Tractebel Energia
2nd Quarter 2009 Earnings Results
August 10, 2009 – 09:00 a.m. (EDT)

Operator: Good morning. This is Tractebel Energia's conference call. All participants are in a listen only mode and later on we will start the Q&A session when further information will be provided. If you should need assistance during the call please dial zero for the operator.

Before we begin I would like to remind you that this call is being recorded. I will now hand it over to Mr. Antonio Previtali, I.R. Manager of Tractebel Energia. Please Mr. Previtali you have the floor.

Mr. Antonio Previtali: Good morning ladies and gentlemen! Welcome to Tractebel Energia conference call, where we are going to discuss the results of the 2Q09. This presentation, as well as its slides will be simultaneously webcasted on the Internet at **www.tractebelenergia.com.br** in the investors section. There you can also have a copy of the company's earnings release.

Before we go on I would like to let you know that any forward-looking statements made during this conference call relative to the company's business outlook should be regarded as forward-looking statements that depend on the country's economic scenario, the performance and regulation of the energy industry in addition to other variables and are therefore subject to changes.

Today with us in Florianópolis are Mr. Manoel Arlindo Zaroni Torres, our current CFO and I.R. Director and CEO. Initially Mr. Zaroni will comment on the performance of Tractebel Energia in the 2Q09 and then we will open for the Q&A session. Please Mr. Manoel Zaroni, you have the floor.

Mr. Manoel Arlindo Zaroni Torres: Good morning everyone. The results of the second quarter continue to be solid according to expected, as our projections and we had a slight increase in the price of energy sold and also an increase in the quantity that was marketed and our costs, operating costs, remain having reductions as compared to the controlled quarter.

As our highlights on the slide number 4 I would like to give you the numbers with a bit more detail. Physical sales, 1.3% above 2Q08 totaling 3,473 MW.

The drop of consumptions for free consumers in the 2Q09 within our projections was 12% below 2Q08..Gross average price of the contracts was 121.57/MWh, 11% above the same period of the previous year.

Ebitda, R$ 526.9 million, 20.2% above 2Q08 accruing in the year the amount of R$ 996.1 million. Net profit R$ 263.3 million, an addition of 20% compared to the same period in 2Q08. Net profit was R$ 497.2 million in the semester. And we

are announcing a payout of 70% of the results of the first half of the year, but we are still maintaining our guidance of a payout of 55% for the average of the year.

On slide 5 you can see the structure. We have lots of companies and you can see on the left that we created a new company called Tractebel Energias Complementares e Participações. In this case we generally reorganized our corporate governance and got all these complementary renewable energies at our company with a special purpose and they are all under the umbrella of this company, so that we can have better governance. So they all have the same bylaws, the same procedures, the same board composition and that helps the Group as a whole have better internal governance.

On slide 6 we can see our 19 plants, from 1 to 8 hydroelectric plants. On the right you have the map of Brazil with our permits. In orange we have thermoelectric plants and in green our complementary plants. In that, we have Estreito under construction, Areia Branca, that should start operations this month and Andrade, the project with Açucar Guarani that will start working in the beginning of the crop of April next year with sugarcane bagasse.

As we are growing, we continue to be, and with the new projects; we will be the largest private generator in Brazil. We are growing very fast and we expect to continue in the same position.

On slide 8 I would like to observe the distribution of our portfolio with our regulated consumers, marketers and free clients. You can see that from 2008 to 2009 the reduction happened not because of a reduction of consumption, but a reduction of hires because we decreased the portfolio available for hires with free customers. And this year we are starting our contracts of sales in Cana Brava, in Machadinho, for the regulated market in the total of 874 MW average and then we are going to increase our sales to free consumers.

As I mentioned in other occasions, our trend is to have a 30/70 ratio, which is not exactly what we want. We want to have more energy sold among free customers that are more flexible and maximize the efficiency of our portfolio.

On slide 9 you can see the segmentation of the industries we sell to distribute our risk, the risk of the business of the industry, reflecting in electric energy. We do not have any default until today, despite the financial crisis we have a very good credit analysis process and we had no problems with that so far.

On slide 11 you already know it: on the left the bars show the difference between our offer and demand. As you can see there is a tendency of having leftovers for this year and the following years considering the market 3.3% lower.

The PLD does not depend on the market alone, but on the natural resources and the rain and today we can see that we had a year with floods in the Southeast

and the Northeast; periods of draught in the South, but a period of much rain and month by month it is well above the average especially in the Southeast, which is to drive of the price.

And on the right we just show you that we have a per capita consumption that is still very low compared to other countries and that in fact we have room to increase consumption substantially for the electric consumption in the country, that is we have flexibility: no matter what you think of the GDP growth, the increase of energy is higher and that means more investments and more businesses.

On slide 13 we have our profile of hired energy and to hire. This is a growing curve as it should be. We are buying more to create products and we are selling it gradually. If you see year on year on the right, every year we decrease the quantity of energy we have to sell and this is going to continue along this line. There are periods that we stop selling, we hold it a little and wait for better opportunities, we wait for the market. The market is very sensitive to price and time and sometimes we avoid closing deals because the prices are very low.

On slide 14 we have our energy balance. You can see a growth in price for the next years. Our purchasing prices are somewhat stable. These are contracts that have already been signed, but for sales we can renew prices.And you have all prices on the right of the regulated contracts and also of the energy of Proinfra.

You can see that the quantity of energy bought for 2010 is going to grow a lot, 70 MW and 100 MW in 2011 compared to the previous quarter and this is basically for us to organize our portfolio.

In terms of growth you can see here a very nice picture and these are the sources for Estreito plant. There are 15 pillars. They are almost ready and we have just started to lower the structure. You can see outside there is some movement so as to make it possible to deviate the river in September. Construction work is within schedule and we expect to go live in early 2010.

One slide 17 you can see on the right our Areia Branca Project. The reservoir is full and I think we should go live this month. Co-generation with Andrade, the distillery, is scheduled too and we are setting up the structure and we are going to go live in April next year.

Financial result on slide 19 is consistent. Our net income is growing 8.1% per year on the in the second quarter in relation to the 2Q08. Ebitda is also growing year on year with 20.2% quarter on quarter and net profit has increased 20% in relation to the same quarter 2008.

Slide 20 shows where our results come from in terms of the results of the gross operating revenue. It comes basically from our sale prices and from new

operations that we have with new companies and at the top we have R$ 856 million to R$ 930 million, the gross operating result as compared to the same period last year.

We have introduced the new chart to show that we should not make any comparisons between quarters, because depending on how you allocate energy this varies a lot from one quarter to the other. Just give you an idea, we had 28% last year in the first quarter and 23% in 2007 and this year we are going to have something similar to that. This shows only the first half, but if everything remains the same it will be 25%. So this is to show you there is a seasonal effect on these results. The same thing happens, I have said a few times, that the result of CCEE is not to wait.

In slide 21 you can see the evolution of Ebitda and R$ 75 million is the most significant number, the result of the operations of the whole, which is also related to the new companies. Ebitda 32% in contrast with 2008, if you compare it will be 23.5% if you divide by 4 and I go back to the theme that it is not significant, it is not relevant to compare one quarter to the other.

In slide 22 you can see the evolution of net profit, which is a consequence of Ebitda. There are no financial surprises here. It has grown 22% basically and other financial result is a result of variations in exchange rate and variation in the valuation of our currency, real, R$ 36 million and CCEE and other companies too.

On slide 23 you can see our financial drivers for the quarter. We have here an increase in the energy sold in relation to the 2Q08 and a reduction in relation to the 1Q09. The average price has been growing in relation to 2008 and also in relation to the first quarter.

Net revenue has dropped slightly and this is affected by our results of CCEE. We have had an outstanding performance in the first quarter.

Ebitda is consistent and has been growing. Ebitda margin has also been growing and margin Ebitda depends very much on the amount of thermal generation and on how much energy we buy to market and this reduces Ebitda margin and as we have had it more or less at the same level and we generated little thermal energy, so the Ebitda margin goes up in the second half of the year. And the net profit has also grown in relation to the two quarters.

Indebtedness. On slide 24 you can see our indebtedness profile. On June 30 our debt was R$ 3.070 billion and R$ 427 million in cash with a net debt of R$ 2.6 billion and 9% in foreign currency. The debt totals 1.5x Ebitda for the period.

This shows the evolution on slide 25 ... or the involution rather of the results in relation to the 1Q09. As we had R$ 2.8 billion to R$ 2.6 billion in terms of debt

and in fact we had more investments, we paid dividends and use of own capital and the exchange variation and monetary variation has also contributed for the debt to go down and also the valuation of the real and our operating activities in the prior quarter. We had an interval between debentures and paying the commercial papers and now we have already paid them and the rest is not really significant.

On slide 26 you can see our investments in maintenance and expansion. In fact, you can see the investments and also Ebitda, an evolution of Ebitda and evolution of net income so that you can compare our cash generation. We have R$ 684 million invested of our own capital and R$ 929 million related to debt basically with BNDES for 2009, and this is a forecast.

On slide 27 you can see the debt profile. What catches our attention is the maturity of long-term debt, basically at a very low rate for the debt and in national currency almost half related to TJLP and also from a funding from BNDES and for 2011 we have R$ 600 million in debentures that we have just hired last quarter.

On slide 28 our dividend policy remains the same, statutory 30% of the adjusted net income; our commitment of paying at least 50% of the adjusted net income at a semestral or by yearly frequency. The first semester we are going to pay 70% with a payout of 0.53 per-share and 3% of dividend yield.

Well, our last slide there is an overview about the qualities and advantages of Tractebel Energia so that you can have a look. Thank you for a much and I am now available for questions.

Q&A session

Operator: Excuse me. Ladies and gentlemen, we are now going to start our Q&A session. If you want to ask the question please press star one (*1). If you want to take your 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 request that any possible questions from journalists be sent to Tractebel Energia's press services. We would like you to restrict to two questions at a time.

Our first question comes from Mr. Marcos Siqueira, of Deutsche Bank.

Mr. Marcus Siqueira: Good morning everyone. I just have a question about your opinion. What is the trend for the free market? On the one hand we have a weaker demand this year. We do not know when the demand is going to get better and we also have Itaipu and a possible increase of energy in the free-market. So what is your opinion about the market?

What do you think is going to happen in the next years in terms of supply and demand in the country? Is it basically along the lines of the same projects that are going to start operation? And also about thermal oil plants that started operations last year. Thank you.

Mr. Zaroni: Well, I am going to try to summarize your question and answer it little by little. Well, if demand continues growing within expectation we are going to still have some leftovers, some energy left. This does not mean it is an operating remain or an excess. In Brazil you know we depend on the nature, we depend on the rain. PLD is going continue low, I do not expect much for next year.

But the free market I always say if you become a customer you will no longer be a consumer. You are going to continue expanding. Every day we have companies, industries trying to buy energy and there was a reduction in consumption. But no one asked to cancel contracts from 2010 on and we have no default. So I see the market normal and an expectation of recovery even on the side of industries themselves.

With regards to Itaipu we do not know in terms of increase of revenues of R$ 120 million to R$ 360 million. If you really do your math this is really nothing, it is a very low volume for the amount of energy that we have in Itaipu, what means that you are going to pay a bit more for the energy granted that is half the energy generated minus the consumption that they have in Paraguay.

So there was an increase from US$ 1.2 to ... the number I am not quite sure, but I think it is a bit more than that and they doubled this number, which is still very low. Itaipu, you know, the bulk of it comes from capacity, from dollar per kilowatt per month.

When Itaipu sells in the free market there are a series of things to happen. When distributors bought in the auction of A-5 they considered their share of Itaipu discounting from the market and what is going to happen if this no longer exists?

And the second question is I asked Previtali this morning: would you buy energy from Paraguay in dollars? And what is the reliability that your supplier will have? And what is the capacity to meet the market, to read the Brazilian market, to compete with Brazilian companies? I do not think Paraguay really is capable of doing that and I am not afraid of them.

Mr. Siqueira: Ok thank you very much.

Operator: Our next question comes from Mr. Vicente Falanga from Fator Corretora.

Mr. Vicente Falanga: Good morning everyone. I have a question regarding still results. When we see hydroelectric generation of course it was not high because

we had a dry period and when we look at thermal electrical generation in terms of costs you can see that it was not so expressive, which leads us to believe that you have bought a reasonable amount of energy in MRE at R$ 8, even below the average of the spot in the period.

Could you tell us the amount of energy that you have bought from the MRE and what you expect from now on in terms of the amount, whether it should remain at the same level or not considering that the reservoirs are not with better levels in the South? Thank you.

Mr. Zaroni: Well, in fact this mechanism is done for that purpose. In fact MRE is done so that you do not have that kind of risk. So sometimes we buy, sometimes we sell. It is by power plants, by leased energy and then we do for the entire system and this goes into the accounting and there are many other things that influence, such as system, services, insurance, compensation of assets.

So we prefer not to disclose that number, but I would tell you that it was quite a lot for the first half and now in the South it is better and the reservoir that is equivalent is very small and you change from one regimen to the other very fast. For one month we had Machadinho idle and now Machadinho is operational again.

So the system is done to operate in that manner. And as the price is just the O&M price, this affects very little our performance, our bottom line.

Mr. Falanga: Thank you very much.

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

Mr. Felipe Leal: Good morning everyone. I have two questions: first I would like to know if we have any news about the Estreito transfer process.

And the second is about your energy balance. You said that you bought 70 MW average for 2010,100 for 2011 and 50 for 2012; do you think this indicates higher demand from your customers or is it just part of your strategy?

Mr. Zaroni: Well, good morning Felipe. Estreito continues in the same situation. We are waiting for the deviation of the river and then we are going to hire a bank to work with the financial opinion and then make the transfer at the end of the year, November or December for the Estreito transfer.

And the buying of energy well, in the short-term this is basically to give more flexibility for the company due to seasonality. We buy, do not sell and then we access volumes according to our capacity for seasonalization.

Because imagine, sometimes we can have lots sold or bought and then we have this problem of the ballast and you know, the buying for 2010, 2011, 2012 is to have a solid portfolio for us to have the product.

Sometimes we have a customer that wants a product to start in 2011 and if we do not have energy we cannot sell to have this composition later on and that is why we are engaging inputs and adjusting our portfolio.

Mr. Leal: Ok thank you very much.

Operator: Excuse me. Our next question comes from Mr. Marcos Severine from Itaú.

Mr. Marcos Severine: Good morning Zaroni, good morning Previtali. I have two questions, one is related to thermal power plants and whenever there is a thermal dispatch Tractebel's margin has a significant growth and I could also see that in July your thermal dispatch agreed with the average of third quarter, the monthly average.

And my question is: do you believe that this thermal dispatch for August and September … do you think it will remain at this level or could you work with a scenario in which we will still have a high thermal dispatch in the third quarter and as a consequence Ebitda margin will also be higher than it would be if dispatches were lower?

And the second question regards the volume of energy seasonal. So considering the amount of purchases that you have done along the quarter and in prior quarters, the volume of energy to be seasonal in 2010 will be greater than this year?

Mr. Zaroni: Good morning. In fact, when we have higher thermal dispatch I have lower margins, because the cost of the thermal - even considering CDE - is higher than the cost of the hydroelectric. So if you had only thermal the margin would be 50%, 60%; if you had only hydroelectric it would be 70%, 80%. So I do not really understand your question and what you mean.

Mr. Severine: Well, the issue - just to complete the question Zaroni - as you have your strategy of seasonalization and you were buying in the first half or in the second quarter because of seasonalization, the spot prices are lower because of that.

So you are having a reimbursement of your fuel sources and this is different; if you did not have a reimbursement your margins would be even smaller because of that and you also have a slide in your presentation where you comment 63% Ebitda also considering your thermal dispatch.

Mr. Antonio Previtali: This is Previtali. Let me try to answer your question. Let us start with seasonalization. In fact we have adopted and we have said before we had already decided to use a lighter, a milder seasonalization and lower allocation in the first two quarters of the year and therefore there would be more funds for the two subsequent quarters, the third and fourth of 2009.

But on the other hand we do not expect very high spot prices anymore in the second semester of this year because of the short-term excesses that Zaroni has mentioned already. So this is the first point.

In terms of thermal electrical dispatch, it was very important in the second quarter so as to meet the needs of the South region because the capacity of transmission from the Southeast to the South was already on the limit and the levels of reservoirs in the Southeast were high and as Zaroni also mentioned and the driver in terms of capacity and storage in the country is in the Southeast.

The Southeast sometimes even manages to transmit 3,500 MW to the South, so this thermoelectric generation was necessary so as to comprise and to meet the demand of the South. Now with the recovery of the level of reservoirs now in the South … you see on Friday the South already had 76% of its storage capacity; three weeks before it was 30 something percent capacity. With this improvement maybe it will not be so necessary for us to continue dispatching thermoelectric. Of course it depends on the weather and how much rain we have from now on.

And also whether there will be any additional exports to Argentina and then the thermal electrical power of Tractebel will take place not to meet the demands of the domestic market but for exports, which so far we cannot make any forecasts and Zaroni is going to complement.

Mr. Zaroni: There is also another aspect Marcos. If you are a system operator you know that we do not only dispatch because of problems; we see numbers because of energy reasons: reservoir levels ... if you are generating very little in a region - which is what happens in the South - and you are transferring a very large block of energy, you will have to have a basis of thermal, because if anything happens, if there is a problem in a transmission line, the system is going to be disconnected as a whole and that is why we also dispatched lots of thermal energy in the South in the first half: for us to have operating conditions that would be better not to depend exclusively on interconnections.

Mr. Severine: So just to be very clear: there is reimbursement of part of the fuel used in the thermoelectric company.

Mr. Zaroni: For coal yes, we have full reimbursement.

Mr. Previtali: To meet the domestic market.

Mr. Zaroni: We do not have reimbursement for exports.

Mr. Previtali: So we had an expense with fuel for the generation of thermoelectric plants a lot slower in 2Q09 compared to 2Q08 because last year we had significant exports and this year we did not.

Mr. Severine: Ok, so when I take a look at your dispatch or shipment in July that on average was close to what we saw in the second quarter in the complex of Jorge Lacerda, I understand that there was reimbursement of this fuel.

Mr. Previtali: Yes. For the domestic market yes, practically everything because we have very little exports levels.

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

Mr. Gustavo Gattass: Good morning Zaroni and Previtali. I have a few questions to ask you. The first one I would just like for you to tell us more about your purchase strategy to cover any possible needs.

I am going to ask an indirect question: between the first quarter and the second quarter the price that you published for the price contracted for purchases is it normal? Is it just suffering the impact of the additional contract? Because when you do the math per difference it sounds like you hired energy by almost R$ 140 and is this an inflationary effect of other contract or is it an effect of the contract itself?

Mr. Previtali: Well Gatass, your reference in terms of the increase of the average purchase price of energy to be resold in 2011 in fact there is a quarterly adjustment. Whenever we update the table we try to do those adjustments.

But the increase in relation to the table that was available in the 1Q09 in fact there is a composition of two factors: most of the increase is related to purchasing energy at a higher average price, but not the price that you mentioned, not R$ 140 and that is the result that leads to the second reason.

The second reason is slightly more technical and it regards the following: when we purchase power to resell the reason effect associated to taxes, PIS and Cofins. We are entitled to use a PIS/Cofins credit for the energy that we bought and there is this more technical aspect I mentioned. We were expecting to have a thermoelectric exposure in the future that would be slightly higher. What thermoelectric exposure? It is the deficit that we cannot generate and we have to buy so as to meet our contract, to comply with our contracts. It is a natural position that we have at CCEE because in the thermoelectric plants we are almost fully sold and the level of generation sometimes is lower.

So the situation today or over the past few years has been structural for Tractebel and therefore we work with a level of thermoelectric exposure. As the market drops we revised those studies and we have identified that our exposure from now on will be lower. And when that happens we end up having a benefit of PIS/Cofins in the energy that we buy to resell, which is differentiated and it drove up the number in relation to the prior number. The prior number was R$ 106, R$ 108 to R$ 114 that you are mentioning there.

So yes, it does have an impact in the energy that is bought at a slightly higher price and there is another impact and there is a result of this phenomenon that I have just mentioned.

Mr. Gatass: So what you mean is that when you revise your projection you are effectively allocating PIS/Cofins and that calculation you cause an impact in the price of energy

Mr. Previtali: It was attenuated somehow.

Mr. Gattass: Ok.

Mr. Previtali: This is always considered. We try to have the average price so that you can just multiply that value by the quantity of energy that you buy. In the model of all analysts you have something that is closer to reality.

Mr. Gatass: Ok thank you.

Mr. Zaroni: Another thing that is important for you to take into account is: the price of energy sold is above 3,900 MW on average and our price for buying is R$ 389 and so if you only calculate R$ 140, R$ 130 if you dilute it in the 3,900 it is very little.

So in the sale contract you have all different kinds of contracts; if you compare what I am selling now with what I am buying now it is compatible, I have margin. But if I compare with my average I might need to buy at higher price than my average.

Mr. Gatass: Ok. This is along the line I wanted to ask my second question, but I wanted to understand from you: what should we think about your strategy for the years to come?

We see energy available for hiring increase a little, the energy available is considerably flat. So would it be reasonable to believe that you will try to buy a large amount of energy in the market or are you going to be a bit more cautious and work with whatever you have?

Mr. Zaroni: Well, I am going to say something: we do not like to decrease in size, we always want to grow. Then you figure out.

Mr. Gatass: Ok thank you for a much.

Operator: Our next question comes from Mr. Marcio Prado from Santander.

Mr. Marcio Prado: Good morning Zaroni, Previtali. I would like to go back and just clarify about your exposure and the reimbursement of fuel. With the normalization of reservoirs in the South region, is it reasonable to expect that the thermoelectric dependence decreases and therefore the reimbursement of fuel also decreases? Just for me to try to understand a little bit about the impact on the third and fourth quarter.

And the second question is a comment that I would ask Zaroni and Previtali to make bought the ONS plan that was released by the end of July only with projections of spot prices around R$ 80 in 2010 and then R$ 100 for 2011. I would like you to comment a bit on your views about this plan and what you think about the prices of PLD until 2013 released by ONS.

Mr. Zaroni: Well, by contract we are mandated to acquire a fixed amount of coal per month and we have reimbursements of this volume. The quantity of thermal energy to be generated is probably going to be low, but I buy the same amount of coal.

So I have a seasonalization of coal as well, because indeed when we have lower volumes I buy because I will have it in stock when I have to generate more. So the expenses in terms of CDE reimbustments is going to continue constant and generation is going to be low unless we have an electric problem - you have to replace something or control voltage, this is going to be low.

Mr. Previtali: Let me just add to Zaroni's comments before we move on to your second question. You have to remember that the profile of seasonalization of the second half of the year is different from the first half of the year.

If you think of the macro scenario thinking of the whole half of the year not month a month we will probably allocate more hydraulic resources than the first half of the year; thus, whatever the spot price is going to be it is going to be settled or settling a surplus and not a deficit, therefore impacting positively on our revenues.

Mr. Prado: Well, if I may I wanted to word it differently. Although you answered it perfectly: in addition to exports we see that generation of thermoelectric plants were strong even without exports and that did not reflect on the PLD prices of the South, it was very close to previously when you have thermoelectric plants

generation for technical reasons this happens. This is why it's was close to the South system?

Mr. Zaroni: Well, thermoelectric plants are dispatched based on the marginal operating costs and if you think of the PLD value this is very close and it is not lower than the variable cost of producing energy in the thermal energy and it is not dispatch we say by merit.

And this is what happens; it was dispatched for electric reasons, for reasons of the system and in this case we do not build the price and it is just paid up as the hole of the system.

As to the projection of ONS of PLD I am sure both numbers are not going to happen. There is an average of 2,000 series and a history in everything. You can have a much greater amount than that or much smaller amounts. It will depend on summer rains.

Mr. Prado: Thank you very much Zaroni.

Operator: Excuse me. Our next question comes from Mr. Vinicius Canheu of Credit Suisse.

Mr. Vinicius Canheu: Hello, good morning Zaroni and Previtali. Zaroni, you mentioned earlier in your presentation that the market for the coming years will have a physical excess of energy for the contract market.

I would just like to understand if that proposal that free customers could return energy contracts ... not return, but resell some of the energy contracts that they have; could that change this dynamics and change the market?

Mr. Zaroni: I am completely against returning related to contracts that were signed in the past; so then you would need to renegotiate the contracts - but you need some flexibility.

For new contracts as a policy I am completely in favor. It is like demand side bid. So industrial customers can buy and if they are not using it they can resell it; but as a generator I will sell at different conditions, so that I do not have to arbitrate on our contracts.

So I am in favor for new contracts to have more liquidity in the market, but I would change the format of our contracts and if we have contracts that are past contracts we cannot change that unless we renegotiate.

Mr. Canheu: And how far are you into negotiations of that proposal today?

Mr. Zaroni: Well, it has been better. As the PLD and prices are very low, right now people do not want to sell it anymore.

Mr. Canheu: Thank you very much.

Operator: Ladies and gentlemen, to ask the question please press star one (*1). I will now close our Q&A session. I am going to pass the floor to Manoel Arlindo Zaroni Torres for his final considerations.

Mr. Zaroni: Well, I thank you all for your attendance at Tractebel Energia's conference call. I could say that our intention is to payout the 55% unless we have any surprises, our expectation of results change or we delay some kind of investment. The company's results are consistent; I do not think we are going to have any surprises until the end of the year.

We are going to have a short-term cost PLD that is relatively low; if in one hand we do not get much money, on the other hand we substantially reduce the risks of the company because we have 20% of thermal energy and sometimes when prices are in the threshold of variable costs and spot prices we have higher expenses and it is important that you understand that this is part of our activity and we will always live with that.

There will always be variations up or down and I showed you in other occasions we have a maximum ceiling of R$ 360 million of expenses and it can be zero and sometimes we have surprises, we had in the past - I do not think we are going to have again - of having some gain in allocation. Allocation is made for us to protect thermal replacements.

Well, good day everyone and thank you very much.

Operator: Tractebel's conference call is now closed. We thank you for your attendance and have a nice day. Thank you very much.