Local Conference Call

Tractebel Energia

Results for the Second Quarter 2015

July 27, 2015

Operator:

*Good morning. This is the conference call of Tractebel Energia in which we shall be discussing the Company's second quarter 2015 results. All participants are connected in a listen-only mode. Later we will open up the call for the Q & A session when instructions for participating will be given. Should you need the help of an operator during the conference call, just touch *0 (asterisk zero). We would like to remind you that this conference call is being recorded. The presentation with the respective slides will be transmitted simultaneously on the internet through the www.tractebelenergia.com.br website in the investor section. By accessing this section, you can also obtain a copy of the presentation and the release of the company's results. Before proceeding, we would like to clarify that any forward-looking statements that may be made during this conference call with respect to the business outlook for the company should be treated as forecasts, independently of the economic scenario for the country, performance and electric sector regulations as well as other variations, and are therefore subject to change.*

With us today are Eduardo Sattamini, Chief Financial and Investor Relations Officer of Tractebel Energia, Antônio Previtali, Investor Relations Manager, who will comment on Tractebel Energia's performance in the second quarter 2015 and Anamélia Medeiros, Manager for Market Relations of Engie Energy Latin America, who will present an update on the work at Jirau HPP. Immediately afterwards they will take any questions that you may have. I would now like to turn the call over to Eduardo Sattamini. Mr. Sattamini, please go ahead.

Eduardo Sattamini – Chief Financial and Investor Relations Officer:

Good morning to all. Once more, it is a pleasure to be here with you to talk about Tractebel Energia's results for the second quarter 2015. Let's begin with slide 4 of the presentation where we highlight the principal elements of the results for the second quarter. Net revenue from sales posted an increase of R$ 180 million compared with the same quarter in 2014, principally due to the increase in average price – the effect of the readjustment for inflation on our contracts and a slight improvement in conditions in the short term market. The Company saw a decrease in volume, principally a function of the amount of energy purchased for resale. Results from operations produced a substantial increase of nearly R$ 300 million. We reported an increase of approximately R$ 285 million in EBITDA, R$ 180 million of this due to the increase in revenue and R$ 105 million, to the reduction of expenses, the components

of which we shall mention later. The second quarter margin for 2014 of 22% increased in the second quarter 2015 to 37.99%. We reported an increase in net income of about R$ 136 million, principally impacted by the improved results, albeit offset to a degree by the increase in financial expenses. The financial expenses were largely driven by the impact on the balance sheet of the adjustment for monetary restatement for concession fees payable. Energy production was down on the same quarter in 2014 due to hydrological conditions. Our hydro generation was 22% less although partially compensated by a 12% increase from other sources, thermoelectric and renewables. Net average prices already mentioned saw a substantial increase of 14.8%. There is a component here involving the increase in commercialization activities and operations earmarked to the Price for Settlement of Differences -PLD, which resulted an abnormal rise in average contracted prices in 2015 above inflation.

Let's move on to slide 5, where we will talk about the highlights for the quarter. GDF Suez adopted a new corporate brand name, Engie, the new name for GDF Suez, a response to the energy transition, which is accelerating, and transformation in the energy sector worldwide. Engie is also to undergo a restructuring, a reorganization as from January next year with Brazil becoming a region in its own right as a separate business unit in Latin America. We also received authorization for the commercial startup of the number 5 turbogenerator at the Ferrari TPP, increasing the company's installed capacity by 15 MW. We also became a component of the Euronext-Vigeo EM 70 stock index composed of companies with the highest levels of corporate responsibility in developing countries. And IBAMA issued an installation license for Pampa Sul TPP on June 19, 2015.

Slide 6 continues with the highlights but subsequent to the end of the quarter. The first is that the company has mandated an advisor to coordinate an eventual sale of the wind farms of Beberibe and Pedra do Sal, and the Areia Branca SHP. The idea here is to divest, to make a divestment with a view to using the eventual resources for new projects where we have synergetic advantages, synergies with projects already in hand. For example, the Santa Mônica wind farm where we have a synergy with the Trairi wind farm and Campo Largo, a three phase project totaling nearly 900 MW of installed capacity. And to sell those assets where we have isolated operations with no operational synergy, without another plant close by. In other words, the idea is not to reduce the size of the company but rather to optimize the assets, which it operates. We also approved the distribution of interim dividends amounting to R$ 311 million, corresponding to 55% of the net adjusted profit for the first half of 2015. As we mentioned in the first quarter, due to the uncertainties currently prevailing in the sector, the idea is to pay the minimum to which we are committed to the market, or 55% of the profit. Finally, the Brazilian Association of Independent Power Producers – Apine of which Tractebel Energia is a member - obtained a court injunction

determining that until all appeals have been exhausted in the current action against the GSF, ANEEL shall abstain from adjustment in the MRE (Energy Reallocation Mechanism) in relation to Apine members should total generation of the MRE be less than the physical guarantee of this same group of members. That means that currently Apine members are protected with respect to the booking of the GSF to their accounts and this has resulted in an acceleration in discussions with the Ministry of Mines and Energy and ANEEL.

In slide 7 where we talk about the shareholding control of Tractebel Energia, there has been no significant change, just the name change to Engie. It is always worth remembering that we are a component in various stock indices and we have been awarded the 'Transparency 2014' trophy by ANEFAC, which is one of the small symbols of the presentation. And last week, we were told that we shall also receive the ANEFAC Award for Transparency of our Financial Statements for 2015. We were one of five companies selected with sales up to R$ 5 billion. While our sales are greater than this, selection is based on the sales of the controlling company. Therefore, this is the only new information in relation to slide 7.

In slide 8, always remember that we now operate 28 plants and currently have an installed capacity of 7,044 MW. Since the last presentation, we have grown a further 17 MW, 15 of these at Ferrari, which we have just mentioned, and 2 at a pilot plant which we have as part of our R&D program. This is a wind plant with locally made Weg wind turbogenerators and an installed capacity of 2.1 MW. It is at the testing stage albeit in commercial operations and being used for research and development into other turbogenerators manufactured by Weg. We have a balanced portfolio and the growth of our capacity is based on prudent development taking advantage of the opportunities, either accelerating growth or alternatively waiting for better conditions, which ever appears to be the most interesting. In the recent auction at the end of last year we sold power from Pampa I, the first Pampa unit with an installed capacity of 340 MW and also the first phase of Campo Largo. In other words, it seems to us that the favorable investment conditions have returned and the company should again be embarking on the next phase of accelerated growth.

Slide 9 covers our position in the market, our market share. We are leading energy generators in the private sector as well as the largest. We have 7 GW of installed capacity with a further 2.3 GW due to come on stream. We also include in this the 1.5 GW of Jirau, a project which is being developed by Engie. At some stage, Engie's participation will be transferred to Tractebel. We are well placed to capture business opportunities in the market.

In slide 10, we look at the balanced portfolio. We continue to pursue a strategy of having part of our energy allocated to the regulated market and part to the free market. The regulated market guarantees us the predictability in our long term power purchasing agreements while the short term market allows us to leverage the value of our existing energy portfolio. We are today the largest energy commercializing company in the free market with something like 21% of the Brazilian free energy market.

Turning to slide 11, given the importance of the free market to us, we pursue a credit policy which is very alert to market movements and we adopt a policy of protecting ourselves from the specific risks of a given sector. We have a strong sectorial diversification, currently with a major participation in energy sales to the cement sector, the companies of which are of an excellent credit quality. This sector would perhaps be the only one where we might exceed an upper limit of 15% of our total sales portfolio, although this limit is well protected given the quality of our clients in the sector.

Moving on to 13, and principally on the lower left part, the energy market outlook, we can see that there has been a substantial increase in the amount of energy available in the market forming a structural surplus compared with the preceding quarter, a function of a revised view of the demand situation. This is a direct result of a reduction in the level of economic activity and this is reflected here in the next few years. In other words, when the operator forecasts demand growth is based on the current new level of reduced demand. So this feeds through to demand levels here for all the years ahead as from 2015 with a substantial increase in the energy surplus. This should have, and indeed is already having, some impact on future prices. However, from the moment the economy starts to grow again and recover, this access to supply should diminish. But also remembering that when we talk about GSF, when we talk about the hydroelectric generator tending to have a participation in this energy deficit, this GSF energy tends not to be traded since it represents a cost, a potentially high cost for thehydro generators. For this reason, we do not consider any adjustment for the participation of the GSF in this energy balance in slide 13.

Going on to 15, we look specifically at the situation of the energy balance of Tractebel itself. Here we see a small improvement for 2015, principally due to the reduction in industrial demand. Some clients are reducing their demand and consequently increasing the availability of our energy, and this because the contracts are what we call measured or measured energy: if the client does not consume, the energy is free for settling on the short term market. This has been helping a little since we have been experiencing a short position on the Electric Energy Trade Board. But, we still have a satisfactory position for 2016, with a reasonable amount of energy, more or less as if

we were considering a reserve for future GSF. In 2017, more or less the same level and in 2018, 19, 20, within our normal commercialization parameters with, let's say, a little more energy. Remembering that our strategy is for a gradual sale of energy as is shown in the lower chart to the right, gradually selling the energy of a given year in the preceding years, always servicing our contracts, contracts that we have with an average of four to five years in the free market. For this reason, we need to be attending or renewing about 20 to 25% of these contracts of this energy volume in the free market.

In slide 16, we show the contracted position in the regulated market with a little more description of the details of our contractual position. Perhaps the only important thing is the question of average sales price, which has been reducing a little from 171 in 2015 to 160 in 2016, 157 in 2017. Specifically here because we have greater trading activity at higher prices influenced by the hydric crisis we experienced in 2014 and 2015. This resulted in specific contracted prices for these next years being very high, now in 15 and a little lower in 16 and 17. So this has influenced our average price. Remembering that the average price we show is an average price net of taxes. To compare with market prices we would have to include at least PIS/COFINS, increasing these prices by about 10%.
Let's now move on to expansion, the first expansion project being the Jirau project, and I now hand over to Anamélia to talk about the project.

Anamélia Medeiros – Market Relations Manager for Engie Energy Latin America:
Good morning to all, I would like to thank you for your participation in this conference call. Just looking quickly at the data for the project. This is a 3,750MW project of which 40% belongs to Engie. There are 50 turbines each with 75MW and an assured energy of 2,185. As will be known to all, 73% of this energy has been contracted through long term PPAs indexed to inflation at two auctions in 2011, A-5 and A-3. The balance of available energy is being commercialized with the shareholders, in this case Chesf, Eletrosul and Engie. Since the last presentation three months ago, we have had a decision from ANEEL, as expected in the first half of 2015, approving the exclusion of 52 days *force majeure* and synchronization with the high voltage transmission line connecting Porto Velho to Araraquara. Immediately after ANEEL's decision, we received confirmation of the first instance judicial ruling recognizing a very different number of days, 535 days, of *force majeure.* So this is the scenario that we find today in relation to the exclusion of responsibility for Jirau due to incidents of vandalism in 2011 and 2012. The financing conditions are also public knowledge, a total of R$ 9.5 billion at an interest rate normally charged by the BNDES of TJLP + Spread and payment in 20 years.

Moving on to slide 19, we have some good news: there are 32 units in commercial operations, with two more synchronized to the grid. This means that at the end of this week, we shall have 33 units in commercial operations, the project thus achieving its full assured energy. This is a major step forward for this project to reach this level of 2,185 average MW of assured energy. With this, Jirau is now in full compliance with all its commercial obligations in the regulated market, irrespective of the final solution on the number of days of *force majeure.* Today Jirau is operating at a high performance at various load levels and various flow levels. The project is in great shape and currently responsible for the supply of 10% of electricity demand in the southeast. Today, the plant oscillates between the second and third largest generator in Brazil. In relation to options for creating additional value, we are still in discussion with ANEEL in relation to the hydraulic losses of the project based on the adoption of a new methodology, which could generate additional assured energy for the project. Another question, which was recently announced in the media, was the agreement signed between the Brazilian and Bolivian governments on the maximization of hydropower resources in the Madeira river basin. This could lead to the operation of the Jirau reservoir at a constant water level, generating additional energy for the project. And other long term tax incentives in the region, which can be eventually discussed.

In slide 20, we always introduce a photographic update. Of course, as the project advances, these changes become less perceptible. On this occasion, we have tried to focus on the second phase of the left bank where the remaining 10 units are located. The first phase has been totally concluded. The second has been advancing rapidly, the construction being the responsibility of Construtora J Malucelli. We can see that there has been some very interesting progress between March 14 and June 15, and with a photograph taken from a better angle, you can see this more easily. So these are the project developments for the period. Following the end of the conference call, I am available to answer any questions. I hand the floor back to Mr. Sattamini.

Eduardo Sattamini – Chief Financial and Investor Relations Officer:
Returning to slide 21, we cover the Pampa Sul thermoelectric project. We sold this energy at the A-5 auction last November at a price of about 202 MW per MW/hour for 25 years with delivery from January 2019. The project has progressed on schedule, receiving the installation license on June 19 and work already beginning at the site. The EPC contractor here is SDEPCI, a Chinese company that has been showing good quality in the initial designs. We have a team in China accompanying the project, conducting due diligence and approving the designs and tropicalizing the project to guarantee quality during the installation phase.

Slide 22 shows the first phase of the Campo Largo Wind Complex. At the first phase, the project consists of the construction of 11 wind farms, 5 for the free market and 6

for the regulated market with 326.7 MW, more or less 150 average MW of generation from these farms. The manufacturer of the wind turbines is Alstom, with entry into operation also occurring in 2019 to supply the PPAs, which have already been signed.

Slide 23 looks at the Santa Mônica Wind Complex being built close to Trairi. Trairi is a project in progress with four plants already in commercial operations. It includes Santa Mônica with 97.2MW of installed capacity, a commercial capacity of 47.8, and the start of operations slated for next year. In this case, the manufacturer of the wind turbines is also Alstom.

Slide 24 looks at future developments, namely the Santo Agostinho project in Rio Grande do Norte and phases 2 and 3 of Campo Largo. At Campo Largo, we also intend to evaluate the possibility of installing solar projects. The other project under development is the Norte Catarinense plant in Santa Catarina. Perhaps here you have noticed that Pampa 2 is missing. For the time being, we have decided to remove Pampa 2 from our development portfolio. There is a major concern with emissions at the Engie group and this is also emulated at the company. Suffice is to say that we are evaluating the right moment to resurrect this second phase of the project. Perhaps that might be when we decommission one of Tractebel's older plants. We are currently still assessing how we are going to proceed.

Let's turn to financial performance beginning with slide 26 where we show the principal financial aggregates. The principal message here is that we have seen a substantial quarter-by-quarter improvement. We have been suffering from certain changes in the past two years: you can see a reduction from 2012 to 2014, a function of hydrology in 2014, regulatory changes in 2013. Our hopes are now concentrated on the normalization of hydrology and a more receptive regulatory environment. Improvements should be seen by dealing with an important issue for the sector, namely the question of the GSF. This should mean the company's results return to normality of a company with growth, growth of results if for no other reason than the indexation characteristic of the energy product.

In slide 27, we look at the evolution in net revenue. We have already mentioned the question of the increase in revenue as a close function of average energy sales price which increased from R$ 148 to R$ 170 MW/hour, a 14.8% increase. We had a small improvement in revenues on the CCEE, R$ 11 million, and a decline in volumes because as I already said, we had fewer contracts in the Regulated Contracting Environment - ACR, deciding not to renew these contracts, or not to sell the energy, if for no other reason than the short GSF position in the short term market. So, we had an increase of R$ 180 million in quarterly revenue comparing this year with last. The principal component in the trend in EBITDA was the CCEE due to the reduction in purchases. In

other words, our allocation of energy in this quarter and the first quarter 2015 was much more generous than the second quarter of 2014. This meant that we had a greater volume of energy to be settled and our position, despite the high GSF, was short, considerably less than the second quarter of 2014. Just to give you an idea, the expense with the purchase of energy on the CCEE in the second quarter of 2014 was about R$ 475 million. In the second quarter of 2015, this was about R$ 247 million, a reduction in purchases of R$ 227 million to which we should add in those R$ 11 million of increase in CCEE revenue to give R$ 238 million here in short term at the CCEE. We saw an increase in net revenue, the other components of the increase in net revenue having already been shown. We had a reduction in bought energy for resale, that is to say that we had a higher volume of purchases in monetary terms. Also against the result for the EBITDA, we had a reversal of liabilities in 2014 of R$ 55 million, which as a non-recurring event was not repeated in 2015. Overall, we saw an increase of 94.4% in EBITDA.

In the net income in slide 29, we have the components making up the EBITDA, that is the R$ 285 million increase in EBITDA which we saw in the previous slide, which net of tax makes the R$ 187 million here in slide 29. We had a small component of income tax and social contribution on the use of own capital and a fall of R$ 65 million in the financial result, principally due to interest on the concession and higher inflation in 2015 compared to 2014 in the same quarter. We had an increase of R$ 19 million in regular debt servicing. These were the two principal components driving this increase in financial expenses and resulting in a worsening of the financial result.

Moving to slide 30 on the company's debt, basically there was no change in gross debt. If you look at the final position in 2014 and the current position, our debt is practically equal with a difference of just R$ 1 million. We had an improvement in EBITDA, of EBITDA generation, because the second quarter of 2014 was substituted by the second quarter of 2015, the latter being much better and for that reason improving the indicators a little, increasing my Funds for Operations, the FFO, and with this, our indicator jumps from 0.48 to 0.63, Funds for Operations on EBITDA. Our net debt also fell from 0.8 to 0.7 times EBITDA. And our gross debt on EBITDA falls from 1.4 to 1.3. We have maintained a large volume of cash in readiness for investment projects that we have. We have seen a relatively slow process in approving financing from the BNDES due to the large volumes of work the bank has had and for this reason we are retaining some cash to cover obligations involving the projects we have on hand. In addition, the uncertainty in relation to the solution of the GSF issue has also obliged us to maintain a more robust cash position in readiness for eventual necessities.

As you can see in slide 31, net debt falls from R$ 2.229 billion at the end of the last quarter to R$ 2.079 billion at the end of this quarter, a reduction of R$ 150 million. The

components are basically these here. We had payments of dividends, investments made, etc., and other components that are going to affect the net debt. Overall, our debt fell 6.7% or R$ 150 million.

Going on to slide 32, we show our debt profile/composition and nominal cost. The profile shows a concentration in 2016. These are debts contracted during 2014 in operations indexed to the CDI, 4131 operations, where we have a negative carrying cost - operations below CDI. These operations were concluded precisely to give us cash stability and peace of mind in the company's operations during fiscal year 2015. With respect to the make-up of the debt: we have the larger part of the debt earmarked to TJLP. Please note that we have absolutely no foreign currency debt. Last year, we paid down debt in Euros and the year before we settled debt in US Dollars, anticipating payment of these debts on the back of our expectations of a devaluation of the Real against these currencies. So, we have 61% of debt indexed to the TJLP, that is long term financing from the BNDES. We have a further 29% indexed to CDI, principally as a function of those short term debts which are currency loans swapped for CDI and with a negative carrying cost. In IPCA, we have two transactions – one is a long term transaction with NIB – Nordic Investment Bank, and the other, an infrastructure debenture operation for the modernization of Tractebel's assets, issued at the end of last year with a spread also in NTNB. We have here a small fixed installment relative to the central-western fund project.

In slide 33, we look at our investment plan, our CAPEX with a profile for attending our new projects, those that are here are the ones we have already mentioned, modernization projects for which we issued the debentures at the end of last year. We have a relatively high amount dedicated to maintenance. We are in the process of modernizing some of our plants at an average of R$ 250 million annually over the next three years to cover the maintenance and operation of our generator complex. We have a fair volume dedicated to Miroel Wolowski TPP, which is the name of the Pampa Plant, something in the region of R$ 1.800 billion over a three-year horizon. We also have investments in the wind farms of Campo Largo and Santa Mônica and also Ferrari.

Moving on to slide 34 with respect to our dividend policy of a statutory minimum of 33%. The company is maintaining its commitment to make minimum payouts of 55% of net profit as a function of what was said and agreed informally during the follow-on. We have been distributing profits three times a year in the form of semiannual dividends and interest on shareholders' equity. This year, the payment of R$ 311 from first half profits will represent 1.4% of net debt.

We are now open for questions and answers and I now revert to the call coordinator.

Operator:

*Ladies and gentlemen, we shall now begin the questions and answers session. To ask a question, please touch asterisk 1 (*1). To remove a question from the list, touch asterisk 2 (*2). We would ask participants to restrict themselves to two questions. Our first question is from Vinícius Canheu, Credit Suisse.*

Vinícius Canheu, Credit Suisse:
Hi Sattamini, good morning. Two questions for my part. The first, which I think is a question which is uppermost today, this issue of the GSF. I would like to check something with you. We saw the interview with Zaroni today in the newspaper, the comments of Mines and Energy Minister Braga on the proposal to have this protection of GSF in future, the companies would have to invest and create new capacity of approximately 5% of their capacity and increasing by 5% the physical guarantee of the hydroelectric plants. Looking here at your energy balance, just the hydro capacity, and thinking now of a marginal cost of recent expansion, the sum I have done here is that to sign up to this proposal, to increase your capacity by 5%, you would have to invest more or less between R$ 1.4 and R$ 1.5 billion to increase capacity by 5% on the basis of the values here for investments that we have seen for the Santa Mônica Complex. I would like to get an idea if that is the amount which makes sense for the investment necessary to create this hedge of GSF as is being commented. That's the first question. The second question relates to comments that you made about Pampa Sul, the expansion of coal-fired power, I would like to understand this a little better. I remember that the company's line was that you were an energy company, obviously with concerns about emissions, but...

Eduardo Sattamini – Chief Financial and Investor Relations Officer:
Well, I think Vinícius has been cut off, I don't know whether we have been cut off as well.

Operator:
Vinícius, please go ahead.

Vinícius Canheu, Credit Suisse:
Let me resume. The first question, I think you got. In relation to the second, just to understand the posture of the coal-using company, given that historically you have said that there would be no problem in terms of the source of energy as long as state of the art technology is used and there is the minimum level of emissions possible. Just to understand if new expansion in coal is really off the radar going forward.

Eduardo Sattamini – Chief Financial and Investor Relations Officer:
OK lets answer the first question in relation to the GSF. Your calculation makes sense. The only question that is perhaps still not well thought through is how this

compensation of 5% is going to work. There is a proposal eventually involving existing energy where perhaps an acceptance of those who have been investing can have special treatment. This is our case. We are not in a situation where we are sitting on a hydro portfolio at a standstill. Rather, we are investing in other energy sources and increasing capacity. So, this discussion revolves around new projects: if existing energy is involved, it is still not clear how this compensation of 5% will occur. In terms of value, you are right. In fact, 150 average MW of wind energy would be equivalent to more or less the size of Campo Largo 1 and investments of the order of R$ 1.8 billion. But what we have been discussing is whether I can't substitute this for energy at CVU 0, whether it could be a hydroelectric plant, uncommercialized hydro capacity. This is a point still for discussion and is not well defined. At Pampa Sul, there is a concern today with emissions and this indeed could affect our investment decisions. What we have in mind is that at some point eventually we will see a reduction in coal-fired generation capacity due to the age of some of our plants and these can be replaced by expansion of Pampa 2. This is basically our scenario.

Vinícius Canheu, Credit Suisse:
That's fine; I think the two answers were clear. Thanks.

Operator:
Next question from Renato Assunção, Banco Votorantim.

Renato Assunção – Banco Votorantim:
Good morning to all. I would like to know from you what your forecast is for free market energy prices since we have seen in the past that the market is very active with prices at very high levels. Recently with improved rainfall and lower energy consumption, there has been a slight easing in prices. I would like your views on this and I would like to know if it makes sense to begin commercializing energy for the next few years a little more actively to take advantage of this favorable scenario.

Eduardo Sattamini – Chief Financial and Investor Relations Officer:
Good, let's see. It is true, that there is a major short term influence on prices in the immediately upcoming years. This improvement in the situation of energy supply and demand, principally due to the decline in consumption obviously has a reflection on the spot price. When you project lower demand for the coming years, you have a decline in the spot price so reducing somewhat the prices for next year and 2017. We currently have a very small portfolio for these years. As from 2018, you have prices more aligned to the long term supply through 18, 19, 20. In spite of having had a reduction for 16 and 17 in relation to what was being practiced three months ago, price decline does not have the same impact on price decline for the longer period.

We are talking something in the order of R$ 155, R$ 160 for 2020, 21, and we continue more or less at this level. 2016 still has a price above R$ 220, R$ 230, 2017 a bit below R$ 200, that is to say a small reduction already reflecting the decline in demand and the lower PLD. True this is happening a lot in the short term, but in the medium and long term where we are less contracted, these prices have not fallen so sharply. We continue with commercial activities where the reality is a little different. Despite a hydrological historical average requiring the dispatch of thermal power, we shall see greater volatility in terms of price. There will be moments in the year when the price is higher, when there is structural condition with a higher spot price and therefore today we have a greater concern to maintain some reserve for the future. We already have a reasonable reserve for the next two years. So there is no point in wanting to sell more energy for 16 and 17, which I would have to... in fact, I am selling but I am selling using a system of portfolio composition. In other words, I buy 16 and 17 and sell this purchase to my client, while 18, 19 and 20 is from my own portfolio. So I am passing on this small reduction which is occurring in 16 and 17 to the client but I am capturing sales at a good price or at balanced prices as from 18, 19, 20 and thereafter.

Renato Assunção – Banco Votorantim:
Ok, thanks.

Operator:
Next question from Vinícius Tsubone, UBS.

Vinícius Tsubone, UBS:
Good morning, thank you for the call. I would like to know from which month the Apine injunction is in effect. The press reported that it would be valid for the month of May, which would mean it applying retroactively. Is this true?

Eduardo Sattamini – Chief Financial and Investor Relations Officer:
The idea is that the July settlement should have been made in accordance with the injunction, that is with reference to May. However, this adjustment was not possible because the accounting had already been completed, the guarantees already deposited, and consequently there was insufficient time to revise the accounts and settle in the second week in July. So, this settlement will be reprocessed and will be reflected in the accounts now at the beginning of August.

Vinícius Tsubone, UBS:
I understand, thank you.

Operator:
Next question from Kaique Vasconcelos, Citibank.

Kaique Vasconcelos, Citibank:
Good morning to all. Let me just give a sequence of the long term market prices. How do you see the liquidity in the free market and are you able to detect the situation involving consumer migration from the captive to the free market? Thank you.

Eduardo Sattamini – Chief Financial and Investor Relations Officer:
Look, I would say to you that no, the free market is not very liquid. Whenever you have a movement which is a little faster as is the case today with a fall in prices, the agents hold off to see if this movement has a more permanent or is just a short term effect. So I would say that the market is not super liquid, we are not seeing a lot going on, principally in the case of the next two years of 16 and 17. I would say to you that we are not seeing major migration from the regulated market to the free market. It may be that this is happening for there is a rationale behind this given higher prices in the regulated market. However, we have still been unable to identify this as a clear tendency and so I cannot affirm that this is the case.

Kaique Vasconcelos, Citibank:
Perfect. Thanks.

Operator:
Next question for Henrique Peretti, JPMorgan.

Henrique Peretti, JPMorgan:
Good afternoon, thank you for the opportunity. I have a doubt relating to the quarter. In the first quarter, you allocated about R$ 76.6 million in the form of a provision for a price differential in a dispute involving William Arjona and in this quarter you adjusted the provision. We were expecting that you would make a provision again, the indication of the company being that provisions would be made from quarter to quarter while you were in dispute or when you were awarded the injunction. I would like to understand the adjustment that was made and what is your outlook for the next quarters. Thank you.

Eduardo Sattamini – Chief Financial and Investor Relations Officer:
We continue making provisions for the William Arjona case. We are still unsure since we have not received a ruling which gives us greater comfort. The adjustment to the provisioning we are making is for the difference between my declared cost with ANEEL and the PLD, yes. There was a small adjustment for PIS/COFINS, which is charged on this value, and this was the only adjustment. So yes, we are making a provision on a preventive and prudent basis in relation to the difference between the declared cost with ANEEL and the PLD, which we have received. Now obviously, if the PLD falls, this

provision will also decrease in value, eventually even disappearing if the PLD falls below the informed value of the CVU.

Henrique Peretti, JPMorgan:
For the third quarter and supposing that the plant continues to operate, should there be a provision for the spot price, let us say, 368, or it reverted to what it was before? Or should there be a provision similar to the one that was made in the first quarter, correct?

Eduardo Sattamini – Chief Financial and Investor Relations Officer:
Yes.

Henrique Peretti, JPMorgan:
That's good. Thank you.

Operator:
Next question from Eduardo Cancian, Banco Votorantim.

Eduardo Cancian, Banco Votorantim:
Good day to all. Still on the GSF theme, I would like to know if you are really expecting that an agreement be finalized between this week and the next, whether there is still time for the next settlement expected on 05 and 06, or if in your view, there will be a postponement in this settlement. And the second question also in relation to this agreement is if you see a chance of this being applied retroactively from the beginning of 2015 or if any agreement would only apply from hereon.

Eduardo Sattamini – Chief Financial and Investor Relations Officer:
Good, on the first part of the question, I think that the solution is not to be taken lightly. It is a complex solution. From the information we have, there will be a need to make investments which you will compensate via renewal of concessions - this is still the subject of discussion. The solutions are complex. Implementation is complex. When you go into details of what you will have to adjust, you are going to have to think. In my view, this is not something that you can implement in one or two weeks. I believe it could take longer. It would be excellent news if the question were simplified to such a degree that it could be put into practice more rapidly. But that is not my impression. And what was the second question related to?

Eduardo Cancian, Banco Votorantim:
If in your opinion, could this agreement apply from the beginning of 2015, that is retroacting to cover the losses.

Eduardo Sattamini – Chief Financial and Investor Relations Officer:
The injunction is effective from May, but a request made for it to be retroactive. The discussion therefore is still ongoing, January 14 is the date of the action and I think this point must be under discussion.

Eduardo Cancian, Banco Votorantim:
That's right, thank you.

Operator:
Next question from Marcelo Sá, UBS.

Marcelo Sá, UBS:
Good day to all. I have one more question on the result. I would like to understand the effect of the thermal plants on your results, the effect of excess generation from your thermal plants. Why, in fact, the difference between the volume that you sold and the volume you contracted, to understand, perhaps in average MW, what was the effect of this thermoelectric hedge, which you have in the quarter? Thank you.

Eduardo Sattamini – Chief Financial and Investor Relations Officer:
I am going to talk a little in theory. I do not have this number now in my head but we have somewhere between 60 and 80 average MW when I am generating with the thermals at full capacity. This is more or less... this is obviously going to depend on the temperature, conditions, dispatch, the time we take to for reheating. We have a thermal excess of roughly between 60 and 80 MW. However, I do not have this information in my head. Perhaps I can check with Previtali afterwards.

Marcelo Sá, UBS:
No, that's fine. Because in fact when I was looking at the result, there was a major difference in thermoelectric generation between the second quarter 2014 and the second quarter 2015, so I wanted to understand whether there had been any increase in this hedge in the quarter or not.

Antônio Previtali, Investor Relations Manager:
Marcelo, it is Previtali. We generated 841 average MW in the quarter but I need to look in more detail as to this generation because each plant has a different internal consumption from the other. So, I need to look in more detail to be able to give a more solid basis to an answer.

Eduardo Sattamini – Chief Financial and Investor Relations Officer:
There is another effect, which perhaps you have considered. At the end of the second quarter 2014 there were incidents with two turbines at the Jorge Lacerda A and the

Jorge Lacerda B plants, with an outage involving something in the region of 150 MW of generation from the tail-end of the second quarter of 2014. The plants are again operating today and perhaps this has contributed a little to this difference in 2015 in relation to 2014. This will have been even more apparent because of the events that occurred, with the Jorge Lacerda B plant, the principal of the two with a little more than 120 MW of installed capacity, only resuming operations in early 2015. For this reason both in the third and fourth quarter, thermal generation should be greater than 2014.

Marcelo Sá, UBS:
This is excellent, thank you everyone.

Operator:
*Remembering that to ask questions, just touch asterisk 1 (*1). We now conclude this session of questions and answers. I would like to ask Eduardo Sattamini for his final considerations. Eduardo, please go ahead.*

Eduardo Sattamini – Chief Financial and Investor Relations Officer:
I would like to extend my thanks to all who have taken part and for their questions and I hope to maintain this interest in the company. Thank you to all and have a good day.

Operator:
Tractebel Energia's conference call is concluded. We would like to thank the participation of all, have a good day and thank you all for using Chorus Call.