Local Conference Call

Tractebel Energia

Third Quarter and 2014 Results

October 28, 2014

Operator:
Good afternoon. This is Tractebel Energia's Conference Call, where we will discuss the results of the third quarter of 2014. All participants are connected exclusively as listeners, and, later on, there will be a section for questions and answers, when we will provide instructions for participation. If an operator's help is necessary during the conference call, please press *0 (asterisk zero). We would like remind you this conference call will be recorded. This presentation will be accompanied of a slides presentation and broadcast simultaneously over the internet, through the website www.tractebelenergia.com.br, in the Investors section. There, you may also obtain a copy of the presentation and a copy of the company's results release. Before we proceed, we would like to make clear that eventual statements made during this conference call regarding the company's business perspectives should be received as forecasts, depending on the country's economic context, performance and regulation of the electric sector, besides other variables and, therefore, are subject to changes. Today, we have here Mr. Manoel Zaroni Torres, President Director, and Mr. Eduardo Sattamini, Finances and Investor Relations Director at Tractebel Energia, who will be commenting on Tractebel Energia's performance during the third quarter of 2014, and Ms. Anamélia Medeiros, Market Relations Manager at GDF Suez Energy Latin America, who will update us on the implementation of the Jirau Hydroelectric Power Plant. Afterwards, they will answer eventual questions. Now I would like to hand over the floor to Mr. Manoel Zaroni Torres. Please, you may proceed.

Manoel Zaroni Torres – President Director:
Good afternoon, everyone. Thank you for attending. Let us go straight to the performance highlights, at Slide No. 4. So, today we have, as usually we compare the third quarter of 2014 to the third quarter of 2013, a comparison I do not find relevant, since those are completely different questions, I have insisted the electric sector, at the Energy company, the interesting thing is to compare the accumulated value, year by year. However, we see that energy sales net revenue has increased significantly, Mr. Sattamini will provide details later on, in nine months the energy sales net revenue increased 16.3%.
EBTDA increased 25.8% in comparison to last year's third quarter, and in nine months, we have a reduction to the distant nine months, of 16%. The same goes regarding the margin.

Net profit improved, as we had previously informed. We are short in the first semester and long in the second semester, therefore, this improvement is a reflection of that, and PLDs are happening above the figures expected by us in the second semester.

The situation currently is quite hard in the electric sector, and water reservoirs are dropping almost 0.3 per day.

After nine months, we still are at 20%, 21.7% below last year's result. Sold energy increased and net price, whenever you have such a short term, a high price, that increases the short term prices and increases the price, it also increases the feel of lack of energy, contributes to the costumer disposition to pay more since the product is going through a shortage. Average sales prices increased 7% this year, 7.8% in the quarter in relation to the same period last year.

Production had a relevant increase, basically, production due to our thermal generation that is in the base, generating all availability, and we had a few periods of good hydraulic and hydrological flow in the South, even a few excesses. As much as possible, power plants produce the most and demand energy to the Southeastern Region.

At slide 5, highlighting performance, we start business operation of our power plant, the first photovoltaic power plant at peak 3 MW, located at Capivari de Baixo, close to Complexo Jorge Lacerda. In addition, why did we install it there? That might not be the best area in terms of irradiation among the regions we possess, however, since it is a power plant, we might say, almost experimental, it is more experimental than commercial, we placed it close to a unit with plenty of staff, so that we are able to study a few measures, within a research and development project.

On September 25, Tractebel was highlighted at the 18th Transparence Awards, sponsored by ANEFAC, FIPECAPI and Serasa Experian, due to the quality of its financial statements in 2013, in the category of companies with revenue up to R$ 5 billion. It was the fifth time the company was awarded, something we consider important, as it gathers all the good practices of our company's financial results statements.

During last Friday's meeting, on October 24, the Executive Board also approved the payment of interest credit over company capital relative to the period of January 1st to December 31, 2014, an amount of R$ 223 million, or R$ 0.34163564 per share. Shares will be negotiated ex-interest on equity from November 26, and the Executive Board let the Company's Directory Board decide the date of payment.

Slide 6, company structure, we do not have such big changes regarding last quarter, we remain with the same structure.

Slide 7, shows we have an installed capacity of 7,027 MW, with 27 power plants operated and our own portfolio, with 79% of hydroelectric power plants, 16% thermal power plants, mostly national mineral charcoal, and we are currently increasing participation in complimentary power, which shows we grow whenever possible, and stops growing at times, since we chose a smart, responsible growth. The map show our great diversification in Brazil, from North to South.

Slide 8, we remain, by a huge margin, the largest private energy generator, way higher than our partners or other players in the electric sector, and Eletrobrás remains the company with highest installed capacity. We are close in size to Cemig, CESP and Itaipu, as well as the market entree, Petrobrás, with 6%.

Slide 9 shows our portfolio spread focusing in the hiring from the costumer side. During 2014 we have around 48% of the concession market. Concession market are the distributors, which we say is predictable, with long term contracts, less flexibility, but with better regulated contracts. The other 5%, with over 46%, 51% in the free market, as we have a specificity, contracts have shorter term, from 3 to 5 years most of them, and they enable higher flexibility of negotiation, structuring and relationship.

To minimize risk to the free market, we try to diversify our portfolio as much as possible, so that other business do not put us at risk, as well. Therefore, in Slide 10, the way our portfolio is spread we have 16.5% concentration, slightly higher than we would like, in the cement area. Those are huge companies, though, with a risk of default close to zero, and some are our partners, to whom we can only sell energy with incentive and conventional energy.

Let's go. The energy sector, though retracted, continues to increase consumption, due to an increase in residential consumption, therefore we have to, this year we have the third year of natural flow, that is, rain, especially in the Southeastern region, where the major reservoirs are, we have rain flow below average for the third year, way below average, even now, when we expected it would start raining, though it has not started yet or it is raining in the wrong place instead of where it should.

Therefore, we have high PLD, as since sometimes PLD is transference of an agent to another, difference liquidation price, some have earned a lot and others have lost a lot, but there is always something to consider: too much time, prices too high, this ends up putting the sector in disarray, in economic and financial terms. We see people and companies going through quite difficult situations. In this context, Tractebel retains some balance due to its thermal power generation, generated in the base, as much as possible, with a policy to have reserves, therefore, the company retains balance, though everyone is suffering due to the effects of GSF, that is quite high this year due to market fall and the high generation of thermal energy and high risk aversion, since until the date of the elections no rationalization of rationing measure was taken. Therefore, we close the year with reservoirs at an all-time low, and we expect a 80% or 90% increase in summer rains, otherwise we will have another year, 2015, of high prices, which could throw the electric sector into chaos given how much has already been expended to hold reservoirs and to keep providing energy.

We can look at the sector characteristics in the chart on the left, in the blue bars, that is the difference between supply and demand. As you may see, we have periods, such as 2001, where we had structurally 6,000 MW available, we had a rationing, and in 2007/2008 we had a structural deficit and had no rationing. This year, our structural availability is something around 3,000 MW, which is quite low. Considering thermal

power plants, we have something close to 7,000 MW and quite high prices, and the need to keep generating energy to meet market demands. Therefore, besides energy and reservoirs, of water, it is important, as remember we have hydroelectric power plants that have capacity for double the average power, of energy assured by power plants. Therefore, if we have water reserved, they may generate much more power, so, we can see, for instance, during summer time, in a normal summer period, you are able to produce 20, 30 thousand MW, more energy than that ensured by a hydroelectric park, which is more energy than all thermal energy produced in the country, and it ends up being less, than the dry period market. If we could accumulate this water when we have it, we would avoid the current situation.

Commercialization strategy remains the same, in Slide 14 we see, individually, this slide shows that, how the free market is limited, and how existing energy auctions are always A-1, last year there was only one at A-0, we have proposed A-2 auctions as well, which would be one of the necessary changes to improve supply, but we show that each year we sell something and lowers down our future unhired energy, which you may see in the right side charts. On the left side, our unhired energy, which we assume is low in 2014/2015, then starts to improve. Here we do not count additional thermal energy, when we generate it – this is an assured energy balance – therefore, what Tractebel has is around this of *hedge* for this situation, in case of a difficult year next year: - Additional generation at thermal power plants, plus generation of William Arjona, which we did not include here.

Slide 15 is a general balance, it shows we bought a lot of energy for 2014, luckily we were able to, and could get an interesting surplus, as, on the other side, we had two failures in the power plants of Jorge Lacerda, specifically Jorge Lacerda B, currently unavailable, as there was a short circuit in the generator and it will only be back by November or December. Therefore, we argue that. And there are single contracts, energy prices, we are currently at R$ 149.90, we notice buying power is somewhat higher than selling power, but don't get scared, that is short term, energy bought last year to resale was enough to cover our portfolio, in quantity, I mean, it could or could not go in the whole portfolio. This average price is exactly that of the bought energy, over our 950 MW.

Now, Anamélia will take the floor, to give you data and talk about the Jirau Power Plant, which, luckily, is finally on track.

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

Good morning everyone. As usual, the idea is to make an update about the Jirau process. As all of you already know, it is a project with 3,750 MW on installed capacity, 40% of this capacity from GDF Suez. The project has 2,185 MW/average of energy, 2,185 MW, 73%, hired through long term PPA, 30 years indexed to inflation, and the energy available will be commercialized by its shareholders in the ratio 60% GDF Suez, 20% Chesf, 20% Eletrobrás.

Current discussions, discussions about responsibility exclusions, remain open, are still happening both in the administrative level, with the regulatory agency, and the Federal Justice, so we have no news regarding this subject since the last results disclosure. Financial conditions are also well known and do not change, save for extension of the carefree period, granted until September 2014.

Slide 18, updates the project current status, mainly regarding the construction, nowadays you know we have a 95% physical advance of works, and focus, therefore, is in conditioning and operation of units. We currently have 15 units in commercial operation, 16th should go into operation tomorrow, we believe ANEEL will issue an authorization between tomorrow and Wednesday. We have three additional units in test, in phase test, and in general, the power plant has shown good operational performance, including full capacity, which should be tested by the beginning of the year, with full-scale flood in the Madeira.

Currently, in the hypothesis of 239 days of liability exclusion, we would be in full compliance with commercial obligations referring to A-5 auction, in mid-November 2014. Works advanced well, the conditioning and assembly process is also going well, within expectations. In regards to additional value options regarding ensured energy, we still await a definition of ANEEL regarding revision of hydric losses, other compensations are possible, but as we all know, the current focus is a discussion around the responsibility exclusion, which we hope will be defined in the next months. Besides fiscal incentives such as ADA, long-term additionals are forecast to the region.

In Slide 19, as usual, I try to compare the construction a month to the next, from a results disclosure to the next, and then we have air pictures of the powerhouse in the right shore in October 2014. Then we see the first evidence of reduction of the Madeira River levels, but also an advance into the powerhouse in the right shore. The powerhouse in the left shore, already in a more advance stage, has a less noticeable advance, as the focus is exactly in the interior part of conditioning, but we may also notice a reduction in the level and advance, in general, of the commissioning.

I am open to questions by the end of the presentation. Thank you. The president Manoel Zaroni will take the floor again.

Manoel Zaroni Torres – President Director:

We continue our conversation in slide No. 20, relative to the expansion yet, such as investments, GDF Suez owns Jirau, and the other projects are at Tractebel.

A thermal power plant construction project of the Ferrari Power Plant, an acquisition we made this year, a biomass power plant with sugar cane power in the state of São Paulo, in Pirassununga. Its installed capacity of 65 MW/average, and commercial capacity of 23 MW/average, is practically unhired. We are making an investment of R$ 85 million, to modernize and increase capacity to 85 MW and capacity of 35.6 MW. Therefore, we need to have something around 12.3 MW/average available in the first semester of 2015, when we might have the COD of this biomass power plant.

The following unit is unit 21, we have already started construction of the Santa Mônica Eolic Complex, close to Trairi, state of Ceará, it is composed of four parks and has installed capacity of 97.2 MW, and reference energy of 47.8 MW. Actually, this energy has already been sold to special clients, those clients between 0.5 MW and 3 MW of installed capacity. This power plant will need an investment of R$ 460 million, we already started works, we have the installation license, and this energy is forecast to be available in 2016. Transmission lines are concluded, we contracted the air generators, 36 total, from Alston, with a 2.7 MW power each.

This drawing shows, what are these SPCs: Estrela with 29.7MW, Ouro Verde 29.7MW, Cacimbas 18.9MW and Santa Mônica 18.9MW, at Ceará.

Slide 22 is the solar energy project, already in operation, as the photography shows, it is quite beautiful, and you can see at the background the chimney is from Jorge Lacerda. An investment of R$ 56.3, it is a R&D project that has, we are mapping in Brazil, installing different technology to see the behavior of several solar panels. The panels have different characteristics of quality and efficiency and the regions have different characteristics of radiation, temperature, humidity and wind. Therefore, we will try to identify each region, which kind of photovoltaic, of technology is better adaptable, the object is this.

Moreover, this power plant was left to Tractebel, 3 MW peak, we are already selling this to the market, and we are liquidating the *spot*.

We chose to put what we have here in our portfolio to develop, at slide 23, we did not have this habit, but those are projects that are in the pipeline, were already acquired and studied. Then, we have here in the Pampa Sul, with project installed capacity, two times 340 MW, and commercial capacity of a unity, 293 MW. We await a license for this project, we are negotiating contracts, civil construction contracts, or equipment and goods, and we intend, if everything goes well, to take part in the next A-5 auction using this project.

We still have a project at Campo Largo, Bahia. With a total capacity of 626 MW, commercial capacity of 300 MW, it is a huge investment and we will divide it in wind energy projects, in companies of specific proposals, up to 30MW, and we also are trying to enter with something in the auction.

We have Santo Agostinho, which we also acquired the rights, there in Rio Grande do Norte, with 600 MW. Here we notice we still have lots of space and projects to build in the wind power area.

And here we have a project to start, we have a thermal power plant of 600 MW in Santa Catarina, that we plan on building in the future.

Now I'll ask Sattamini to show a few more details, something I already commented on, about the company's financial performance.

Eduardo Sattamini – Finances and Investor Relations Director:

Well, good afternoon everyone, we start at slide 25, where, it is a satisfaction to go back to a few positives in the quarter. We have come from a pretty good performance, in the second quarter we had a bad result due to, as Zaroni pointed out, our strategy of allocation in 2014, but we continue to go back and grow every year, which has already started this third quarter.

This year's behavior is opposite to what we had in 2013, when we made some surplus in the first quarter, we were using the first quarter surplus, spending it throughout 2013, 2014 shows a different configuration, we already started dried thin and had to improved now, on the third quarter. Therefore, it is as we had anticipated somewhat in the first quarter and second quarter *calls*.

Going to page 26 we see evolution of net revenue of sales and detailing of the 22.6% growth each quarter, that we, as Zaroni commented on the first slide of presentation that is the composition of this growth. First question, first point was the business interruption insurance that we registered as a revenue. What is that? It was a revenue frustration at CCEE, at some moment we got *short*, so we had to buy, or we did not get *long* enough due to breaking of machines and insurance covers such events, what we call business interruption. We had a R$ 99 million regarding average sales prices, surpassing R$ 140.75 to R$ 141.70 Reais per MW/Hour. We had an increase of R$ 74 million relative to 230 MW/average increase we had, comparing each quarter and operations of short term, we had a revenue at CCEE, in the short term operations, of R$ 219,4 million versus R$ 172 million during last years' same quarter, with a result of R$ 47 million, an increase in net revenue, CCEE sales or short-term operations.

When we talk about EBITDA, it is important to understand, as Zaroni said, every quarter, it causes a certain confusion, we present the quarter to quarter view as a market demand. It is more important to go back to the point where the year accumulated starts recovering. In the second quarter we had an EBITDA of minus 37.4% in comparison to the first quarter of 2013, now we have an EBITDA of minus 16.1%, that is, the gradual recovery of our results.

But let's go from the composition of the EBITDA evolution, R$ 155 million come from company normal operations and, as we know, price and quantity, and availability of equipment. We have R$ 147 million from short-term operations, composed of a composed opening we performed in the short-term, CCEE with R$ 129 million and CNPE 03, R$ 18 million, amounting to R$ 147 million. These R$ 18 million from CNPE area a reversion of expenses in the third quarter of 2013. So, composition of the R$ 129 million plus R$ 18 million amounts to R$ 147 million of change in the result of the third quarter of 2013 and the third quarter of 2014, in short-term operations.

As we mentioned, composition of revenue from Jorge Lacerda's insurance, with contribution of R$ 101 million, already liquid from PIS/COFINS. We had an increase in fuel expenses, especially for the operation of William Arjona, where we had in 2013, we had no gas supply, had the gas supply only by the end of 2013, 2014, therefore the

increase of expenses to acquire this gas. And for energy bought for resale, we have R$ 147 million more with this signal, specifically 353 MW/average acquired in the market. Therefore, the evolution of EBITDA of 25% has the composition we just mentioned.

If we go to the evolution of net profit, also in the accumulated we have a situation where previously we had a second quarter of minus 51,5% in comparison to 2013, as in this comparison of the third quarter it is reduced to minus 21%, recovery of net profit as well. The composition of evolution of net profit, comparing the third quarter of 2013 to 2014, we have R$ 110 million regarding operations, in short-term operations, CNPE, we have R$ 97 million, we have recomposition of the Jorge Lacerda revenue with R$ 67 million, the financial result is R$ 8 million negative, but mostly because we had an extraordinary event in the third quarter of 2013, the prepayment of a debt, otherwise, we would have a revenue profit, a result better than R$ 25 million. We had an increase of fuel, as mentioned, and energy bought for resale. There we had 34% evolution from the net profit of the third quarter of 2013 to the third quarter of 2014.

Going to slide 29, we present our deb, our currency rates disposition is too low, we have R$ 400 million currency rates disposition, already liquidated in a *hedge* operation, operations in foreign currency, but *hedged* to CDI, with joint *hedge*. We had a reduction in our total gross debt from the second quarter to the current quarter, from R$ 3,357 million to R$ 3,167 million, a substation reduction. We had and improvement of our gross debt/EBITDA indicator, in the former quarter we had a debt 1.4 times the EBITDA, now we present a debt of 1.2x the EBITDA, and our net debt fell to R$ 2,580 million, sorry, our net debt fell to R$ 2,580 million. We will see its evolution in page 30, it actually went up a little, this semester we paid dividends, an important component of cash reduction, we had capital variation in the order of R$ 536 million, we had investments made in power plants, new and old ones. We paid taxes and social contribution, monetary and currency rates variation and had operational activity results. Even so, the net debt rose 7.1%, from R$ 2,409 million to R$ 2,580 million. A quite comfortable level, way below EBITDA.

Going to page 31 we have the debt profile, quite a well behaved one, during the year of 2013 we have some sampling to perform in normal company financings, no big operation until the end of the year. By 2015 we have a 4131 operation, that is *swap*, foreign currency *swapped* to CDI in the value of R$ 200 million dollars, we also have in 2016 another 4131. This one will modify the profile in 2015 and 2016 in relation to the following years, and we will have no other specific deadline, then there will be long-term financings from BNDES we have taken, that generate something in the order of R$ 220 million Reais annually.

Debt composition, as we mentioned, low currency rate exposure, 96% of the debt in Reais is composed of 8%, currently considering the rates of ITBI, TJLP. Composition of debt is mostly in the TJLP, due to long-term financing of our investments in the last years. CDI is the second most important, regarding really short-term deadlines, usually two years of duration and an operation of IPCA, that is usually an operation hired with

the NIB North Investment Bank, that is due October 2022. This is very compatible with the variation of our assets, that most of them, a huge part of them is in IPCA.

Going to page 32 we speak about investments, that we can see we have investments in 2014 of R$ 658 million, kept practically the same figure from the second quarter of this year, and a huge part of it will go to operation and maintenance, we are doing a huge renovation at the power plants of Salto Santiago and Passo Fundo, something around R$ 250 million already spent in 2014, we will have a substantial value yet to spend, to spend in 2015. Today they show here as our own resources, this orange part, but we are almost closing a financing operation with BNDES for a good part of these modernization investments. There are also our investments in wind power and biomass, ongoing, that are also represented here.

Going to Slide 33, we keep the payment policy of 100% of the shareable profit, until we have investments that justify retention of any value. The company has no habit of retaining values. The company has no habit of retaining resources without using it for any project that demands it. We are cash generators, if there are no large projects, we have 100% *payout* policy.

Zaroni already mentioned, we have share dividend payments in the first semester determined for November 26, with date ex day 11/10, already programmed by the *board* during the last meeting, the payment of our own capital to start in 2015, in the order of R$ 0.34 Reais per share.

This is the financial part, the call coordinator may have the floor for questions and answers.

Operator:

Ladies and gentlemen, we will start the questions and answers section. To make a question, please type (*1). To remove your question from the list, please type (*2). Our first question is from Mr. Marcos Severini, JP Morgan.

Marcos Severini – JPMorgan:

Good afternoon Zaroni, good afternoon Sattamini, everyone, thank you for the *call*, I actually have two questions. As it could not be different, the first one about the GSF and your expectations for 2015, especially in the economic deceleration and eventual lower consumption scenario. What GSF do you expect in such a scenario? It could be higher than this year's, in line with what we will probably see in 2014, around 800? The second question regards energy prices, we noticed a huge rise in energy rises, especially in 2014, reflecting mostly an unfavorable hydrological scenario, but I would also say a tighter supply and demand, mostly on the supply side, with delays we have noticed in several generation projects. No only generation, but also a few of distribution, that have gotten in the way. If we have a hydrologic scenario next year, let's say, closer to normality, do you believe there will be a solid drop of this prices and energy in the long term, basically reflecting in very favorable hydrology or a tighter

supply and demand may hold this price in levels such as R$ 130, R$ 140, or do you think these prices may fall a lot if hydrology is really good? Those are my questions, thank you.

Manoel Zaroni Torres – President Director:

Marcos, this is Zaroni. I believe we will end this year in a very complicated situation, at least from what we are able to see currently, reservoirs in the Southeastern region are falling at 0.3% per day, and we have already reached 19.5% storage, but we are aware we have some contribution from Jirau and Santo Antônio, that this energy is injected in the Southeastern region and, theoretically helps supply the load or fill the reservoir. That region is going through a humid period, in this region it is somewhat better behaved, if during summer it rains every year, sometimes a little, sometimes a lot, there is water in the Madeira River. We do not know about the load, but sometimes the load increases a lot due to the temperature, but our evaluations of what will happen next year depends on what happens from January to April. As you know, the period of January through April corresponds to 60% of the yearly rain, therefore, if we have a 100%, the reservoir is over, in April, with 63% in our evaluation, even without generation of all this thermal energy, we generated 11 thousand MW do thermal energy. It is hard to answer, you know, if it does not rain, we will go through rationing, if it remains with 60%. If it rains the average or close to it, we can go through the year and even reduce the use of thermal power plants. And that will reflect on the PLD. The current energy price for 2015 is much higher than you mentioned. You can reach something between R$ 350 and R$ 500 Reais, for a contract in 2015. Then you reduce it, but accessibility of consumer when short-term prices are too high, the consumer is more susceptible when there are energy shortages, and it may, so long term prices rise. If it rains a lot, let us say, if it rains... because the question is, any ENA, 110%, 120% of the summer average in the Southeastern region is higher than all thermals in the country ENA is higher than the thermal generation one, therefore, that is something unpredictable right now. GSF generation will depend on these ENAs, what will happen with hydroelectric generation. If you have less load and the same amount of hydroelectric generation, GSF will be around this year's value, ou lower. If hydroelectricity is higher, more rain and less thermal generation, GSF will be smaller in the 0.5% to 7% rate. That is a speculative question, we may comment, but it all depends on the scenario you consider.

Marcos Severini – JPMorgan:

Perfect. Thank you, Zaroni. If you allow me a last comment, regarding the contract with Petrobras for William Arjona, do you have any new event, any update regarding it?

Manoel Zaroni Torres – President Director:

We actually have gas thanks to a legal decision. We currently have no contract, but there is a Decree that ensures gas supply to William Arjona for twenty years. Based on that, considering the difficulties of doing business with Petrobras, we had to enter with a legal action, that we are using as we believe it should enter into effect, as when a Presidential Decree loses effect, we must be in trouble. That is what we believe, we build the power plant based on the PPP Decree.

Marcos Severini – JPMorgan:
Right. But there was no change regarding the legal action, I mean, no action on the other party? It is almost the same status we had months ago?

Manoel Zaroni Torres – President Director:
Exactly.

Marcos Severini – JPMorgan:
Alright, thank you.

Operator:
We would like to remind you press questions should be forwarded to the company's communication team. Our next question from Mr. Paulo Ferreira, from Bradesco BBI.

Paulo Ferreira - Bradesco BBI:
Good afternoon, gentlemen, thank you for the *call*. My question regards the new PLD rule, what is your opinion on ANEEL's proposal. If the proposal becomes effective, what are the consequences to the company? Thank you.

Manoel Zaroni Torres – President Director:
ANEEL's proposal, of the new technique, we may split into two parts. One is the reduction of PLD itself, representing a reduction of this stress in the sector, you will have lower prices, but give off a wrong signal, as the product is scarce and you are reducing prices, so we have a few restrictions, besides technical foundations that direct that reference thermal, how will that be chosen. Therefore, we believe we have to do something, but has to study it further and have more time. The other part is more severe, it is who will pay the bill among the CMO, the thermals dispatched out of merit and PLD, that the proposal is to rate everyone what is exposed, something that has no consistence and we are against, and we will go to extremes. Imagine I am a newbie and made a wind power park, and my park has periods with more and less wind, and that month I could not produce reference energy I will have to pay for the oil thermal plants that makes absolutely no sense, right. Also, imagine there is only one exposed agent – he will pay the full bill of the thermal plants? Therefore, this process, we consider it a modified copy of CNPE 03 and we do not agree with it in any

manner. The effects to the company are easy to understand, if you reduce PLD prices, as we expect next year will have a certain GSF, the effect is positive to the company, to lower prices in the short term. However, medium and long term, the effect is negative, as it means that lower energy prices means harder difficulty for hiring and less disposition of consumers to hire a contract, waiting for a short-term price. Therefore, that is negative.

Paulo Ferreira - Bradesco BDI:
Thank you very much.

Operator:
Our next question is from Mr. Carlos Remeika, from Covalis Capital.

Carlos Remeika, Covalis Capital:
Good afternoon, thank you very much for taking my question. I have another technical question on the provisions. See, if rationing would be announced, but not yet implemented, would you have to make a provision for it, similar to ESS, that was done before?

Eduardo Sattamini – Financial and Investor Relations Director:
Hi Carlos, is Sattamini speaking. Sorry, have to answer in Portuguese. The ESS currently proposed is not regulated yet, is not definitive, it is a potential standardization that is currently in public audience. Obviously, if it becomes a rule of the industry next year and we have no success as we had when there was the CNPE 03 to get a legal action and are certain the company arguments are solid and based on the law, we would have to make a provision. But we believe the current rules of the sector, even if the Resolution passes as it was released for public audience, we believe it has legal frailties and we will have within the same concepts we used for CNPE 03, solid in court and be sure that these costs will not be charged from us in the future. Therefore, this will not take us to provisioning. Obviously, this is an evaluation to be made by lawyers, and we will follow their advice regarding probability of loss or not of the legal cause.

Manoel Zaroni Torres – President Director:
Complementing Sattamini, this is Zaroni, Carlos we understand this is proposed as the creation of a new charge, and it is unacceptable that this happens due to a simple decision of ANEEL.

Carlos Remeika, Covalis Capital:
I see. If I make accrual follow-up, a little bit, on the rationing itself, I understand it is the case, but for example, if rationing would be announced for the implementation next year, would you need to create a provision?

Eduardo Sattamini – Financial and Investor Relations Director:
You are speaking of the rationing, if we would have to make any provision? No, the rationing, its impact would be at a volume of our hired volumes. That is, it would impact the volume of the revenue from our contracts. On the other hand, if I have energy, energy generation above contracts, I will liquidate this surplus in the short term and receive revenue to the current PLD. Therefore, there is no need for provisions. Zaroni would like to complement it.

Manoel Zaroni Torres – President Director:
When we made the 2015 budget we considered a certain GSF. If there is a rationing, since it reduces the contract, the GSF is reduced. The company GSF will theoretically improve the company's result. To the generator, the rationing is better than our current situation. It is bad for society, bad for the country, but for the energy generator, especially the hydroelectric generator, it has positive value. Since when you lose contract revenue, let us say, average as you see in the presentation, R$ 148, and you get R$ 600 from not paying GSF, from not paying exposition R$ 600, R$ 700. Currently, there is a perverse effect of GSF, as you lose, for each 10% you would lose half your profit. Each 5% corresponds to almost 25% of profit. The person who has only one power plant, only a company who owns a power plant, that is 100% hired, faces a difficult situation. That is what is happening right now.

Carlos Remeika, Covalis Capital:
Ok. Thank you for your answer.

Operator:
Our next question from Ms. Tatiane Chibata, from HSBC.

Tatiane Chibata - HSBC:
Good afternoon, everyone, our question was already answered, thank you.

Operator:
Our next question comes from Mr. Sérgio Tamashiro, Safra.

Sérgio Tamashiro – Safra Bank:
Good afternoon, everyone, Sattamini, Zaroni. I have a few questions here, but I'll limit it to these two. First, a *follow-up* on the GSF. It mentions that ENA will stay up, as well as the thermals dispatch, how about the demand growth, how much do you expect the load will grow? In the end, you did not answer, how much you expect next year's GSF to be?

Manoel Zaroni Torres – President Director:
Exactly what I answered, Sérgio, the load growth is expected to be around 4%, but we have to check what we actually used, but, the GSF is something... Any number is speculation, simulation, based on the next if I consider it will grow 4% and there will be a certain thermal participation and a certain rain flow participation, I will have a GSF, if I change these numbers, I will have another GSF. I mean, I may make a huge mistake there, and I will not say what we are considering, as that is a really sensitive subject.

Sérgio Tamashiro – Safra Bank:
Alright. On the investments side, you mentioned four power plants, wind power plants and thermal power plants, can you open up how much is the CAPEX of each of these projects, are you imagining and with TIR awaiting. Or, if you don't speak about TIR of each project, at least how are you giving sensibility of TIR on wind power over ITE, what do you think has to be required, has a higher risk and, therefore, higher return?

Manoel Zaroni Torres – President Director:
Sérgio, we will not speak about it since we are not yet negotiating EPC contracts, we do not know which are the licenses requirements, how the line connection will be, so we do not have the internal criteria, that we invest to have results within what the company and the group wishes, but we cannot speak yet.

Sérgio Tamashiro – Safra Bank:
But do you feel the thermal projects have higher risks than the wind power projects?

Manoel Zaroni Torres – President Director:
Usually yes, usually that is the case, but not in the case of local charcoal thermal power, risk is also low, we could say.

Sérgio Tamashiro – Safra Bank:
Alright. One last question, with this government continuity, but with the need to perform fiscal adjustments, do you have any expectation about changing the TJLP, since a huge part of the financial cost is due to the TJLP?

Manoel Zaroni Torres – President Director:
Sérgio, I do not have a formed opinion on that, to tell you the truth. I believe that is a discussion that should happen. I believe you need infrastructure investment in the country, that is quite noticeable, but I believe it depends on how it will work with interest, other financing possibilities, the problem of inflation, the currency rates problem, I mean, it is tough to give an answer to you, anything I say will be guessing. So, I would rather not answer.

Sérgio Tamashiro - Safra Bank:
Ok. Thank you.

Eduardo Sattamini – Finacial and Investor Relations Director:
This might be a good question for the next Treasury Minister, right?

Sérgio Tamashiro – Safra Bank:
Ok.

Operator:
Our next question is from Mr. Pedro Manfredini, Credit Suisse.

Pedro Manfredini - Credit Suisse:
Good afternoon, Zaroni, Sattamini, Previtali. I have two questions. First, regarding size, if you could give an idea of the allocation in the third quarter, we understand our short position in the first quarter, and the long position in the second semester. But, can we understand between the third and fourth quarter which will have a longer position? A equal position was made between the third quarter? And, my second question, I see in your balance that for 2015 there is a surplus that ensures exposition to GSF of 2% to 3% of your hydric capacity, if December shows rains below average. Why, when your ENA starts to launch, what is the company's strategy for hiring a possible GSF above this 2% to 3%, to avoid a possible GSF for the generator, for who has a short in the market, does it happens in December, or January already? Can you give us an idea of how much market you see to cover a possible GSF higher than your energy surplus for 2015? Thank you.

Manoel Zaroni Torres – President Director:
First I will answer about the GSF. Hiring, today, for next year, under current prices, solves nothing. Prices are currently very high, so, no. But do not worry, because that is not the number that corresponds to X%. We have a good deal of flexibility, that is, thermal power generation, and we can, when we take a decision in December to make allocation, we consider it and may displace thermal power maintenance, that increases significantly our energy availability. Then, that is manageable, we manage the portfolio so that, in our understanding, we maximize allocation, maximize gains. It is evident, sometimes we make mistakes, we are not always right. We have a history of getting it right lots of times and, sometimes, we get it wrong, it does not behave as we hoped. Regarding location, we can only say that this year, on the second semester, it is basecially a seller, but the dize of the location we are unable to comment on, as that would be saying how much we will receive and how the result will be.

Pedro Manfredini - Credit Suisse:
You cannot even tell if your location on the fourth quarter is higher or lower than the third?

Eduardo Sattamini – Financial and Investor Relations Director:
Try to calculate it, Pedro, we cannot tell.

Pedro Manfredini - Credit Suisse:
Ok. Thank you, Sattamini. Bye.

Operator:
We end now our questions and answers section. We now open the floor to Mr. Manoel Zaroni Torres, for final considerations. Please, Mr. Zaroni, go ahead.

Manoel Zaroni Torres – President Director:
Good afternoon, thank you for attending. Thank you for your smart questions, they just keep on getting better. So we have more difficulties to answer. Some questions should be made to the Treasury Minister, so we have some trouble, as a company under bid, a governance company, to discuss any subject, and position ourselves, since we all have our positions, but we are not always on the right to expose them. That could create some difficulties. So, that is it. I believe we are recovering as promised, recovering our results, and we expect to solve in a satisfactory manner the problem on our tables, of the PLD rule change, mainly the service and system charging payment, and that we are able to have higher opening to discuss our sector questions, so that these decisions are not taken behind closed door, as we had in the past, such as CNPE 03. I believe we have a healthy model, a good model, but there is space for improvement. That is all, thank you.

Operator:
Tractebel's conferece call is over. We thank your all for attending, have a good day.