International Conference Call
Tractebel Energia
4th Quarter 2007 Earnings Release
March 10th, 2008 – 12:00 p.m. (Brasília Time)

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

I would now like to turn the conference over to Mr. Antonio Previtali, Investor Relations Manager of Tractebel Energia. Please go ahead.

Mr. Antonio Previtali: Good morning or good afternoon ladies and gentlemen and welcome to Tractebel Energia's conference call to discuss fourth quarter 2007 results.

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

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

I am Antonio Previtali, IR Manager of the Company and with us today in Florianópolis is Mr. Marc Verstraete, Finance and Investor Relations Director. First, Marc will comment on the company's fourth quarter and yearly results and afterwards we will be available for a Q&A session. It is now my pleasure to turn the call over to him. Please Marc, you may now begin.

Mr. Marc Verstraete: Good morning to everybody, thanks for joining this call. It is my pleasure to comment today on the excellent 2007 results from Tractebel Energia. The way I want to organize this call is first of all I will discuss a little bit our updated energy balance, thereafter I will comment on the 2007 results, after that we will go briefly into the fourth quarter 2007 results in order to finish with an updated Capex of the Company and then going to the Q&A.

So if you would like to open our presentation and go to page 9, you will see on the left-hand side of this page 9 a graph showing the difference between supply and demand of electricity in the country today.

So you can see that in 2008/2009 there is a lack of supply compared to the demand, there is a small shortage that is driven by the national gas crisis. In

2010, if everybody who promised they would build the plants really build them, the situation should turn back into equilibrium level and as of 2011/2012 when we will need new investments. Due to this you can also see the blue line in the same graph which shows the prices in the latest auctions organized by the government, both of energy and new energy prices with a clear upward trend.

On the same page on the right-hand side, if you look at the situation of Tractebel Energia, its uncontracted energy, you will see that in 2008/2009 Tractebel Energia has almost nothing left for sale. In 2010 we have 5% of our portfolio and this jumps to 20% as of 2011. So we intend to sell this uncontracted energy at higher prices in the future, which is clearly our strategy.

If you take the same information a little bit more detailed you have this on the next page, which is page 10 of the presentation, where you see on the top of the page our own resources, this is the assured energy attached to the existing power plants. You see an increase in 2009 compared to 2008; this is the São Salvador hydro power plant entry into operation. In 2011/2010 the increase is related to the entry into operation of the Estreito power plant, which will enter into operation spread out over these two years.

The next line is on the purchases for resale, which we do, we buy energy from other generators in order to sell them, to sell it to our existing or new free clients. So this gives you the total resources which the company has available for sale.

On the next block of this table you see the energy sold through the government auctions or through bilateral sales, which can be both free clients or old contracts with distribution companies. The difference between both, the balance, is exactly the same information as you saw on the previous page.

Below this table we also show the average sales price and the average purchase price - purchase price of the energy purchased for resale. Important to note here, first of all that we are showing net prices, this means net of ICMS taxes and net of taxes over revenues - like PIS/Cofins or R&D costs. So here you can also see an increase in trend in the future of these prices.

Well, now we can go to the second part of this presentation, which is the comment on the 2007 results. So if you would please go to page 18, where we show on the left-hand side the net revenues. You see that the net revenues reached R$ 3 billion for the first time in our history, it is 12.5% increase compared to last year and it is mainly driven by the price of energy, which increased from R$ 80/MWh last year to R$ 90/MWh this year.

On the right-hand side you can see the EBITDA. The EBITDA reached R$ 1.8 billion, it is even a higher increase compared to last year of 16.5%. The EBITDA has been driven by, of course, this nice performance of the net revenues and

also lower costs, mainly the costs at CCEE, which is the energy chamber. Last year we had costs related to the purchase of energy on the spot market, in 2006 this amount reached R$ 280 million; in 2007 we reduced this expense, it reached R$ 180 million - so R$ 100 million less - due to the strategy we adopted to seasonalize our exposure towards these spot market purchases. So it proved to be an excellent strategy and resulted in lower expenses.

Last year we also had exports mainly to Argentina in the second quarter and the third quarter, which also helped the EBITDA, they had a positive effect on the EBITDA.

On the next page, page 19, you can see the EBITDA margin, which went back to above 60%, reached 61% compared to 59% last year. The net income for the first time in our history reached a net income of R$ 1 billion. It is a 6%, almost 7% increase compared to last year and here the financial result had a positive impact, the financial result which was driven by lower interest rates in Brazil, which decreased our financial expenses and also the appreciation of the Real compared mainly to the USD and we still have part of our debt delimited in Dollar, so this had a positive effect. If you remember that in 2006 we had a part of all our net results came from the sale, it was a non-recurring income, a non-recurring event, which was the sale of the remaining part we had in the Jacuí thermal plant; if you would exclude this impact, which was R$ 168 million, the increase of the net income would be almost 30%.

Now if we continue and we go to the following page, page 20, where we see some drivers of the results of the fourth quarter. So here some comments. The first driver is the volume, the energy sold - the volume decreased if you look at the third quarter compared to the fourth quarter of last year and even the third quarter of this year. The volume decreased simply because we bought less energy from our generator to resell it to our clients, so it is a less trading activity. But on the other hand the average price of the energy sold increased drastically, from R$ 80 to R$ 91 in the fourth quarter. So, despite the lower volume driven by the average price of energy the net revenue increased - we do not see it here - but it also impacted positively the EBITDA. The EBITDA reached R$ 505 million compared to R$ 337 million last year, which is a 50% increase. The EBITDA margin in the fourth quarter 07 was 65% compared to 47% in the same period last year.

Also, as I said, the impact of the spot market purchases, the strategy that we adopted last year was very important here and we were able to strongly reduce the spot market purchases in the fourth quarter of this year compared to last year. The net income also increased, reached R$ 300 million compared to R$ 189 million in the same period last year.

If we now make some short comments on the Capex of the Company you can flip to page 23. There you will have an overview of the Capex, you will see the orange part here is the Capex in the existing power plants, around R$ 75 million last year, but you can see a very drastic change as of 2007 compared to the previous years - in 2004, 2005 and 2006 we only invested in existing power plants. In 2007 this changed, we invested almost R$ 600 million in São Salvador, the construction of this hydro power plant; we bought the share of Celesc in Machadinho hydro plant and we bought a small project company called Seival, which should help us to develop thermal power plants co-fired in the South of Brazil.

So total Capex of R$ 718 million compared to R$ 70 million in 2006. Important to note here for São Salvador and also for Estreito, as of 2008, the Capex shown here includes both, the equity we invest in projects as well as the debt, the financing, the BNDES financing in this case for these projects.

You will see that in 2008 we have on top of São Salvador we have Estreito 2008/ 2009/2010 and also in 2008, which is not shown here, but which we will include in the future is the purchase of Ponte de Pedra hydro power plant.

If you please turn to page 12 you have some information on a power plant that we recently acquired, we acquired it at the end of last year. We already got approval from Aneel, we are just waiting for approval from BNDES, which we should obtain now in March. The payment is foreseen end of March and so here we can see a power plant of installed capacity 176 MW, the assured energy is 131 MW and the price we paid for this asset is R$ 592 million. So this should be added to the Capex. The plant entered into operation in 2005.

And also in order to continue the Capex, the following page, on page 24, shows the overview of the dividend payment of the Company. Despite having a commitment from management of paying out 55% of net income; despite the fact that we invested a lot in Capex in 2007 as opposed to the previous year, the board decided to still pay out 95% of the net income, which resulted in a dividend yield of 6.8%. So this was in a nutshell our presentation, I would like to go now to the Q&A session. So please, if you have any questions take advantage of this opportunity to ask. Thank you.

Q&A Session

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

I would like to mention that today's conference call is being held exclusively for financial analysts and investors. We kindly ask reporters who may be participating in this conference call to please direct any and all questions to the Company's press relations department. Please restrict your questions to two at a time. The first question comes from Marcos Sequeira of Deutsche Bank. Please go ahead.

Mr. Marcos Sequeira (Deutsche Bank): Hello, good afternoon everybody. I would like to have your thoughts on how the spot prices would be like, to behave this year and what the impact would be for Tractebel? I noticed that you guys have increased the production of thermal generation. If spot prices remain around like one, one fifty or higher, what the impact would be for you guys in terms of your exposure to spot market and your thermal generation?

Mr. Antonio Previtali: Hi Marcos, this is Antonio Previtali. As you know, the best situation for Tractebel regarding the thermal generation occurs when the spot price is tremendous low, for instance there is a floor for this price, which currently is at R$15 or R$ 17 per MWh. In this situation we do not generate because this price is lower than our variable costs for running, firing up the power plants and as a consequence we buy this energy, which is already sold at the spot market. As the spot market price increases we are going to be suffering some pressure on our margin as the energy is already sold for the very same amount, for the very same price, and on the other hand we are forced to buy at higher prices, so our cost increases.

But the situation changes dramatically when we fire up our power plants, which is a consequence of the fact that the spot market goes beyond, goes further than the variable cost of generation and it was exactly what happened in Q3, especially in Q4 last year. Of course it is a bit early for ourselves to estimate the behavior of the spot prices during the course of 2008, but what we can foresee clearly, I would say, is that due to the recent policy of independent dispatcher in Brazil in order to save water in the reservoirs, which is to fire thermal power plants in advance, chances are that we are going to have most of our power plants fired up in the course of 2008 and as a consequence to benefit of the reimbursement of the coal, which is going to help our final, the bottom line of the Company.

I should remind all of you that the best case for Tractebel - there is no doubt about it - is to buy energy in the spot market at the minimum levels, such as R$ 15, R$ 20, R$ 30. When it is not possible, the best situation for ourselves is when we have our thermal power plants fired by independent dispatcher and we are expecting this situation to happen again in 2008.

Mr. Siqueira: Thank you!

Operator: Ladies and gentlemen as a reminder, if you have a question please press the star key followed by the one key on your touch-tone phone now. If at any time you would like to remove your question you may press star, then 2. This concludes today's question and answer session. Mr. Previtali or Mr. Marc, at this time you may proceed with your closing statements.

Mr. Verstraete: Well, thanks to everybody for your attention, your interest, it was really our pleasure to show our excellent results we had last year. If you have any additional question, remark, etc., please feel free to contact myself or Antonio Previtali and his team, it will be a pleasure to assist you. Once again thank you and bye.

Operator: That does conclude our Tractebel's fourth quarter results conference for today. Thank you very much for your participation, you may now disconnect.
