Local Conference Call

Tractebel Energia

Results of the 2nd Quarter 2013

August 1st, 2013

Operator:
Good afternoon. This is the Tractebel Energia conference call, where the results of the 2nd quarter of 2013 will be discussed. All participants are connected only as listeners, and later, we will have a question and answer session, when the instructions to participate will be provided. If you require any help from the operator during the conference call, please, press "*0". We would like to remind you that this conference call is being recorded. This presentation with slides will be transmitted simultaneously in internet, on www.tractebelenergia.com.br, under the Investor section.

There, you will be able to have a copy of the presentation and the release of the company's results. Before we proceed, I want to explain that statements made during this conference call, related to perspectives of the company's businesses, should be considered as forecasts, which depend on the economic situation in the country, performance and regulations of the electrical sector, as well as other variables, and, therefore, are subject to changes. Today, we have Manoel Zaroni Torres, the Chairman, and Eduardo Sattamini, CFO and Director of Investor Relations, of Tractebel Energia, who will talk about the performance of Tractebel Energia in the second quarter of 2013. And Élio Wolff, Manager of Market Relations of GDF SUEZ Energy Latin America, who will talk about the progress of the Jirau Hydroelectric Power Plant implementation. After that, they will answer the questions you may have to them. Now, Mr. Manoel Zaroni Torres. You may start now.

Manoel Zaroni Torres:
Good afternoon, we're not used to this system, I'll present the results, we will present them as announced, I will talk first, then Élio, and then I'll talk again, and after me, Sattamini will talk about the financial part. Then, we will go straight to slide 4, with the highlights in the 2nd quarter. We have in the left column, a comparison of quarter versus quarter, 2013 versus 2012, and the variation. And in the right column, 6M13 versus 6M12, and the variation. Then, we can say that the net income in the 2nd quarter increased, and it had an increase of 13.5% in the 6-month period. EBITDA had a reduction in the 2nd quarter of 2013 in relation to the 2nd quarter of 2012, as a result of the energy allocation strategy and short-term purchases, with increase in the 6-month period. We acted as salespeople in the first quarter and as buyers in the second quarter, hydrology did not change so much, then, we had a regulatory change, CNPE 03, which forced us to buy some short-term energy to reduce our exposure. Then, that's why EBITDA had a reduction in the 2nd quarter, but increased in the 6-month period. It happened the same with EBITDA margin,

regarding the short-term purchase, the net profit had a small reduction in the comparison between quarters, because we've had a non-recurring financial gain, and then we had this difference in the percentage of EBITDA for the profit, but in the 6-month period, the profit was 11.9%, which is relevant.

The energy sold also increased in the two quarters, in the quarter and 6-month period, the net price increased and the production increased a lot, with high thermal generation, as well as hydraulic generation at the end of the second quarter. In slide 5, the quarter's highlights, the Board at the meeting held on the 30th approved the distribution of 100%, payout of 100% of the dividends, totaling 767.6 million reais, as interim dividends, based on the results for the first half of the year, corresponding to 1.1759 reais per share. I point out here that such dividends controller GDF SUEZ receives stay here in Brazil and go to Jirau implementation, where high investments have been made, also with own capital. In June, we concluded the assembly of wind turbines for the first wind power center called Trairi, one of the wind farms in construction in Ceará, and we will have the consecutive ones: Guajirú and Fleixeiras, until the end of the year. It's not yet in operation because the transmission is delayed. In May, we started to construct the first evaluation module, the small modules, of 70 KW peak, and the implementation of a Photovoltaic Solar Power Station, of3 MWp, nearby, you'll see that tomorrow, it is being constructed next to Jorge Lacerda Power Plant, in the city of Capivari de Baixo, here in Santa Catarina. This is an Aneel R&D program project, whose main participant is Tractebel Energia, and this program is 50 something million reais, we will see the details later.

The COD of this 3MWp plant is scheduled for December and an investment of 25 million reais was made for Tractebel. Tractebel, once again, won the Transparency Award from Anefac – Fipecafi – Serasa Experian, for the quality of its financial and accounting statements. It participated in the category for companies with earnings of max. 5 billion reais. Slide 6 shows the structure, no big changes here, the only significant change was in sustainable energy in Brazil, in which GDF made a strategic partnership with Mitsui and sold 20% of its share in Jirau, at ESBR, to Mitsui. Then, now it has only 40% of Jirau Power Plant, which may be transferred in the future to Tractebel Energia. Well, slide 7 shows Tractebel portfolio, which had an increase of 86% in this period of more than 10 years, and shows that today, we're not a regional company anymore, but a company in expansion throughout Brazil, we are present from Ceará to Rio Grande do Sul, it's something very complex to keep the culture, the management, with the same values in all these regions, it's a hard work. And especially our own, within our 6,909 MW, with our 22 power plants, we have complementarity between hydroelectric and thermal power plants.

The fact that we have thermal power plants works out and protects a little when we have period of low hydrology and, therefore, high thermal power generation. Slide 8 shows our position in relation to our peers, here in Brazil, we are by far the largest private power generation company, with 6,900 MW, and when Jirau starts operating, we will have 8,500 GW. We are about as large as CEMIG and CESP and COPEL, a little larger than COPEL, but, probably, we'll be larger in the future. Then, in this case, we are well placed to make new acquisitions and consolidate the company. Slide 9 shows the profile of our portfolio – today, we are one of the largest energy trading

companies in Brasil. We have in our portfolio, estimated for 2013, 51% sold in the regulated market, that means all sales in auctions to new developments. You have to sell at least 70%, but it used to be 100% in the beginning, including those botox energies, sold in the regulated market to distributors, but we have progressed also in the free market and in the special energy market. We already have 41% sold to plants and 9% to traders.

Traders are sometimes the channel to reach the end consumer and a vehicle that provides liquidity to the market. That gives us some stability, flexibility, to our portfolio. Stability, long-term agreements with our new energy, and the 8-year agreements we have with the distributor, and flexibility and opportunity in the market of energy sold to end consumers. Then, we also minimize the risk in the other side, of purchasers. You can see, in slide 10, that our portfolio is very diversified, we have today average 1,721 MW sold in the free market, then we have a very high diversification in our portfolio, in purchases, minimizing the business risk. When an economic or financial problem happens, or something in the industry, the impact on us is not so strong. And we have a very efficient credit analysis system, which has shown to be very efficient, along the years, because we have no default case. To provide an idea to you, these 13.5% sold to cement companies, our customers are large companies, such as Lafarge, Cimpor, Votorantim, then, we believe in this type of portfolio.

Let's talk about the energy market in Brazil. It's only one slide and a lot can be said about it. We have a slide with two charts: on the left chart, we can see that the bars represent the difference between offer, structural offer, and the market. And it was a big difference: it became negative in 2007 and 2008, grew and if you make a comparison with previous quarters, this margin has diminished, diminished in such a way that I'd consider it a dangerous reduction because the power plants that did not get in, that were sold in auction, and the delay in works. This may not mean too much in the short run because as the base of the system is the hydroelectric power station, it has machines, it has installed power, if it has water, it can even be negative here that nothing happens, as nothing happened in 2007 and 2008. You have a machine to generate energy having the required flow. And some years with excess, as in 2001, you can even reach to the point of rationing because the flow of the thermal plant was little, and it's still little with a growing tendency. On the right, you can see in black the growth of demand, in red, the variation of the average annual allowance for doubtful debts (PLD), and the bars are the type of source: hydroelectric, and we can see that the thermo-electrical share is increasing. Here, there is an inflexible a flexible part that generates when there is no hydroelectric plant, when there is no secondary energy. But we can see that it is a tight crest and this brings more volatility in the short-term price.

Well, now, something of our sales strategy on slide 14. It shows that we have almost everything hired until 2015. Our policy is to sell future availability gradually. The free market is relatively small and hiring takes place with three, four, or five years, so we have to be always in the market to be able to follow up on its behavior in relation to price and also to expand the customer base. So, we actually pretend, logically, to identify and sell more when the price is good, but do not allow to sell

when the price is low because it may mean a good future sell. We make an average of the price and the bar chart on the right shows exactly that, that we sell gradually. Only as an example, let's take 2015 - 2015 we had de-contracted 28% at the end of 2009, 15% at the end of 2010, 13% at the end of 2011, and 10% at the end of 2012. So, every quarter this changes and goes, this steps here decrease a little more.

Slide 15 is a balance sheet, our energy balance. Our portfolio of own resources is stable; it will change later on, here, Jirau's energy has not been included. Purchases, when you look in the medium and long term also drop, it is natural, but also the same way, when we sell, se also always buy to sell. Then, we have our total resources, around 4,200 MW average, for 2013. Here are the regulated contracts, contracts of 8 years of existing energy, 30-year contracts are the new plants, whose restated prices are here, at the front on the right, based on June, 2013. The 2004 auction was cheaper, R$ 105/MWh, until the price around R$ 180/MWh, R$ 167/MWh, the more recent plants. PROINFA portfolio, after that there are the bilateral sales, they incorporate all the free consumers plus two contracts we have with a bilateral distributor, prepared before this auction model. Little excess, so as I have already said, prices are also rising, R$ 139.2/MWh – net sales price – and purchase, that refers to these 597 MW, R$ 126/MWh.

Then, let's talk about expansion. I give the floor to Élio so that he talks about Jirau.

Élio Wolff:

Good afternoon, everyone. Thank you, Zaroni. Before I start I just want to make an announcement: that from the next quarter I will be assuming new activities at GDF SUEZ as CFO in Central America. From August now, the person who will replace me will be Anamélia Medeiros, whom you will duly meet. Anamélia has been in the group since 2009, led great deal of the registration processes and project in carbon credit, that is, she has mostly dealt with the registration of Jirau's project, hence, she will certainly add a lot to you from now on. Now, talking a little bit about Jirau's project, now on slide 17. You already know the project: it has 3.750 MW of installed capacity. GDF SUEZ now holds 40%, in fact, there are still some obligations pending to fall due, but this must take place shortly in the second half of this year and Mitsui now holds 20% of the project, too. A significant part of the project's energy has already been contracted for 30 years with the distributors through two PPAs. That is, the first PPA coming from 2016 amounts to 1,383 MWm at a price that at present if restated should be around R$ 94.4/MWh, and such PPA, taking into consideration the recent decision by Aneel to recognize a new schedule for Jirau's Power Plant, it's being suited to also begin at the time when the plant starts operations. We will give further details shortly. The plant's commercial operation is estimated to begin in the third quarter this year between August and September. So, this PPA will also be aligned to this schedule. The second PPA, this one with a date already set to begin, is in March, 2014, amounting to 209 MWm and a price around R$ 114/MWh.

The balance of energy, as already known, was traded with the shareholders. The profile of such contract can be seen on the chart on the right below, the pizza chart, showing the volumes of energy contracted with every shareholder.

The project currently holds a finance of around R$ 9.5 billion indexed according to the TJLP. The conditions are also described in the slide.

Now, moving on to slide 18, I will give you an update in connection with the project: the civil works have already been concluded and the assembly is evolving at a fast pace. We already see, I mean, the reservoir of the left bank already filled up and some elements: back-feed already energized, conclusion of commissioning of the sub-station, the line, there is a dedicated line for Jirau's project that we are also building, the 100-kilometer line. LT3, this line is ready now, LT1 and LT2 are in fact three branches and are already ready, too. GIS substation is already, too and so is the first transformer. So, highlighting what I have already mentioned at the beginning, the commissioning has already begun, the commercial operation estimated for the third quarter, I think it may take place between August and September. Therefore, I want to point out in relation to the commercial operation, I mean, Aneel's decision itself sought an alignment between the plant's commercial operation and the transmission line's. So, our understanding will take place during the third quarter, in August and September this year. CAPEX around R$ 16.3 billion, base date March 2013, the same amount we had already disclosed in a previous quarter. The partnership with Mitsui, which we already commented on, GDF SUEZ sold 20% of its interest to Mitsui, a strategic partnership of the group, as Zaroni mentioned, and that was announced in May 2013. There are still some preceding conditions: Aneel's approval, the Brazilian Development Bank's approval (BNDES), approval by the financing banks, that must take place in the second half this year, and, to conclude this sale to Mitsui, that has already obtained Administrative Council for Economic Defense's approval (CADE). As regards the carbon credit, Anamélia is replacing me in that position, but registration has already been obtained and concluded. Please, note that Jirau in connection with carbon credit is the world's largest renewable energy project to be registered, so, the registration activity of this project is very challenging, but fortunately we succeeded. The project's registration confirmation was this year, but was registered on December 26, 2012. When at full capacity, it will generate around 6 million tons of carbon credit/year, so it's very significant. I mean, it's a very important project from the point of view of carbon credit. Some additional questions, options that we are developing to add more value to the project, additional energy, the 90 MW that we have been communicating, of which Aneel has recently announced a minimum of 24 MW already with one of the compensations that Jirau will receive. So, a minimum of 24, we already obtained, that is ready no. The question of tax incentive due to Jirau's location, and the question of the project being priority from the point of view of the issuance of infrastructure debentures.

In a more illustrative way, we can see the pictures, the picture of the transformer, the picture of the power house on the left bank, moving on to slide 19, the control room, practically ready, the gallery, house and power, that is, everything ready to start the commercial operation, that the group is working so that we can achieve as soon as possible, and must take place between August and September. Now, I return the floor to Zaroni. Thank you.

Manoel Zaroni Torres:

On slide 20, you will see the wind projects under construction in Ceará: the Trairi Wind Farm, with investments amounting to R$ 540 million, totaling installed power of 115.4 MW, 62.5 MWm. That was all directed to the non-conventional free market. In fact, this energy has already been sold. We are not uncovered, too, because we advanced the schedule and bought energy, so we are creating a margin while it does not go in. These pictures show four parks; in fact, they are real pictures. 80-meter high towers, 2.3 MW wind generators each.

The next slide is the solar project under construction, the Photovoltaic Solar Plant, that we called Nova Aurora. The project is like this: it's R&D, that are seven different technologies with eight locations, as shown on Brazil's map, that is to see how each technology behaves according to its position, we would say on the globe, but inside Brazil. What's it behavior, what kind of technology works better, why the capacity factor varies slightly with hours of sunshine, wind, temperature, humidity, this has variations in the capacity factor. So, this is an R&D project, a R$ 56.3 billion investment, we have other partners, each of the eight modules holds 70 KWp. KWp means installed capacity, the maximum power it produces. This takes place in partnership with UFSC (Federal University of Santa Catarina) and within this project we are installing this 3 MW Photovoltaic Solar Plant, that is consideration for Tractebel, that will be in Jorge Lacerda. Tomorrow you will have the chance to see. Let's talk a little about the financial performance. I will ask Sattamini to explain this part.

Eduardo Sattamini:

Good afternoon, everyone. I will plunge into the part of the presentation that is harder to follow, however, not less important. First slide, slide 23: we always present the performance of the company over the last years emphasizing the growth in the main financial aggregates, in the net revenue, EBITDA and net profit. Why this quarter EBITDA has shown an uncommon decrease and in the profits and losses, Zaroni has already explained that this is the effect, especially, of our allocation strategy, but in the six-month period we still show this performance of continuous, solid growth in the company.

On page 24, we make a brief analysis of the variation of revenue quarter by quarter. We mainly have the positive effects of the average sales price and sales volume. The average price rose by 5.1%, while the sales volume, 6.4% and we had in the short-term operations a reduction of revenue around R$ 54 million. Last year, the same quarter last year, we recorded R$ 102 million revenue at CCEE, and in short-term operations. And this year we had an approximate revenue of R$ 48 million, that's where the difference originated. And we have other elements here, especially sale of ashes coming from the Jorge Lacerda Complex.

On page 25, we presented the evolution of EBITDA, of operations, we have a R$ 102 million contribution, regular operations, and here comes the first news of the quarter, that was an impact, the allowance for impact of CNPE 03, the mechanism of division of costs of thermoelectric generation out of the order of merit, that we took as a conservative precautionary measure, to make an allowance for such funds. Even though we have the legal opinion of our attorneys, APINE's lawyers, association to which we belong, stating that the chance of losing the proceeding

is remote, we are still assessing the situation, given this recent definition. And in the short-term operation, that is the main element that also impacted our EBITDA, the question of the purchases for covering the debt position at CCEE and in the short term, as Zaroni has already mentioned. Evolution of the net profit, we succeeded and received the indexation on payments due at that time. The gross effect was R$ 29 million and the net effect, R$ 19 million. We had an improvement in the financial result, one more time here, CNPE 03 now its net effect, already deducted income tax, and also its net form in the short term operations and CCEE operations. Therefore, our net profit was reduced in the quarter by 5.3%.

With respect to the debt, we continue with a fairly low level of indebtedness, inefficient to say, but it is a strategy that the company is drawing, depending on the potential acquisition of Jirau. Jirau is a fairly large project, it will bring a fairly large volume of debt, despite having now reduced such participation, reduction of participation of GDF SUEZ, but it is still relevant. And the company then has been preparing for some time, and maintaining a very low level of indebtedness. It is also important on this slide to note that the indebtedness in foreign currency is quite low, we have a long-term debt with the National Treasury together with the Brazilian debt renegotiation, it was a legacy of the governmental era, of the split of Gerasul and Eletrosul, and the part of the debt came with us. And here too we have a debt that matures in 2015, of float rating notes, which is also a quite low volume. Net debt, then, of the company is R$ 2.5 million, approximately 0.75x of the company's EBITDA. Net debt evolution, the net debt dropped 12%, we had from last quarter to this quarter, compared, to a payment of interest on capital. We had investments made, mainly, in Estreito and the Trairi Wind Farm, which are now entering operation, appropriate net interest, income tax and social contribution on net income paid, monetary variation and some other elements.

And we had as positive, the operating activities and changes in working capital, which was negative. With this we show a reduction in net debt.

As debt profile, the debt profile is quite elongated, then we have some short-term operations that grow a little more, in 2014 we have the last installment of the second issue of debentures, which was that we negotiated covenant last year We also have an operation in 4131 that we hired last year to 98% of CDI. And the rest, basically, are normal BNDES financing operations, within our program of BNDES debt repayment.

And as we said, more towards the end we have some input here in 2024 from STN, but the value is also rather low. The debt has a cost well behaved today, much of it has TJLP, 75%, 13% of CDI in this operation that we mentioned to you, which is an foreign loan operation with swap to CDI. We have here the IPCA which is the second issue, and here we have fixed, if I'm not mistaken, is the Fund Centroeste, is an operation of encouraged regional funds.

With respect to the slide 30, where we talk about our investment plan, the primary here in 2013 is continued investments in wind farms, which will consume with the majority of these resources. We also have a very big reform, we're taking on, we started now this year, the reform of Salto e Santiago and Passo Fundo Plants. At the Salto e Santiago Plant and we'll have a benefit of increased energy ensured. And we also have some appeal for the end of the work of Estreito,

which prevents all turbines from having gone into operation. There are still some infrastructure investments that are being brought to term. In 2014 we have the majority there is operation and maintenance. Investments we have already mentioned Salto e Santiago and Passo Fundo, because we reserved it since 2010, and we have to keep our investment program, which is relative to the purchase of Jirau. So it just to get it *rounded out*, just to mention that there is a prediction there in 2010 and we still maintain. And as Jirau, settlement of the transaction should only occur in 2014, we have been transferring it.

On slide 31, we present here our historical dividend payments, always remembering that our minimum statutory dividend is 30%, but we have a commitment to the market assumed at the time of the follow on of a minimum payout of 55%, and we have had a habit of the semiannual dividend payment, usually around September/October, and between March and June the payment of additional dividends, interim between September and October, and complementary between March and June, depending on the cash flow, depending on the obligations that the company has.

With the decision to pay 100% of the result of the first semester, we has a dividend yield of around 3.4% in the period, annualizing that, you will reach a little higher value.

Well, basically that was our presentation, and we open for questions and answers for you.

Operator:

Ladies and gentlemen, we will now begin the question and answer section. To ask a question, please press "*1". To remove a question from the list press "*2".

Excuse me, remembering to ask questions that just type "*1", Asterisk 1.

Antonio Previtali Jr:

Without questions from the conference call, then I open the section for questions and answers here in the auditorium. We would like you to identify yourselves before asking the question, please.

Leandro Kappa – Deutsche Bank:

Thank you for the opportunity. Leandro Kappa, Deutsche Bank. I was wondering what your strategy is, and how you see the risk of increased attractiveness of the captive market in the coming years with the reduction of energy tariffs and how it poses a risk to you, that the customer migrate back from the free market to the captive. Thank you.

Manoel Zaroni Torres – President Director:

When the Provisional Measure 579 was announced, for the early renewal of concessions and quota regime, the first thing we did was do the math as to what would be the price, the tariff, for the distributor, because it serves a cap for us at one point. And since that time, not a few distributors were competitive with our energy sales, with our price on the open market. What

happens after that, with no membership by Cemig, CESP and Copel, and the worsening of hydrological conditions, with very high thermal generation, the effect of that reduction in the energy bill, the electricity tariff has practically being canceled at this time. This week is even a whimper here in Santa Catarina crazy because CELESC some point will have 14 (14%) increase in the price of something of her energy. In addition, you have no control of that price because it hires more heat, you put high price in the auction, and you, the company you are hiring is subject regulated in this assessment. For example, with the rising dollar, Itaipu is still very representative of the Brazilian energy matrix. Then, with the rise of the dollar, all distribution will be affected in the price of energy. So I would say to you, surely, that even with the reduction that was, with the current situation, we are still very competitive and it is much better to buy power from the open market than to stay in captivity. In addition to flexibility, negotiation skills, be treated as a customer and not as a consumer, all that.

Carolina Carneiro – Santander:
Good afternoon everyone. Carolina Carneiro from Santander. I wanted you to talk a little bit about the energy balance you reported. We had noticed that some sales, I think 98 MW in 2015, a little less, in 2014, in 2016, I wanted you to talk a little bit about how is this market, and the price level would you be finding today. If you think now with the approaching 2015 there is already more trading in this market, and if that price level looks more attractive.

Manoel Zaroni Torres:
I'll talk a bit about that in another presentation, but I will already tell you. The price of the year, and the following year, suffers much influence the PLD. As we're checking a period of high PLD, so they are quite high prices. The price of long-term, is linked to the expansion, the marginal price of the expansion. So it has less influence of PLD and more influence the projected average price of utilities and new projects that are coming on the agenda and that the dams have been fairly good price. The benchmark we use is the price today, as we see it, the matriz will expand, probably, with gas, hydro and Wind power, we then do a mix of it to try to define the future price. But in fact the price is the price the market is willing to pay. So I would say the following, in general, it is high today, it is high for next year, and then it will decrease and reach in the future, something in the order of R$ 110, R$ 130. Which is not to say that it will be that. You can, as of today, is the willingness to sell. If you, when you get there may be lower or higher price because it depends on the short term price.

Miguel Rodrigues – Morgan Stanley:
Good afternoon everyone, Miguel Rodrigues from Morgan Stanley. My question is for Élio. Élio, if you could comment a little the upside for the Jirau negotiation with the government of Bolivia, and if I'm not mistaken, correct me if I'm wrong, but Aneel also defined that Jirau will not receive the 24 MW from Santo Antonio if this negotiation has a high positive point for Jirau. So if you could comment a bit on these issues and confirm these details.

Élio Wolff:
Okay. First of all I think it's important we contextualize, I mean, what Aneel chose to set. Santo Antônio has its expansion plan, which would install six additional machines, and the way that Aneel found for the analysis of the expansion of Santo Antônio was to create a mechanism for compensating least approximately 24 MWm, which will be destined for Santo Antonio for Jirau. This all in the context of the expansion. I mean, with respect to the level of Bolivia, and other discussions that part, as we said earlier, our expectation, what has been identified as energy from Jirau, regarding a new use and everything else, were 90 MWm, so this was our expectation broadly. So, in addition to the 24 MW, the energy from Bolivia comes to try to seek complementary and may even pass the 90 MWm, means there is no restriction on staying at 57 MW and 24 MW. There is a possibility, eventually even in passing 90 MW. The 24 MW were created in the context of the expansion of the Santo Antônio Plant.

Miguel Rodrigues – Morgan Stanley:
And it there an update you can give in the negotiation of Bolivia's part in terms of team, or how it is progressing?

Élio Wolff:
It is very difficult to say, especially in a matter of team, there is a discussion between two governments, it is not an easy discussion, and we have no details to share at this time. I mean, it is a matter that discussion still will continue and I have no precise update to give.

Pedro Manfredini – Credit Suisse:
Good afternoon. Pedro Manfredini from Credit Suisse. A quick question about the expansion of the company's current portfolio. We saw there Tractebel investing in wind power last year, the last two years. And I wanted to know, among this expansion project of the company, taking out a bit the Jirau transfer, there is something growing in wind, PCH I think if you could also comment, but more in the scenario of wind and also new auctions, what is in the company's mind? And just to finish in the wind, how is the spread price for special customer for the free market customer, normal? How is this spread today, if it is around R$ 15, R$ 20. You are seeing some sort of supply problem in this market, and are you causing the spread to be a little bigger? So these are two themes that I would like for you to comment. Thank you.

Manoel Zaroni Torres:
First things first. First the following, Tractebel, it has some projects in the portfolio, and the project there, along Trairi Complex design, which we call Santa Monica, is already licensed, and we are trying to enable to participate in the reservation auction that will take place this month. There are other projects that we bought in Bahia, Campo Largo, which is a large area, we have the possibility to make solar and wind. These projects are not yet licensed, so we are still under study. We have

studies and we have already bought some area for a thermal coal plant in Rio Grande do Sul, Project Pampa, in the region of Candiota, we probably will not get license for this auction will have now, for A-5, in time. And we think that with the rise of the dollar this price of R$ 140 which the government has set a cap it is very low for a thermal coal plant, which has almost all imported equipment, no funding and all. In addition, we are studying a project with gas, but gas, as you know, here in Brazil needs to be totally dependent on Petrobras, otherwise we have no say. We have here a strategic area, we have even bought the land, everything, near a port and such, but I cannot say what it will go, it is still far off. As for the spread I can tell you, the spread varies from R$ 20 to R$ 30 depending on the situation. The latest we did was R$ 28. The market will improve because last week the retail trader was approved and this brings a new impetus to this market, since you do not need to register in CCEE every little customer individually, the company, any trader, can make a portfolio of clients. It manages the differences and settles once, representing this portfolio. We will now act as a wireless distributor. That should boost this market, which is a market that still has room to grow. I do not know if I answered you.

Antonio Previtali Jr:
Well, we have a question that was sent by webcast, and it came from Renan Alberto Ulrich, who is an investor. Why is the Jirau transfer scheduled only for 2014, if the plant starts to produce in the coming months?

Manoel Zaroni Torres:
Well, as a concept, because Jirau is GDF SUEZ's and not Tractebel's. Conceptually because it, like all very large projects, starts at GDF SUEZ and is a measure of protection for Tractebel Energia, there is a Related Party Committee which gives transfer, protects the interests of the minority mentor, and gives transparency and good governance to the transfer. So the basic principle is that the plant will be transferred after all higher risks have mitigated. As the plant had, mainly, after undesirable situations there, vandalism, all of you are aware of, a series of events that Aneel itself understands as its exclusive and responsibility on the part of the entrepreneur, and there is a considerable delay of the transmission line will bring power from the plant. And the plant is a very large plant, it is a great work, those who visit it will see that the civil work is immense, one person told me the other day that is larger than the work of Itaipu, from the civil point of view, 50 machines. So we have a very complicated river, a river that has sediment, has trunks, has everything, so we're still, we have to wait a bit to advance the project, get the machines in operation, and then begin to discuss the transfer, within the principle that the greatest risks have been mitigated, which is the basic concept of the business model chosen by GDF SUEZ, for Tractebel Energia.

Antonio Previtali Jr:
We have a second question the same Renan Alberto Ulrich; therefore, made by webcast: do you see long-term risk to the Tractebel business model with the advent of individual power

generation? Per individual per generation energy he refers to, for example, photovoltaic in residences, in homes, in buildings.

Manoel Zaroni Torres – President Director:
I think everyone has to think; everyone who works in this area, every company that has generation activity, cannot not think of the future of distributed generation. We are thinking, we are studying photovoltaics, we are studying solar, and probably we will do something in order to capture this market. This does not have much to do with the business model, because the business model is for everyone, it is to make large investments, to make large blocks of energy. It is a paradigm shift that will not end the other, but you will get a portion of the business, which will be distributed generation with the advent of smart grid, smart meters, and it will exist in the future, and we cannot close our eyes to this, we have to put in the planning of the company and also to develop activities in this area, within the company, or in a subsidiary, or something.

Márcio Prado – Indie Capital:
Good afternoon, Marcio Prado, Indie Capital. I wanted to ask two questions. Actually it would be three, but I think we will discuss the Resolution No. 3 and the new form of PLD at a meeting later on during the day. So, going to questions more linked to the result, just to understand regarding the provisioning policy, which Tractebel accrued effects of Resolution No. 3, if the company had not purchased energy in the short term to zero exposure that it had in short term on the allocation of the first tri, if it would have accrued its exposure by the final PLD, by PLD II - that's the question, is about provisioning. And the second is about Jirau is for Élio. In the presentation he mentioned two PPAs, if he could return to comment on this and also mentioned some of the precedent conditions of the agreement between SUEZ and Mitsui Group, obviously if you may, I think it's an agreement between private parties, but if he could comment a little more about it. That's it. Thank you.

Manoel Zaroni Torres:
Well, provision, only remembering the energy allocation strategy was made in January, there was that really high PLD in January, so it is natural that we stayed a seller in January and stayed neutral or buyer in a some months. CNPE Resolution 03 was edited March 06, to be valid starting in April. So we bought short-term energy to minimize the effect, because, how does CNPE 03 work? We'll talk about it later, but basically had a value of thermal generation with an outflow, thermal generation out of merit, half should be recovered via PLD delta, which would be paid by those who were exposed. And half would be distributed to everyone, proportional to commercialization in the market, all generators and consumers. So we had two installments to pay a service charge for the energy security, which depend only on the thermal generation, they do not dependent on PLD. And the other PLD delta depends on the amount you are exposed, and the PLD delta. What we did was buy short-term energy, since there was a big scare in the market, we actually bought with no spread, no, if we bought with some spread we bought with negative margin, that the person who

has cash flow trouble or is afraid to disturb the settlement seeks to be liquid, tries to hold their own. And we bought, but we did not buy everything. And we also decided to postpone maintenance of Jorge Lacerda until the second semester. So we did all that was possible to mitigate, but still left something. So it was calculated with the PLD delta, because it is the PLD delta that is what gives this exhibition.

Eduardo Sattamini :
Just to complete, and another part that is accrued is part of the division for the rest of the agents. Who is the greater part, the PLD delta is included there, the exhibition that we had when it was exposed, but what is accrued is also responsible for payment by generating agents, and is suspended by injunction. So that makes up the two factors that comprise the provision here.

Élio Wolff:
Regarding the first question about the two PPAs. The first PPA was that which originated in the auction, in 2008. It was planned to start in January, it will be adjusted according to the schedule of the plant, then it starts with the plant now in August, September, and reaches about 1,383 MWm in January 2016 and then it remains flat at 1,383 MWm up the end of the PPA of 30 years. The second PPA that we obtained in August 2011, with the expansion of the plant, when we expanded the plant, which was 3,300 MW and we moved to 3,450 MW - no, actually it was 3,150 MW and we moved to 3,450 MW, and then we get over 209 MWm. This amount sold, flat, starting in March 2014. Starting in March 2014 the second PPA enters. Second was Mitsui, i.e., the precedent conditions by Mitsui, basically what is pending, we have managed to get CADE's approval of the transaction on normal M&A, i.e., subject to CADE, Aneel, BNDES and financing banks, have to give endorsement, and CADE approved on July 1. So we are still subject basically to Aneel, Aneel's approval, and also the approval of BNDES and on-lending banks. This is to occur in the second semester of 2013.

Márcio Prado – Indie Capital:
Just on the value of the transaction, can you comment? Because it came out in the press there a certain value would have been in relation to the carrying value of the project. I do not know if it was officially said by SUEZ, it was only through the press itself?

Élio Wolff:
When we announced the transaction in May, we, I mean, a value transaction was mentioned, but it was based on the equity value of 100%, from R$ 5.7 billion on 12/31/2012. I mean, this was the benchmark of the transaction, which is around the book value.

Antonio Prevital Jr:
We have one more question coming by webcast, it comes from Marcio Brito, Jardim Botânico Investimentos: the resources that would be used to pay claims from dealers ended up being used

to finance the distributors' CVA. As the government has already changed the rules once dividing the ESS with the generators, do you think any more negative surprises may appear to the generators?

Manoel Zaroni Torres:

We have no promise that, from the Ministry, including that they will not change the parameters of CEVAR, within the same year. Because they are also annoyed with the lawsuits, by the generators, by various associations, giving a wear also to the government side, and somehow it makes the investor a little scared with that kind of attitude. The government has a very large risk aversion, it started to generate a lot of thermal in October, it generated more or less flat, created a very large expenditure. Conceptually it is not very good practice to generate much thermal before the summer rains and then you directs, you use diesel oil, heavy oil, throufh the spillway below. When shed in Itaipu and here in the south, everything. But you never know what will happen ahead. So there was not much to do, it had announced tariff reduction, then started to have this big expense, but we think that was enough, with those in September, last year, March 6, changes quite complex, and this creates a regulatory uncertainty, which eventually leads to a certain unrest in the market. We are now with something provisioned, and this affects the balance, or there are people who do not know how to do it. The CCEE is also in a bad position, because it is accounting, it cannot account for the action, then it is not desirable.

We hope that this has been understood, and that we have no more surprises. There is a nice surprise today, for example, I noted a statement by the Director of Aneel, proposing to do hiring by volume, by energy, and not by capacity. And there is certain logic, because when you hire a distributor by capacity, who assumes the risk of variation of PLD, to have more dispatch, less dispatch, is the consumer. Probably this large increase of CELESC, above inflation, is because it must have many contracts by capacity, and it has to pay this high PLD, this high thermal generation. Then, the model always has to improve.

In my personal opinion, a practice that we need to learn, that is valuable, that is of value here in Brazil, is that the model can improve, get worse, change because a model is model. It is a way that you can make adjustments to a process. But not make the decision that reflects back or reflects within the year. It will now be like this, but it will be in effect starting in January 2014 or January 2015. With that people prepare and can mitigate. Doing things because they have retroactive effect or because they break the business logic, is what is awful.

Operator:

This concludes the question and answer session. I would like to pass the floor to Mr. Manoel Zaroni Torres for his final remarks. Please, Mr. Manoel, you may proceed.

Manoel Zaroni Torres – President Director:
Well, I would like to thank everyone who participated and who had interest in the company's results. Thank those who gave us the opportunity to extend a little longer our explanations, the way we see the industry and the company's results, and who asked questions. And I would like to leave a message, that Tractebel Energia has low debt, generates a very high cash flow, distributes bonuses and dividends, it is a very solid, has good governance, has a controller which is the largest energy producer world. And then, we believe in Brazil, and that will always be looking for new investments creatively and responsibly. We will not invest in the sake of investing, we have to invest to create value for shareholders and stakeholders as well. Thank you.

Operator:
Tractebel's conference call is ended. We appreciate your participation, and have a good afternoon.