International Conference Call Tractebel Energia

Third Quarter of November 09, 2015 2015

Operator:

*Good morning, this is the conference call of Tractebel Energia in which we shall be discussing the Company's third quarter 2015 results. All participants are in a listen-only mode, a Q&A session will follow, when instructions will be given to all participants. If operator assistance is necessary during the call, please press * 0. As a reminder, this conference is being recorded. This presentation, accompanied by slides, will be simultaneously broadcast over the Internet on the following website: www.tractebelenergia.com.br, in the* ***Investor*** *section, where you can also obtain a copy of the presentation and the Company's earnings release. Before proceeding, let me clarify that any statements made during this conference call, relating to the Company's future business prospects, are dependent on the country´s economic forecasts, the performance and regulatory framework of the electricity sector, and other variables and therefore are subject to change. With us today are Eduardo Sattamini, CFO and Investor Relations Officer of Tractebel Energia, Mr. Rafael Bósio, Investor Relations Manager, who will comment on the performance of Tractebel Energia in the third quarter 2015 and Anamélia Medeiros, Market Relations Manager of ENGIE Energy Latin America, who will provide us with an update on the implementation of the Jirau hydroelectric plant. Soon after, they will address your questions. I now hand the floor over to Mr. Sattamini, please proceed.*

Eduardo Sattamini - CFO and Investor Relations:

Good morning, everyone, before starting I want to thank Antonio Previtali for participating in this call. Previtali was our IR manager during the last 10 years and will now seek new challenges within the company. He will be assuming Tractebel Energia´s commercial efforts, starting November 1st, and Rafael will replace him as IR manager. I would like to hand the floor over to Previtali, so that he can say goodbye to you, after all these years.

Antonio Previtali:

Well, good morning everyone, as Sattamini already mentioned, Rafael is assuming the IR department, and so I would like to take this opportunity to say goodbye to you after 10 years in the position. For me it was a period of much learning, I am thankful for the rich and challenging interaction with all of you, buy and sell sides. I also want to publicly thank our IR team, both current and past members. Rafael, Mário, Mariana, Caio, Ivani, Ana Ligia, Ana Sayuri and Itane, you enabled Tractebel to become a standout in the investor relations space. My thanks to all company Directors, especially Sattamini and Zaroni for their ongoing support, and of course the company as a whole for its professionalism, competence, team spirit and sense of urgency in meeting the questions raised by you in the market, and by us in IR. And finally, I wish Rafael the best of luck in his new assignment. Rafael, I have full confidence in your work and am sure that with your ability and experience of over 15 years in the activity, you will lead our IR effort to

its upmost level. I will return to the commercial department, my entry door to Tractebel in the year 2000, aware of the challenges that lie ahead, but very motivated to face them. My regards to everyone, I now hand the floor back to Sattamini.

Eduardo Sattamini - CFO and Investor Relations:

Well, thank you for words Previtali, we will begin our call on Slide number 4, where we present the main highlights, starting by net revenues. We always say that a quarter by quarter analysis of our numbers is a complicated enterprise, based on differences that can occur between quarters, in allocation, level of PLD, etc., but we must accept market practices and explain our numbers every three months.

So let's start talking about net revenues. Some specific components contributed to the decrease of approximately R$ 100 million Reais in the third quarter of 2014 versus the third quarter of 2015. On the positive side, the overall average price contributed with approximately R$ 200 million, and our average price, as you can see, rose from an average R$ 151.70 to R$ 172.82 Q/Q, a substantial 13.9% increase. We had a short term trade loss of R$ 120 million, we had the claim exclusion, in fact the claim was also affected, it was an impact on the spot market during the third quarter of 2014, the forced stoppages of the Jorge Lacerda equipment. It represented a negative R$ 100 million short term effect quarter-over-quarter. And the reduction of the quantity sold we had a contribution of approximately R$ 75 million. This adds up to the approximate R$ 100 million Reais drop in revenues between the third quarter of 2014 and the third quarter 2015. EBITDA fell by R$243.7 million, mainly due to the cost of energy purchased for resale, and a reasonable growth in the materials and services account, R$ 10 million Reais approximately, an increase of 22% between quarters, mainly due to the maintenance of Jorge Lacerda C power plant, which in August, due to the drop in the PLD, enabled us to take advantage and accelerate the maintenance proceedings, which were scheduled for September, October. So the machine became unavailable at a lower PLD period providing an optimization of our maintenance schedule. Well, obviously margins fell from 58.5% to 47.1%, due to the power allocation issue, net debt fell sharply, largely due to the withholding of dividends. We had a net debt of R$ 2,580 million in the third quarter of 2014, we now stand at R$ 1,682 million, a reduction of almost R$ 900 million. On Energy production, we had a marginal change, but we also had a change in the generation mix, less hydro, more thermal and complementary generation sources than in the third quarter of last year. All of this due to the fact that in the third quarter we were not able to count on the Plants Jorge Lacerda C and also an equipment at Jorge Lacerda B, during a portion of the third quarter of last year. The energy sold, already commented on, had a small decrease and contributed to lower net sales revenues and the net sales price we already mentioned. We had an increase in the number of employees. Of course the company is going through an increase in its assets, we have, in spite of growing organically, added new plants, we are hiring new staff, and we also have a voluntary dismissal plan in the makings for next year, thus some of our professionals will be leaving the Company and we will begin the replacement process of

these professionals. It is then expected that towards the end of 2016, we will have a small drop in volume and the number of employees. Well, that being said about the third quarter of 2015 compared to 2014. When we look at the nine months, we see that the changes are positive, we had net sales growth of 1.2%, services results growing 8.3%, considering the nine months 2015 compared to 2014. EBITDA increased 6.8%, with a higher EBITDA margin in 2015 than in 2014, net income relatively stable, and net debt, as already mentioned, is a photograph, which shows the same reduction level.

Turning to slide number 5, where we continue with the highlights, in August 46MW of wind power, at the price of R$ 188.45 per MW for a period of 20 years from 2016, were sold at the A-3 auction. This opportunity was used to our advantage with the Santa Monica project. Santa Monica was destined to the free market, we had the opportunity then to use this new venture to sell in the regulated market and to rebuild our portfolio through non-conventional renewable third energy purchases, by paying swaps and margin on bridge loan operations. So that's what was done, we continue pursuing new wind projects, with the possibility of some of that energy to be tied to free market agreements. In the third quarter of 2015, Tractebel registered a generation record in its set of complementary plants, producing a total of 171.7 GWh, which is equivalent to 230.8 average MW, reaching a 61.4% capacity factor. Our wind farms in the Northeast generated a fairly high amount of power during the dry season, in line with the common belief that, in low hydrology periods you tend to have more wind.

In September, Tractebel was a recipient of an award given by ANEFAC - FIPECAFI - Serasa Experian, in its 19th edition, for the quality and transparency of its financial statements released in 2015. This is the 6th time Tractebel receives this award altogether, and for the 5th year in a row we have been listed among the best companies, and within those five years we have been featured for 3 years. The Board of Directors approved a credit of R$ 314 million for interest on capital distribution, referring to 2015, shares will be ex now on November 24th. This amount was significantly higher than the value paid off in the past, mainly due to the increase in the TJLP and the higher base used to calculate the benefit, given we did not pay all the dividends out, so this increased the base for the interest on capital calculation.

On slide 6 we see no changes, just to highlight the name of ENGIE, the former GDF Suez, which somehow will be reflected on Tractebel Energia. You can see on the remaining slides that the Tractebel Energia signature as GDF Suez is maintained. This was the Group´s decision, which we have been waiting for, as to how to roll out the new brand name. The decision which came last week instructed us to utilize the ENGIE name together with the Tractebel Energia signature, which will most likely be disclosed to the market in the coming months.

Let's move on to slide 7, reminding you that the company has 7,044 MW in 28 plants operated by the company, a balanced portfolio, 79% hydro, 16% thermal, 5% of non-conventional renewable, which we sometimes refer to as complementary. They are

spread throughout the country, we begin, explaining to you, as Gerasul, concentrated in the South, but we have made an effort to nationalize the assets of the company so as to decrease the risk of sub-markets present in other states. Regarding the growth of the installed capacity of the company, we remember that the company has financial discipline and it takes advantage of attractive growth opportunities. There are times, of course, that the company does not find attractive rates of return, thus prefers to fully distribute profits.

On page 8, remembering we are currently the largest private power producer in the country, with 7GW, and growth forecast to reach 9.3 GW in the coming years, due to the Pampa, Campo Largo , Santa Mônica and Jirau, projects, the latter we also intend to absorb from the controller. We are always positioned to look at market opportunities and take advantage of our current market leadership position.

On slide 9 we have a division of our client portfolio. Basically we have been keeping a 50/50 mix between the free and regulated markets, obviously the new plants aim at the regulated market, with longer-term contracts and more attractive returns.

On slide 10, since the free market is an important market for us, we try to treat it in order to reduce risks, we have a diversified client portfolio by sector, a rigorous process of credit analysis that has resulted in zero default level. This does not mean that we do not have any delinquency in payments. They happen, payment delays, but the guarantee structure of our contracts assures us that these amounts, even if late, will be received and are received. So this has enabled us to see a virtual inexistence of delinquency rates in the company.

On slide 12, let's talk about the market, we are observing that due to the reduction in demand due to the economic crisis, there is a potential excess in supply. This does not necessarily mean that this offer will materialize, in past years some of the projects that were provided by EPE and the ONS ended up not going forward, well known instances like Bertin and other companies could once again happen. Not to mention unintended project delays, which faced some complications, including the Jirau project, which delayed its energy delivery schedule. So this oversupply is a theoretical surplus, which might not be observed.

Well, let's talk about slide 14, the company's marketing strategy. The company has a gradual commercialization strategy of the availability of its culture, aimed as not to run specific risks during the year, the overall view is one of risk mitigation. We did not take advantage of periods of price increases, or decreases, but also do not suffer from prolonged periods of price declines in the market, we try and sweeten the price curve with a gradual commercialization strategy of availability. In relation to our portfolio, we had an increase in availability in 2015 and the reduction of availability in 2016 was in function of the options contract we had with Jirau, the contract was approved by an

internal committee some time ago, and this agreement, our estimate is that due to the GSF and energy availability from the Jirau power plant project, we would only obtain this energy in 2016. What happened was that Jirau anticipated its schedule and went into full commercial capacity last July, thus was able to supply within the option contract that we had, this contract foresaw a result split according to a fixed price and spot market price. So it was for us, advantageous, given that, since we have a sense that eventually the hydrology of the period will be favorable, there may be a reduction in the PLD next year.

Well, there you can see that we also had some commercial activity, you can see on slide 15 that the total sales had interesting variations, we had some commercial activity during the quarter, considering the future energy. We had several contracts sold until 2020. When we start talking about expansion, the first project is Jirau, beginning on page 17, I hand over the floor to Anamélia, who is here with us.

Anamélia Medeiros – Market Relations Manager of ENGIE Energy Latin America:

Good morning everyone and thank you once again for your participation. As it is widely known around the market, (Jirau) is a project of 3,750 MW of which 40% are owned by ENGIE, 50 units of 75 MW each, an assured total energy of 2,185 MW, 73% of this total was contracted through long-term inflation indexed PPA in regulated auctions. The available energy balance that is being marketed under ENGIE, Chesf and Eletrosul, we just commented on the contract exercised by Tractebel. The excludent responsibility issue is still under discussion. We have won a first instance court dispute, where 535 days of exclusive responsibility were recognized through the Federal Court of Porto Velho. The excludent responsibility lawsuit is being discussed and under review in the second instance. Aneel appealed from the decision, and we are waiting for the ongoing progress of this process. Financing conditions are also widely known, and then highlights the increase in the TJLP, the market wide impact.

On slide 17, lower right hand corner, we have the power distribution laid out, both in the regulated and the free market.

Moving on to slide 18, some updated highlights of the project, first we must highlight that, since the last call we had, we reached the total assured energy capacity in July, with the operation of 33rd unit. Today we already have 36 units in commercial operation totaling 2,700 MW. We have an additional 300 MW in final phase of assembly and commissioning, and thus we expect the project to be fully completed in the second half of 2016. We see the remaining units on the right bank, and the final 10 units in the second phase on the left margin, as you can see pictured here with the overview of the project, which is a little to the right. Our assembly strategy was made in a way that these 10 units actually stay at the end as a unique company for civil construction. Well, Jirau is today the Plant with the largest availability in the national interconnected grid, these values were recorded between July and September, which illustrate the quality of

the project, and the care that we're having to maintain these levels of availability, and commissioning of the units. It is also widely known, we are discussing some possibilities of obtaining additional assured energy, through the review of hydraulic losses. There is also a discussion regarding the operation of the constant fleet reservoir, today Jirau operates with a variable quota, when we obtain further permits to operate on a constant quota system based on milestones achieved, we will be able to increase the project´s assured energy, in addition to the long term tax benefits obtained by the project. I hand the floor back to Director Sattamini and at the end of the call, we will answer any questions that may arise.

Eduardo Sattamini - CFO and Relations Investors:
Well, we then continue on page 19 with Pampa Sul project, no big news except for the work that has actually started. We already began to dam the water tank and concrete the boiler bases, in other words, the structure begins to take shape. We have a team monitoring the manufacturing and design of the equipment in China. This is a very important activity for quality and supplier deadline assurance, so far so good. Campo Largo wind farm project generation was sold at the A-5 auction. This project is a project to come on stream in 2019. The foreign currency part of the contract was hedged on the same day of the auction, if I am not mistaken, November 28, along with all the imported equipment for the Pampa project. The project has 5 years to be built; for a wind farm it is more than enough time, but we're still handling some environmental issues, and some other projects, but actual works have not started yet, but they will start according to the agreed upon schedule.

The wind farm project on page 21, Santa Mônica, this one has its construction under way. The equipment has started to arrive. We have asked the IR team to include a picture of the project on the next presentation, so that you may see the ongoing progress and attest that it is on schedule. This is the project we decided to sell on the A-3 auction, and it is going into operation in the middle of next year, with energy serving our free energy contracts, but later serving the contract on the regular market.

Turning to page 22, we now refer to our project pipeline. We have here the second phase of the Campo Largo project, we will probably be participating in the new energy auctions with this project, sometime next year. We have Santo Agostinho, which will be the second set, the second cluster of wind farms that we have in Rio Grande do Norte. We have the Alvorada Solar complex in Bahia, associated with our Plants in Campo Largo, and UTE Norte Santa Catarinense, the Thermal power plant operated by natural gas; we've been looking to develop it and get it ready in case we obtain an attractive gas contract.

Let's move on to the financial performance on page 24. We always speak of the main aggregates, we have had in recent years a reduction in EBITDA and net income due, as you know, to what is happening in the sector. We expect the hydrology to resume its normality next year and in the year 2017, which will allow us to return to the EBITDA

growth and record profits we saw until 2012.

Moving on to slide 25, where we talk about the evolution of net revenues. As already mentioned, the average selling price had a positive contribution of almost R$ 200 million in revenues. But it was more than offset by the negative effects such as sales volume, which subtracted R$ 75 million from sales, and the sum of the R$ 101 million of Jorge Lacerda C insurance, and R$ 120 million in short-term operations, which made up the approximate R$ 220 million drop we observed in CCEE revenues. As you can see there, in the chapter of our EBITDA, we speak of a drop from R$ 320 million to R$ 101 million in short term market revenues. This leads our net sales revenue figure from R$ 1,737 million to R$ 1,640 million, with a reduction of 5.6% quarter over quarter.

Slide 26, EBITDA evolution components, we have, net revenues at R$ 123 million and short-term market with R$ 81 million plus R$ 101 million, totaling R$ 182 million in short term EBITDA decrease. We have electricity purchased for resale, basically the energy that we buy from Jirau, which represents most of the R$ 140 million. This led our EBITDA to drop from R$ 1,015 million to R$ 772 million in the quarter.

Moving on to net income, net income the basic components that impacted EBITDA, and on the issue of financial results. We had a financial result of R$ 21 million lower than in the same quarter last year, even though financial income was much higher, we had a negative impact coming from financial expenses, mainly due to the rise in inflation rates and its variations, more specifically, applied to our inventory of concessions payable. This is the major impact that we had. This led our net income for the third quarter 2015 to a 35.4% drop.

Turning to page 28, we comment on debt, remembering, we have no foreign currency exposure, we have some foreign currency loans, but coupled with swaps, with the same counterparty, so we think that we completely sterilize the possible foreign exchange effects, today the overall financial debt of the company stands at R$ 3,763 million, a reduction, when compared to the R$ 3,990 million registered last quarter. Our current cash position totals R$ 1,942 million, this cash is basically retained due to the need for support and contribution for the projects that we are carrying out. We now see a situation of stress in local financial markets, generating high interest rates. Company policy has been to take on shorter-term two year loans, late last year, which would get us through 2015 and most of 2016, without the need to return to the financial markets facing high rates. We anticipated that there would be a fiscal stress, inflation was resistant, so our view was that interest rates could be raised, and this is actually what we saw happening this year. So the idea was to obtain resources, leaving them available so that we did not have a liquidity problem, which could potentially affect the investments that the company is carrying out. Regarding EBITDA to total debt, our ratio fell from 0.8x in 2014 to 0.6x this semester, compared to 0.7x in the past quarter. Free cash flow also increased from 0.48x last year to 0.83x this quarter, and the total debt to EBITDA rose from 1.4x to 1.2x, an improvement in all ratios.

Let's go to slide 29, where we talk about the evolution of net debt, where the basics are well known to you, perhaps the highlight would be the monetary and foreign exchange variation of R$ 373 million. On the foreign exchange front we have a positive hedging effect, which in a sense makes up for this variation, which can be seen in the gray, towards the end of this cascade. We have dividends and interest on equity paid now in late September. The investments that we have been making throughout the year, income tax, social contribution paid, accrued interest, installments of concessions paid, change in working capital, hedge transactions and operational activities. This issue of variation in working capital is important, we're facing a delay, a refund in the CDE accounts that were settled now in the third quarter, so this contributed greatly to reduce our working capital, our need for working capital, that is.

On page 30 we see the debt profile and its ratios. The company has a repayment concentration in the coming year, of shorter term financing. Our intention is that most of these loans will be replaced by longer-term funding, but funding that fits the company´s cash generation level, that such payment schedule would be normally absorbed by the company's cash generation. What can happen, what should happen, as the BNDES funding gets approved, as the market provides a more favorable condition for us to issue infrastructure debentures, for the Pampa project, for example, that short term funding will be replaced by a longer-term financing. A comfortable situation, when we will have the debt repayment schedule back to cruising speed, with the longer term BNDES debt. In other words, most of our debt is pegged to the TJLP, our CDI linked debt portion is 26% of the total, but as I told you before, these are debts that are protected by our cash generation level. This is a strategy to defend our liquidity and guarantee funds for the development of our projects.

Next on slide 31, we illustrate our CAPEX. CAPEX is perhaps the only thing different that we see on this slide, a portion of our own resources in 2016. This is due to we are putting the resources in the applicable projects so that they ensure, so that they're within our scheduled deadlines, utilizing our own resources before, obviously to receive BNDES funds that will support these projects. Then what happens is that, at the time the financing from the BNDES is released, we replenish our cash position , so that's the only thing a little different so that you will see on this slide 31.

With regards to investments, they are well known to you, we have a maintenance schedule for some Plants, which will demand some resources in the coming years. We already have the UTE MW which is the Miroel Wolowski Plant, also known as Pampa, but its real name is Miroel Wolowski Thermo Plant, Campo Largo, Santa Mônica, we already had Ferrari becoming operational this year, which is one of the projects that we are waiting for BNDES financing, for example. The project has come into operation, and the process with the BNDES has yet to be finalized, we believe that by the end of the year it will be; but there are things that we cannot rely solely on public funds from the BNDES that sometimes even its normal proceeding tends to take time.

Dividend policy, as you already know, we have reduced payout from 100% to 55% for the 2014 dividends. Today the decision is still to maintain the 55%, that is the least we have committed to the market. Of course, if we have more favorable conditions, this was a decision taken mainly to ensure cash for our ongoing investments, and eventually absorb the cash impact from the GSF. So our fear and uncertainty, regarding the 2015 and 2016 cash position, will gradually fade away. We have already been configuring new contracts with the BNDES and the GSF seems to be on its way to be set by ANEEL and other authorities. So it looks like we should have more comfort going forward, in which case we could then reevaluate, even this condition; obviously, depending on whether new last minute investments appear which could in turn shift our perception.
Well, that's the presentation, I hand the floor back to the call coordinator to initiate the Q&A session.

Operator:
*Ladies and gentlemen, we will now begin the question and answer session, to place a question, please press * 1, to remove the question from the queue, press * 2, our first question, Henrique Peretti - JP Morgan.*

***Henrique Peretti - J P Morgan*:**
Good morning, thank you for the opportunity. My question is in relation to MP 688, and the agreement over the hydrological risk. I wanted you to comment on the latest proposal made by Aneel. What do you expect from Congress? Approval? Timing? Do you have any other proposal for ANEEL, a counterproposal? Concerning injunctions, your expectation, whether to leave or not, could you elaborate a little bit about this, thanks.

Eduardo Sattamini - Chief Financial Officer and Relationship with Investors:
Look Henrique, last week we had the vote on the technical note by the Board of ANEEL, outlining the solution. On the following day, the approval of MP688. In the Committee, it still needs congressional plenary approval. We understand that the Government's proposal is slowly approaching, improving. We think we still have some improvements to achieve. Some specific issues, mainly the free market, which need to be better delineated. There is still some uncertainty how these things will be applied and that's what maybe we're doing right , clarifying some points so that we can then, with a clearer idea of what is being offered, go through our math and identify if this is advantageous or not for the company. The decision must be reasonable in technical terms, and obviously the company´s best of intentions to contribute to unlock the current situation, which is at a deadlock. I cannot provide you with further details because we are analyzing, and it is not yet definitive, when the time comes, we will inform you. In relation to the deadline, from what I understand, the deadline is December 4th, the proposed deadline for companies to position themselves is until December 4th, and they will then have until December 14th to sign. I think this is a reasonable schedule, as long as we have a set formula and doubts are clarified as soon as possible. I do not think the deadline is

tight, I think the term serves many companies, even the ones that are tighter in terms of covenants. The idea for this proposal is to improve slightly its results and reduce some of the pressure on 2015, I think this allotted period is sufficient for this.

***Henrique Peretti - J P Morgan*:**
I see. In a scenario which you do not accept the proposal, do you continue with the injunctions? What is the expectation of maintaining these injunctions and they becoming a final decision?

Eduardo Sattamini - Chief Financial Officer and Relationship with Investors:
We have not analyzed it, we are analyzing the proposals, and if the proposal is not satisfactory, we will take a decision, but that decision has not yet been discussed internally.

***Henrique Peretti - J P Morgan*:**
Okay, allow me one last question, if in another scenario, were you to accept the proposal, it would probably generate a strain on the results of 2015, as it would have closed by the end of the year, and this positive impact on profits would generate a base for dividend payment, correct?

Eduardo Sattamini - Chief Financial Officer and Relationship with Investors:
Yes, yes, this would generate basic conditions for a payment of dividends and taxes.

***Henrique Peretti - J P Morgan*:**
Okay, just one last question on the auction of the 25th, you are looking at, is there a consortium formed? Can you say with whom you would be participating with, on your own, or with another foreign player, with the parent company, ENGIE?

Eduardo Sattamini - CFO and Investor Relations*:*
Well, yes, we're looking at, but we have no decision for any of the assets yet, we have our options open, be it with respect to partnerships or bidding alone for some of the assets. The probability, in my opinion, is that we go through Tractebel. ENGIE would use as an existing asset, has no construction risk, etc. we would enter the M&A mode, which is where we always are, when acquiring generation assets within Tractebel Energia. Review and approval of the parent company is obviously necessary, but the transaction occurs within Tractebel Energia. We have yet to decide on our strategy, I mean, we're looking at the possibilities. It is possible we will participate, we are looking at the possibility of developing partnerships, but do not have much to say for now, okay?

***Henrique Peretti - J P Morgan*:**
Have you started looking at the issue of funding with a private bank or Banco do Brasil, which was already organizing a pool to finance larger projects, for example?

Eduardo Sattamini - CFO and Investor Relations:

I prefer not to answer that question.

Henrique Peretti - J P Morgan:

Okay, thank you.

Operator:

Our next question, Carolina Carneiro - Banco Santander.

Carolina Carneiro – Banco Santander:

Good morning everyone, I have two questions, the first relating to the coming auctions, A-5 in 2016 and A-1 for this year, and growth prospects. I would like you to comment on what a comfortable price level for you would be, expected pricing, and finally, if the company is looking specifically for the 2016 auction and any preferred energy source. Also, if you have any projects in your pipeline. We saw earlier this morning Zaroni talking about Solar project, so if you could please comment. And the second question relates to commercialization, if you can go, please Sattamini, into a little more detail, we saw there, you yourself said, further contract negotiations this quarter, so for us to know how is the mood of the market in relation to new contracts, a price level which you consider interesting? In addition, how we should position ourselves relative to price expectations for next year. We see some players stressed over the possibility of spot prices dropping next year, and that this could cause oversupply in the energy market, please comment on this.

Eduardo Sattamini - CFO and Investor Relations:

Carolina, as per the A-5 auction we do have wind projects, solar project, yes, but there is specific auction for Solar energy, reserves auction, which we are looking into. A-1, I believe will depend on what will happen with the solution for the GSF, because I have to know how much energy I'll have available for next year or if I'll have to do accumulate reserves for the GSF. We will still see a reasonable level of thermal generation next year, early next year, the recovery of reservoirs. In other words, there will still be PLD pressure early in the year, depending on reservoir levels. Even though hydrology might have stabilized, the issue of low reservoir levels, will make the PLD higher, leading to higher thermal dispatch. Regarding market prices, I would say to you that, yes, there is a market, we feel a certain fear of prices dropping in the coming year, and an eventual fall of the PLD, largely because of demand forecasts, not necessarily excessive offer. There is also a supply increase component, with new projects coming on stream, but we have been able to sign surprisingly satisfactory contracts, in terms of prices. I think there is a tendency for migration in terms of what happened to prices for distributors last year, so I think this is what is creating such good opportunities. In other words, when we decide to sell is because the price is attractive, if prices are bad we sell less than when prices are good. Sales levels for the quarter are quite satisfactory and, from where we stand, prices are far from the

desperate levels that some players may be thinking.

Carolina Carneiro – Banco Santander:
All right, thank you.

Operator:
Our next question, Caique Vasconcelos - Citi Group.

Caique Vasconcelos - Citi Group:
Good morning, thank you all, just following up on that question of GSF, is there any specific point in free market proposal that you from Tractebel see that needs to change, so that it becomes more attractive? And if they do not accept the biohazard renegotiation on the open market, what would be the level target of descontracting for you to hedge future downgrades of GSF? Thank you.

Eduardo Sattamini - CFO and Investor Relations:
I think there are some gaps remaining, I could not tell you exactly how things will be handled, but a decision we have to make is whether we'll do, as you said, build our own reserves, or buy reserves, OK? Reserves at what cost, and how will it work, these are issues that need further clarification. One other thing, this investment we will make in energy reserves, will only be recovered following an extension of the concession renewal, an extension of the concession. Then the risk factor comes in, returns, opportunities, because you end up carrying the debt that is not yours, it's like you had a debt today that starts generating EBITDA only 15 years from now, some complexities need to be taken into account. So this is our doubt mainly in relation to joining or not the free market. Well, with respect to how much you need in reserves, this is actually something that has to be reviewed every year. If you're in the high reservoir level, in the middle of a satisfactory hydrological period, eventually you will need lower reserves, because the likelihood that you will have a price hike is very low, correct? Because these are scenarios that need to be built upon a known base. So every year the company will revisit its reservoir level, hydrology, etc., to define what is the necessary level of reserves to protect its portfolio. So there isn't another option. What we started doing last year, you probably saw, was trying to hold reserves of about 10% as a minimum to evaluate the previous year, it was the group's strategy. Now, with the GSF issue, that could change drastically, say, if half of my portfolio fails to have hydrological risk, then my reserves should drop by half. So these are issues we take into consideration and assess annually as a function of our decisions mainly in adhering to the Government´s hydrologic risk proposal.

Caique Vasconcelos - Citi Group:
Thank you.

Operator:

Our next question, Marcelo Sá - UBS.

Marcelo Sá - UBS:
Hi guys, good morning everyone, I actually wanted to discuss a little the question of energy balance, it was not very clear to me, why the volume of purchases fell in 2016 compared to the second quarter of 2015, right? Fell from 936 MW to 799 MW, I understood that in 2015 this increase was due to the anticipation of Jirau, thus increasing available energy, but what actually ended up happening in 2016? Thank you.

Eduardo Sattamini - CFO and Investor Relations:
What you're saying is that there was a decrease in 2016, 137 MW, compared with an increase of 176 MW in 2015 volume, is this correct?

Marcelo Sá - UBS:
Correct, but what I understood is that you should have more energy to sell in 2016, but what occurred was the opposite.

Eduardo Sattamini - CFO and Investor Relations:
Yes, that's what I said, but what happened? We had in 2016 an energy delivery forecast with an option in Jirau, correct? However, since Jirau anticipated full commercial operation for July, what actually happened? What was expected for 2016 was anticipated for 2015, so there was an actual increase in 2015 and a drop of 137 MW in 2016, and an increase of 176 MW in 2015. I hope I got this right, otherwise, please let me know.

Marcelo Sá - UBS:
No, no, it is clear now. And if you can comment perhaps on what prices you agreed on and purchased from Jirau, if you can disclose this number.

Eduardo Sattamini - CFO and Investor Relations*:*
We had a deal with them with an established floor, and remuneration depending on the PLD. This is all I can tell you, the rest was decided by internal committee with related parties, which analyzed the convenience of the contract, OK?

Marcelo Sá - UBS:
Great.

Operator:
*Remembering that to ask questions, please press * 1.*
Our next question, Vinicius Canheu - Credit Suisse.

Vinícius Canheu - Credit Suisse:
Hi Sattamini, good afternoon, I wanted to bring up a theme which was touched on briefly during the other questions. In the last two conference calls, you commented on

acquisition opportunities, you had several assets available, sellers, the market was very active, this quarter, thus far, you haven´t mentioned this. Of course there is the upcoming expired concession auction, which ultimately is an M&A opportunity, and even larger ones, I imagine. You put up some asset for sale, were buyers for larger assets and sellers for smaller. I was wondering if you have any update that, if indeed the market has worsened, or your interest has lessened, are balancing your own projects, expired concessions. How are those M&A projects earlier on the year doing? Did they not go forward or have you given up on them? Could you please give an update of that, I thank you.

Eduardo Sattamini - CFO and Investor Relations:
Yes, some were bought by other players, others we gave up on, we thought they did not make sense, since the risks to be incurred by the company were not worth taking. Today we are focusing on new projects, projects that we follow from the initial issuance of the license until its operation, we feel more comfortable with this growth strategy. Even though you do not generate EBITDA on day one and there are construction risks, they are inherent to the development of the project, they are known to us. In a project that you acquire from a third party, you don´t always know how the businesses was actually developed, so this is why we´ve decided to abandon certain projects. But as you mentioned there are obviously the expired concession auctions coming up.

Vinícius Canheu - Credit Suisse:
Okay, and in relation to the sales process of those older wind farms, do you have an update, or has this been set aside as well?

Eduardo Sattamini - CFO and Investor Relations:
Which project are you referring to?

Vinícius Canheu - Credit Suisse:
The projects in the Northeast, those older ones you bought, perhaps Proinfa, or I think Beberibe, and some others that were on sale.

Eduardo Sattamini - CFO and Investor Relations*:*
We are in negotiations over those projects, we have gone through the non-binding phase and are now entering the binding, it is possible that by the end of the year we will have an outcome in relation to these assets. We have no need to sell, it is more along the lines of an asset rotation exercise. If I have an isolated asset in Piauí, one in Minas Gerais and another one in Ceará where I have assets, but they are distant from each other, it is better to focus on clusters with synergies to capture. Therefore, we are seeking a win win situation with potential buyers. So we have some players which have made reasonable, interesting proposals, we are following on, it is possible that we might have an outcome by year end.

Vinícius Canheu - Credit Suisse:

Great, thanks.

Operator:

This concludes the Q&A session. I would like to hand the floor back to Mr. Eduardo Sattamini for his closing remarks, Mr. Eduardo, you may begin.

Eduardo Sattamini - CFO and Investor Relations*:*

Ah, sorry. I wanted to thank everyone for their participation and questions. We will continue to carry out our normal IR efforts and clarifying your doubts through our new manager, Rafael. As the saying goes, it is the new broom that sweeps the floor best, but Previtali certainly swept the floor extremely well. We remain at your disposal, to answer your questions throughout the quarter, OK, thank you.

Operator:

The audio of the Tractebel Energia conference is now over. We greatly appreciate the participation of all, have a nice day, and thank you for using Chorus Call.