# INTERNATIONAL CONFERENCE CALL
# TRACTEBEL ENERGIA S.A.
## THIRD QUARTER 2010 EARNINGS RESULTS
## NOVEMBER 8, 2010

**Operator:** Good morning. This is Tractebel Energia's conference call. All participants are connected in listen-only mode and later on we will open the Q&A session when instructions for participation will be given. Should you need the assistance from an operator during the conference call please dial star zero (*0). We should remind you that this conference call is being recorded.

Now I would like to turn it over to Mr. Antonio Previtali, Tractebel Energia's Investor Relations Manager. Please Mr. Previtali, go ahead.

**Mr. Antonio Previtali (Tractebel):** Good morning ladies and gentlemen, you are welcome to Tractebel Energia conference call where we will announce the results of 3Q10.

This presentation along with slides will be simultaneously webcast through the website www.tractebelenergia.com.br in the investor relations section. There you can also have a presentation and the Company's earnings release.

Before proceeding I would like to clarify that any possible forward-looking statements made during this conference call regarding the business outlook of the company should be considered just as forecasts; they depend on the country's macroeconomic conditions, on the performance and regulations of the electric industry and therefore they are subject to changes.

Today here in Florianópolis we have with us Mr. Eduardo Sattamini, Finance and Investor Relations Director, who will talk about the performance of Tractebel Energia in 3Q10 and Elio Wolff, Market Relations Manager for GDF Suez in Latin America who will present an update on the development of Jirau HPP. Then they will answer any questions you may have.

Now I will turn it over to Mr. Eduardo Sattamini.

**Mr. Eduardo Sattamini (Tractebel):** Good morning, ladies and gentlemen, it is a great pleasure for me to start our conference call to announce the results of 3Q10 and there have been interesting impacts in terms of the results of the Company.

Starting on slide 4 of our presentation, we present the main highlights of the quarter. We have had an increase of 22% in the net operating revenue if compared to the same quarter last year, especially because of an increase in the average sales prices of power contracts. There are new plants that entered in

operation, higher sales volume and also from exports. These are the main aspects that drove up our net operating revenue.

EBITDA did not follow the same line; it went up by 17%, slightly less than the net operating revenue very much because of the energy we bought to resale and also because of thermal generation on our gas power plants. We do not have a refund for the fuel.

And then in terms of net income, it went up by 13.4% because of the higher inflation in the quarter compared to the same quarter last year when we had a slight deflation in 09 with a 2% inflation in 2010 and this obviously affects our financial results because of the debts we have that are indexed by inflation.

In terms of energy sold, we had a slight improvement of 5.3% as compared to the contracted volume comparing 2010 to 2009. In terms of average price of energy contracts, we had a 7.4% difference.

And in terms of operating performance, we have hit another record, generating 5,470 MW, a capacity factor of 93.8%.

Also this quarter, we approved R$ 220 million interest on shareholders equity, which is equivalent to R$ 0.337 per share and we are expecting to have a 55% payout for 2010.

Another highlight of this quarter with regards to subsequent events, in October 19, 2010, in our extraordinary shareholders meeting we approved unanimously the acquisition of Suez Energia Renovável, which holds 40.07% of Consórcio Estreito Energia in charge of construction of Estreito HPP.

Now on slide 5, you can see our shareholding structure of Tractebel Energia and its controlling company. The change here is that Suez Energia Renovável is now part of the companies controlled by Tractebel Energia and it became effective in August after the approval by Aneel - both BNDES and CADE also approved it - and we should also emphasize that yet we have not completed the operation of International Power and that is why you do not have it here in this organization chart yet.

On slide 6, no major changes. We have 21 power plants that are operated by the Company and divided between hydropower, thermal and complementary (79% hydro, and 18% thermoelectric).

Now on slide number 7, you can see Tractebel Energia, it is the largest private player in the Brazilian generating market as compared to its competitors. Today we lead the market and this quarter we are presenting the growth estimates of our competitors and you can see that the company remains as a leader and will remain a leader for a while if we keep the expected growth compared to our

installed capacity and that is why we are also positioned as a possible agent to consolidate the industry.

Now on slide number 8, you can see our portfolio, a balanced portfolio among free customers, distributors and trading companies and we should stress, as we mentioned last quarter, that maturity of free consumers is changing its profile slightly in terms of distribution of our portfolio and for these consumers considering that they are having a slightly larger share compared to trading companies.

So part of the energy that we used to sell through trading companies now today we are selling directly to end customers and this is better for us than having customers buying from the trading companies.

On slide number 9, the diversification of our portfolio and you can see a risk reduction in different industries of the economy. We have a strict credit assessment policy which permits us having a zero default reality. We expect a real growth year on year, 12.3%, and overall 9% growth and they represent an even greater growth in our industry and it has an important share in our portfolio as you can see in the industrial class.

Passing to slide number 11, we have our forecast for the energy, electric energy market. We expect it to grow very much. The growth will contribute for the demand for electric power to go up and then for us to meet this growing demand it will be conditioned to effective growth of offer; what do I mean?

If you look at the chart on the right you will see that meeting the demand for 2011 will depend very much on the start up of new power plants and the same thing happens in 2012 and 2013/2014. So what you can see here that even though there is a structural surplus that you can see on the chart on the left, it depends basically on the startup of new power plants to supply this demand.

Now on slide number 13, you can see the energy for delivery in the medium term almost fully contracted and you will see that our availability up to 2013 is quite small, it goes slightly up in 2014/2015, but this is part of our marketing strategy. Tractebel Energia markets year on year … we market our power little by little, we are always present and active in the market and in this manner we want to reduce our exposure risk to the price of one specific year. This is one risk-mitigation policy that our company has.

Now on slide 14, we will be talking in more detail about our energy balance and our position and you will see that we have had a considerable reduction in our balance. As you could notice in the previous slide, we had 137 MW in our balance in 2011 (137 average MW), 133 average MW in 2012, and 168 average MW in 2013, 246 average MW in 2014 and 252 average MW in 2015. You can

also note that all average sales prices have increased slightly and they have gone up as compared to the reported in 2Q10.

Now talking about our growth I will talk a little bit about our Estreito Project on slide number 16. The novelty on this slide is that this month we have started to present an update on our Capex, of the total investment. There have been minor changes; there was a change with regards to the information in nominal value and not in constant value at a given time; and this represented a difference of what we reported in the past of R$ 48 million, future inflation expenditures.

We also have had a social investment of R$ 32 million that was approved and will be 100% funded by BNDES at TJLP. We also had a net deviation of Capex, of the total investment, of R$ 11 million so far. So our up-to-date Capex at the prices of 3Q10 is R$ 2.181 billion.

On slide 17, you can see the status of the works. The axis of the Kaplan turbine of the generation unit 1. We also have the general view of the spillway. All of the locks ... most of the locks are already mounted. We have the water intake with the retention grid which has been mounted already and you have a general view of the project: the substation, the powerhouse, the dam and the spillway. 2011 is the date expected for startup and we trust that the schedule will be fulfilled.

We will now move to the Jirau, a hydropower plant under construction and I will turn over to Elio from GDF Suez.

**Mr. Elio Wolff (Tractebel):** Good morning. I am going to talk a little bit about the Jirau hydro project, on slide 18. It is under construction and it is located in the Madeira River, 120 km from Porto Velho. The capacity was originally for 3,300 MW, but the shareholders together with ESBR defined to increase it to 3,450 MW. So we are currently building for 3,450 MW + an additional 300 MW which are under analysis depending on the assured energy associated to these 300 MW.

The assured energy of the plant now is 1,975 average MW, 44 turbines. We have commissioned 44 turbines + 2 turbines, this is what has been committed and we are analyzing the implementation of additional 4 turbines.

As regards the Capex, updated data for June 2010 amount to R$ 11.4 billion, of which R$ 3.5 billion have been invested or rather allocated to the project.

The BNDES current financing is R$ 7.2 billion, there is an additional line of credit being discussed with BNDES. On the right-hand side, you have the shareholding structure of the ESBR. GDF SUEZ holds 50.1% of the project, Camargo Côrrea 9.9%, Eletrosul 20% and Chesf 20%. Camargo Côrrea is well under way in negotiations to sell its stake and is going to sell half of its stake.

Relative to the Capex breakdown I would like to highlight the amount for investments in social and environmental projects totaled 10%, which is considerable bearing in mind that it is an R$ 11.4 billion project.

And moving on to slide 19, in the first block as you know the PPA price that was signed in the regulated environment for 70% of the energy. It is for R$ 79.00/MWh updated for June 2010 and the prices will escalate according to the graphic on the right-hand side.

As regards the free energy on October 20 an auction was carried out. This auction is just the first stage to sell this free energy and 23 players participated in the auction. The minimum price for five products was between R$ 130.00/MWh, R$ 140.00/MWh and no energy was sold in this auction. So from the free energy for Jirau none of its free energy was sold.

The auction is seen by the Group as a first stage to sell this energy and in a certain way it was a positive result for the Group, it gave us an additional perception relative to the price of energy in the market.

On the bottom of slide 19 you can see the schedule of the startup of the plant. In 2012 the first unit is going to begin to operate, in 2013 the 27$^{th}$ unit will start to operate, which accounts for 100% of the assured energy.

On slide 20 you see some pictures, some photographs of the Jirau power plant: the spillway, the powerhouse one (on the right bank); the lodging also on the right bank and the Nova Mutum Paraná with the houses that have been built in this place.

**Mr. Eduardo Sattamini (Tractebel):** We are now going back to talk about the financial performance of Tractebel Energia. On slide 22 we are showing a constant growth of our financial aggregates especially relative to 3Q10, to 3Q09. The results were impacted by the startup of new power plants, specifically Areia Branca and Ibitiuva, an increase in the average sales price as we have seen; a rise in the volume of purchase for resale; an improvement in the transaction carried out in the CCEE; and also more inflation and increase in energy exports.

I am going to give you some more details about the aggregates. On page 23 you see the changes in the gross operating revenue, there was an increase of 23.4%. The first block of increase comes from the transactions in CCEE coming from the results of our allocation policy. We had a very accurate and appropriate policy this year.

In this quarter too there was a high volume of dispatch in our thermals as an operating procedure in the short term and the PLD, the spot price, was also very high, so we had a very good result from our transactions in the CCEE.

We also had the effect of an increase in the average sales price because of contractual readjustments and new contracts at higher prices than the expiring ones. We also had the impact of the new power plants, Ibitiúva and Areia Branca, and an increase in sales volume. Also the impact of exports, this is an additional result from exports relative to 3Q09 and other. So the gross operating revenue was R$ 1.213 billion in 3Q10.

Relative to Ebitda, it was impacted by the same accounts: the transactions in the CCEE, the sales growth of the energy from the new plants, and what I would like to highlight is the block having to do with the reducers, the reducers of the Ebitda margin: that is the energy purchased for resale and the fuel expenses in generation (R$ 58 million and R$ 12 million impact respectively). The Ebitda then was R$ 572 in 09 and is now R$ 670 in 3Q10.

As regards the net income, on slide 25 this was basically impacted by the same components and I would like to highlight the financial results, they were lower than the financial results of 3Q09. The difference was R$ 9 million lower and this has do with a higher inflation and more depreciation of our assets, a R$ 4 million impact.

It might be also important to highlight that in 3Q ... that 3Q has an impact in 2010 results and it accounts for 38%, which is a substantial result that this quarter represents for Tractebel Energia.

As regards the financial data on slide 26 we have the average price, so you can have an idea of the increase in the average price. It went from R$ 108/MWh in 2Q10 to R$ 117.9/MWh in 3Q10. This has to do with the readjustment of contracts and we were able to close contracts with higher prices than the old contracts. This has had an impact on the Ebitda generation, R$ 670 million,due to the higher volume of transactions in the CCEE with an impact of R$ 324 million in the net revenue ... in the net income, sorry, which is very high relative to the previous quarters.

Moving now to the indebtedness of the Company, on page 27 we have the impact of the acquisition of Suez Energia Renovável. Our debt was R$ 3,065 billion in the second quarter of 2010, going to R$ 4,276 billion in 3Q10; R$ 1,160 billion are for the acquisition of Suez Energia Renovável and R$ 50 million are for the Ibitiúva Project, for which we made the disbursements now in 3Q.

As regards the cash position, R$ 1,174 billion in September 30. Since then, we had subsequent events: we paid dividends, we also paid the second portion of Suez Energia Renovável of R$ 328 million and as a result we have a net position of R$ 614 million. The cash already had a small reduction in the beginning of 4Q10.

As regards the debt evolution, at the end of the second quarter of 2010 we had a net debt of R$ 2,204 billion. We had the incorporation of the debt of Estreito, R$ 1,161 billion and we had other investments: in the new projects, now the project of Estreito and maintenance Capex basically; also we had interests in FX change with R$ 51 million and operational activities with cash generation reducing the debt by R$ 505 million.

We also had a negative change in working capital especially because of the release of Court deposits or the escrow over contracts and this was reported in the extraordinary results of 2Q and the net debt totals R$ 3,101 billion at the end of 3Q.

Now on slide number 29 you can see the debt profile. You can also see a slight difference in 2011 because it is added obligations in terms of maturity of loans also as a consequence of the acquisition of Suez Energia Renovável, whose loans are going to mature (the loans from BNDES) they are going to mature in the second half of 2011.

The cost of the debt has also had a substantial decrease. We have had 10.9% last quarter to 10% this quarter as a reflect of the acquisition of the debt of Suez Energia Renovável, which reduced the total cost of our liabilities in BRL.

Another effect that you can see in terms of the acquisition of the debt is an increase of the debt indexed by TJLP, which in 2Q10 was 40% and now is 57% of our debt. So it is a cheaper debt that reduces the capital cost of indebtedness of Tractebel Energia.

On slide number 30 you can see our expansion plan, our investments and our Capex and you can see a slight marginal reduction of our expected Capex from R$ 2,236 billion to R$ 2,203 billion. And a change in the composition in 2010 of the investment funded by loans and equity funded investments, especially by the approval of BNDES in the 3Q10, the contract will take place in 4Q10 But a supplementary loan was approved for Estreito Project worth R$ 308 million. This was not predicted in Santander report and it was one of the potential upsides if we consider the project and it's been reached now in the 4Q10.

As to our dividend policy we are still committed with a minimum payout of 55% of the net income. We are paying R$ 0.78 per share of interest on shareholders' equity, which is equivalent to 60% of our profits up to 3Q10. We also announced the distribution of interest on shareholders' equity in the amount of R$ 220 million, which means R$ 0.337 per share and in total we are going to have R$ 844.2 million to be distributed regarding this business period.

So this was the presentation, now we are going to go to our Q&A session.

## Q&A session

**Mr. Vinicius Canheu (Credit Suisse):** Good morning, thanks for the presentation. My question has to do with new contracts that you showed in your balance. There was the sale of new contracts and you mentioned a price of around R$ 125/MWh in the previous quarter; can you give us an indication relative to the new contracts? Are they at the same level, are they at a higher level, at a lower level?

And the second question has to do with thermal generation. We saw that energy was generated at William Arjona. I would like to understand what happened with this thermal generation; was it outside the order of merit? What is the situation for 4Q?

**Mr. Eduardo Sattamini (Tractebel):** The first question relative to the price level. New contracts were at a higher level relative to 2Q, there was a small improvement and in a way what we saw in terms of price in this quarter was a price of R$130/MWh. Some contracts had a deviation of more or less R$ 10 in view of the flexibility, the allocation of energy in the year and the modulation required by the customers. And this is what is important: depending on the need of customers and our availability, prices may vary; but the price in general was a little bit above the prices of 2Q10.

Relative to William Arjona it was dispatched outside the merit order using the short-term operating procedure most of the time. And on 4Q what we are seeing or rather what we were seeing until last week was the continuity of the dispatches.

**Mr. Leandro Cappa (Deutsche Bank):** Good morning. I have two questions to Elio, first with the change of Santo Antonio for the 70.5 quota determined by Aneel is it going to impact Jirau and the total profitability of the project?

And can you talk about the difference between the price offered and the minimum price in the auction of Jirau's energy?

**Mr. Elio Wolff (Tractebel):** Thank you very much. Relative to the first point, the information we have relative to the quota of Santo Antonio, this was in the press today and it is important to say that ESBR was not formally notified, but the assured energy of Jirau and Santo Antonio is a legitimate process. The regulation was just recently established and the two plants together with the other plants that are filing for additional assured energy, they are awaiting the process that is being conducted by the regulatory agency. So we would rather wait for the feedback and for the results of the discussions held together with the regulatory agency.

Relative to the auction prices, as we said in the presentation the minimum price was between R$ 130.00 and R$ 140.00 and the perception that we had was that the buyers' disposition was to pay between R$ 120.00 and R$ 130.00. This is why no negotiations, no transactions were carried out in the auction.

**Mr. David Fajkarz (Raymond James):** Good morning. I would just like to complement the question to Elio. Considering the results of the auction, do you intend to change your strategy of lowering prices or do you have any other strategy? Are you waiting for prices to get to that level? Do you have that type of expectation? Thank you very much.

**Mr. Elio Wolff (Tractebel):** Actually as I had said before the auction was the first phase that we took, the first step for selling this energy. There are other ways that we are going to consider from now on, we are already considering. We may take part in a new energy auction and these are actions that the Group will take from now on.

Obviously we will try to maximize, to make the most of the sale of the energy and to try to capitalize the best value for the energy in the market.

What we also identified in the auction is that the products and the way these products were offered did not fully meet the market demands with regards to modulation, and aspects that may be dealt directly with the customer and thereby to absorb a better value.

**Mr. Eduardo Sattamini (Tractebel):** Elio mentioned an important aspect: when you go to an auction you need to define a product and to define a product you lose the opportunity of individually meeting the needs of your customers. So you focus your contracts more on price and this might be an explanation, this is something that we learned in this process.

**Mr. David Fajkarz (Raymond James):** Thank you very much.

**Mr. Diogo Amaral (Banco Safra):** Good morning, Previtali, Sattamini and Elio. About operating costs this quarter I noticed that in terms of manageable costs, PMSO, there was a significant increase. You mentioned in the release an increase with expenses from third-party services. From now on do you think this is going to be a recurring basis or that number includes nonrecurring events? I would just like to have an idea whether this is going to continue in the next quarters.

**Mr. Elio Wolff (Tractebel):** Some of the effects we may comment on: there was the effect of the increase of our expenses with personnel; the higher personnel expenses is because of the hiring of new people, including for the startup of Estreito power plant next year.

As to third-party services this is not recurring, this is specific, services recently hired for the turbines in our power plants and we are not expecting for them to continue, to recur in the future. So we do not think this is a permanent increase in our level of expenses.

**Mr. Diogo Amaral (Banco Safra):** Thank you very much.

**Mr. Marcelo Britto (Citigroup):** Good morning. My question has to do with Jirau. So in addition to the return, what are the consequences of not contracting the anticipations? The funding, the BNDES, were they counting on the anticipation of delivery or were they only counting on the long-term contracting?

**Mr. Elio Wolff (Tractebel):** These are actually two questions, so the first has to do with why we did not sell?

**Mr. Marcelo Britto (Citigroup):** No, what are the effects of not contracting in the short term for you to close the project finance with BNDES, the anticipation actually?

**Mr. Elio Wolff (Tractebel):** We do not think that we are not going to contract; our expectation is that we are going to gear efforts to sell this energy and of course we want to contract this energy in the best possible position.

Relative to BNDES of course there are commitments before the BNDES that have to be met and they are going to be dealt with as the facts arise. We do believe we will sell this energy so the conditions of the BNDES of course will be met.

**Mr. Marcelo Britto (Citigroup):** So the funding agency was counting on the anticipation of the project; is that correct?

**Mr. Elio Wolff (Tractebel):** No, one part of the anticipation is part of the revenue that is linked to the funding.

**Mr. Eduardo Sattamini (Tractebel):** Once again I would like to thank you all for attending our call. We hope that we have excellent results on 4Q too and to close 2010 with an outstanding performance for our shareholders and to announce good dividends for 2011. Thank you all very much.

**Operator:** Tractebel Energia's conference call has now ended. We thank you all for your participation and have a good day. Thank you.