TRACTEBEL ENERGIA S.A.
4th Quarter 2008 Earnings Results
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Operator: Good morning! This is the audio conference of Tractebel Energia. All participants are currently connected in a listen only mode and later we will open for the Q&A session, when further instructions will be given. If you require the help of an operator during the audio conference dial star (*) zero (0). This audio conference is being recorded.

I now pass the floor to Mr. Antonio Previtali, Investor Relations Manager of Tractebel Energia. Please Mr. Previtali, you may continue.

Mr. Antonio Previtali: Good morning ladies and gentlemen, welcome to Tractebel Energia's audio conference, where we will discuss the results of the fourth quarter and of the year 2008.

This presentation with the respective slides will be simultaneously transmitted over the Internet on the site www.tractebelenergia.com.br in the investors section. You can also obtain a copy of the earnings release of the Company.

Before we continue, I want to clarify that any forward-looking statements that may be made during this audio conference relative to business outlook of the Company should be treated as an outlook and depend on the economic scenario of the country, on the performance and on the regulations of the electrical industry and in addition to other variables are subject to changes.

Today with us speaking from a Rio is Mr. Manoel Zaroni Torres, CEO and Finance and Investor Relations Director, in office. Mr. Zaroni will comment on the performance of Tractebel in the 4Q08 and for the fiscal year 2008. He will then take any questions you might ask. I now pass the floor to Mr. Manoel Torres. You may proceed, Mr. Torres.

Mr. Manoel Zaroni Torres: Good morning! We are very happy to present the results and we will start by talking about the growth of the Company.

This year - and I am talking about slide number 5 - the São Salvador plant was ready and we acquired Ponte de Pedra, with 176 MW of installed capacity. We also acquired Rondonópolis and José Gelazio, with 27 MW and 24 MW respectively and we also acquired the Econergy Project. We are operating the Beberibe wind plant with 26 MW and Pedra do Sal with 18 MW.

We are also building the small power plant of Areia Branca in Minas Gerais with 20 MW; the Andrade biomass project with sugar cane bagasse that was sold in the reserve energy auction, we have started to build the project; and the Estreito plant, which is currently under way and should be transferred to Tractebel by year-end.

Slide 6 shows the general outlook of the electrical industry. Tractebel is by far the largest private company of the electric industry with 6.4 GW of installed capacity and is well-positioned to be a consolidating agent in the Brazilian electric sector.

Slide number 7 shows the trend of our portfolio according to the type of customer: free market and regulated market. We see that the trend is upwards in terms of our share in the regulated market. Although our goal is to own 50% in the regulated market and 50% in the free market, we believe this will be 30%/70% because the new concessions and the new plans have been tendered at this proportion, 30% for the free market and 70% for the regulated market and the market itself has a share of 30% and 70%, so ultimately this is the percentage we will reach.

Slide number 9 shows the supply relative to the market and the behavior of the spot market. This shows that in a certain period there was a surplus of energy and the price trend was downwards. With the gas crisis in 2005 thermal plants started to operate in 2006, 2007 and 2008, when this system was

working with a very short supply and the natural trend is towards increasing the average spot price throughout the year. So a trend upwards for the short-term prices. We are in March with the prices in the region of R$ 108/MWh / R$ 109/MWh for this week.

Slide number 11 shows the trend of “not sales” (Uncontracted energy) of Tractebel Energy, which shows that our strategy to contract a little by little and to leave us some energy for the long term.

So on the right hand graph you will see the example for 2012. In December 2006, 38.0% of our portfolio was free; in December 2007, 17.9% was free and in December 2008, 9.2% was free. In the long term this reserve accounts for hydrological risk and for thermal plants that have high variable costs. And as we approach this time and we have a better outlook we start selling this reserve.

Slide number 12 shows our position as of December 31, 2008. We can see that there was a reduction in purchases for resale. This reduction had to do with option contracts that we had with CST and CSA, a reduction in purchases. And also we included on this table the energy from Proinfra: 47 average MW in 2009, 53 average MW in 2010 and so on and so forth.

So the bilateral sales are now part of our regulated portfolio, with a reserve energy auction in 2010. We can also see that in 4Q08 we had additional sales of 173 average MW for 2011; 86 average MW for 2012; 22 average MW for 2013 with a minimum price of R$ 135.0/MWh.

I would also like to highlight that the average purchasing price is higher than the average selling price, R$ 107/MWh as compared with R$ 102/MWh. This was a decision made in the past and this purchase allowed us to sell 493 MW in the 2006 auction for botox energy and this was sold for 30 years for a present value of R$ 143.9/MWh.

So before the question comes, I would like to say that the free market, because of the crisis, has decreased somewhat. If we compare October 2007 with October 2008, the variation in the free market was at 4%. In November 2008 it dropped by 7.3%; in December 2008 it dropped by 17.9%; in January 2009, 13.5%.

So we see consistently that we have 1,100 MW sold to free customers and the reduction on average for the year with the contracts we are renegotiating with a lower consumption is 10% - that is 110 MW on average - of which we have resold in the last adjustment auction 45 MW at R$ 145.77/MWh, which is significantly higher than the average price of our contracts in the free market; and the remaining we are going to wait and see.

As regards the growth on slide 14, we see the Estreito power plant, which belongs to Suez. We had some setbacks during construction with the contractor; they were not performing as they should and we had to make adjustments in the investment to R$ 1,361 million. Now things are under way and properly working and it should start operating by the end of 2010. This plant was sold in the auction A-5 for delivery as of 2012.

Slide 15 is the project sold in the reserve auction in partnership with Açúcar Guarani for 33 MW of installed capacity and investment of R$ 95 million and start up in 2010. This is a biomass plan that was sold for R$ 158.11/MWh.

Slide 16 is the Seival Project, the Pampa Project. It is waiting for the regulatory decision that will allow us to advance in the project. We already have the license, the land and I believe we are not going to start during this year and I think it will take a bit longer to solve the problem.

Slide 17 shows the projects that we have acquired from Econergy in December 2008. Econergy was acquired by GDF Suez and the assets in Brazil were transferred to Tractebel Energia. These assets are the Beberibe wind farm in Ceará, 25.6 MW, operating already; the Areia Branca small power plant in a final phase of construction due in June; and the Pedra do Sal wind farm in Piauí for 18 MW. This was inaugurated in February of this year, it is already in operation.

In slide 18 I would like to give an explanation about the price paid and the goodwill paid to Suez by Tractebel Energia. GDF Suez acquired in the London secondary market in 2008 the assets of Econergy for R$ 140 million. Among these assets the most important assets were these three projects in Brazil. According to the appraisal they were worth R$ 110 million. Between June and December,

GDF Suez invested R$ 80 million in Econergy to advance these projects reaching R$ 190 million in the set of three assets.

The acquisition of GDF Suez by Tractebel Energia had a goodwill of R$ 10 million - that is 5% of the transfer value - which is worth it by the risk associated with construction (Pedra do Sal was late, Beberibe also and the Proinfra contract was due to start in January) and the commercial risks associated and assumed by GDF Suez also justifies the price paid.

We are going to talk now about the financial performance. Slide 20 shows the efficiency of the management and of the strategy that we have adopted for contracts. Although we have reduced our portfolio because of a government's decision, our net revenues grew on average CAGR 14.6% in the last four years and last year, 2007, 2008, it grew 13.1%, so from R$ 3,033 million to R$ 3,441 million.

Ebitda also grew significantly, 14.5% on average Cagr and 17.5% from 2007 to 2008. I am going to explain later the reasons for this growth, but I can now say that it is due to CCEE, the Electricity Trading Chamber, as a result of the acquisition of plants already in operation, such as Ponte de Pedra and revenue from PIS/Cofins which is non-recurring. It grew in the long term and also from 2007 to 2008 at 6.6%. Our net income on average and in the year, if we exclude the nonrecurring effects of 2007 and 2008, would have grown 13.2%, that is the net income of 2008 is R$ 1,115 million.

Going now to slide 21, we have this graph that shows how we went from a net revenue in 2007 of R$ 3,365 million to R$ 3,834 million that is:

- in the Electricity Trading Chamber (CCEE) we had an excellent result, R$ 257 million, and the result as a whole depends on the MRE per plant; the service charges and the generation of reactive energy; the generation outside of merit order of the thermal plants; the difference in price of submarket, which can be positive or negative; the thermal substitution, that is the allocation of free energy that we sometimes buy to make it part of our portfolio or the ballast for the allocation of the next year and have to liquidate at the Electricity Trading Chamber (CCEE). So R$ 257 million is a composition of all these factors;

- as regards exports, in 2007 we exported less 108 MW and we did not have the same revenue as in 2007;

- R$ 98 million from Ponte de Pedra;

- R$ 467 million have to do with an increase of 15% in the average sales price;

- then we had a drop in volume, R$ 204 million - that is the effect of the reduction of the portfolio in 250 MW, 6.5% of the total portfolio. And to give you an idea 160 MW were reduced by an ordinance;

- Others R$ 14 million. There revenue was then R$ 3,834 million.

The next slide shows the effect of these variations on Ebitda; therefore we have the Ebitda in 2007 of R$ 1,856 million and an Ebitda of R$ 2,180 million. So how deep we reach R$ 2,180 million? Ebitda grew because of the the Electricity Trading Chamber (CCEE) by R$ 296 million. We had an increase in operating revenue of R$ 257 million; and Ebitda grew more than that.

The first time I saw it I was a bit surprised. For in 2007 when we count the 12 months of liquidation of the Electricity Trading Chamber we had revenues for 2 months and expenses for 10 months. In 2008 we had revenues for nine months and expenses for three months, that is our expenses decreased and our revenues increased. This is how we reached an Ebitda of R$ 296 million.

Exports are a consequence, exports were reduced. The Ebitda relative to Ponte de Pedra. We have PIS and Cofins R$ 76 million, which are non-recurring, just for this year we will have this impact. And R$ 60 million are increase in expenses - personnel, services, materials and others.

Now in slide number 23 we have the impact on the net income, from R$ 1,046 million to R$ 1,115 million. R$ 195 million on the Electricity Trading Chamber; minus R$ 36 million from exports; plus R$ 50 million from PIS and Cofins; minus R$ 59 million from other operations; exchange variation December 31, 2007 to 2008 was negative R$ 75 million; and R$ 6 million other factors.

Slide 24 shows the financial drivers for the quarters comparing 4Q08 and 4Q07. It is worth to see the portfolio decrease and the increase in sales price. I would like to highlight the Ebitda margin. This decreased as for the fourth quarter of 2007 due to the third party purchases. We had to do this to arrange our portfolio, so that we could have a different allocation in 2009 comparing to 2008.

In 2008 we allocated the surplus in the beginning of the year to capture the high prices and then we distributed them. In 2009 we are doing exactly the opposite. So to compare quarter by quarter is not that important, because it depends on how you allocate the energy, so it goes up or down.

In slide 25 I am going to show what you want really to know: how energy allotment impacts our expenses. You know that we have several thermal plants that are flexible, and when they are not dispatched, when the spot price is below the variable cost, we buy energy from the market; so this generates an expense, so I am showing you the behavior due to this technique.

Up to 2006 when spot price was low and stable, there was no sense in allocating energy, because the balance would be neutral, you would lose and gain, so we decided not to do this. In 2006 we had a disruption in the structural balance of the system. We had the gas crisis, the decrease of 2 thousand MW from Argentina; purchases were more sensible and this surprised us, because our expenses they went from R$ 89.2 million to R$ 291.9 million. So we decided for the allocation strategy in 2007 that resulted in R$120.0 million, that is R$ 261.6 minus R$ 141.6 million in 2007.

In 2008 we did quite well and we had a huge variation over the beginning of the year and we saw this because the variation only started in December, before the allocation period. So we really had lots of energy available for the contracts in January and February, what made possible to have this gain of R$ 15.8 million and with this savings of R$ 196.0 million.

So I will leave for you to ask about the impact on the strategy in 2009. We cannot expect the same from last year, because the level of prices up to now is much more stable. It is growing; we are with R$ 108/MWh / R$ 109/MWh, so we are not expecting huge variations.

Slide 26, indebtedness and the exposure to foreign currency. From 2007 to 2008 we have an increase from 1.1x Ebitda up to 1.4x Ebitda. Our debt decreased in foreign exchange and we closed the year with a net debt of R$ 2,559 million.

In the next slide I am going to show how we went from R$ 1,813 million to R$ 2,978 million. You remember that in 2008 was the year of acquisitions, when we acquired five projects and we continued with the São Salvador implementation.

So all acquisitions plus debt are represented by this stack of R$ 1,053 million plus R$ 590 million. This was the value of the debt. We also had other investments, basically São Salvador; part of Andrade and Capex for maintenance. R$ 1,110 million of dividends and interest on shareholders' equity that were paid. Foreign exchange gave a result of R$ 156 million and discounting the operating cash flow we had this debt going from R$ 1,019 million to R$ 2,259 million.

Slide 28 shows the important payment we have in 2009 and then it will be paid by cash generation and our foreign currency debt has a fluctuation and we pay this in installments. In purple you have the values in Reais (R$). We have it financed by BNDES.

It is important to highlight that we are issuing commercial paper, R$ 300 million, already in cash. We have already received the R$ 300 million. We are now issuing the third debentures emission of R$ 600 million to settle these R$ 300 million.

So the net debt will be R$ 300 million that adding to the cash will be enough to pay the debt and to make investments – that includes Estreito acquisition. In 2009 or 2010 we do not expect to do any other issuances. R$ 600 million we have already insured with debentures.

Investment plans, you know. We have investments in expansion and maintenance and our cash flow is enough for that. So for 2009 we have R$ 134 million for maintenance Capex and we will invest in thermal plants, because they are in huge operation and we are being pressured to keep the high-level of availability.

So this R$ 134 million includes: the installation of a pressurized electrostatic filter in Jorge Lacerda B plant, Unit 5; a backup router for the low pressure mill; automation of the Units I and II; sectioners, splitters and repairs for Salto Osório Plant, among others.

R$ 1,018 million refers to the Estreito Project for this year. R$ 86 million invested in Andrade. We invested R$ 10 million last year plus R$ 86 million this year. And R$ 40 million that is at Econergy is in fact investments at Areia Branca Small Hydro Power Plant and some other investments in the wind plant.

Finally, slide number 30 shows the payout of 68%. In five years in a row we have been paying 95% and this year we had to reduce to 68% due to the investments we have been making. Investments above R$ 1 billion last year and this year. Dividend yield is about 5.3% and it is calculated by the average weighted share price per year. If you consider the year-end, this number is little higher, 6.4% - our share was cheaper than the average of the year.

So that is what I had to present you. Thank you very much!

Q&A Session

Operator: Ladies and gentlemen, we open the Q&A session. If you want to ask your question, please dial star (*) one (1). To remove your question, star (*) two (2). This teleconference is held exclusively for investors and market analysts. Any other questions by journalists should be forwarded to the press consultancy of Tractebel Energia. We limit two questions per turn.

Our first question comes from Mr. Marcus Sequeira from Deutsche Bank.

Mr. Marcus Sequeira: Good morning! I have two questions; one has to do with the balance sheet. You have R$ 700 million due this year and I think you are going to roll over this debt; but what about the renegotiation of this debt? How you see it affect the timing of the Estreito plant transfer?

What is the outlook for 2009? What is Tractebel's strategy regarding mergers and acquisitions for 2009? Are there interesting assets for acquisitions? And taking into account the Estreito transfer and the credit market - which should be trickier this year – do you expect to make more acquisitions this year?

Mr. Manoel Arlindo Zaroni Torres: First of all, as regards the debt we are going to pay it, we are not going to roll it over. We are issuing debentures and we are going to pay the debt with the debentures and the cash generation.

As regards the outlook for 2009 regarding M&A, with the acquisition of Estreito and the investments in Andrade it is not very likely that we should have appetite for new acquisitions. But we do not rule it out. If assets come out that we believe are important for the company we can always make use of different alternatives for an acquisition.

We believe that our controlling shareholder, GDF SUEZ, sees Brazil as an important country and this gives us possibility for increase in capital and other alternatives to make acquisitions.

Mr. Sequeira: Do you have an idea of when Estreito is going to be transferred?

Mr. Torres: There are some pending issues that have to be solved so that we do not have much doubt about the date of the operation and total investment.

Mr. Sequeira: Thank you!

Operator: Our next question comes from Mr. Fabiano Custódio from Credit Suisse.

Mr. Fabiano Custódio: Good morning! Thanks for the call! I have two questions; the first has to do with Capex. On slide 29 when you compare the Capex of Estreito in 2009 and in 2010 to the last presentation, presentation of 3Q08, R$ 179 million more in 2009 and another R$ 31 million in 2010.

And then in slide 9, when you show the energy balance, I would like to know what is the assumption for 2009 and 2010 in terms of the GDP.

Mr. Torres: The increase in Capex in Estreito is due to the adjustment in the costs of the construction works. We had a budget, we had the estimates, we hired providers of services and goods; but we had problems during the construction that were not factored in, so this is simply an adjustment in the budget.

For example, we had to anchor an element that was not within the plans, we had to drain the water tables and this was not included in the construction work budget, so these are things that come up during construction works. When the project is very much detailed, even though we have surprises. It is not a turn-key project - it is a partial turn-key - so we have to make this adjustment.

And the other question has to do with the Capex ...

Mr. Custódio: No, the other question, sorry, has to do with the GDP.

Mr. Torres: Yes, the GDP to project the scenario …

Mr. Custódio: For 2008, 2009.

Mr. Torres: 3.8%.

Mr. Custódio: Thank you! So 3.5% for growth in 2009 and 2010?

Mr. Previtali: Yes, for all the years that you can see there we calculated a GDP of 3.8% and an electricity factor between the GDP and the demand of 1.2x.

Mr. Custódio: Thank you!

Operator: Our next question comes from Mr. Márcio Prado from Santander.

Mr. Marcio Prado: Good morning! I have two questions, first about information in your presentation, slide 25, about the impact of energy allotment. Talking of 2008, I would like to see if I understood it correctly. So without that strategy there would have been a cost of R$ 180 million, but with this strategy there was a gain of approximately R$ 16 million. Is this correct?

If this is the case, I can interpret it this way: with an allocation that adheres to the contract, would the cost be in the region of R$ 180 million?

Mr. Torres: Exactly, you are very right. This is exactly what it is. If we had the same allocation on the contract the cost would have been R$ 180 million; but with this strategy we had a gain of R$ 15.8 million.

Mr. Prado: And the major variable of this cost is the spot price throughout the year, is this correct?

Mr. Torres: Yes, it is the expense to buy energy in the spot market.

Mr. Prado: Good, thank you!

Operator: Our next question is from Mr. Sergio Tamashiro from Itaú.

Mr. Sergio Tamashiro: Good morning! My first question relates to Estreito. We saw the increase of 9%, you have commented this problem, this spillway issue, but is not this SUEZ risk? You should have this predefined cost for this purchase, because the price of the energy has been already negotiated, so this R$ 111 million is the distribution for Tractebel.

And in spite of this increase of R$ 111 million you have a reduction in the curve. You have more than R$ 100 million reduction for 2011. Are you doing any kind of advance or it will be under operation in October? What is your forecast?

Mr. Torres: Well, you made a right interpretation, but not as a whole. When we are going to transfer, we are going to contract a bank to make an assessment and the bank will consider the operation date and the total investment that is already in the works.

So this will be incorporated in the value of the investment. So you cannot transfer risk from one side to the other; you should consider that this invested value will be considered when you transfer. There is no other way to do so.

But we are not investing in anything; GDF SUEZ is the one who invests in Estreito. We do not have a penny invested in Estreito.

Mr. Tamashiro: Of this Capex, R$ 1,018 million; how much will go from Tractebel to SUEZ? Our will this be 100% intercompany debt?

Mr. Torres: We have equity and BNDES debt. This is the total investment. So, by the time of the transfer we will consider equity invested by SUEZ plus something.

Mr. Tamashiro: So I can say 70%/30%?

Mr. Previtali: No; 70%/30% is for the lifetime of the project; but this value for 2009 contemplates all disbursements done by SUEZ. So this 70%/30% ratio may be changed.

Mr. Tamashiro: And how much are you going to have for cash balance? Maybe what is left will be paid as dividends; if you have impact, will the dividends close to the minimum?

Mr. Torres: Well, we should do the math, but unfortunately we do not have this right now; but you can consider 70%/30%. If there is an error it will be very small.

Mr. Tamashiro: You mentioned that there was a reduction for free customers of 10%, 110 MW; you contracted, 45 MW, and now you have 65 MW. Is this 10% reduction what was the agreed? This 10% was reduced along the period or did you have a greater request from your customer? Demand reduction is more than this 110 MW?

Mr. Torres: Well, we have two types of contracts basically: one with a minimum take or pay and the rest as a difference. We have some contracts with 50% take or pay. So in some cases we have to renegotiate this take or pay when it is 90%.

I will give you an example. We reduce the take or pay and the difference we sell at spot price. If the spot price is less we close it by the end of the year; if it is higher we split. So we do things like this, we have all kinds of negotiations.

But in fact these 10% is what we assume. We have a calculation, methodology, but we cannot forecast. As of for February, and we are using the level of activities of the industry and simulations, so we think that all over the year we will have this 10% decrease in the sales to the free customers.

Mr. Tamashiro: So you are saying that for this 10% you are going to use this take or pay, this free customer flexibility?

Mr. Torres: Well, basically what we had to negotiate, we have done already and we have a reference for the first months.

Mr. Tamashiro: So I don't necessarily use these 45 MW, this price difference of R$ 145/MWh from the price contract, these R$ 50/MWh, are not totally yours; part of it will be left to the free customers, so you will gain about R$ 20/MWh, R$ 25/MWh?

Mr. Torres: Yes, I will gain or lose the difference of the spot price and the contract price, and this is marginal. Our simulations say that this will not impact the company's results.

Mr. Tamashiro: Neither for positive nor negative?

Mr. Previtali: I would like to complement the answer. The 10% projection was made by Tractebel. The industry has not manifested anything in terms of reduction of energy needs in the future. They themselves do not know the level of economic activity, so we do not want to reduce now and later on go to the market for a higher price of energy, maybe.

And I will give you an example of a negotiation when the customer sees a consumer reduction. Suppose I have a 100 MW contract; with 20% take or pay, so the contract would turn to 80 MW.

If the customer consumes 70 MW just the opposite of other markets, the gas market for example, in the electric power market we do not deliver 70 MW, we deliver 80 MW. But since the customer only absorbs 70 MW, these 10 MW are credited on their behalf at the Electricity Trading Chamber or there is a proposal of another buyer, let us suppose a trading company, to buy this energy at a higher price than the spot price, generating an extra gain.

So we have several negotiation ways, ok?

Mr. Tamashiro: So is not there a risk? Nobody has reduced, and you are negotiating additional 110 MW…

Mr. Previtali: But our estimate is 10%; since we go slow, we have a very conservative approach. In the last adjustment auction we could have sold these 110 MW but we did not, we sold 45 MW; we had an estimate for 10% reduction, but since we are still in the beginning of the year, being very conservative, we decided to sell only part of these 110 MW.

Mr. Torres: In fact we have several uncertainties, there is no defined number.

Mr. Tamashiro: Thank you!

Operator: Our next question is from Mr. Marcelo Brito from Bradesco.

Mr. Marcelo Brito: Good morning! How does the Company see the spot price scenario for 2009? Do you have any estimate for the average spot price for 2009? This is the first question.

The second question has to do with the projects that are under way. São Salvador has just been delivered, we still have the Econergy and Andrade. What about the financing contracts which have been agreed upon with the Development Bank (BNDES) for these three works, Ecoenergy, Andrade and São Salvador? That could mitigate the cash flow that is impacted by the maturity of debt in 2009?

Mr. Torres: First, Marcelo, good morning! As regards the spot price, whenever I see this trend I say that the only thing that is assured for me is that this is not the way it is going to behave. There are so many variables; for instance, the government tries to have a target and generate outside the order of merit and this affects future prices; the market goes down or up and we have no idea of what is going to happen. So we simulate, we do the best we can; but it is very difficult to forecast that.

The trend - because it is already R$ 108/MWh and we are in March - is upwards; but maybe April, May the government decides to generate from all the thermals so the price is going to be flat, about the level we have now.

So I would say that the normal trend is upwards because in April or May the dry season starts, the rain course is very low, so the reservoirs are at very low levels and then the trend is upwards until October. But anything can happen.

Mr. Brito: So would you say that the spot price could be above the average of your contracts?

Mr. Torres: Probably yes.

Mr. Brito: And as regards the debt, what would you say?

Mr. Torres: São Salvador we have disbursed almost 100%, there are no disbursements ahead, virtually none - and I am talking about great figures. The Andrade Project we are negotiating the financing, some R$ 60 or R$ 70 million and we have disbursed almost all for Pedra do Sal and Beberibe. As for Areia Branca the disbursement has reached 80%. So there is not much pressure on our cash position, because everything will be spent on the construction works.

Mr. Brito: Thank you!

Operator: Our next question comes from Mr. Francisco Navarrete from Goldman Sachs.

Mr. Francisco Navarrete: Good morning, Zaroni and Previtali! I would like to talk about the investment in Estreito, just to ensure I understood correctly the answers that were given to the other

questions. With the increase of Capex, the fee to be paid to GDF SUEZ after the independent auditor could be smaller in order to offset the increase in Capex?

Mr. Torres: I think so. You can also think that relative to what could have been in the beginning of last year, there's also an increase in the cost of capital. So if we want to do a rolling dividend cash flow, this would be lower.

Mr. Francisco Navarrete: Ok, thank you!

Operator: Our next question comes from Mr. Felipe Leal from Merrill Lynch.

Mr. Felipe Leal: Good morning! Do you have any outlooks to export energy to Argentina? Is there any expectation with this surplus of energy?

Mr. Torres: Yes. We are exporting to Uruguay. We are exporting between 100MW and 200 MW to Uruguay. But as for what I see, Argentina is experiencing a dry period in the South where they have power plants, although we had a decrease in gas consumption. Bolivia will have more gas to provide to Argentina, because they also experience a gas consumption reduction in Brazil... So I think it is early to say that we are going to export to Argentina.

Last year the government opted for a swap, exporting hydro power and then receiving it back, because cheaper thermal plants had been used to reach the target level, to keep reservoirs in the target level. So everything can happen.

Mr. Leal: Thank you!

Operator: Our next question comes from Mr. Bert Whitson from Kiitos Capital. Excuse me Mr. Bert, go ahead please.

Mr. Bert Whitson: I have just a quick question and a kind of follow-up on the debt. Was there any difficulty getting the financing? And if you can comment on the term, the fx rate paid relative to what you paid in the past that would be great.

Mr. Previtali: The conditions of our commercial paper as well as debentures are very similar: R$ 300 million of commercial paper, we will have 125% of CDI; and for the debentures will have a bookbuilding process which has a ceiling of 125% of CDI. So we have this possibility of having capital cost lower than 125% of CDI for the R$ 600 million of debentures.

Mr. Whitson: I am sorry, is that variable or is that fixed?

Mr. Previtali: Fixed is the commercial paper, 125% of the CDI. R$ 600 million of debentures have a maximum value of 125% of CDI; but since it is a bookbuilding process, it is possible for us to have a lower value.

Mr. Whitson: Ok, thank you!

Operator: Our next question comes from Mr. Subhojit Daripa from Morgan Stanley.

Mr. Subhojit Daripa: Good morning! How much volume reduction did you have in January and February from free customers? What really happened?

Would you please give me more detail on derivatives loss?

Mr. Torres: In January we had a 13.5% drop from free customers; for February we have no information, but probably it will be around the same value. We are projecting a 10% decrease for the year.

But I did not understand your question of derivative operations, because we do not have it.

Mr. Daripa: You have given already these figures, but in financial expenses one of the reasons for the increase in the fourth quarter was something related to derivative operations and I do confess that I do not know exactly...

Mr. Torres: The financial expense increase was exchange variation. We have a debt, we have payments; there was a dollar valuation and therefore we have this increase.

Mr. Daripa: Ok, so maybe I misunderstood. Ok.

Mr. Torres: We have no derivatives.

Mr. Daripa: Thank you!

Operator: Our next question comes from Mr. Bruno Pascon from Citibank.

Mr. Bruno Pascon: Good morning! I have a question referring to dividends. What is the Company's expectation to pay intermediary dividends if you consider the short term debt and the issue of debentures and cash generation of the Company for the first quarter of 2009?

Mr. Torres: Bruno, we have it in the presentation. We are going to pay relative to the profits of 2008. We have paid R$ 580 million referring to the first half of last year; and R$ 176 million of interest on shareholders' equity. And we will keep it this way at least for the first half.

Mr. Pascon: But as for the results of the first half, do you have any expectations for payment?

Mr. Torres: We will pay at least the minimum of 55%.

Mr. Pascon: Thank you!

Operator: Our next question comes from Mr. Reginaldo Pereira from HSBC.

Mr. Reginaldo Pereira: Good morning! My question has to do with the sales to distributors. What are the conditions of sale? Are they take or pay as for free customers?

And is the increase that we saw in the tariffs for trading companies (26%) sustainable as you see it throughout the year?

Mr. Torres: As regards the trading companies, most of the contracts that we have with trading companies are with trading companies that are connected through concessionaires and this has been so for a long way. In the previous model, the concessionaire could have a self-dealing of 30%, so many concessionaires bought through their trading companies. These contracts are 100% take or pay.

Mr. Pereira: And what about the price?

Mr. Torres: The price ...

Mr. Pereira: No, what I mean is this increase that we saw in 4Q08; can we believe that this is sustainable throughout 2009?

Mr. Previtali: These contracts, because they were signed outside the regulated environment, in terms of adjustment, have a relationship with contracts with free consumers, they are indexed by the IGPM. Was that the question?

Mr. Pereira: Yes, it was!

Operator: Our next question comes from Mr. Anderson Frei from J.P. Morgan.

Mr. Anderson Frei: Good morning! Two quick questions, one has to do with the Estreito energy, which has not been negotiated in the pool auction, so I would like to know if you could give us a price idea and if this energy has been negotiated in a very short term contracts for the next two years.

The second question is out of curiosity, relative to the sale of energy for last year. I remember that in 3Q you wrote in the press release that you had already contract for 3.6 thousand MW on average. But in 4Q you reported that you sold less than 3.4 thousand average MW. So I think that part of it had to do with the slowdown in the free-market in 4Q. But has this surplus energy been directed to the spot market or when it's directed to the Electricity Trading Chamber is it not included in this figure?

I want to understand the difference of around 100 MW. Where does this difference come from? How can we explain it?

Mr. Previtali: So you are referring to sales actually?

Mr. Frei: Yes, correct.

Mr. Previtali: You see that there are two approaches to it: when we talk of contracts we show the average price of contracts and we exclude the sales in the Electricity Trading Chamber because these are not negotiated, there is an automatic liquidation.

But the energy balance is dynamic and it always looks ahead, so at that time our outlook was for us to buy some from third parties and to sell some through contracts with free customers and variables like these. So as time goes by we make adjustments.

For example, some of the purchases are subject to options. So if we forecast that the demand - our sales - are not going to perform, unless we see that the spot price will be too high, there's no need to realize the purchase option.

As regards sales, we mentioned that we have made some adjustments, so we took energy from the bilateral blocks and we sent this to the regulated sales because of the nature of this type of contract; and we also have the reduction in the consumption of free customers. So these are the major issues involved in the question that you made.

And your first question was relative to the energy of Estreito, is that it?

Mr. Frei: No, the sale of the São Salvador energy.

Mr. Previtali: São Salvador.

Mr. Torres: At the time we sold R$ 135/MWh, which would be R$ 150.5/MWh on 31 of December.

Mr. Previtali: This information is in the energy in the balance, São Salvador…

Mr. Torres: … São Salvador is this plant for 148 average MW; it was sold in the 2006 auction for delivery in 2011 for 30 years.

Mr. Frei: My question has to do with before 2011. In the period that it is going to be working, but delivering, will it sell to the free market? Do you have any idea of in what conditions, price, size o contract?

Mr. Torres: It is in Tractebel Energia's portfolio and it is this average.

Mr. Previtali: You see, because we had a very clear vision that the São Salvador operation was going to start operating earlier, we sold this energy previously.

Mr. Frei: Ok, that was my question.

Mr. Previtali: So for 2009 and 2010 we have a surplus of energy that is below 140 MW, so this means that at least part of this energy has been sold already.

Mr. Frei: Ok, thank you!

Mr. Previtali: As Zaroni said, this is diluted in our sales operations and therefore we cannot segment it exactly in terms of São Salvador sales. When we sell the energy we do not mark the source, so those who buy from Tractebel buy energy from one of these plants or from contracts through which we purchase energy from third parties.

Mr. Frei: Excellent! Thank you!

Operator: Our next question comes from Mr. Eduardo Cancian from Itaú Corretora.

Mr. Eduardo Cancian: Good morning! My doubt has to do with the strategy for contracts of Tractebel in view of the scenario which is full of uncertainties relative to the consumption expectations in 2009 and following years.

Mr. Torres: Good morning! We live in a market that is uncertain; this is why we have contracts for the long term. That gives us stability in the cash flow and we also try to sell in the short-term when the price is cheaper and sell in the long term when the price is higher.

So we are currently virtually outsold. The reduction that we foresee is very small relative to the total portfolio, 3% or 2% of the total portfolio, 3.6 thousand MW / 3.7 thousand MW and we have 45 MW. So this is nothing, the figure is not going to drive our sales strategy.

In the long term we never sell the reserve for hydrological risk. We have a method and we do simulations, and we leave a certain amount of energy unsold, we only sell it two years before.

And with this scenario of high spot prices we also have a reserve for the thermal plants with higher variable prices. Before we sold everything, because we were certain that the spot price would be below the contracted price; but today we are not so sure. So we are not going to sell contracts for these thermal plants for the long term. So this is more or less the strategy.

Mr. Cancian: And for me to understand better, you sold a considerable volume of energy in the last two quarters and this energy will be available in the future, and the price you said is around R$135/MWh or above that. How do you see the prices now with this new scenario? Are the prices expected to fall? What is your feeling about it?

Mr. Torres: We do not want to win it all or lose it all, there has to be an average. That is why I think R$ 135/MWh in any scenario is a good price. If it goes up to R$ 150/MWh I lose R$ 15/MWh; if it goes to R$ 120/MWh I make an additional R$ 15/MWh.

But this is not what we are looking at, we think in the long run. We have the price that the concessionaries pay for the auctions plus Itaipu. So I know what the average price is for the regulated environment, what they can sell to their consumers and then I project the future price, which is my target.

So when I authorize our sales people to sell energy, we have a measure for the transfer price up to 2015/2016 and this is our guideline.

Mr. Cancian: Ok. Thank you!

Operator: Our next question comes from Mr. Francisco Navarrete from Goldman Sachs.

Mr. Francisco Navarrete: Just a follow-up on the issue here on the balance sheet, slide 12. So it is possible for us to consider that maybe going forward the thermal exposure of 375 mega - which is flexible - you might decide to take it out of the sales portfolio, so this is no longer going to be sold with no exposure because of the actual scenario?

Mr. Torres: As I said before, I am going to make a risk analysis, a risk calculation; I am going to simulate and see what thermal I am not going to sell, but not this entire figure. Jorge Lacerda C, which is the largest one we have, had a dispatch price of R$ 110/MWh and this, for sure, if I have any contract above it I am going to sell.

Mr. Francisco Navarrete: Thank you!

Operator: Ladies and gentlemen, I remind you that to ask a question dial star (*) one (1).

We now close the Q&A session and I would like to pass the floor to Mr. Manoel Arlindo Zaroni Torres for his final remarks.

Mr. Torres: I would like to leave a guidance here. According to our assessment, we are not going to have any surprises in 2009 and the results will be in line with the results of 2008. We are not foreseeing major difficulties or rises in values.

And the only thing that we will have to do - probably - is to reduce the dividend payment to 55%, unless the Controller wish otherwise, which is a decision that is made by the shareholders: to run into more debt and pay dividends or if we maintain the current indebtedness level and pay 55%, which is the minimum commitment we have.

Thank you very much for being interested in our Company, for giving us your time and we are entirely available; should you require further clarification at any time, you can call either Previtali or Philippe or myself.

Operator: Tractebel Energia's audio conference is now closed. We thank you all for participating and have a nice day!
