International Conference Call
Tractebel Energia
4th Quarter 2009 earnings Results
February 26, 2010

Operator: Good morning. This is the conference call of Tractebel Energia. All participants are connected in listen-only mode and later on we are going to open for the Q&A, when further instructions will be provided. If you need the help of an operator during the conference call please press star zero (*0). I would like to remind you that this conference call is being recorded.

Now I am going to move on to Mr. Antonio Previtalli, Investor Relations Manager of Tractebel Energia. Please Mr. Previtalli, you may go on.

Mr. Antonio Previtalli: Good morning ladies and gentlemen. Be welcome to Tractebel Energia's conference call where we are going to discuss the results of 4Q09 and the whole year of 2009.

This presentation as well as its slides will have a simultaneous webcast on the site www.tractebelenergia.com.br under the investors section. There you will also be able to obtain a copy of the Company's results release.

Before moving on I would like to clarify that any statements made during this conference call relative to the Company's business outlooks should be treated as forecasts and depend on the country's economic scenario, the performance and the regulation of the electric industry and other variables, and therefore are subject to changes.

With us today in Florianópolis are Mr. Eduardo Sattamini, Financial Director and Investor Relations Director. Initially Mr. Sattamini will comment on the performance of Tractebel along 4Q09 and the year 2009 and then we will answer your questions.

Please Mr. Eduardo Sattamini, you may go on.

Mr. Eduardo Sattamini: Good morning everyone, be welcome. It is a pleasure to announce a net income that is record for the sixth year in a row, net income was R$ 1,134 million, a 1.7 growth over the year of 2008. The Company is also announcing the distribution of complementary dividends in the amount of R$ 81.9

million with a payout of 55% in 2009 and that together with interest over own capital will total R$ 276 million in the beginning of the year.

The Company's EBITDA remained stable at the amount of R$ 2,178 million with a margin of 62.3%. Net revenues in 2009 amounted to R$ 3,496 million, 2.8% higher than the previous year. Average sales price in sales contracts, net of sales tax and exports, reached R$ 108.81/MWh, 8.1% higher than the previous year.

Also a highlight is our operational efficiency with a record in instantaneous generation in October, where we generated 6,807 MW reaching a capacity factor of 90.9% with a record throughout the year of uptime of 98.9%.

This year also as a highlight we have the consolidation of our expansion through the coming of the Estreito hydro plant. We completed the negotiation of this transaction in the end of last year and we will be already having a cash generation with that as of 2011.

On page 5 we can see the organization chart of SUEZ and Tractebel Energia in Brazil. You see here the addition of SUEZ Energia Renovável (or renewable energy), which is where we concentrate rights and obligations related to the Estreito Consortium, our participation in the Estreito hydro plant.

Moving on to slide number 6, here we have something new in this slide, which is the plant of Jirau that is included for the first time. Today it is held by GDF SUEZ and this year or maybe next year it will be part of our portfolio.

It is also important to highlight that today we are present in five regions of the country and as of this year, with the beginning of operations of Areia Branca and biomass Andrade in the Southeast we are going to have operations in the five regions of the country.

In slide number 7, we can see our position as compared to the competition. We kept our leadership and what is new here is that we have the inclusion of the projects under construction, again showing the consolidation of our leadership position. What is missing here is the forecast of growth for our competitors. We do not have details on that, but our growth indicates a consolidation of our leadership position in the market.

With regards to our portfolio, it indicates a change from 2008 to 2009, a reduction of free customers particularly because of the reduction of our volume in industrial customers, which is partially explained for this reduction and also because of the re-directioning of our new contracts. We have two components really that led to this change in position.

On slide 9 we can see our position for 2010 on sales for free customers and the distribution of customers throughout the different industrial sectors of our economy. Our expectations for the year of 2010 are very good, especially due to the latest news that the country and the industry are resuming its growth. January recorded a year on year of 9% and in the last 12 months, in November we observed a drop of 1.9%, which was almost eliminated in the month of January. So there is an expectation of higher volumes as the industry resumes its growth.

Going to slide number 11 it is very important to point out that the coming of thermoelectric plants and the low-level of consumption have supported the long term prices. We have a country that still has a very low per capita consumption of energy. The expectation is that the effect of income on demand is going to be a multiplying factor due to the elasticity of the demand for electric power.

As for the management of our portfolio, on slide number 13, the Company's strategy is to have a gradual sale of future availability and as we can see in the chart the Company seeks to have the best moment to sell its availability, but the availability for the next years, 2010, 2011, is not very good. Although there is a potential of using this growth of demand in strengthening our prices in the years of 2010 and 2011.

On slide 14 with regards to our energy balance, we have had a slight change in the last quarter from then to now, especially on own resources. That was because of the adjustment in the schedule of Estreito power plant, which had already been included in the evaluation reports when we had the negotiation with GDF SUEZ. There was a slight change in availability between 2010 and 2011.

You should also note that bilateral sales have had a slight drop because of adjustments of expectations by industrial consumers, but as of 2011/2012 we are going to see a slight increase because of the contracts that have been signed for about R$ 125, R$ 130/MWh for use of four to five years.

Now in slide 16 we are now going to present our projects and our prospects for growth. The first project, the most significant project for this year of 2010 is the project of Estreito. You can see this is an up-to-date picture of January 2010 showing the water going through the spillway and today our work focuses more on the powerhouse to start generation in early 2011. Commissioning may take place probably in early 2012.

I am going to mention a little bit about the transfer of the power plant from GDF SUEZ to Tractebel. It was based on a report, a technical report that considers quite conservative assumptions. The vision of the management of Tractebel Energia is

that there are potential upsides that have not been considered, which would be upsides that we can be quite sure that will happen, such as the additional effects of secondary power; the reestablishment of leverage of the venture; the reestablishment of the funding from BNDES, which we have already applied for; and a more realistic vision of Serra Quebrada power plant.

It has 1,087 MW installed capacity, 641 MW of assured energy; the ownership of Tractebel Energia is 40.07%; the investment by Tractebel Energia in this project is estimated at R$ 1.760 million and it is going to go into operation in early 2011. We should also emphasize that the total amount of energy of Tractebel Energia has already been sold at an Auction A-5 for 30 years in October 2007 to start to be sold as of 2012.

Now on slide 17 you can see the photographs of Destilaria Andrade, the thermal power plant, and also SHP Areia Branca, in Minas Gerais, both expected to go live into operation in the first half of 2010. Here for Destilaria Andrade our partners are Açúcar Guarani and it has an installed capacity of 33 MW, the assured energy is 18.3 MW and we have sold energy in a fifteen-year term contract at 158/MWh, historical prices. And Areia Branca is in the state of Minas Gerais with 19.9 MW installed capacity, 11 MW on average of contracted energy, both with the investment of about R$ 95 million and twenty-year term contract at R$ 159/MWh.

The novelty is Jirau Project on page 18. Today Energia Sustentável do Brasil is the company that is building the power plant. GDF has 50.1% and it is responsible for the construction, maintenance and operation and sale of the energy from Jirau power plant. 70% of the power to be generated has already been sold in an Auction A-5 for a period of 30 years as of 2013. It has installed capacity of 3,450 MW, assured energy of about 2,045 MW and it is expected to go into operation in 2012, more precisely in May 2012.

For this project there is a specific purpose company and this company has a website where you can find quite detailed information about the progress of the project and the website is www.energiasustentaveldobrasil.com.br.

Now in terms of our financial performance on page 20 you can see the main financial parameters and indicators of the Company: net revenues, EBITDA and net income and although there had been a drop in industrial activity earlier last year, we are in a consistent growth of the portfolio and we have managed to keep our net income at a reasonable level. EBITDA almost with no change in relation to last year and net revenues have had quite significant increase.

Now seeing the breakdown of all those numbers, on slide 21 you can see the evolution of the gross operating revenues as compared to 2008. On the chart at

the bottom you can see the main drivers for the variation from 2008 to 20009, especially CCEE results that provided a negative contribution because the gross result of CCEE in 2008 was really extraordinary, because of our monthly allocation strategy related to price and volume, higher average prices in 09; there was some contribution from exports; also the issue of indemnification of the EPC contract of São Salvador that has contributed to the gross operating revenues reaching at the end of 2009 a total of R$ 3.886 million in gross operating revenues.

Now in the evolution of EBITDA. This has had a slight increase and I would say it remained stable. Once again you can see the effects of the energy trading board, the spot market, which is normal for Tractebel because of its thermal generation. In 2009 there was a reduction in thermal generation which increased this exposure and because of that we have had results that really fell short from last year's results in the accounts of the energy trading board. We have also had the contribution of new companies to EBITDA that we cooperated as of 2008 and 2009 generating R$ 98 million in terms of the scope in addition to the EBITDA coming from new operations.

As for our net income on page 23, what we can see is that there was a reflex of allocation of energy, the monthly allocation, comparing results from 2008 to 2009, where we can see again that there was a concentration of energy allocation in 2008 in the first quarter, whereas in 2009 we had higher concentration in fourth quarter. It is important to highlight that, because when you make a comparison quarter on quarter, allocation of energy can generate certain distortions.

Once more we had a negative impact caused by the CCEE due to the large quantity of rain that we had in 2009 and the maintenance of TLP at low levels. We had an important effect on exchange variation that contributed for us to leave our net income at a reasonable level and I would say these are the main elements that can explain this chart in terms of net income.

As for the quarterly financial drivers, again it is important to point out that we can see particularly in the bar charts in the bottom of the slide that once more there was this allocation effect on the fourth quarter making our EBITDA margin to be higher in 2009 as compared to 2008 and also comparing it to the third quarter. Of course this impacted a higher EBITDA in the fourth quarter and consequently also a higher net income in the quarter.

As for indebtedness, we have a low indebtedness of the Company, which shows that we really take advantage of our growth opportunities. We can see that our total debt/EBITDA is 1.6x only. We had a substantial reduction in our debt in foreign currency from 11% to 7%. We can see that our cash in the end of the year of 2009 was very robust, and part of it reflects the commitment of interest over own capital

and dividends, as I said, in the amount of R$ 276 million. Part of these resources are also allocated for the acquisition of Estreito. We have a program of total investment of R$ 2.2 billion for 2010 that will absorb this cash throughout the year, which is added to the general cash generation of the year and will meet all our obligations.

As for the net debt on slide 26, this is an annual evolution. It is shown quarter on quarter but it is year on year. We had some movement of debt from 2008 to 2009; here we have the contribution of investments, R$ 323 million investments; dividends and interest on own capital paid in 2009 of R$ 495 million; results of foreign exchange variation that contributed negatively for the net debt and working capital change and others contributing positively. In the end of 2009 we had a net debt of R$ 2,160 million, which is below our EBITDA.

As for medium and long-term debt on slide 27 it is important to note that we have debt with low relative cost, 93% tagged to the real currency, which is very important, our income is almost entirely in reals and tagged to TJLP, BNDES interest, we have 44% of our indebtedness, especially because of the indebtedness of financing our expansion and construction contracts.

As for the investments schedule, we have a profile where there is a concentration in 2011. We are probably going to seek for a strategy of expansion, but again this is a very comfortable indebtedness as compared to our cash generation.

On slide 28 investments on maintenance and recurrence, again supported by strong cash generation. What we can see from last year to this year is that there was a movement of investments of 2009 and 2010 especially because of the completion of the Estreito operation that was not carried out in 2009, but rather in 2010 upon approval of BNDES and ANEEL of the final transfer of this asset. We expect to have investments of R$ 2.2 billion, R$ 1.2 billion financed with debt and R$ 1 billion with our own resources.

As for our dividend policy we kept the payout of 55% of our net income and this is probably what is going to be kept for 2010, 55% due to our commitments with investments along the year.

Well, this is what we had to show you and now we are going to open for questions and answers and if you have any doubts you can contact us at my e-mail or by e-mail with Antonio Previtalli or even calling us on the phone.

Q&A session

Operator: Excuse me. Ladies and gentlemen we are now going to start our Q&A session. If you want to ask a question please press star one (*1). If you want to remove yourself from the line please press the star two (*2).

You should be reminded that this conference call is exclusive for investors and market analysts. We ask that any possible questions from journalists be sent to the press services of Tractebel Energia. Could you please be limited to two questions at a time.

Excuse me. Our first question comes from Mr. Marcos Severine from Itaú Corretora.

Mr. Marcos Severine: Good morning everyone, good morning Sattamini. I have two questions for us to start, the first one regards the growth project. Apart from the ones in the presentation that are well known and also not considering Jirau, I would like to understand a little bit better your project portfolio.

So we were talking about greenfield, your growth strategy through brownfield, what are you looking at? Can we expect any acquisitions, maybe hydro power plants, thermal or wind? So what do you see?

The second question regards Jirau. My question is if there is any possibility of you defining a transfer price for Jirau now? And you say it is going to be 15% of Jirau's Capex, it is going to be 10 or 20%? Because we could see how much this issue was important in Tractebel's share earlier this year in the announcement.

I think this is a key point for Tractebel's investments. We know that the scenario is quite positive in terms of results. Result last year was very positive if we look at the overall scenario, but I think that this definition will still affect your shares and are you going to define that along this year?

Mr. Sattamini: First question regarding growth. In the area of greenfield we have developed a few windmill projects and biomass. We will be qualifying these projects for a reserve auction still in the first half of this year and brownfield the Company is always looking at the market with possible opportunities. Today we don't have a specific target, but we are always looking at the market and considering opportunities for possible consolidation.

As to Jirau, and your question is to whether we can define the price now and whether it is going to be based on Capex, if we would use Capex as a reference, what I can tell you that it is not going to be based on Capex. Capex is one of the

elements that we consider when we make the evaluation of the assets to define the price. In addition to Capex there is also energy price, required return, and many other elements and assumptions that are considered for us to come to a price for the sale. So using Capex as a single reference is not good when you are talking about the evaluation of greenfield enterprises.

We are not going to define anything now. We are going to define this when we find risks are mitigated and we find that the time has come for us to make the transfer for Tractebel Energia. The price will be the result of a fair valuation, so there will be an evaluation measuring the risk of the venture until it is completed.

When I mentioned about the past is has been done in a conservative way. We have just adjusted that in terms of the transfer of São Salvador plant, and it was quite better than we had expected at first when the transaction took time. We want to optimize, we want to find the upside of the project and usually we attain better results than those expected or announced considering the evaluations that banks make.

Mr. Severine: So in this transfer price we are going to see a return much closer to a brownfield than Greenfield? Is this more or less the rationale?

Mr. Sattamini: It is going to consider mitigated risks. It is not going to be like brownfield because it is not going to be in operation but it is going to be closer to Brownfield than a zero greenfield. What I can say is that this is the theoretical return rate. There are elements we did not include that would provide greater return to the venture.

Mr. Severine: Thank you very much.

Operator: Our next question comes from Mariana Coelho from Itaú Securities.

Ms. Mariana Coelho: About Jirau we saw some things about the leaving of Camargo Correa from the consortium with the 10% share. Is there a possibility for SUEZ to acquire this share and what would be your positioning with regard to announcing that? Would you have a disclosure of the amount of this purchase? That would be my question.

Mr. Sattamini: There is the possibility, there is the possibility even when we signed the articles of association of the Company. The price calculated for a transfer to GDF SUEZ would have a small amount generated by the development of Camargo Correa at the time and the transfer would be at book value. What happens from now on is that Camargo Correa is negotiating an amount above book value amounts. It already completed part of the operation with a pension fund and it is

trying to complete the remainder operation. If there is a transfer to GDF SUEZ I could say that it will have to be at book value.

Ms. Coelho: I understand. So the scenario of Jirau starting operations beforehand with energy assured for 2012 and not 2015 would not be part of the assessment if SUEZ decides to buy Camargo Correa's share?

Mr. Sattamini: Well, the negotiation with Camargo Correa is different from their negotiation with third parties. This is a negotiation that was started at the time the consortium was incorporated, so it is not a negotiation at market value. It is different.

Ms. Coelho: Ok I understand and this rationale then is different from what is adopted when transferring this asset to Tractebel later on?

Mr. Sattamini: Yes, because again, this agreement was established when the consortium was incorporated.

Mr. Previtalli: Mariana, Previtalli here. Let me just complement just what you said. Indeed it was published in the press that the total capacity of the generation of Jirau would be completed by 2012, which is not true. Jirau has 46 turbines, one first of which will start operation possibly in May, as Sattamini mentioned, and it is not possible for all the remaindered turbines to start operations by 2012. We believe the last turbine will start operations in 2014, so it is not a correct piece of information.

Ms. Coelho: Ok thank you very much.

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

Mr. Sérgio Tamashiro: Good morning everyone. In decisions on investments you take conservative premises and we see an incestual relationship: there is a conflict of interest between the controlling company and the operating company.

I would like to understand a bit of your decision-making process. When there is this kind of investment, if the controlling partner, GDF SUEZ, abstains from voting, that is, it goes outside of the room and you only have the minority? If they do take part is there a possibility of in the next event they not take part in the decision-making?

Mr. Sattamini: Well, until today GDF SUEZ has always voted and it should not waive its right as a controlling company. There must be a balance between minority and majority partners and balance also comes from the exercising of every party's rights. I do not know and I cannot answer on behalf of the controller if they

are going to vote on Estreito's transfer or not. We believe they can and should vote.

Mr. Tamashiro: Ok thank you very much.

Operator: Excuse me. Our next question comes from Marcelo Britto.

Mr. Marcelo Britto: Well, I have two questions, the first about your strategy of monthly allocations for 2009. It seems clear that it was planned to have better results with higher spot prices for second semester, which did not happen. In December now you had to trace your strategy, outline the strategy for 2010. The question is: is it focusing on looking at a lower spot for 2010? That is the first question.

And the second question goes back to the case of Jirau and it seems clear that the benefits of an eventual anticipation could be through the payment of a consortium construction company and not through the equity and the data that we had in the press is that the benefit of the construction company is not the equity, it is in the form of payments, which is a bit explained by what you said in terms of construction. Is that correct?

Mr. Sattamini: Could you repeat the second question?

Mr. Britto: Well, the news said that they are selling their share in Jirau and because of this anticipation they could make in the equity an amount that is above book value.

Is there any payment of sustainable energy consortium to be made? Or is the benefit only in the price that they can get through the equity of their share?

Mr. Sattamini: Well, the first question, the monthly allocation. The Company is exposed to spot prices, so usually the strategy of seasonalization for allocation is for you to decrease this exposure. The beginning of the year we had very low amounts of PLD, so we exposed ourselves in the beginning of the year.

We cannot speak out our strategy because it can be captured by our competitors, but we can say that we allocated little energy for January; but for the remainder of the year I am not going to tell you what we are going to do. But basically our allocation strategy is not for anything rather than us protecting ourselves from unfavorable variations or expectations of unfavorable variation in the price for settlement of differences.

As for premiums for the construction company if there is anticipation I really do not know. I believe so. Almost all contracts of hydro plant construction if there is an anticipation of construction; generally there are premiums of performance included. But I really do not know if there is anything that has been negotiated between Energia Sustentável and Camargo Correa.

Mr. Britto: Ok and for allocation are you thinking of a spot price that is lower than what was observed in 2009?

Mr. Previtalli: Well Marcelo - this is Previtalli speaking - this is a very difficult question for us to answer. The strategy for this year indeed took into consideration the fact that we started the year with a volume of reservoir levels very high. Today reservoirs in the Southeast have 77% of their maximum level, which is a considerable amount.

And also natural energy that is very high; that is, it is full and water is still coming into the reservoirs. Of course we can have a reversal of this at any time. Maybe not as important, but also the recovery of demand can be a relevant item or factor for the variation of spot prices and I think that for now this is all we can tell you.

As for our strategy, we believe that you can expect a lower allocation for January and as a consequence what was below average for the year being allocated for the next months waiting for an elevation of spot prices. But it is still very premature to make any analysis with regards to the behavior of spot. You can see that in the Northeast this week spot left to the floor level, so any comments about that take into consideration uncertainty

And it is what Sattamini mentioned: the main objective of this strategy is to mitigate expenses, costs that we have at the CCEE committee. Having an income at CCEE is something difficult for Tractebel. You know that we are a Company that is in a short position because its electric complex is fully hired and we have thermoelectric generation that generally reaches 60% or 65% of the commercial capacity of the thermoelectric companies. So we could not expect for 2009 to have such good results as we had in 2008.

Mr. Britto: Ok thank you very much.

Operator: Excuse me. Our next question comes from Ms. Maura Shaughnessy, with MFS.

Ms. Maura Shaughnessy: Here is Ms. Maura Maura Shaughnessy from MFS. Thank you very much for taking my call. I was just wondering if I could just discuss

two issues. I mean, it seems strange to me that the Estreito deal, which is less than 5% of your total capacity, is the focus of 99.9% of investor concern.

And it is a kind of unique that GDF, which owns 70% of your company, lost more money in Tractebel's stock going down than it will ever make in that Estreito Project and as by the questions today as well as the questions 99.9% of the questions of the company, this whole transfer pricing mechanism it clearly does not work.

And it is not benefiting GDF, because GDF's shareholders do not even care and it sure is not helping Tractebel's share performance and I was hoping to hear a more robust answer from the management team as to how this process is going to be fixed or ended and I would like to hear a lot more about the company's understanding of that, because at the end of the day if Tractebel's management is getting paid in GDF stocks that seems like a very bizarre set of circumstances.

The generation profile, the cash flow profile of this company is very strong and yet this transfer price mechanism, in the way the management is incentive with GDF stock - not Tractebel's stock - is just quite bizarre. I would like a response to my comment please.

Mr. Sattamini: I think that you touched quite an important aspect for us to clarify. In fact the reflex of the transfer of Estreito was seen by Tractebel's administration and also by GDF SUEZ with great surprise. We did not expect the market to react so intensely in relation to an asset that does not have such an important share in the overall picture of the Company.

In spite of that, the Company's management and its controller, GDF SUEZ, are reassessing and re-analyzing the strengths and weaknesses of this model and thinking and considering about any possible changes. We are not saying that we are committed to change, but we have a commitment towards reassessing, reevaluating the model and this will be done and is already being done. We have not yet come to a conclusion, and as we reach the conclusion this will be announced to the market. But we can say is that the controller is sensitive to this reaction of the market and will be doing something about that.

Ms. Shaughnessy: I am not sure what that means. As far as I could tell, Tractebel's stock was the worst performing stock in the Brazilian utilities space last year and again, you talked about the tremendous change in demand.

You have a tremendous cash flow profile over the next couple of years and yet 99.9% of the concern is about this transfer price mechanism and then that one day

this was announced GDF lost more in Tractebel's stock than it will never make in that one project, which is less than 5% of your total capacity.

So do we have a timeline as to when this is going to be addressed? Because I do not frankly even understand why Tractebel is a public company if GDF is going to be playing this sort of games and so perhaps can you be a little bit more specific on the timeline and when we will be hearing how this process is going to change and how the full value in Tractebel can be realized?

Mr. Sattamini: Maura, I cannot be precise in terms of the timeline on such an important issue, a model that has been used for 10 years, that has provided return to all investors. The whole model was to keep the stability in the return of the Company. What we can say is that we are thinking about that.

It might be important to go back to a point that you mentioned in terms of the compensation of the officers of Tractebel Energia and it is related to the stocks of GDF SUEZ. It is not even 15% of the variable compensation, it is a very small share and might be as much as 5% of the total compensation that the executive officers get.

But in terms of being precise, what we are committed to is to think about that, reconsider and to evaluate the changes that we find that are pertinent and I cannot mention any specific date. This is being discussed, we have to take our time to do that because last year the market suffered. There was a large sales volume, there was an investor that had been selling since August. He needed the cash for other ventures that he was taking part and he sold our stock. So the effect of the model and of the actions has to be analyzed with time. We cannot do it overnight.

What we can say is that you need to be willing and adjustments will be made as they sound reasonable and we think they will have a positive impact.

Ms. Shaughnessy: Thank you very much, I mean buyers and sellers come in to stocks every day, that is what happens, and this is such a crucial area for the Company to address and I think everyone on this call would be really looking forward to the Company addressing it as soon as possible. Thank you very much.

Operator: Excuse me. Our next question comes from Mr. Vladimir Pinto from Bradesco Corretora.

Mr. Vladimir Pinto: Good morning everyone. I have two questions, the first one regards Jirau. What about the sales of free energy in the venture? Have you negotiated any shares of it? There is any price?

And the second question regards energy prices. You mentioned between R$ 125 to R$ 130. How do you compare that to the last, more recent months? Have prices changed? How do you see the evolution of the market? Do you see any recovery in consumption?

Mr. Sattamini: Well, Jirau's free energy: there is a difference between the partners in terms of how we are going to sell that energy. It has not been contracted yet, today.

In terms of energy prices we have not felt any changes in price levels and we expect that as manufacturing activity goes back up again and recovers we are going to see an increasing demand. But we have not yet felt that in our everyday work.

Mr. Pinto: Thank you.

Operator: Excuse me. Our next question comes from Mr. Felipe Mattar from Barclays Capital.

Mr. Felipe Mattar: Good morning everyone. I have two questions, the first one could you explain a little bit better: you said, you mentioned something about keeping your 55% dividend policy to 2010 and your net debt is once your EBITDA, while new projects, Estreito and potentially an acquisition of Jirau should not raise your level of indebtedness.

So could you explain to me in more details, we have recent emissions of Cemig and CTEEP with interesting times, from 4 to 5 years, interesting rates, CDI+0.9, CDI+1.5. So my question is why you still have this dividend policy for 2010 in terms of a more competitive price, since this keep the profitability of the company's projects and it doesn't have an impact on your balance.

Why do you keep it at 55% considering your low leverage and also the opening of the local debenture market and also considering that the debt of the new projects are not a burden on your balance sheet?

The second question is about Jirau, also regarding contracts. I am trying to understand a little bit the expectations that you have in terms of free energy and especially considering that the debt that you are negotiating with BNDES calls for certain covenants and protections that consider a certain level of contracting in the free market at certain price levels.

So as you expect that the first turbines are going to go live in 2012 at some point in the second half of 2010 or the first half of 2011, BNDES would require that this

energy be contracted in the free market. So could you please explain what would be the maximum time so it would not interfere in the leverage level contracted with BNDES and in the free market?

Mr. Sattamini: Well Felipe, as for first question, indebtedness versus dividends, I would just like to make a correction that will change all the calculation: BNDES debts are project financing consolidated goals into our covenants. So if you make this adaptation you see that we are going to be close to the covenant of the first and second emission of debentures, which is 2.5x EBITDA.

So we will not take the full capacity of indebtedness to pay out dividends right now and leave eventual opportunities to be missed. We are talking about our projects in our portfolio already and small projects that are forecasted. So it would be irresponsible, I think, to reach the top of the covenant now and then miss possible interesting opportunities in the future.

The second point as for the energy of Jirau, I can say that some point in time we will need to hire. The market is still not suitable for us to reach the price level that we wanted and Energia Sustentável has to wait. It has waited so far because it was able to do so. Probably there were some offers of purchase that came to the market and officers thought it is not a suitable moment to sell.

Mr. Mattar: Ok Eduardo, just to follow up on your first question. So your debentures today covenants consider the consolidated debt, even the projects financed part not being burdensome to your corporate credit. Is that correct?

Mr. Sattamini: Yes.

Mr. Mattar: Ok thank you very much.

Mr. Sattamini: Ok thank you.

Operator: Excuse me. Our next question comes from Mr. Henry Cobb, with Nevsky.

Mr. Henry Cobbe: Hi there, thanks very much for the call. A few further questions if it is possible. Just on the delay, the indemnity payment that you received, R$ 35 million on the delays. Is it likely that there will be any more such payments if there are further delays?

And the second question inside the Capex budget for 2010 do you include the premium that is being paid to SUEZ?

And lastly on the carbon side, do you expect that R$ 6 million income to be a recurring number?

Operator: Please Mr. Henry, can you repeat?

Mr. Cobbe: Sure. The R$ 35 million you received as an indemnity payment on a late construction, is it likely that you will continue receiving such payments if construction is delayed further?

And on the carbon profits of R$ 6 million, is that a recurring number?

And lastly on the Capex does that include the premium payment to SUEZ?

Mr. Sattamini: You had a last question, I just missed the last question, but anyway I am going to answer the first and second and then you see if everything is okay.

Well, the penalty for the delays in the construction of São Salvador plant was calculated after the company and the plant went into operation, so the calculation was made, we negotiated with the construction company; the penalty is paid and the plant is in operation already. So it is not going to be recurring. There will be no new payment because the plant is generating energy, income and EBITDA. In fact this delay was a delay based on the schedule negotiated with the construction company, although the plant started operations before what we had arranged with the pool of distributors and before what we had committed with Aneel.

As for Capex - and you talked about the premium paid to GDF SUEZ - yes, the total amount is including the premium, because that is part of the price of acquisition of the project. And the last question, if I am not mistaken, you are asking about covenants but I really did not get it. Could you repeat it please?

Mr. Cobbe: Is that a recurring number you expect?

Mr. Sattamini: Are you talking about carbon credits? Ok, I got it. No. These are contracts that we have with Lages. They happen every once in a while and the credits were sold and accumulated for a certain time. I do not know how many credits there are still around, but they are calculated on the effective generation of the Lages plant. So there is a variation and are not recurring. Not in the volume that we had this year.

Mr. Cobbe: Ok thank you very much indeed.

Operator: Our next question comes from Anderson Frei from JP Morgan.

Mr. Anderson Frei: Good afternoon Previtalli, Sattamini. I would just like to understand a bit better your views on the short-term market of energy. I saw that in your balance you decreased the marginal price of energy sale that you expect for this year, you increased the average purchase price.

So I would like to know how you see price and demand in the very short term and how confident you are for this guidance for this energy balance that you have.

In the past you had to revise down those sales to the free market along the year and how confident you are for this market in the year? Do you think we should expect more upside or downside for the short-term prices? Thank you.

Mr. Antonio: Well Anderson, with regards to energy balance that we showed in third quarter, the average purchase price let me just check. The average purchase price is exactly the same for 2010, R$ 0.1 higher for 2011.

And in sales we have an increase of R$ 0.40 for 2010 and 2011. This regards some adjustments of prices that we had. I think these prices are going to be completely stable as compared to the balance sheet that was released in the end of September and this energy amount is going to have sales and purchase prices for 2012.

And as for the expectation of sales along the year of 2010, as Sattamini mentioned, we have some additional sales in the fourth quarter of 30, 40 MW to begin to be delivered in 2012, not such significant increase as we had in the third quarter, which if I am not mistaken was 120MW or 130 MW on average.

But with the resume in consumption with that official numbers have been showing and based on what Sattamini mentioned, we expect free consumers to come back to the negotiation desk and really anticipate their needs for energy from now on.

So we are very optimistic, eventually even having higher prices depending on consumers' appetite. So higher prices compared to the R$ 125, R$ 130 that we talked about for these 30MW additional that we had in the fourth quarter of 2009.

Mr. Frei: Ok thank you very much.

Operator: Excuse me. Our next question comes from Mr. Diego Moreno from Merrill Lynch.

Mr. Diego Moreno: Good morning everyone. My question is about Belo Monte Project and we did not hear much about you, so what do you think about the

project, prices? Do you think that the project is really feasible and viable? Can you say something about Belo Monte?

Mr. Sattamini: Tractebel is not involved in Belo Monte. Development is being made through GDF SUEZ. What we know is that GDF SUEZ has been working on this project for while and the price of R$ 68/MWh somehow disappointed to us and it does not make it feasible. What you can expect is that if at any point GDF SUEZ goes into this project this is because prices have been adequate

This is a game that we need to play until the end. You need to discuss and to leave opportunities open so that you may at any time define your position. You do not need to leave the project immediately, but what you need to bear in mind is that if you decide to go into the project because it is because it has shown the appropriate features, governance, prices.

This is something that will happen and the negotiations will go on along the process. There are major disagreements in construction amounts; there may be changes in the project that might reduce those prices. This is somehow a struggle between contractors and builders that will take place until the end of the process.

But anyhow I think that the message is that GDF will only come to a decision, only take a position if the project shows economic features that will provide an appropriate return.

Mr. Moreno: Thank you very much.

Operator: We are now closing our Q&A session. I would like now to turn it over to Mr. Eduardo Sattamini for his final considerations.

Mr. Sattamini: I would like to thank everyone for your attendance, for the intelligent questions that gave us the opportunity to clarify many aspects of our strategy and we are available to answer any further questions you may have by e-mail. Please just get in contact with us. Thank you and have a good afternoon.

Operator: Tractebel Energia conference call is now closed. We thank you all for your participation and have a nice day. Thank you.
