is worried about its fiscal balance currently, not receptive to any solution to put these costs under its charge. Consumers have already been suffering with a rise in taxes, so we would have to go the government regulator with non-trivial solutions. That is what our personnel is doing now, and I guess talks have been evolving. The government understands that investors, from the moment they have an unpredicted risk, that maybe this risk should be treated in a way that does not discourages future

investments in electricity in the country. I believe there is good will in the government, and obviously, generator flexibility to find non-orthodox solutions.

Marcos Severine – JPMorgan:

Ok, thanks.

Operator:

Next question, Carolina Carneiro, Santander.

Carolina Carneiro – Santander:

Good morning, everyone. A *follow-up* to the previous question, about the gas project. Sattamini, you just talked that maybe for this year it would be unlikely we will see this project in development, but maybe in a year, a year in a half, the project may be viable, I would like you to comment, and what has been talked about the solutions to try to negotiate a contract, short-term at first, of LNG, or, this kind of solution, with injection on the networks, if you see this a fact and should be negotiated to the specific gas auction this year. Do you believe this kind of solution may turn viable some gas projects? I do not know if in your case specifically, but, for natural gas projects. If the implicit cost and top price at the auction may talk. And the second question regarding the update, if there is any, on the transfer process of GDF Suez participation in Jirau to Tractebel. Thank you.

Eduardo Sattamini – Chief Financial and Investor Relations Officer:

Carolina, at first this gas project is not, we are not evaluating it for this year, unlike other players that are discussing with Petrobrás other possibilities such as the injection of LNG in the system and hiring capacity at parks, that is not our case, so I will not be able to help you with this question. Regarding Jirau, everyone know there is a regulatory pending matter with ANEEL, and while this matter does not have a clarity regarding its direction, it is difficult for GDF Suez to define transfer conditions. Therefore it should, it depends on a decision from the regulator. Currently there is a matter being judged, a protection to the company with the specific purpose of not being penalized by delays, until the question is finally discussed. That is one, it is difficult to predict the moment. If we, if I had to give an opinion, I believe maybe by the end of 2015 we will have some solution to this case, and then we will have a date for mobilization of the Related Parties Committee, the internal discussion, hiring of consultants, so that this transaction is discussed in details, as if a normal M&A, with *due diligence*, every formality that we need, so that we may define a range of prices to negotiate with the controller. In short, it must be a long process, I believe that a process such as this would not last less than nine, ten months. So we would have to, at the best scenario, a possibility to transfer this asset by the end of 2016. Obviously, as I said, considering we reach a solution to Jirau, to the question of the Jirau liability exclusions, that we reach one by the second semester of this year.

Carolina Carneiro – Santander:

All right, thank you. If you allow me, one last question – Could you talk a bit, I know you have already talked about the balance, anyway, the new contracts within the bilaterals, just so that we know more about the prices trend, if something changes. I do not think so, from the price levels you put in the balance, implicit, but just to comment how market liquidity is to close new contracts and the price level we may observe. Thank you.

Eduardo Sattamini – Chief Financial and Investor Relations Officer:

Yes, the market has long-term demand, you may notice by the amounts we have sold, if you look at the balance, the amount of bilaterals sold in the previous quarter and in the current quarter you will see there is a sales increase. Prices have gone up, we may be reaching in the long-term a structural balance of price, in the order of R$ 160/MWh. Short-range price has some mood variations, maybe due to hydrology, improvement, eventual demand reduction, then there is fluctuation in 2016, 2017. It was a bit higher, reduced a few reais, but is currently in a very high level due to the expectation of a difficult year yet to come, 2016, the hydrology of 2016, if the rainy period is not within normal standards, it could be a really complex year for the sector. That has kept price in a really-short-term price, 2016 and 2017, high. After that, gradually, the level drops in the long-term from R$ 160/MWh, a price compatible to expansion prices. That would be a price based on the price of distributors, on the average price of distributors in the future, but compatible to prices of system expansion.

Carolina Carneiro - Santander:

All right, thank you.

Operator:

I would like to remind you that to make a question, just type asterisk 1 (*1). To make questions just type asterisk 1 (*1). We end now this section of questions and answers. I would like to hand over the floor to Mr. Eduardo Sattamini, for his final considerations. Please, Mr. Sattamini, you may proceed.

Eduardo Sattamini – Chief Financial and Investor Relations Officer:

I would like to thank you all for your attendance and questions. I would like to remind you that this will still be a challenging year to the company, to the sector. The question of GSF really worries us, despite our first quarter satisfying results, we watch carefully the evolution of the energy deficit, which would not motivate or encourage anyone to make a simple multiplication by four of this result. We are working towards avoiding the higher impact of GSF, and are looking for solutions alongside the government. As such, this will be a difficult year, but on the other hand, difficulties also bring opportunities and opportunities have been taken advantage of by our Commercial personnel in the hiring of energy at satisfying prices in the future, and that should also be taken into consideration. Thank you everyone, have a good day.

Operator:

The conference call of Tractebel Energia is over. We thank you all for your attendance, have a nice day, and thank you for using Chorus Call.