Local Conference Call
Tractebel Energia
Results for the Third Quarter of 2012
October 26th, 2012

Operator: Good morning. This is the Tractebel Energia conference call. All participants are connected as listeners only. A Q&A session will begin later, at which point you will be given instructions to participate. Should you require assistance from an operator during the teleconference, just press "star zero". Please note that this audio-conference is being recorded.

I now give the floor to Mr. Antonio Previtali, Tractebel Energia's Investor Relations Manager. Please proceed, Mr. Previtali.

Mr. Antonio Previtali: Good morning, ladies and gentlemen. Welcome to the Tractebel Energia conference call for the discussion of our results for the third quarter of 2012.

This presentation and its accompanying slides will be broadcast simultaneously over the Internet at the Website WWW.TRACTEBELENERGIA.COM.BR, Investor section. There, you will also be able to obtain a copy of the presentation and the Company's results release.

Before we proceed, I would like to point out that any statements that may be made during this teleconference in connection with prospects for the Company's business must be treated as predictions that depend on the country's economic situation, on the electricity industry's performance and regulations and other variables, and are therefore subject to change.

We have present with us today Financial and Investor Relations Officer Eduardo Antonio Sattamini, who will comment on Tractebel Energia's performance in the third quarter of 2012, and Elio Wolff, Market Relations Manager at GDF SUEZ Energy Latin America, who will provide an update on the implementation of the Jirau Hydro Plant. They will then answer questions you may have.

I now give the floor to Mr. Eduardo Sattamini. Please proceed, sir.

Mr. Eduardo Antonio Gori Sattamini: Good morning, everyone. We are happy to once again stand before you with excellent quarterly results. Let us begin the presentation at page 4, with the quarter's financial highlights.

The first highlight is the 12.7% rise in net revenue from energy sold from the same quarter last year, a BRL 147 million increase that was basically the fruit of short-term market deals on the energy trading board. You will see further details on these aggregates later on in the presentation.

We also had a 17.5% quarter-on-quarter EBITDA increase. The gain exceeds the increase in net sales. This growth is basically due to greater thermal power dispatch, which made our selling position, our bought position on the CCEE to increase, and it comes with a dispatch to SIN.

In the previous quarter our thermal power output was more focused on exports, and we then had to bear the cost of fuel. When we generate for SIN (National Interconnected System), we don't face the cost of coal, which makes our EBITDA rise more than it would, hence the contribution to revenue growth.

This is reflected in a higher EBITDA margin than in the previous quarter; our margin grew by 2.7 p.p., which reflected on our net profit that was 18.1% higher than in the same quarter last year.

As for energy sales, the increase was just 0.7; but net of the exports had in the third quarter last year, the observed sales increase was 6.6%, or 247 average MW. The energy comes mainly from the increased installed capacity at Estreito and from energy we purchased to resell.

The average price of contracts rose by 6.2%, which, as you will see later on in the presentation, also contributed to increasing net revenues and therefore to the robust results we have to report for the quarter.

Energy production was lower than in the same quarter last year, due mainly to weak hydrology that also led prices on the spot market to rise and caused us to increase activity at our thermal plants. We had a 44% production increase from our thermal plants, far more than offsetting the 16.5% drop from our hydro plants.

Generation also increased at what we call supplementary plants, or non-conventional renewable energy - NCRE.

Let us turn to page 5 for quarterly highlights. On august 9th, the seventh unit at the Estreito HP was activated, taking us to 97.3% of assured energy. Full attainable potential will soon be reached, with the final turbine set to open late this year.

Tractebel beat its instantaneous generation record on September 3rd, at 7,409 MW, an 87.2% capacity factor, but the record was broken again just now in October, with 7,561 MW generated. This record is the fruit of the company's plants' high availability to the electricity industry, which has been showing elevated consumption levels. Due chiefly to energy shortages in the Brazilian north and northeast, plants in the south are operating at maximum capacity.

Also in this quarter, at yesterday's meeting, the Board of Directors approved distributing BRL 276.2 million as interest on shareholders' equity in connection with 2012 results. We are already approving appropriating this interest, which will take place on December 31st, 2012.

Another highlight this quarter is that, in September, our AAA rating previously given by Fitch Rating, was confirmed by Standard & Poor's. It is the company's second AAA rating and joins the Investment Grade we also achieved from Fitch in April this year (International Investment Grade); with this second AAA rating, we join the small group of ten Brazilian companies with two AAA ratings from the world's leading ratings agencies.

Finally, Tractebel was for the second time in two years of enrollment named as one of the 150 companies in the *Você S/A* magazine's 2012 great places to work guide. This is important because it is not enough to just show good performance; you also need to have good working conditions and be worthy of admiration to capture the best talents available.

Let us then move on to page 6, a slide on Provisional Measure (MP) 579, which hit the market on September 11th and that we could not fail to mention. It was a high-impact event and several shares in the industry suffered. We would like to provide some information so that those not yet familiar with the MP can catch up.

The MP is under appreciation in Congress. It has amassed 431 amendments and is in regular approval process. The MP aims to reduce the cost of electricity to consumers via the reduction or elimination of charges, cash injections from the Union and the extension of concessions. Its effective purpose is to reduce the cost of energy and thereby boost the competitiveness of Brazilian industry and also fight inflation.

The measure is short term-oriented and will not necessarily affect other concessions in the electricity industry. The impacted concessions are those granted before the General Concessions Act (Law No. 8987), and may be extended for thirty years. Extension events will be contingent upon concessionaires' agreement to exclusive compensation covering the cost of O&M, charges, taxes and, where applicable, the cost of transmission and distribution.

I mean, there will be a management margin to compensate the work of the plants' managers, but it is still unclear what the magnitude, the size, of this compensation will be.

It is important to emphasize that Tractebel Energia's concessions, having been granted after Law No. 8987, are not affected by MP 579. In other words, the MP does not cover renewal of the concessions for Tractebel's plants.

To provide some context, our release this year carries our concessions' expiration dates. To illustrate, our first concession to expire is Tractebel Energia's itself, from the days of the privatization of Gerasul. The concession expires on September 27th, 2028, that is, we still have some years of peace ahead before concession renewal comes up, which may be under different terms than those of the MP.

There will be a reduction in charges (mainly RGR, CCC and CDE) for all consumers. This will make energy cheaper and may lead to increased consumption by those that were marginally inefficient and uncompetitive, and may now become competitive and thereby increase production, leading to greater energy consumption.

These concession extensions and cost reductions will have an effect mostly on consumers in the regulated market, while those in the free market will benefit from reduced charges. The effects will make themselves felt starting in 2013 through the new fees the government will publish.

It is also important to stress that the MP confirms coal refunds via CDE. This has a positive impact and ensures the *status quo* for Tractebel Energia's thermal plants. We will therefore continue to operate our plants and be entitled to coal refunds for their operation. The subsidy is for the domestic coal industry, whose product is low-quality and uncompetitive, but involves a social aspect in the maintenance of jobs, particularly at mines here in Southern Brazil.

Let us now move on to slide 7, which shows our ownership chart. The change in this chart is the corporate name change from International Power to GDF SUEZ Energy International.

This crystallizes and completes the process of takeover and incorporation of International Power, which began back in 2010 with the market purchase of 70% of International Power; then came the delisting of International Power in June this year, and the process of incorporation into GDF SUEZ has been completed with the corporate name change and with the group's identity change, which returns to GDF SUEZ, including for international activities.

Another important element in this chart is GDF SUEZ Latina America's acquisition of Camargo Corrêa's 9.9% stake in Energia Sustentável do Brasil.

Let us move on to slide 8, which illustrates our plants breakdown, our market share and our domestic presence. We have 81% of our capacity in hydro plants, 2% in supplementaries - meaning that 83% of our mix is renewable energy - and 17% in thermal plants.

Our energy mix enables us, as you have seen this quarter, to capture opportunities and protect ourselves from the hydrological mood swings. When hydrology does poorly, we implement an energy allocation process. We start generating from our thermal plants, protecting ourselves from cost increases on the spot market.

The company has a growing international presence, expanding nationwide from its local roots in the south. We are therefore shifting into an increasingly nationally present company, expanding into the various Brazilian regions.

Another important element in this slide is our characteristic growth with discipline. As you can see, the company grows in certain periods and remains stable in others. Why is this? Because the market sometimes does not provide satisfactory return-on-investment conditions. This was the case in 2002-2006, after the energy rationing, when demand dropped, prices plunged and we resumed growth after 2006, 2007, when market conditions improved.

This is the conglomerate's philosophy: to make rational investment decisions and ensuring return for investors.

Slide 9 shows our increasingly consolidated lead. The main change here concerns precisely our share, increased share in Jirau, which further improves our leadership prospects. We expect to retain our lead, which puts us in a good position to capture potential market opportunities.

Slide 10 shows our portfolio, which strikes a balance among distribution companies, free customers and trading companies. As those who keep up with our calls and reports can see, there has been a change from the second to the third quarter: starting in 2011, we restated the shares of free customers and trading companies.

Last quarter we noticed - and didn't have time to review right then - a large migration of contracts from free customers to their captive trading companies. This led to a distortion of the free customer/trading company position and we had an excessive increase in our share of trading companies.

Closer analysis showed that it was a means free customers were using to buy energy increasingly through their markets and gain flexibility in the distribution of the energy across their operating units.

And so, starting this quarter, we restated the position and you can now have a clearer view: trading companies associated with free customers will now be categorized as free customers on the orange part of the chart. This is the main difference.

As you can see, we are increasingly strengthening our connection with end, free customers. This is important to us as a way to unload our existing energy and not leave any for liquidation in A-1 auctions, which are used by companies with smaller commercial capacity and whose prices tend to be lower.

Moving on to the slide on page 11, since we appreciate our free-customer position, you will notice that we already have a rather diversified portfolio; it is a strategy to reduce our exposure to any given specific risk, which, together with a strict credit policy that requires sufficient collateral, leads to a very low rate of default from these customers.

The slide also shows that there is an impact from the re-categorization of these free customers, so that our position on free customers rose to 1,497 average MW this quarter from 1,285 average MW sold last quarter.

Slide 13 provides an overview of the market. It clearly shows the increased share of thermal power and the delayed implementation of projects, a preference for the construction of hydro plants with low storage capacity and the adoption of risk-averse procedures that may and have increased the price of energy as well as greatly increase the spot price volatility.

The chart on the left shows that we still predict surplus supply, but the figures here already contemplate a demand review on the part of the ONS from approximately 800 average MW in 2012; that is, we now have something close to 1,000 MW in terms of surplus in 2012; but if expected demand had not been reduced, we would be in a tight position because of the delayed projects.

From the previous quarter to now there was also the removal of approximately 1 GW in supplies from two Multiner plants and six Bertin plants, which the system operator removed from its future supply forecasts.

On the right, then, we continue to see that the demand line still crosses the thermal plants supply line, due to which spot prices rise significantly in the absence of abundant hydro supply. The thermal plants that have been added to the system have high operating costs, many of them are fuel-oil fired and are now dispatching at a rather high PLD ("preço de liquidação de diferença" - gap liquidation price).

Moving on to slide 15, which shows our uncontracted energy position. Uncontracted energy remains very low. Evolution is not great in years when we still have a reasonable portfolio (2015, 16, 17) because the market is just beginning to understand the impacts from a very favorable hydrology in 2011, an early 2012 with a poor hydrological scenario, rising prices and the concerns over the solution of the concessions issue.

As a result, the market is unreceptive for contracts. This is beginning to blow over now, spot prices are starting to drive some customers back to the market and prices are beginning to show an as-yet unrealized recovery reflected on the level of the proposals we have been encountering in the marketplace.

Slide 16 shows our traditional energy balance, with our main contracts in the regulated market. Our portfolio has not changed much, and you will see that is shows little variation. Some sales activity is going on, but still very little, and a possibly striking point is a small margin reduction due to the price levels experienced last year.

The margin between average selling price and average buying price shrunk a bit, but not significantly. These are regular market adjustments we are looking at.

On to our expansion, the Estreito plant is at its final phase. The last unit will become operational until year-end, and the plant's assured energy was fully sold on the new energy auction of 2007, and delivery is beginning in 2012, that is, the contract in force has been contributing to our results at a rather satisfactory price (almost BRL 162/MWh).

Now, slide 20 goes into Jirau and I give the floor to Elio Wolff, who will comment on the project.

Mr. Elio Wolff: Good morning, everyone. I'm pleased to be here again to talk a little about the Jirau project. Slide 20 has three important updates: first, the license to operate. As you probably saw on the media, on the papers, the operational license for Jirau was obtained on October 19th and already enables us to fill the reservoir with an aim to start commercial operations in early 2013. This will take us to 100% of assured energy by the first half of 2014. This is the project's current schedule.

The second relevant point in this slide is the confirmation of additional BNDES funding in the amount of BRL 2.3 billion. The financing has similar terms and conditions as the original one, with TJLP interest rate plus a spread, with the TJLP currently at 5.5% and the spread slightly over 2%, near 2.4%. These are the characteristics of the additional financing we secured.

Besides, the original loan's repayment profile has been adjusted. The debt stipulated that repayment should begin in the second half of 2012, which was adjusted to the project's current schedule so that the original debt will start being repaid in the first half of 2013.

The third relevant point is GDF Suez's acquisition of Camargo's 9.9% stake in the project. SUEZ will now own 60%. Camargo's exit as a partner - it is important to

emphasize that Camargo remains the site's main contractor - had been predicted from the start.

The terms of the acquisition were based on capital injections adjusted as described in the slide, and completion is set for the final quarter of 2012. The transaction is now almost complete.

Moving on to slide 21 and a few updates here as well. First, the project's basic information: 3,750 in capacity and SUEZ now with 60%, as mentioned in the previous slide. As for uncontracted energy, 73% has already been sold via 30-year PPAs, long-term, inflation-indexed PPAs.

The first of these enters into force on January 13th and reaches 1,383 average MW in early 2016. The PPA's price on September 30th was BRL 89.70.

The second PPA begins in March 2014 at 209 average MW and priced at BRL 108/MWh. The balance - another piece of news - the balance of the available energy has been sold to the owners, that is, each partner is acquiring its share of the uncontrated energy in the long-term. In GDF SUEZ's case, we now purchase 60% of the uncontracted energy.

All of this information regarding ESBR's sold energy can be viewed on the graph to the right - the lower graph on the slide - a view of 2016 where the dark blue shows the first 1,383 PPA, the lighter blue shows the second 209 average MW PPA and then come the owners' PPAs (GDF SUEZ's 323 correspond to 60% of uncontracted energy, plus 108 for Eletrosul and 108 for Chesf). This is the profile from ESBR's viewpoint, that is, from now on the owners become responsible for trading energy in line with their shares in the project.

No news in terms of Capex. Expected Capex for the project remains at 15.4 billion.

Another point to emphasize in this slide is the issue of the acquisition of carbon credits, which is under way. The project has been validated and now awaits acknowledgment from the Brazilian government prior to submission to the United Nations, which means relative progress. We believe that registration with the United Nations will take place by late 2012 or early 2013.

Finally, the issue of additional assured energy is still being debated, at 90 average MW, plus tax benefits the region offers the project.

Slide 22 provides some updated visuals. It is always important to provide visual information: the left-bank powerhouse, the right-bank powerhouse and the spillway. Construction, therefore, is pretty advanced, and we are looking at commercial operations start in early 2013.

I now return the floor to Eduardo Sattamini so he can continue the presentation.

Mr. Eduardo: Let us now turn to slide 23, where we return to projects under development at Tractebel itself. This means the wind farm projects at Porto Delta and the Trairi Wind Farm Complex. We had a little trouble with the Porto Delta license and it uncoupled from the rest. The license was only given on June 18th, while other projects were already under construction in late 2011.

The four Trairi farms are under accelerated construction. They are set for delivery in the first half of 2013. Our towers factory is already set up on the site, many of the foundations are ready and many pieces of equipment have already been delivered.

Which brings us to financial performance, page 25. This first slide on page 25 emphasizes the company's strong performance. It presents our results for the past three years, with increasing revenues, EBITDA and net income - but this is the behavior seen for the past eight years, particularly as regards net income. Net income has been growing every year.

On, then, to the breakdown of these main aggregates. Page 26 talks about net revenues evolution. As mentioned in the first slide, a large portion of our net revenue increase came from operations in the electrical energy trading board. As seen, our average quarterly PLD rose from BRL 20/MWh in 2011, the third quarter of 2011, to 131 in the third quarter of 2012.

Our thermal power generation grew, which increased our creditor position with the trading board. We had secondary energy that also contributed to our creditor position this quarter, providing BRL 117.3 million in total revenues in the third quarter of 2012.

This was the main factor, but also the average selling price rose from 125 to approximately BRL 133/MWh (notice that this price is net of charges) and, compared to auction prices and market prices, and bearing in mind the addition of PIS-Cofins at a rate of about 10% (9.25%), these contributed BRL 56 million to our growing revenues.

The 0.7% increase in sales volume added 50 million, and we deducted the contribution from Estreito because it is a new project. We will probably not include Estreito next year because it will cease to be a project undergoing implementation to become a definite project within the company's portfolio.

Then there was a reduction, as previously mentioned; our thermal generation was meant to serve the SIN and not to serve export needs, so that there was a

significant drop in exports, which reduced revenues by 87 million. Given the entire context, we had a 12.7% increase in net revenues.

Moving on to EBITDA and, once again, the contribution from CCEE. Basically, there was no difference in purchases, there was just a very small difference that had no effect, hence this result, this contribution to EBITDA.

We had 37 million from operations, Estreito at 30 million, that is, a margin of 90%. Today, the margin for the entire project is 82%, the EBITDA margin is 82%, from around 75% when the year began. But with the 90% from this new marginal generation, we are reaching an annual margin of 82%. And exports, once again the effect of the lower exports, contributed to a lower EBITDA.

Net income evolution: once more, CCEE, operations; we had a very large cost increase from Estreito. When Estreito goes into full operation with all of its machines, then we will have full asset depreciation. As a result, the marginal contribution from Estreito was very small.

Inflation picked up and, as a result, so did sending on concessions due in connection with the projects.

Net income, then, rises from 332 in the third quarter of 2011 to 392 in the third quarter of 2012, an 18.1% increase.

On to page 29, where we discuss the main financial drivers, essentially a summary of everything we have already presented. Perhaps the main things worth mentioning are increased margins, the robust net income and the rising average selling price. These are perhaps the actual drivers, while the others might be the result of those drivers.

Page 30 illustrates our debt. I'd say that our indebtedness level today is actually inefficient, at a very low 1.2 times EBITDA in terms of gross indebtedness only.

But this is because we are preparing the company - and have been for almost two years - to accommodate the acquisition of Jirau. We will probably be starting a process when the controlling shareholder submits the project to the Board for approval. This should take place early next year and then will come the moment when the related parties committee (the governance framework created in 2010 by the company and its controlling interest) will be formed to evaluate the terms of the transaction.

So we are preparing the company for the expected acquisition of Jirau and have this capital structure I'd call inefficient at 1.2 times EBITDA as gross total debt/EBITDA.

Cash generation remains strong. Funds from Operations leaped to 2.390 billion this quarter from 2.146 in the previous one, a robust evolution that can also be seen in slide 31, where we illustrate our net debt change, funds from operations at 870 million.

On the same graph we see that there was a 2.4% increase in net debt. the slight increase was due mainly to dividends distributed in September, which were 100% of profits from the first half.

We also made modest investments (BRL 69 million). There were changes in working capital, net interest and other contributions that led us to a 2.4% increase in net debt.

Now on to our debt profile, which is rather comfortable. There is a small concentration in 2013, 2014 as a result of the 4131 deal we made last year and the maturity of the second-issue of debentures, which will come due by late 2014.

After 2014, we return to normal repayment levels on our very long-term loans from BNDES, and this longer debt profile, with debt anchored to the BNDES TJLP interest rate will also show that the average cost of our debt has been dropping. Last quarter we had 8,8% interest on our debt in Brazilian Reais and it dropped to 8.4%; we dropped to 3.4% from 3.9% in Euro and stayed at 5% in US Dollars.

But let me stress this: The TJLP is increasingly present in the breakdown of our debt in domestic currency, and this is a trend, since long-term infrastructure financing comes from BNDES.

As for investment, page 33 shows that there were no major changes since the past quarter. Investment in 2012 remains on course, with its main elements in the Trairi wind farms, where we expect to spend a little over 400 million until year-end 2012.

Capex for maintenance is at BRL 110, BRL 115 million. There are also investments of around 140 for the completion of Estreito, totaling BRL 663 in investments in 2012.

In 2013 we will continue to invest on completion of the wind farms, an additional 200 million or so. Capex for maintenance will be a bit higher, as we will be starting renovation works at alto Santiago; we must replace the generators and will also change one rotor, probably with some energy gain. This is still awaiting approval and, as soon as we get confirmation, we will come back to the marked with a little more detail.

In 2013 there is also an amount retained from 2010 profits, the 512 in cash set aside for the acquisition of Jirau, and our responsibility is to keep this in provision for investments, as these are retained earnings. This is no indication of the price to be paid for Jirau, and is just a result of the duty to issue a disclaimer and present retained earnings with their destination for investment in the future.

Capex in 2014 id basically maintenance, continuing the renovation, generators and rotor change in the Salto Santiago plant.

As for the dividends policy, our minimum legal statutory policy is 30%. The minimum agreed with the market is 55, and we are probably very close to this already. This year we distributed BRL 690, or 100% of the first half's earnings, as you see.

We have approved the distribution of 276 million in interest on shareholders' equity and therefore have an announced and committed payout of 996 million in 2012, which, relative to the year's earnings until the third quarter represents around 91% of the payout from this year's earnings.

This, then, is our presentation for this quarter and we are now open to questions and answers.

Q&A Session

Operator: Excuse me, ladies and gentlemen, we now begin the Q&A Session. To ask a question, please press star, one. To remove a question from the list press star, two.

Excuse me, let me remind you to press star, one to ask a question.

Excuse me, our first question is from Mr. Felipe Leal, Merrill Lynch.

Mr. Diego Moreno: Good morning, everyone, actually this is Diego Moreno. I have two questions. The first one has to do with the transfer of Jirau. I'd like to understand, since you have been indicating that you expect the transfer to take place next year, this issue of the 27% of as-yet uncontracted energy. I'd like to know whether for the transfer to occur the energy must already be contracted, or whether you are working with the hypothesis of first making the transfer and then sell the energy, assuming, I imagine, some sort of price to be included in the valuation to be agreed?

My second question has to do with long-term strategy, as we see that Estreito is almost complete, construction of the wind farms, which are smaller plants, are well advanced, and Jirau will eventually be transferred already in operation, so that there are no major projects under construction, under development

I'd like to know, then, what the company's prospects are, whether you still see good opportunities for growth, whether you imagine that next year's auctions will include good plants for you to bid on or become partners in, or whether you now perceive a moment where there are not great investment opportunities, as was the case in 2003-2006, as you noted, in which case focus will be sharper on dividends distribution. This is just so we can better understand your strategy. Thank you.

Mr. Eduardo: To answer the first question, about the transfer of Jirau being contingent upon the sale of the 27% of energy still available from the project. No it is not contingent upon that; obviously, the bigger the percentage of the energy sold, the easier the deal, as it reduces one of the variables under discussion.

But no, even if a reasonable percentage of energy remains to be sold on the free market, there is a period for sale. There will always be a need to estimate and use assumptions for the remaining energy. So it is no impediment at all.

The delay was due much more to the need for clarity about the project's leverage, which has been addressed with BNDES's signature, with the issue of the license to operate that has been secured. All of this kept pushing the deadline back. And so, since we are very close to operations start, why not start discussions when the year begins and the plant will be going operational?

But the question was about energy sales. Are they important? They are, but will be addressed somehow during negotiations and there will be adjustments to the assumption to be used for pricing purposes.

As for your second question, on long-term strategy, you're correct: there are no major projects being developed pot-Jirau, except for small internal ones. This is very much a sign of what has been going on in the marketplace in recent years: rather aggressive behavior from competitors who accepted rates of return we ourselves considered to be below the project's risk and not to properly compensate risk.

As mentioned, we have very strict financial discipline and prefer to steer clear of low-return projects. In sum, it is a reflection, but we are also working inside the conglomerate on several projects, on hydro plant projects through the GDF SUEZ people, on thermal power projects within Tractebel Energia itself, on some joint biomass projects with GDF SUEZ.

In other words, we have projects under development for all kinds of sources so that we will be prepared for when the market's behavior becomes more rational, more technical in terms of investment decisions, and we can then seize opportunities.

It is difficult to imagine a company with Tractebel's scale, the largest independent producer in Brazil, with AAA access to cheap capital, not being competitive in the market except due to more aggressive behavior on the part of the competition, which in some cases is buying market share, buying their entrance into the marketplace.

I believe, therefore, that a solution to our growth will begin to emerge. One potential motivator, or trigger, for this may perhaps be this realization that, for the marketplace, when someone fails to deliver a series of projects, when supplies are delayed, the quality of the developer is pretty important when it comes for the growth policymaker to make a decision.

And so I believe that we will show growth, we are preparing for it and the market will resume rational behavior in the near future.

Mr. Moreno: Ok, you have been very clear, thank you.

Operator: Excuse me, the next question is from Ms. Marina Fernanda de Lorenzi, JP Morgan.

Mr. Pedro Manfredini: Hi, good morning, everyone, this is actually Pedro Manfredini speaking. I have a quick question for you: during the energy buying and selling part, you pointed out the issue of margins. This caught my attention because what we have been seeing in recent quarters was either rising margins or persistent high prices. What caught my attention in particular was a drop in margin in the last period you broke down, which was 2014, I believe.

I would like to better understand the reason for this, given that in this period additional energy sales were very low, at 40 average MW in the period, I believe. I would like to understand how this works and whether the spread reduction in the last period is significant, and how you regard this.

Mr. Eduardo: In fact, you are seeing this happen in 2014 and it will happen again in 2015, 2016, it's just that we don't show it in detail. We don't, among other reasons, because it loses a bit, the more distant the period, the lower the quality of the information.

What is going on? We already told the markets that in 2011, because of the very low hydrology, because of the expected surplus supply, market prices were very low, as low as BRL 85, BRL 90/MWh.

We were comfortably sold for the next years; but some of our customers who had high volumes came to us to discuss, perhaps, some sort of mechanism to enable them to capture a bit of the low market price.

We set up an offset system according to which we extended the maturity of futures or contracted energy a bit further forward at a slightly higher price level than we predicted for the future and, in exchange, offered some sort of discount on the market price of the energy sold to those customers in the current year and on closer years.

It was a tradeoff, then. We always did a win-win analysis, that is, how we might serve our customers without jeopardizing our strategy.

so we gave up a bit of margin in the present to capture a bit more in the future. This development took place due mainly to pressure these customers experienced from trading companies in 2011 and early this year. Why?

Because the trading companies were exposed to the market, buying on the spot market, selling long-term contracts. They were creating very fierce competition.

So we tried to adjust to this competition. The development was seen in 2011, early 2012, but started to subside in mid-2012 as the spot price got very high. This prevented trading companies from doing arbitrage and stopped this artificial pressure shift, because it is in fact pressure from those willing to take on a very high risk level, as when they sell long-term contracts based on purchases from the short-term market they become exposed to a very high risk, to a great buy-sell price mismatch risk.

This is actually happening. There are reasonable default levels in the marketplace. So we did face this kind of pressure. We adapted our portfolio to it, but, like I said, the impact was not very significant and shows our way of dealing with the market, always looking for win-win solutions with our customers.

Mr. Manfredini: Ok, thank you, Sattamini. I just wanted to clarify something, perhaps Elio can do it, on the issue of the Jirau energy sale contracts. He noted that each partner will start inheriting the spare contracts from Jirau.

I'd like to know how this would work, what is the process for effecting sales after the contract, whether in a potential transfer the contract might remain within GDF SUEZ and not be transferred, this obligation to sell energy to Tractebel itself.

I'd just like to understand how this will work from both angles.

Mr. Elio: Conceptually, one of the project's main upsides lies in energy sales, and Tractebel is logically the company in the conglomerate best equipped to carry out such sales. Logically, then, when the project is transferred to Tractebel it is in the conglomerate's interest that Tractebel should start to trade this energy, this share the conglomerate has in the energy from Jirau.

So, essentially, this - not a commitment - but the possibility of selling the energy is also Tractebel's.

Mr. Pedro: Ok, that's great. Thank you, Elio, thank you, Sattamini.

Mr. Eduardo: You're welcome, Pedro.

Operator: Our next question is from Mr. Gabriel Laera, Banco Espírito Santo.

Excuse Mr. Gabriel, your line is open.

Our next question comes from Mr. Gabriel Salas, JP Morgan.

Mr. Gabriel Salas: Hello, forgive me, my Portuguese is very poor.

If you don't mind, I'll ask the question in English, but you can then answer in Portuguese, which I can understand. My question has to do with Jirau. I know a bit about the PPA in Jirau, the controlling company and its shareholders. I'd like to know more about it, whether you can give us a bit more information in terms of price, options, who has or does not have incorporation rights. Could you elaborate a bit about it all?

My other question concerns dividends sustainability. You are currently generating EBITDA at BRL 3 per year and your net debt is also BRL 3 billion.

With the new BNDES loan, the Jirau part is more or less BRL 6 billion, which means that the book value of GDF SUEZ's share would be BRL 3.6 billion. Do you need to build more cash to acquire Jirau, or can you just use the balance sheet to do it, allocating the expense to dividends payment?

Mr. Eduardo: It's a little confusing to be asked a question in English and then translated, because we end up not paying attention to either language, but let's give it a try.

For the first question, I believe that in terms of the selling price to shareholders - and Elio will correct me if I'm wrong -, in fact, since a shareholder will buy and resell, the price difference is irrelevant, as this involves their share in the SPC that is ESBR, so I'd be taking money from one pocket and putting it in the other to then get it back as dividends.

So the price transaction doesn't matter in this case, there is no inefficiency being generated, what really matters is the price at which each of the project's sponsors,each of its investors, will sell their energy. This is the price that matters for the project's economy.

What we are doing basically is transforming the deal, lending project-finance looks to a corporate-guarantee framework. So, if I understood the first question correctly, there is your answer.

The second question involves the ability to absorb Jirau into Tractebel Energia's balance sheet, according to its covenants, and whether we will need more cash, whether we will need to retain cash.

So far, our strategy has been, since the project has not been transferred yet, and when it starts to be discussed, which will be early next year, it will still take some time and we will be generating more than BRL 3 billion in cash; also within this time frame, we will be repaying some of our debt, reducing our total indebtedness, and what then?

According to our plans, we will have room to use debt to buy the project without affecting our covenants. If for some reason this is not the case, our alternative is to negotiate the transaction with the controlling stakeholder.

Let me point out that the controlling stakeholder has an interest in the deal, an interest in maintaining the financial soundness of Tractebel Energia as a controlled company. In the past, the controller has in several cases delayed cash transfers or settlements, so we don't predict any liquidity problems for the company.

This is all very clear, and even reflected on our ratings from the agencies, that is, they take this transfer as a given and also take into account their conversations about it with the controlling stakeholder. They are very much at ease with this subject and so are we.

I guess, then, that this should answer your question in connection with cash capacity and the issue of covenants.

Operator: The next question comes from Mr. Alexandre Kogake, Citigroup.

Mr. Alexandre Kogake: Hi, good morning, Sattamini, Elio and Previtali. My first question goes back to the growth-related part early in the call. Today the ONS introduced a study for a specific auction for southern Brazil, with a specific focus on thermal plants. I'd like to learn about how the company regards this topic and what your position will be .

The second question has to do with results in the CCEE. We can see that PLD is still at a high level in October, in recent weeks, and so is dispatching from thermal plants. I'd like you to tell us about your expectations for results from the CCEE in the fourth quarter, whether they should be as strong as those had in Q3. Thank you.

Mr. Eduardo: As for your first question, we and the ONS understand that there are specific demands in some regions and the ONS has to either invest in transmission to serve certain markets or conduct specific, regional, auctions.

The ONS has a proposal to conduct regional auctions. We have been watching this for some time and our stance is that, if regional auctions occur, especially thermal auctions in the South, we will be positioned for them.

I believe that, so far, we have a competitive edge compared to other competitors. We have projects under way for both gas and coal fired thermal plants; my understanding is that the government is talking not about coal, but gas. we will be positioned.

As for your second question, clearly, with a high PLD price, our thermal plants are being dispatched and, as such, if I increased my bought position in the CCEE, I'd be creating a potential to settle at high prices and getting good results.

We expect the PLD to remain high, and even to substantially increase. This is what we are expecting will happen next week given the MO (the price is now at around 290 and we believe it will turn to over 300). We don't have a precise price, but it should exceed .

And our thermal plants are being dispatched to capacity, so it should be a plus. I don't know whether this will persist through November; but in October the scenario should be similar to what we have been seeing in this first week, these early weeks.

Mr. Alexandre: Ok, and, Sattamini, just to get back to the first question: at what stage of development is your gas-fired thermal plant? How long would you need to get it ready for an auction, and are you already looking for something in terms of supplies...

Mr. Eduardo: The most important point is that we don't have a license; if we don't have a license, then it will take some time. There are faster alternatives, but we will let the development people discuss this to avoid creating expectations

Mr. Alexandre: OK, thank you very much and have a nice day.

Operator: Our next question is from Mr. Gabriel Laera, Banco Espírito Santo.

Mr. Gabriel Laera: Good morning, thanks for the conference call. I have three questions. I understand that some of it has already been addressed, but I'd like to talk about Jirau first. I look at ESBR numbers on CHESF's balance sheets and

see that 11.5 billion have been invested out of a total 15.4, so that 3.94 remain to invest.

Out of these 3.94 billion 2.3 billion are already agreed with BNDES in principle. My question is whether the missing 1.6 billion would come from additional debt or from the current partners, or whether the math would be done when the 60 become effective, or something. Anyway, this is my first question.

Mr. Eduardo: Elio, would you like to take this? I will try to answer, but Elio may want to add something. It is only natural that the partners should come up with the money. It is equity capital plus financing.

Mr. Laera: You don't have any more financing coming your way, so the next tranche will come from cash, which will make the transfer price higher up ahead.

Mr. Eduardo: Excuse me, would you repeat?

Mr. Laera: I'm thinking about how much you will have to pay farther down the road, so that the more you inject, the more you will have to pay, since you are buying 60% of the deal, that was my question.

Mr. Eduardo: You know how it goes, total cost is total cost; if it's 15 billion and I buy it all with debt, and 60% would be 9 billion in debt, whether the injection is made in advance or not, whether it is equity or debt, I will either take on the debt or have to pay for the equity. I may pay for the equity with debt or cash, the equation works either way.

Mr. Laera: Excellent, excellent. Fine, that was my first question. The second is about the destination of the energy from 80% of the Cesp plant, starting next year, to the ACR, pursuant to MP 579 as it stands right now; this would make life hard for Tractebel in future contracts, wouldn't it?

Mr. Eduardo: No; actually, it would make things easier. By removing energy that is being sold on the free market - and some of Cesp's energy is on the free market - and putting it on the regulated market, you are de-serving someone: either Cesp itself, which will have to buy the energy to honor its contracts, or Cesp will have to give up its contracts and someone will have to come to us or to another supplier who has spare energy in order to reassemble their portfolio and avoid being exposed to a lack of contract. So it tends to help us.

Mr. Laera: But don't you have anything under contract with Cesp for this period, then?

Mr. Eduardo: How do you mean, under contract with Cesp for this period?

Mr. Laera: Aren't you relying on any backup from Cesp, then?

Mr. Eduardo: We actually have a contract with Cesp for the period, but the contract has a rather beneficial price for them and if for any reason Cesp is unable to honor it, it will then perhaps replace it with energy of our own or even enery from Jirau.

Mr. Laera: Excellent, but what is the volume involved, or can't you disclose it?

Mr. Eduardo: No, I cannot disclose this information.

Mr. Laera: Excellent. My final question is about Tapajós, whether you have any ideas about the hydro potential from Tapajós or it is not even on your radar?

Mr. Eduardo: Tapajós is on our radar. We are part of the group in São Luiz de Tapajós, a large group set up to evaluate the development. I think almost every major player in the industry is working there together to ascertain the Tapajós opportunity and determine the project's feasibility.

So we're there, we're looking at it. São Luiz is a large project: 6,000 MW, if I'm not mistaken, and there will probably be a consortium in involving large companies, independent producers, self-producers, state-owned companies.

Mr. Laera: Excellent. what you have over there is... actually I didn't read the last report in depth, but is it a dam or run of the river there? Do you have any idea?

Mr. Eduardo: Look, I don't watch it closely either because the hydro projects are done at GDF Suez; but the recent trend has been run of the river. I believe there will be a small dam, but not a regularization dam; a dam give the minimum waterfall requirement.

Mr. Laera: Great, thank you, thank you very much indeed.

Operator: Excuse me ladies and gentlemen, let me remind you that you just need to press star, one to place a question. Once again, star, one to place a question.

Our next question comes from Mr. Marcio Loureiro, Votorantim Corretora.

Mr. Marcio Loureiro: Good afternoon everyone, thank you for the conference call, Sattamini, Previtali. My question has a little to do with MP 579 in the following sense: nothing has yet been decided or agreed; but, to illustrate, there will be a new mode for assets management, where management of the assets' operators would theoretically return to the government should in fact the three plants Cemig failed to renew proceed to a new auction.

How do you view, face, the possibility of a new mode, of being, so to speak, asset operators? Does it make sense to you? Have you stopped to consider it or is it still too... it is at too early a stage for you to think about it?

Mr. Eduardo: We didn't stop to consider it, but the subject has started to be discussed in some ways. Obviously, it will all depend on what we imagine... first, what will the fees framework be like, how much for management fee, whether we can somehow, given the fees framework, obtain gains in operation or not, how persistent those gains will be, what the risks involved are.

I mean, we don't know what the management contracts the government will offer will be like, so we won't take a stand on whether we will do it or not; but we will look at it and it may be interesting, it may add to our margin, it may reduce our costs through greater scale.

So we will look at it. I won't tell you for sure whether we will bid or not, but we will look at it. If they come to the market, why not?

Mr. Loureiro: Ok, thank you very much.

Operator: Excuse me, ladies and gentlemen, we are now closing the Q&A session. I now give the floor to Mr. Eduardo Sattamini for his closing statements. Please proceed, Mr. Eduardo.

Mr. Eduardo: Well, I'd like to thank everyone for taking part in this conference call and for hour questions. We had a significant number of questions today, and they were all interesting and relevant. I would like you to invite you back for next year, on February 8th, when we will be announcing our 2012 results, and hope to be here to give you all excellent news.

Operator: The Tractebel audio-conference is now closed. We thank you all for you participation and wish you a good afternoon. Thank you.