Local Conference Call

Tractebel Energia

Results for the Second Quarter and for the Year 2014

July 28, 2014

Operator:

Good morning. This is the conference call of Tractebel Energia, which will discuss the results for the second quarter of 2014. All participants are connected only as hearers, and later the session of questions and answers will be opened and the instructions for participation will be given. If you need any help from an operator during the call, please press *0 (star zero). We remind you that this conference is being recorded. This presentation, along with the slides, will be simultaneously broadcast over the Internet through the website www.tractebelenergia.com.br, in the *Investidor* section. On the website, you may obtain a copy of the presentation and the release with the company's results. Before proceeding, I would like to clarify that any statements that may be made during this conference call regarding the prospects of the company's business should be treated as estimates, which depend on the country's economic situation, the performance and regulation of the electricity sector and other variables, and are, therefore, subject to change. Today, we have Mr. Eduardo Sattamini, Finance and Investor Relations Director, and Mr. Antonio Previtalli, Investor Relations Manager of Tractebel Energia, who will be commenting on the performance of Tractebel Energia in the second quarter of 2014. We also have Anamélia Medeiros, Market Relations Manager of GDF Suez Energy Latin America, who will be making an update on the implantation of the Jirau Hydropower Plant. Soon after, they will be answering any questions that might be asked. I now give the floor to Mr. Eduardo Sattamini. Please, you may proceed.

Eduardo Sattamini –Finance and Investor Relations Director:

Good morning, everyone. Good morning to all attendants here to those participating via the web or through the call, via telephone. I will begin the presentation on page 4. I appreciate if the presentation can also be displayed in the auditorium. I believe that the first thing to be pointed out regarding the results of the second quarter of 2014 – which is nothing new for everyone – is that the country is undergoing a rather atypical hydrological period, so to speak. We had a very bad hydrological cycle – possibly one of the two or three worst in the historical series, in the first half, with very low flow rates. January and February had 38% in MLT values, that is, very, very low. This characterized the company's result. To give you an idea, we had a GSF of 5%, that is, 0.95, thus affecting 5% of the hydropower generation capacity in Brazil. Our park has 2,865 average MW in commercial capacity. This accounts for 140-150 average MW. In 180 days, 24 hours a day, considering the average price of R$ 680.00 per MW/hour, we

have reached about R$ 420 million of impact, or concealment of revenue, depending on the position. In our case, cost is greatly affected, as we had a strategy of shorter allocation in the first half of the year, followed by longer allocation in the second half. This should characterize the company's results in the second quarter, mainly because short positions were characterized very strongly between April and May. For this reason, the results presented are atypical. It is the first time that I present such low results here, given that I have been in the company since 2010, or more precisely, late 2009.

Let us proceed to the review of the figures on page 4. Net sales revenue rose by 7.2%, mainly due to the increase in the average price. The sales amount also had a small participation. We had 35 average MW from purchases for resale and from the Trairi project, which commenced full operation this quarter. On the other hand, we had a reduction in income in the short-term market at R$ 42 million. That is because revenues are very low in a short position, and when the revenues are presented, they are net for that month. It is possible that a company of the group has had receivables in CCEE, which should count as income. However, in general, we adopted a short-term strategy in the second quarter.

We had an EBITDA of R$ 301 million. It showed a reduction compared to the same quarter last year, which was R$ 418 million, thus very close to the figure mentioned before, although that figure is biannual. This is mainly due to the cost that we had to meet our needs through the short-term purchase with high prices. It should be remembered that, from late February to late May, we had ceiling prices, with very few exceptions or small reductions in the range of R$ 800.00 per MW/hour.

The Margin obviously dropped, and Net Income followed it. We will discuss this later, but there is also a component of reversal of expenses. It includes the purchase of energy and rates of the transmission system affecting EBITDA, on the one hand, and financial costs related to the prescription of obligations regarding an old agreement that we had registered, on the other hand. After five years without any charges, the Civil Code allows the reversal of these values, as the collection is no longer due - it prescribes. We will talk about that later, and also the Net Income had the participation of these components.

We also had the reversal of the CNPE 03 this quarter. We were the only company that still maintained provisions regarding the CNPE 03. We concluded that recent events that occurred in early April gave us the certainty that we could follow other companies market and reverse these expenses. This was done this quarter.

We had an increase in energy sales and, as we had said, we had an increase in the energy purchased for resale in Trairi, which contributed to this. The average sales price increased according to inflation – a little over 7% – and had a higher production due to the best influx in southern plants, as well as the high thermal power dispatch.

Page 5 presents other highlights for the quarter. The Board of Directors approved, at the meeting held 7/25, payment of 100% of the Adjusted Net Income. It comprises the net income that is currently calculated with the additional depreciation due to the valuation at fair value of the company's assets, upon adoption of IFRS. Net income is adjusted in such a manner that is not detrimental to the flow of capital and the flow of dividends to our shareholders. Also, in June, we signed an agreement with Alstom for the supply of 36 ECO122 wind turbines, with 2.7 MW each, for the Santa Mônica Complex. The Santa Mônica Complex is adjacent to the Trairi Complex and comprises four plants. We will talk about them later.

On April 30, the Brazilian Electricity Regulatory Agency carried out the A-0 Auction, for the trading of 2,046 average MW, which Tractebel contributed with 150 average MW sold at a price of R$ 270.69 MW/hour. As you all know, we did not have that energy for the sale. We creatively pursued a partnership with an agent that could provide the energy during the period. We were thus able to establish a win-win situation and managed to sign an agreement with a good value and a good term.

On page 6, we talk about the control spider. As everyone knows, Tractebel is a subsidiary of GDF Suez, the world's leading power utility. We had no changes in this spider. There was no merger, acquisition, or establishment of a new company. Perhaps the only element of the past quarter is the fact that we became part of IBOVESPA in January this year.

Page 7 addresses our balanced portfolio and assets with their strategic location. Here, we have 16% of thermal power plants in our portfolio. Earlier, those who were in the audience could watch the video on the company's thermal power plants, in which the value of 14% was mentioned. This is because we operate with more than our capacity, and the capacity includes third parties. Thus, if there were any questions regarding the values of 16% and 14%, that is the reason. We have a portfolio primarily composed of hydropower plants, and thermal power has some participation. This thermal power participation, as we said, tends to mitigate the hydrological risk. Obviously, it has its limitations. If the hydrological risk is too great, it cannot cover it. But there is perhaps a complementarity that is favorable to the company. We have 5% complementary energy – non-conventional renewable energy – comprising biomass, small hydropower plants, and wind. We have grown a lot in the segment of wind, especially in the free market, and you will see that during our presentation.

As you know, the company's growth comes with financial discipline. When growth opportunities arise, they should be allied with future increase in the company's profitability. In a few moments we had it; in others we did not. Whenever it does not exist, we seek a market niche, as was the case with the recent developments in wind energy. We also stayed out of a few auctions, in which competitiveness was higher and we did not find any attractiveness to justify our participation.

Slide 8 shows that the company is a market leader in the private sector market. It remains, by far, largest company. We have the prospect of acquiring Jirau, from the parent company. We will be talking about that throughout the presentation. This leadership is important in our dialogue with the government and our view as an opinion leader, and we intend to keep it. Obviously, as I said, it depends on the attractiveness of the market.

Slide 9 shows that there has been no major change on our strategy. We continue to seek a balanced portfolio between free clients and the regulated market. In the regulated market, we seek with the new plants, with which we pursue long-term agreements to support and provide more security for an investment. In the free market, we generally focus on the so-called existing energy. We attempt to add value, avoiding selling this energy in A-1 Auction. There is very little time for the initial delivery of this energy, and this uncertainty regarding the company's cash flow would not be advantageous. Therefore, we seek to add value to the company's portfolio through the advance sale on the free market.

Slide 10 addresses the free market and the importance of creating value in the so-called existing plants. Our search for a stable sale with diversified risk, in which we have a fairly strict credit policy, adapts to the market momentum and to new guarantee instruments, and we have had a very good performance, very interesting, managing to maintain a level of zero defaults. We have also sought to diversify our industries, but at times like now, we have a large share of the cement industry. However, this participation is evaluated in the sense that the quality of our portfolio – that is, our clients – is very good. Many clients qualify as triple A, and we have never faced any problem regarding late payment from them. We can thus feel comfortable even with a concentration of 15% of free clients in our portfolio, thanks to the quality of this portfolio. There is no rigid rule for its analysis; the rule is flexible depending on the situation we are experiencing, as well as the quality of our clients.

Page 12 addresses the supply and demand profile. As you noticed, energy consumption and economic growth have been decoupled, mainly due to the fact that distribution of income has increased per capita energy demand. We have witnessed an

increasing need for thermoelectricity to fulfill the obligation of covering or meeting the energy demand that we have seen. As we have observed, this has contributed to the recent fear in the market concerning the higher participation of thermal power, which is natural, as hydrothermal systems are much safer than purely aqueous systems. This has led to growing long-term market prices. We have experienced not only the short-term effect with the hydrological situation, but when looking at the long term, there is a perception in the market that prices tend to rise due to a need for sources other than hydropower, which is usually cheaper than others. As regards the balance of the market, that is, the difference between supply and demand, the only thing we can comment on is that there is little additional and structural supply, for the coming years. That is to say, any variation in hydrology may turn this supply into a deficit quickly. On the other hand, if we have a very favorable hydrology, it may increase the surplus. That is the characteristic of our system, which should have more price volatility in the future, as well as a pressure trend for higher prices. That is our vision.

On slide 14, we can see the company's commercial position. We still have a portfolio with well-established agreements for the next 2 or 3 years. The third year, 2017, should begin to have a little more energy available. We are capturing and increasing our sales while looking for a moment of demand for longer terms agreements. Those who made the accounts will notice a large variation in the portfolio. That is, we sold enough energy in the last quarter for years 2017, 2018 and 2019. This is the result of the buying pressure due to the prospect of increased market price. On the right side of the chart, on page 14, we can see that we sell energy gradually, as we always mention. We sell energy when windows of opportunity appear, thus intensifying our commercial activity. Sureck is here with us. He has done quite a lot of effort to meet the needs of clients who are demanding large quantities and accepting much more comfortable level of prices for us, thereby generating predictability and better cash flow expectations for the company in coming years.

Slide 15 shows our energy balance, with the position of the agreements. This is used by analysts to build a model. Something interesting in this quarter related to the last one is some increase in purchases of electricity for resale. We are attempting not to reduce our portfolio the next two or three years, with the aim of keeping a reserve. With that in mind, we have been conducting trading operations for the next years. We sell everything that we buy to build a product, so we buy two years and sell three, thus building a five, six years product that can serve our clients. The aim is to avoid reducing our portfolio and to avoid getting caught in a situation with excess sale, as has been the case recently, in which we had to go to the market and replenish the energy. With a bad hydrology, we end up having to buy at high prices. Another thing that we can notice in the energy balance is the entry of the agreement we talked about before,

regarding the regulated market, in which we sold 150 MW for 2015. Because the delivery was to begin on May, we have 101 average MW for the year 2014.

As regards expansion, the first expansion project is Jirau. Anamélia is here with us to share the perspective of the parent company, GDF Suez, about how the project is being developed. After that, we will go back in the internal expansion projects of Tractebel. I would like to give the floor to Anamélia.

Anamélia Medeiros – Market Relations Manager of GDF Suez Energy Latin America:
Thank you, Mr. Sattamini. First, good morning everyone. This is my first opportunity to be here with you live. I have received a few questions during the conference call, and we have also done these periodic updates. Slide 17 shows the basic data of the project that most of you already know. It is a project of 3,750 MW of installed capacity. Today, with a share of 40% of GDF Suez, there are 50 bulb units with 75 MW each, 2,185 average MW in assured energy. Regarding the commercial part of the plant, we currently know that 73% of the assured energy is hired through a long-term PPA, with a term of 30 years, and the energy balance available contracted with shareholders prior to the entry of Mitsui. So GDF Suez has 60% of this energyto, while Chesf and Eletrosul have 20% each.

Financing conditions have not changed. We have a total of R$ 9.5 billion, which were traded in two different fronts: the first totaled R$ 7.2 billion and the second totaled R$ 2.3 billion, with the aim of finance the expansion of the plant. Financing conditions also remain. A unique feature established since the latest release was the extension of the grace period, very much in line with our discussions regarding the exclusion of responsibility and the entry of the machines. You know that 100% of the debt is financed by BNDES, of which 50% is financed by the bank union. What is new there? Since the last results release, we have implemented 3 additional units, so today we have 750 MW installed, in commercial operation, in full operation.

Slide 18 shows two other units undergoing testing. Regarding Jirau, it is interesting to note that the units have operated quite successfully. They have been tested at full capacity, with performance above the technical requirements of the auction notice, since the beginning of the operation. This is a fact of utmost importance for us, which shows the quality of managing the implementation of Chinese and Brazilian turbines, as well as our success during the commissioning and startup phase. Thus, a total of 93.3% of the overall physical progress of the work has been completed, with more than 95% on civil works. In addition, we have recently intensified work in night shifts in order to compensate for some delays and streamline the commissioning and assembly of units.

As mentioned in the media in recent months, the Madeira River reached in March the highest historical flow since the inception of the measurements, and it still remains above the average level. As Jirau is incorporated into the portfolio of Tractebel, we can notice a very interesting complementarity, as there are quite different flows in the north compared to the rest of the country. The flow rate is already decreasing but remains under control. We had to make some adjustments during the flood period. There was no material damage to the plant, but we had to make some adjustments, such as raising the level of cofferdams – things that were also raised by the president of the consortium – to avoid other possible problems during construction. Regarding the options for value creation, we have additional assured energy, which is still an arguable point. Another issue that has recently been included in the agenda of ANEEL is the review of the calculation of hydraulic losses.

We are adopting a new methodology and, with the approval of ANEEL, it was welcomed by the Council. Following approval, we should have an additional gain of approximately 20 average MW in the plant. Other compensation to be discussed in the future was also proposed by ANEEL, such as the optimization of the operation guide curve of the plant. This can result in a very large increase in the amount of assured energy, plus the additional long-term tax incentives predict for the region.

On the right side of slide 18, we can see a photo that shows an overview of the project. We can see the progress of the powerhouse on the right bank, while the powerhouse on the left bank is now almost complete. In the photo below, you can see the powerhouse of the left bank, with the inner view 100% assembled. So we are at the stage of commissioning these units. Jirau is such a big plant that we consider it two, because we have a left bank and a right bank, which currently have parallel assembly timelines. This has accelerated the installation and we expect to close the year with about 20 units.

Slide 19 provides a photo update. Unfortunately, as the civil works advance, it becomes more difficult to see what has actually been done. But to give you an idea, the first quadrant shows the view from downstream for April 2014 and June 2014. The first thing you can see is the reduction of the water level, because in April occurred the historical flooding of the Madeira River. You can see that there is a very large gap in the level of water with the cofferdams. The second photo is not exactly on the same angle, but you can already see the reduction of that level and further advancement in the construction of the powerhouse. The left bank powerhouse, which is more advanced, appears less, but the change in the water level between April and June is readily apparent.

So that is the update I have to show. I am available in the session of questions, if you have any. I now give the floor back to director Sattamini.

Eduardo Sattamini – Director of Finance and Investor Relations:
Thank you, Anamélia. I would like to proceed to page 20, where we can speak of the thermal power project under construction – UTE Ferrari – that we acquired earlier this year. We began to increase its capacity, so that the project will increase from 65.5 MW to 80.5 MW of installed capacity, going from 23.2 average MW to 35.6 average MW. This will require investments of R$ 85 million. We are already having talks with BNDES for the financing to cover this expenditure. We do not know exactly the conditions, but we expect to have approximately an 80% share – between 70% and 80% - from BNDES for the funding of this expansion.

On page 21, we will talk about the Santa Mônica wind project. We have also begun the construction with the contracting of the 36 Alstom wind turbines. This project has four parks, totaling 97 MW installed, 47.3 average MW, which are located near the Trairi parks. As you can see in the photo, the Trairi parks are in red, representing four plants totaling 115 MW installed. These new projects are in yellow, orange, blue and purple, each one with their capacity, using the same type of turbine, with 2.7 MW each. The investment is approximately R$ 460 million in total. Part of this investment is the CPC agreement with Alstom, and another part comprises other investments required to implement the project. We have consulted BNDES to request financial support.

On page 22, we will talk a little about our Photovoltaic Solar Power Plant, which has been here for a few quarters. Not going into much detail, this is an investment in a power plant of 3 MW/peak located in the region near the Jorge Lacerda, with 7 or 8 assessment modules of different photovoltaic technologies. Both the plant and the modules of the project were funded by the R&D Program,Our obligation to comply with the percentage of our revenues in research and development investment , as approved by ANEEL. Our Cidade Azul plant is already undergoing tests. Commercial operation has not yet been declared, but it is working on testing conditions.

We will now proceed from the strategy and operational update to the financial performance.

Let us proceed to page 24. We have discussed if we should maintain a solid financial performance despite the poor quarter. I would say yes, as the company has resilience, and, despite having a bad quarter, we believe our strategic allocation of the energy volume should allow a fairly good recovery in the second half of the year. I believe that the term “solid financial performance” consists of its ability to comply with its commitments and generate cash and this the Company remains even in an adverse

situation. We are in a bad hydrology phase, which should affect the results. However, it should have a satisfactory result at the end of the year. That is our expectation.

Slide 25 shows the evolution of net revenue. We have commented on the components that increased revenue, with the average price rising by 7%, sales volume reaching R$ 36 million in contribution, and the reduction of short-term revenue. This has led to a growth of 7.2% in revenue.

In the detailed EBITDA, on page 26, we see a reduction from R$ 720 million to R$ 301 million, in the quarter-to-quarter comparison. Basically, we had the positive contribution of the operations, the reversal of the CNPE 03, and in a folded effect. We recorded a R$ 42 million provision in 2013 and a R$ 55 million reversal in 2014, resulting in a sum. Why are we carrying out a reversal greater than R$ 42 million? That is because we made the former in the second quarter of 2013. We had made only R$ 42 million and, after that, we had July and August, in which the temporary pricing methodology – with the PLD and the PLD1 – remained. So, the new methodology applied as from July, thus ending this potential recovery of the CNPE 03. We also made a few provisions in July and August, which were now reversed. The R$ 42 million of the provision in 2013 as well as the R$ 55 million reversal in 2014, totaled R$ 97 million in the quarter-to-quarter comparison. The R$ 54 million reversal of prescribed liabilities comprised an agreement with an old energy supplier, which ended up not having the energy to deliver. The amount also included a transmission feed in a big agreement. We are facing a major contest in court, but the values corresponding to the period during which we continued to receive and record invoices until identify the obligation was no longer applicable. We kept the supplier after it stopped invoicing us, as we did not know how the matter was going to be treated. Since this value was never charged for the accounting period, and no court case was recorded with that supplier, the understanding is that there is a limitation. We took great care in looking at all the proceedings that we had. It took a long time for the attorneys to give us certainty. Thus, there was no subsequent recovery and we could perform the prescription in accordance with Article 206 of the Civil Code.

With regard to fuel, we had an increase due to William Arjona, which also contributed to a reduction in EBITDA, with R$ 44 million. As regards energy purchased for resale, we had a large volume purchased in 2013, aiming to restore the portfolio, as we could have a bad hydrological situation in 2014, purchased at a very reasonable price in the year 2013. This was still not enough to cover the position of first half. The amount of R$ 547 million corresponds to the short-term operation in the EECC. In the release, the R$ 97 million of the CNPE correspond to the short-term operation, whose value is declining. The release also shows R$ 450 million compared quarter-to-quarter, which corresponds to R$ 547 less the R$ 97 million of the CNPE 03.

Slide 27 shows the net profit. We have the same components, with a few changes. With regard to the prescribed liabilities, we had R$ 54 million in EBITDA and R$ 77 million in net income, because, in addition to expenses and energy and transmission invoices, we also had to perform the restatement of the obligation for a while. This amendment was also reversed, with a reversal partially impacting EBITDA and another part impacting the financial result.

The CNPE 03 here, net of tax. Operations, fuel and energy purchased for resale and short-term operations within normal conditions deducted from Income Tax. So, we had a net profit of R$ 74 million in the second quarter of 2014.

The company's gross indebtedness for the quarter exceeded from R$ 3,588 million to R$ 3,357 million, as shown in 28. Our total debt indicator has worsened in the last 12 months of the EBITDA, particularly because the indicator compares this quarter withthe same quarter last year, which had been much better. Levels should go back to normal toward the end of the year and we believe that we should return to be very close to the 1.1x or 1.2x mark.

Net debt increased a little, as we see on slide 29, from R$ 2,455 million at the end of last quarter to R$ 2,539 million at the end of the second quarter. There are several components that contributed to this increase in the net debt.

Page 30 shows the net debt profile, in terms of temporal distribution and cost. We have paid our debts and made a few renewals. In 2014, we paid off a 4131 operation contracted with the Bank of America, at 98% of the CDI, which we rolled over for a period of two years, totaling 90 million dollars. It was the last tranche, there will be 3 tranches of $ 90 million. We have in 2015 an operation made with HSBC in the same modality. Lately, in the debt market, we have sought to conduct operations in the 4131 modality, as it has presented rollover costs below the CDI, below our cost of opportunity for the fund, allowing us to control our liquidity floor, which is necessary for the management of the company. Thus, we have two 4131 operations, contracted with HSBC in 2015 and 2016. As from 2017, we should have an average payment for funding by the BNDES in our portfolio, in the amount of approximately R$ 220 million, which also encompasses 2014, 2015, and 2016. I also have a component of these years of indebtedness with BNDES in that amount, and the indebtedness composition in the right bottom corner of the page shows that the TJLP represents 75% of the debt indices. We still have a small share of the IPCA, which suffered a major drop since the previous quarter, which included the last payment of the debenture for the second issue. We also have the operation of the NIB – the Nordic Investment Bank – which we contracted early last year. It has been swapped for IPCA, an operation with a very

interesting cost. It comprised the IPCA plus 3.8%, if I am not mistaken. You can confirm this value in our quarterly newsletter.

Page 31 addresses investments. The year 2014 features major investment in maintenance. The Passo Fundo and Salto Santiago Plants are undergoing large-scale maintenance in their generation units, with generator replacements and robust investment. 2014 also includes Ferrari and Santa Mônica. It is important to note is that we still keep R$ 650 million of own resources, although much of these resources will come from BNDES. We hope that BNDES will hold a board meeting tomorrow. We have approved the conditions for the funding of R$ 318 million for these upgrades. It will thus include parts of Salto Santiago and Passo Fundo, as well as Jorge Lacerda A, which will be received investments for the electrostatic precipitator, to increase the possibility transferring the capacity of their machines, as well as embedded social investment, which the company normally does. However, BNDES is asking us to do it with specific funds from the bank.

For 2015, investment remains in operation and maintenance, Santa Mônica and Ferrari. As I always remind you, there is an amount that we retained in 2010, relating to the results of R$ 511 million for the acquisition of Jirau. The earliest deadline for the payment of Jirau may be 2015 or 2016, which will depend on the process and the parent company's willingness to bring this project to the agenda in the Related Parties Committee.

In 2016, we continue with the operation and maintenance project. We then have increased expenditure on the Santa Mônica project for the implementation of the last machines of the project.

Page 32 shows the dividend policy, which is no news for you. Just keep in mind that the statutory minimum is 30% of the net income, but we have a commitment to the market of a payout of at least 55%, as the company's liquidity permits it. In addition, we have a policy of not retaining cash. When we do not have substantial investments to be made, we can distribute 100% of the Adjusted Net Income, and that is what we are doing once again this semester. That was our presentation. I think we can now proceed to the questions and answers session.

DE-RECORDING

tractebel audio in Eng - July 28, 2014

Starting at 44:48:

Carolina Carneiro – Banco Santander:
Good morning, everyone, Carolina Carneiro, from Santander. I have two questions. The first one is that I'd like you to provide updated information about the SF scenario and deadline this year, for the second half of the year, your expectation about the level of the reservoir. And the second question, I'd like you to talk about these bilateral sales in detail, that's really an amount that seems to be relevant, if you can provide more details about what is the average deadline for these contracts, and the level of price that you said it was satisfactory, or what level of price we are considering here.

Eduardo Sattamini – Finance Director and Director of Investor Relations:
The first part of the question, we can talk a little about that, but you know, we know that everything we say will be wrong, because, weather, hydrology, the possibility to make mistakes is very high. We are not working with a very different scenario, maybe a little more pessimistic than the official scenario, the scenario of ONS. For our surprise, the ONS has been very proactive in terms of providing information to the market, but there we have a little more pessimistic view. Regarding the bilateral sales, our standard is to enter into contracts, seek contracts of five or six years, in some situations a little more, a little less. But the usual period of our contracts is five or six years. And regarding price, we've had some surprises. As I said before, we have no energy available for sale in 2015, 2016, because we have reached our reserve limit. What we have done lately is trading. Then, when someone asks me for 2015, 2016, I say: "Look, ok, I'll to the market, I'll seek, I'll serve you, to sell energy for 2017, 2018 and 2019 to you". Then, it only makes sense if I sell energy for 2017, 2018 and 2019, I won't sell exclusively for 2015, 2016. Unless the client wants to pay a margin, a very high trading, that compensates a risk of credit for him, because our credit is very good, we will end up payment who supplies to us. But eventually, we are taking a risk of credit for that client. Then, in terms of price for 2017, 2018 and 2019, what we have seen is a systematic increase. That is, every 15 days, 20 days, I want to talk to the trading people, the prices are a little higher. Then the long-term price I can indicate to you may already be not updated. Then, we have noticed long-term prices of 140, 145, and increasing. Maybe this week, when we start to make proposals, and... because, actually, what is the market price? We lose some and win some, because, if we are winning all the time, that's because our price is very low, we have to increase it. And that goes we every week, several proposals we have made. Then, I don't know if I have answered you, but the long-term prices are at this level, around R$ 150 MW/hour.

Operator:
We will start a question and answer session. To make a question, please press asterisk 1. To remove your question from the list, press asterisk 2.

Vinícius Canheu - Credit Suisse:
Sattamini, here, Vinícius Canheu, Credit Suisse. Considering your energy balance, we see that next year, there are 72 average MW surplus, which is lower that what was made in GSF in the first half of the year, that you indicate for the second half too. Let me understand it, the company's view today is that next year, in terms of short-term market, it may not be as bad as this year, or from now until the end of the year, start of next year, there is a surplus to try to increase this short-term energy, as you did last year with purchasing?

Eduardo Sattamini – Finance Director and Director of Investor Relations:
If you consider this number, it has been low for some quarters. Then... what happened, let's remember. In 2010, 2011, we had a relatively balanced market, with expectation of an input of a large amount of energy starting in 2013/2014. And then, our idea was to increase our sales rhythm for our portfolio at that moment. And that's what we did. And, in a certain moment, we couldn't recover anymore, but last year, we were able to buy something for 2014, something for 2015, but we couldn't recover comfortable levels. If we could, we would have today a greater reserve for 2015. But today, it's impossible to buy energy for 2015 for a reasonable price. That's why we are saying: for 2015, I won't buy energy, for, I don't know, 350, then, we think this reserve is not satisfactory, but I guess I don't want to bring a greater loss.

Marcos Severini – JPMorgan:
Hi Sattamini, I'm Marcos Severini, from JPMorgan, how are you? Two questions. One is related to William Arjona. We know that you have an injunction that forces Petrobrás to keep supplying natural gas to you, this is a plant whose contract has terminated. My question is: what can we expect for 2015 regarding this contract? I mean, are you negotiating with Petrobrás, is there a chance for this gas supply contract to keep valid for next year, or not? The second question is for Anamélia, regarding Tapajós. Today, you are still developing Jirau project, but the government will probably place Tapajós in auction this year. My question is: is this type of asset attractive, are you interested in it? Today, the main focus would be to end Jirau, deliver, sell to Tractebel, or you are looking and Tapajós is a growth opportunity. And the last question also for Anamélia is regarding the CAPEX of Jirau, do you have it updated so that you could tell us? Thank you.

Eduardo Sattamini – Finance Director and Director of Investor Relations:
Let me take the easy part, which is Arjona. Regarding Arjona, our contract will end at the end of this year, I don't the month exactly, and we understand this is a proper moment to have this contract and negotiation of another condition, as the pressure will remain for thermoelectric power demand. Then, we think the authorities will want

to renew this contract. Then, we don't have it, but we believe that we will have it. Then, it's still not sure for us. Then, it's like this year, that we guaranteed full supply.

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

Regarding the question about Tapajós, we from GDF Suez are still analyzing the project, of the several sources, including hydroelectric power. Of course, Jirau has to be concluded, we will still start this Tractebel transfer process, but at first, considering the portfolio of GDF Suez, the alternatives of growth and expansion, we are not discarding any source. Tapajós has been studied by the group, and we still haven't decided whether to participate or not, but we are studying the project. Regarding the CAPEX, as I said in the presentation, today, the focus is on project commissioning and operation. Then, we intend to install 20 to 24 units by the end of the year, then the incoming cash will be used to pay the rest of the investment. And, due to some discussions we have today about the new context of the project, the new situation of the project, and discussions in the area of insurance, we've decided not to make official (incomprehensible) CAPEX now. Then, we will keep doing regular updates, but today we've decided not to do that.

Isabel Guerra – Grupo Santander Asset:

Isabel Guerra, from Grupo Santander Asset. My question is a little related to the difference of subsystem prices. In the second quarter, there was a moment when it was more relevant and then it normalized. What do you foresee for the third quarter, as you will have an important event of El Nino, can we resume this situation? I know you don't have much allocation, but would you have any concentration in the period in relation to the other, of more energy ungue?

Eduardo Sattamini – Finance Director and Director of Investor Relations:

Let's start from the end. As you said, we don't talk much about allocation, we are speaking too much when we say we are more focused on the second half, we were talking about that since the end of the first quarter, for you to have an idea of how our numbers will behave along the year, due to very high PLDs (liquidation value) this year, this roller coaster is more accentuated. Then, I'd ask not to talk about allocation in the second half. And your first question was about the price difference. The south submarket, its storage capacity is very small, then, any strong rainfall that happens, it comes, it falls and it goes away, and it gets back to normal in a short time. In case of an irregularity, it's going to be for a short time. Then, that's our view. And that's what happened, in one week it increased, then it decreased the next, and then high again, because of another cold front, and then it decreased again, and then it got back to normal. What we have, I guess, is around 19 average MW of capacity of south reservoirs, a local demand of 10,000, an exchange capacity, and then, a variation of, I

don't know, 5 to 6,000 average MW. Then, it shows that, anything that happens in the south, it happens with very quick events. El Nino, we don't know how it will come, if it will affect the south, or the south and the southeast. Then, it's very hard, as I said, weather forecast is a very complex thing to do, of even worse affluence, because El Nino, it may come, but the rain may not occur where it generates affluence, it may happen in the sea or outside the basins. For years we had much rain in the south, but in Itajaí River. It doesn't help, there is no hydroelectric power plant at Itajaí River, then, there is no contribution to the system. Then, it's very hard for us to talk about it. We think that, if that happens, it's going to be for a short time. Who knows about this possibility, even for a short time, the government has kept a very high output from the south to reduce the reservoir level and produce a waiting volume, for safety reasons, because, if you have a very high amount of rainfall, you may place some communities at risk, you may have to open a reverser without having it, generating insecurity to downstream cities, then, there is this concern too.

Miguel Rodrigues – Morgan Stanley:
My question here, Miguel Rodriguez, from Morgan Stanley. Sattamini, again talking about the question of long-term price, I'd like to have an idea of the price you indicated of R$ 140, 150. Is this price affected by the highest level of 2015, 2016, on average, when you enter into a longer contract, 2014, 2015, 2016, or is it really a pure long-term price for 2017 and ahead? If it is the latter, could you explain if liquidity you have for this period is representative, that is, can we have this price as a long-term reference, and do you believe this level is sustainable, above R$ 140 KW/hour.

Eduardo Sattamini – Finance Director and Director of Investor Relations:
Let's talk about liquidity, then we come back. What we sold for 2019, was it, Previtalli? Was it 458 average MW? No, there's something here. Bilateral sales, here it is. Bilateral sales, 309 average MW for 2019; 253 for 2018; 122 for 2017. You feel there is market, that is, the market sets the price at these price levels, and it is buying, making business. 150 adds here for both, right? We have 150 from A-0, then you have to remove a little more. But anyway they are significant amounts. Significant sales amounts for the free market in the quarter, we mean here, in three month, selling 150, more than 150 average MW in five years. Then, it shows a reasonable level of demand, liquidity. Market perception for a higher price level, which is a level we are practicing. If this price is a price that justifies in the long term, if it is eventually a result of a short-term uncertainty, we don't know that. We know there is a psychological element, that makes the consumer concern in the long term, when especially the consumer sees that in the short term the price is very high. But when you consider a recent past, for instance, in 2007, 2008, 2009, these prices of R$ 150, if you take the price from this period and bring it here, these prices of R$ 150 are more than reasonable. We had prices of R$ 140 in 2008, then you get the 6-year inflation, you would have a price of

almost R$ 200, R$ 190. And the dollar rate was in those days, 1.5, 1.6. Then, in my perception, prices are returning to reasonable levels. After a period of high pressure for very cheap expansion, which in my opinion they were unfeasible prices in the long term, and very abundant hydrology in 2011, which also created a view of very low short-term prices, that affected long-term contracting. I guess these prices are sustainable prices. That's my opinion.

Antônio Previtalli Junior – Manager of Investor Relations:
We've received one question via webcast, it came from a foreign investor, then it is in English. That's Carlos Remeika, from Covalis Capital. In fact, a part of these questions, some of these questions have already been answered, his question is, in my translation: how much of the total commercial capacity for 2014 did Tractebel allocate in the first half? Sattamini has already answered that this is sensitive information, in the strategic perspective of the company, then, let' say, we will provide a more general view, without many details. And the second question is also related to the risk of submarket price difference: how much risk of displacement do you still see until the end of the year? As Sattamini answered, if this risk is materialized, that is, if there is actually a price difference, it may be for a short time. And he wants to know if we can correct that.

Eduardo Sattamini – Finance Director and Director of Investor Relations:
The submarket hedge is difficult, there is no market hedge in Brazil for this type of risk. The only option is to sell more in the market where you have energy availability, but it's limited. Previtalli may give more details about it.

Antônio Previtalli Junior - Manager of Investor Relations:
If I can complement, an alternative would be having a trigger in the contract, foreseeing that, from a certain price difference, the buyer would assume it, but you obviously lose competitiveness in a situation like that, right?

Eduardo Sattamini – Finance Director and Director of Investor Relations:
Yes, what we see, we've already tried and we could not get it, so we have to live with that. The only thing you have to remember is that an extreme hydrological situation like that rarely happens. Look, we have analyzed the history, this is a very small percentage. And it brings a small risk to the company, maybe yes, but it's a risk totally within an acceptable long term.

Operator:
This is the end of the question and answer session. Now, the final considerations with Mr. Eduardo Sattamini. Please, Mr. Sattamini, you may proceed.

Eduardo Sattamini – Finance Director and Director of Investor Relations:

Well, I'd like to thank you once again for your interest, we have here a crowded room today, I don't know how many we have through the audio and video system, but I'd like to thank you for your participation. It's very important that you keep your interest in the company, that you ask, and understand our business, which is not easy to understand. The Brazilian electriity market, the Brazilian market of hydrothermal power generation is very complex, with several details, and your interest is very important to make us feel comfortable that the understanding about the market is correct. Thank you for your presence and I hope to see you next quarter.