International Conference Call
Tractebel Energia S.A.
4rth Quarter and 2011 Earnings Results
February 8, 2012

Operator: Good morning. This is Tractebel Energia's conference call. All participants are connected in listen-only mode and later on we are going to open the Q&A session when further instructions are going to be provided. Should you need the help of an operator during the conference call please press star zero. We would like to remind you that this conference call is being recorded.

Now I will turn over the call to Mr. Antonio Previtali, Tractebel's Investor Relations Manager. Please Mr. Previtali, go ahead.

Mr. Antonio Previtali: Good afternoon ladies and gentlemen, welcome to Tractebel Energia conference call when we are going to discuss the results for 4Q11 and the 12 months of 2011. This presentation followed by slides will be simultaneously webcast at www.tractebelenergia.com.br, investor relations section. In there you will also be able to have a copy of the presentation and other companies earnings release.

Before proceeding I would like to clarify that all statements made during this conference call relative to the company's business outlook should be considered forward-looking statements depending on the country's macroeconomic conditions, the performance and the regulations of the electric sector in addition to other variables and therefore are subject to changes.

With us are Eduardo Sattamini, Financial and Investor Relations Director who will talk about the performance of Tractebel in 4Q and in 2011 and Elio Wolff, Market Relations Manager of IPR GDF Suez energy in Latin America will present the update of the development of Jirau, a Hydro power plant. They turn on we are going to be part of the Q&A session. The paragraph I will turn the call over to Eduardo Sattamini. Please Mr. Sattamini.

Mr. Eduardo Sattamini: Well good afternoon everyone. It is a pleasure to show one more extraordinary results for the Company and I am going to start the presentation on page 4 with the highlights of the year. The first highlight is the board of directors approved complementary dividend payout relative to R$ 517.3 million (0.79 cents per share) and with this total dividends regarding 2011 will be equivalent to 100% of the distributable net income.

And operationally wise the plants achieved 98.3% of accumulated annual uptime ratio, excluding scheduled stoppages. Hydroelectric generation accounted for 98.6%, thermal for 97.2% and complementary plants 93.4%.

Tractebel remained in the corporate sustainability Index of Bovespa released in the end of 2011. It is a pleasure to see that we are still there. We have been seeking continuous improvement in the company's governance and

sustainability and this index has been reflecting that he with our participation since the first issuance in 2005.

In 2011, we also had the start up of the operations of Estreito, a hydropower plant of 1,087 MW capacity of which 40.07% are assigned to the Company. It is a consortium, we are going to talk a little further on about the implementation stages. We have already implemented for generating units, assuring 75% of the total assured energy and the other four units are going to be installed in the year 2012.

The Company also attained its first ever investment grade rating. We have the possibility of having and issuance for the foreign market last year, we took advantage of a situation of liquidity in the foreign market and with that we sought a greater assessment and such rating gave as the rating of BBB-, which is the first level of investment grading. We also had the confirmation of an AA+ rating with a positive bias by Standard & Poor's.

Another very important highlight for the sustainability of the business is the Company's participation in the best companies to work for, of Exame Guide and Você S.A. In our first participation, last year we were selected as one of the 150 companies in the country and by taking a look at the scores we can say that we were among the 35 best companies to work for and so our… we were in the 34th position based on the scores and he that we calculated.

We are going to slide 5 talking about for the quarter highlights. Here you have the main financial and operational indexes. We had a reduction of 1% in our net operating revenue but this reduction makes sense because of some contracts that were signed in a previous period of lower prices between 2004 and 2006. These contracts had been signed and they matured in the year of 2011 (more specifically in 4Q11) and these contracts were not recomposed because they were at very, very low prices and so we could reduce the amount of energy bought for resale and so the volume of sold energy was reduced marginally - you can see the energy sold, the fifth line in the table in 4Q10 slightly above 4Q11 - but to offset that we had average prices in the energy contracts of about 9% higher than the 4Q10 and so this is part of our management strategy for the contract portfolio and that has been conducted very successfully by our commercial team.

As for our Ebitda margin we reached almost 70% (69.9 in 4Q11) that reflected in the reduction in our thermoelectric dispatch. You know that we had a very hydrologic favorable year in 2011 and with that we did not have the need for a thermoelectric generation and therefore our margin grew.

Well, on page 6, just to remind you that Tractebel is part of GDF Suez international power. As a French-Belgium controller we have International Power (listed in the London Stock exchange that controls the international energy assets of the Group) and the company holds through its local holding 68.71% of Tractebel Energia.

It also holds the control of Energia Sustentável do Brasil with a share of 50.1% of that company and this is a company that is developing the Jirau Project that we are going to talk about further on.

On page 7 we present our portfolio of assets with strategic location. Today we have almost 7,000 MW installed (6,908 in round numbers) in the 22 plants operated by the Company in that 81% hydroelectric; 17 thermoelectric and 2% complementarity. So we see that most of our capacity is anchored in renewable sources, which also shows the aspect of sustainability of our businesses in the long-term.

We are the Company that most grew since its privatization compared to the companies that were privatized at the time (in the end of the 1990s). We had a growth of 86% since Tractebel Energia was created from the privatization of Gerasul, which was basically operating in the South area of the Country. We started to develop and expand and today we are a nationwide player.

Going to slide number 8, we continue to keep our leading position in the generation sector. We are the largest private player in the Brazilian electric market and we hope to continue being so because of the expected growth based on our projects and the projects of our competitors. Today we have 6.9 GW installed and with the transfer of the Jirau Project the idea by the end of the construction is to have 8.9 GW installed. Today this is almost 3x above the second position in the ranking of private companies and to suppose that in the next two, three years we are going to continue to be unless there is a very strong movement of merger or consolidation.

Going to slide number 9 we talk about our diversified portfolio. The idea is to maintain a diversified portfolio of among free consumers. The idea is to focus on the free market and what brings us future results because it does not expose us to the settlement of existing energy to options of A-1 that are conducted by the government for the placement of this existing energy.

So what happens is that in the A-1 auctions you have standard products, prices tend to be lower because these auctions are populated by companies that have lower commercial capacity and flexibility in the market. So it is a market that we have been extending our participation so that we have a very profitable way out for our existing energy - and it is naturally complemented by the regulated market through which we can develop companies in the recent past.

So we are going to slide 10 when we talk about the diverse application of our free customers' portfolio because of the importance of this segment in the company's future. We had an increase of this portfolio of 65 MW average. The year of 2010 was not extremely interesting because of the movement of the free market. We had low prices and the stock market throughout the year and with that the likelihood for customers to higher energy went down and that generated a pressure for prices to go down and they are going to talk a bit more about that later on in our presentation.

On slide 12 we are going to talk about economic growth in the energy market. Again economic growth pressures prices up but what we can observe on the right side of the slide (number 12) is that we have the demand curve - which is the solid black line - that is based on the estimates of a new C&S and that crosses supply the level of thermoelectric plants. If we pile up the plants thinking up the dispatch costs we can see that today without very favorable hydrology we would have to dispatch our thermoelectric to meet the demand and that gives us high volatility to the market and the provision for bad debts. You are going to have a higher volatility of prices that also generates a higher cost of dispatch and in the long-term we have pressures for higher prices if things continue as so.

If we look at the chart at the left side on the same slide, we can see that in the short-term we are forecasting excess offer. The balance is excess supply or demand that we forecast based on the monthly numbers of our operations based on ONSs numbers and you can see that along the months of 2012, 2013 and 2014 there will be a surplus and so that is much more related to the favorable rainfall regime, which explains the low short term contracting prices. In this manner the Company has decided, still during 2010, to intensified sales to the free market and to reduced very much our the amount of uncontracted energy so that we would not be exposed to these low energy prices that we think will happen in the future. Unless that further delays on the implementation of new plants occur, or a bad rainfall regime reverse the low price trend.

So this is… lead as to see on slide 14. The power availability for contracting on the coming years. In the bar chart on the left side of slide number 14 you can see a very small amount of our available energy of the group, of Tractebel Group in terms of percentage: 2%, 7%, 13% in 2015 showing that our strategy has been appropriate since 2010. We did not have any significant changes in the percentages from last quarter to this quarter because our strategy - if you see on the rights of this slide - is to gradually sell the energy, or taking advantage of window opportunities, considering prices or the prices of the market are higher.

As we are in a very comfortable contract situation we are going to wait for the best timing in the market so that we sell future energy for 2015, 2016 in 2017 when we will have relevant levels of uncontracted energy.

Now on page 15 we are talking about the energy balance and there is a small adjustment in our own resources because of changes in the schedule. If you look the schedule for wind power plants then there has been a small movement in terms of purchasing and in terms of products and there has been a slight reduction in the volume of auctions held by the government because there is a compensation in some contracts thereby reducing the contract amount - but no significant changes. So we had 6 MW of sold contracts.

There has been some sale activity as I have told you before. We are not likely to sell very much because of the low prices in the market. We are now retaining our customers thinking of the future.

Now talking a little bit about our growth projects. On page 17 you have the Estreito Hydro project, where four turbines have started operations and all of the eight plants will start up until 2012. This project has sold all of its energy in long-term agreements with the government for 30 years at R$ 159.50/MWh and this price was good for December 31, 2011 and this is all already in effect: we are obtaining revenue based on these contracts.

On slide number 18 you can see a little bit more, in more detail about this Hydro power plant and this is how the government determines the assured energy of the first generating unit based on the volume of water that is available and should always be superior to the volume of assured energy of the last units.

On slide number 19 you can see Jirau Project - Elio will be talking from now on - so this project is part of our presentation because this is a project that will be transferred to Tractebel. This is a business model that today's prevalent in our industry and Elio is going to talk about the development of this project.

Mr. Elio Woolf: Thank you very much Sattamini, good morning to everyone. The first thing I would like to say about the announcement of our presentation is we should be aware that now we will announce the updates on Jirau at the same time as the announcement of International Power made in London and that is Jirau's slides inside Tractebel's presentation were only announced or released this morning. We had to release them at the same time as they were released in London.

Now talking more about Jirau on slide number 19 the project today has a capacity of 3,750 MW already confirmed with an expansion already confirmed by 50.1% owned by IPR with assured energy of 2,185 average megawatts - just to remind you that there are still an amount of 90 average MW of additional energy that we were awaiting for the approval of the Ministry of Power and Mining - and we are expecting to obtain that approval for Jirau. Of these 2185 average MW, 73% have already been contracted in the long-term and if we look at the chart on the right (the blue and yellow bars) – this energy is contracted in the long-term for 30 years.

The first PPA (power purchase agreement) of the contracted share that will start in 2013 as you can see in the blue bar in the chart on the right; and the second PPA will start on March 2014 at a contract price of R$ 104/MWh, and you can see in yellow in the chart on the right.

Uncontracted energy which... will be selling it in the free market or in future auctions as we said before the project is to start face commissioning has been scheduled for second half of 2012 along with Camargo Correa and now we have confirmed the schedule and it has been signed, the contract has been signed and very rapidly as you can see the amount of assured energy of 2013 we will rapidly reach a significant amount of energy especially because of the fast capacity of the ramp-up. And as you remember all Jirau Project the amount of assured energy per turbine is very high and so the assured energy will be very fastly reached.

So when we get to 30 or 32 machines… that goes live, that starts operating will reach the full amount of assured energy. The other important point is that the carbon credits for the project will be able to register that in at OSCC. The project will be transferred to Tractebel along with the commercial operation of the power plant and we are expecting this to happen in late 2012 or early 2013.

Now going to slide number 20 some more updates on the schedule and the cost of the project confirming what I said in the previous slide: there have been developments in our agreements and discussions with Camargo Correa and now we are more comfortable to announce the adjusted Capex as long as we have an agreement with Camargo we will disclose to you new numbers and the Capex is R$ 15.1 billion based on December 2011 and if we compare this Capex with the Capex that had been announced before - which was 11.9 in December 2010 - updated to December 2011, considering the parametric formulas of the contract, it would be R$ 12.5 billion and then we add the expansion of the plan installed capacity, that we are estimating to be R$ 1 billion and the balance, especially related to the change of scope and social, environmental investments, adjustments in operation schedules.

It is important to mention that this year was important for the project and for International Power and also for Tractebel Energia. The asset that will be transferred to Tractebel will provide a significant contribution to the Ebitda. It has 445 MW already contacted, practically assured revenue, and another important thing that is worth mentioning and emphasizing and that is very important for the project - not just for Jirau but also for Santo Antônio - is that the entrepreneur of the transmission line has been announcing in the press that their time to start the line will be in the last quarter… third quarter, sorry, of 2012. It is well underway. It has been developing well, we think they will be able to meet the deadline and everything will work perfectly.

Also important is the additional energy of 90 average megawatts we are waiting for the regulators to give us an answer and we will also like to confirm that the project has tax incentives in the region thereby creating or adding value to the project.

Some pictures here to show the construction on the ride to the slide, so the left bank powerhouse, a downstream view and hear the spillway, the downstream view. The spillway already going under, it confirming what we had already told you before that the river was deviated in September 2011 and since then the water is running under the spillway.

Now I turn it back over to Sattamini.

Mr. Sattamini: Now on page 21 talking about our projects, wind projects under construction. We have five under construction (four in Ceará and one in Piauí, a state in the Northeast of Brazil) and actually in Ceará it already has a license for installation issue in October 2011 and we started the construction in two wind farms: Guajiru and Trairí. These wind farms are meant to be contracted by the free market as a priority and in these five parks a significant amount is covered by three or four year term contracts with free customers and our idea is to reach

the market of special customers. Customers who can only buy energy from renewable wind sources such as wind, voltaic, biomass power and this is a market that is possible for us to charge high prices since they pay higher prices for distribution companies.

So now we are seeking bids slightly more profitable markets considering all the wind projects that are on auction that provided a slightly lower return as compared to what was acceptable by the investor.

We now go to page 23 talking about our financial performance. Here again it shows the consistent and constant growth of the company net revenues, Ebitda, net income close to two digits (net income with a growth of two digits) and that has to do with the start of operations of some projects, projects that we invested in 2009 (Areia Branca, Ibitiúva and now the Estreito project) are starting to generate higher results. So Ebitda as of now and net income will have higher growth than net revenues. This is a trend that is being reversed. Last year we had a lot of investments but plants were not in operation yeat.

On page 24 we elaborate a bit more about our net operating revenues. Those components made it grow 5.5%: we had average sales price, which is very important. The average price of the year went from R$ 112.6/MWh to R$ 127/MWh; we had exports and comparing 2010 to 2011 a lot better: we had R$ 153 million compared to R$ 30 million in 2010 and so we had the contribution of Estreito plant and its new four pieces of equipment and we had the reduction of volume. We also had the reduction of R$ 172 million in the CCEE operations because of the hydrology that we had.

So we did not have this year the gain of allocation of energy that we had in 2010 and so comparing year on year we had the reduction of revenues and you are going to see on slide 25 that this fact had an effect in revenues of R$ 172 million, around plus R$ 15 million, and we have the effect of R$ 187 million negative in our Ebitda.

Operations basically because of price we had some nonrecurring events. We had the Ebitda contributions in Estreito with 66 million showing a margin of Ebitda for the project of 76% and we had an Ebitda margin of 37% in exports with R$ 46 million of absolute contribution of Ebitda in the year of 2011. With that our Ebitda grew in the year 11.4%.

Going into the evolution of our net income we had in addition to the factors mentioned before the reduction of financial expenses because of a reduction of the volume of our debt and the reduction of the cost of the debt, a result of two components: first a reduction of the CDI rate and also some changes in the settlement of more expensive debt and the contracting of lower debt. We had an event of the payment of a debenture of the fourth issue that was 110% of the CDI and we had an operation last quarter that reduce the cost of the CDI to 98% of the CDI and that, again, reduced the financial costs this year.

The other components we already mentioned these are just exports, Estreito (we had very high burdens in Estreito because the debt is very recent the

volume of the debt is very high); we had the net effect of CCEE of R$ 123 million and that led us to a growth of net income of 19.5% to R$ 1.448 billion as we mentioned in the beginning of the presentation.

Going to page 27 we talk about our key financial drivers. We had the reduction of energy sold from 3Q to 4Q basically describing the issue of exports. Exports concentrated in 2Q and intensified in 3Q11. In the average the price of energy sold we do not have exports here because exports can distort here the price and is based on the cost of generation and the increase in exports is based on the thermoelectric numbers and so that could distort the average price for your analysis and so exports are excluded here, so this is net of exports.

And you are going to see that there was a minor reduction from 3Q to 4Q. What is that? These are adjustments of contracts. We have contracts with good old possibilities but there was no significant change in prices in contracts with rather in the volume of consumption, contracts all higher or lower volume in each of the quarters.

So just for you to understand we learned about this after analysis because we wanted you to understand why the prices have gone down - that is reflected on our net revenues (again slightly below 3Q) but in Ebitda we had that improvement basically because of the reduction of fuel, of energy sold; and that generated an improvement in our Ebitda going from 725 to 766 and very significant if we compare to 4Q10. Ebitda margin 70% as I mentioned leading to a net income in 4Q of 450 compared to 332 in 3Q - again based on the reduction of financial expenses as we mentioned.

Going to slide 28 this is basically the behavior of our indebtedness. We have a very low level of indebtedness within exchange exposure that is very low. Today we have a ratio of 1.3 compared to Ebitda, a very low indebtedness for a company of long-term investment like ours. Foreign currency accounts just for 6% and this is still indebtedness that remains the from bonds that we cannot prepaid.

But it does not have a significant impact; we had the foreign exchange variation in 2011 in a valuation… the dollar rate went from 1.66 to 1.77 but that did not generate a major impact in our results. So while the impact is reduced and we can live with this we can live with this without a long-term hedge because this is a very long-term maturing in 2028.

Well, with that we have in net debt of 2.9 billion, a growth of 3.6 and on slide 29 we showed then the variations of our net debt. Here we can see that we went from 3.3 and the end of 2010 to 2.9 in the end of 2011. We had 1 billion in the payout dividends, a reduction of cash and availability of course; we paid 599 million in taxes; we had investments of 361 million; accrued interest of 243; a capitalized interest of 101; foreign exchange variation 53 million and a minor variation, negative variation in our working capital.

All that offset by six, seven other items and a generation of cash. I need to take a look again our net debt is 2.9 billion, which shows the company's capacity of dealing with its obligations and generating cash.

On page 30 we again take a look at the profile of our debt; composition of currencies, so you see that in the debt profile we have a slight concentration especially in the second insurance of debt in the next three years but fully compatible - again very though I think - compared to the capacity of generation of cash for the company (400 million in 2012 and 492 and 2013 and 602 in 2014) and then we go to lower levels, basically the amounts of the gap that we have with BNDES and longer-term debt, where we concentrate some years just for you to have an idea for the future.

The cost of debt (6% in foreign currency); the cost of the euro 4.7 and the dollar 5%; in reals we have 94% of our total indebtedness with a cost of 9.2% in reals today compared to 2010 that was 10.4. So because of the reduction of interest rates in Brazil (CDI) and also based on our actions in negotiating with more expensive debt.

The composition of that – again, we talk about local currency, basically most of it concentrated on TJLP (BNDES is the provider of financing for future and long-term investment in the country) with very appealing rates that really foster future investments and as a player of infrastructure Tractebel prioritizes this kind of source for its long-term investment.

Going to slide 31 we are going to talk about our expansion plan and maintenance. We do not have the Jirau here; historically we will only include the project when it is already negotiated. This happened to Estreito. We only added Estreito in the investment plan when the transaction had already been contacted with the controlling company and the same will be true for Jirau. When we have the whole process negotiated and we have to go through all the licensing committees, we have to have independent numbers of our board of directors and they are going to discuss the bases of transfer prices with the controlling company and then after this is contracted and agreed but then we are going to have the numbers in our expansion plan and also our Capex plan.

So just taking a look for 2012 most of the investments are in wind farms, 800, some of it in Estreito because of the four machines that still need to be implemented; some infrastructure work; and we have 180 million approximately in investments for maintenance. We have a major retrofit in the plant of Santiago and Passo Fundo to be started in 2012.

In 2013 the basic investment is Jirau. We did not use a provision for 2011 that was not completed, we are going to have that in 2012 and 2013. But for Jirau this is included in 2013 and with bad the maintenance plan for investment in the company in 2013 and 2014 basically the investments are in maintenance.

Now on slide number 32 we will be talking about our dividend policy, just reinforcing that the minimum payout level according to our bylaws is 30% and we have had a minimum payout police of 55%. Just reinforcing what we have

always told the market: that we do not retain resources unnecessarily because the company has a very good rating, has access to markets that, distribute 100% and thereby R$ 2.19 per share which represents for 2011 a dividend yield of 8.2.

I would like to thank you and now we are going to turn over to our Q&A session.

Q&A Session

Operator: Excuse me ladies and gentlemen; we are now going to start our Q&A session. If you ask the question please press star one and to remove your question from the list please press star two.

Excuse me. Our first question comes from Mr. Wladimir Pinto from Bradesco.

Mr. Wladimir Pinto: Hello good afternoon Previtali, Sattamini and Elio. I have two questions, the first one is regarding dividends. What is the outlook for 2012? We know that there is a pressure for the payment of Jirau; are you going to try to retain some cash for that or are you going to keep your policy as we saw last year?

And secondly… my second question is about the sale of free energy of Jirau. We know that there is a large amount of free energy available in 2013 and 2014. How are you dealing with it? The presentation shows that there is some pressure in the market next year.

Mr. Sattamini: Wladimir this is Sattamini. I am first going to answer the question of dividends regarding Tractebel Energia. Well, the idea is for us to go back to paying 55%, precisely due to the reasons I said: because we need to buy the Jirau project.

As to Jirau I am going to turn it over to Elio so that he may answer your question.

Mr. Wolff: Hi Wladimir. For 2013, 2014 they will be more critical years in terms of uncontracted energy. Now that we have come to an agreement with Camargo Correa we know more about it and so we are more comfortable to move forward in terms of the sale, especially with regards to 2013. At this moment we are discussing this with ESBR shareholders and we are going to find alternatives to sell this energy. As I said before this can happen in the coming existing energy auctions; but it is always important to emphasize that we have expressive volumes for 2013, 2014.

But in the long-term we see that our volumes are quite reasonable if you look at the 593 MW, which is the total amount, our share is half of this, so it is very much manageable in terms of the portfolio of our group in Brazil and in the long-term we are not so much worried.

But yes, this is true. In the short-term there is some pressure in the market, a negative pressure in terms of energy prices. This is challenging; but we believe that we might address well the energy, particularly for 2013

Mr. Pinto: Thank you very much.

Operator: Excuse me. Our next question comes from Mr. Sérgio Conti from Goldman Sachs.

Mr. Sérgio Conti: Good afternoon to everyone. I have two very brief questions: the first one is for Elio about Jirau. Could you tell more to us about these additional R$ 1 billion? When I do the math here considering the previous reference of Capex - and I consider the project of the 3.3 GW - I guess an average price per installed MW is more or less US$ 2.2 million. When I look at the additional turbines (1 billion for 450 MW) it is 58% of that amount about 1.3 million.

Historically at least the reference that we have is that once you look at a group of power plants this is about 35% to 40% of the total amount of construction and here I can see 60%. So these R$ 1 billion already consolidates those additional 90 MW or not?

Mr. Wolff: Well, the 1 billion in terms of the additional machines so this is our budget for this additional investment and it includes not just the 209MW of assured energy of the additional amount but also the expectations of this additional energy. When it is going to be effectively allocated, well, we are still discussing that with the Ministry and Aneel. But yes, it does include and we are expecting to have additional assured energy.

Mr. Sérgio Conti: Excellent. Another question more for Sattamini. Comparing your Capex plan that you have announced now, the updated one in 3Q, for 2011 you ended up having a smaller number and in 2011 you have a guidance of 460 million and you closed… there is a difference of 140. Once you carry it forward to 2012 you have 131 extra and so the number for 2013 is stable in the guidance of R$ 605 million and my question is from 2011 to 2012 why is there this discrepancy and could you give us a better idea of the 605? Because if I understand this correctly you are including an amount that should be carried over or related to the transfer of Jirau and some additional amounts related to maintenance. Could you break down the 605?

Mr. Sattamini: The R$ 605 million we have what has been retained for Jirau, what has already been retained in 2010 - it does not mean that I will pay everything then – R$ 88 million for maintenance and R$ 6 million that are still remaining from Estreito and R$ 511 million for Jirau. So even though the project is in operation there is some infrastructure, some minor constructions that are still being done now that the power plant is fully operational.

As to the difference in Capex I am sorry; I could not keep up with your calculations. But these are investments that were not made from 2011 and were transferred to 2012: some things related to wind farms; some things related to

Estreito; and also part of it is price adjustment. Once we redo the calculations we have also to adjust prices and so there is no significant amount that has changed. I do not know if that is what you are trying to find; but that is the explanation I can give you for now.

Mr. Conti: Thank you Sattamini. If you could give us an indicator in terms of the R$ 411 million, which reference are you using?

Mr. Sattamini: Which number are you talking? 411? It is not 411, it is R$ 511 million. It was the amounts retained if you look at 2010. In 2010 we had a prophet for attention for the future purchase of Jirau and this amount you can check at the minutes of the board of directors that decided about that and was then later ratified in a shareholders meeting. So this amount was reserved because then we thought that the transfer would take place in 2011. In 2011 we effectively could not do the transfer yet and obviously the money was retained and stayed the company's cash account and now it has been reallocated for investment in Jirau, which is the purpose that will most likely be done in 2013.

That is when we are going to… because we are going to complete construction and everything late this year and then there is all the paperwork, all the bureaucracy in terms of approval by the government and many regulation agencies.

It takes a while for everything to go through all of this decision instances and we think that this will only effectively take place in 2013.

Mr. Conti: So, I should not take this as a reference for the price of Jirau because everything will be recalculated?

Mr. Sattamini: the R$ 511 million was the amount that we calculated back then; we payout 55% at that time, the remaining amount we retained for Jirau, which was R$ 511 million. This has no relationship whatsoever with Jirau's price. Jirau's price we will only know when the transactions with related parties' committee come to an agreement about the price with the controller shareholder.

Mr. Conti: Thank you very much.

Operator: Our next question comes from Alexandre Kogake from Citigroup.

Mr. Alexandre Kogake: Hello good afternoon everyone. My first question is also with regards to Jirau. I would like you to give us a bit more detail in relation to the increase of Capex especially the R$ 1.6 billion, which is a change in scope and schedule. So I would like to know why there was this increase of Capex.

And the second question is with regards to energy prices. I was taking a look at the release of International Power and they give indications that the price in the free market dropped by R$ 30/MWh if you compare last year to what we see today in the market and then I would like to understand if they are talking about

spot price, prices to the free market… and what year this reference would be and what would be the current amounts? Thank you very much.

Mr. Wolff: Well, first with regards to Capex well, the 1.6 includes environmental investments that are additional. You have to understand that this project does not have a close price. We have our estimates and a closed price for each item - concrete installations, excavations, etc and as the construction evolves these items are paid depending on what is truly realized.

So this 1.6 (the amount that is being discussed in the reimbursement of insurance) it might have some recovery there and we have an important part of additional contingencies in these 1.6. So we include an additional contingency for the completion of the construction. So that is all in the R$ 1.6 billion.

As for energy prices the guidance that we had abroad this is basically what the objective of guiding investors as for expectations, forecasts that we made in the past. In fact when we had the merger the market had some kind of guidance for the years of 2012 and 2013 and International Power felt the obligation of updating the market as for the forecasts for 2013 compared to what was released before and that is why you have these decrease of R$ 30/MWh.

Mr. Sattamini: Perhaps I can help. I did not take part in the preparation of the slides; which is for you to have an idea what we experienced in Tractebel if you think of prices of 2010 of R$ 125/MWh to R$ 130/MWh that we were talking 2010 today we are talking in the short-term 95 to 100, which is a quite low price. I think this price is going up as projects are being delayed. But this is more or less along this line.

Mr. Wolff: Just to reiterate it has nothing to do with settlement price differences; it has to do with expected prices of energy for future years.

Mr. Kogake: Ok thank you very much.

Operator: Excuse me. Our next question comes from Reginaldo Pereira from HSBC.

Mr. Reginaldo Pereira: Hello everyone, good morning. My question is also about the investments in Jirau. This increase now, how will this be monitored in terms of financing? And what the final capital structure of the project is going to be like?

Mr. Wolff: Well, we did not mention in the slide that there is a very advanced discussion with BNDES to have an additional credit line. This has been going on for some months now and I believe in the next months we are going to have some positive news about an additional credit line that will cover not only expansion but cost variation. So the amount, because it is still being discussed, we prefer to wait for completing the negotiations with BNDES to give you more information on that.

Mr. Pereira: Ok, thank you very much.

Operator: Ladies and gentlemen we would like to remind you that if you want to ask the question just press star one.

Excuse me. Our next question comes from Vinícius Canheu from Credit Suisse.

Mr. Vinícius Canheu: Hello, good afternoon everyone. I would like to ask about auctions, A-3 and A-5, schedule for the 1st half 2012. Do you have any opinion about the possibility of having these options in this period – especially A-5? Because we still have the problems with licensing that we had last year. So do you have any expectation or any thoughts on that?

Mr. Sattamini: Well, maybe International Power can even give you a better answer on that about the developments of hydro's, that can happen, especially, Teles Pires, São Manoel, Tapajós and others. We believe that to the government the focus is perhaps not this. If you see the excess supply that we have in the short-term the government is in a quiet comfortable position to stretch these times a bit.

I am not really following this process. I know that the licenses are a problem. I think they are going to be conducted in A-3 because the government wants to hold the auctions every year but perhaps the appetite for quantities is not as big because of the situation that we have in the market now.

Mr. Canheu: Ok thank you.

Operator: Excuse me. Our next question comes from Mr. Sergio Tamashiro from Safra Bank.

Mr. Sergio Tamashiro: Good afternoon to everyone. Sattamini, could you give us more details in terms of how you are going to take the loan for the purchase of Jirau? So if you have R$ 15 billion of total Capex, Tractebel's share will be R$ 7.6 billion, more or less; so your net debt of R$ 3 billion will go up to more than R$ 11.5 billion more or less. So how are you thinking about this? In terms of loans you are going to take from banks? Just to remind you that especially over the next few years in the near future until 2015, most of the energy of Jirau is not contracted. So is this a problem? The transfer will not be made until PPAs are signed? So what will be the financial solution for the acquisition?

Mr. Sattamini: Thank you very much. You mentioned something very important. Until we have a price definition it is difficult to decide how to fund it. Just to remind you that the R$ 7.6 billion regarding IPR-GDF SUEZ in the project is already funded, so there will be a R$ 5 billion of additional debt, we already have a net debt of approximately od R$ 13 billion and we are talking about a net debt totaling R$ 8 billion with Ebitda generation amounting to R$ 3 billion and so it is 2 point something more or less that we are talking about.

So it is still quite reasonable and this BNDES debt would raise total Ebitda over debt to be 2.6 times, 1.5 more or less the Ebitda and it would make sense to do it through debt or the payment with the company's own cash or whether we

would do some type of reduction for this acquisition. We have not yet decided that and I think the capital structure for the acquisition will be discussed in the related parties' committee, and the definition of the details of the negotiation as well. Let us say prices are very uncertain and there will be some sort of mechanism of compensation from one side to the other. So this will be discussed, this will be a matter of the related parties' committee and let us say that the energy price on the market will be about R$ 100/MWh and we may determine this as a relative price and to create mechanisms for the compensation of prices so that controllers and the controlled companies and GDF Suez may have a system for the pricing.

So these are things that will be discussed in the related parties' committee and may be considered. I am not saying that it is going to be this or that; but there are many uncertain points in that project yet. One of the main uncertainties, is related to the schedule which is being mitigated at this moment.

But we will try to humble all other uncertainties so that this is a business considering the size of the project so that this is good for any investor whether they are investors from Tractebel Energia or investors from International Power GDF Suez.

Mr. Tamashiro: I understand. As the acquisition of Jirau is a fact so you are going to get to a point of 2.5x, 3x of your Ebitda. So this has been agreed on already. Now what about the future, new investments? This year you will not be participating in new energy auctions like A-3, A-5? Or we can still see both occurring at the same time

Mr. Sattamini: Well, we don't see 2.5x, 3x Debt/Ebitda as a large number. Nowadays, the market sees 3.5x Debt/Ebitda as a reasonable indebtedness for long-term investors in infrastructure and so we still see some space. The question is will new projects be able to offer a profitability which justifies allocation of funds. Something that we have not been seeing in the recent past and you can see that in previous actions for the past two years more or less, we have not participated... we have only participated so as to gain knowledge and to be in the market.

But we have a very strict financial discipline that is very well decided inside the group that does not permit us adventures. So while the market keep accepting returns below what we consider reasonable we are not in, we are out. So this is not a question of capability of facing new funding. It is a rational decision of resources allocation.

Mr. Tamashiro: Along those lines, that 3x debt over Ebitda is not as critical it once was, and considering the lower interest rates currently in effect, what sounds reasonable for you? One limit within the Utilities industry? What does the controller find reasonable?

Mr. Sattamini: The market today is signalizing that a company with these features could be close to 3.5x debt/Ebitda to keep the liquidity and risk levels that we have today, which is AA+ Brazil, the investment grade international.

Mr. Tamashiro: And just for my understanding, something that is not really clear to me: these R$ 511 million that have been retained for Jirau in 2010, this cash, this is your cash disbursement or this will be used to pay the R$ 15.1 billion or R$ 7.6 billion, considering your share?

Mr. Sattamini: These funds they are cash meant or allocated to Jirau Project. They can be allocated to compliment later investments because we are going to buy but we still need cash to compliment the construction. Since, once we buy it, there will be, lets say, four units in operation but we will still have 46 to implement and so we will need to spend. We will keep on having to have expenses and so it can be to compliment cash; it can be resources meant for the project. But they have not yet decided how it is going to be used.

Mr. Tamashiro: So instead of paying R$ 7.6 billion it would be less. You are not going to pay the full amount for the construction;

Mr. Sattamini: Let's say, instead of paying R$ 2.6 billion I could pay two point something; I pay one and the rest I will take in as future investments.

So at the moment we will decide what is the amount, what is the equity and we will do the transaction base on that. Once we get to the present value, if the of equities is higher there is a slight premium, if it is smaller there is a discount; so we will be working on that - and this is the work of the related parties committee. So these 511 were funds that were retained based on a 55% payout at that moment.

Operator: Once again if you want to ask a question just pressed star one.

Our next question comes from Gabriel Laera from Espírito Santo Bank.

Mr. Gabriel Laera: Good afternoon everyone, thank you for the opportunity. I would like to talk a little bit about Jirau, but in terms of Tractebel today. I got the information through Chesf ITR about the Consortium that there were R$ 2.5 billion equity already allocated, so if you are going by 50% of the project, you will pay R$ 1,250 million for the equity that has not been already allocated by GDF. Of the 15.6 minus this amount, is this what you will need to have in terms of debt or you will need further allocation after the project?

Mr. Sattamini: Well, that has not been defined yet. It might be indebtedness, debt with the market, with the controller itself; depending on my capacity to generate cash; it can be an increase in capital. Let us supposed that the controller wants or can increase its share or open the possibility to increase the share of the capital of the company for some reasons; let us suppose it is a time that the international market is not attractive yet and they are going to invest otherwise.

So this depends a lot. We have our analysis, we have options that are analyzed but that will depend on the scenario at the moment of the transaction.

What is important is that we do have access; we have willingness; the controller is not desperate after money; they have already considered the possibility of increasing capital. I do not know if this is going to happen when we have to make the decision about Jirau or not.

But we have options open and so I would not like you to stick to just a model because that will be solved according to the model of negotiation transfer that is more suitable at the time.

Mr. Laera: Ok, but another point then: I understand that there is nothing defined; but the definition of this point will result in the maintenance of a lower payout for a longer time. Is that correct? Is that a correct interpretation?

Mr. Sattamini: Well, I can have increasing capital and maybe allocate less of my cash flow and continue with a higher payout - but then I am calling capital, I am calling capital from investors to give it back later on. So these movements that you were mentioning are correct and we also have to identify the interest of investors as a whole.

Mr. Laera: And given this positioning what is the timing then that we are going to see? Are these meetings going to be held in 1H? Is it something for the future?

Mr. Sattamini: I think that by the end of 1st half 2012 we are going to start talking about that. This is one of the targets that we had aligned in the end of the year. This committee is something new to us. We do not know exactly what the dynamics is going to be; they are going to hire advisers; there is not a whole new dynamics that we are going to learn about and lots of work, deep analysis. So I think that we will have to start sometime at the end of 1Q so that they have the time to be ready in the end of 2012 to negotiate and complete the transaction.

Mr. Laera: Ok, so just going back to Jirau - and perhaps Elio can help me with that - the R$ 1.6 billion is it in the account as a higher future Capex? With which counterpart? Is it additional capacity or is it in the initial margins or associated a bit of a change of scope, technical changes in the project? How do you interpret that and how do you see these 1.6 being made feasible? The idea is really that: how feasible is this?

Mr. Wolf: So just to recap these 1.6 they encompass a significant amount of additional contingencies that we added to the project just to have more insurance, tranquility in execution. So it is very difficult to talk about isolated factors of the project. In a project some things go right and some not so much and so there are other extremely positive projects in the project that are going to be made feasible very soon: we have carbon credits, I believe these credits will generate a significant amount of revenues to the project; we have the addition

all credit line that is going to come out; we have the assured energy, additional energy.

So all these, I can say, again, is that a project of this size, of this magnitude, that surely will have things that will go very well and others that did not go so well. We had a delay in the beginning of operations and so all that goes into one basket and in the end of the day we do believe in the project. We are perfectly convinced it is a good project and that we are going to deliver as planned.

Now things change, things evolve during implementation - and even in start up of operations that are things that are going to be made to material and once again it is very hard to isolate just one factor and try to analyze it.

Mr. Laera: Ok, I do not want to take much more of your time; but by the end of December this year how much percent of the construction will have been completed in terms of Capex, in terms of spent amounts of money?

Mr. Wolf: In our presentation we have that at December 2011 of the R$ 15 billion, R$ 8.4 billion were already spent.

Mr. Laera: And by the end of this year we would have 100% for 2012?

Mr. Wolf: No, no. Most of the construction work will be finalized so we will stop with civil construction but you have the installation of turbines; then the turbines will keep being installed in 2013 and 2014. So it is true that a large amount will be finalized but it is not 100%, no.

Mr. Laera: Ok, thank you very much.

Operator: Well we are now closing our Q&A session. I would like to turn the call over to Mr. Eduardo Sattamini for his final remarks. Please Mr. Sattamini you may go on.

Mr. Sattamini: I would like to thank you all for participating, for joining us today, especially your questions. They really help providing a better understanding of our business in Brazil, both of Tractebel and International Power and we count on you on the next releases and your attention to our results. Thank you very much and best regards.

Operator: Tractebel's conference call is now closed. We thank you for participating and have a good afternoon. Thank you.