TRACTEBEL ENERGIA S.A.
3rd Quarter 2008 Earnings Results
November 10, 2008 – 12:00 p.m. (Brasília Time)

Operator: Ladies and gentlemen, thank you for standing by. At this time, all participants are in a listen-only mode. Later we will conduct a question and answer session and instructions will be given at that time. If you should require assistance during the call, please press the star key followed by zero. As a reminder, this conference is being recorded.

I would now like to turn the conference over to Rafael Bósio, Investor Relations Analyst of Tractebel Energia. Please go ahead.

Mr. Rafael Bósio: Good morning ladies and gentlemen and welcome to Tractebel Energia's conference call to discuss third quarter 2008 results.

I would like to mention that a slide presentation has also been made available on the company's website at www.tractebelenergia.com.br (under Investor section). Our earnings release can also be found in the website.

Before proceeding, let me mention that actual performance could differ materially from that anticipated in any forward-looking comments as a result of macroeconomic conditions, market risks and other factors.

With us today in Florianópolis this morning is Antonio Previtali, Investor Relations Manager of Tractebel Energia. First, Mr. Previtali will comment on the company's third quarter results. Afterwards, we will be available for a question and answer session.

It is now my pleasure to turn the call over to him. Previtali, you may now begin.

Mr. Antonio Previtali: Good morning or good afternoon depending on where you are to everyone. It is a pleasure to host this conference call to discuss with you Tractebel's 3Q08 results.

I think that we can start by turning the presentation into page 9, in which we present a new chart of the energy market in Brazil. As you may remember, the last similar chart that we had presented was showing a deficit in terms of supply specially for 2011 on and the current chart already shows energy in excess for the system as a whole as from the very same year of 2011.

The changes on that are basically two. First of all the revisiting of 2008 GDP growth by ONS, which is the basis of the material that we work on to produce this chart and also the GDP growth between 4.0% and 4.5% as from 2011; and on the supply side since we last presented a similar chart, on the supply side we had

three different auctions: we had an A-3 auction with total sales of 1,076 average megawatts - 80% of this amount oil based; A-5 auction, in which an amount of 3,125 average megawatts was sold - 65% of this amount, again, oil based; and thirdly the reserve auction, which took place at the beginning of July this year. There is an incremental amount of energy over the year starting from 40 Megawatts in 2009 up to 750 MW in 2012.

So with this substantial amount of new supply there was a shift in the deficit situation for Brazil as a whole to energy in excess.

We also decided to plot on the very same chart the average spot price for the Southeastern submarket in Brazil and as you can see, due to the fact that the marginal power plant serving the system is going to be more and more thermal, a more expensive thermal one, so there is a clear trend in the average spot prices overall for the year, because you have got to bear in mind that over the wet period chances are that we may achieve lower prices and during the dry season of the year then we would have a boost on the spot prices for Brazil and on the top of that we are also plotting on the very same chart the auction average prices, the line in blue.

Moving on to the very next page, page 10, it is the chapter related to the sales strategy for Tractebel, which is presented on page 11. On the left-hand side we are showing the company's uncontracted energy as from today up to 2013. Interesting to note that there was a reduction in uncontracted amounts as from 2011.

The previous figures were showing uncontracted energy in the amount of 18% for 2011 and now it is down to just 15%. For 2012 the previous chart was showing availability of almost 16%, today the chart shows only 11% and for 2013 we had in the previous chart an availability of 25% of the total resources still to be sold and today this is just 16%.

It is a clear sign that the company is doing its job regarding the gradual sale of the uncontracted energy. Some people asked us why we do not get rid of the energy, the future energy at once and the reason is that since we are prudent on the evolution of the market, we think that we are better off by having a kind of reserve. Of course this reserve is able to be burnt as we evolve on time.

And we present a new way of showing the reasons for selling this uncontracted energy on a gradual basis, which is on the right hand side of the page. As you can depict from it, the energy associated to 2010 has been gradually sold-out: we had 9.5% of it at the end of 2006; at the end of 2007 it dropped to just about 5%; and currently just 2%.

The very same rationale can be applied to the three coming years and as you can see I think we are doing a prudent job by selling this uncontracted energy not at once.

The reason that we exchanged the previous chart - which was the supply and demand chart - by this one is the following: in fact, all this uncontracted energy is to be sold to the free-market segment, so the supply and demand balance for the system as a whole was working well as a proxy as we had a deficit scenario.

As we do not have any longer a deficit scenario, you should bear in mind that the marginal generation cost will be a much more expensive one due to the high prices of the energy contracted in the recent auctions. It is important to note that the offer and supply for the free market segment is still mismatched; in other words, the supply is smaller than the offer for this particular segment. As we are targeting on this to sell this uncontracted energy, we think that it is a better way to explain the reason that we still have uncontracted energy.

Moving on to page 12 I would like to address the main changes on the energy balance of Tractebel and these are related to the sales differential for each particular year comparing the figures from 3Q08 to 2Q08. So during these three-month period we sold an additional amount of 21 average MW for 2008; 70 average MW for 2010; 117 average MW for 2011; 183 average MW for 2012; and 337 average MW for 2013.

Again, it is a clear sign that the trading team, the marketing team of Tractebel is doing their job properly selling part of this uncontracted energy.

Before you ask me, the price range for this recently contracted energy is something between R$ 145/MWh to R$ 150/MWh, depending on the features of the contract: take or pay clauses, index used for inflation purposes and so on.

Moving on to growth, I think that we are pretty much updated with the projects for Tractebel that are coming on board in the future and as a consequence I would like to address my comments on this section solely on the projects that can be potentially hurt by the current credit tightening situation and/or from the more expensive dollar in comparison to the real that we have been facing in the past months.

So no impact whatsoever on the first one, on Ponte de Pedra, which is on page 14; everything is smooth.

Regarding number 15, which are the two small power plants that we recently acquired from a family-held company. Aneel has already granted the approval for the transfer of both companies to Tractebel and as a consequence the missing event for Tractebel to consolidate these two generation plants within its

generation complex is the agreement with the money lenders, which are under way right now. So again, no impact from the current financial crisis.

On page 16 we have São Salvador. São Salvador we may expect the startup of operation between December this year and January next year, so the schedule is pretty much on time, no major or no considerable impact from the current crisis.

The same applies to Estreito on page 17. The one, I would say, setback related to Estreito is not on the ground of the construction itself; the construction is doing fine, everything is on schedule. The setback for Tractebel would be the postponement of the transfer from SUEZ to us, which we were at first expecting for the second half of this year and we are under negotiation with SUEZ in order to transfer this transfer to 2009 and the reason is to allow a relief for Tractebel's cash position, since we are talking about companies belonging to the very same group. These negotiations are going right now and we think that the final outcome would be the definition that the transfer is going to take place sometime in 2009.

On page 18, Andrade thermal power plant, schedule pretty much on time again and as a consequence no impact from the current crisis.

On page 19, we have Seival, the greenfield coal-fired project that is under development in the Southern region of Brazil. Different from the other ones, the equipment for Seival is denominated in dollars or euros, which of course is going to make this project a more expensive one and on the top of that there should be another event that could offset this increment on the dollar base side, which is the fact that we may have a slowdown in the construction of similar thermal power plants all over the world and due to this issue we may have more bargaining power when dealing the negotiations with the equipment suppliers.

So lower Capex in USD based and more expenses in terms of Reais. We are going to have to see the result of these two combined effects to come to a conclusion if the project is going to be hurt or not. Anyhow, I would like to address your attention to a possible delay in the construction of Seival.

On page 20 we have listed the three small renewable plants that GDF SUEZ has recently acquired from Econergy. The first one on the left is already in operation; the one in the middle is a small power plant, which is scheduled to enter into operation by April 2009; and on the far right end the second wind farm of the set of three projects, this one is expected to enter into operation by December this year or January next year.

Aneel has already approved the transfer of the projects, the missing step in here is the fairness opinion that we are waiting from an independent advisor in order to define the amounts Tractebel will reimburse SUEZ for the acquisition of these

projects. So we have all the evidences that this transfer to Tractebel is going to be in 2009.

Regarding the financial performance I would like to address that it was a pretty much expected for ourselves quarterly result. As long anticipated the results kept relationship with incremental losses of hydro resources over the year and except for the abnormal oversized allocation in January and February everything is happening as it always used to be. As a consequence, the 4Q08 results, following this trend, should be more robust than 3Q08, which was in turn more robust than 2Q08, but all of them will lose to 1Q08.

Net revenues were 1.4% year on year higher, but a year on year direct comparison may be misleading as we had a substantial amount of exports to Argentina in 3Q07, what did not happen this year. If we do not factor in the exports, net revenues would be 18% higher than 3Q07.

Moving on to the very next page, 22, which shows the progress of the net revenues and Ebitda for Tractebel, now we are talking about accumulated basis from January to September this year. Later on we are going to talk specifically on the quarter.

As you can realize from the chart on the left, there was an increase of 14.5% in net revenues for the nine first months of 2008 in comparison to the equivalent period of last year. These good results took place although we had some setbacks this year.

The first one is, of course, the lack of exports this year - exports were responsible for very huge revenues last year. On top of that we had a reduction of about 180 average MW of thermal assured energy because of the revisiting of the calculation of the assured energy from thermal resources from 2007 to 2008, so we play solo on this as well.
And thirdly, in 2007 we had a special authorization from Aneel - we call it waiver - in order to allow Tractebel not to pay penalty on an exposure as a net buyer at CCEE up to the amount of 300 MW. By no coincidence this is the very same amount of the CIEN contract, which, you know, was broken up a couple of years ago but we did not have this special authorization by the Brazilian watchdog this year, so we were less powerful in order to generate revenues because of that.

Due to all, even considering all these downsides we were able to post almost 15% more net revenues in 2008 on a consolidated basis in comparison to 2007.

Ebitda. the increment of 22% as opposed to just 15% of net revenues suggests, in our view, a better allotment process for hydro resources in 2008. Chances are that both figures are going to converge a little bit by the end of 2008, but it is a clear sign that it seems that we are doing well on the allotment process.

Moving on to page 23, Ebitda margin and net income, the figures can speak by themselves. A slight increase on the Ebitda margin for nine months this year in comparison to nine months last year, 64%, most of it as a result of the even better hydro allocation process and regarding net income we have, for the nine first months of 2008, 13% better results than last year.

Now moving on to page 24, in which we have the financial drivers for Tractebel, each one of the six charts is going to give us the chance to better investigate the drivers for Tractebel's results.

Starting from the last on the top, the energy sold. Energy sold stands for energy associated to contracts only. One should be careful, as revenues can be generated from long positions at CCEE, for what there are no formal contracts. It means pretty much the following: a hydro or thermal generator can have 100 MW of assured energy - of course, it is going to have some revenues from the sale of these 100 MW - but it can post even higher revenues by not selling this energy and as a consequence being exposed as a net seller at CCEE in the case the average spot price at which this energy is going to be exposed is higher than the prevailing in the market sales price for the contract. So you should be cautious before coming to the conclusion that there was a decrease in energy sold from 3Q07 to 3Q08.

The figures fluctuate quarterly on three reasons. First of them, we acquire energy from third parties and we may sell, none the full amount of these third parties' acquisitions, or something in the middle of the way. So depending on the amount of energy we sold out of this energy purchase, of course there is going to be an impact on the energy sold side.

Secondly, the implication on sales resulting from the hydro resources allotment strategy and the reason is that of course we feel more comfortable in selling energy when we have more hydro resources allotted than on the contrary.

And lastly - and that is an explanation valid only for the comparison on a year on year basis - determination of the special authorization enacted by Aneel - the one that we called waiver - resulting from the fact that at the settlement process of 2007 we were not finalized from the fact of being net buyers up to 300 MW, as I have already explained.

As you know, penalties from short positions are valued by the spot price at the time floored by a reference price which is around R$ 130/MWh currently. I emphasize this is related to a penalty which is on the top of the normal needs for covering the exposure itself, which in turn is valued, as you know, at the spot price.

As we had the relief from this authorization a window of opportunity open to us, as we could sell more than usual in the case market conditions were favorable at the time - and they were, since we found positive margins in 3Q07.

Moving to the average price of energy sold, the first explanation I would like to give is that the figures displayed in the chart are net of sales tax deductions. I remind you that sales to free customers are charged both, ICMS and PIS Cofins; sales to distribution companies and trading companies in turn are charged PIS Cofins only; and exports are exempted from the taxes.

As a consequence of that, the figures in the chart factoring export prices taking them out the prices would have been R$ 101.1/MWh for 3Q08 and R$ 89.1/MWh for 3Q07.

Moving rightwards, net revenues. Although Tractebel experienced a 4% gross revenues improvement year on year, net revenues were 1.4% up. The reason for the mismatch is the change in the sales profile: we swapped a substantial amount of exports related sales in 3Q07 which, as I have already said, are exempted of ICMS and PIS Cofins, for sales to free customers and trading companies, which are not.

For revenues the main drivers up were: first the higher sales average prices, as commented; second, revenues from CCEE as opposed to expenses. I remind you that in general CCEE, which is the Energy Trading Board, presented invoices to Tractebel as payable due to the fact that thermal generation tends to be lower than thermal sales - remember that we are fully sold.

For the quarterly review, though, some monthly invoices were receivable ones as we were long on them. In gross terms, these revenues amounted to R$ 56 million in this third quarter and I would like to mention that the analysis based solely on the thermal side is a very simplistic one, since there are other drivers which may shift Tractebel from the short to the long overall exposure, such as the annual hydro allotment process and the energy purchased from third parties and there is a third one, which is the amount of resale out of these purchases.

So most of the analysts were expecting that we were going to post expenses for Q3 this year and these expenses were much lower due to the fact that some of these CCEE invoices were receivable ones.

Another reason for the drivers up is the startup of Ponte de Pedra hydro plant in Tractebel's accounting records. I remember the completion of this plant's acquisition process took place at the end of April this year.

And lastly the sale of carbon credits from Lages wood chip fired plant to Bunge Group, which generated one-time R$ 10 million gross revenues. Chances are

that next year we may post a similar revenue again, due to most of the time these sales take place on a yearly basis.

And the main drivers down for net revenues were: first, the one-time fall in thermal capacity by some 180 MW from 2007 to 2008 - and I have already explained it, this derives from the fact that Aneel revisited the commercial capacity assessment process a couple of years ago; and secondly, the end of the waiver by Aneel regarding the breaking up of CIEN contract, again.

Regarding Ebitda, from net revenues to Ebitda we walk passed cost, which remained pretty much unchanged on an year on year basis, although when we investigate more closely each one of these costs subaccounts, the following conclusions surface: first, energy purchased from third parties - there was a growth of R$ 87 million resulting from the combination of a 42% increase in physical purchases and the higher prices of more recent contracts rolling over older ones.

Second account, transactions through CCEE. Tractebel experienced a fall of R$ 34 million motivated by two main facts: the first one the increase of energy purchased from others, as I have just pointed out; and secondly, in the third quarter of last year a considerable portion of thermal generation was driven to exports, thus making Tractebel's usual short position at CCEE even shorter.

Differently from that, in 3Q08 exports were almost none, what allowed thermal generation in the quarter to effectively contribute to reduce the company's CCEE's deficit.

The third subaccount is fuel expenses, which were down by R$ 70 million and that is a straightforward explanation and I am sure most of you guys know it, fuel expenses for Tractebel's coal-fired output when serving the domestic market are subsidized by Brazil's end consumers.

So fuel expenses for us are mostly associated to generation for saving neighboring countries or for non-coal thermal generation, which currently is not meaningful.

And the fourth subaccount is the depreciation and amortizations. This figure was by R$ 10 million, mostly due to the incorporation of Ponte de Pedra hydro plants into Tractebel's assets at the end of April this year.

Regarding Ebitda margin, net revenues from this third quarter was slightly higher, just 1.4%, whereas overall costs grew even less, just 0.6%. How then Ebitda margin slightly flipped down from 60.0% to 59.6%?

The answer for that is on the selling expenses. This account, which is mostly associated to transmission costs, jumped by R$ 13 million, a result which combines both, the annual transmission tariff review, which happens in July generally; and the incremental expenses from the participation of Ponte de Pedra in our generation complex.

And lastly net income. Flying from cost to net income demands a stop over in the financial results, especially in times of credit tightening and sound foreign exchange moves. Tractebel presented net financial expenses incrementing by R$ 60 million on a year on year basis; 80% of this figure, or R$ 48 million, is connected to the for-ex expenses on loans and financing, a natural consequence of the appreciation of the currencies composing our debt basket over the local real.

I emphasize that Tractebel has just 12% of its total debt as foreign currency denominated - so to summarize, we regarded the net income for 3Q08 as a very strong one, of course taking into account the hydro allotment curve for 2008, which heavily benefited 1Q08 followed, as I said, by 4Q08, 3Q08 and 2Q08 as we anticipated early this year. In other words, we could say 3Q08 results played naturally its role for paving an outstanding 2008 overall net income for the company.

Moving back to page 25, the total debt over last 12 months Ebitda for Tractebel at the end of 3Q08 reached 1.2x, pretty much in line with the figure for 2Q08. A small adjustment on the foreign currency percentage, it increased from 10% at the end of 2Q08 to 12% at the end of 3Q08, although slower than the similar level for 2007 year-end.

Important to mention that the cash at the end of 3Q08 was a bit above R$ 800 million and after that we had to pay the dividends related to the first half of 2008 in the amount of R$ 580 million, so the current cash situation is lower than the one shown on the chart in blue. As a consequence we still have a net debt of about R$ 1.8 billion at 3Q08.

Moving on to page 26 you can have a closer look at the debt composition of Tractebel and the maturity term loans for the company. It seems to be a very smooth maturity profile. An issue that I would like to address is the repayment or rollover - it is not defined so far – of R$ 400 million commercial paper locally denominated, which is the largest part of these 582 orange column for 2009. The decision on repay or roll will depend on the market conditions at the time; we are still discussing what we are going to do then.

On the bottom of the page the cost of debt by different currencies and the composition of debt, if debt is floating and in the case they are floating in the local currency which index is tagged to this debt.

On page 27 there was a change in this chart in comparison to the last one that we had presented to the market, which is the transfer of the expected Capex for Estreito in 2008 to 2009. As I have just commented, we are negotiating with SUEZ in order to postpone the transfer of Estreito to next year.

Another reading that can be made from this chart is that as from 2007 we resumed growth after three years standing still waiting for interesting opportunities. That is the reason of this huge incremental amount in the Capex, although we have been able to keep the R$ 70 to R$ 80 million a year for the recurring Capex, this one associated to the maintenance.

It is not defined what is going to be and when it is going to be the transfer of the three assets of Econergy from GDF SUEZ to Tractebel and that is the reason we have not included the Capex for these three assets in the present chart.

Moving on to page 28 where we address the dividend policy for Tractebel, just to emphasize that we have a by-law minimum payout of 30% of the net income, although there is a management commitment to pay out at least 55% with payment frequency twice a year.

We would like to emphasize the fact that although we have been paying out 95% in the past 5 and a half years, market conditions helped us to do so and since we are under a not completely known financial crisis, we think we are better off by playing on the safe side by preserving the cash of the company, especially considering the huge amount of investments still to come and as a consequence we may slow down the 95% payout that we have been experiencing recently.

Although the interest on capital is scheduled to be registered in the company's books only for 4Q08, this fact will not be changed, that is why we decided to consider the R$ 176 million regarding the interest on shareholders' capital for the consolidated nine months figures.

If we consider then the R$ 580 million that we paid regarding the dividends for first half of 2008 and the R$ 176 million for the interest on shareholders' capital, we will come up to a 90% payout for the first nine months, but before you ask me it is not clear whether so far we are going to be able to keep this 90% for 2008 as a whole, ok?

Regarding this interest on shareholders' capital, shares will be traded ex-interest on capital as from November 19th and the Board of Executive Directors will announce down the road the payment for this event.

I would like to address one last point prior we go to the Q&A part, which is Marc Verstraete's farewell. Marc decided to take up a new challenge after 10 years of

full dedication to Tractebel. He has moved back to Belgium, his home country, but he is still within GDF SUEZ Group.

To replace Marc, Philippe Dartienne, in the group since 2001 was hired. Philippe was formerly CFO at Glow, a Gen. Co. in Thailand and Head of Planning and Financial Control in the Environment Area of GDF SUEZ Group in France.

I think this is pretty much what we would like to talk to you and now we are open to the Q&A session. Thank you very much!

Q&A Session

Operator: Ladies and gentlemen, we will now begin the Question and Answer session. If you have a question, please press the star (*) key, followed by the one (1) key on your touch-tone phone now. If at any time you would like to remove yourself from the questioning queue, please press star (*) two (2).

I would like to mention that today's conference call is being held exclusively for financial analysts and investors. We kindly ask reporters who may be participating in this conference call to please direct any and all questions to the company's press relations department. Please restrict your questions to two at a time.

Our first question comes from Mr. Bert Whitson with Kiitos Capital Management.

Mr. Bert Whitson: (...) Real number for the average price on recent contracts. Is that primarily free contracts or all free contracts?

Mr. Previtali: Yes, you are right. I mean, most of the depletion of the uncontracted amounts for Tractebel is associated to the sales to free customers and we have been able to experience prices in the range of R$ 145/MWh to R$ 160/MWh, even something slightly above that depending on the season of delivery.

Mr. Whitson: Ok. Thank you! And can you comment on the export picture? Maybe talk about the conditions in Argentina, whether that points to more or less exports in the future?

Mr. Previtali: From Tractebel's standpoint exports are always seen as a non-recurring gain; it is something which forecast is very, very difficult to make and as a consequence we cannot count on it.

From Argentina's standpoint we are getting no fresh signals that power situation in the country will have a relief in the short term and we may expect some exports to Argentina. In fact, there were some exports to Argentina this year, but

most of them from hydro resources. So that is why Tractebel did not benefit from these exports.

But the recent future need is going to depend pretty much on the intensity of the winter time in the country and of course the supply condition from Argentina's neighboring countries.

Mr. Whitson: Ok. Thank you!

Mr. Previtali: You are welcome.

Operator: Ladies and gentlemen as a reminder, to pose a question please press star (*) one (1). Again, if you would like to pose a question please press star (*) one (1).

Our next question comes from Mr. Bert Whitson with Kiitos Capital Management.

Mr. Whitson: Thanks again, guys! I guess I will ask one last question. The very last slide in the presentation it looks like Southern reservoir levels are very, very strong. Can you comment on that? What that means to the next quarter too.

Mr. Previtali: Yes, very good point. In fact, at the end of September this year the reservoir levels at the Southern part of Brazil reached 54% of the total storage capacity and it increased sharply up to the end of October this year to 91% - it is an extremely high increase, but unfortunately for Brazil the storage capacity for the Southern region stands for just 10% for Brazil as a whole

That is why we always say that the main driver in terms of spot prices for Brazil is the Southeastern reservoirs levels and for this one the figures were pretty much unchanged over the past two or three months: there was a decrease from 54% to 52% of the total storage capacity from the end of September to the end of October.

Putting this all together we do not have any clear clue what is going to be the performance or the need for thermal capacity in the short term. It is going to depend pretty much on the wet season which is about to start; it started earlier in the Southern part of Brazil, but not in the Southeastern part, which accounts for almost 70% of Brazil's storage capacity - and that is the main driver. We are going to have to wait a little bit to see the performance of the showers in the coming months.

Mr. Whitson: Very helpful, thank you.

Mr. Previtali: You are welcome.

Operator: This concludes today's question and answer session. Mr. Previtali, at this time you may proceed with your closing statements.

Mr. Previtali: It was a pleasure to host this conference call and discuss with you guys our results. Following this conference call I would like to leave our doors open at Tractebel's Investor Relations Department - you can post your questions to myself and to Rafael, Ana and Mariana, the members of our team. It is going to be a pleasure to return to you on that. Thank you very much! See you.

Operator: That does conclude our Tractebel's Third Quarter Results conference call for today. Thank you very much for your participation and have a nice day.
