International Conference Call
Tractebel Energia S.A.
2nd Quarter 2011 Earnings Results
August 1, 2011

Operator: Good morning. This is Tractebel Energia's conference call. All participants are connected in listen-only mode and later on we will open the Q&A session when instructions for participation will be given. Should you need the assistance of an operator during the conference call please press star zero. You should be reminded that his conference call is being recorded.

Now I would like to turn it over to Mr. Antonio Previtali, Tractebel Energia's investor relations manager. Please Mr. Previtali you may proceed.

Mr. Antonio Previtali: Good morning ladies and gentlemen, you are all welcome to Tractebel Energia's conference call when we will be announcing their results of 2Q11. This presentation along with its slides will be simultaneously transmitted through the Internet on www.tractebelenergia.com.br in the investor relations section. There you can also have a copy of the presentation and the company's earnings release.

Before proceeding I would like to clarify that any possible forward-looking statements made during this conference call pertaining to the company's business prospects should be considered forecasts depending on the country's economic conditions, on the performance and regulation of the electric industry and therefore they are subject to changes.

Today with as we have Mr. Eduardo Sattamini, Finance and Investor Relations Director, who will talk about the performance of Tractebel Energia in 2Q11 and Mr. Elio Wolff, Relations Manager... Market Relations Manager of GDF Suez, who is going to present an update on the development of Jirau Hydro power plant and then we will have a Q&A session.

Now I would like to turn it over to Mr. Sattamini.

Mr. Eduardo Sattamini: Good morning everyone. I would like to thank you all for your attendance in our call. Once again we are going to announce to the market an excellent quarter with exceptionally good results and a new profit record that we are expecting to have in 2011.

Now turning to page 4 of our presentation where you can see the quarter highlights with the main financial and operational indicators. We have had a 9.7 increase in net operational revenue reaching 1.058 billion in 2Q11, a reflex of 13.5 of increase in Ebitda especially because of an increase in average sales price of 12.9% in the total sales of the company and an increase in exports

amounting to 50 million in the quarter and also a reduction in the energy we buy to resell and we were able to reduce it this quarter compared to the same quarter last year.

So this all translated it in a higher Ebitda margin and so we went from 63.6 to 68.9 with another very good and robust operational result.

Net income, in addition to the reasons we have already mentioned for its increase, as its main factor the reduction of financial expenses because the variation of IGPM that was smaller this quarter as compared to the same quarter of last year. Just to give you an idea, the IGPM last year in the same 2Q was 2.4% in this year its range around 0.7%.

So what we have been saying, that inflation, as it goes up and has a slight impact on our results, but it provides future benefits when it becomes worse.

And the financial result was also benefited from a base that was lower in so the debt that impacted the results had a smaller base this quarter as compared to the same quarter last year. So we are comparing that to the results basis because the debts are only partially impacting the result because only the first two machines are operating already in Estreito.

Nested energy sold we have had a reduction in energy sold because of the amount of energy that we bought to resale. We had an increase in average price of energy contracts up 11.5% and the total net sale, the total average sale price in the spot market had a higher average price, 12.9%.

In terms of production we had a 7.7 reduction basically due to two effects, the first one is that the rainfall was slightly worse in 2Q11 as compared to the same quarter in 2010 and so production was smaller than in the previous quarter.

And the other regions had a much more favorable rainfall in 2Q and so this led to a smaller need for thermal generation to make up for the rainfall and so that is why we had a smaller production by 7.7.

Also as part of the highlights the board of directors approved a 658 interim dividend and the amount corresponds to R$ 1 per share. It is the first time that we paid a dividend for half a year that is this amount and this is going to be paid on August 11. The ex- dividend date is August 11 and the payment date October 6.

So this change in payout is because of our better cash flow especially because of the reduction of the cost of the debt and the short-term change in the profile of the debt.

We have also had the confirmation of Jirau's transfer, which also facilitated and improved our cash flow.

Also on April 29 the first generator unit at Estreito went live and started up in the beginning of the first week of July in the beginning of 3Q.

On May 11 we had the issue of wind farms in the Northeast with 145.4 MW of installed capacity based on the attainment of an internal target that we had in terms of reaching this amount of energy in projects sold to the market, and we are going to talk in more details about that when we get to the pages related to that matter.

And finally Fitch rating assigned an international rating of BBB- to Tractebel and reiterated the company's AA+, the long-term domestic rating, with a stable outlook which facilitates and provides us cheaper access to the international financial market.

Now on slide number 5 you can see here the organization chart of Tractebel Energia. Practically the only difference in relation to last quarter is the creation of the Holding of our wind projects, which is the last box to the right, it is Energias Eólicas do Nordeste, and Tractebel, through Tractebel Energias Complementares, holds 99.99% of its control in here you can see the five projects that we mentioned shortly ago, and it is controlling the 5 new wind projects that have just mentioned.

Now on slide 6 we have a balanced portfolio and we also have strategic locations. We have been expanding our reach, the reach of our plants, and for those of you who have been following up on our progress we concentrated in the south part of the country but we have been enlarging our range of operations.

On slide 6 we have news. Estreito is going to start operating plant number 5. We kept it as the installed capacity in the total commercial capacity, although there are only two units operating so as to prevent a change in this breakdown.

We are going to update information relating to the units that start to operate, but we decided to maintain the total installed capacity in the total commercial capacity in this chart. The installed capacity of the company is now 6908 MW in 22 plants (81% Hydro, 17% thermal and 2% other forms of energy). We had the growth since 1998 of 86% with the inclusion of Estreito.

Moving on to slide 7 we can see our position in the market. We are leaders in the market, in the generation industry we are the largest private generating company in Brazil. We are going to grow 1.9% with the Jirau Project, so we expect to reach 2.8 MW... 2.8 GW rather installed.

This is we are leaders by far relative to the other players in the sector and this, of course, allows us to further consolidate the sector. We have this statement; we are interested in growing through M&A if the operations are feasible.

On slide 8 we see our balance portfolio - distributors, trading companies and free customers. As you could see last month there was a change in the profile of the free market. There was a substantial increase in free customers relative to trading companies and this was due to an increase in the trust of such customers when hiring directly the energy generated by generating companies.

Although last year we were... Penetrated very strongly the free market, we also had the effect of the contracts of São Salvador and so there was no really substantial change between the free and the regulated market, the same percentage stood. But we had a very strong activity, we sold a lot to free customers last year and this was a successful strategy.

On slide 9 you see our free customers and the diversification in our portfolio, the segments in the industry where we operate. So this allows us to have a diversified risk profile with no concentration in a specific industry. And we are very strict in analyzing credit, so we have zero default today.

Moving on to slide 11 we have an energy market outlook in terms of price. On the left-hand side you see the energy market outlook and what we forecast in terms of surplus or shortage in the supply. For the next 2 to 3 years we forecast a substantial surplus and this has been contributing to put a downward pressure on the prices.

Our strategy last year was to sell more to the free market and this is, therefore, a successful strategy. Prices in the market are influenced by the prospect of a surplus of energy in the short to midterm and by favorable rainfall levels.

For the long term our vision is a bit different. On the right-hand side you see our forecast for supply and demand according to different sources of energy and the demand will only be met if thermal power plants are operating to meet this demand. We have some power plants with a small water stream and so we need more thermal power plants and the trend for prices is upwards.

On slide 13 we see our contracts. We have always presented a graph on the right-hand side. Our policy to contract the energy in a gradual way and last year we changed this strategy a little bit for the short-term, that is effectively if you look at the left-hand side chart of the uncontracted energy

You will see that we are almost fully contracted until 2014 and this was because of the visibility of the supply and demand side and a downward trend in the prices and also because of the visibility of the energy of the Jirau project. This energy

could be added to our portfolio and so we created products for sale in the mid-to long term.

The company therefore negotiated with Energia Sustentável do Brasil controlled by GDF Suez so as to allow us to have an option to sell energy by selling energy from Energia Sustentável do Brasil together with the portfolio of Tractebel Energia.

In the board meeting last Friday the option contract was approved, it is an option at no cost. So as Tractebel is able to sell the energy of Energia Sustentável with the energy of Tractebel it will do so at no cost with an upside. We may have a fee as we reach prices that are good for Energia do Brasil as well.

I am now going to move to page 14. We see a little bit of our energy balance, you know it is very well. We show the variation and the changes on a quarterly basis and what you are going to see in this quarter relative to the previous quarter is a small purchase of energy for resale for 2011; the adjustment of contracts; we also included the energy coming from the wind farms of 2012 in part and 75 MW average in 2013; we also added the bilateral sales for special customers (and they are today at 60 MW average) and so we reached a percentage of almost 80% of the energy of this project that is sold already; and other changes in the portfolio; swap of contracts and so on. No substantial change in the balance and in the availability.

As to price the price has been growing especially with the inflationary pressures on the other contracts. There was a major impact in the first half of the year because of the adjustment of contracts with free customers and now we are also having price effects in the regulated market which are related to the date of adjustment for distribution companies.

Now on slide number 16 where you can see our first project, Estreito, that is under construction and so it has already been included in our portfolio and it went live the first unit on April 29 and the second unit on July 2.

We are going to have a schedule. By late August we have invited some analysts and investors to take part with us, to join us and visit the power plant and maybe then we will have the chance to see the first commissioning tests for the third unit. This project here the assured energy was sold in the A-5 auction in 2007 and it is at 155.5/MWh hour as of June 30, 2011.

On page 17 you can see the ramp up of the commercial... of the power plant of Estreito. The third unit will become operational in August and in this manner we are going to have additional more and more turbines and gradually we are going to increase our capacity as more and more turbines become operational. We

have the intention of having four or five units installed by the end of the year and by the end of 2012 we hope to have 75% to 85% of our installed capacity.

So we completed the project in August last year and we negotiated it in 2009. We have had the third increase from BNDES, low-cost. We have had forecast of the government for the operation, the beginning of operation of Serra Quebrada and this has been contributing even more for us to increase the return of this project.

Now I am going to turn to the slides about Jirau and I will turn it over to Wolff with us here.

Mr. Elio Wolff: Thank you all. A few updates on Jirau project. The first slide is similar to what we presented last quarter, the capacity of the power plant is of 3450 MW and there is a project being analyzed for four additional units corresponding to another 300 MW.

The assured energy is 1975 average MW and this corresponds to 45 turbines, which was the original project. The additional amount of assured energy we think it will be published soon, most likely before the auction that will take place most likely in August 17 as you can see on slide number 19.

As to construction one update: the construction is going back to its level with 15,000 workers. The level of the river is the same, has been kept. It is important for us; we have been trying to keep it for this year.

The discussion with the contractor is going on in terms of the schedule and update of the budget and what you think in terms of the schedule some units will go live in 2Q12 and this is being discussed with the contractors that are building the power plant and as soon as we have more updates we will share with you.

In terms of the loan, an additional funding from BNDES is also being discussed. There have been some updates in the budget and in the schedule and obviously this all depends on the amount of assured energy.

Now on slide number 19 the first block referrers to the existing contract. In July 2011 it is worth about R$ 64 and you can see on the chart on the right its evolution.

A new piece of information is the qualification of 6 additional units for the project for the new auction they are all qualified and it will take place on August 17. The effective amount of assured energy that we will be able to sell in the auction has not yet been published and obviously this amount needs to be made available for the shareholders, we need to announce it to the shareholders before the auction and we hope, we are expecting that this will take place in due time.

So the price is R$ 102, the cap price for Jirau, and for us to obtain a 30-year PPA it will start in 2014.

Another positive piece of news regarding the project, obviously this is not a concession of the group GDF Suez, but because of its impact on the project we have been monitoring it and we are sharing the latest developments with you, which was the environmental installation license that was issued in June 2011 and the construction is also underway and by the second half of 2012 it will be in operation.

On slide number 20 you can see some pictures, photographs for you to see the construction. So it is really at full steam. You can see here the spillway. The spillway is expected to be ready in the second half of the year and obviously to see the top picture on the right-hand side you can see that it is well underway.

Now I turn it back over to Mr. Sattamini.

Mr. Sattamini: Now we will be talking about other Tractebel projects. Now we have our wind projects with 145 MW of nonconventional, renewable energy and it is distributed in 5 units (4 in Ceará and 1 in Piauí). The capacity of the power plant in Piauí is 30 MW and in Ceará they amount to 115.5 MW.

The total is 625 million and this Capex has been announced shortly ago and we are really sure about the total amount to be spent and these contracts have been signed with three major suppliers and these prices have already been agreed upon and adjusted, so we are not expecting any surprises in terms of budget for this project.

As we said before we have 60 average MW that have already been sold to A4 consumers at prices that are very attractive for the current market.

Now the financial performance of the company. On slide number 23 there has been a slight change compared to what we presented last quarter. Last quarter we did not show are presented graphical representation of the BR Gaap and it can lead to a mis-comparison especially in terms of the net income depending on the accounting system.

So we have demonstrated a growth from 2008 to 2010 of 6.3% a year and in the previous quarter we presented 4.4 and this has been a non-conceptual change and it is important for people to compare on the same accounting basis.

Now we have been presenting growing profits for seven years and this is the main message of this slide and in 2011 we are expecting to have another special year. The first six months that we have just closed now are an evidence of that and we should reach another record by the end of the year.

The pace of our growth into net income if you look at the chart it is smaller than the pace of growth of net revenue and Ebitda because our growth has within it some depreciation because of our assets, the cost of implementation, and so it is normal that net revenues and Ebitda do not translate directly into the same rates in terms of increase of the net income.

Now on slide number 24 gross operating revenues. As a mentioned before in the beginning of the presentation the main factor accounting was the increase of the average sales price, the growth of average sales price. If we compare quarter on quarter it was 110; in exports it was 50, about 280 average MW in the quarter.

In terms of CCEE we have had a 25 billion smaller result as compared to the same quarter of last year, even though it is still positive by 1.6%... million comparing quarter on quarter and we had a drop in volume as we said before as a result of less energy for resale and we had 28 down in 2Q11. So we have reached a change in the gross operating revenues of 109 million with a 10.2% growth in these combined numbers.

On slide number 25 you can see the Ebitda, the same effect of price. We had the same effect in the operations. We also bought energy for resale at R$ 52 million, this was a combined effect of 123. We also had... 22 million contributed from exports (this is net of fuel for the coal used in exports). This is paid for by the companies themselves. When a thermal is dispatched it has the benefit of the CDE.

And in the CCEE we had the same result presented in gross operating revenue, a negative impact of 28 million relative to the previous... relative to the same quarter last year.

On Ebitda we had the effect of nonrecurring results. For those of you who remember, in 2Q10 we had 45 million coming from the reversal of the provision of the dispute relating to the new tax base of PIS Cofins tax.

So last year we had the reversal of 45 and in this quarter we had 15 million of nonrecurring income coming from the disposal of Seival Project which took place in June this year. With this, although we had 15 million more as nonrecurring income we had a reduction in the nonrecurring results in 2Q11 relative to 2Q10. The variation quarter on quarter was R$ 87 million with a 13.5% growth.

In net income basically the impact of the changes in revenue and Ebitda can be seen here. The change has to do mainly with the financial results. We had a financial revenues that was lower; we had a smaller investment balance; smaller revenue coming from delayed payments from suppliers; the yield of deposits plus also smaller; but we had a positive impact of the liquidation of the debentures in

the beginning of the quarter; we had a reduction of IGPM, which has an impact on our financial expenses relating to concessions; and we had 12 million of financial income, which was better than 2Q10.

The net result of nonrecurring the provisions have no fiscal effect so there may not be a transfer of 34% from Ebitda to here and the result of the CCEE, a variation of 33.1% in the net income quarter on quarter and 29 in the net income semester on semester.

Also regarding the financial drivers the energy so it had a small drop. The average price has been increasing, it grew from 1Q to 2Q and it has an impact on Ebitda margin and also growing net income.

On slide 28 you can see the indebtedness of the company. We went back to a total debt/Ebitda level of 1.3 as had been said last quarter, we were going to prepay some debt that matured in April and May and so our net debt/Ebitda ratio dropped to 1.3.

Our cash position is reduced because of the payment up the debentures and we have foreign-currency denominated debt at a very significant level. Because of the appreciation of the real relative to the dollar it increased a little bit but we want to sterilize the FX effect in our results because our revenues are revenues in reais.

On slide 29 you see the net debt changes. There was a reduction by 3.8%, different factors contributed: the payout of dividends which consumed cash; working capital changes, which is normal because of the increase in our revenue level and so our receivables are higher; investments - we continue to make investments in the Estreito plant; accrued interest; capitalized interest.
So this all contributed to the increase in net debt.

And to decrease the net debt we have FX changes, a reduction by 2; payment of debt charges dropped 156 and operational activities contributed 709. In total we had a reduction by 3.8% in the net debt.

On slide 30 you see the profile of our debt. In 2011 we had a substantial amount from the previous quarter and the payment of these debts at higher interest rates - higher than what we have today - the third emission where we paid 640 million were at 117% of the CDI (this was hired in 2009). The payment of the first issue of debentures for 170 million were at IGPM+29 and also we had the effect of the payment of a trench of a subsidiary for 27 million and this debt was hired in 2001 at IGPM+ 9.41.

We paid all this most costly expenses and so this reduced our cost in reais to 9.6% - before it was 10.5% in 1Q.

You will also see this impact in the composition of the debt in local currency and in foreign currency. Before we had 24% of the CDI and today only 12% of our debt is linked to the CDI; we today have 73% in TJLP; we had some debt in IGPM and this was all paid off; and IPCA now is 13% of our debt. So 75% of our debt is now linked fixed indexes. The TJLP, although it is a variable, long-term interest rate is very, very little and so it is a low-fluctuation risk rate.

As subsequent events we can also mention an operation we did in July, 4131. We hired R$ 413 million, it was a foreign loan linked at the CDI with net values that are equivalent with hedge account and we use these funds to liquidate the fourth emission of debentures.

The maturity of the debentures was as of 2011 with five different maturity dates throughout the year and we decided to pay off this debt. It was costing 110% of the CDI and with this foreign loan of Bank of America we swapped the CDI. The final cost of this loan was 98% of the CDI for an average maturity term that was the same as the debt with Banco do Brasil. This was yet one more measure we took to reduce the financial cost and to take advantage of a market opportunity. This was completed in July.

Now on slide number 31 you can see our schedule for Capex with no major changes as compared to the previous quarter with the exception of the wind farms and basically no surprises, no new projects.

The dividend policy. As we said before our dividend policy is a minimum payout of 30% and a minimum payout of 50% of payable net income and whenever possible, whenever we can pay more we will. We do not have any interest in holding, withholding cash for our new investment.

As we said there have been improvements in the cash flow in the company, operational improvements; improvement on the debt profile with longer debt terms; improved loan terms too and we also had benefits from the transfer of Jirau that is now close to its commercial operation; and the regular evolution of Estreito with two units becoming operational as per the schedule and all these factors have made us confidence so that this year (2011) we could make the proposal for the payment of 100% of the distributed net income.

So I think that in this sense we are closing our presentation and now I would like to turn it back over to our investors.

Q&A Session

Operator: Excuse me. Ladies and gentlemen we are now going to start our Q&A session. To ask a question please press star one. To remove your question from the list please press star two.

You should be reminded that this audio conference is exclusive for investors and market analysts. Any questions from journalists should be forwarded to the press conference services of Tractebel Energia and you should stick to the limit of two questions per turn.

Our first question comes from Mr. Márcio Prado from Santander.

Mr. Márcio Prado: Good morning Sattamini and Elio, two questions about Jirau: you said the new idea of time for the transfer; could you give us more details? Second half of 2012?

And also the price outlook and if you are more careful in terms of forecasting prices for 2012 what are you expecting for the A-3 auction in August? And do you think these auctions will also surprise and will be in line with a slightly more negative price vision with lower prices than we saw in previous slides? Thank you very much.

Mr. Sattamini: First I will answer your question about Jirau. Remember that when we said that we were going to define any 55% payout this was back in 2009 and we expected Jirau to start up in late 2011 and actually what we are doing we are adapting our payout to the reality.

Today we are aware that the project will take place in late 2012 and we are talking about the second half because we do not yet know the precise date, we still need some time to refine for Energia Central do Brasil to come to an agreement with the contractors. But in the final date will be in the second half of the year; whether it will be on the beginning of the second half of the year, right in the middle of the year or more towards the end of the year we do not yet have this information today.

But what is important for us is that this relieves our cash flow. I do not need to worry so much more everything that these payments will be towards the end of 2012 and when we negotiate the transfer we will also need to apply for authorizations from CADE, BNDES and Aneel and four Estreito that took eight months. Let this be optimistic, let us say it takes six months and then we are already in 2013 until everything is completed. So this philosophy led us to change the payout.

As to price levels - and we have already talked many times about prices - there is an effect of the long-term market that is major because of very favorable rainfall

and today the prices in the market are low and we thank God and the strategy that we designed last year we have very little energy that is not contracted.

We have a long-term impact that may arise partially from new auctions - this is one of the pricing components and these are the new energy auctions and I think the price is relatively low skill. I think that you still have an appetite of some players that we will still see some prices with the projects, PPA to fund the projects. So we will need PPAs to make their projects bankable or fundable.

So I cannot tell you what to happen in those auctions and if I did I would make a fortune out of that.

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

Mr. Marcos Severini: Good morning Sattamini and Previtali. Two questions, the first part about renewable energy, especially wind energy. What is the annual volume that you are expecting for growth in this segment? How much do you think can be directed to the free market for the sale for special customers especially?

Still with regards to that could you give us some more information on the pipeline of your wind projects?

And the second question, Sattamini, regards the regulated market. Are you working with the hypothesis of selling products of your available energy in the regulated market further on in the future or will you continue to direct the attention to the free market? Thank you very much.

Mr. Sattamini: Ok let us go by order, from the easiest to the most difficult. So we have been showing that our strategy is to try as much as possible to have contracts in the free market, which is not exposed to existing energy auctions and there is the participation of some people who have less possibilities of selling in the free market and the need to have lower prices than in the regulated market. So our strategy will be we are going to need to try to avoid those auctions.

Yes, we do have some wind projects and have been talking and there are some projects that are being developed by our team and some conversations with some project developers are underway focusing on the free market.

We have not had a very favorable vision of the reserve energy auctions because of the eagerness of other players, so they need PPAs to fund their projects. So we think that this type of competition with this type of PPA does not look appealing to us.

In terms of the volume of energy for A4 market today I would not be able to tell you, to mention exactly. All I can tell you is that, that the market which for many years remained captive for distributors very much because the free market, the Brazilian free market is a market that is only 10 years old and so we do not have intensive power consumers, we did not have the intention of closing those possibilities so soon as the market opened.

Today what we see is that most of these conventional free customers, those who wanted to migrate have already migrated. The domestic market has been growing organically and the possibilities for growth in these new customers that today want not... to stop negotiating with distribution companies and negotiates directly with generation companies and today generation companies need to find those customers to generate businesses for their companies and this is a market where we see a potential for growth.

An advantage that we have in this market, as today we have established source for sale; we have an energy portfolio; we have cash flow; reliability, and I think what may be the most important for these customers is the solidity of the counterpart.

Mr. Severini: Do you think it is possible for you to sell 100, 200, 300 MW per year for this segment that includes special consumers?

Mr. Sattamini: To be honest we are just testing this market. We had a reasonable level of sales in the first semester. We want to make these plants that we intended to build feasible; but we do not have a history in terms of the acceptance of these products in the market. I would not be able to forecast our potential for growth in this segment.

Mr. Severini: And the last question: what about the pipeline? What is the pipeline of projects for wind farms?

Mr. Sattamini: As I was saying I do not have this information because I do not know how fast the market is going to react, is going to migrate. It is a relatively new market, I do not have this information. I do not know if we are going to be able to sell 150 MW, 200 MW/year, I do not know. We are going to pursue this market.

We believe it is going to grow; but the growth of Tractebel Energia will come from the development of hydropower plants and large power plants. This is our vocation.

Mr. Severini: Thank you.

Operator: Our next question comes from Mr. Vladimir Pinto from Bradesco.

Mr. Vladimir Pinto: Good morning Sattamini. I have two questions, one has to do with the dividend. There was an increase in the dividend payout in the first semester. Can we expect the same level in the second semester?

And the second one is the following: you mentioned it is the payoff of debt; what are the covenants for the debts today? What is the major covenant that we have relating to debt/Ebitda ratio?

Mr. Sattamini: We made a decision for the year of 2011. Our intent is to pay 100% of the distributable earnings as complementary dividends. As regards the covenants, the more restricted we have is of the second issue. The last portion matures in 2014 and it covers 2x... 2.5x the Ebitda/net debt ratio.

Operator: Our next question comes from Mr. Kaique Vasconcelos from Citigroup.

Mr. Kaique Vasconcelos: Good morning. As regards the strategy to allocate energy in the year I would like to know if you could clarify the strategy.

Mr. Sattamini: It was a bit low, I do not think I understood the question; but you were talking about our allocation strategy. It is very similar to a standard year strategy. We allocate less energy in the first half, more energy in the second half.

So far the strategy has proven appropriate, we had low prices in 1Q and therefore our purchases for the replacement of our short position were made at low prices. In the second semester if there is an increase in the spot price we will be protected. Remember that we are normally exposed to the spot price because of our internal capacity. We have 50% flexibility in our thermal plants and therefore we are exposed.

Our allocation strategy aims at reducing our exposure to the spot price in times when energy is more expensive. So we expect that the price increase in the second semester we are protected because we have a large allocation in the second semester.

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

Mr. Vinicius Canheu: Good morning Sattamini, Previtali, Elio. My question is more directed to Elio. As regards Jirau is there still interest on the part of the consortium to sell the energy of Jirau at 102 at the auction or are you going to analyze it? What is the position of the company?

Mr. Wolff: As regards the top price in the auction we prefer not to make comments about it before the auction so we can decide at the date of the auction. After the auction we can make comments about the results and discuss about it.

Mr. Canheu: Originally the group was not thinking about a top price for the project, right?

Mr. Wolff: The ceiling for the new energy auction as regards the expansion of Jirau or any other power plant that was an issue that we expected to come up. The way the government runs the auctions for new energy because this way for the Jari power plant in the past, this is the... I mean, we expect this type of way of conducting this and we were waiting for a definition of the ceiling.

Operator: Excuse me. Tractebel Energia's conference call has now ended. Now I would like to turn it over to our speakers. Please you may proceed.

Mr. Sattamini: Once again I would like to thank you all for your attendance, for your interest and we hope that we will be presenting on future quarters very good results focusing more and more your attention on Tractebel Energia. Thank you all very much and have a good afternoon.

Operator: Tractebel Energia's conference call has not ended. We thank you very much for your attendance and have a good day. Thank you very much.